



**Presentation to Investors**

July 26, 2017, interim report as of June 30, 2017

**Oliver Schuster, CFO**

A photograph of a railway track stretching into the distance, flanked by gravel and green grass. The background shows a hazy, mountainous landscape under a clear sky.

**Clear focus. Sharpened profile.**

# Disclaimer

## **Note:**

This presentation contains statements concerning the future business performance of the Vossloh Group that are based on assumptions and estimates from the company management. If the assumptions that the projections are based on fail to occur, the actual results of the projected statements may differ substantially. Uncertainties include changes in the political, commercial and economic climate, the actions of competitors, legislative reforms, the effects of future case law and fluctuations in exchange rates and interest rates. Vossloh and its Group companies, consultants and representatives assume no responsibility for possible losses associated with the use of this presentation or its contents. Vossloh assumes no obligation to update the forecast statements in this presentation.

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# 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*<br>6/30/2016* | 1-6/2017<br>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.

## Cash outflow for acquisition of Rocla increases net financial debt

|                                   |         | 1-6/2016*<br>6/30/2016* | 1-6/2017<br>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

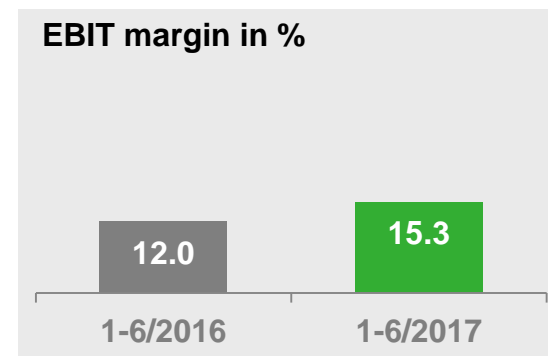
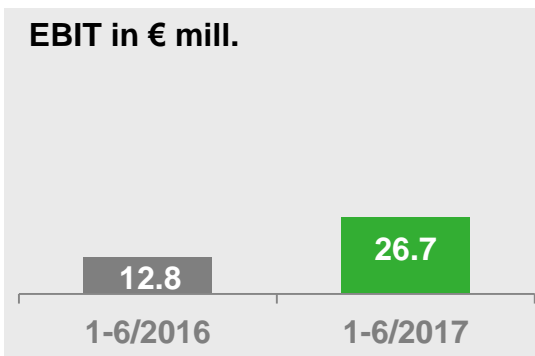
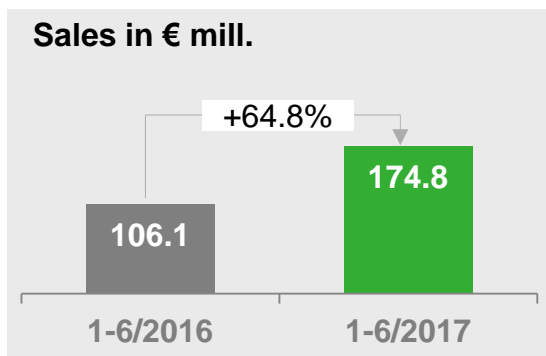
Ø **Capital employed** above previous year due to consolidation of the Tie Technologies business unit in particular

**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

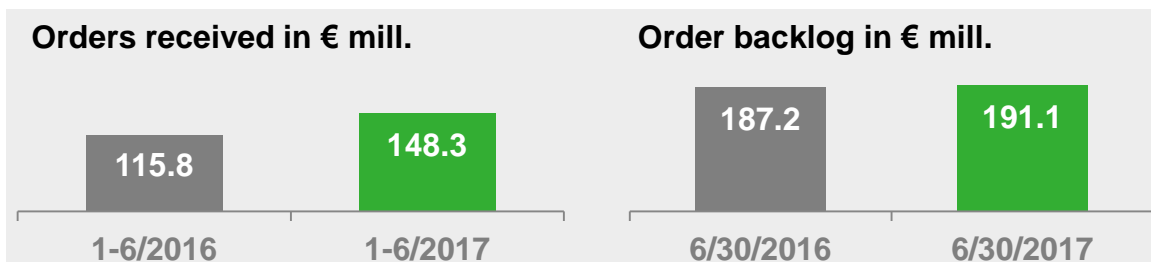
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# Core Components division, H1/2017

## Positive development in sales, EBIT more than doubled



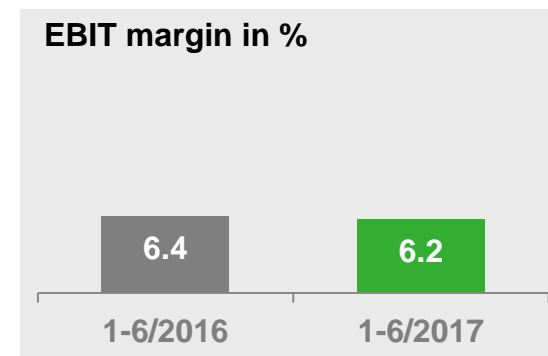
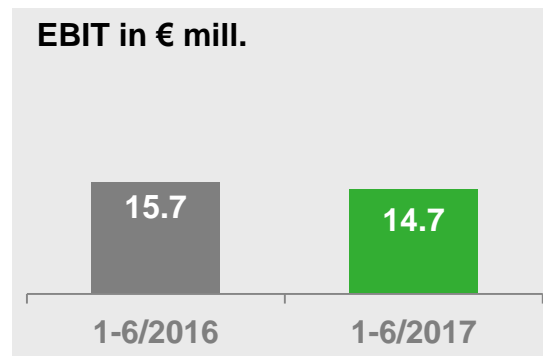
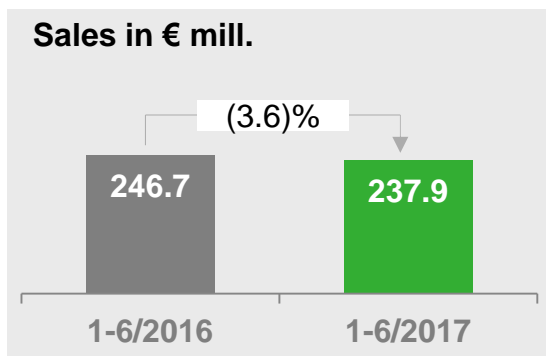
- Increase in sales largely due to initial consolidation of Vossloh Tie Technologies, sales from Vossloh Fastening Systems +25.3%
- Earnings and profitability significantly increased year-on-year due to higher-margin projects in Vossloh Fastening Systems
- Ø Working capital only slightly higher despite 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)



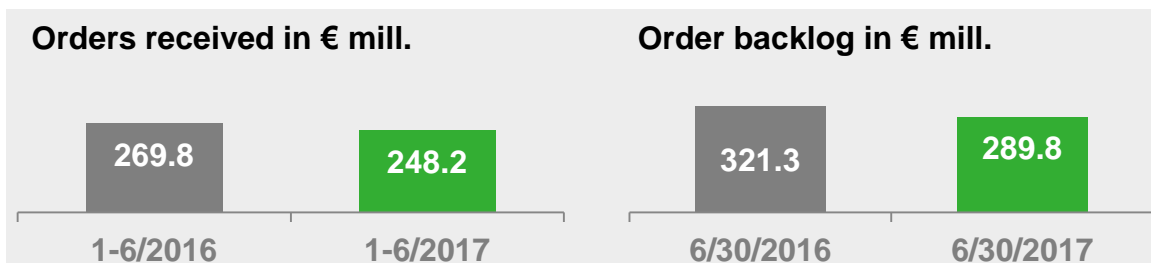
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|-----------------------|----------|------|
| ROCE (%)              | 1-6/2017 | 23.5 |
|                       | 1-6/2016 | 23.1 |
| Value added (€ mill.) | 1-6/2017 | 18.2 |
|                       | 1-6/2016 | 7.8  |

# 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

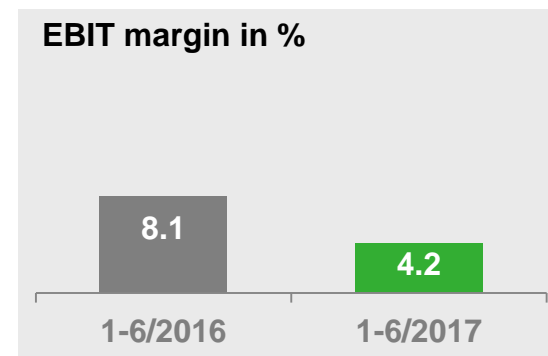
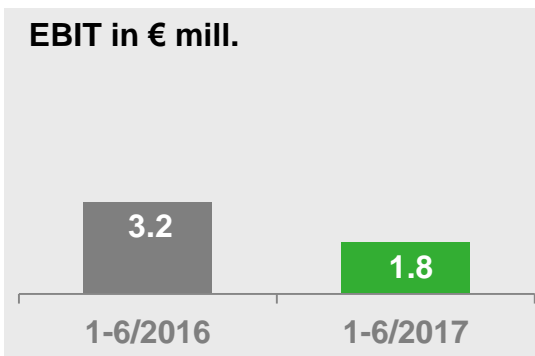
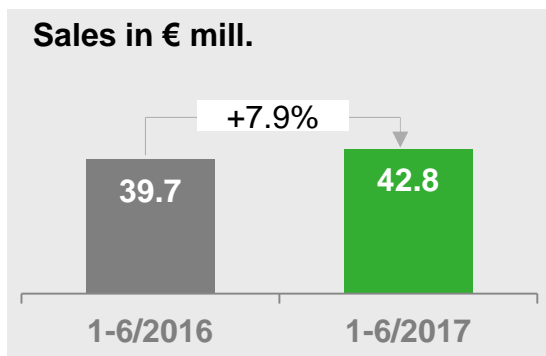


|                       |          |       |
|-----------------------|----------|-------|
| ROCE (%)              | 1-6/2017 | 6.9   |
|                       | 1-6/2016 | 7.5   |
| Value added (€ mill.) | 1-6/2017 | (1.3) |
|                       | 1-6/2016 | (3.0) |

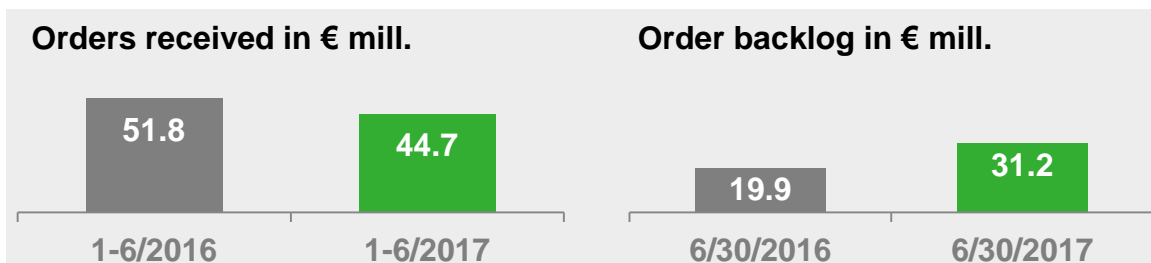


# Lifecycle Solutions division, H1/2017

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



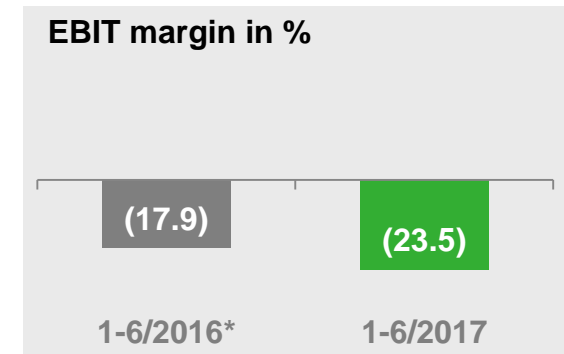
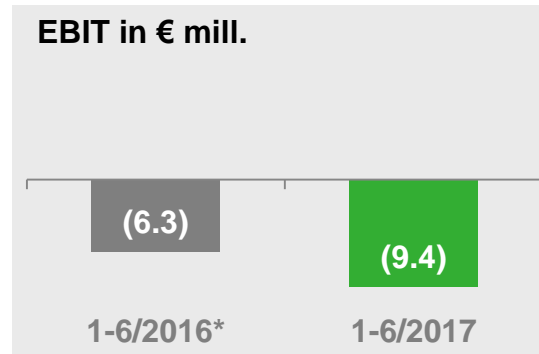
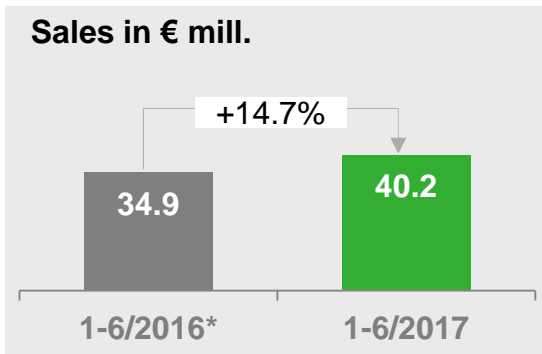
- Increased sales primarily due to positive business development in Denmark and in the focus market China
- Lower year-on-year earnings caused in part by lower EBIT from the segments stationary welding and logistics due to lower demand
- Ø Working capital of €11.7 million reduced to €11.1 million; Ø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



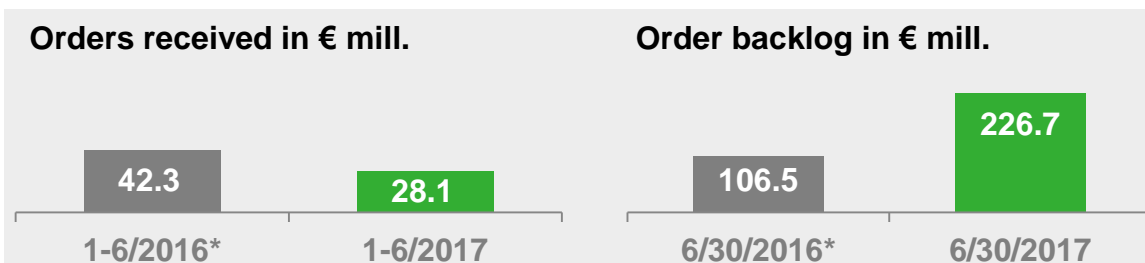
|                       |          |       |
|-----------------------|----------|-------|
| ROCE (%)              | 1-6/2017 | 2.7   |
|                       | 1-6/2016 | 5.0   |
| Value added (€ mill.) | 1-6/2017 | (3.3) |
|                       | 1-6/2016 | (2.6) |

# 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

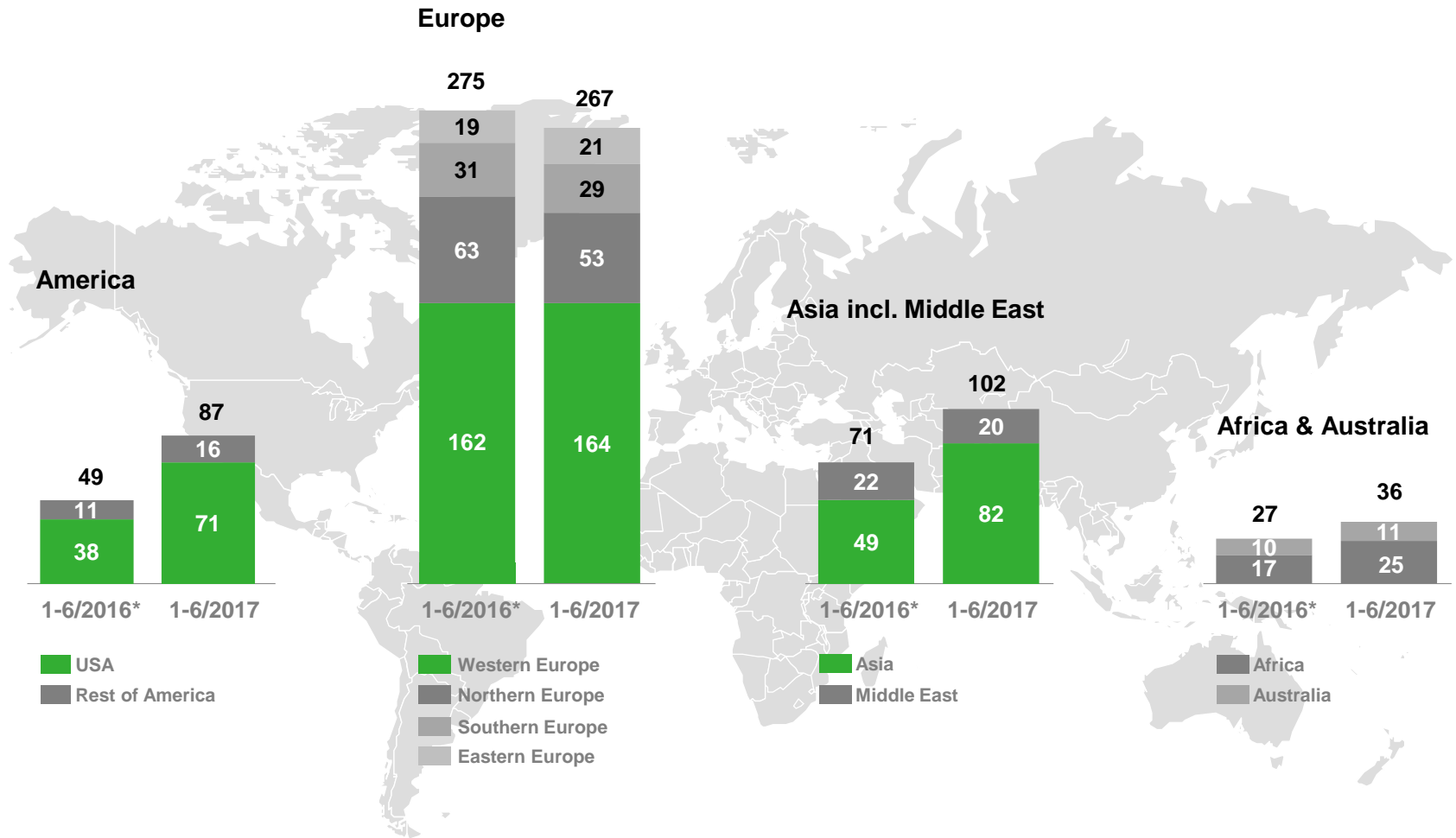


|                       |           |        |
|-----------------------|-----------|--------|
| ROCE (%)              | 1-6/2017  | (32.2) |
|                       | 1-6/2016* | (25.7) |
| Value added (€ mill.) | 1-6/2017  | (11.6) |
|                       | 1-6/2016* | (8.4)  |

\* 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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# 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

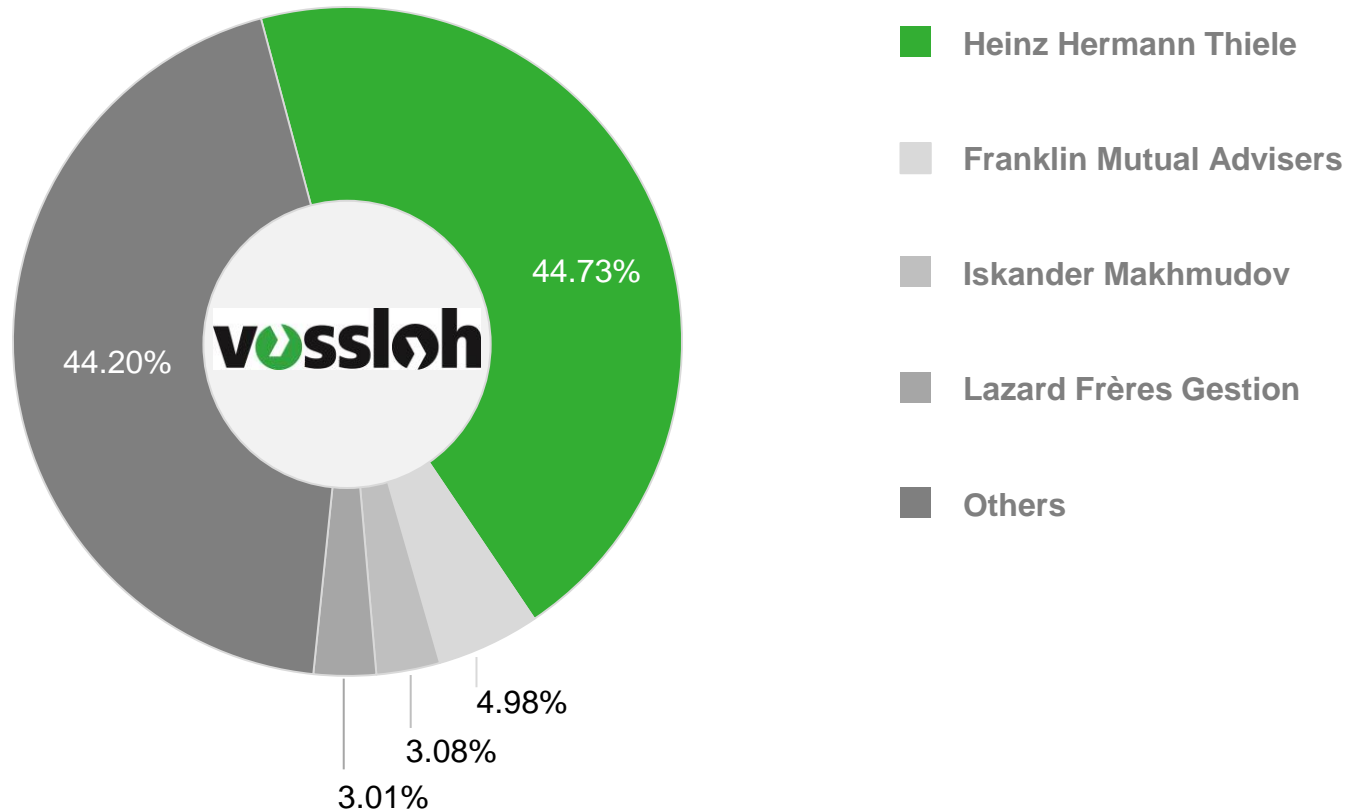
\*\* CAGR 2019–2021 compared to 2013–2015 Source: World Rail Market Study forecast 2016 to 2021, UNIFE The European Rail Industry, Roland Berger Strategy Consultants; CAGR infrastructure incl. infrastructure services at +3.7%



# Appendix

# The Vossloh share

## Shareholder structure



# Vossloh Group, H1/2017

## Key performance indicators

| Group performance indicators  |         | Core Components |          | Customized Modules |          | Lifecycle Solutions |          | Transportation |          |
|-------------------------------|---------|-----------------|----------|--------------------|----------|---------------------|----------|----------------|----------|
|                               |         | 1-6/2016        | 1-6/2017 | 1-6/2016           | 1-6/2017 | 1-6/2016            | 1-6/2017 | 1-6/2016*      | 1-6/2017 |
| Sales revenue                 | € mill. | 106.1           | 174.8    | 246.7              | 237.9    | 39.7                | 42.8     | 34.9           | 40.2     |
| EBIT                          | € mill. | 12.8            | 26.7     | 15.7               | 14.7     | 3.2                 | 1.8      | (6.3)          | (9.4)    |
| EBIT margin                   | %       | 12.0            | 15.3     | 6.4                | 6.2      | 8.1                 | 4.2      | (17.9)         | (23.5)   |
| Working capital (Ø)           | € mill. | 59.8            | 62.8     | 133.5              | 139.8    | 11.7                | 11.1     | 29.0           | 35.1     |
| Working capital intensity (Ø) | %       | 28.2            | 17.9     | 27.1               | 29.4     | 14.8                | 13.0     | 41.5           | 43.7     |
| Capital employed (Ø)          | € mill. | 110.8           | 227.2    | 416.4              | 425.8    | 129.5               | 135.0    | 48.6           | 58.6     |
| ROCE                          | %       | 23.1            | 23.5     | 7.5                | 6.9      | 5.0                 | 2.7      | (25.7)         | (32.2)   |
| Value added                   | € mill. | 7.8             | 18.2     | (3.0)              | (1.3)    | (2.6)               | (3.3)    | (8.4)          | (11.6)   |
| Orders received               | € mill. | 115.8           | 148.3    | 269.8              | 248.2    | 51.8                | 44.7     | 42.3           | 28.1     |
| Order backlog                 | € mill. | 187.2           | 191.1    | 321.3              | 289.8    | 19.9                | 31.2     | 106.5          | 226.7    |
| Investments                   | € mill. | 1.7             | 5.3      | 2.5                | 5.7      | 4.4                 | 1.6      | 2.1            | 2.8      |
| Depreciation/amortization     | € mill. | 4.2             | 8.5      | 6.3                | 6.7      | 3.0                 | 3.4      | 2.0            | 1.9      |

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# Vossloh Group, H1/2017

## Statement of cash flows

| Cash flow analysis (in € mill.)  | 1-6/2016*     | 1-6/2017      |
|--|---------------|---------------|
| Earnings before interest and taxes (EBIT)  | 19.4          | 26.6          |
| EBIT from discontinued operations  | 5.4           | 2.6           |
| Amortization / depreciation / impairment losses (less write-up) of noncurrent assets | 18.2          | 20.8          |
| Change in noncurrent provisions  | 3.1           | (0.2)         |
| <b>Gross cash flow</b>   | <b>46.1</b>   | <b>49.8</b>   |
| Income tax paid  | (8.5)         | (16.1)        |
| Change in working capital  | (42.2)        | (84.2)        |
| Other changes  | (19.1)        | 4.7           |
| <b>Cash flow from operating activities</b>   | <b>(23.7)</b> | <b>(45.8)</b> |
| Investments in intangible assets and property, plant and equipment                   | (12.3)        | (12.7)        |
| Investments in companies accounted for using the equity method                       | 0.0           | (3.3)         |
| Cash-effective dividends from companies accounted for using the equity method        | 0.3           | 0.0           |
| <b>Free cash flow**</b>  | <b>(35.7)</b> | <b>(61.8)</b> |

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