

# 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

# Vossloh: Realignment and Restructuring

**Previous sales and results planning for 2014 is not longer attainable**

**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

# Vossloh: Realignment and Restructuring

**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**

# Vossloh: Realignment and Restructuring

## 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

# Vossloh: Realignment and Restructuring

## 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