SCHALTBAU

Investor and Analyst Call

FY 2017

16 April 2018

THE SMART EVOLUTION OF MOBILITY

Outline

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Management agenda 2017 fulfilled: higher financial flexibility for ongoing restructuring activities and organic growth in core business areas

Stabilisation of financial situation

- Divestiture of non-core industrial brakes business (Pintsch Bubenzer) effective 1 March 2018
- Two successful capital increases in May 2017 and February 2018
- Reduction of short- and mid-term financial debt

Major cost reduction programmes initiated

- Optimisation of production and logistic processes
- Strict focus on reduction of personnel cost and material expenses by improving purchasing conditions
- Reduction of complexity of Group organisation, improved steering and limitation of risks

Strengthening of future competitiveness

- Investments mainly into mobility/logistics applications and further rolling stock development
- Digitisation: product development to be increasingly aligned towards customers needs
- Extended business model: services for the entire lifecycle of rolling stock and commercial vehicles
- Focus on local presence in international markets

Stabilisation of operative business

- Strong order intake, revenue and EBIT development throughout second half of 2017
- Record level of orders at hand

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Sales and earnings targets 2017 (as adjusted over time) achieved

Sales

+1.5% vs. 2016

€ 516.5 million

Order intake

+7.8% vs. 2016

€ 594.0 million

EBIT

€ 2.4 million before one-off effects

- One-off effect of revaluation of Schaltbau Sepsa: € -24.2 million
- Goodwill impairment Schaltbau Pintsch Bubenzer: € -1.1 million

€ -23.0 million reported

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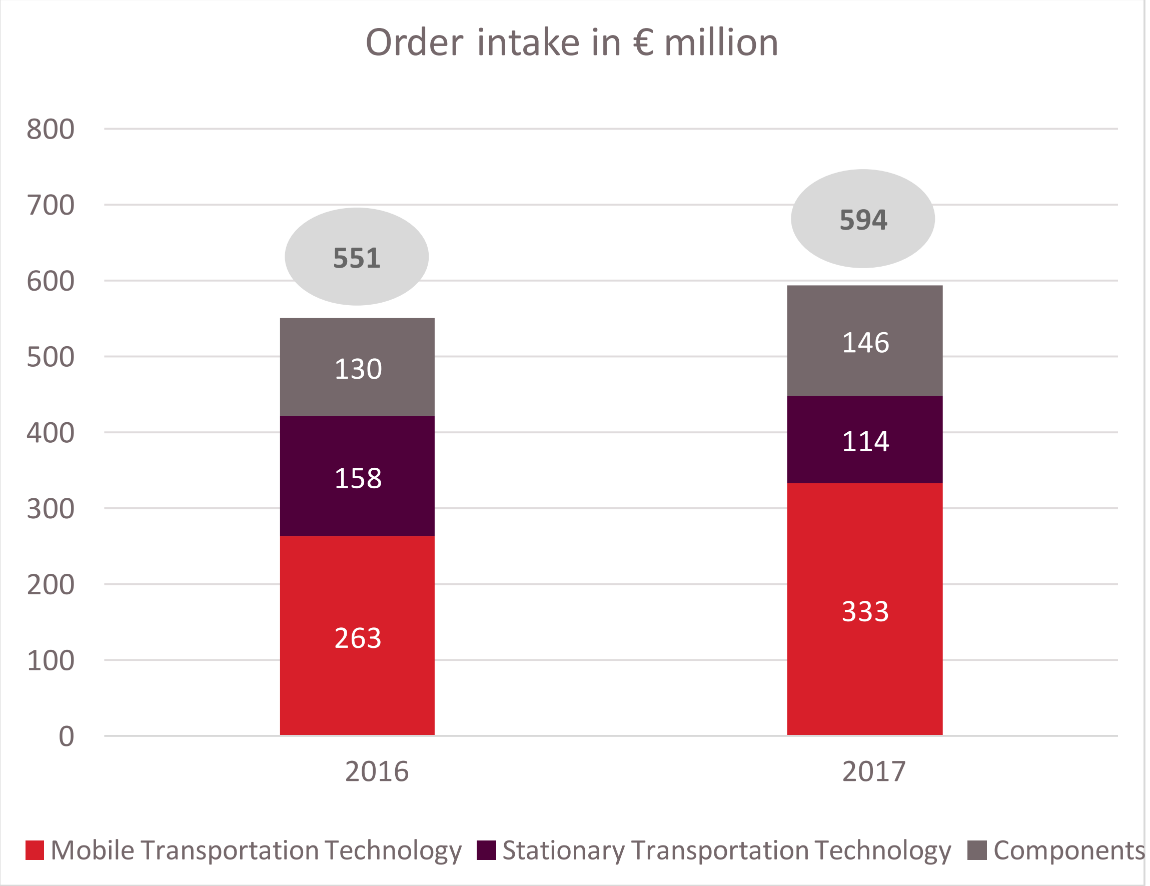
Strong order intake mainly due to contribution from Mobile Transportation Technology segment

- Order intake grows by 7.8%
  - Mainly driven by Mobile Transportation Technology segment, also impacted by a full-year contribution from Schaltbau Sepsa (consolidated since 30 September 2016) and relocation of the Refurbishment business (was part of Stationary Transportation Technology before)
  - Very positive order intake development in the Components segment
  - Significant decrease of order intake in Stationary Transportation Technology segment due to lower order placements in Germany as well as a more conservative approach on international projects
- Order book increases by 18.3% to € 508.3 million (end of 2016: € 429.8 million)



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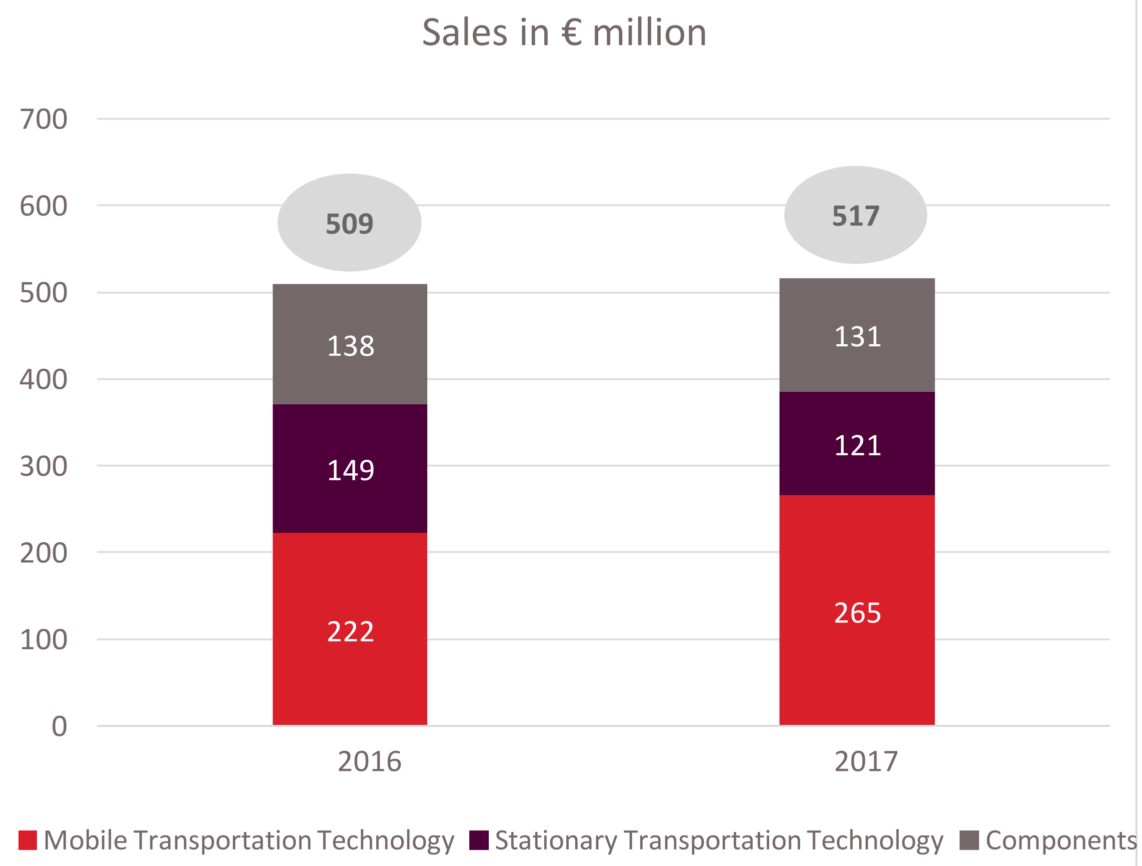
Sales increase in line with management expectations

- Sales up by 1.5%
  - Significant increase in second half of 2017 mainly due to completion of major projects
  - Slight decrease in comparable sales of 4% mainly driven by strong decline in industrial brakes volume (Pintsch Bubenzer) and a lower volume in level crossing technology
  - Full-year contribution of Schaltbau Sepsa offsets organic decline



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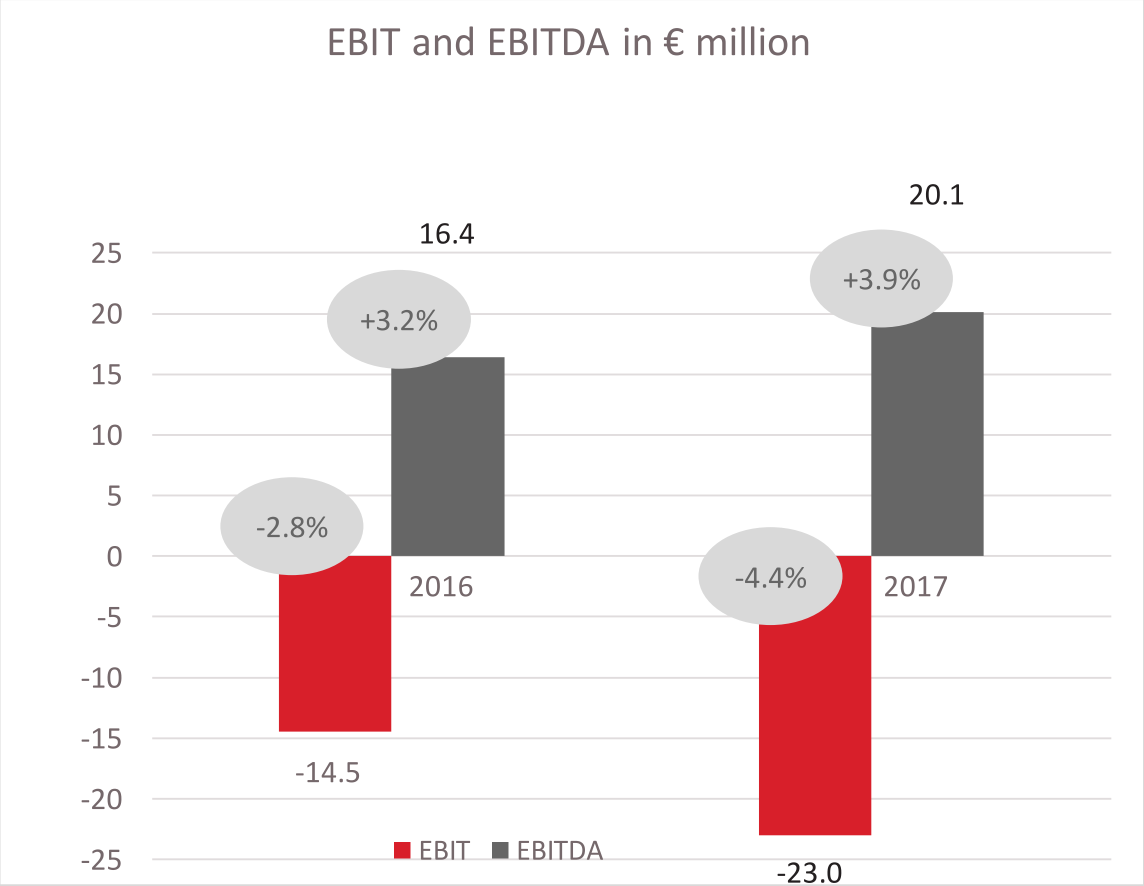
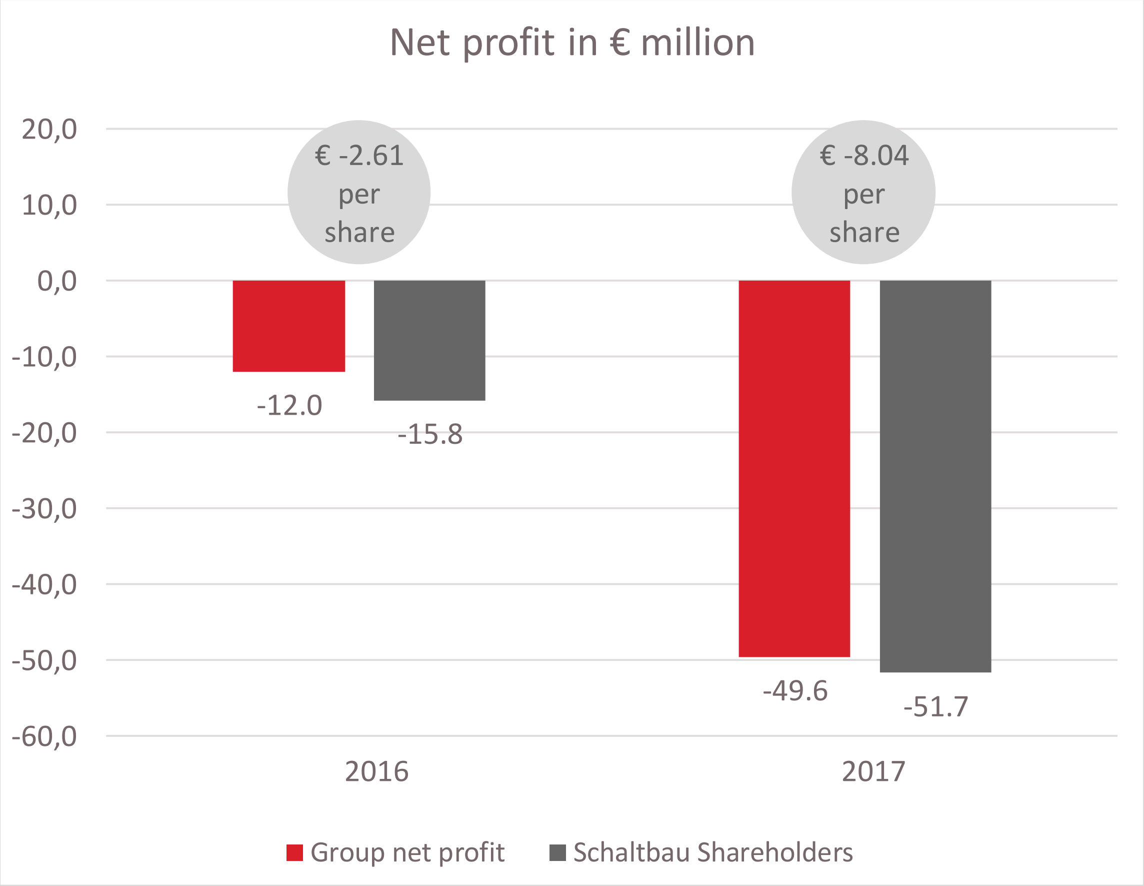
Extraordinary Schaltbau Sepsa revaluation impacts Group EBIT in 2017

- EBITDA improved year-on-year
- Reported EBIT at € -23.0 million, EBIT margin at -4.4%
  - One-off effect of revaluation of Schaltbau Sepsa amounting to € -24.2 million
  - Goodwill impairment Schaltbau Pintsch Bubenzer amounting to € -1.1 million
- Additional expenses for restructuring activities of around € 8 million



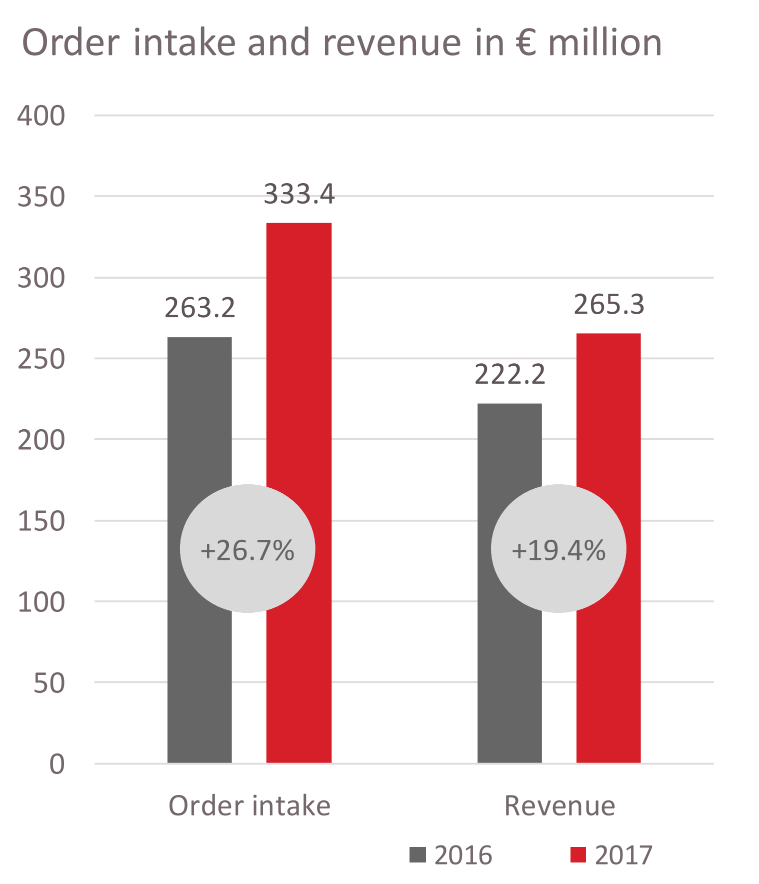
Net result 2017 impacted by higher financing costs

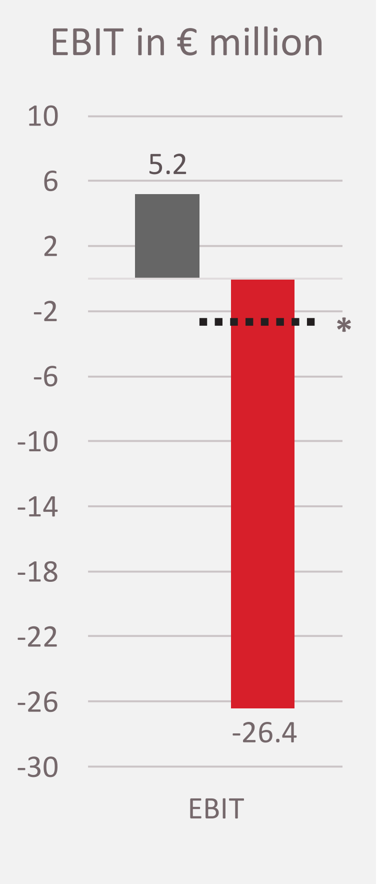
- Strong decline in Schaltbau Group's net profit mainly driven by:
  - Decreased EBIT
  - Higher interest expenses due to higher interest margins as well as higher drawing of existing credit lines
  - One-time effects related to refinancing activities



Mobile Transportation Technology:
Growth driven by consolidation effects

- Order intake up € 70.2 million vs. 2016
  - Positive development at rail door systems as well as interiors for rail vehicles
  - Significant new orders, e. g. from Hitachi Rail Italy for delivery of 39 vehicles including options of up to 300 vehicles
- Sales growth of € 43.1 million vs. 2016
  - Full-year contribution from Schaltbau Sepsa (+ € 19 million) and reclassification of Schaltbau Refurbishment (+ € 12 million)
  - Organic business growth at Rawag and Alte
- EBIT margin of -10.0% vs. +2.3% in 2016
  - Revaluation of Schaltbau Sepsa (€ 24.2 million)
  - Negative operating contribution from Schaltbau Sepsa Group (€ -8.7 million) and other foreign subsidiaries almost compensated by positive margin at Bode and Rawag





*operating EBIT 2017: € -2.2 million; effect from revaluation of Schaltbau Sepsa: € - 24.2 million

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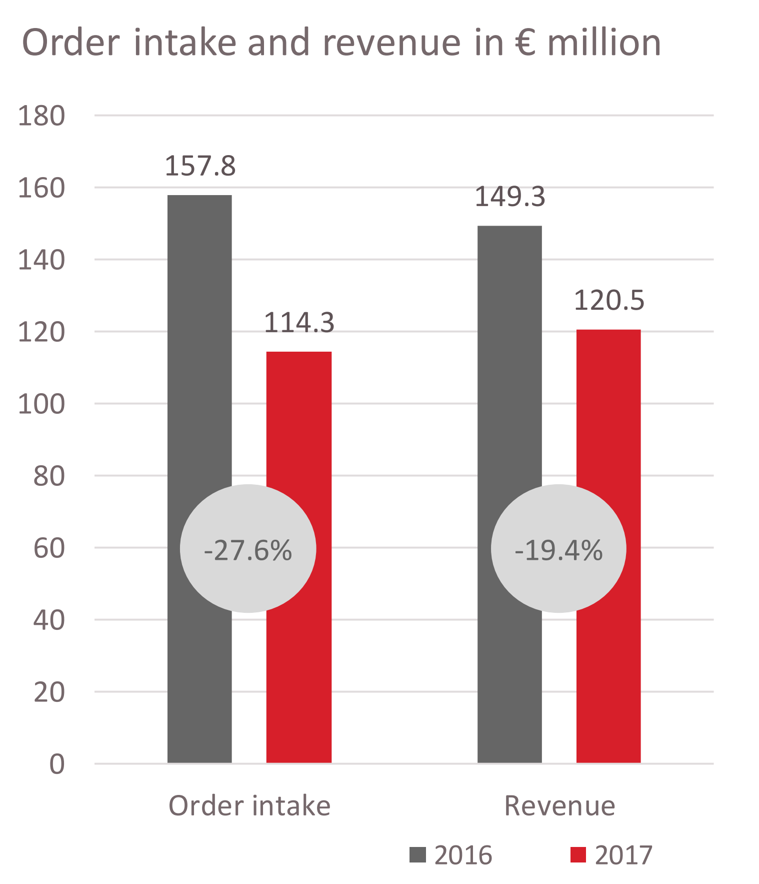
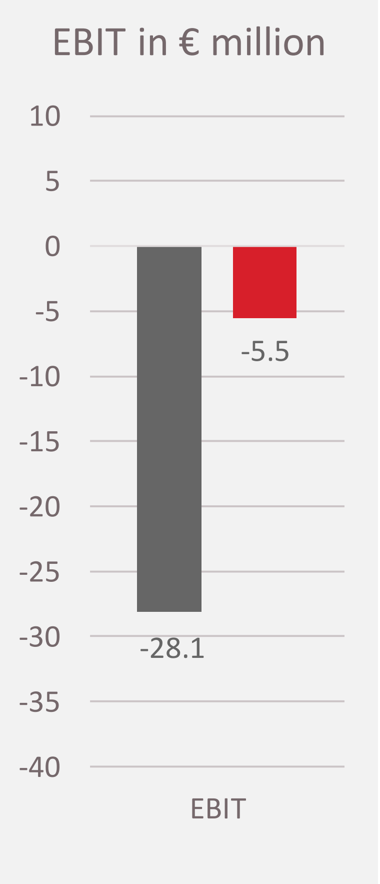
Stationary Transportation Technology:
Weak order intake and revenue development

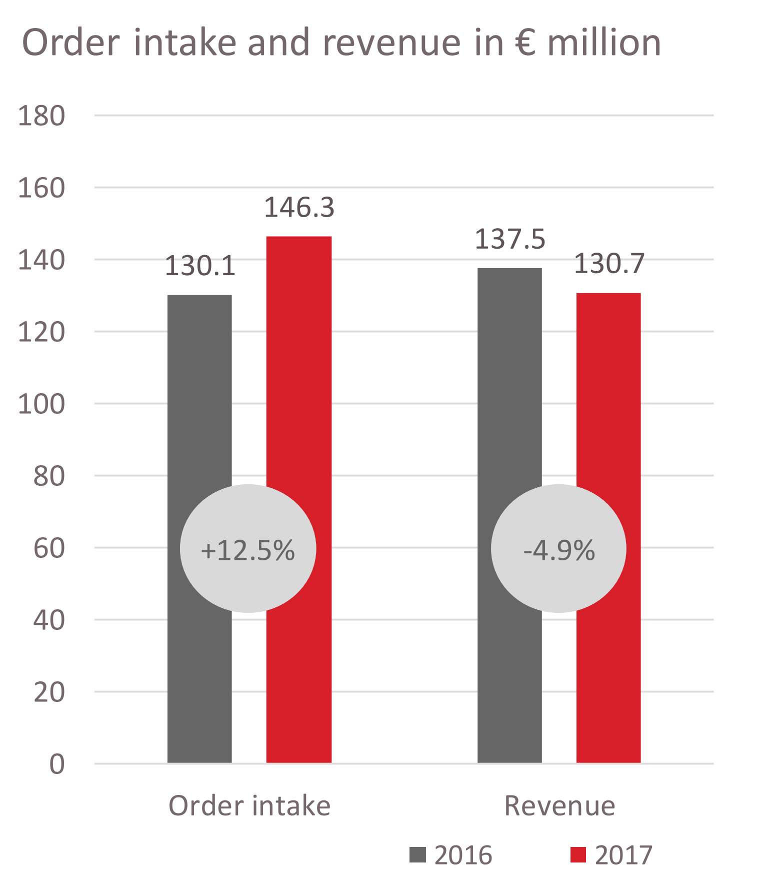
- Significantly lower order intake volume
  - Decline in new business with level crossing technology as well as railway signal technology (axle counting and shunting technology)
- Sales decrease by € 28.8 million vs. 2016
  - Mainly driven by rail infrastructure products and brake systems
  - Shift of Refurbishment business (€ 11.9 million) to MTT
- EBIT margin of -4.6% (FY 2016: -18.8%)
  - Cost-cutting measures compensate negative volume effects to just a small extent
  - Impairment at Schaltbau Pintsch Bubenzer (€ -1.1 million)
  - Provisions for contingent losses high in 2016 (€ 16.4 million)

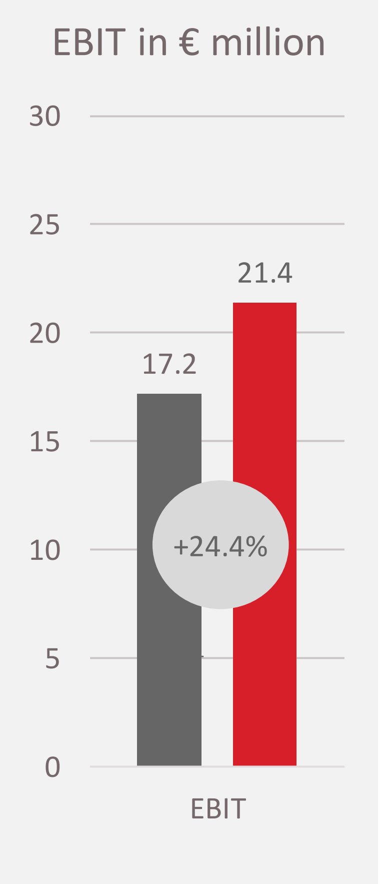




Components:
Strong business performance

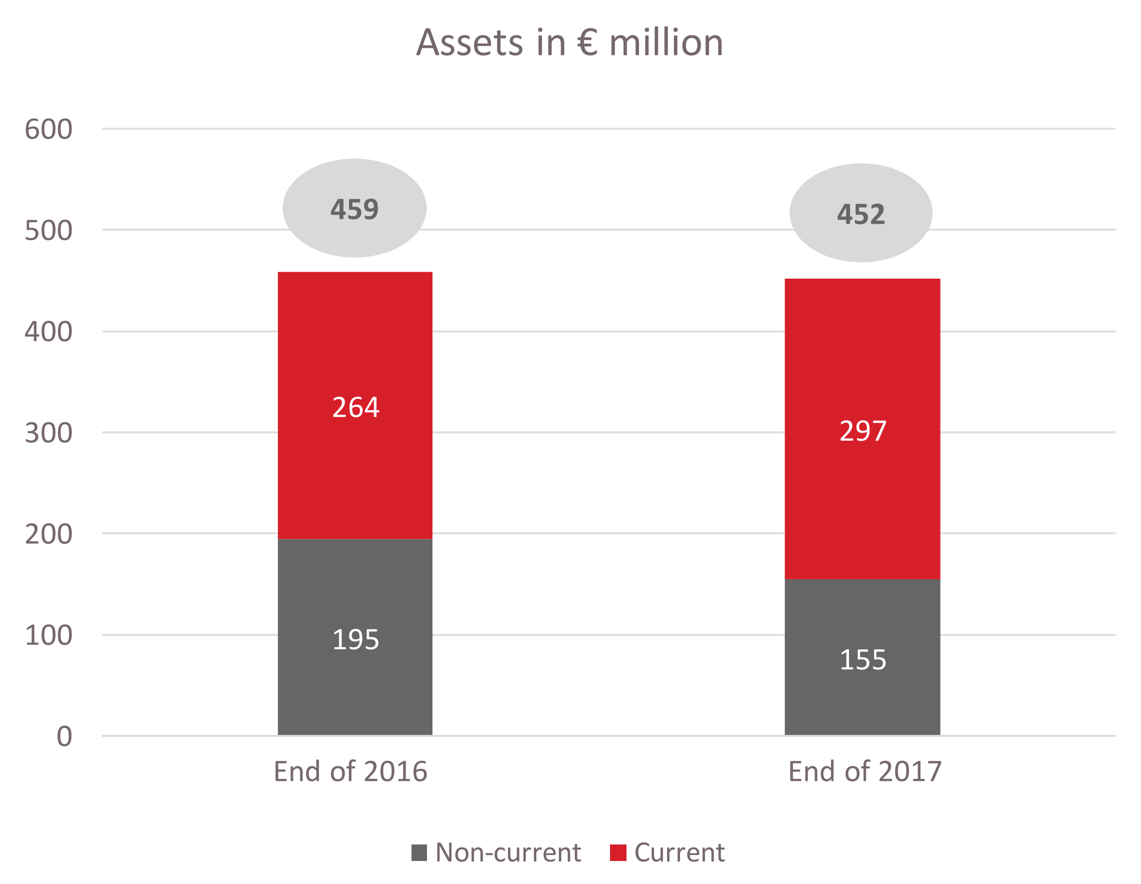
- Order intake clearly improved (€ +16.2 million)
  - Higher order intake volume for snap-action switches for rail vehicles both in the new vehicles business and in after-sales business
  - Positive development at SPII in Italy; stabilisation of business in China despite investment shift from locomotives and passenger coaches to metro systems; North America below prior year due to project delays
- Sales decrease of € 6.8 million vs. 2016
  - Significantly lower revenue at SPII partially offset by sales increases at Schaltbau GmbH
- EBIT margin improves to 16.4% (2016: 12.5%)
  - Moderate sales decrease overcompensated by positive product mix effects and improved cost structure





Slight decrease in Group assets due to divestiture effects

- Non-current assets € 40.0 million below prior year, reduction of both tangible and intangible assets
  - Depreciation on Schaltbau Sepsa due to classification as "assets held for sale" (€24.2 million)
  - Classification of Pintsch Bubenzer as "assets held for sale" (€ 16 million)
  - Foundation of joint venture Zhejiang Yonggui Bode Transportation Equipment in China; payment of initial capital contribution
- Current assets significantly higher (€ +32.9 million):
  - Classification of Schaltbau Sepsa and Schaltbau Pintsch Bubenzer as "assets held for sale"
  - € 15.6 million cash inflow from capital increase in May 2017 reported under other receivables and assets



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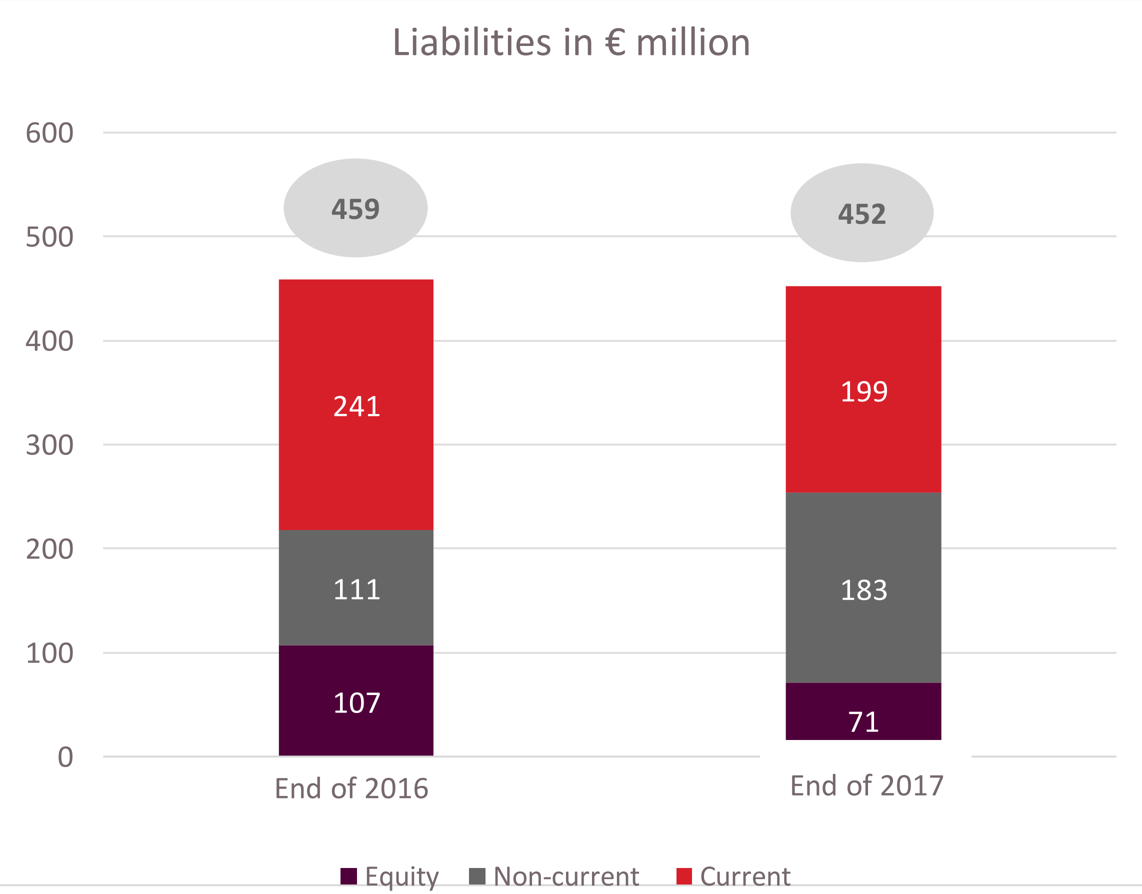
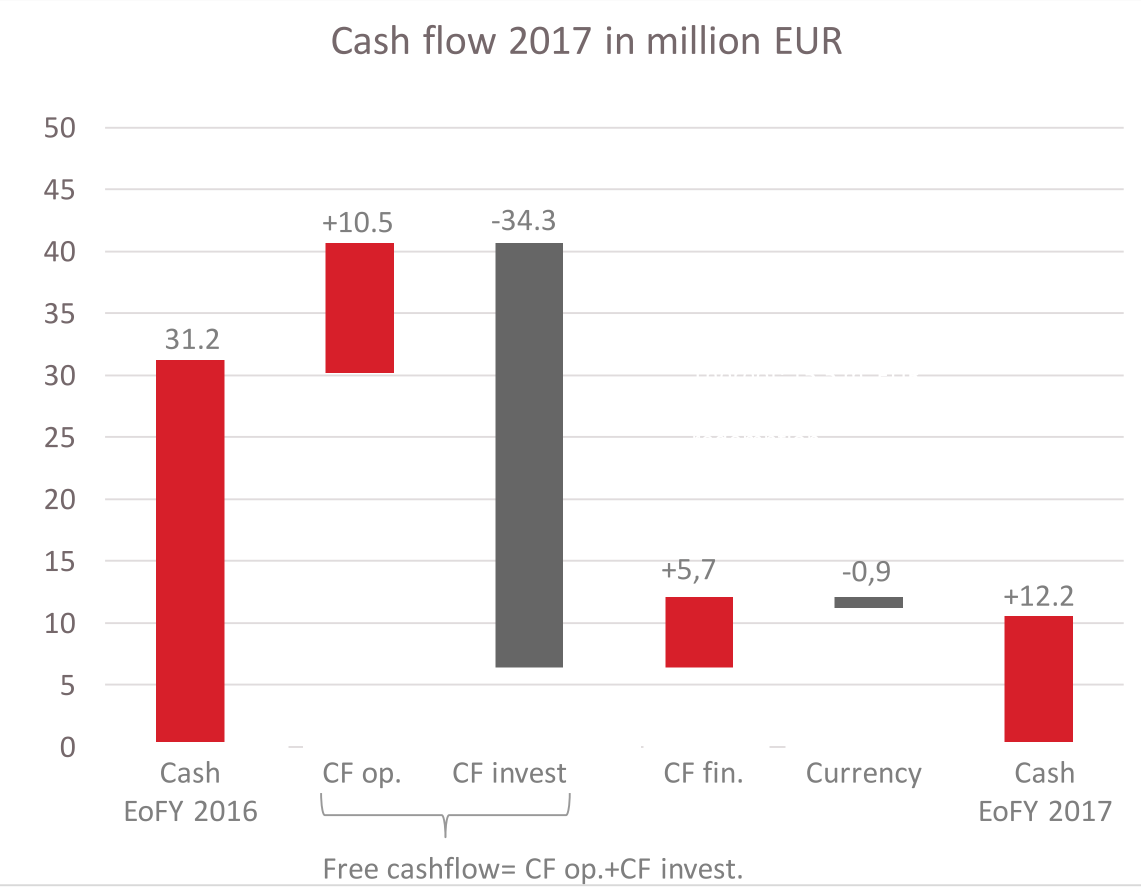
Equity & liabilities: negative group result impacts equity

- Higher non-current liabilities due to restructuring of financial debt: syndicated loan line amounting to € 100.0 million and debenture stock classified as long-term liabilities
- Current liabilities down to € 198.5 million due to the afore-mentioned reclassifications; bridge financing of € 25.0 million and current account liabilities classified as short-term
- Equity decreases by €36.5 million despite €15.5 million capital increase, due to negative net group result; equity ratio of 15.6% (end of 2016: 23.3%)
- Net financial debt increases to €158.4 million (end of 2016: €148.0 million)
- Leverage (net financial debt/annual EBITDA) at 7.9 (2016: 9.1); mid-term goal: Further reduction of net financial debt relative to EBITDA to reach a leverage figure around 3
- In Q1 2018, the situation improved significantly, driven by the sale of Pintsch Bubenzer and a major equity injection



Positive operating cash flow in 2017

- Positive operating cash flow (€ +10.5 million) reflects stringent working capital management (operating cash flow in FY 2016: € +25.8 million)
- Cash outflow for investments increases vs. 2016 (€ -18.2 million), proceeds from capital increase deposited on escrow account (€ 15.6 million)
- Financing cash flow 2017 mainly reflects:
  - € 15.5 million cash inflow from capital increase and € 4.1 million from new loans
  - € 6.0 million repayment of loans and € 11.4 million cash outflow for interest payments



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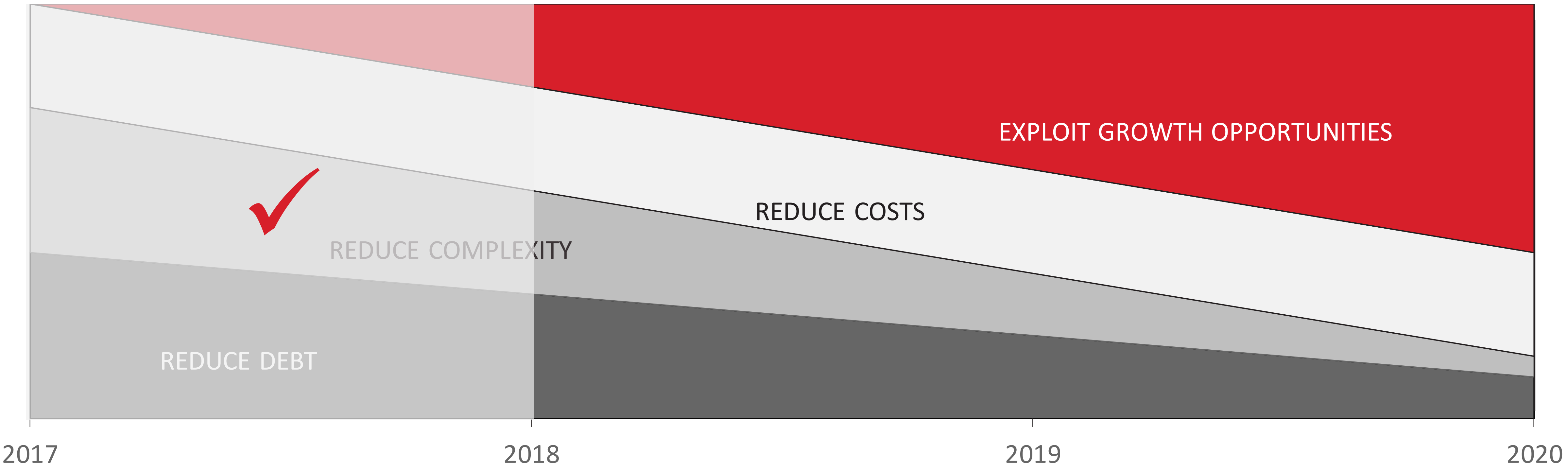
Restructuring roadmap Schaltbau:
Major milestones successfully achieved – further road to go

2017 – 2018	2018 – 2019	2019 – 2020
▪ Create financial headroom ▪ Stabilize operational performance	▪ Achieve satisfactory debt level ▪ Selective investments	▪ Ensure profitability on market level ▪ Step up investments in market opportunities and digital business models



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Megatrends drive sustainable growth in global rail markets

MobileTransportation Technology / Components

Vehicles

- All common railway vehicles

- **Market growth**(1): ~1.9%
- **Market size**: ~€60bn

Stationary Transportation Technology

Infrastructure & Rail Control

- Railway crossings, rail control and signal technology for tracks, trains and control centers

- **Market growth**(1): ~2.8%
- **Market size**: ~€52bn

Services

- Maintenance incl. spare parts and renovation

- **Market growth**(1): ~2.8%
- **Market size**: ~€73bn

Regional expected market growth(1)(2)

- Western Europe: ~3.0%
- Eastern Europe: ~3.1%
- Asia / Pacific: ~2.6%
- Africa / ME: ~2.3%
- NAFTA: ~2.2%
- Latin America: ~1.8%
- CIS: ~1.1%

Megatrends

- Digitisation / Automation
- Urbanisation
- Emission reductions
- Connectivity
- Electrification / e-mobility
- Safety
- Globalisation / China
- Regulation and Liberalisation

Source: Unife, Roland Berger
(1) Average annual market growth from 2013-15 until 2019-21 over six years (services for rail control not considered)
(2) Vehicles, rail control and services; infrastructure and services for rail control not considered

Strategic agenda of Schaltbau Group – Goals

1. **Maintain a leading market position**
2. **Focus on profitable sustainable business activities**
3. **Implement restructuring concept to increase profitability**
4. **Create new business opportunities via collaboration between product areas and business segments**
5. **Increase customer focus and strengthen client relationships**

Sustainable and profitable growth

Targets 2018

- Solid order backlog from stabilised order intake in 2017 serves as stable basis for profitable growth
- Initial positive effects from restructuring measures implemented in the financial year 2017 expected to contribute to an improvement in EBIT margin:
  - Increase in profitability through optimized production processes and improved purchase conditions should lead to a decline in material and personnel expenses
- Non-operating special effects from extraordinary impairments arising out of restructuring measures or disposal of subsidiaries will possibly continue to occur in 2018

Outlook (in € million)	Guidance FY 2018*	2017
Order intake	**500-520****	594.0
Sales	**480-500****	516.5
Mobile Transportation Technology	***Significant improvement***	*265.3*
Stationary Transportation Technology	***Significant decline***	*120.5*
Components	***Slight increase***	*130.7*
EBIT margin	**Around 3%****	0.5%***

* Compared to FY 2017
** Excluding Schaltbau Pintsch Bubenzer, including Schaltbau Sepsa
*** Excluding extraordinary items

Financial calendar and contact details

2018

- **8 May 2018:** Group Quarterly Statement (Q1 2018)
- **7 June 2018:** Annual General Meeting of Shareholders
- **8 August 2018:** Group Interim Report (Q2/H1 2018)
- **8 November 2018:** Group Quarterly Statement (Q3/9M 2018)

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