"Grasping the future. Shaping the future."

Speech by Oliver Schuster, member of the Executive Board of Vossloh AG on the occasion of the Annual General Meeting for the 2018 fiscal year

Düsseldorf, May 22, 2019

– The spoken word takes precedence –

Part II:

Thank you, Mr. Busemann.

Dear shareholders, guests, employees and press representatives,

I would also like to take this opportunity to welcome you cordially to this year's Annual General Meeting for Vossloh AG.

Andreas Busemann has already given you a qualitative overview of the significant business developments of the past year in his speech. I would like to build on that and explain the key financial figures for the 2018 fiscal year in detail.

As originally expected, 2018 was a challenging fiscal year for the Vossloh Group and was particularly affected by the difficult market environment. Nevertheless, there are many positive things to report on and I would like to raise one point in particular, which my colleague Andreas Busemann has already mentioned.

Our Group has laid a very good foundation for achieving the expected organic growth. Orders received and order backlog have developed extremely well. Orders received reached almost €1 billion, mainly due to strong growth in the Core Components division and here also due to the very important large orders from China at Vossloh Fastening Systems. The three major projects won in 2018 have a total volume of around €85 million.

At this point last year, I stated that our core business rail infrastructure is broadly and therefore stably positioned, both regionally and in terms of our complementary product and service offering. Our customers are at home in over 90 countries around the world, and we hold leading global market positions in our two largest business units.

However, this does not protect us from the fact that both new construction and the renewal or maintenance of existing rail infrastructure for our customers and therefore also for us almost always have project character, especially in high-volume orders. This naturally leads to fluctuations in our business over time. The shadow sides of these fluctuations had a negative impact on us in 2018 and these effects will be carried over into 2019 to a certain extent. At the same time, however, our remarkably high order backlog is an unmistakable indicator that the pendulum will soon swing back in the other direction. The order backlog in the core business grew by €121 million year-over-year to €595 million at the end of 2018. This corresponds to an increase of over 25 percent. In particular, however, the high-margin major orders from China will mainly be delivered from 2020 onwards.

Ladies and gentlemen,

The project-related fluctuations mentioned earlier were a key driver of sales and EBIT performance in the 2018 fiscal year. Sales revenues for the Vossloh Group fell by almost 6 percent to €865 million in the 2018 fiscal year. This was mainly due to the temporarily weak business in China. Taking a look at the Fastening Systems business unit, the decline in sales compared to the prior year can even be explained exclusively by these project-related fluctuations. The decline is neither an indication of Vossloh's supposedly weaker market position in China nor of a slowdown in market development. The major orders won in 2018 and the recent new major order won in April 2019 worth more than €40 million for the construction of new high-speed lines between the cities of Hangzhou and Taizhou to the south of Shanghai are clear proof of this.

At the start of the 2018 fiscal year, we had predicted sales in the range of €875 million to €950 million and an EBIT margin between 6.0 percent and 7.0 percent for our core business. As the year went on we had to substantiate our forecast at the lower end of the respective corridors due to an increasingly difficult market environment. With a final Group EBIT of €54.2 million and an EBIT margin of 6.3 percent, we were safely within the forecast corridors in terms of profitability despite sales revenues at the lower end of the guidance. Despite an overall challenging market environment, we were able to deliver what we promised to you, our investors, for the fifth time in a row. Please don't get me wrong: I, personally, am far from happy with our financial achievements. But looking at the competition shows that staying within the guidance in our sector and given the current difficult global economic straits is by no means a given.

As such, Vossloh's core business can be said to have experienced satisfactory business development overall in 2018, particularly given the positive development in orders received and the very successful acquisitions of Austrak and the rail milling business of STRABAG Rail GmbH mentioned earlier.

A constantly satisfactory performance cannot and must not be the benchmark against which we measure ourselves. The rail industry in general and the rail infrastructure business in particular are in motion and are currently undergoing changes at great speed. Increasing digitalization and in particular the ability to more quickly process and analyze greater amounts of data are opening up new fields of activity and business models and attracting the attention of new competitors. At Vossloh, we have set ourselves the goal of not only benefiting from but also taking a leading role in this development, and actively help to shape the future of rail infrastructure. My colleague Andreas Busemann will give you the full details of our strategic approach in the second part of his speech. In order to satisfy our market and technological claim to leadership for this, however, we need sufficient financial room for maneuver. Because of this, we as the Executive Board have set up a broad-based performance program to increase profitability and sustainably strengthen the self-financing capability of your company. Mr. Busemann will also provide you with more details on this shortly.

Back to the 2018 financial key figures. The long-term management of our Group focuses on value added. A positive value added indicates that the return expectations of both debt and equity investors, including yours, were exceeded. Unfortunately, mainly due to the low operating profitability, we did not achieve this goal in 2018. In the past fiscal year, Vossloh recorded a negative value added of €5.8 million after I was able to present to you a positive contribution of €11.1 million in the prior year. It is our explicit goal to return to a positive value added despite the noticeable negative impacts from the application of a new accounting standard that covers leases. The approved performance program is also of key importance here.

At €22.7 million, net income in the 2018 fiscal year was significantly above the prior year’s level of €0.3 million. The strong increase is mainly due to the improved result from discontinued operations. After almost negative €36 million in the previous year, the income statement for 2018 shows a negative amount of just €2 million. In 2017, the result from discontinued operations was negatively impacted by the impairment of long-term assets in the Locomotives business unit of around €26 million in particular.

The net income attributed to Vossloh AG shareholders totaled €18.2 million in the 2018 fiscal year, following €(8.0) million in the previous year. Based on the individual Vossloh share, this leads to a result of €1.14 compared to negative 50

cents in the previous year.

Ladies and gentlemen,

Let us now turn to the key liquidity ratios of the Vossloh Group. The free cash flow improved marginally to €(19.0) million in the 2018 fiscal year following €(22.3) million in the prior year. However, this value is clearly still in significant negative figures, which can primarily be explained by the high volume of capital expenditure in 2018. A large part of the investment was spent to modernize our foundry in Outreau, France, where we make manganese steel crossing frogs. Also worth mentioning here is the construction of a new concrete ties factory in Canada and the expansion of our fleet of wagons for transporting switches and long rails. Despite the importance of such investments, we should not ignore the fact that we need to generate a positive free cash flow over the long term in order to also be able to invest sustainably in new technologies and innovations. That’s why improving free cash flow is a key concern for us. A central element here is reducing the capital tied up in current assets, otherwise known as working capital. A sustained positive free cash flow with structurally lower working capital improves our self-financing capability and therefore expands our financial room for maneuver.

Let me now briefly discuss some key balance sheet figures.

The Vossloh Group’s equity decreased slightly to €523 million in the 2018 fiscal year. This was mainly due to the dividend payment for 2017 and the change in accounting standards. The equity ratio remained more or less stable at 41.4 percent after 42.5 percent in the prior year. Net financial debt increased significantly from around €208 million at the end of 2017 to around €307 million at the end of 2018, primarily as a result of our acquisitions, negative free cash flow, dividend payments and interest payments.

My dear shareholders,

Let us now take a closer look at the individual divisions of Vossloh's core business.

(Core Components)

In the Core Components division, sales revenues in 2018 were around €293 million compared with around €351 million in the prior year. The decline in sales is mainly due to the previously mentioned temporary project-related weaknesses in the business in China. The decline in sales also led to a decline in the division's EBIT from €51.2 million to €34.5 million. In addition, U.S. import tariffs on steel have negatively impacted the earnings of our U.S. companies. At 11.8 percent, however, the EBIT margin was still clearly in the double-digit range.

Our new Australian subsidiary Austrak, which manufactures concrete ties, has been fully consolidated since December 2018, meaning that the sales contribution for the 2018 fiscal year was only a modest €1.4 million. The Tie Technologies business unit, which also includes Austrak, contributed a total of around €78 million to the sales of the Core Components division in the past fiscal year, following €79 million in the prior year. Lower sales from transit customers and negative exchange rate effects were largely offset by new business with our Class I customer Canadian National and the resumption of a project in Florida. As previously described, revenues in the Fastening Systems business unit were temporarily reduced in our China focus market. We are pleased that we were able to report higher sales in the maintenance business in 2018. This trend will also continue in 2019. It should be remembered that the first high-speed lines in China only started operating around 10 years ago and thus we are only at the beginning of a sustainable maintenance business.

(Customized Modules)

Our second division, Customized Modules, has remained stable in the past fiscal year. At around €483 million, sales for the full year were only slightly below the previous year's level. This is remarkable as two companies in India and Portugal have no longer been fully consolidated since December 2017. Also keeping in mind that the projects in Morocco that were worked on in the previous year, which made a large contribution to sales and earnings, have ceased, the business development can also be viewed positively.

At around €26 million, the Customized Modules division's EBIT was nearly 15 percent below the level of fiscal year 2017. However, it has to be taken into account that in the previous year we made a reversal of the impairment loss recognized in 2014 in light of the continuing positive development of our joint venture in Wuhu, China. Adjusted for this effect, the profitability of Customized Modules in 2018 would have been slightly higher than the previous year's value.

(Lifecycle Solutions)

In the year under review, the Lifecycle Solutions division once again achieved a considerable increase in sales of nearly 10 percent, reaching the €100 million mark for the first time. The reasons for the good performance were improved utilization of our welding plants in Germany and the increased demand for grinding services in Sweden. Sales in the high-speed grinding segment in 2018 were also higher than the previous year. In Germany in particular, we are currently seeing a sustained upturn in the utilization of our welding plants, which will put us in a positive mood for the coming years.

The EBIT and EBIT margin for Lifecycle Solutions of €12.9 million and 12.9 percent respectively in the 2018 fiscal year clearly exceeded the prior year's values. This performance was supported by a positive one-off effect of approximately €5.5 million as a result of the realization of negative goodwill in connection with the acquisition of the STRABAG Rail GmbH rail milling business. But even excluding this effect, the corresponding EBIT figures would still be higher than in the prior year.

Dear shareholders,

After resuming the distribution of a dividend last year following a break of several years, we want you to share appropriately in Vossloh's success for the 2018 fiscal year as well. A year ago, I stood here and told you that I considered the fundamentally positive development in our core business to be sustainable. I remain convinced of this – despite the temporary project-related effects in 2018 that you have heard about. This will also be greatly supported by the positive figures for orders received and the order backlog. For this reason, the Executive Board and Supervisory Board propose today a dividend of €1.00 per share for the 2018 fiscal year. With your approval of this dividend proposal, the total dividend payout for 2018 will once again amount to approximately €16 million.

Those are my comments on the course of the 2018 fiscal year. Finally, as usual, I will now give you some brief information on the course of the first quarter of 2019.

As expected, the Vossloh Group's first three months of 2019 were characterized by a seasonally rather modest start. On the sales side, we benefited from the acquisitions that we completed at the end of 2018. Overall, Group sales in the first quarter amounted to €190 million, almost 7 percent higher the same quarter in the previous year. Strong sales growth was achieved, especially in the Tie Technologies business unit. In addition to the full consolidation of the new subsidiary Austrak, deliveries under the framework agreement with CN contributed to this. The deliveries to CN have so far been made from our plant in Pueblo, Colorado. Soon, however, we will be able to put our production facility in Kamloops, Canada into operation and supply the customer from there.

Vossloh Fastening Systems also achieved sales increases, especially in the USA and Russia. In Russia, we expect to equip lines with a total length of around 600 kilometers in this fiscal year. This is a significant increase over the prior year. The U.S. business of this business unit also benefited significantly from the acquisition of the Tie Technologies business unit. More sales with CN were responsible for the increase here as well.

However, sales in the Customized Modules division remained largely stable. The smallest division, Lifecycle Solutions, had above average growth of about 25 percent. This was mainly due to higher sales in milling and high-speed grinding. The milling business will see a difference mainly from the additional machine capacity following the acquisition of four machines from STRABAG Rail GmbH.

The Group EBIT declined slightly in the first three months, which was primarily due to the negative earnings in Lifecycle Solutions typical for the season and the initial expenses in connection with the reduction of personnel in Customized Modules. The EBIT was negative €0.6 million following positive €1.6 million in the prior year. Only the Core Components division reported an increase in EBIT. In the further course of the year, net profit reductions from the performance program that was set up cannot be ruled out.

Ladies and gentlemen,

Orders received and the order backlog developed very positively once again in the first quarter of the new fiscal year. Thus, the strong trend from the past fiscal year continued: Orders received in all divisions were above the corresponding prior year's level, reaching €281 million in the Group – a value that is around one-third higher than in the same period of the prior year. The order backlog of around €686 million as of March 31, 2019 was also significantly higher than the previous year's figure of about €513 million. The new major order from China that was won in April is not even included in these figures. In 2019 so far, we have therefore been able to further broaden the excellent foundation for the future growth of our Group that was laid in the past fiscal year!

I would like to thank you, ladies and gentlemen, dear shareholders, for your attention. And I will now hand back over to Chairman of the Supervisory Board, Mr. Harnacke.