Report on the financial year 2016

March 23, 2017, Frankfurt

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Disclaimer

Note:

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Vossloh Group: Clear focus. Sharpened profile.

Implementation of the Group strategy progressing as planned

Operational goals achieved	▪ Group sales within the forecast corridor, earnings slightly above forecast ▪ Earnings and profitability further increased compared with the previous year
Further progress in the implementation of the Group strategy	▪ Sale of the Electrical Systems business unit, which is no longer part of the core business of the Vossloh Group, to Knorr-Bremse Systeme für Schienenfahrzeuge GmbH ▪ Selling process of the remaining business unit of the Transportation division, Vossloh Locomotives, has begun ▪ Very strong business development at Vossloh Locomotives in the fourth quarter of 2016; sustainably improved starting position for the sale with full order books and the planned relocation to Europe’s most modern locomotives plant
Market position in core business strengthened	▪ Acquisition of Rocla Concrete Tie, North America’s leading concrete railway tie manufacturer, with six plants in the USA and one in Mexico ▪ Ideal strategic addition to the product portfolio; access to key customers in the rail industry in the USA focus market significantly improved ▪ Strengthening of the strategically important “mobile rail milling” segment in the Lifecycle Solutions division through the purchase of the remaining shares in Alpha Rail Team

Vossloh Group: Clear focus. Sharpened profile.

Solid basis for future growth in core business

Improved financial basis offers freedom for further growth	▪ Net cash inflow from disposal of Electrical Systems of around €45 million ▪ Successful implementation of a 20 percent capital increase; subscription rate of 98.2% highlights trust in Vossloh's corporate strategy and growth perspectives; net cash inflow of €123.1 million ▪ Net financial debt decreased considerably, equity ratio increased significantly
Strong, networked core business	▪ Guiding principle of the Vossloh Group "One Vossloh": More streamlined structures and increased efficiency through the linking of divisions ▪ Cross-divisional development of solutions for customer needs and integrated service provision; competence centers for core divisions with interdisciplinary teams
Sustainable through innovation	▪ Construction of a new lead factory planned at Werdohl headquarters: Optimization of manufacturing processes and reduction of the time needed for tension clamp production, increase in value added and long-term securing of jobs ▪ Focus on the development of innovative, integrated services, which are optimally adapted to customer needs ▪ Numerous products and innovative solutions in the development pipeline, e.g. in-house development of high performance milling for the value retention of rails

Vossloh Group, financial year 2016

Sales slightly below previous year, profitability better than expected

		2015*	2016
Net sales	€ million	952.9	931.6
EBIT	€ million	42.3	50.0 ✓
EBIT margin	%	4.4	5.4
Net income	€ million	77.8	10.1
Earnings per share	€	5.42	0.22
ROCE	%	5.8	7.1
Value added**	€ million	(31.1)	(13.8)
Cash flow from operating activities***	€ million	107.8	65.8
Free cash flow***	€ million	66.1	25.2 ✓
Orders received	€ million	941.9	1,078.6 ✓
Order backlog	€ million	582.7	729.6

Sales –2.2 %; figure at the lower end of the most recently forecast corridor of €930 to €970 million

EBIT with a focus on higher-margin projects, strict cost management and efficiency enhancement programs despite a lower sales level above the previous year, **EBIT margin** slightly higher than most recently forecasted and significantly higher than the previous year

Net income strongly influenced by earnings effects from discontinued operations in 2015 and 2016

ROCE above the level of the previous year primarily due to EBIT increase, **value added** further improved

Free cash flow clearly positive once again; free cash flow from continuing operations at €56.0 million (previous year: €25.3 million)

Book-to-bill in the Group at 1.16

* Prior year figures adjusted due to the treatment of the Electrical Systems business unit as discontinued operations.
** WACC 2016: 9 % (Prior-year: 10 %).
*** Includes also effects from discontinued operations.

Vossloh Group, financial year 2016

Capital structure strengthened, net financial debt at very low level

		2015*	2016
Total equity	€ million	428.7	550.8 ✓
Equity ratio	%	30.8	40.3 ✓
Working capital (Ø)	€ million	250.2	227.4
Working capital intensity (Ø)	%	26.3	24.4
Closing working capital	€ million	213.8	186.8
Capital employed (Ø)	€ million	734.8	708.4
Closing capital employed	€ million	700.5	677.6
Net financial debt	€ million	218.6	83.9 ✓

Equity ratio almost ten percent above the previous year, primarily due to the capital increase completed in June 2016

Ø Working capital decreased due to lower trade receivables as a result of improved receivables management

Ø Capital employed decreased as a result of lower working capital

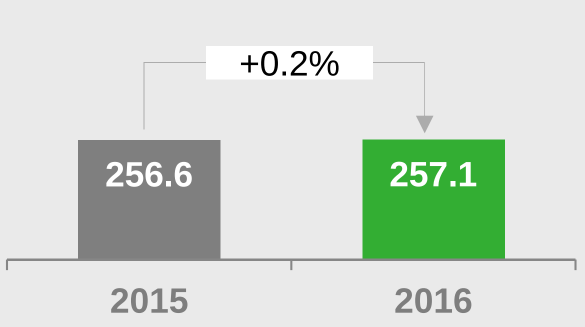
Net financial debt significantly lower through net cash inflow from the capital increase in June 2016 as well as the positive free cash flow

* Prior year figures adjusted due to the treatment of the Electrical Systems business unit as discontinued operations.

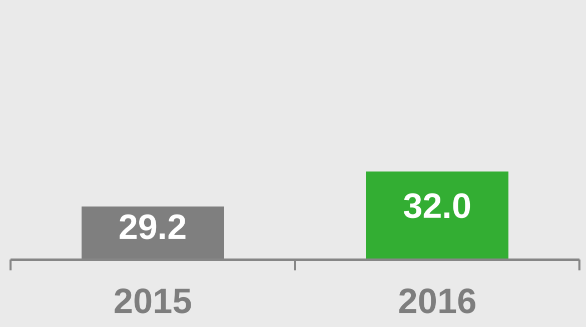
Core Components division, financial year 2016

Sales at the level of the previous year, profitability slightly improved

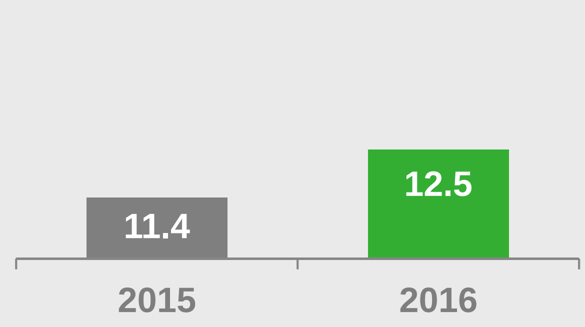
Sales in € million



EBIT in € million



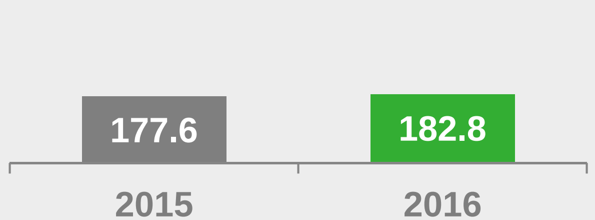
EBIT margin in %



- Sales gap compared with the previous year closed in the second half of 2016: Significant sales growth in China through higher deliveries of rail fasteners for the new construction of high speed lines
- Earnings and profitability significantly higher than the previous year due to an in-creased share of higher-margin projects and extensive cost reduction measures
- Ø Working capital significantly reduced (€56.6 million following €68.8 million), Ø Capital employed decreased (€106.0 million following €125.1 million)

Orders received in € million

Order backlog in € million



ROCE (%)	2016	30.2
	2015	23.3
Value added: (€ million)	2016	22.5
	2015	16.6

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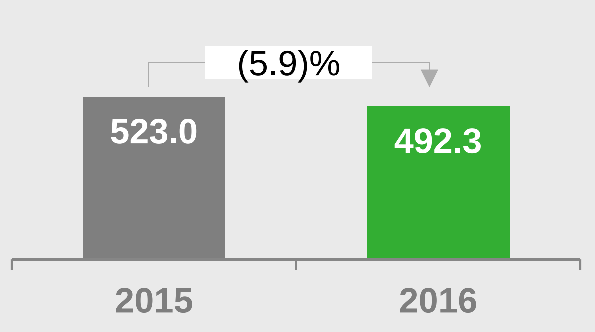
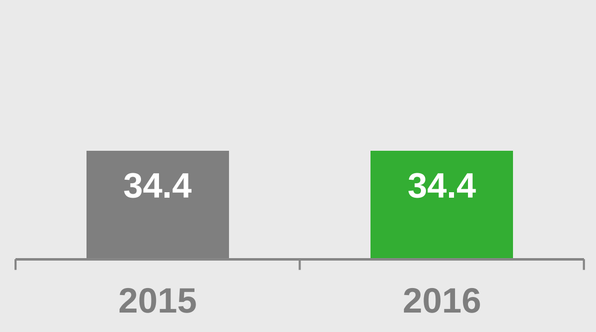
Customized Modules division, financial year 2016

Increase in profitability despite noticeably lower sales

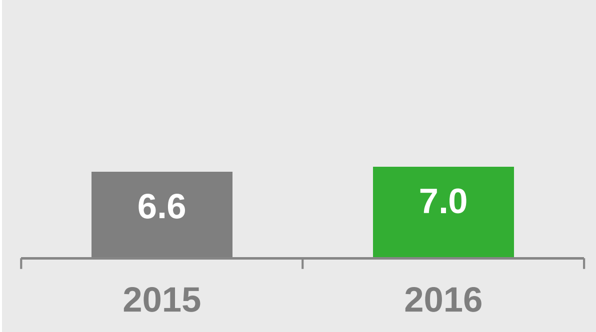
Sales in € million



EBIT in € million

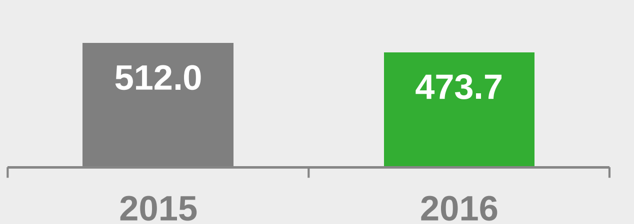


EBIT margin in %

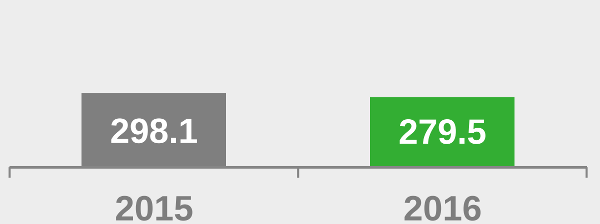


- Sales lower than the previous year, primarily due to market weakness in the commercial freight transport market in the USA
- Earnings maintained despite significantly lower contribution from the USA; profitability increased once again
- Ø Working capital (€131.5 million following €141.1 million) lower as a result of a reduction in inventories and receivables; Ø Capital employed noticeably decreased (€414.5 million following €427.1 million); ROCE slightly improved

Orders received in € million



Order backlog in € million



ROCE (%)	2016	8.3
	2015	8.1

Value added: (€ million)	2016	(2.9)
	2015	(8.3)

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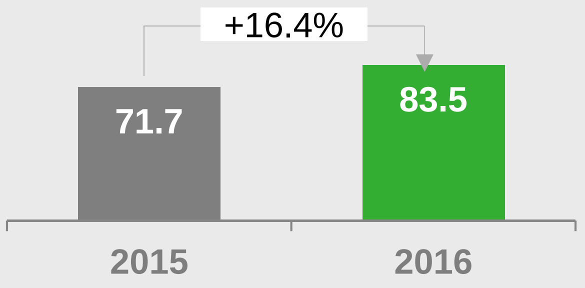
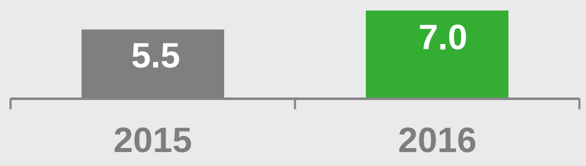
Lifecycle Solutions division, financial year 2016

Internationalization > 40%, EBIT and EBIT margin above previous year

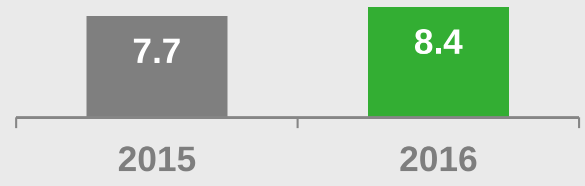
Sales in € million



EBIT in € million



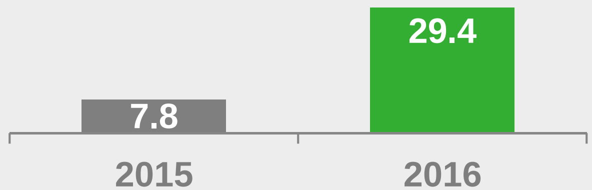
EBIT margin in %



- Sales growth particularly due to positive business development in Northern Europe, especially Sweden and Finland, as well as higher revenue in China
- Ø Working capital at the level of the previous year despite higher revenue (€10.2 million following €9.9 million); Ø Capital employed increased (€129.4 million following €122.0 million)
- Multi-year order for rail maintenance from Germany as well as several new orders from China, including the delivery of an HSG train; book-to-bill at 1.26

Orders received in € million

Order backlog in € million



ROCE (%)	2016	5.4
	2015	4.5

Value added: (€ million)	2016	(4.6)
	2015	(6.7)

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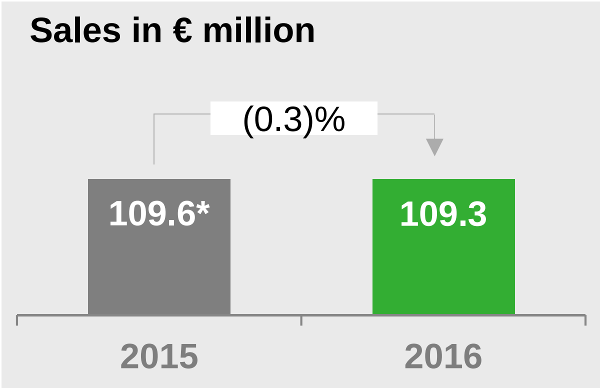
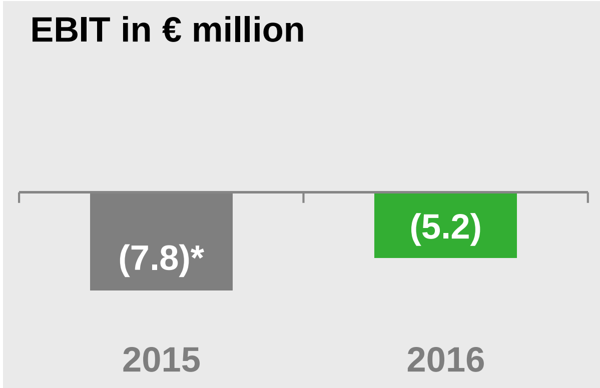
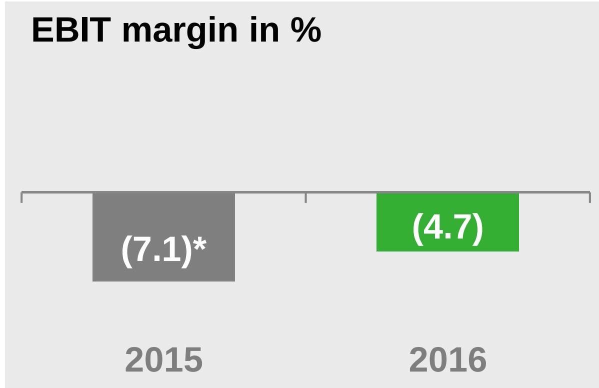
Transportation division, financial year 2016

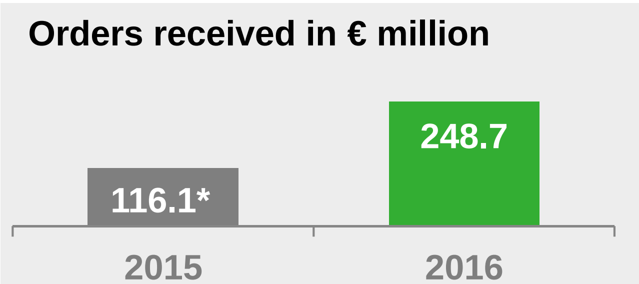
Very strong orders received, losses further reduced

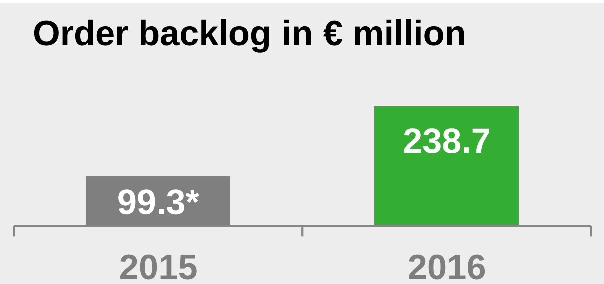






- Sales at prior-year level following strong Q4 as expected
- Implementation of extensive cost reduction and efficiency enhancement programs made a significant contribution towards reducing operational losses
- Orders received more than doubled as a result of a major order from France with a value of €140 million for the delivery of 44 type DE 18 diesel-electrical locomotives





ROCE (%)	2016	(9.9)
	2015	(14.8)*

Value added: (€ million)	2016	(9.9)
	2015	(13.0)*

* Prior year figures adjusted due to the treatment of the Electrical Systems business unit as discontinued operations.

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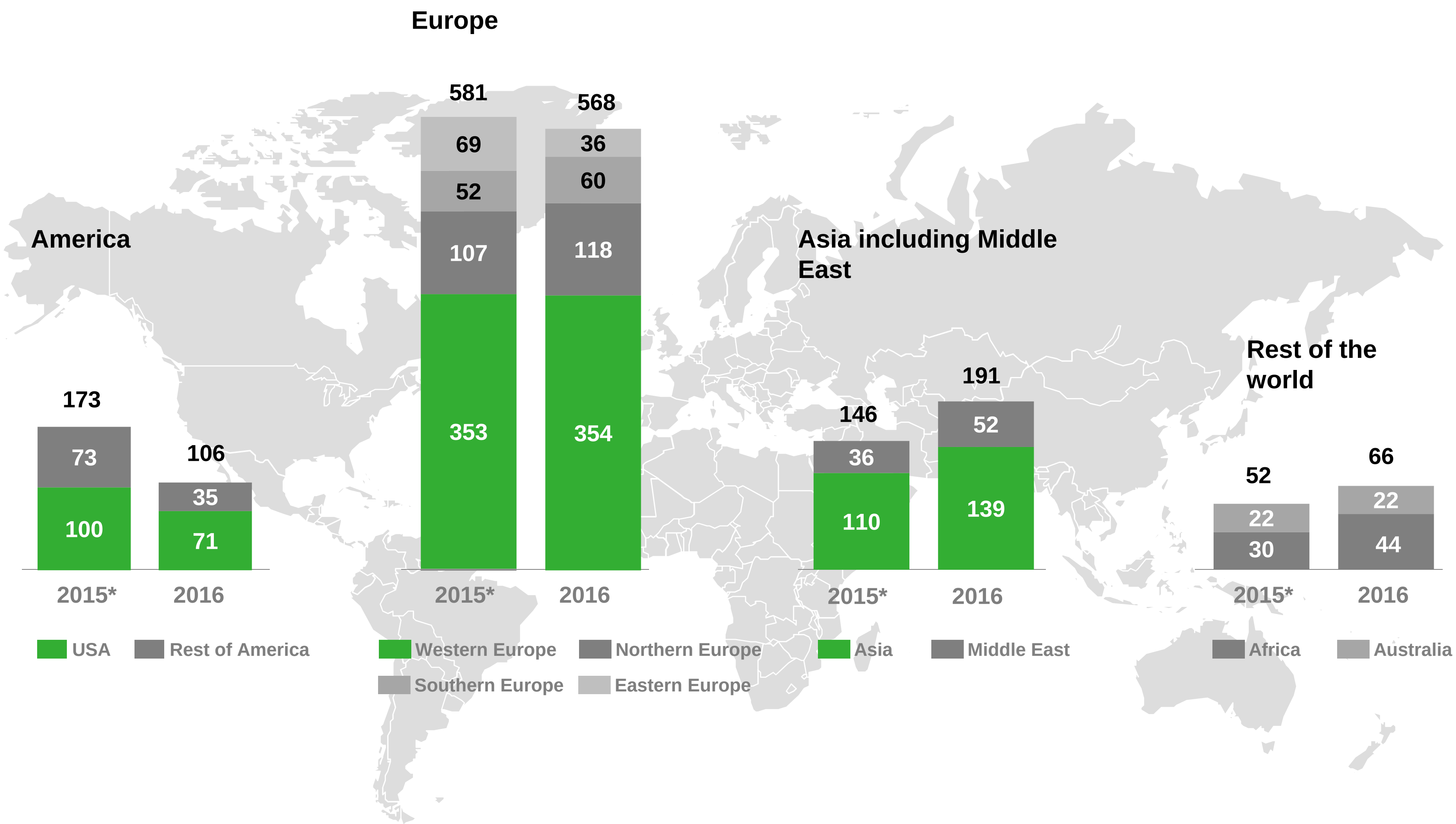
Vossloh Group, financial year 2016

Sales in the USA significantly lower than the previous year, significant growth in Asia



* Prior year figures adjusted due to the treatment of the Electrical Systems business unit as discontinued operations.

Vossloh Group, Outlook

Outlook confirmed – Ongoing improvement expected

Vossloh Group

2017e*

- **Sales between €1.0 billion and €1.1 billion**; particularly strong sales growth expected in Core Components through first-time inclusion of the Tie Technologies business unit and in the Transportation division
- **EBIT margin between 5.5% and 6.0%**; slight profitability improvement in Customized Modules, Core Components below the level of financial year 2016 due to currently challenging framework conditions in the USA as well as expected integration costs and negative effects from the purchase price allocation in the new Tie Technologies business unit, Lifecycle Solutions almost unchanged; significant margin improvement expected in the Transportation division
- **Value added** expected to improve significantly due to reduction in WACC to 7.5% in financial year 2017

Rail technology market

2016 – 2021**

- Continuous growth in the accessible rail technology market with **3.2%** expected
- Relevant accessible markets for rail infrastructure and infrastructure services to grow at an above-average rate of **3.7**% annually

* On the basis of purely organic growth in the current Group structure. In a future portfolio structure without the Transportation division, higher profitability is to be expected.

** CAGR 2019-2021 as compared to 2013-2015 Source: World Rail Market Study forecast 2016 to 2021, UNIFE The European Rail Industry, Roland Berger Strategy Consultants.

Financial calendar and contact

Financial calendar

April 27, 2017	Interim statement/Interim report as of March 31, 2017
May 24, 2017	Annual General Meeting
July 26, 2017	Semi-annual report as of June 30, 2017
October 25, 2017	Interim statement/Interim report as of September 30, 2017

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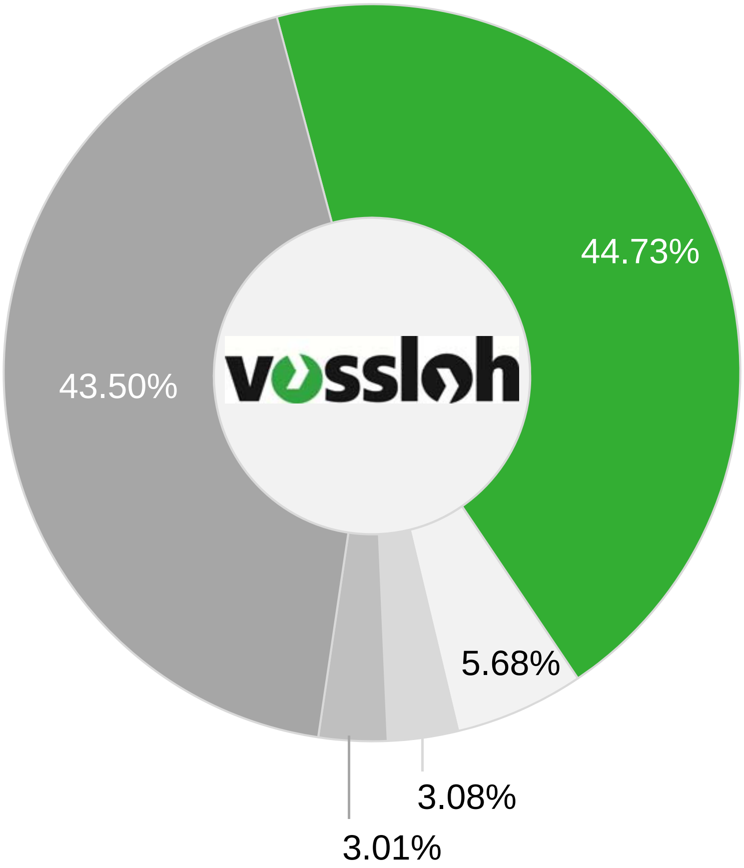
Appendix

Vossloh stock
Ownership structure



- Heinz Hermann Thiele
- Franklin Mutual Advisers
- Iskander Makhmudov
- Lazard Frères Gestion
- Other

Vossloh Group, financial year 2016

Key figures

Group figures		Core Components		Customized Modules		Lifecycle Solutions		Transportation	
		2015	**2016**	2015	**2016**	2015	**2016**	2015*	**2016**
Sales	€ million	256.6	257.1	523.0	492.3	71.7	83.5	109.6	109.3
EBIT	€ million	29.2	32.0	34.4	34.4	5.5	7.0	(7.8)	(5.2)
EBIT margin	%	11.4	12.5	6.6	7.0	7.7	8.4	(7.1)	(4.7)
Working capital (Ø)	€ million	68.8	56.6	141.1	131.5	9.9	10.2	33.7	32.4
Working capital intensity (Ø)	%	26.8	22.0	27.0	26.7	13.8	12.3	30.7	29.7
Capital employed (Ø)	€ million	125.1	106.0	427.1	414.5	122.0	129.4	52.4	52.4
ROCE	%	23.3	30.2	8.1	8.3	4.5	5.4	(14.8)	(9.9)
Value added	€ million	16.6	22.5	(8.3)	(2.9)	(6.7)	(4.6)	(13.0)	(9.9)
Orders received	€ million	251.6	262.3	512.0	473.7	69.2	105.0	116.1	248.7
Order backlog	€ million	177.6	182.8	298.1	279.5	7.8	29.4	99.3	238.7
Capital expenditure	€ million	6.4	2.9	11.4	15.9	9.6	11.3	6.2	7.5
Amortization/depreciation	€ million	9.1	10.2	16.2	14.2	5.1	6.5	4.6	4.0

* Prior year figures adjusted due to the treatment of the Electrical Systems business unit as discontinued operations.

Vossloh Group, financial year 2016
Cash flow statement

in € million	2015*	2016
Earnings before interest and taxes (EBIT)	42.3	50.0
EBIT from discontinued operations	(3.5)	(1.9)
Amortization/depreciation/write-downs (less write-ups) of noncurrent assets	48.7	46.7
Change in noncurrent-provisions	(15.8)	(4.1)
Gross cash flow	**71.7**	**90.7**
Income taxes paid	(18.4)	(21.3)
Change in working capital	17.2	4.0
Other changes	37.3	(7.6)
Cash flow from operating activities	**107.8**	**65.8**
Investments in intangible assets and property, plant and equipment	(46.1)	(38.1)
Cash-effective changes in investments in companies accounted for using the equity method	(1.9)	(3.2)
Cash-effective dividends from companies accounted for using the equity method	4.0	0.7
Proceeds from the disposal of companies accounted for using the equity method	2.3	0.0
Free cash flow	**66.1**	**25.2**

*Prior year's figures presented on a comparable basis.