



**Investors Conference – HSBC SRI Conference  
February 6, 2018, Frankfurt**

A photograph of railway tracks receding into the distance, set against a backdrop of rolling hills and a clear sky. The tracks are flanked by gravel ballast and green vegetation. The image has a slightly blurred, motion-like quality.

**Clear focus. Sharpened profile.**

# Disclaimer

## **Note:**

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# Vossloh – Connecting Expertise

## Integrated product portfolio and interlinked competence

### Core business

#### Infrastructure

##### Core Components

##### Product business

- Excellent technological know-how and long term experience are the basis for highest quality standards
- Focus on cost efficiency and technological trendsetter
- In a worldwide leading position for rail fastening systems with production sites in Germany, China, Poland, the USA and Russia
- Leading supplier of concrete railway ties in North America with several plants in close proximity to major Class I operators and passenger transport companies

##### Customized Modules

##### Project business

- Strong solutions competence in all areas of switch systems and more than a century of experience
- A global market and technology leader within the turnouts segment
- Local presence in approx. 20 countries fosters optimized and tailor-made customer solutions
- Complementary offering through safety equipment, signalling systems and monitoring products

##### Lifecycle Solutions

##### Service business

- Innovative technology and services covering the entire lifecycle of rails and switches
- Globally unique and patented High Speed Grinding technology offers significant advantages to customers, preventive High Speed Grinding leads to a significant reduction of lifecycle costs
- Rail and switch maintenance services, rail and switch logistics as well as mobile and stationary welding

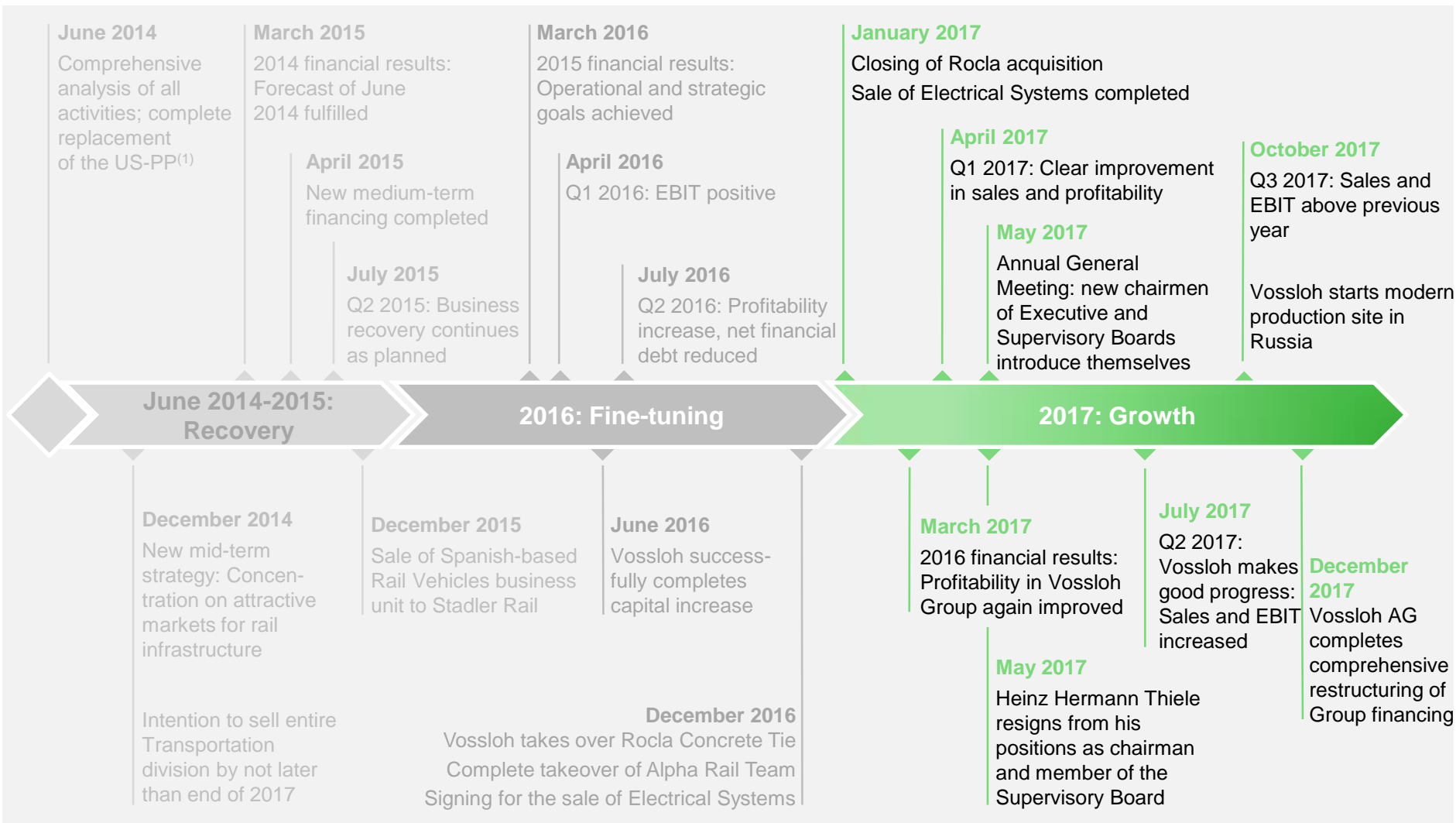
##### Transportation

##### Locomotive business

- Development and production of diesel-electric and diesel-hydraulic locomotives
- Offering a comprehensive range of services activities, including maintenance, rental and financing
- Locomotives homologated in many European countries

# Vossloh in Transformation

## Milestones June 2014 – December 2017



Note: (1) US – Private Placement

# Vossloh Group: Clear focus. Sharpened profile.

## Higher sales and improved profitability compared to previous year

### Operational Business

- Sales increased from the previous year, particularly due to Tie Technologies acquisition: the overall good performance this year is continuing in the third quarter
- EBIT and profitability significantly above the previous year despite continued US weakness and higher losses of Transportation
- Very good business performance in the Fastening Systems business unit again in the third quarter due to unexpectedly high demand from the order backlog for major projects in China
- Overall Group guidance for 2017 confirmed

### Vossloh Locomotives

- Discussions with national and international investors are continuing
- Relocation to the new site is well underway, completion by the end of 2017
- Production of locomotives at the new site has started
- High sales and positive contributions to EBIT expected in the final quarter

# Vossloh Group: Clear focus. Sharpened profile.

**Higher sales and improved profitability compared to previous year**

## Regional Developments

- **China:** Sustained good market position of Core Components with rail fastening systems in the high-speed sector, currently low tendering activities for new construction projects, the five-year plan outlines the expansion of the high-speed network, increasing sales shares in other segments are expected (export, maintenance, urban transport); increasingly positive performance and improved outlook in the Customized Modules division are leading to the reversal of an impairment of the investment in the joint venture in Wuhu; Lifecycle Solutions are experiencing high demand for HSG technology, good performance in the sale of vehicles and of components (HSG and HSG-city)
- **North America:** Continued weak demand from Class I operators impacts the Core Components and Customized Modules divisions, partially offset by positive business performance in the Transit area, good sales performance in Mexico in the Tie Technologies business unit; excess capacities in Customized Modules continue to lead to high pricing pressure, efficiency improvement program is being implemented, slight recovery is expected over the course of 2018
- **Russia:** Opening of a production site for rail fastening systems in Engels in October 2017

## Profitability further increased, significantly higher net income

		1–9/2016/ 9/30/2016	1–9/2017/ 9/30/2017
Net sales	€ million	664.1	744.3
EBIT	€ million	35.8	43.3 ✓
EBIT margin	%	5.4	5.8 ✓
Net income	€ million	6.0	22.0 ✓
Earnings per share	€	0.13	0.92
ROCE	%	6.7	6.7
Value added	€ million	(12.2)	(4.9)
Cash flow from operating activities	€ million	(5.7)	(14.7)
Free cash flow*	€ million	(27.7)	(40.1)
Orders received	€ million	830.3	699.6
Order backlog	€ million	748.8	719.8

**Sales** up by 12.1%, primarily due to the consolidation of Vossloh Tie Technologies and good sales development at Vossloh Fastening Systems

Improved **EBIT** and **EBIT margin**, attributable to good business development in the Core Components division

**Net income** surpasses previous year primarily due to good operational business development; the previous year was burdened by a negative result from discontinued operations

**ROCE** at the previous year's level, **value added** still negative, but noticeably improved; WACC since 2017: 7.5% (previous year: 9.0%)

**Free cash flow** positive in the third quarter at €21.7 million (Q3/2016: €8.0 million); strong increase in FCF expected in the fourth quarter

**Orders received** down on previous year, the previous year includes a major order for Vossloh Locomotives worth €140 million

\* Free cash flow includes cash flows from operating activities, investments in intangible assets and property, plant and equipment as well as cash receipts and payments associated with companies accounted for using the equity method.

## Equity increased due to positive net income

		1–9/2016/ 9/30/2016	1–9/2017/ 9/30/2017
Equity	€ million	545.7	563.2 ✓
Equity ratio	%	39.1	43.8 ✓
Working capital (Ø)	€ million	231.9	253.7
Working capital intensity (Ø)	%	26.2	25.6 ✓
Closing working capital	€ million	241.0	274.0
Capital employed (Ø)	€ million	711.9	856.8
Closing capital employed	€ million	718.3	867.5
Net financial debt	€ million	133.1	224.1

**Equity ratio** above the previous year primarily due to the sale of the former Electrical Systems business unit and positive net income

**Ø working capital intensity** lower; increase in Ø working capital on a percentage basis lower than sales growth

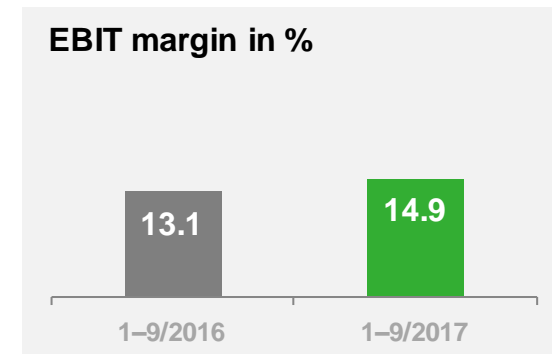
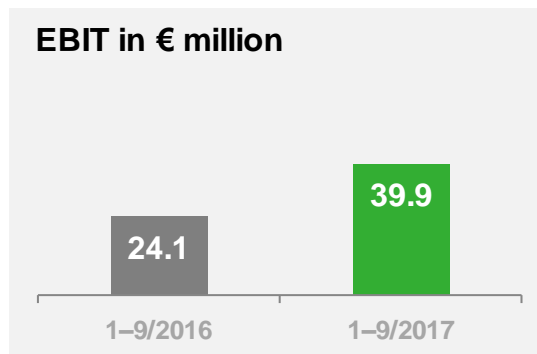
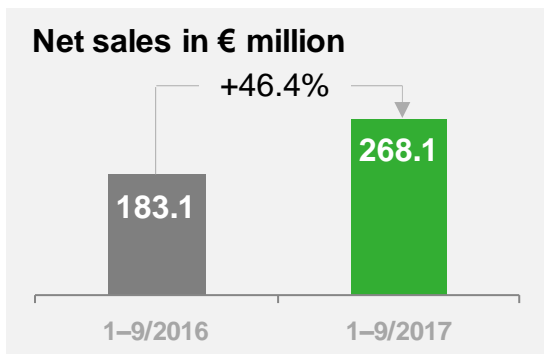
**Ø capital employed** above the previous year particularly due to the consolidation of the Tie Technologies business unit

**Net financial debt** increased primarily through net outflows from M&A activities (€117.6 million outflow of funds for VTT; €42.4 million inflow of funds for Electrical Systems)

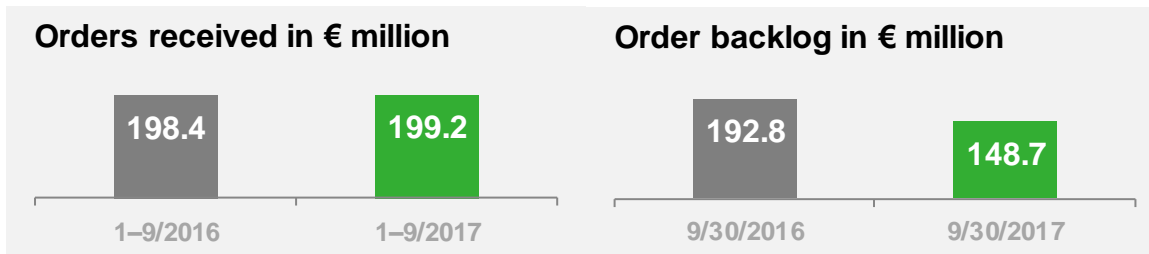


# Core Components Division (CC)

Sales significantly above the previous year, EBIT 65.7% higher



- Sales up against the previous year primarily due to the initial consolidation of Vossloh Tie Technologies; clear increase in sales at Vossloh Fastening Systems
- A strong third quarter in the Fastening Systems business unit leads to significantly higher EBIT; profitability clearly in the double-digit range, even including the Tie Technologies business unit
- Ø working capital only slightly higher (€65.9 million following €59.0 million);  
Ø working capital intensity much lower from 24.2% to 18.4%

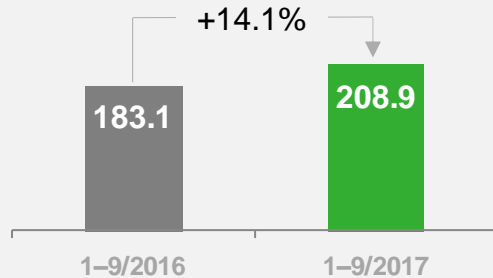


ROCE (%)	1-9/2017	23.6
	1-9/2016	29.4
Value added	1-9/2017	27.2
(€ million)	1-9/2016	16.7

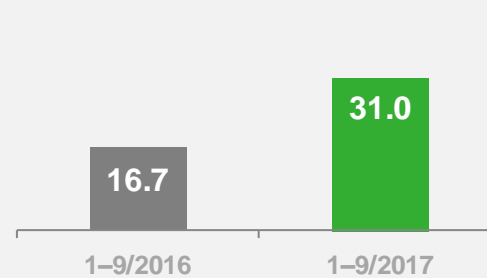
# Fastening Systems Business Unit

## Very positive business performance after nine months

Net sales in € million

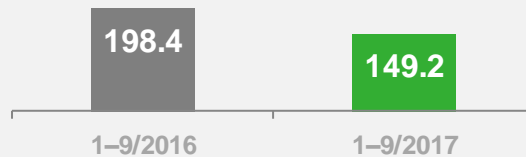


Value added in € million

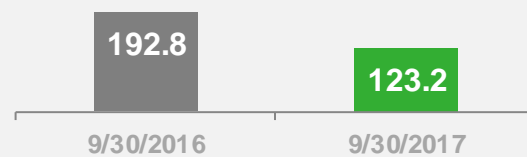


- Unexpectedly high demand in China; current high-speed projects in China have been largely completed; sales growth also achieved in Italy and Poland
- Value added almost doubled due to improved earnings and lower capital costs compared to the previous year (Ø capital employed and WACC lower)
- Orders received in China do not reach the previous year's level despite an €18 million order in the third quarter of 2017; however improved order situation in Poland and Italy

Orders received in € million



Order backlog in € million



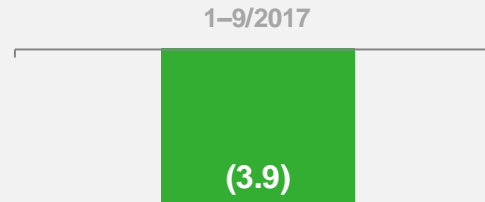
# Tie Technologies Business Unit

## New business unit is performing in line with expectations

Net sales in € million

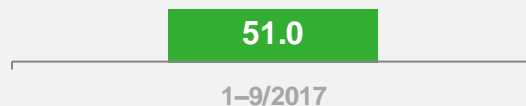


Value added in € million



- Good sales development in Mexico as well as in the Transit area; continued weak demand from Class I operators; typically lower seasonal sales in the third quarter, also influenced by the weaker US dollar
- Value added burdened by high goodwill and additional impacts of the purchase price allocation
- More than 90% of the orders received in the USA; developments in orders received generally in line with expectations despite a weak third quarter

Orders received in € million



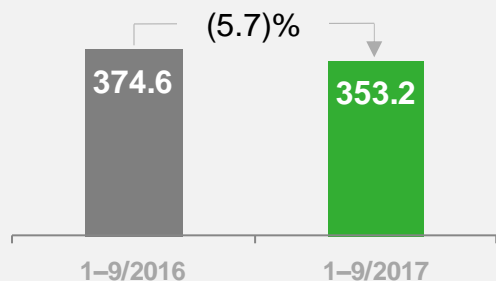
Order backlog in € million



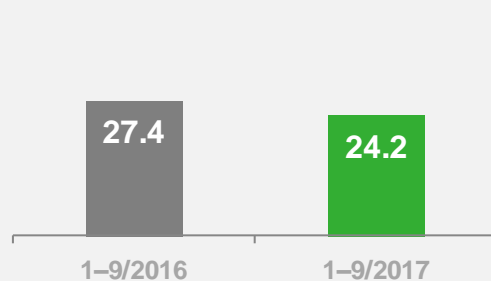
# Customized Modules Division (CM)

**Continued weak demand in the USA, the order situation continues to improve**

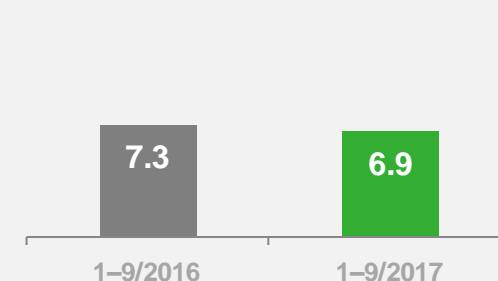
**Net sales in € million**



**EBIT in € million**



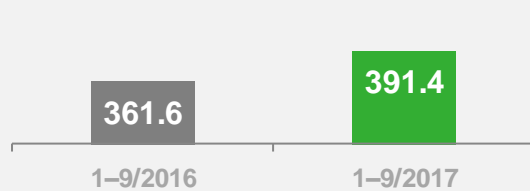
**EBIT margin in %**



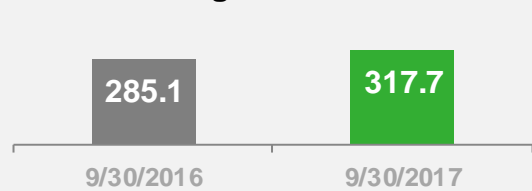
- Lower sales especially from France and Sweden compared to the previous year; noticeable sales growth particularly in the Netherlands, Poland and Morocco
- Weak demand in the USA continues to burden sales and EBIT; a slight recovery is expected over the course of 2018; profitability benefits by the reversal of an impairment as a result of an improved outlook in China
- Volume of orders received up in the third quarter (Q3/2017: €143.2 million, Q3/2016: €91.8 million), increase in orders received primarily in Poland



**Orders received in € million**



**Order backlog in € million**



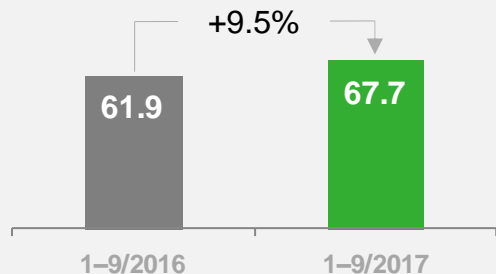
ROCE (%)	1-9/2017	7.5
	1-9/2016	8.8

Value added	1-9/2017	0.2
(€ million)	1-9/2016	(0.7)

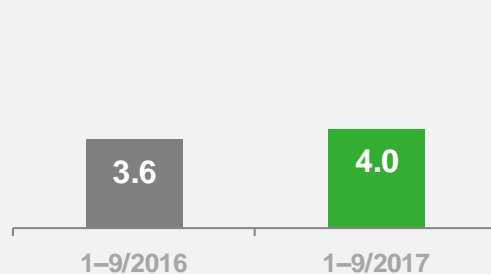
# Lifecycle Solutions Division (LS)

## Significant increase in sales, earnings above previous year

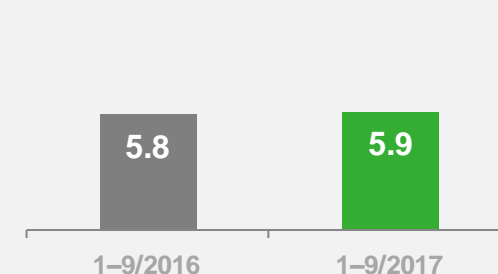
Net sales in € million



EBIT in € million



EBIT margin in %



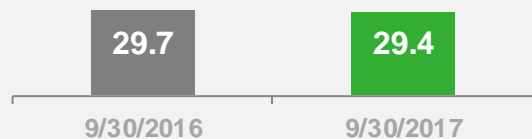
- Very positive sales development in HSG segment (including sales of vehicles and components in China); the share of sales outside Germany above 40%
- EBIT after nine months above the previous year primarily due to higher contributions to earnings from the High Speed Grinding segment (HSG)
- Book-to-bill ratio of approximately 1.0; orders received include seven HSG-city for the Chinese market; the previous year included a multi-year framework agreement for high-speed grinding in Germany



Orders received in € million



Order backlog in € million



ROCE (%)	1-9/2017	3.9
	1-9/2016	3.7

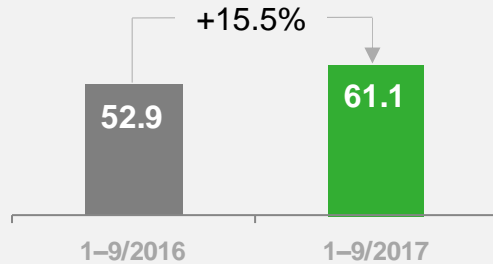
Value added	1-9/2017	(3.6)
(€ million)	1-9/2016	(5.2)



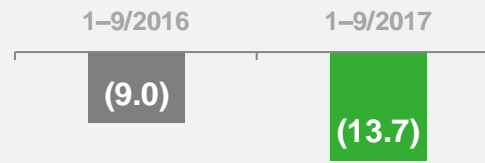
# Transportation Division

## Division again records losses in the 2017 fiscal year

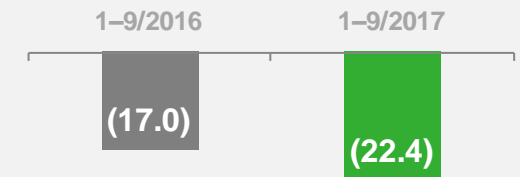
Net sales in € million



EBIT in € million



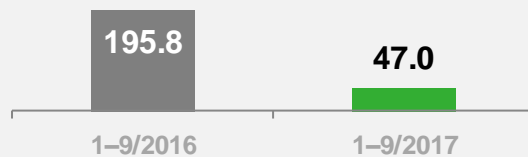
EBIT margin in %



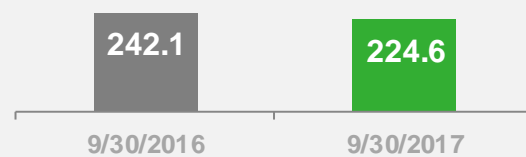
- Sales increase primarily through higher sales of type DE 18 locomotives; some deliveries originally expected in Q4 are being postponed until 2018
- EBIT significantly below previous year, among other things, due to the temporarily lower service business; significant increases in sales and EBIT expected in the fourth quarter
- Order backlog remains high; type DE 18 locomotives set the European standard with already 92 sold units



Orders received in € million



Order backlog in € million

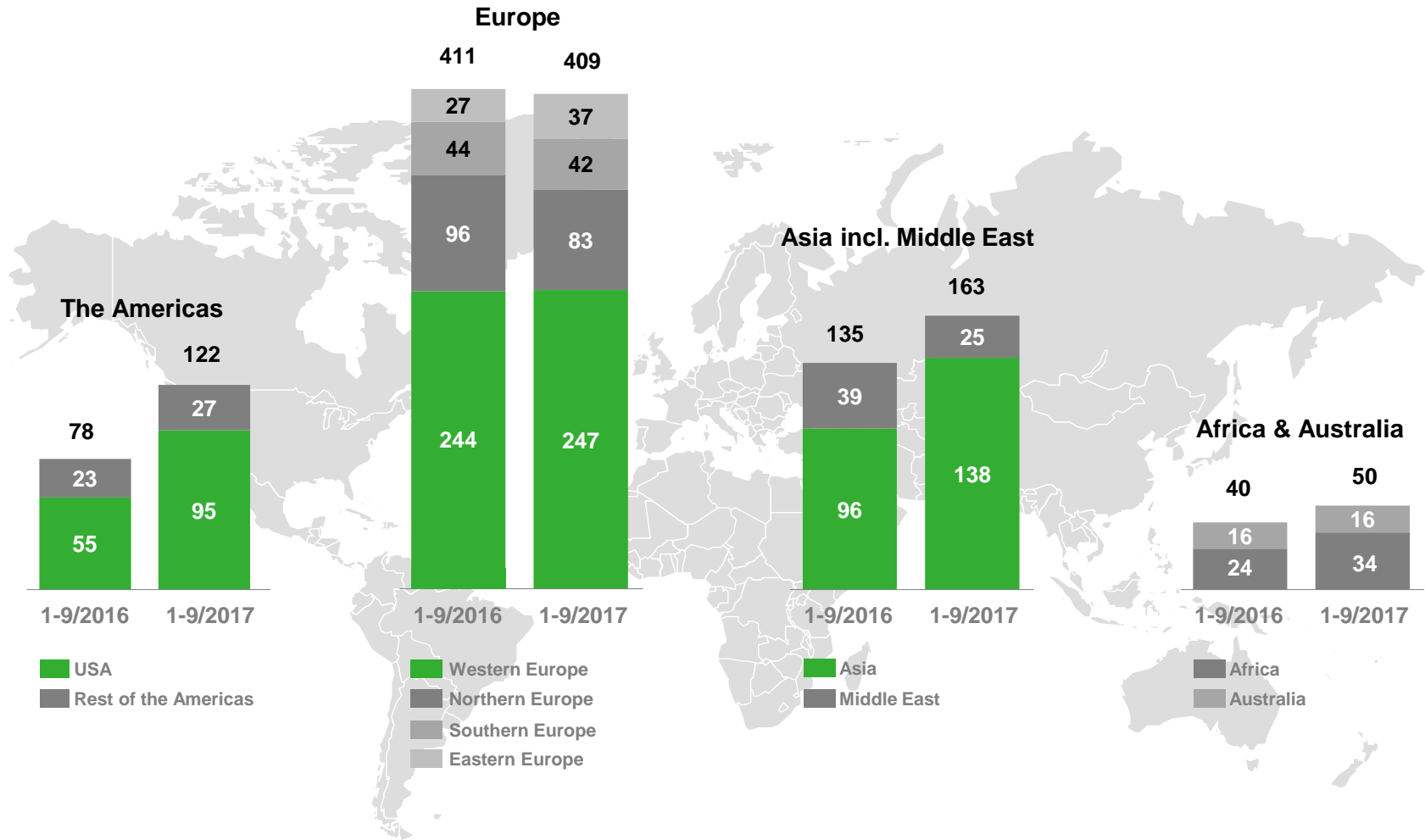


ROCE (%)	1-9/2017	(28.8)
	1-9/2016	(23.4)

Value added	1-9/2017	(17.3)
(€ million)	1-9/2016	(12.4)

# Vossloh Group

**USA above previous year due to acquisition, increase in Asia primarily due to positive business developments in China**



# Vossloh Group Outlook

## Overall outlook for 2017 confirmed

### Vossloh Group

2017e\*

- **Sales between €1.0 billion and €1.1 billion**; particularly strong sales growth in Core Components, also due to the first time consolidation of the Tie Technologies business unit
- **EBIT margin of 5.5% to 6.0%**; Core Components expected at the previous year's level: unexpectedly early finalization of major projects in China in the Fastening Systems business unit, below average margin in the Tie Technologies business unit caused by the negative impact of the purchase price allocation; Customized Modules expected to be generally at the previous year's level despite continued weak demand in the USA; Lifecycle Solutions nearly unchanged; positive EBIT expected in the Transportation division in the fourth quarter, EBIT for the entire year expected to be below the previous year
- **Value added** noticeably improved and benefiting from reduction of WACC to 7.5% in 2017 fiscal year, however still negative overall

### Railway Technology Market

2016–2021\*\*

- Continuous growth expected in the railway technology market with **CAGR of 2.6%**
- The relevant accessible market for railway infrastructure and infrastructure services is expected to grow by **3.7%**, which is above average

\* Based on the current Group 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 for infrastructure incl. infrastructure services of +3.7%



# Financial Calendar and Contact Information

## Financial Calendar

- March 22, 2018 Publication of consolidated financial statements 2017
- May 09, 2018 Annual General Meeting

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# Appendix

# Vossloh Group

## Income Statement

€ million	1–9/2016	1–9/2017
Sales revenues	664.1	744.3
Cost of sales	(521.4)	(591.3)
General administrative and selling expenses	(115.9)	(117.4)
Research and development expenses	(7.0)	(7.5)
Other operating result	13.8	13.7
<b>Operating result</b>	<b>33.6</b>	<b>41.8</b>
Investment result from companies accounted for using the equity method	1.5	(0.2)
Other financial income	0.7	1.7
<b>Earnings before interest and taxes (EBIT)</b>	<b>35.8</b>	<b>43.3</b>
Interest income	0.9	3.3
Interest expenses	(10.1)	(14.5)
<b>Earnings before income taxes (EBT)</b>	<b>26.6</b>	<b>32.1</b>
Income taxes	(12.8)	(12.7)
<b>Result from continuing operations</b>	<b>13.8</b>	<b>19.4</b>
Result from discontinued operations	(7.8)	2.6
<b>Net income</b>	<b>6.0</b>	<b>22.0</b>
<b>thereof attributable to shareholders of Vossloh AG</b>	<b>1.9</b>	<b>14.7</b>
thereof attributable to non-controlling interests	4.1	7.3
<b>Earnings per share</b>		
Basic/diluted earnings per share (€)	0.13	0.92
thereof attributable to continuing operations	0.67	0.76
thereof attributable to discontinued operations	(0.54)	0.16

# Vossloh Group

## Balance Sheet

Assets in € million	9/30/ 2016	12/31/ 2016	9/30/ 2017
Intangible assets	251.1	260.5	310.1
Property, plant and equipment	180.4	184.4	223.6
Investment properties	4.0	3.6	2.8
Investments in companies accounted for using the equity method	33.9	35.0	43.6
Other non-current financial instruments	8.4	7.6	13.7
Sundry non-current assets	3.3	3.4	3.4
Deferred tax assets	29.2	28.2	33.2
<b>Non-current assets</b>	<b>510.3</b>	<b>522.7</b>	<b>630.4</b>
Inventories	257.5	218.9	270.8
Trade receivables	218.0	177.0	224.0
Receivables from construction contracts	6.8	8.5	14.9
Income tax assets	4.9	3.9	6.4
Sundry current assets	29.7	34.8	51.6
Short-term securities	0.5	0.5	0.7
Cash and cash equivalents	128.1	171.2	87.3
<b>Current assets</b>	<b>645.5</b>	<b>614.8</b>	<b>655.7</b>
Assets held for sale	238.9	230.1	-
<b>Assets</b>	<b>1,394.7</b>	<b>1,367.6</b>	<b>1,286.1</b>

Equity and liabilities in € million	9/30/ 2016	12/31/ 2016	9/30/ 2017
Capital stock	45.3	45.3	45.3
Additional paid-in capital	146.5	146.5	146.5
Retained earnings and net income	332.2	333.2	344.3
Accumulated other comprehensive income	6.6	7.8	3.3
<b>Equity excluding non-controlling interests</b>	<b>530.6</b>	<b>532.8</b>	<b>539.4</b>
Non-controlling interests	15.1	18.0	23.8
<b>Equity</b>	<b>545.7</b>	<b>550.8</b>	<b>563.2</b>
Pension provisions	22.4	25.4	27.7
Other non-current provisions	23.0	29.7	29.9
Non-current financial liabilities	247.4	246.9	299.4
Other non-current liabilities	3.7	4.2	3.8
Deferred tax liabilities	2.7	4.1	16.7
<b>Non-current liabilities</b>	<b>299.2</b>	<b>310.3</b>	<b>377.5</b>
Other current provisions	62.8	67.2	59.1
Current financial liabilities	14.3	8.7	12.7
Current trade payables	149.9	132.1	153.6
Current liabilities from construction contracts	8.5	11.4	0.0
Current income tax liabilities	11.1	11.0	9.9
Other current liabilities	110.9	95.6	110.1
<b>Current liabilities</b>	<b>357.5</b>	<b>326.0</b>	<b>345.4</b>
Liabilities held for sale	192.3	180.5	-
<b>Equity and liabilities</b>	<b>1,394.7</b>	<b>1,367.6</b>	<b>1,286.1</b>

## Key Performance Indicators

		Core Components		Fastening Systems		Tie Technologies	
		1–9/2016	1–9/2017	1–9/2016	1–9/2017	1–9/2016	1–9/2017
Net sales	€ million	183.1	268.1	183.1	208.9		60.3
EBIT	€ million	24.1	39.9				
EBIT margin	%	13.1	14.9				
Working capital (Ø)	€ million	59.0	65.9				
Working capital intensity (Ø)	%	24.2	18.4				
Capital employed (Ø)	€ million	109.3	225.7				
ROCE	%	29.4	23.6				
Value added	€ million	16.7	27.2	16.7	31.0		(3.9)
Orders received	€ million	198.4	199.2	198.4	149.2		51.0
Order backlog (closing date 9/30)	€ million	192.8	148.7	192.8	123.2		25.5
Capital expenditures	€ million	2.2	7.9	2.2	6.0		1.9
Depreciation/amortization	€ million	6.8	12.5	6.8	5.9		6.6

## Key Performance Indicators

		Customized Modules		Lifecycle Solutions		Transportation	
		1–9/2016	1–9/2017	1–9/2016	1–9/2017	1–9/2016	1–9/2017
Net sales	€ million	374.6	353.2	61.9	67.7	52.9	61.1
EBIT	€ million	27.4	24.2	3.6	4.0	(9.0)	(13.7)
EBIT margin	%	7.3	6.9	5.8	5.9	(17.0)	(22.4)
Working capital (Ø)	€ million	132.9	141.5	11.2	12.1	31.6	39.7
Working capital intensity (Ø)	%	26.6	30.0	13.6	13.4	44.9	48.8
Capital employed (Ø)	€ million	415.2	427.4	129.3	135.3	51.2	63.4
ROCE	%	8.8	7.5	3.7	3.9	(23.4)	(28.8)
Value added	€ million	(0.7)	0.2	(5.2)	(3.6)	(12.4)	(17.3)
Orders received	€ million	361.6	391.4	83.8	67.8	195.8	47.0
Order backlog (closing date 9/30)	€ million	285.1	317.7	29.7	29.4	242.1	224.6
Capital expenditures	€ million	9.7	9.1	5.6	3.6	3.2	4.3
Depreciation/amortization	€ million	10.9	10.1	4.5	5.0	3.0	2.8

# Vossloh Group

## Cash Flow Statement

€ million	1–9/2016	1–9/2017
Earnings before interest and taxes (EBIT)	35.8	43.3
EBIT from discontinued operations	(3.9)	2.6
Amortization/depreciation/impairment losses (less write-up) of non-current assets	38.5	24.8
Change in non-current provisions	(1.0)	0.5
<b>Gross cash flow</b>	<b>69.4</b>	<b>71.2</b>
Income tax paid	(15.6)	(23.2)
Change in working capital	(54.3)	(78.9)
Other changes	(5.2)	16.2
<b>Cash flow from operating activities</b>	<b>(5.7)</b>	<b>(14.7)</b>
Investments in intangible assets and property, plant and equipment	(22.7)	(22.6)
Investments in companies accounted for using the equity method	-	(3.3)
Cash-effective dividends from companies accounted for using the equity method	0.7	0.5
<b>Free cash flow</b>	<b>(27.7)</b>	<b>(40.1)</b>

# Vossloh Group

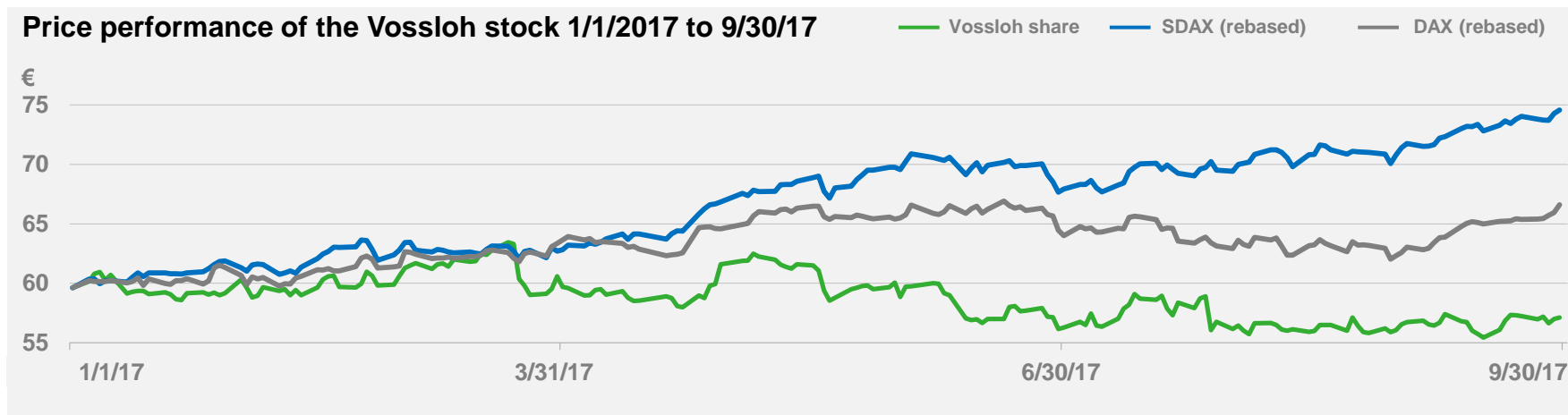
## Employees

	Closing date		Average	
	9/30/16	9/30/17	1–9/2016	1–9/2017
<b>Employees</b>				
Core Components	625	849	632	856
Customized Modules	2,521	2,573	2,546	2,535
Lifecycle Solutions	451	478	460	468
Transportation	396	413	399	403
Vossloh AG	54	65	55	62
<b>Total</b>	<b>4,047</b>	<b>4,378</b>	<b>4,092</b>	<b>4,324</b>



# Vossloh Share

## Price performance, share information and shareholder structure



### Information on the Vossloh share

ISIN	DE0007667107
Trading platforms	Xetra, Düsseldorf, Frankfurt, Berlin, Hamburg, Hanover, Stuttgart, Munich
Index	SDAX
Number of shares outstanding on 9/30/17	15,967,437
Stock price (9/30/17)	€57.12
Stock price high/low January to September 2017	€63.99/€55.33
Market capitalization (9/30/17)	€912.1 million
Reuters code	VOSG.DE
Bloomberg code	VOS GR

### Shareholder structure in %

