

MEDIA RELEASE

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Stadler Rail negatively impacted by exchange rate distortion

In 2014, Stadler Rail had a record number of orders received totalling CHF 2.9 billion. Together with the large number of orders received in 2013, this allowed the company to compensate for the massive dip in 2011/2012. The ongoing currency shock, which was triggered by the Swiss National Bank's decision in January to uncouple the Swiss franc from the euro, is currently negatively impacting Stadler Rail. Expansion into the CIS countries has been halted due to the weakness of the rouble and the declared international sanctions against Russia.

After the low numbers of orders received in 2011 and 2012, in 2014, Stadler Rail was able to once again increase these figures compared to the previous year. **Orders received** totalled just under CHF 3 billion, and thus ensure that there will be sufficient work for Stadler locations for the near future despite the difficult economic and political conditions. In Germany, orders received were fewer than anticipated because a number of large tenders were postponed, such as the commuter railway system in Berlin, or were lost to competitors, such as the RRX in North Rhine-Westphalia.

The highlight of 2014 was the **SBB contract**: In May of last year, after a hotly fought tender process, Stadler Rail was chosen to provide **29 EuroCity trains**. That was a major milestone for the company. And not only that – it also marks Stadler Rail's entry into the high-speed segment of up to 250 km/h. The multi-system trains will be approved for use in Switzerland, Italy, Germany and Austria. The vehicles are the world's first single-decker low-floor high-speed trains and will travel through the new Gotthard Base Tunnel, connecting Frankfurt and Milan. The total order volume amounts to approximately CHF 970 million, and 80 per cent of the value added will be created in Switzerland.

Another highlight for Stadler Rail was the sale of the **1000th FLIRT**. In the meantime, a total of 1099 FLIRTS have been sold. The 1000th is sent to Finland as part of an option for Junakalusto Oy. This order meant that Stadler Rail had to bundle up its FLIRTS against the cold: the vehicles are equipped to handle the extreme winter weather conditions in Finland. Furthermore, the running gears and the vehicle body cross sections were adapted to fit the Finnish broad gauge and the larger clearance profile. Finland now owns a total of 75 FLIRTS.

The contract with the Dutch State Railway (NS) for 58 FLIRT trains once again allowed Stadler Rail to demonstrate its **exceptional degree of flexibility**. The trains are scheduled to be delivered at the end of 2016, just two years after the order was received.

In recent years, no other company has been able to process so many contracts of this type, with such short delivery times, on schedule.

Stadler Rail in the Wild West

This month, Stadler Rail signed a contract in **Fort Worth, Texas**, for **eight FLIRT³ trains**. The total value amounts to approximately USD 100 million. The delivery date from the factory is set for July 2017, with the subsequent approval period lasting until March 2018. This contract with "The T", Fort Worth's public transportation company, is Stadler Rail's fifth contract in the United States. To date, the company has sold 49 articulated multiple-unit trains GTW in the USA. In contrast to previous contracts, federal funds will make up a portion of the financing for the current order, making this the first time that the Buy America Act comes into play in a Stadler project. The Act stipulates that 60 per cent of the added value is to be created in the USA. Stadler Rail has therefore decided to construct a new factory in the United States. The company will soon make a decision as to the location of this new facility.

In May, Stadler Rail sold the **first bimodal FLIRT** train. Stadler Rail received an order from the Aosta Valley region in north-western Italy for five bimodal trains (BMU), worth around EUR 43 million. These trains can either run using diesel fuel or electricity from a 3 kV DC overhead contact line. They will be used for interregional passenger transport between Aosta and Turin. The bimodal trains are part of the latest generation of the FLIRT³ and will be delivered in 2018.

Last year, among other vehicles, we delivered FLIRTs to Norwegian State Railways (NSB), MÁV Hungary, Serbian Railways (ŽS) and DB Regio AG in Rhineland-Palatinate. In the **"tailor-made"** segment, we supplied vehicles to the Mariazellerbahn, the Wengeneralpbahn and the Matterhorn Gotthard Railway. The metre-gauge railway for Western Switzerland is another important contract in the "tailor-made" segment.

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Ongoing tenders

An additional option for 44 FLIRT trains is expected to come from NSB. MÁV-START in Hungary has put out a tender for an additional 21 FLIRTs. And Bochum-Gelsenkirchener Straßenbahnen AG has invited a tender for 50 Variobahn trams. The tram order from **Zurich Public Transport (VBZ)** is also pending. After the Zurich Transport Network (ZVV) refused to approve the costs for the order, VBZ submitted an appeal to the Government Council. In the meantime, Stadler Rail has extended the deadline for its offer three times. The news program *Rundschau* on Swiss national television uncovered irregularities in the approval process.

Challenges presented by the strong Swiss franc

As a result of the Swiss National Bank's decision to **discontinue the minimum exchange rate** of CHF 1.20 to the euro, Stadler Rail's products suddenly experienced a 20 per cent increase in price again. Due to the **price shock**, Stadler Rail saw no other choice but to reduce costs and increase working hours to 45 hours a week. Peter Spuhler himself personally led the negotiations with the Unia trade union regarding the collective employment agreement. In a further measure, the purchasing volume was transferred from Swiss francs to euros, and investments were also made in innovations. The transfer of individual contracts from high-cost to low-cost countries will only be considered as a last resort. Stadler Rail is making every effort to maintain its activities within Switzerland.

Weakness of the rouble

The **weak rouble** is another issue that Stadler Rail is facing. It directly affects the major contract to supply Russia with 25 double-decker multiple-unit trains. **Aeroexpress** has announced that it is having liquidity problems. The company is requesting an adjustment to the payment conditions or a reduction in the number of trains. Negotiations are currently underway with the banks responsible for financing the project and with SERV Swiss Export Risk Insurance. Stadler Rail has also fallen well behind expectations in terms of the Arabic market.

That is why the company is readjusting its strategy. Whereas Stadler Rail added projects in the CIS countries and Arabic-speaking countries in 2013, it is now shifting its focus to the UK and the USA. The goal is to maintain the current position on existing markets and penetrate new ones in the West. The contract in Texas is an important step in this direction, and further options are currently in sight.

Will the consolidation wave also affect vehicle construction?

As was communicated internationally, the two large train manufacturers in China – CSR and CNR – have merged. This corporate giant now employs around 180,000 people and has an annual turnover of EUR 30 billion. The after-effects of this merger have been felt in the European railway vehicle sector as well. By all accounts, discussions are currently underway between the three major players in the industry, Alstom, Bombardier and Siemens. What is also already known is that both Talgo and NEWAG have been launched on the stock market with an IPO. Further, the transport technology manufacturer Vossloh wants to divest its rail vehicle construction segment. Stadler Rail is currently evaluating the strategic relevance of these potential candidates for purchase.

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Stadler Rail Group, system supplier of customer-specific solutions for rail vehicle construction, has locations in Switzerland (Altenrhein, Bussnang, Winterthur and Biel), in Germany (Berlin-Pankow, Berlin-Hohenschönhausen, Berlin-Reinickendorf and Velten), in Poland, Hungary, the Czech Republic, Italy, Austria, the Netherlands, Belarus, Algeria and in the USA. The Group has a workforce of around 6000 people. The best-known vehicle series from Stadler Rail Group are the articulated multiple-unit train GTW (600 trains sold), the Regio-Shuttle RS1 (497 trains sold), the FLIRT (1099 trains sold), the double-decker multiple-unit train KISS (216 trains sold) and the high-speed train EC250 (29 trains sold) in the railway segment, and the Variobahn (365 vehicles sold) and the Tango (159 vehicles sold) in the tram segment. The Metro is another addition for the commuter rail market (2 + 34 vehicles sold). Furthermore, Stadler Rail manufactures metre-gauge trains, passenger carriages and locomotives and is the world's leading manufacturer of rack-and-pinion rail vehicles.