

# Driving Innovation. Developing Potential.

## Our Vision: The Smart Rail Track by Vossloh

**Investors Conference**

Goldman Sachs

European Industrials Conference

November 28, 2018, London

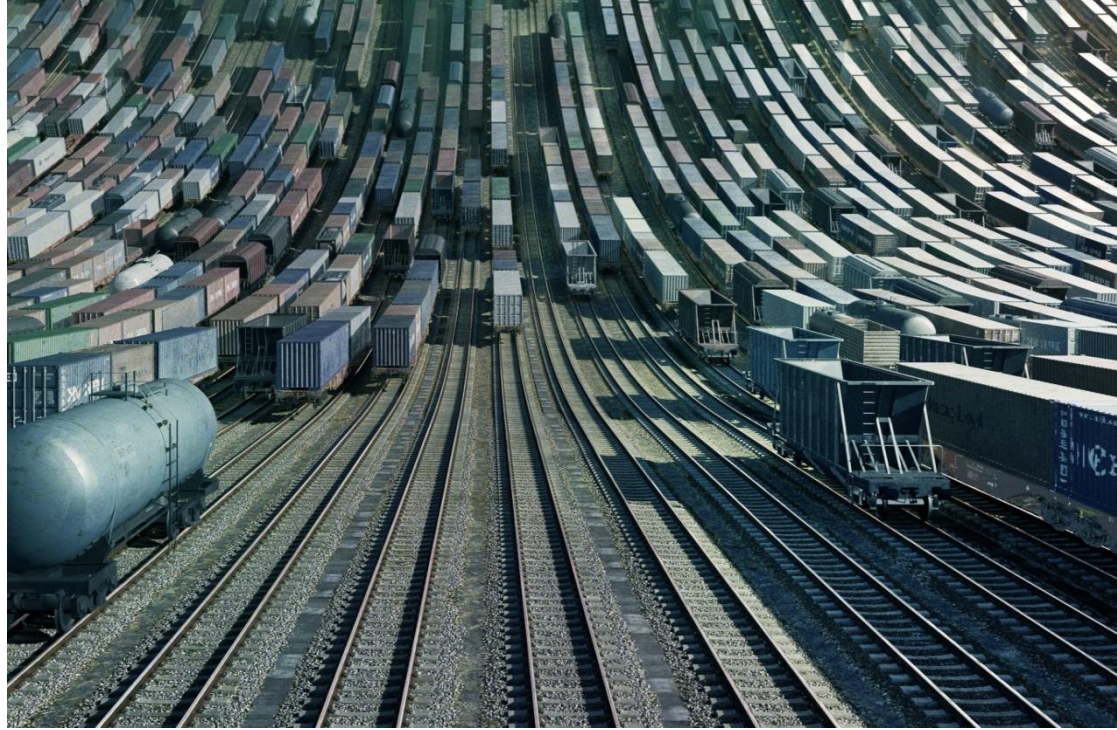


# Agenda

## 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, Tie Technologies



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

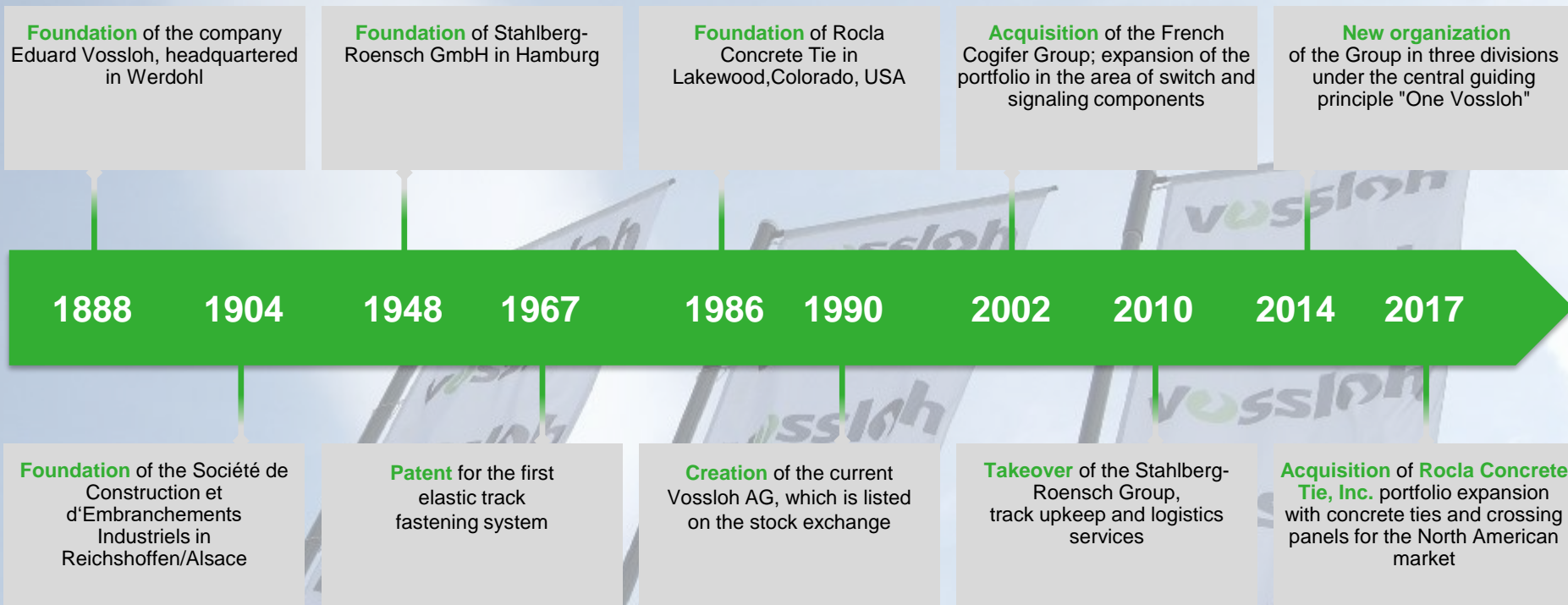
7.7 %

2016

2017

# The collective Vossloh Story

## Decades of experience in all segments

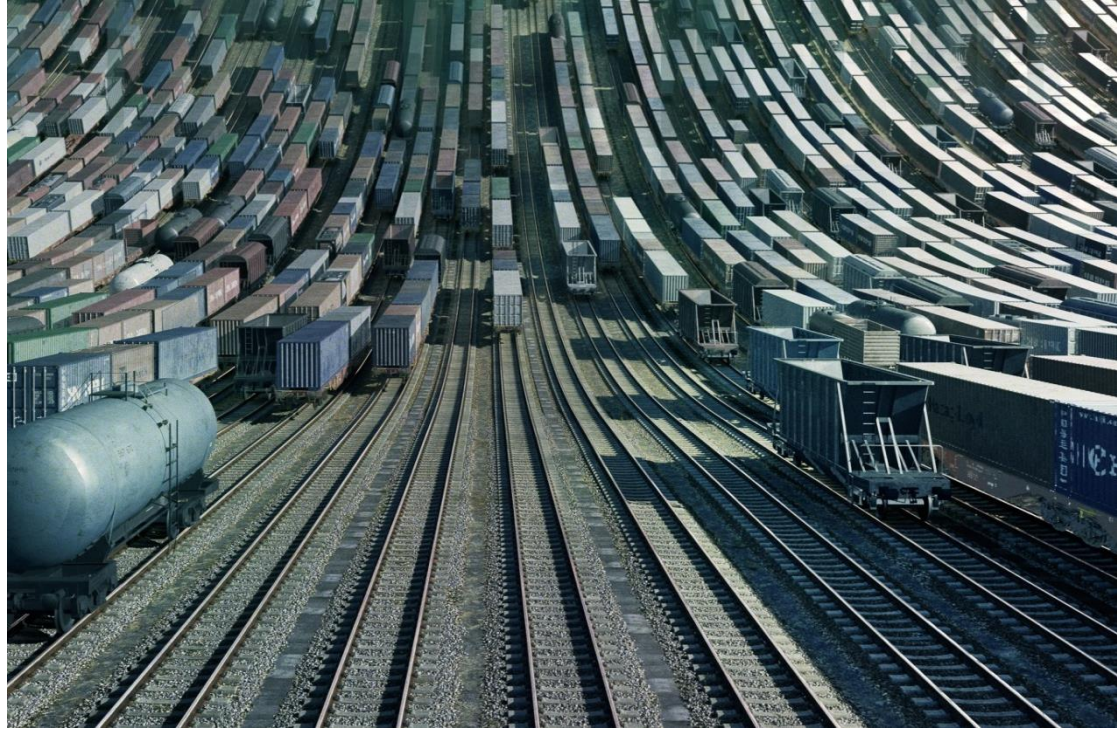


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# Key investment highlights

**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**

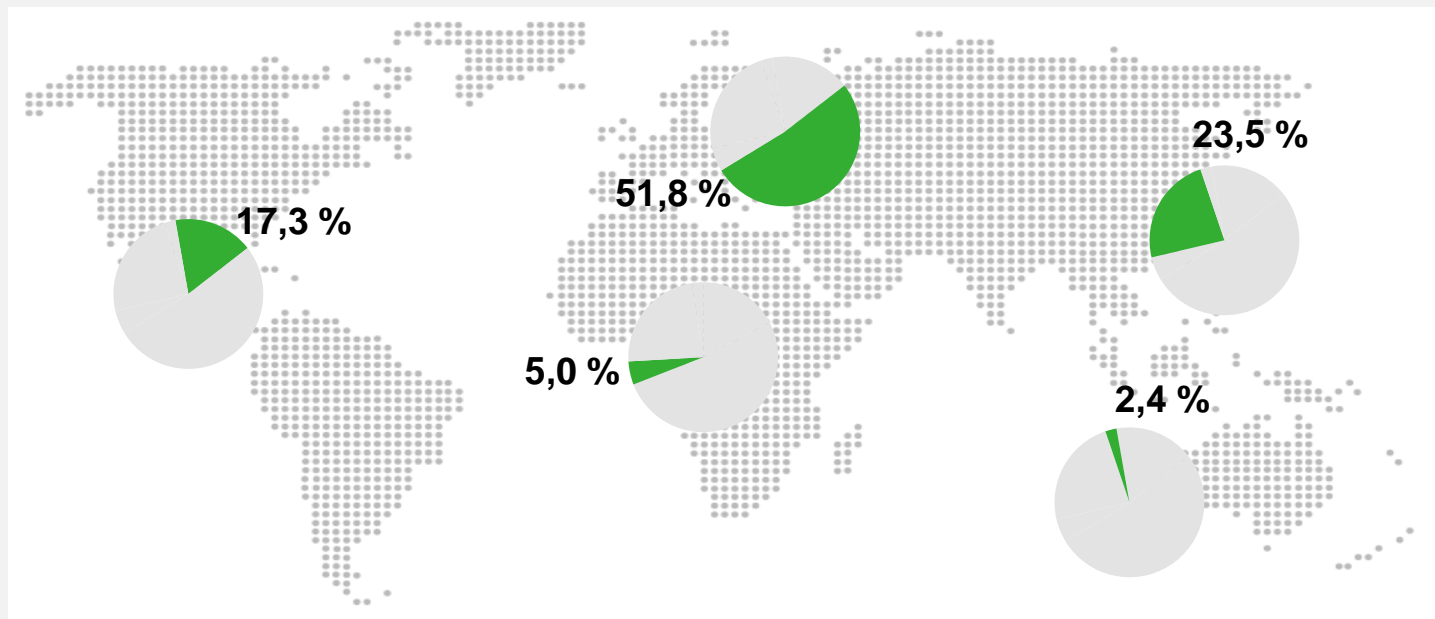
**5**

**Our Vision: The Smart Rail Track by Vossloh**



# 1 Global player with leading market position

Global expertise in more than 100 Countries<sup>(1)</sup>



**America**  
€158.7 Mill.

**Europe total**  
€475.5 Mill.

**Africa**  
€46.3 Mill.

**Asien**  
€215.6 Mill.

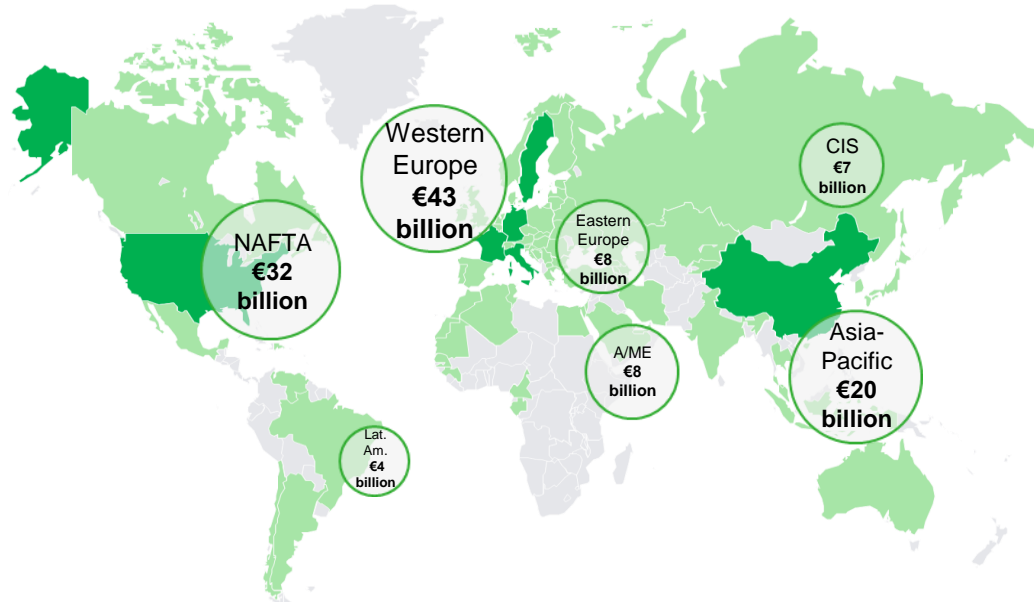
**Australien**  
€22.2 Mill.

(1) Sales figures of financial year 2017.

## 2 Sustainable growth market with high entry barriers

### Accessible market with persistent attractive growth

#### Accessible rail technology market (2021E–2023E)<sup>(1)</sup>



■ Countries with Vossloh sales > €50 million in 2017  
■ Countries with Vossloh sales < €50 million in 2017

○ Average yearly total volume of the market forecast by region in the period 2021E–2023E

	CAGR <sup>(2)</sup> (2015–2017 – 2021E–2023E)
Western Europe	+2.3%
NAFTA	+3.1%
Asia-Pacific	+2.5%
CIS	+0.7%
Eastern Europe	+2.7%
Africa/Middle East	+3.8%
Latin America	+5.3%
Total	+2.6%

<sup>(1)</sup> Average yearly total volume of the accessible market for railway technology in the period 2021E–2023E, source: World Rail Market Study forecast 2018, UNIFE The European Rail Industry, Roland Berger Strategy Consultants  
<sup>(2)</sup> Forecasted average growth entire rail technology market, CAGR 2021E–2023E compared to 2015–2017, source: World Rail Market Study 2018, UNIFE The European Rail Industry, Roland Berger Strategy Consultants

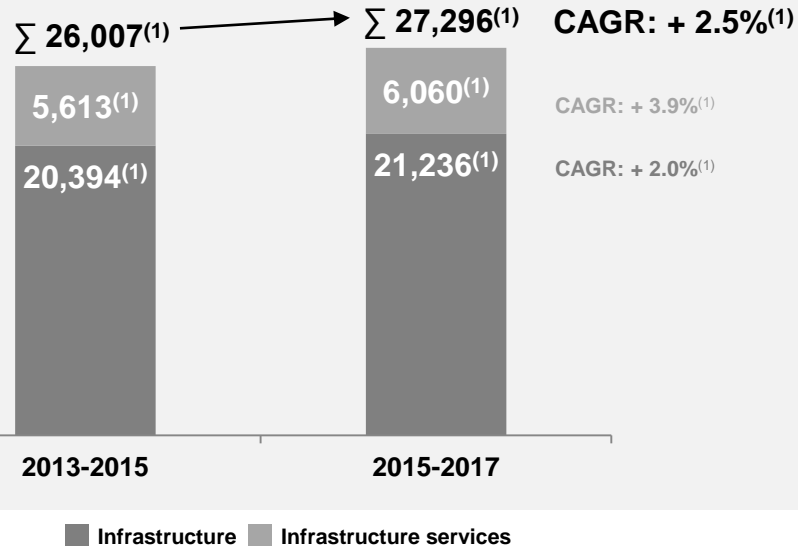


## 2 Sustainable growth market with high entry barriers

### UNIFE study shows good medium- and long-term market potential

#### UNIFE: Infrastructure and Infrastructure services

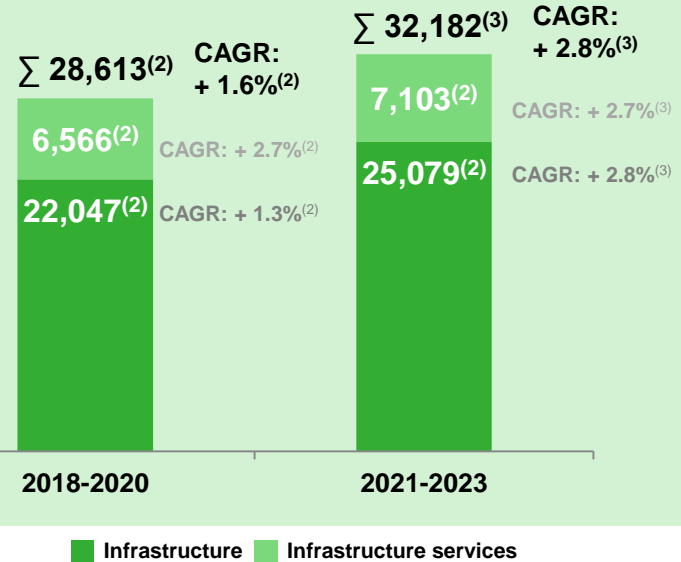
in € mill.



- (1) Average yearly volume of the accessible market in the segments infrastructure and infrastructure services in € million, CAGR 2015–2017 compared to 2013–2015, source: World Rail Market Study 2018, UNIFE The European Rail Industry, Roland Berger Strategy Consultants.  
(2) Average yearly volume of the accessible market in the segments infrastructure and infrastructure services in € million, CAGR 2018–2020 compared to 2015–2017.  
(3) Average yearly volume of the accessible market in the segments infrastructure and infrastructure services in € million, CAGR 2021–2023 compared to 2015–2017.

#### UNIFE forecast: Infrastructure and Infrastructure services

in € mill.



■ Infrastructure ■ Infrastructure services

## 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

- Third largest rail network worldwide: ~ 130,000 km<sup>(1)</sup>; 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

- Second largest rail network worldwide: >200,000 km<sup>(1)</sup>
- 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, contributions to sales expected from 2019; in addition, increasing maintenance business
- Additional major order for rail fastening systems; Order volume of €35 million; deliveries starting in 2020

#### North America

- Largest rail network in the world: >400,000 km<sup>(1)</sup>, 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



(1) Source: World Rail Market Study 2018, UNIFE The European Rail Industry, Roland Berger Strategy Consultants

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

### 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

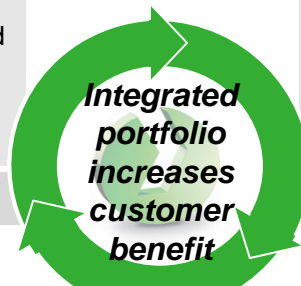
- Technological know-how and many years of experience are the basis for technological leadership
- Technology leader with a focus on cost efficiency
- A worldwide leading supplier of fastening systems with production facilities in Germany, China, Poland, the U.S. and Russia
- Leading supplier of concrete 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 combined with milling technology offers significant benefits to customers, significantly reduces lifecycle costs and increases track availability

#### 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.

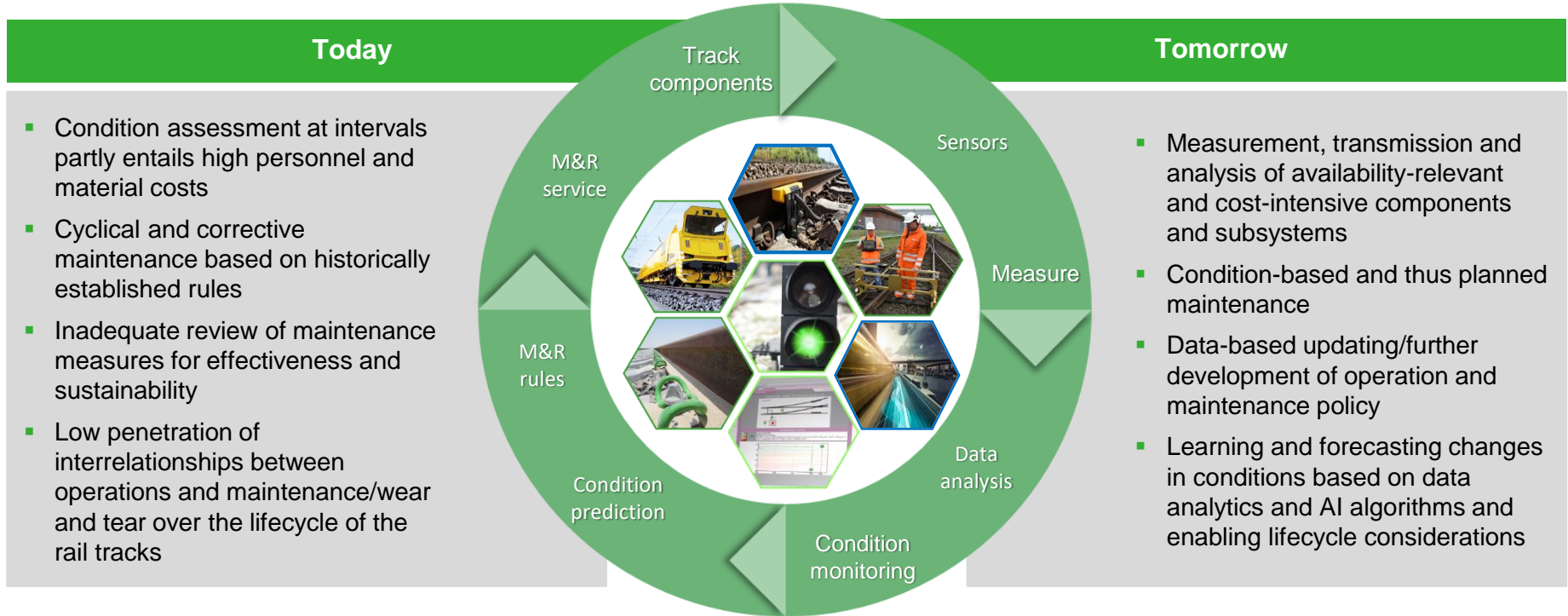
**Targeted, planned maintenance** reduces operator costs, increases the availability of the line and extends the life of the rail infrastructure.

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



## 5 The Smart Rail Track by Vossloh

### Digitization opens new business models

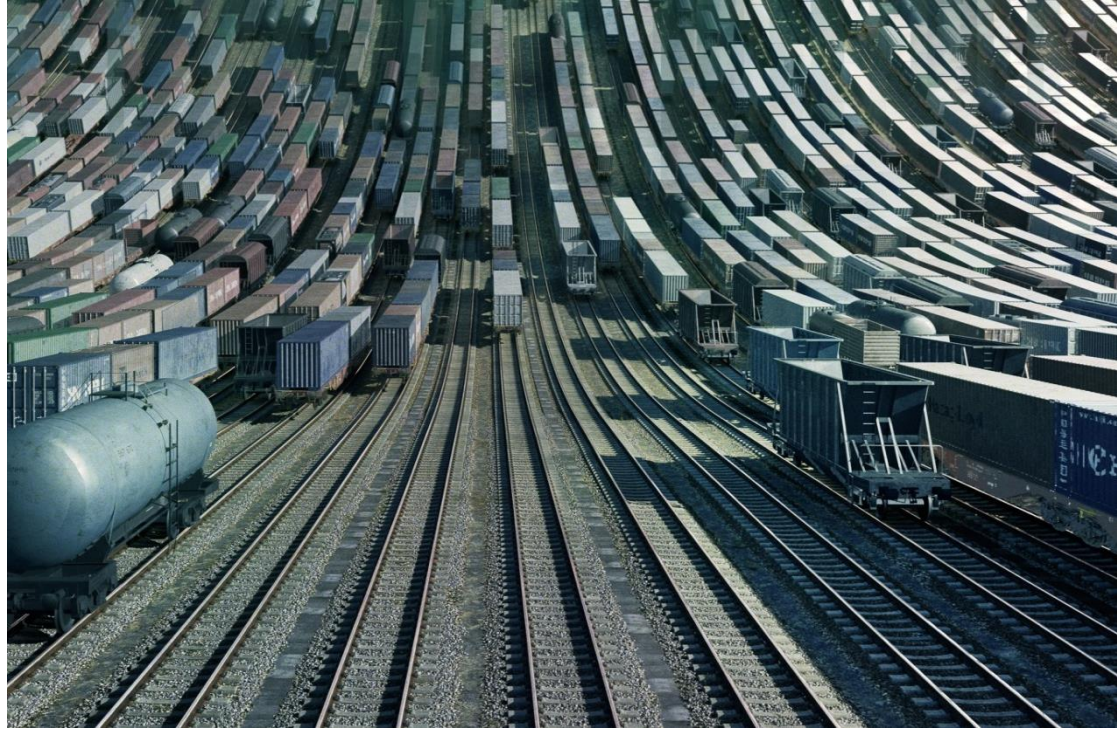


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# Vossloh Group: Driving Innovation. Developing Potential.

**Guidance confirmed and further detailed, order backlog well above the previous year**

## Performance of business after 9 months of 2018

- Sales and EBIT below the previous year's figures, as expected, particularly due to project-related, temporary sales weakness in the high-margin China business
- Guidance for the full year 2018 confirmed – sales and EBIT margin expected to be at the lower end of the communicated range

## Order situation

- Orders received in the Vossloh Group above the previous year, book-to-bill at 1.1
- Additional significant orders received are expected in the Fastening Systems business unit in China in the fourth quarter

## InnoTrans 2018

- Vossloh presents “The Smart Rail Track by Vossloh” at the world's largest trade fair for rail technology in Berlin
- Innovative system solutions, such as joint development with Frauscher Sensortechnik GmbH for example in the area of the condition monitoring of rail infrastructure for highest track availability and maximum customer added value

## Portfolio changes

- Status of the sale of Transportation: Sales discussions with several potential buyers continuously intensive; signing of a contract expected in 2018
- Vossloh expands product portfolio with the acquisition of the tie manufacturer Austrak

## Sales and EBIT down year-over-year as anticipated

Key group indicators <sup>1)</sup>		1-9/2017	1-9/2018
Sales revenues	€ mill.	683.2	623.2
EBIT	€ mill.	56.6	35.2
EBIT margin	%	8.3	5.7
Net income	€ mill.	22.0	12.6
Earnings per share	€	0.92	0.57
Return on capital employed (ROCE)	%	9.5	6.0
Value added	€ mill.	12.0	(8.9)
Free cash flow <sup>2)</sup>	€ mill.	(40.1)	(45.3)
Capital expenditure	€ mill.	21.1	37.2
Depreciation/amortization	€ mill.	22.0	26.6

- 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

### Notes

- **Sales revenues** in the Core Components division down year-on-year; decline also attributable to negative exchange rate effects
- **EBIT** decrease primarily a result of project-related sales development at Core Components; EBIT in the previous year at CM boosted by reversal of an impairment
- **Net income** in line with EBIT development, partially offset by an improved result from discontinued operations
- **Free cash flow** deteriorated slightly; significantly positive free cash flow expected in Q4/2018
- **Capital expenditure** significantly above the previous year; largest single investment involves the modernization of the production plant for manganese frogs at Customized Modules



## Equity ratio unchanged above 40%, net financial debt higher

Key group indicators <sup>1)</sup>		1-9/2017/ 9/30/2017	1-12/2017/ 12/31/2017	1-9/2018/ 9/30/2018
Equity	€ mill.	563.2	532.4	520.1
Equity ratio	%	43.6	42.5	42.9
Working capital (Ø)	€ mill.	213.9	211.6	214.3
Working capital intensity (Ø)	%	23.5	23.0	25.8
Working capital (closing date)	€ mill.	219.1	190.0	242.7
Capital employed (Ø)	€ mill.	793.3	788.3	785.0
Capital employed (closing date)	€ mill.	788.2	758.7	825.7
Net financial debt	€ mill.	225.9	207.7	287.4

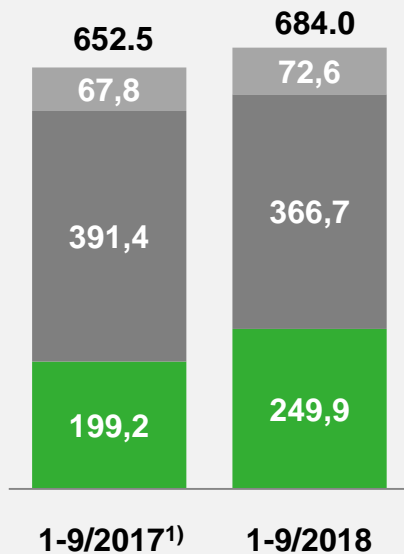
### Notes

- **Equity** lower than at the end of 2017 partially due to dividend payments
- **Average working capital** almost unchanged compared to the previous year; significant reduction of closing working capital expected in Q4/2018
- **Average capital employed** slightly lower; as of September 30, 2018 above the previous year due to higher working capital and higher capital expenditure
- **Net financial debt** higher than at the end of 2017 primarily due to negative free cash flow as well as dividend and interest payments
- Planned **repayment of a Schuldschein loan** from 2013 (€50 million) shortly before execution

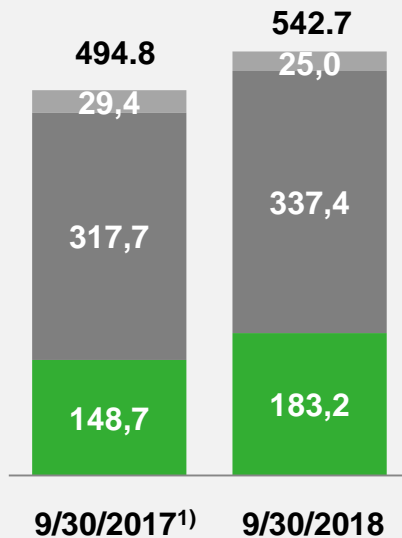
1) Prior-year figures adjusted due to the treatment of the Locomotives business unit as discontinued operations

## Orders received increase by 4.8%, order backlog 9.7% higher

Orders received in € mill.



Order backlog in € mill.



### Notes

- **Orders received** increased particularly as a result of significantly higher orders received at Vossloh Fastening Systems (China, Turkey, Italy); orders received at Customized Modules lower than in the previous year primarily for exchange rate and consolidation-related reasons
- **Book-to-bill ratio** of the Group at 1.1, book-to-bill > 1 in all business units
- Additional significant orders received expected in the fourth quarter at VFS in China
- Higher **order backlog** in the Core Components division in both the VTT and VFS business units; high order backlog at Customized Modules caused by an increase at the companies in the USA and India

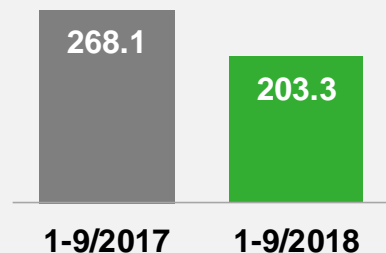
■ Core Components (CC) ■ Customized Modules (CM) ■ Lifecycle Solutions (LS)

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

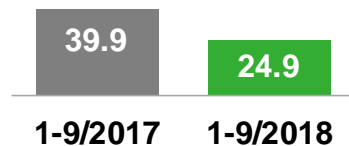
# Core Components division (CC)

Sales lower year-on-year for project-related reasons, profitability at 12%

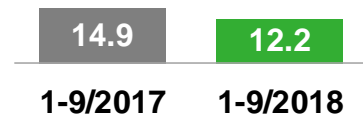
Sales in € mill.



EBIT in € mill.



EBIT margin in %



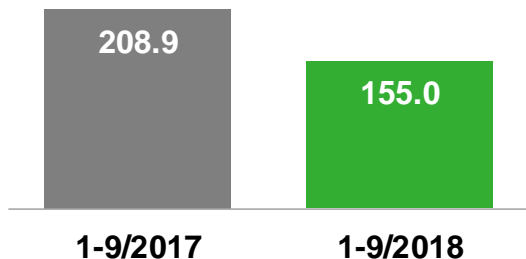
- Sales lower year-on-year primarily in the VFS business unit, but also in VTT; development intensified by negative exchange rate effects
- Profitability declines due to project-related business with rail fasteners in the high-margin Chinese market
- Division's book-to-bill ratio at 1.23

ROCE (%)	1-9/2018:	15.2
	1-9/2017:	23.6
Value added (€ mill.)	1-9/2018:	12.6
	1-9/2017:	27.2

# Fastening Systems business unit (VFS)

**Weak sales development in Q3, high sales expected in Q4**

Sales in € mill.



Value added in € mill.



- Sales remain below the previous year due to temporary sales weakness in China, but higher sales contributions in Italy, Thailand and Poland
- High deliveries at the site in Germany expected in Q4
- Value added in line with sales development, but remains clearly positive
- Orders received 28.8 % higher than in the previous year; significant new orders in the first nine months in China, Italy, Turkey and Tanzania

Orders received (€ mill.)	1-9/2018:	192.3
	1-9/2017:	149.2

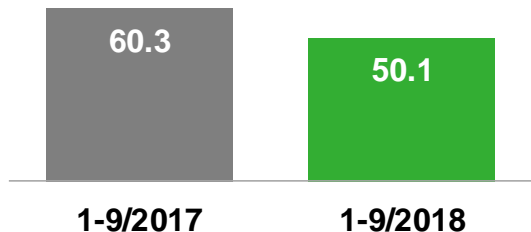
Order backlog (€ mill.)	9/30/2018:	137.6
	9/30/2017:	123.2



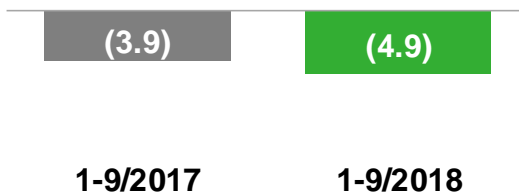
# Tie Technologies business unit (VTT)

## Order situation continues to improve, book-to-bill at 1.18

Sales in € mill.



Value added in € mill.



- Particularly lower sales in the transit business and in Mexico result in declining sales, boosted by negative exchange rate development; initial sales contributions from the long-term framework agreement with Canadian National (CN)
- A significant recovery in the sales shortfall is expected in the final quarter in part through the resumption of a project in Florida and deliveries to CN
- Value added down by unexpectedly strong steel price increase due to US import tariffs
- Positive development in orders received in the second quarter further continues

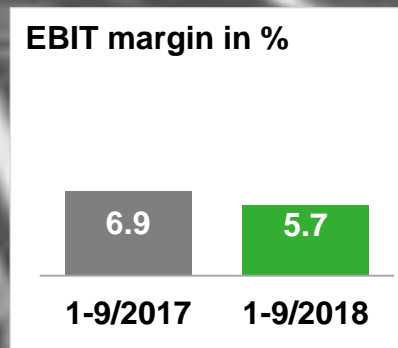
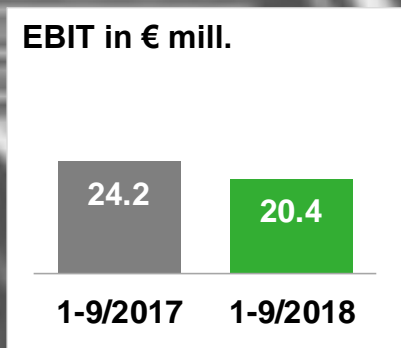
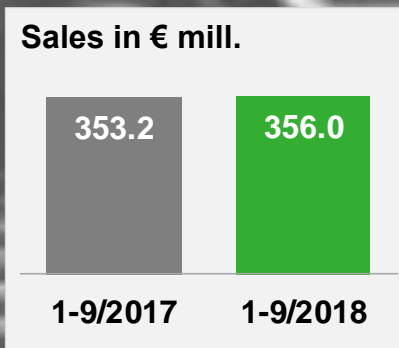


Orders received (€ mill.)	1-9/2018:	59.3
	1-9/2017:	51.0

Order backlog (€ mill.)	9/30/2018:	45.5
	9/30/2017:	25.5

# Customized Modules division (CM)

Sales slightly above the previous year, book-to-bill greater than 1



- Significant adverse impact on sales through currency translation effects and changes in the scope of consolidation; nevertheless slightly higher year-on-year primarily due to good business development in Poland, Italy, Australia and Canada; however, particularly significant lower sales contributions from Morocco
- EBIT in the previous year positively impacted by the reversal of an impairment loss in China; without this effect, profitability higher in 2018; also lower contributions to earnings at the French locations; US business slightly better in a still challenging market environment

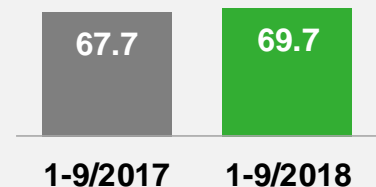
ROCE (%)	1-9/2018:	6.3
	1-9/2017:	7.5

Value added (€ mill.)	1-9/2018:	(3.8)
	1-9/2017:	0.2

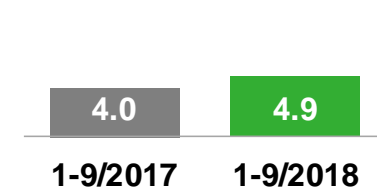
# Lifecycle Solutions division (LS)

Sales slightly higher year-on-year, EBIT margin clearly improved

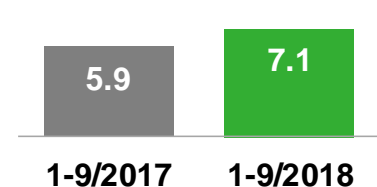
Sales in € mill.



EBIT in € mill.



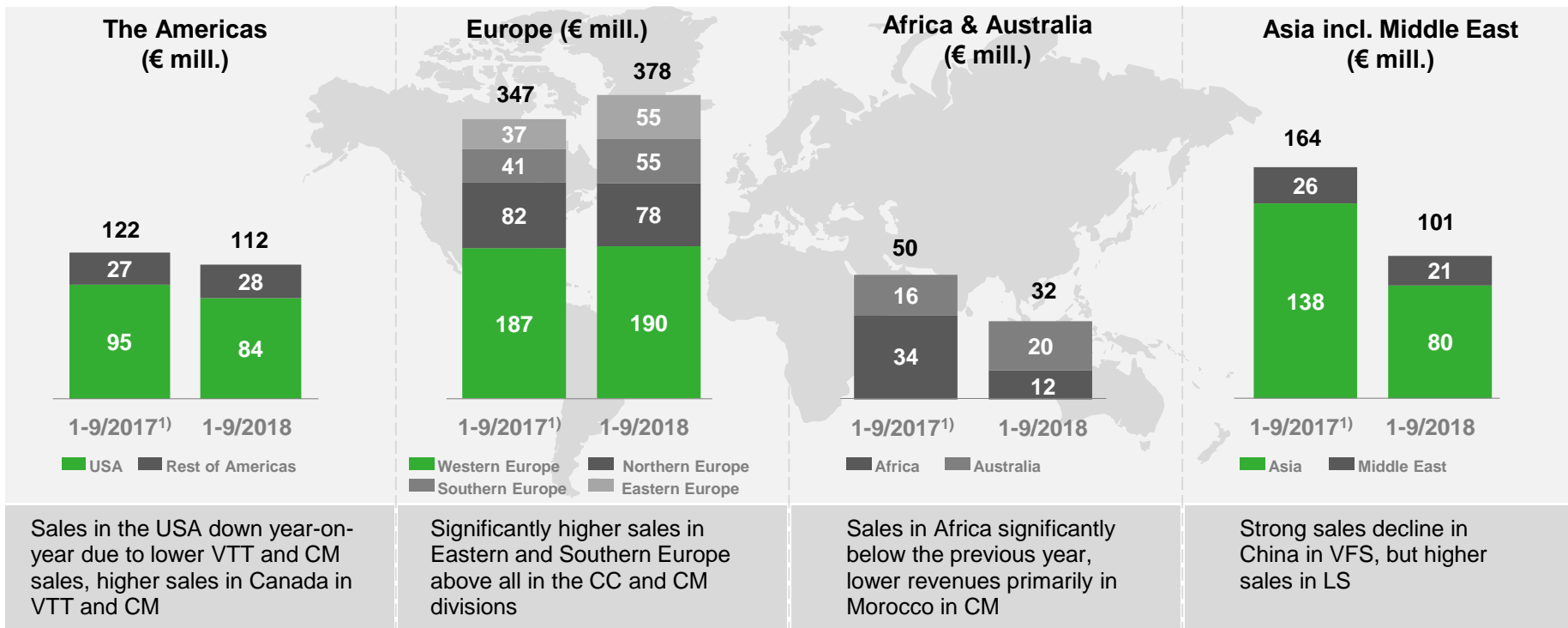
EBIT margin in %



- Better utilization of the welding plants contributes to the sales increase, in addition higher sales in the areas of switch maintenance and HSG; in contrast, lower sales in the area of milling due to maintenance measures on the milling train
- Significantly improved profitability compared to the previous year, particularly due to higher utilization in the welding plants in Germany, also positively impacted by the area of switch maintenance

ROCE (%)	1-9/2018:	4.8
	1-9/2017:	3.9
Value added (€ mill.)	1-9/2018:	(2.8)
	1-9/2017:	(3.6)

## Notably higher sales in Eastern/Southern Europe, Asia below 2017 as expected



# Vossloh Group, 2018 outlook

## Guidance for 2018 in general confirmed and further detailed

- **Sales trend toward the lower end of the range (€875 – 950 million):** Attributable in part to negative exchange rate effects; downward trend 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 at the lower end of the range (6.0 – 7.0 %):** Core Components division below the high level of the 2017 fiscal year, Customized Modules at the previous year's level, Lifecycle Solutions noticeably better
- **Value added slightly negative:** Value added expected in the negative single-digit million range





# Financial calendar and contact information

## How to reach us

### Financial calendar

- |                  |                        |
|------------------|------------------------|
| ▪ March 28, 2019 | Annual Report 2018     |
| ▪ May 22, 2019   | Annual General Meeting |

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