



**Roadshow Kepler Cheuvreux**

**November 7, 2016, London**

A photograph of a railway track stretching into the distance. The tracks are made of gravel and metal rails, with a green strip of grass or vegetation running alongside them. The background shows a hazy, mountainous landscape under a bright sky.

**Driving transformation. Shaping the future.**

## Disclaimer

### **Note:**

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# Vossloh – Connecting Expertise

## Integrated product portfolio and interlinked competence

### Core business

#### Infrastructure

##### Core Components

- Excellent technological know-how and over 130 years experience are the basis for technological leadership
- Worldwide leading position for rail fastening systems
- Focus on cost efficiency and technological trendsetter
- Production sites in Germany, China, Poland, the USA and Russia<sup>(1)</sup>
- Fastening systems for all kind of track systems
- Installed in >65 countries across more than 100,000 km

##### Product business

##### Customized Modules

- Strong solutions competence in all areas of switch systems and more than a century of experience
- A global market and technology leader within the switches segment
- Local presence in 20 countries fosters optimized and tailor-made customer solutions
- Complementary offering through safety equipment, signalling systems and monitoring products

##### Project business

##### Lifecycle Solutions

- Innovative technology and services covering the entire lifecycle of rails and switches
- Globally unique and patented High Speed Grinding technology offers significant advantages to customers, preventive High Speed Grinding leads to a significant reduction of lifecycle costs
- Rail and switch maintenance services, rail and switch logistics as well as mobile and stationary welding

##### Service business

##### Transportation

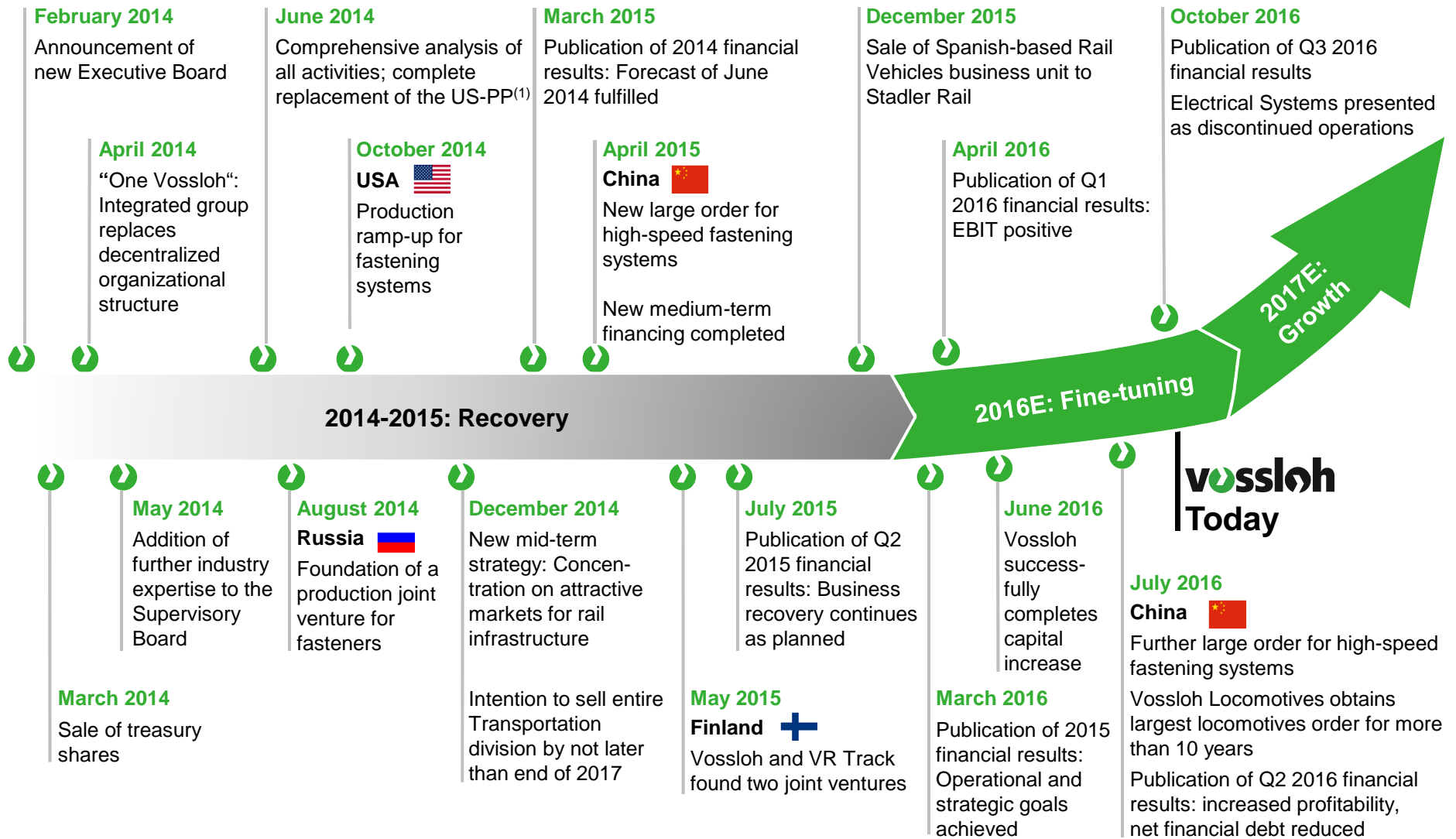
- Development and production of diesel-electric and diesel-hydraulic locomotives
- Offering a comprehensive range of services activities, including maintenance, rental and financing
- Locomotives homologated in many European countries

##### Locomotive business

Note: (1) Currently under construction

# Vossloh in Transformation

## Milestones 2014 - 2016



Note: (1) US – Private Placement

## Vossloh Group, 9M/2016

### Transformation of Vossloh progressing as planned

#### Electrical Systems business unit presented as discontinued operations

- Implementation of the Group strategy continues to take shape; the sale of the Electrical Systems business unit is currently expected in all likelihood to take place in the coming months
- In accordance with IFRS 5, all income and expenses as well as assets and liabilities of the business unit for the current reporting period and the respective comparative period of the previous year are presented separately; net result from discontinued operations includes an impairment loss of about €9 million from the measurement in accordance with IFRS 5; net cash inflow in low to middle double-digit million range from the sale of the business unit expected

#### Transportation now only consists of Vossloh Locomotives

- Vossloh Locomotives is the only remaining business unit in the Transportation division; high sales and earnings contributions expected for the fourth quarter of 2016
- Sales process of Vossloh Locomotives to be intensified at the beginning of the year 2017

#### EBIT and profitability clearly exceeded the previous year level

- Third quarter of 2016 contributes to the increase of earnings and profitability in the Vossloh Group and continues the positive trend seen in the first half of the current fiscal year
- Group EBIT was increased by 17.0 percent despite a decline in sales revenues of 4.3 percent; profitability was thereby significantly above the previous year
- Processing of high margin projects as well as cost reduction and efficiency enhancement programs made a major contribution to profitability increases

## Vossloh Group, 9M/2016

### Operational profitability increased further after nine months

#### Sales revenues after nine months below the prior year level

- Sales decline primarily a result of weak sales development in the USA as well as negative translation effects from the conversion of the financial statements of international Group companies; in addition, Transportation remained still below the level of the prior year due to fewer locomotive deliveries
- Lifecycle Solutions with significant sales growth in comparison with the previous year, Core Components only slightly below prior year thanks to positive development in the third quarter, Customized Modules also remained slightly below the prior year figure

#### Major contracts won in the third quarter of 2016

- Vossloh Locomotives won a major order in France for 44 DE 18 locomotives worth approximately €140 million; the contract also includes options for further locomotives and complementary services; first deliveries planned from 2018 onwards
- Orders received in the third quarter of 2016 including the major order from China won by Core Components in July 2016 (sales volume €50 million) at a very high level

#### InnoTrans 2016: “Connecting Expertise”

- Innovative complete solutions in rail infrastructure presented
- Publication of the Unife study:
  - Market growth in recent years significantly weaker than expected
  - Growth forecast for the relevant Vossloh markets supports the growth path chosen in the medium-term

## Vossloh Group, 9M/2016

### Continued significant improvement in EBIT, high orders received

		1-9/2015/ 9/30/2015	1-9/2016/ 9/30/2016
<b>Sales revenues*</b>	€ million	694.3	664.1
<b>EBIT*</b>	€ million	29.7	34.7
<b>EBIT margin*</b>	%	4.3	5.2
<b>Net result from discont. operations*</b>	€ million	0.8	(7.8)
<b>Net income</b>	€ million	7.0	6.0
Earnings per share	€	0.20	0.13
ROCE*	%	5.3	6.5
Value added**	€ million	(25.8)	(13.3)
Cash flow from operating activities	€ million	9.3	(5.7)
Cash flow from investing activities	€ million	(36.5)	(25.5)
Cash flow from financing activities	€ million	32.6	91.6
<b>Free cash flow***</b>	€ million	<b>(20.9)</b>	<b>(27.7)</b>
<b>Orders received*</b>	€ million	<b>725.1</b>	<b>830.3</b>
Order backlog*	€ million	624.5	748.8

**Group sales** primarily influenced by weak business development in the USA and currency translation effects as well as lower locomotives de-liveries in the Transportation division below the comparable prior year level

A margin improvement was achieved after nine months in comparison with the previous year; **EBIT** exceeded the prior year figure despite a decline in sales

**Net income** decreased despite positive EBIT development through high tax expense in Q3 (write-down of deferred tax assets on loss carryforwards) and negative net result from discontinued operations

**Free cash flow** remained negative; positive development in the third quarter; free cash flow from continuing operations almost offset

**Orders received** significantly above the comparable level of the previous year; book-to-bill in the Group at 1.25

\* Reported figures not including the Electrical Systems business unit which is held for sale. The financial information reported for the Group here are therefore not comparable with previous reports.

\*\* Weighted average cost of capital 2016 (WACC) of 9% was assumed (prior year: 10%).

\*\*\* Free cash flow comprises cash flow from operating activities, investments in intangible assets and property, plant and equipment in addition to inflows and outflows of cash that are in connection with investments in companies accounted for using the equity method.

## Vossloh Group, 9M/2016

### Equity strongly increased, net financial debt significantly reduced

		1-9/2015/ 9/30/2015	1-9/2016/ 9/30/2016
Fixed assets*	€ million	485.2	477.4
<b>Capital expenditures*</b>	€ million	21.7	20.8
Amortization/depreciation*	€ million	27.0	25.7
<b>Equity</b>	<b>€ million</b>	<b>352.0</b>	<b>545.7</b>
<b>Equity ratio</b>	<b>%</b>	<b>21.0</b>	<b>39.1</b>
<b>Working capital (Ø)*</b>	€ million	255.8	231.9
Working capital intensity (Ø)*	%	27.6	26.2
Working capital*	€ million	253.2	241.0
Capital employed (Ø)*	€ million	739.9	711.9
Capital employed*	€ million	738.4	718.3
<b>Net financial debt*</b>	<b>€ million</b>	<b>329.9</b>	<b>133.1</b>

**Capital expenditures** remained below the prior year level after nine months; **largest single investment** at a production location for manganese frogs in Northern France in the Customized Modules division

Significant increase in **equity** following capital increase, book profit from the sale of Rail Vehicles as well as positive net income

**Operational improvement in working capital** – average working capital was able to be noticeably reduced through consistent receivables management; working capital intensity below previous year despite considerable increase in Transportation

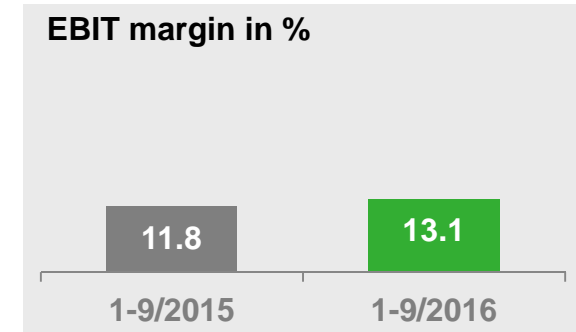
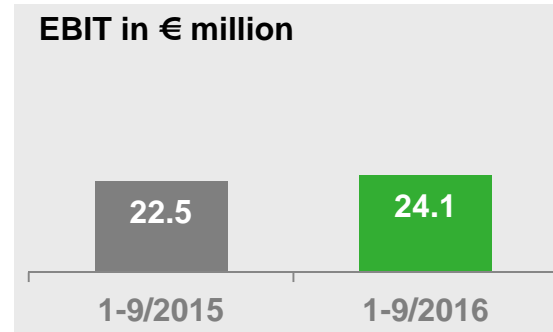
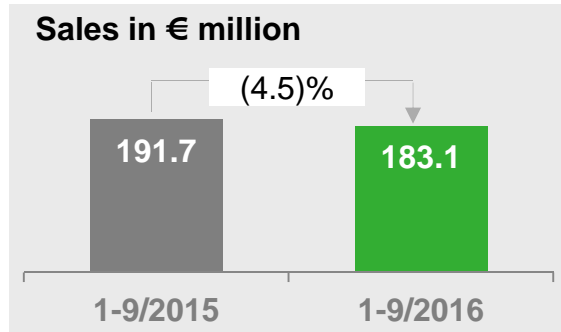
Significant decline in **net financial debt**, primarily as a result of net proceeds from the capital increase, cash inflow from the disposal of Rail Vehicles and positive free cash flow in the last twelve months

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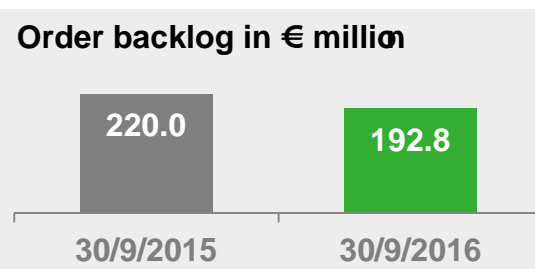
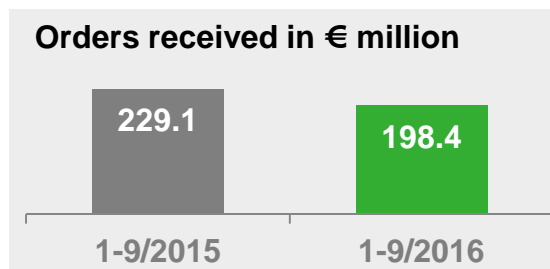


## Core Components division, 9M/2016

Sales level slightly below prior year, EBIT and profitability increased



- Sales below prior year as a result of lower sales volume in Argentina and Eastern Europe (in particular in the Czech Republic and Poland); positive sales development particularly in China as a result of strong business development in the third quarter and in Qatar
- EBIT and EBIT margin above previous year due to higher margin product mix as well as extensive cost reduction measures
- Book-to-bill at 1.08; major order from China (€50 million) at the beginning of the third quarter and significant orders received from Italy and Saudi Arabia

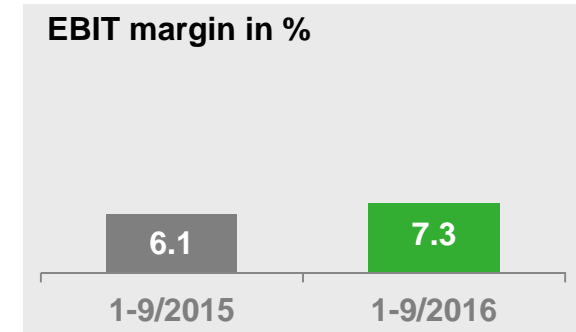
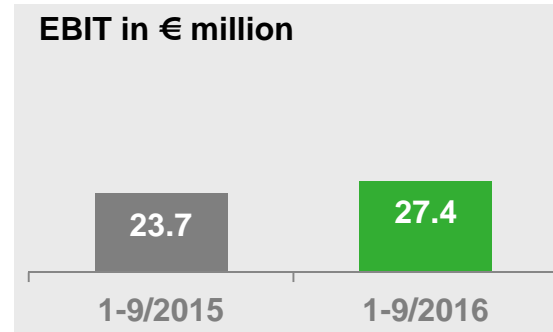
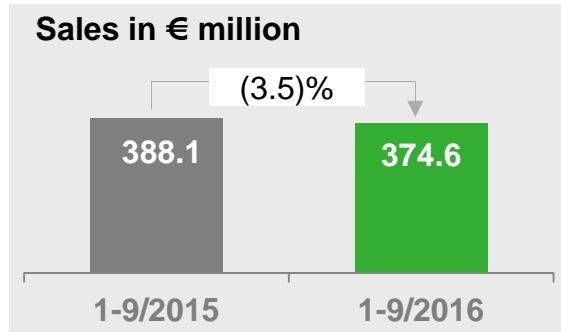


Capital Employed (Ø)	1-9/2016	109.3
(€ million)	1-9/2015	129.7

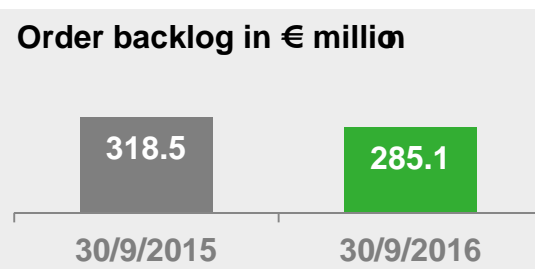
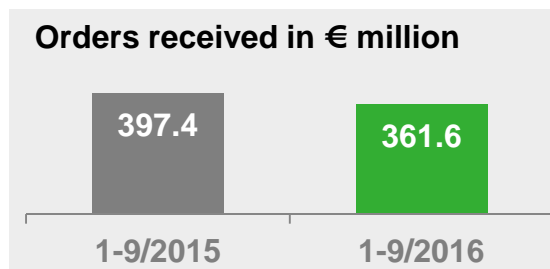
ROCE (%)	1-9/2016	29.4
	1-9/2015	23.2

## Customized Modules division, 9M/2016

### Significant increase in earnings and profitability



- Considerable decline in sales in the USA due to lower investments by class 1 railway operators as well as the completion of projects in Poland; in contrast, pleasing sales growth in France in particular, but also in Finland and Italy
- Significant earnings and profitability increase as a result of focusing on higher margin projects as well as high capacity utilization at the French locations
- Major new orders from France, the USA, Sweden and Morocco; book-to-bill at 0.97

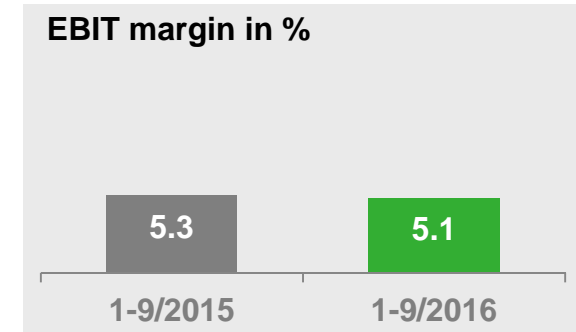
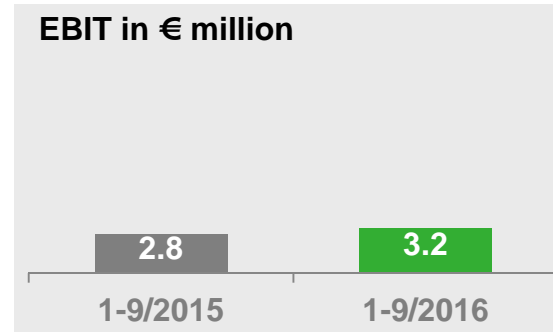
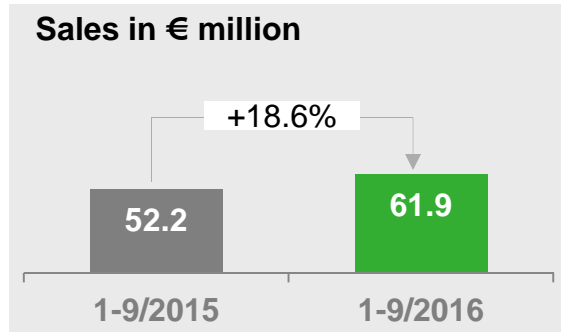


Capital Employed (Ø)	1-9/2016	415.2
(€ million)	1-9/2015	427.2

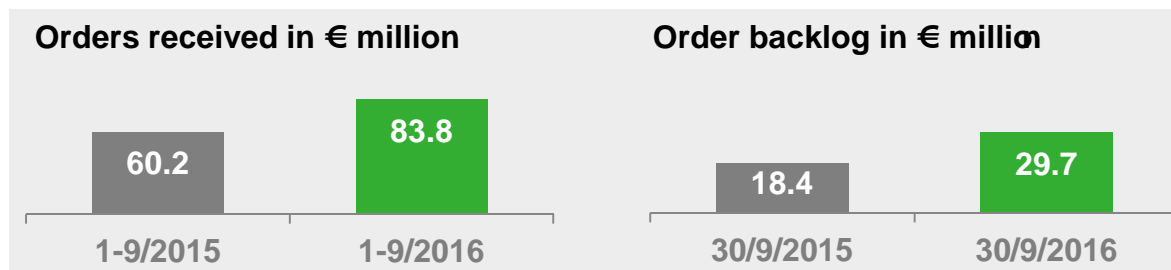
ROCE (%)	1-9/2016	8.8
	1-9/2015	7.4

## Lifecycle Solutions division, 9M/2016

Internationalization progressing, book-to-bill at 1.35



- Positive sales development in Northern Europe (Sweden and Finland) primarily responsible for double-digit sales growth; internationalization of the division significantly increased, over 40 percent of sales generated outside Germany
- EBIT slightly above previous year; Q3 result burdened by lower margin order mix as well as necessary maintenance work on grinding trains
- Increase in orders received by 39.2 percent; significant orders received from Germany in particular as well as China, Sweden and Finland

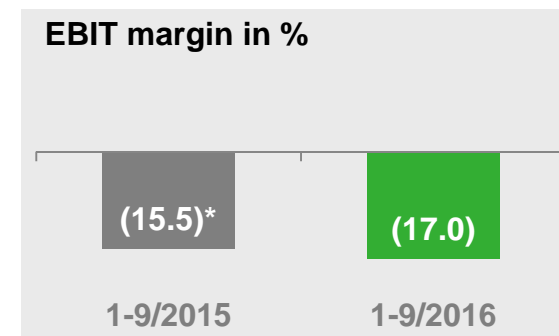
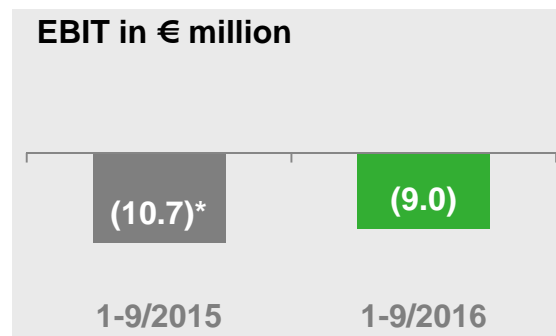
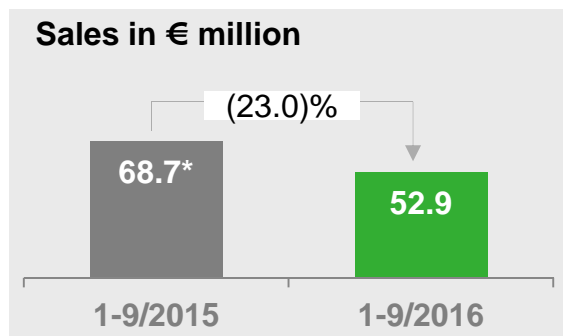


Capital Employed (Ø)	1-9/2016	129.3
(€ million)	1-9/2015	120.3

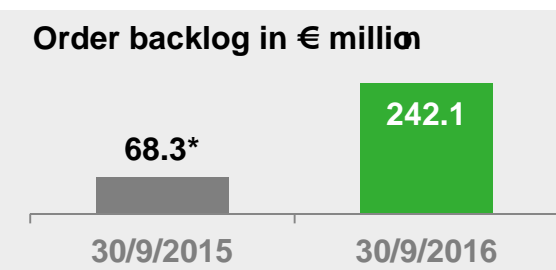
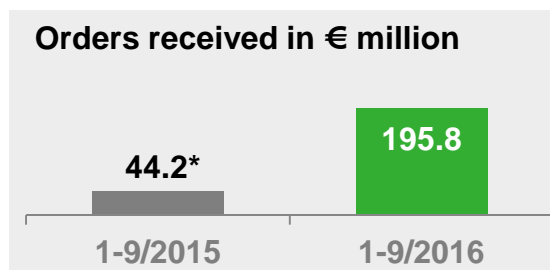
ROCE (%)	1-9/2016	3.3
	1-9/2015	3.1

## Transportation division, 9M/2016

Significant sales and profitability improvement expected for Q4/2016



- Transportation division now only includes the Locomotives business unit; presentation of Vossloh Electrical Systems as “discontinued operations”
- Sales of Vossloh Locomotives remained below the previous year, particularly as a result of fewer deliveries; EBIT and EBIT margin negative as expected
- Significant sales and earnings improvement and thereby considerable reduction of loss expected in the fourth quarter
- Major order from France (€140 million) resulted in a considerable increase in orders received; book-to-bill at 3.7



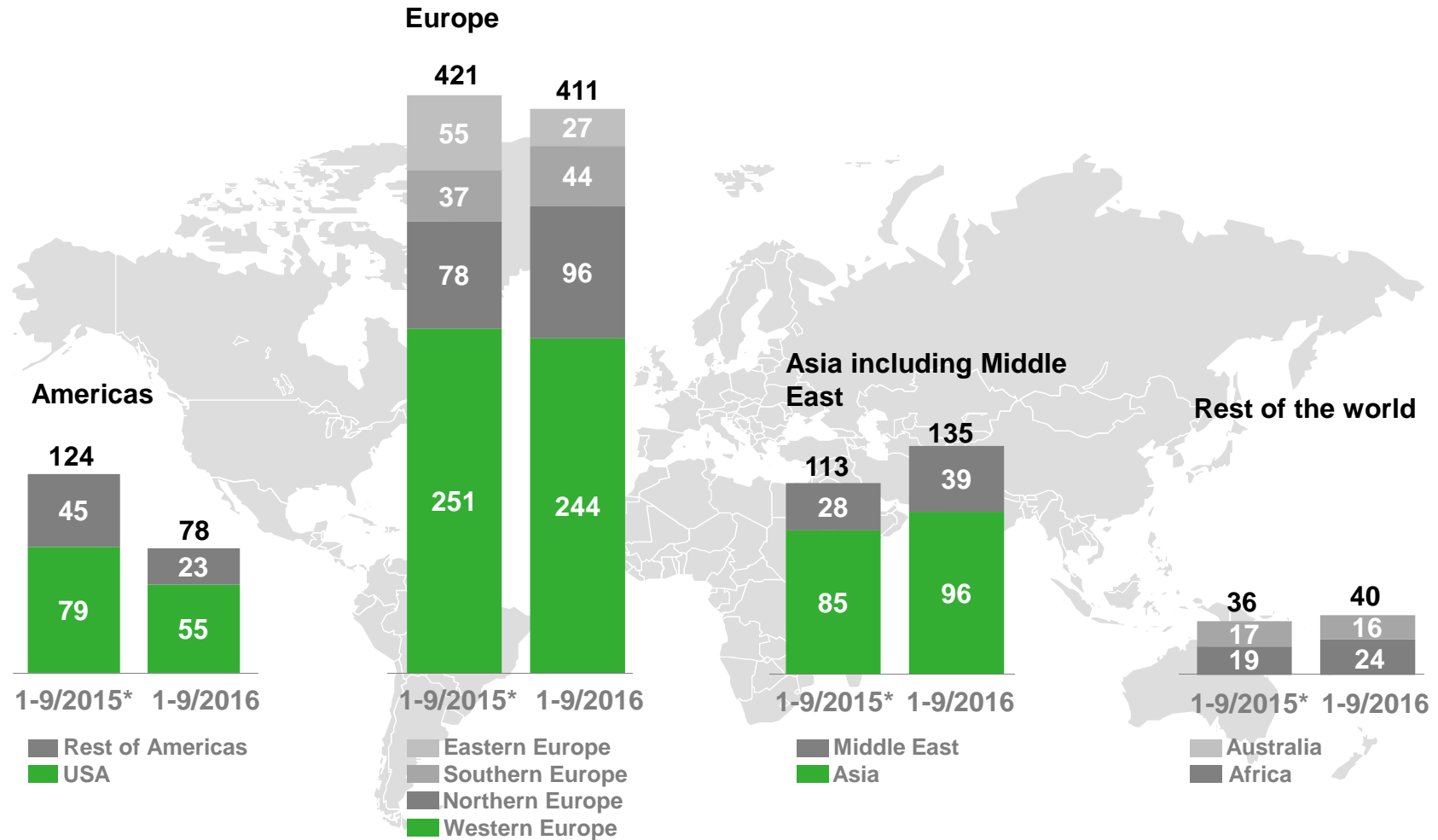
Capital Employed (Ø)	1-9/2016	51.2
(€ million)	1-9/2015	53.8*

ROCE (%)	1-9/2016	(23.4)
	1-9/2015	(26.4)*

\* Reported figures not including the Electrical Systems business unit which is held for sale. The financial information reported for the Transportation division here are therefore not comparable with previous reports.

## Vossloh Group, 9M/2016

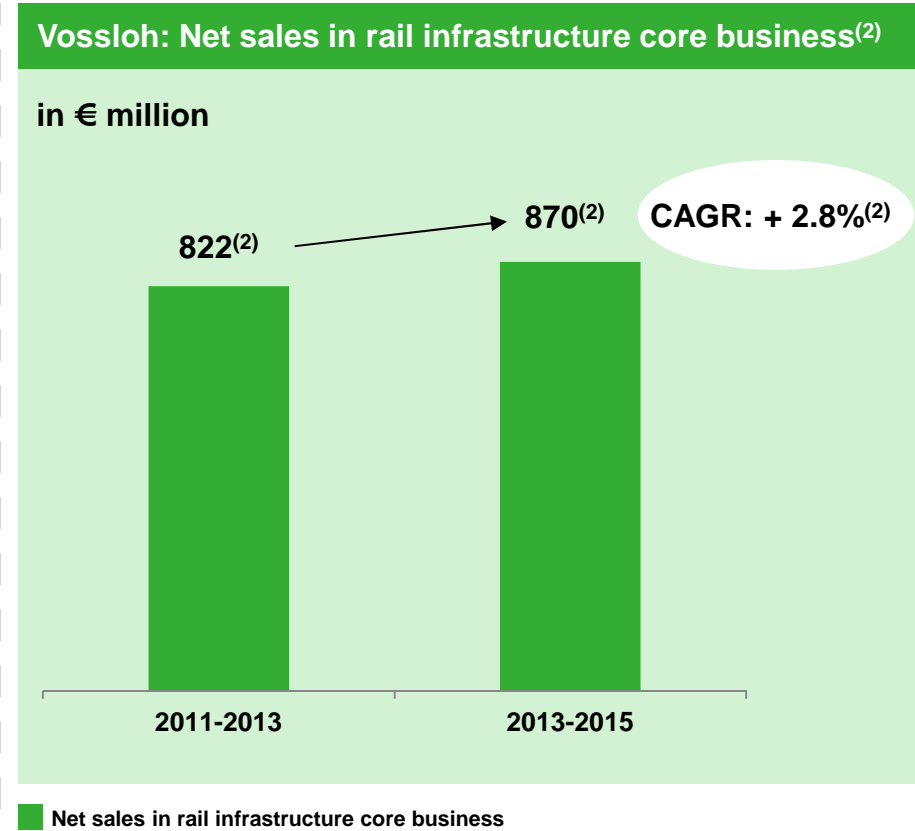
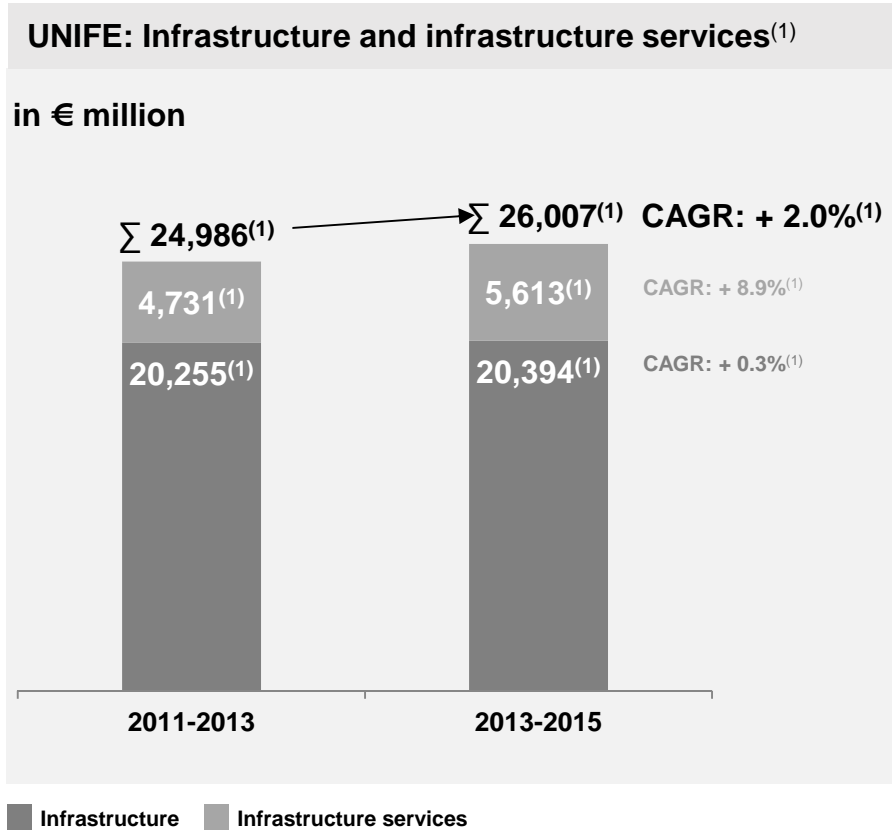
Sales in Asia and Northern Europe increased, significant decline in the Americas



\* Reported figures not including the Electrical Systems business unit which is held for sale. The financial information reported for the Group here are therefore not comparable with previous reports.

# Rail infrastructure and infrastructure services, 2011/13 and 2013/15

## Growth in Vossloh's core business above market level



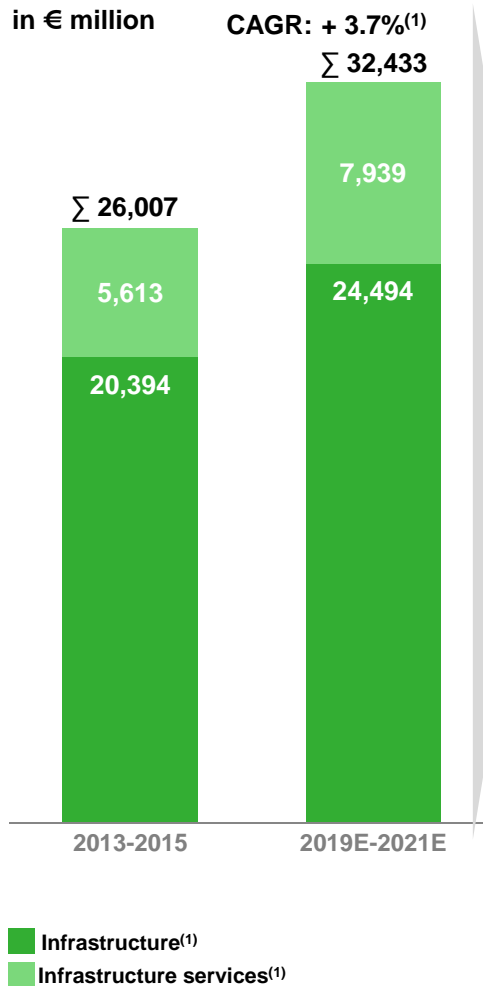
- Net sales growth of Vossloh's core divisions between 2011 and 2013 compared to between 2013 and 2015 exceeds growth rates of the worldwide accessible total market for rail infrastructure and infrastructure services
- Contrary to the forecast of the World Rail Market Study 2014, the market growth was considerably lower; the original forecast amounted to 3.8 percent

<sup>(1)</sup> Average annual volume in the accessible markets in the infrastructure and infrastructure services segments in € million, CAGR 2013-2015 in comparison with 2011-2013, source: World Rail Market Study 2016, UNIFE The European Rail Industry, Roland Berger Strategy Consultants

<sup>(2)</sup> Average annual net sales volume of the Vossloh Group in the rail infrastructure core business in € million, CAGR 2013-2015 in comparison with 2011-2013

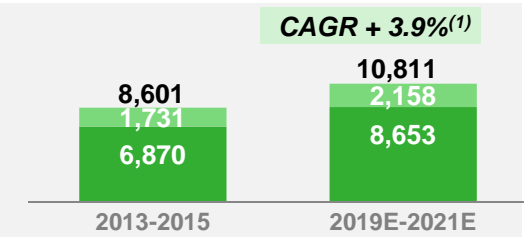
# Rail infrastructure and infrastructure services, 2013/15 – 2019/21

## UNIFE overview remains attractive: High potential in Western Europe



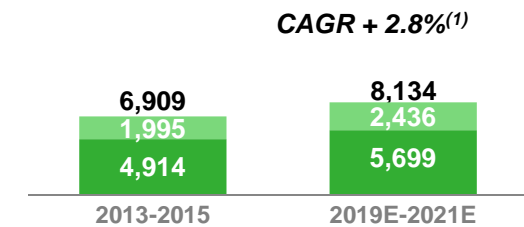
### Western Europe

- The worldwide largest market for rail technology, home market of the Vossloh Group
- Comprehensive modernization activities in several countries, however implementation speed is uncertain



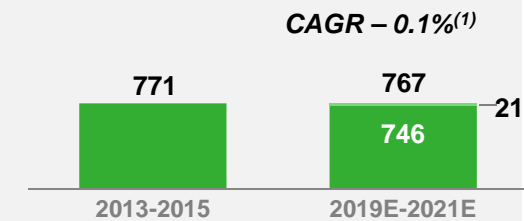
### USA

- Largest rail network in the world: 228,200 km<sup>(2)</sup>, focus on freight networks
- Urban local rail transport will grow stronger
- Decreased investing activities, particularly as a result of changed framework conditions on the oil market



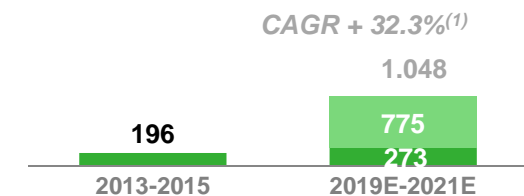
### Russia

- Third largest rail network in the world: 86,300 km<sup>(2)</sup>
- Russia is also the third largest market in the world for freight traffic
- Market policy delays investments



### China

- Second largest rail network worldwide: 93,000 km<sup>(2)</sup>, approximately 16,000 km high-speed relevant for Vossloh
- New five-year plan includes the further expansion of the rail network: investments primarily in local transport systems and urban networks



<sup>(1)</sup> Average annual volume of the accessible market in the infrastructure and infrastructure services segment in € million and expected average growth, Source: World Rail Market Study 2016, UNIFE The European Rail Industry, Roland Berger Strategy Consultants

<sup>(2)</sup> Trains in international comparison, values for 2014, source: Kommersant, FAZ

## Vossloh Group, Outlook

Target for EBIT margin 2016 adapted to the new Group structure – improvement expected for 2017

### Vossloh Group

2016e\*

- **Sales from continuing operations of between €930 and €970 million expected at prior year level (approximately €950 million)**; sales growth is particularly inhibited by very weak market development in the USA; sales growth expected at Lifecycle Solutions; Core Components and Transportation approximately at the level of the previous year, Customized Modules slightly below the prior year level
- With a Group structure including Vossloh Electrical Systems, an EBIT margin of 4.0 to 4.5 percent was previously expected, as a result of the intended sale of the Electrical Systems business unit, an **EBIT margin of between 4.5 and 5.0 percent** is now anticipated; Core Components, Customized Modules and Lifecycle Solutions at approximately the level of the previous year, Transportation remained negative, however improved in comparison with the previous year
- **Value added** improved significantly, still negative overall, however

2017e\*

- An **EBIT margin of between 5.5 and 6.0 percent** was previously expected at Group level with a Group structure including Vossloh Electrical Systems, as a result of the planned sale of the Electrical Systems business unit, an EBIT margin **at the higher end of the range** stated is expected; higher profitability in targeted portfolio structure without Locomotives business unit

\* Sales and EBIT margin based on continuing Group activities. The Electrical Systems business unit, which is held for sale, has been presented as discontinued operations in accordance with IFRS 5. All earnings and expenses are therefore presented separately.