

# Investor and Analyst Presentation

April 30, 2014, Interim report as of March 31, 2014



# Disclaimer

## Note

This presentation contains statements concerning the future business trend of the Vossloh Group which are based on assumptions and estimates of the Company's management. If the assumptions underlying the forecasts fail to materialize, the actual results can significantly deviate from these forecast statements. Uncertainties include, among others, changes in the political, business and economic environment, the actions of competitors, legislative reforms, the effects of future case law as well as fluctuations in exchange rates and interest rates. Vossloh, its Group companies, advisors and representatives assume no responsibility for any losses in connection with the use of this presentation or its contents. Vossloh does not assume any obligation to revise or update the forecast statements contained in this presentation.

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# Vossloh Group, Q1/2014

## Significant events and aspects of the business development

- New Executive Board team gets to work; areas of focus: obtain overview of the situation and develop contact to employees, customers and business partners
- Placement of Vossloh AG's treasury stock on March 26, 2014 to increase the financial flexibility in light of the planned growth and the upcoming refinancing of the US Private Placement
  - 1,320,603 shares, representing 9.91% of the capital stock
  - Placement oversubscribed several times
  - Gross volume of €91 million, price: €69.00
- Development of business operations in the first three months of the year reserved as usual, picked-up significantly in March
- Sales and EBIT in Group in the first quarter in line with expectations: Rail Infrastructure division with increase in sales and even more clearly in EBIT; Transportation division drives growth in Group sales and remains with EBIT in a loss
- Intra-group reclassification of Vossloh Fastening Systems America Corporation allows EBIT in Rail Infrastructure division to increase on a one-time basis through sales proceeds; the effect is eliminated at the Group level
- Cash flow in first quarter improved, working capital lower in spite of sales increase, equity rises through share placement substantially, financial liabilities reduced significantly
- Incoming orders in Group above the prior year by more than €200 million, order backlog remains at a very high level
- EBIT margin for total 2014 expected more likely at the lower end of the forecast range of 5-7 percent



## Vossloh Group, Q1/2014

Sales increase significantly, as expected; EBIT lower, in line with expectations

- Vossloh Group's sales increase significantly in the first three months of 2014 in line with expectations: Rise in sales results almost entirely from the Transportation division
- Transportation division: Growth in sales at both locomotive locations and also relating to Vossloh Electrical Systems
- Rail Infrastructure division with slightly increased sales
- Decline in EBIT and EBIT margin at Group level caused by negative EBIT in Transportation division
- Higher number of employees caused both by acquisition in Rail Infrastructure division and also by increase in numbers of employees in Transportation division; increase in number of employees equals rise in group sales



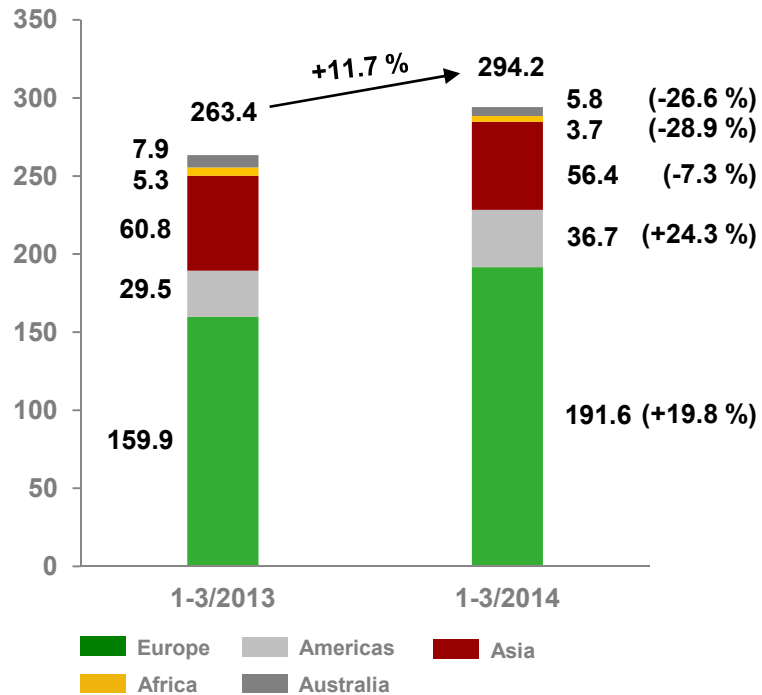
	1-3/2013	1-3/2014	Δ in %
<b>Net sales (€ million)</b>	263.4* (267,2)	294.2	+11.7
<b>EBIT (€ million)</b>	9.4* (9,7)	6.5	-30.8
<b>EBIT margin (%)</b>	3.6	2.2	–
<b>Group earnings (€ million)</b>	3.3* (3.5)	1.6	-51.4
<b>ROCE (%)</b>	4.3* (4.4)	3.0	–
<b>Value added (€ million)</b>	-9.2* (-8.8)	-14.8	-61.4
<b>Earnings per share (€)</b>	0.16* (0.16)	-0.04	–
<b>Employees (average for period)</b>	5,024* (5,149)	5,610	+11.7

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

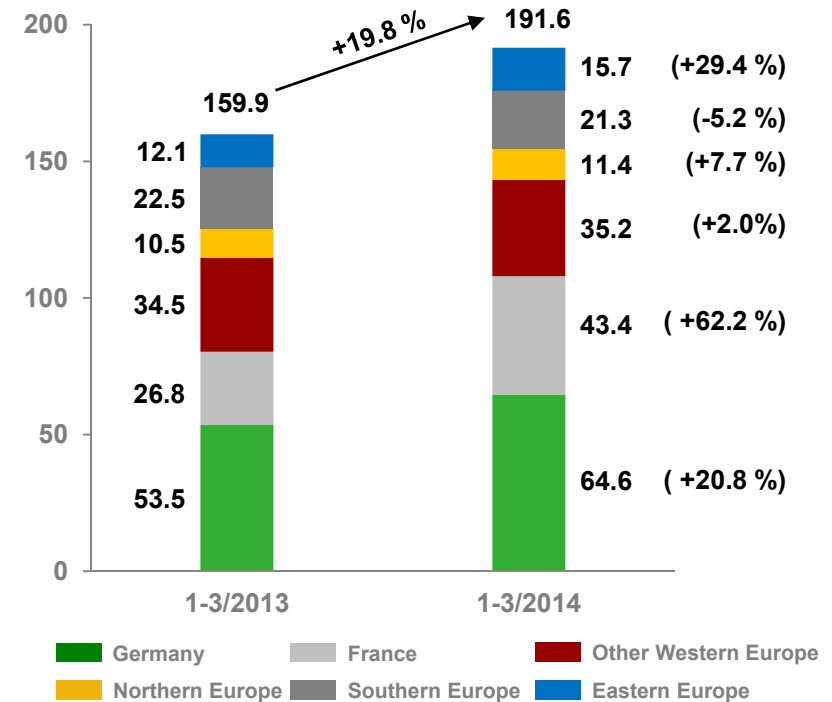
# Vossloh Group, Q1/2014

## Sales in Europe and the Americas increase significantly

Sales trend worldwide (in € million)



Sales trend in Europe (in € million)

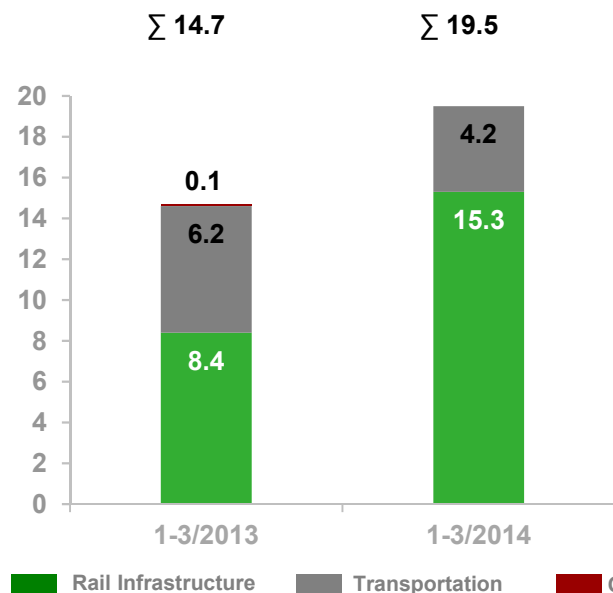


- Increased revenues in Europe; above-average revenue increase in **Germany, France and Eastern Europe**; increase in sales in Northern Europe, further sales decline in Southern Europe
- Significant sales decline in **Asia** due to large projects completed in prior year, for example in Kazakhstan and China
- Noticeable growth in the **Americas**, mainly due to increase in sales in South America
- Sales share of **non-European regions** dropped to **34.9%** (prior year: 39.3%)

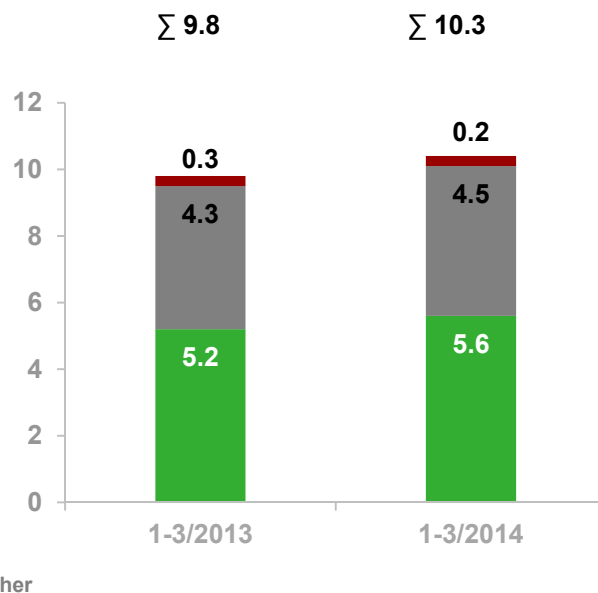
# Vossloh Group, Q1/2014

Investment – mainly in Rail Infrastructure – basis for future growth of the group

Investment (in € million)



Amortizaion/depreciation (in € million)



€ million	1-3/2013	1-3/2014	Δ in %
<b>Group</b>			
Investment	14.7* (15.3)	19.5	+32.6
Amort./deprec.	9.8* (10.1)	10.3	+5.6
<b>Rail Infrastructure</b>			
Investment	8.4* (9.0)	15.3	+82.1
Amort./deprec.	5.2* (5.7)	5.6	+7.2
<b>Transportation</b>			
Investment	6.2	4.2	-32.3
Amort./deprec.	4.3	4.5	+4.9

## Investment in new products / expansion of capacity

- Milling capacity (Vossloh Rail Services)
- Development of new diesel-hydraulic and diesel-electric locomotive models (Vossloh Transportation Systems)
- Test field (Vossloh Electrical Systems)

## Modernization / rationalization

- New forge in Luxemburg (Vossloh Switch Systems)

## Internationalization

- Construction of a new production facility for rail fasteners in the USA (Vossloh Fastening Systems)

\* 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, Q1/2014

### Cash flow in Q1/2014 improved over prior year

- **Gross cash flow** higher than in prior year
- **Cash flow from operating activities** improved through lower build-up of working capital
- **Free cash flow** higher by €17 million over prior year

Cash flow analysis (in € million)	1-3/2013*	1-3/2014
<b>EBIT</b>	<b>9.4 (9.7)</b>	<b>6.5</b>
Amortization/depreciation/write-down of noncurrent assets (net, after write-up)	9.8 (11.5)	10.5
Change in noncurrent provisions	-3.6 (-2.7)	0.6
<b>Gross cash flow</b>	<b>15.6 (18.5)</b>	<b>17.6</b>
Change in working capital	-73.2 (-87.0)	-44.8
Change in investments in associated companies, other non-cash expenses and income, change in other assets/liabilities	-10.7 (4.2)	-20.1
Income taxes paid	-4.5 (-4.6)	-3.7
<b>Cash flow from operating activities</b>	<b>-72.8 (-68.9)</b>	<b>-51.0</b>
Investment in tangible and intangible assets	-14.7 (-15.3)	-19.5
<b>Free cash flow</b>	<b>-87.5 (-84.2)</b>	<b>-70.5</b>

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## Vossloh Group, Q1/2014

Working capital decreases significantly, net indebtedness clearly reduced

- Total assets increase with placement of shares
- Equity, with share placement, significantly increased to €580.9 million
- Working capital declined from prior year, mainly due to increased advanced payments
- Due to lower working capital, capital employed as of quarter end below prior year



	3/31/2013	3/31/2014	Δ in %
<b>Total assets (€ million)</b>	1,582.6* (1,621.5)	1,643.3	+3.8
<b>Equity (€ million)</b>	512.5* (513.7)	580.9	+13.4
<b>Equity ratio (%)</b>	32.4* (31.7)	35.4	–
<b>Average working capital (€ million)</b>	198.7* (201.8)	122.7	-38.2
<b>Average working capital intensity (%)</b>	18.9	10.4	–
<b>Closing working capital (€ million)</b>	241.7* (251.0)	139.3	-42.4
<b>Closing working capital intensity (%)</b>	22.9* (23.5)	11.8	–
<b>Average capital employed (€ million)</b>	871.6* (872.1)	851.0	-2.4
<b>Closing capital employed (€ million)</b>	924.4* (925.6)	874.2	-5.4
<b>Net financial indebtedness (€ million)</b>	299.4* (295.8)	191.1	-36.2
<b>Net leverage (%)</b>	58.4* (57.6)	32.9	–

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



## Rail Infrastructure division, Q1/2014

### Sales increase year-on-year, EBIT improves

- Sales revenues in Rail Infrastructure division increase over prior year: Switch Systems and Rail Services raise revenues compared to prior year, revenues of Vossloh Fastening Systems lower as expected
- As a result of an intra-group reassignment of the US subsidiary Vossloh Fastening Systems America Corporation, EBIT of the division amounts to €30.0 million; EBIT of €15.1 million remains after deducting Group level elimination of one-time effect
- Working capital decreased, especially due to reduction of receivables and inventories in the Switch Systems and Fastening Systems business units; capital employed, due to higher noncurrent assets, only slightly reduced
- ROCE significantly above prior year; value added declines to €-3.1 million due to higher WACC



	1-3/2013	1-3/2014	Δ in %
<b>Net sales (€ million)</b>	172.9* (176.6)	178.9	+3.5
<b>EBIT (€ million)</b>	13.3* (13.6)	15.1**	+13.4
<b>EBIT margin (%)</b>	7.7	8.4**	–
<b>Average working capital (€ million)</b>	250.8* (253.9)	215.8	-14.0
<b>Average capital employed (€ million)</b>	729.0* (729.5)	719.1	-1.4
<b>ROCE (%)</b>	7.3* (7.5)	8.4**	–
<b>Value added (€ million)</b>	-2.2* (-1.9)	-3.1**	–

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\*\* The effects resulting from the intra-group reassignment of the US subsidiary Vossloh Fastening Systems America Corporation have been eliminated to ensure comparability

## Transportation division, Q1/2014

Sales in division increase significantly, EBIT and EBIT margin reflect low contribution margins on a number of projects

- Growth in sales of both business units of Transportation: Increasing sales of Transportation Systems with the locations of Kiel and Valencia in connection with new and used locomotives, as well as in the replacement parts and service business; revenues of the Electrical Systems business unit significantly increased especially due to growth in the segments of rail vehicles and buses
- EBIT in Q1/2014 negative due to continuing negative effects caused by low contribution margins on a number of projects
- ROCE amounts to -15.1% as a result of lower results in spite of slightly reduced average capital employed
- Significant decline in working capital due to higher advance payments



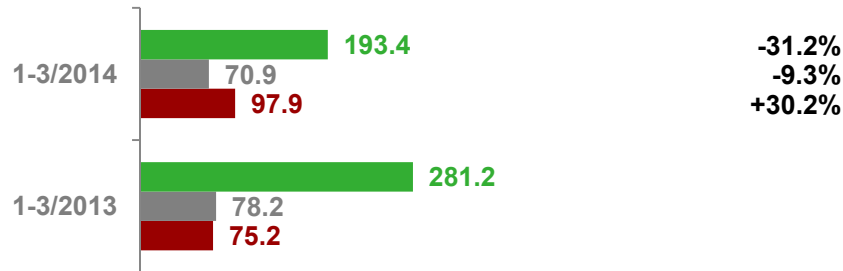
	1-3/2013	1-3/2014	Δ in %
Net sales (€ million)	90.6	115.3	+27.3
EBIT (€ million)	1.0	-4.7	–
EBIT margin (%)	1.2	-4.1	–
Average working Capital (€ million)	-48.4	-88.5	-83.1
Average capital employed (€ million)	133.5	124.0	-7.1
ROCE (%)	3.1	-15.1	–
Value added (€ million)	-1.8	-7.8	–

# Vossloh Group, Q1/2014

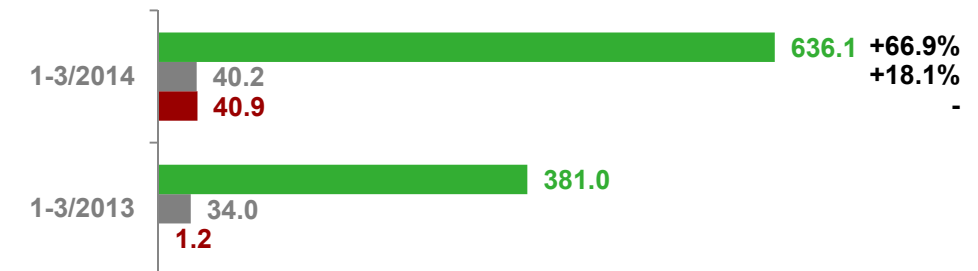
Incoming orders of €435 million more than €200 million over prior year,  
Order backlog reaches new record of €1,869 million

## Order backlog, sales and incoming orders of the business units (€ million)

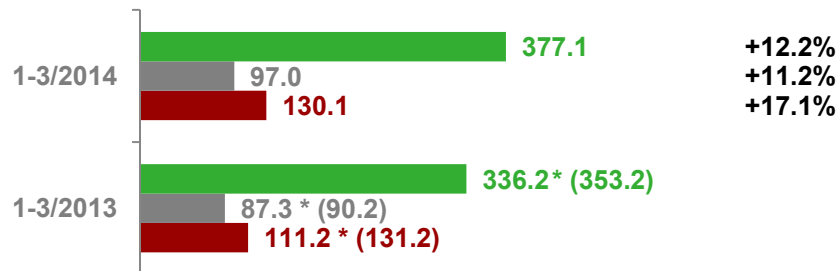
### Vossloh Fastening Systems



### Vossloh Rail Vehicles



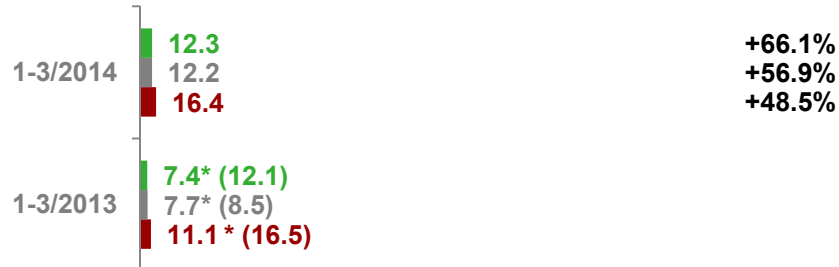
### Vossloh Switch Systems



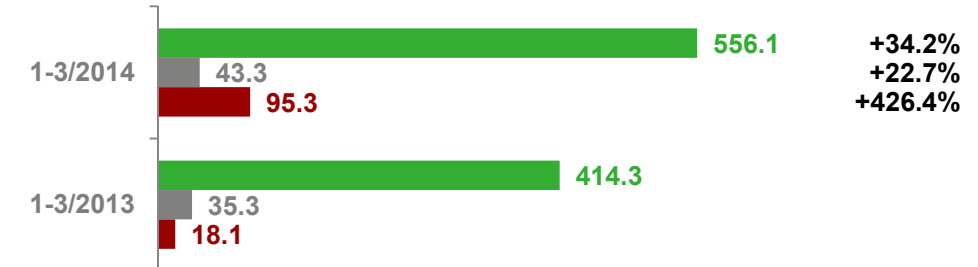
### Vossloh Locomotives



### Vossloh Rail Services



### Vossloh Electrical Systems



■ Order backlog   
 ■ Sales   
 ■ Incoming orders

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# Vossloh Group, outlook 2014

## Significant growth in sales and improvement in operating results

- Outlook supported by continuing high order backlog of more than €1.8 billion
- Rail Infrastructure division: Sales expected at the level of fiscal 2013
- Transportation division: Both business units profit from higher incoming orders from the years 2011 through 2013
- Vossloh intends to raise Group sales by more than 10% in the current fiscal year. With this, the forecast growth in revenues is again significantly higher than the growth expectations for the rail technology market
- In spite of intensive competition and continuing price pressure in all business units, Vossloh expects, from today's viewpoint, an improvement in the operating result, which will be especially driven by the non-recurrence of the one-off effects that were incurred in 2013. From the current perspective, the operating EBIT margin of the Vossloh Group will likely be at the lower end of the forecast range of between 5 percent and 7 percent and will be i.a. significantly dependent on the progress of projects in the Transportation division



# Financial calendar and contacts

## — Financial calendar

- May 28, 2014 Annual General Meeting
- July 24, 2014 Publication of interim report as of June 30, 2014
- October 30, 2014 Publication of interim report as of September 30, 2014

## — IR contact

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