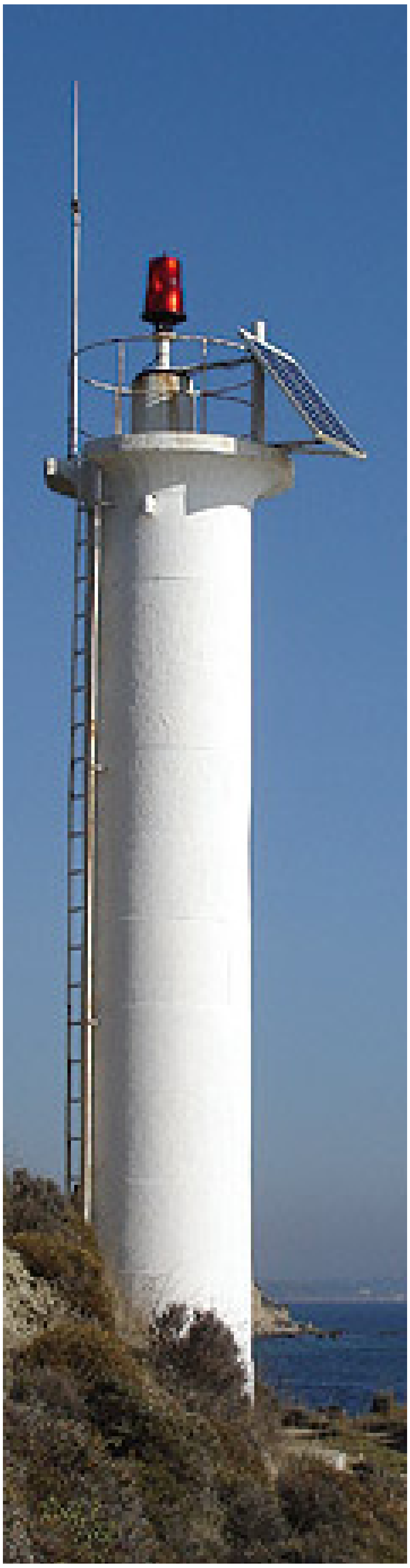
SCHALTBAU

Annual Report 2009

Schaltbau Group 5-year summary

Group key financial figures		**2009**	2008	2007	2006	2005
Order situation						
Order-intake	€ m.	251.7	281.2	271.9	232.8	200.6
Order-book	€ m.	163.4	181.6	181.3	129.4	109.1
Income statement						
Sales	€ m.	269.8	280.2	232.1	212.7	203.9
Total output	€ m.	262.1	282.4	236.1	215.8	204.5
EBIT	€ m.	20.3	21.9	14.1	11.8	12.1
EBIT margin	%	7.5	7.8	6.1	5.5	5.9
Group net profit	€ m.	14.1	13.1	8.2	6.0	5.0
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	12.3	11.8	7.2	5.0	3.9
Return on capital employed	%	17.6	19.4	14.0	13.6	13.9
Balance sheet						
Fixed assets	€ m.	61.5	60.5	60.2	49.2	48.8
Capital expenditure	€ m.	6.6	4.6	5.4	3.7	3.7
Amortisation and depreciation	€ m.	5.2	5.1	4.6	4.3	4.2
Working capital	€ m.	53.8	52.2	40.9	37.9	38.1
Capital employed	€ m.	115.3	112.6	101.0	87.0	87.0
Group equity	€ m.	20.5	8.6	-2.1	-10.1	-15.3
Net liabilities to banks	€ m.	33.9	37.7	41.4	43.8	44.3
Balance sheet total	€ m.	167.9	168.1	164.7	140.0	136.7
Cash flow statement						
Cash flow from operating activities	€ m.	16.2	13.0	16.1	8.8	9.5
Cash flow from investing activities	€ m.	-9.8	-8.3	-13.0	-5.0	-5.4
Cash flow from financing activities	€ m.	-3.3	-7.4	0.0	-3.5	-8.3
Change in cash and cash equivalents	€ m.	3.2	-2.6	3.3	0.2	-4.1
Personnel						
Employees at 31 December	Number	1,603	1,599	1,551	1,456	1,475
Average number of employees	Number	1,437	1,424	1,372	1,300	1,317
Personnel expense	€ m.	81.7	79.4	74.8	71.9	70.4
Personnel expense per employee	€ 000	56.9	55.8	54.5	55.3	53.5
Total output per employee	€ 000	182.3	198.2	172.1	166.0	155,3
Key fin. figures for Schaltbau Holding AG		**2009**	2008	2007	2006	2005
Subscribed capital	€ 000	6,850	6,850	6,840	6,840	6,840
Equity of the AG	€ m.	57.7	49.4	41.8	36.3	34.2
Equity ratio of the AG	%	60.2	58.0	52.5	48.2	47.5
Stock market price at 31 December	€	39.0	38.8	45,5	27.8	22.1
Market capitalisation at 31 December	€ m.	73.0	72.6	85,0	52.0	41.3
Earnings per share (undiluted)	€	6.62	6.35	3,85	2.67	2.55
Earnings per share (diluted	€	6.19	5.94	3,85	2.67	2.34
Dividend per share	€	0.70	0.50	0,30	0.15	0.06



The Schaltbau Group develops and supplies systems and components in the fields of transportation technology and industrial applications worldwide. Major global trends such as growing environmental awareness and the increasing need for mobility are constantly driving sustainable, profit-oriented expansion. The consistent enlargement of international activities with products that fulfil the needs of the markets is continually enhancing existing potential.

The Schaltbau Group bases its endeavours on the specific know-how of its subsidiaries, which command significant market positions in their respective fields of business and are strategically building upon these with a high degree of dedication in the field of research and development.

Organic growth is the result of well-founded innovation, the concentration on new target groups and greater market penetration. The financial flexibility gained through this strategy enables additional market share to be generated by means of acquisition in a highly promising competitive environment.

Thus the Schaltbau Group intends to double its profits over the next five years in terms of earnings per share.

The Executive Board

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

Waltraud Hertreiter,
Neubeuern

Waltraud Hertreiter **Dr. Jürgen H. Cammann**

Dear Shareholders,

Dr. Jürgen H. Cammann
Executive Board Spokesman

Right at the beginning of 2009 we began making preparations to deal with possible recession scenarios. From today's perspective that has turned out to be the right decision: the Schaltbau Group too was affected by a significantly deteriorated market environment in 2009, particularly in the second and third quarters and above all in the industrial sector. Thanks to our strong order book and the continued broad acceptance of our innovative new products, particularly in the field of Door Systems for Railway Vehicles, we partially made up for the drop in demand brought about by the crisis and were able to achieve our amended sales revenue targets.

The real success, however, was shown in earnings. In addition to the exceptional gain arising on the sale of Bode Beijing, the early introduction of measures to reduce costs and adjust capacities played a major role in enabling us to make further improvements in Group earnings, which were already good in the previous year. We also wish to allow our shareholders to benefit from the gain on the sale by paying a special dividend of 20 cents per share. The basic dividend itself will remain unchanged at 50 cents per share.

We have continued to strengthen the Schaltbau Group in balance sheet terms. The equity ratio of 12.2% has more than doubled in comparison to the previous year. Including participation rights capital, which is similar in nature to equity, the equity ratio was as much as 16.4%. We may not have yet attained our objectives, but we have made another major step towards achieving them; a fact that has already been appreciated by the banks. In March 2010 we were able to restructure and re-schedule our medium-term financing arrangements on an unsecured basis for the next three years. This fact is ample proof of the trust the creditors have placed in the Schaltbau Group and its prospects for the future. The new financing structure is an important step for the Group because it results in a far greater degree of financial flexibility whilst also laying the cornerstone for increased growth, including that achieved by means of acquisition.

In view of the changes to be expected in our market environment, this expansion strategy is absolutely essential. Similar to the automotive supply industry, a concentration process will soon be taking place within the German railway industry and we intend to emerge from this process in a stronger position than before. A number of companies that would fit in well with our concept have already signalised their readiness to sell. We have not only set our sights on companies with high profit margins, we also see ourselves as thoroughly capable of increasing the profitability of any we may acquire.

We also see the need to continue the process of internationalising our operations. We will only prosper in the major markets of the future if we also develop and produce on a local basis. The main focus of our endeavours in the coming years will therefore be on Asia. As in previous years, in 2009 we continued to strengthen our presence by founding new subsidiaries or making investments in other entities, firstly in China, for the purpose of marketing our newly developed door systems designed to secure railway platforms, and secondly in India, to improve our market penetration in the Components segment. Furthermore, in the Brake Systems business field we have acquired a company in Malaysia that bolsters our position at the central trading hub of Singapore. On the other hand we also took the opportunity to sell our stake in Bode Beijing. We saw this step as unavoidable as we were unable to serve the Chinese market for doors in the way we had originally intended. We will be repositioning ourselves on this key market in the course of 2010.

We have been preparing to enter the growth phase with increased manpower for quite a considerable time and have been specifically investing in appropriately trained staff since 2008. This is clearly reflected in the rise in the Group's personnel expenses in 2009. We intend to step up this process in 2010 in order to handle the level of growth we are expecting as from 2011.

At a highly interesting time for our business, we thus wish to mark the beginning of the next growth phase. Railways are increasingly seen as a viable form of transportation worldwide. In the USA, for example, one of the country's best-known investors is investing tens of billions of US dollars in this market. The underlying reasons for this are obvious. The growing world population and the constantly rising need for mobility call for efficient solutions that railway systems are capable of providing. Quite apart from the dwindling supply of fossil fuels, the environmental aspects provide additional arguments that make railways stand out from all other forms of transport. It is possible, of course, that rising levels of public debt worldwide could slow down this trend. This does, however, open up opportunities for Public Private Partnerships, which have already proved to be an efficient method of implementing other infrastructure measures such as roadbuilding and which could be an alternative way of financing railway systems too. In practically all economic regions, including South America, consideration is being given to building new railway lines. In view of these facts, one thing is abundantly clear to me: railways have gained momentum at an international level.

All of these aspects make us confident that we can double the Group's earnings per share over the next five years, a target fully underpinned by corresponding internal forecasts. In the medium term our dividends will be brought into line with this growth in earnings. We are of the opinion that the stock market will take heed of these future prospects and acknowledge them accordingly. We shall not allow ourselves to be diverted and will continue to write our own success story.

Dear shareholders, we very much hope you will continue to place the necessary trust in us in the future. We firmly believe that your investment in Schaltbau has considerable potential. Realising this potential as swiftly and purposefully as possible is the objective of the Executive Board and all employees of the Group. We would like to take this opportunity to thank them for their great commitment and their contribution to the success of the Schaltbau Group throughout the difficult year 2009. In a united effort we will make the most of the opportunities that the market presents and continue to guide our enterprise along the path of steady profitable growth, both in 2010 and in the years to come.

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich
for the fiscal year 2009

A brief summary of the fiscal year 2009

In a distinctly deteriorated market environment, particularly in the field of industrial applications, the Schaltbau Group was successful in achieving its most recently stated sales revenue targets and again increased its earnings in the fiscal year 2009. Although order-intake decreased by 10.5% to € 251.7 million, sales fell by only 3.7% to € 269.8 million. Despite the lower sales figure, Group net profit surpassed the record result of € 13.1 million reported in 2008 by € 1.0 million. The result for 2009 includes an exceptional post-tax gain of € 1.1 million arising on the sale of Bode Beijing. Earnings per share improved from € 6.35 to € 6.62, assisted by the exceptional gain. In view of this pleasing earnings performance, the Executive Board will submit a proposal to the Supervisory Board that a dividend of 50 cents per share and an additional special dividend of 20 cents per share arising from the sale of Bode Beijing be paid for the fiscal year 2009. The Schaltbau Group also made further progress in balance sheet terms. The Group's equity ratio rose from 5.1% to 12.2% at the end of the reporting period.

Major events during the fiscal year 2009

The Schaltbau Group continued to pursue its strategy of expanding its international activities in key markets in 2009.

On 13 August 2009 Pintsch Bamag added significantly to its presence in China with the foundation of Shenyang PINTSCH BAMAG Transportation Energy Equipment Co. Ltd. This entity is seen as key to gaining a foothold on the Chinese market for the Group's newly developed Platform Screen Doors (PSD) system for railway platforms, after which the Group will proceed to market this innovative product worldwide.

Schaltbau India Pvt. Ltd. was founded on 17 September 2009. Schaltbau GmbH has an 80% stake in the new company, a move taking the Schaltbau Group into this important growth market.

On 16 November 2009 Pintsch Bubenzer indirectly acquired a 100% shareholding in Bubenzer-MyPort (M) Sdn. Bhd. in Johor (Malaysia). Firstly, as a service company with its own spare parts warehouse, Bubenzer-MyPort will provide maintenance and repair services to the port of Singapore. The port is the central hub of the Asian economic zone which Bubenzer will now be able to serve more efficiently. Secondly, from its base in Malaysia, the company will be able to expand its range of services to the Asian port operators. The strategy will also lead to new opportunities in the Gulf region.

After China and India, the Russian market is considered to be particularly promising. In order to make the most of existing opportunities for growth, Schaltbau GmbH opened its own representative office in Moscow during the year under report.

With effect from 9 December 2009 Bode sold its 49% stake in Beijing Bode Transportation Equipment Co. Ltd. (China) via its subsidiary Gebr. Bode & Co. Beteiligungs-GmbH. The sale price was above the carrying amount of the investment to the tune of a low single-digit million-euro amount. The investment in the Chinese joint venture partner was sold due to differences of opinion regarding strategic objectives and operational business.

DESCRIPTION OF ACTIVITIES AND GENERAL ECONOMIC ENVIRONMENT

Structure of the Schaltbau Group

Schaltbau Holding AG is a financial holding company responsible for Group strategy, appointing the senior management of subsidiary companies, compliance within the Group, public relations, investor relations and IT systems. It is also responsible for Group financial reporting, Group controlling, cash management and risk management, including the internal audit function.

The operational activities of the Schaltbau Group are divided into three segments. In order to meet the market's growing need for transparency as well as the requirements of IFRS 8, the Schaltbau Group adopted a new system of segment reporting with effect from 1 January 2009. Instead of the two segments formerly reported, the Group's business operations were divided into three segments for the first time in the interim report on the first quarter 2009. The change only affects the Mobile Transportation Technology segment, which is now divided into two separate segments – Mobile Transportation Technology and Components. The Door Systems business field remains an integral part of the Mobile Transportation Technology segment.

The Stationary Transportation Technology segment continues to comprise two business fields, namely Rail Infrastructure and Brake Systems. This segment was also subject to some internal restructuring. With the integration of the Pintsch Bamag brakes business in Pintsch Bubenzer more or less completed in 2008, these activities are fully assigned to the Brake Systems business field with effect from 1 January 2009.

The new segment structure is as follows:

BUSINESS ACTIVITIES

Mobile Transportation Technology
The Mobile Transportation Technology segment represents the product groups Door Systems for Buses, Door Systems for Railway Vehicles and Fittings for Sliding Vehicle Doors. A network of sales and service partners supports customers optimally in their global operations. Schaltbau provides the necessary proximity to key sales markets with representative offices in the United Kingdom, Hong Kong, Korea, Malaysia and Singapore. The Group’s companies in Poland and Turkey, each with its own production site, ensure market access in the regions involved.

The market launch of the 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 controls, supplemented by emergency handles. The system's elements are all highly standardised and modularly applicable. BIDS covers the railway industry's entire range of requirements and satisfies individual customer needs at the same time. This product range, manufactured by Group subsidiary Bode, makes Schaltbau one of the leading providers in Europe in the field of door systems for railway vehicles and a key partner for railway systems producers worldwide.

Schaltbau Holding AG

Mobile Transportation Technology

Business Field Door Systems

Bode Group
Door Systems for Buses / Coaches
Door Systems for Railway Vehicles
Boarding Aids / Ramps
Fittings for Sliding Vehicle Doors

Stationary Transportation Technology

Business Field Rail Infrastructure

Pintsch Group
Railway Signal Technology
Rail Point Heating Systems
Power Supply Systems
Vehicle Equipment
Warning Systems
Maritime Aids to Navigation

Business Field Brake Systems

Pintsch Bubenzer Group
Crane Braking Systems
Industrial Braking Systems
Wind Energy Braking Systems

Components

Business Field El. mech. Components

Schaltbau GmbH Group
Connectors
Switches
Contactors
Control Devices

Innovation and a high degree of standardisation safeguard Schaltbau's position as European market leader in the field of door systems for both city buses and travel coaches. The Group supplies complete door systems including electronic controls and boarding aids, enabling customers to select from a broad range of products. 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 a low-consumption electrical system ensure customers a higher degree of flexibility as well as low service and energy costs. A pioneering recent innovation is the Compact All-round Drive System (CADS) that has now been developed to include a completely new type of electrical drive unit.

The product group Fittings for Sliding Vehicle Doors comprises guiding systems for sliding side doors designed for both commercial vans and passenger cars. The Schaltbau Group supplies numerous well-known manufacturers of commercial vehicles.

Stationary Transportation Technology
The Stationary Transportation Technology segment consists of the two business fields **Rail Infrastructure** and Brake Systems. The Rail Infrastructure business field operated by Pintsch Bamag primarily manufactures the product group Level Crossing Safety Systems. In addition to the well-proven, fully electronic RBUET level crossing system, the flexibly usable BUEP hybrid technology and the manually operated hLz technology, Pintsch Bamag offers a broad range of technically mature signal components. Pintsch Bamag has the benefit of a great many years of valuable experience in the field of railway signal technology. Working from this well-founded knowledge base, it develops products that help customers reduce life-cycle costs at a reasonable level of investment. The Schaltbau Group is among the foremost 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 lighting systems for railway vehicles. The systems developed in this product group are based on know-how collected in the field of lighting and have been tried and tested for decades in high-speed trains, 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 using state-of-the-art LED technology.

Acoustic and visual warning equipment for vehicles used by authorities, industry and rescue services as well as for civil management and disaster control are sold throughout Europe. Maritime aids have been a guarantee of safety both on the open seas and inland waterways for over 140 years and emphasise the Schaltbau Group's high degree of expertise in the field of lighting technology.

The Point Heating Systems product group is also part of the Rail Infrastructure business field. Apart from its core competence in developing and manufacturing electrical and gas-infrared point heating systems, it also produces tunnel safety illumination systems.

The products of the **Brake Systems business field** are suitable for every situation in which large, heavy loads need to be transported. This is exemplified by cranes used to 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. The crane braking systems manufactured by Pintsch Bubenzer, a subsidiary of the Schaltbau Group, are world market leaders in this field.

Wind power plants constitute a highly promising field of application in the Brake Systems business field and cover 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 adjusted monitoring systems allows considerable cost-savings, including for offshore plants.

The often gigantic tunnel-digging and clearing machines, conveyor systems and bucket-wheel excavators used in mining as well as applications for the steel industry and magnetic brakes for shipping applications are further examples of highly specialised challenges for braking systems. In equipment designed for crushing ore-bearing rock, the braking systems develop braking torque of more than 20,000,000 Nm. The technological know-how involved in developments of this type make Pintsch Bubenzer one of the leading development partners and system suppliers worldwide.

Components

The Components segment comprises the product groups Connectors, Snap-action Switches, Contactors and Control Devices produced by the Schaltbau GmbH Group. In addition to its German locations in Munich and Lower Bavaria, The Schaltbau Group maintains local presence in key international markets via its companies in France, the United Kingdom, China, Hong Kong and the USA. A subsidiary was founded in India during the third quarter 2009 to prepare entry to this important growth market. Components for the railway market such as contactors, master controllers, toggle switches and dead man's foot switches are manufactured for the Asian market in Xi'an, China. A further production plant in Shenyang, China, is dedicated to the manufacturing of contactors for industrial applications. The French market is served via the French national company. The acquisition of Machine Electrics in 2008 has considerably improved the Group's market position in the United Kingdom, particularly for contactors in industrial trucks and emergency power systems. All products in this business field are manufactured to meet highest specifications for a wide variety of niche applications.

Connectors are vital components in many fields 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, dependability even when subjected to shocks or vibrations and above all for their positive opening operation feature. Due to its versatility, this type of switch is suitable for all kinds of safety-related applications and for this reason is built into the door systems of a wide range of railway vehicles such as local and long-distance trains, trams and underground trains. Schaltbau is world market leader in this field. A number of niche markets such as parachuting are also served. The trend towards miniaturisation will also open up entirely new fields of application for this product group in the future.

Schaltbau contactors are required wherever high-voltage applications need to be switched using low voltage. The quality of a contactor is most apparent when it comes to switching off. During the process, electric arcs are ignited between the contacts as they open, which then have to be reliably extinguished within a few milliseconds. Schaltbau contactors dependably perform this task both in industrial trucks and emergency power systems that, for instance, play a major role in safeguarding data security during power cuts in telecommunication 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 and roof equipment as well as electrical braking equipment.

BUSINESS ENVIRONMENT

World economy past the worst

The world economy experienced the worst recession for over 50 years in 2009. According to the Organisation for Economic Cooperation and Development (OECD), the volume of world trade contracted, on an annualised basis, by more than 20% just in the six-month period up to the end of March 2009. The OECD reports show that industrial production was hit unusually hard. The world economy did, however, manage to recover perceptibly over the remaining course of 2009, particularly due to rising demand in the growth markets of Asia.

The positive impact from some countries, headed by China and India, is evident in the growth rate figures registered at the beginning of 2010. These were estimated by economists at Deutsche Bank as having been 8.5% and 6.0% respectively and therefore above expectations at the beginning of 2009. By contrast, forecasts for the USA had to be lowered slightly and those for Japan and Europe quite significantly. Overall, based on the latest estimates, the world economy contracted by 1.1% in 2009 and therefore at a faster rate than predicted one year earlier.

Alongside Japan, where economic output dropped by 5.0% according to Eurostat, the countries of the European Union were hit particularly hard by the world economic crisis with a negative growth rate of 4.1%. The eastern EU member states had to cope with enormous pressure, with Poland the only country to record moderate growth in gross national product (GNP).

Against this background, the German economy suffered its greatest slump since the Second World War. According to figures released by the German Federal Bureau of Statistics, GNP declined by 5.0% in real terms in 2009. The slump took place mainly during the months around the turn of the year 2008/2009. In the course of the year, however, economic output stabilised at a low level in line with economic performance worldwide.

The Federal Bureau of Statistics figures also reveal steep drops both in exports and in investment in plant and equipment in 2009. Exports – generally seen as the cornerstone of the German economy – significantly held down the growth rate

during the year under report. After price adjustments, exports were 14.2% down on the previous year, whereas imports fell by only 8.9%. Investment in plant and equipment dropped sharply by 20.5%. Partially supported by governmental economic stimulus programmes, construction investment fell by only 0.8%. Short-term state spending, however, rose by 3.0%. Private consumer spending proved unexpectedly resilient and grew marginally (by 0.2%) compared to the previous year.

Relevant markets for Schaltbau

Within the Door Systems business field, general business conditions relevant for bus doors worsened considerably in 2009 in the wake of the financial and economic crisis. Particularly the travel coach companies both at home and abroad were extremely hesitant to invest. Together with the local public transport sector they exert the greatest influence on performance in the bus business. This fact is apparent from the statistics of the Association of the German Automotive Industry (VDA). According to those figures, only 7,800 buses were produced in Germany in 2009, 22% fewer than the 10,000 vehicles

produced one year earlier. The weakness of the domestic market was also evident in the number of new registrations, which fell by 5% to 5,600 buses. The number of buses exported dropped by 25% to 5,900 units. By contrast, the Door Systems for Railway Vehicles product group recorded very good project business levels during the first few months of 2009.

The downturn first recorded by the Fittings for Sliding Vehicle Doors product group in autumn 2008 as a result of the financial crisis gathered pace initially in the early part of 2009. Market conditions did, however, improve noticeably over the course of the year.

The order situation in the Rail Infrastructure business field is heavily influenced by the investment behaviour of Deutsche Bahn AG, the German national railway company. The service and financing agreement (LuFV) made between Deutsche Bahn AG and the German Federal Ministry of Transport in January 2009 ensured a stable basis for business. Under the terms of the LuFV agreement, € 2.5 billion per year will be made available for the modernisation of the existing rail infrastructure between now and 2013. In addition, the government's economic stimulus packages helped create a positive environment for infrastructure measures, even though implementation did fall a good deal short of the high expectations held.

The Brake Systems business field experienced an extremely difficult market environment in 2009. Transport volumes sank drastically due to the major slump in world trade during the year under report. The willingness to invest in the container terminals market was correspondingly low, severely affecting performance in the Brake Systems business field. According to the German WindEnergy Association, the new target market "wind power" again registered growth in 2009 despite fears to the contrary. The driving force behind this renewed positive performance was China, which almost doubled its previous year's capacity with a newly installed output of 10,000 to 12,000 MW. In the USA too, the installed output shot up surprisingly sharply to 9,900 MW, thanks to the economic stimulus packages introduced by the Obama Administration, compared with a figure of 8,400 MW for 2008. The Brake Systems business field is currently still in the start-up phase in this attractive market environment. The Schaltbau Group has therefore managed to gain access to a market with considerable potential for growth that it intends to utilise by continuing to expand its activities.

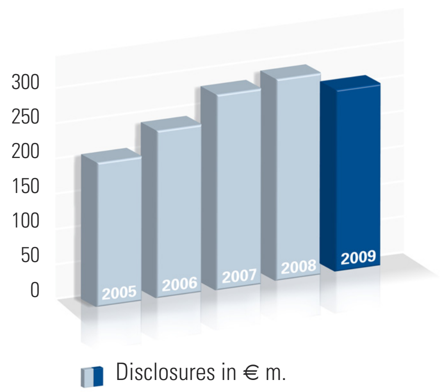
In the Components segment, business with Railway Products and Rolling Stock was supported by unexpectedly strong demand from Asian markets. Railway transportation systems in China benefited in particular from government economic stimulus packages. In contrast, declining goods transportation figures in countries in other regions resulting from the unfavourable economic situation led to delays in major railway projects. Business with industrial applications generally continued to decline in the face of the economic crisis.

BUSINESS PERFORMANCE

Order-intake

In a sector that is normally late in the business cycle, the Schaltbau Group felt the impact of the economic crisis with a corresponding delay in the fiscal year 2009. The order situation was especially negatively affected in the third quarter by the difficult market conditions previously described. In the final quarter of the year, however, order-intake was up on the corresponding period one year earlier. Order-intake for the Group totalled € 251.7 million in 2009, a drop of 10.5% on the € 281.2 million recorded in the previous year.

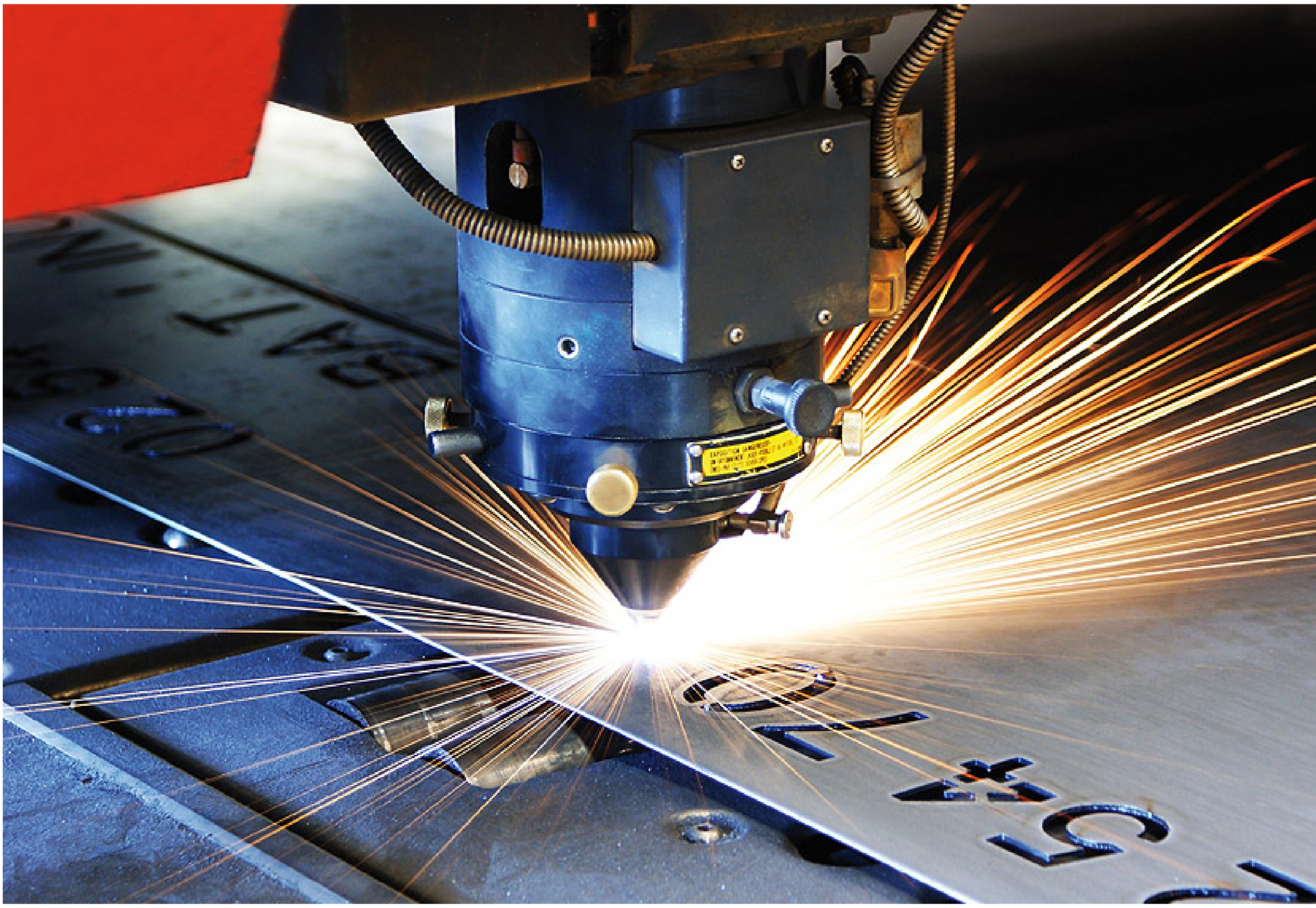
Order-intake



Incoming orders of € 101.8 million were registered in the **Mobile Transportation Technology** segment, 9.5% lower than the previous year's figure of € 112.5 million.

Bus manufacturers scaled back their production programmes considerably in the face of the financial and economic crisis. Demand in the Door Systems for Buses product group was correspondingly subdued, resulting in a sharp drop in order volumes. The travel coaches business was particularly hard hit. Some success was registered in the fourth quarter with new customers gained in Italy and Poland. Schaltbau's leading position in Europe as a bus door systems provider was further extended.

Incoming orders for the Fittings for Sliding Vehicle Doors product group were down. Over the course of the year, however, curtailments in construction programme volume on the part of customers at the beginning of 2009, some of which had been quite substantial, were almost fully offset for the year as a whole. The stimulating effect of the scrappage bonus was a major cause of increased sales volume in the field of commercial vehicles.



In 2009 the Door Systems for Railway Vehicles product group recorded order-take at a high level similar to the previous year. The standardised BIDS drive concept has prevailed in the market for railway vehicles. New developments and excellent delivery performance were also key factors in promoting an atmosphere of trust among customers on a sustainable basis.

The **Stationary Transportation Technology** segment recorded an order-intake of € 80.6 million (2008: € 98.4 million), down 18.1% on the previous year.

Performance in the Rail Infrastructure business field was greatly hampered by the sluggish implementation of government economic stimulus programmes, which did not begin to take effect until well into 2009. Demand for the Level Crossing Safety Systems product group was accordingly subdued. Particularly in the first six months of the year the hold-up in investments for major signals projects seemed to worsen. The situation eased somewhat during the second half of 2009 and continued to improve gradually up to the end of the year. The German national railway was responsible for an increase in order-intake in the fourth quarter.

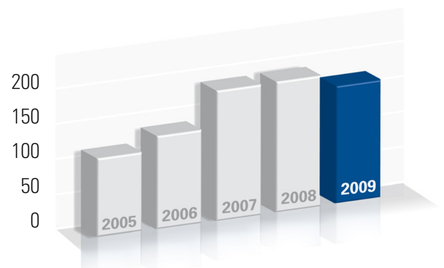
Highlights in the Rail Infrastructure business field were orders for a considerable number of level crossing systems. These orders were placed in 2009 in conjunction with the so-called "Blinklichtprogramm 2010". The majority of these orders related to single systems and not to a major project. By contrast, business with private railway companies remained under pressure owing to weak demand in the wake of the economic crisis and fierce competition. In the other three product groups – Equipment for Railway Vehicles, Warning Technology and Maritime Aids to Navigation – the order situation remained largely unchanged compared to the previous year.

The Brake Systems business field suffered from a delayed reaction to the financial and economic crisis. After performing well during the first four months of the year, the ongoing weakness in international container traffic led to a slump in incoming orders from May onwards. However, after three extremely weak months in succession, demand stabilised at a low level in August. Despite the difficult market conditions it was possible to retain and in some cases even slightly improve market share. In the promising market for wind power plants, a number of manufacturers placed small-scale orders for brakes for test installations. All relevant qualification programmes were successfully passed during the year under report.

The **Components** segment recorded order-intake of € 69.2 million (2008: € 70.1 million) during the year under report, 1.3% down on the previous year.

After experiencing declining demand in industrial business during the first six months of the year, the segment's order situation became increasingly stable during the remainder of the year. In November, Schaltbau was awarded a major order for connectors, causing fourth-quarter figures to surpass those of the previous year and bringing the fiscal year 2009 to a favourable end. Schaltbau's UK subsidiary, which plays a relatively minor role from the Group's point of view with its focus entirely on industrial applications, suffered a severe slump in order-intake right from the beginning of the year due to the economic crisis. Despite a moderate improvement from September onwards, order-intake for the full year was well down on 2008. Schaltbau France was largely able to maintain incoming orders at the previous year's level. The Chinese joint venture in Xi´an, however, recorded an improvement on last year's figure.

Order book



Disclosures in € m.

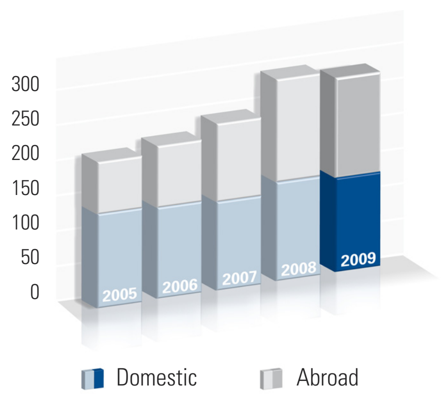
Order book

The **order book** stood at € 163.4 million at the end of the year under report (2008: € 181.6 million). The Mobile Transportation Technology segment reported an order book of € 89.3 million (2008: € 96.2 million) at the end of the year. The Stationary Transportation Technology segment had orders totalling € 40.6 million (2008: € 55.1 million) on hand. The order book of the Components segment increased to € 33.6 million (2008: € 30.4 million).

Sales

The Schaltbau Group achieved its sales target for 2009 despite the impact of the worldwide recession. Although fourth-quarter sales revenue was still down on the previous year, it represented a further improvement on the preceding quarter. The sales performance in 2009 therefore generally reflected the pattern of order-intake. The Schaltbau Group generated sales of € 269.8 million in 2009, 3.7% down on the previous year's figure of € 280.2 million.

Sales



Disclosures in € m.

The **Mobile Transportation Technology** segment recorded sales revenue of € 108.8 million, 1.3% up on the previous year's figure of € 107.4 million. The sales performance by product group varied considerably.

The Door Systems for Railway Vehicles product group benefited in particular from brisk demand for standardised BIDS systems and boarding systems. Both the spare parts and the ramps business performed encouragingly and better than expected. Sales revenue recorded for this product group increased such that decreases recorded for the other two product groups were more than offset. The negative impact of the financial and economic crisis caused sales revenue to fall in the City Bus and particularly in the Travel Coach sector. Orders received in the fourth quarter of 2009 will not be materialised as sales until 2010.

Sales of the **Stationary Transportation Technology** segment totalled € 94.7 million (2008: € 104.9 million), a drop of 9.7%.

Due to the good order book figures and above all the noticeably growing demand in the fourth quarter, sales generated in the Rail Infrastructure business field – adjusted for the brakes business allocated to the Brake Systems business field – almost matched the high level recorded in 2008. In the field of level crossing systems the very weak private railways market was offset by good business performance with the German national railway. The following selected projects were completed: sliding steps to bridge the gap between the train door and the platform for a customer in Hungary; two deliveries of strip lighting systems for police cars in the German states of North Rhine-Westphalia and Baden-Württemberg; and projects supplying maritime aids to navigation for the straits between India and Sri Lanka.

Sales revenue in the Brake Systems business field also declined considerably due to the lower volume of world trade, with the expansion of port capacities particularly hard hit by the economic crisis. The first sales recorded for the newly developed brake systems for wind power plants in 2009 are a sign of promise for the future.

The Components segment achieved sales revenue of € 66.2 million, 2.4% down on the € 67.8 million recorded in 2008.

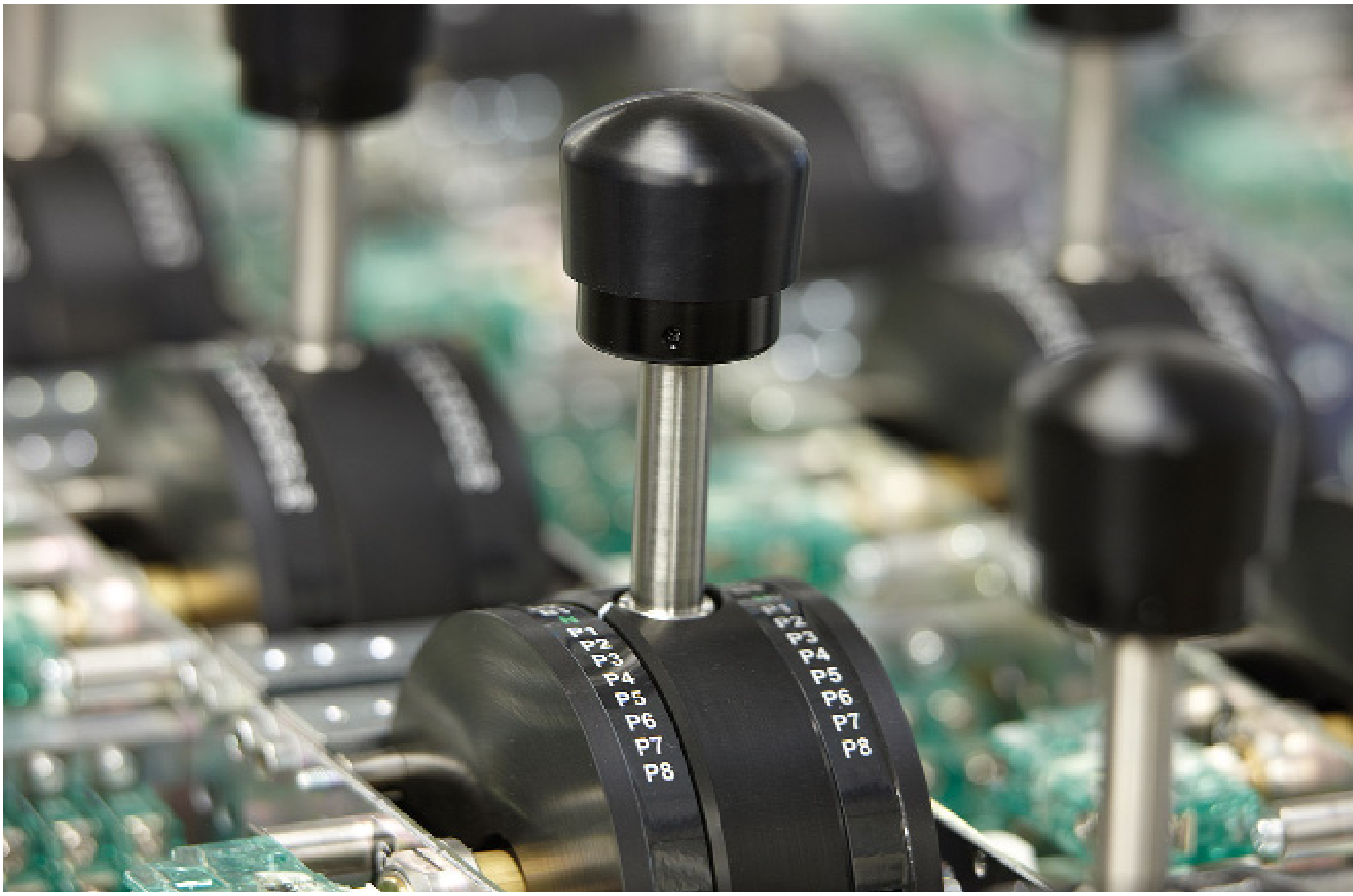
The components market for railway applications was maintained at the previous year's level, whereas business with components for industrial applications dropped sharply towards the middle of the year, subsequently showing a slight recovery in the fourth quarter. Sales were down in Germany and the United Kingdom, whereas the Chinese market generated some perceptible momentum for growth.

Group earnings performance

Despite the difficult market situation and lower sales revenue due to the economic downturn in 2009, the impact on Group earnings was largely absorbed thanks to the timely implementation of countermeasures. The gain recognised on the sale of Bode Beijing helped to push earnings above the previous year's level.

The Schaltbau Group's total output decreased at a greater rate than sales in 2009 from € 282.4 million in 2008 to € 262.1 million in 2009, mainly reflecting a targeted 7.2% reduction in inventories. This reduction was, however, largely offset by a policy of strict cost management across the board. The extent to which this policy succeeded is reflected in the operating profit (EBITDA) figure, which only fell by 4.7% to € 26.5 million (2008: € 27.8 million).

Significant savings were made in particular in the cost of materials. The cost of materials ratio was reduced from 53.5% to 50.5%. In addition to favourable developments in raw



material prices, other cost-cutting measures in the field of purchasing and a reduction of temporary staff also contributed to lower cost of materials. Collectively bargained tariff increases and targeted staff recruitment, particularly in the Rail Infrastructure business field, were responsible for the rise in personnel expenses within the Group to € 81.7 million (2008: € 79.4 million). Other operating expenses were reduced to € 26.5 million (2008: € 28.4 million) by means of cost-cutting measures and lower sales revenue-related costs. This compared with other operating income of € 5.0 million (2008: € 4.2 million), with the increase mainly due to the reversal of personnel-related provisions. At € 6.1 million, the amortisation and depreciation expense was at a similar level to the previous year.

The Schaltbau Group recorded a profit from operating activities (EBIT) of € 20.3 million (2008: € 21.9 million). The EBIT margin was 7.5% (as a percentage of sales) and therefore almost at the previous year's high level of 7.8% despite unfavourable business conditions.

The Group's net financial expense improved by € 0.7 million to - € 5.7 million, partly reflecting lower average interest rates compared to the previous year.

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

The result from investments relating to companies accounted for using the equity method rose from € 0.3 million to € 2.3 million and was primarily influenced by the sale of the 49% stake in the Chinese company Beijing Bode Transportation Equipment Co. Ltd. In the previous year, the result from investments had been adversely affected by the recognition of a risk provision for this joint venture.

Overall, the profit from ordinary activities improved to € 16.9 million (2008: € 15.8 million). The income tax expense for the year increased marginally to € 2.8 million (2008: € 2.7 million). Group net profit of € 14.1 million was € 1.0 million higher than one year earlier. The profit attributable to minority shareholders amounted to € 1.7 million (2008: € 1.2 million). The profit attributable to shareholders of Schaltbau Holding AG amounted to € 12.3 million, an improvement of € 0.5 million or 4.3% on the previous year. At € 6.62, undiluted earnings per share exceeded expectations (2008: € 6.35).

In view of the Group's pleasing earnings performance, the Executive Board will submit a proposal to the Supervisory Board that a dividend of 50 cents per share plus an additional special dividend of 20 cents per share for the sale of Bode Beijing be paid.

Earnings of the **Mobile Transportation Technology** segment improved in 2009, helped by a small sales revenue increase of € 1.4 million, higher margins on new products and further improvements in productivity. The segment EBIT increased from € 4.2 million to € 6.0 million, with the EBIT margin improving from 3.9% to 5.5%.

In the **Stationary Transportation Technology** segment the € 10.2 million decline in sales revenue was due to the steep drop in business in the Brake Systems business field. As a result, the operating profit fell from € 11.8 million to € 8.9 million. The EBIT margin deteriorated to 9.4% (2008: 11.2%).

Despite a small decrease in sales revenue, the **Components** segment improved its EBIT further from € 9.3 million in 2008 to € 9.6 million in 2009, thanks mainly to the early introduction of cost-cutting measures and positive business figures from China. The EBIT margin, which was already very good, simultaneously rose from 13.7% to 14.6%.

Net assets and financial position

The Group net profit recorded for 2009 resulted in a further improvement in balance sheet ratios. Group equity rose to € 20.5 million at 31 December 2009 compared to € 8.6 million one year earlier. This corresponds to an equity ratio of 12.2% (2008: 5.1%). Including participation rights capital of € 7.0 million, which is similar in nature to equity, Group equity therefore amounted to 16.4% (2008: 9.3%).

The Group's assets and liabilities structure did not change significantly during the year under report. Non-current assets (excluding deferred tax assets) of € 61.5 million (2008: € 60.5 million) accounted for 36.6% of the balance sheet total (2008: 36.0%) and thus remain largely unchanged.

Investments in property, plant and equipment amounted to € 6.6 million and were therefore € 1.4 million higher than the depreciation expense. Intangible assets again included own work capitalised for a development project.

Non-current financial assets were influenced by the sale of the investment in Beijing Bode Transportation and the earnings contributions from BODO Bode Dogrusan and Schaltbau North America, both of which are accounted for using the equity method.

Group working capital increased from € 52.2 million to € 53.8 million. Targeted measures were applied, enabling inventories to be reduced by € 12.2 million to € 41.1 million. Working in the opposite direction, trade accounts receivable went up by € 4.6 million. Advance payments received from customers were € 4.6 million below last year's figure at 31 December 2009, which also had the effect of increasing working capital. In addition, trade payables were € 4.7 million lower, partly due to the increased utilisation of cash settlement discount in the Mobile Transportation Technology segment.

At € 115.3 million, capital employed was higher than the previous year's figure of € 112.6 million. The return on capital employed (ROCE) was 17.6% (2008: 19.4%).

Deferred tax assets were recognised at € 8.9 million (2008: € 9.0 million). This figure includes deferred tax assets of € 4.2 million recognised on timing differences (2008: € 3.8 million) and deferred tax assets of € 4.7 million recognised on tax losses available for carryforward (2008: € 5.2 million). Deferred tax liabilities on timing differences amounted to € 6.5 million (2008: € 6.3 million).

Net liabilities to banks were reduced from € 37.7 million to € 33.9 million through the repayment of loans. The Group has access to short-term credit lines of € 34.0 million (2008: € 36.4 million) which were all being utilised at 31 December 2009. This figure also includes a guarantee facility of € 6.0 million (2008: € 5.6 million). It is also netted against cash funds since these had not been credited to the corresponding accounts at the year-end due to timing reasons. Loans at 31 December 2009 amounted to € 31.7 million (2008: € 36.5 million). Scheduled repayments in 2009 totalled € 7.6 million (2008: € 5.3 million).

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 are committed until 31 March 2010 and the corresponding prolongation is expected.

Gebr. Bode, Kassel has its own financing arrangements. Its credit lines totalled € 13.1 million at 31 December 2009 (2008: € 14.5 million). Current account lines of € 3.1 million have been prolonged until 31 December 2010.

Cash flow from operating activities of € 16.2 million was € 3.2 million higher than in the previous year. Within that figure, current liabilities were reduced by an even greater amount than in the previous year, but this was more than offset by a reduction in current assets (2008: increase). The cash outflow for investing activities of € 9.8 million was higher than the previous year's figure of € 8.3 million. The remaining cash flow was utilised to pay dividends to shareholders and minority interests of € 3.2 million and to build up cash funds.

Earnings, financial and net assets position of Schaltbau Holding AG

As in the previous year, the Company Financial Statements of Schaltbau Holding AG are prepared in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AkG).

Sales revenues of the non-operational Schaltbau Holding AG totalled € 1.5 million (2008: € 1.2 million) and comprised revenue from recharging the cost of the centralised IT system.

Financial Terms

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

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, Schaltbau GmbH and Pintsch Bamag GmbH, which, in turn, has a profit and loss transfer agreement in place with Pintsch Bubenzer GmbH. The various profit transfers under these agreements decreased from € 15.3 million in 2008 to € 13.3 million in 2009. The subsidiaries have performed well in the face of the difficult business conditions.

The Group's net interest result improved by approximately € 0.7 million to € 2.1 million due to lower interest rates.

The profit from ordinary activities of € 10.2 million was € 0.8 million higher than in the previous year. During the year under report a reversal of an impairment loss of € 3.5 million was recognised on the investment in Gebr. Bode GmbH & Co. KG, after the business situation of this investment significantly improved. The Company reports a net profit for the year of € 9.2 million (2008: € 8.0 million). As a result of tax losses available for carryforward, the effective tax rate is approximately 10%.

The **assets and liabilities structure** of Schaltbau Holding AG has not changed significantly compared to the previous year. With total assets of € 95.9 million (2008: € 85.1 million) the balance sheet is dominated by non-current financial assets with a carrying amount of € 79.9 million (2008: € 74.1 million).

Interests in associated companies were up by € 5.8 million to € 77.7 million, reflecting the reversal of the impairment loss on the investment in Bode as well as capital increases at Pintsch Bamag and Schaltbau GmbH.

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 € 3.5 million at 31 December 2009. 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 affiliated companies 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. No conversions took place during the year under report. The number of shares therefore remained unchanged at 1,871,668.

Following the scheduled repayment of € 4.0 million, the Company's long-term loan stood at € 9.5 million as at 31 December 2009 and is repayable by 31 December 2010. A current account credit line of € 14.9 million remains in place and has been committed until 31 March 2010 and 31 August 2010 respectively (see: "Significant events after the balance sheet date").

The interest rates payable on loans are linked to Euribor. The Company complied with the financial covenants contained in the loan contracts in 2009.

Schaltbau Holding AG's equity rose from € 49.4 million to € 57.7 million. The equity ratio now stands at 60.2% (2008: 58.0%). The financial strength built by Schaltbau Holding AG allows it to take an active part in the further development of its subsidiaries.

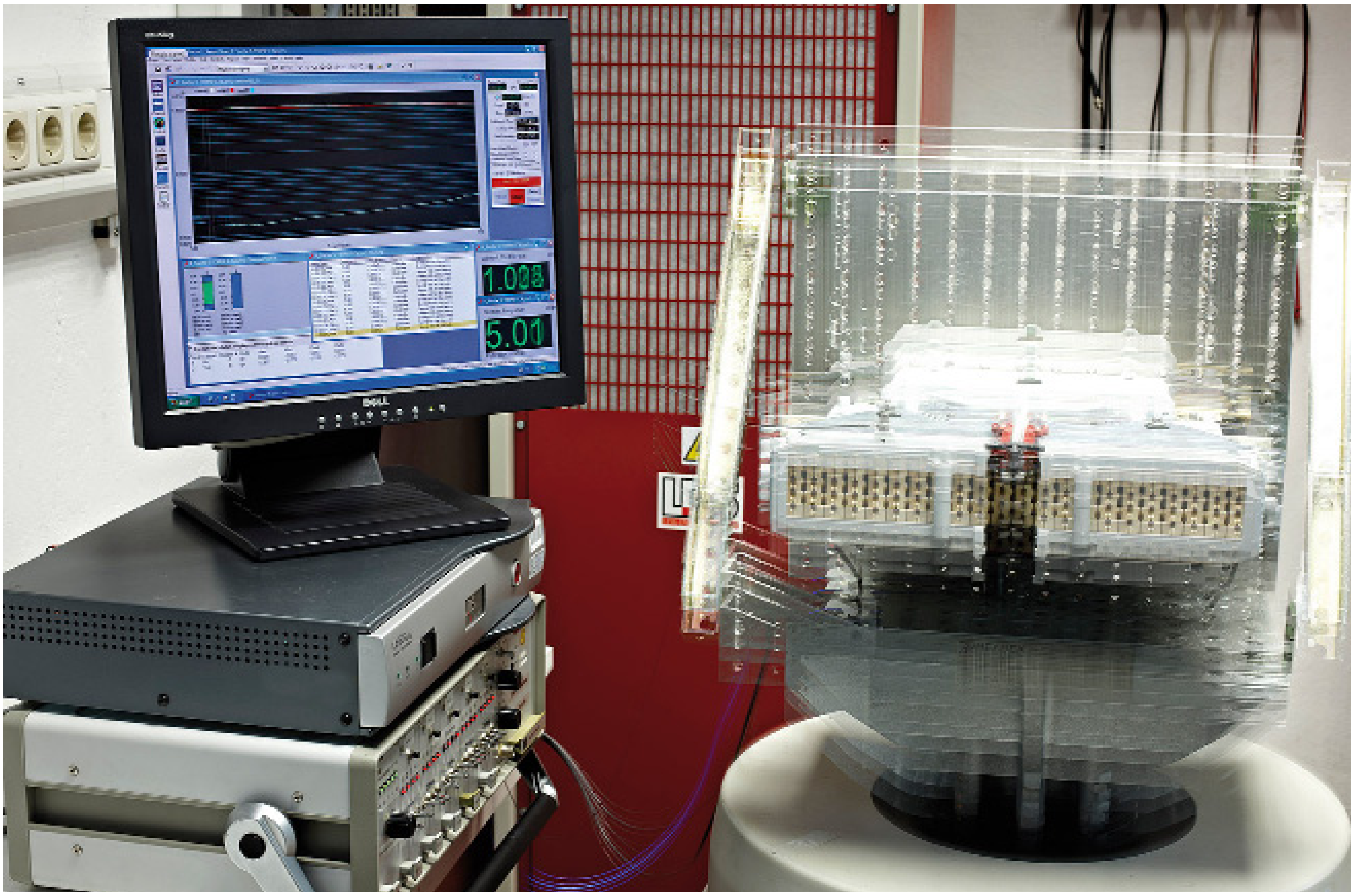
Capital expenditure

Investments in property, plant and equipment and intangible assets in the Schaltbau Group in 2009 rose to € 9.0 million compared with € 6.3 million one year earlier. Capital expenditure was therefore once again significantly higher than the amortisation and depreciation expense of € 6.1 million recorded for the year (2008: € 6.0 million). The largest single investment related to a construction measure at Pintsch Bamag. Further focuses for capital expenditure were replacement, re-equipping and rationalisation measures as well as the purchase of tools for new products.

Research and development

Targeted research and development oriented to the quickly changing requirements of customers and markets is of strategic importance for the companies of the Schaltbau Group and is seen as a crucial investment in the future. Innovative products and solutions safeguard Schaltbau's technological lead and thus form a solid foundation for successful and sustainable operations.

The Group's intensive research and development (R&D) activities were maintained at a high level despite the crisis. This fact was evident in the ratio of R&D expenditure to Group sales which edged up from 6.0% to 6.2%. The strength of Schaltbau's R&D workforce also demonstrates the significance attached to this field, particularly in times of crisis. With 189 employees, every tenth person in the Group is involved in setting the course for continued business success.



In the Door Systems for Buses product group within the Mobile Transportation Technology segment, the standardised compact drive for bus doors was developed further, with the main focus on the Compact All-round Drive System (CADS). The Group presented a new electric drive system for outswinging plug doors at the "Busworld 2009" trade fair in Kortrijk, Belgium during the year under report. This innovation completes the product range for the CADS system and the experts are working intensely to reach the series production stage as soon as possible. The high level of interest shown by customers is an indication that the new systems have considerable market potential. The "boarding aids" product range has been expanded to include a newly developed overlying, electronically driven integrated ramp. The ramp serves as a boarding aid for city buses and travel coaches and can be controlled from the driver's seat. It is more compact than its predecessor and can be lowered to the height of the road or the level of the entry platform. It also rounds off the product range offered by the Schaltbau Group as a system supplier and provides the opportunity to sell further components in addition to door systems.

The central focus of the Door Systems for Railway Vehicles product group was the further development of existing boarding systems. One major innovation is the intelligent boarding system, which recognises the shape of the platform with the help of a special sensor and accordingly controls the movements of each separate step. The innovative product not only has potential to crease new business, existing boarding systems can also be expanded by means of a supplementary package. The intelligent boarding system has set a new trend for the market that is likely to last. One major order received at the beginning of the year under report, for example, included the delivery of approximately 1,200 of these innovative boarding systems. The successful BIDS Door Systems product family was expanded to include a single-leaf variant.

A significant step forwards for the Rail Infrastructure business field is the Platform Screen Doors control system, originally developed for the Chinese market. The aim is to equip railway stations in northern China with this system in the course of the current fiscal year. Based on existing know-how, a considerable amount of development resources has been allocated to this new application, reflecting the fact that considerable potential is seen for the Platform Screen Doors product group worldwide in the future.

The main emphasis of development in the Level Crossing Safety Systems product group was placed on the RBUET application software and the BUEP successor technology RBUEP. Pintsch Bamag has already produced software and hardware prototypes for the new BUE technology and is currently handling the validation and approval process. Full approval is anticipated in the course of 2010. Development of the LED additional indicator was also completed, including receipt of product approval. Within the Warning Technology product group, a new LED rear warning light was developed for which Schaltbau is listed as sole supplier for Volkswagen.

Testing and further development of wind power brakes enabled the Schaltbau Group to improve its position in this growth market during the year under report. The development of a new type of compact brake for General Electric was an outstanding achievement during the reporting year. Since the middle of 2009, the Group has been able to offer a range of products suitable for a great variety of applications, such as pitch, rotor locking systems, rotor brakes and azimuth. All types of braking systems required in the field of wind power technology can now be supplied in a system-compatible way. The world market was estimated to have a volume of some € 100 million in 2008. Despite a major setback in 2009 due to the economic crisis, the future prospects for this market are very bright. The medium-term annual sales potential for the Brake Systems business field is in the low double-digit million-euro region.

The primary emphasis of R&D activities in the Components segment in 2009 was on the product group Traction Contactors. The main work involved further development of the new CT model range and the development of a new contactor for which the switchable current can be doubled to 800A. The "Lichtbogenführung" (electric arc guidance) research project, which was started in March 2008 in cooperation with the Research Institute and the Professorships for Fluid Dynamics and Electrical Power Supply of the University of Erlangen-Nuremberg, was continued. In conjunction with the project, for which a grant of € 345,000 was received from the Bavarian Research Foundation, the first video recordings of electric arc guidance in CT contactors under varying loads were filmed with high-speed cameras at the end of 2009. The results of the project, which will be concluded during the first half of 2010, are to form the basis for further interpretations for other scales as well as inductive and capacitive switching loads of the contactors.

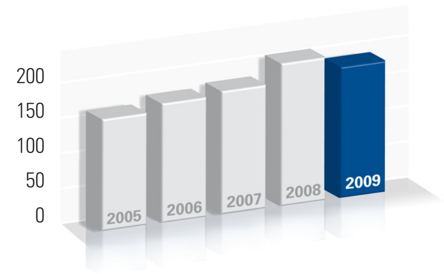
New standards and guidelines, particularly the International Railway Industry Standard (IRIS), have also provided impetus for R&D activities. This standard has become an important criterion when selecting suppliers to work in the railway vehicle industry. For the purposes of safety and function certification for railway engineering, classification of a product to a particular Safety Integrity Level (SIL) is also extremely important. Industrial activities are influenced by a new Machinery Directive and the related classification into Performance Levels (PLs). The higher safety requirements resulting from the directive have led to a whole range of new development projects being set up.

Trade fairs

Schaltbau Group entities displayed their various ranges of products and their innovative strength at the industry's foremost trade fairs in 2009. A new compact electric drive system for outswinging plug doors was presented at the "Busworld 2009" trade fair in Kortrijk, Belgium from 16 to 21 October 2009. This innovative system completes the CADS system range of products and is currently being prepared for series production and sale on the market. Customers showed a remarkably high level of interest in the new development.

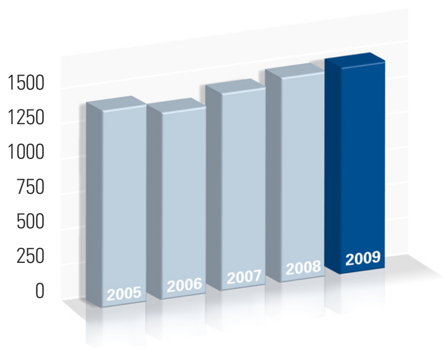
Schaltbau Group entities also presented their wares at the UITP World Congress and Mobility & City Transport Exhibition in Vienna from 7 to 11 June 2009. The UITP was the most important trade fair held in 2009 in the field of railway technology and proved to be a key opinion barometer, particularly in a time of crisis. A number of trade fairs in the field of warning technology were also attended. The Brake Systems product group presented its latest innovations at various port and wind power trade fairs.

Total output per employee



Disclosures in € 000

Employees on average



Number of employees

Employees

At 31 December 2009 the Schaltbau Group employed a workforce of 1,603 people, four more than one year earlier. Various changes took place within the Group during 2009. On the one hand, Schaltbau Machine Electrics Ltd. significantly reduced the size of its workforce in response to the extremely weak market situation. On the other hand, however, the number of employees was moderately increased in many of the other Schaltbau Group companies. For strategic reasons, most of the new staff taken on were recruited in the Rail Infrastructure business field, particularly in the areas of purchasing, work preparation and development. The number of temporary staff was considerably reduced, reflecting the fact that capacity utilisation peaks were far fewer in 2009 due to the overall lower volume of orders. Lower production capacity requirements were also taken into account by getting employees to use their holiday entitlements and flexitime.

Improving the skills of the workforce is seen as an important investment in the future. The Schaltbau Group invested over € 602,000 on training its staff during the year under report (2008: € 530,000). Participants were able to broaden their technical knowledge in a variety of training sessions, courses and seminars. Production employees received training in the areas of series production excellence and the continuous improvement process. Training sessions on ERA performance evaluation and techniques for conducting interviews with employees were central topics for managers. Apart from additional individual courses offered externally, employees also took part in training sessions for the Six-Sigma quality management methodology as well as foreign language refresher courses.

Great importance was attached to vocational training again in 2009 in recognition of the fact that high-quality, targeted training makes a vital contribution towards ensuring that the Schaltbau Group's sophisticated products, components and systems will continue to be manufactured by a qualified workforce in the future. A total of 71 trainees at various Schaltbau entities are currently learning their trades in sought-after areas such as cutting machine operator, industrial business management assistant or IT specialist. Bode is currently training 21, Pintsch Bamag 19, Pintsch Bubenzer 9 and Schaltbau GmbH 18 young men and women. There are also three trainees working at the Chinese subsidiary Xi´an and one trainee at Schaltbau France. During the year under report a total of 14 trainees completed their apprenticeships, most of whom were offered further employment, initially on a temporary contract basis.

A total of 38 people at various Group companies were employed under pre-retirement part-time working arrangements, 28 of which had already entered the non-working phase. Pre-retirement part-time working arrangements were in place at four Group companies based in Germany.

Personnel expenditure increased from € 79.4 million to € 81.7 million due to tariff-based rises and the targeted recruitment of skilled workers and executive staff. The total output per employee, including trainees and managers, fell from € 198,200 to € 182,300 due to the lower level of total output in the year under report.

On average, 1,437 full-time employees worked for the Schaltbau Group during 2009 compared to 1,424 in 2008.

Purchasing

The pressure caused by changes in purchasing prices eased noticeably in 2009 compared to the drastic increases seen in the previous year. The price of flame-cut steel parts sank particularly sharply. Moderate price reductions were registered for electronic circuit boards, hydraulic control units and rolled steel. Only aluminium became considerably more expensive on the London Metal Exchange during the year under report. The prices of all other metals remained generally stable.

The Schaltbau Group's purchasing management continued to follow the strategy of safeguarding supplies of raw materials and components for as long as possible at favourable prices whilst retaining the same degree of high quality and supply reliability. The key tasks of the purchasing department in this connection were to conclude project-related, multi-year agreements and ensure that series production parts are contractually covered. For the first time, purchasing management was able to make group-wide framework agreements that not only benefited companies in the Schaltbau Group, but also their suppliers. This had a positive impact on the prices of components and systems such as assembled cables. Agreements for the supply of copper semi-finished products were signed at the optimum point in time for the maximum possible contractual duration.

The Group continued to exploit the benefits of internationalised procurement markets and country-specific advantages. One example of this is the increased volume of light metal cast parts purchased in Asia. After extensive preparation, the procurement of nodular iron from China also looks highly promising. A further supplier of steel turned parts was gained during the year under report. In all cases, however, new series suppliers are only approved after successful qualification and auditing. Value analysis teams and standardisation groups also help to avoid and reduce costs.

These measures all made their contribution towards improving the procurement situation within the Schaltbau Group in 2009, as reflected in the favourable change in the overall cost of materials.

The cost of materials ratio for 2009 (as a percentage of total output) was 50.5% compared to 53.5% in the previous year. Apart from group-wide purchasing management, which coordinates all of the main purchasing positions across the Schaltbau Group, the increased use of cash settlement discounts by Bode in Kassel also made an important contribution to reducing procurement costs in 2009.

Significant events after the balance sheet date

The short-term credit lines available from the cash pool run until 31 March 2010. In the meantime Commerzbank AG has been given the mandate to arrange the financing of € 50 million for a period of three years on an unsecured basis, taking specified framework conditions into account.

On 19 March 2010 a consortium loan agreement for € 50 million was entered into between Commerzbank AG, Bayern LB and DZ Bank on the one hand and Schaltbau Holding AG on the other. This consortium credit will be used to repay € 45 million of the cash pool liabilities (mainly short- and medium-term credits). Under the terms of the new agreement, € 20 million will be rescheduled as a loan repayable in instalments and the remainder (€ 30 million) will be made available as a credit line. The financing has been committed up to 19 March 2013 and will be granted on an unsecured basis. The credit agreement includes warranties and covenants that are customary for this type of financing arrangement. Schaltbau GmbH, Pintsch Bamag GmbH and Pintsch Bubenzer GmbH are parties to the credit agreement as borrowers and guarantors.

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 Group's going-concern status. The second objective of the risk management system is to identify opportunities and make good use of them.

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

The risk management system, with its organised structure and workflow organisation, is 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, changes within the competition 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 department and the management of the various subsidiaries are responsible for maintaining the risk management system. The external auditor tests the functionality and suitability of the system each year.

Description of the essential charcteristics of the internal control and risk management system with regard to the Group financial reporting process (§289 (5) and § 315 (2) 5 HGB)

The objective of the internal control system for financial reporting within the Schaltbau Group and for Schaltbau Holding AG is to ensure that the accounting records are maintained properly and that the relevant statutory regulations are complied with. The system ascertains that the transactions are fully, promptly and correctly recorded, processed and documented in accordance with statutory regulations, the Articles of Incorporation and in-house guidelines. Accounting documents must be correct and complete, inventory counts properly conducted, assets and liabilities appropriately recognised, presented and measured in the financial statements, so that timely, reliable and complete information can be provided at all times.

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

The accounting and financial reporting systems employed are protected from unauthorised access by appropriate IT systems. Standard software is utilised wherever possible to operate accounting and financial reporting systems.

Guidelines are in place at Group level and for each of the subsidiaries, setting out the work to be performed and the scope of permitted activities. The areas of responsibility within the accounting and financial reporting functions are clearly regulated and organised to ensure an appropriate segregation of duties. The dual control principle is applied throughout the financial reporting process.

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

The Group’s understanding of the conduct required of its employees is set out in a corporate Code of Conduct. Accounting department employees, many of whom have worked for many years for the Group, are appropriately qualified. General training measures (e.g. current IFRS developments) and individualised training courses ensure that the employees involved have the appropriate sets of skills to perform their work. The various accounting departments are all situated locally and the Group has decided against using shared services or relocating functions in order to ensure proximity to operations and hence better quality.

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

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

The external auditor is also required, as part of the audit work performed, to report to the Supervisory Board any risks relevant for financial reporting and control weaknesses as well as any weaknesses in the risk management system and internal control system that are identified during the audit.

Macroeconomic and industry-specific 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 downward pressure on selling prices. The Schaltbau Group counters these risks by making the most of its underlying innovative strength. R&D activities help to create new products and ensure that existing products are enhanced in the best interests of customers. A further important aspect of avoiding risk is the intensive management of customer relationships.

As market leader on both the German and the European markets, Bode is directly dependent on the business performance of bus manufacturers and their demand behaviour in a volatile market situation. Bode is countering this risk by expanding its Door Systems for Railway Vehicles product group and broadening its international customer base as part of a targeted strategy. At the same time, Bode can boast a highly flexible manufacturing organisation, selective customer support and a high rate of innovation.

The Group's performance, particularly in the Rail Infrastructure business field, is both directly and indirectly dependent on investment levels of the German national railway company Deutsche Bahn AG and 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 can give rise to fluctuations in levels of business. In order to limit the resulting risks, Schaltbau Group entities are stepping up their international activities. Industrial goods business is also being expanded, bringing with it a broader customer base and the opportunity to exploit new fields of application. The acquisition of Bubenzer in 2007 was fully in line with these objectives.

The upheavals on capital markets as a result of the worldwide financial crisis had a highly negative impact on the world economy in 2009. Although the situation eased somewhat during the second half of the year, the danger is not yet completely over, as numerous indicators of economic performance worldwide still showed signs of instability at the beginning of 2010. Events such as Greece's potential insolvency could quickly lead to a domino effect capable of triggering the next crisis if assistance is not forthcoming. Against this background, it cannot be ruled out that the volume of railway industry orders and those from public authorities could also be negatively affected. Similarly, it is not possible to predict the duration of such a crisis or the extent of its impact on the Schaltbau Group's performance.

One factor that is taking on increasing significance in international business is the political call for localised production or so-called "local content". An increasing number of orders are being awarded subject to fulfilment of this condition. The Schaltbau Group reacted to this trend at an early stage by establishing an international presence through its local subsidiaries. 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 allocations of resources in the field of development and ensure a transparent time-to-market process.

Within the value-added process the Group's companies 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 raw material price rises can be partly compensated by long-term supply agreements, group-wide centralisation of material requirements or by passing on price increases to customers. It is not possible, however, to fully compensate for significant increases in purchase prices. Working in the opposite direction, the strategy of putting long-term supply agreements into place means that the Group can only benefit from falling purchase prices after a time delay.

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 arise from customer reclamations, guarantee claims, legal disputes, patent law infringement and claims for damages. Latent risks are covered by insurance policies or by provisions in the balance sheet. Losses may arise, however, that are either not sufficiently insured or exceed the amount of provision recognised.

Product piracy also represents an additional risk, particularly on Asian markets. Processing and supplying these markets and working together with local partners also increase the risk of selective know-how drift. Explicit contractual restrictions in the transfer of technical know-how and the rapid development of new products and processes help to preserve the Group's technical edge.

Financing risks

The financing of the Schaltbau Group is relatively complex due to the history of restructuring with various consortium-based financing arrangements within the cash pool. In this situation, it no longer made sense to prolong the cash pool. A bridging loan is currently in place in the cash pool, based on the previous arrangement, which is valid until 31 March 2010 (see: "Significant events after the balance sheet date"). Longer-term financing arrangements are likely to involve more expensive conditions. The newly defined covenants are also likely to entail a higher compliance risk than those applicable under the current financing arrangements.

Restrictions in credit approvals may also have an impact on our customers and suppliers. This could have a negative impact on the recoverability of receivables or on purchasing. Both of these aspects are continually monitored.

The Group's subsidiaries in China involve a high degree of working capital typical for that country, entailing correspondingly high financing requirements that result in unused potential.

The Group has taken the risk of rising interest rates into account by entering into various long-term interest-rate hedges for a total nominal amount of originally € 19.5 million. Financing for the acquisition of Pintsch Bubenzer is hedged with an interest swap for a nominal amount of € 4.1 million. A credit-pool credit volume of € 30.0 million (as at 31 December 2009) is hedged by interest-rate swaps for a nominal amount of € 9.0 million. A further swap for a nominal amount of € 6.0 million is also in place to refinance the participation rights in 2014. A cross-currency swap was also concluded in 2009 to hedge the interest/currency risk relating to a euro loan held by a foreign subsidiary (hedged volume at 31 December 2009: € 1.5 million). The market value of the interest swaps fluctuates, depending on changes in relevant interest rates.

Currency risks are solely managed using marketable instruments that hedge underlying transactions. All transactions denominated in foreign currencies are hedged. The devaluation of other currencies against the euro can impair competitiveness in certain sales regions. We are tackling this problem on a long-term basis by improving productivity and ensuring geographical diversification such that the Group can remain competitive, irrespective of the currency in which it does business.

Despite difficult business conditions, no risks have been identified that pose a threat to the going-concern status 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 market fluctuations than that of private-sector industry. The service and financing agreement (LuFV) in place between Deutsche Bahn AG and the German Federal Ministry of Transport is an additional stabilising factor. The agreement covers the funds necessary to modernise the existing railway infrastructure and comprises annual expenditure of € 2.5 billion up to the year 2013. This provides continuity in funding compared to previous years, making it significantly easier to predict future order volumes in the railway sector. As part of its economic stimulus packages I and II, the German Federal Government is also providing a further € 1.3 billion for investments in railway infrastructure for 2009 and 2010.

Schaltbau's innovative strength, consistently reinforced by high R&D expenditure and an international approach to operations, also opens up a great number of opportunities. Even in difficult economic times, the Group's operational companies are capable of generating additional demand on markets by means of regular product innovations.

The fast-growing wind power market continues to present good prospects for the future. These opportunities are currently being used in the form of new lighting products and a complete range of braking systems for wind-power plants. Activities in this promising sector are likely to provide impetus for the Group's performance in 2010.

Worldwide market opportunities are highly promising for the Compact All-round Drive System (CADS), which was presented as a prototype at the IAA Commercial Vehicles 2008 and has meanwhile been completed with a new electric drive system for outswinging plug doors. Work is now underway to bring the CADS system to market and series production maturity. The interest shown by customers is a good indication that the new systems have considerable market 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 change in Group net profit. There are no variable components based on long-term incentives such as stock options. A pension plan is not 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.

Explanatory Report of the Executive Board on the information required pursuant to § 289 (4) HGB / § 315 (4) HGB (German Commercial Code)

1. The subscribed capital comprises the following: a share capital of € 6,850,304.88, divided into 1,871,668 bearer shares (shares without nominal value).

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

3. The only major shareholders owning either a direct or an indirect share of capital exceeding 10% of the voting rights are the Cammann family, which owns 11.81% and the Zimmermann family, which owns 10.09% of the Company's shares (as at 31 December 2009).

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 deals with 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. In 2007 the Executive Board and the Supervisory Board submitted a proposal to the Annual General Meeting to authorise the Company up to 8 December 2010 to buy back a maximum of 10% of the share capital in place at the date of the resolution for purposes other than trading. The Annual General Meeting concurred with this proposal. No Schaltbau shares were bought back during the fiscal year 2009.

   Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised to increase share capital by up to € 3,294,000.00 before 11 June 2013 by issuing new shares in return for cash or non-cash contributions, either in a single step or in several steps. 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, are issued together with 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 € 1,820,000.88 by issuing up to 497,268 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 obligations. 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. There were no conversions of convertible bonds into shares during the fiscal year 2009.

   As a general rule, the new shares participate in profit as of the beginning of the fiscal year in which they arise through the exercising of the bearers' 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.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289a OF THE GERMAN COMMERCIAL CODE (HGB)

Principles of Corporate Governance and cooperation between the Executive Board and the Supervisory Board

Schaltbau is fully committed to a high standard of responsible, transparent corporate governance. This approach is intended to foster the trust of investors, employees, business partners and the public in the management and monitoring of the Company. The guidelines contained in the Schaltbau Group's Code of Conduct set out minimum standards of conduct that are binding for all Schaltbau Group employees worldwide. The complete Code of Conduct is published on the Schaltbau Holding AG website.

The main principles of Corporate Governance are presented in the Corporate Governance Report, which is included in the Annual Report.

Shareholders and Annual General Meeting

The shareholders of Schaltbau Holding AG exercise their rights at the Annual General Meeting. The Annual General Meeting takes place once a year within the first eight months of the following fiscal year. The Chairman of the Supervisory Board chairs the Annual General Meeting, which then decides on the tasks for which it is responsible.

The agenda, directions on how to get there and information on voting proxies are published on the Company website in good time with the aim of making participation in the Annual General Meeting of Schaltbau Holding AG as straightforward as possible for shareholders. The shareholders can also obtain proxy voting forms from the website with which to designate an authorised proxy for the Annual General Meeting, who is obliged to vote in accordance with the shareholder's instructions.

Supervisory Board

In accordance with § 8 (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 staff representatives are elected by employees. The Supervisory

Board elects its chairman from among its members. The Supervisory Board has a five-year term of office. The last regular election of the Supervisory Board took place at the Annual General Meeting held on 7 July 2006.

The Supervisory Board appoints the members of the Executive Board. The Supervisory Board both monitors and advises the Executive Board in the governance of the Company's affairs. The Executive Board requires the approval of the Supervisory Board for major decisions. The Supervisory Board meets at regular intervals four times a year. It examines the Company Financial Statements and the Consolidated Financial Statements and, on this basis, adopts the Company Financial Statements and approves the Consolidated Financial Statements.

The Supervisory Board of Schaltbau Holding AG currently has a Personnel Committee, consisting of the members Hans-Jakob Zimmermann, Dr. Stefan Schmittmann and Marianne Reindl. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee. In the past, the contracts of service and the structure of the compensation system for the members of the Executive Board were reviewed and determined by the Personnel Committee. In accordance with the new statutory regulations, the full Supervisory Board has now taken over this responsibility.

No other committees exist within the Supervisory Board. An Audit Committee has been provided for under the Supervisory Board's rules of procedure, but has not been formed, however, in view of the size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that procedures are in place to ensure a consistent flow of corporate and other relevant information to all members of a six-person Supervisory Board.

Executive Board
The Executive Board manages the business under its own responsibility. It reports regularly, promptly and comprehensively to the Supervisory Board in both written and oral reports on business performance, corporate strategies, fundamental issues relating to financial, investment and personnel policies as well as on the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. A D&O insurance policy has been taken out for the members of the Executive and Supervisory Boards. A deductible has been contractually agreed upon for the members of the Executive Board with effect from the beginning of 2010.

Financial reporting and external audit
The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Consolidated Financial Statements are submitted by the Executive Board, audited by the external auditors and examined and approved by the Supervisory Board. The Consolidated Financial Statements are made accessible to the public.

The external auditor reports to the Supervisory Board on any significant findings and events resulting from the external audit that could be of relevance for the work of the Supervisory Board. The Chairman is informed if the external auditor detects facts that point to an inaccuracy with respect to the Declaration of Compliance submitted by the Executive Board and the Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

Transparency
Schaltbau Holding AG utilises its website (www.schaltbau.de) to provide information to shareholders and investors promptly. In addition to the Annual Report, which also includes the Corporate Governance Report and Interim Financial 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 corporate 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 corporate or capital market regulations. The "Annual Document" can be downloaded at: www.schaltbau.de.

Declaration of Compliance pursuant to § 161 AktG as at 2 December 2009
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")

The Executive Board and the Supervisory Board of Schaltbau Holding AG issued the last Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG on 11 December 2008. The following declaration relates to the version of the Code dated 6 June 2008 and published on 8 August 2008 in the electronic Federal Gazette for the period from 11 December 2008 to 5 August 2009. For the period from 6 August 2009 onwards the following declaration relates to the recommendations of the Code contained in the version dated 18 June 2009 and published on 5 August 2009 in the electronic Federal Gazette.

The Executive Board and the Supervisory Board of Schaltbau Holding AG hereby declare that the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are being observed, with the following exceptions:

Re 3.8:
Schaltbau Holding AG is principally not of the opinion that the degree of motivation and responsibility with which the members of the Executive Board and the Supervisory Board perform their duties will be enhanced by the introduction of a deductible. The D&O insurance policy taken out for the benefit of the Supervisory Board will thus remain without provision for a deductible. In future, the Executive Board contracts of service will include a deductible for Executive Board members in accordance with regulations inasmuch as no right of continuance has been agreed upon.

Re 4.2.2:
Until now, the contracts of service and the structure of the compensation system for the members of the Executive Board were reviewed and determined by the Personnel Committee. According to the new regulations, the full Supervisory Board will take over this responsibility from now on.

Re 4.2.3:
There is no plan to introduce stock option models as variable compensation components for Executive Board members. Long-term incentives for the Executive Board should

continue to be primarily achieved by means of variable compensation components that relate to the extent of Group profits. Thus the compensation of individual Executive Board members consists solely of fixed and success-oriented components because the Supervisory Board is of the opinion that stock option models are only limitedly suitable as an incentive for the Executive Board. Until now, variable compensation components did not include a long-term assessment basis because no provision was made for them by law and ambitious performance targets can also be determined using annual performance data. In future, the service contracts of Executive Board members will include variable compensation components in compliance with statutory regulations, which at least also include a long-term assessment basis, assuming there is no right of continuance.

The contracts of service for Executive Board members do not include payment arrangements either pertaining to the premature termination of their positions in the Executive Board or termination resulting from a change of control. Thus in case of premature termination of a position in the Executive Board, the necessary flexibility is retained to allow an appropriate agreement to be reached in keeping with the particular situation.

Information on the basic features of the compensation system was not scheduled for the Annual General Meeting due to the detailed explanation in the compensation report, but will, however, be included in future.

Re 4.2.4 / 4.2.5:
The total compensation of each member of the Executive Board will not be disclosed as a result of the resolution taken at the Annual General Meeting on 7 July 2006.

Re 5.1.2:
Due to the function of Schaltbau Holding AG as holding company, the number of staff members it employs is limited. For this reason, a long-term succession plan primarily based on the selection of potential internal successors is not practicable. In view of the current ages of the Executive Board members and the terms of their appointments, there is currently no age limit in place for Executive Board members.

Re 5.2 / 5.3:
The Supervisory Board has formed a Personnel Committee. An Auditing Committee has been provided for under the rules of procedure of the Supervisory Board, but has, however, not been formed due to the total size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that a consistent flow of all company and other relevant information to all members of a 6-person Supervisory Board is eminently achievable.

Re 5.4.6:
The compensation of Supervisory Board members is stipulated in the company's Articles of Association and specifically explained in the compensation report contained both in the Group Management Report and in the Corporate Governance report. For this reason, further disclosure of individual compensation is not currently provided for.

Membership in committees is not taken into account in the compensation of Supervisory Board members because there are currently no other committees apart from the Personnel Committee.

Re 7.1.2:
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. The Executive Board sees this as the only way to preserve the flexibility required for legal reasons, particularly in the case of subject matter relevant to ad hoc publicity.

Due to the international structure of the Group and the resulting complexity, the Group financial statements and the interim reports have not been made publicly accessible within 90 days after the end of the fiscal year or 45 days after the end of the reporting period.

Outlook

The economy has continued to recover during the first months of 2010. The economic upturn that originated mainly in Asia during the second half of 2009 and particularly in China has, based on the assessment of economists, gained in strength. This trend is also benefiting the countries of the European Union, for which Eurostat predicts a GDP growth rate of 0.7% for 2010. At 1.2%, the forecast for Germany is slightly higher.

According to the OECD outlook, developments on the European labour market could slow down the recovery. Unemployment is not expected to reach its highest point until the end of 2010 or the beginning of 2011. The general insecurity caused by the high increase in public debt as a result of the crisis is an additional factor. Fears that a state could become bankrupt were additionally exacerbated at the end of 2009 and the beginning of 2010 by the difficulties Greece and Dubai were facing to repay debt. Budgetary discipline and hence lower spending and investment will clearly have to become an elementary part of the policies of many countries.

Accounting for 55% of sales in 2009, the railway industry is the most important sales market for the Schaltbau Group. Due to the long duration of projects, the visibility of expected orders is high. With the exception of China, the impact of state-funded economic stimulus programmes in this sector has not yet become perceptible. Despite the continued high requirement for rolling stock and infrastructure, Schaltbau forecasts constant or even slightly reduced spending in the European railways sector during the next few years as the pressure to reduce state debt is bound to make itself felt. By contrast, investments in public transportation in other regions of the world are likely to increase or at least remain at the levels seen in 2008, particularly in Asia and the USA. For this reason the Schaltbau Group will continue to push ahead rigorously with its strategy of international expansion in the coming years.

Considering the continued difficult business environment, the Schaltbau Group got off to a good start in 2010. The trend towards recovery seen during the final quarter of 2009 continued in the first months of the current year. As a result, the order-intake for the first quarter 2010 is expected to surpass the figure recorded for the fourth quarter 2009.

Within the Stationary Transportation Technology segment, the Rail Infrastructure business field is reporting good growth in terms of incoming orders. The Brake Systems business field, however, will continue to suffer from the continuing reluctance to invest in worldwide container traffic, at least during the first half of 2010. The first major order for brake systems for wind power plants will have a positive impact on future business performance. The moderate recovery in industrial demand for components is continuing at both national and international levels.

Despite these positive factors, an improvement in sales revenue will follow on from the improved order-intake figures seen in the first quarter 2010 with a time delay. Due to the long winter period, the delivery of products for Rail Infrastructure projects has been delayed, in some cases into the second and third quarters of 2010.

Based on order-intake to date and information gathered from the various markets, the Schaltbau Group is abiding by the forecasts made in November 2009, namely that Group sales in 2010 will be at a similar level to 2009. However, the Group will have to be prepared to perform upfront work in 2010 in order to achieve the growth targeted for 2011. This strategic approach is likely to lead to a reduction in the result from operating activities (EBIT) to approximately € 17.5 million. Group net profit for the year is forecast at € 11.6 million and earnings per share at € 5.40.

International business in the railway sector is expected to remain stable during the fiscal year 2011. The Schaltbau Group is forecast to register growth in its industrial goods business. Profitability is therefore expected to improve in 2011.

Schaltbau Holding AG forecasts a significantly lower net profit for 2010 than that reported for the fiscal year 2009. Whereas 2009 benefited from income from the reversal of a previously recognised impairment loss, the year 2010 will be negatively impacted by the implementation of the Financial Reporting Modernisation Act (BilMoG), particularly as a result of the measurement of pension provisions. For the fiscal year 2011, it is likely that the growing profitability of its subsidiaries will have a positive impact on Schaltbau Holding AG's net profit.

The medium-term prospects for the Schaltbau Group are favourable. The mobility of the world's population will continue to increase. Environmental aspects will tend to become increasingly important. Railways are a highly efficient form of transportation in this regard. They are a far cleaner solution than road, air and sea and the only method of mass transportation in this decade that can be driven using renewable energy. An additional argument is the lower amount of space required. Highways take up three times as much land area as high-speed train lines per kilometre of distance covered.

In view of ever-greater urbanisation, these aspects are likely to become increasingly important. This process is likely to accelerate, particularly in the emerging markets of Asia and Latin America. New metropolises will come into being that will have to be connected to each other by the fastest means possible. Railway transportation is the ideal solution to these challenges.

Parallel to these major trends, the flow of goods will also continue to increase. Good infrastructure will become an increasingly important factor, particularly for countries with emerging economies. It is therefore safe to assume that investments in these lines of business are likely to grow strongly. Apart from organic growth, the continuing internationalisation of the markets in which the Schaltbau Group operates also provides takeover opportunities. The Group continues to follow this acquisition strategy as an additional driver of growth, always, however, in well-thought-out and measured steps. On the back of its great innovative strength, the Schaltbau Group intends to reinforce its position on sales markets.

Other disclosures

This Management Report contains facts and forecasts that reflect the future performance of the Company and Group based on the assessment of the Executive Board of Schaltbau Holding AG. These assessments are considered to be realistic for the purposes of this report. It is, however, possible that assumptions may prove to be incorrect or that unforeseen risks and uncertainties arise. For this reason, the actual outcome may differ to expectations. This may be due to a number of reasons, such as changes in the business and economic environment, for example, major changes in project business or in the investment behaviour of customers.

Munich, 29 March 2010
The Executive Board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The Schaltbau share

International stock markets got off to a bad start in 2009. The steep downward trend that began in September 2008 after the collapse of the American investment bank Lehman Brothers continued into the first months of the year under report. The government stimulus packages already put together in 2008 seemed to have little initial impact. In March 2009, however, the negative trend was finally reversed. Surprisingly resilient consumer demand and the unexpectedly minor impact of the crisis on the labour market as well as positive reports from numerous companies helped share prices recover from the lows seen in February and March 2009 and rally strongly during the further course of the year. Nevertheless, stock market developments remained extremely volatile throughout the entire year.

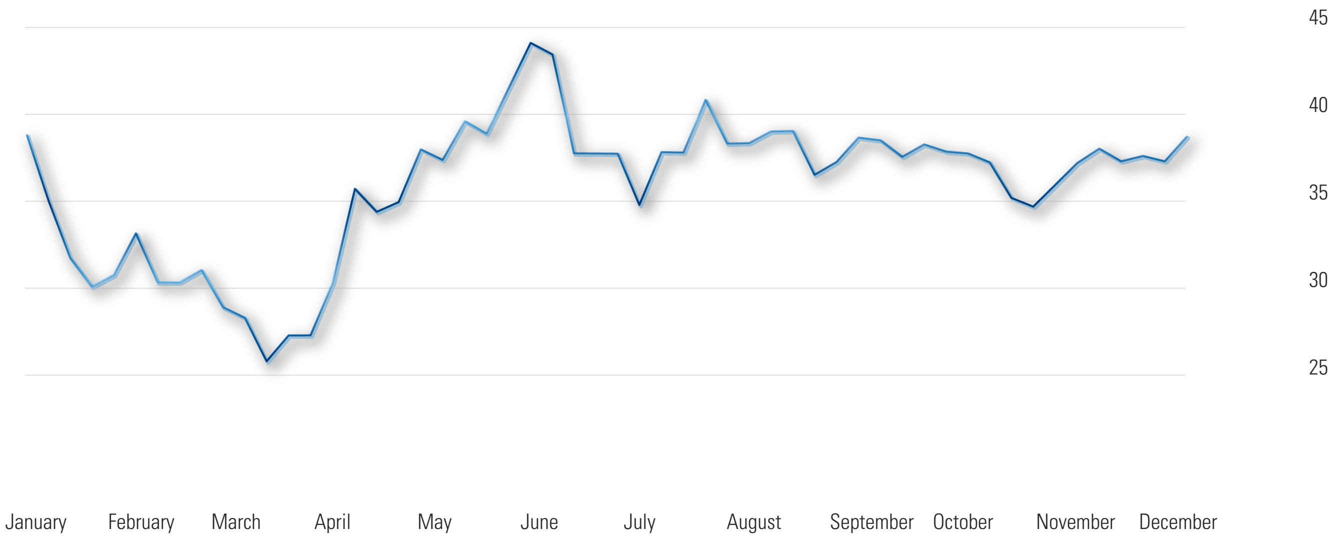
DAX and SDAX staged strong recovery in 2009

After the major slump of almost 40 per cent in 2008, the German share index (DAX) continued its decline at the beginning of 2009. Starting at 4,973 points on the first day of trading, after a brief recovery in February the DAX fell rapidly to its lowest point of the year of 3,666 points on 6 March 2009. In an initial reaction to an oversold market, share prices again recovered strongly, although developments were extraordinarily volatile in the face of continuing uncertainty. The upward trend became somewhat more stable on the back of some very convincing first-quarter figures published by several major US banks and an unexpectedly vigorous US labour market in July. A year-end rally boosted the DAX to its highest level of the year, recording 6,012 points on 29 December, despite the difficulties experienced by Greece and Dubai with their loan repayments. One day later the DAX closed the year 2009 at 5,957 points and thus almost 20 per cent above the level seen on the first day's trading.

The SDAX, the index which includes the 50 so-called Small Caps and follows the MDAX in terms of stock exchange turnover and market capitalisation, showed a similar progression. After starting the year at 2,837 points, the SDAX displayed a similar downturn and stood at 2,163 points on 9 March, its lowest level for the year. The months that followed were marked by revived market euphoria until well into October, only experiencing a slight setback around the middle of the year. On 20 October the SDAX climbed to reach its annual high of 3,630 points. On 30 December the SDAX closed at 3,549 points, 25 per cent up for the year. Thus the third-tier shares clearly outperformed the DAX in 2009.

Schaltbau asserts itself well after a volatile year

The Schaltbau share was unable to benefit adequately from the generally positive stock market performance. However, the fact that the share was only relatively slightly affected by the impact of the financial crisis the previous year should be taken into account. In line with the market as a whole, the Schaltbau share price fell quite sharply during the first months of 2009. After starting at € 38.80 on the first day of trading, the price had fallen to € 26.05 by 20 March. The positive business figures for 2008 published shortly beforehand and the announcement of a higher dividend of 50 cents per share (previous year: 30 cents) formed the basis for a sharp rise in the price of the Schaltbau share with a short burst of speed at the beginning of June to reach a high for the year of € 44.15 on 8 June 2009.



Profit-taking, however, soon forced the Schaltbau share price back below the € 40 mark. The price then proceeded to fluctuate within a narrow range between € 35 and € 40. Although the Schaltbau Group is among those which react late to economic cycles, positive half-year and third-quarter reports reiterating the earnings forecast for 2009 failed to give the share price any tangible impetus. Even the additional earnings of approximately € 0.8 million or 40 cents per share generated by the sale of the Group's 49 per cent stake in the Chinese company Beijing Bode Transportation Equipment Co. Ltd failed to make an upward impact. The Schaltbau share finished the year at a price of € 39.00, 0.5 per cent above that recorded on the first day of trading.

SDAX now in sight

At the balance sheet date on 31 December 2009 the share capital of Schaltbau Holding AG amounted to € 6,850,304.88, divided into 1,871,668 shares. The company holds 5,000 of its own shares. Thus the situation has not changed since the previous year.

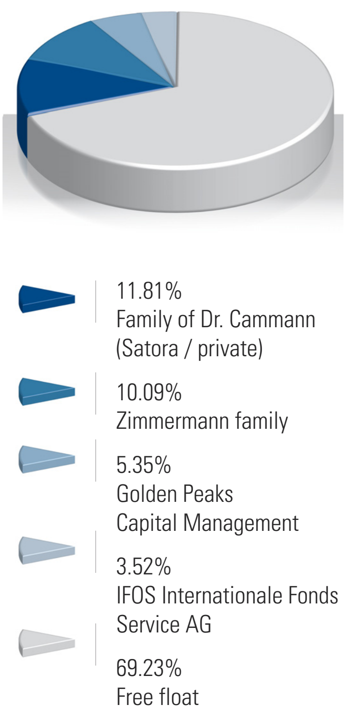
The reclassification of the Schaltbau share by the German Stock Exchange is of considerable importance for the future. Since June 2009 Schaltbau has had the SDAX within its sights. The company had been previously classified as a technology share, which meant the next index target would have been to enter the TecDAX. The reclassification has considerably improved the chances of the Schaltbau share being promoted to one of the German stock market's selection indices as the difference to the index stocks in terms of relevant criteria such as market capitalisation and trading volume has thus become narrower.

A total of 920,429 Schaltbau shares were traded in the fiscal year 2009. Altogether, 596,538 fewer Schaltbau shares were traded than in the previous year. The market value fell even more noticeably to € 32.1 million due to the lower average share price over the year after recording € 62.5 million the previous year. Schaltbau was ranked 98th in terms of the MDAX/SDAX criterion trading volume at the end of December 2009 and 108th in terms of market capitalisation.

Shareholder structure remains largely unchanged

There were only minor changes in the shareholder structure during the year under report. The Cammann family, i.e. SATORA Beteiligungs GmbH increased its stake in Schaltbau Holding AG by approximately 0.2 percentage points to approximately 11.8 per cent. The Zimmermann family continued to hold 10.1 per cent of Schaltbau Holding AG stock at

Shareholder structure*



* Stockholdings subject to report as at 31 December 2009

the end of 2009. Golden Peaks Capital Management Ltd reduced its stockholding in Schaltbau back to the level seen at the end of 2007, i.e. approximately 5.4 per cent. In 2008 Golden Peaks surpassed the ten-per-cent threshold for a short time and still held 9.5 per cent of Schaltbau stock at the end of that year.

Furthermore, the company is aware of 17 shareholders from various investment companies who cumulatively hold approximately 19.2 per cent of Schaltbau stock. These include IFOS Internationale Fonds Service AG, which has held 3.5 per cent of Schaltbau Holding AG stock since September 2007 according to voting rights announcements.

Continued commitment in investor relations work

Schaltbau Holding AG's commitment in the field of investor relations remains undiminished, particularly in view of the difficult economic environment. Apart from the high degree of transparency required for membership in the Prime Standard segment, the company continues to maintain an open and active dialogue with both shareholders and investors. In this respect, apart from the obligatory publication of Directors' Dealings, ad hoc and voting rights announcements, investors were again swiftly and reliably informed concerning the latest developments and events by means of press releases in both German and English throughout the fiscal year 2009.

The broadening of the shareholder base continued to be one of the main focuses of the company's investor relations activities. These efforts were principally directed towards asset managers in the German-speaking region as well as Small Cap-oriented investors, mainly in western Europe. The most important measures in this respect took the form of road shows and participation in analyst and investor conferences such as the German Equity Forum, at which the Executive Board took the opportunity to present the Schaltbau Group and its future prospects to key investment decision-makers in numerous personal discussions.

All information is promptly published 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.

Xetra, closing prices		2009	2008	2007
Highest	€	**44.15**	54.00	45.50
Lowest	€	**26.05**	28.50	27.30
End-of-year price	€	**39.00**	38.80	45.50
Earnings per share (undiluted)	€	**6.62**	6.35	3.85
Earnings per share (diluted)	€	**6.19**	5.94	3.85
Number of shares		**1,871,668**	1,871,668	1,868,936
Share capital	€ m.	**6.85**	6.85	6.84
Market capitalisation as at 31 December	€ m.	**73.00**	72.62	85.04
Trading volume. all exchanges/Xetra	€ m.	**32.06**	62.54	66.72
Shares traded		**920,429**	1,516,967	1,911,832

Corporate Governance Report of Schaltbau Holding AG, Munich

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 see them as an additional opportunity to improve the performance of the Company and cement the trust of its shareholders, business partners and staff.

The following Corporate Governance Report serves to summarise the essential principles of corporate governance crucial for the governance of Schaltbau Holding AG. Furthermore, Schaltbau Holding AG has also issued a Corporate Governance Statement in accordance with § 289a of the German Commercial Code (HGB).

General information regarding management structure

Schaltbau Holding AG is subject to the regulations enshrined 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. The Executive Board and the Supervisory Board 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 orientation of the Schaltbau Group, for preparing and determining financial planning and also for monitoring both the company's participating interests and financing throughout the Group. 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 group financial statements as well as interim reports. It also ensures that appropriate risk management measures are in place, including the internal control system, and reports regularly, promptly and comprehensively to the Supervisory Board on all questions of strategy relevant to the Group, corporate planning, business performance, financing, 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 staff representatives and the remaining two thirds represent shareholders. The shareholder representatives are elected at the Annual General Meeting and the staff representatives are elected by the members of the staff. 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 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 regarding 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 oral 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 consisting of three members. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee. In the past, the contracts of service and the structure of the compensation system for the members of the Executive Board were reviewed and determined by the Personnel Committee. In accordance with the new statutory regulations, the full Supervisory Board will take over this responsibility from now on.

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 has a sufficient number of independent members. The effectiveness of the Supervisory Board is subject to annual review. There were no indications of conflicts of interest on the part of Supervisory Board members during the year under report.

The Executive Board and the Supervisory Board cooperate closely and in an atmosphere of trust to safeguard the best interests of Schaltbau Holding AG. Please see the Report of the Supervisory Board for supplementary information regarding the main focus of cooperation between the Executive Board and the Supervisory Board.

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

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)

Staff representatives

Marianne Reindl

Horst Wolf

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, 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. The risk management system, including the account-related internal control system, and the specific risks to the Group are described in detail in the opportunities and risks report, which is part of the Group Management Report.

Transparency

Schaltbau Holding AG utilises the company website in order to provide 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 in accordance with number 6.6 of the German Corporate Governance Code

Notifications regarding the transactions of members of management in accordance with § 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 in accordance with § 15a WpHG, i.e. any notification involving members of the Executive Board, the Supervisory Board or any individuals who perform management functions in the legal sense of

§ 15a WpHG as well as any persons or legal entities closely related to any of the above mentioned 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 voting rights in the company

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

Shareholdings of Executive Board and Supervisory Board members

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 2009 an individual share subscription programme was offered to a selected circle of employees with special entitlements, which primarily relates to the chief executive officers of German group companies. The share subscription programme will be repeated in 2010.

Compensation of Executive Board and Supervisory Board (Compensation Report)

The compensation system at Schaltbau Holding AG is based on the principles of performance and results and stands for a corporate culture of mutual service. The compensation of the Executive Board comprises both fixed and performance-related components. The fixed components consist of a basic salary and benefits in kind. The performance-related compensationcomponents comprise annually recurring components which depend on the development of Group net profit. A pension plan is not currently in place.

Criteria for the appropriateness of the compensation include the individual tasks of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business taking the market environment into consideration, the customary amount of the compensation and the compensation structure in view of the wage and salary structure both within the enterprise itself and in other companies of comparable size within the same industry. The compensation structure is oriented on the basis of sustainable corporate development. The variable compensation components contained in the new Executive Board contracts of service are based on long-term assessment and include regulations providing for an appropriate reduction if the business situation were to worsen to such an extent as to render continued payment of the compensation unfair. Furthermore, the compensation components are limited to a maximum amount.

Person subject to report	Position	Shareholding at 31 Dec. 2009	Convertible bonds at 31 Dec. 2009
Dr. Jürgen Cammann	Spokesman of the Executive Board	221,100	768 Stck. (€76,800.00)
Hans Jakob Zimmermann	Chairman of the Supervisory Board	188,786	7,920 Stck. (€792,000.00)
Peter Jahrmarkt	Deputy Chairman of the Supervisory Board	2,000	45 Stck. (€4,500.00)

In the past, the contracts of service and the structure of the compensation system for the members of the Executive Board were reviewed and determined by the Personnel Committee. In accordance with the new statutory regulations, the full Supervisory Board will take over this responsibility from now on.

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 publicly disclosed.

Compensation for the active members of the Executive Board totalled € 943,000 for the fiscal year 2009. The compensation 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 of the members of the Executive Board.

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 Executive Board and their surviving dependents amounted to € 94,000 in 2009. Pension provisions totalling € 574,000 (IFRS) are recognised at 31 December 2009.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2009.

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 results in basic compensation totalling € 112,500 in 2009.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. The dividend paid in 2009 was above this level and for this reason a total of € 24,698.48 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 12,300 for additional time spent on behalf of the company in 2009.

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 paid to the members of the Supervisory Board, a deductible has not been provided for. A deductible has been contractually agreed upon for the members of the Executive Board as of 2010.

Declaration of Compliance in accordance with § 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 in accordance with § 161 AktG, was last issued on 2 December 2009 and is an integral part of the Corporate Governance Statement, which is in turn an integral part of the Management Report.

Munich, April 2010

The Executive Board
The Supervisory Board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Explanatory Report of the Executive Board of Schaltbau Holding AG
on the information required pursuant to § 289 (5) and § 315 (2) no. 5 HGB

Legal background

The Financial Reporting Modernisation Act (BilMoG) which came into force on 29 May 2009 has, among other things, resulted in amendments to § 289 and § 315 of the German Commercial Code (HGB) as well as to § 120 and § 175 of the German Stock Corporation Act (AktG). Under the new regulations, the Executive Management is required to present a written report to shareholders at the Annual General Meeting on the new mandatory disclosures in the management report (pursuant to § 289 (5) HGB) and in the group management report (pursuant to § 315 (2) no. 5 HGB) relating to the internal control and risk management systems as relevant for the individual entity and group financial reporting processes.

Subsequent to the coming into force of this legislation, the Shareholder Directive (ARUG) has been transformed into German Law. This later legislation incorporates the requirements for Explanatory Reports into § 176 (1) AktG and revokes the provisions previously contained in § 120 (3) sentence 2 and §175 (2) sentence 1 AktG. However, neither the reference to § 289 (5) HGB (added in conjunction with BilMoG) nor the management report disclosures on the internal control and risk management systems, as relevant for financial reporting processes, have been included in the new act. It is not clear at present whether this is merely an editorial error and whether there is still a requirement to present an Explanatory Report on the information required pursuant to § 289 (5) HGB and § 315 (2) no. 5 HGB now that the Shareholder Directive has come into force. As a precautionary measure, the Executive Board of Schaltbau Holding AG has decided to present such a report for the fiscal year 2009.

Object of report

According to the explanatory memorandum attached to BilMoG, an internal control system (ICS) covers the set of principles, procedures and measures taken to ensure that financial reporting systems are functioning effectively, economically and properly and that relevant regulations are complied with. This also includes the internal audit function to the extent relevant for financial reporting.

The internal control system relevant for financial reporting covers the control and monitoring processes in place to manage accounting and financial reporting risks, in particular those relevant for commercial accounting purposes.

Main characteristics of internal control and risk management relevant for financial reporting processes

The main characteristics of the internal control and risk management systems as far as they relate to individual entity and group financial reporting processes can be described as follows:

- The Schaltbau Group has clearly defined organisational, corporate and control/monitoring structures;

- Groupwide planning, reporting, controlling and early warning monitoring systems/processes are in place to ensure comprehensive analysis and appropriate management of risk factors that could have a bearing on earnings or that could endanger the going-concern status of the Group and its entities;

- Functions relevant for the financial reporting process (e.g. accounting and controlling) are clearly delineated;

- IT systems used for accounting and financial reporting purposes are protected against unauthorised access;

- Standard software is utilised in most cases to operate accounting and financial reporting systems;

- An appropriate internal reporting system (including groupwide risk management guidelines) is in place and revised when necessary;

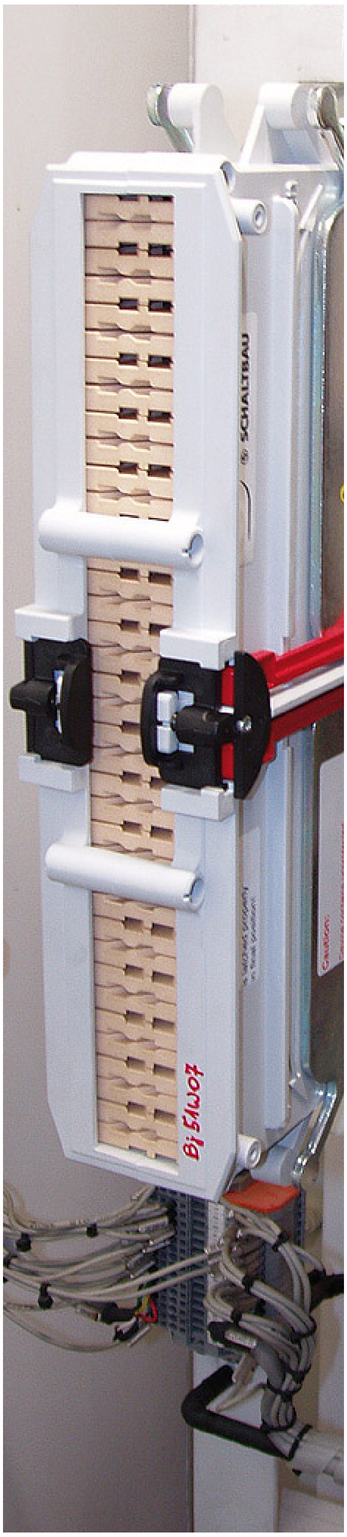
- The departments involved in financial reporting processes meet the necessary requirements, both in quantitative and qualitative terms;

- The dual control principle is applied consistently throughout all processes relevant for accounting and financial reporting.

- The main processes relevant for financial reporting are regularly tested by the Group's external auditors.

- The Group's external auditors assess the effectiveness of the early warning monitoring system in accordance with § 317 (4) HGB;

- The Supervisory Board considers, amongst its various other duties, the execution and effectiveness of the internal control system relevant for financial reporting as well as risk management within the Group.



The objective of the internal control system for financial reporting within the Schaltbau Group, as described above, is to ensure that the accounting records are maintained properly and that the relevant statutory regulations are complied with. It is ascertained that the transactions are fully, promptly and correctly recorded, processed and documented in accordance with statutory regulations, the Articles of Incorporation and in-house guidelines.

The clearly defined organisational, corporate and control/ monitoring structures as well as appropriate staffing levels and other resources provide the basis for the relevant departments to execute their work efficiently. Clear instructions and guidelines throughout the Group ensure that the financial reporting process is working properly and consistently. Clearly-defined control mechanisms in areas relevant for accounting and financial reporting purposes, testing by the Group's external auditors and early identification of risks with the aid of the risk management system ensure that financial reporting by Schaltbau Holding AG and all other entities included in the consolidated financial statements is appropriate and in compliance with legal requirements.

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. The document 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
www.schaltbau.de, category: Investor Relations/Ad hoc release

Directors' dealings
www.schaltbau.de, category: Investor Relations/
Corporate Governance/Directors' dealings

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

Total Voting Rights announcements
www.schaltbau.de, category: Investor Relations/
Annual Document
No changes in the total number of voting rights were published in the fiscal year 2009.

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

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

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

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

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

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

Convertible bonds announcement
www.schaltbau.de, category: Investor Relations/
Annual Document
There were no issues of convertible bonds during the fiscal year 2009.

Announcement in accordance with § 30b clause 1 sentence 1 number 2 of the Securities Trading Act (WpHG)
www.schaltbau.de, category: Investor Relations/
Annual Document
No announcements were published in accordance with § 30b (1) sentence 1 No.2 of the Securities Trading Act (WpHG) in the fiscal year 2009.

Announcement in accordance with article 4 clause 4 VO (EG) No. 2273/2003
www.schaltbau.de, category: Investor Relations/
Annual Document
No announcements were published in accordance with Art. 4 (4) VO (EG) No. 2273/2003 in the fiscal year 2009.

Advance announcement in accordance with § 37v, 37w, 37x Securities Trading Act (WpHG)
www.schaltbau.de, category: Investor Relations/
Annual Document

Consolidated Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2009

Disclosures in € 000	Notes	2009	2008
1. Sales	(1)	269,769	280,196
2. Change in inventories of finished goods and work in progress	(2)	-9,141	1,280
3. Own work capitalised		1,448	879
4. Total output		**262,076**	**282,355**
5. Other operating income	(3)	5,035	4,191
6. Cost of materials	(4)	132,387	150,941
7. Personnel expense	(5)	81,729	79,358
8. Amortisation and depreciation		6,131	5,969
9. Other operating expenses	(6)	26,545	28,425
10. Profit from operating activities		**20,319**	**21,853**
Result from at-equity accounted investments		2,309	325
11. Results from investments	(7)	2,309	325
a) Interest income		75	213
b) Interest expense		5,783	6,587
12. Finance result	(8)	-5,708	-6,374
13. Profit before tax		**16,920**	**15,804**
14. Income taxes	(9)	2,828	2,732
15. Group net profit		**14,092**	**13,072**
Analysis of group net profit			
attributable to minority shareholders		1,743	1,229
attributable to the shareholders of Schaltbau Holding AG		12,349	11,843
Group net profit		**14,092**	**13,072**
Earnings per share - undiluted	(10)	**€ 6.62**	**€ 6.35**
Earnings per share - diluted		**€ 6.19**	**€ 5.94**

Transition from Group net profit to comprehensive income of Schaltbau Holding AG, Munich
1 January – 31 December 2009

Disclosures in € 000			2009			2008
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit			**14,092**			**13,072**
Translation differences			55			21
Derivative financial instruments	-234	70	-164	-992	298	-694
Total income and expenses recognised directly in equity	**-234**	**70**	**-109**	**-992**	**298**	**-673**
Comprehensive income			**13,983**			**12,399**
of which:						
attributable to minority shareholders			-65			131
attributable to the shareholders of Schaltbau Holding AG			-44			-804
			-109			-673

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich
1 January – 31 December 2009

Disclosures in € 000	Notes	2009	2008
Group net profit for the year		**14,092**	**13,072**
Amortisation and depreciation on non-current assets		6,124	5,959
Gain on disposal of non-current assets		82	83
Finance result		5,708	6,374
Income tax expense		2,828	2,733
Change in current assets		8,315	-2,983
Change in provisions		-810	-1,410
Change in current liabilities		-12,855	-4,580
Dividends received		1,528	505
Interest paid		-4,548	-5,510
Interest received		75	213
Income taxes paid		-1,960	-1,093
Other non-cash income / expenses		-2,365	-333
Cash flows from operating activities	(a)	**16,214**	**13,030**
Payments for investments in:			
- Property, plant and equipment and intangible assets		-8,952	-6,296
- Financial investments (excluding cash acquired)		-845	-2,003
Proceeds from disposal of:			
- Property, plant and equipment		31	31
Cash flows from investing activities	(b)	**-9,766**	**-8,268**
Share buyback		0	-195
Dividend payment		-933	-559
Distribution to minority interests		-871	-1,044
Repayment of / proceeds from financial liabilities		-1,447	-5,593
Cash flows from financing activities	(c)	**-3,251**	**-7,391**
Change in cash and cash equivalents due to exchange rate fluctuations		-23	77
Change in cash, cash equivalents and securities		**3,174**	**-2,552**
Cash and cash equivalents at the end of the year		8,506	5,332
Cash and cash equivalents at the beginning of the year		5,332	7,884
		3,174	**-2,552**

Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2009

ASSETS

Disclosures in € 000	Notes	2009	2008
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	13,622	12,222
II. Property, plant and equipment	(11)	41,337	40,270
III. At-equity accounted investments	(11)	4,217	6,484
IV. Other investments	(11)	2,346	1,506
V. Deferred tax assets	(9)	8,886	9,000
		70,408	**69,482**
B. CURRENT ASSETS			
I. Inventories	(12)	41,116	53,343
II. Trade accounts receivable	(13)	37,814	33,241
III. Income tax receivables	(13)	97	40
IV. Other receivables and assets	(13)	9,947	6,686
V. Cash and cash equivalents	(14)	8,506	5,332
		97,480	**98,642**
		167.888	**168.124**

EQUITY AND LIABILITIES

Disclosures in € 000	Notes	2009	2008
A. EQUITY	(15)		
I. Subscribed capital	(16)	6,850	6,850
II. Capital reserves	(17)	8,443	8,443
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	-13,162	-23,908
V. Reserve for income/expenses recognised directly in equity	(17)	-166	-286
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		12,349	11,843
VIII. Equity attributable to shareholders of Schaltbau Holding AG		17,586	6,214
IX. Minority interests	(18)	2,934	2,395
		20,520	**8,609**
B. NON-CURRENT LIABILITIES			
I. Participation rights capital	(19)	7,026	7,002
II. Pension provisions	(20)	18,856	18,987
III. Personnel - related accruals	(21)	4,593	4,738
IV. Other provisions	(21)	355	348
V. Financial liabilities	(22)	29,452	41,516
VI. Other liabilities	(22)	40	9
VII. Deferred tax liabilities	(9)	6,549	6,281
		66,871	**78,881**
C. CURRENT LIABILITIES			
I. Personnel - related accruals	(21)	4,618	5,048
II. Other provisions	(21)	15,835	14,440
III. Income taxes payable	(22)	96	152
IV. Financial liabilities	(22)	24,779	13,415
V. Trade accounts payable	(22)	15,152	19,830
VI. Advance payments received	(22)	9,964	14,592
VII. Other liabilities	(22)	10,053	13,157
		80,497	**80,634**
		167,888	**168,124**

Consolidated Statement of Changes in Equity of Schaltbau Holding AG, Munich

Disclosures in € 000

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

	Attributable to shareholders of Schaltbau Holding AG				
	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves	Revaluation reserve
Balance at 01.01.2008	**6,840**	**8,335**	**231**	**-29,658**	**3,041**
Profit brought forward	0	0	0	7,198	0
Shares issued	10	108	0	0	10
Dividend paid	0	0	0	-559	0
Other changes	0	0	0	-195	0
Group net profit for the year	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	-694	0
Comprehensive income	0	0	0	-694	0
Balance at 31.12.2008	**6,850**	**8,443**	**231**	**-23,908**	**3,041**
Balance at 01.01.2009	**6,850**	**8,443**	**231**	**-23,908**	**3,041**
Profit brought forward	0	0	0	11,843	0
Dividend paid	0	0	0	-933	0
Group net profit for the year	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	-164	0
Comprehensive income	0	0	0	-164	0
Balance at 31.12.2009	**6,850**	**8,443**	**231**	**-13,162**	**3,041**

			Minority interests			Group equity
Reserve for income/expenses recognised directly in equity	Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
-176	**7,198**	**-4,189**	**1,112**	**967**	**2,079**	**-2,110**
0	-7,198	0	967	-967	0	0
0	0	118	0	0	0	118
0	0	-559	-1,044	0	-1,044	-1,603
0	0	-195	0	0	0	-195
0	11,843	11,843	0	1,229	1,229	13,072
-110	0	-804	131	0	131	-673
-110	11,843	11,039	131	1,229	1,360	12,399
-286	**11,843**	**6,214**	**1,166**	**1,229**	**2,395**	**8,609**
-286	**11,843**	**6,214**	**1,166**	**1,229**	**2,395**	**8,609**
0	-11,843	0	1,229	-1,229	0	0
0	0	-933	-1,139	0	-1,139	-2,072
0	12,349	12,349	0	1,743	1,743	14,092
120	0	-44	-65	0	-65	-109
120	12,349	12,305	-65	1,743	1,678	13,983
-166	**12,349**	**17,586**	**1,191**	**1,743**	**2,934**	**20,520**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG, Munich
for the Fiscal Year 2009

DESCRIPTION OF BUSINESS

Schaltbau Holding AG is a listed stock corporation based in Munich, Germany. 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 and for specific industrial applications.

BASIS OF PREPARATION

The consolidated financial statements of Schaltbau Holding AG, Munich, have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the additional requirements of the German Commercial Code pursuant to § 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 fiscal year under report have been applied (see also the disclosures made below on "Standards, Interpretations and Amendments issued but not yet applied").

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2009 were approved for publication by the Executive Board on 29 March 2010. The consolidated financial statements and group management report will be posted in the Electronic Federal Gazette.

To ensure greater transparency and understanding, the company financial statements of Schaltbau Holding AG are reported separately to the consolidated financial statements. The full annual financial statements of Schaltbau Holding AG will be provided on request.

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).

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

In addition to **Schaltbau Holding AG**, the following 8 (2008: 8) German and 4 (2008: 4) foreign companies are included in the Consolidated Financial Statements of **Schaltbau Holding AG**:

Company	Registered office	Shareholding
Gebr. Bode GmbH & Co. KG 1)	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH 1)	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH 1)	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 2009 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%

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%
Schaltbau Asia Pacific Ltd.	Hong Kong (PRC)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (PRC)	75%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Shenyang Pintsch Bamag Transportation Energy Equipment Co. Ltd.	Shenyang (PRC)	100%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
Shenyang Pintsch Bamag Industrial Brake Systems, Ltd.	Shenyang (PRC)	100%
My Port (M) Sdn. Bhd.	Johor (Malaysia)	100%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Bode Polska Sp.z.o.o.	Rzeszow (Poland)	100%
Rawag Sp.z.o.o.	Rawicz (Poland)	20%
GEZ Unterstützungsgesellschaft mbH	Munich	100%

Gebr. Bode & Co. Beteiligungs GmbH sold its 49 % shareholding in Beijing Bode Transportation Equipment Co. Ltd. in Peking (PRC) with effect from 9 December 2009. This investment had previously been included in the consolidated financial statements at equity.

With effect from 16 November 2009, Pintsch Bubenzer GmbH acquired 100% of the shares of My Port (M) Sdn. Bhd. in Johor (Malaysia). The acquired entity holds 49% of the shares of Bubenzer-MyPort Sdn. Bhd., as a result of which the group's shareholding in that entity increased to 100%.

On 17 September 2009 Schaltbau GmbH set up a subsidiary under Schaltbau India Private Ltd. in Thane (India) and holds 80% of the shares of the new subsidiary since that date. The new subsidiary has not yet started operations.

On 13 August 2009 Pintsch Bamag GmbH founded Shenyang Pintsch Bamag Transportation Energy Equipment Co. Ltd. as a 100% subsidiary. Gebr. Bode & Co. Beteiligungs GmbH founded Bode Polska Sp.z.o.o. in Rzeszow (Poland) on 18 June 2009 and holds 100% of the shares of that entity. The new company does not yet have any business activities.

As a result of the changes in the group reporting entity, the consolidated financial statements are not fully comparable with the previous year. The consolidated income statement for the previous year includes the results of Machine Electrics Ltd. only for the period from 1 August to 31 December 2008; the sales figure reported for the Schaltbau Group in 2008 would have been EUR 3,321,000 and earnings EUR 74,000 higher if this transaction had been completed with effect from 1 January 2008.

The sale of Beijing Bode Transportation Equipment Co. Ltd. (previously accounted for at equity) had a positive effect of EUR 1,305,000 on the result from investments in 2009. In addition, the tax expense for the year includes an amount of EUR 200,000 relating to withholding taxes arising in conjunction with the sale. In the previous year, results from investments had included a negative contribution of EUR 1,261,000 from the investment in Beijing Bode Transportation Equipment Co. Ltd.

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. Other significant estimates relate to capitalised development costs, other provisions and pension provisions.

FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated companies prepared in a foreign currency are translated using the "functional currency" concept. The financial statements of consolidated companies whose functional currency is not the Euro are drawn up in accordance with the modified closing rate method. Under this method, the balance sheet amounts of consolidated foreign companies are translated at the closing spot exchange rate prevailing at the balance sheet date. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences arising on translation are recognised directly in equity (see explanatory comments on the consolidated balance sheet, Note 17). Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at transaction date. In subsequent periods, foreign currency monetary items are translated at the closing rate and exchange differences recognised in the income statement.

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

	Closing rate		Average rate	
	31.12.2009	31.12.2008	**2009**	2008
Chinese Renminbi Yuan	9.8000	9.6626	9.5403	10.2479
US Dollar	1.4333	1.4097	1.3946	1.4713
British Pound	0.9000	0.9740	0.8917	0.7964
New Turkish Lira	2.1687	2.1472	2.1661	1.9096

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 and capitalised development costs 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 Management 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. 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. The Group applies hedge accounting for hedging relationships to hedge interest rate risks, interest rate / currency risks and other significant currency risks. All other 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 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. 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.

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

Standards, Interpretations and Amendments applied for the first time in the fiscal year under report
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 annual periods commencing on or after 1 January 2009. The first-time application of IFRS 8 in the consolidated financial statements of Schaltbau Holding AG results in changed disclosures for segment reporting. The change relates to the former Mobile Transportation Technology segment which has been split into two separate segments. The Components line of business was carved out completely and now operates as a separate segment. The Mobile Transportation Technology segment now covers the door systems line of business carried by the Bode Group. This comprises the product groups “Door systems for Railway Vehicles”, “Door Systems for Buses” and “Fittings for Sliding Vehicle Doors”. The new Components segment comprises the electro-mechanical components line of business of the Schaltbau GmbH Group. This covers the product groups “Connectors”, “Snap-action Switches”, “Contactors” and “Railway equipment”. The previous year’s figures have been adjusted accordingly.

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 annual periods beginning on or after January 1, 2009. The main impact of first-time application of the Standard is the “Statement of Income and Expenses Recognised in Equity” presented in conjunction with the consolidated income statement.

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 previous option to recognise borrowing costs immediately in profit or loss was removed. The revised Standard is mandatory for annual periods beginning on or after January 1, 2009. The revised version did not have any impact on the consolidated financial statements of Schaltbau Holding AG.

In March 2009, the IASB issued a revised version of **IFRS 7** "Improving Disclosures about Financial Instruments". The amendments relate primarily to disclosures on the determination of fair values and on liquidity risk. The disclosures on the determination of fair values now require the inclusion of an analysis for each class of financial instrument based on the three-level fair value hierarchy based on the US GAAP Standard SFAS 157. The scope of disclosures has also been extended. The revised Standard is mandatory for annual periods beginning on or after January 1, 2009. First-time application of the Standard mainly affects the requirement to report "Disclosures on financial instruments in accordance with IFRS 7" in the consolidated financial statements of Schaltbau Holding AG.

The IASB has published other financial reporting pronouncements which were required to be applied for the first time in the fiscal year 2009, but which did not have a significant impact on the consolidated financial statements of Schaltbau Holding AG.

Standards, Interpretations and Amendments issued but not yet applied
Already endorsed by the EU:
In June 2009 the EU endorsed **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 amended Standard is mandatory for annual periods beginning on or after 1 July 2009.

The EU also endorsed amendments to **IAS 27** Consolidated and Separate Financial Statements (amended 2008) in June 2009. 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 its 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 annual periods beginning on or after 1 July 2009. The amendments are not expected to have an impact on the consolidated financial statements of Schaltbau Holding AG.

In July 2009 the EU endorsed **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 annual periods beginning on or after 30 June 2009. 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.

In September 2009 the EU endorsed amendments to **IAS 39** Eligible Hedged Items - Amendment to IAS 39 Financial Instruments: Recognition and Measurement. The starting point for the amendments are the existing requirements whereby an entity can include the whole, a part or specific risks of a hedged item in a hedge. In order to simplify the requirements (without changing the underlying principles), the rules for designating the risk of inflation as a hedged item and for designating a one-sided risk in a hedged item (for instance with an option as hedge) have been expanded. As far as the designation of the risk of inflation as a hedged item is concerned, it has been clarified that this risk cannot generally be designated as a hedged risk. If, however, the inflation components are contractually agreed elements of cash flows relating to a financial instrument, the inflation component can be hedged. A one-sided risk arises when an entity only designates changes in the cash flows or fair value of a hedged item above or below a fixed price or another variable. The amendment stipulates that the innate value of the option (but not the full value of the option comprising innate value and fair value) can be designated. If the whole value of the option were designated as a hedge of a one-sided risk on a future transaction, this would represent hedge ineffectiveness, since only the hedge includes a fair value component.

The amendments are mandatory for annual periods beginning on or after 1 July 2009 and are not expected to have a significant impact on the consolidated financial statements of Schaltbau Holding AG. Earlier application is permitted.

In December 2009 the EU endorsed Amendment to **IAS 32** Financial Instruments: Presentation: Classification of Rights Issues. The amendments set out the requirements for the accounting treatment of exercise rights, options and option warrants at the level of the issuer on the acquisition of a fixed number of equity capital instruments denominated in a currency other than the functional currency of the issuer. Previously, such instruments were required to be accounted for as derivative liabilities. In future, exercise rights will are issued proportionately to existing equity holders of an entity at a fixed currency amount must be classified as equity. In the currency in which the exercise price is denominated is irrelevant. The Amendment is mandatory for annual periods beginning on or after 1 February 2010. It is not expected that these amemdments to IAS 32 will have any impact on the future consolidated financial statements of Schaltbau Holding AG.

Not yet endorsed by the EU:
In June 2009 the IASB issued amendments to **IFRS 2** "Share-based Payment: Group Cash-settled Share-based Payment Transactions" clarifying the accounting treatment of share-based cash-settled remuneration within a group at the level of the separate financial statements of a subsidiary. With this amendment, some of the requirements previously contained in IFRIC 8 "Scope of IFRS 2" and in IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" are now included in IFRS 2. The amended Standard is mandatory for annual periods beginning on or after 1 January 2010. Earlier application is permitted. The Group does not expect that adoption of the revised version, if endorsed in its current form by the EU, will have a significant impact on the presentation of the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments was published by the IASB in November 2009. It sets out the requirements of International Financial Reporting Standards (IFRS) if an entity – either partially or in full – extinguishes a financial liability by issuing shares or other equity instruments. The Interpretation stipulates that the equity instruments issued to a creditor to extinguish a financial liability represent a component of the consideration paid in accordance with IAS 39.41 and that the corresponding equity instruments must be measured at their fair value. If the fair value cannot be measured reliably, the equity instruments must be measured at the fair value of the extinguished liability. The difference between the carrying amount of the financial liability to be derecognised and the first-time carrying amount of the equity instruments issued must be recognised with income statement effect. IFRIC 19 is mandatory for annual periods beginning on or after 1 July 2010. It is not expected that application of IFRIC 19 will have any impact on the future consolidated financial statements of Schaltbau Holding AG.

In November 2009 the IASB issued a new International Financial Reporting Standard relating to the classification and measurement of financial instruments, namely **IFRS 9** Financial Instruments. This Standard represents the culmination of the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement by a new Standard. IFRS 9 introduces new requirements for the classification and measurement of financial assets. The requirements are mandatory from 1 January 2013 onwards. Earlier application is permitted. The Group is currently investigating whether adoption of the revised version, if endorsed in its current form by the EU, will have a significant impact on the presentation of the consolidated financial statements.

The IASB has published several other pronouncements. Those pronouncemente recently endorsed by the EU and those not yet endorsed are either not relevant or will not have a significant 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 2009, the Group had 34 forward exchange contracts in place with banks (2008: 53) for a total amount of US$ 14,232,000 (2008: US$ 21,167,000), to hedge cash flows with foreign customers. The forward exchange contracts, comprising US$ 14,137,000 (2008: US$ 18,122,000) for sales contracts and US$ 95,000 (2008: US$ 3,045,000) for purchase contracts and all fall due in 2010 with the exception of one contract for US$ 352,000. An unrealised loss of € 56,000 (2008: € 594,000) has been recognised for contracts with a negative fair value and an unrealised gain of € 202,000 (2008: € 448,000) 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 € 1,525,000 (2008: € 1,775,000), had a positive market value of € 183,000 (2008: € 332,000) at 31 December 2009.

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

Disclosures in € 000	USD		CNY		INR	
	2009	2008	**2009**	2008	**2009**	2008
Trade accounts receivable	-147	-137	-	-	-95	-
Receivables from subsidiaries	-93	-94	-	-	-	-
Other assets	-	-	-316	-	-	-
Trade accounts payable	16	17	-	-	1	-
Other liabilities	-	-	19	-	-	-
Net risk exposure	**-224**	**-214**	**-297**	**-**	**-94**	**-**

The net risk exposure improved by EUR 557,000 (2008: EUR 128,000) as a result of currency hedges. In addition, the following four interest rate swaps were in place at the end of 2009:

Nr.	Nominal amount € 000	Fair value 2008 € 000	**Fair value 2009 € 000**	Maturity date
1	6,000	-377	-504	30.12.2016
2	6,000	-25	-33	28.06.2019
3	4,050	-256	-266	30.06.2014
4	3,000	-147	-194	31.12.2012
Σ	**19,050**	**-805**	**-997**	

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

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

Notes to the consolidated income statement

(1) SALES

Sales by segment

Disclosures in € 000	**2009**	2008
Mobile Traffic Technology	108,795	107,388
Stationary Traffic Technology	94,687	104,908
Components	66,210	67,822
Holding company	77	78
	269,769	**280,196**

Sales by market

Disclosures in € 000	**2009**	2008
Germany	130,734	137,032
Other EU countries	68,791	69,973
Other European countries	20,554	20,939
Other countries	49,690	52,252
	269,769	**280,196**

88.6 % (2008: 86.7 %) of sales were billed in Euro, 5.9 % (2008: 5.2 %) in Chinese renminbi yuan and 4.3 % in US dollar (2008: 7.8 %); other currencies accounted for 1.2 % (2008: 0.3 %). On the expense side, 95.8 % (2008: 96.0 %) of personnel, material and other non-personnel expenditure were settled in Euro and 2.2 % (2008: 3.1 %) in renminbi yuan; 2.0 % (2008: 0.9 %) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 95,233,000 or 35.3 % (2008: € 109,056,000 or 38.9 %). The previous year's figure was restated from the six largest customers to the five largest customers.

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

Disclosures in € 000	**2009**	2008
Change in inventories	-9,141	1,280
Own work capitalised	1,448	879
	-7,693	**2,159**

(3) OTHER OPERATING INCOME

Disclosures in € 000	**2009**	2008
	5,035	**4,191**

The other operating income includes income of € 2,399,000 (2008: € 1,769,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). The remainder relates mainly to exchange gains of € 777,000 (2008: € 854,000) and gains on derivative instruments of € 812,000 (2008: € 853,000).

(4) COST OF MATERIALS

Disclosures in € 000	**2009**	2008
Cost of raw materials, supplies and purchased goods	118,395	133,693
Cost of purchased services	13,992	17,248
	132,387	**150,941**

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

Disclosures in € 000	**2009**	2008
Wages and salaries	68,176	66,765
Social security, pension and welfare expenses	13,553	12,593
	81,729	**79,358**

Number of employees	**2009**	2008
Development	189	186
Purchasing and logistics	152	145
Production	806	788
Sales and marketing	183	177
Management incl. Executive Board members and group company directors	149	139
Trainees	61	55
	1,540	**1,490**

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

Disclosures in € 000	2009	2008
Operational costs	3,115	3,009
Administrative costs	9,635	9,102
Selling costs	9,587	10,692
Employee-related costs	1,200	1,035
Losses on the disposal of non-current assets	70	39
Allowances on receivables	579	831
Exchange losses	1,395	1,285
Losses incurred on derivative instruments	0	723
Other taxes	229	411
Sundry other expenses	735	1,298
	26,545	**28,425**

Expenses relating to prior periods totalled € 186,000 (2008: € 313,000).

Research and development expenditure in 2009 amounted to € 16,637,000 (2008: € 16,830,000). The corresponding amount recognised as expense was € 15,453,000 (2008: € 16,097,000). A total of € 1,184,000 (2008: € 733,000) 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 2009 and 2008 was € 2,722,000 and € 2,447,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 2,476,000 (2008: € 2,138,000) payable in up to one year, € 5,487,000 (2008: € 5,173,000) in up to five years and € 2,450,000 (2008: € 3,222,000) later than five years.

Purchases from the five largest suppliers accounted for 10.4 % (2008: 11.9 %) of total material and non-personnel-cost-related expenditure.

(7) RESULTS FROM INVESTMENTS

Disclosures in € 000	**2009**	2008
Result from equity accounted investments	2,309	325
Sundry other result from investments	0	0
	2,309	**325**

The result from equity accounted investments relates to the Group's share of the profits of BoDo Bode-Dogrusan and Schaltbau North America. Based on the selling and costs to sell, the sale of the joint ventures Bode Beijing in 2009 gave rise to a reversal of a previously recognised impairment loss of € 1,739,000 within the Mobile Transportation Technology segment (see also comments in the Group Management Report); working in the opposite direction, translation differences of € 434,000 recognised in previous years directly in equity were required to be removed from equity as a result of the sale. In addition, the tax expense for the year includes an amount of € 200,000 for the withholding tax arising in conjunction with the sale. The financial statements of the two 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 € 849,000 / € 687,000 (2008: € 538,000 / € 149,000).

(8) FINANCIAL RESULT

Disclosures in € 000	**2009**	2008
Other interest and similar income (of which from affiliated companies)	75 (22)	213 (30)
Interest and similar expenses (of which to affiliated companies)	-5,783 (-9)	-6,587 (-15)
	-5,708	**-6,374**

Interest expenses include € 990,000 (2008: € 959,000) relating to the interest component of the allocation to the pension provision. Also included is an interest expense of € 1,112,000 (2008: € 1,112,000) on participation rights capital. The interest expense for the year increased by € 387,000 as a result of the use of interest swaps. In the previous year, they had reduced interest expense by € 67,000.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1 % in the interest rate), would have the following impact on the balance sheet as at 31 December 2009 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.

Disclosures in € 000	**Balance at 31.12.2009**		+ 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	- 998	4.40 %	+ 759	+ 90	+ 531	- 840	- 90	- 588
Bank interest				- 165			+ 165	
Sundry other interest				1			- 1	
Total cash flow sensitivity				**- 74**			**+ 74**	

Disclosures 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**	

(9) INCOME TAXES

Disclosures in € 000	**2009**	2008
Income tax expense	2,385	2,470
Deferred tax expense	443	262
	2,828	**2,732**

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.

The deferred tax expense relate to the following balance sheet items:

Disclosures in € 000	31.12.2009		31.12.2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets	1,471	5,396	1,523	5,159
Inventories	478	-	323	-
Other current assets	219	141	139	133
Pension provisions	1,000	-	1,047	-
Other provisions	673	-	414	-
Liabilities	328	1,012	322	989
Taxes losses available for carryforward	4,717	-	5,232	-
	8,886	**6,549**	**9,000**	**6,281**

No deferred tax assets are recognised on German corporation tax losses available for carryforward amounting to € 39,949,000 (2008: € 42,430,000) and on German municipal trade tax losses available for carryforward amounting to € 26,180,000 (2008: € 36,395,000). In addition, no deferred tax assets are recognised on tax losses available for carryforward at the level of foreign companies totalling € 1,859,000 (2008: € 807,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 9,327,000 (2008: € 8,773,000) due to the fact that these profits have been left in the companies concerned to enable them to maintain their substance and expand business. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

Reconciliation of expected and actual tax expense in the income statement

Disclosures in € 000	2009	2008
Profit before tax	**16,920**	**15,804**
Expected tax expense (30 %)	5,076	4,741
- different computation of taxes outside Germany	-534	-127
- tax-exempt income	-179	-58
- non-deductible expenses	477	523
- associated companies and interests accounted for using the equity method	-693	-44
- tax expense and reimbursements for prior years	-256	33
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-1,433	-2,219
- change in tax rates	-	-111
- foreign withholding taxes	321	-
- other differences	49	-6
Income tax expense	**2,828**	**2,732**
Effective tax rate	**16.7 %**	**17.3 %**

(10) EARNINGS PER SHARE

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

Earnings per share can be diluted when the average number of shares is increased for potential Schaltbau Holding AG shares that could be issued in conjunction with 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. There were no conversions in 2009; in the previous year a total of 2,732 new shares arose from conversions (see also comments in Note (16) Subscribed Capital and Note (22) Liabilities).

Disclosures in € 000	**2009**	2008
Shares in circulation at beginning of year	1,871,668	1,868,936
New shares arising from convertible bond	-	1,080
Share buy-back (weighted due to length of time)	-5,000	-3,847
Shares issued with subscription rights of existing shareholders excluded	-	-
Calculated number of shares at end of fiscal year	1,866,668	1,866,169
Further potential shares from convertible bond	182,047	182,047
Further potential shares from share options [diluted]	64 [57]	64 [58]
Actual and potential shares at end of year	2,048,772	2,048,280
Weighted shares - undiluted	1,866,668	1,866,169
Weighted shares - diluted	2,048,772	2,048,274

Earnings per share	**2009**	2008
Group net profit for year	14,092	13,072
Profit attributable to minority shareholders	1,743	1,229
Profit attributable to shareholders of Schaltbau Holding AG	12,349	11,843
plus: diluting effect of convertible bond	340	329
Diluted portion attributable to shareholders of Schaltbau Holding AG	12,689	12,172
Earnings per share - undiluted	**€ 6.62**	**€ 6.35**
Earnings per share - diluted	**€ 6.19**	**€ 5.94**

Reconciliation of undiluted and diluted weighted shares	**2009**	2008
Weighted shares - undiluted	1,866,668	1,866,169
64 share options not exercised by 31.12.2009; weighted	57	58
83.742 convertible bonds not exercised by 31.12.2009; maximum number of shares	182,047	182,047
Weighted shares - diluted	2,048,772	2,048,274

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 (2008: € 5,061,000) relates to the Stationary Traffic Technology segment.

Intangible assets include **capitalised development costs** with a carrying amount of € 5,430,000 (2008: € 4,246,000).

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

Disclosures in € 000	**31.12.2009**	31.12.2008
Carrying amount including fair value adjustments	10,179	9,979
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	**5,824**	**5,624**

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 2008 or 2009.

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 € 3,377,000 (2008: € 3,360,000) 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:

Disclosures in € 000	**31.12.2009**			31.12.2008		
	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BOBJ	-	-	-	49,0%	1,853	-
BODO	50,0%	3,481	354	50,0%	3,969	354
OLB	49,8%	0	-	49,8%	0	-
SBUS	50,0%	736	305	50,0%	662	305
		4,217	**659**		**6,484**	**659**

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

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31.12.2009

Disclosures in € 000

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

	Acquisition/manufacturing cost						
	01.01.09	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications	31.12.09
I. Intangible assets							
1. Concessions and similar rights	3,758	-2	0	741	0	915	5,412
2. Software	6,954	-2	0	281	-93	16	7,156
3. Goodwill	33,215	0	0	0	0	0	33,215
4. Capitalised development costs	0	0	0	0	0	0	0
5. Ongoing development projects	4,246	0	0	1,184	0	0	5,430
6. Payments in advance	940	0	0	100	0	-931	109
	49,113	**-4**	**0**	**2,306**	**-93**	**0**	**51,322**
II. Property, plant and equipment							
1. Land and buildings	34,329	-2	0	2,333	-137	0	36,523
2. Plant and machinery	25,845	35	0	1,049	-463	268	26,734
3. Other plant and equipment	32,020	-14	0	2,817	-1,004	79	33,898
4. Assets under construction	840	0	0	447	-11	-347	929
	93,034	**19**	**0**	**6,646**	**-1,615**	**0**	**98,084**
III. Investments							
1. Investments in subsidiaries	1,537	0	0	845	0	0	2,382
2. At-equity accounted investments	3,431	0	0	0	-1,219	0	2,212
3. Investments in other companies	128	0	0	0	0	0	128
4. Other loans	24	0	0	0	-5	0	19
	5,120	0	0	845	-1,224	0	4,741
	147,267	**15**	**0**	**9,797**	**-2,932**	**0**	**154,147**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.09	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.09	31.12.09	31.12.08
3,649	-2	0	100	0	0	3,747	1,665	109
5,088	-2	0	806	-93	0	5,799	1,357	1,866
28,154	0	0	0	0	0	28,154	5,061	5,061
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	5.430	4,246
0	0	0	0	0	0	0	109	940
36,891	**-4**	**0**	**906**	**-93**	**0**	**37,700**	**13,622**	**12,222**
12,805	-1	0	763	-122	0	13,445	27,432	25,878
19,544	0	0	1,375	-154	0	20,765	5,969	6,301
24,769	-12	0	3,080	-946	0	26,891	7,007	7,251
0	0	0	0	0	0	0	929	840
57,118	**-13**	**0**	**5,218**	**-1,222**	**0**	**61,101**	**41,337**	**40,270**
183	0	0	0	0	0	183	2,199	1,354
-3,053	0	0	0	2,059	-1,011	-2,005	4,217	6,484
0	0	0	0	0	0	0	128	128
0	0	0	0	0	0	0	19	24
-2,870	0	0	0	2,059	-1,011	-1,822	6,563	7,990
91,139	**-17**	**0**	**6,124**	**744**	**-1,011**	**96,979**	**61,522**	**60,482**

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:	4.354	4.354

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

Disclosures in € 000

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

	Acquisition/manufacturing cost						
	01.01.08	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications	31.12.08
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**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.08	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.08	31.12.08	31.12.07
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

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

Disclosures in € 000	31.12.2009		31.12.2008	
	100 %	Group's share	100 %	Group's share
Assets	28,590	14,258	42,711	21,197
Liabilities	28,215	14,058	33,087	16,453
Sales	15,981	7,985	30,997	15,384
Net profit for year	1,574	787 *	3,935	1,960 *

* Before reversal of impairment losses (2008: expense for impairment losses) recorded at Schaltbau Group level

Mortgages totalling € 16,765,000 (2008: € 14,966,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 9,766,000 (2008: € 10,764,000).

(12) INVENTORIES

Disclosures in € 000	31.12.2009	31.12.2008
Raw material and supplies	20,721	22,886
Work in progress	14,357	24,319
Finished products, goods for resale	5,693	6,004
Advance payments to suppliers	345	134
	41,116	**53,343**

Group entities have pledged inventories totalling € 23,047,000 (2008: € 30,447,000) as collateral for liabilities to banks. Write-downs totalling € 1,223,000 (2008: € 1,445,000) were recognised on inventories in 2009. Reversals of write-downs totalling € 96,000 (2008: € 322,000) were recognised on inventories in 2009 as a result of clearance sales.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

Disclosures in € 000	31.12.2009	31.12.2008
Trade accounts receivable	37,814	33,241
Receivables from affiliated companies	1,930	1,379
Receivables from associated companies	850	874
Receivables from companies with which an investment relationship exists	0	60
Income tax receivables	97	40
Positive fair values of derivative instruments	385	780
Sundry other assets	6,782	3,593
	47,858	**39,967**

Receivable from affiliated companies comprise trade accounts receivable and a loan receivable totalling € 206,000 (2008: € 101,000). Other assets at 31 December 2009 include the purchase price receivable (€ 3,469,000) relating to the sale of Beijing Bode Transportation Equipment Co. Ltd.

Allowances comprised the following:

Disclosures in € 000	**31.12.2009**	31.12.2008
Trade accounts receivable:		
Specific allowances	1,719	2,143
Additional risk allowance	1,283	980
	3,002	**3,123**
Other allowances	620	542
	3,622	**3,665**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 10,064,000 (2008: € 8,304,000).

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

Disclosures in € 000	**31.12.2009**	31.12.2008
Overdue		
up to 30 days	6,218	4,859
31 to 60 days	2,964	2,166
61 to 90 days	2,499	1,171
91 to 180 days	1,913	1,122
more than 180 days	1,391	1,993
	14,985	**11,311**
not yet due	22,829	21,930
Carrying amount	**37,814**	**33,241**

Of the trade accounts receivable total reported at 31 December 2009, 25.9 % (2008: 20.3 %) relate to the five largest debtors. 66.9 % (2008: 76.6 %) of total receivables are denominated in Euro, 24.3 % (2008: 15.5 %) in CNY, 5.5 % (2008: 6.3 %) in USD, 2.2 % (2008: 0 %) in INR and 1.1 % (2008: 1.6 %) in GBP.

Group entities have pledged trade accounts receivable totalling € 20,594,000 (2008: € 19,752,000) as collateral for liabilities to banks.

(14) CASH AND CASH EQUIVALENTS

Disclosures in € 000	**31.12.2009**	31.12.2008
Cheques and cash on hand	30	32
Cash at bank	8,476	5,300
	8,506	**5,332**

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 (2008: € 234.24) remained in place at 31 December 2009; 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 2009.

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). No shares arose in 2009 from conversions out of convertible bond issued in 2007 (see Note (22) Liabilities). In the previous year, 1,258 partial bonds, each with a nominal value of € 100, were converted, giving rise to 2,732 new shares with a par value of € 3.66 per share. The Company's share capital was accordingly increased by € 10,000 to € 6,850,000 in 2008. 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 2009, unchanged from the previous year, 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 2009; 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, unchanged from the previous year, to € 6,339,000 (2008: € 6,339,000). The increase in 2008 (€ 108,000) was due to the conversion of convertible bonds issued in 2007 (see also Note (16) Subscribed capital and Note (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 € 164,000 (2008: € 691,000) in connection with the measurement of interest rate swaps.

In the previous fiscal year 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 € 195,000 was offset against revenue reserves.

The proposed appropriation of results for the fiscal year 2008 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 7,000,000 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

Disclosures in € 000	**31.12.2009**	31.12.2008
Participation options: 362,730 (number)	**7,026**	**7,002**

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 current fair value of participation rights capital in circulation at 31 December 2009 amounted to € 9,340,000 (2008: € 7,037,000).

The participation rights capital fall due for repayment at the close of the ordinary Annual General Meeting at which the financial statements for the year ended 31 December 2013 are presented. The amount repayable is € 7,255,000.

(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:

Disclosures in € 000	**31.12.2009**	31.12.2008
Claims under reinsurance policies relating to pension commitments	**128**	**132**

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:

Disclosures in € 000	**2009**	2008
Employer contributions to state pension insurance plans	**5,849**	**5,766**

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

Disclosures in € 000	**31.12.2009**	31.12.2008	31.12.2007	31.12.2006
Actual defined benefit obligation	19,236	17,580	19,147	21,106
Net amount of unrecognised actuarial gains / losses (-)	- 380	1,407	- 4	- 1,788)
Carrying amount of provision at 31.12.	**18,856**	**18,987**	**19,143**	**19,318**

Pension provisions developed as follows:

Disclosures in € 000	**2009**	2008
Balance at 1.1.	18,987	19,143
Pension payments / utilised	1,296	1,283
Service cost (personnel expense) / allocated	176	168
Interest expense / allocated	989	959
Carrying amount of provision at 31.12.	**18,856**	**18,987**

Allocations to pension provisions include € 0 (2008: € 0) relating to actuarial gains / losses recognised.

The main actuarial assumptions applied were as follows:

	31.12.2009	31.12.2008
Interest rate	5,2 %	5,6 %
Salary trend	2,6 %	2,6 %
Pension trend	2,0 %	2,0 %
Fluctuation rate	1,1 %	1,3 %

Pension expense comprised the following:

Disclosures in € 000	**2009**	2008
Service cost (personnel expense)	176	168
Interest expense	989	959
	1,165	**1,127**

(21) OTHER PROVISIONS

Other provisions developed as follows:

Disclosures in € 000	01.01.09	Utilised	Reversed	Allocated	Interest impact	Currency translation effect	31.12.09
Non-current provisions							
Personnel	4,738	721	100	500	176	-	4,593
Warranties	348	348	-	355	-	-	355
	5,086	**1,069**	**100**	**855**	**176**	**-**	**4,948**
Current provisions							
Personnel	5,047	4,175	747	4,493	-	-	4,618
Taxes	2,075	591	47	1,176	-	-	2,613
Warranties	6,266	2,022	477	2,739	-	1	6,507
Outstanding costs and materials	2,934	865	296	1,991	-	-23	3,741
Sundry other provisions	3,166	2,609	176	2,593	-	-	2,974
	19,488	**10,262**	**1,743**	**12,992**	**-**	**-22**	**20,453**
Total	**24,574**	**11,331**	**1,843**	**13,847**	**176**	**-22**	**25,401**

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 2010. 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 € 953,000 (2008: € 1,352,000).

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.

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

(22) LIABILITIES

Disclosures in € 000	**31.12.2009**	31.12.2008
Non-current liabilities		
Liabilities to banks	17,757	29,881
Other financial liabilities	11,695	11,635
Financial liabilities	29,452	41,516
Other liabilities	40	9
	29,492	**41,525**
Current liabilities		
Current income tax liabilities	96	152
Liabilities to banks	24,647	13,154
Other financial liabilities	132	261
Financial liabilities	24,779	13,415
Trade accounts payable	15,152	19,830
Advance payments received	9,964	14,592
Liabilities to affiliated companies	299	505
Liabilities to other group entities	409	298
Liabilities relating to derivative instruments	1,046	1,399
Sundry other liabilities (of which for taxes) (of which to employees) (of which for social security)	8,299 (1,506) (3,693) (229)	10,955 (1,330) (5,052) (402)
Other liabilities	10,053	13,157
	60,044	**61,146**
Total liabilities	**89,536**	**102,671**

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

Disclosures in € 000	Carrying amount	Total cash outflows	within one year	1 to 5 years	more than 5 years
Financial liabilities	54,231	54,756	24,779	23,892	6,085
Trade accounts payable	15,152	15,152	15,134	18	-
Derivate instruments	1,046	1,046	49	964	33
Other liabilities	9,051	9,051	9,011	40	-
Total	**79,480**	**80,005**	**48,973**	**24,914**	**6,118**

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

Disclosures in € 000	31.12.2009	31.12.2008
Overdue		
up to 30 days	6,477	5,491
31 to 60 days	1,530	951
61 to 90 days	474	1,376
91 to 180 days	816	1,475
more than 180 days	659	497
	9,956	**9,790**
Not yet due	5,196	10,040
Carrying amount	**15,152**	**19,830**

Collateral of € 70,922,000 (2008: € 75,929,000) has been given to cover **liabilities to banks**; of this amount, € 54,157,000 (2008: € 60,963,000) relates to pledges and pledge-like collateral and € 16,765,000 (2008: € 14,966,000) to mortgages.

Credit lines totalling € 65,732,000 (2008: € 72,869,000) have been made available by banks. The weighted average interest rate as at 31 December 2009 for liabilities to banks during the past year was 4.3 % (2008: 5.7 %).

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:

Disclosures in € 000	
2010	24,647
2011	8,001
2012	3,413
2013	2,419
2014	1,314
thereafter	2,610
	42,404

Liabilities to banks due for repayment in the year 2010 include current account liabilities amounting to € 10,710,000 (2008: € 5,237,000) which are extended from year to year.

Other **financial liabilities** comprise loans payable to parties other than banks (average interest rate of 6.4 % (2008: 5.2 %) as in the previous year) and a convertible bond.

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.

Bearers of convertible bonds did not exercise their rights to convert bonds in 2009. In the previous year 1,258 bonds were converted with a value of € 126,000.

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 2009 was € 8,542,000 (2008: € 8,081,000).

Of the **trade accounts payable** total reported at 31 December 2009, 13.9 % (2008: 11.9 %) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 88.5 % (2008: 90.5 %) in Euro, 8.8 % (2008: 6.7 %) in CNY and 2.4 % (2008: 2.4 %) 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 15 March 2010
We, Golden Peaks Capital Management Ltd., St. Peter Port Guerensey GY1 2QE hereby give you notice as follows:
We hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 11.3.2010 the voting interest of Golden Peaks Capital Management Ltd. in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% (45,694 voting rights) on this day.

2.44% of the voting rights (45,694 voting rights) are attributable to Golden Peaks Capital Management Ltd. in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG.

Voting rights attributed to us are directly held by Golden Peaks Active Value Master Fund Ltd.

We, Golden Peaks Active Value Master Fund Limited, Grand Cayman, Cayman Islands hereby give you notice as follows:
We hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 11.03.2010 the voting interest of Golden Peaks Active Value Master Fund Ltd. in Schaltbau Holding AG go below the threshold of 3% to 2.44% (45,694 voting rights) on this day.

We, Altamira Holding AG, Zug, Switzerland, hereby give notice pursuant to sec. 21 para. 1 WpHG that on 11.03.2010 the voting interest (45,694 voting rights) of Altamira Holding AG in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% on this day.

2.44% of the voting rights (45,694) 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 us are directly held by Golden Peaks Active Value Master Fund.

I, Adriano Agosti, Switzerland, hereby give notice, pursuant to sec. 21 para. 1 WPHG, that on 11.03.2010 the voting interest (45,694 voting rights) of Adriano Agosti in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% on this day.

2.44% of the voting rights (45,694 voting rights) 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 us are directly held by Golden Peaks Active Value Master Fund.

No notifications were received during the fiscal year 2009.

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).

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

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

Notification dated 11 February 2008
Universal-Investment-Gesellschaft mbH Frankfurt am Main, Germany, gave notice to us on 07.02.08 pursuant to § 21 para. 1 WpHG in conjunction with § 32 para. 2 InvG that its voting interest (via shares) in Schaltbau Holding AG went below the threshold of 3% on 06.02.08 and amounts to 2.77% on that day (51,852 voting rights).

Notification dated 6 September 2007
IFOS Internationale Fonds Service AG, Vaduz, Lichtenstein, gave notice to us on 5.9.2007 pursuant to § 21 para. 1 WpHG that its voting interest (via shares) in our Company at 27.8.2007 surpassed the threshold of 3% and amounted to 3.52% on that date (corresponding to 65,873 votes).

Notification dated 12 April 2006
SATORA Beteiligungs GmbH, Baden-Baden, gave notice on 10 April 2006 pursuant to § 21 para. 1 WpHG that its share of voting rights in the Company on 5 April 2006 had gone below the 10% and that it amounted to 9.9308% (corresponding to 185,600 shares) on that date. These voting rights are held directly by SATORA Beteiligungs GmbH.

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

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors in 2009 for the audit of financial statements amounted to € 515,000 (2008: € 525,000). Of this amount € 440,000 (2008: € 409,000) related to KPMG entities belonging to the KPMG LLP group of companies. In addition, KPMG Germany was paid € 12,000 (2008: € 12,000) for other attestation services and € 42,000 (2008: € 167,000) for other services.

Contingent liabilities and other financial commitments

Disclosures in € 000	**31.12.2009**	31.12.2008
Contingent liabilities		
Bank guarantees	3,273	2,266
Group guarantees	5,177	5,607
Guarantees of credit insurers	6,486	6,480
	14,936	**14,353**
(of which to affiliated companies)	(128)	(-)
Other financial commitments		
Rental and lease expenses	10,413	10,533
Other commitments	2,231	2,719

The contingent liabilities relate mainly to performance and settlement guarantees.

Guarantees provided by credit insurers were not disclosed in the previous year; the figure for the previous has been restated accordingly. 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 € 2,476,000 (2008: € 2,138,000), between one and five years € 5,487,000 (2008: € 5,173,000) and later than five years € 2,450,000 (2008: € 3,222,000).

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

Disclosures on financial instruments in accordance with IFRS 7

The carrying amounts and fair values of financial instruments by categories in accordance with IAS 39 were as follows at 31 December:

Disclosures in € 000	Carrying amount 31.12.2009	Amortised cost	Fair value		Fair value 31.12.2009
			Recognised directly in equity	Recognised in income statement	
Financial assets					
Measured at fair value through profit and loss					
Derivatives without hedge relationship	200	-	-	200	200
Loans and receivables					
Trade accounts receivable	37,814	37,814	-	-	37,814
Other assets	9,209	9,209	-	-	9,209
Cash and cash equivalents	8,506	8,506	-	-	8,506
	55,529	**55,529**	**-**	**-**	**55,529**
Available-for-sale					
Other investments [1)]	2,347	2,347	-	-	2,347
Not classified to category pursuant to IAS 39					
Derivatives with hedge relationship	185	-	185	-	185
Financial liabilities					
Measured at fair value through profit and loss					
Derivatives without hedge relationship	6	-	-	6	6
At amortised cost					
Trade accounts payable	15,152	15,152	-	-	15,152
Debt	61,257	61,257	-	-	61,257
Sundry other liabilities	9,051	9,051	-	-	9,051
	85,460	**85,460**	**-**	-	**85,460**
Not classified to category pursuant to IAS 39					
Derivatives with hedge relationship	1,040	-	1,040	**-**	1,040

1) Fair value of investments in other entities cannot be determined due to the lack of an active market. They are therefore measured at amortised cost. It is not planned to sell these financial instruments.

Disclosures in € 000	Carrying amount 31.12.2008	Amortised cost	Fair value: Recognised directly in equity	Fair value: Recognised in income statement	Fair value 31.12.2008
Financial assets					
Measured at fair value through profit and loss					
Derivatives without hedge relationship	448	-	-	448	448
Loans and receivables					
Trade accounts receivable	33,241	33,241	-	-	33,241
Other assets	5,458	5,458	-	-	5,458
Cash and cash equivalents	5,332	5,332	-	-	5,332
	44,031	**44,031**	**-**	**-**	**44,031**
Available-for-sale					
Other investments [1)]	1,506	1,506	-	-	1,506
Not classified to category pursuant to IAS 39					
Derivatives with hedge relationship	331	-	331	-	331
Financial liabilities					
Measured at fair value through profit and loss					
Derivatives without hedge relationship	594	-	-	594	594
At amortised cost					
Trade accounts payable	19,830	19,830	-	-	19,830
Debt	61,934	61,934	-	-	61,934
Sundry other liabilities	11,792	11,792	-	-	11,792
	93,556	**93,556**	**-**	**-**	**93,556**
Not classified to category pursuant to IAS 39					
Derivatives with hedge relationship	805	-	805	-	805

1) Fair value of investments in other entities cannot be determined due to the lack of an active market. They are therefore measured at amortised cost. It is not planned to sell these financial instruments.

Fair value hierarchy:
At 31 December 2009 the financial assets and liabilities shown in the following table were measured at fair value.

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

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

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

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

Disclosures in € 000	Level 1	Level 2	Level 3	31.12.2009
Financial assets				
Measured at fair value through profit and loss				
Derivatives without hedge relationship	-	200	-	200
Not classified to category pursuant to IAS 39				
Derivatives with hedge relationship	-	185	-	185
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives without hedge relationship	-	6	-	6
Not classified to category pursuant to IAS 39				
Derivatives with hedge relationship	-	1,040	-	1,040

There were no reclassifications during the fiscal year 2009 between level 1 and level 2 in conjunction with measurement at fair value. There were similarly no reclassifications to level 3 in conjunction with measurement at fair value.

Net gains and loss by measurement category

Disclosures in € 000	**2009**	2008
Measured at fair value through profit and loss	36	-275
Loans and receivables	-19	-890
Measured at amortised cost	-	-
Available-for-sale	-	-

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

Net losses of €164,000 (2008: € 694,000) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

Capital management disclosures
Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity improved again in 2009 thanks to positive group earnings for the year. At 31 December 2009, group equity stood at € 20.5 million and was was therefore € 11.9 million higher than 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 12 %. The Group's debt coefficient was slightly reduced in 2009 and now stands at 1.3 (2008: 1.4). 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 2 December 2009.

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

	Volume of services performed		Volume of services received	
Disclosures in € 000	**2009**	2008	**2009**	2008
Associated companies				
Goods and services	3,043	3,691	940	801
Other relationships	-	-	23	-
Non-consolidated companies				
Goods and services	3,992	5,899	3,891	4,332
Other relationships	230	-	2	-

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	
Disclosures in € 000	**2009**	2008	**2009**	2008
Associated companies	850	874	141	298
Non-consolidated companies	1,930	1,439	566	505

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.

Geographical segments

Disclosures in € 000	Assets		Capital expenditure		External sales	
	31.12.2009	31.12.2008	**2009**	2008	**2009**	2008
Germany	132,865	133,871	8,837	6,228	130,734	137,032
Other EU countries	11,300	12,166	87	64	68,791	69,973
Other European countries	3,480	3,969	-	-	20,554	20,939
Other countries	20,243	18,118	874	26	49,690	52,252
	167,888	**168,124**	**9,798**	**6,318**	**269,769**	**280,196**

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flow from operating activities (indirect method)

The cash flow from operating activities in 2009 amounted to € 16.2 million, which was approximately € 3.2 million higher than in the previous year. Compared to the previous year the cash outflow for current liabilities increased by EUR 8.3 million as a result of lower advance payments received (EUR 1.6 million), lower trade accounts payable due to increased use of settlement discount (EUR 2.7 million) and lower other liabilities (EUR 4.0 million). These changes were, however, more than offset by significantly higher cash flows from current assets amounting to EUR 11.3 million; the decrease in inventories (2008: increase) created a positive effect of approximately EUR 17.0 million which was partly offset by an increase in trade accounts receivable.

b) Cash flow from investing activities

The cash outflow for investing activities amounted to € 9.8 million in 2009 and was thus € 1.5 million higher than in the previous year. The increase was mainly attributable to capital expenditure on land and buildings at the level of Pintsch Bamag GmbH. Capital expenditure on financial investments related almost entirely to newly founded subsidiaries in China and India.

c) Cash flow from financing activities

The cash out flow of € 3.2 million from financing activities results, in addition to the dividend payment to shareholders of Schaltbau Holding AG and distributions to minority interests, to a small decrease in liabilities to banks (€ 0.6 million) and a cash outflow in conjunction with intercompany financing (€ 0.6 million).

EVENTS AFTER THE REPORTING PERIOD

On 19 March 2010, a Consortium Credit Agreement for EUR 50 million was concluded by Commerzbank AG, Bayern LB and DZ-Bank on the one side and Schaltbau Holding AG on the other. Under this agreement, the Cash Pool will be reduced by an amount of EUR 45 million (mainly short and medium term credits). An amount of EUR 20 million will become a loan repayable in instalments and the remainder (EUR 30 million) will be available as a credit line. The full amount of this funding has been committed until 19 March 2013 and has been granted without the requirement to put up collateral. The credit agreement does include assurances and covenants customary for this type of financing. The subsidiaries Schaltbau GmbH, Pintsch Bamag GmbH and Pintsch Bubenzer GmbH are party to the credit agreement as borrowers and guarantors.

Segment Information

Disclosures in € 000	Mobile Traffic Technology		Stationary Traffic Technology	
	2009	2008	**2009**	2008
Orders intake (external)	101,754	112,534	80,649	98,446
Sales	108,795	107,391	95,604	105,433
- of which external	108,795	107,388	94,687	104,908
- of which with other segments	0	2	917	525
Order book (external)	89,256	96,206	40,560	55,066
Result from operating activities (EBIT)	5,978	4,230	8,925	11,776
Result from at-equity accounted companies	2,019	104	0	0
Interest income	32	22	74	268
Interest expense	-881	-1,018	-1,079	-1,179
Income taxes	623	-286	-523	-249
Segment result / Group result *1)	7,771	3,052	7,397	10,616
Changes in group reporting entity	0	0	0	0
Capital expenditure	1,269	882	5,735	2,649
Amortisation and depreciation	-1,529	-1,515	-1,564	-1,595
Impairment losses	-85	-1,303	-226	-310
Reversal of impairment losses	184	0	193	1,172
Other significant non-cash expenses	-5,540	-4,702	-4,026	-4,323
Segment assets *2)	55,053	52,108	58,156	60,982
Investments accounted for at equity	3,480	5,823	0	0
Capital employed *3)	40,521	40,818	40,496	36,346
Segment liabilities *4)	35,080	40,083	42,685	46,601
Employees (average as per HGB)	458	459	463	448
EBIT margin *5)	5,5%	3,9%	9,4%	11,2%
Return on capital employed (ROCE) *6)	14,8%	10,4%	22,0%	32,4%

*1) transfers in conjunction with profit and loss transfer agreements are added back to the segment result
*2) Balance sheet total
*3) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets
*4) Liabilities
*5) EBIT / external sales
*6) EBIT / capital employed

Components 2009	Components 2008	Sub-totals 2009	Sub-totals 2008	Holding company other consolidations 2009	Holding company other consolidations 2008	Schaltbau Group 2009	Schaltbau Group 2008
69,240	70,119	251,643	281,099	76	77	251,719	281,176
66,558	68,155	270,957	280,979	1,188	783		
66,210	67,822	269,692	280,118	77	78	269,769	280,196
348	333	1,265	860	-1,265	-860		
33,587	30,363	163,403	181,635			163,403	181,635
9,639	9,283	24,542	25,289	-4,223	-3,436	20,319	21,853
290	221	2,309	325	0	0	2,309	325
41	64	147	354	-72	-141	75	213
-1,293	-1,311	-3,253	-3,508	-2,530	-3,079	-5,783	-6,587
-569	-874	-469	-1,409	-2,359	-1,323	-2,828	-2,732
8,108	7,383	23,276	21,051	-9,184	-7,979	14,092	13,072
0	566	0	566	0	0	0	566
2,000	2,761	9,004	6,292	794	26	9,798	6,318
-2,933	-2,837	-6,026	-5,947	-98	-12	-6,124	-5,959
-836	-627	-1,147	-2,240	-491	0	-1,638	-2,240
44	271	421	1,443	10	0	431	1,443
-3,178	-3,770	-12,744	-12,795	-4,920	-3,708	-17,664	-16,503
61,487	61,768	174,696	174,858	-6,808	-6,734	167,888	168,124
736	661	4,216	6,484	1	0	4,217	6,484
46,867	47,796	127,884	124,960	-12,548	-12,317	115,336	112,643
41,978	44,676	119,743	131,360	27,625	28,156	147,368	159,516
504	505	1,425	1,412	12	12	1,437	1,424
14,6%	13,7%					7,5%	7,8%
20,6%	19,4%					17,6%	19,4%

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

Chairman of the Supervisory Board of
GARANT Schuh + Mode AG, Düsseldorf
(from 14.06.2009)

Member of the Supervisory Board of
SIAG Schaaf Industries AG, Dernbach

MERKUR BANK KGaA, Munich

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
Commerzbank Bank AG, Frankfurt
(formerly: Dresdner Bank AG)

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 GmbH, Ludwigsburg

Member of the Supervisory Board of
ElringKlinger AG, Dettingen/Erms

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, Werk Aldersbach
Dr. Stefan Schmittmann Member of the Management Board of Commerzbank AG, Frankfurt	**Member of the Supervisory Board of** Verlagsgruppe Weltbild GmbH, Augsburg Deutsche Schiffsbank AG, Hamburg/Bremen (until 10.07.2009) Eurohypo AG, Eschborn (from 10.06.2009) Commerzbank Auslandsbanken Holding AG, Frankfurt (from 03.03.2009) BRE Bank SA, Warsaw (from 16.03.2009) **Chairman of the Supervisory Board of** Eurohypo AG, Eschborn (until 10.06.2009) Commerz Real AG, Düsseldorf/Wiesbaden (until 25.05.2009) Commerz Real Investmentgesellschaft mbH, Wiesbaden (until 25.05.2009) **Deputy Chairman of the Supervisory Board of** Commerz Real AG, Düsseldorf/Wiesbaden (from 25.05.2009) **Chairman of the Administrative Board of** KG Allgemeine Leasing GmbH & Co. KG, Grünwald (from 14.01.2009)
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 2009 amounted to € 943,000 (2008: € 784,000).

The Group does not disclose an analysis of remuneration by individual members of the Executive Board as a result of the resolution taken at the Annual General Meeting on 7 July 2006.

The expense for remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 144,000 (2008: € 137,000). In addition, a remuneration of € 12,000 (2008: € 8,000) was paid to one member of the Supervisory Board in 2009 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 € 571,000 (2008: € 627,000). The expense for remuneration paid to former members of the Executive Board and their surviving dependents amounted to € 94,000 (2008: € 94,000).

As at 31 December 2009, a total of 221,100 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:

Disclosures in € 000

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
plus a special dividend from the sale of Beijing Bode Transportation Equipment Co. Ltd. of € 0.20 per share each representing € 3.66 of the Company's share capital of € 6,850,304.88	374,333.60
Transfer to revenue reserves	8,000,000.00
To be carried forward	126,061.68
Unappropriated profit	**9,436,229.28**

Munich, 29 March 2010
The Executive Board

Dr. Jürgen H. Cammann

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, 29 March 2010
Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann **Waltraud Hertreiter**

The Executive Board

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

Waltraud Hertreiter,
Neubeuern

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 2009 the Supervisory Board of Schaltbau Holding AG again performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, dedicating its 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 on business performance, corporate policy and fundamental issues relating to financial, investment and personnel policies as well as on matters concerning the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. Other main topics of report included the strategic orientation of the Schaltbau Group and related activities.

Furthermore, the Supervisory Board regularly advised the Executive Board in its management duties and monitored the governance of the Company. All transactions requiring the approval of 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 and ascertained that the requirements of the risk management system both at Schaltbau Holding AG and throughout the Group were complied with. The Executive Board also informed the members of the Supervisory Board regarding important and urgent events 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. Regular items on the agenda were the discussion and assessment of strategic options and requirements. Furthermore, the general situation and possible courses of action with regard to Beijing Bode Transportation Equipment Co. Ltd were also the subject of intensive deliberation. Gebr. Bode GmbH & Co. KG, a wholly owned subsidiary of Schaltbau Holding AG, owned a 49% stake in the company via its subsidiary Gebr. Bode & Co. Beteiligungs-GmbH. At the meeting held on 18 September the Supervisory Board was informed of the key data pertaining to the forthcoming sale and granted its approval in a circular resolution on 11 November. At the following meeting on 2 December the Executive Board informed the Supervisory Board that the sale had been concluded.

The monthly reports were closely examined at each of the Supervisory Board meetings. These status reports supply information regarding incoming orders, sales and profitability – both on a monthly basis and cumulatively, including actual and budget variances. The reports also document the liquidity and the financial situation including the status of current credit lines and the amounts drawn down by entity as well as the available liquidity based on actual and forecasted figures. Furthermore, the Supervisory Board reviewed developments in order-intake, sales, costs and earnings for the various business fields and subsidiaries of the Schaltbau Group and discussed these with the Executive Board. Personnel decisions included the removal and reappointment of managing directors in subsidiaries as well as fundamental Executive Board matters such as the extension of the terms of office of Executive Board members and their service contracts and the adjustment of the service contracts in line with legislative changes.

During the fiscal year 2009 the Supervisory Board concentrated mainly on the following topics in the course of its monitoring activities:

At the meeting held on 20 April 2009 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Group Financial Statements and the Combined Management Report of Schaltbau Holding AG and the Schaltbau Group for the fiscal year 2008. The Supervisory Board also thoroughly discussed the Executive Board's proposal regarding the appropriation of unappropriated profit from 2008 and concurred with it. In this context the Supervisory Board also discussed numerous questions with the external auditors who were present. Apart from topics concerning the approval of the Company Financial Statements, the agenda also included the establishing of a Schaltbau GmbH representative office in Moscow, which was also decided upon after detailed discussion as well as the reorganisation of SAP support as a centralised service to be provided by Schaltbau Holding AG for the entire Group. Furthermore, the Corporate Governance report was adopted.

At the Supervisory Board meeting held on 8 June 2009 a resolution was passed to establish a subsidiary of Schaltbau GmbH in India. At its meeting held on 18 September 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.

In the two meetings held on 18 September and 2 December 2009 respectively, alternative courses of action were discussed concerning the project for manufacturing platform doors in China, culminating in the decision to form a subsidiary of Pintsch Bamag GmbH instead of the originally planned joint venture. The establishing of an overseas location of Bode was subjected to review in the two Supervisory Board meetings of 20 April and 18 September.

At the meeting held on 2 December 2009 the Supervisory Board viewed a presentation given by the auditors Deloitte & Touche on the effectiveness of the internal control system and the handling of the internal audit within the Schaltbau Group, which was the subject of extensive debate. After lengthy discussion the budget for 2010-2012 for the Schaltbau Group was ultimately approved and the Declaration of Compliance with the German Corporate Governance Code was discussed and adopted on the basis of the version of the Code amended on 18 June 2009.

The Chairman of the Supervisory Board and the Executive Board maintained regular contact 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 Supervisory Board's Personnel Committee held two meetings during the year under report. The main issues discussed included preparing the resolution concerning the extension of Executive Board contracts and the legally required amendment of the contracts.

No other committees exist within the Supervisory Board. An Audit Committee has been provided for under the rules of procedure of the Supervisory Board, but has, however, not been formed in view of the total size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that a consistent flow of all company and other relevant information to all members of a 6-person Supervisory Board is eminently achievable.

Company and Group Financial Statements 2009

At the proposal of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as external auditor for both the AG and the Group. After the conclusion of the Annual General Meeting the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor, KPMG AG 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 Group Financial Statements as at 31 December 2009 as well as the Combined Management Report, together with the bookkeeping system, and issued unqualified auditors' reports thereon.

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 16 April 2010. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements as at 31 December 2009, 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 Group 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 Group Financial Statements and the Combined Management Report. The Supervisory Board formally approved the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements for the fiscal year 2009 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 para. 4, 5 and 315 para. 2 no. 5 and para. 4 of the German Commercial Code. The Supervisory Board also approved the Corporate Governance Statement.

The Supervisory Board additionally approved the proposal made by the Executive Board regarding the appropriation of unappropriated profit.

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.

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, and as shareholders' representatives, Karl Uwe van Husen, Waiblingen and Dr. Stefan Schmittmann, Grünwald. The 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.

The Supervisory Board particularly 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 fiscal year.

Munich, April 2010

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2009

ASSETS

Disclosures in € 000	2009	2008
A. FIXED ASSETS		
I. Intangible assets	1,577	916
II. Property, plant and equipment	43	13
III. Investments	79,949	74,149
	81,569	**75,078**
B. CURRENT ASSETS		
I. Receivables and other assets	13,831	9,150
II. Marketable securities	195	195
III. Cash and cash equivalents	3	265
	14,029	**9,610**
C. PREPA ID EXPENSES	**331**	**445**
	95,929	**85,133**

EQUITY AND LIABILITIES

Disclosures in € 000	2009	2008
A. EQUITY CAPITAL		
I. Subscribed capital (Conditional capital E 1,820,000)	6,850	6,850
II. Capital reserves	8,212	8,212
III. Revenue reserves	23,231	16,231
IV. Participation rights capital	10,000	10,000
V. Unappropriated profit	9,436	8,125
	57,729	**49,418**
B. PROVISIONS		
1. Provisions for pensions and similar obligations	5,987	6,022
2. Other provisions	4,093	3,807
	10,080	**9,829**
C. LIABILITIES	**28,120**	**25,886**
	95,929	**85,133**

Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2009

Disclosures in € 000	2009	2008
1. Sales	1,465	1,238
2. Other operating income	3,620	971
3. Cost of materials	1,062	986
4. Personnel expense	2,781	2,579
5. Amortisation and depreciation	98	12
6. Other operating expenses	2,055	1,765
7. Income from profit transfers	13,262	15,289
8. Net interest expense	-2,137	-2,792
9. Profit from ordinary activities	**10,214**	**9,364**
10. Taxes	970	1,343
11. Net profit	**9,244**	**8,021**
12. Unappropriated profit brought forward	192	104
13. Unappropriated profit	**9,436**	**8,125**

Auditor's Report

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the balance sheet, the income statement, transition from group net profit to total comprehensive income, 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, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and 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 30, 2010
KPMG AG
Wirtschaftsprüfungsgesellschaft

Zastrow	Moesta
Wirtschaftsprüfer	Wirtschaftsprüfer

IMPRINT

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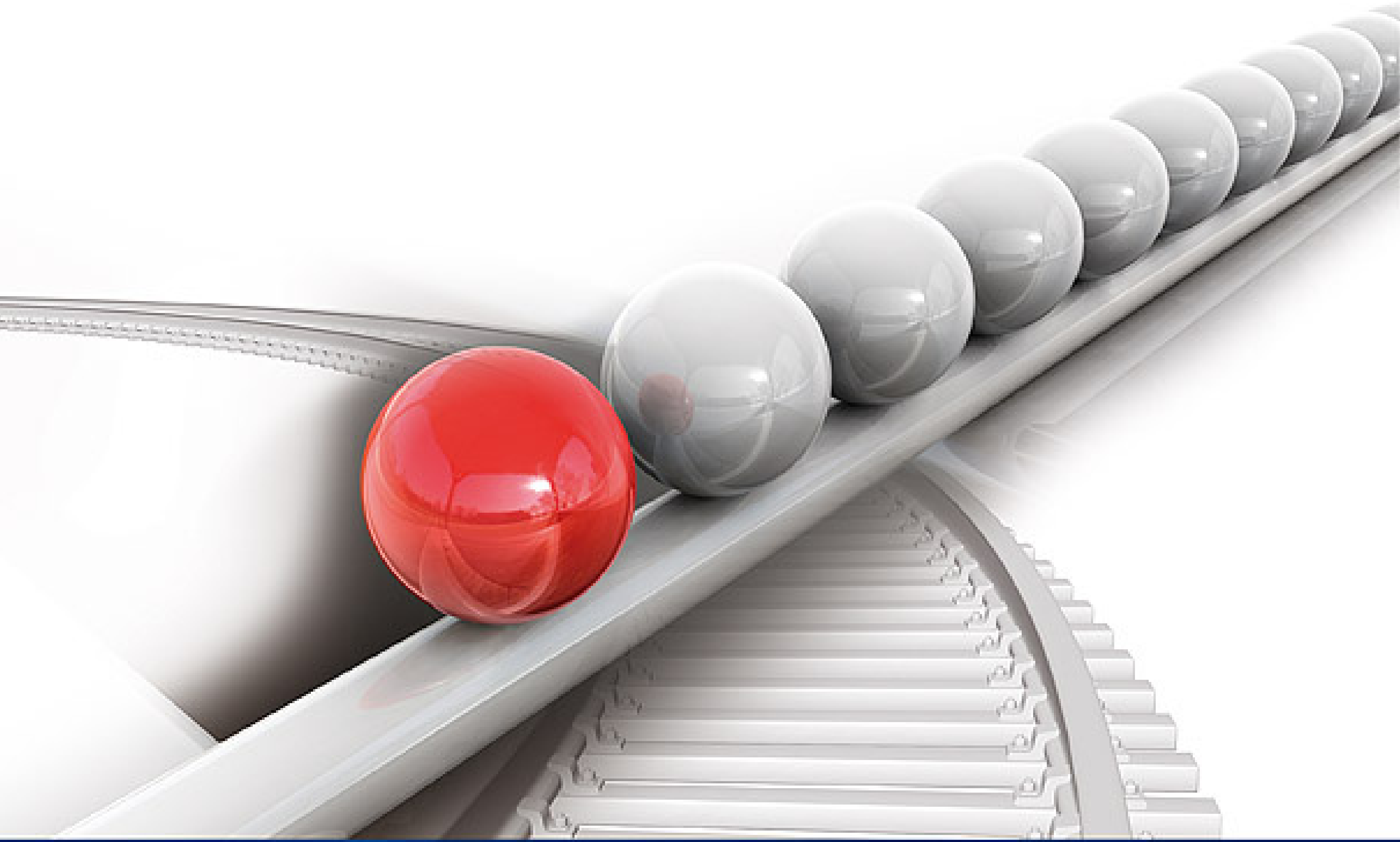

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