

MEDIA RELEASE

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Stadler feels the after-effects of the “Frankenschock”

After record-breaking numbers of orders received in 2014, Stadler felt the after-effects of the decision to remove the exchange rate cap with the euro in 2015. At CHF 2.1 billion, the amount of orders received was lower than in the previous two years – but nonetheless still good. What is truly impacting the company, however, is that the margins on the projects have collapsed. This renewed “Frankenschock” has cost Stadler over CHF 100 million – an amount that would otherwise have gone to fund innovations or acted as a buffer.

In 2013 and 2014, the Swiss train manufacturer Stadler recorded incoming orders totalling CHF 2.6 and CHF 2.9 billion, respectively. This year, the company has not been able to duplicate these figures. The main reason for this are the number of orders that were supposed to be finalised last year but have been pushed to the current year. Nevertheless, the remaining orders received, totalling CHF 2.1 billion, can still be considered sound. The budget was CHF 2.8 billion.

However, the delayed effects of the removal of the Swiss franc’s exchange rate cap have been far more serious, resulting in a massive collapse of the margins. The company estimates that this second “Frankenschock” has resulted in losses of more than CHF 100 million. “These are funds that we will not be able to use for investments, for innovation or as a buffer in leaner times”, explains Peter Spuhler, Group CEO and owner, at the annual media conference in Bussnang.

Good utilisation levels – except in Minsk

That being said, Peter Spuhler does not see any reason to sulk. The Stadler team has risen to meet challenges in years past and has bested these challenges thanks to the dedication of every single employee. Peter Spuhler: “It is great to see how powerful this company is.” For the most part, the utilisation levels at the Stadler locations are good. The factory in Minsk is the only location experiencing underutilisation as a result of the oil and gas crisis and the corresponding Russian financial crisis. However, Bussnang will also need to take on more projects in order to keep the factories at full capacity in 2017.

Orders won

In March of this year, Stadler, working in a consortium with Ansaldo STS, won the tender to provide 17 underground trains for the **Glasgow Subway (SPT)**. It is the first time that Stadler's rolling stock will be part of a driverless underground system. The total order volume amounts to approximately GBP 200 million.

Working in a consortium with Siemens, Stadler will be delivering 106 trains to **S-Bahn Berlin**, and the framework contract includes a total of 1380 carriages. The order volume for the 85 4-carriage and 21 2-carriage vehicles amounts to a figure somewhere in the high three-digit millions.

The KISS double-decker has performed very well over the past few months. Five double-deckers from the Aeroexpress project were sold to Azerbaijan, and Georgian Railways has purchased four of these trains. The contract with **Mälabb** that was announced last year is now legally valid. Bombardier's appeal was denied, and Stadler can now deliver 33 4-carriage double-decker trains to the Swedish railway company Mälabb. The total volume of the order amounts to SEK 3.5 billion. Furthermore, the order includes an option for an additional 110 vehicles.

Over the next few years, Stadler will supply 42 additional Variobahn trams to the **Bochum-Gelsenkirchener Straßenbahnen Aktiengesellschaft (BOGESTRA)**. The contract was signed on 21 August 2015 in Gelsenkirchen during the company's annual general meeting. The trams will be delivered in record time between 2016 and 2020.

In spring of last year, Stadler won a contract with the **Dutch State Railway (NS)** for 58 FLIRT trains. The trains will be delivered by the end of 2016. This is yet another time that Stadler has proven that it can provide exceptional flexibility.

Stadler has once again seen a high number of orders received in the Tailor-Made segment, including orders from the Berner Oberland-Bahn (BOB), the Corcovado Rack Railway and Rocky Mountaineer.

Deliveries in 2016

The order for **PKP Intercity** was one of the highlights of the past year. The last of the 20 200-metre-long FLIRT trains was delivered in December. The Intercity vehicles will be operated on the main routes between Warsaw, Szczecin, Gdynia, Olsztyn, Katowice and Kraków. Alongside vehicle delivery, the contract with PKP Intercity also includes a commitment to 15 years of technical maintenance on the vehicles.

Another highlight was the delivery of the 50th KISS DOSTO to the **SBB. Serbian Railways (ŽS)** ordered 21 electric FLIRT trains from Stadler for commuter rail services in the Belgrade region. All of these environmentally friendly trains were delivered between autumn 2014 and late summer 2015 at a rate of one train every two weeks.

New strategic orientation

As a result of the Swiss currency crisis, but also due to the Russian financial crisis and its effects on CIS countries, Stadler has adjusted its strategy over the past year and will continue on this path in the current year.

The core of this strategy is to expand Stadler's base by tapping into new market segments and launching new products. The entry into new market segments such as high-speed vehicles, underground trains and locomotives has already been achieved with the SBB contract for 29 high-speed trains, which will travel through the world's longest rail tunnel, the Gotthard Base Tunnel. We already successfully broke into the underground train segment in 2012 with the order for Berlin.

In addition, the company has successfully expanded into several new geographical markets and further expansion is currently under way: Stadler is pursuing its strategic repositioning goals through the expansion of activities and the establishment of a local production plant in the USA, along with the company's recent entry into the UK and Australian markets.

Spanish addition for Stadler

The acquisition of the Valencia-based locomotive business Rail Vehicles from Vossloh was last year's most significant milestone. The Spanish locomotive manufacturer employs around 850 people in Valencia – as a result of the takeover, Stadler's workforce has grown to approximately 7000 and, for the first time in the company's history, more of its employees work abroad than in Switzerland. The takeover has provided Stadler with a foothold in the new market segment of diesel-electric locomotives while also offering the company the chance to tap into new, Spanish-speaking markets.

Rail Vehicles is based in Valencia, where it develops and produces innovative diesel-electric locomotives such as the EURO 4000 – the most powerful diesel-electric locomotive in Europe. In addition, the company also builds innovative metro trains, trams and tram trains. Rail Vehicles has grown to become a strong market presence in this area as well. In the 2014 financial year, Rail Vehicles posted an annual turnover of EUR 223.2 million and a turnover of EUR 182.4 million in the first nine months of 2015.

The integration of the Spanish factory has been an overwhelming success. The final integration measures will be completed this month. With orders for three EURO 4000 locomotives for VFLI and 25 Citylink vehicles for the German railway operator Albtal-Verkehrs-Gesellschaft (AVG), the company has already been able to win the first orders for the new locomotive factory in a very short time.

Stadler took the acquisition of Valencia in 2015 as an opportunity to slightly adjust its organisational structure. The company introduced the new Spain Division, headed by Íñigo Parra, the CEO of Valencia. Despite the fact that the company is becoming increasingly international, Group CEO Peter Spuhler has decided that German will remain the company's official language.

Giruno taking shape

The major milestone so far this year has been the start of production for the Giruno/EC250 high-speed trains for the SBB. Carriage body construction has already begun and, later this year, Stadler and the SBB will be presenting the first model of the new high-speed train at InnoTrans in Berlin. This means that Stadler will have put the first train on the tracks less than two years after signing the contract. The roll-out of the first Giruno train will take place in spring 2017, and the trains will enter into regular operation in 2019.

Aeroexpress solution

Stadler has also successfully mastered a major challenge already this year: the company was able to find a solution for the Russian air rail link operator Aeroexpress. Due to the Russian financial crisis, the company began experiencing financial difficulties and could no longer afford the 24 double-decker trains that they had ordered. Stadler was able to support its customer and work together with the Swiss Export Risk Insurance and the banks involved in financing to create a tailored solution for Aeroexpress.

75th anniversary

Stadler will be celebrating its 75th anniversary next year. In honour of this milestone, in May 2017, all of Stadler's Swiss locations will open their doors to the public and invite them to join the celebration. The first EC250 will be rolled out at this time as well.

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Stadler has been building trains for 75 years. The system provider of rail vehicle construction solutions is headquartered in Bussnang in Eastern Switzerland, and has a workforce of around 7000 based in various locations across Switzerland, Germany, Spain, Poland, Hungary, the Czech Republic, Italy, Austria, the Netherlands, Belarus, Algeria, Australia and the United States. Stadler provides a comprehensive range of products in the commuter rail and railway segments: trams, tram trains, underground trains, regional and commuter rail trains, intercity trains and high-speed trains. In addition, Stadler manufactures main-line dual-mode locomotives, shunting locomotives and passenger carriages, including the most powerful diesel-electric locomotive in Europe. Stadler remains the world's leading manufacturer in the rack-and-pinion rail vehicle industry.

This year, Stadler will be part of a historic event, as the longest train tunnel in the world, the Gotthard Base Tunnel, will officially be opened from 1 to 5 June 2016. From 2019 onwards, the new Giruno trains produced by Stadler for the Gotthard Base Tunnel will carry passengers from Zurich to Milan, and later from Frankfurt to Milan, in record time.

More Stadler figures: the best-selling FLIRT (Fast Light Innovative Regional Train) vehicle has already sold 1200 units in a total of 17 countries. The KISS vehicle (the name is an acronym of the German for comfortable innovative speedy suburban train) is also very popular: it has sold 216 units in 6 countries. The most powerful diesel-electric locomotive in Europe, the EURO 4000, has sold 130 units in 7 countries. Additionally, Stadler Service maintains 15 vehicle fleets made up of over 300 vehicles that cover a combined annual distance of 60 million kilometres.