



Group Interim Report H1 2018

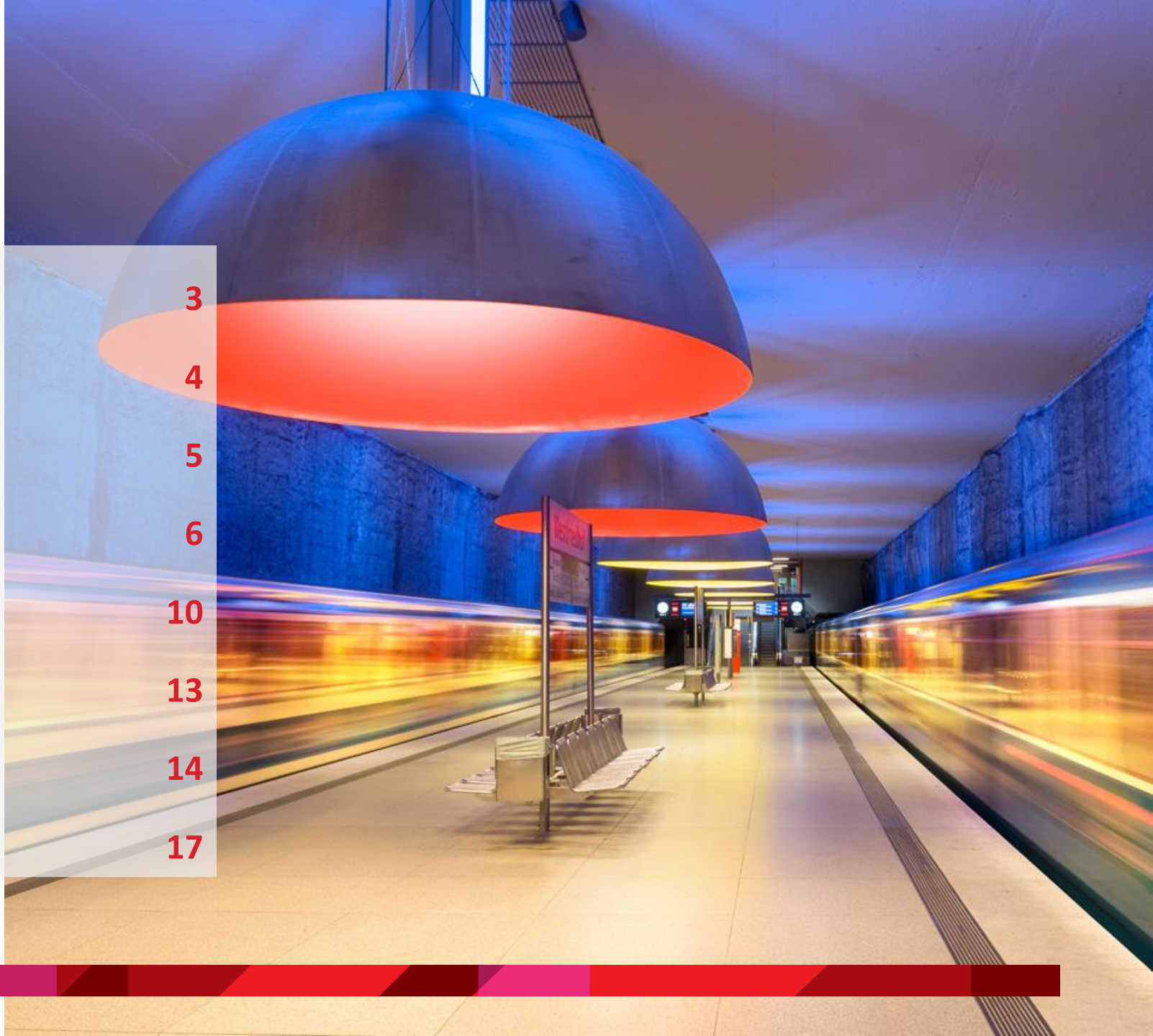
8 August 2018



THE SMART EVOLUTION OF MOBILITY

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Experienced Executive Board set to bring Schaltbau back on track



Dr Albrecht Köhler

CEO (since 19 May 2018)

- Freelance interim CEO / COO (2016-18)
- Deputy CEO GAZ Group (2014-16)
- Managing Director Knorr Bremse rolling stock bus. unit (2000-14)
- Leading general management and operations roles at Dt. / Daimler Benz Aerospace (1989-1999)



Thomas Dippold

CFO (since Jan 2017)

- CFO Faber-Castell AG (2014-16)
- CFO Semikron International (2008-14)
- Head of Controlling SCHOTT AG (2002-08)



Dr Martin Kleinschmitt

CRO (since Aug 2017)

- Partner at Noerr LLP and CEO Noerr Consulting AG
- Vice Chairman of the Board SAF-HOLLAND S.A.
- Interim management of various SMEs as CFO/CRO (since 2001)
- CFO Herlitz AG (1998-2000)

Diverse backgrounds, common objectives:

- Return to profit
- Stick to stringent cost management
- Secure financing capabilities

H1 2018 at a glance

Key figures (in € million, unless stated otherwise)	H1 2017	H1 2018	Δ%
Order intake	295.7	301.9	+2.1
Order intake like-for-like*	254.2	283.6	+11.5
Sales	234.9	251.5	+7.1
Sales like-for-like*	192.0	229.1	+19.3
EBIT	-4.7	9.4	n/a
EBIT margin (in %)	-2.0	3.8	n/a
EBIT before 2018 exceptional items	-4.7	6.6	n/a
Group net profit	-10.9	3.5	n/a
Earnings per share (in €)	-1.84	0.20	n/a
Free cash flow	-20.9	10.5	n/a
Employees at period-end (count)	3,304	3,125	-5.4
	31/12/2017	30/06/2018	
Net financial debt	158.4	106.5	-32.8
Equity	70.6	116.0	+64.4

* Excluding Pintsch Bubenzer and Sepsa contributions: Pintsch Bubenzer was deconsolidated on 1 March 2018, Sepsa was classified as held for sale in November 2017

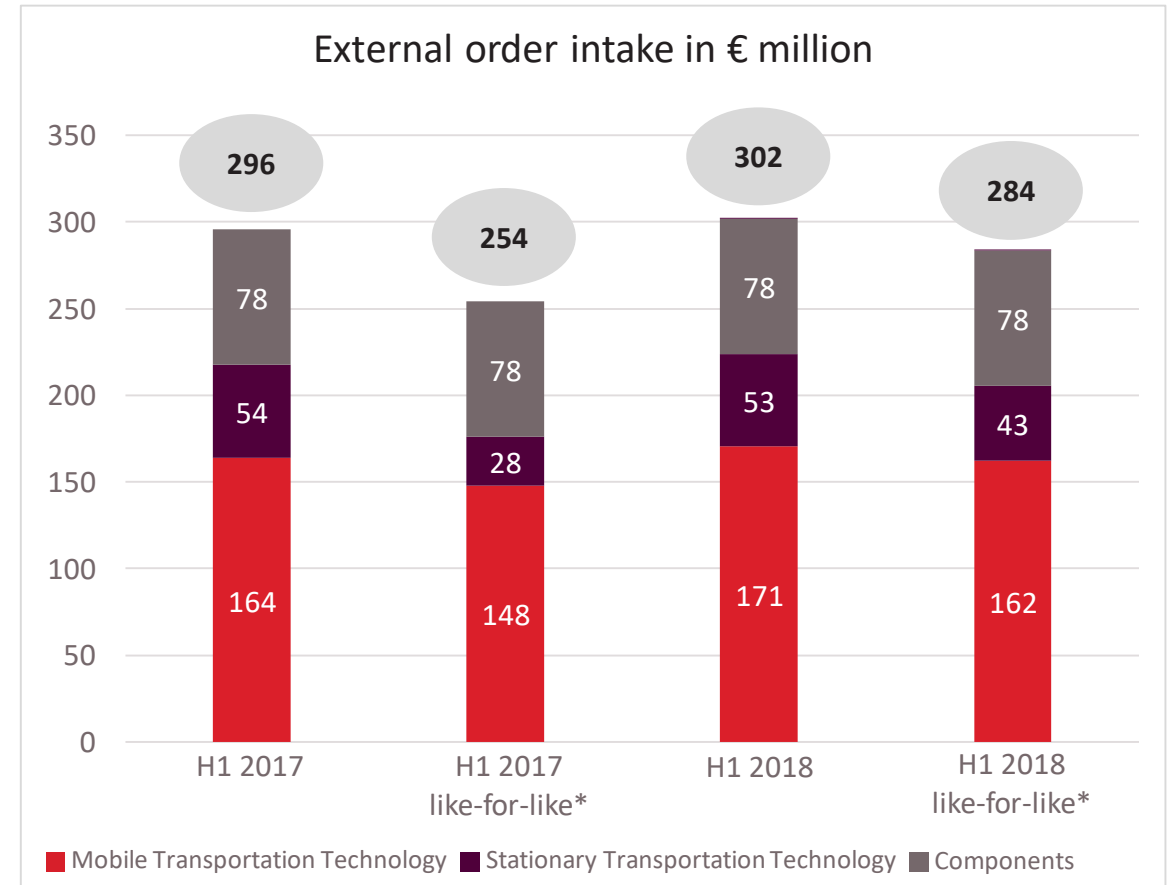
Overall assessment of H1 2018

- Overall operating **performance in line with expectations**
- Order intake of € 301.9 million at record level; book-to-bill ratio in H1 2018 at 1.20
- Sales volume amounting to € 251.5 million, up 7%; sales like-for-like rise by 19%
- **EBIT at € 9.4 million**, up by € 14.1 million vs. H1 2017; excluding 2018 exceptional items, EBIT is up by € 11.3 million, mainly due to higher sales volume and a favorable product mix in Components as well as lower restructuring expenses
- Reported EBIT of € 9.4 million includes IFRS 5 adjustments due to classification of Sepsa as available for sale
- **Net financial debt significantly reduced**, but impacted by an increase in working capital, due to significantly higher inventories
- **Further progress in reducing cost and risk**: restructuring agreement in Stationary Transportation Technology for 2018 and 2019, total savings of € 4 million, successful renegotiation of the PSD project in Brazil resulting in a much reduced risk profile
- Record order book of more than € 530 million as a **solid base for strong profitable growth**
- **Operating guidance for FY 2018 confirmed**

Order intake grows slightly, from a high level

- Slight growth in order intake by 2.1%, € 6.2 million
 - On a like-for-like basis, significant increase in Mobile Transportation Technology (Schaltbau Bode) and Stationary Transportation Technology (Q2 2108 win of a train formation unit at Schaltbau Pintsch Tiefenbach)
 - Order intake development in Components remains solid

- Order book is at a high level of € 533.2 million, up 8.4% vs. € 491.7 million at the end of H1 2017

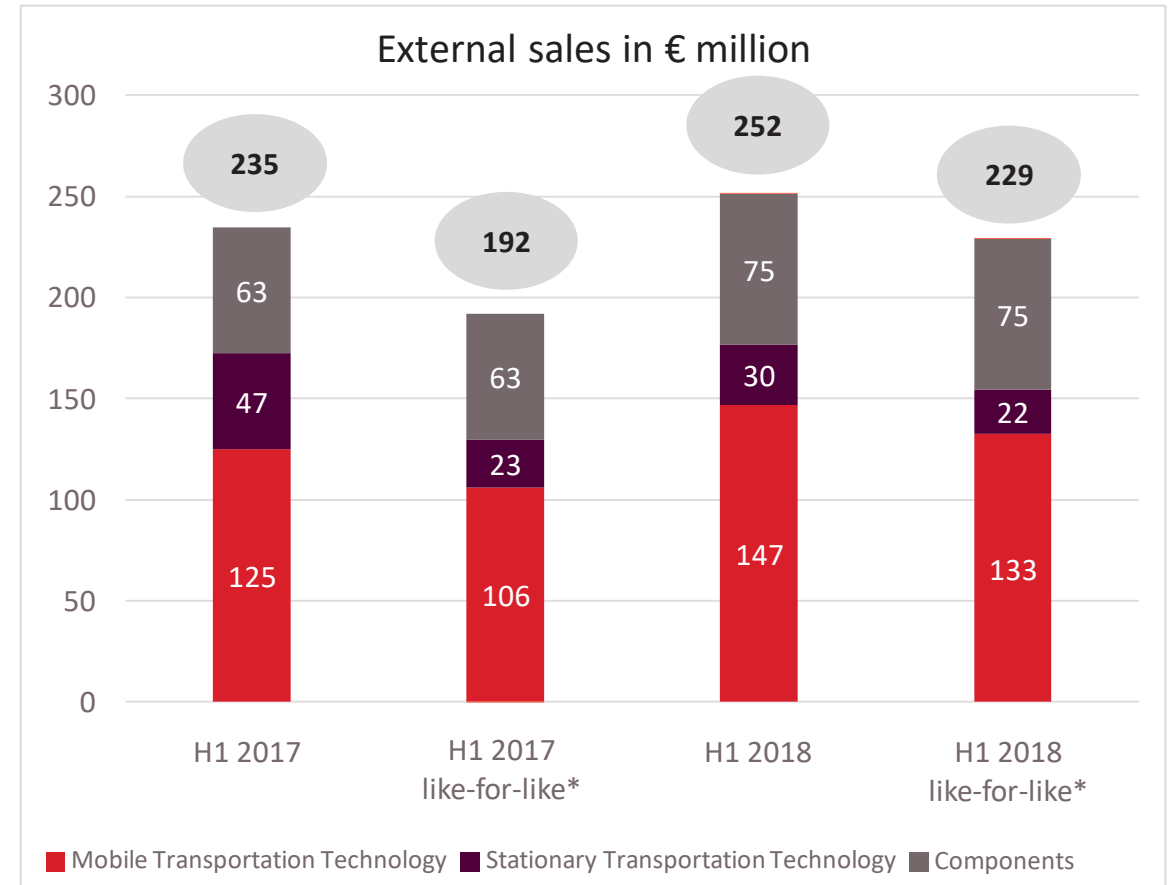


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Sales growth driven by increases in Mobile Transportation Technology and Components

- Sales grow by 7.1% vs. H1 2017, an increase of € 16.6 million in absolute terms
 - Significant volume increase in Mobile Transportation Technology (in particular at Schaltbau Bode)
 - Strong sales volume development in Components
 - Sales in Stationary Transportation significantly below prior year, due to the sale of Pintsch Bubenzer in Q1 2018; sales like-for-like only slightly below Q1 2017

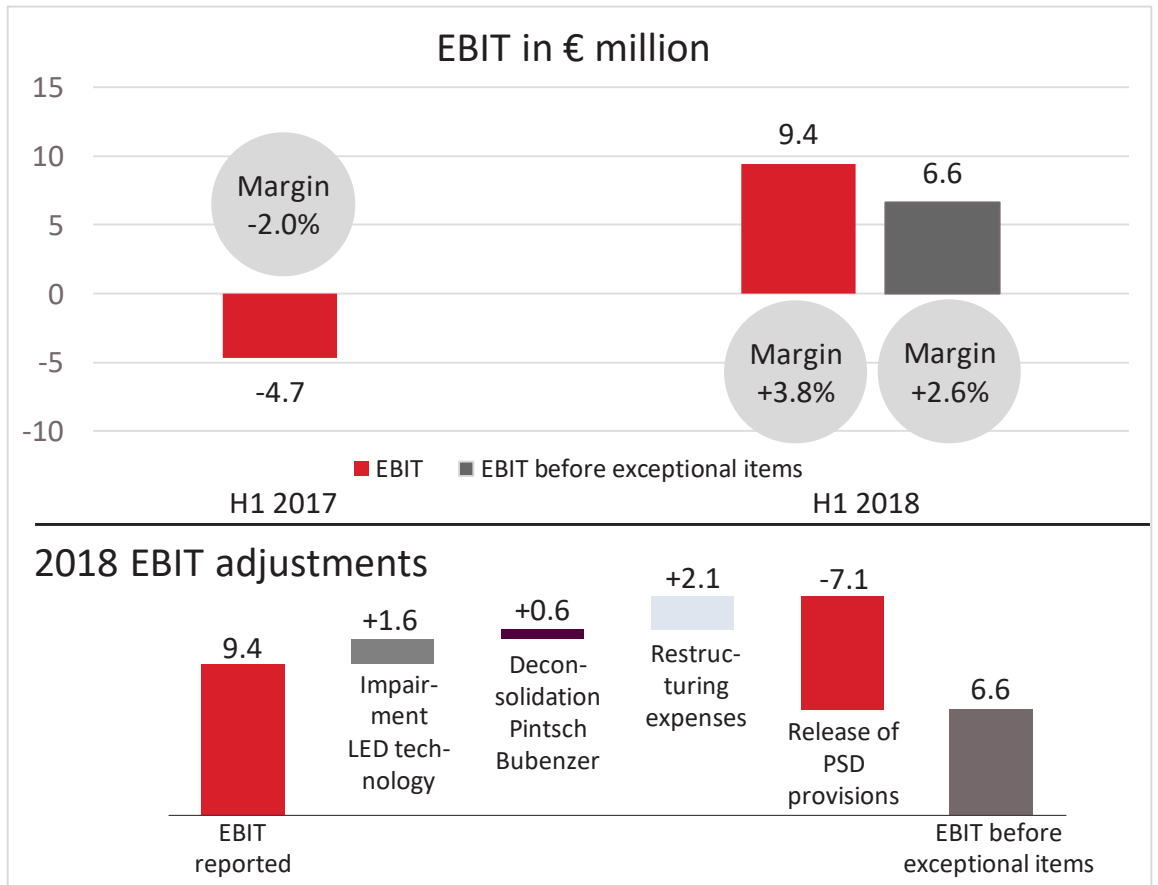
- 46.5% of total sales in H1 2018 were generated in European countries other than Germany, and 18.8% outside of Europe



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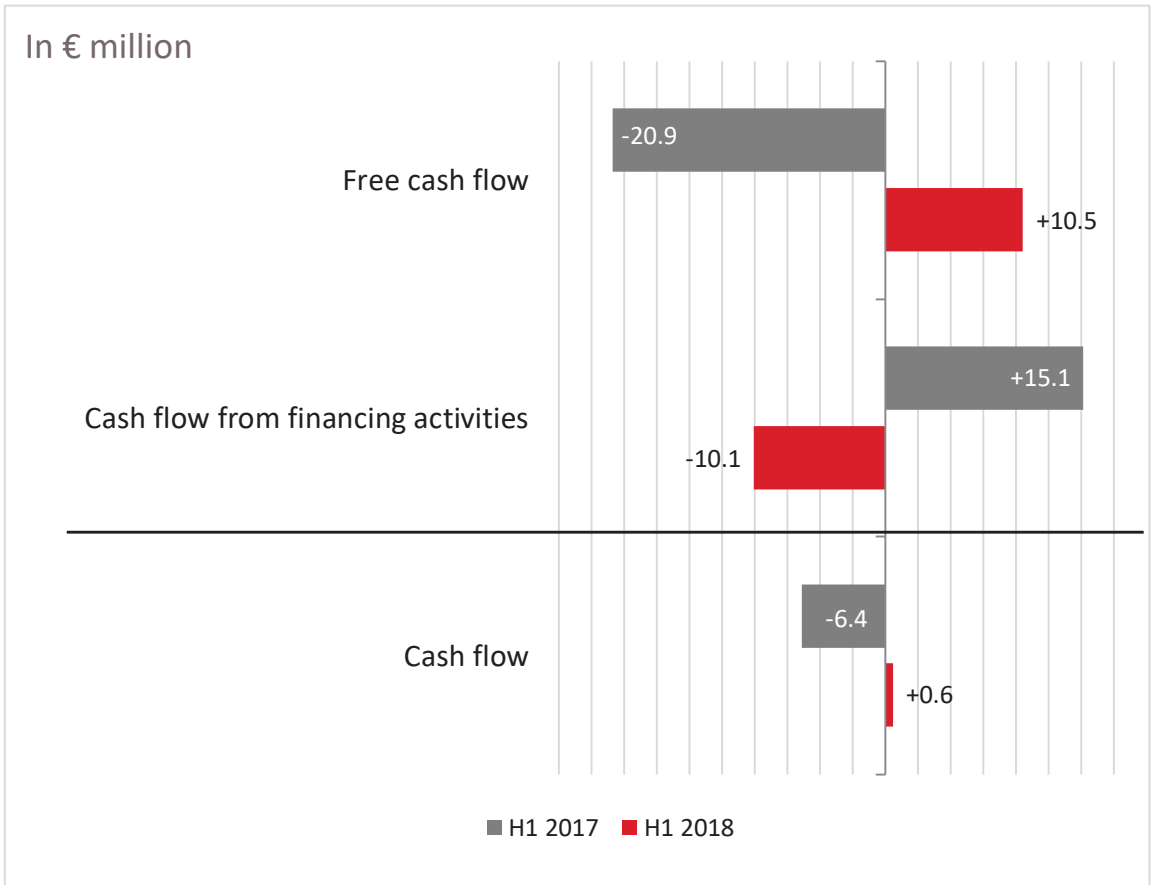
Significant EBIT improvement

- EBIT increases by € 14.1 million to € 9.4 million; EBIT margin at 3.8%
 - Primarily driven by higher sales volume vs H1 2017 and a positive impact from favorable product mix and productivity improvements in Components
 - Improved contribution from Stationary Transport Technology, largely due to the one-off release of provisions for onerous contracts related to the PSD project in Brazil, which is set off in part by the one-off impairment of the LED technology business, and positive effects resulting from restructuring activities
 - EBIT before exceptional items up by € 11.3 million
- Earnings per share at € 0.20 (H1 2017: € -1.84)



Cash flow in H1 2018 is affected by sale of Pintsch Bubenzer, capital increases and higher working capital

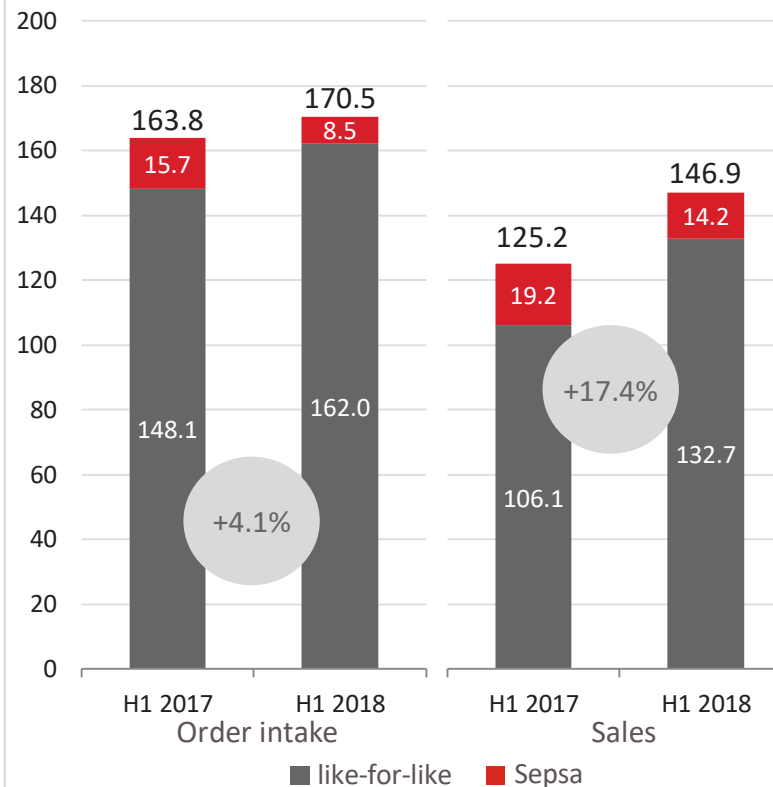
- Positive free cash flow is mainly driven by the sale of Pintsch Bubenzer as well as cash-in from the release of funds which had been held on an escrow account; effects are set off in part set off by higher working capital, mainly caused by increased inventory levels
- Financing cash flow in H1 2018 mainly reflects:
 - € 46.5 million cash inflow from capital increase
 - € 66.7 million cash outflow due net repayment of loans



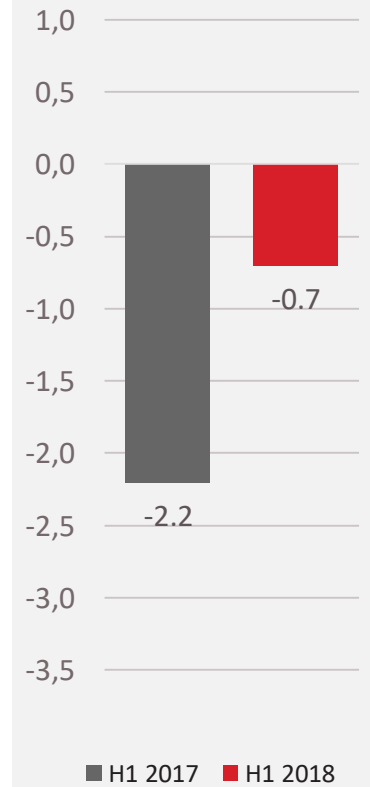
Mobile Transportation Technology: Sales growth driven by positive development at Schaltbau Bode

- External order intake up € 6.7 million
 - Positive development at Schaltbau Bode and Schaltbau Rawag
- External sales growth of € 21.7 million
 - Significant increase driven by Schaltbau Bode group
- EBIT at € -0.7 million
 - EBIT performance significantly improved
 - H1 2018 performance impacted by negative operating contribution from Schaltbau Alte (additional temporary workers, warranty expenses and ramp-up costs)
 - Further improvements in productivity expected in the coming quarters

External order intake and sales in € million



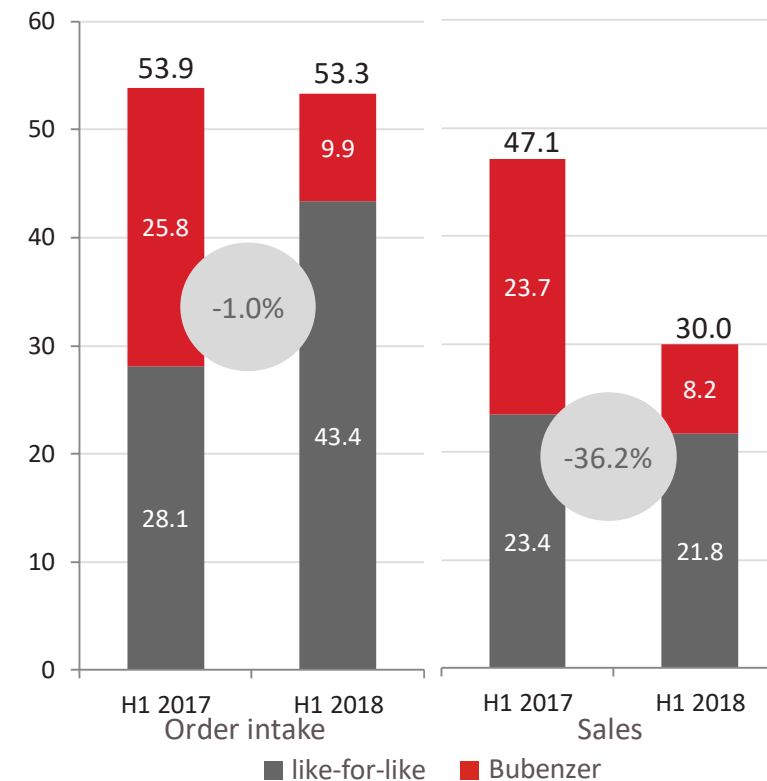
EBIT in € million



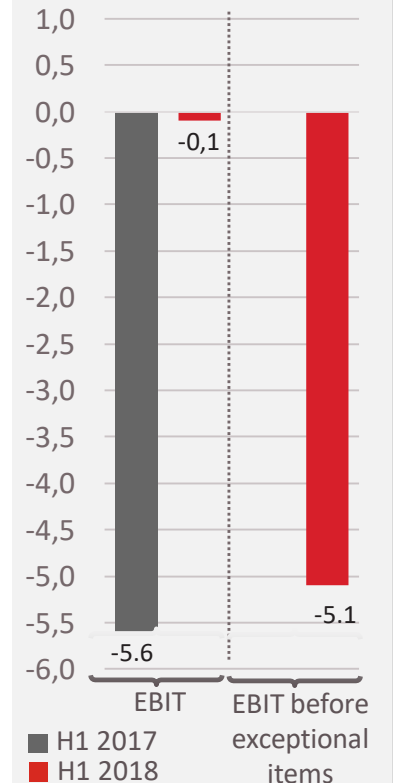
Stationary Transportation Technology: Stabilisation and first improvements

- External order intake stable, like-for-like up > 50%, due to winning a major order for a train marshalling yard
- External sales decrease by € 17.1 million mainly driven by Pintsch Bubenzer sales; sales like-for-like down by € 1.6 million
 - Lower sales volume at Pintsch Bamag due to several customer push-outs in rail infrastructure products
- EBIT just below the base line
 - Improvement largely driven by release of provisions for onerous contracts for the PSD project in Brazil (€ 7.1 million), set off in part impairment on the LED technology business (€ 1.6 million) and the effects of the sale of Pintsch Bubenzer (€ 0.5 million)
 - Negotiations with workers' counsel on restructuring agreement with a positive outcome, total savings of € 4.0 million for 2018 and 2019
 - Further restructuring benefits will materialize in the quarters to come

External order intake and sales in € million



EBIT in € million

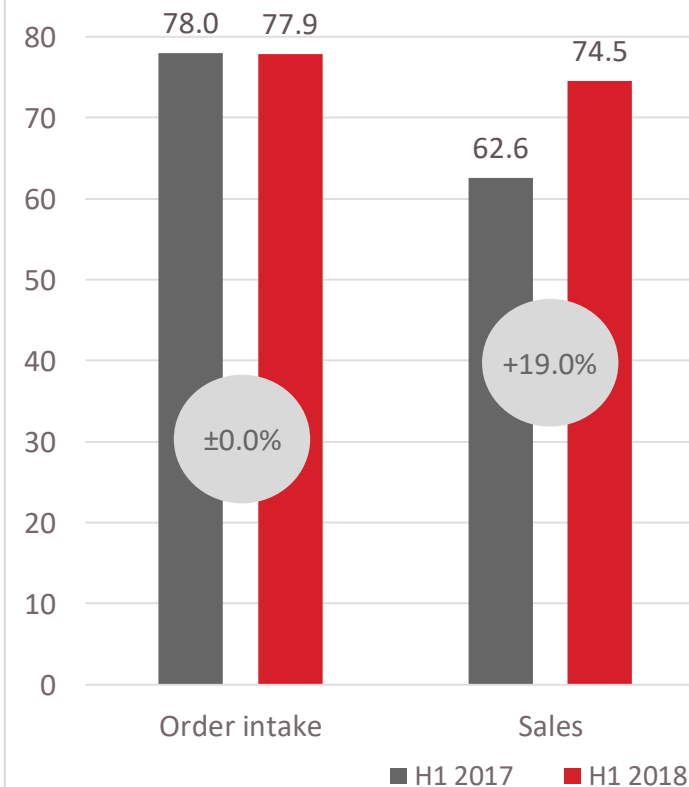


Components:

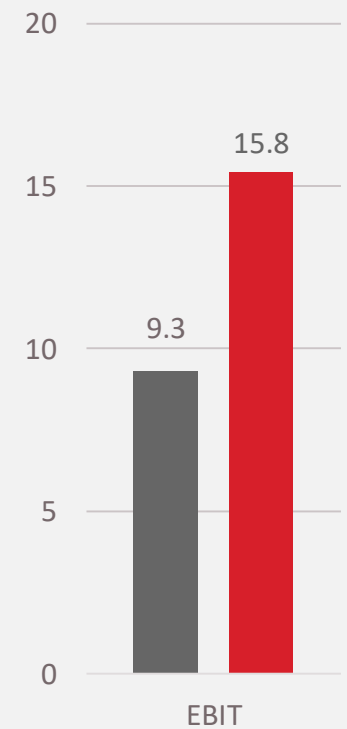
Ongoing strong operational performance

- External order intake remains on a high level
- External sales strongly improved by € 11.9 million
 - Ongoing high demand of connectors, snap-action switches and contactors
 - High order book indicates positive sales level for fiscal year 2018
- EBIT improves to € 15.8 million
 - Positive development driven by high sales volume, favorable product mix and further productivity improvements
 - Strong EBIT level expected to be maintained throughout 2018

External order intake and sales in € million



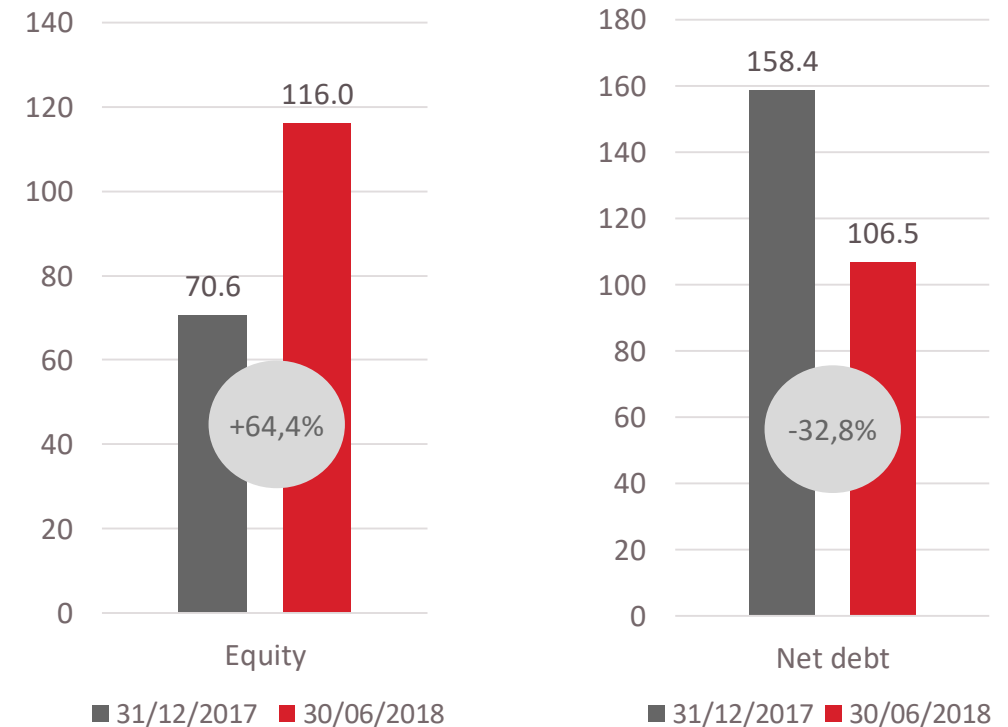
EBIT in € million



Equity base substantially strengthened, net debt significantly reduced

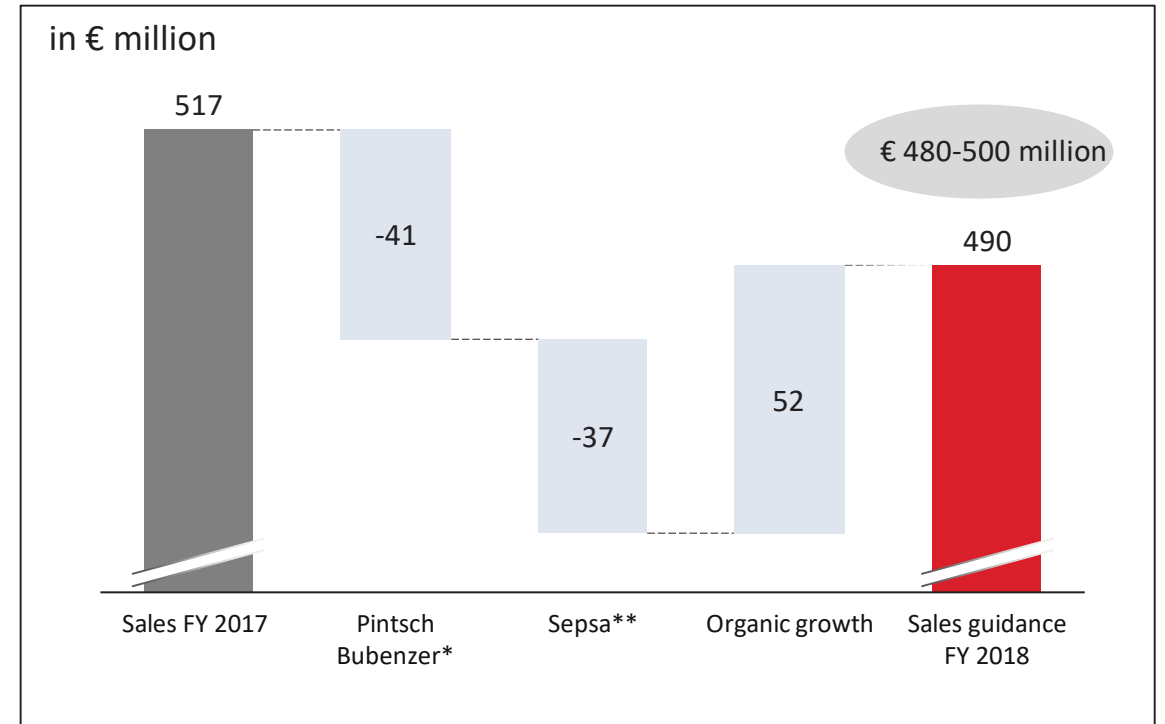
- Equity increases by € 45.4 million following the successful completion of the capital increase in February 2018 and a significantly improved net group result; equity ratio at 27.7% at the end of H1 2018 (up from 15.6% at year-end 2017)
- Reduction of net debt by € 51.9 million in H1 2018
 - Repayment of € 25.0 million in bridge financing as well as repayment of deferred loan and interest liabilities
 - Additional repayment of current account liabilities

Restructuring of equity and net debt in € million



Sales guidance 2018 confirmed

- Sales guidance for 2018 with a range of € 480-500 million (without Sepsa and taking into account the sale of Pintsch Bubenzer in Q1 2018)
- Organic growth of around € 40 – 60 million expected for FY 2018:
 - Strong growth in Mobile Transportation driven by Schaltbau Bode Group
 - Positive sales outlook for Component business



* Adjusted by FY 2017 and 01-02/2018 sales

** Adjusted by FY 2017 sales

Targets 2018 confirmed

- Solid order book 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

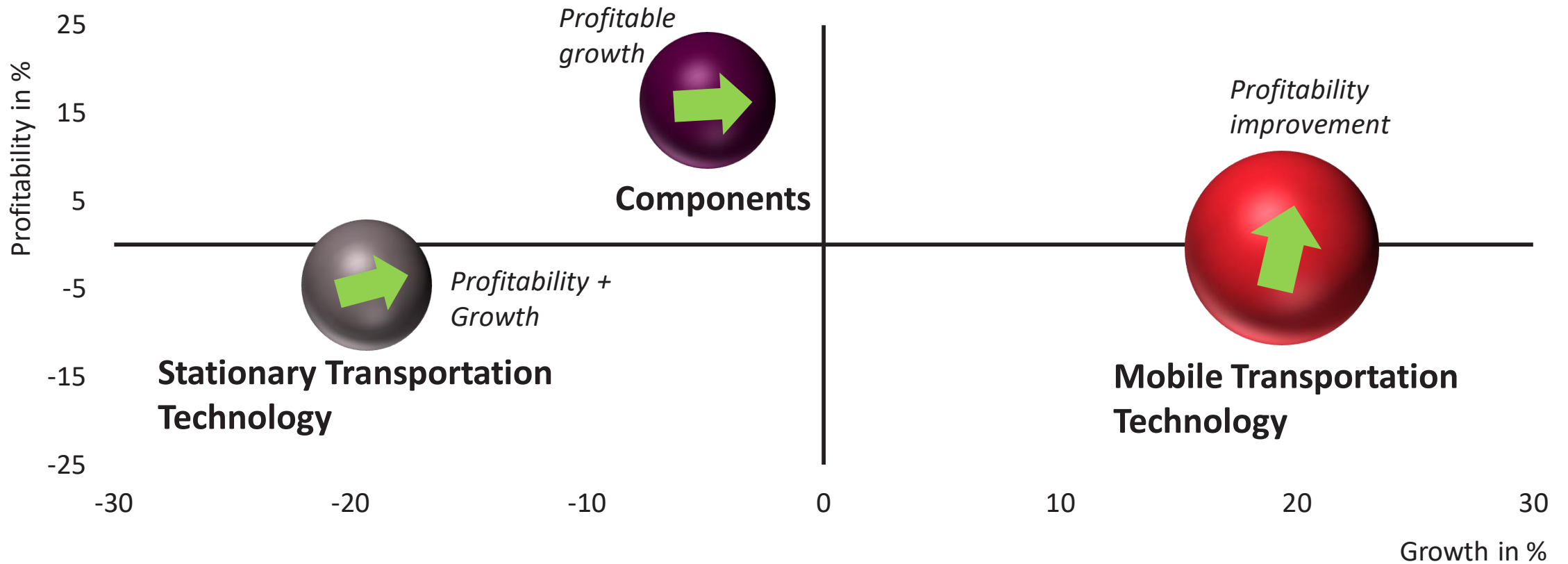
Outlook (in € million)	Guidance FY 2018*	2017
Order intake	500-520**	594.0
Sales	480-500**	516.5
<i>Mobile Transportation Technology</i>	Significant improvement	265.3
<i>Stationary Transportation Technology</i>	Significant decline	120.5
<i>Components</i>	Slight increase	130.7
EBIT margin	Around 3%**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

* Compared to FY 2017

** Excluding Pintsch Bubenzer, Sepsa and one-offs

*** Excluding extraordinary items

Portfolio 2017++



Bubbles show 2017 profitability and 2017 year-on-year revenue growth. Bubble size represents segmental significance for Schaltbau, based on revenue share. Green arrows represent expected development trend between 2018 and 2020.

Financial calendar and contact details

2018

- **8 November 2018:** Group Quarterly Statement (Q3/9M 2018)

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