

vossloh

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Vossloh Group

Profile: Core competence rail technology

2008

Group sales: €1,213 million

EBIT: €138 million

Employees: 4,631

Rail Infrastructure

Sales: €707 mill. **EBIT:** €113 mill. **ROCE:** 20.8%

Motive Power&Components

Sales: €505 mill. **EBIT:** €42 mill. **ROCE:** 33.6%



Vossloh Fastening Systems
No. 1 worldwide

Sales: €255 million



Vossloh Locomotives
No. 1 in Europe (diesel locomot.)

Sales: €375 million



Vossloh Switch Systems
No. 2 worldwide

Sales: €454 million



Vossloh Electrical Systems
No. 1 worldwide (trolleybuses)

Sales: €130 million

Vossloh: new Rail Services business unit

Rail logistics—a key competence

- ▶ Certain Stahlberg-Roensch Group companies, as well as LOG Logistikgesellschaft Gleisbau mbH and ISB Instandhaltungssysteme Bahn GmbH of the Contrack Group are retroactively as from January 1, 2010, consolidated to constitute the new Vossloh Rail Services business unit.
- ▶ Sales in 2008 around €80 million; for 2010, profit contribution from new consolidation expected
- ▶ Customers: rail producers and DB (German Rail); most of the market is in Germany
- ▶ Chief source of sales: rail shipments and rail welding (stationary and mobile)
- ▶ Growth areas: rail grinding, rail milling, rail testing, specifically high-speed grinding (HSG) which is an innovative high-speed grinding technique



Vossloh Group, 2009e to 2011p

Moderate organic growth, stable earnings

- ▶ **Sales** for 2009 close to prior-year level; 2010 and 2011 again with organic growth
- ▶ **EBIT** largely unchanged
- ▶ **EBIT margin** staying above 10%
- ▶ **ROCE** remaining well above benchmark of 15%
- ▶ **EpS** patterned on operating performance trend



	2009e	2010p	2011p
Sales	€1.2 bill.	€1.23–€1.28 bill.	↗
EBIT	€138 mill.	€135–€140 mill.	→
EBIT margin	11.5%	>11%	→
ROCE	20.3%	>19%	→
Value added	€62 mill.	€55–€60 mill.	→
EpS	€6.37	€6.10–€6.30	→

Vossloh Group, 2009e to 2011p

Financial indicators remaining robust

- ▶ **Working capital intensity** unchanged
- ▶ **Increased capital expenditures** for strengthening and expanding market positions up until probably 2011, then much reduced to under 3% of sales
- ▶ **Capital employed** also reflecting capex drive 2009–2011
- ▶ **Net financial debt** remaining low



	2009e	2010p	2011p
Average working capital	€220 mill.	up < 10%	↘
Working capital intensity	18.7%	19%–20%	↘
Capital expenditures	€43–€47 mill.	€55–€60 mill.	→
Average capital employed	€660 mill.	up < 8%	→
Net financial debt	€50 mill.	€30–€35 mill.	↘
Net leverage	<10%	<6%	↘

Vossloh business units, 2009e to 2011p

Mainly promising prospects

- ▶ **Growing sales** (except for Locomotives Kiel, in 2010)
- ▶ **EBIT** at Rail Infrastructure remaining strong. At Motive Power&Components, business in local transport vehicles will not offset the expected shortfall in locomotive sales
- ▶ **EBIT margin** at Rail Infrastructure continuing at an acceptable level despite expected price pressure; at Motive Power&Components, weak cargo haulage business initially takes its toll
- ▶ **Capital expenditures** for 2009–2011 budgeted high, specific projects to improve market position and cost structures as well as expand product lineup
- ▶ **Working capital intensity** initially unchanged throughout both divisions
- ▶ **Capital employed** reflecting the budgeted expenditures
- ▶ **Value added** remaining at a favorable level at Fastening Systems; at Switch Systems continuous improvements expected; at Locomotives and Electrical Systems, heavy expenditures will have a dampening impact
- ▶ **ROCE** well above 15% in both divisions throughout the planning period

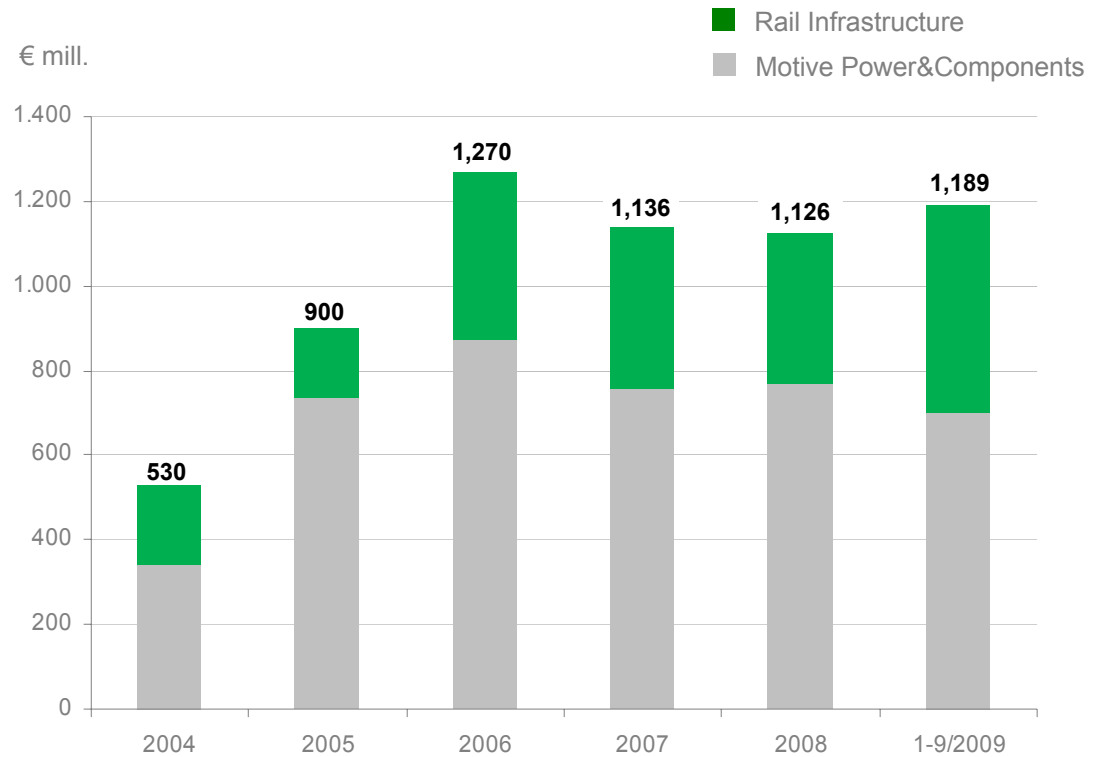


Vossloh Group, 3Q/2009

Order backlog

- ▶ Vossloh Group's order backlog year-on-year 0.8% lower
- ▶ Fastening Systems' clearly up
- ▶ Switch Systems' year-on-year backlog down
- ▶ Locomotives' below year-earlier level
- ▶ Electrical Systems' edging down

Order backlog trend 2004–3Q/2009)



Vossloh Group, 3Q/2009

Order backlog and intake

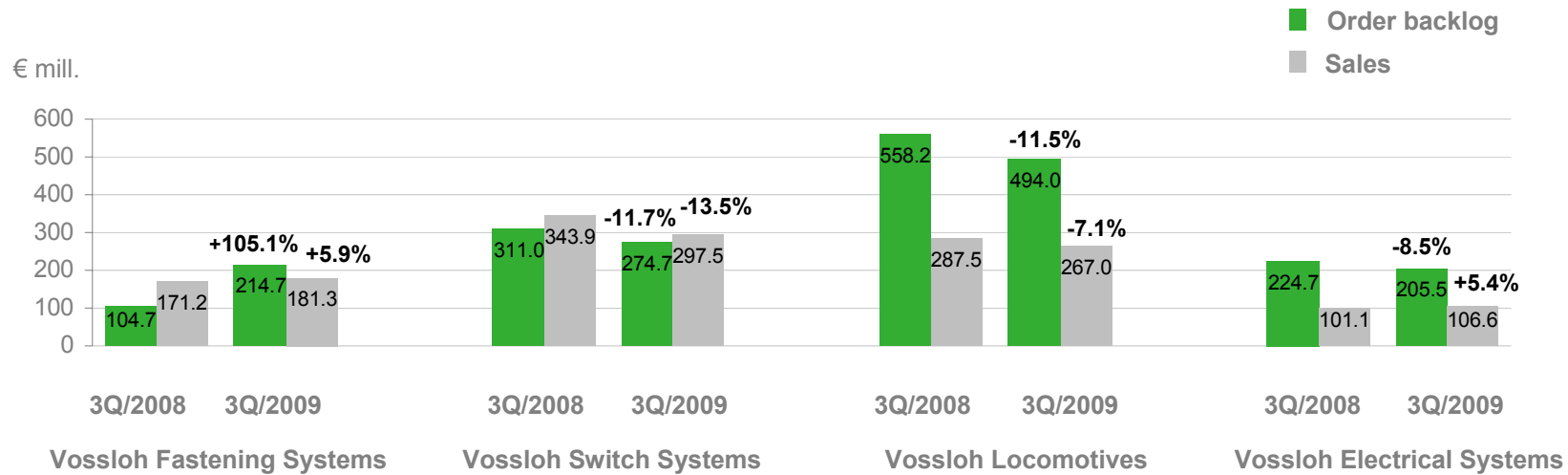
Fastening Systems: €323.8 mill. (+126.8%)

Locomotives: €229.6 mill. (-24.3%)

Switch Systems: €285.9 mill. (-31.4%)

Electrical Systems: €75.8 mill. (-33.2%)

Order backlog and sales

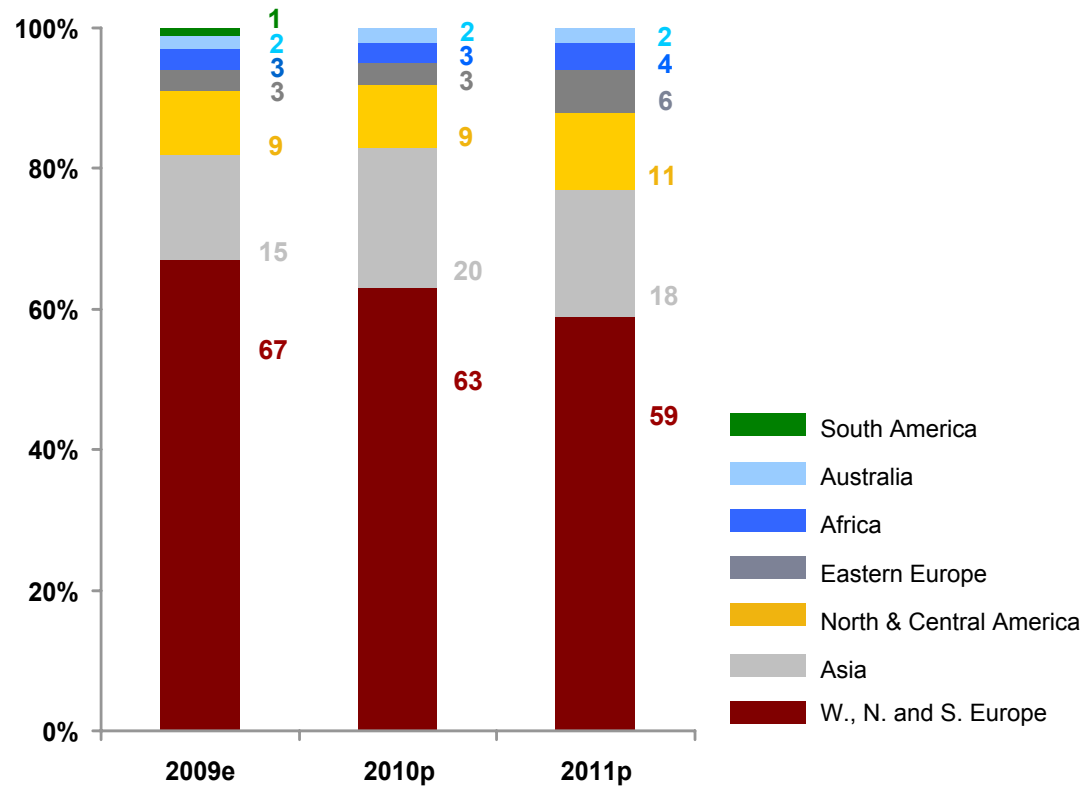


Vossloh Group, 2009e to 2011p

Ongoing internationalization

- ▶ **Non-European share of sales** rising: by 2011, to around 40%
- ▶ **Especially strong growth** expected for Asia, Africa, Australia, and North America
- ▶ **As from 2011**, Eastern Europe incl. Russia and the *-stan* nations to account for an appreciable share of sales
- ▶ **Growth at GNP level** in Europe and North America, above GNP in any other region

Sales by region



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Example: China

Rail network at the focus of economic programs

- ▶ By 2020, the Chinese rail network will be modernized, electrified and expanded from 80,000 km in 2008 to 120,000 km
- ▶ Expansion plans include high-speed lines totaling around 20,000 km
- ▶ Additionally, in 14 cities nationwide, over 40 metro lines with a total length of 1,200+ km

Planned lines



Vossloh: China remaining a major market

- ▶ Current contracts for high-speed lines; most recently major contract for Beijing–Shanghai line booked in June 2009 worth around €170 million

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Example: USA

Focus on cargo haulage/Vision High Speed

- ▶ US administration is planning high-speed passenger lines; project *Vision For High-Speed Rail in America*: ten potential lines with lengths of between 160 und 1,000 km to connect conurbations. \$8 billion budgeted by US administration for planning these lines. Funding and timing details still largely open
- ▶ Short-term market opportunities thanks to foreseeable revival of demand for modernization and higher speeds
- ▶ Growth potential also for local public transit/transport projects



Vossloh: USA with increasingly promising prospects

- ▶ As #3 in US switch market strong position in cargo haulage lines
- ▶ All four business units increasingly targeting passenger and cargo haulage markets

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Example: Russia

Rail development program up to 2030

- ▶ RZD, the state rail company of the Russian Federation operates through 17 regional companies a network of around 85,000 km, one of the longest worldwide
- ▶ The rail development program envisages up to 2030 around €380 billion for revamping and expanding the network, with over 20,000 km of new lines to be built



- Strategic routes
- High-speed routes
- Supply routes
- Freight routes
- — Development of Russian Railway system after 2030

Vossloh: Russia can gain importance starting from 2010

- ▶ Joint venture for rail fasteners founded; Vossloh could become one market player among several others
- ▶ High-speed lines only a portion of possible sales; emphasis on revamping existing network

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Example: India

Vast potential

- ▶ With a rail network of around 65,000 km, among the biggest railway markets worldwide
- ▶ From 2007/2008 to 2011/2012, some €44 billion to be invested in the revamping and expansion of the network
- ▶ Focus on converting and standardizing track gauge
- ▶ Multistage decision-making and planning processes generally mean lengthy implementation periods



Vossloh: our switch systems enjoy an anchored position in the Indian market

- ▶ Switch Systems has three local sites and sees good opportunities for further growth
- ▶ Fastening Systems currently focusing on local public transportation

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Example South America, focus on Brazil

Driving force: transport of commodities and Olympics

- ▶ Rail network neglected and/or poorly structured
- ▶ Growth areas: local passenger, cargo, high-speed transportation
- ▶ Brazil planning between 2010 and 2030 rail network expenditures of €76 billion; in view of Soccer World Cup 2014 and Olympics 2016 further urban transport expenditures envisaged



Vossloh: good preconditions in South America

- ▶ Since 2009, sales offices in São Paulo and Buenos Aires; main target markets initially Brazil and Argentina

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Example: North Africa

Mediterranean nations interlinking their rail networks

- ▶ In all countries, rail systems largely outdated and insufficient
- ▶ Growth areas: local and long-distance passenger, cargo transport
- ▶ Between 2010 and 2014, Algeria to spend €6.8 billion on revamping and expanding rail network
- ▶ Tunisian government about to improve nation's competitiveness as location, e.g. earmarking €1.7 bill. for high-speed rail network



Vossloh: established market player in the region

- ▶ Switch Systems traditionally has 5% to 10% of its total sales in this region
- ▶ Rail lines in Algeria, Mauretania and Morocco already have Vossloh rail fasteners

Vossloh Group, 2009e to 2011p

EBIT continuing at the 2008 record level, despite general economic turmoil

- ▶ **Vossloh looking to further organic growth in 2010 and 2011** after sales for 2009 will substantially stay at the 2008 level
- ▶ **The acquisition of rail services** will be included in the guidance from the first-time consolidation in group figures on
- ▶ **Both divisions to contribute to growth**; further internationalization a major driver, with Europe continuing to make high contributions
- ▶ **EBIT** of the Vossloh Group—with its Fastening Systems, Switch Systems, Locomotives and Electrical Systems business units—for 2009e to 2011p to essentially continue at the high 2008 level
- ▶ **Value added and ROCE** to generally follow the EBIT trend
- ▶ **Net financial debt and net leverage** to stay low, and cash flow generation high
- ▶ **As rail technology specialist**, Vossloh will also grow through M&As and remain highly profitable



Financial diary and contacts

Financial diary 2010

- ▶ March 25, 2010 Annual accounts & analysts conference on fiscal 2009¹
- ▶ April 28, 2010 Interim report on Q1/2010¹
- ▶ May 19, 2010 Annual general meeting
- ▶ July 28, 2010 Interim report on H1/2010¹
- ▶ October 27, 2010 Interim report on 9 months 2010¹
- ▶ December 2, 2010 Investors and analysts conference¹

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