

Shareholders´ Letter  
as of June 30, 2001  
about the business  
in the first half of 2001

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### **Order books of the Schaltbau Group again well filled**

Dear Shareholders,

after the restructuring, which has consistently been executed during the last two years, the Schaltbau Group could again gain positive income. Also for the future the board of management clearly defined the line. The Schaltbau products have reached an exceptional market acceptance. In future, the focus will not only be set on international railway and operating companies, but also on the industry and municipalities. The group is present as a package provider on the market for buses and trolleybuses or future electric buses with fuel cells. These system solutions comprise the full width from current collectors, energy supply to operated doors, displays and sonication. All sectors of the group are well accepted market partners in their respective business areas. Already in the first half of 2001 the order books are filled with numerous large projects in the amount of 157.4 m. Euro compared to 123.7 m. Euro in the previous year. This represents an increase of 33.7 m. Euro or 27 percent.

In the segment "stationary traffic technology" **Pintsch Bamag** with its activities in the level crossing technology is among the leading suppliers in Germany. To date, the Deutsche Bahn AG had been the key client.

Through the fast growing market of private railway operating companies this clientele has meanwhile exceeded the portion of the Deutsche Bahn for Pintsch Bamag. One of the company's main areas is the further development of innovative computer supported control technology for level crossing securing. The company is also very successful in the field of navigational aids. In this area falls a large order from Indonesia for the securing of the sea routes in South East Asia.

In addition, the company obtained an order from the Siemens subsidiary Siemens Duewag Schienenfahrzeuge GmbH, Krefeld, with a volume of more than 2 million Euro. Siemens Transportation Systems has received an order from Great Britain for regional and local trains of the type Desiro. For these vehicles, PINTSCH BAMAG as leading provider for safety relevant control technology in the area of outer and inner doors received the complete order for the controlling of the entrance doors and the inner doors. Further large orders with a volume of more than 2 million Euro have been given to PINTSCH BAMAG in the field of door controlling for high-speed trains in Korea and the Transrapid China (TRSE). In the field of energy supply the company also gained an order for board net converters in suburban trains in the amount of approximately 1 million Euro from today's Bombardier Transportation, Mannheim.

In the segment "Information Systems" **InfoSystems** GmbH, one of the most established providers of optical and acoustic information technology, sets its focus with mobile display systems on new materials and modern production processes with the objective of an increase of the return on sales and simultaneous reduction of the production running times. One of the most important developments is a new type of a worldwide marketable electro-magnetic display component, the flip-dot.

There has been a partly significant reduction in the booking of new orders at InfoSystems. First priority is now given to short term and fur-

ther establishment of intern field service as well as the restructuring of the distribution for an increase of new orders and the improvement of impetus. This includes that Pintsch Bamag shall be brought into play as service provider for substantial functions of InfoSystems. Both companies show overlapping clientele. This enables a joint market activity. In the field of warning and signalling technology the products of both companies are complementary. This is the reason why the companies can base on joint development capacities. As a first step, the management of InfoSystems has been integrated within Pintsch Bamag in April.

In the segment "Mobile Traffic Technology" **Schaltbau** GmbH conducts a successful niche policy with its product sectors connectors, switching elements, direct current conductors, command and alarm devices and systems for traffic technology. At the same time, the company could well round its product portfolio through acquisition of the product ranges "controller", "roof-disconnector" and "intermittent mechanism" from the Siemens Verkehrstechnik AG as well as the assumption of the business with NF-connectors from the French company FCI. During the ongoing business year the company already obtained significant orders. As an example, it provided 740 toggle switch sets for the locomotive "Taurus" of the Siemens Krauss-Maffei Lokomotiven GmbH with a value of ca. 600 TEURO. For a Dutch operating company Schaltbau obtained from Alstom an order for electric equipment of 9 diesel-driven trains LIND 41 with a value of 1.0 million Euro. The order from Bombardier for the electric equipment of 15 diesel-driven trains for the OSE-Greece-project has a volume of a further 2.3 million Euro.

Part of the product strategy of the limited liability company is the business extension through innovations in the business with components, e.g. the new development of special relays for application in the UMTS-mobile radio and project-related special developments in the area of controller for the US market.

The opening-up of new markets is currently in preparation by strategic distribution and product co-operations.

The **Kiepe Group**, with its activities as system provider for electric equipment of trams and trolley buses holds a market share of 30% in the sector of trams in Germany. For trolley buses the company is market leader in overall Western Europe as well as an important market player in North and South America. With its strategy of internationalization the company sets its focus on Austria, Poland and Italy and in the United States on joint ventures. The Kiepe Group had a good start in 2001. The company obtained together with Bombardier the award for 15 elevated city train wagons of the type K5000 from the municipal utilities in Bonn. In January, Adtranz (now Bombardier) issued several assembling orders to Kiepe with an aggregate volume of ca. 6 million Euro. Kiepe Electric, Vienna, received an order from Budapest concerning the electric equipment of 15 trolley buses with an option for further 50 vehicles.

The **Bode Group** is among the leading providers with its product door systems with a market share of 70% in the street sector throughout Europe, and in the sector rails the group holds a market share of 20%. Through outline agreements with producers of train systems and buses already now the largest part of return for 2001 and also for the middle-term is covered. For example, an outline agreement with Siemens concerning door systems for a large order from England has been concluded. The order comprises doors for 150 Desiro trains with a value of ca. 10 million Euro, which have to be delivered until the end of 2003. A first part lot with a value of ca. 3.5 million Euro for the first 50 trains had already been called and will be ready for delivery by June 2002.

In April of this year, Bode obtained an order from Bombardier for the delivery of doors for 51 Talent-Trains with a volume of ca. 3.3 million Euro. Bode is also among the partners for the high-speed project in

Spain. In this frame, an outline agreement with Talgo for door systems for 16 high-speed trains has been concluded (1<sup>st</sup> call: value 2.6 million Euro). Also in the bus sector an outline agreement could be concluded with Evobus concerning the new "Coach series 400", with a project of more than 500 vehicles per year for the next six years. This corresponds with an annual order booking of ca. 2 million Euro. With these projects the basic operating rate for the next years is secured for Bode.

### **Employees and staff cost**

As of 30 June 2001, the group counted 2,258 employees. As of 30 June 2000, it had been 2,353 employees. This means a reduction of 95 employees or 4 %. This reduction concludes the staff cutback. Until year's end, this staff number shall be basically maintained, however, in the individual companies some various adjustments might still occur. The slight reduction in the number of employees in the first half of 2001 is also reflected by the slightly reduced staff costs.

### **Modifications within the committees**

Since 1 April 2001, **Klaus August Feix** is the responsible financial director for the sectors finances/accounting, controlling, personal and information technology. Thus Feix succeeded Jürgen Lotter, who left the company on 31.12.2000. Until the 31 March 2001, this area of tasks had been led temporarily by the chairman of the board of management, Dr. Peter-Jürgen Kreher.

In the course of the general meeting of the Schaltbau Holding AG on 26 June 2001, a new supervisory board has been elected. As representatives of the shareholders: Dietmar Hermle from Gosheim, spokesman of the board of directors of the Maschinenfabrik Berthold Hermle AG, Gosheim, Dieter Jeschke from Leinfelden-Echterdingen, member of the board of management of the AdCapital AG, Berlin, Dr. Stefan Schmittmann from Munich, member of the divisional board of management business clients of the Bayerische Hypo- und Vereinsbank AG, Munich

and Hans Jakob Zimmermann from Essen, chairman of the board of management of Lurgi Lentjes AG, Düsseldorf.

Erich Saller from Johanniskirchen, chairman of the group works council of the Schaltbau Holding AG, has been delegated to the supervisory board by the group works council. Ulrich Hammen from Düsseldorf, union secretary, has been proposed by the group works council and delegated to the supervisory board by the IG Metall (union of the metal processing industry). Dieter Jeschke has been appointed as chairman and Hans Jakob Zimmermann as his deputy. The tenure of the body is effective until the termination of the general meeting, which decides on the relief for the business year 2005.

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## Comments regarding the business development in the first half of 2001

Schaltbau Group – key numbers as of 30.6.2001

In mio. EURO	30.6.00	<b>30.6.01</b>	Difference
Sales revenue	143	<b>138</b>	-5
Orders received	124	<b>157</b>	33
Level of orders	270	<b>261</b>	-9
Investments	3.2	<b>1,7</b>	-1,5
Employees (as of key date)	2,353	<b>2,258</b>	-95
Operative result	1.9	<b>3.2</b>	1.3
Annual net profit before shares of third parties	2.9	<b>- 0.8</b>	-3.7

## **Turnover**

Due to the turnover shifting from the first half into the second half, the turnover with 138.3 m. Euro at the end of six months still was at 3 percent below the value of the previous year with 143.4 m. Euro. For the end of the year, however, a slight increase in turnover compared to the previous year is expected.

## **Orders situation**

During the first six months in 2001, the **orders booking** has developed positively. The group received orders in the amount of 157.4 m. Euro compared with 123.7 m. Euro in the previous year. This means an increase of 33.7 m. Euro or 27 percent. Due to the shifting of orders the board of management, however, expects a further increase for the 2<sup>nd</sup> half of the year. The **level of orders** in the amount of 260.7 m. Euro is lower by 9.3 m. Euro compared to the situation in the previous year. But also in this regard it is expected that until the end of the year the level of orders will exceed the level of the previous year by more than 30 m. Euro (242.4 m. Euro).

## **Profit situation**

The operative result (EBIT) amounted to 3.2 m. Euro for the first six months, compared to 1.9 m. Euro for the same period of the previous year. This shows that the increase of productivity initiated by the restructuring program and the reduction of costs are fully effective. As a consequence, the operative result will still improve until the end of the year.

### **Annual net profit**

The annual net profit of the 1<sup>st</sup> half of 2000 showed a plus of 2.9 m. Euro due to unique special effects. These special effects materially result from the sale of product ranges. Comparably calculated - without special effects - the business developed nearly in a parallel way during the 1<sup>st</sup> half of 2001. During the 2<sup>nd</sup> half of 2001, the annual net profit will again increase. Although the unique special effects of the 2<sup>nd</sup> half of 2000 will not be repeated during this year under review, the board of management nevertheless expects the group to gain a one-digit positive net profit by the end of the year.

### **Perspective for the current business year**

Due to the measures initiated in 1999 and since then consequently realized, the company management expects a further improvement of the operative result for 2001, provided, however, that within the project business, especially with Kiepe, no turnover shiftings to the next year will be executed on the part of the clients.

The annual net profit will be lower, because the unique earnings of 2000 will not be repeated.

Within the restructuring concept, which has been determined two years ago and has been in operation ever since, the board of management set the targets for company's performance key figures for the middle-term period:

1. The profit-turnover ratio (EBIT/turnover) shall increase up to 4.8% in 2001 and in the short term up to more than 6.5%.

2. The Return on Capital Employed (ROCE = Operative Result / Committed Capital) has been fixed to 8.3% for 2001 and to more than 13% for the near future. Two companies of the group will pass the target of 13% already this year.
3. The board of management has targeted a turnover objective per employee of 152 TEUR for 2001 and plans to extend this objective up to more than 160 TEUR.
4. For a continual improvement of liquidity the stock shall be further reduced in the middle term. For the ongoing business year the internally defined key figure "Reach of stock/Turnover" is at 114 days. The mid-term objective is targeted to less than 90 days.
5. Also the term for accounts receivable shall be further reduced. Therefore the internally defined key figure "Reach accounts receivables/turnover" shall be reduced in the mid-term to less than 60 days.

The board of management of the company is convinced that these ambitious objectives will be met. This conviction is clearly justified when reviewing the current business situation.

Altogether, the board of management intends to further enhance the group's situation also with respect to the returns:

- by material increase of productivity,
- by reduction of the remaining costs,
- by reduction of indebtedness and
- by strategic building-up of products and markets with large margins.

A further restructuring of the group and measures for the reduction of high indebtedness with possible drastic changes are intensively considered.

With its focused know-how, its profound engineering knowledge and its high flexibility, the Schaltbau Group is well equipped for future changes.

Munich, September 2001

Schaltbau Holding AG

The Board of Management

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