

Driving Innovation. Developing Potential.

**Speech by Andreas Busemann, CEO of Vossloh AG,
on the occasion of the Annual General Meeting for the 2017
fiscal year**

Düsseldorf, May 9, 2018

– The spoken word takes precedence –

Part I:

Dear shareholders of Vossloh AG,
honored shareholder representatives,
dear employees and colleagues,
ladies and gentlemen,

On behalf of the entire Executive Board, I would like to welcome you to this year's Annual General Meeting for Vossloh AG. Thank you for turning out in such numbers. I see this as a clear indication that Vossloh continues to be important to you, as is getting firsthand information about your company. For us as well – and here I speak both for the Executive Board and for the Supervisory Board – interaction with you, our shareholders, is our perpetual ambition.

That is why I am looking forward to sharing with you a brief overview of the events and the operational development of Vossloh in the past 2017 fiscal year together with my Executive Board colleague Oliver Schuster. Following that, the entire Executive Board will be pleased to answer any questions you may have. In the second part of my presentation, I will give you more information about which areas of focus I consider essential for the future development of our company.

Let me begin with some personal remarks. I have been in charge of your company as CEO together with my two Executive Board colleagues since April 1, 2017. My first 13 months in the Group were marked by a number of counteractive developments, just like the 2017 fiscal year.

On the one hand, our core rail infrastructure business has developed exceedingly well. Sales increased significantly and the profitability achieved exceeded our own expectations. For the first time since the start of the realignment, we were able to report a positive value added for Vossloh's core business in 2017. The entry into the concrete ties business in the USA was remarkably successful and the integration is complete. We

can finally have our shareholders participate in the company's success. The significant improvement in profitability in the core business and the stable financial position make that possible. Paying a dividend is a visible and groundbreaking sign of the progress that we have made and will continue to make.

On the other hand, I had to realize that our demand for highest operational performance has not yet been met in some areas – and that the road towards its fulfillment might be longer than we would like it to be. This applies to, for example, the expected sale of our Locomotives business unit. Due to advanced sales discussions for our last remaining unit in the Transportation division, we have reported the division as discontinued operations. This means that we are very likely to expect a sale during the 2018 fiscal year. However, an impairment of €26 million and the business unit's negative operating result in 2017 encumbered net income. This hurts not only because Vossloh Locomotives has modern products, the order books are full and the move to probably the most modern locomotive factory in Europe had just been completed.

A profound business transformation is not completed from one day to the next, and this also applies in Kiel. It was also, surprisingly, the big sales success of the previous years that thwarted a faster return to the profit zone. The engineering preparations, prototype construction and approval procedures cost so much capacities that we could not deliver as many locomotives as originally planned. This means that we had to forgo sales and thereby also earnings in 2017.

And I completely understand when people ask us why the sales discussions seem so difficult. This is what I can tell you: The shunting locomotive business is a niche business. The overall market is not exactly growing dynamically. The locomotive factory in Kiel has generated losses for many years, and do not forget that high volumes of guarantees are associated with the locomotive business. However, and this is the ultimately decisive good news, there is a highly strategic interest in our business at the new location in Kiel. Several interested parties are still in the running as potential buyers. From today's point of view, we expect a positive net cash inflow from the sale.

Ladies and gentlemen, the world of railroads is facing big and unusually fast changes. These changes are being triggered by new ways of using the expensive and capital-intensive infrastructure better and more efficiently.

Vossloh has already set high standards in the industry with its products and solutions thanks to the rail expertise gathered over the decades. The latest information and communication technology now provides us with new, powerful tools that will enable us to make a major leap forward.

We know very well that we have to move very differently in this world to reach our goals. We have plenty of good ideas. We are working every day on becoming quicker and above all more open and more innovative. In doing so, we look beyond the borders of our own industry and promote dialogue and cooperation with other disciplines.

As a system supplier for rail tracks, it is Vossloh's responsibility to take the latest opportunities created by the availability and analysis of data, and develop applications for the world of rail that offer the operators added value in the form of maximum track availability. The rail tracks are a complex system, and Vossloh comprehensively understands their physics in combination with rolling stock. This expertise forms the basis for selecting and analyzing the correct measured values and data in this system. Only with this expertise it is possible to identify the crucial correlations and incorporate them into products, solutions or recommendations for the operators.

Our vision for the future is to provide our customers with closer assistance to maximize rail track availability. This entails recording the status of the tracks. The key measured values, loads and environmental factors can be recorded and evaluated using suitable sensor technology. These include, but are not limited to, the track gauge, rail profile, axle loads, train speeds and air and track temperatures. The crucial step is then understanding the data. If you obtain the relevant information from the data, it not only provides a detailed impression of the current state of the tracks, but in a further step, it makes it possible to forecast damage on each rail line section. This leads to significantly improved maintenance of the rail infrastructure in terms of quality and costs. Routine

maintenance expenses are reduced, and the lifespan of the track components is lengthened. You avoid replacing components prematurely. The tracks are only serviced when necessary, resulting in their maximum availability for operations.

This is what we mean by “The Smart Rail Track by Vossloh.” We will be presenting our company with this central idea in Berlin in September at this year’s InnoTrans, the leading trade fair for the global rail industry.

In the 2017 reporting year, we have established an innovation team made up of motivated colleagues from all divisions who embrace change. They call themselves the “Smart Track Crew” and are already working on very innovative ideas and projects for a smarter track. I will tell you more about our innovation management in the second part of my speech.

Here’s another highlight from 2017 that was more conventional: Vossloh has forged a technology alliance with the leading Russian tie manufacturer. Our joint venture in Russia manufactures rail fasteners being used to modernize the country’s rail infrastructure. The system components are all produced on-site with the assistance of local companies.

Internationalization has also been a big topic in our Lifecycle Solutions division for years, and we have had a lot of success. Tisséo, which is based in Toulouse, is the first French operator to entrust maintenance of its tram tracks rails to Vossloh’s high-speed grinding. A framework agreement regarding regular use of the HSG-city was concluded for an initial three-year period. The grinding work performed will quickly ensure significant improvement in noise levels and travel comfort throughout the network. The small HSG-city is a definite success story. In October 2017, it was also certified as a heavy ancillary vehicle by the German Federal Railway Authority (EBA). This results in new application opportunities, in particular in the area of rapid transit railways.

Ladies and gentlemen, today I would like to repeat what I said a year ago in this same spot. You can rely on Vossloh as a customer, as an employee, and as a shareholder.

Vossloh is on course, as we promised. This is reflected by the business figures for 2017, as my colleague Oliver Schuster will explain to you in detail shortly.

The employees at the Vossloh Group deserve the greatest respect and highest recognition for this. The team made the transformation and today's success possible with great personal commitment, a lot of passion and clear goal orientation. On behalf of everyone here, I would like to thank all Vossloh employees at this point.

It also speaks to the exceptional quality of this team, including the leadership team, that they are never completely satisfied and always strive for improvement. That is why we have developed our proven strategy. I would like to elaborate on this in the second part of my speech.

Thank you for your attention, and I will now give the floor back to Dr. Kefer.

Part III

Thank you, Dr. Kefer,
thank you, Mr. Schuster.

Ladies and gentlemen, following Mr. Schuster's speech, I would now like to discuss our assessment of future business performance in 2018, and then, together with you, I would like to take a look at the topics for Vossloh in the coming years, as I said at the beginning.

For 2018, the Vossloh Group expects sales at the level of the 2017 fiscal year. EBIT and therefore the EBIT margin are expected to fall short of the 2017 figures. A key reason for this was the very strong development of business in our high-margin focus market, China, in the 2017 fiscal year, which will have a partially negative impact on the following year as deliveries originally planned for 2018 were brought forward by our customers. These project-related fluctuations will lead to temporarily weaker business performance

in the current fiscal year. From today's perspective, it will not be possible to fully compensate for this development despite the expectation of rising results in the Group's other divisions. In sum, Group sales between €875 million and €950 million, as well as an EBIT margin between 6.0 percent and 7.0 percent, are expected in 2018. In the coming year of 2019, a further increase in the business activities of the Vossloh Fastening Systems business unit in China and a tangible revival in demand from major U.S. freight operators are expected again – therefore driving a corresponding improvement in profitability.

Following the restructuring of the Group, Vossloh's focus in the next few years is not only on promoting sustainably profitable, organic growth but also specifically on seeking out suitable acquisitions and cooperative partners. We currently have a fairly well-filled list of possible acquisition targets and our goal is to build a powerful, competent alliance in the field of preventative and predictive track maintenance on the solid foundation of our rail track products and systems.

Ladies and gentlemen, over the past four years, you have had to help support, and sometimes endure, the profound and now successful transformation of your company. Therefore, you are rightfully expecting good news from us. I think we can meet these expectations well. We have kept our promises.

Ladies and gentlemen, Vossloh uses all the opportunities available to it to systematically develop from its status quo. The strategic realignment established the right parameters: the coming together of the divisions under the central idea of "One Vossloh" and a focus on rail tracks. With the right starting position established, Vossloh defined four strategic areas of action for growth.

First: Promoting innovation and open-minded thinking. Research and development and idea management have been decentralized so far and can be found in each of the business units' development departments. With innovation management coordinated right across the Group, we began to drive the development of innovative products, processes and business models, keeping a holistic view of the track in mind at all times.

Although rail infrastructure is a very long-term, highly investment-intensive and essentially very analog sector, we are making openness to all new things a top priority. Here we benefit from our guiding principle of the integrated Group and the already very good collaboration between the divisions. Furthermore, we have established an interdisciplinary innovation team that also works with new methods and instruments. An innovative Vossloh product is currently on the way to the first test tracks and should, as of today, be presented in autumn at InnoTrans. It's a kind of plastic tie termed the Engineered Polymer Sleeper. It aims to replace the treated wooden ties, which are no longer permitted for environmental reasons, and has a service life of 50 years.

Second: Increasing our expertise through acquisitions and partnerships. We have therefore modified the usual way of thinking in terms of product segments. For our holistic approach, we also think in terms of expertise and skill segments. Anything that Vossloh is unable to do by itself or achieve through its own innovation must either be bought in or realized together with partners. This creates a powerful alliance that combines the right products, services and skills for the benefit of our customers. Of course, the conventional product segments can also be further developed by means of acquisitions or partnerships. For example, the acquisition of the U.S. rail tie manufacturer Rocla Concrete Ties, which now operates as Vossloh Tie Technologies, has also had a positive impact on sales of rail fasteners and switches in the North American market.

Third: It's people that make the difference. Rail infrastructure is an integral part of Vossloh's DNA. The Vossloh divisions stand for industry expertise acquired over decades. Our vision of "The Smart Rail Track by Vossloh" is now setting new targets for our organization. It's time we fully utilize and develop our existing potential. People are already working cooperatively and in a well-connected way under the "One Vossloh" umbrella. Now we are bringing the divisions even closer together in order to also ensure human resource development on the basis of rotation and mutual learning.

Fourth: Added value for the customers based on industrial top performance. State-of-the-art production lines that are spread out correctly within a regional network and

equipped with the right skills are just as essential as greater internal value creation. Our progress in this area will allow us to serve both technologically demanding markets and to secure the cost position with which we can withstand high competitive pressure. We are investing in a number of sites to this end. With the factory of the future at the headquarters in Werdohl, which was already presented to you last year, Vossloh customers will benefit from a completely new and excellent level of service thanks to digitized processes. The level of vertical integration will be increased and lead times will be reduced, among other reasons because additional components will be sourced from Vossloh's own manufacturing.

Ladies and gentlemen, allow me to make a few more concluding, fundamental remarks.

The entire rail infrastructure technology market remains attractive to Vossloh. Increasing global urbanization is a major driving force here. In China alone, there are already some 150 cities with over a million inhabitants. Mobility in conurbations is barely conceivable without a rail-based infrastructure that offers good transport services coupled with limited land usage. Plans and projects for a "New Silk Road" or a connection in South America from the Atlantic to the Pacific are inspiring the imaginations of not only logistics experts. The general advantage for the railway is that it would result in climate-friendly mobility.

Naturally we are concerned about protectionist tendencies. Less than two-thirds of the global rail technology market is accessible today. On the other hand, thanks to its worldwide presence, including production companies, Vossloh is widely regarded as a local supplier. Furthermore, the chances are good that the attractive Japanese market will open in the near future.

All the stakeholders want trains to run punctually and smoothly, maintenance costs not to skyrocket and residents to be able to get a good night's sleep. Vossloh pooled its own areas of expertise early on and can already offer the network operators added value thanks to custom combined systems and services. We firmly believe that the availability and the use of highly efficient information and communication technology will trigger a quantum leap, and in particular within business models. Vossloh customers abandoned

thinking in terms of product segments some time ago. Instead, they expect Vossloh to increasingly also assume responsibility for track availability with its products and solutions.

Vossloh began to reinvent the rail system some time ago. Drawing on our rail expertise, which we have gathered over time, many innovative ideas and carefully selected partners, we will bring together the best of the analog and digital worlds to offer our customers the maximum possible track availability. We firmly believe that the Vossloh team already has enormous potential that will be further developed through our strategy and approach. The reward – added value for our customers and a better market position for us. You as the owners of Vossloh should continue to benefit greatly from this in the future.

I would be very happy if you continue to accompany us on this journey. Thank you!