



Investors Conference – Commerzbank Sector Conference

August 30, 2017, Frankfurt

A photograph of railway tracks receding into the distance, set against a backdrop of rolling hills and a clear sky. The tracks are made of steel rails on wooden sleepers, with gravel ballast. The hills in the background are covered in green grass and some trees. The overall scene is bright and clear.

Clear focus. Sharpened profile.

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 long term experience are the basis for highest quality standards
- Focus on cost efficiency and technological trendsetter
- In a worldwide leading position for rail fastening systems with production sites in Germany, China, Poland, the USA and Russia⁽¹⁾
- Leading supplier of concrete railway ties in North America with several plants in close proximity to major Class I operators and passenger transport companies

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 turnouts segment
- Local presence in approx. 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

Vossloh Group: Clear focus. Sharpened profile.

Vossloh makes good progress in the first half of 2017

Operational business is developing well

- Sales increased year-on-year mainly due to acquisitions: good development in the first quarter continued in the second quarter
- Earnings and profitability significantly above previous year, very good development in the Core Components division
- Group guidance for 2017 confirmed

Tie Technologies in the Core Components division since January 2017

- Tie Technologies, with several factories in the USA and one in Mexico, consolidated for the first time this fiscal year
- New business as an ideal strategic addition to the product portfolio; access to key railway customers in the focus market USA significantly improved
- Business unit is developing according to our expectations

Wide interest in Vossloh Locomotives

- Several national and international investors are showing interest in Vossloh Locomotives, sale process is proceeding as planned
- Administration moved to the new location in July 2017
- Very high sales and earnings contributions expected in fourth quarter again

Vossloh Group: Clear focus. Sharpened profile.

Vossloh makes good progress in the first half of 2017

Annual General Meeting in May 2017

- Dr.-Ing. Volker Kefer, a proven expert in the railway industry, succeeds Heinz Hermann Thiele as Chairman of the Supervisory Board; Mr. Thiele resigned the position for personal reasons
- All agenda items approved by the shareholders, including new authorized capital of 50%, which significantly increases the Vossloh Group's financial flexibility
- Andreas Busemann, Vossloh's new CEO, introduced himself to the shareholders and will focus more intensively on the topic of innovation

Schuldschein loan secures financial basis for accelerated growth

- Successful placement of a Schuldschein loan in the amount of €250 million, structured in four tranches with maturity terms of four and seven years
- Transaction replaces a large part of the syndicated loan issued in 2015 and originally set to run until spring 2018
- Clear oversubscription due to high demand from institutional investors and attractive conditions underscores the trust in Vossloh
- A major step in optimizing the financial basis for Vossloh's targeted growth

Vossloh Group, H1/2017

Increasing sales, improved profitability

		1-6/2016* 6/30/2016*	1-6/2017 6/30/2017
Sales revenues	€ mill.	421.6	492.2
EBIT	€ mill.	19.4	26.6 ✓
EBIT margin	%	4.6	5.4 ✓
Net income	€ mill.	14.6	13.4
Earnings per share	€	0.92	0.56
ROCE	%	5.4	6.2 ✓
Value added	€ mill.	(12.7)	(5.3)
Cash flow from operating activities	€ mill.	(23.7)	(45.8)
Free cash flow**	€ mill.	(35.7)	(61.8)
Orders received	€ mill.	472.6	465.0
Order backlog	€ mill.	633.7	737.3

Sales increased by 16.7%, primarily due to consolidation of Vossloh Tie Technologies and good development in Vossloh Fastening Systems

Improved **EBIT** and **EBIT margin** stem from good business development in the Core Components division

Net income slightly below previous year due to higher tax expense and somewhat lower result from discontinued operations in particular

ROCE above previous year with EBIT increase; **Value added** still negative, but significantly improved; WACC since 2017: 7.5% (previous year: 9%)

Free cash flow negative due to typical seasonal increase in working capital especially; strong increase in free cash flow expected in the fourth quarter in particular

* Previous year's figures presented on a comparable basis, see page 10 of the interim financial report as of June 30, 2017.

** The free cash flow includes cash flow from operating activities, investments in intangible assets and property, plant and equipment as well as dividends and payments related to companies accounted for using the equity method.

Vossloh Group, H1/2017

Cash outflow for acquisition of Rocla increases net financial debt

		1-6/2016* 6/30/2016*	1-6/2017 6/30/2017
Equity	€ mill.	560.8	559.2
Equity ratio	%	38.8	45.0 ✓
Working capital (Ø)	€ mill.	231.0	242.2
Working capital intensity (Ø)	%	27.4	24.6 ✓
Working capital (reporting date)	€ mill.	226.6	279.1
Capital employed (Ø)	€ mill.	712.0	850.4
Capital employed (reporting date)	€ mill.	705.1	871.7
Net financial debt	€ mill.	135.2	233.2

Equity ratio significantly higher than previous year, primarily due to the sale of the Electrical Systems business unit in the first half of 2017

Ø **Working capital intensity** lower because of significant sales increase despite higher Ø working capital

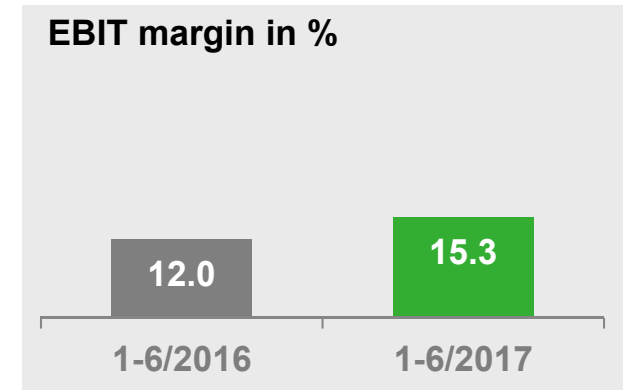
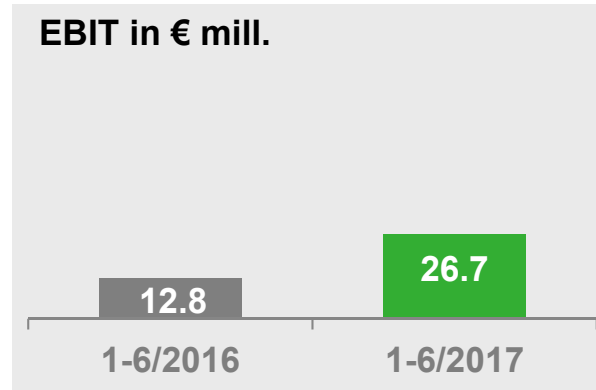
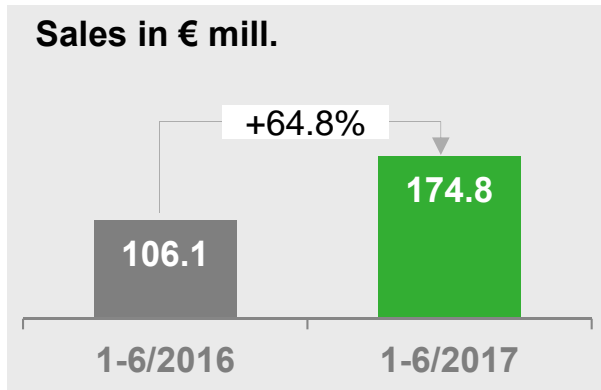
Ø **Capital employed** above previous year due to consolidation of the Tie Technologies business unit in particular

Net financial debt significantly increased, primarily due to net outflows from M&A activity (€117.6 million outflow of funds for VTT; €42.4 million inflow of funds for Electrical Systems) and interest payments

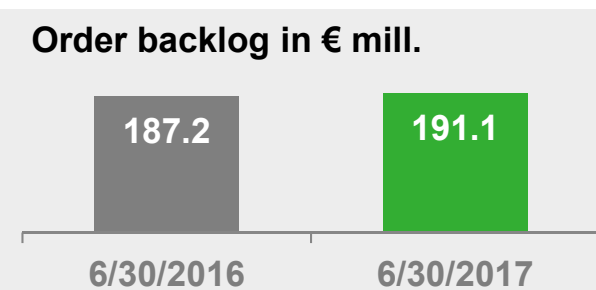
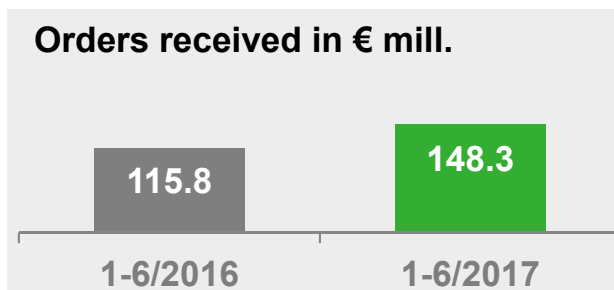
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Core Components division, H1/2017

Positive development in sales, EBIT more than doubled



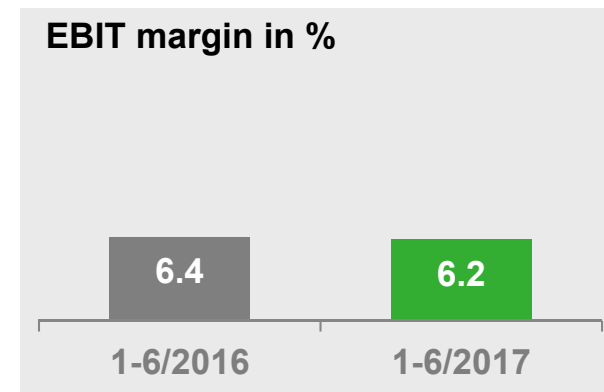
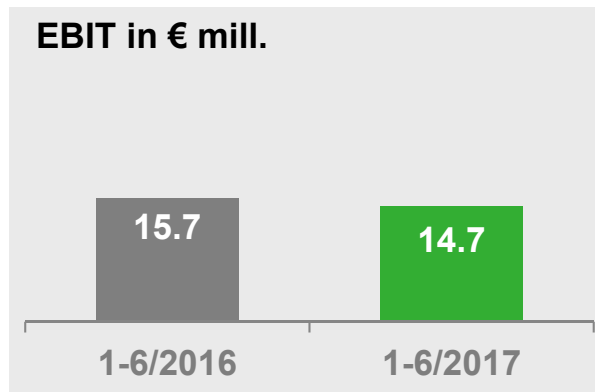
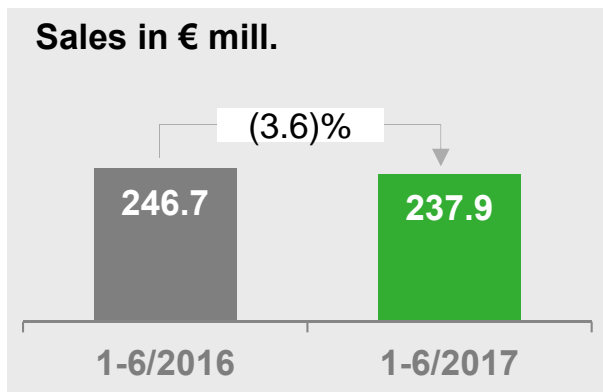
- Increase in sales largely due to initial consolidation of Vossloh Tie Technologies, sales from Vossloh Fastening Systems +25.3%
- Earnings and profitability significantly increased year-on-year due to higher-margin projects in Vossloh Fastening Systems
- Ø Working capital only slightly higher despite consolidation of Vossloh Tie Technologies (€62.8 million after €59.8 million), Ø capital employed significantly higher due to inclusion of Vossloh Tie Technologies (€227.2 million after €110.8 million)



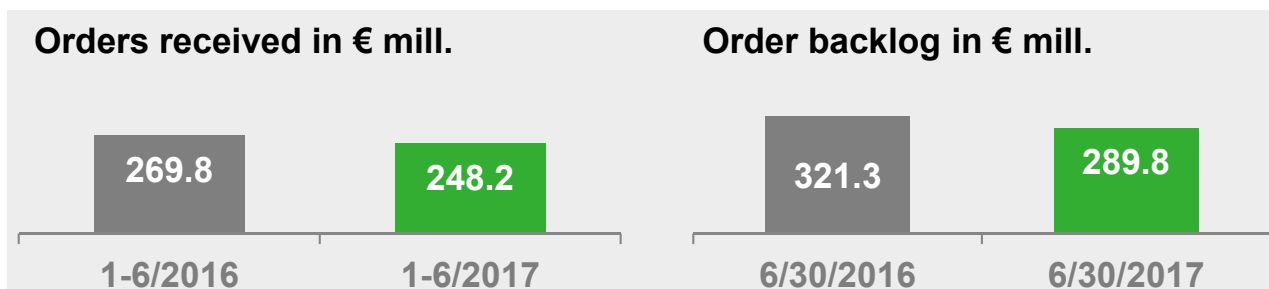
ROCE (%)	1-6/2017	23.5
	1-6/2016	23.1
Value added (€ mill.)	1-6/2017	18.2
	1-6/2016	7.8

Customized Modules division, H1/2017

Sales down slightly, profitability almost at previous year's level



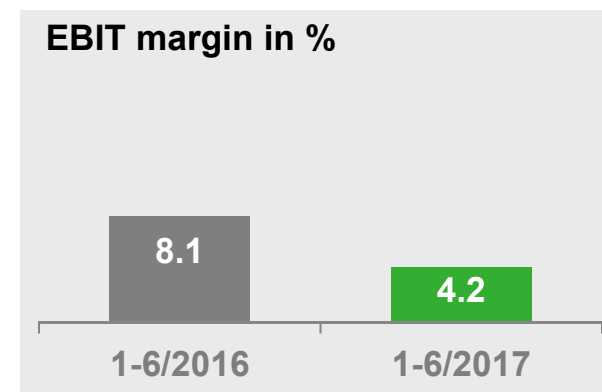
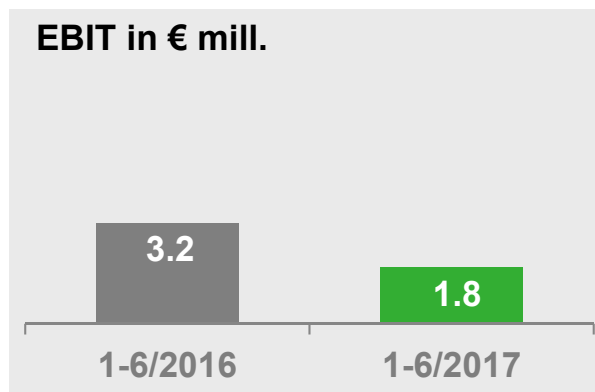
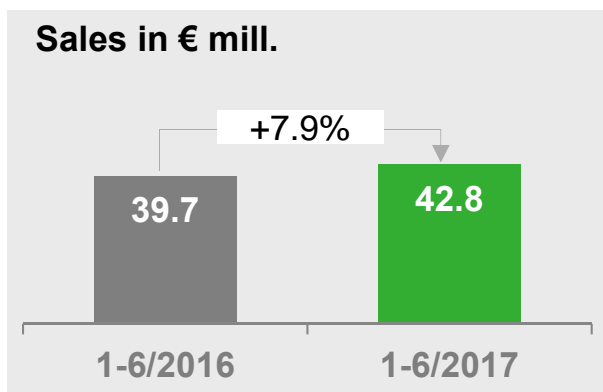
- High-speed projects in France coming to a close and lower sales contributions from Sweden; higher sales in the Netherlands and Morocco
- Sales and EBIT below previous year due to impacts of weak freight transport market in the USA and also in France below previous year; profitability only slightly below previous year
- High orders received totaling €139.2 million achieved in second quarter (previous year: €115.9 million); better order situation in Poland and Italy in particular



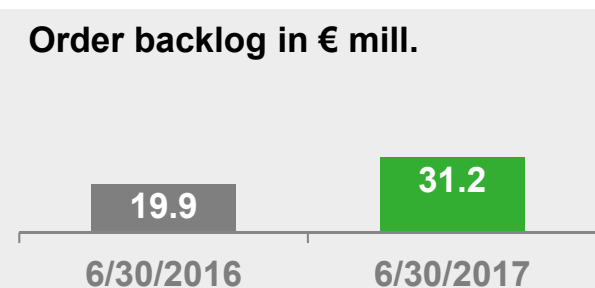
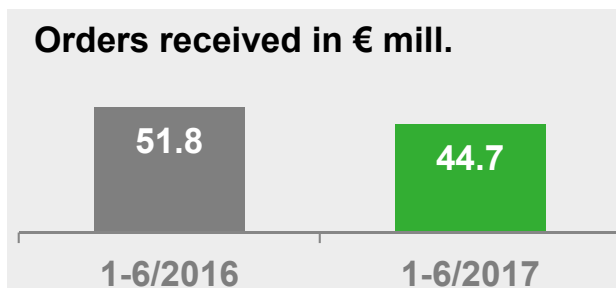
ROCE (%)	1-6/2017	6.9
	1-6/2016	7.5
Value added (€ mill.)	1-6/2017	(1.3)
	1-6/2016	(3.0)

Lifecycle Solutions division, H1/2017

Sales up on previous year, about 40% of sales outside of Germany



- Increased sales primarily due to positive business development in Denmark and in the focus market China
- Lower year-on-year earnings caused in part by lower EBIT from the segments stationary welding and logistics due to lower demand
- Ø Working capital of €11.7 million reduced to €11.1 million; Ø working capital intensity improved from 14.8% in the previous year to 13.0%

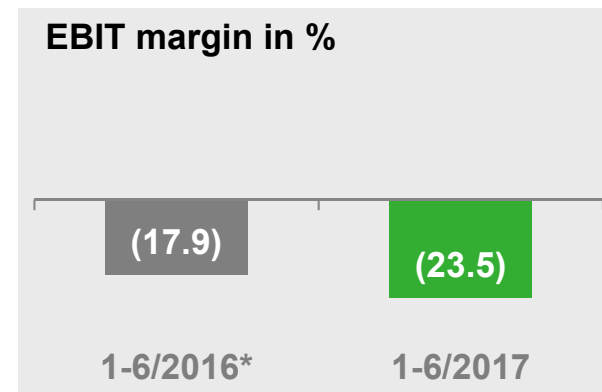
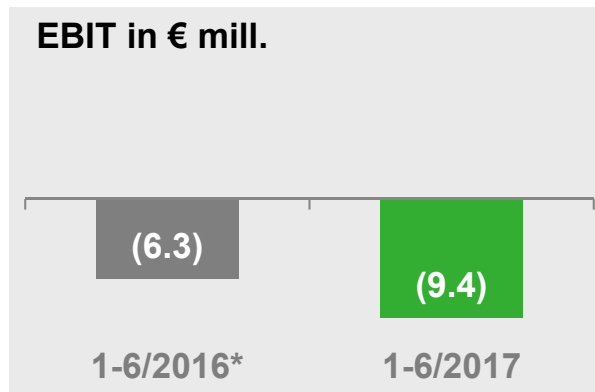
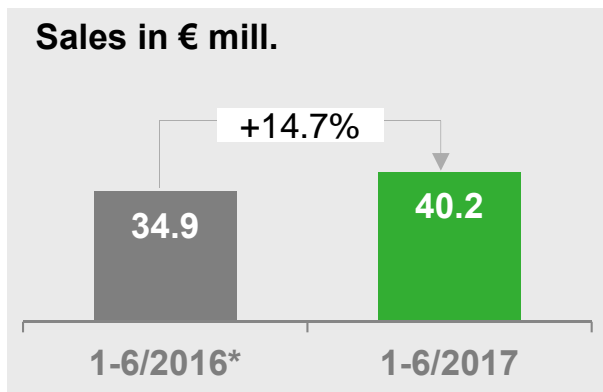


ROCE (%)	1-6/2017	2.7
	1-6/2016	5.0

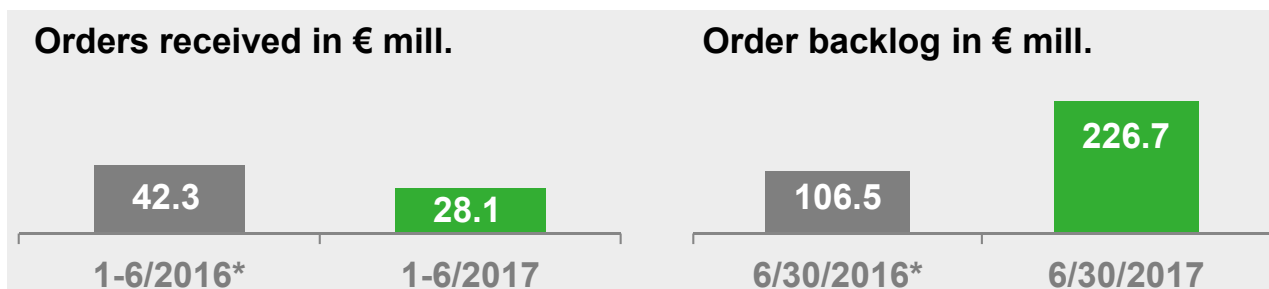
Value added (€ mill.)	1-6/2017	(3.3)
	1-6/2016	(2.6)

Transportation division, H1/2017

Very strong fourth quarter expected again for 2017



- Increase in sales in the first half of 2017 primarily caused by higher sales of type DE 18 locomotives
- Clearly negative EBIT in particular due to less service business; majority of the sales and earnings for the 2017 fiscal year are once again expected in the fourth quarter
- Order backlog also very high due to large order won in France in 2016 for 44 type DE 18 locomotives

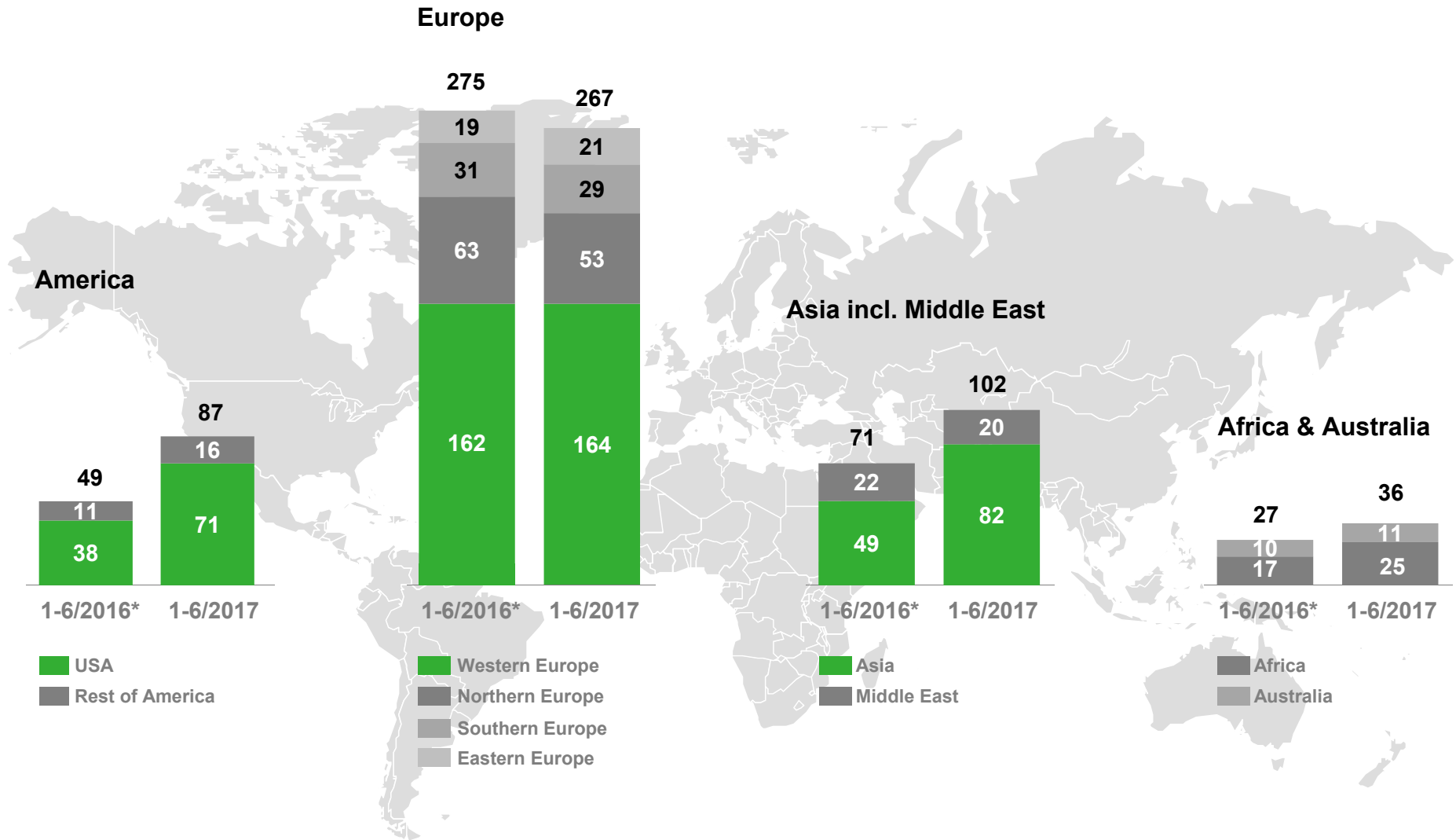


ROCE (%)	1-6/2017	(32.2)
	1-6/2016*	(25.7)
Value added (€ mill.)	1-6/2017	(11.6)
	1-6/2016*	(8.4)

* Previous year's figures presented on a comparable basis, see page 10 of the interim financial report as of June 30, 2017.

Vossloh Group, H1/2017

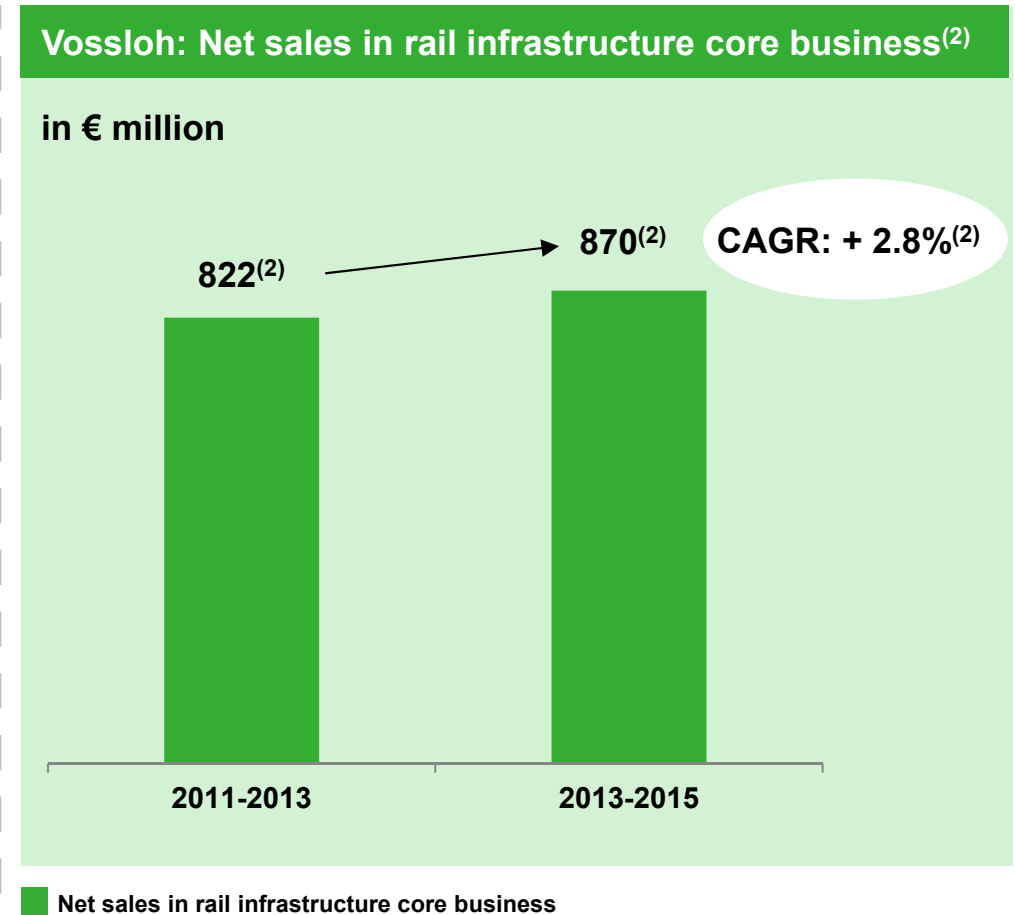
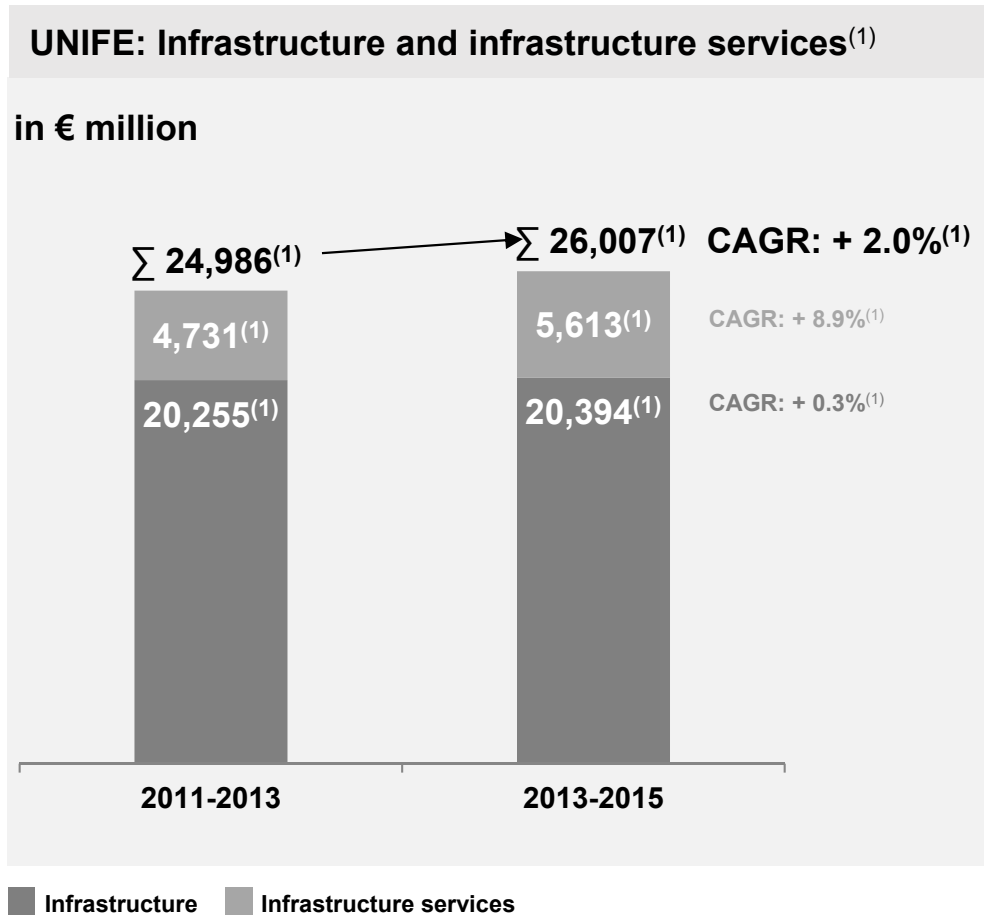
USA up on previous year due to inclusion of Tie Technologies, Asia also up



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

Growth in Vossloh's core business above market level



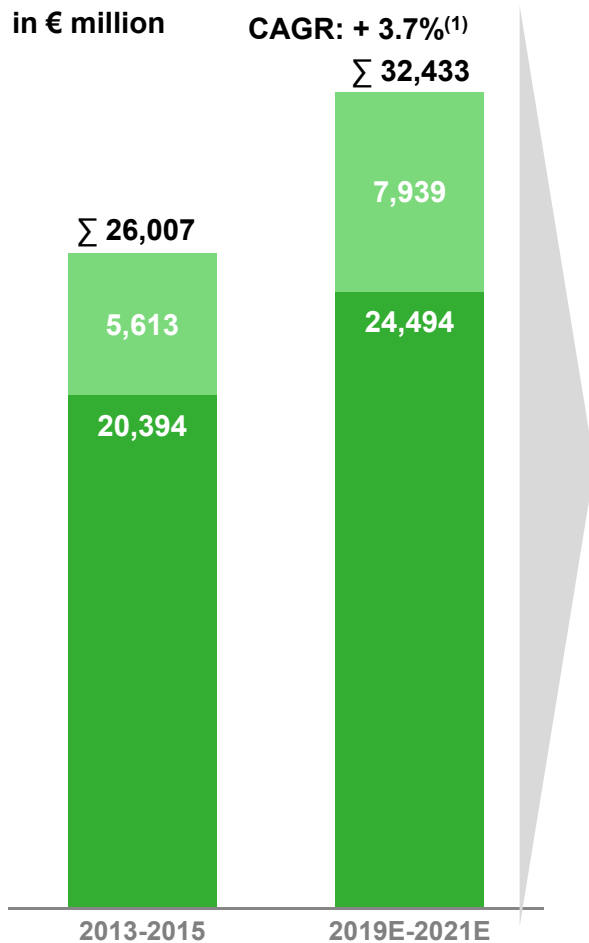
- Net sales growth of Vossloh's core divisions between 2011 and 2013 compared to between 2013 and 2015 exceeds growth rates of the worldwide accessible total market for rail infrastructure and infrastructure services
- Contrary to the forecast of the World Rail Market Study 2014, the market growth was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

⁽¹⁾ 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

⁽²⁾ 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

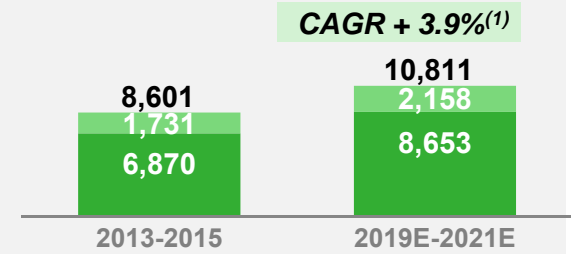
UNIFE overview remains attractive: High potential in Western Europe



■ Infrastructure⁽¹⁾
 ■ Infrastructure services⁽¹⁾

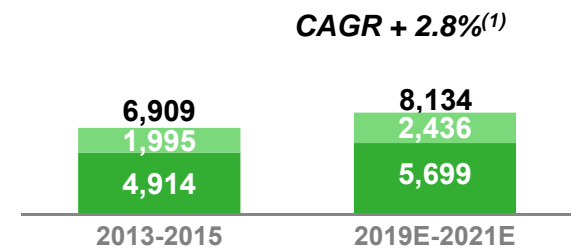
Western Europe

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



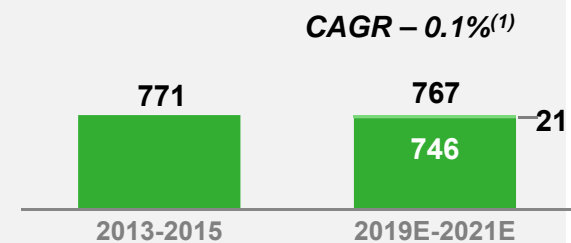
USA

- Largest rail network in the world: 228,200 km⁽²⁾, 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



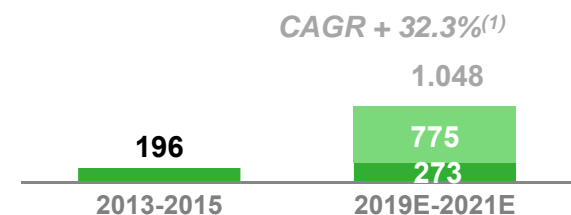
Russia

- Third largest rail network in the world: 86,300 km⁽²⁾
- 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⁽²⁾, approximately 19,000 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



⁽¹⁾ 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

⁽²⁾ Trains in international comparison, values for 2014, source: Kommersant, FAZ

Vossloh Group, Outlook

Outlook confirmed – continuous improvement expected

Vossloh Group

2017e*

- **Sales between €1.0 billion and €1.1 billion**; particularly strong sales growth expected in Core Components – thanks to the initial inclusion of the Tie Technologies business unit – and in the Transportation division
- **EBIT margin between 5.5% and 6.0%**; slight improvement in profitability expected as long as US business in the Customized Modules division stabilizes, Core Components below level of 2016 fiscal year caused by below-average margins in the Tie Technologies business unit, Lifecycle Solutions almost unchanged; significant improvement in the margins for the Transportation division expected
- **Value added** noticeably improved and benefiting from reduction of WACC to 7.5% in 2017 fiscal year, but overall still slightly negative expected

Railway Technology Market

2016–2021**

- Continuous growth of **2.6% CAGR** expected in the railway technology market
- Relevant accessible market for railway infrastructure and infrastructure services expected to grow by **3.7 %**, which is above the average

* Based on the current corporate structure

** CAGR 2019–2021 compared to 2013–2015 Source: World Rail Market Study forecast 2016 to 2021, UNIFE The European Rail Industry, Roland Berger Strategy Consultants; CAGR infrastructure incl. infrastructure services at +3.7%