

Driving Innovation. Developing Potential.

Our Vision: The Smart Rail Track by Vossloh

Investors Conference

Commerzbank Sector Conference

August 29, 2018, Frankfurt

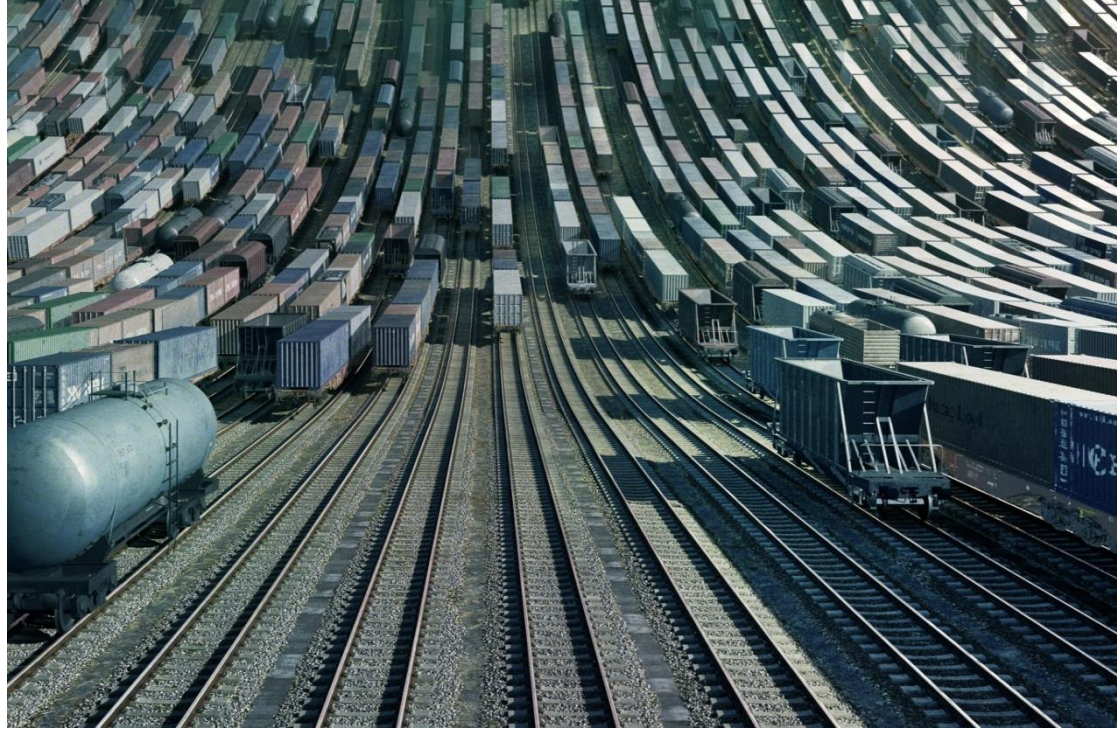


Agenda

1. Company overview

2. Investment highlights

3. Financial overview



Vossloh: A global leading player in the rail infrastructure industry

Profile

Rail Infrastructure

Core Components

Fastening Systems



Standardized products in large quantities

Core competence: Cost optimization and technology trendsetter

Customized Modules

Switch Systems



Modular solutions customized to suit specific projects

Core competence: Process leadership and technology trendsetter

Lifecycle Solutions

Rail Services



Services around the rail

Core competence: Specialized services over the entire rail lifecycle

Vossloh is one of the top providers for fastening and switch systems worldwide

Discontinued operations

Transportation

Locomotives



Design, production and service for shunting locomotives

Strong niche position

Key financials group level

Revenues

in Mill.€

822

+12 %

918

2016

2017

EBIT

in Mill.€

57

+22 %

70

2016

2017

EBIT margin

7.0 %

+0.7 PP

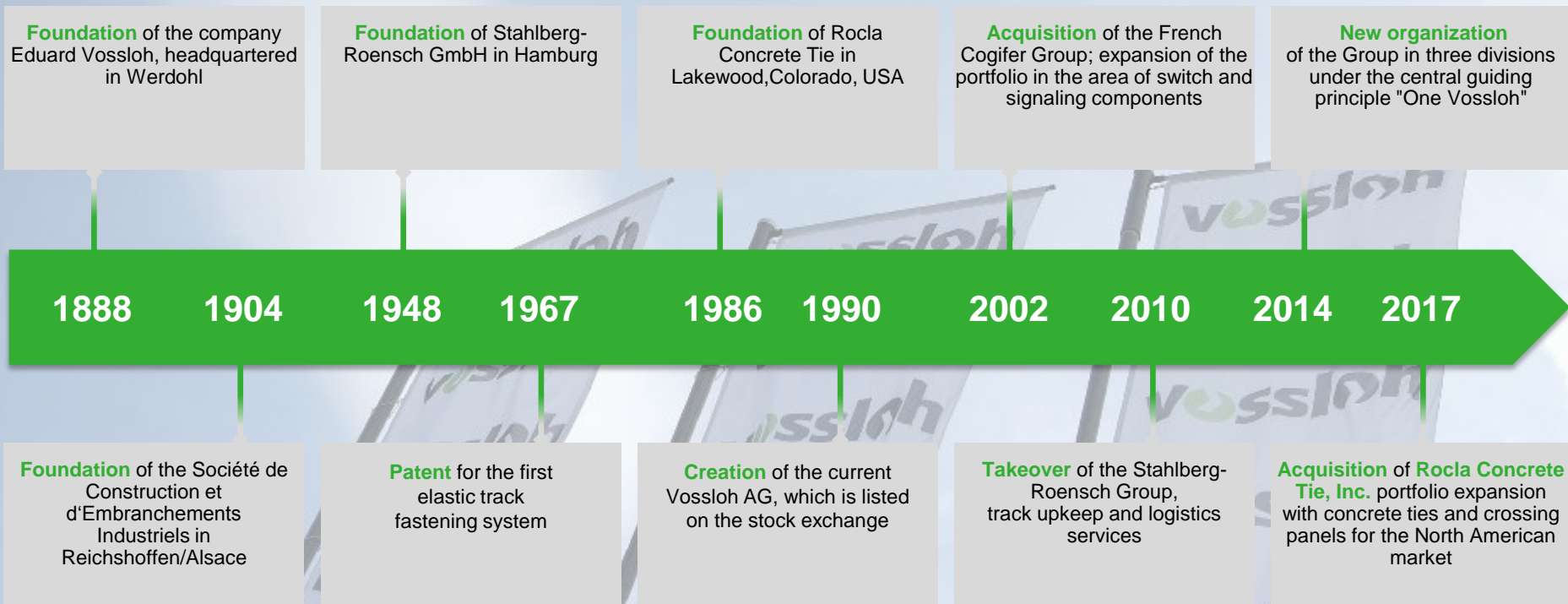
7.7 %

2016

2017

The collective Vossloh Story

Decades of experience in all segments

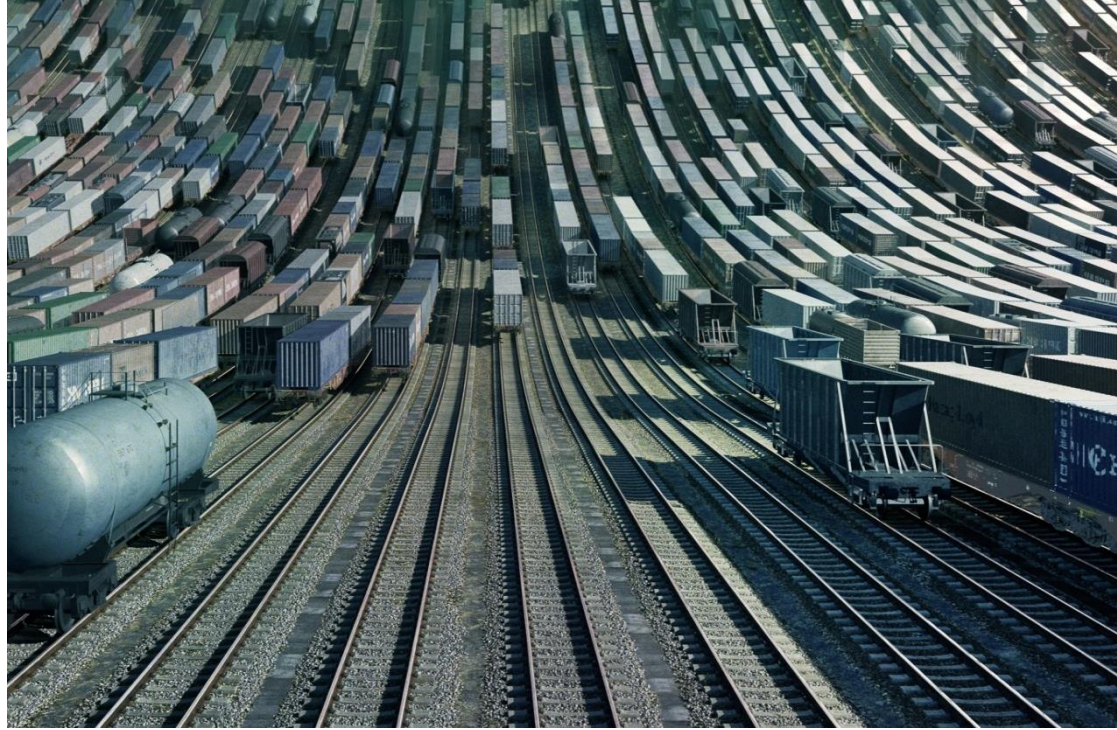


Agenda

1. Company overview

2. Investment highlights

3. Financial overview



Key investment highlights

1

Global player with a leading market position

2

Sustainable growth market with high entry barriers

3

Technology leadership with integrated portfolio

4

Four strategic fields of action

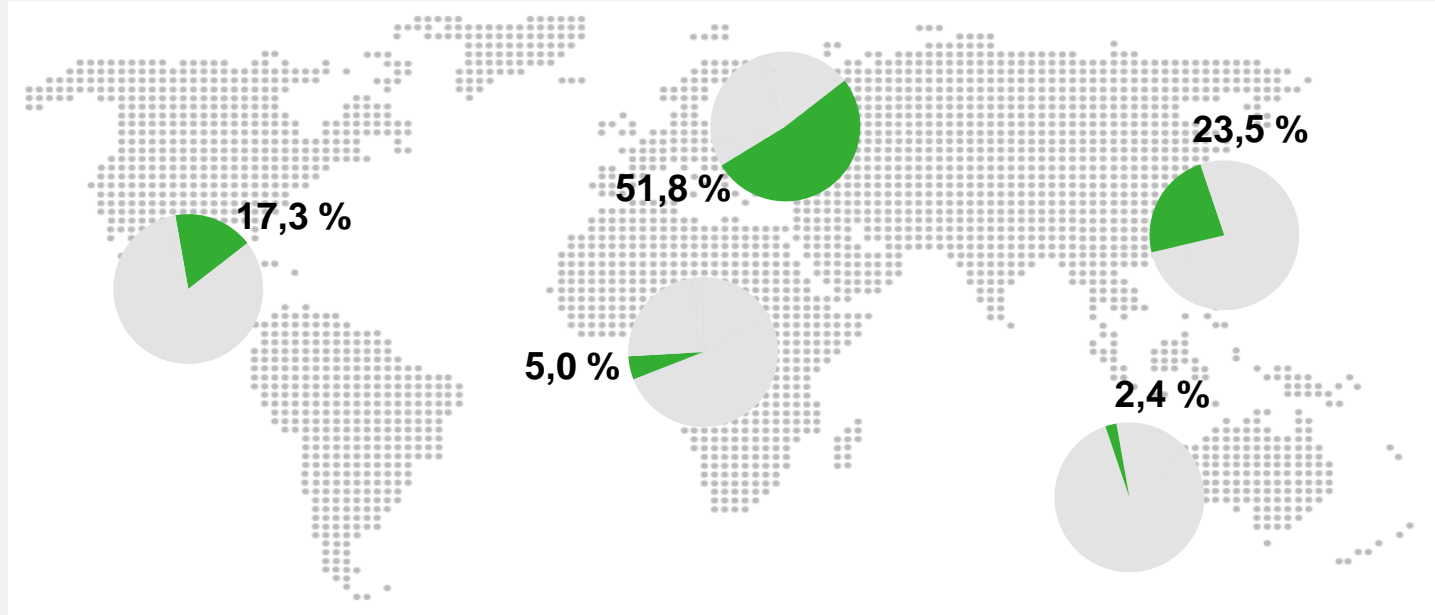
5

Our Vision: The Smart Rail Track by Vossloh



1 Global player with leading market position

Global expertise in more than 100 Countries⁽¹⁾



America
€158.7 Mill.

Europe total
€475.5 Mill.

Africa
€46.3 Mill.

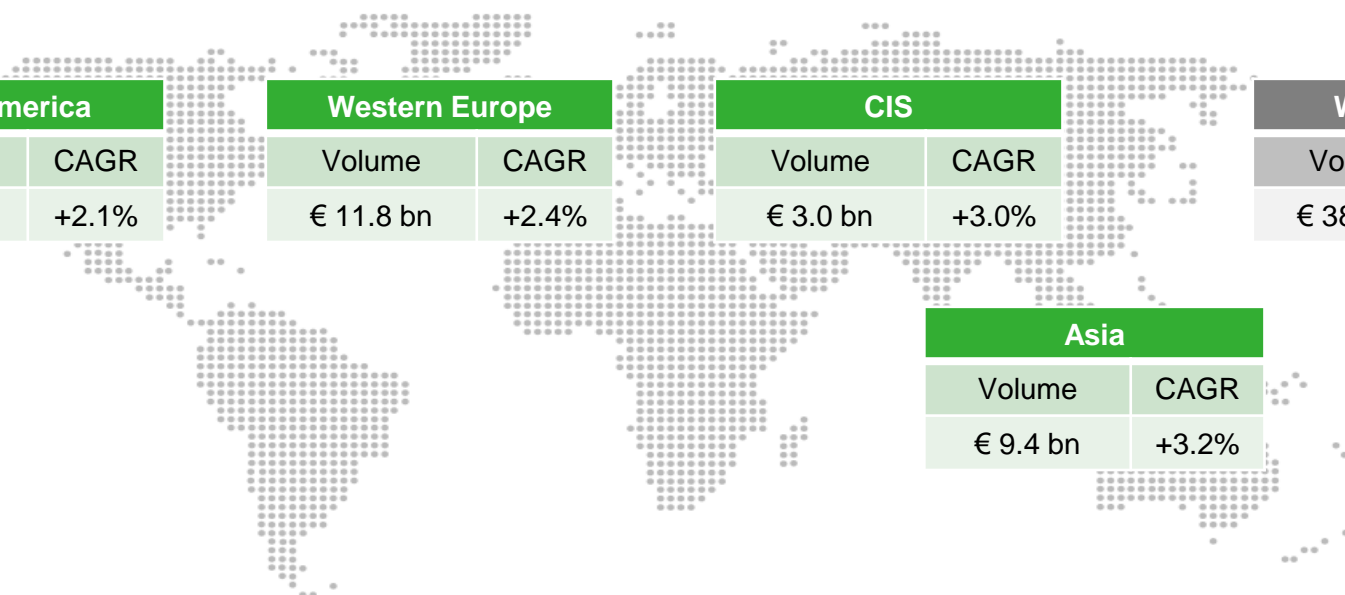
Asien
€215.6 Mill.

Australien
€22.2 Mill.

(1) Sales figures of financial year 2017.

2 Sustainable growth market with high entry barriers

Solid market outlook⁽¹⁾



North America		Western Europe		CIS		World Market	
Volume	CAGR	Volume	CAGR	Volume	CAGR	Volume	CAGR
€ 5.8 bn	+2.1%	€ 11.8 bn	+2.4%	€ 3.0 bn	+3.0%	€ 38.1 bn	~3%

Asia	
Volume	CAGR
€ 9.4 bn	+3.2%

Global megatrends favor sustainable market growth

- The main drivers are population growth, increasing urbanization and growing demand for mobility of goods and people
- In addition, increasing environmental requirements are leading to an increasing shift of traffic to rail tracks

(1) Track Systems market volume 2015-2020; Track Systems including rails, switches & crossings, ties, rail fastenings and other products
Source: SCI Multiclient Studies „Worldwide Market for Railway Industries“ (2016); new outlook with publication of Unife study in September 2018 expected

2 Sustainable growth market with high entry barriers

Positive developments in focus markets

Western Europe

- World's largest market for railway technology; leading market positions with at least one business unit in almost all countries
- Lifecycle Solutions signs contracts for welding and transport of rails with a majority of the rail suppliers of the new rail tender of the Deutsche Bahn AG in the spring of 2018; contracts run until the end of 2019 with a two-year extension option, each lasting one year

Russia

- Second largest rail network worldwide: ~ 130,000 km⁽¹⁾; high modernization needs
- Opening of a modern production facility for rail fastening systems in Russia
- Technology alliance with leading Russian switch manufacturer
- Very good starting position for expected market growth

China

- Third largest rail network worldwide: >100,000 km⁽¹⁾
- At the end of 2017 over 23,000 km in high-speed network; expansion to more than 38,000 km planned by 2025; in addition, high investment needs in regional transportation networks
- Persistently good market position; in April 2018 won approximately €30 million contract; in addition, increasing maintenance business
- After a temporary weakness in 2018, further increase in business activity is expected in 2019

North America

- Largest rail network in the world: >300,000 km⁽¹⁾, focus is on freight traffic routes
- Decline in demand for Vossloh products since the end of 2015, mainly due to lower coal transport
- Framework contracts with CN strengthen long-term market position
- Good economic situation leads to high utilization of transport hubs, higher investments in maintenance expected in the future



2 Sustainable growth market with high entry barriers

Vossloh's strong and sustainable market position

Diverse market entry barriers	Sustainable Vossloh market share
Proven success story	<ul style="list-style-type: none">▪ >100 years operational business activities in the railway supply industry▪ Industry-standard technology
Strict approval procedure/homologation	<ul style="list-style-type: none">▪ High number of certifications allow for product and service offerings for all critical applications and regions▪ High time to market for innovations
High quality standards	<ul style="list-style-type: none">▪ Customer-accredited and innovative product portfolio▪ Comprehensive and continuous research and development
System expertise	<ul style="list-style-type: none">▪ Specialized product range that can be used worldwide for most applications▪ Broad sample portfolio
Strong customer and supplier relationships	<ul style="list-style-type: none">▪ Customized customer solutions for the entire lifecycle of the track▪ Long-standing supplier network

3 Technology leadership through an integrated portfolio

Products and solutions from a single source



3 Technology leadership through an integrated portfolio

Total solutions for customers through networked expertise

Core Components

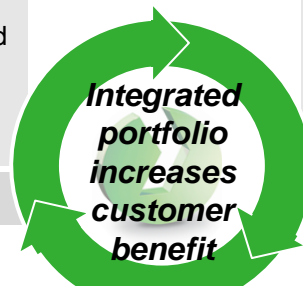
- Technological know-how and many years of experience are the basis for technological leadership
- Technology leader with a focus on cost efficiency
- A worldwide leading supplier of fastening systems with production facilities in Germany, China, Poland, the U.S. and Russia
- Leading supplier of concrete ties in North America; several plants in close proximity to Class 1 operators

Product business

Customized Modules

- Strong solution expertise in all areas of switch systems and more than a century of experience
- A global market and technology leader in the switches segment
- Local manufacturing presence in around 20 countries promotes optimized and customized customer solutions
- Complementary offering of safety equipment, signaling systems and monitoring products

Project business



Lifecycle Solutions

- Services for the entire lifecycle of rails and switches
- Unique and patented high-speed grinding technology offers significant benefits to customers and significantly reduces lifecycle costs

Service business

3 Technology leadership through an integrated portfolio

Criteria for achieving strategic and financial goals

Clearly defined operative criteria...

Leading market position No. 1/no. 2 positions achievable

Global demand All major world regions

Growth Above-average growth potential

Market entry barriers Approval procedure, high technological standards

Expertise Specialized portfolio for rail infrastructure

Differentiation Unique product and service portfolio

Competitive advantage System know-how of rail tracks

Profitability Attractive EBIT margin

... with focus on rail infrastructure.....



...with positive impact on...



Value added



Sales growth



EBIT / EBIT-Margin

4 Four strategic areas of action

Key drivers of the growth strategy

Innovation

- Promoting innovation and “open thinking”
- Implementation of Group-wide innovation management in the area of “Smart Track” and “Digitization”
- Development of “Asset condition monitoring” solutions
- **Goal:** Improve competitive position through innovative products and processes as well as business models through a Group-wide, structured innovation process

Personnel

- “The Smart Rail Track by Vossloh” sets new goals for corporate organization
- Personnel development through rotation and mutual learning under the One Vossloh umbrella
- **Goal:** Establish a young and digital culture in the industrial environment to create attractive jobs for the next generation



Operative excellence

- Added value for customers based on industrial top performance
- State-of-the art product lines, within an optimal regional production network with locations of expertise and higher internal added value
- **Goal:** Improve cost and competitive position by optimizing industrial presence and “lean” structures

Acquisitions and partnerships

- What Vossloh can't do on its own or through innovation is acquired or realized through partnerships
- Building partnerships/cooperations with start-ups and technology companies in the area of “digitization” and “big data” analysis
- **Goal:** Growth and strengthening of market position in selected attractive product segments and markets

5 The Smart Rail Track by Vossloh

Vossloh's vision for the future

Developments in digitalization provide new, powerful tools for an **important leap** forward.

Data collected on the track can be intelligently linked to gain relevant information for the **customer**.

We understand the physics of tracks.

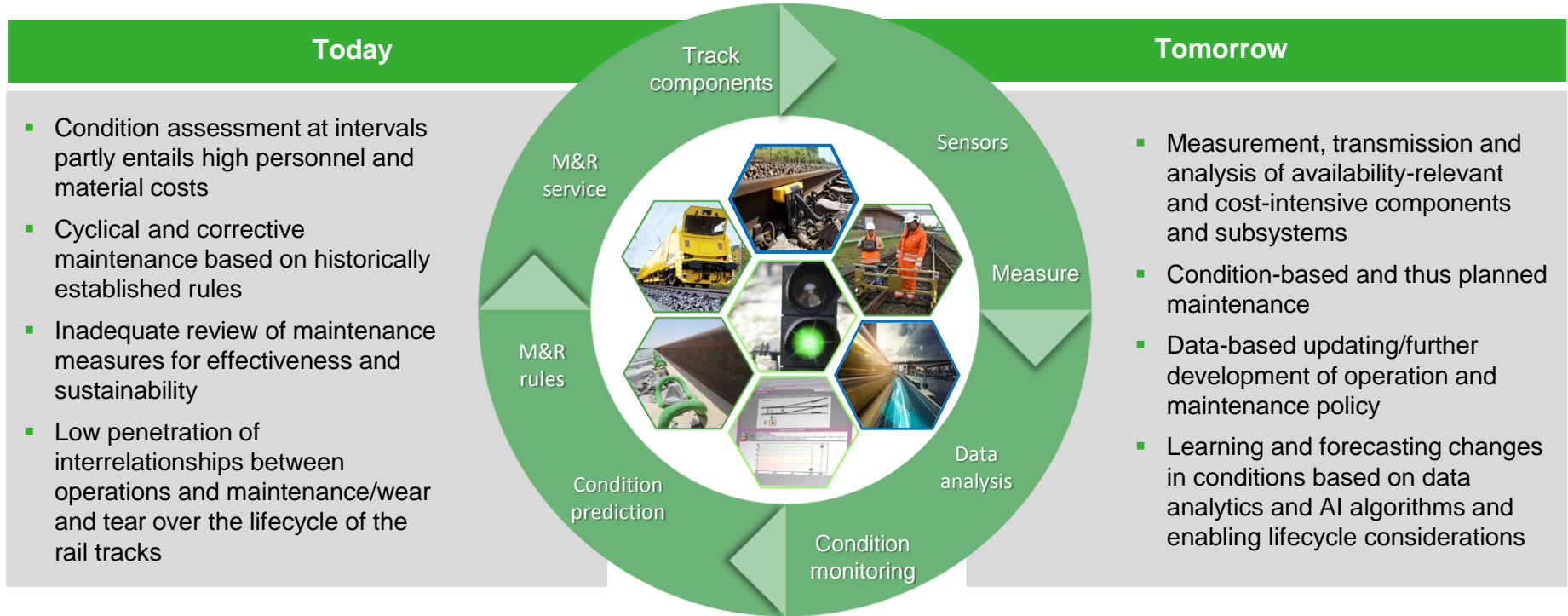
As a system supplier, we have the necessary expertise for the complex system of rail tracks.

Targeted, planned maintenance reduces operator costs, increases the availability of the line and extends the life of the rail infrastructure.

Goal: **Maximum availability** of the rail tracks

5 The Smart Rail Track by Vossloh

Digitization opens new business models

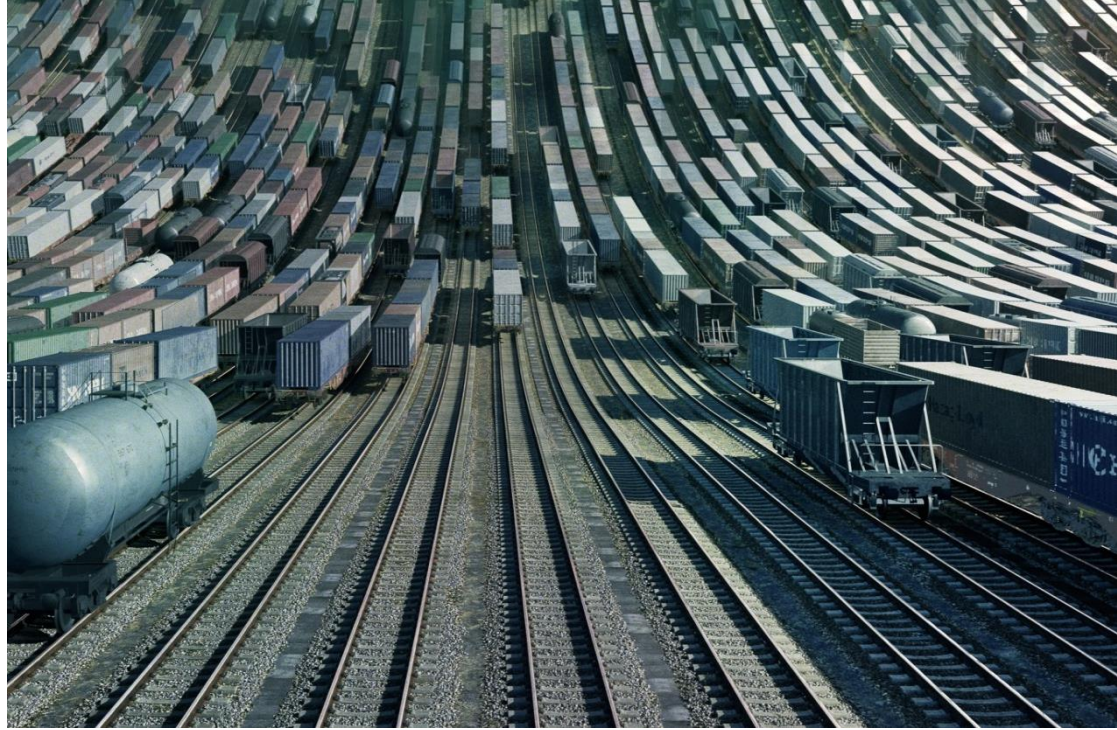


Agenda

1. Company overview

2. Investment highlights

3. Financial overview



Vossloh Group: Driving Innovation. Developing Potential.

Encouraging development in Q2/2018, sharp increase in orders received

Business development in the first half of 2018

- Good sales and EBIT development in Q2/2018 despite lower contributions to sales from the high-margin China business, as expected; outlook for the full year of 2018 confirmed
- Very positive development in orders received, approx. 10 percent above the previous year
- Free cash flow significantly improved with simultaneously significantly higher investments

Focus market China

- Order in Q2 for the supply of fastening systems for the new route from Zhengzhou to Wanzhou (about € 30 million), contributions to sales expected from 2019
- Increase in the maintenance business with fastening systems

Focus market North America

- Customized Modules and Vossloh Tie Technologies sign multi-year framework agreements with CN in Q2 for the supply of switches / switch components and concrete ties
- New long-term relationship with important, strategic partner strengthens Vossloh's position sustainably and supports the expected uptrend in the business in North America

Transportation (discontinued operations)

- Sales revenues in first half of the year exceed total annual sales in 2017; improved earnings contribution compared to previous year included in the result from discontinued operations
- Status of divestment process: Ongoing in-depth sales discussions with several potential buyers; signing expected in 2018

Vossloh Group, H1/2018

Sales and EBIT as expected below previous year, positive free cash flow in Q2

Key Group indicators		1-6/2017 ¹⁾	1-6/2018	Notes
Sales revenues	€ mill.	452.0	418.1	<ul style="list-style-type: none"> ▪ Sales revenues in the Core Components division below the previous year; roughly 40% of the Group sales decline caused by negative effects of exchange rate developments ▪ EBIT decline primarily as a result of sales development at Core Components ▪ Net income only slightly below the previous year due to better result from discontinued operations; EPS at the previous year's level ▪ Free cash flow clearly improved from previous year, clearly positive in Q2/2018 (€31.8 million) ▪ Capital expenditure significantly above previous year; largest single investment for the modernization of the production plant for manganese frogs in Customized Modules division
EBIT	€ mill.	35.6	22.8	
EBIT margin	%	7.9	5.4	
Net income	€ mill.	13.4	11.2	
Earnings per share (EPS)	€	0.56	0.53	
Return on capital employed (ROCE)	%	9.0	5.9	
Value added	€ mill.	6.0	(6.3)	
Free cash flow ²⁾	€ mill.	(61.8)	(2.8)	
Capital expenditure	€ mill.	12.8	19.9	
Depreciation/amortization	€ mill.	19.0	17.6	

1) Prior-year figures adjusted due to the treatment of the Locomotives business unit as discontinued operations.

2) Includes the effects of discontinued operations; free cash flow comprises the cash flow from operating activities, investments in intangible assets and property, plant and equipment, and cash receipts and payments associated with companies accounted for using the equity method.

Vossloh Group, H1/2018

Equity ratio still well above 40%

Key Group indicators		1-6/2017 6/30/2017 ¹⁾	1-12/2017 12/31/2017	1-6/2018 6/30/2018
Equity	€ mill.	559.2	532.4	519.3
Equity ratio	%	44.9	42.5	43.1
Average working capital	€ mill.	206.9	211.6	208.3
Average working capital intensity	%	22.9	23.0	24.9
Closing working capital	€ mill.	236.6	190.0	210.2
Average capital employed	€ mill.	791.5	788.3	775.0
Closing capital employed	€ mill.	805.3	758.7	784.4
Net financial debt	€ mill.	234.7	207.7	236.1

Notes

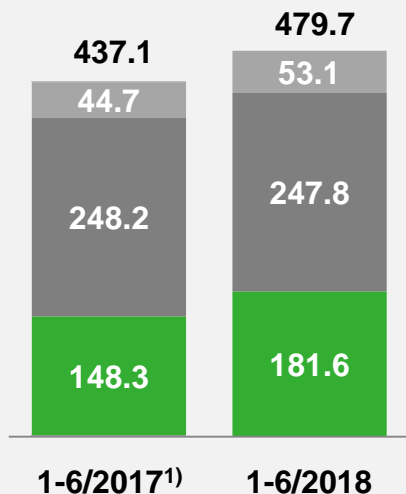
- **Equity** lower than at the end of 2017 amongst others due to dividend payments
- **Working capital** significantly lower as of the reporting date, particularly due to lower trade receivables
- **Capital employed** noticeably lower than in 2017 due to lower working capital as of the 6/30/2018 reporting date
- **Net financial debt** approximately at the previous year's level; increase from level at the end of 2017 primarily due to dividend and interest payments

1) Prior-year figures adjusted due to the treatment of the Locomotives business unit as discontinued operations.

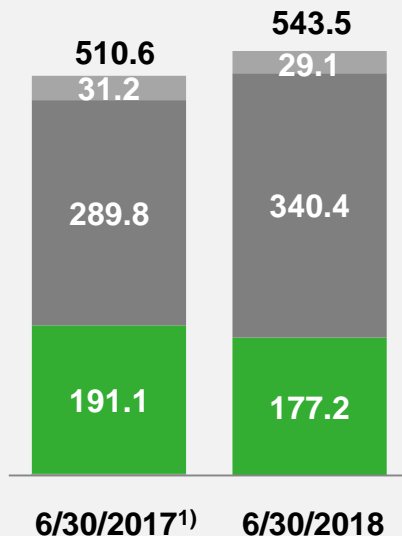
Vossloh Group, H1/2018

Orders received increase significantly by 9.7%, order backlog 6.4% higher

Orders received in € mill.



Order backlog in € mill.



Notes

- **Orders received** increased, particularly due to significantly higher orders received at Vossloh Fastening Systems (China, Italy, Turkey)
- **Book-to-bill ratio** of the Group at 1.15, book-to-bill > 1 in all business units
- VTT and CM sign multi-year **framework agreements with CN** in North America in the second quarter that will be recognized in orders received when receiving purchase orders
- High **order backlog** in the Customized Modules division especially caused by an increase at the companies in the USA and Poland; **order backlog** of Core Components currently lower than in the previous year primarily at the Chinese company

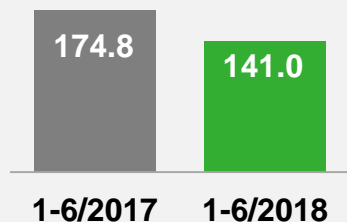
■ Core Components (CC) ■ Customized Modules (CM) ■ Lifecycle Solutions (LS)

1) Prior-year figures adjusted due to the treatment of the Locomotives business unit as discontinued operations.

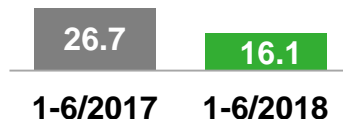
Core Components division (CC), H1/2018

Expected volatility in the China business impacts sales and profitability

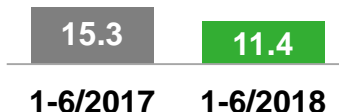
Sales in € mill.



EBIT in € mill.



EBIT margin in %



- Sales declines recorded in the two business units VFS and VTT; also negative effects from exchange rate developments
- EBIT and profitability follow the sales development, particularly in the high-margin business in China at Vossloh Fastening Systems
- Book-to-bill ratio at the division at 1.29

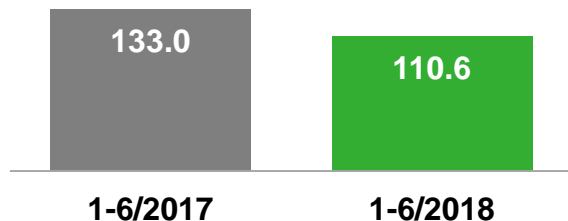
ROCE (%)	1-6/2018	14.8
	1-6/2017	23.5

Value added (€ mill.)	1-6/2018	7.9
	1-6/2017	18.2

Fastening Systems business unit (VFS), H1/2018

Sales as expected below the previous year, important new order from China

Sales in € mill.



Value added in € mill.



- Expected sales decline particularly attributable to temporarily weaker business in China; higher sales revenues in Italy, Poland and Kazakhstan
- Value added positive, but below the high level of the previous year due to the strong China business in the previous year
- Orders received 39.4% above the previous year; important new order in April 2018 for a high-speed project in China valued at about €30 million, other significant orders particularly from Italy and Turkey; book-to-bill ratio at 1.34

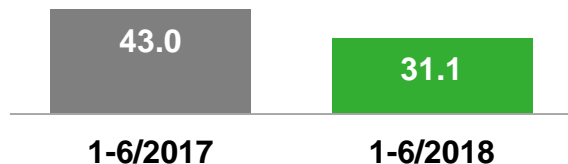
Orders received in € mill.	1-6/2018:	148.6
	1-6/2017:	106.6

Order backlog in € mill.	1-6/2018:	138.2
	1-6/2017:	156.4

Tie Technologies business unit (VTT), H1/2018

Continued slow business development, orders received revived in Q2

Sales in € mill.



Value added in € mill.



- Sales lower than in the previous year, primarily due to weaker transit business, but also through changes in exchange rates
- Value added below the previous year due to lower sales
- Market position in the focus market of North America strengthened on a sustainable basis by a long-term framework agreement with CN
- Positive development in orders received in the 2nd quarter after a weak 1st quarter



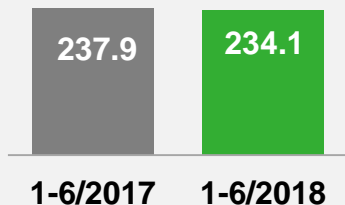
Orders received in € mill.	1-6/2018:	33.9
	1-6/2017:	42.8

Order backlog in € mill.	1-6/2018:	39.0
	1-6/2017:	34.6

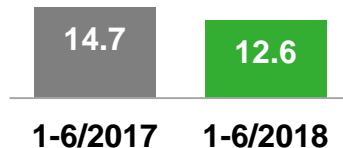
Customized Modules division (CM), H1/2018

Sales at the previous year's level, situation still strained in the USA

Sales in € mill.



EBIT in € mill.



EBIT margin in %



- Slight decline in sales caused by lower sales particularly in Morocco, nearly compensated by higher sales in Poland, France, Italy and Australia
- EBIT below the previous year particularly due to lower earnings at the French key company; US business slightly improved in a still challenging market environment
- Long-term business relationship agreed to with CN for the supply of switches / switch components, supporting the expected uptrend in North America

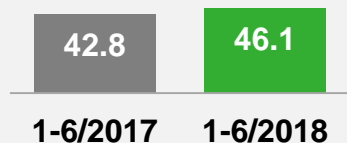
ROCE (%)	1-6/2018	5.9
	1-6/2017	6.9

Value added (€ mill.)	1-6/2018	(3.4)
	1-6/2017	(1.3)

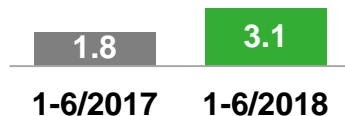
Lifecycle Solutions division (LS), H1/2018

Sales and EBIT above the previous year

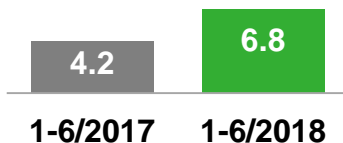
Sales in € mill.



EBIT in € mill.



EBIT margin in %



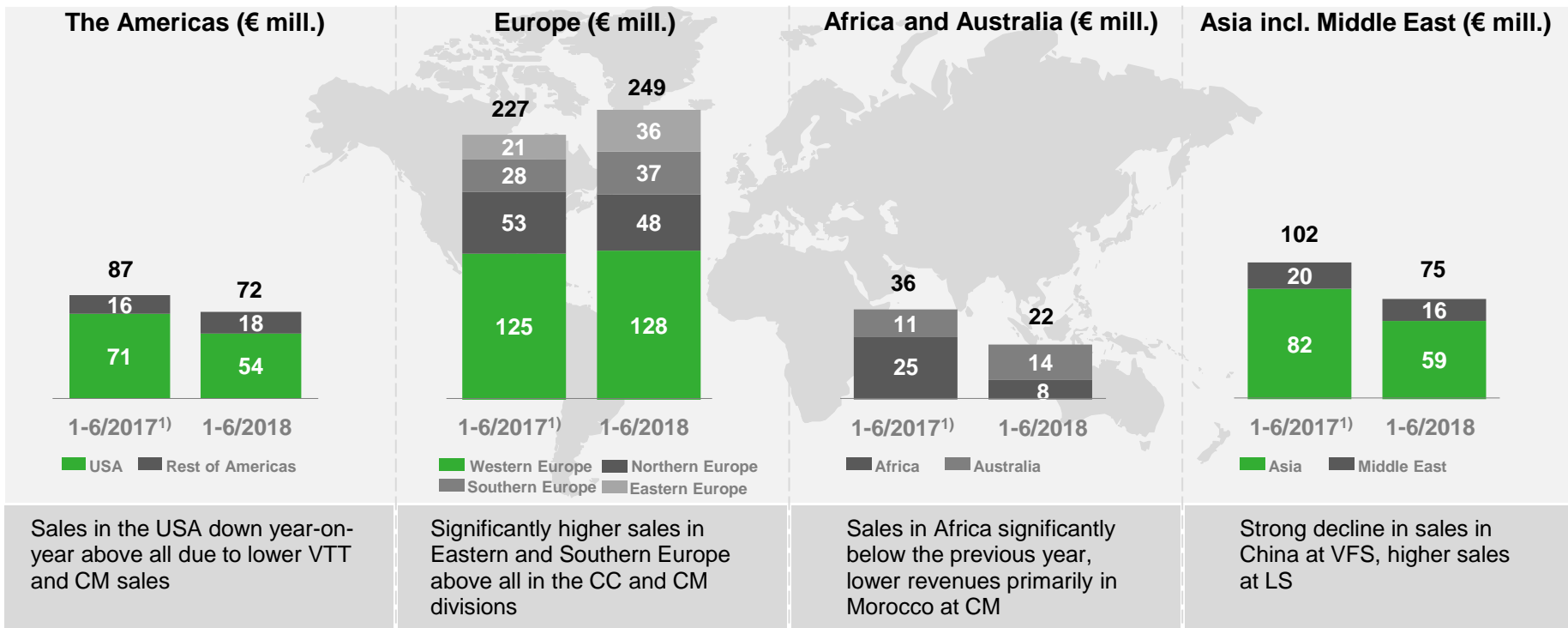
- Sales increase due to better utilization of welding plants in stationary welding, in addition higher sales in High Speed Grinding (HSG)
- Degree of internationalization currently at 46.1%
- Significant EBIT increase in the high-sales segments of stationary welding and HSG
- Significantly higher orders received than in the previous year in Germany and Northern Europe

ROCE (%)	1-6/2018	4.7
	1-6/2017	2.7

Value added (€ mill.)	1-6/2018	(1.9)
	1-6/2017	(3.3)

Vossloh Group, H1/2018

Positive sales development in home market Europe: Sales increase of 9.4%

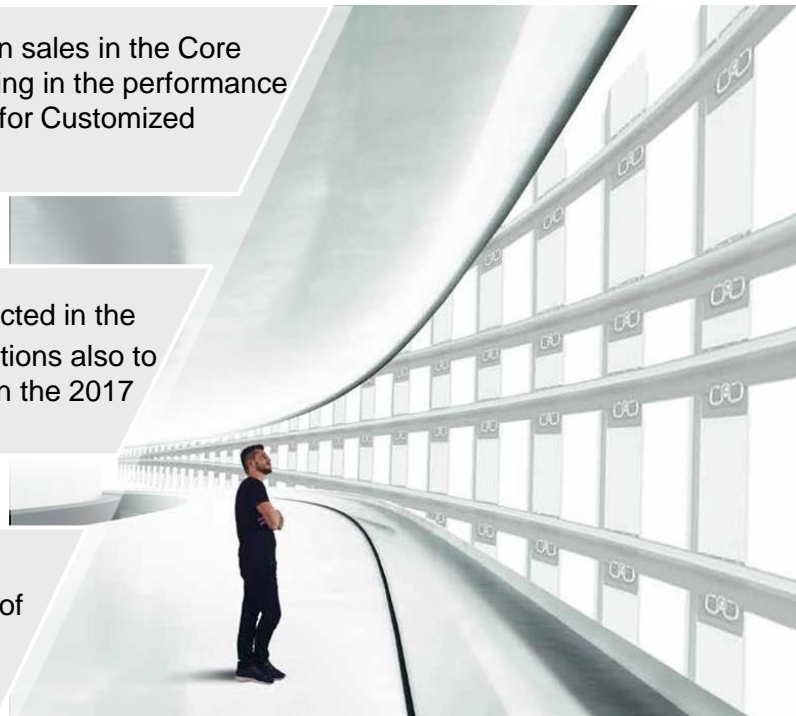


1) Prior-year figures adjusted due to the treatment of the Locomotives business unit as discontinued operations.

Vossloh Group, 2018 outlook

Guidance for the 2018 fiscal year confirmed

- **Sales in the range of €875 million to €950 million:** Decline in sales in the Core Components division due to an anticipated temporary weakening in the performance of Vossloh Fastening Systems in China; higher sales forecast for Customized Modules and Lifecycle Solutions
- **EBIT margin of between 6.0% and 7.0%:** Improvement expected in the profitability of the Customized Modules division; Lifecycle Solutions also to noticeably improve; Core Components below high level seen in the 2017 fiscal year
- **Value added:** Positive value added aimed for in 2018 in spite of lower EBIT expectations



Financial calendar and contact information

You can always contact us

Financial calendar 2018

- | | |
|----------------------|--|
| ■ September 21, 2018 | Capital Markets Day at InnoTrans Berlin |
| ■ October 25, 2018 | Quarterly statement as of September 30, 2018 |
| ■ March 2019 | Annual Report 2018 |

Contact information for investors:

- Dr. Daniel Gavranovic
 - Email: investor.relations@vossloh.com
- Phone: +49 (0) 23 92 / 52-609
- Fax: +49 (0) 23 92 / 52-219

Contact information for the media:

- Dr. Thomas Triska
 - Email: presse@vossloh.com
- Phone: +49 (0) 23 92 / 52-608
- Fax: +49 (0) 23 92 / 52-219