Vossloh creates conditions for a sustainably successful and profitable business development

June 27, 2014
Vossloh: Realignment and Restructuring
Stringent, comprehensive and efficient approach of new board

New Executive Board completed one quarter ago

- Hans M. Schabert, CEO since April
- Oliver Schuster, member of the board since March, CFO since April
- Volker Schenk, CTO since May

Executive team is taking immediate operational action and acts forcefully

- Executive board takes operational action within the business units
- Vossloh AG is not being guided as a management holding anymore
- Number of managers and division heads has already been reduced by one third

Two-step process initiated to refocus on corporate strengths

1) Status appraisal and group stabilization: started
   - Effected an intensive and comprehensive status appraisal of all group activities
   - Talked to all managers, numerous additional employees on all hierarchical levels and at all important group sites
   - Analyzed and evaluated product portfolio, processes and structures as well as current market perspectives
   - In parallel, optimized and secured financing

2) Definition of a new strategy to be communicated at the end of 2014
Realignment and restructuring lead to additional charges to results of presumably up to €250 million in 2014

Thereof:

- Expenses for necessary restructuring measures ≤ €100 million
- Expenses for the current valuation of carrying amounts of various assets ≤ €80 million
- Revised assessment of project risks and other risks ≤ €70 million
- At most, 1/3 of these mainly one-time charges will affect liquidity in 2014
- EBIT forecast for 2014 ranges between minus €150 million and minus €180 million
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Necessary measures are being initiated immediately

Interventions mainly relate to the Transportation division and the Switch Systems business unit

- Activities of Vossloh Locomotives in Kiel (Germany) are being aligned solely to the business with standard industrial and shunting locomotives, in order to increase profitability on a sustainable basis

- Transfer of the production to a significantly more modern and therefore more cost-effective location is being discussed; the related decision will be made promptly

- Development, sale and production of customer-specific locomotives is being relocated to Vossloh Rail Vehicles in Valencia with immediate effect

- Vossloh Electrical Systems in Dusseldorf will concentrate on the areas of local transport vehicles, trolley buses, components, e-mobility and related services

- Streamlining of the capacity as well as updated current project calculations will lead to extensive expenses in the Electrical Systems business unit in 2014

- A revised market assessment for North America, China, Australia and Europe makes it necessary to carry out a comprehensive revaluation of specific assets of Vossloh Switch Systems

- The business units Fastening Systems and Rail Services are continuing with their basic structures remaining in place unchanged

- Reduction of approximately one third of managers and division heads
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Striving for a positive business result in 2015

Room for maneuver for the necessary interventions in operations has been created; realignment provides basis to return Vossloh to a path of profitability

- Financing with several banks in the total amount of €250 million at favorable interest rates will replace the expensive and rather inflexible US private placement already end of June
- Group-wide project launched to optimize working capital management
- Operational implementation of the realignment and restructuring measures will continue into the business year 2015
- The resolved alignment establishes the basis for the creation of a new strategy for the Vossloh group
- This new medium- and long-term strategy will be communicated at the end of 2014
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Summary

- New executive board acts in a stringent, comprehensive and efficient way
  - Operational management approach of the executive team
  - 2 phased implementation program: stabilization measures + new strategy
- Realignment and restructuring measures will lead to a negative EBIT forecast for 2014 between minus €150 million and minus €180 million
- Necessary measures have been initiated immediately
  - Reduction of managerial capacities, Kiel, Electrical Systems
- Operational implementation of the realignment and restructuring measures will continue into the business year 2015; nonetheless a positive results for 2015 is being strived for
- The resolved alignment establishes the basis for the definition of a new corporate strategy, which is to be communicated at the end of 2014