



**Presentation to Investors**

**October 30, 2014, interim report as of September 30, 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 and 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, 9 months 2014

### Group restructuring and realignment shaping development of results

- ▶ Weak business development of Vossloh Group: Sales only slightly above prior year and especially in the case of Vossloh Locomotives, Vossloh Electrical Systems and Vossloh Switch Systems significantly below original planning
- ▶ Calculated on a pro forma basis EBIT amounts to approximately €23 million
- ▶ Group result negative in the amount of €-167.3 million due to the decline in EBIT
- ▶ Average headcount increases due to staff expansion, which partially was related to acquisitions, in both divisions since mid 2013

		(1-9/2013) <sup>1</sup>	1-9/2013	1-9/2014	Δ in %
Net sales	€ million	(971.6)	958.5	967.7	+1.0
EBIT	€ million	(34.4)	34.6	-150.4	–
EBIT margin	%	(3.5)	3.6	-15.5	–
Net income	€ million	(4.3)	12.4	-167.3	–
ROCE	%	(5.1)	5.2	-24.3	–
Value added	€ million	(-22.9)	-22.3	-212.2	–
Result per share	€	(0.36)	0.46	-13.52	–
Average headcount		(5,301)	5,174	5,714	+10.4

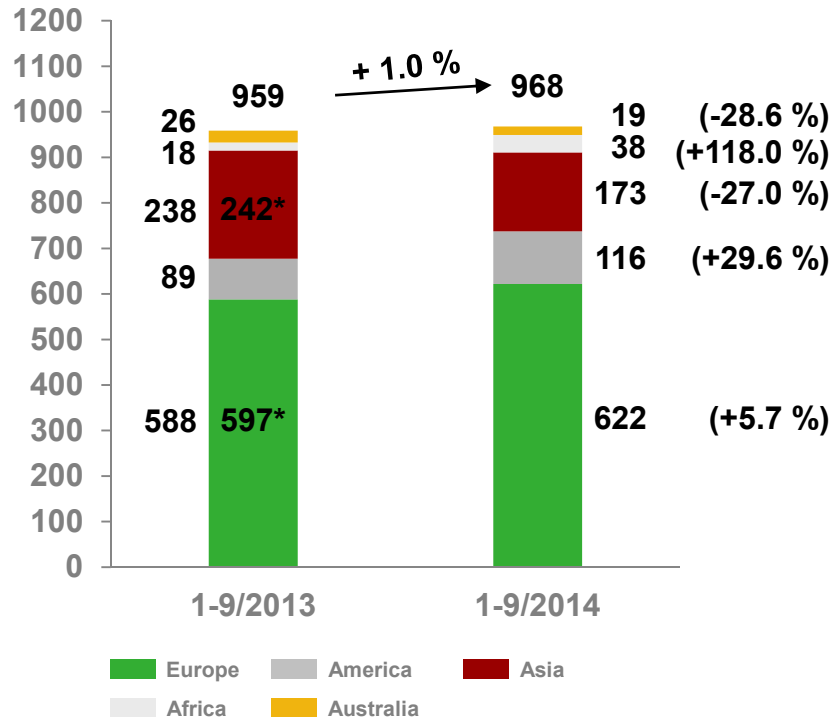
\* With the conversion from proportional to at-equity consolidation, 2013 amounts have been adjusted to be comparable;

<sup>1</sup> Original prior year's amounts in brackets

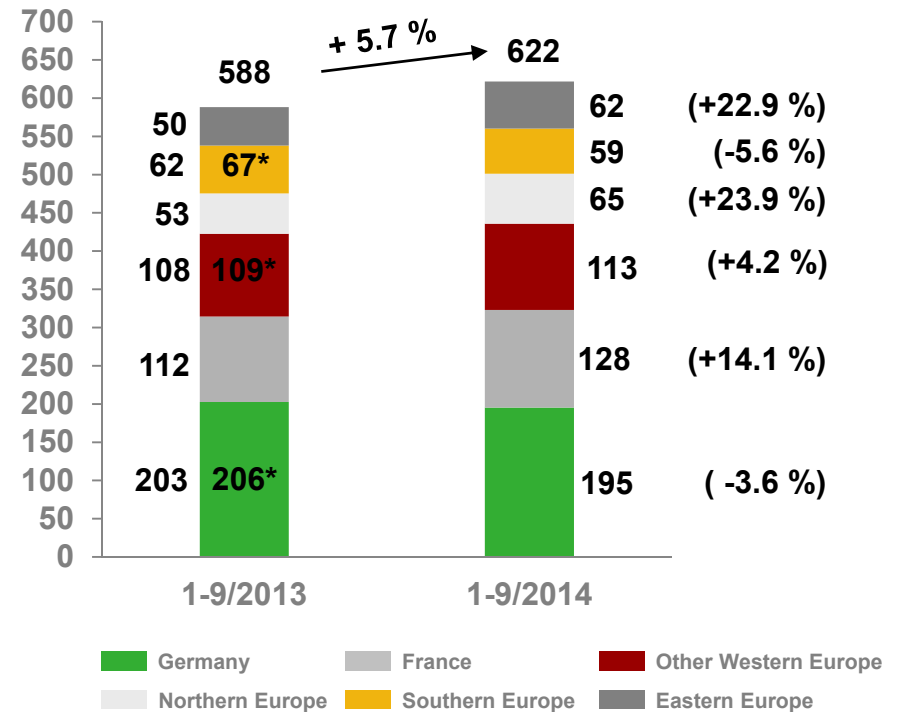
# Vossloh Group, 9 months 2014

## Sales growth in Europe and Latin America, sales decline in Asia

Sales trend worldwide (in € million)



Sales trend in Europe (in € million)



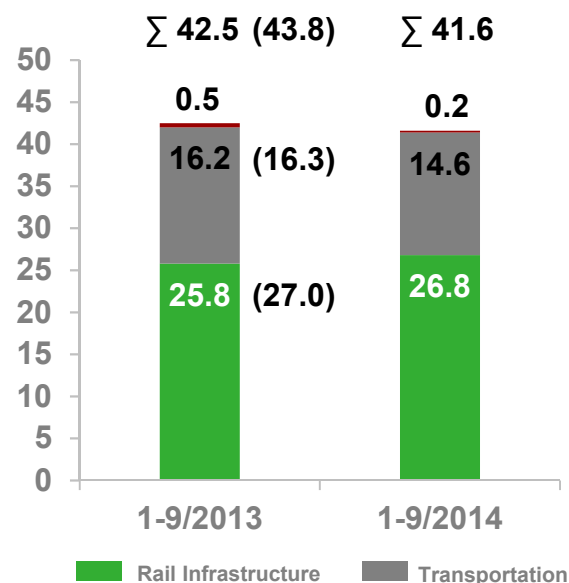
- ▶ Revenues in Europe up by 5.7%; significant sales increase in Northern and Eastern Europe, especially in Sweden and Poland
- ▶ Sales growth in Brazil and Argentina; revenues in Africa increase substantially; as expected, sales decline in Asia, large projects completed in the prior year in China and Kazakhstan had driven revenues to an extraordinarily high level
- ▶ Share of regions outside of Europe drop to 35.7% (prior year: 38.6%)

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

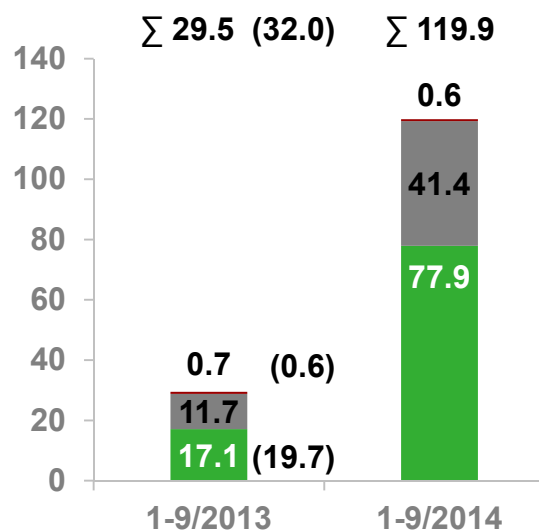
# Vossloh Group, 9 months 2014

## Investment focus clearly on Rail Infrastructure

Investment (in € million)\*



Amortization/depreciation (in € million)\*



€ million	1-9/2013	1-9/2014	Δ in %
<b>Group</b>			
Investment	42.5	41.6	-2.2
Amort./deprec.	29.5	119.9	–
<b>Rail Infrastructure</b>			
Investment	25.8	26.8	+3.9
Amort./deprec.	17.1	77.9	–
<b>Transportation</b>			
Investment	16.2	14.6	-10.4
Amort./deprec.	11.7	41.4	–

- ▶ Investment of Rail Infrastructure division increases slightly; investment focus: construction of new production facility for Vossloh Fastening Systems in the USA, new forge for Vossloh Switch Systems in Luxembourg and development of milling train for Vossloh Rail Services
- ▶ Decline in investment in Transportation division due to nearly completed development of new locomotive types
- ▶ Amortization and depreciation increase due to need for impairment write-down of goodwill in Switch Systems business unit as well as write-downs of capitalized development costs of Vossloh Locomotives

\* 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, 9 months 2014

### Weak business development and growing working capital burden cash flow

Cash flow analysis (in € million)	1-9/2013	1-9/2014
EBIT	34.6* (34.4)	-150.4
Amortization/depreciation/write-down of noncurrent assets (net, after write-up)	29.5* (32.1)	119.9
Change in noncurrent provisions	-7.7* (-5.1)	29.9
<b>Gross cash flow</b>	<b>56.4* (61.4)</b>	<b>-0.6</b>
Gain/loss on disposal of tangible and intangible assets	0.3	-0.1
Change in working capital	-62.3* (-62.1)	-71.9
Change in investments in associated companies, other non-cash expenses and income, change in other assets/liabilities	26.8* (19.0)	+10.2
Income taxes paid	-12.4* (-12.6)	-16.9
<b>Cash flow from operating activities</b>	<b>8.8* (6.0)</b>	<b>-79.3</b>
Investment in tangible and intangible assets	-42.5* (-43.8)	-41.6
<b>Free cash flow **</b>	<b>-33.7* (-37.8)</b>	<b>-120.9</b>

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

\*\* Before investments in other noncurrent financial instruments and before acquisition, disposal of consolidated subsidiaries and dividend payout

## Vossloh Group, 9 months 2014

### Equity declines, working capital significantly improved

- ▶ Equity declines, i.a. following extensive impairment write-downs recognized in the income statement
- ▶ Working capital significantly improved especially due to advance payments received in the fourth quarter of 2013
- ▶ Capital employed below prior year due to lower working capital and substantially lower fixed assets resulting from write-downs carried out
- ▶ Net financial debt almost unchanged on a closing-date comparison
- ▶ Net leverage increases due to lower equity

		(9/30/2013) <sup>1</sup>	9/30/2013*	9/30/2014	Δ in %
Total assets	€ million	(1,673.4)	1,627.5	1,626.1	-0.1
Equity	€ million	(482.3)	474.2	394.5	-16.8
Equity ratio	%	(28.8)	29.1	24.3	–
Average working capital	€ million	(226.3)	218.1	148.3	-32.0
Average working capital intensity	%	(17.5)	17.1	11.5	–
Closing working capital	€ million	(223.9)	217.2	172.9	-20.4
Average capital employed	€ million	(899.3)	893.0	823.8	-7.7
Closing capital employed	€ million	(903.0)	898.5	792.0	-11.9
Net financial indebtedness	€ million	(292.1)	298.3	295.7	-0.9
Net leverage	%	(60.6)	62.9	75.0	–

\* With the conversion from proportional to at-equity consolidation, 2013 amounts have been adjusted to be comparable;

<sup>1</sup> Original prior year's amounts in brackets

## Rail Infrastructure division, 9 months 2014

### Slight sales decline, EBIT negative due to special factors

- ▶ Sales in Rail Infrastructure division slightly below high level of prior year due to expected lower sales of Vossloh Fastening Systems
- ▶ Negative EBIT resulting from high restructuring expenses in the Switch Systems business unit; division's EBIT, calculated on a pro forma basis, amounts to approximately €60 million
- ▶ Working capital declined, i.a. due to lower receivables balance
- ▶ Capital employed decreased also resulting from goodwill impairment write-down of Vossloh Switch Systems carried out as of June 30, 2014.

		(1-9/2013) <sup>1</sup>	1-9/2013*	1-9/2014	Δ in %
Net sales	€ million	(671.8)	658.6	640.0	-2.8
EBIT	€ million	(72.6)	72.8	-5.7	–
EBIT margin	%	(10.8)	11.0	-0.9	–
Average working capital	€ million	(268.2)	259.9	224.1	-13.8
Average capital employed	€ million	(745.5)	739.1	695.2	-5.9
Closing capital employed	€ million	(743.3)	738.7	674.3	-8.7
ROCE	%	(13.0)	13.1	-1.1	–
Value added	€ million	(25.1)	25.6	-57.9	–

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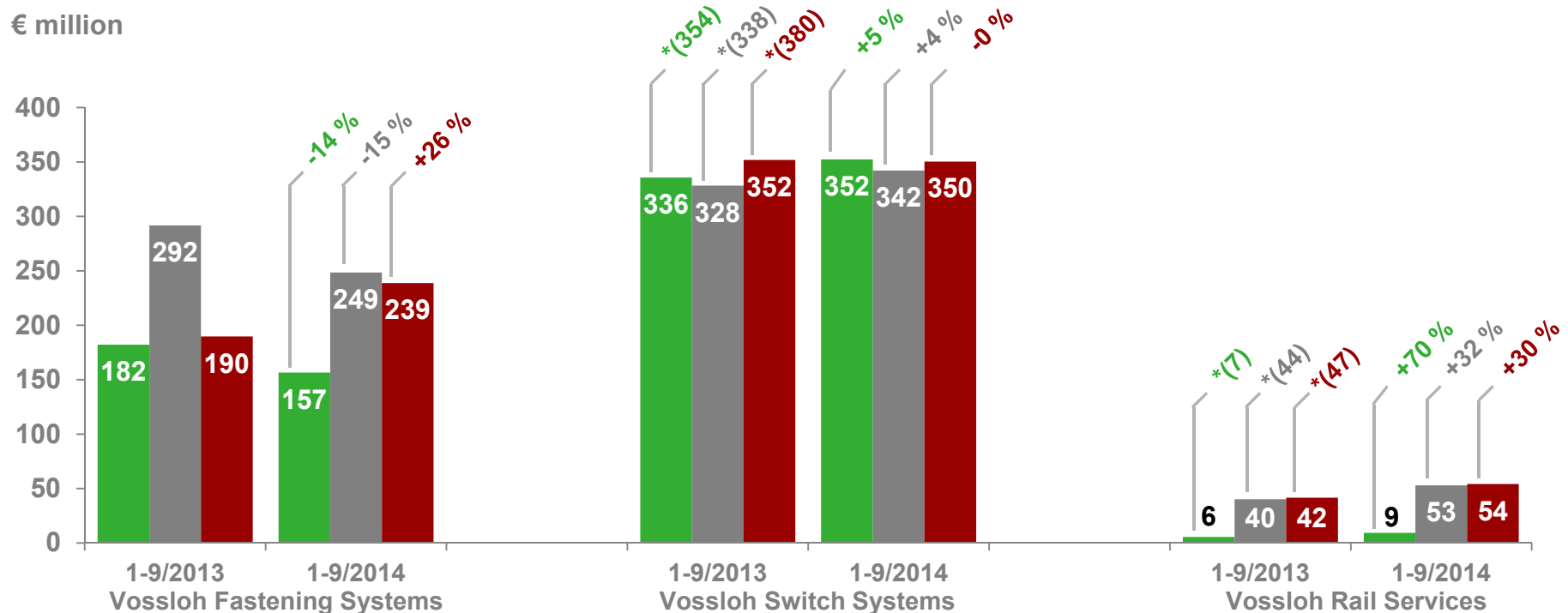


## Rail Infrastructure division, 9 months 2014

Orders received increase to €640 million; order backlog at €517 million

Order backlog ■ Sales ■ Orders received ■

€ million



- ▶ Vossloh Fastening Systems with significant new orders from China, Germany, Poland, Italy and Mongolia
- ▶ Vossloh Switch Systems with large orders received from France, USA, Sweden, Poland, Norway and Brazil
- ▶ Vossloh Switch Systems and Vossloh Rail Services with book-to-bill ratio > 1; book-to-bill ratio of Fastening Systems just under 1

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## Transportation division, 9 months 2014

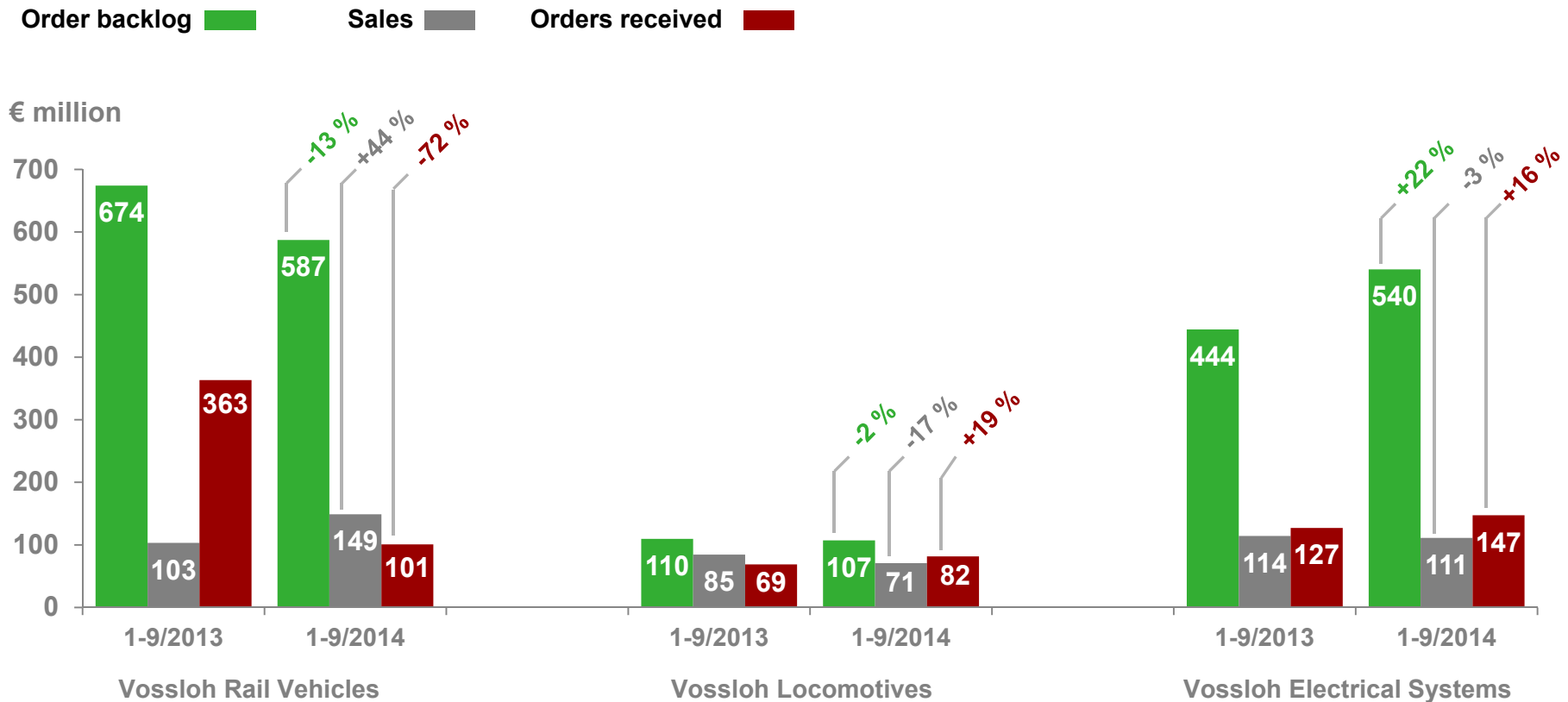
### Sales growth flatter than planned, EBIT before special factors negative

- ▶ Sales of Transportation division above prior year, bolstered by high revenues of Vossloh Rail Vehicles; Electrical Systems business unit continues to remain below earlier expectations
- ▶ EBIT massively negatively affected by special factors and overall weak business development; division's EBIT, calculated on a pro forma basis, amounts to approximately €-27 million
- ▶ Working capital declined due to high advance payments received in fourth quarter of 2013
- ▶ Capital employed follows decline in working capital

		1-9/2013	1-9/2014	Δ in %
Net sales	€ million	299.8	327.7	+9.3
EBIT	€ million	-22.8	-118.6	–
EBIT margin	%	-7.6	-36.2	–
Average working capital	€ million	-36.4	-72.8	–
Average capital employed	€ million	146.5	118.6	-19.0
Closing capital employed	€ million	156.6	106.7	-31.8
ROCE	%	-20.8	-133.3	–
Value added	€ million	-32.2	-127.5	–

## Transportation division, 9 months 2014

Orders received drop to €331 million, order backlog at €1,214 million



- ▶ Orders received, due to delays in awarding contracts, below very high comparative amount for 2013
- ▶ Vossloh Locomotives and Vossloh Electrical Systems with book-to-bill ratio > 1

## Vossloh Group, outlook

### 2014 forecast confirmed; 2015 moderate improvement expected

- ▶ Slight sales increase of up to 3 percent expected in current fiscal year; thus, sales growth considerably flatter than assumed at the beginning of the fiscal year, due to the development in the Transportation division
- ▶ Forecast for Group EBIT in fiscal 2014 of €-150 million to €-180 million confirmed; for 2015 moderate improvement possible of EBIT compared to 2014 pro forma EBIT
- ▶ In addition to the current restructuring program, intensified expenditures for the development of future-oriented technologies are planned; implementation of the measures, as already announced, will continue into 2016; with alleviations starting in 2016 and increasing in 2017
- ▶ Contents and details of new medium-term and long-term Group strategy are currently being agreed with necessary Company bodies and will be presented at beginning of December 2014 after final resolution
- ▶ Sustainable generation of positive value added and free cash flow are significant goals of future business activity

# Financial calendar and contacts

## Financial calendar

- December 3, 2014      Presentation of Vossloh AG's new Group strategy, Frankfurt
- March 2015              Publication of Group financial statements 2014

## IR contact

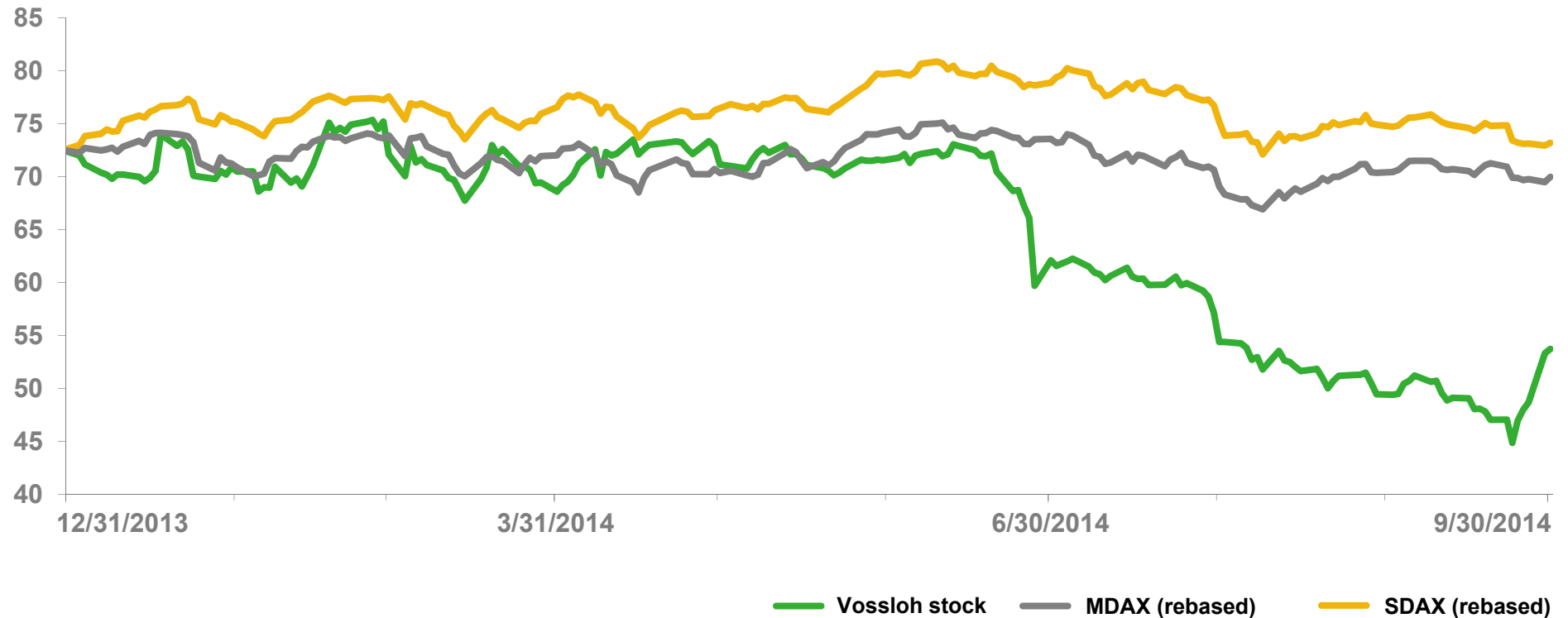
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## Vossloh Stock, 9 months 2014

Further decline in stock price following announcement of Group realignment

### Vossloh stock price development 12/31/2013 – 9/30/2014



- ▶ Market capitalization as of 9/30/2014: €716 million
- ▶ Closing price on 9/30/2014: €53.73
- ▶ Performance 1-9/2014: MDAX: -3.5 % SDAX: +0.9 % Vossloh: -25.9 %