

CORPORATE NEWS

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Schaltbau reports almost break-even operating EBIT and clearly positive operating cash flow in third quarter

- **Nine-month period: operating EBIT still held down by negative first-quarter result; operating cash flow close to break-even point**
- **Improved order situation provides good basis for profitable operating performance in final quarter and beyond**
- **Operating forecast for full fiscal year 2017 confirmed**
- **Revaluation of Schaltbau Sepsa leads to non-cash one-off effect**

Munich (Germany), 21 November 2017 – The Schaltbau Group, an internationally leading supplier of trendsetting transportation technology, recorded sales of € 128.2 million in the third quarter 2017, an improvement of 8.3 per cent year-on-year. Group sales for the nine-month period totalled € 363.0 million (January – September 2016: € 362.2 million). The figures for the current reporting year still include the sales contribution of the wholly owned Schaltbau Group subsidiary Albatros S.L.U. (Schaltbau Sepsa), which generates annual sales of € 35-40 million. However, this company was put up for sale on 15 November.

At negative € 0.7 million, operating EBIT – not including a non-operating one-off loss of € 12.0 million resulting from the revaluation of Schaltbau Sepsa – was almost recouped in the third quarter (July – September 2016: € 2.5 million). Nine-month EBIT deteriorated to a loss of € 17.4 million (30 September 2016: profit of € 12.1 million) on the back of the weak first-quarter performance and partially due to the one-time effect of the revaluation of Schaltbau Sepsa. The Group recorded a net loss of € 33.1 million for the nine-month period (January – September 2016: net profit of € 8.8 million), corresponding to negative earnings per share of € 5.37 (January – September 2016: positive earnings per share of € 0.87).

The positive sales performance of the Schaltbau Group during the current fiscal year has been driven primarily by the *Mobile Transportation Technology* segment, which recorded a 24.5 per cent increase in nine-month sales to € 190.6 million. The figure includes sales contributions from Schaltbau Sepsa companies, which had not been fully consolidated in the previous fiscal year. The negative EBIT margin of 2.2 per cent reported by the Mobile Transportation Technology segment – not including the one-time effect of the revaluation of Schaltbau Sepsa – mainly reflects the negative operating contribution made by foreign subsidiaries.

Sales for the *Stationary Transportation Technology* segment fell again in the third quarter 2017, due to business developments in both the Rail Infrastructure and Brake Systems business fields. Nine-month segment sales fell by 23.4 per cent to € 77.5 million, resulting in a negative EBIT margin of 10.3 per cent.

At € 95.8 million, sales in the *Components* segment were 12.1 per cent lower than in the first nine months of the previous year, reflecting various factors, including project delays in Italy and changed demand patterns on the rolling stock market in China. Segment sales rose sharply again, however, in the third quarter. The nine-month EBIT margin of 16.6 per cent was in line with the previous year's excellent performance (16.5 per cent).

At € 6.8 million, operating cash flow was highly positive in the third quarter 2017 and almost break-even for the nine-month period (negative € 1.0 million). The management team dealt with challenges arising in connection with liquidity primarily by optimising working capital levels.

For the final quarter of the current fiscal year, the Schaltbau Group forecasts highly positive sales and earnings effects, driven partially by the completion of major projects, and therefore confirms its operating guidance for the full fiscal year 2017. Accordingly, based on the current structure, Group sales for 2017 are forecast to come in at the lower end of the guidance range between € 520 million and € 540 million. Furthermore, the Schaltbau Group forecasts an operating profit of at least € 2 million for the full year. The guidance for operating performance does not include the non-operating one-time losses stemming from the revaluation of Schaltbau Sepsa totalling around € 28 million, of which € 12 million was recognised in the third quarter.

"The recently emerging positive developments in some parts of our business make my colleagues and myself highly optimistic about the sustainable operating potential of the Schaltbau Group. However, in view of the restructuring measures required by the Group, we are still faced with considerable challenges that need to be tackled," stated Dr Bertram Stausberg, Spokesperson of the Executive Board of Schaltbau Holding AG.

In the Mobile Transportation Technology segment, these challenges include the inadequate productivity in processing orders within Germany. By contrast, the segment's order situation remains positive. In the Stationary Transportation Technology segment, the order situation has recently become somewhat more stable, albeit below the level seen one year earlier. In the Components segment, sales are brisk and business performance has exceeded expectations.

"Based on the detailed analysis of the Schaltbau Group's activities that we have performed in recent weeks, we will compile a roadmap for repositioning and strengthening our business. The sale of Sepsa is a key component in this strategy. During the next few months, in our capacity as Executive Board, we will successively work through the measures required to restructure operations and achieve financial security. With this strategy, we are confident of being able to get the Group back on track for success," said Dr Stausberg in conclusion.

With annual sales of over € 500 million and around 3,370 employees, the Schaltbau Group is a leading supplier of components and systems in the field of transportation technology and the capital goods industry. The companies of the Schaltbau Group supply complete level crossing systems, train formation and signal technology, door and boarding systems for buses, trains and commercial vehicles, sanitary systems and interior fittings for railway vehicles, industrial brakes for container cranes and wind turbines and also high- and low-voltage components for rolling stock as well as for other fields of application. Its innovative and future-oriented products make Schaltbau a key industrial business partner, particularly in the field of transportation technology.

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DISCLAIMER

This corporate news contains statements regarding future developments based on information currently available to us. As a result of risks and uncertainties, actual outcomes could differ from the forward-looking statements made.

Schaltbau Holding AG does not intend to update these forward-looking statements.

Consolidated Income Statement of Schaltbau Holding AG, Munich for the period 1 January to 30 September 2017

	2017 € 000	2016 € 000
Sales	362,981	362,171
Change in inventories of finished goods and work in progress	13,476	6,412
Own work capitalised	4,430	2,810
Total output	380,887	371,393
Other operating income	8,036	4,642
Cost of materials	194,966	186,353
Personnel expense	139,340	125,239
Depreciation and amortisation	26,115	11,470
Other operating expenses	45,852	40,829
Loss/profit from operating activities (EBIT)	-17,350	12,144
a) Result from at-equity accounted investments	4	-3,592
b) Sundry other result from investments	-325	7,326
Results from investments	-321	3,734
a) Interest income	451	893
b) Interest expense	8,794	4,467
c) Other financial result	-13	0
Financial result	-8,356	-3,574
Loss/profit before tax	-26,027	12,304
Income taxes	7,053	3,551
Group net loss/profit for the period	-33,080	8,753
Allocation of net loss/profit for the period		
attributable to minority shareholders	1,207	3,490
attributable to shareholders of Schaltbau Holding AG	-34,287	5,263
Group net loss/profit for the period	-33,080	8,753
Earnings per share – undiluted:	€ -5.37	€ 0.87
Earnings per share – diluted:	€ -5.37	€ 0.87

**Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 30 September 2017**

ASSETS

		30.09.2017	31.12.2016
		€ 000	€ 000
A.	NON-CURRENT ASSETS		
I.	Intangible assets	70,602	83,666
II.	Property, plant and equipment	86,213	88,361
III.	At-equity accounted investments	7,894	3,129
IV.	Other investments	3,737	4,031
V.	Deferred tax assets	9,765	15,452
		178,211	194,639
B.	CURRENT ASSETS		
I.	Inventories	125,105	101,353
II.	Trade accounts receivable	106,082	115,241
III.	Income tax receivables	1,166	944
IV.	Other receivables and assets	31,239	15,009
V.	Cash and cash equivalents	21,893	30,018
VI.	Assets held for sale	0	1,870
		285,485	264,435
		463,696	459,074

EQUITY AND LIABILITIES

	30.09.2017	31.12.2016
	€ 000	€ 000
A. EQUITY		
I. Subscribed capital	8,064	7,506
II. Capital reserves	31,105	16,126
III. Statutory reserves	231	231
IV. Revenue reserves	51,908	62,344
V. Reserve for income/expenses recognised directly in equity	-1,889	212
VI. Revaluation reserve	3,041	3,041
VII. Group net loss attributable to shareholders of SBAG	-34,287	-15,822
Equity attributable to shareholders of Schaltbau Holding		
VIII. AG	58,173	73,638
IX. Minority interests	30,100	33,435
	88,273	107,073
B. NON-CURRENT LIABILITIES		
I. Pension provisions	37,101	40,154
II. Personnel-related accruals	5,046	4,888
III. Other provisions	12,934	14,628
IV. Financial liabilities	41,562	43,304
V. Other liabilities	1,120	4,557
VI. Deferred tax liabilities	3,252	3,535
	101,015	111,066
C. CURRENT LIABILITIES		
I. Personnel-related accruals	7,127	8,432
II. Other provisions	23,699	20,679
III. Current income tax payable	518	337
IV. Financial liabilities	152,920	134,719
V. Trade accounts payable	51,945	42,034
VI. Advance payments received	12,903	12,684
VII. Other liabilities	25,296	21,508
VIII. Liabilities relating to assets held for sale	0	542
	274,408	240,935
	463,696	459,074

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich 1 January to 30 September 2017

	2017 € 000	2016 € 000
Loss/profit from operating activities (EBIT)	-17,350	12,175
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	26,115	11,457
Gains/losses on the disposal of intangible assets and property, plant and equipment	54	-245
Change in current assets	-21,791	910
Change in provisions	259	-1,040
Change in current liabilities	16,180	-3,847
Dividends received	0	200
Income taxes paid	-2,391	-6,051
Other non-cash income/expenses	-2,110	233
Cash flows from operating activities	-1,034	13,792
Payments for investments in:		
- Intangible assets and property, plant and equipment	-11,999	-12,125
- Financial investments	-5,228	-687
- Acquisitions of fully consolidated entities less cash acquired	0	-866
- Financial investments	-15,539	0
Proceeds from disposals of:		
- Property, plant and equipment	56	13
- Financial investments	8	190
- Business units	3,933	2,991
Cash flows from investing activities	-28,769	-10,484
Sale of shares	0	4,057
Equity capital increase	15,537	0
Dividend payment by Schaltbau Holding AG	0	-6,020
Distribution to minority interests	-3,496	-2,268
Loan repayments	-4,273	-5,302
Loans raised	4,141	540
Interest paid	-5,979	-4,961
Interest received	503	272
Change in other financial liabilities	-1,399	9,864
Cash flows from financing activities	5,034	-3,818
Change in cash funds due to exchange rate fluctuations	-990	-976
Change in liquid funds due to changes in the group reporting entity	0	0
Change in cash funds	-25,759	-1,486
Cash funds at the end of the period*	5,418	31,189
Cash funds at the beginning of the period	31,177	32,675
	-25,759	-1,486

* Cash funds as of 30 September 2017 for the first time include liabilities on current accounts.