

# Transforming Vossloh

## Annual General Meeting of Vossloh AG

May 20, 2015



## Disclaimer

### **Note:**

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## Transforming Vossloh

### Restructuring and realignment of the Group

Extensive analysis and re-evaluation of the situation revealed redundancies and ineffectiveness:

- ▶ Growth into fields of activities outside core competences
- ▶ Increase in stress of competition and cost pressure
- ▶ Earnings development not in line with sales growth

Immediate action necessary, required cuts identified

- ▶ Definition of program of measures for restructuring and Group repositioning at Vossloh Switch Systems, Vossloh Locomotives and Vossloh Electrical Systems

# Transforming Vossloh

## Required preconditions for restructuring

Expansion of competences

- ▶ Comprehensive industry experience on Executive and Supervisory Boards
- ▶ In-depth entrepreneurial know-how
- ▶ Efficient communication and decisionmaking

Operational management structure

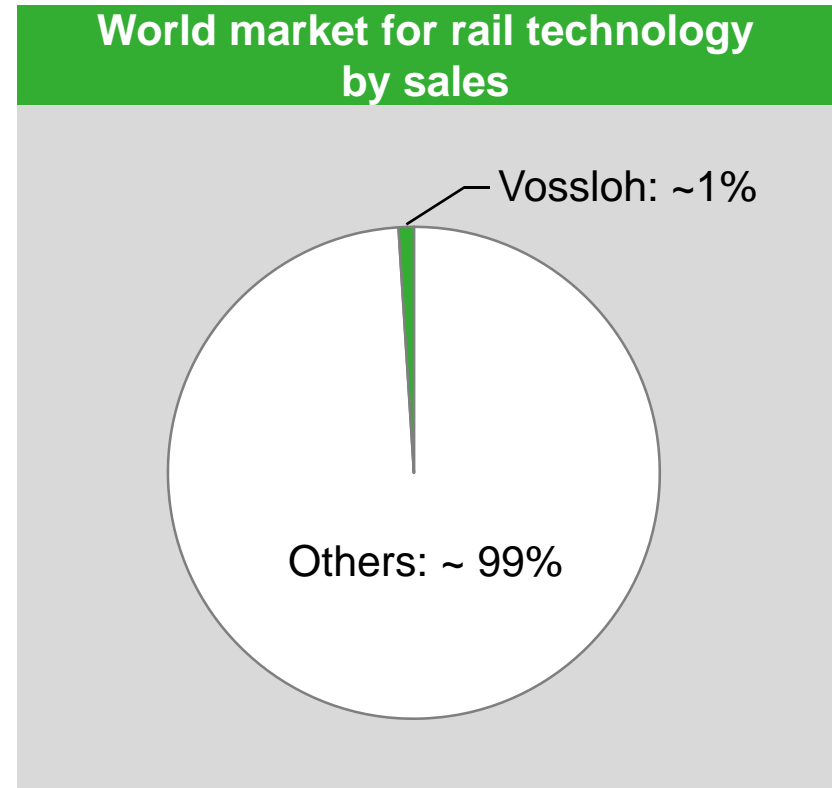
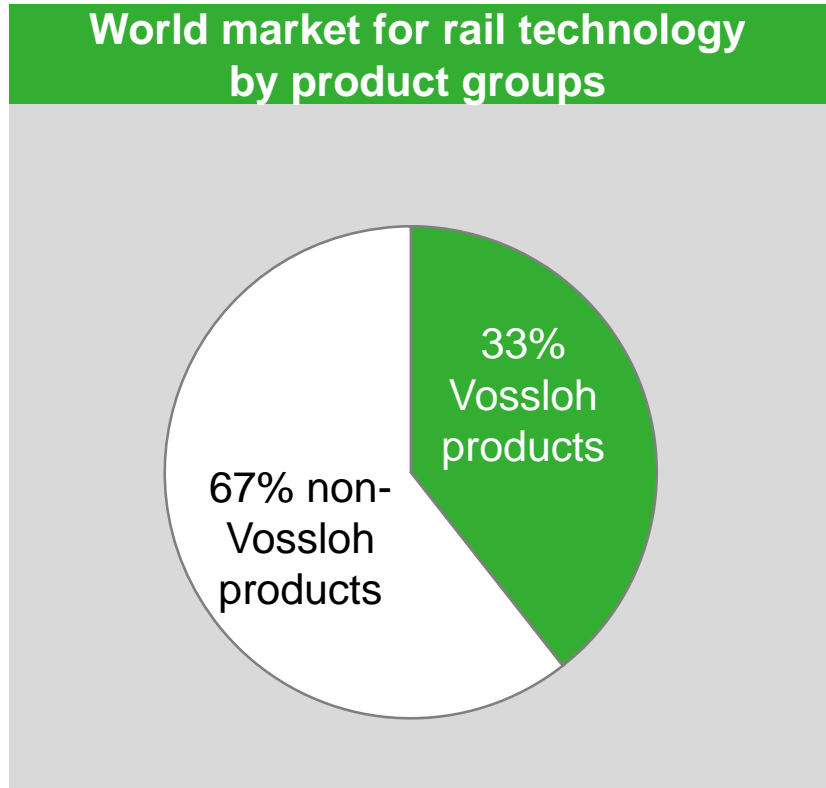
- ▶ Executive Board with operational management responsibility
- ▶ Networking of individual strands of action at highest management level
- ▶ Reducing management boards and department heads by 1/3

“One Vossloh“

- ▶ Cross-divisional and cross-task communications, information and actions
- ▶ Synergies through the networking of competences
- ▶ Speed

# Transforming Vossloh

## Vossloh gains a clear profile



Clear indication of too broad a product portfolio

## Transforming Vossloh

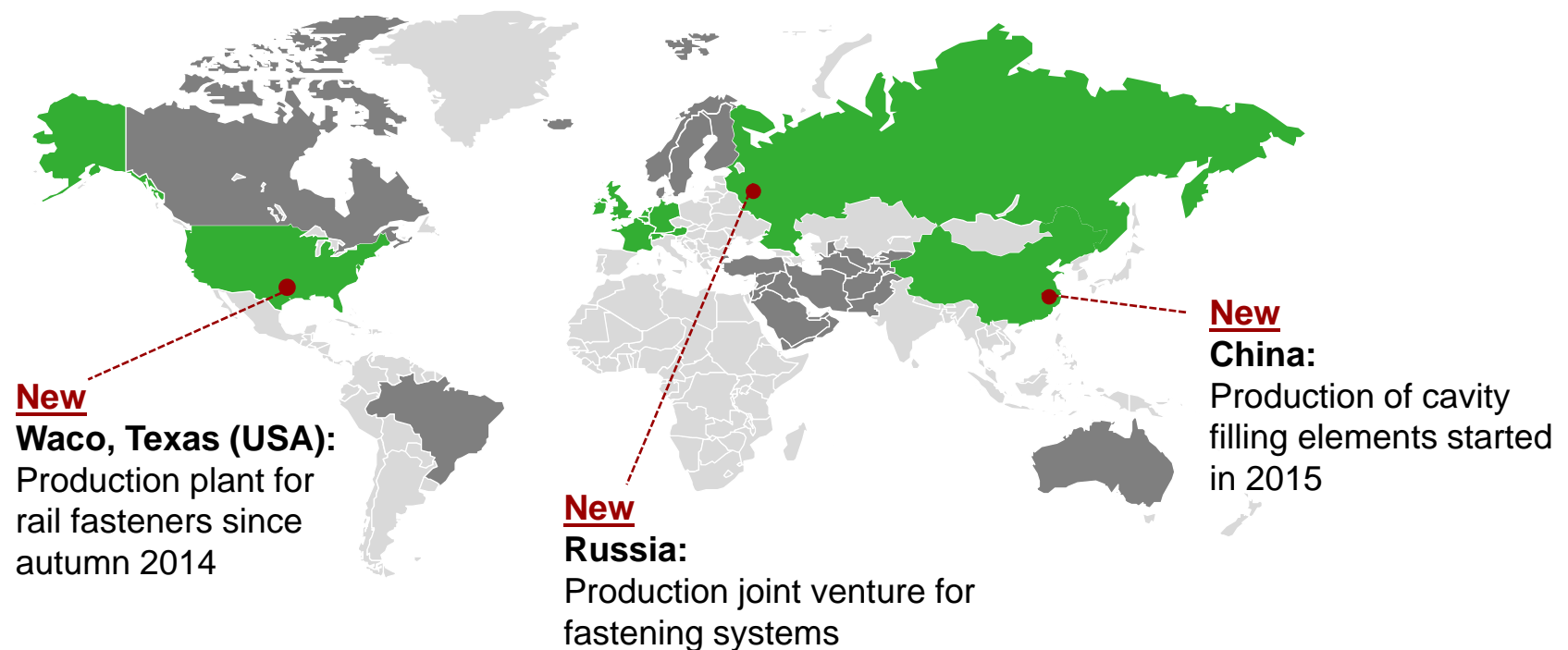
### Criteria for attractive core product groups and focus markets

<b>Leading market position</b>	▶	Hold No. 1- / no. 2 positions in covered product groups/markets, achieve these medium term, respectively
<b>Global demand</b>	▶	All significant world regions
<b>Growth</b>	▶	Above-average growth potential
<b>Market entry barriers</b>	▶	High, time to market > 5 years, high technological standards
<b>Cyclicality</b>	▶	Low, financing in large part through public sector
<b>Profitability</b>	▶	Attractive EBIT margin, low capital commitment

# Transforming Vossloh

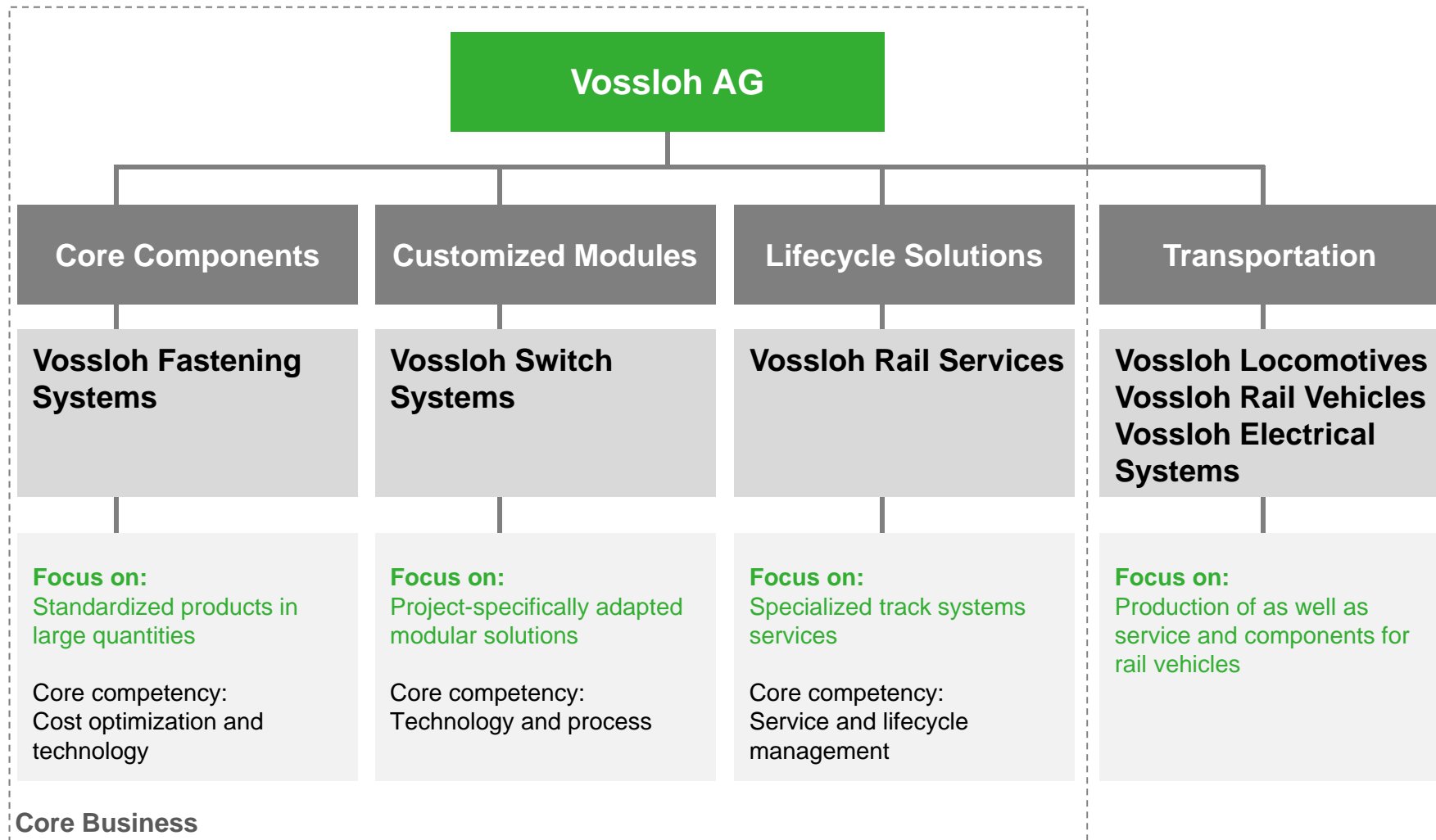
## Regional focus markets and attractive individual markets

- **Regional focus markets** with respect to market size, market growth and/or technological leadership: China, USA, Russia and Western Europe
- Additional **attractive regional markets**: Australia, Brazil, Canada, Middle East, Northern Europe and STAN countries\*



# Transforming Vossloh

## New Group structure: organization by business model





# Vossloh 2015 – New Group structure

## Core Components

- ▶ Product business
- ▶ Starting point: Vossloh Fastening Systems
- ▶ A worldwide market leader in rail fastening systems
- ▶ Products used in over 65 countries
- ▶ More than 90% of sales outside Germany
- ▶ Elastic rail fastening systems, screwed and maintenance-free, for ballast and ballastless tracks (high-speed), for mainline & conventional lines, heavy-haul tracks and urban rail haulage (LRT)
- ▶ Production of more than 65 million rail fasteners per year at 5 main production sites worldwide



# Vossloh 2015 – New Group structure

## Customized Modules

- ▶ Project business
- ▶ Starting point: Vossloh Switch Systems
- ▶ A worldwide market leader in switch and crossing systems
- ▶ Over 75% of sales outside the French home market
- ▶ Standard, high-speed and specialty (heavy-haul) switches in accordance with all international standards
- ▶ Signalling components, switch actuators, locking devices and rail monitoring systems, manganese frogs and switch blades
- ▶ More than a century of experience
- ▶ 39 production sites in 22 countries



# Vossloh 2015 – New Group structure

## Lifecycle Solutions

- ▶ Service business
- ▶ Starting point: Vossloh Rail Services
- ▶ Provider of comprehensive service packages, complementary services to the products of Core Components and Customized Modules
- ▶ Rail grinding, especially high-speed grinding, turnout maintaining services, rail milling, rail reconditioning, rail testing, rail welding, rail logistics
- ▶ Customers: rail producers and rail operators, e.g. Deutsche Bahn, China Railways, Danish State Railways, Finnish State Railways
- ▶ A leader in the German market for comprehensive rail servicing and logistics



# Vossloh Group

## Key data for financial year 2014

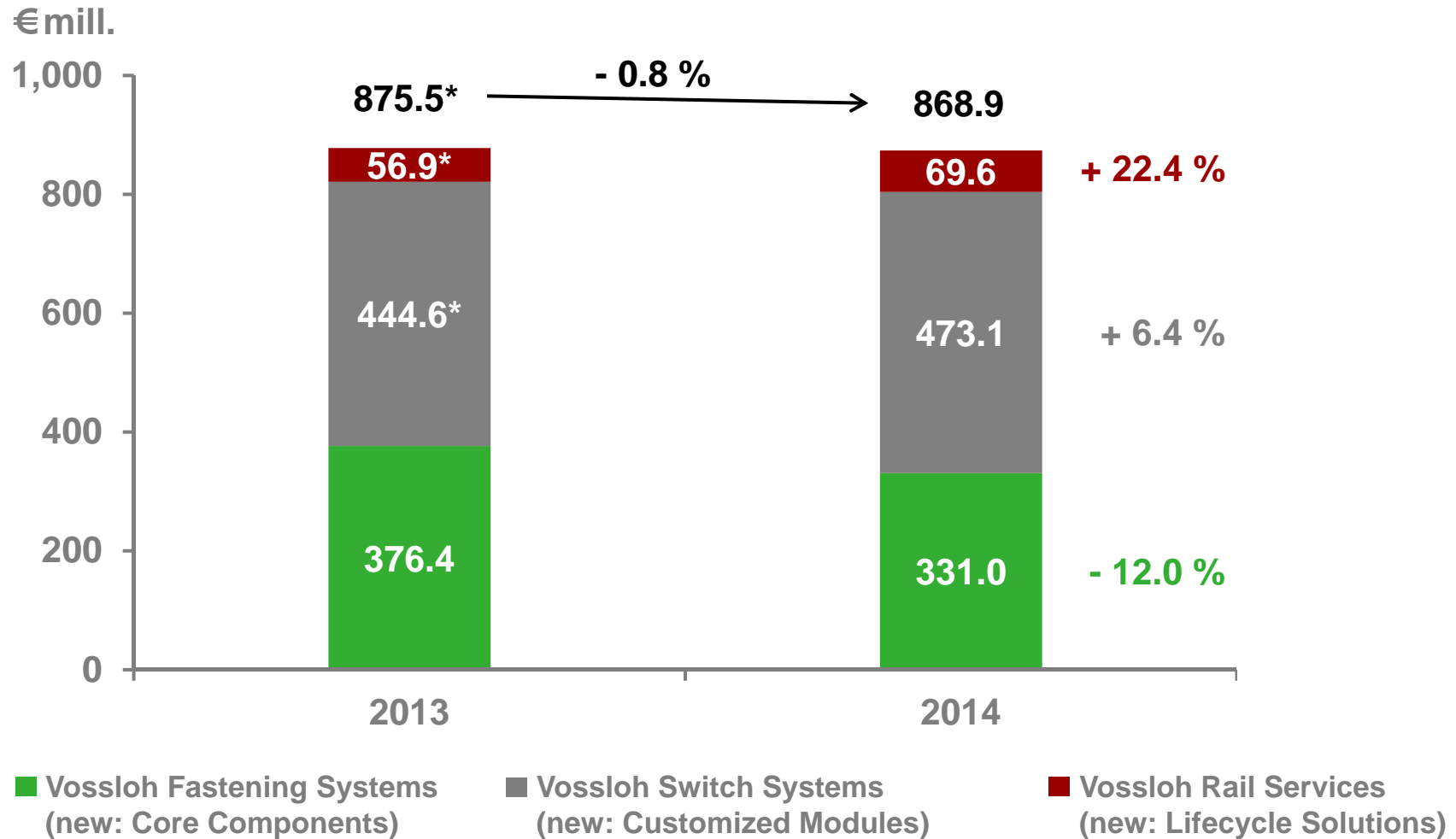
		2013*	2014
Net sales	€mill.	1,300.7	1,323.9
EBIT	€mill.	52.7	-171.6
EBIT margin	%	4.1	-13.0
EBIT (without special effects)	€mill.	52.7	30.6
EBIT margin (without special effects)	%	4.1	2.3
ROCE	%	5.9	-21.2
Value added	€mill.	-22.8	-252.6
Net income	€mill.	23.6	-205.7
Earnings per share	€	1.25	-16.46



\* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable

## Rail Infrastructure division, fiscal 2014

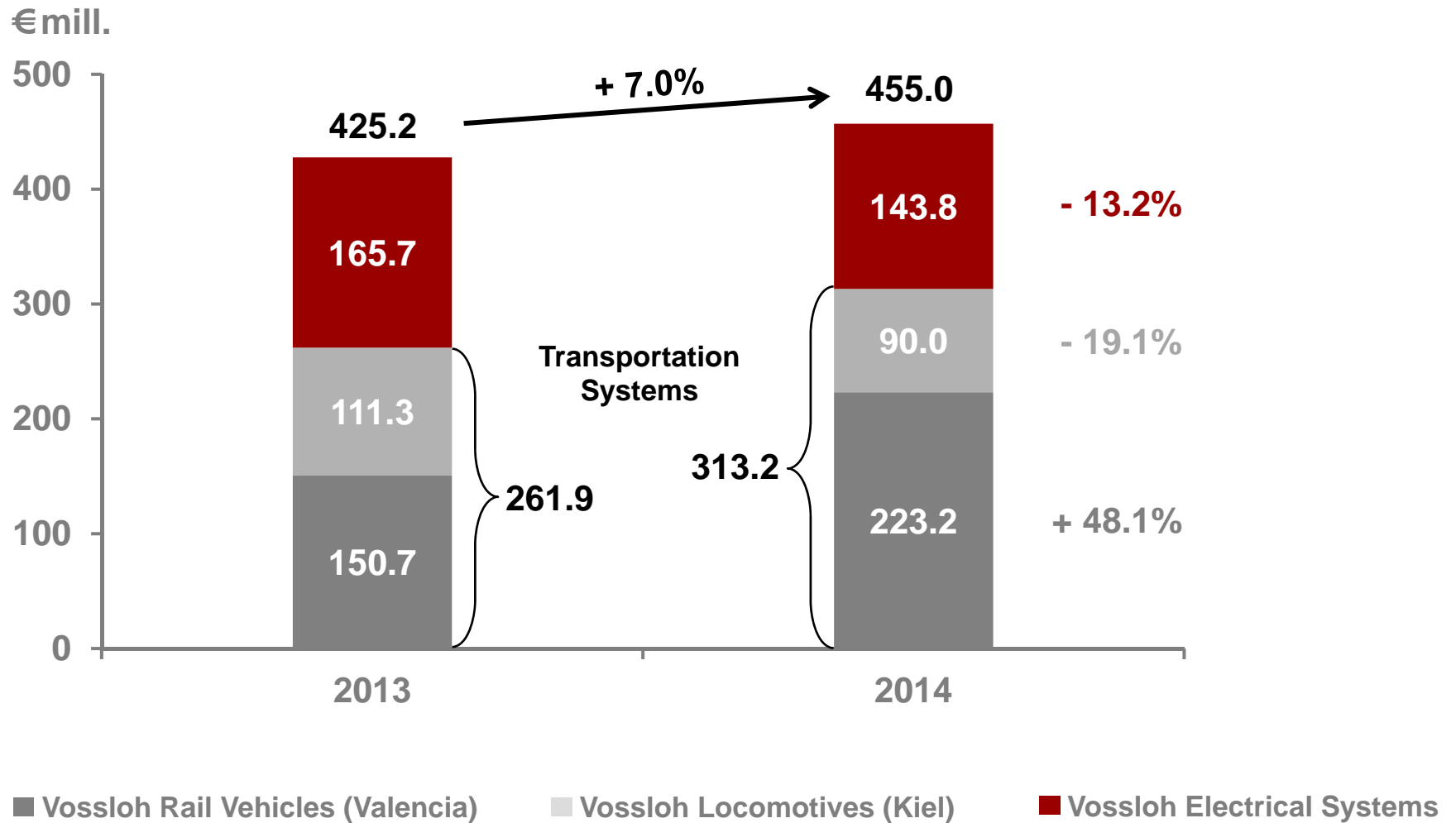
Sales decrease at Vossloh Fastening Systems in the expected magnitude



\* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable

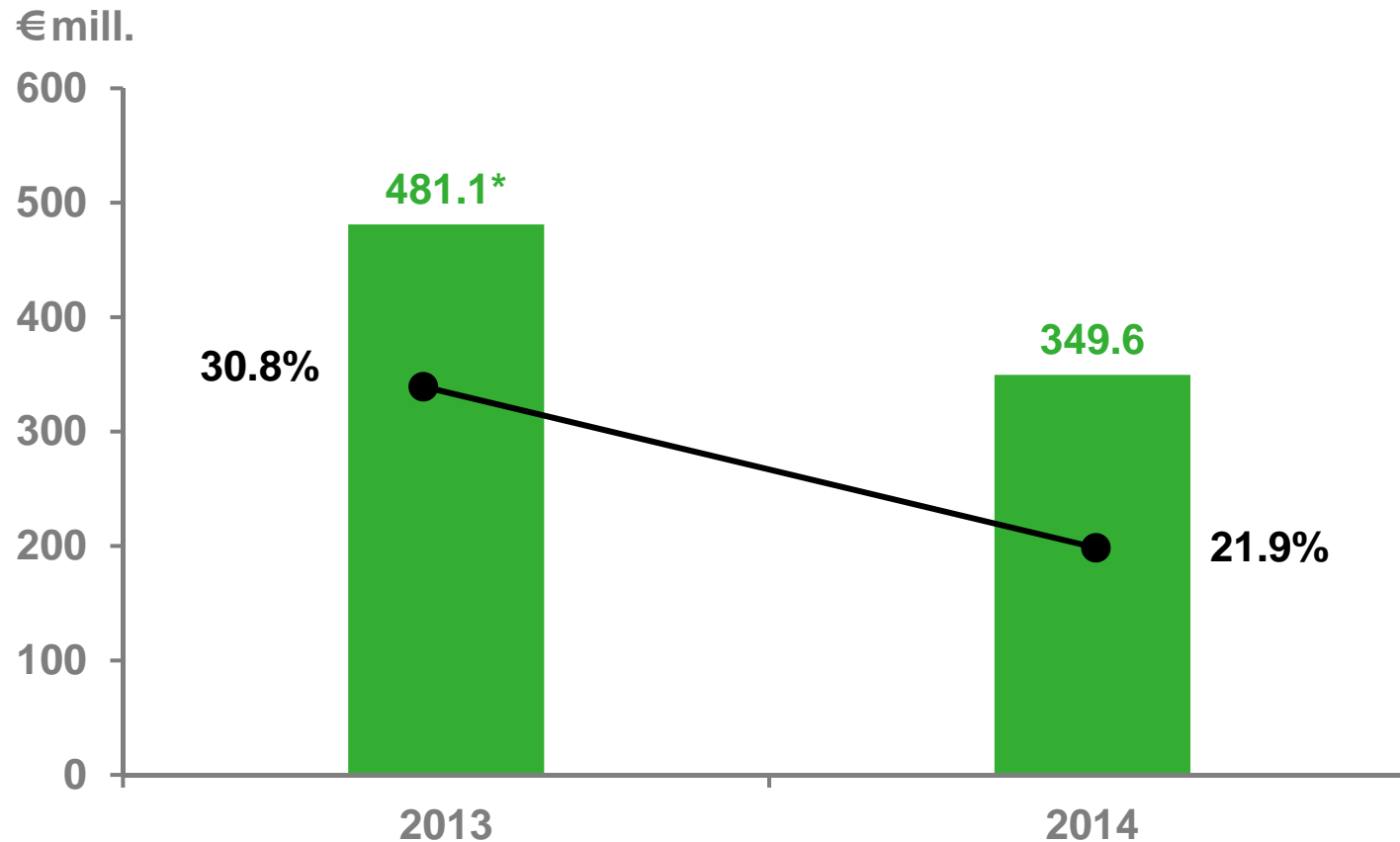
## Transportation division, fiscal 2014

### Vossloh Rail Vehicles with strong increase in sales



## Vossloh Group, fiscal 2014

### Decrease in equity due to high losses within the Group

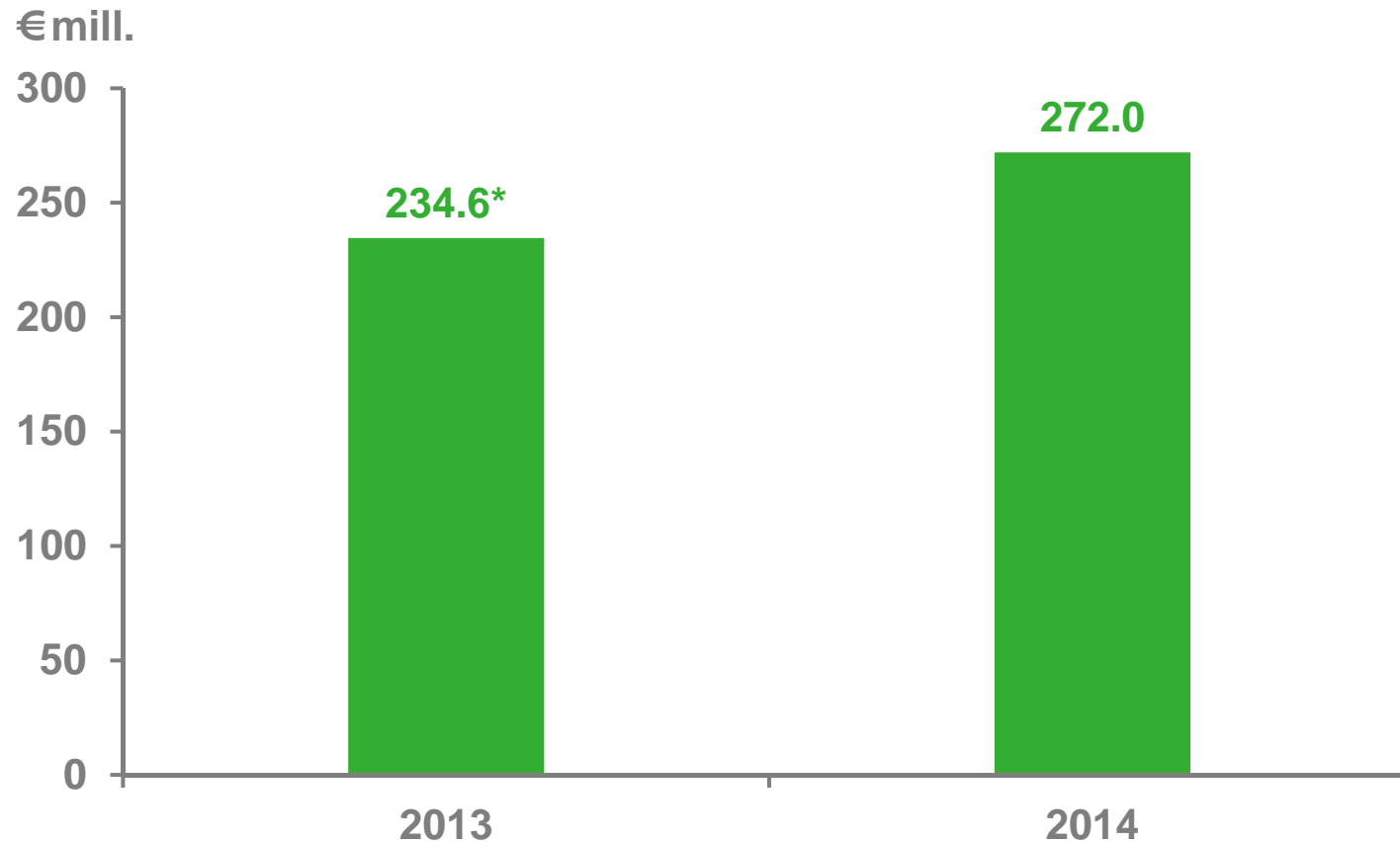


■ Equity in €mill.      ●—● Equity ratio

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## Vossloh Group, fiscal 2014

### Net financial debt increased markedly year on year



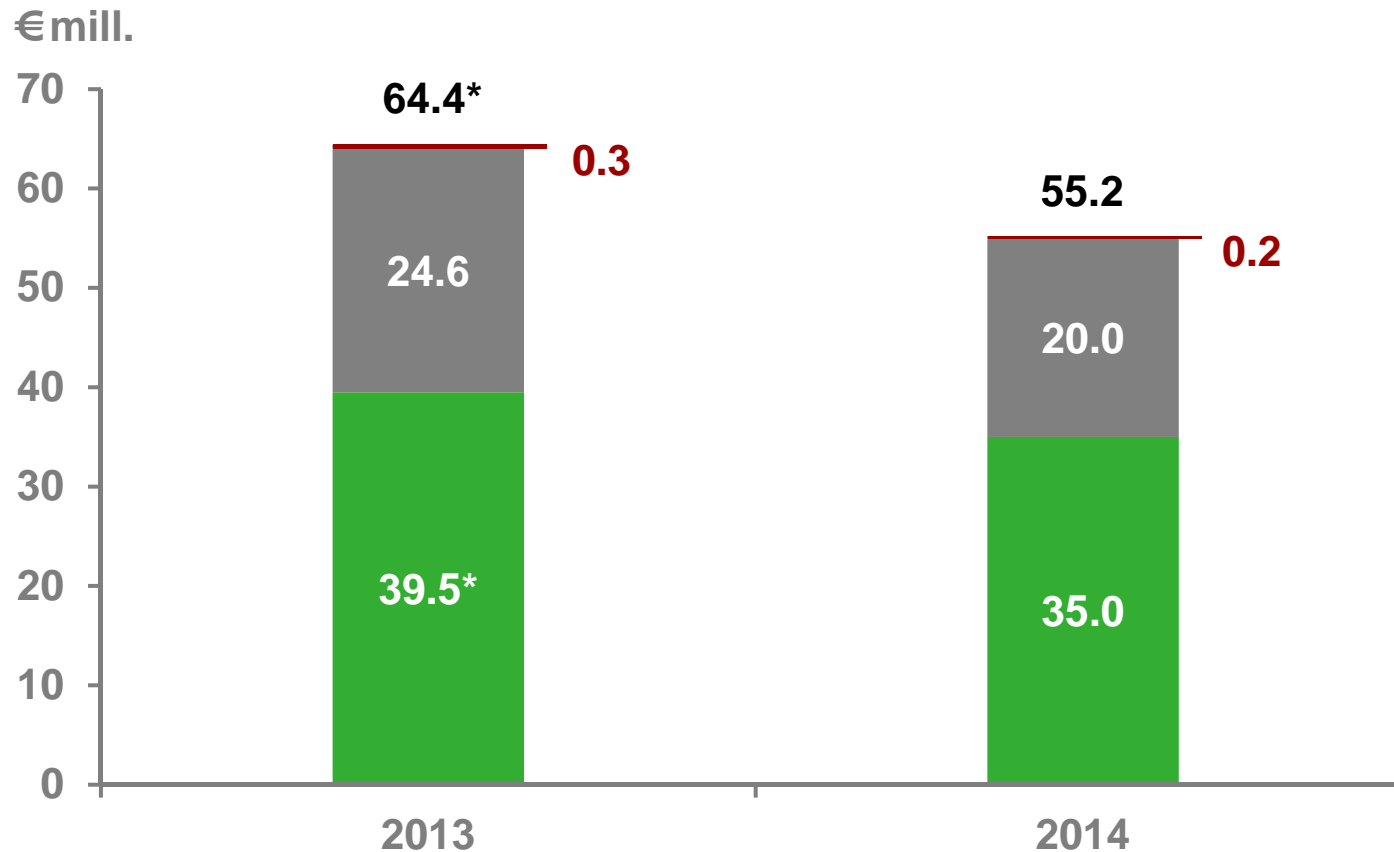
■ Net financial debt in € mill.

\* In 2013, derivatives relating to the USPP, amounting to €30.5 million have been reported outside the net financial debt as other liabilities. In the course of refinancing measures in 2014 the amounts concerned became part of the net financial debt: €234.6 million is the comparable level of net financial debt in 2013; With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable



## Vossloh Group, fiscal 2014

### Investment focussing more strongly on core business

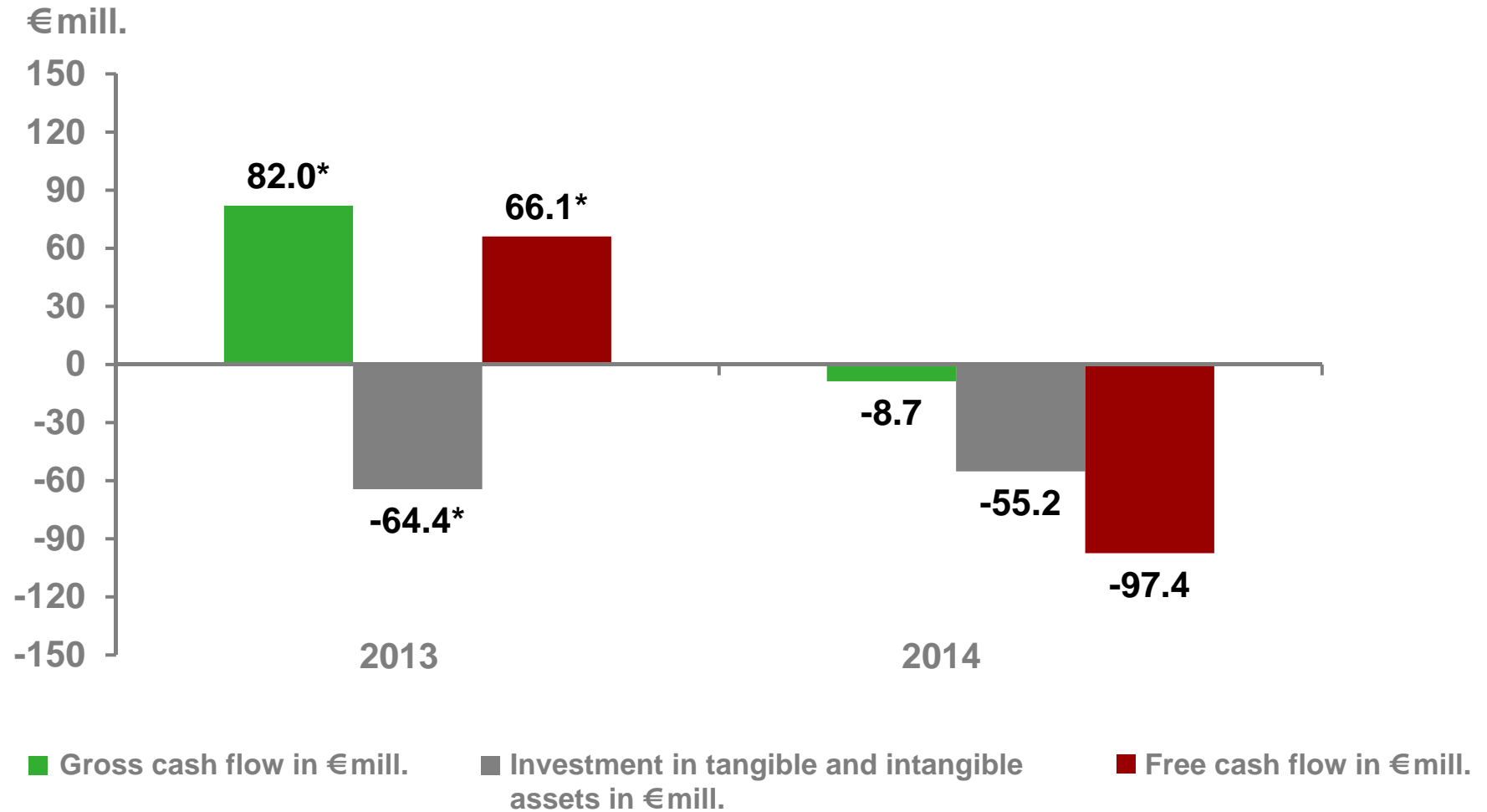


■ Rail Infrastructure in €mill. ■ Transportation in €mill. ■ Other in €mill.

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## Vossloh Group, fiscal 2014

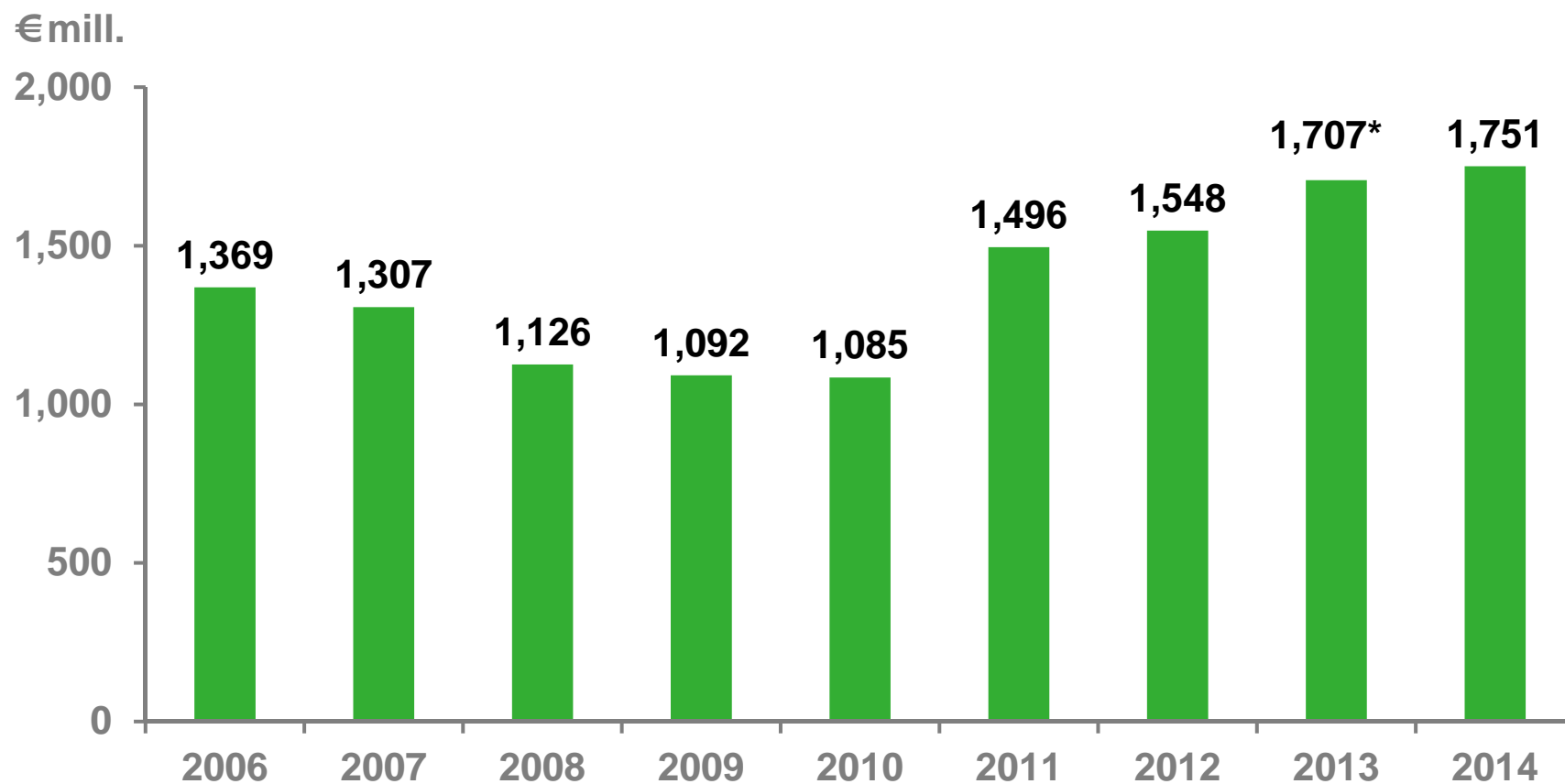
### Weak operational business drives free cash flow



\* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable

## Vossloh Group

### Order backlog remains at a high level



■ Order backlog in € mill.

\* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable

# Vossloh Group

## Key data for Q1/2015

		Q1 2014	Q1 2015
Sales	€mill.	294.2	319.8
EBIT	€mill.	6.5	1.0
EBIT margin	%	2.2	0.3
ROCE	%	3.0	0.5
Orders received	€mill.	456.5	266.5
Order backlog (reporting date 31 March)	€mill.	1,869.3	1,697.6



# Vossloh in Transformation 2015 – 2017

One Vossloh ✓	New mid-term financing ✓	Product portfolio ✓	Market presence ✓
<ul style="list-style-type: none"> <li>▶ Uniform presentation in important regional focus markets</li> <li>▶ Synergies through closer networking of activities</li> </ul>	<ul style="list-style-type: none"> <li>▶ Financing security</li> <li>▶ Flexibility</li> <li>▶ Attractive interest conditions</li> </ul>	<ul style="list-style-type: none"> <li>▶ Processes typical for type of business model</li> <li>▶ Focussing on research and innovation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Leading positions in attractive markets for rail infrastructure</li> <li>▶ Adapting to the needs of the market, strengthening customer loyalty</li> </ul>

Growth	Divestment of Transportation	Financial success / Value enhancement
<ul style="list-style-type: none"> <li>▶ Profitable organic and inorganic growth</li> <li>▶ Acquisition of complementary activities</li> </ul>	<ul style="list-style-type: none"> <li>▶ Divestment / transfer to a more fitting enterprise by 2017</li> </ul>	<ul style="list-style-type: none"> <li>▶ Positive value added</li> <li>▶ High EBIT margin</li> <li>▶ Sustainably positive cash flow from all divisions</li> </ul>



**Transforming Vossloh**