



**Presentation to Investors**

**July 24, 2014, interim report as of June 30, 2014**

## Disclaimer

### **Note:**

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## Vossloh Group, H1/2014

### Restructuring and realignment process running at full steam

- ▶ **Significant portion of restructuring expenses already recognized in interim financial statements for the first half of 2014**
  - Group EBIT reverses to €-145.4 million in the first half of 2014 as a result of restructuring expenses and required adjustments to carrying amounts, as well revised project calculations
  - Operating business weaker than anticipated
  - US private placement entirely replaced by low-interest financing facility
  
- ▶ **Package of measures lays solid foundation for further development of the Group, significant steps already initiated**
  - Focusing of Vossloh Locomotives product range resolved, facility relocation in Kiel decided
  - Vossloh Electrical Systems again concentrating operations on the areas of local transport vehicles, trolleybuses, components, e-mobility and related services
  - Number of managers reporting directly to the Executive Board reduced by one third

## Vossloh Group, H1/2014

### Slight growth in sales, Group realignment significantly burdens result

- ▶ Sales trend considerably weaker than anticipated regarding Vossloh Switch Systems and Vossloh Electrical Systems
- ▶ EBIT of € -145.4 million clearly negative due to expenses for necessary restructurings, expenses of current revaluations of balance sheet items and due to revised assessments of project risks and other risks

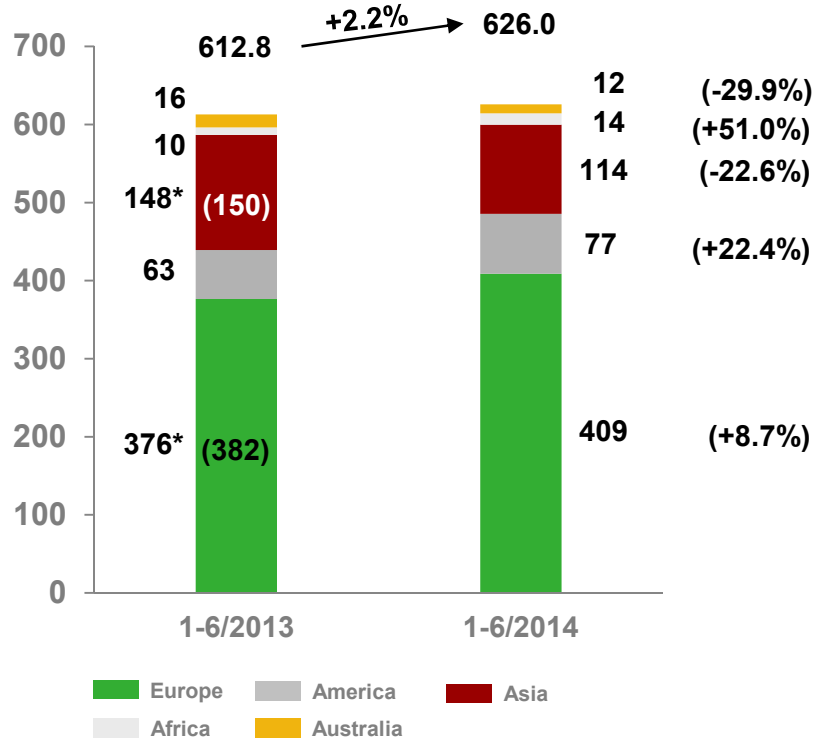
		1-6/2013	1-6/2014	Δ in %
Net sales	(€ million)	612.8* (621.3)	626.0	+2.2
EBIT	(€ million)	12.1* (12.5)	-145.4	-
EBIT margin	(%)	2.0	-23.2	-
Net income	(€ million)	0.8	-151.0	-
ROCE	(%)	2.7* (2.8)	-34.3	-
Value added	(€ million)	-25.8* (-25.7)	-187.8	-
Result per share	(€)	-0.30* (-0.31)	-12.31	-
Average headcount		5,052* (5,178)	5,671	+12.3

\* With the conversion from proportional to at-equity consolidation, 2013 amounts have been adjusted to be comparable; original prior year's amounts in brackets

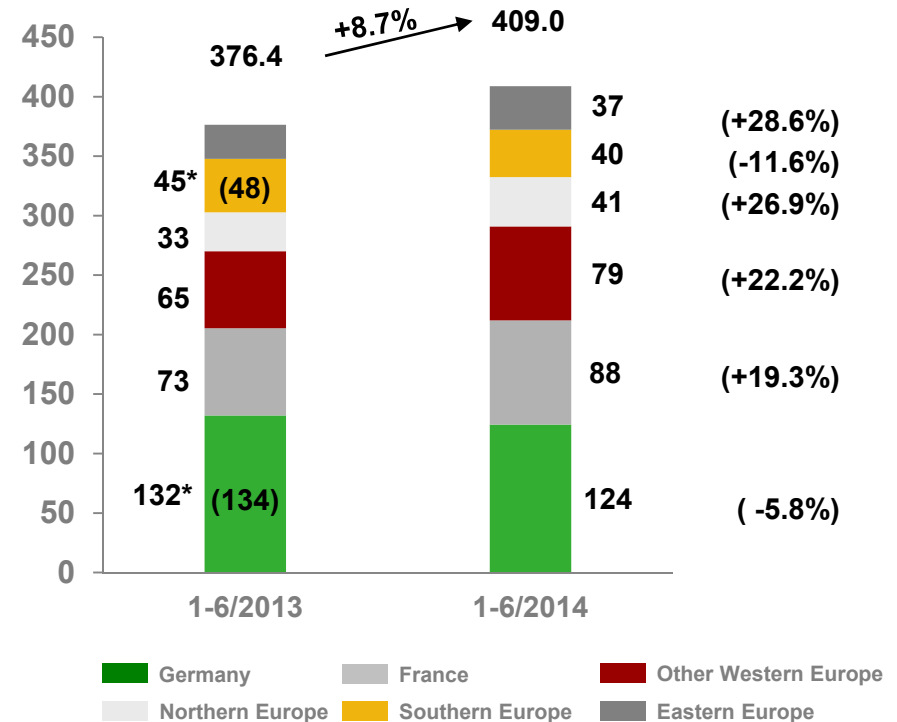
# Vossloh Group, H1/2014

Regional sales trend as expected; Europe and Americas above prior year

Sales trend worldwide (in € million)



Sales trend in Europe (in € million)



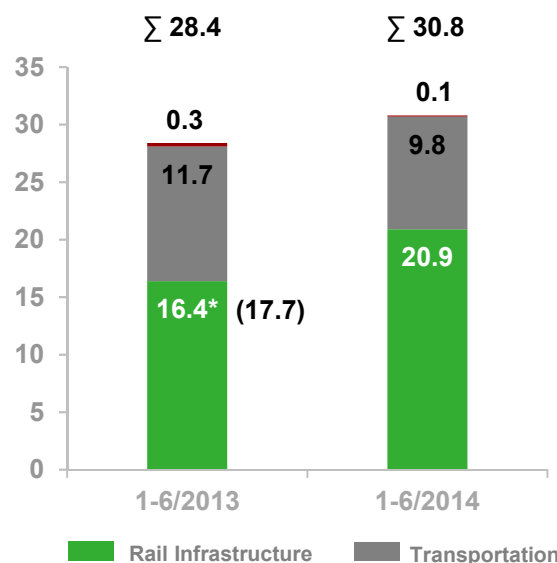
- ▶ Revenues in Europe increase by 8.7%; significant rise in sales in Northern and Eastern Europe and in other Western Europe
- ▶ Sales decline in Asia due to large projects completed in prior year; substantial gain in sales in South America and in Africa
- ▶ Share of sales of non-European regions drops to 34.7% (prior year: 38.6%)

\* With the conversion from proportional to at-equity consolidation, 2013 amounts have been adjusted to be comparable; original prior year's amounts in brackets

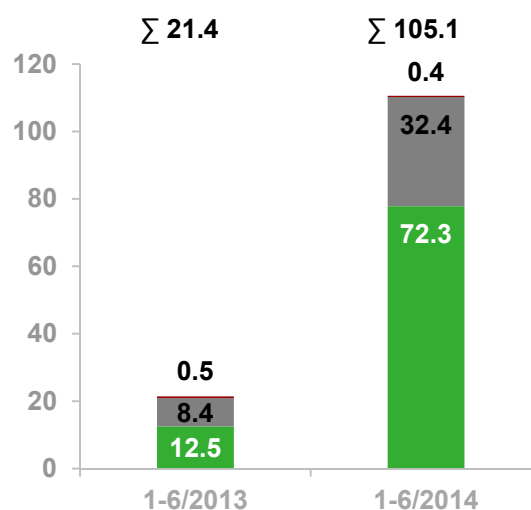
# Vossloh Group, H1/2014

## Investment focus on Rail Infrastructure

Investment (in € million)



Amortization/depreciation (in € million)



€ million	1-6/2013	1-6/2014	Δ %
<b>Group</b>			
Investment	28.4	30.8	+8.5
Amort./deprec.	20.2	105.1	–
<b>Rail Infrastructure</b>			
Investment	16.4	20.9	+28.2
Amort./deprec.	12.5	72.3	–
<b>Transportation</b>			
Investment	11.7	9.8	-16.2
Amort./deprec.	8.4	32.4	–

- ▶ Investment increases in Rail Infrastructure division; Larger projects include: Construction of new production plant for Vossloh Fastening Systems in the USA, new forge for Vossloh Switch Systems in Europe, and development of milling train of Vossloh Rail Services
- ▶ Decline in investment in Transportation division due to currently almost completed development of new locomotive types
- ▶ Amortization and depreciation increase due to necessary adjustment of carrying amounts in Switch Systems business unit as well as impairment write-downs to capitalized development costs of Vossloh Locomotives

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## Vossloh Group, H1/2014

### Negative cash flow reflects weak operations

- ▶ Free cash flow negative due to negative EBIT and resulting from buildup of working capital since beginning of year and required investment in future growth

Cash flow analysis (in € million)	1-6/2013	1-6/2014
EBIT	12.1* (12.5)	-145.4
Amortization/depreciation/write-down of noncurrent assets (net, after write-up)	21.4* (22.3)	105.1
Change in noncurrent provisions	16.2* (19.6)	25.9
<b>Gross cash flow</b>	<b>49.7* (54.4)</b>	<b>-14.4</b>
Gain/loss on disposal of tangible and intangible assets	1.3* (0.1)	-0.1
Change in working capital	-69.7* (-73.8)	-51.3
Change in investments in associated companies, other non-cash expenses and income, change in other assets/liabilities	13.1* (10.3)	4.9
Income taxes paid	-7.6* (-7.7)	-9.9
<b>Cash flow from operating activities</b>	<b>-13.2* (-16.7)</b>	<b>-70.8</b>
Investment in tangible and intangible assets	-28.4* (-29.7)	-30.8
<b>Free cash flow*</b>	<b>-41.6* (- 46.4)</b>	<b>-101.6</b>

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## Vossloh Group, H1/2014

### Working capital decrease, net financial indebtedness clearly reduced

- ▶ On half-year comparison working capital significantly lower due to lower trade receivables and also due to advance payments received
- ▶ Capital employed below prior year as a result of the low working capital and due to extensive impairment write-downs
- ▶ Share placement at the end of the Q1/2014 reduces the effect of the negative result on equity and stabilizes net financial indebtedness
- ▶ Net leverage approximately at prior year's level

		(6/30/2013) <sup>1</sup>	6/30/2013*	6/30/2014	Δ in %
Total assets	(€ million)	(1,641.7)	1,593.9*	1,576.4	-0.5
Equity	(€ million)	(477.6)	468.4*	413.2	-11.8
Equity ratio	(%)	(29.1)	29.4*	26.2	–
Average working capital	(€ million)	(227.8)	219.3*	141.3	-35.6
Average working capital intensity	(%)	(18.3)	17.9*	11.3	–
Closing working capital	(€ million)	(233.9)	225.0*	153.0	-32.0
Average capital employed	(€ million)	(899.5)	892.8*	847.7	-5.0
Closing capital employed	(€ million)	(905.9)	897.1*	769.1	-14.3
Net financial indebtedness	(€ million)	(288.1)	292.0*	267.2	-8.5
Net leverage	(%)	(60.3)	62.3*	64.7	–

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## Rail Infrastructure division, H1/2014

### Sales declined, EBIT negative due to impairments of value

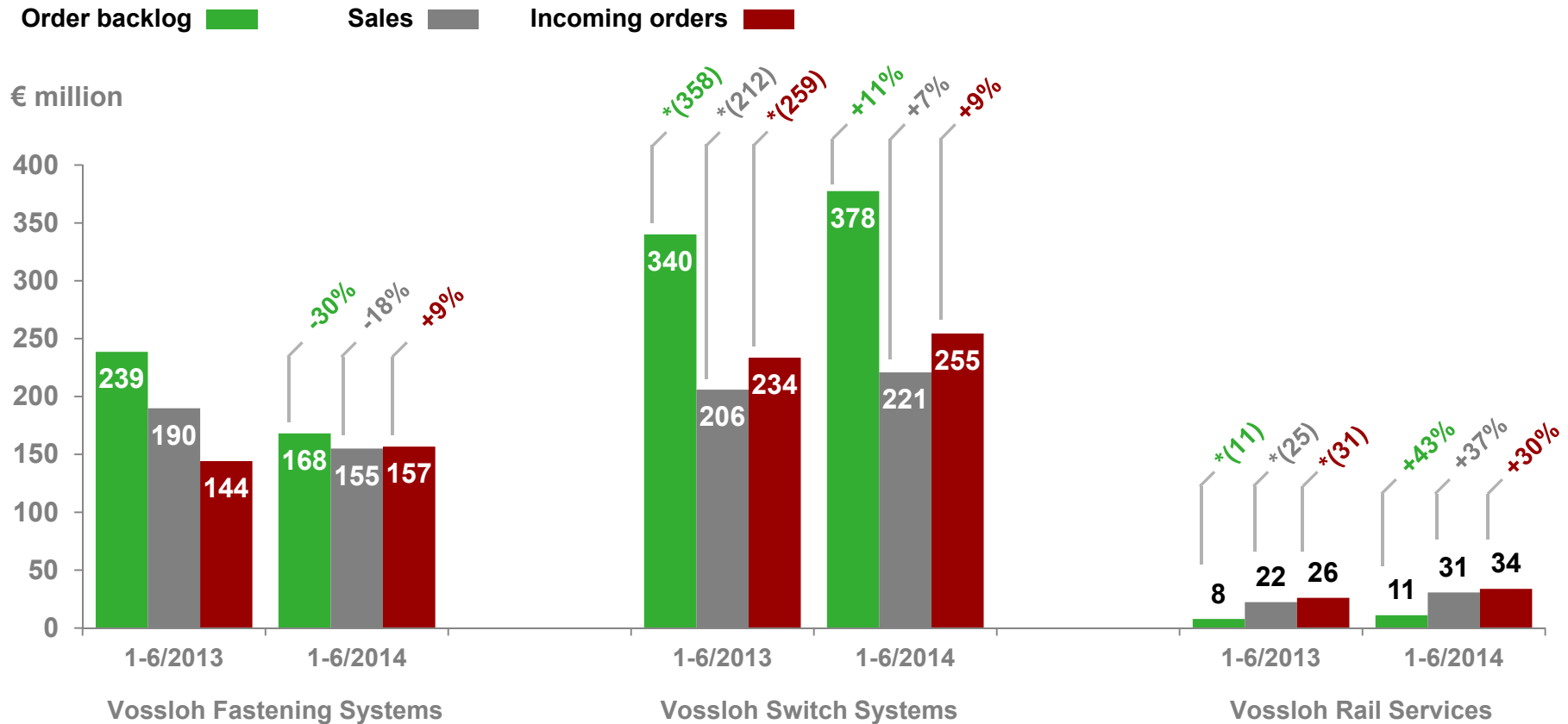
- ▶ Sales revenues in Rail Infrastructure division below prior year due to expectedly lower sales of Vossloh Fastening Systems
- ▶ EBIT negative resulting especially from impairment write-downs in Switch Systems business unit; one-off gain in the amount of €14.9 million from intra-group reassignment of subsidiary in USA was eliminated on group level
- ▶ Working capital declined with lower trade receivables
- ▶ Capital employed follows drop in net current assets and declines due to write-down in Switch Systems business unit

		1-6/2013	1-6/2014	Δ %
Net sales	(€ million)	417.1* (425.6)	404.4	-3.0
EBIT	(€ million)	41.6* (41.9)	-27.9	–
EBIT margin	(%)	10.0* (9.9)	-6.9	–
Average working capital	(€ million)	260.0* (268.5)	222.6	-14.4
Average capital employed	(€ million)	738.3* (745.0)	710.8	-3.7
Closing capital employed	(€ million)	745.6* (754.3)	656.2	-12.0
ROCE	(%)	11.3	-7.9	–
Value added	(€ million)	10.2* (10.3)	-63.5	–

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## Rail Infrastructure division, H1/2014

Incoming order rise to €443 million; order backlog at €556 million



- ▶ Incoming orders in all business units higher than in prior year period
  - Fastening Systems with significant new orders from China, Germany, Poland, Italy, Mongolia, Argentina, Russia
  - Switch Systems with large incoming orders from France, USA, Sweden, Poland, Norway, Brazil, Mexico
  - Book-to-bill ratio > 1 at all business units

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## Transportation division, H1/2014

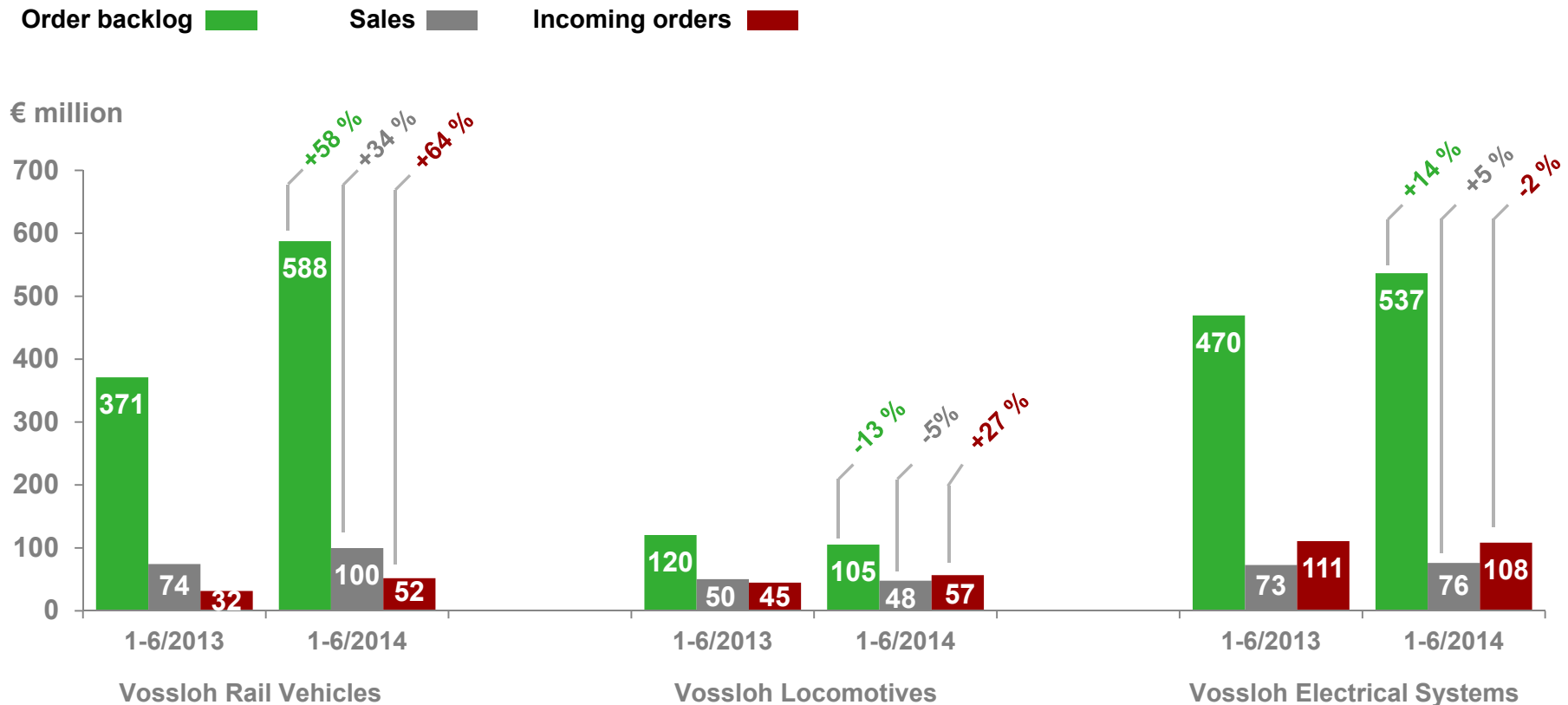
### Sales and EBIT weaker than planned, program of measures initiated

- ▶ Sales growth in Electrical Systems business unit below plan
- ▶ EBIT clearly negative resulting from additional expenses from the restructuring program and charges due to the revised project assessments
- ▶ Working capital with higher advances received from Q4/2013 lower than in H1/2013
- ▶ Capital employed decreased with lower net current assets and due to impairment write-downs

		1-6/2013	1-6/2014	Δ %
Net sales	(€ million)	195.7	221.6	+13.2
EBIT	(€ million)	-17.8	-94.7	-
EBIT margin	(%)	-9.1	-42.7	-
Average working capital	(€ million)	-35.7	-77.7	-
Average capital employed	(€ million)	146.7	127.4	-13.1
Closing capital employed	(€ million)	146.0	101.5	-30.5
ROCE	(%)	-24.2	-148.7	-
Value added	(€ million)	-24.0	-101.1	-

## Transportation division, H1/2014

Incoming orders rise to €220 million; order backlog at €1,209 million



- ▶ Due to delayed contract awards, incoming orders remain below expectations
- ▶ Book-to-bill ratio > 1 at Vossloh Locomotives and Vossloh Electrical Systems

## Vossloh Group, outlook 2014

### Realignment lays foundation for rapid return to course of success

- ▶ In 2H/2014, the accelerated further realization and implementation of defined measures remains in focus, especially with respect to Vossloh Electrical Systems und Vossloh Locomotives
- ▶ Executive Board's exertion of influence on operations in the business units ensures consistent and rigorous implementation
- ▶ Updated status of the various projects will be communicated on September 25 at the industry trade fair InnoTrans in Berlin
- ▶ New medium-term and long-term Group strategy is currently being developed and will be presented on December 3 in Frankfurt
- ▶ EBIT anticipated in 2014 of €-150 million to €-180 million
- ▶ For 2015, return to profitability being striven for
- ▶ Positive value added and cash generation are highest priority

# Finance calendar and contacts

## Financial calendar

- September 25, 2014 Investor and Analyst Conference, InnoTrans, Berlin
- October 30, 2014 Publication of interim report as of September 30, 2014
- December 3, 2014 Presentation of Vossloh AG's new Group strategy, Frankfurt
- March 2015 Publication of Group financial statements 2014

## IR contact

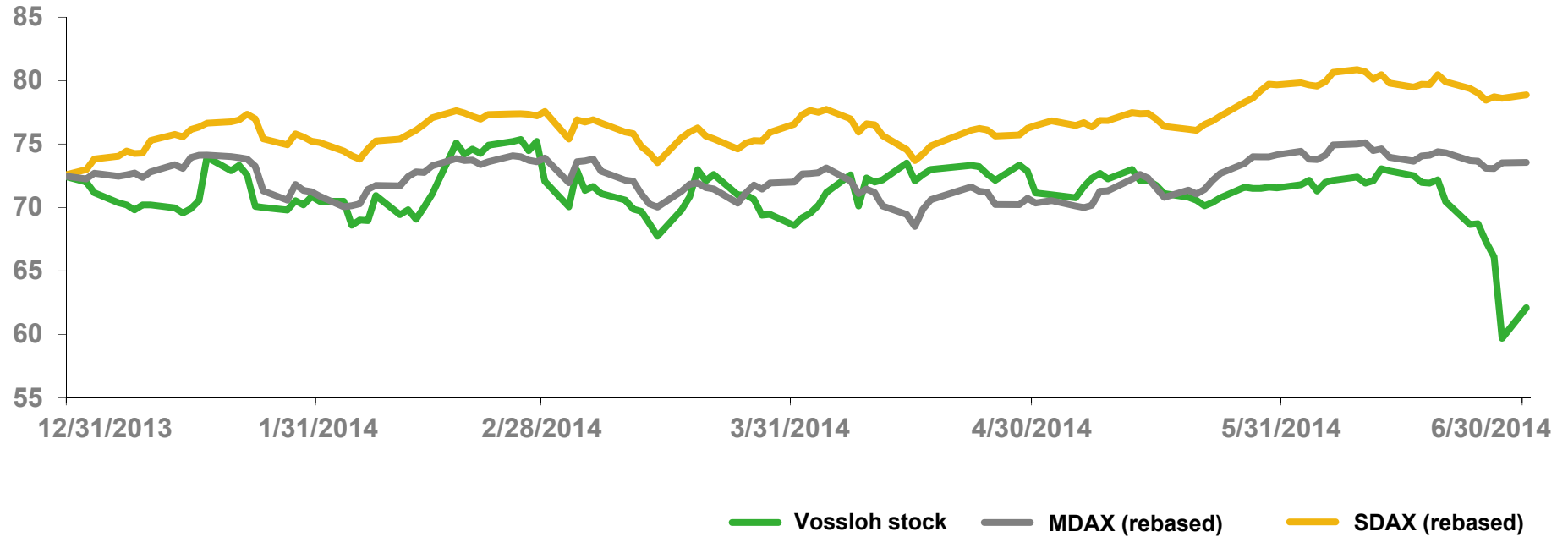
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# Vossloh Stock, H1/2014

## Price decline after announcement of restructuring and realignment

Vossloh stock price development 12/31/2013 – 6/30/2014



- ▶ Market capitalization as of 6/30/2014: €827 million
- ▶ Closing price on 6/30/2014: €62.09
- ▶ Performance 1-6/2014: MDAX: +1.5% SDAX: +8.8% Vossloh: -14.4%