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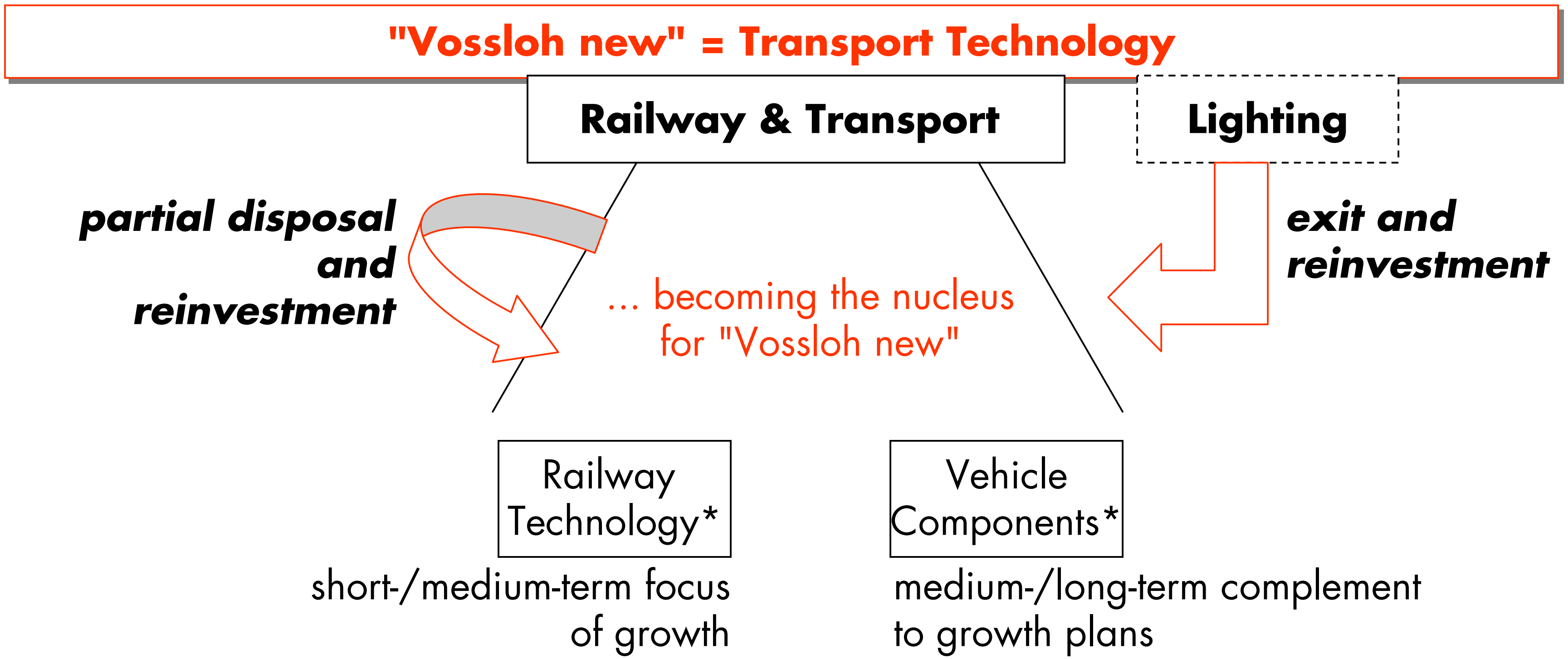
# Realignment of the Vossloh Group

DVFA presentation on July 16, 2002,
at Deutsche Bank AG, Frankfurt/Main

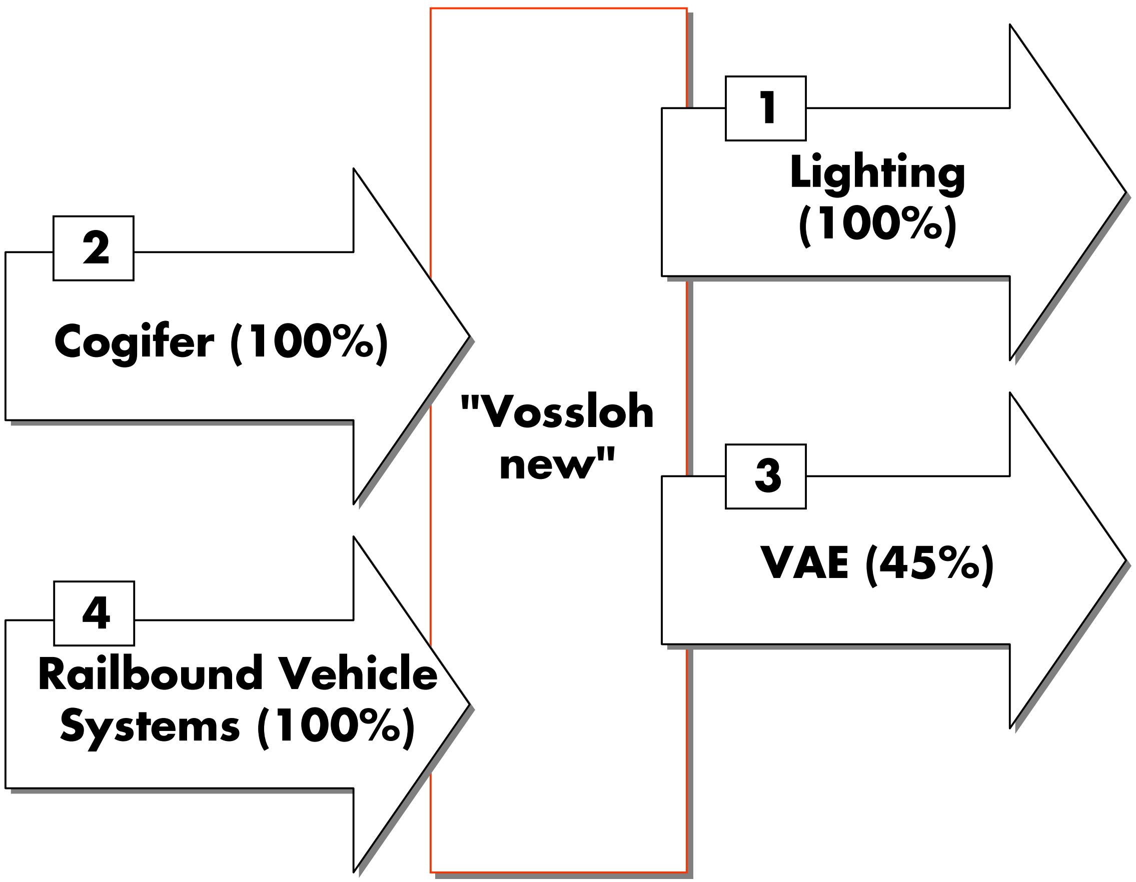
# The strategy: Vossloh evolving into a growth-oriented transport technology group

## Concept details



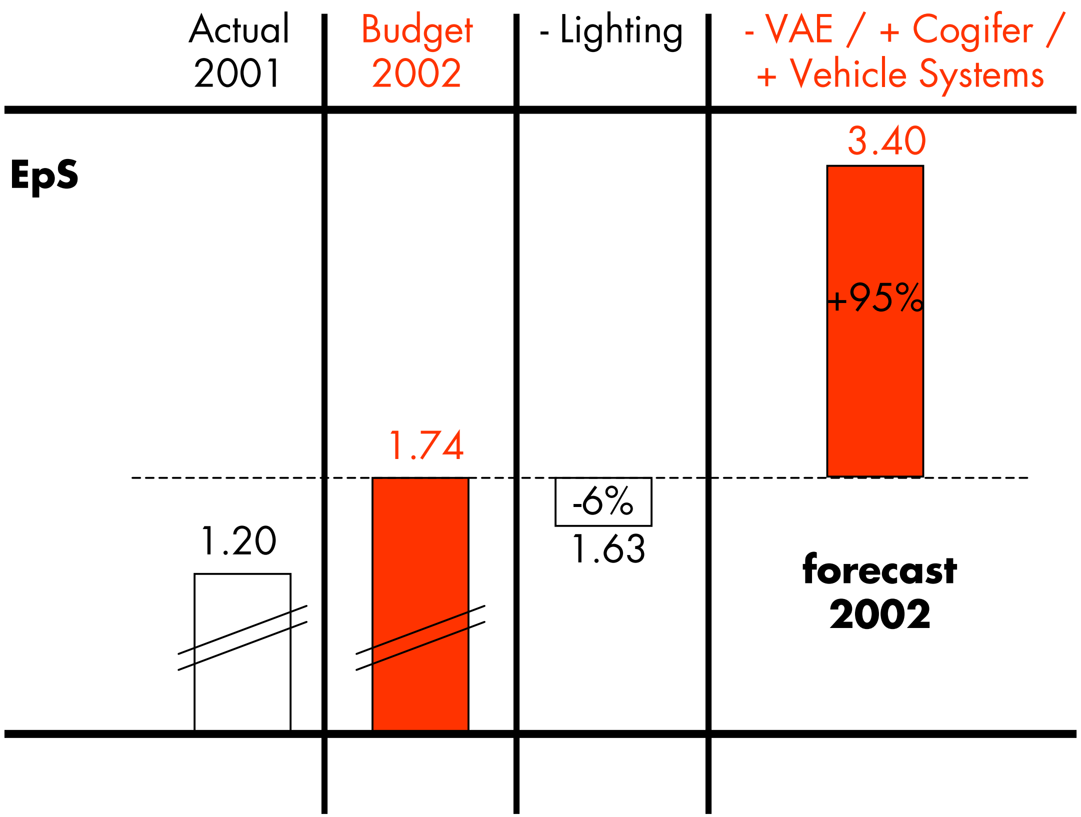

* provisional names

# The transactions at a glance




- transaction 1: sale of Lighting is the starting point
- transaction 2 (Cogifer) and transaction 3 (VAE) are closely interrelated
  - divestment of VAE conditional on acquisition of Cogifer
  - thus (probably) no competitive or antitrust problems for realization
- transaction 4 is currently being negotiated

# The effects:
## clear rise in earnings per share, stable balance sheet




- 95% increase of EpS over 2002 budget
- EpS almost trebled in comparison to 2001 actual

# Cogifer project at a glance

| | Cogifer project |
|---|---|
| **business segments** | • track switch manufacture (SA)<br>• route project business (TF) |
| **strategic rationale** | • industrial leadership at the world's no. 2 manufacturer of switches and trackwork<br>• system business broadened |
| **key figures** | • EBIT 2002$^{e}$: €27.3 million<br>• net sales 2002$^{e}$: €331.3 million |

- By acquiring Cogifer, Vossloh owns 100% of a track switch operation
- The VAE stake is shed in the course of this acquisition for antitrust reasons

* 50:50 joint venture consolidated pro rata

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# Profile of Cogifer SA

## History

- emerged in the late 1970s from a merger of the switch manufacturing operations of De Dietrich and Arbed in France and Luxembourg
- from 1985 to 1997 listed on the Paris bourse

- corporate culture dove-tailing with Vossloh's

## Positioning

- second to VAE as the world's biggest supplier of switches and special trackwork
- 1,100 employees, production plants in 12 countries
- 85% international sales

- strong market position through economies of scale and international orientation

## Products

- standard, high-speed and special trackwork in French <u>and</u> German technology (incl. high-speed reference stretches of rail operated by the German railways)
- signal components, signal machines and switch monitoring systems

- broad product range, leading products

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# Strategic rationale of the Cogifer acquisition

**broad gamut of rail infrastructure systems from a single source**

| **rail infrastructure system modules** | **rail fasteners** | **switches** | **services*** |
|---|---|---|---|
| **status quo Vossloh** | **longstanding core business** | **refocus** | |

- synergies in international sales / distribution and market entry
- joint development of new services

* track maintenance (Cogifer TF), switch logistics, trading

# Profile of Cogifer TF

## History

- emerged from the acquisition of the track-laying operations Dehe and Montcocol
- in 1996 ETF joint venture formed with the AMEC civil engineering contractors: track maintenance for SNCF

- Partnership with AMEC a salient feature

## Positioning

- market leader in France, Belgium, Luxembourg in track maintenance with ETF
- market leader for industrial rail networks in France
- well positioned for European tram and urban/commuter rail system projects
- 1,250 employees

- Strong market position in France and Benelux

## Services

- track maintenance ($^3/_4$ of sales)
- track-laying ($^1/_4$ of sales)

- Stable maintenance business oriented toward long-term relations

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# Structure of the "new" Vossloh

**Vossloh: the Transport Technology Group**

| Railway Technology | | | Vehicle Components |
|---|---|---|---|
| **Rail Infrastructure** | **Railbound Vehicles/Systems** | **Engineering Systems** | |
| • Trackwork<br>• Rail Fasteners<br>• Services<br>- Maintenance<br>- Trading<br>- Logistics | • Locomotives<br>• Electric Systems<br>• Service | • Operating Systems Management<br>• Passenger Information Systems<br>• Simulation/Planning Systems<br>• Consulting | |

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# Income statement of Vossloh "new"

| *all amounts in € million* | 2001 actual Vossloh "old" | 2002 budget Vossloh "old" | 2002 budget Vossloh "new" | |
|---|---|---|---|---|
| Net sales | 903.0 | 914.2 | 703.0 | |
| EBIT | 60.0 | 73.7 | 81.3 | [1] |
| Net income | 25.1 | 35.0 | 51.2 | |
| Minority interests | (7.9) | (10.0) | (6.8) | |
| **Net income after minority interests** | **17.2** | **25.0** | **44.4** | |
| Extraordinary gains | 0.0 | 0.0 | 4.6 | [2] |
| **Group earnings** | **17.2** | **25.0** | **49.0** | |
| **Earnings per share (EpS)** | **1.2** | **1.7** | **3.4** | |

[1] incl. gain from disposal of VAE
[2] gain from disposal of Lighting

- Boosting EpS by 95% from €1.74 (original 2002 budget) to €3.40
- In comparison to 2001, EpS almost trebled

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# Vossloh's consolidated balance sheet: stable structure with an equity ratio of 35% after acquisitions

| *all amounts in € million* | 2001 actual Vossloh "old" | 2002 Vossloh "old" | Vossloh "new"* |
|---|---|---|---|
| Cash & cash equivalents | 53.5 | 35.3 | 35.5 |
| Other current assets | 513.8 | 485.8 | 365.7 |
| **Current assets** | **567.3** | **521.1** | **401.2** |
| Intangible assets | 96.8 | 100.5 | 273.6 |
| PP&E and financial assets | 234.9 | 266.7 | 120.2 |
| **Fixed assets** | **331.7** | **367.2** | **393.8** |
| **Totals assets** | **899.0** | **888.3** | **795.0** |
| Stockholders' equity | 193.2 | 218.1 | 273.6 |
| Minority interests | 121.2 | 126.5 | 5.0 |
| **Total equity** | **314.4** | **344.6** | **278.6** |
| Financial debts | 284.8 | 257.5 | 231.8 |
| Other liabilities | 299.8 | 286.2 | 284.6 |
| **Liabilities** | **584.6** | **543.7** | **516.4** |
| **Total equity & liabilities** | **899.0** | **888.3** | **795.0** |

- Equity ratio remains at 35%
  - equals the 2001 ratio
  - yet stockholders' equity clearly boosted
- Net leverage down from 2001 (70% instead of 74%)

* after completion of the transactions

# The strategy at a glance

- **Consistently capitalize on the growth of the railway market: steadily rising demand for the transportation of people and goods (approx. 5% annually)**
    - rising traffic volume inevitably entails further structural investments
    - deregulation: private-sector competitors create added demand
- **Operate as specialty supplier in high-margin segments**
    - premium products and services for the railway market
    - clear positioning outside the competition of industry giants
- **Acquire essential market shares and operate as independent market leader**
    - industrial leadership, no minority interests in the long term
    - all-segment market leadership envisaged

# Division strategies

| | |
|---|---|
| **Rail Infra-structure** | • using the Cogifer potential to develop into a rail infrastructure group – rail fasteners and switches as key components of the track system<br>• expanding related services offering (trackwork logistics and trading) |
| **Railbound Vehicles & Systems** | • achieving European market and cost leadership for diesel locomotives, establishing an all-Europe customer service network<br>• accessing electric systems market (acquisition of railbound vehicle systems), offering technological solutions with high added value in commuter/urban transportation |
| **Engineering Systems** | • developing consultancy services: offer software/systems alongside product range to optimize railway business processes<br>• engaging in active market consolidation of passenger information systems suppliers |

# Conclusions

**Strategy is translated into practice**

- Lighting sold, thus focus on transport technology
- Reinvestment of sales proceeds in transport technology operations

**Earnings per share double**

- Some 95% hike of EpS versus 2002 budget
- EpS long-term level above €3.40: launching pad for further growth

**... while keeping balance sheet stable**

- Apart from higher earnings, net leverage improved from 73.5% in 2001 to 70.4%
- Equity ratio unchanged at 35%, reduction of minority interests to virtually nil

**... and improving risk position**

- Operating segments less volatile
- Critical size in operating segments already achieved

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