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12/03/2019 – GBC management interview with Rudolf Witt, Speaker of the Board of SBF AG

“We see ourselves at the beginning of an extremely positive development”

Company: SBF AG^{5a,5b,6a,7,11}

ISIN: DE000A2AAE22

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** Catalogue of potential conflicts of interests on page 5*

SBF AG and its holdings operate in the mobility sector, in particular the rolling stock industry. SBF AG acts as the managing holding company. Its operational business activities are carried out by the subsidiary SBF Spezialeuchten GmbH, which also represents the core holding of the holding company. SBF Spezialeuchten GmbH is a leading European system vendor for ceiling, lighting and ventilation systems for rolling stock. The company has become a specialist in LED systems for the interior and exterior of rail vehicles of all types.

After SBF AG recently announced its provisional results for financial year 2018 and an outlook for the current financial year, we took the opportunity to carry out a management interview with Mr Rudolf Witt, the Speaker of the Board of SBF AG, with a particular focus on current developments in the rail industry and the current financial year 2019.

GBC: Mr Witt, the global rail technology market is regarded as a sustainable growth sector. What developments or trends are you observing within this segment and what market developments do you expect in the coming years?

Mr Witt: It is right to call the global market for rail technology a sustainable growth sector that is independent of economic cycles. The ever-increasing global population and the simultaneous discussion about the environment and the negative effects of automobile traffic necessitate further investment in the railways. In the future, most people will use railways to get around. Thus, we also expect significant growth of the global rail technology market in future.

GBC: Deutsche Bahn is currently dealing with several problems, such as frequent train cancellations, a lack of replacement trains and an outdated rail network, which often lead to travel delays. In order to tackle this crisis, Deutsche Bahn is looking to invest heavily, primarily in trains, staff and the rail network. How can your company benefit from this investment policy of Deutsche Bahn AG?

Mr Witt: Especially in the recent past, there have been clear signals from the German Federal Government, as the owner of Deutsche Bahn AG, promoting the improvement of

DB's negative performance as quickly as possible. Since Deutsche Bahn has regularly failed to meet its targets, the Federal Ministry of Transport is increasing the pressure and making disproportionately high investment funds available. It can be assumed that our strong clients will benefit from this and so will our company.

GBC: According to media reports, extensive major railway projects in the United Kingdom with budgets of several billion pounds are currently being planned, and some have even been ordered already. These include, among other things, massive investments in new trains. Are you at SBF also focusing your business activities on this region?

Mr Witt: England in particular is a very attractive market for us, especially since there is a very high investment backlog there. For this reason, the English government has adopted an extensive, billion-pound program to modernise the entire rail network. The plans provide for investments of over £200 billion within the next ten years. As our major clients have also secured attractive orders in the first tenders, we have already been approached as a potential supplier, which is certainly a positive for us. One uncertain factor at the present time is the unclear issue of Brexit, which automatically brings about investment uncertainty. If the general conditions are right, however, we would not rule out a production site in England.

GBC: The corporate strategy of SBF AG in the past three years was very strongly focused on the consolidation of the company. This phase has now been successfully completed. What strategic approach will your company be taking from now on?

Mr Witt: Thanks to very hard and ultimately successful work, the last three years have made SBF the preferred Tier-one supplier of all major rolling stock manufacturers. Thanks to our outstanding performance, we will expand our position further and be more proactive in shaping the future of the company, but will still proceed with restraint. Due to the support of important players invested in SBF, we have a very good opportunity to achieve the desired growth.

GBC: In order to tap into additional growth potential, you are also looking to make strategic acquisitions. What type of takeover candidates are you focusing on and is such an acquisition planned in the near future?

Mr Witt: You are right that our company, having completed the consolidation phase, is now starting a phase of healthy growth. We are looking in two strategic directions here: on the one hand, growth under our own steam through large-scale investments in vertical integration to stabilise and build on our already strong competitive position. On the other hand, we are on the lookout for attractive acquisition opportunities, provided that these are within the rolling stock market and bring the corresponding synergy effects with them. These extensive growth investments are scheduled to be implemented this year and the following year.

GBC: What is your outlook for 2019? What can we expect from SBF AG in the current financial year?

Mr Witt: 2019 will be an exciting year for us. We expect more incoming orders, which is also to be expected based on corresponding enquiries from our clients. It must therefore also be assumed that we are sure to exceed the previous year's turnover and can continue to expect increasing revenue and earnings figures. The optimal incorporation of the

investments I mentioned earlier is a particularly important strategic step, which will drive our company forward in all sorts of ways.

GBC: Where do you see the SBF Group in three to five years?

Mr Witt: The SBF Group has great potential which until now has not yet been fully unlocked. I want to stress that we can still see huge opportunities in the future, as the prevailing general conditions we have now put in place are optimal. We see ourselves at the beginning of a still extremely positive development thanks to our particularly positive starting position as a result of our structured company setup and the market in which we operate, which continues to show sustainably strong growth in the long term, independently of economic cycles. I think it is quite possible that in a few years, our company will be far bigger and more profitable than it is today and we will be a highly visible and highly efficient player on the rolling stock market.

GBC: Mr Witt, thank you for talking with us.

GBC summary: In the past, the SBF Group has put itself in a good position on the market to benefit from increased investments in the railway sector worldwide. The company is now in sustainable growth mode and is expected to be able to make the most of its good client access and high product performance and quality in particular.

Note: Our initial report (initial coverage research report) on SBF AG can be accessed at the following link: <http://www.more-ir.de/d/17725.pdf>

ANNEX

I.

Research under MiFID II

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The analysts responsible for this analysis are:

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