

Shareholders' Letter
as of September 30, 2001
about the business
in the first three quarters 2001

=====

Test passed

Dear Shareholders,

With the restructuring program launched in 1999, the Schaltbau Group has once again taken on the perspective of a company with an excellent market acceptance and a very promising future. Despite the current economic situation being rather difficult, the board of management is pleased to be able to report an ongoing stable course of business. That does not imply that the Schaltbau Group is not exposed to the increasingly biting wind blowing through the economic landscape. Particularly the Bode Group had to face an evident drop in the sector door systems for buses. Bode was not able to completely compensate the current recall delay caused by the bus manufacturers due to the present slowdown in business with railways' orders. This caused a drop in turnovers and, therefore, in profits. The generally difficult economic situation was also evident in the industrial components sector. However, the concern succeeded to partially set off these decreases internally.

For the first nine months of the business year 2001 the concern shows a loss of minus 2.3 million Euro. For the same period of the previous year, Schaltbau still showed a profit of 6.2 million Euro, which, however, had been positively influenced due to special circumstances. When not taking

into consideration these special circumstances, there is a slight decrease in profits as compared to the previous year. For the complete business year 2001 the board of management is still expecting a positive annual net profit.

Today, the Schaltbau Group is among the leading providers of components and systems for transport technology. The company supplies comprehensive electrical equipments for buses and railways, ranging from current collectors and energy supply to operated doors, displays and sonication, as well as special components for the industry. In these markets the businesses of the Schaltbau Group have achieved a solid position, which they will be able to maintain and further expand as a group, even under the currently difficult circumstances.

The rail traffic's importance to the transport of people and goods is expected to grow in Germany, Europe and Asia. This is verified by all available forecasts and is the declared aim of politics. In Germany alone the Railways will be availing of approximately 4.3 billion Euro (8.5 billion DM) for investments until 2003. A good part of the total investment volume amounting to approximately 13.3 billion Euro (26 billion DM) will be spent for rail traffic technology. Furthermore, as of 2003 a toll for lorries shall be due, which will have an additional positive influence on the provision of funds to the railways, and lead to a fair competition between rail and road transport. Both this aspect and the objective to create a more competitive environment for the railway business will result in all providers having to invest more heavily in technical equipments in the medium term, in order to be able to offer attractive solutions to their customers.

What can be the industry's contribution to a competitive railway, which would enable it to assert itself on the future transport market?

Innovative solutions and a close contact to operating companies and railway administrations have resulted in new customer-oriented products and

services meeting the market's requirements. Thus, multi-system locomotives are deployed for cross-border transport and in cities and their surrounding countryside new multi-system vehicles are used, for example in Saarbrücken. Carriage concepts with modules allow cost-effective variable vehicle series to be built. The rolling stock will be improved by innovations such as motive power systems with individual wheel drive, energy store, brakes with regenerative braking power and the mounting of aggregates on the roof, all of which will be standard equipment for the new vehicle generation. Diagnosis equipments and bus systems for the complete control of the trains will simplify the work of service and maintenance personnel, reduce maintenance times, prolong service intervals and generally reduce costs.

Kiepe plays an important leading role in the technology of above examples. The everyday business of this Schaltbau company includes a new type of wheel hub motor, the comprehensive air conditioning including heating, cooling and venting and diagnosis and motive power systems using the newest technology.

Aspects of increased comfort and security will generate new types of products in and for the vehicles used in public transport, which are of a better quality. Access aids and ramps in combination with the door systems open up new production areas for **Bode**. The targeted and additionally required information of passengers via display and sonication systems, both for vehicles of the new generation and in railway stations and at stops, is covered with new products of **InfoSystems**.

The decisive factor for the success of a railway is its network. An ailing network with thousands of patches, where only slow driving is allowed, must give way to an efficient network. Modern train control systems with intelligent guidance, control and safeguarding systems open up large potentials for rationalization. Conventional relay-based signal box technology will be replaced by modern microprocessors and radio guidance technol-

ogy. Therefore, all equipments along the railway line such as switches, crossings and railway signals will be radio-controlled.

Pintsch Bamag is working in this field and is well equipped for future challenges. Also **Schaltbau GmbH** with its products is a renowned partner of international transport companies and the railway industry. On the basis of the quality and reliability of its components and systems used for the switching and control in all transport systems and vehicles, it will continue to make an important contribution to safety in the railway and industry sectors.

For many years, all enterprises of the Schaltbau Group have been playing a leading role in transport technologies with their innovations and are significantly contributing to the increasing appeal of public short and long distance traffic with convenient and innovative solutions – both on rails and on the road.

Changes in the Board of Management

Dr. Jürgen H. Cammann is the new speaker of the board of management of Schaltbau Holding AG since 29 October. Dr. Cammann held different managing positions in the consumer and investment goods industries and is particularly experienced in the areas production, development and marketing. With him, the board of management is once again complete. Dr. Cammann is replacing the chairman of the board of management, Dr. Peter-Jürgen Kreher, who retired at the end of September.

Dr. Cammann is backed up by the finance director Klaus A. Feix and the marketing director Thomas Weber .

Business Trends in the First Nine Months of the Year 2001

Schaltbau group ratios as of 30 September 2001

in EURO million	30/09/00	30/09/01	Difference
Inflow of orders	195,8	242,6	+46,8
Backlog of orders	261,1	276,5	+15,4
Sales	225,2	206,7	-18,5
Operating profit or loss (EBIT)	6,6	4,1	-2,5
Profit for the year	6,2	-2,3	-8,5
Employees (as per the effective date)	2308	2270	-38

Orders situation

Also in the third quarter of 2001 the orders received continue to show a positive development. Thus, until the end of September we received orders amounting to 242.6 million Euro. For the same period of the previous year it was 195.8 million Euro. That is an increase of 46.8 million Euro or just under 24 percent compared to the same period of the previous year. Therefore, the concern continues to show a high volume of orders, i.e. 276.5 million Euro, which is an increase of 15.4 million Euro compared to previous year's reporting date.

Net sales

The slow-down of the US and European economy, in particular on the bus market, as well as the postponement of projects resulted in a development of the net sales in the third quarter, which did not meet our expectations. The turnover decreased by 18.5 million Euro to 206.7 million Euro, compared to the value of the previous year (225.2 million Euro).

Profit situation

After nine months the operative result (EBIT) of 4.1 million Euro was generated, compared to 6.6 million Euro during the same period of the previous year. This shows that the increase of productivity and the reduction of costs initiated by the restructuring program allow a stable profit situation, even in difficult times.

Annual net profit

The annual net profit of the previous year had been positively influenced due to special and unique circumstances improving the results, which will not be repeated in the current business year. After three quarters of this year the concern is showing a minus of 2.3 million Euro.

Employees

At the reporting date of 30 September the concern counted 2.270 employees, 38 less than at the reporting date of the previous year (2.308 employees).

Perspectives for the current business year

The Schaltbau Group has changed from a turnover-oriented to a value and profit-oriented company. The productive capacity has been restored also in difficult times and the individual companies are well positioned in their respective markets.

This is particularly evident in the currently rather difficult environment of the investment goods industry. Despite the drop in sales of door systems and in the industrial-based component business due to the difficult economic situation the unfailing positive development of the received orders and the very high expectations of the marketing departments show that the concern has chosen the correct strategy and is able to face these testing times with self-assurance. During times of market setbacks the public authority is countering the general trend with investments in an improved infrastructure. This will be to the benefit of the Schaltbau Concern, and

drops in the investment goods area will be set off by orders from the rail traffic sector.

Therefore, the board of management is convinced that the forecasts for received orders, turnover and profits can be met without having to apply any substantial restrictions, despite the currently overcast economic situation, and that we will be among the companies mastering this difficult situation and holding an even stronger position by the time of the next economic upswing.

The board of management is expecting a further increase in the **orders received** by the end of the year so that the value of the year 2000 will be clearly exceeded.

Therefore, the **volume of orders** will increase and amount to over 280 million Euro by the end of the year and exceed the value of the previous year (242.4 million Euro) by more than 40 million Euro.

The board of management is optimistic and expects to generate a **turnover** of just under 300 million Euro by the end of the year and, therefore, to almost repeat last year's performance of 302.9 million Euro.

Until the end of 2001 the **operative result** will continue to improve and – provided there are no additional economic setbacks - the previous year's value of 11.3 million Euro will almost be achieved again. Therefore, the concern will show a positive **annual net profit** within the range of a one-digit million figure.

The currently still sound orders and volume of orders situation within the group are the basis for an optimistic prospect in the near future and will serve to overcome the noticeable economic slowdowns in the bus and industry businesses, which will be at least partially set off by reinforced marketing efforts in the rail sector.

It is the declared aim of the board of management to internally strengthen and secure the existing structures for a continuing growth. Simultaneously, the Schaltbau Group will put its continued effort in the objective of market expansion and entering tomorrow's growing markets. These include above all Europe with Eastern Europe and the Far East, particularly China. The strategic reorientation, increased know how, comprehensive engineering knowledge and strong flexibility provide the Schaltbau Concern with the prerequisites needed to seize the opportunities that the growing markets will offer in the future.

Munich, November 2001

Schaltbau Holding AG

The Board of Management

Schaltbau Holding AG
Klausenburger Straße 6
D-81677 München
Postfach 80 15 40
Tel. +49 (0)89 – 930 05 – 0
Fax +49 (0)89 – 930 05 – 318
e-mail: schaltbau@schaltbau.de
Internet: www.schaltbau.de