vossloh

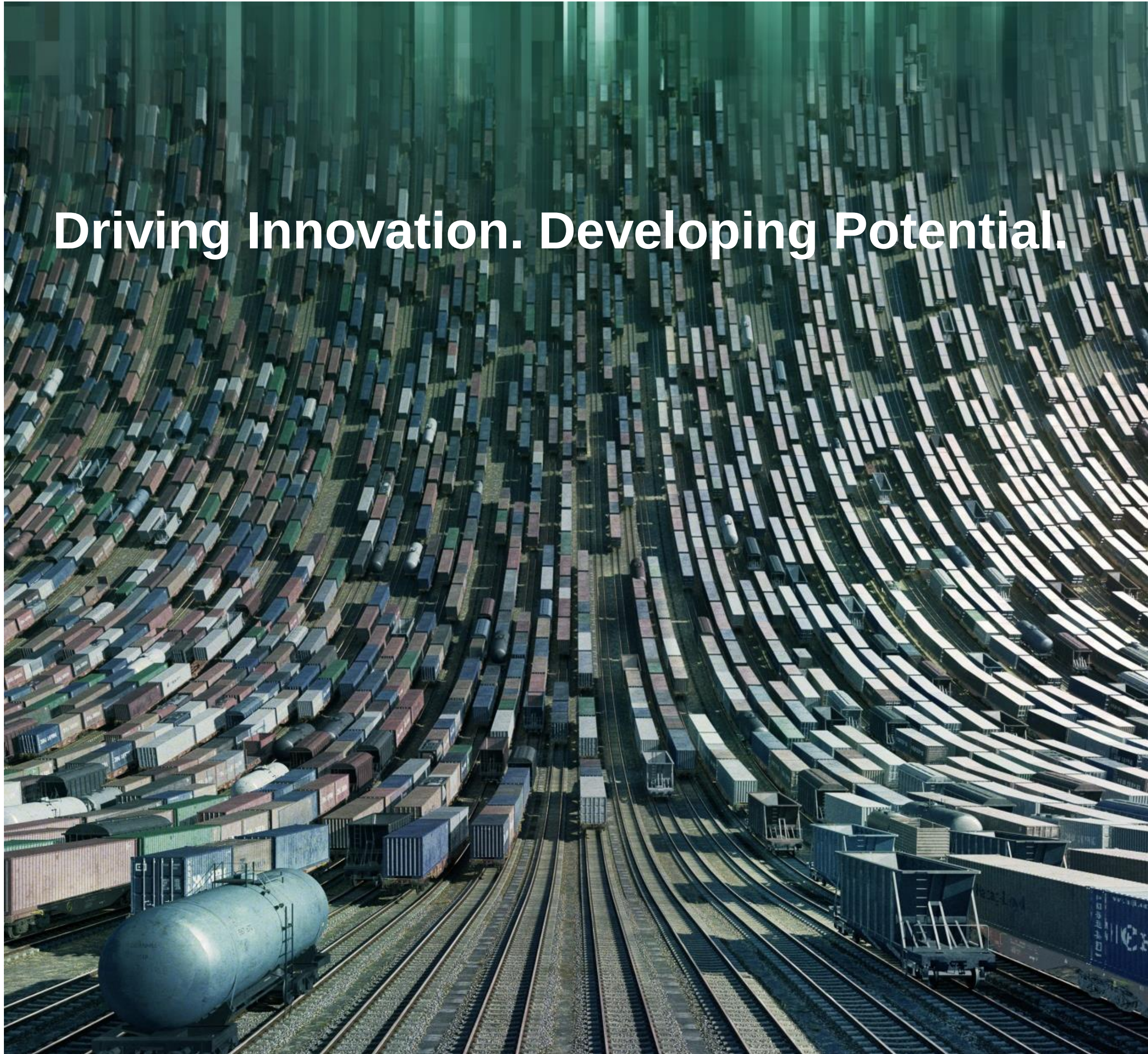
# Presentation to Investors

Interim report as of June 30, 2018

Werdohl, August 1, 2018


**Andreas Busemann, CEO**

**Oliver Schuster, CFO**

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**Note:**

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# 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 |
|---|---|---|---|
| Sales revenues | € mill. | 452.0 | 418.1 |
| 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 |

### Notes

- **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

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

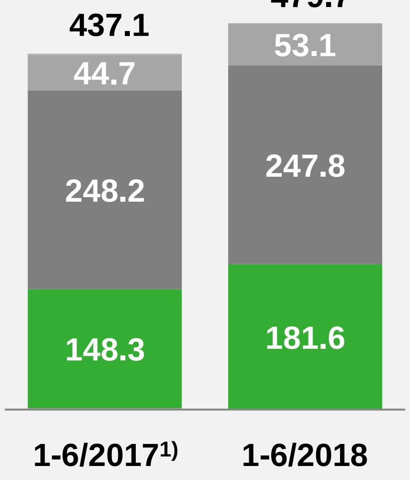
- **Equity** lower than at the end of 2017 amongst others due to dividend payments
- **Working capital** significantly lower as of the reporting date, particularly due to lower trade receivables
- **Capital employed** noticeably lower than in 2017 due to lower working capital as of the 6/30/2018 reporting 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.

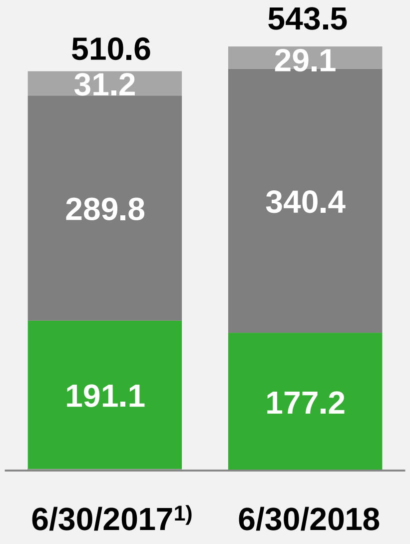
# Vossloh Group, H1/2018

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

### Orders received in € mill.




### Order backlog in € mill.




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

### Notes

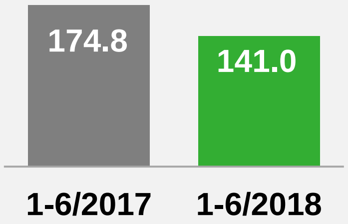
- **Orders received** increased, particularly due to significantly higher orders received at Vossloh Fastening Systems (China, Italy, Turkey)
- **Book-to-bill ratio** of the Group at 1.15, book-to-bill > 1 in all business units
- VTT and CM sign multi-year **framework agreements with CN** in North America 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

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

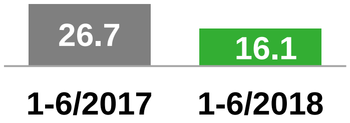
# Core Components division (CC), H1/2018

## Expected volatility in the China business impacts sales and profitability

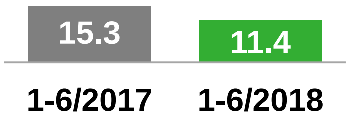
**Sales in € mill.**




**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

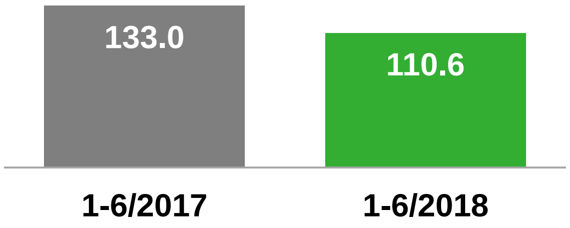
| | | |
|---|---|---|
| ROCE (%) | 1-6/2018 | 14.8 |
| | 1-6/2017 | 23.5 |

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

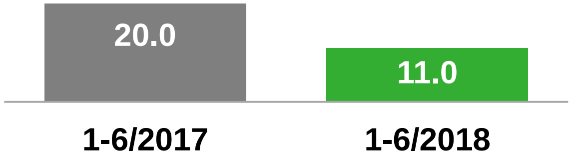
# Fastening Systems business unit (VFS), H1/2018

## 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

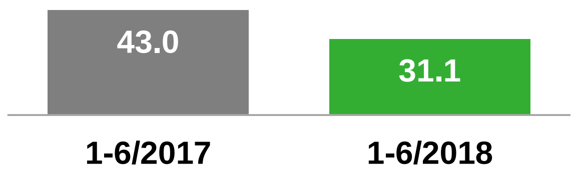
| | | |
|---|---|---|
| **Orders received in € mill.** | **1-6/2018:** | **148.6** |
| | **1-6/2017:** | **106.6** |

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

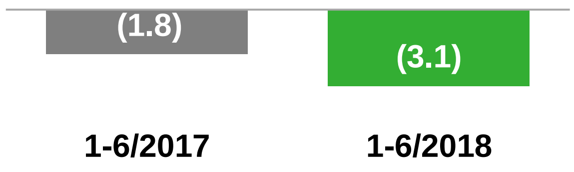
# Tie Technologies business unit (VTT), H1/2018

## 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** |

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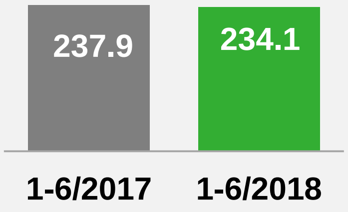
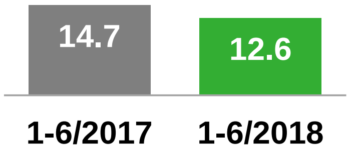
# Customized Modules division (CM), H1/2018

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

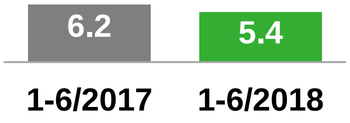
**Sales in € mill.**




**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

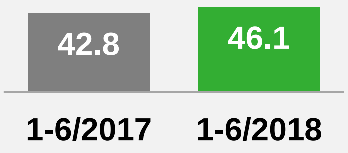
| | | |
|---|---|---|
| ROCE (%) | 1-6/2018 | 5.9 |
| | 1-6/2017 | 6.9 |

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

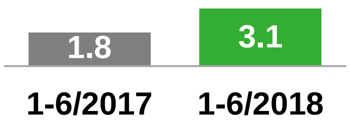
# Lifecycle Solutions division (LS), H1/2018

## Sales and EBIT above the previous year

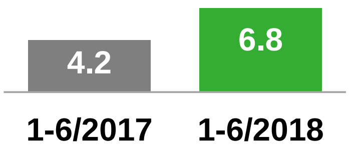
**Sales in € mill.**




**EBIT in € mill.**




**EBIT margin in %**





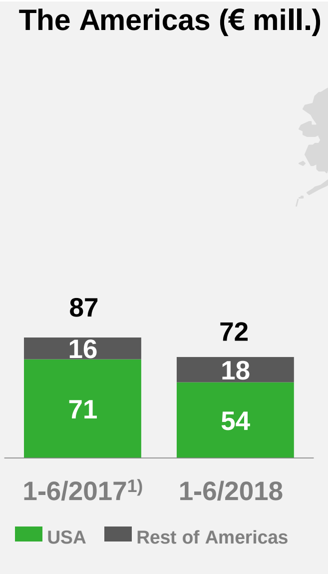
- Sales increase due to better utilization of welding plants in stationary welding, in addition higher sales in High Speed Grinding (HSG)
- Degree of internationalization currently at 46.1%
- Significant EBIT increase in the high-sales segments of stationary welding and HSG
- Significantly higher orders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

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

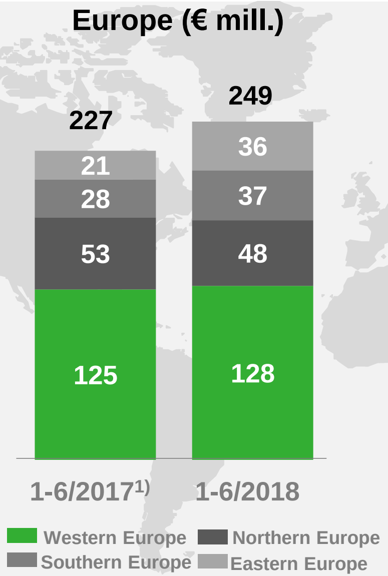
| | | |
|---|---|---|
| **Value added (€ mill.)** | **1-6/2018** | **(1.9)** |
| | **1-6/2017** | **(3.3)** |

# Vossloh Group, H1/2018

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

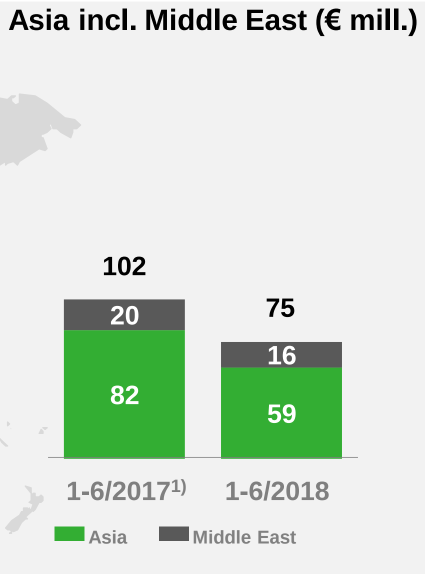



Sales in the USA down year-on-year above all due to lower VTT and CM sales




Significantly higher sales in Eastern and Southern Europe above all in the CC and CM divisions


Sales in Africa significantly below the previous year, lower revenues primarily in Morocco at CM




Strong decline in sales in China at VFS, higher sales at LS

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

- October 25, 2018 — Quarterly statement as of September 30, 2018
- March 2019 — Annual Report 2018

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Thank you for
your time.

Q&A