Annual Report 2008

SCHALTBAU GROUP 5-year summary

Group key financial figures		**2008**	**2007**	**2006**	**2005**	**2004**
		IFRS	IFRS	IFRS	IFRS	IFRS
Order situation						
Order-intake	€ m.	281.2	271.9	232.8	200.6	191.5
Order-book	€ m.	181.6	181.3	129.4	109.1	110.5
Income statement						
Sales	€ m.	280.2	232.1	212.7	203.9	215.0
Total output	€ m.	282.4	236.1	215.8	204.5	215.0
EBIT	€ m.	21.9	14.1	11.8	12.1	9.1
EBIT margin	%	7.8	6.1	5.5	5.9	4.2
Group net profit	€ m.	13.1	8.2	6.0	5.0	3.0
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	11.8	7.2	5.0	3.9	2.0
Return on capital employed	%	19.4	14.0	13.6	13.9	10.8
Balance sheet						
Fixed assets	€ m.	60.5	60.2	49.2	48.8	48.2
Capital expenditure	€ m.	4.6	5.4	3.7	3.7	4.6
Amortisation and depreciation	€ m.	5.1	4.6	4.3	4.2	4.2
Working capital	€ m.	52.2	40.9	37.9	38.1	35.5
Capital employed	€ m.	112.6	101.0	87.0	87.0	83.7
Group equity	€ m.	8.6	-2.1	-10.1	-15.3	-25.5
Net liabilities to banks	€ m.	37.7	41.4	43.8	44.3	52.3
Balance sheet total	€ m.	168.1	164.7	140.0	136.7	142.5
Cash flow statement						
Cash flow from operating activities	€ m.	13.0	16.1	8.8	9.5	10.0
Cash flow from investing activities	€ m.	-8.3	-13.0	-5.0	-5.4	-3.6
Cash flow from financing activities	€ m.	-7.4	0.0	-3.5	-8.3	-11.8
Change in cash and cash equivalents	€ m.	-2.6	3.3	0.2	-4.1	-5.5
Personnel						
Employees at 31 December	Number	1.599	1.551	1.456	1.475	1.494
Average number of employees	Number	1.424	1.372	1.300	1.317	1.344
Personnel expense	€ m.	79.4	74.8	71.9	70.4	70.2
Personnel expense per employee	€ 000	55.8	54.5	55.3	53.5	52.2
Total output per employee	€ 000	198.2	172.1	166.0	155.3	160.0
Key fin. figures for Schaltbau Holding AG		**2008**	**2007**	**2006**	**2005**	**2004**
Subscribed capital	€ m.	6.850	6.840	6.840	6.840	4.392
Equity of the AG	€ m.	49.4	41.8	36.3	34.2	22.9
Equity ratio of the AG	%	58.0	52.5	48.2	47.5	33.8
Stock market price at 31 December	€	38.8	45.5	27.8	22.1	13.5
Market capitalisation at 31 December	€ m.	72.6	85.0	52.0	41.3	15.8
Earnings per share (undiluted)	€	6.35	3.85	2.67	2.55	1.63
Earnings per share (diluted)	€	5.94	3.85	2.67	2.34	1.42
Dividend per share	€	0.50	0.30	0.15	0.06	0.00


NOTBREMSE
Missbrauch strafbar
Notbremse
Handgriff nur
bei Gefahr ziehen
Mißbrauch strafbar
Emergency Brake
Pull brake only in
case of emergency
Misuse will be punished
Alarme
Ne tirer la poignée
qu'en cas de danger
Tout abus sera puni
Freno d'emergenza
Tirare la maniglia solo
in caso di pericolo
Ogni abuso verrà punito

Schaltbau Holding AG is guiding the Group on a course of sustained, profit-oriented growth. Its objective is to double earnings per share within the next five years.

The Group management acts strategically and in feasible steps. Our dedicated staff and consistent investment policies secure tangible competitive advantages for customers through the development of innovative products, the utilisation of leading-edge technologies and the continual expansion of our expertise.

The companies of our Group continue to pursue the path of internationalisation in a purposeful manner. We intend to expand our share in target markets. In the growth regions of eastern Europe and Asia we are strengthening our presence and gaining new customers in new markets.

The Executive Board

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

Waltraud Hertreiter, Rohrdorf

Waltraud Hertreiter

Dr. Jürgen H. Cammann

Dr. Jürgen H. Cammann,
Executive Board Spokesman

DEAR SHAREHOLDERS,

The last fiscal year was one that those of the Schaltbau Group can be proud of. Not only did we surpass our earnings targets considerably, we also achieved the best result since going public in 1994 without compromising any of our future interests. In a market environment favourable to the companies of the Group, the broad acceptance of our innovative products, systems and solutions contributed to this success, which manifested itself in sales revenue growth of over 20 per cent and a 65 per cent jump in earnings per share to € 6.35.

We were again able to substantially improve the situation of the Group during the year under report. We successfully eliminated the negative Group equity stemming from the years of crisis prior to 2003 and at the balance sheet date 2008 the Group recorded a positive amount of € 8.6 million. That is equivalent to an equity ratio of 5.1%. Including participation rights capital, which is similar in nature to equity, Group equity stood at 9.3%. We may not yet have reached our goal but we have, however, again amply proven that we are proceeding along the right path.

In doing so we have made progress in all of our core fields of business. In its first complete fiscal year since integration, Pintsch Bubenzer made an unexpectedly good contribution towards Group earnings. The Rail Infrastructure business field performed with great robustness despite the weak business environment for Pintsch Bamag. In the Door Systems business field Bode was successful in strengthening its market position, particularly with regard to railway vehicles. A great number of product innovations and the expansion of its international presence gave Schaltbau GmbH increased business impetus. These factors enabled the company to more than compensate for the demand that has been declining in several fields of industry since the beginning of the financial crisis in the fourth quarter of 2008.

On the stock market, Schaltbau‘s successful performance was initially rewarded with a share price increase and at the beginning of August Schaltbau stock reached its highest point for the year at € 54.00. However, the growing intensity of the financial crisis triggered a general price slide in September 2008 and the situation also took its toll on the price of Schaltbau stock, which finished the year approximately 16 per cent lower than at the beginning. It did, however, perform appreciably better than the market as a whole. The TecDAX plummeted by almost 48 per cent during the same period.

The mood on international financial markets became even worse during the first months of 2009. Considerable funds were repeatedly withdrawn from the major investment companies and shareholdings had to be sold at any price in order to safeguard liquidity. Fundamental criteria were often completely disregarded. The trend resulted in a slump in share prices right across the board, including those of companies of good substance. Schaltbau stock managed to perform relatively well in the midst of this scenario. In our opinion, however, the Schaltbau Group is currently very favourably priced on the stock market and for this reason we expect Schaltbau stock to witness a rise far above average as soon as a general recovery takes place.

We wish to actively promote this potential. Even in the currently difficult macroeconomic environment we will consistently continue to actively pursue our long-term strategy of sustainable growth in earnings. Product innovations and their market success were the basic materials for creating the healthy foundation from which we started the fiscal year 2009. We intend to continue unabated in our efforts in the research & development of new products. We think and plan with a degree of foresight which far exceeds that of the current year. Examples of this are the CADS Compact All-round Drive

System in the field of door systems for buses and the expansion of our range of products for the wind power market, which will assuredly continue to grow in the future. Apart from the permanent strengthening of our range of products, we are also in the process of expanding our international business basis. In all of these endeavours quality, customer proximity and cost awareness are constant key factors for success.

The acquisition of Machine Electrics was the right course of action in a difficult business environment and thus enabled Schaltbau to not only form a basis for its marketing activities in the United Kingdom, but also gain access to key major customers in the business of distributing components to the after-sales market. We will benefit from this acquisition during the next market recovery.

The financial crisis had only a marginal impact on our performance last year and again in the first months of 2009 business volumes have met our expectations. Nevertheless we are making careful preparations to deal with any possible recession scenarios. These measures will enable us to take swift action if our markets should require us to do so. At the present point in time, however, we remain optimistic with regard to the current year. With our products we are well positioned in all relevant markets. In 2008 Schaltbau recorded almost half of its sales revenue in the railway sector, which is currently profiting from the wide-ranging investment programmes designed to stimulate the economy in 2009 and 2010 and will most likely continue to do so for a number of years to come. At international level too, the amount of investment remains high in the railway sector, for both infrastructure and vehicles. Due to the high speed of implementation we are already participating in these programmes in China.

Long-term trends also speak in favour of Schaltbau. The price of oil will continue to rise with its increasing scarcity and the cost of individual transportation will also constantly increase. Our main customers will benefit from this development. In the media the question is slowly being raised as to whether we are in a deep economic crisis or possibly even in a general crisis that affects our entire system. One of the greatest challenges facing each country in the 21st century is the overcoming of the severe problems for large sections of humanity associated with the increasingly rapid changes in the world‘s climate. The only answer can be a drastic reduction in greenhouse gas emissions. On the other hand the mobility of the population and the worldwide trading of goods will, of course, continue to grow. A key element in reconciling these opposites will be energy-efficient forms of transportation. For this reason we are convinced that Schaltbau is in the right fields of business. Despite the increased uncertainty regarding the global economy we maintain the forecast made in October last year in which we announced earnings per share in the region of € 6.20 for 2009. Presuming the markets relevant for the companies of the Schaltbau Group do not suffer a major collapse during the current fiscal year we are confident of achieving this objective.

Dear shareholders, the future prospects for the Group continue to be promising. Without the trust that you placed in us, the Executive Board and the employees, the Schaltbau Group would never have been able to perform and develop the way it did over the last few years. We would like to thank you formally for that trust. We also wish to thank our employees in equal measure. Without their commitment the commercial success of the Group would not have been possible. I can safely assure you that we will firmly continue to tread the path of profit-oriented growth and we sincerely hope you will continue to accompany us along this path as shareholders in the future.

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Company and Group Management Report of Schaltbau Holding AG 2008

A brief summary of the fiscal year 2008

In a favourable market environment the Schaltbau Group continued to steer its proven course for success in the fiscal year 2008. The Group recorded a 3.4% increase in incoming orders to achieve € 281,2 million and sales revenue even rose by 20.7% to total € 280.2 million. Group net profit for the year (after profit attributable to minorities) reached a new record at € 11.8 million. The result is equivalent to earnings per share of € 6.35, thereby surpassing the upwardly adjusted prediction of € 6.20 made in October 2008. In view of this fact the Executive Board will make a proposal to the Supervisory Board to raise the dividend from € 0.30 to € 0.50 per share. This pleasing development also allowed the Group to make great progress in balance sheet terms. The negative Group equity resulting from the years of crisis prior to 2003 was eliminated and the equity ratio stood at 5.1% on 31 December 2008.

Major events during the fiscal year

At its meeting on 7 March 2008 the Executive Board determined to put forward a proposal for the appropriation of profit to the Supervisory Board after the dividend for the fiscal year 2007 rose to 30 cents per share following a dividend of 15 cents one year earlier. The further improvement in the Group earnings situation and the positive medium-term economic outlook for the companies of the Schaltbau Group made this step possible.

Business development was highly pleasing in the first quarter 2008 and surpassed both the previous year‘s figures and the Group‘s own expectations. This was followed by sustained good sales performance throughout April and May. In June the Executive Board upwardly adjusted its forecast for the fiscal year 2008 and earnings per share of € 5.50 to € 5.70 were announced. The Executive Board had previously been expecting a figure between € 4.50 and € 4.70 after earnings per share of € 3.85 in 2007. The continued good business performance in the further course of the fiscal year again prompted the Executive Board in October to raise its earnings forecast for the full year to € 6.20 per share.

In June the Executive Board also determined to list the Schaltbau share (ISIN DE0007170300) in the Prime Standard segment of the Frankfurt Stock Exchange. With this move, the Executive Board made allowance for the increased corporate significance of Schaltbau on the capital market, reflected in the increased international orientation of the Group and the market capitalisation achieved.

In order to additionally strengthen its international market position in the field of electromechanical components, on 24 July 2008 Schaltbau GmbH and its newly formed subsidiary Schaltbau Machine Electrics Ltd. acquired the UK based Maschine Electric Ltd. In a further step all of Machine Electrics Ltd’s assets and liabilities were transferred to Schaltbau Machine Electrics Ltd. The first-time consolidation took effect as of 1 August 2008.

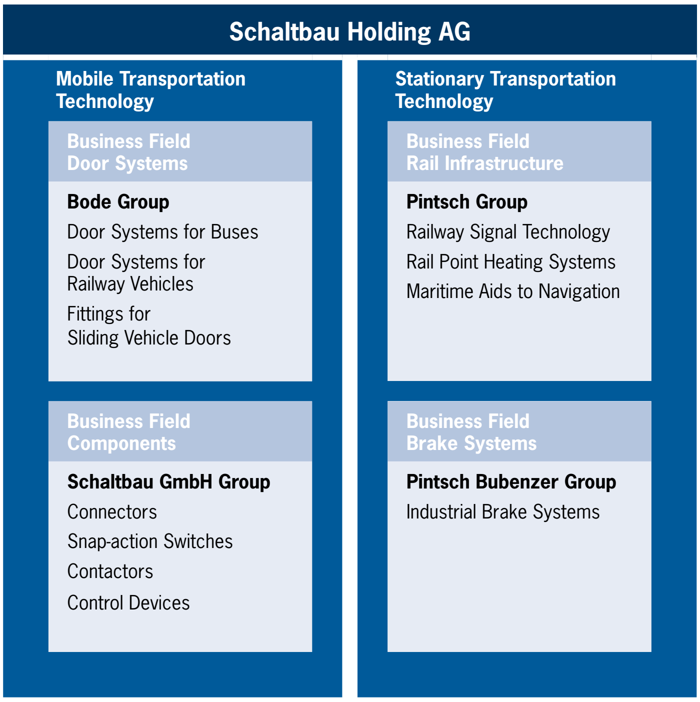
Bubenzer Bremsen Gerhard Bubenzer Ing. GmbH, which had been part of the Schaltbau Group since 1 July 2007 as a result of its takeover by Pintsch Bamag, was renamed Pintsch Bubenzer GmbH in mid-2008. The integration of the brakes business of both companies under the umbrella of Pintsch Bubenzer was completed by the end of the third quarter. The brakes business of Pintsch Bamag became integrated in Pintsch Bubenzer with economic effect from 1 January 2008. The measure is designed to generate important synergies, with particular regard to sales.

Activities and general economic environment

Structure of the Schaltbau Group

Schaltbau Holding AG is the management holding of the Schaltbau Group. The holding is responsible for key areas of operation for the Group as a whole. These areas include central finance management, Group financial reporting, the controlling of investments and the group-wide supervision of personnel, legal, fiscal and strategic matters.

The operational activities of the Schaltbau Group are divided into two product-oriented segments. Each of the companies are assigned to the segments for which they generate the most sales with their respective products. Each segment is divided into two business fields, each of which is operationally managed by a subsidiary:



Business activities

Mobile Transportation Technology

Gebr. Bode GmbH & Co. KG represents the **Business Field Door Systems** with the product groups Door Systems for Railway Vehicles, Door Systems for Buses, and Fittings for Sliding Vehicle Doors. With investments in China, Turkey and Poland the company develops sales volume potential worldwide. The market launch of Bode Innovative Door Systems (BIDS) in 2005 represented a milestone on the road to international success in the field of door systems for railway vehicles.

The BIDS system consists of the door itself, the sliding or folding step, the drive system and the intelligent controls, supplemented by emergency handles. The system‘s elements are all highly standardised and modularly applicable. Thus, with very few exceptions, Bode is currently capable of covering the entire profile of the rail industry's requirements for doors and boarding aids while at the same time satisfying individual customer needs. This know-how makes Bode one of the leading manufacturers in its field in Europe and a key partner for railway systems producers worldwide.

Innovation and a high degree of standardisation safeguard Bode's position as European market leader in the field of door systems for both city buses and coaches. Bode supplies complete door systems including electronic controls and boarding aids. The components can be optimally combined with each other to suit the requirements of the customer. More space, less weight, reduced costs for installation and adjustment and an electrical system with low power consumption ensure a higher degree of flexibility as well as low service and energy costs. With new and enhanced products such as the Compact All-round Drive System (CADS), which was presented as a prototype at the IAA Commercial Vehicles 2008, Bode endeavours to continue expanding its international market position.

The product group Fittings for Sliding Vehicle Doors comprises guiding and closing systems for sliding doors. Bode supplies well-known manufacturers of commercial vehicles in this field.

Schaltbau GmbH is responsible for the **Business Field Components**. The company's product groups comprise Connectors, Snap-action Switches, Contactors and Control Devices. Apart from its German locations in Munich and Lower Bavaria, Schaltbau GmbH maintains on-site presence in key international markets with investments in France, the USA, Great Britain, Hong Kong and China. All of the products in this business field are manufactured to meet the highest of specifications, for a wide variety of mostly lucrative niche applications.

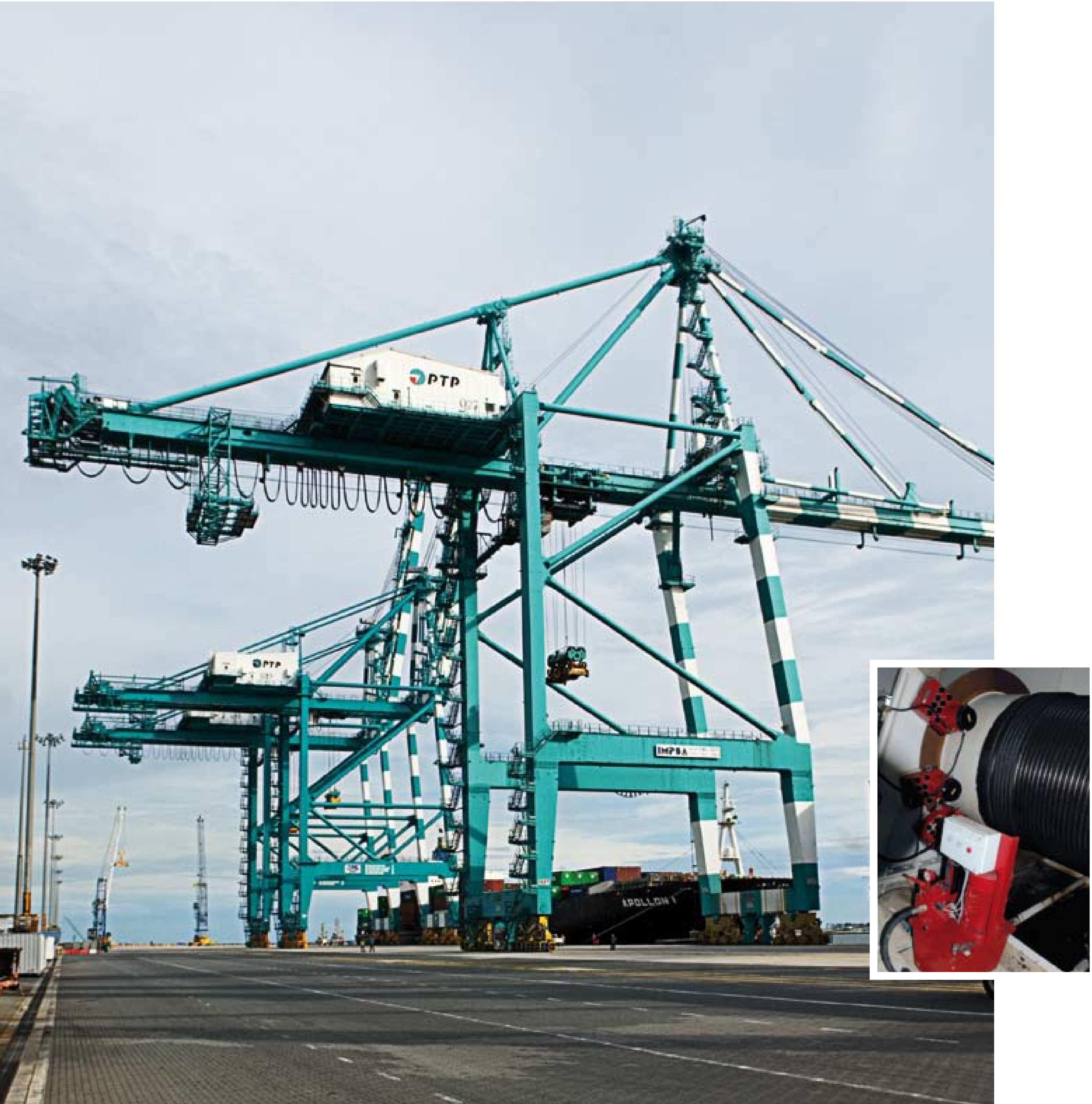
Connectors are used in many areas of communication and railway technology as well as in industrial trucks and numerous other industrial applications.

Snap-action switches from Schaltbau are known for their high reliability, long service life, safe dependability even under the strain of shock and vibration and above all for their positive opening operation feature. Due to its broad range of capabilities this type of switch is suitable for all kinds of safety applications and for this reason is built into door systems of widely varying rail vehicles such as local and long-distance trains, trams and underground trains. In this field Schaltbau GmbH is one of the world's market leaders. The company also caters for a number of niche markets including unusual sports like parachuting. Furthermore, the trend towards miniaturisation presents the company with entirely new fields of application for this product group.

Contactors from Schaltbau are needed in all situations in which high-current applications have to be switched using low current. The quality of a switching device can be seen most clearly when switching it off. In doing so electric arcs are ignited between the contacts as they open, which have to be reliably extinguished within a few milliseconds. Schaltbau contactors dependably perform this function in industrial trucks as well as in emergency power systems that, for instance, play an important part in sustained data security during power cuts in telecommunications facilities and computer centres as well as in locomotives and traction units.

Control Devices are specially designed for the requirements of railway vehicles and play an important role in their safe and comfortable operation. The product range includes driver's cab and passenger equipment, high-voltage switchgear, heating and roof equipment, electrical braking equipment and also project planning and special equipment.

Schaltbau Machine Electrics adds strength to the Components business field, particularly with its contactors for industrial trucks and emergency power supply units. Furthermore, Schaltbau GmbH significantly improved its market position in the UK with this acquisition. XI‘AN Schaltbau Electric mainly produces components for the railway market such as contactors, master controllers, toggle switches and dead man‘s foot switches for the Asian market. Shenyang Schaltbau Electrical Corporation, the joint venture founded in December 2006, is geared towards the production of contactors for industrial applications. Schaltbau France mainly handles the French market.



Stationary Transportation Technology
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH is the leading company in the Stationary Transportation Technology segment of the Schaltbau Group. Pintsch Bamag is operationally responsible for the **Business Field Rail Infrastructure**. The most important product group in this field is Level Crossing Safety Systems. Apart from the proven fully electronic RBUET level crossing system, the flexibly usable BUEP hybrid technology and the manually operated hLz technology the company offers a broad range of technically mature signal components. Pintsch Bamag has eighty years of valuable experience in railway signal technology to fall back on. Working from this well-founded knowledge base the company develops products that not only mean low investment costs but also meet highest standards in terms of life-cycle costs. In view of these facts Pintsch Bamag is one of the key suppliers of level crossing systems to Deutsche Bahn AG, the German national railway network, as well as numerous private, company and port railway systems.

The Vehicle Equipment product group includes illuminating systems for railway vehicles. The lighting systems from Pintsch Bamag have been tried and tested over decades with locomotives, traction units, passenger coaches and trams as well as underground and commuter trains. The product spectrum includes multi-functional front lights, signal lights, rear lights for locomotives, long distance lights, timetable reading lamps for drivers and brake indicator lamps in leading-edge LED technology.

Components for power supply in railway vehicles form the second sub-group in the product group Vehicle Equipment, which includes a broad range of battery chargers, inverters and converters as well as complete power supply systems. These components serve to safeguard the power supply for all auxiliary units in motor vehicles, passenger coaches and wagons in railway transportation systems. They provide power for air conditioning, lighting and heating and are thus largely responsible for ensuring passengers‘ comfort. Railway companies worldwide put their trust in power supply components from Pintsch Bamag, even under the most extreme environmental conditions above the polar circle and in deserts.

Acoustic and visual warning technology equipment for the vehicles of authorities, industry and rescue services as well as for civil management and disaster control are sold throughout Europe. Maritime aids from Pintsch Bamag have been a guarantee of safety both on the open seas and inland waterways for more than 140 years.

The product group Point Heating Systems from Pintsch Aben B.V. also belongs to the business field Rail Infrastructure. Apart from the company‘s core competence in the development and manufacture of electrical and gas-infrared point heating systems, the Dutch subsidiary of Pintsch Bamag also produces tunnel safety illumination.

Pintsch Bubenzer GmbH is responsible for the **Business Field Brake Systems** within the Pintsch Bamag Group. Pintsch Bubenzer braking systems are suitable for use in every situation in which large moving parts are at work. This is exemplified by cranes that perform heavy-duty work in the container terminals of all major ports throughout the world and for which the safe, reliable functioning of rail brakes, Heavy-duty brakes, trolley and hoisting gear brakes and swinging arm brakes is of the highest importance. Pintsch Bubenzer is world market leader for these types of crane braking systems.

Wind power plants constitute a highly promising field of application in the braking systems sector and include the supply of tower and rotor brakes as well as rotor locking systems - including the matching hydraulic systems, brake discs and couplings. The use of perfectly adapted monitoring systems makes it possible to save considerable costs, even for offshore plants.

Pintsch Bubenzer has placed regional emphasis on the Chinese market for wind power. The often gigantic tunnel-digging and clearing machines, conveyor systems and bucket-wheel excavators used in mining are examples of highly specialised challenges for braking systems. In plants for crushing ore-bearing rock, Pintsch Bubenzer is designing brakes with a braking torque of more than 20,000,000 Nm. The technological know-how involved in developments of this type make the company one of the leading development partners and system suppliers worldwide.

Another of the strengths of Pintsch Bubenzer is its applications for the steel industry. For Pintsch Bubenzer, the integration of the brakes business from Pintsch Bamag meant an ideal supplement to the range of products in the field of magnet brakes for shipping applications.

Business environment

World economy facing downturn

After a period of robust growth in the first half of the year, economic performance took a sharp turn for the worse worldwide during the second six months of 2008. Since autumn the world economy has been experiencing an downturn. A number of industrial countries are threatened by recession. In their autumn reports, leading German economic research institutes state the reasons as being worldwide inflation caused by the exorbitant prices of raw materials, emerging downturns on property markets in an increasing number of countries and particularly the international crisis on financial markets.

In September the crisis worsened dramatically. A number of large banks in the USA either collapsed or were taken over by competitors with the assistance of state actors. In Europe too, several key financial institutions had to be propped up. Compounded by the resulting uncertainty, banks tightened their loan standards in nearly all industrialised countries. Investors too were less and less ready to take risks. This was reflected both in higher risk premiums for low-security corporate and government bonds and drastic price slides on international stock markets.

The German economy was unable to escape the consequences of these influences. The gross national product only grew by 1.3% in real terms during the year under report. At the beginning of the year business experts had forecasted growth of approximately 2.0%. Particularly

exports and investments in plants and equipment, the driving forces of the economy in recent years, lost a great deal of momentum in the second half of the year.

Markets relevant for Schaltbau

In the Bode Business Field Door Systems basic business conditions in 2008 did not witness great changes compared to the previous year. The railway vehicles field profited from the vitality of project business. The spare parts business was also very stable. Bus business, the performance of which is heavily dependent on the purchasing behaviour of large local public transport sector companies and coach operators, remained highly robust. According to the VDA (German Association of the Automotive Industry) approximately 10,000 buses were manufactured, as compared to 9,085 buses the previous year, a growth of approximately 10%. These figures should be seen in the light of the increasing relocation of production to plants in Turkey and Poland already noticeable one year earlier. The Bode product group Fittings for Sliding Vehicle Doors recorded a slight upward trend well into 2008. Reduced sales volume expectations as a result of the financial crisis, however, caused a pronounced downswing in business in the commercial vehicles industry.

The Business Field Components represented by Schaltbau GmbH profited from further growth at a high level in the field of railway products and rolling stock, particularly in Asia, Eastern Europe and the USA in 2008. Demand for industrial applications declined towards the end of the year due to the financial crisis. New applications, however, remained in high demand.

The Pintsch Bamag Business Field Rail Infrastructure is heavily influenced by the investment behaviour of Deutsche Bahn AG, the German national railway company. Despite the postponement of its going public and the delayed implementation of the SV20 collective financing agreement, the basic framework conditions in this sector remained basically unchanged. Delays did, however, occur in certain project orders. Demand generally increased in the vehicle equipment sector, including that from overseas markets, particularly for door and lighting systems. Demand for warning technology products also remained stable throughout the year under report.

The main markets for the Pintsch Bubenzer Business Field Brake Systems are container terminals. The majority of orders awarded in this field relate to long-term projects that continued to be pursued in the fourth quarter, which remained largely unaffected by the financial crisis. In view of this fact the market again showed double-digit growth rates throughout 2008.

Review of operations

Order situation and sales

Order intake

Despite considerably more difficult framework conditions in the second half of the year, the Schaltbau Group continued to increase its number of incoming orders in 2008 to surpass the high figures of the previous year by 3.4%, achieving a total of € 281.2 million (2007: € 271.9 million). The fact that the Bubenzer Group was only included in the Group financial reporting from the second half of 2007 should, however, be taken into account. Adjusted to account for this consolidation and the contribution made by Schaltbau Machine Electrics, first included in the Consolidated Financial Statements from 1 August 2008, order-intake figures actually fell by 3.4%.

Incoming orders of € 182.7 million were recorded in the **Mobile Transportation Technology** segment in 2008. This represents a 1.7% increase on the previous year‘s figure of € 179.7 million.

Bode profited from the unexpectedly strong demand for BIDS door systems in this field, which were ordered by major customers partly

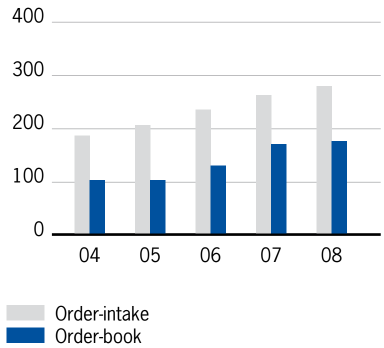
with and partly without sliding steps. A further variant of the BIDS system with a 1,950-mm entrance, specially designed for use in double-decker coaches, was newly designed and already included in several new offers. Thus the new, standardised drive concepts from Bode are becoming increasingly established on the railway vehicles market. The positive development was also accompanied by a continually good supply performance.

In the product group Door Systems for Buses important customers have relocated further manufacturing capacity to Poland and Turkey. Bode is locally present in both of these countries.

The Bode product group Fittings for Sliding Vehicle Doors performed better than expected. The products benefited from the stable business performance in the commercial vehicles industry that continued till autumn and from new developments such as the innovative linear sliding door for box bodies.

The Schaltbau GmbH Group recorded sharp growth in order intake, particularly for the product groups Contactors and Control Devices. Product innovations were received well by customers. Connectors and switches were able to either hold their ground or improve slightly on the previous year's figures. Altogether, a solid foundation of orders was laid in Germany through numerous blanket orders and projects in the fields of Railways and Industrial Trucks. In contrast, demand from customers in the telecommunications and automotive industries declined due to the impact of the financial crisis. Significant progress was made on international markets. Schaltbau GmbH was successful in assuring itself the supply share for snap-action switches in the

Orders in € m



door systems of practically all vehicle projects in North America. XI'AN was able to win a high proportion of orders for master controllers for commuter trains in China.

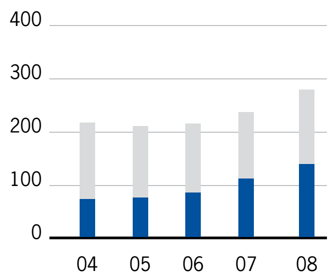
The **Stationary Transportation Technology** segment recorded order-intake figures of € 98.4 million in the fiscal year 2008 (2007: € 92.1 million). Business volume thus rose by 6.8% compared to one year earlier. Adjusted to account for the Bubenzer takeover at the half-year 2007 order intake decreased by 11.3%.

As a result of project delays in the business field Rail Infrastructure, order intake at Pintsch Bamag decreased in overall terms compared to one year earlier. In contrast, various major projects and the signing of a framework agreement with Deutsche Bahn AG, the German national railway company, the successful market introduction of the RBUET fully electronic level crossing technology and numerous orders for retrofitting old equipment had a positive influence on the order-intake figures for the Level Crossing Systems product group.

At Pintsch Bubenzer the integration of the brakes business from Pintsch Bamag received the main focus of attention during the reporting year. In order to ensure a fast and efficient process, human resources were largely concentrated on this project, through which future synergies with corresponding benefits will be realised for the company. Pintsch Bubenzer was, however, largely able to maintain order-intake figures at last year's level and improve its position in numerous relevant foreign markets.

With an export quota of more than 80%, Bubenzer has achieved a very high level of internationalisation. During the year under report the company was again successful in winning numerous large-scale orders for braking systems that will be used in container terminals throughout the world. Moreover, the company received its first order from the promising wind power market.

Sales domestic/abroad
in € m



Domestic
Abroad

Sales

In the wake of the strong order situation, Group sales revenue rose by 20.7% to total € 280.2 million for the fiscal year 2008 (2007: € 232.1 million). Adjusted to account for consolidations, Group sales revenue grew by 11.7%.

The **Mobile Transportation Technology** segment recorded sales revenue of € 175.2 million, outperforming the previous year's figure of € 154.7 million by 13.3%.

Bode achieved double-digit sales growth. The railway vehicles business was particularly successful due to the market success of the new standardised BIDS door systems and sliding steps. The business performance of Door Systems for Buses was primarily sustained by series supplies for both city buses and coaches. Inswinging and outswinging plug doors for city buses were among the company's best-selling products. The standard lock for the bus market developed in cooperation with the company Southco has meanwhile become a series product and has been boosting sales revenue since 2008. Bode recorded a pleasing 10.5% growth in sales for its Fittings for Sliding Vehicle Doors product group.

The sales revenue of Schaltbau GmbH Group entities again rose strongly during the year under report. All of the group's companies contributed to this pleasing development, whereby the Chinese company XI'AN was outstanding with strong double-digit growth. Products that sold particularly well in Germany were connectors and snap-action switches. Internationally, the Schaltbau GmbH Group achieved firm growth in sales revenue, particularly with snap-action switches and broadband contactors for passenger coaches.

In the **Stationary Transportation Technology** segment sales revenue totalled € 104.9 million for the year under report (2007: € 77.3 million), an increase of 35.7%. Bubenzer contributed € 34.5 million to this total after recording a figure of € 14.4 million in the six-month period of the previous year (first-time consolidation 1 July 2007).

Pintsch Bamag again performed strongly to surpass the highly pleasing figures of the previous year. Good order-book figures from the preceding year were largely responsible. In the field of level crossing systems a number of major projects were implemented with Deutsche Bahn AG, the German national railway company. A navigational aid system for the Romanian section of the Danube and solar compact fixtures for the German coast also made significant above-average contributions.

Sales revenue at Pintsch Bubenzer also grew considerably, although the strong exchange rate of the EURO held down exports to the US-dollar region noticeably. Sales of disc brakes were outstanding and already displayed above-average growth rates one year earlier with a new chassis design solution for rail-bound cranes.

Order-book

The **order-book** stood at € 181.6 million (2007: € 181.3 million) at the balance sheet date on 31 December 2008. In the **Mobile Transportation Technology** segment order volume totalling € 126.6 million (2007: € 118.7 million) was recorded at the end of the year. The **Stationary Transportation Technology** segment order book stood at € 55.1 million at the balance sheet date (2007: € 62.5 million).

Group earnings performance

Sales growth in all segments and the success of restructuring measures at Bode were responsible for a sharp increase in Group profitability. The earnings situation was further influenced by the fact that the Bubenzer Group was represented in the figures for the entire year under report. That had only been the case for the second half of the previous year.

The profit from operating activities (EBIT) grew at an above-average rate to € 21.9 million (2007: € 14.1 million) on the back of a 20.7% sales revenue increase from € 232.1 million one year earlier to € 280.2 million in 2008. The EBIT margin improved from 6.1% to 7.8% of sales on a year-on-year comparison. All major Group companies were able to expand their business volume and thereby reap the benefits of reducing their costs. The successful market repositioning of Bode and the accompanying improvement in earnings were both noteworthy, as was the full-year contribution made by Pintsch Bubenzer.

The rise in the cost of materials ratio from 52.3% to 53.5% is primarily due to the sales-related increase in the cost of purchased services. The effects of price rises for raw materials and changes in the sales mix additionally influenced the cost of materials ratio. Better utilisation of capacities, wage increases and the impact of first-time consolidations more than compensated for the reduction in personnel expenditure at Bode and Group personnel expense rose by approximately 6.1% to total € 79.4 million. The cost of first-time consolidations also had an influence on other operating expenses. In addition, the increase in bought-in services was also reflected in the figures. Amortisation and depreciation of € 6.0 million were approximately € 0.7 million higher than one year earlier, resulting in EBITDA of € 27.8 million (2007: € 19.4 million).

The Group's net financial result worsened by € 0.8 million to give a net financial expense of € 6.4 million. This was due to higher average rates of interest, the increase in the remuneration paid on participation rights capital and financing costs incurred in conjunction with the acquisition of the Bubenzer Group as well as the full year effect of the acquisition. The result from investments relating to companies accounted for using the equity method decreased from € 1.4 million the previous year to € 0.3 million in 2008. The result from investments was held down by a risk provision for the Bode Beijing joint venture. It is becoming increasingly apparent that neither the strategic objectives nor a consensus for operating business conduct can be achieved with the company's Chinese joint venture partner. Investments in Turkey and the USA, however, have developed positively with profit contribution of € 1.4 million and € 0.2 million respectively.

Income tax expense of € 2.5 million (2007: € 1.3 million) increased inline with the improvement in earnings. Group net profit of

€ 13.1 million was € 4.9 million higher than one year earlier. Due to the positive business performance of XI'AN the profit attributable to minority shareholders was somewhat higher than in the previous year.
The profit attributable to shareholders of Schaltbau Holding AG amounted to € 11.8 million and greatly improved by € 4.6 million or 64.5% compared to one year earlier. At € 6.35, undiluted earnings per share exceeded expectations (2007: € 3.85).

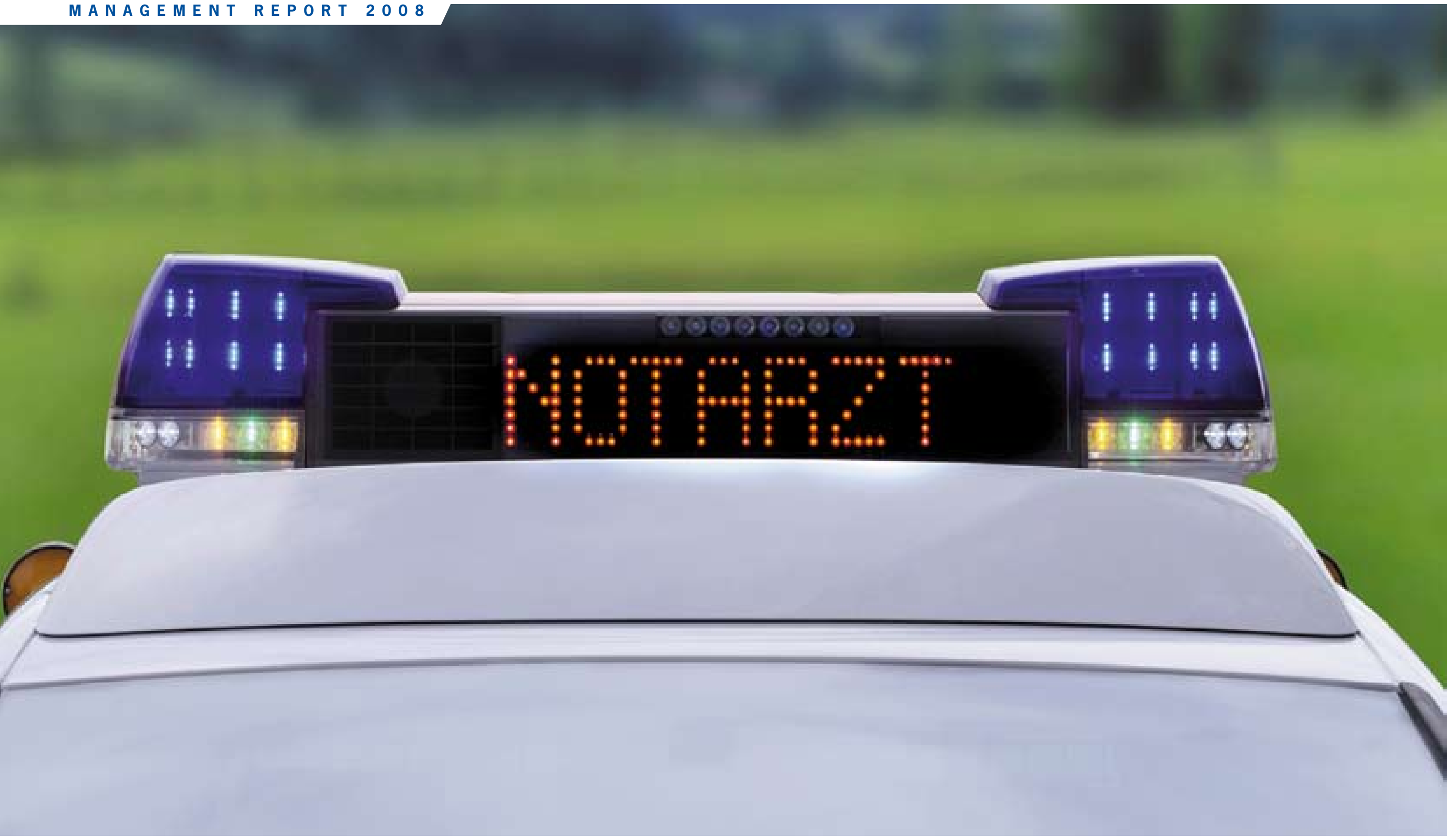
In the light of the renewed improvement in Group net profit, the Executive Board will submit a proposal to the Supervisory Board that a dividend of € 0.50 per share be paid for the fiscal year 2008.

In the **Mobile Transportation Technology** segment, assisted by sales revenue growth of € 20.5 million and due to the conclusion of restructuring measures at Bode, the earnings situation improved both quantitatively with an EBIT increase of € 8.5 million to achieve € 13.5 million and qualitatively with a jump in the EBIT margin from 5.5% in 2007 to 7.7% in 2008.

Sales revenue in the **Stationary Transportation Technology** segment increased by € 27.6 million, of which € 18.7 million resulted from the effect of consolidating Bubenzer. This is essentially due to the improved operating result from € 9.1 million in the previous year to € 11.8 million in 2008. The sales mix caused the EBIT margin to decrease somewhat to 11.2% (2007: 11.8%).

Group net assets and financial position

The high level of Group net profit in 2008 made it possible to eliminate the remaining negative Group equity of € 2.1 million from the previous



year. At 31 December 2008 Group equity stood at € 8.6 million, an equity ratio of 5.1%. Including participation rights capital of € 7.0 million, which is similar in nature to equity, Group equity thus amounted to 9.3% (2007: 3.0%).

The Group assets and liabilities structure did not change significantly during the year under report. Non-current assets (excluding deferred tax assets) of € 60.5 million (2007: € 60.2 million) accounted for 36.0% (2007: 36.5%) of the balance sheet total and are thus practically unchanged.

Investments in property, plant and equipment amounted to € 6.3 million and thus slightly higher than the depreciation expense. Intangible assets again included own work capitalised for a development project. An adjustment of € 149,000 was recorded on one item of goodwill.

The main changes within investments related to interests in associated companies, reflecting earnings- and currency-related adjustments to the carrying amounts of the investments in Beijing Bode Transportation, BODO Bode Dogrusan and Schaltbau North America (all accounted for using the equity method) and a substantial risk provision recognised for the Beijing Bode Transportation joint venture.

The business expansion caused an increase in Group working capital from € 40.9 million to € 52.2 million. In this context inventories increased by € 6.9 million to total € 53.3 million. The amount of inventories at the balance sheet date was also influenced by very high production capacity utilisation for some Group companies in December 2008 and January 2009. Advance payments received from customers and liabilities from deliveries and services at 31 December 2008 were € 4.9 million below those at the end of the previous year.

Capital employed of € 112.6 million was also higher than the previous year's figure of € 101.0 million. The return on capital employed (ROCE) thus rose to a very pleasing level of 19.4% as compared to 14.0% one year earlier.

Deferred tax assets were recognised at € 9.0 million (2007: € 8.7 million). The figure includes deferred tax assets of € 3.8 million

(2007: € 3.4 million) recognised on timing differences and deferred tax assets of € 5.2 million (2007: € 5.3 million) recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences amounted to € 6.3 million (2007: € 6.0 million).

Net liabilities to banks were reduced from € 41.4 million to € 37.7 million. Short-term credit lines totalling € 36.4 million (2007: € 32.6 million) are available to the Group. These lines, which also include guarantee lines totalling € 5.6 million (2007: € 7.6 million), were fully utilised as at 31 December 2008. These amounts are stated net of liquid assets, which had not been credited to the relevant accounts at the year-end due to timing reasons. Loans payable as at 31 December 2008 amounted to € 36.5 million (2007: € 38.8 million). Scheduled repayments of € 5.3 million were made in 2008 (2007: € 5.0 million).
A new loan of € 1.9 million was raised on 24 July 2008 to finance the acquisition of Schaltbau Machine Electrics.

The Schaltbau Group is financed partly by Schaltbau Holding AG's credit lines (see comments on that entity) by means of cash pooling arrangements and partly through separate bank financing arrangements for the subsidiaries Pintsch Bamag and Schaltbau GmbH. The short-term credit lines in the cash pool have been prolonged until 30 November 2009.

Gebr. Bode, Kassel has its own financing arrangements. Its credit lines totalled € 14.5 million as at 31 December 2008 (2007: € 16.1 million). Current account lines totalling € 3.1 million have been prolonged until 31 December 2009. A total of € 1.0 million of short-term overdrafts were converted into loans in 2008 and a further € 1.0 million were converted in January 2009.

Cash flow from operating activities of € 13.0 million during the year under report was € 3.1 million lower than one year earlier. The higher EBITDA compared to the previous year was more than compensated for by increased funding requirements for working capital. In contrast, the cash outflow for investing activities of € 8.3 million was well below the previous year's figure of € 13.0 million. The remaining cash flow was utilised for paying dividends to shareholders and minority interests and to repay € 5.6 million of bank liabilities.

Earnings, financial and net assets position of Schaltbau Holding AG

The Company Financial Statements of Schaltbau Holding AG are still prepared in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AkG). Schaltbau Holding AG is a financial holding company responsible for Group strategy, appointing senior management of subsidiary companies, investor relations, public relations, IT systems and compliance within the Group. It is also responsible for Group financial accounting, Group controlling, cash management and risk management, including internal auditing.

Sales revenue of the non-operational Schaltbau Holding AG totalled € 1.2 million (2007: € 1.3 million) and comprised revenue from recharging the cost of the centralised IT system.

Due to its position as a holding company, the **earnings position** of Schaltbau Holding AG is primarily influenced by the profits and losses transferred to it by its subsidiaries, the impact of the valuation of investments and the net interest result relating to its financing function.

Profit and loss transfer agreements are in place between Schaltbau Holding AG, Pintsch Bamag GmbH and Schaltbau GmbH. A profit and loss transfer agreement was concluded between Pintsch Bamag GmbH and Pintsch Bubenzer GmbH and backdated to 1 January 2008. The respective profit transfers under these agreements increased from € 12.0 million in the previous year to € 15.3 million in 2008. Both subsidiaries displayed positive operational performances. Pintsch Bamag benefited additionally from the first-time profit transfer by Pintsch Bubenzer.

Interest expense increased by approximately € 0.4 million to € 3.1 million, due to the higher amount of interest paid on participation rights capital (in line with the higher distribution) and generally higher interest rates.

The profit from operating activities of € 9.4 million is € 3.6 million higher than those of the previous year. Net profit for the year totalled € 8.0 million (2007: € 5.2 million).
Tax expense rose by € 0.7 million to € 1.3 million as a result of the increase in pre-tax profit.

The **assets and liabilities** structure of Schaltbau Holding AG has not changed significantly. With total assets of € 85.1 million (2007: € 79.6 million) the balance sheet is dominated by non-current financial assets with a carrying amount of € 74.1 million (2007: € 71.1 million).

Interests in associated companies rose by € 3.0 million to total € 71.9 million. The rise relates to capital increases implemented during the year under report at the level of Pintsch Bamag and Schaltbau GmbH of € 0.8 million and € 1.5 million respectively and from a write-up of € 0.7 million at the level of Schaltbau GmbH (impairment loss reversed and original acquisition cost reinstated).

As in the previous year, the 137,270 participation rights bought back by the Company in 2006 are also included in non-current financial assets at the year-end at their buy-back cost of € 2.2 million. The market value of the participation rights was € 2.7 million at 31 December 2008. The participation rights are now fully available to the Company, although it does not currently intend to sell or withdraw them.

Accounts receivable from and payables to affiliates result from cash pooling arrangements with subsidiaries or from obligations connected with profit and loss transfer arrangements.

The Company issued convertible bonds totalling € 8.5 million in June 2007. The first conversions took place during the year under report. In this context the number of shares increased by 2,732 to total 1,871,668.

Under the terms of a stock subscription programme for executives, Schaltbau Holding AG purchased 5,000 shares of its own stock for a total of € 192,475.36 (without related costs) in 2008. An equivalent value was transferred to revenue reserves.

Following the scheduled repayment of € 2.0 million, the Company's long-term loan stood at € 13.5 million as at 31 December 2008 and is repayable by 31 December 2010. The repayments of € 7.5 million originally agreed upon for 2007 and 2008 were reduced to € 4.0 million, thus giving the Company additional financial leeway during these two fiscal years. A current account credit line of € 13.0 million continues to be at the Company's disposal and has been prolonged until 30 November 2009. The interest rates payable on loans are linked to Euribor. The Company complied with the financial covenants contained in the loan contracts in 2008. Based on forecasts, compliance with those covenants is also ensured for 2009.

Schaltbau Holding AG's equity rose from € 41.8 million to € 49.4 million. The equity ratio now stands at 58.0% (2007: 52.5%).

The financial substance meanwhile created within Schaltbau Holding AG allows it to take an active part in the further development of its subsidiaries.

Capital expenditure

Investments in property, plant and equipment and intangible assets in the Schaltbau Group in 2008 totalled € 6.3 million compared with € 7.9 million one year earlier. Investments were thus once again higher than the amortisation and depreciation expense of € 6.0 million (2007: € 5.3 million). The main emphasis was placed on replacement and rationalisation measures, although investments were also made in tools needed for the manufacture of new products. Pintsch Bamag invested in new 3D-CAD design software.

The largest item of investment was the acquisition of Machine Electrics Ltd. by Schaltbau GmbH.

Research and development

Innovative products and solutions are the main pillars supporting the Schaltbau Group and determine the success of its operating activities. For this reason, targeted research and development that caters to the swiftly changing requirements of customers and markets serve to safeguard the Group's technological edge. These efforts ultimately make a crucial contribution to a sustained increase in company value.

The awareness of this fact is fundamentally embedded in the Schaltbau Group. At 6.0% (2007: 6.4%) of the Group's sales revenue, expenditure for research & development (R & D) was maintained at the high level of the previous year. The R & D department is also well staffed with highly-trained personnel. With a total of 186 employees, more than 10% of the Group's staff worked on sustainably securing the existing solid business foundation for the future.

In the product group Railway Vehicles the BIDS electric drive system designed for wider entrances in light and regional vehicles was developed to the series production stage and then enhanced to meet the requirements of high-speed trains. The wide version of the BIDS with 1,950 mm entrance width was presented for the first time at the InnoTrans trade fair in Berlin in 2008.

In the product group Door Systems for Buses, Bode placed its main emphasis on the further development of a revolutionary new compact drive system for doors during the year under report. The Compact All-round Drive System (CADS) is based on state-of-the-art technology. The drive system is so small that it creates additional space above the door that can, for instance, be used to accommodate the necessary wiring or ventilation channels that till now had to be separately laid at great additional cost. Thus CADS increases the bus manufacturers' flexibility and helps towards cutting costs. A prototype was already demonstrated at the IAA Commercial Vehicles 2008 where it aroused a great deal of interest amongst customers. The further development of this product up to the series production stage will again require a great deal of effort on the part of development staff in 2009. In the Boarding Aids product group, development is still continuing on an integrated electrically driven ramp.

Of great significance for Schaltbau GmbH is the "Lichtbogenführung" (electric arc guidance) research contract in the product group Traction Contactors, which started in March 2008 in cooperation with the professorships for fluid mechanics and electrical power supply of the University of Erlangen-Nuremberg. Within the framework of this project, which has been approved by the Bavarian Research Foundation and is scheduled to run for 24 months, CT traction contactors with magnetic blasting for both AC and DC will be studied. The research is to include the verification and closer analysis of electric arc progressions by means of high-speed cameras and photodiodes. The results are to form the basis for further interpretations for other scales as well as inductive and capacitive switching loads of the contactors.

In addition to this research project Schaltbau GmbH consistently continued to promote its existing activities in the field of Research & Development in all product groups. Good examples are the CL1000 pre-charging

contactors, developed to complement the CT1000 models for pre-loading highly capacitive loads for both AC and DC applications.
The new model range features a low ultimate breaking capacity and mean electrical life. Critical currents are avoided. The new pre-charging contactors feature a compact and clear design and are to be offered as 1-, 2- and 3-pole versions. Apart from their technical characteristics, low maintenance costs are a key selling point.

A further highlight in the field of research & development at Schaltbau GmbH is the DN connector. Sample sets in metal and plastic were first presented to customers at the Electronica 2008 trade fair. The connector features a modular design and has, among other things, self-cleaning contacts as well as being able to withstand a high degree of vibration and shock. The number of mating cycles is comparatively high, as is the EMP shielding. It can also be optionally equipped with a filter. Fields of application include mechanical engineering, measurement and control technology, information systems and precision engineering as well as the public sector and research.

In the product group Level Crossing Safety Systems, Pintsch Bamag concentrated on the further development of the RBUET level crossing technology on the one hand and RBUEP on the other, the successor of the proven BUEP hybrid technology. Field testing of the RBUEP technology has been carried out for approximately one year at three locations. Furthermore, Pintsch Bamag is developing platform doors including the necessary control technology (PSDs) in cooperation with Pintsch Aben and Shenyang Schaltbau, which are initially planned for the Chinese market.

In the product group Power Supply, the year 2008 was largely dedicated to the development of the EVA75 power supply plant. The static converter with 75kW capacity was developed for equipping international passenger coaches. The versatile piece of equipment can be used on all major European railway networks because it is designed to adapt to all types of voltage in common use in Europe. The Battery Chargers product group was dominated by a new development for the Eurorunner platform locomotive from Siemens. The first series equipment was delivered in 2008. A unit designed for use in desert regions and at sea is also in the process of being developed.
In the Maritime Aids product group the LEDMIN LED sea lantern is being adapted to suit the requirements of wind power plants.

At Pintsch Bubenzer design and development work was concentrated on the construction of wind power brakes and the corresponding testing devices. This led to the development of three sizes of brakes for rotor and azimuth. These braking systems are of the active variety, whereas those built till now had all been based on the failsafe principle. The advantages of the new brakes lie in the design of the brake housings and the pad technology.

Good atmosphere at the industry‘s most important trade fairs
Schaltbau companies had the opportunity to display their ranges of products and prove their innovative strength at the industry‘s main trade fairs in 2008. The InnoTrans fair was held from 23 to 26 September. It is known as the world‘s leading fair for the railway industry and broke all records in 2008. A total of 1,912 exhibitors from 41 countries presented their products on an area of 150,000 square metres. The Schaltbau companies were again represented with a common fair booth. Over 85,000 trade visitors from more than 100 countries proved just how great the interest was in the range on offer for the railway industry.

The 62nd IAA Commercial Vehicles Show took place in Hanover, Germany from 25 September to 2 October 2008. The leading trade fair for road transport is of great significance, particularly for Bode. The highlight at the Bode booth was the new CADS door drive system. 2,084 exhibitors from 48 countries presented

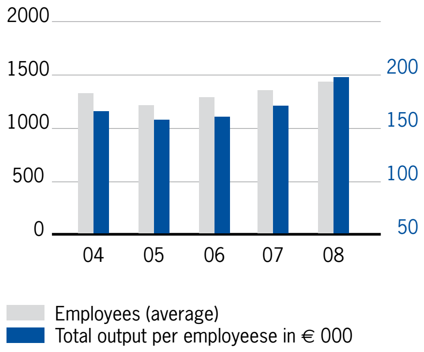

Volt
Ampere
29.6
LABORATORY POWER SUPPLY
Power
Current 0...5A
EA-PS 2032-050

their innovations to almost 300,000 visitors from 110 countries.

The electronica, held in Munich from 11 to 14 November, sent positive signals for the international electronics industry. Approximately 2,800 exhibitors were on hand to receive around 73,000 trade visitors. Visitors from Central and Eastern Europe, Taiwan, Brazil, South Africa and Russia were particularly interested in what the fair had to offer. The main theme of the fair was green electrics, which featured products and solutions for raising the power efficiency of electronic devices, power-saving applications and components and systems for resource-saving energy generation. With regard to this central theme Schaltbau GmbH had a number of innovations to offer from its range of connectors, switching elements and contactors.

These three trade fairs all take place every two years. Apart from serving as a platform on which to present new products, the fairs are also ideal ways of maintaining contacts. Customers as well as sales and trading partners from both Europe and overseas make use of our on-site presence for an intensive exchange of views and ideas with the design and sales personnel of the various Schaltbau companies.

Employees
Total output per employee
in € 000



Employees

At 31 December 2008 the Schaltbau Group employed a workforce of 1,599 people. The total number of employees thus increased by 48 compared to one year earlier. The growth also includes the first-time consolidation of Schaltbau Machine Electrics Ltd. that employed 50 people at end of the year. In order to further improve efficiency and profitability at Gebr. Bode in Kassel, a comprehensive package of measures was developed during the fourth quarter 2007, which included longer working hours in some cases, the offsetting of above-tariff wage elements against union-agreed wage increases and the further development of bonus schemes. These provisions, combined with previously successful rationalisation measures, made job cuts necessary and led to reducing the size of the workforce by 41 employees in 2008.

The Group spent € 530,000 on improving the qualification of its staff during the year under report (2007: € 573,000). Participants took the opportunity to broaden their technical knowledge in a variety of courses and seminars. The main focus was placed on the qualification of designers in the fields of CAD/CATIA and Inventor techniques. Apart from additional individual courses offered externally, employees also took part in training sessions for Six-Sigma – a quality management methodology, foreign language refresher courses and customer complaints management training.

In the various Schaltbau companies, a total of 67 trainees were instructed in sought-after trades such as cutting machine operator, industrial business management assistant or IT specialist. Bode is currently training 20, Pintsch Bamag 20, Bubenzer 7 and the Schaltbau GmbH Group 16 young men and women. Four more young people are also currently undergoing training in Schaltbau's foreign subsidiaries; three at XI'AN in China and one at Schaltbau France. During the year under report a total of twelve trainees completed their apprenticeships, all of which were offered further employment, initially on a one-year contract basis. The high quality of training offered by the Schaltbau Group gives these young trainee specialists good opportunities on the job market after completing their apprenticeships.

A total of 46 employees went into pre-retirement part-time working arrangements, 35 of whom had already entered the non-working phase of those arrangemets. Arrangements of this kind are offered in the three German-based companies Schaltbau GmbH, Bode and Pintsch Bamag.

Due to tariff-related wage rises and the first-time consolidation of Schaltbau Machine Electrics Ltd. personnel expenditure increased from € 74.8 million to € 79.4 million, € 532,000 of which related to Machine Electrics. Due to the increase in sales revenue, the total output per employee, including trainees and management, improved from € 172,100 in 2007 to € 198,200 in the year under report.

An average of 1,424 people were employed full-time by the Group thoughout the year, as compared with 1,372 one year earlier.

Purchasing

In the purchasing department, 2008 was a year influenced by great price fluctuations, which in turn presented great challenges for staff. Steel prices, which were already high, continued to rise and only stainless steel prices showed any sign of stabilising in 2008. Price rises for plastic granulate and copper were also extremely high. Although prices did begin to fall in the last quarter, the benefits will only be felt in 2009. Aluminium products, pigments, paints and rubber parts all rose sharply in price when seen on a yearly average. Price rises were even exacerbated by adverse exchange rates in some cases. The Schaltbau Group sought to compensate for these negative market influences by regionally relocating sources of supply or entering new procurement markets whenever possible and practicable. One positive market development, however, was the falling price of printed circuit boards, which is still continuing.

A key objective of active purchasing management is the long-term safeguarding of supplies of raw materials and components at low prices while retaining high quality and supply reliability. Again in 2008, contractual arrangements, long-term agreements with fixed supply schedules as well as framework and quality assurance contracts were effectively used as instruments in this context. Notable successes were the reaching of basic agreements regarding the delivery of DIN parts using the Kanban method and the supply of packaging materials including storage at the supplier's premises as well as long-term agreements for drive components and rubber-based products. Savings potential was also realised through benchmark analyses and supplier substitution, carried out by in-house value analysis teams.

All of these elements contributed to continually improving the procurement situation for the Schaltbau Group. The cost of materials rose to € 150.9 million in the fiscal year 2008 (2007: € 123.5 million) and thus more strongly than total output. The cost of materials ratio thus rose slightly to 53.5% (2007: 52.3%). This is due to the higher level of bought-in services in line with higher business volumes. These costs are reported as costs of material. Excluding this exceptional factor, the rise in costs caused by higher raw materials prices was largely compensated for. The success is a direct result of Group purchasing management, which coordinates all key purchasing items group-wide, thereby making an important contribution to Group earnings.

Production and sales

As an internationally oriented organisation, the companies of the Schaltbau Group operate production and sales companies worldwide. The Bode Group is based in Kassel, Germany and present on international markets with investments in China, Turkey and Poland. Apart from its German locations in Munich and Lower Bavaria, Schaltbau GmbH is active in key growth markets with investments in France, the USA, Hong Kong and China. The takeover of Machine Electrics Ltd. during the reporting year enabled the Group to significantly expand its presence in the UK.

In the Stationary Transportation Technology segment, the Pintsch Group not only operates from German locations in Dinslaken and Kirchen but also has subsidiaries in the Netherlands, the USA and Malaysia. During 2008 particular effort was put into forging ahead with activities for producing brakes for wind power plants in China. Further key sales markets are being covered by sales partners.

Significant events after the balance sheet date

No events of particular significance have taken place after the end of the reporting period.

Opportunities and risks report

The aims of the risk management system implemented in the Schaltbau Group are, on the one hand, to identify existing risks at the earliest possible stage, to reduce business losses by means of suitable measures and to avoid any possible danger to the continued existence of the company. The second objective of the risk management system is to identify opportunities and make consequent use of them.

The Group has integrated the risk management system in its corporate workflows. This serves to actively combat risks and make the most of any opportunities that may arise. From this standpoint, risk management plays a crucial role in achieving financial objectives and safeguarding sustained added value.

The risk management system with its organised structure and workflow organisation is both described and defined in Group-wide corporate guidelines. It includes a comprehensive system of documentation and reporting. Apart from quarterly reports that cover the entire range of risks and any possible opportunities, an in-house ad hoc report is immediately prepared as soon as any key changes are made or any new information is received. Review meetings take place regularly in which all risk- and opportunity-related topics as well as the current economic situation are discussed and compared with the corporate forecast, the previous year‘s situation and the rolling forecast. Market trends, competitive tendencies and development projects are also considered and analysed.

The focus of the monthly reviews is generally forward-looking. Their aim is to recognise and safeguard future potential for the Group.

The Executive Board of Schaltbau Holding AG, the Group controlling staff and the management of the various subsidiaries are responsible for maintaining the risk management system. The external auditor re-examines the functionality and suitability of the system each year.

Macroeconomic and industry-related risks

An oligopolistic demand structure characterises both the rail and the bus industries. The number of potential customers is therefore limited. These structures lead to a high degree of market transparency, which can result in strong price competition and decreasing sales prices. The Schaltbau Group combats these risks with its pronounced power of innovation. In the course of Research & Development new products are created and existing ones are enhanced in the best interests of customers. A further important measure in avoiding risks is the intensive cultivation of customer relationships.

As market leader on both the German and the European markets, Bode is heavily dependent on the business performance of the bus

manufacturers and their demand behaviour in a generally volatile market situation. Bode combats this risk by increasingly expanding its Door Systems for Railway Vehicles product group and also through the targeted broadening of its international customer base. Furthermore, Bode employs a highly flexible manufacturing organisation, selective customer support and a high rate of innovation.

Group business performance is both directly and indirectly dependent on the readiness of the German national railway company Deutsche Bahn AG to invest and also on public spending behaviour in general. Cutbacks in public spending can have a negative effect on business performance, whereas the opposite is true in the event of additional public funds being made available. These irregular cycles are the cause of certain business fluctuations. In order to limit the resulting risks, the companies of the Schaltbau Group are stepping up their international activities. The Group‘s business with industrial goods is also being expanded. These policies serve to broaden the customer base and enter new fields of application.

The acquisition of Bubenzer in 2007 was a milestone on this path. The acquisition of Machine Electrics is also a stepping stone towards achieving these goals.

The turbulence on capital markets as a result of the worldwide financial crisis towards the end of 2008 has already had a highly negative impact on the world economy. The first sector to feel its effect was the manufacturing industry with the corresponding result for the Schaltbau Group‘s industrial business. Business experts forecast a probable spill-over effect to other branches of industry in the first half of 2009 with extremely negative effects on the economy as a whole. A medium-term adverse effect on the awarding of orders in the railway industry and in business with public authorities cannot be currently ruled out. Neither can it be predicted how long the forecasted recession will last and what its resulting consequences for business performance will be.

One factor continually increasing in significance in international business is the political call for localised production or so-called local content. An increasing number of orders are being awarded on the basis of fulfilling this particular condition. The Schaltbau Group reacted to this trend at an early stage by implementing international investments. The resources of an organisation the size of the Schaltbau Group are, however, limited and only allow a selective approach.

Operational risks

Specific operational risks to companies of the Schaltbau Group exist in the areas of development and design, procurement and production. Optimised cost structures in production combined with high quality and in-depth market and customer knowledge are designed to avoid incorrect allocation in the field of development. Another decisive factor in the Group's success is an implemented and transparent time-to-market process.

Within the value-added process the companies in the Group run the risk of business interruption, quality problems or risks posed by industrial safety and environmental risks. These risks are minimised by the utilisation of comprehensive guidelines and procedural regulations regarding quality management, product and industrial safety.

The effects of price rises for raw materials can be partly compensated by the signing of long-term supply agreements, the group-wide centralisation of needs or by passing the price increases on to customers. It is, however, not possible to compensate completely for significant increases in procurement prices. The Group's endeavours to make long-term delivery agreements means on the other hand that any profit derived from falling prices is delayed.

Group business processes are highly reliant on the support of IT systems. The companies of the Schaltbau Group take both technical and organisational precautions to reduce risks with regard to availability, confidentiality and reliability.

Legal risks

Legal risks can principally result from complaints, guarantee claims, legal disputes and claims for damages. If these are latent they can be correspondingly covered by insurances or by provisions in the balance sheet. Damages, however, can occur that are either not sufficiently insured or exceed the provisions set aside to cover them.

Product piracy also represents an additional risk, particularly on Asian markets. The targeting and supplying of these markets and also cooperation with local partners speeds up the selective draining of know-how. Explicit restrictions in the transfer of technical know-how and rapid development of new products and processes help to retain the Group's technical edge.

Financial and economic risks

The financial crisis is expected to influence not only the business activities but also the financing of the Schaltbau Group.

Despite successive debt rescheduling in recent years, as a result of past restructuring the Schaltbau Group still has a relatively high proportion of short-term loans, which amount to 54% of all credit lines and the interest repayments are high on the medium term. There is an indication that long-term loan rescheduling and restructuring will not be feasible to the desired degree due to bank refinancing problems and that the conditions will become more expensive. Generally noticeable, far more restrictive lending policies, particularly with regard to new loans, prevent the exploiting of market opportunities that may present themselves, particularly in this current phase of the crisis. The capital market does not currently offer any sensible alternatives.

The creditworthiness of the Schaltbau Group improved during the year under report – the rating penalty attributable to negative Group equity no longer applies. The involvement of two banks is an indication of the Group's strengthened position. The Schaltbau Group is primarily active in sectors that are only likely to be marginally affected by the recession.

Nevertheless, the credit rating is still fundamentally determined by the equity position, which could have a negative impact in the case of selective granting of loans.

Restrictions in the granting of loans is also something which affects our customers and suppliers. This could have a negative impact on the recoverability of receivables or on purchasing. Both of these fields are being closely monitored.

A latent risk exists in the termination rights of the banks if covenants are not adhered to.

The investments in China feature a high degree of working capital typical for that country, leading to a correspondingly high funding requirement and unused potential.

The Group has made allowance for the risk of rising interest rates by means of various long-term hedges totalling € 19.5 million. Funding for the acquisition of the Bubenzer Group was hedged with interest swaps to the value of € 4.5 million and swaps valued at € 9.0 million are securing a credit-pool cash volume of € 23.9 million (as at 31 December 2008). A further swap valued at € 6.0 million was also transacted for refinancing the participation rights in 2014. Furthermore, a cross-currency swap was put in place during the fiscal year in order to hedge the interest/currency risk relating to a euro loan held by a foreign subsidiary (hedged volume at 31 December 2008: € 1.8 million).The market value of the interest swaps fluctuates, depending on changing interest rates.

Transactions concluded in a foreign currency are hedged.

Despite the more difficult framework conditions we do not see any risk capable of threatening the existence of the Group.

Opportunities
Due to their long-term investment approach the economic environment of the railways and public transport systems is far less subject to economic fluctuations than many other industries. An additionally stabilising factor is the service and financing agreement (LuFV) made between Deutsche Bahn AG and the German Federal Ministry of Transport. The agreement covers the cash flow for modernising the existing railway infrastructure and comprises annual expenditure of € 2.5 billion up to the year 2013. This provides constancy in funding

compared to past years and thus far greater calculability for the future order situation in the railway sector. In conjunction with economic stimulus packages I and II the Federal Government will also be providing additional funds of at least € 1.3 billion for investments in railway infrastructure for 2009 and 2010.

The group's innovative strength, consistently reinforced by continual high expenditure for research & development and the international orientation of the Group's operations also open up a great number of opportunities for Schaltbau. Although it must be assumed that particularly the industrial sectors will be negatively affected by the financial crisis in 2009, operational companies will, however, be combating the resulting negative impact on sales volume with numerous product innovations that will in turn lead to increased demand on the markets.

The fast-growing wind power market continues to be very promising. Both Pintsch Bamag and Pintsch Bubenzer are actively exploiting this fact: Pintsch Bamag with new products for the navigational lighting of these types of plant and Pintsch Bubenzer with its renewed and expanded range of braking systems. The activities in the promising wind power industry will lend new drive to the business performance of both companies.

Market opportunities look highly promising for the Compact All-round Drive System (CADS), which was presented as a prototype at the IAA Commercial Vehicles 2008 and received a highly positive response. Furthermore, there are great opportunities on regional markets, particularly for platform doors in China and power supply projects in Russia.

The prices of various raw materials fell in the fourth quarter of 2008, some of them quite considerably. This is especially true for various light metals, standard types of steel, and copper. A continuation of this favourable price trend will have a positive impact on overall material costs in 2009. Further opportunities will arise due to the EU machinery directive 2006/42/EG with regard to DIN EN ISO 13849 "Safety of machines – safety-related parts of controls". The product range of Schaltbau GmbH is highly suitable to the requirements of this directive, thereby opening additional sales volume potential.

Executive Board compensation system

The compensation of the Executive Board comprises both fixed and variable components. The variable component consists of a management bonus based on the development of Group net profit. It does not include variable components with long-term incentives such as stock options. A pension plan is not currently in place. Criteria for assessing the appropriateness of compensation are: the tasks performed by each individual member of the Executive Board, his or her personal performance, the economic situation, the degree of success and also the future prospects of the Group as compared to its competitors.

Further information pursuant to § 289 section 4 HGB / § 315 section 4 HGB (German Commercial Code)

1. The subscribed capital comprises the following: The Company's share capital totals € 6,850,304.88. It is divided into 1,871,668 bearer shares (shares without nominal value). All shares are issued to bearer.

2. The Executive Board is not aware of any limitations regarding the voting rights or transfer of shares.

3. The only major shareholders owning either a direct or an indirect share of capital exceeding 10% of the voting rights are the Cammann family, which owns 11.63% and the Zimmermann family, which owns 10.09% of the total number of shares (as at 31 December 2008).

4. There are no shareholders with special controlling rights.

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

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

7. On 12 June 2007 the Executive Board and the Supervisory Board submitted a proposal to the Annual General Meeting to authorise the Group, up to 11 December 2008, to buy back a maximum of 10% of the share capital in place at the date of the resolution for purposes other than those of trading. The Annual General Meeting approved this proposal. In March 2008 the Executive Board made partial use of this authorisation and purchased a total of 5,000 shares at an average price of approximately € 38.50. The repurchased shares are to be issued in the form of an individual share subscription programme for a selected circle of employees with special entitlements. This primarily relates to the chief executive officers of German group companies. At the Annual General Meeting held on 12 June 2008 the authorisation to buy back Group stock was extented till 11 December 2009.

   Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised to implement a share capital increase up to 11 June 2013 by issuing new shares in return for either cash or non-cash contributions, either in one or several steps, which may, however, not exceed a total of € 3,294,000. The Executive Board may decide to exclude subscription rights with the approval of the Supervisory Board.

   Furthermore, the Company's share capital can be conditionally increased by up to € 234.24 by issuing up to 64 new bearer shares (Conditional Capital I). The conditional capital increase serves to safeguard the granting of option rights, which, due to the authorisation resolution passed at the Annual General Meeting on 19 December 2003, will be issued together with the participation rights. Subject to the approval of the Supervisory Board, the Executive Board is authorised to stipulate further details regarding the implementation of the conditional capital increase.

   Furthermore, the Company's share capital can be conditionally increased by up to € 1,830,000 by issuing up to 500,000 bearer shares (common stock) (Conditional Capital II). The conditional share capital increase may only be used to grant shares to the bearers of convertible or option bonds issued by the Company in accordance with the authorisation given at the Annual General Meeting on 1 July 2005. In accordance with the conditions laid down for convertible bonds, Conditional Capital II may also be used to issue shares to bearers of convertible bonds with conversion requirements. The conditional share capital increase will only be implemented insofar as the bearers of the option or convertible bonds issued by the company up to 30 June 2010 in accordance with the authorisation resolution taken on 1 July 2005 exercise their conversion or option rights or if the bearers of convertible bonds fulfil their obligation to convert their bonds, with the consequence that treasury shares do not have to be used in order to fulfil these rights. During the year under report 2,732 shares were converted in conjunction with Conditional Capital II. The conversions increased the number of issued shares from

1,868,936 bearer shares at the beginning of the year to 1,871,668 bearer shares at the balance sheet date 2008.

The new shares participate in profit as of the beginning of the fiscal year in which they arise through the exercising of conversion or option rights. Subject to the approval of the Supervisory Board, the Executive Board is authorised to stipulate further details regarding the implementation of the conditional capital increase.

In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II may also be used to grant shares to the holders of participation rights with conversion and option rights (supplementary shareholders' resolution).

8. Schaltbau Holding AG's main loan agreements include change-of-ownership clauses. These clauses allow creditors extraordinary cancellation rights in the event of the majority of the shares being transferred.

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

Outlook

The world economy can expect a very difficult year in 2009 after the economic slump in the wake of the financial crisis in the fourth quarter 2008. In its annual business report in January 2009 the German Federal Government assumes that the German economy, which is highly export-oriented, will be particularly hard hit by the acuteness of the financial crisis and the falling demand from trading partner countries. For this reason exports will not contribute to growth in 2009. Altogether the German government is expecting a 2.25% reduction in gross national product in 2009. The economic situation continued to deteriorate in February 2009. The chief economist of Deutsche Bank correspondingly reduced his GNP forecast for Germany to minus 5.0%.

The outlook for industries relevant to the performance of Schaltbau is varied. The economic environment of the railway market is primarily influenced by long-term projects and publicly funded investment programmes. The service and financing agreement (LuFV) made between Deutsche Bahn AG and the German Federal Ministry of Transport is of great significance for the German market. According to its terms the existing railway structure within Germany is to be modernised at an annual cost of € 2.5 billion up to the year 2013. The agreement will lead to constancy regarding the availability of funds and thus to a higher degree of calculability. In conjunction with economic stimulus packages I and II the German Federal Government will also be providing additional funds of at least € 1.3 billion, which are to be used for investment measures in railway infrastructure during 2009 and 2010. These factors will strengthen the Schaltbau business field Rail Infrastructure.

Bode began the fiscal year 2009 with sufficient order book volume in the business field Door Systems for Railway Vehicles. Demand for bus doors has been stable in the first quarter of 2009. A decline is, however, expected in the course of the year. Depending on the magnitude of the decline, the business field Door Systems for Railway Vehicles may be able to compensate for the reductions in business with Bus Doors and lower demand for Fittings for Sliding Vehicle Doors since the fourth quarter of 2008.

The business field Brake Systems is more influenced by the current trend towards modernisation and maintenance of port facilities than by expansion. Moreover, there are new projects for braking systems in the fast-growing wind power market. Potential in this sector is also likely to be great in the future. We are, however, expecting a slowdown in this field of business in the medium term as a result of the downturn in the world economy.

Sales revenue in the business field Components are divided 60% to 40% between the railway and the investment goods markets. The market for railway components is forecast to remain stable. In the investment goods industry the automotive, logistics and telecommunications sectors are being most severely affected by the recession. Schaltbau GmbH is combating the resulting impact on its business by developing innovative new products. In view of the current extreme insecurity on markets it is not possible to assess to which extent the business downturn can be compensated. This field, however, only affects less than 10% of the business volume of the Schaltbau Group and for this reason serious consequences are not to be expected.

Despite the higher degree of uncertainty the Executive Board expects to largely maintain its levels of order-intake and sales revenue at the previous year's volume of approximately € 280 million respectively for the fiscal year 2009. On the basis of business performance to date, Group management abides by the earnings forecast made in October 2008, which announced earnings per share in the region of € 6.20. These predictions have been made under the condition that markets relevant for the Schaltbau Group do not suffer a collapse in the course of the fiscal year. A further reason for optimism is the great number of new, innovative and competitive products with which the companies of the Schaltbau Group are able to exploit additional sales volume potential in all key markets.

Altogether the Schaltbau Group has started well into the fiscal year 2009, due to the fact that order-intake and sales revenue have generally met expectations during the first two months. Unlike many other enterprises, the Group has the opportunity to adjust to possible recession scenarios in good time. Corresponding measures are currently being prepared without having to put them into practice, apart from in isolated cases.

In the current fiscal year Schaltbau Holding AG is forecast to achieve earnings similar to those recorded in 2008.

In the future too, particular emphasis will be placed on the enhancement of the Group's range of products and the targeted expansion of its international presence. In all of these endeavours quality, customer proximity and cost awareness will continue to be key factors for success. Short-term opportunities for business acquisitions may present themselves, particularly in times of crisis. The prerequisites for any possible acquisitions, however, will remain the self-imposed high requirements on these business and their products in terms of market position, profitability and quality. The product range must also sensibly complement the Group's existing products.
In view of both the current and the emerging macroeconomic environment, any takeover opportunities can only be reasonably taken advantage of with dependable financing and after a comprehensive risk analysis. This is the basis on which the Schaltbau Group endeavours to ensure long-term profitable growth.

Other disclosures

This management report contains facts and forecasts that reflect the future development of Schaltbau Holding AG according to the assessment of the Executive Board. These assessments are considered to be realistic for the purposes of this report. It is, however, possible that basic assumptions prove to be incorrect or that unforeseen risks and market insecurity develop. For this reason, the actual outcome may differ to expectations. This can be due to a number of causes, such as changes in the business and economic environment, major changes in project business or in the investment behaviour of customers.

Munich, 9 March 2009
The Executive Board

Dr. Jürgen H. Cammann (Spokesman) Waltraud Hertreiter

Financial terms

Capital employed
Working capital plus fixed assets

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBIT
Earnings before interest and taxes

EBT
Earnings before taxes

Equity ratio
Equity/balance sheet total

Pre-tax return on equity
EBT/equity

IAS/IFRS
International Accounting Standards/ International Financial Reporting Standards

Cash funds
Cheques, cash in hand and cash at bank

Cost of materials ratio
Cost of materials/total output

Net bank liabilities
Bank liabilities minus cash funds minus current marketable securities

Personnel expense per employee
Personnel expense/average number of employees during year

Personnel intensity
Personnel expense/added value

Return on Capital Employed (ROCE)
EBIT/capital employed

Pre-tax and pre-interest return on sales
EBIT/sales

Debt/equity ratio
Net liabilities to banks/EBITDA

Value added
EBIT plus personnel expense plus other taxes

Working capital
Trade accounts receivable (including receivables from long-term construction contracts) plus inventories minus trade accounts payable minus advance payments received

Working capital intensity
Working capital/sales

Schaltbau Stock

2008 was a dreadful year for stock markets around the world. The fear of recession already sent stock markets tumbling in January. At these severely weakened price levels skyrocketing raw materials prices were a further source of uncertainty throughout the remaining course of the year and caused a great deal of volatility on the markets. The financial crisis was the main factor affecting stock markets in the second half of the year. The emerging news of the monetary disorder prevailing within a number of large US financial institutions increasingly dramatised the crisis during September and October and banks began to flounder on an international scale. Governmental rescue packages to the tune of several hundred billion € were hurriedly put together. These measures, however, were unable to prevent landslides on share markets and accompanying negative effects on the real economy.

Strong losses for DAX and TecDAX

In view of these facts the leading German share index (DAX) performed very poorly in 2008. The index level of 7,949 points seen on the first day of trading was also the highest of the entire year. In January concerns about the global economy put share prices under severe pressure on the leading stock markets of Europe and overseas. The prevailing anxiety also had its effect on the DAX, which fell below the level of 6,500 points. In February Germany‘s leading index repeatedly failed to surpass the psychologically important 7,000-point mark and at the beginning of March it was forced down to a new low for the year by a mixture of extremely high oil prices, a weak US dollar and bad news from the subprime market. Supported by positive US economic figures, the DAX staged a strong short-term recovery mid-May. However, further increases in the price of oil and the first signs of a worsening of the financial crisis soon put an end to this quiet period on capital markets.

During the months of July and August the DAX mainly fluctuated between 6,000 and 6,500 points. In September, however, a string of shocking reports from the USA caused a further tightening of the situation: firstly the nationalisation of the US mortgage banks Fannie Mae and Freddie Mac, followed by the collapse of Lehmann Brothers and the takeover of Merrill Lynch, speculation regarding billions of dollars of debt owed by the American International Group and the distress sale of America‘s largest savings bank, the Washington Mutual. In Europe the situation was exacerbated by rumours about the financial services company Fortis.

This caused the DAX to fall far below the 6,000-point mark at the end of September. Within only two weeks the index lost approximately 1,500 points or 25 per cent. The last quarter was characterised by extreme nervousness on the part of all market participants, additionally heightened by increasingly negative developments from the real economy. The insecurity caused a dramatic backlash of market volatility. In this environment the DAX reached its lowest point of the year at 4,127 points on 21 November, stood at 4,810 points at the end of the year and thereby made a loss of almost 40 per cent over the 12-month period.

Germany‘s major technology companies represented in the TecDAX gave an even weaker account of themselves. The level of almost 971 points recorded at the beginning of the year was also the high for the year. The annual low of 432 points was reached on 20 November. The performance of the TecDAX was basically similar to that of the DAX. Showing 508 points at the end of the last day‘s trading, the TecDAX recorded a minus of almost 48 per cent for the year.

Schaltbau performs well by comparison

Schaltbau stock showed a clearly positive trend in the face of these weak market conditions. After a poor start in January, the share price recovered strongly due to the good business situation in the following months. In particular the proposal for the appropriation of profit made public on 7 March was very well received. The further improvement in Group earnings made it possible to propose doubling the dividend to 30 cents per share at the Annual General Meeting on 12 June 2008. The sustained pleasing business performance also made it possible to announce the upward adjustment of the earnings forecast for 2008 on 10 June.

On 1 August Schaltbau share reached its highest point for the year at € 54.00. The general price slide at the end of September and beginning of October hit Schaltbau particularly hard, just as it did most of the other companies of secondary ranking. On 10 October the share price fell to € 28.50, its lowest point for the year. Schaltbau, however, recovered comparatively quickly, partly due to the renewed upward adjustment of the earnings forecast for 2008 on 16 October, finishing the year at € 38.80. Compared to its share price of € 45.95 on the first day of trading this meant a loss of approximately 16 per cent, which was moderate when compared with the market as a whole.

Significant progress in TecDAX ranking

At the balance sheet date on 31 December 2008 the share capital of Schaltbau Holding AG amounted to € 6,850,304.88, divided into 1,871,668 shares. The previous year's figures were € 6,840,305.76 million divided into 1,868,936 shares. The increase was a result of the placement of convertible bonds at a total nominal value of € 8.5 million determined in June 2007. The exercising of conversion rights led to that increase in the total number of shares by 2,732 and the share capital by € 9,999.12 in the third quarter.

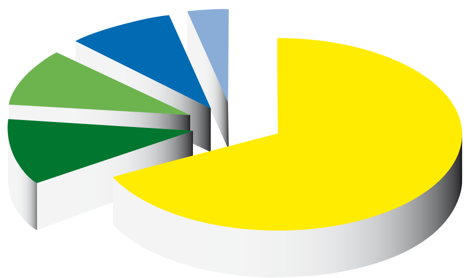
At its meeting on 10 June 2008 the Executive Board determined to switch to the Prime Standard of the German Stock Exchange. With this move, management made allowance on one hand for the increased corporate significance of Schaltbau on the capital market. On the other hand, this step is also a consequence of the company's positive business performance and the promising prospects that make promotion to the TecDAX look possible in the medium term. Since its placement in the Prime Standard, Schaltbau has made significant progress in this regard.

Xetra, closing prices

		2008	2007	2006
Highest	€	54.00	45.50	29.85
Lowest	€	28.50	27.30	19.60
End-of-year price	€	38.80	45.50	27.80
Earnings per share (undiluted)	€	6.35	3.85	2.67
Earnings per share (diluted)	€	5.94	3.85	2.67
Number of shares		1,871,668	1,868,936	1,868,936
Share capital	€ m.	6.85	6.84	6.84
Market capitalisation as at 31 December	€ m.	72.62	85.04	51.96
Trading volume. all exchanges/Xetra	€ m.	62.54	66.72	47.76
Shares traded		1,516,967	1,911,832	2,033,308

The market capitalisation according to the definition of Deutsche Börse AG, which only takes the free float into account, stood at € 44.28 million at the end of the year after recording € 62.42 million at the end of July 2008. Thus, according to this TecDAX criterion, Schaltbau improved its rank listing during the second half of the year to 46 compared with 58 at the end of July. The total market capitalisation of Schaltbau Holding AG and therefore the entire value of the company stood at € 72.62 million at the end of 2008 compared with € 85.04 million at the end of the previous year.

Altogether 1,516,967 Schaltbau securities were traded with a total volume exceeding € 62.5 million during the fiscal year 2008. Thus the total number of shares traded fell by 394,865 compared to one year earlier. Due to the higher average share price, however, the market value compares well with the very high value of € 66.7 million from the previous year. In terms of the TecDAX criterion of trading volume, Schaltbau stock rose in the rank listing from 68 to 53 between the end of July and the end of December.



*Shareholder structure**

- *Family of Dr. Cammann (SATORA / private): 11.63%*
- *Zimmermann family**: 10.09%*
- *Golden Peaks Capital Management: 9.51%*
- *IFOS Internationale Fonds Service AG: 3.52%*
- *Free float: 65.25%*

* *Stockholdings subject to report as at 31 December 2008*
** incl. family members

Stable shareholder structure

Schaltbau can rely on a stable shareholder structure in the implementation of its strategic orientation. The three main shareholders slightly raised their holdings in the course of the reporting year. The family of Dr. Cammann increased its shareholding by approximately 0.5 percentage points to around 11.6 per cent. The Zimmermann family held 10.1 per cent of Schaltbau Holding AG stock at the end of 2008 as compared to a total of 9.4 per cent at the end of the previous year. Golden Peaks Capital Management Ltd. significantly boosted its investment in Schaltbau from 5.4 per cent to a total of 9.5 per cent. Its holding even exceeded 10.0 per cent at the half-year stage.

In line with its authority to buy back company stock, in March 2008 management purchased a total of 5,000 shares at an approximate average price of € 38.50. The amount is equivalent to 0.27% of Schaltbau Holding AG‘s share capital.

Furthermore, the company is aware of 14 shareholders from various investment companies that cumulatively hold approximately 19.0 per cent of Schaltbau stock. These include IFOS Internationale Fonds Service AG, who, according to voting rights announcements, have held 3.5 per cent of Schaltbau Holding AG stock since September 2007. In February 2008 Universal-Investment-Gesellschaft mbH informed the company that its stockholding had fallen below the level of 3.0 per cent. According to voting rights announcements, with a stockholding of 4.23 per cent Pioneer Asset Management S.A. had exceeded the lowest mandatory reporting threshold of 3.0 per cent in January 2008 and then again fallen below it in November.

Investor Relations work intensified

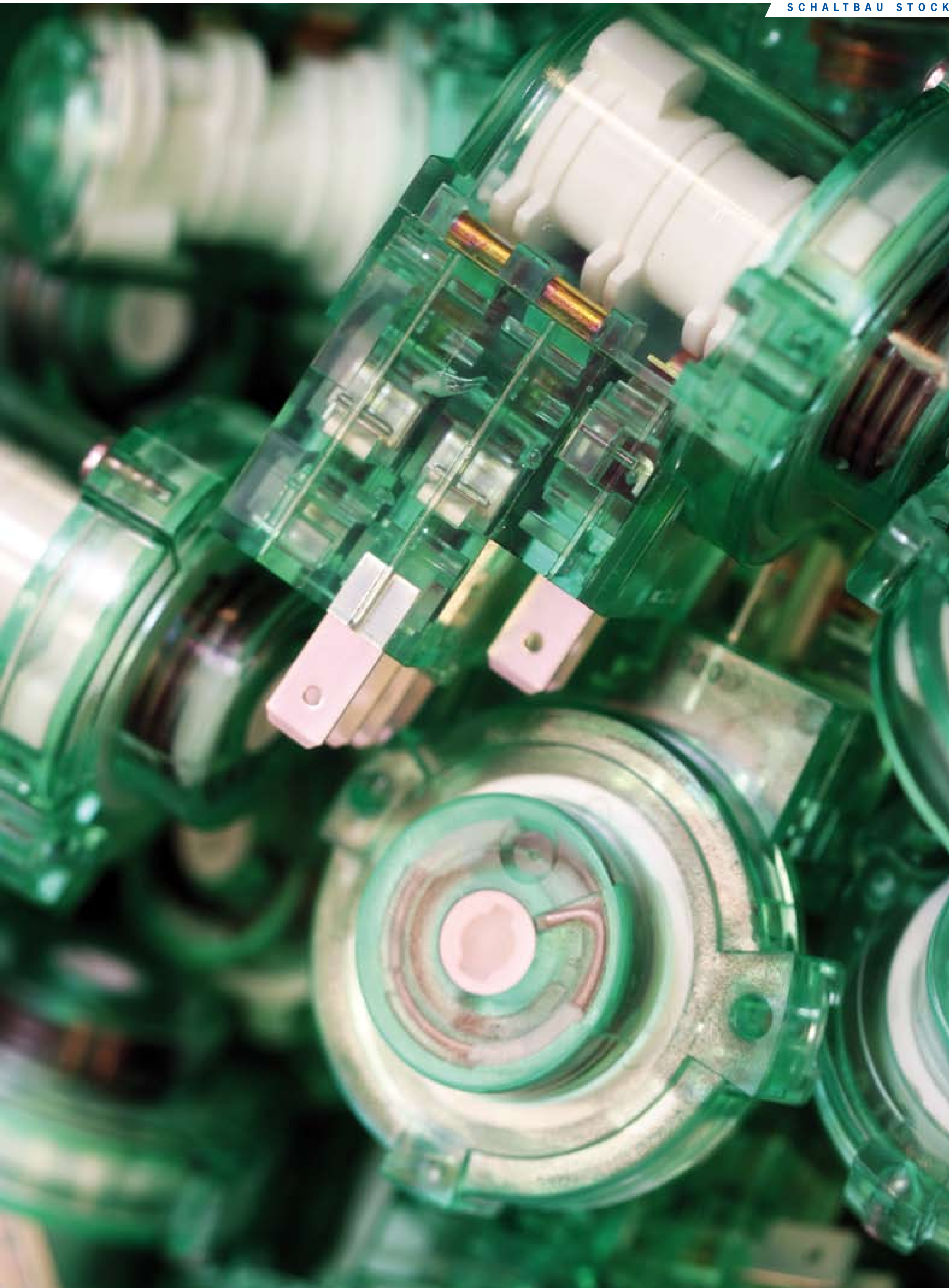
Schaltbau Holding AG stepped up its activities in the field of investor relations during the year under report. In the course of these endeavours the company reached a milestone by switching from the General Standard to the Prime Standard section of the German Stock Exchange. Schaltbau had already fulfilled most of the necessary increased transparency requirements prior to taking this step. To underline this fact, comprehensive interim statements and ad hoc statements have also been published in English since the fourth quarter 2007.

Since 30 September 2008 shareholders have also been additionally provided with an in-depth Group interim report. Possible future acceptance in one of the selected indices of the German Stock Exchange that comes with participation in the Prime Standard is of strategic significance. For Schaltbau Holding AG this would mean the TecDAX.

The company maintains an open, active dialogue with both shareholders and investors far exceeding its obligation. Apart from the compulsory publication of Directors‘ Dealings, ad hoc and voting rights announcements, investors were swiftly and reliably informed by means of press releases in both German and English concerning the latest developments and events throughout the fiscal year 2008.

Working from this solid basis of information Schaltbau has increasingly directed its attention to investors, particularly those from abroad, with the goal of successively broadening its shareholder base. One of the key measures in this regard was participation in analysts‘ and investors‘ conferences. Furthermore, the management made use of road shows in order to present the Schaltbau Group to key investment decision-makers in a more personal way. Particular attention was paid to focusing on investors from other European countries.

All information is promptly published in the approved manner on the Group‘s internet website at: www.schaltbau.de This also includes information on Directors‘ Dealings, current financial dates, analysts‘ assessments, voting results concerning the resolutions of the Annual General Meeting, the current price of Schaltbau stock and developments in shareholder structure. Interested parties can also visit the Download section to access business and interim reports as well as further extensive information on the Schaltbau Group.



Corporate Governance Report

Corporate Governance at Schaltbau

Schaltbau is fully committed to a high standard of responsible corporate governance. The German Corporate Governance Code stipulates guidelines for achieving this aim and makes the corporate governance system both transparent and comprehensible. Both the Executive Board and the Supervisory Board of Schaltbau Holding AG have always been aware of their responsibility for a transparent style of corporate governance and control aimed at sustainable growth in company value. For this reason they emphatically endorse the recommendations contained in the German Corporate Governance Code and view them as an additional opportunity to improve the performance of the Company and cement the trust of its shareholders, business partners and staff.

General information regarding management structure

Schaltbau Holding AG is subject to the regulations contained in the German Stock Corporation Act, the One-Third Participation Act and the capital market regulations as well as the provisions laid down in the Articles of Incorporation and the rules of procedure governing the actions of both the Executive Board and the Supervisory Board. Schaltbau Holding AG is governed by a dual management and monitoring structure consisting of two bodies: the Executive Board and the Supervisory Board. These two corporate bodies are both committed to and aware of their duty to safeguard the best interests of both the shareholders and the Company as a whole. The Annual General Meeting is the third body of the Company.

Executive Board

The Executive Board of Schaltbau Holding AG (currently consisting of two members) manages the Company and conducts its commercial operations. The Executive Board is responsible for the strategic direction of the Schaltbau Group, for preparing and determining financial planning and also for monitoring the company‘s participating interests. It performs these duties in close cooperation with the Supervisory Board. Furthermore, the Executive Board is responsible for preparing the reports required by law such as company and Consolidated Financial Statements and interim reports. It also ensures that appropriate risk management measures are in place and reports regularly, promptly and comprehensively to the Supervisory Board on all questions of strategy relevant to the Group, corporate planning, business performance, risk management and compliance. Matters subject to the approval of the Supervisory Board are defined in the Executive Board‘s rules of procedure. Responsibilities within the Executive Board are governed by an organisational chart. The activities of the Executive Board are geared towards long-term, sustainable growth in company value.

Supervisory Board

In accordance with § 8 clause 1 of the Articles of Incorporation, the Supervisory Board of Schaltbau Holding AG comprises six members. One third of these are employee representatives and the remaining two thirds represent shareholders. The shareholder representatives are elected at the Annual General Meeting and the employee representatives are elected by the Company employees. The Supervisory Board has a five-year term of office. The last regular re-election of the Supervisory Board took place at the Annual General Meeting held on 7 July 2006.

The Supervisory Board consists of the following persons:
Shareholder representatives:

- Karl Uwe van Husen
- Peter Jahrmarkt (Deputy Chairman)
- Dr. Stefan Schmittmann
- Hans Jakob Zimmermann (Chairman)

Employee representatives:

- Marianne Reindl
- Horst Wolf

The Chairman performs the external duties of the Supervisory Board. The Supervisory Board both monitors and advises the Executive Board in business matters. The Supervisory Board holds regular discussions with the Executive Board concerning strategy and its implementation, planning, current business performance, the risk situation and topics related to compliance. It adopts the annual budget and Company Financial Statements of Schaltbau Holding AG and approves the Consolidated Financial Statements with due consideration to the written and verbal reports supplied by the external auditors. The Supervisory Board is also responsible for appointing and removing Executive Board members.

The Supervisory Board of Schaltbau Holding AG currently has one Personnel Committee.
It consists of three members who primarily deal with Executive Board matters. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee. In view of the size of the committee, the Supervisory Board refrained from forming either a Nomination Committee or an Audit Committee. Further committees can be formed as the need arises. There are no former members of the Executive Board on the Supervisory Board.

The Supervisory Board may adopt resolutions provided that a minimum of four members take part in the procedure. Resolutions may be adopted by means of a simple majority.
If the number of votes on both sides is equal, the Chairman of the Supervisory Board has the casting vote.

Based on its own assessment, the Supervisory Board contains a sufficient number of independent members. The effectiveness of the Supervisory Board is subject to annual review. There were no indications of a conflict of interests on the part of Supervisory Board members during the last fiscal year.

The Executive Board and the Supervisory Board cooperate closely and in an atmosphere of trust to safeguard the best interests of Schaltbau Holding AG. The main topics concerning the cooperation between the Executive Board and the Supervisory Board are contained in the "Report of the Supervisory Board" (page 105 of this Annual Report).

Annual General Meeting

The shareholders exercise their right to vote at the Annual General Meeting. Schaltbau Holding AG has voting stock only. Each share entitles its holder to one vote. The Annual General Meeting takes place once a year within the first eight months of the fiscal year. The agenda of the Annual General Meeting is published on the Company's website, including all of the necessary reports and documents pertaining to it.

The Annual General Meeting makes decisions in all matters empowered to it by law, with particular regard to the use of unappropriated profit, the election of the Supervisory Board, the ratification of the actions of the members of both the Executive Board and the Supervisory Board, the appointment of the external auditors, changes to the Articles of Incorporation and corporate activities. Every shareholder has the right to participate in the Annual General Meeting.

In order to facilitate the exercising of their individual rights, Schaltbau Holding AG gives shareholders the option to vote via a company proxy who is bound to vote in accordance with their instructions at the Annual General Meeting. The invitation to the Annual General Meeting includes an explanation as to how voting instructions can be given prior to the meeting. Shareholders can, however, also be represented by a proxy of their choice.

The registration and legitimation procedure complies with the legal and customary international "record date" procedure. Shareholders must legitimate their participation at the Annual General Meeting at least 21 days in advance.

Financial reporting and risk management, external audit

The Consolidated Financial Statements of Schaltbau Holding AG are prepared in accordance with International Financial Reporting Standards (IFRS), the Company Financial Statements of Schaltbau Holding AG are prepared in accordance with the German Commercial Code (HGB). Both the Consolidated and Company financial statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin, as elected at the Annual General Meeting in accordance with a proposal made by the Supervisory Board.

The Chairman of the Supervisory Board issued the audit engagement letter after assuring himself of the impartiality of the external auditors prior to putting forward the proposal at the Annual General Meeting. The Chairman of the Supervisory Board also came to an agreement with the external auditors to the effect that they immediately report to the Supervisory Board all significant findings and events resulting from the external audit.
The risk management system implemented in the Schaltbau Group is designed with the dual purpose of detecting or anticipating risks at an early stage in order to avoid losses to the company on the one hand and of making conscious use of any business opportunities that present themselves on the other. Detailed disclosures regarding the risk management system in place at Schaltbau Holding AG are given in the Group management report (p. 28 of this annual report).

Transparency

Schaltbau Holding AG utilises the company's website in order to supply shareholders and investors with prompt information: www.schaltbau.de. In addition to the annual report and various interim reports, shareholders and third parties are additionally kept informed of the latest developments by means of ad hoc announcements and press releases. Schaltbau Holding AG publishes a financial calendar displaying all important dates and company publications well in advance. In accordance with § 10 of the Securities Prospectus Act (WpPG) all publicly listed companies are annually required to provide the public with a document containing all information published or otherwise made public by them within the preceding twelve months in compliance with company or capital market regulations. The “Annual Document“ can be downloaded at: www.schaltbau.de.

Directors‘ dealings, major participations and shareholdings subject to notification pursuant to code no. 6.6 of the German Corporate Governance Code

Notifications regarding the transactions of members of management pursuant to § 15a of the Securities Trading Act (WpHG)

In accordance with Securities Trading Act (WpHG) regulations, Schaltbau Holding AG promptly discloses any notification of directors’ dealings, i.e. any notification involving members of the Executive Board, the Supervisory Board or any individuals or legal entities closely related to them with regard to the purchase or sale of Schaltbau Holding AG stock. These reports are also published on the Company‘s website at: www.schaltbau.de.

Major participations

The Company promptly publishes any notifications received regarding the purchase or sale of major participations pursuant to § 21 of the Securities Trading Act (WpHG) or pertaining to the holding of respective financial instruments pursuant to § 25 WpHG.

Shareholdings of Executive Board and Supervisory Board

Members of the Executive Board and the Supervisory Board hold the following Schaltbau Holding AG stock (WKN 717030) or related financial instruments (WKN A0TFWY) either directly or indirectly through related individuals or companies.

Stock option programmes and similar securities-related incentive systems

Schaltbau Holding AG does not currently have a stock option programme or any such similar securities-related incentive system in place. In 2008 an individual share subscription programme was offered to a selected circle of employees with special entitlements – this primarily relates to the chief executive officers of German group companies. The employee share subscription programme will be repeated in 2009.

Compensation of Executive Board and Supervisory Board (Compensation Report)

In conjunction with the recommendations contained in the German Corporate Governance Code, the compensation of the Executive Board comprises both fixed and variable components. The variable component consists of a management bonus based on Group net profit. It does not include variable components with long-term incentives such as stock options. A pension plan is not currently in place. The assessment criteria governing the appropriateness of compensation consist of the tasks performed by each individual member of the Executive Board, his or her personal performance, the economic situation, the degree of success and also the future prospects of the Company as compared to its competitors.

Person subject to report	Position	Shareholding at 31 Dec. 2008	Number of convertible bonds held at 31 Dec. 2008
Dr. Jürgen Cammann	Spokesman of the Executive Board	217,600	768 (€ 76,800.00)
Hans Jakob Zimmermann	Chairman of the Supervisory Board	188,786	7,920 (€ 792,000.00)
Peter Jahrmarkt	Deputy Chairman of the Supervisory Board	2,000	45 (€ 4,500.00)

The structure of the compensation system in place for the Executive Board is both discussed and regularly reviewed in Personnel Committee meetings. The Personnel Committee is also responsible for determining individual aspects relating to this structure.

In accordance with the resolution passed at the Annual General Meeting held on 7 July 2006, the compensation of individual members of the Executive Board will not be made public.

Compensation for the active members of the Executive Board totalled € 784,000 for the fiscal year 2008. This includes payments in kind resulting from the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each Executive Board member.

In legal terms, the contracts of service for the members of the Executive Board do not contain any arrangements pertaining to the termination of their positions in the Executive Board that differ greatly to those applicable to employees.

The total compensation received by former members of the Supervisory Board and their surviving dependents amounted to € 94,000 in 2008. Pension provisions totalling € 627,000 (IFRS) are recognised at 31 December 2008.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2008.

The basic compensation for a Supervisory Board member totals € 15,000 per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount. This resulted in basic compensation totalling € 112,500 in 2008.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. The dividend paid in 2008 was above this level and for this reason a total of € 24,698.48 was paid out.

Membership of committees is not additionally compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 7,950 for additional time spent on behalf of the company in 2008.

The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view of the amount of compensation involved, a deductible has not been provided for.

Declaration of Compliance pursuant to § 161 of the Stock Corporation Act (AktG)

The Declaration of Compliance, required to be issued annually by the executive and supervisory boards of publicly listed companies pursuant to § 161 AktG, was last issued on 11 December 2008. The declaration complies with the German Corporate Governance Code in the version dated 06 June 2008 and reads as follows:

All recommendations of the “Government Commission on the German Corporate Governance Code“ are being adhered to with the following exceptions:

Code no. 3.8, sub-paragraph 2
In view of the amount of compensation, the D&O insurance policy taken out for the members of the Executive and Supervisory Boards of Schaltbau Holding AG does not provide for a deductible.

Code no. 4.2.1, clause 2
The rules of procedure for the Executive Board contain rules suitable for a two-person committee.

Code no. 4.2.2, sub-paragraph 1
For reasons of efficiency, the contracts of service and the structure of the compensation system for Executive Board members are not only discussed by the Personnel Committee but also determined by that committee.

Code no. 4.2.3, sub-paragraphs 4 and 5 in the version dated 6 June 2008
The current contracts of service do not include payment arrangements pertaining to premature termination of positions in the Executive Board. This allows for the necessary flexibility in the case of premature termination of an Executive Board position in order to achieve negotiation results appropriate to the particular situation.

Code no. 4.2.3, sub-paragraph 6 are not currently being implemented because all pertinent information is already included in the compensation report contained in the Corporate Governance report.

Code nos. 4.2.3; sub-paragraph 3, 4.2.5, sub-paragraph 2 and 7.1.3
The compensation of Executive Board members consists of both fixed and variable components, but does not, however, include stock options or similar arrangements, so that corresponding recommendations with regard to these compensation components are of no relevance for the Company.

Code nos. 4.2.4 and 4.2.5, sub-paragraph 1
On the basis of a resolution passed at the Annual General Meeting on 7 July 2006, the total compensation of each individual Executive Board member is not disclosed.

Code no. 5.1.2, sub-paragraph 1
In view of the ages of the Executive Board members, there is no current provision for a long-term succession plan.

Code no. 5.1.2, sub-paragraph 2
In view of the ages of the Executive Board members, there is no general rule concerning an age limit for Executive Board members.

Code no. 5.3.2
The Supervisory Board has formed a Personnel Committee. An Audit Committee is provided for under the rules of procedure for the Supervisory Board, but has, however, not been formed due to the composition of the Supervisory Board, which comprises only six persons.

Code no. 5.3.3
A Nomination Committee has not yet been formed due to the composition of the Supervisory Board, which comprises only six persons.

Code no. 5.4.7, sub-paragraph 1 in the version dated 14 July 2007 resp. code no. 5.4.6, sub-paragraph 1 in the version dated 6 June 2008
Membership of committees is not currently being taken into account in the compensation of Supervisory Board members because the Supervisory Board currently has only one committee, namely Personnel Committee, that only meets as the need arises.

Code no. 5.4.7, sub-paragraph 3 in the version dated 14 July 2007 resp. code no. 5.4.6, sub-paragraph 3 in the version dated 6 June 2008
The compensation of Supervisory Board members is stipulated in the Articles of Incorporation of the Company. For this reason, no further provision regarding the disclosure of individual compensation is currently planned.

Code no. 7.1.2
which stipulates that the audited consolidated financial statements must be made public within 90 days of the end of the fiscal year and the half-yearly report within 45 days of the end of the half-year is not currently being complied with due to the international structure of the Group and the current distribution of ownership.

Code no. 7.1.2, paragraph 2 in the version dated 6 June 2008
A specific review does not take place between the Executive Board and the Supervisory Board prior to the publication of half-yearly or quarterly financial reports. The assets, financial and profitability situation is regularly reviewed within the framework of Supervisory Board meetings and whenever the need arises on the strength of monthly reporting to the Supervisory Board (Both the current and the previous versions of the Declaration of Compliance dating back to 2003 are accessible at any time on the Company's website.

Munich, April 2008

The Executive Board The Supervisory Board

Declaration of the Executive Board and the Supervisory Board of Schaltbau Holding AG

regarding the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to § 161 AktG ("Declaration of Compliance")

1. Since its last Declaration of Compliance, issued on 11 December 2007, which related to the German Corporate Governance Code in the version dated 14 June 2007, Schaltbau Holding AG **has** complied with all recommendations made by the "Government Commission on the German Corporate Governance Code", both in this version and in the version dated 6 June 2008 with the following exceptions:

- The D&O insurance policy taken out for the benefit of the members of the executive and supervisory boards of Schaltbau Holding AG does not provide for a deductible (code no. 3.8, sub-paragraph 2).

- The rules of procedure for the Executive Board include rules suitable for a two-person committee (code no. 4.2.1, paragraph 2).

- The contracts of service and the compensation structure for the members of the Executive Board are reviewed and determined by the Personnel Committee (code no. 4.2.2, sub-paragraph 1).

- The current contracts of service do not include payment arrangements pertaining to premature termination of positions in the Executive Board in accordance with code no. 4.2.3, sub-paragraphs 4 and 5 in the version dated 6 June 2008.

- Code no. 4.2.3, sub-paragraph 6 is not being applied.

- The compensation of the Executive Board members consists of both fixed and variable components, but does not, however, include stock options or similar arrangements, so that corresponding recommendations with regard to these compensation components are of no relevance for the company (code nos. 4.2.3, sub-paragraph 3, 4.2.5, sub-paragraph 2 and 7.1.3).

- On the basis of a resolution passed at the Annual General Meeting on 7 July 2006, code nos. 4.2.4 and 4.2.5, sub-paragraph 1 concerning the individual disclosure of the total compensation of each Executive Board member are not being applied.

- In view of the ages of the Executive Board members, provisions for a long-term succession plan are not currently in place (code no. 5.1.2, sub-paragraph 1).
  A general rule concerning an age limit for Executive Board members in accordance with code no. 5.1.2, sub-paragraph 2 is not currently in place.

- The Supervisory Board has formed a Personnel Committee. An Auditing Committee has been provided for under the rules of procedure of the Supervisory Board (code no. 5.3.2), but has, however, not been formed due to the total size of the Supervisory Board.

- A Nomination Committee in accordance with code no. 5.3.3 has not yet been formed.

- Membership of committees is not taken into account in the compensation of Supervisory Board members (code no. 5.4.7, sub-paragraph 1 in the version dated 14 July 2007 and code no. 5.4.6, sub-paragraph 1 in the version dated 6 June 2008).

- The compensation of Supervisory Board members is stipulated in the Articles of Association of the company. Individual details are not included in the Governance Report (code no. 5.4.7, sub-paragraph 3 in the version dated 14 July 2007 and code no. 5.4.6, sub-paragraph 3 in the version dated 6 June 2008).

- Code no. 7.1.2, which stipulates that the audited consolidated financial statements must be published within 90 days after the end of the fiscal year and the half-yearly report within 45 days of the end of the half-year is not currently being complied with.

- A specific review does not take place between the Executive Board and the Supervisory Board prior to the publication of half-yearly or quarterly financial reports. The assets, financial and profitability situation is regularly reviewed within the framework of Supervisory Board meetings and whenever the need arises on the strength of monthly reporting to the Supervisory Board (code no. 7.1.2, paragraph 2 in the version dated 6 June 2008).

2. Schaltbau Holding AG **will** comply with the recommendations of the “Government Commission on the German Corporate Governance Code“ in the version dated 6 June 2008, with the exceptions listed in section 1.

Munich, 11 December 2008

Schaltbau Holding AG

For the Executive Board:
Dr. Jürgen Cammann
Waltraud Hertreiter

For the Supervisory Board:
Hans J. Zimmermann

Annual Document in accordance with § 10 of the Securities Prospectus Act (WpPG)

In accordance with § 10 clause 1 of the Securities Prospectus Act (WpPG), Schaltbau Holding AG is required to publish a so-called ”Annual Document“ at least once a year. This must either include or make reference to all information that Schaltbau Holding AG has published or made available to the public in accordance with the regulations listed in § 10 clause 1 of the Securities Prospectus Act (WpPG).

Schaltbau Holding AG has established a special “Annual Document“ category on its internet website “www.schaltbau.de“ in the “Investor Relations“ section, under which all publications in accordance with § 10 clause 1 of the Securities Prospectus Act (WpPG) have been collated. This information is available as follows:

Ad hoc releases
available under: www.schaltbau.de, category: Investor Relations / Ad hoc release

Directors‘ dealings
available under: www.schaltbau.de, category: Investor Relations / Corporate Governance / Directors‘ dealings

Voting Rights announcements
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Total Voting Rights announcements
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Interim reports
available under: www.schaltbau.de, category: Investor Relations / Financial information

Annual report including consolidated financial statements and management report
available under: www.schaltbau.de, category: Investor Relations / Financial information

Consolidated financial statements and management report of Schaltbau Holding AG
available under: www.schaltbau.de, category: Investor Relations / Financial information

Invitation to Annual General Meeting 2006
available under: www.schaltbau.de, category: Investor Relations / Annual General Meeting

Agenda of Annual General Meeting 2006
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Dividend announcement
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Announcement convertible bonds
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Announcement in accordance with § 30b clause 1 sentence 1 number 2 of the Securities Trading Act (WpHG)
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Announcement in accordance with article 4 clause 4 VO (EG) no. 2273/2003
available under: www.schaltbau.de, category: Investor Relations / Annual Document

Advance announcement in accordance with § 37v, 37w, 37x Securities Trading Act (WpHG)
available under: www.schaltbau.de, category: Investor Relations / Annual Document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Consolidated Income Statement
Schaltbau Holding AG for the Fiscal Year from 1 January to 31 December 2008

		Notes	1 Jan. - 31 Dec. 2008 €000	1 Jan. - 31 Dec. 2007 €000
1.	Sales	(1)	280,196	232,056
2.	Change in inventories of finished goods and work in progress	(2)	1,280	2,896
3.	Own work capitalised		879	1,195
4.	**Total output**		**282,355**	**236,147**
5.	Other operating income	(3)	4,191	3,234
6.	Cost of materials	(4)	150,941	123,536
7.	Personnel expense	(5)	79,358	74,773
8.	Amortisation and depreciation		5,969	5,256
9.	Other operating expenses	(6)	28,425	21,719
	Profit from operating activities		**21,853**	**14,097**
	a) Result from at-equity accounted investments		325	1,402
	b) Other results from investments		0	119
10.	Results from investments	(7)	325	1,521
	a) Interest income		213	251
	b) Interest expense		6,587	5,835
11.	Finance result	(8)	-6,374	-5,584
12.	**Profit before tax**		**15,804**	**10,034**
13.	Income taxes	(9)	2,732	1,869
14.	**Group net profit**		**13,072**	**8,165**
	Analysis of group net profit			
	attributable to minority shareholders		1,229	967
	attributable to the shareholders of Schaltbau Holding AG		11,843	7,198
	Group net profit		**13,072**	**8,165**
	Earnings per share - undiluted:	(10)	**€ 6.35**	**€ 3.85**
	Earnings per share - diluted:		**€ 5.94**	**€ 3.85**

Consolidated Cash Flow Statement of the Schaltbau Group for the Fiscal Year 2008

	Notes	31.12.2008 €000	31.12.2007 €000
Group net profit for the year		**13,072**	**8,165**
Amortisation and depreciation on non-current assets		5,959	5,252
Gain on disposal of non-current assets		83	148
Finance result		6,374	5,584
Income tax expense		2,733	1,869
Change in current assets		-2,983	-1,468
Change in provisions		-1,410	-1,745
Change in current liabilities		-4,580	4,661
Dividends received		505	564
Interest paid		-5,510	-4,246
Interest received		213	251
Income taxes paid		-1,093	-1,106
Other non-cash income / expenses		-333	-1,834
Cash flows from operating activities	(a)	**13,030**	**16,095**
Payments for investments in:			
- Property, plant and equipment and intangible assets		-6,296	-7,853
- Financial investments (excluding cash acquired)		-2,003	-5,291
Proceeds from disposal of:			
- Property, plant and equipment		31	67
- Financial investments		0	60
Cash flows from investing activities	(b)	**-8,268**	**-13,017**
Share buyback		-195	0
Dividend payment		-559	-280
Distribution in minority interests		-1,044	-1,066
Change in participation rights capital		0	0
Repayment of / proceeds from financial liabilities		-5,593	1,387
Cash flows from financing activities	(c)	**-7,391**	**41**
Change in cash and cash equivalents due to exchange rate fluctuations		77	-35
Change in cash funds due to changes in the group reporting entity		0	190
Change in cash, cash equivalents and securities		**-2,552**	**3,274**
Cash and cash equivalents at the end of the year		5,332	7,884
Cash and cash equivalents at the beginning of the year		7,884	4,610
		-2,552	**3,274**

Consolidated Balance Sheet of Schaltbau Holding AG as at 31 December 2008

ASSETS

	Notes	31.12.2008 €000	31.12.2007 €000
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	12,222	11,413
II. Property, plant and equipment	(11)	40,270	40,350
III. At-equity accounted investments	(11)	6,484	6,916
IV. Other investments	(11)	1,506	1,484
V. Deferred tax assets		9,000	8,725
		69,482	**68,888**
B. CURRENT ASSETS			
I. Inventories	(12)	53,343	46,406
II. Trade accounts receivable	(13)	33,241	33,784
III. Income tax receivables	(13)	40	218
IV. Other receivables and assets	(13)	6,686	7,546
V. Cash and cash equivalents	(14)	5,332	7,884
		98,642	**95,838**
		168,124	**164,726**

EQUITY AND LIABILITIES

	Notes	31.12.2008 €000	31.12.2007 €000
A. EQUITY	(15)		
I. Subscribed capital	(16)	6,850	6,840
II. Capital reserves	(17)	8,443	8,335
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	-23,908	-29,658
V. Income/expenses recognised directly in equity	(17)	-286	-176
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		11,843	7,198
VIII. Equity attributable to shareholders of Schaltbau Holding AG		6,214	-4,189
IX. Minority interests	(18)	2,395	2,079
		8,609	**-2,110**
B. NON-CURRENT LIABILITIES			
I. Participation rights capital	(19)	7,002	6,978
II. Pension provisions	(20)	18,987	19,143
III. Other provisions	(21)	5,086	5,804
IV. Financial liabilities	(22)	41,516	45,673
V. Other liabilities	(22)	9	1,139
VI. Deferred tax liabilities		6,281	6,030
		78,881	**84,767**
C. CURRENT LIABILITIES			
I. Other provisions	(21)	19,488	17,371
II. Income taxes payable	(22)	152	66
III. Financial liabilities	(22)	13,415	15,729
IV. Trade accounts payable	(22)	19,830	21,725
V. Advance payments received	(22)	14,592	17,587
VI. Other liabilities	(22)	13,157	9,591
		80,634	**82,069**
		168,124	**164,726**

Statement of Changes in Equity of the Schaltbau Group

- in € 000 -	Attributable to shareholders of Schaltbau Holding AG				
	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves	Revaluation reserve
Balance at 1.1.2007	**6,840**	**7,740**	**231**	**-34,522**	**2,606**
- Profit brought forward	0	0	0	4,984	0
- Transfer to revenue reserves	0	0	0	0	0
- Shares issued	0	0	0	0	0
- Acquisition / withdrawal of treasury shares	0	0	0	0	0
- Dividend paid	0	0	0	-280	0
- Change in group reporting entity	0	0	0	0	0
- Other changes	0	595	0	160	435
- Group net profit for the year	0	0	0	0	0
Balance at 31.12.2007	**6,840**	**8,335**	**231**	**-29,658**	**3,041**
Balance at 1.1.2008	**6,840**	**8,335**	**231**	**-29,658**	**3,041**
- Profit brought forward	0	0	0	7,198	0
- Transfer to capital reserve	0	0	0	0	0
- Transfer to revenue reserves	0	0	0	0	0
- Shares issued / Converted	10	108	0	0	0
- Dividend paid	0	0	0	-559	0
- Change in group reporting entity	0	0	0	0	0
- Other changes	0	0	0	-889	0
- Group net profit for the year	0	0	0	0	0
Balance at 31.12.2008	**6,850**	**8,443**	**231**	**-23,908**	**3,041**

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

			Minority interests			Group equity
Income/expenses recognised directly in equity	Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
-169	**4,984**	**-12,290**	**1,174**	**1,052**	**2,226**	**-10,064**
0	-4,984	0	1,052	-1,052	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	-280	-1,066	0	-1,066	-1,346
0	0	0	0	0	0	0
-7	0	1,183	-48	0	-48	1,135
0	7,198	7,198	0	967	967	8,165
-176	**7,198**	**-4,189**	**1,112**	**967**	**2,079**	**-2,110**
-176	**7,198**	**-4,198**	**1,112**	**967**	**2,079**	**-2,110**
0	-7,198	0	967	-967	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	118	0	0	0	118
0	0	-559	-1,044	0	-1,044	-1,603
0	0	0	0	0	0	0
-110	0	-999	131	0	131	-868
0	11,843	11,843	0	1,229	1,229	13,072
-286	**11,843**	**6,214**	**1,166**	**1,229**	**2,395**	**8,609**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG 2008

DESCRIPTION OF BUSINESS

The Schaltbau Group is one of the leading manufacturers of traffic technology components and equipment. In addition to electro-mechanical components and equipment, the Group supplies door systems for buses and trains, safety systems for level crossings, equipment for railway vehicles, point heating systems, maritime aids and industrial braking systems. Its innovative and future-oriented products make Schaltbau a highly influential business partner in the area of traffic technology.

BASIS OF PREPARATION

To ensure greater clarity and understanding, the company financial statements of Schaltbau Holding AG are reported separately to the consolidated financial statements. The complete set of financial statements of Schaltbau Holding AG will be provided on request. 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 § 315 a (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 financial year under report have been applied (see also the disclosures made below on “Standards, Interpretations and Amendments issued but not yet applied”).

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

The Consolidated Financial Statements and Group Management Report drawn up for the fiscal year ending 31 December 2008 were approved for publication by the Executive Board on 9 March 2009. The Consolidated Financial Statements and Group Management Report will be posted in the electronic Federal Gazette.

CONSOLIDATION PRINCIPLES

The financial statements of the companies included in the Consolidated Financial Statements of Schaltbau Holding AG have been drawn up to 31 December using uniform accounting policies. In accordance with IFRS, all business combinations are accounted for using the purchase method. The purchase price paid for a subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. Measurement is based on values applicable at the date on which the Group gained control over the subsidiary concerned. Assets, liabilities and contingent liabilities that are required to be recognised are measured at their full fair value, irrespective of the Group’s shareholding. Any remaining debit difference (excess of cost over the fair value of acquired assets and liabilities) is presented as goodwill. Credit differences (excess of the fair value of acquired assets and liabilities over cost) are recognised immediately as income. In subsequent periods, fair value adjustments are rolled forward in accordance with the treatment of the corresponding assets and liabilities. In the event that write-downs have been recognised in the separate company financial statements on the cost of investment of consolidated companies or on intra-group receivables, these write-downs are reversed in the consolidated financial statements.

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

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

When additional shares of subsidiaries 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.
Investments accounted for using the equity method are stated at the Group's share of assets, liabilities and contingent liabilities (including fair value adjustments) plus, where applicable, any goodwill. Goodwill arising from the application of the equity method is tested for impairment at least once a year and is not amortised on a scheduled basis.

CONSOLIDATED COMPANIES

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

In addition to **Schaltbau Holding AG**, the following 8 (2007: 10) German and 4 (2007: 3) foreign companies are included in the Consolidated Financial Statements of **Schaltbau Holding AG**:

Company	Registered office	Group share-holding
Gebr. Bode GmbH & Co. KG [1)]	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH [1)]	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH	Dinslaken	100%
Pintsch Bubenzer GmbH [1)]	Kirchen	100%
Schaltbau GmbH [1)]	Munich	100%
Schaltbau France S.A.R.L.	Argenteuil (F)	100%
Alud Grundstücksverwaltungs GmbH & Co. Vermietungs KG	Wiesbaden	95%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%
Schaltbau Machine Electrics Ltd.	Bredbury (UK)	100%

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

Associated companies are defined as companies over which Schaltbau Holding AG exercises significant influence and of which it holds between 20% and 50% of the shares. Associated companies are accounted for using the equity method. The following associated companies are included in the consolidated financial statements at 31 December 2008 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%
Schaltbau North America Inc.	Huntington (USA)	50%
OLB Oberlandbahn Fahrzeugbereitstellungs GmbH	Munich	49.8%
Beijing Bode Transportation Equipment Co. Ltd.	Peking (P.R.CH)	49%

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

Company	Registered office	Shareholding
Machine Electrics Ltd.	Bredbury (UK)	100%
Trukaids Ltd.	Bredbury (UK)	100%
Direct Contact Ltd.	Bredbury (UK)	100%
Electrical Spare Parts & Accessories Ltd	Bredbury (UK)	100%
Fabricon Ltd	Bredbury (UK)	100%
Shenyang Pintsch Bamag Industrial Brake Systems, Ltd.	Shenyang (P.R.CH)	100%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
GEZ Unterstützungsgesellschaft mbH	Munich	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (P.R.CH)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (P.R.CH)	75%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	51%
Rawag Sp.z.o.o.	Rawicz (Polen)	20%

Schaltbau Machine Electrics Ltd. acquired all of the shares of Machine Electrics Ltd., Trukaids Ltd., Direct Contact Ltd., Electrical Spare Parts & Accessories Ltd. and Fabricon Ltd. with effect form 24 July 2008. Schaltbau Machine Electrics Ltd. itself was specifically founded for this purpose on 30 May 2008. Of the companies acquired, only Machine Electrics Ltd. had active operations. The operations of this company were contributed to Schaltbau Machine Electrics Ltd. on 29 August 2008, with retrospective effect from 1 August 2008. The liable capital of each of the acquired companies was reduced to GBP 1 on 29 August 2008. These companies are being retained as legal entities in order to protect their names.

Bubenzer Bremsen Gerhard Bubenzer Ing. GmbH changed its name to Pintsch Bubenzer GmbH on 6 June 2008. Pintsch Bubenzer GmbH had already entered into a Profit and Loss Transfer Agreement with its parent company, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH on 25 April 2008. With Pintsch Bamag Antriebs- und Verkehrstechnik GmbH ceasing to be limited partner (Kommanditistin) and Pintsch Verwaltungs GmbH ceasing to be general partner (Komplementärin), Siegerland Bremsen Gerhard Bubenzer Ing. GmbH & Co. KG (a partnership) was transferred by default to Pintsch Bubenzer GmbH (as the only remaining limited partner) and ceased to be a separate entity. As a result of this transaction, Pintsch Verwaltungs GmbH was rendered obsolete and was therefore merged into Pintsch Bamag Antriebs- und Verkehrstechnik GmbH in accordance with the Merger Agreement dated 13 November 2008. In accordance with the Spin Off and Transfer Agreement dated 22 August 2008, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH (as the transferring entity) transferred its drive technology/brakes business to Pintsch Bubenzer GmbH in order to aggregate these activities in a single company.

Shenyang Pintsch Bamag Industrial Brake Ltd. was founded on 12 December 2008 with its registered office in Shenyang (People's Republic of China). The company has not yet commenced active operations.

Due to the changes in the group reporting entity, the figures reported for 2008 are not fully comparable with those presented for the previous year. The main effects on the consolidated balance sheet of the purchase of Machine Electrics Ltd. are disclosed below. The amounts reported for the consolidated income statement relate to Machine Electrics Ltd. for the five-month period 1 August 2008 to 31 December 2008. The amounts shown should be deducted from the corresponding line items in consolidated financial statements as at 31 December 2008 in order to reach more comparable figures.

Balance Sheet at 31 December 2008			
	€ 000		€ 000
Property, plant and equipment	424	Reserve resulting from change in equity (not recognised through profit or loss)	-83
Investments	0	Retained earnings	-108
Deferred tax assets	0	Deferred tax liabilities	20
Inventories	999	Provisions	30
Receivables and other assets	857	Liabilities to banks	2,207
Cash and cash equivalents	229	Trade accounts payable and other liabilities	443

Income Statement 1 August – 31 December 2008	
Sales	1,786
Change in inventories	-172
Other operating income	485
Cost of materials	766
Personnel expense	532
Amortisation and depreciation	47
Other operating expenses	814
Financial result	-58
Deferred tax income	10
Net loss	-108

Schaltbau Group sales for 2008 would have been € 3,321,000 higher and earnings would have been € 74,000 higher if the transaction had been completed on 1 January 2008.

Based on values at the acquisition date, the acquisition of Machine Electrics Ltd. had the following impact:

Disclosures in € 000	Carrying amounts at acquisition date	Adjustments	Fair values at acquisition date
Intangible assets	0		0
Property, plant and equipment	566		566
Inventories	1,411		1,411
Accounts receivable and other assets	868		868
Cash and cash equivalents	192		192
Total assets acquired	**3,037**		**3,037**
Deferred tax liabilities	2		2
Other provisions	75		75
Trade accounts payable and other liabilities	718		718
Total liabilities acquired	**795**		**795**
Net assets acquired			2,242
Credit difference on consolidation recognised as income			-70
Acquisition cost		2,043	
Transaction costs		129	
Total acquisition cost			2,172
Goodwill			0

USE OF ESTIMATES

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

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

Goodwill is reported in the consolidated balance sheet as a result of business acquisitions. On the first consolidation on a newly acquired business, all identifiable assets, liabilities and contingent liabilities are recognised, measured at their fair value at the acquisition date. One of the main areas of estimation is therefore the determination of the fair values of those assets and liabilities at the relevant date. For the purposes of determining the fair value of assets and liabilities, independent valuation reports and internal computations using appropriate valuation methods were 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.

FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated companies prepared in a foreign currency are translated using the “functional currency“ concept. The financial statements of consolidated companies whose functional currency is not the Euro are drawn up in accordance with the modified closing rate method. Under this method, the balance sheet amounts of consolidated foreign companies are translated at the closing spot exchange rate prevailing at the balance sheet date. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences resulting from the translation of the balance sheet items are recognised directly in equity (see explanatory comments on the consolidated balance sheet, Note 17). Differences resulting from the translation of income and expense items are recognised as other operating income or expenses. An exchange loss of € 154,000 was recognised in 2008.

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

	Closing rate		Average rates	
	31.12.2008	31.12.2007	2008	2007
Chinese renminbi yuan	9.6626	10.7726	10.2479	10.4347
US dollar	1.4097	1.4729	1.4713	1.3707
British pound	0.9740	0.7379	0.7964	0.6848
New Turkish lire	2.1472	1.7347	1.9096	1.7934

ACCOUNTING PRINCIPLES AND POLICIES

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

Intangible assets with a definite useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trade marks and software are generally amortised over a period of 4 to 5 years. The carrying amount of these assets is reduced if the recoverable amount (defined as the higher of an asset's fair value less costs to sell and its value in use) is lower than the carrying amount. Intangible assets with an indefinite useful life are measured at cost. They are not subjected to systematic amortisation. Instead, they are tested for impairment annually (or more frequently if there is an indication that they are impaired) and, where necessary, the carrying amount is reduced to the recoverable amount. If the reasons for previously recognised losses no longer exist, those impairment losses are 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 cash-generating unit to which the goodwill was allocated. If the carrying amount of the cash-generating unit exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a cash-generating unit is determined on the basis of its fair value less costs to sell and is calculated using a discounted cash flow method. Computations are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal company purposes. A discount rate of 11% or 13% was applied.

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

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets 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. Depreciation is based on the following useful lives: buildings 10 to 50 years, plant and machinery/ other equipment, office fixtures and fittings 2 to 15 years. Borrowing costs are not capitalised. 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 liabilities. Current maintenance and repair costs are recognised as expense in the period in which they are incurred.

Investments in non-consolidated, affiliated companies and other participations presented in the balance sheet as investments are stated at the lower of cost or fair value at the balance sheet date. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. Non-current loans are stated at their amortised cost.

In accordance with IAS 12 (Income Taxes), **deferred tax** assets and liabilities are recognised on timing differences between the accounting and tax bases of assets and liabilities, on consolidation procedures affecting net income and on tax losses available for carryforward. Deferred 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 have been adjusted accordingly. Deferred taxes for the Group's foreign companies are based on the tax rates applicable in the countries concerned.

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

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

Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts), to hedge interest rate risks (interest rate swaps) and in one case to hedge an interest rate / currency risk (cross – currency swap). The interest rate swaps and the cross currency swap are structured as cash flow hedges. In rare cases, commodity risks are hedged by means of forward commodity contracts. With the exception of interest rate risks and the interest rate / currency risk, the Group does not currently apply hedge accounting for hedging relationships. Therefore, with the exception of the interest rate swap and the cross currency swap, all derivative financial instruments are classified as held-for-trading. Derivative financial instruments are measured at their fair value which corresponds to the market value. The market value reflects the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. Due to the volatility of market data relevant for measuring the value of an instrument, the market value of a derivative financial instrument measured at the balance sheet date can differ from the amounts that will actually be realised. The market value of forward exchange contracts is calculated on the basis of the foreign exchange spot rates prevailing on the balance sheet date and on the basis of the amount of forward premiums and discounts payable in comparison with the contracted forward rate. Fair value gains and losses are recognised as other operating income or expenses. Forward exchange contracts are presented in the balance sheet under the headings "Other receivables and assets" or "Other liabilities". The fair value of interest rate swaps and of the cross-currency swap is determined on the basis of valuation models developed by the Group's banks; fair value gains and losses are recognised, net of deferred taxes, directly in equity (hedge accounting).

The conditions for the application of hedge accounting are fulfilled in the form of a formal documentation of the relationship between the hedged item and the hedging instrument. Each hedging instrument highly effectively offsets the risk from the hedged item. This is measured prospectively using the dollar offset method and retrospectively using a hypothetical derivative.

Trade accounts receivable and other receivables and assets are stated at their amortised cost less allowances for impairment. Allowances take the expected loss on receivables into account. In the event of actual losses, the relevant receivable is derecognised.

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

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

Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. Actuarial gains and losses are only recognised as income or expenses when their net cumulative amount exceeds 10% of the obligations. In this case, they are recognised over the average remaining working lives of the relevant employees. Pension expense is recorded either as an interest or personnel expense, depending on the nature of the pension plan at the companies concerned. The service cost is reported as personnel expense and the interest component of the allocation to the pension provision is reported as part of the net interest result.

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

Other provisions are recognised when the Group has a present obligation to a third party as a result of a past event and it is probable that on outflow of resources will be required to settle the obligation. They are measured at the probable settlement amount, taking into account all identifiable risks, and are not offset against any recourse claims. Provisions are only recognised if the Group has a present obligation (legal or constructive) to a third party. General 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. Specific warranty provisions are recognised for known damages. Provisions that contain an interest component are discounted using an appropriate market interest rate.

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

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

Leases
The beneficial ownership of leased items is attributed to the party that bears substantially all the risks and rewards incidental to ownership of an asset. If the lessor bears substantially all of those risks and rewards, the lease is classified as an operating lease, and the leased item is accounted for by the lessor. The leased item is measured in accordance with the accounting policies normally applied to such items. Lease instalments are recognised in profit or loss. The Group is only party to operating leases as the lessee.

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

Revenue recognition
Revenue is recognised, net of sales deductions such as settlement discount, bonuses or rebates, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Profit on sales is recognised when it is probable that the economic benefits associated with the transactions will flow to the Group.

Standards, Interpretations and Amendments issued but not yet applied
Already endorsed by the EU:
As a result of **IFRS 8** Operating Segments which was issued in November 2006, segment reporting has been changed from the “risk and reward approach” (previously stipulated by IAS 14) to the “management approach” for the purposes of identifying segments. The information that is relevant in this context is the information that is reviewed regularly by an entity’s chief operating decision maker. Measurement of segments has been changed from the “financial accounting approach” (IAS 14) to the “management approach”. IFRS 8 is mandatory for financial years commencing on or after 1 January 2009. Earlier application is permitted. First-time-application of IFRS 8 will result in changes in the disclosures made in conjunction with segment reporting. The IASB issued **IAS 23** Borrowing Costs (revised) in March 2007. Under this Standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of the asset. The option to recognise borrowing costs immediately in profit or loss has been removed. The revised Standard is mandatory for financial years beginning on or after January 1, 2009. It is expected that the revised Standard will only have a marginal impact on the consolidated financial statements of Schaltbau Holding AG.

IFRIC 13 Customer Loyalty Programmes was issued in July 2007 and addresses the accounting treatment of customer loyalty/incentive programmes. This Interpretation requires award credits granted in conjunction with such programmes to be accounted for separately from the underlying transaction (the initial sale) in which they are granted and to recognise revenue subsequently when the credits are redeemed. These arrangements correspond to multi-component sales agreements in accordance with IAS 18.13. The Interpretation is mandatory for financial years beginning on or after 1 July 2008. It is not expected that application of this Interpretation will have any impact on the consolidated financial statements of Schaltbau Holding AG.

In September 2007, the IASB issued a revised version of **IAS 1** Presentation of Financial Statements. The revised Standard is intended to make the analysis and comparability of financial statements easier for users. The revised Standard is mandatory for financial years beginning on or after 1 January 2009. Earlier application is permitted. First-time application of the Standard will not have a significant impact on the presentation of the consolidated financial statements.

In January 2008 the IASB published an amendment to **IFRS 2** Share-based Payment – Vesting Conditions and Cancellations. The amendment clarifies that only service and performance conditions qualify as vesting conditions. It also sets out the accounting treatment for cancellations of share-based payment arrangements, either by the reporting entity or by other parties. The amended Standard is mandatory for financial years beginning on or after 1 January 2009. Earlier application is permitted. The Group does not believe at present that application of the amended Standard will have a significant impact on the presentation of the consolidated financial statements.

In February 2008 the IASB published amendments to **IAS 32** Financial Instruments: Presentation and **IAS 1** Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments relate primarily to the classification of specified types of financial instruments as either equity or debt. It also requires additional disclosures for financial instruments affected by the new rules. The amendments are mandatory for financial years beginning on or after January 1, 2009. Earlier application is permitted. The Group does not believe at present that application of the amended Standards will have a significant impact on the presentation of the consolidated financial statements.

Not yet endorsed by the EU:
In January 2008 the IASB published **IFRS 3** Business Combinations (revised 2008). The revised Standard sets out new rules for the application of the purchase method for business combinations. The principal changes relate to the measurement of minority interests, the recognition of business acquisitions made in stages and the treatment of conditional consideration and acquisition-related costs. Under the new rules, minority interests can be measured either at the fair value (the "full goodwill method") or at the fair value of the acquiring entity's share of identifiable assets and liabilities. In the case of business acquisitions made in stages, the fair value of the investment held at the date on which control passes must be remeasured through profit or loss. Any subsequent changes to conditional consideration that was recognized as a liability at the acquisition date must be recognized in future in profit or loss. Acquisition-related costs must be recognized as expense when incurred.
The revised Standard is mandatory for financial years beginning on or after 1 July 2009.

The IASB also issued amendments to **IAS 27** Consolidated and Separate Financial Statements (amended 2008) in January 2008. The principal amendments to this Standard deal with the accounting treatment of transactions which result in an entity either retaining or losing control over another entity. Transactions which do not result in the loss of control must be accounted for as equity transactions and do not have an impact on profit or loss. Any investment remaining at the date of loss of control must be measured at fair value. It is also permitted to report negative balances for minority interests. In other words, in future, losses will be allocated without restriction on the basis of the proportionate share of the investment held. The amended Standard is mandatory for financial years beginning on or after 1 July 2009. It is currently being investigated whether the amendments will have an impact on the consolidated financial statements of Schaltbau Holding AG.

In July 2008 the IASB published **IFRIC 16** Hedges of a Net Investment in a Foreign Operation. This Interpretation clarifies that it is only possible to account for hedging relationships between the functional currency of a foreign operation and the parent company's functional currency. The amount of the net assets of the foreign operation recognised in the consolidated financial statements can be hedged. The hedging instrument can then be held by any entity or entities within the group (other than the entity whose exchange rate risks are being hedged). When the foreign operation ceases to be part of the group reporting entity, the amount of the fair value gains and losses recognised on the hedging instrument directly in equity and the exchange differences recognised in the foreign currency translation reserve relating to the foreign operation are at that stage reclassified to profit or loss. The amount of cumulative exchange differences relating to the foreign operation that is being deconsolidated can be determined using the stage-by-stage or the direct method of consolidation. IFRS 16 is mandatory for financial years commencing on or after 1 October 2008. Earlier application is permitted. It is not expected that application of this Interpretation will have any impact on the consolidated financial statements of Schaltbau Holding AG.

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

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

At 31 December 2008, the Group had 53 forward exchange contracts in place with banks (2007: one) for a total amount of US$ 21,167,000 (2007: US$ 500,000), to hedge cash flows with foreign customers. The forward exchange contracts, comprising US$ 18,122,000 for sales options and US$ 3,045,000 for purchase options, all fall due in 2009. An unrealised loss of € 594,000 has been recognised for contracts with a negative fair value and an unrealised gain of € 448,000 (2007 € 1,000) has been recognised for contracts with a positive fair value.

A cross currency swap running until 31 July 2015 was put in place in 2008 to hedge the interest rate and currency exposure of a Euro-denominated loan at the level of a foreign subsidiary. The contract, with a hedging volume of € 1,775,000, had a positive market value of € 332,000 at 31 December 2008.

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

Foreign currency risk	USD-related	
In € 000	2008	2007
Trade accounts receivable	-137	-1
Receivables from subsidiaries	-94	-103
Trade accounts payable	17	7
Net risk exposure	-214	-97

Whereas, the currency hedging contracts did not improve the net risk exposure at the end of 2007, the inclusion of such contracts in 2008 reduces the net risk exposure by € 128,000. In addition, the following four interest rate swaps were in place at the end of 2008:

Nr.	Nominal amount in € 000	Fair value € 000 2007	Fair value € 000 2008	Maturity date
1	6.000	+ 105	-377	30.12.2016
2	6.000	+ 103	-25	28.06.2019
3	4.500	- 52	-256	30.06.2014
4	3.000	+ 25	-147	31.12.2012
	19.500	**+ 181**	**-805**	

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

	2008 € 000	2007 € 000
Sales by segment		
Mobile traffic technology	175,210	154,683
Stationary traffic technology	104,908	77,292
Holding company	78	81
	280,196	232,056

	2008 € 000	2007 € 000
Sales by market		
Germany	137,032	123,084
Other EU countries	69,973	61,149
Other European countries	20,939	18,854
Other countries	52,252	28,969
	280,196	232,056

86.7 % (2007: 94.9 %) of sales were billed in Euro, 7.8% (2007: 0.03 %) in US dollar and 5.2 % (2007: 5.1 %) in Chinese renminbi yuan; other currencies accounted for 0.3 % (2007: 0 %) of sales. On the expense side, 96.0 % (2007: 94.4%) of personnel, material and other non-personnel expenditure were settled in Euro and 3.1 % (2007: 5.4 %) in renminbi yuan; 0.9 % (2007: 0.2 %) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 122,802,000 or 38.9 % (2007: € 85,546,000 or 36.9 %)

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

	2008 € 000	2007 € 000
Change in inventories	1,280	2,896
Own work capitalised	879	1,195
	2,159	4,091

(3) OTHER OPERATING INCOME

2008 € 000	2007 € 000
4,191	3,234

The other operating income includes income of € 1,769,000 (2007: € 1,650,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). The remainder relates mainly to exchange gains (€ 854,000) and gains on derivative instruments (€ 853,000).

(4) COST OF MATERIALS

	2008 € 000	2007 € 000
Cost of raw materials, supplies and purchased goods	133,693	111,030
Cost of purchased services	17,248	12,506
	150,941	123,536

A description of the procurement markets and the purchasing strategy of the Schaltbau Group is provided in the Group Management Report.

(5) PERSONNEL EXPENSE / EMPLOYEES

	2008 € 000	2007 € 000
Wages and salaries	66,765	63,145
Social security, pension and welfare expenses	12,593	11,628
	79,358	74,773

Employees

	2008	2007
Development	186	172
Purchasing and logistics	145	149
Production	788	777
Sales and marketing	177	162
Management incl. Executive Board members and group company directors	139	127
Trainees	55	45
	1,490	1,432

The above figures show the average number of employees for the year (on a monthly basis). Further information relating to Schaltbau Group employees can be found in the Group Management Report.

(6) OTHER OPERATING EXPENSES

	2008 € 000	2007 € 000
Operational costs	3,009	2,743
Administrative costs	9,102	7,870
Selling costs	10,692	7,482
Employee-related costs	1,035	1,002
Losses on the disposal of non-current assets	39	204
Allowances on receivables	831	486
Exchange losses	1,285	334
Losses incurred on derivative instruments	723	0
Other taxes	411	233
Sundry other expenses	1,298	1,365
	28,425	21,719

Expenses relating to prior periods totalled € 313,000 (2007: € 306,000).

Research and development expenditure in 2008 amounted to € 16,830,000 (2007: € 14,818,000). The corresponding amount recognised as expense was € 16,097,000 (2007: € 13,886,000). A total of € 733,000 (2007: € 932,000) was capitalised.

The Group has various rental and leasing agreements in place – in particular for property, electronic data processing, vehicles and other office equipment – that are due to expire in the coming years. Rental and lease expense in 2008 and 2007 was € 2,447,000 and € 2,020,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 2,138,000 (2007: € 1,675,000) payable in up to one year, € 5,173,000 (2007: € 1,842,000) in up to five years and € 175,000 (2007: € 35,000 later than five years).

Purchases from the five largest suppliers accounted for 11.9 % (2007: 10.9 %) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

	2008 € 000	2007 € 000
Result from equity accounted investments	325	1,402
Sundry other result from investments	0	119
	325	1,521

The result from equity accounted investments relates to the Group's share of the profits of BoDo Bode-Dogrusan, Beijing Bode Transportation and Schaltbau North America. The result from investments was adversely affected by a risk provision recognised for the Bode Beijing joint venture amounting to € 1,600,000 in the Mobile Traffic Technology segment (see also comments made in the Group Management Report). The financial statements of the three foreign entities were drawn up in accordance with the accounting rules applicable in the relevant countries. There are no significant differences in the results as compared with financial statements drawn up in accordance with IFRS.

If exchange rates had been 10 % more / less favourable, the result from equity accounted investments would have been € 538,000 / € 149,000 (2007: € 1,592,000 / € 1,229,000).

(8) FINANCIAL RESULT

	2008 € 000	2007 € 000
Other interest and similar income (of which from affiliated companies)	213 (30)	251 (24)
Interest and similar expenses (of which to affiliated companies)	-6,587 (-15)	-5,835 (-15)
	-6,374	-5,584

Interest expenses include € 959,000 (2007: € 878,000) relating to the interest component of the allocation to the pension provision. Also included is an interest expense of € 1,112,000 (2007: € 835,000) on participation rights capital. The interest expense was reduced by € 67,000 (2007: € 8,000) as a result of the use of interest rate swaps.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1 % in the interest rate), would have the following impact on the balance sheet as at 31 December 2008 and on cash flows in the following year (assuming for cash flow purposes that there would be no other changes to balances of cash at, and liabilities to banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

in € 000	Balance at 31.12.2008		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	-805	4,40 %	+ 846	+ 90	+ 592	- 952	- 90	- 666
Bank interest				- 188			+ 188	
Sundry other interest				+ 1			- 1	
Total cash flow sensitivity				- 97			+ 97	

in € 000	Balance at 31.12.2007		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	+181	4,40 %	+ 901	+ 90	+ 631	- 901	- 90	- 631
Bank interest				- 234			+ 234	
Sundry other interest				+ 1			- 1	
Total cash flow sensitivity				- 143			+ 143	

(9) INCOME TAXES

	2008 € 000	2007 € 000
Income tax expense	2,470	1,333
Deferred tax expense	262	536
	2,732	1,869

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

Deferred tax assets and liabilities related to the following balance sheet items:

	31.12.2008		31.12.2007	
	Assets € 000	Liabilities € 000	Assets € 000	Liabilities € 000
Fixed assets	1,523	5,159	1,336	4,870
Inventories	323	-	486	-
Other current assets	139	133	102	151
Pension provisions	1,047	-	1,115	-
Other provisions	414	-	314	-
Liabilities	322	989	57	1,009
Tax losses available for carryforward	5,232	-	5,315	-
	9,000	6,281	8,725	6,030

No deferred tax assets are recognised on German corporation tax losses available for carryforward amounting to € 42,672,000 (2007: € 56,105,000) and on German municipal trade tax losses available for carryforward amounting to € 36,636,000 (2007: € 41,455,000). In addition, no deferred tax assets are recognised on tax losses available for carryforward at the level of foreign companies totalling € 807,000 (2007: € 0). These tax losses can be carried forward indefinitely.
No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 8,773,000 (2007: € 10,299,000) due to the fact that these profits have been left in the companies concerned to enable them to maintain their substance and expand business. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense. The German Business Tax Reform 2008 resulted in the previous year in the tax rate used to calculate deferred tax assets and liabilities being reduced from 40% to 30 %, giving rise to a net deferred tax expense of € 641,000.

Reconciliation of expected and actual tax expense in the income statement

	2008	2007
	€ 000	€ 000
Profit before tax	15,804	10,034
Expected tax expense (30 %; 2007: 40 %)	4,741	4,014
- different computation of taxes outside Germany	-127	-584
- tax-exempt income	-58	-64
- non-deductible expenses	523	337
– associated companies and interests accounted for using the equity method	-44	-614
tax expense and reimbursements for prior years	33	37
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-2,219	-1,753
- change in tax rates	-111	641
- other differences	-6	-145
Income tax expense	2,732	1,869
Effective tax rate	17.3 %	18.6 %

(10) EARNINGS PER SHARE

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

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

Undiluted earnings per share can be diluted in future through the issue of convertible bonds and/or option bonds through to 30 June 2010 and in this respect no dilution has been taken into account in the following calculation of diluted earnings per share. A conditional capital of up to 500,000 ordinary shares is available for this purpose. The convertible bond issued in June 2007 allows for conversion after the first business day following the Annual General Meeting in 2008 and has therefore been taken into account in the following calculation of diluted earnings per share. A total of 2,732 new shares arose during the fiscal year 2008 (see also disclosures in Note (16) Subscribed capital and Note (22) Liabilities).

	2008	2007
Shares in circulation at beginning of year	1,868,936	1,868,936
New shares arising in 2008 from convertible bond	1,080	-
Share buy-back (weighted due to length of time)	-3,847	-
Shares issued with subscription rights of existing shareholders excluded	-	-
Calculated number of shares at end of fiscal year	1,866,169	1,868,936
Further potential shares from convertible bond	182,047	-
Further potential shares from share options (diluted)	64 (58)	64 (57)
Actual and potential shares at end of year	2,048,280	1,869,000
Weighted shares - undiluted	1,866,169	1,868,936
Weighted shares - diluted	2,048,274	1,868,993

Earnings per share	2008	2007
Group net profit for year (€ 000)	13,072	8,165
Profit attributable to minority shareholders (€ 000)	1,229	967
Profit attributable to shareholders of Schaltbau Holding AG (€ 000)	11,843	7,198
plus: effect of dilutative impact of convertible bond (€ 000)	329	-
Diluted portion attributable to shareholders of Schaltbau Holding AG (€ 000)	12,172	7,198
Earnings per share - undiluted	6.35 €	3.85 €
Earnings per share - diluted	5.94 €	3.85 €

Reconciliation of undiluted and diluted weighted shares	2008	2007
Weighted shares - undiluted	1,868,169	1,868,936
64 share options not exercised by 31.12.2008; weighted	58	57
83.742 convertible bonds not exercised by 31.12.2008; maximum number of shares	182,047	-
Weighted shares - diluted	2,048,274	1,868,993

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

As in the previous year, goodwill amounting to € 5,061,000 (2007: € 5,200,000) relates to the Stationary Traffic Technology segment. The reduction of € 149,000 results from the recognition of an impairment loss on the goodwill arising on the capital consolidation of Pintsch Aben B.V. The impairment loss was attributable to market factors. The addition of € 10,000 relates to retrospective acquisition cost for Pintsch Bubenzer GmbH.

Intangible assets include capitalised development costs with a carrying amount of € 4,246,000 (2007: € 3,513,000). The amount reported for the previous year has been restated since the total amount also included advance payments for intangible assets.

Measurement at fair value has only been applied to land. This can be reconciled to the carrying amount before revaluation as follows:

	31.12.2008 € 000	31.12.2007 € 000
Carrying amount including fair value adjustments	9,979	9,953
less revaluation reserve	3,041	3,041
less minority interest in revaluation reserve	7	7
less deferred tax liabilities	1,307	1,307
Carrying amount before revaluation	5,624	5,598

Debit differences arising on the consolidation of associated companies accounted using the equity method represent goodwill and are included as part as the carrying amount of those companies. No scheduled write-downs are recorded. Instead, the assets are tested annually for impairment. No impairment losses were recognised in 2007 or 2008.

Negative at-equity values are not recognised in the consolidated balance sheet. The only Schaltbau Group company with a negative value is OLB Oberlandbahn Fahrzeugbereitstellungs GmbH; the negative value of € 3,360,000 (2007: € 3,397,000) reflects the tax-driven nature of this company's business model and will reverse during the period up to the planned end of its business activities.

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

Name	31.12.2008 Shareholding	thereof € 000	goodwill € 000	31.12.2007 Shareholding	thereof € 000	goodwill € 000
BOBJ	49.0%	1,853	-	49.0%	2,742	-
BODO	50.0%	3,969	354	50.0%	3,717	354
OLB	49.8%	0	-	49.8%	0	-
SBUS	50.0%	662	305	50.0%	457	305
		6,484	659		6,916	659

BOBJ: Beijing Bode Transportation Equipment Co. Ltd.
BODO: BoDo Bode-Dogrusan A.S.
OLB: OLB Oberlandbahn Fahrzeugbereitstellungs GmbH
SBUS: Schaltbau North America Inc.

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

in € 000	31.12.2008 100 %	31.12.2008 Group's share	31.12.2007 100 %	31.12.2007 Group's share
Assets	42,711	21,197	41,846	20,771
Liabilities	33,087	16,453	35,665	17,724
Sales	30,997	15,384	29,666	14,718
Net profit for year	3,935	1,960*	4,410	2,190*

* Before write-down recorded at Schaltbau Group level

Mortgages totalling € 14,966,000 (2007: € 15,492,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 10,764,000 (2007: € 11,115,000).

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments IFRS Consolidated Financial Statements as at 31.12.2008

	Acquisition/manufacturing cost						
	1.1.2008	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications	31.12.2008
I. Intangible assets							
1. Concessions and similar rights	3,747	11	0	0	0	0	3,758
2. Software	5,932	9	0	912	-122	223	6,954
3. Goodwill	33,205	0	0	10	0	0	33,215
4. Capitalised development costs	0	0	0	0	0	0	0
5. Ongoing development projects	3,514	0	0	732	0	0	4,246
6. Payments in advance	1,116	0	0	47	0	-223	940
	47,514	**20**	**0**	**1,701**	**-122**	**0**	**49,113**
II. Property, plant and equipment							
1. Land and buildings	32,615	15	0	624	-166	1,241	34,329
2. Plant and machinery	25,289	-88	566	663	-541	-44	25,845
3. Other plant and equipment	30,786	103	0	2,680	-1,834	285	32,020
4. Assets under construction	1,741	0	0	628	-47	-1,482	840
	90,431	**30**	**566**	**4,595**	**-2,588**	**0**	**93,034**
III. Investments							
1. Investments in subsidiaries	1,537	0	0	0	0	0	1,537
2. At-equity accounted investments	3,431	0	0	0	0	0	3,431
3. Investments in other companies	128	0	0	0	0	0	128
4. Other loans	2	0	0	23	-1	0	24
	5,098	0	0	23	-1	0	5,120
	143,043	**50**	**566**	**6,319**	**-2,711**	**0**	**147,267**

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

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
1.1.2008	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2008	31.12.2008	31.12.2007
3,618	10	0	21	0	0	3,649	109	129
4,478	7	0	725	-122	0	5,088	1,866	1,454
28,005	0	0	149	0	0	28,154	5,061	5,200
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	4,246	3,514
0	0	0	0	0	0	0	940	1,116
36,101	**17**	**0**	**895**	**-122**	**0**	**36,891**	**12,222**	**11,413**
12,180	11	0	761	-147	0	12,805	25,878	24,789
18,623	5	0	1,451	-535	0	19,544	6,301	6,666
23,632	78	0	2,852	-1,793	0	24,769	7,251	7,154
0	0	0	0	0	0	0	840	1,741
54,435	**94**	**0**	**5,064**	**-2,475**	**0**	**57,118**	**40,270**	**40,350**
183	0	0	0	0	0	183	1,354	1,354
-3,485	0	0	0	0	432	-3,053	6,484	6,916
0	0	0	0	0	0	0	128	128
0	0	0	0	0	0	0	24	2
-3,302	0	0	0	0	432	-2,870	7,990	8,400
87,234	**111**	**0**	**5,959**	**-2,597**	**432**	**91,139**	**60,482**	**60,163**

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

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments IFRS Consolidated Financial Statements as at 31.12.2007

	Acquisition/manufacturing cost						
	1.1.2007	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications	31.12.2007
I. Intangible assets							
1. Concessions and similar rights	3,751	-4	0	0	0	0	3,747
2. Software	5,491	-3	68	448	-99	27	5,932
3. Goodwill	29,799	0	3,406	0	0	0	33,205
4. Capitalised development costs	0	0	0	0	0	0	0
5. Ongoing development projects	2,609	0	0	876	0	29	3,514
6. Payments in advance	0	0	0	1,116	0	0	1,116
	41,650	**-7**	**3,474**	**2,440**	**-99**	**56**	**47,514**
II. Property, plant and equipment							
1. Land and buildings	29,987	-5	2,265	364	0	4	32,615
2. Plant and machinery	24,194	-7	313	1,141	-517	165	25,289
3. Other plant and equipment	27,138	-38	1,603	2,611	-830	302	30,786
4. Assets under construction	721	0	258	1,297	-8	-527	1,741
	82,040	**-50**	**4,439**	**5,413**	**-1,355**	**-56**	**90,431**
III. Investments							
1. Investments in subsidiaries	1,401	0	843	77	-784	0	1,537
2. At-equity accounted investments	2,986	0	445	0	0	0	3,431
3. Investments in other companies	128	0	0	0	0	0	128
4. Other loans	2	0	0	0	0	0	2
	4,517	0	1,288	77	-784	0	5,098
	128,207	**-57**	**9,201**	**7,930**	**-2,238**	**0**	**143,043**

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

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
1.1.2007	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2007	31.12.2007	31.12.2006
3,601	-4	0	21	0	0	3,618	129	150
3,897	-3	16	664	-96	0	4,478	1,454	1,594
28,005	0	0	0	0	0	28,005	5,200	1,794
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	3,514	2,609
0	0	0	0	0	0	0	1,116	0
35,503	**-7**	**16**	**685**	**-96**	**0**	**36,101**	**11,413**	**6,147**
11,028	-5	434	723	0	0	12,180	24,789	23,313
17,454	-4	161	1,488	-476	0	18,623	6,666	6,740
20,797	-32	1,179	2,356	-668	0	23,632	7,154	6,341
0	0	0	0	0	0	0	1,741	721
49,279	**-41**	**1,774**	**4,567**	**-1,144**	**0**	**54,435**	**40,350**	**37,115**
918	0	43	0	-778	0	183	1,354	483
-2,317	0	0	0	0	-1,168	-3,485	6,916	5,303
0	0	0	0	0	0	0	128	128
0	0	0	0	0	0	0	2	2
-1,399	0	43	0	-778	-1,168	-3,302	8,400	5,916
83,383	**-48**	**1,833**	**5,252**	**-2,018**	**-1,168**	**87,234**	**60,163**	**49,178**

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

(12) INVENTORIES

	31.12.2008 € 000	31.12.2007 € 000
Raw materials and supplies	22,886	18,693
Work in progress	24,319	22,605
Finished products, goods for resale	6,004	5,020
Advance payments to suppliers	134	88
	53,343	46,406

Group entities have pledged inventories totalling € 30,447,000 (2007: € 24,886,000) as collateral for liabilities to banks. Write-downs totalling € 1,445,000 (2007: € 2,811,000) were recognised on inventories in 2008. Reversals of write-downs totalling € 322,000 were recognised on inventories in 2008 as a result of clearance sales.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

	31.12.2008 € 000	31.12.2007 € 000
Trade accounts receivable	33,241	33,784
Receivables from affiliated companies	1,379	1,291
Receivables from associated companies	874	1,137
Receivables from companies with which an investment relationship exists	60	460
Income tax receivables	40	218
Positive fair values of derivative instruments	780	234
Sundry other assets	3,593	4,424
	39,967	41,548

Receivable from affiliated companies comprise trade accounts receivable and a loan receivable totalling € 101,000 (2007: € 101,000).

Allowances comprised the following:

	31.12.2008 € 000	31.12.2007 € 000
Trade accounts receivable:		
Specific allowances	2,143	1,791
Additional risk allowance	980	764
	3,123	2,555
Other allowances	542	554
	3,665	3,109

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 8,304,000 (2007: € 8,249,000).

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

	31.12.2008 € 000	31.12.2007 € 000
Overdue		
up to 30 days	4,859	4,645
31 to 60 days	2,166	2,329
61 bis 90 days	1,171	431
91 bis 180 days	1,122	1,950
more than 180 days	1,993	1,999
	11,311	11,354
not yet due	21,930	22,430
Carrying amount	33,241	33,784

Of the trade accounts receivable total reported at 31 December 2008, 20.3 % (2007: 25.8 %) relate to the five largest debtors. 76.6 % (2007: 87.4 %) of total receivables are denominated in Euro, 15.5 % (2007: 9.8 %) in CNY, 6.3 % (2007: 2.8 %) in USD and 1.6 % (2007: 0 %) in GBP.

Group entities have pledged trade accounts receivable totalling € 19,752,000 (2007: € 22,280,000) as collateral for liabilities to banks.

(14) CASH AND CASH EQUIVALENTS

	31.12.2008 € 000	31.12.2007 € 000
Cheques and cash on hand	32	26
Cash at bank	5,300	7,858
	5,332	7,884

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

(15) 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.**

(16) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 1,871,668 non-par value shares.

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2007: € 234.24) remained in place at 31 December 2008; the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 64 new ordinary bearer shares (Conditional Capital I). This conditional capital was resolved to allow shares to be issued for share options issued by the Company on 15 March 2004 in conjunction with participation rights (see also Note (19)). The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a term of 10 years. The conditional capital increase may only be carried out to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far a total of 499,936 options have been exercised and the Company's share capital has been increased by € 1,829,765.76; no options were exercised in 2008.

At the Annual General Meeting on 1 July 2005, the Company's share capital was increased conditionally by up to a further € 1,830,000 by the issue of up to 500,000 new ordinary bearer shares (Conditional Capital II). Conditional Capital II was resolved to allow shares to be issued to holders of convertible or option bonds and which, in accordance with the authorisation given at the Annual General Meeting on 1 July 2005, may be issued through to 30 June 2010. In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II may also be used to issue shares to holders of participation rights with conversion/option rights ("Extension of Scope" resolution). Out of the convertible bonds issued in 2007 (see Note (19) Liabilities), a total of 1,258 bonds with a nominal value of € 100 were converted during the fiscal year 2008. This gave rise to 2,732 new shares with a nominal value of € 3.66 per share. The Company's share capital was accordingly increased by € 10,000 to € 6,850,000. The share premium of € 116,000 (reduced by € 8,000 as a result of an adjustment to the reserve due to accounting in accordance with IFRS) was transferred to capital reserves. After these transactions, Conditional Capital II amounted to € 1,820,000.88 at 31 December 2008 corresponding to the issue of up to 497,268 bearer shares.

On the basis of the resolution taken at the Annual General Meeting on 12 July 2008, an Authorised Capital of € 3,294,000 was in place at 31 December 2008; the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 3,294,000 by the issue of new shares in return for cash or non-cash contributions through to 11 June 2013.

(17) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 6,339,000 (2007: € 6,231,000). The increase in 2008 (€ 108,000) was due to the conversion of convertible bonds issued in 2007 (see also Note (16) Subscribed capital and Notes (22) Liabilities). In addition, it was necessary to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 1,251,000) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to € 258,000 (net of deferred tax of € 172,000) and the equity component of the convertible bond issued in 2007 amounting to € 595,000 (see also Note (19) Participation Rights Capital and Note (22) Liabilities).

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In addition, there was a negative impact (net of deferred tax) of € 691,000 in connection with the measurement of interest rate swaps.

In March 2008 the Company acquired a total of 5,000 treasury shares with a total nominal value of € 18,300 in conjunction with a share purchase programme for Schaltbau Group management. This corresponds to 0.27 % of the Company's share capital.

An equivalent amount paid for the treasury shares (acquisition cost plus transaction costs) totalling € 194,000 was offset against revenue reserves.

The proposed appropriation of results for the fiscal year 2007 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 5,000,000 was transferred to revenue reserves.

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

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

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

(18) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd. and ALUD Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG.

(19) PARTICIPATION RIGHTS CAPITAL

	31.12.2008 € 000	31.12.2007 € 000
Participation options: 362,730 (number)	7,002	6,978

Holders of participation options are entitled to receive an annual distribution, comprising a fixed and a variable amount. The fixed distribution is 3% of the nominal value of each € 20 participation right. The right to receive a distribution, however, only arises to the extent that it can be paid out of Schaltbau Holding AG's net profit for the year calculated in accordance with HGB. Option holders are also entitled to receive a variable distribution for fiscal years for which a dividend is paid to the shareholders. This variable component corresponds to the dividend paid on the Company's ordinary shares (i.e. it is calculated by applying the same dividend percentage rate to the nominal amount of participation options); this rate may not, however, exceed 12% of the nominal amount of the participation options.

The participation options were divided on the date of issue into their equity and debt components. The financial liability was recognised at that date at its fair value. This was calculated as the present value of the nominal amount plus the fixed distribution, discounted using a market discount rate of 3.4 %. The difference between the fair value of the financial liability and the fair value of the participation options was transferred to capital reserves. In subsequent periods, the financial liability is stated at its amortised cost using the effective interest method.

The Company bought back a total of 137,270 participation rights on 15 November 2006. In accordance with the rules laid down in IAS 32, these are offset directly against participation rights capital presented in the balance sheet, regardless of the fact that the participation right certificates are deposited in a custodian account held by the Company.

The market value at 31 December 2008 of the bought-back participation rights was € 7,037,000 (2007: € 6,529,000).

(20) PENSION PROVISIONS

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

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

	2008 € 000	2007 € 000
Claims under reinsurance policies relating to pension commitments	70	72

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

	2008 € 000	2007 € 000
Employer contributions to state pension insurance plans	5,766	5,497

Reconciliation of defined benefit obligation to pension provisions reported in the balance sheet:

	31.12.2008 € 000	31.12.2007 € 000	31.12.2006 € 000
Actual defined benefit obligation	17,580	19,147	21,106
Net amount of unrecognised actuarial gains / losses (-)	1,407	-4	-1,788
Carrying amount of provision at 31.12.	18,987	19,143	19,318

Pension provisions developed as follows:

	2008 € 000	2007 € 000
Balance at 1.1	19,143	19,318
Pension payments / utilised	1,283	1,268
Service cost (personnel expense) / allocated	168	215
Interest expense / allocated	959	878
Carrying amount of provision at 31.12.	18,987	19,143

Allocations to pension provisions include € 0 (2007: € 13,000) relating to actuarial losses recognised.

The main actuarial assumptions applied were as follows:

	31.12.2008	31.12.2007
Interest rate	5.6 %	5.2 %
Salary trend	2.6 %	2.6 %
Pension trend	2.0 %	2.0 %
Fluctuation rate	1.3 %	1.3 %

Pension expense comprised the following:

	2008 € 000	2007 € 000
Service cost (personnel expense)	168	215
Interest expense	959	878
	1,127	1,093

(21) OTHER PROVISIONS

Other provisions developed as follows:

in € 000	1.1.08	Change in group reporting entity	Utilised	Reversed	Allocated	Interest impact	Translation difference	31.12.08
Non-current provisions								
Warranties	226	-	226	-	348	-	-	348
Personnel	5,578	-	1,126	2	98	190	-	4,738
	5,804	-	1,352	2	446	190	-	5,086
Current provisions								
Taxes	931	-	262	115	1,521	-	-	2,075
Warranties	4,046	9	2,362	109	4,680	-	2	6,266
Outstanding costs and materials	2,872	20	1,488	154	1,575	-	109	2,934
Personnel	5,972	-	4,748	464	4,231	-	56	5,047
Sundry other provisions	3,350	-	2,404	501	2,521	-	-	3,166
	17,371	29	11,264	1,343	14,528	-	167	19,488
Total	**23,175**	**29**	**12,616**	**1,345**	**14,974**	**190**	**167**	**24,574**

Tax provisions were recognised mainly to cover the expected income tax expense in Germany. It is expected that most of the amounts provided will be utilised in 2009. As a result of the "minimum taxation" rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

Warranty provisions comprise general and specific components. Warranty provisions are utilised over time on the basis of actual warranty expense incurred. This is difficult to predict and can sometimes relate to more than one accounting period. Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily pre-retirement part-time working arrangements, the transition to ERA and long-service awards. The ERA (Entgelt Rahmenabkommen – Framework Agreement on Pay) for the Metals and Electrical Industry has the effect of removing the present distinction between blue- and white-collar workers (wages and salaries) and has created equal remuneration conditions for all employees. The provision recognised in this connection has been computed in accordance with the regulations laid down in the ERA Framework Agreement. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 1,352,000 (2007: € 1,796,000).

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

The decrease of non current personnel-related provisions relates mainly to provisions for pre-retirement part-time working arrangements and the transition to ERA.

Sundry other provisions comprise mainly provisions for external audit costs, legal disputes, supervisory board remuneration and miscellaneous other items.

(22) LIABILITIES

	31.12.2008 € 000	31.12.2007 € 000
Non-current liabilities		
Liabilities to banks	29,881	33,707
Other financial liabilities	11,635	11,966
Financial liabilities	41,516	45,673
Other liabilities	9	1,139
	41,525	46,812
Current liabilities		
Current income tax liabilities	152	66
Liabilities to banks	13,145	15,602
Other financial liabilities	261	127
Financial liabilities	13,415	15,729
Trade accounts payable	19,830	21,725
Advance payments received	14,592	17,587
Liabilities to affiliated companies	505	460
Liabilities to other group entities	298	17
Liabilities relating to derivative instruments	1,399	52
Sundry other liabilities	10,955	9,062
(of which for taxes)	(1,330)	(1,228)
(of which to employees)	(5,052)	(4,090)
(of which for social security)	(402)	(145)
Other liabilities	13,157	9,591
	61,146	64,698
Total liabilities	102,671	111,510

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

in € 000	Carrying amount	Total cash outflows	within one year	1 to 5 years	more than 5 years
Participation rights	7,002	7,255	-	-	7,255
Financial liabilities	54,932	55,639	13,415	36,482	5,742
Derivative instruments	1,399	1,399	594	147	658
Other liabilities	11,641	11,802	11,793	9	-
Total	74,974	76,095	25,802	36,638	13,655

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

	31.12.2008 € 000	31.12.2007 € 000
Overdue		
up to 30 days	5,491	5,664
31 to 60 days	951	1,284
61 to 90 days	1,376	840
91 to 180 days	1,475	898
more than 180 days	497	309
	9,790	8,995
not yet due	10,040	12,730
Carrying amount	19,830	21,725

Collateral of € 75,929,000 (2007: € 73,773,000) has been given to cover **liabilities to banks**; of this amount, € 60,963,000 (2007: € 58,281,000) relates to pledges and pledge-like collateral and € 14,966,000 (2007: € 15,492,000) to mortgages.

Credit lines totalling € 72,869,000 (2007: € 71,396,000) have been made available by banks. The weighted average interest rate as at 31 December 2008 for liabilities to banks during the past year was 5.7 % (2007: 6.4 %).

Interest rates payable on credits that are subject to variable interest rates are fixed for 3 months. Owing to the short period involved, differences between carrying amounts and fair values are small.

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

	€ 000
2009	12,841
2010	13,938
2011	7,928
2012	3,337
2013	2,339
thereafter	2,653
	43,036

Liabilities to banks due for repayment in the year 2009 include current account liabilities amounting to € 5,237,000 (2007: € 10,544,000) which are extended from year to year.

Other **financial liabilities** comprise loans payable to parties other than banks (average interest rate of 5.2% as in the previous year) and a convertible bond.

Collateral in the form of mortgages and amounting to € 4,188,000 (2007: € 4,228,000) has been given for loans not received from banks.

The convertible bond, with a nominal amount of € 8,500,000 and an interest rate of 4.75% was offered (in June 2007) by Schaltbau Holding AG to its shareholders for subscription. The convertible bond was divided on the date of issue into its equity and debt components. The financial liability was recognised at that date at its fair value. This was calculated as the present value of the nominal amount plus the fixed distribution, discounted using a market discount rate of 6.5 %. The difference between the fair value of the financial liability and the fair value of the participation options was transferred to capital reserves.
In subsequent periods, the financial liability is stated at its amortised cost using the effective interest method.

During 2008, bondholders converted 1,258 bonds with a nominal value of € 126,000 into shares.

The convertible bond runs until 10 July 2012. The offer for subscription and the bond terms and conditions are posted on the Company's website.

The market value of convertible bonds at 31 December 2008 was € 8,081,000.

Of the **trade accounts payable** total reported at 31 December 2008, 11.9 % (2007: 14.5 %) relate to the five largest creditors. 90.5 % (2006: 86.9 %) of payables are denominated in Euro, 6.7 % (2007: 12.6 %) in CNY and 2.4 % (2007: 0 %) in GBP.

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

OTHER DISCLOSURES

The following has been notified from the Company pursuant to § 26 (1) of the Securities Trading Act (WpHG):

Notification dated 28 November 2008
Pioneer Asset Management S.A., Luxembourg, Luxembourg gave notice on 27.11.2008 pursuant to § 21 para. 1 WpHG that its shares of voting rights in Schaltbau Holding AG went below the threshold of 3% on 26.11.2008 and amounted to 2.83% on that day (corresponding to 52,989 votes).

Notifications dated 13 August 2008
Golden Peaks Capital Management Ltd., Grand Cayman, Cayman Islands gave notice pursuant to § 21 para. 1 WpHG that on 12.08.2008 its shares of voting rights in Schaltbau Holding AG went below the threshold of 10% and amounted to 9.73% (corresponding to 181,933 votes) on that day.
9.73% of the voting rights (corresponding to 181,933 votes) are attributable to Golden Peaks Capital Management Ltd. in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG.
Voting rights attributed to Golden Peaks Capital Management Ltd. are directly held by Golden Peaks Active Value Master Fund Ltd.

GoldenPeaks Active Value Master Fund Limited, Grand Cayman, Cayman Islands gave notice pursuant to § 21 para. 1 WpHG that on 12.08.2008 its shares of voting rights in Schaltbau Holding AG went below the threshold of 10% and amounted to 9.73% (corresponding to 181,933 votes) on that day.

Altamira Holding AG, Zug, Switzerland, gave notice pursuant to sec. 21 para. 1 WpHG that on 12.08.2008 its shares of voting rights in Schaltbau Holding AG went below the threshold of 10% and amounted to 9.73% (corresponding to 181,933 votes) on that day.
9.73% of the voting rights (corresponding to 181,933 votes) are attributable to Altamira Holding AG in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.
Voting rights attributed to Altamira Holding AG are directly held by Golden Peaks Active Value Master Fund Ltd.
Adriano Agosti, Switzerland, gave notice pursuant to sec. 21 para. 1 WPHG that on 12.08.2008 his shares of voting rights in Schaltbau Holding AG went below the threshold of 10% and amounted to 9.73% (corresponding to 181,933 votes) on that day.
9.73% of the voting rights (corresponding to 181,933 votes) are attributable to Adriano Agosti in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.
Voting rights attributed to Adriano Agosti are directly held by Golden Peaks Active Value Master Fund Ltd.

Notification dated 13 June 2008
Baden-Württembergische Versorgungsanstalt, Tübingen, Germany gave notice on 13.06.2008 pursuant to § 21 para. 1 WpHG that its shares of voting rights in Schaltbau Holding AG went below the threshold of 3% on 11.06.2008 and amounted to 2.54% on that day (corresponding to 47,396 votes).

Notification dated 12 June 2008
Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, Germany, gave notice on 11.06.08 pursuant to § 21 para. 1 WpHG that that its shares of voting rights in Schaltbau Holding AG went below the threshold of 3% on 11.06.08 and amounted to 2.75% on that day (corresponding to 51,396 votes).
2.54% of the voting rights (corresponding to 47,396 votes) are attributable to Baden-Württembergische Investmentgesellschaft mbH pursuant to § 22 para. 1. sent 1. no. 6 WpHG.

Notification dated 9 June 2008
Pioneer Asset Management S.A., Luxembourg, Luxembourg gave notice on 09.06.08 pursuant to § 21 para. 1 WpHG that its shares of voting rights in Schaltbau Holding AG exceeded the threshold of 3% on 22.01.08 and amounted to 4.23% on that day (corresponding to 79,039 votes).

Notifications dated 26 May 2008
Golden Peaks Capital Management Ltd., Grand Cayman, Cayman Islands gave notice pursuant to § 21 para. 1 WpHG that on 26.05.2008 its shares of voting rights in Schaltbau Holding AG exceeded the threshold of 10% and amounted to 10.01% (corresponding to 187,023 votes) on that day.
10.01% of the voting rights (corresponding to 187,023 votes) are attributable to Golden Peaks Capital Management Ltd. in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG.
Voting rights attributed to Golden Peaks Capital Management Ltd. are directly held by Golden Peaks Active Value Master Fund Ltd.

Golden Peaks Active Value Master Fund Limited, Grand Cayman, Cayman Islands gave notice pursuant to § 21 para. 1 WpHG that on 26.05.2008 its shares of voting rights in Schaltbau Holding AG exceeded the threshold of 10% and amounted to 10.01% (corresponding to 187,023 votes) on that day.

Altamira Holding AG, Zug, Switzerland, gave notice pursuant to § 21 para. 1 WpHG that on 26.05.2008 its shares of voting rights in Schaltbau Holding AG exceeded the threshold of 10% and amounted to 10.01% (corresponding to 187,023 votes) on that day.
10.01% of the voting rights (corresponding to 187,023 votes) are attributable to Altamira Holding AG in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.
Voting rights attributed to Altamira Holding AG are directly held by Golden Peaks Active Value Master Fund Ltd.

Adriano Agosti, Switzerland, gave notice pursuant to § 21 para. 1 WPHG that on 26.05.2008 his shares of voting rights in Schaltbau Holding AG exceeded the threshold of 10% and amounted to 10.01% (corresponding to 187,023 votes) on that day.
10.01% of the voting rights (corresponding to 187,023 votes) are attributable to Adriano Agosti in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.
Voting rights attributed to Adriano Agosti are directly held by Golden Peaks Active Value Master Fund Ltd.

Notification dated 11 February 2008
Universal-Investment-Gesellschaft mbH Frankfurt am Main, Germany, gave notice on 07.02.2008 pursuant to § 21 para. 1 WpHG (in conjunction with § 32 para. 2 InvG) that its shares of voting rights in Schaltbau Holding AG went below the threshold of 3% on 06.02.2008 and amounted to 2.77% on that day (corresponding to 51,852 votes).

Notification dated 13 November 2007:
Universal Investment Gesellschaft mbH, Frankfurt am Main, Germany, gave notice on 13.11.2007 pursuant to § 21 para. 1 WpHG that its shares of voting rights in Schaltbau Holding AG exceeded the threshold of 3% on 09.11.2007 and amounted to 3.04% on that day (corresponding to 56,852 votes).

Notification dated 6 September2007:
IFOS Internationale Fonds Service AG, Vaduz, Lichtenstein, gave notice on 5 September 2007 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG exceeded the 3% threshold on 27.08.07 and that it amounted to 3.52% on that date (corresponding to 65,873 votes).

Notifications dated 29 August 2007:
Adriano Agosti, Switzerland, gave notice on 29 August 2007 pursuant to § 21 WpHG that his shares of voting rights in Schaltbau Holding AG on 2 July 2007 had exceeded the 3% threshold and that it amounted to 3.27% on that date (corresponding to 61,100 votes). He also gave notice on 25 July 2007 that the threshold of 5% had been exceeded and that his shares of voting rights amounted to 5.36% on that date (corresponding to 100,100 votes). The voting rights are held directly by Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands.

Altamira Holding AG, Zug, Switzerland, gave notice on 29 August 2007 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG on 2 July 2007 had exceeded the 3% threshold and that it amounted to 3.27% on that date (corresponding to 61,100 votes). It also gave notice on 25 July 2007 that the threshold of 5% had been exceeded and that its shares of voting rights amounted to 5.36% on that date (corresponding to 100,100 votes). The voting rights are held directly by Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands.

Notifications dated 25 July 2007

Golden Peaks Capital Management Ltd., Grand Cayman, Cayman Islands, gave notice on 25.07.07 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG on 25.07.07 had exceeded the 5% threshold and that it amounted to 5.36% on that date (corresponding to 100,100 votes). The voting rights are held directly by Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands.
Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands, gave notice on 25.07.07 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG on 25.07.07 had exceeded the 5% threshold and that it amounted to 5.36% on that date (corresponding to 100,100 votes).

Notifications dated 5 July 2007

Golden Peaks Capital Management Ltd., Grand Cayman, Cayman Islands, gave notice on 05.7.2007 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG on 02.7.2007 had exceeded the 3% threshold and that it amounted to 3.27% on that date (corresponding to 61,100 votes). The voting rights are held directly by Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands.

Golden Peaks Active Value Master Fund Ltd., Grand Cayman, Cayman Islands, gave notice on 05.7.2007 pursuant to § 21 WpHG that its shares of voting rights in Schaltbau Holding AG had exceeded the 3% threshold on 02.7.2007 and that it amounted to 3,27% on that date (corresponding to 61,100 votes).

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors in 2008 for the audit of financial statements amounted to € 525,000 (2007: € 472,000). Of this amount € 409,000 (2007: € 364,000) related to KPMG LLP. In addition, KPMG Germany was paid € 12,000 (2007: € 13,000) for other attestation services and € 167,000 (2007: € 118,000) for other services.

Contingent liabilities and other financial commitments

	31.12.2008 € 000	31.12.2007 € 000
Contingent liabilities		
Obligations under guarantees and other guarantee agreements	7,873	11,883
(of which to affiliated companies)	(-)	(-)
Other financial obligations		
Rental and lease expenses	7,486	3,552
Other commitments	2,719	3,611

At present it is very unlikely that the guarantees given will be called upon and that therefore there will be an outflow of funds.

The rental and leasing expenses shown under **other financial obligations** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements are spread over the following future years as follows: up to one year € 2,138,000 (2007: € 1,675,000), between one and five years € 5,173,000 (2007: € 1,842,000) and later than five years € 175,000 (2007: € 35,000).

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

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 at 31 December 2008 was back to being positive at € 8.6 million, having improved by € 10.7 million compared with one year earlier. Despite the difficult economic environment, the aim is to improve the group equity ratio further over the coming years from its current level of 5 %. The Group's debt coefficient was again reduced in 2008 and now stands at 1.4 (2007: 2.1). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

Corporate governance

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code has been issued and was posted to the Company's website on 11 December 2008.

Related party relationships

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

	Volume of services performed		Volume of services received	
	2008 € 000	2007 € 000	2008 € 000	2007 € 000
Associated companies				
Goods and services	3,691	2,813	801	532
Other relationships	-	225	-	-
Non-consolidated companies				
Goods and services	5,899	5,317	4,332	2,838
Other relationships	-	181	-	189

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

	Receivables		Liabilities	
	2008 € 000	2007 € 000	2008 € 000	2007 € 000
Associated companies	874	1,137	298	17
Non-consolidated companies	1,439	1,751	505	460

Segments

The Group's segment designations are product-oriented. The Group's business units are allocated to the segment for which they generate most of their sales.

As a general rule, sales of materials between group companies are billed on the basis of arm's length principles. Costs are recharged to group companies without mark-up.

Reconciliation of segment assets and segment liabilities

in € 000	Assets		Liabilities	
	2008	2007	2008	2007
Segment amounts	153,752	147,899	89.075	91.429
Financial assets / liabilities	5,332	7,884	61.933	68.380
Deferred tax assets / liabilities	9,040	8,943	8.508	7.027
Group amounts as per balance sheet	168,124	164,726	159.516	166.836

Geographical segments

in € 000	Assets		Capital expenditure		External Sales	
	31.12.2008	31.12.2007	2008	2007	2008	2007
Germany	122,682	120,304	6,228	7,546	137,032	123,084
Other EU countries	10,691	8,995	64	86	69,973	61,149
Other European countries	3,969	3,717	-	-	20,939	18,854
Other countries	16,410	14,883	26	298	52,252	28,969
	153,752	147,899	6,318	7,930	280,196	232,056

Additions to the group reporting entity contributed an amount of € 566,000 to the line "Other EU countries".

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flow from operating activities (indirect method)

The cash flow from operating activities in 2008 amounted to € 13.0 million, which was approximately € 3.1 million lower than in the previous year. The € 8.4 million increase in EBITDA was more than offset by the € 11.3 million increase in working capital caused by the sharp rise in business volumes. The increase in working capital was primarily attributable to higher inventories and a reduction in advance payments from suppliers.

b) Cash flow from investing activities

The cash outflow for investing activities amounted to € 8.3 million in 2008 and was thus € 4.7 million lower than in the previous year when the cash outflow had been influenced by the acquisition of the Bubenzer Group. Capital expenditure on equity investments includes approximately € 2.0 million (already reduced for cash and cash equivalents acquired) for the acquisition of Machine Electrics Ltd.

c) Cash flow from financing activities

The € 7.4 million cash outflow relates primarily to the € 5.6 million reduction in bank liabilities (adjusted for accrued interest).

EVENTS AFTER THE REPORTING PERIOD

No events occurred after the balance sheet date that have had any major impact on the net assets, financial and earnings situation of the Schaltbau Group.

IFRS Segment Information for the Fiscal Year 2008

Disclosures in € 000	Stationary Traffic Technology		Mobile Traffic Technology	
	2008	2007	2008	2007
Orders intake (external)	98,446	92,079	182,653	179,698
Sales	105,433	77,940	175,263	154,722
- of which external	104,908	77,292	175,210	154,683
- of which with other segments	525	648	53	39
Order-book (external)	55,066	62,511	126,569	118,749
Result from operating activities (EBIT)	11,776	9,149	13,510	8,474
Result from at-equity accounted companies	0	0	325	1,402
Other result from investments	0	0	0	119
Finance result	-911	-464	-2,242	-2,302
Income taxes	-249	-309	-1,159	-686
Segment result / Group result *1)	10,616	8,376	10,434	7,007
Changes in group reporting entity	0	6,923	566	445
Capital expenditure	2,649	3,324	3,634	3,706
Amortisation and depreciation (on intangible assets and property, plant and equipment)	-1,595	-1,120	-4,352	-4,115
Impairment losses	-310	-715	-1,930	-2,102
Other significant non-cash expenses	-4,332	-2,441	-8,472	-7,867
Segment assets *2)	59,209	60,384	107,913	101,826
Capital employed *3)	36,346	31,888	88,614	82,203
Segment liabilities *4)	34,471	37,460	58,797	55,276
Employees (average as per HGB)	448	416	964	946
EBIT margin *5)	11.2%	11.8%	7.7%	5.5%
Return on capital employed (ROCE) *6)	32.4%	28.7%	15.2%	10.3%

*1) = transfers in conjunction with profit and loss transfer agreements are added back to the segment result

*2) = Balance sheet total excluding financing and tax receivables

*3) = Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets

*4) = Liabilities excluding financing and tax liabilities and tax provisions

*5) = EBIT / external sales

*6) = EBIT / capital employed

Sub-totals		Holding company other consolidations		Schaltbau Group	
2008	2007	2008	2007	2008	2007
281,099	271,777	77	81	281,176	271,858
280,696	232,662	500	606		
280,118	231,975	78	81	280,196	232,056
578	687	-578	-687		
181,635	181,260			181,635	181,260
25,286	17,623	-3,433	-3,526	21,853	14,097
325	1,402	0	0	325	1,402
0	119	0	0	0	119
-3,153	-2,766	-3,221	-2,818	-6,374	-5,584
-1,408	-995	-1,324	-874	-2,732	-1,869
21,050	15,383	-7,978	-7,218	13,072	8,165
566	7,368	0	0	566	7,368
6,292	7,030	26	900	6,318	7,930
-5,947	-5,235	-12	-17	-5,959	-5,252
-2,240	-2,817	0	499	-2,240	-2,318
-12,795	-10,308	-3,708	-2,605	-16,503	-12,913
167,122	162,210	-13,370	-14,311	153,752	147,899
124,960	114,091	-12,317	-13,051	112,643	101,040
93,268	92,736	-4,193	-1,307	89,075	91,429
1,412	1,362	12	10	1,424	1,372
				7.8%	6.1%
				19.4%	14.0%

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

Members of the Executive Board

Dr. Jürgen H. Cammann
Executive Board spokesman

Waltraud Hertreiter
Member of the Executive Board

Member of the Supervisory Board of:
Textilgruppe Hof AG, Hof

Members of the Supervisory Board

Hans Jakob Zimmermann
Chairman
Representative of Sal. Oppenheim jr. & Cie. KgaA, Cologne

Member of the Supervisory Boards of:
SIAG Schaaf Industries AG, Dernbach
MERKUR BANK KGaA, Munich (from 17.06.2008)

Member of the Administrative Board of:
Rheinzink GmbH & Co. KG, Datteln

Chairman of the Advisory Board of:
ante-holz GmbH, Bromskirchen-Somplar

Member of the Advisory Board of:
Dresdner Bank AG, Frankfurt

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

Member of the Supervisory Board of:
heristo aktiengesellschaft, Bad Rothenfelde

Karl Uwe van Husen
Director of Elrega Grundstücksverwaltung GmbH, Ludwigsburg

Member of the Supervisory Board of:
Elring Klinger AG

Marianne Reindl
Secretary

Chairwoman of:
Group Works Council of Schaltbau Holding AG, Munich
General Works Council of Schaltbau GmbH, Munich

Deputy Chairwoman of:
Works Council of Schaltbau GmbH, Aldersbach plant

Dr. Stefan Schmittmann Member of the Executive Board of HypoVereinsbank AG, Munich (until 30.04.2008) Member of the Executive Board of Commerzbank AG, Frankfurt (from 01.11.2008)	**Member of the Administrative Board of:** LfA Förderbank Bayern AdöR, Munich (until 05.05.2008) **Member of the Supervisory Boards of:** Verlagsgruppe Weltbild GmbH, Augsburg Deutsche Schiffsbank AG, Hamburg/Bremen (until 30.06.2008) Deutsche Schiffsbank AG, Hamburg/Bremen (from 28.11.2008) **Board of Directors:** i-Faber S.p.A., Milan (until 19.06.2008) **Member of the Advisory Board of:** HVB Leasing GmbH, Hamburg (until 31.05.2008) HVB Investitionsbank, Hamburg (until 31.05.2008) **Chairman of the Supervisory Board of:** Eurohypo AG, Eschborn (from 11.11.2008) Commerz Real AG, Düsseldorf/Wiesbaden (from 13.11.2008) Commerz Real Investmentgesellschaft mbH, Wiesbaden (from 13.11.2008)
Horst Wolf Employee	**Chairman of:** Works Council of Pintsch Bamag GmbH, Dinslaken **Member of:** Group Works Council of Schaltbau Holding AG, Munich

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the Executive Board for the fiscal year 2008 amounted to € 784,000 (2007: € 669,000). The Group does not disclose an analysis of remuneration by individual member of the Executive Board as a result of the resolution taken at the Annual General Meeting on 7 July 2006.

The expense for remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 137,000 (2007: € 124,000). In addition, a remuneration of € 8,000 (2007: € 15,000) was paid to one member of the Supervisory Board in 2008 in accordance with the Articles of Incorporation (§ 13 para. 1 of the Articles of Incorporation of Schaltbau Holding AG).

Pension obligations to former members of the Executive Board and their surviving dependents amounted to € 627,000 (2007: € 682,000). The expense for remuneration paid to former members of the Executive Board and their surviving dependents amounted to € 94,000 (2007: € 89,000).

As at 31 December 2008, a total of 217,600 shares of the Company and 768 convertible bonds with a nominal amount of € 100 each (total volume € 76,800) were held, directly or indirectly, by Dr. Cammann, the spokesman of the Executive Board of Schaltbau Holding AG. Mr. Zimmermann, a member of the Supervisory Board, holds, directly or indirectly, a total of 188,786 shares of the Company and 7,920 convertible bonds with a nominal amount of € 100 each (total volume € 792,000). Mr. Jahrmarkt, a member of the Supervisory Board, holds, directly or indirectly, a total of 2,000 shares of the Company and 45 convertible bonds with a nominal amount of € 100 each (total volume € 4,500).

PROFIT DISTRIBUTION PROPOSAL

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

	€
Payment of a dividend of € 0.50 per share each representing € 3.66 of the Company's share capital of € 6,850,304.88	935,834,00
Transfer to revenue reserves	7,000,000,00
To be carried forward	189,310,48
Unappropriated profit	8,125,144,48

Munich, 9 March 2009
The Executive Board

Dr. Jürgen H. Cammann (Spokesman)

Waltraud Hertreiter

Responsibility statement

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

Munich, 9 March 2009
Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann (Sprecher)

Waltraud Hertreiter

The Supervisory Board

Members of the Supervisory Board:

Hans Jakob Zimmermann
Chairman of the Supervisory Board
Representative of Sal. Oppenheim jr. & Cie. KGaA, Cologne

Peter Jahrmarkt
Deputy Chairman of the Supervisory Board
Officer with general authority of heristo holding GmbH

Marianne Reindl *
Secretary

Dr. Stefan Schmittmann
Member of Executive Board of Commerzbank AG, Frankfurt

Karl Uwe van Husen
Managing Director of Elrega Grundstücksverwaltung GmbH, Ludwigsburgg

Horst Wolf *
Employee

* Employee representatives

Report of the Supervisory Board

Supervisory Board activities during the reporting year
During the fiscal year 2008 the Supervisory Board of Schaltbau Holding AG performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, giving due attention to the business matters of the Company. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both written and oral reports regarding the business performance of both Schaltbau Holding AG and the Group. The Executive Board also provided the Supervisory Board with regular reports on corporate policy, on major issues relating to financial, investment and personnel policies and also on matters concerning the profitability and the risk situation of Schaltbau Holding AG and the Group.

The Supervisory Board was provided with monthly status reports containing information on order-intake, sales and the earnings position, both on a monthly basis and cumulatively, highlighting variances in budget and showing updated forecast figures for the year. The reports also documented the liquidity and the financial situation including the status of credit lines, the amounts drawn down by each entity and the available liquidity based on actual and forecasted figures.

Other main topics of report included the strategic orientation of the Schaltbau Group and related activities. After thorough consideration, the Supervisory Board cast its own vote concerning the corresponding resolution drafts supplied by the Executive Board. Furthermore, the Supervisory Board regularly advised the Executive Board in its management duties and monitored the governance of the Company.

All transactions requiring approval by the Supervisory Board were discussed in detail with the Executive Board prior to granting approval. With the aid of reports and information received from the Executive Board, the Supervisory Board assured itself of the proper governance of the Company. The Supervisory Board ascertained that the requirements for risk management at Schaltbau Holding AG and throughout the Group were complied with. In the case of matters of particular significance or urgency, the Supervisory Board was also kept informed by the Executive Board between meetings.

Main focus of Supervisory Board meetings
Four regular Supervisory Board meetings took place during the year under report, which were all attended by the entire board. Current business trends, supported by rolling forecasts and financial reports, as well as the cash-flow and liquidity situation were regular items on the agenda. The Supervisory Board reviewed developments in order-intake, sales, costs and earnings of the various business segments and subsidiaries of the Schaltbau Group and discussed these with the Executive Board. The risk situation was also analysed in this context. Furthermore, general strategic options and necessary areas of action were additional topics of discussion.

During 2008 the Supervisory Board concentrated mainly on the following topics in conjunction with its monitoring activities:

At the meeting held on 22 April 2008 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report of Schaltbau Holding AG and the Schaltbau Group for the fiscal year 2007. The Supervisory Board also thoroughly discussed the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit and concurred with it. The Supervisory Board discussed numerous pertinent questions in great depth with the external auditors who were present.

In addition to the topics relating to the approval of the financial statements, the Supervisory Board also approved the corporate reorganisation of the brakes business within the Pintsch Bamag sub-group and discussed the introduction of a group-wide code of conduct. Furthermore, at the meeting held on 22 April 2008, the acquisition of Machine Electrics Ltd. by Schaltbau GmbH was examined and approved.

The expansion of the activities of Pintsch Bubenzer GmbH in the field of braking systems for wind power stations in China was considered at the Supervisory Board meeting held on 11 June 2008. This point was discussed conclusively at the meeting on 18 September 2008 and a corresponding resolution passed. At its September meeting the Supervisory Board also carefully reviewed the annual risk report with regard to significant individual risks and general potential risks and carried out the annual efficiency examination.

The founding of a joint venture by Pintsch Bamag GmbH for the production of platform doors in China was debated and approved at the meeting held on 11 December 2008. In addition, after lengthy discussion the forecasts for 2009-2011 for the Schaltbau Group were approved, the Declaration of Compliance with the German Corporate Governance Code adopted and strategies for the continued management of Machine Electrics Ltd. within the Schaltbau Group discussed.

The Executive Board reported at several meetings on the subject of compliance within the Schaltbau Group. The operational and strategic risks involved in the Bode Beijing joint venture were discussed and assessed at all meetings during 2008.

The Chairman of the Supervisory Board maintained regular contact with the Executive Board in addition to their formal meetings and joint consultations. The Chairman of the Supervisory Board continually obtained information from the Executive Board concerning current developments, the business situation and other important events. He was promptly informed by the Executive Board of any extraordinary events relevant for assessing the financial condition and performance of both the Company and the Group.

Personnel Committee work

The Personnel Committee formed within the Supervisory Board held two meetings during the year under report. The main topics of discussion were the compensation system and the level of compensation to be paid to the Executive Board.

No other committees exist within the Supervisory Board.

Company and Group Financial Statements 2008

At the proposal of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main) as external auditor. After the conclusion of the Annual General Meeting the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft furnished the Chairman of the Supervisory Board with a written statement that no circumstances exist which could impair its independence as external auditor.

The external auditor audited the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2008 as well as the Combined Management Report, together with the bookkeeping system, and issued an unqualified auditor's report.

The risk management system was reviewed by the external auditor. The external auditor confirmed that the Executive Board has put the required measures in place in accordance with § 91 (2) of the German Stock Corporation Act and has installed a monitoring system that adequately detects any developments that pose a threat to the going-concern status of the Company or of individual Group entities.

The external auditor provided a copy of the long-form audit report to each member of the Supervisory Board. The documents pertaining to the financial statements, including the long-form audit reports prepared by the external auditor, were made available to each of the members of the Supervisory Board in good time in order to ensure a careful and thorough examination by the Supervisory Board. The Supervisory Board held its financial statements approval meeting together with the Company's external auditor on 20 April 2009. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2008, the Combined Management Report and the long-form audit reports were discussed in detail with the external auditor, who in turn reported on the course of the audit and the main findings.

The Supervisory Board examined the Company Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Executive Board's proposal for the appropriation of the Company's unappropriated profit. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the result of the audit of the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report. The Supervisory Board formally approved the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements for the fiscal year 2008 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board approved the Combined Management Report, including the assertions regarding the further development of the business and the disclosures pursuant to §§ 289 (4) and 315 (4) of the German Commercial Code.

After its own examination the Supervisory Board concurred with the proposal made by the Executive Board regarding the appropriation of the Company's unappropriated profit.

Representative bodies of the Company

Since the election in the fiscal year 2006 the Supervisory Board has consisted of six members: Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board, Karl Uwe van Husen, Waiblingen and Dr. Stefan Schmittmann, Grünwald, act as shareholders‘ representatives. Employees are represented on the Supervisory Board by Marianne Reindl, Egglham, and Horst Wolf, Dinslaken. The Supervisory Board's term of office will cease at the end of the Annual General Meeting, during which the shareholders will vote on ratifying the actions of the Supervisory Board for the fiscal year 2010.

During the fiscal year 2007 the appointment of Dr. Cammann and Ms. Hertreiter as Executive Board members of Schaltbau Holding AG was extended to 30 June 2010.

The Supervisory Board wishes to thank the Executive Board, the managements of the various Group companies, the works council and the entire staff of the Group for the dedicated and successful work performed during the past year.

Munich, April 2009

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich as at 31 December 2008

ASSETS

	31.12.2008 € 000	31.12.2007 € 000
A. FIXED ASSETS		
I. Intangible assets	916	894
II. Property, plant and equipment	13	20
III. Investments	74,149	71,149
	75,078	**72,063**
B. CURRENT ASSETS		
I. Receivables and other assets	9,150	6,359
II. Marketable securities	195	0
III. Cash and cash equivalents	265	586
	9,610	**6,945**
C. PREPAID EXPENSES	445	617
	85,133	**79,625**

EQUITY AND LIABILITIES

	31.12.2008 € 000	31.12.2007 € 000
A. EQUITY CAPITAL		
I. Subscribed capital	6,850	6,840
(Conditional capital € 1,820,000)		
II. Capital reserves	8,212	8,096
III. Revenue reserves	16,231	11,231
IV. Participation rights capital	10,000	10,000
V. Unappropriated profit	8,125	5,664
	49,418	**41,831**
B. PROVISIONS		
1. Provisions for pensions and similar obligations	6,022	6,212
2. Other provisions	3,807	2,434
	9,829	**8,646**
C. LIABILITIES	25,886	29,148
	85.133	**79.625**

Income Statement of Schaltbau Holding AG, Munich for the Year Ended 31 December 2008

		2008 € 000	2007 € 000
1.	Sales	1,238	1,302
2.	Other operating income	971	962
3.	Cost of materials	986	1,104
4.	Personnel expense	2,579	2,357
5.	Amortisation and depreciation	12	16
6.	Other operating expenses	1,765	2,613
7.	Income from profit transfers	15,289	12,041
8.	Net interest expense	-2,792	-2,423
9.	**Profit from ordinary activities**	**9,364**	**5,792**
10.	Taxes	1,343	559
11.	**Net profit**	**8,021**	**5,233**
12.	Unappropriated profit brought forward	104	431
13.	**Unappropriated profit**	**8,125**	**5,664**

Auditor's Report

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 24, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Huber	Schoner
Wirtschaftsprüfer	Wirtschaftsprüfer

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