



**Investors and Analysts Meeting at InnoTrans
“Vossloh on a new course”**

September 25, 2014, Berlin

Disclaimer

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Vossloh on a new course

“Global expertise”

- ▶ Rail fasteners for all areas of application
- ▶ Switch systems for all areas of application
- ▶ Mobile rail maintenance, life-cycle management infrastructure
- ▶ Diesel locomotives, industrial and shunting locomotives with platform concepts, local rail vehicles
- ▶ Innovative electrical systems for road and rail vehicles in public transport systems



Source: Vossloh Stories

Vossloh on a new course

Vossloh yesterday – Vossloh today

Supervisory Board with family representatives



Entrepreneurial Supervisory Board:
comprehensive, in-depth industry experience

Decentralized company structure



Executive Board taking over operational
leadership responsibility

“One Vossloh”:

Cross-divisional and cross-task
communications, information and actions

Primary objective: synergies, speed

Internationalization and concentration on growth



Strengthening of the international market position

Focus on value creation and cash generation

Sustainable working capital optimization

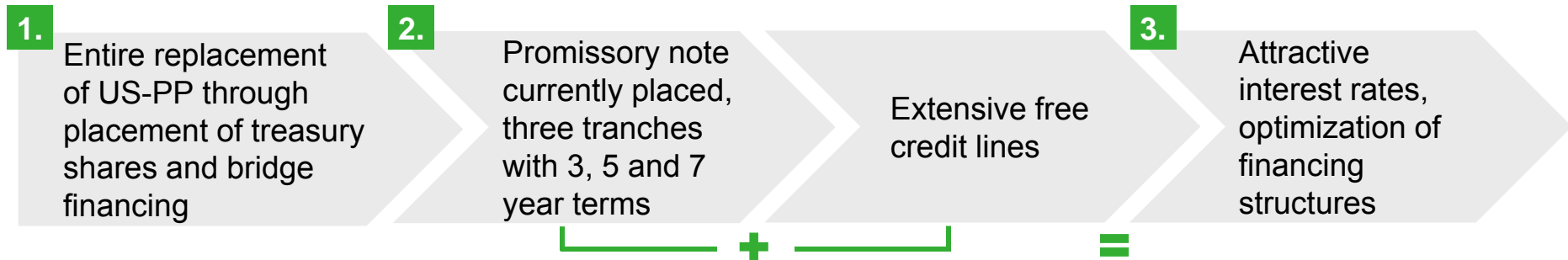
Financing via US-PP with extensive
covenants; short-term refinancing requirements



Long-term financing at attractive, historically low
interest rates

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Long-term financing implemented and significantly optimized



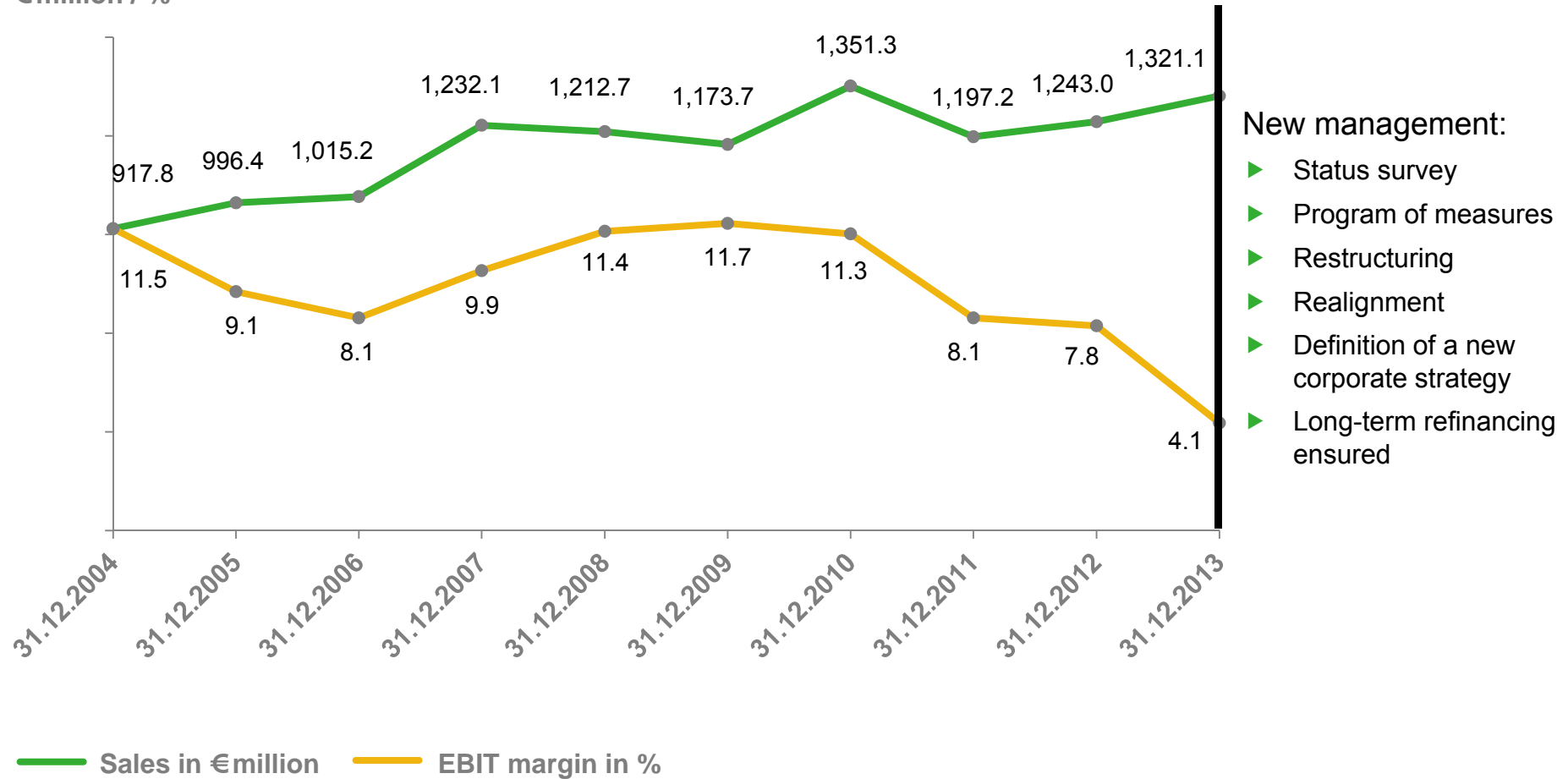
- ▶ Group-wide project for the intensive management of working capital initiated in Q2/2014
- ▶ Focus on sustainable working capital optimization, standard processes being implemented
- ▶ Group free cash flow is an integral benchmark for the remuneration of managing directors

Vossloh on a new course

Vossloh yesterday– Vossloh today

Development of sales and EBIT margin 2004 to 2013

€million / %



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2014: Year of restructuring and realignment

- ▶ Restructuring measures with charges to results in the amount of up to €100 million
 - Refocusing of Vossloh Electrical Systems as leading component manufacturer for traction systems in public transit; medium-term adjustment of capacity
 - Concentration on standardized shunting and industrial locomotives constructed on a modular basis, rapid adjustment of production capacity, transfer to a new site, expansion of rental business
 - Short-term and medium-term staff adjustments in connection with the focusing and realignment of Vossloh Locomotives and Vossloh Electrical Systems; reduction of the number of managers reporting directly to the Executive Board by one third already carried out

- ▶ Revised valuation of assets in the amount of up to €80 million
 - Goodwill impairment

- ▶ Revised assessment of project and other risks with an additional charge to results in the amount of up to €70 million, compared to previous estimates
 - Revised estimate of contract costs and revenues, especially relating to Vossloh Electrical Systems
 - Revised project calculations and other risks regarding Vossloh Switch Systems, Vossloh Locomotives and Vossloh Fastening Systems

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H1/2014 includes the major portion of the expenses

Issue	Business unit	€million, roughly
Impairment of capitalized development costs	VL	23
Site transfer and personnel reductions	VL	10
Concentration on the business with leasing companies; sell-off prototypes	VL	20
Revaluation of the carrying amount of Chinese participation	VSS	8
Miscellaneous, e.g. severance packages		5
Goodwill impairment	VSS	60
Update of project-related contract costs: Recognition of provisions for individual projects		20
Update of project-related contract costs: Adjustment of margins recognized in prior years	VES	6
Revised estimates of contract costs: Weaker current results		10
Total		Approximately €160 million

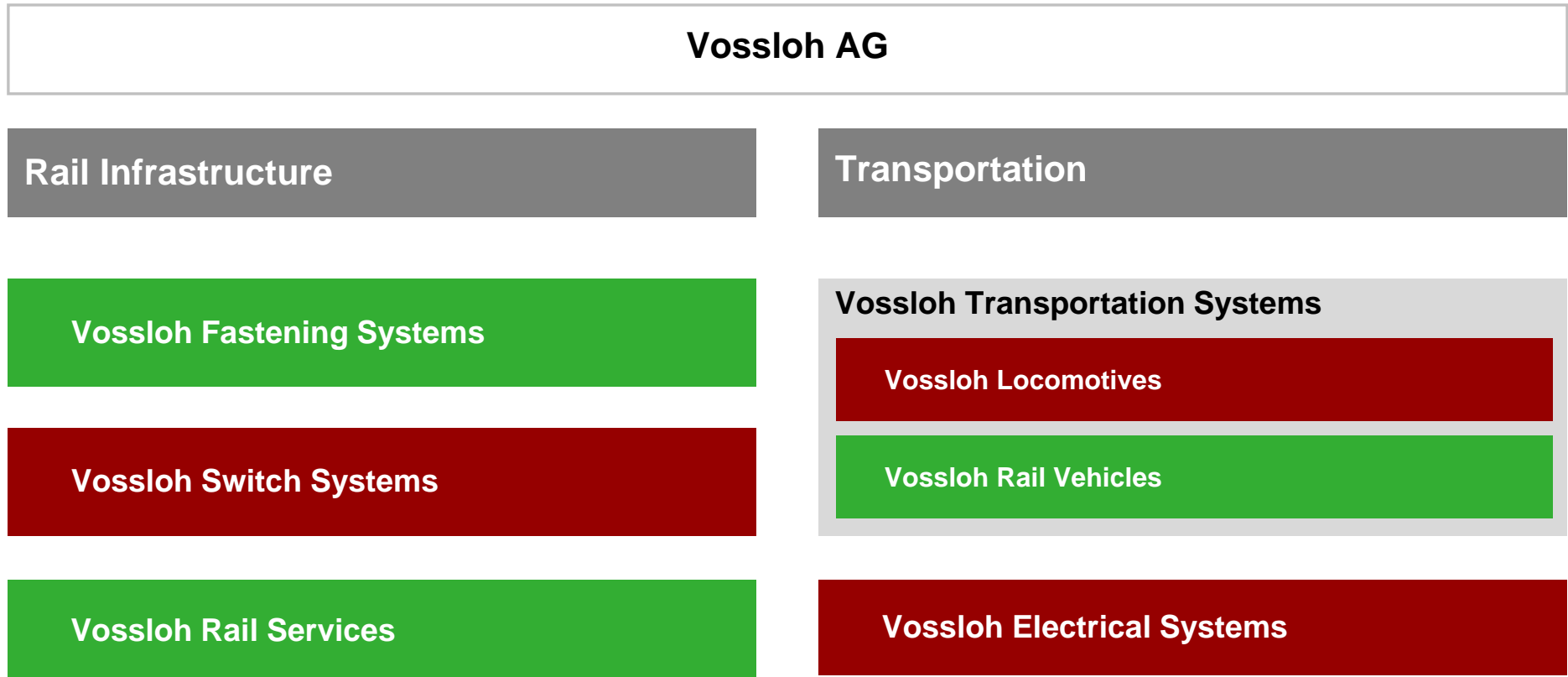
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- Restructuring and realignment
 - Revised estimate of carrying amounts
 - Revised estimate of project and other risks

VL = Vossloh Locomotives
VSS = Vossloh Switch Systems
VES = Vossloh Electrical Systems



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Program of measures primarily affects three business units



- No significant changes required
- Significant structural intervention required

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Vossloh Locomotives: Focused specialist for industrial locomotives



Diesel locomotives with platform concepts

- ▶ Shunting and mainline locomotives



Current status

- ▶ Locomotive business remains below prior year, service business growing slightly
- ▶ Systematic, integral program of restructuring and advancements implemented: 6 modules, 80-100 individual measures, definition of outlook through to 2017
- ▶ Contract concluded for the construction of a new production site in Kiel, relocation to take place already in 2015, positive results as of 2016

Products and positioning

- ▶ Concentration on the business with standard locomotives in the G- and DE- families and related services
- ▶ Sales focus on Europe, especially Germany, Austria, Switzerland, France, Belgium, Italy; new: Scandinavia
- ▶ Intensification of rental business with shunting locomotives

Strategic direction

- ▶ Reduction of the annual production capacity from 100 to 40 locomotives
- ▶ Immediate transfer of new customer-specific orders in connection with the project business to Vossloh Rail Vehicles
- ▶ Further development of the modular design principle: reduction of material and production costs, lower capital commitment
- ▶ Standardization of production processes and decrease of the processing time from 18 to 6 months

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Vossloh Locomotives receives state-of-the-art facility in Kiel



- ▶ Location: Western part of the Business Campus in Kiel Suchsdorf
- ▶ Construction start: Winter 2014
- ▶ Investor: Parthena Reys Group via the German investor and property developer Stargime
- ▶ Staff: 320 positions, i.e. socially responsible reduction of an additional 30 employees in 2014 and 2015
- ▶ Startup of production: End of 2015 at the latest

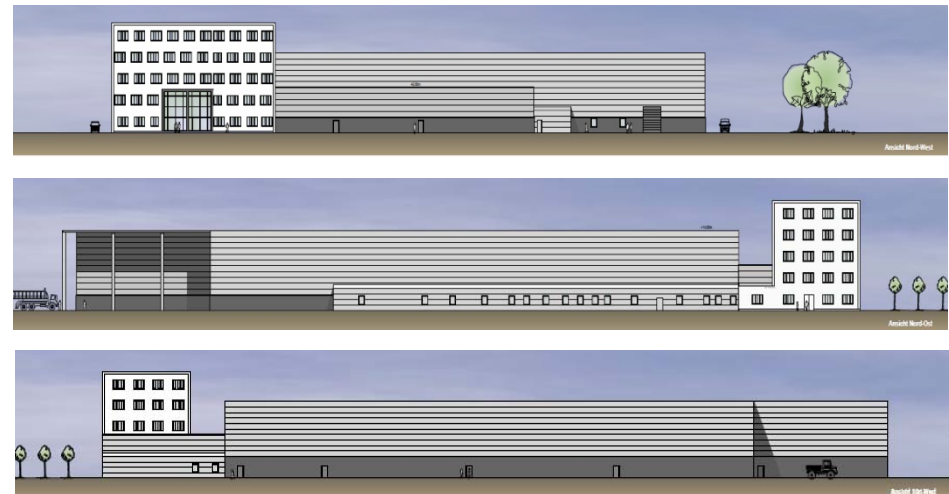
Locomotives site in Kiel: Old

- ▶ Size: 45,000 m²
- ▶ Land: 100,000 m²
- ▶ Complex consisting of 9 buildings



Locomotives site in Kiel: Views of new building

- ▶ Size: 15,000 m²
- ▶ Land: 25,000 m²
- ▶ 1 building, more stringent production processes



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Vossloh Rail Vehicles: European market leader with global presence



Diesel locomotives and local rail vehicles

- ▶ EURO 4000
- ▶ EURO 3000
- ▶ EuroLIGHT / UKLIGHT
- ▶ Dual-mode locomotives
- ▶ Service / maintenance
- ▶ Metros
- ▶ Train-Trams
- ▶ Trams



Current status

- ▶ Sales development continuously positive and above expectations, especially with Euro 4000 locomotives
- ▶ First-time revenues from the processing of the large order from South Africa for 70 locomotives
- ▶ Increased processing of projects of the large local rail orders from prior years (e.g. Santos, Karlsruhe, Wuppertal, Chemnitz, Sheffield)

Products and positioning

- ▶ High level of competence in international project management; takeover of all customer-specific project orders for locomotives
- ▶ Continued cooperation with Vossloh Electrical Systems in the local rail vehicle segment
- ▶ Worldwide sales of high-performance locomotives and trains for local transport

Strategic direction

- ▶ Strengthening of the worldwide sales structure
- ▶ Process optimization
- ▶ Becoming established as a high-performing vehicle supplier in cooperation with Vossloh Electrical Systems and other well-known suppliers
- ▶ Expansion of a best-practice process for the processing of approval procedures

Vossloh on a new course

Vossloh Fastening Systems: High-performing, global market leader



Rail fastening systems for all areas of application

- ▶ Fasteners for local transit
- ▶ Heavy-haul rail fasteners for the US market
- ▶ Rail fastening systems for high-speed lines
- ▶ Components for ballast-bed tracks
- ▶ New generation of rail fasteners



Current status

- ▶ Financial year 2013 affected by positive one-off effects; strong business development in 2014 (especially in China) and successful expansion into new markets
- ▶ Globally operating, internationally leading

Products and positioning

- ▶ Start of production for fastening systems at the US site in Waco, Texas, fully operative at the beginning of 2015
- ▶ Improved access to Russian rail market through joint ventures with the leading Russian manufacturer of railway sleepers, BetElTrans
- ▶ Sales focus on specific products: Local rail systems in Asia, heavy-duty rail in the Near East and North America, high-speed projects

Strategic direction

- ▶ Meeting the global demand for rail fastening systems on the basis of own production locations (Germany, Turkey, USA) and joint ventures in emerging economies with barriers to access (China, Russia)
- ▶ Ensuring the leading market position as manufacturer of innovative, high-value and application-specific individual rail fastening systems

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Vossloh Electrical Systems: Independent specialist for electrical equipment

Local public transport

- ▶ Trams
- ▶ Low-floor vehicles
- ▶ Modernization of vehicle fleets
- ▶ Local transport buses



Current status

- ▶ Approx. 65 restructuring measures defined, largely in processing, portions already finalized
- ▶ Medium-term reduction of personnel resolved
- ▶ Measures initiated for optimization of the quality management, the internal organization and processing of projects, as well as a strict cost management started
- ▶ Focus: quick processing and delivery of the large projects in accordance with performance requirements

Products and positioning

- ▶ Positioning as leading independent system provider and component supplier for innovative electrical equipment
- ▶ Concentration on local transport projects:
 - Trams
 - Buses
- ▶ Focus on Europe and USA

Strategic direction

- ▶ Increasing the share of common parts for buses and trains and standardization of mechanical and electrical interfaces
- ▶ Expansion of after-sales and service operations

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Vossloh Switch Systems: International and strong in all applications



Switch systems for all areas of application

- ▶ Switch systems for high-speed and conventional railway lines
- ▶ Switches for local transport (Trams, Metro, S-Bahn)
- ▶ Switch drives & signal technology components
- ▶ Switch monitoring & telephony systems



Current status

- ▶ Expenses for revised valuation of goodwill, updated estimates of ongoing projects and lower valuation of the Chinese participation recognized in half-year financial statements
- ▶ Good, but overall below originally estimated sales development; growth owing to ongoing large projects in France and Sweden

Products and positioning

- ▶ Transit projects in the USA, heavy-duty lines and local rail projects in South America and the MENA countries high-speed lines in Asia/Middle East

Strategic direction

- ▶ Lean management at all manufacturing sites
- ▶ “Borderless engineering”
- ▶ Product and system optimization
- ▶ Further optimization of purchasing
- ▶ Reassessment of China business
- ▶ Focus on “profitable” markets

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Vossloh Rail Services: Unique selling point HSG



“We care for rail”

- ▶ HSG city
- ▶ Mobile rail milling
- ▶ Switch tamping
- ▶ Long-welded rails and logistics



Current status

- ▶ Significant sales increase compared to prior year
- ▶ Regional expansion in Western and Northern European countries: Switzerland, Sweden
- ▶ Successful expansion of the service business in the area of high-speed rail grinding and milling: Rheinbahn HSG City, HSG in the Netherlands, Rheintal (freight transport), follow-up orders in the Chinese high-speed network

Products and positioning

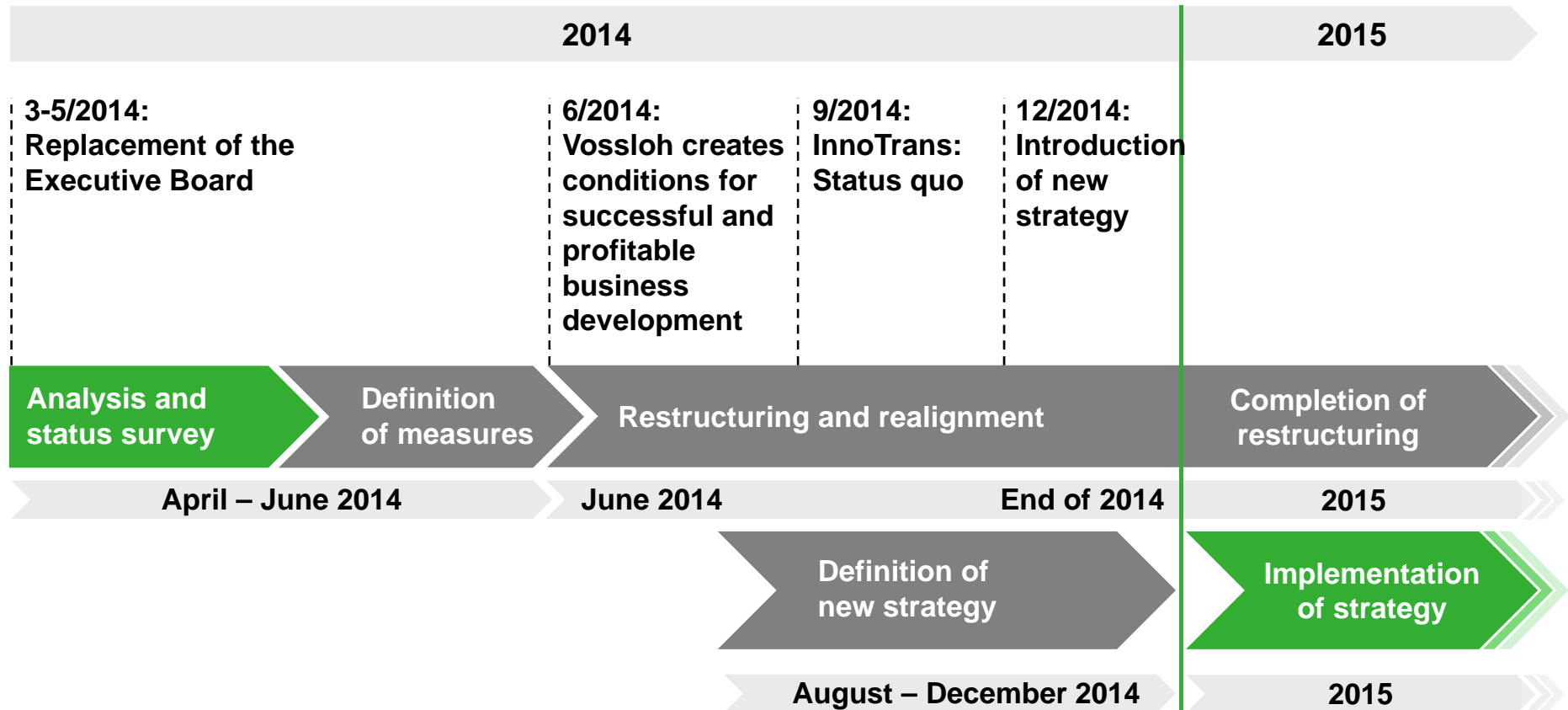
- ▶ Advancement of and expansion with new, innovative technologies:
 - Rail grinding
 - Rail milling
- ▶ Specialized provider of services and machines for rail care and rail maintenance

Strategic direction

- ▶ Accelerated internationalization
- ▶ Life cycle contracts
- ▶ Diagnostics
- ▶ Services for the maintenance and preventive care of switches

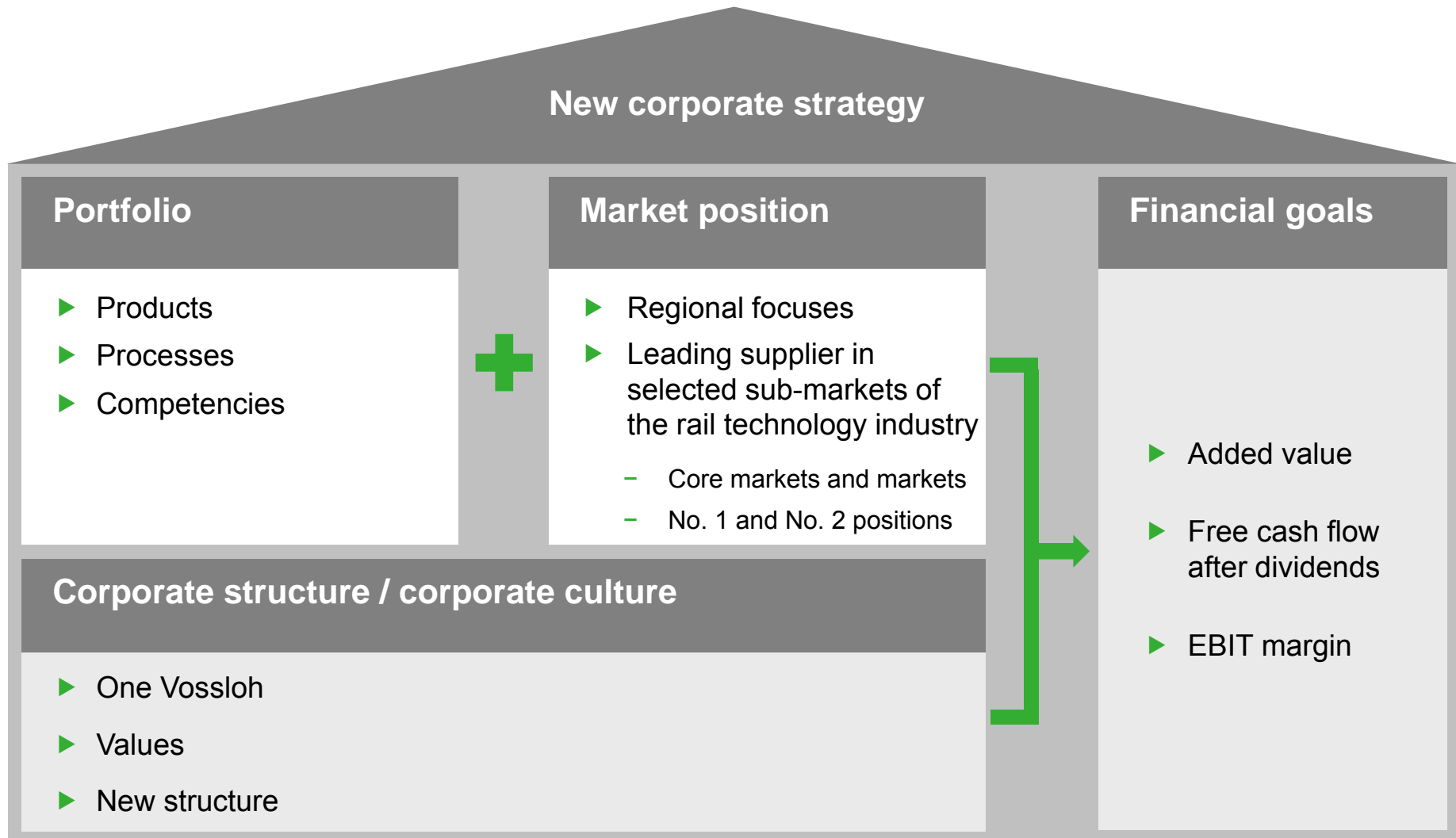
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Fast pace of restructuring and realignment



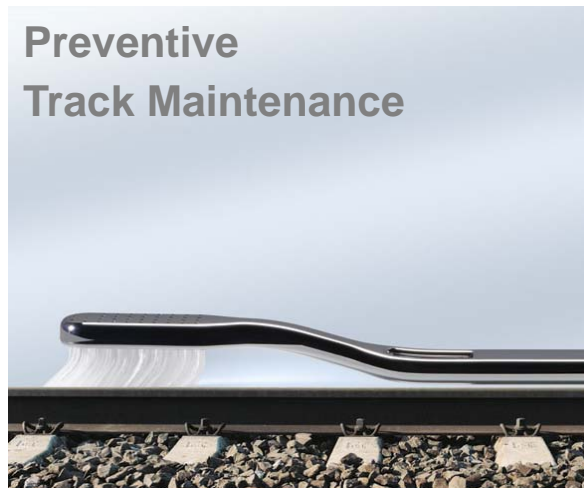
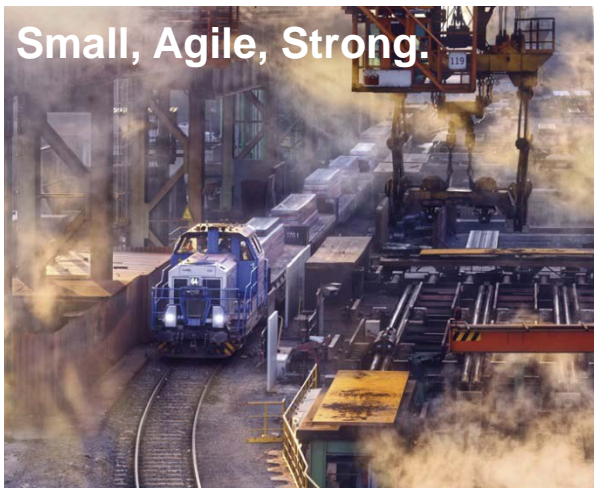
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New corporate strategy finally defined in December 2014



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“Global Expertise”



Source: Vossloh Stories

Financial calendar and contacts

Financial calendar

- ▶ October 30, 2014 Publication of interim report as of September 30, 2014
- ▶ December 3, 2014 Presentation of Vossloh AG's new strategy, Frankfurt
- ▶ March 2015 Publication of 2014 Group consolidated financial statements

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