“Enabling green mobility”

Speech by Dr. Thomas Triska, member of the Executive Board of Vossloh AG
on the occasion of the Annual General Meeting for the 2020 fiscal year

Düsseldorf, May 19, 2021

– The spoken word takes precedence –

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

Dear shareholders
and everyone else in attendance today,

It is my great pleasure to welcome you today to our 2021 Annual General Meeting, which is my first as Chief Financial Officer. I have been working for this company – your company – since 2009. I have held a number of management positions in recent years, including Head of Corporate Controlling and Corporate Development at Vossloh AG. Most recently I was responsible for the entire area of Finance. So I'm very familiar with Vossloh's organizational structure and processes, as well as its business. Together with my Executive Board colleagues, I have been closely involved in Vossloh's extensive restructuring and transformation in recent years, which Mr. Schuster just talked about. As you see, I have devoted the majority of my career to serving the interests of the company and helping it to perform to the highest level. I am committed to doing so in future with great passion and motivation in my position as CFO. And I would like to express my thanks once again for the trust that has been placed in me.

Ladies and gentlemen,
I would now like to take a more detailed look at the most important financial indicators for the 2020 fiscal year. I will then give you a brief overview of our successful start to the 2021 fiscal year.

2020 was marked by the Corona crisis. The pandemic also had a material impact on Vossloh. Nevertheless, 2020 was, all in all, a very successful year for the company. Our more efficient structures, created by the largely completed implementation of our performance program made a huge contribution to this success. It also helped that Vossloh operates in a market that is, for many reasons, more crisis-resistant than other sectors. We saw a very positive development in orders received and order backlog. Orders received were up 5.6 percent compared to 2019 on a comparable basis, while the order backlog at the end of 2020 exceeded the previous year's figure by 8.2 percent. This positive performance was largely driven by the Customized Modules division, which saw particularly higher orders received in Egypt, the United Kingdom and Australia. The Core Components division secured another major order for just over €30 million for the supply of rail fastening systems for a high-speed line in China. The company will supply rail fastening systems for a section of the planned high-speed line between Guiyang and Nanning in southern China. Deliveries are scheduled to start in 2022.

Sales were very encouraging in light of the conditions. When adjusted for portfolio effects, sales even slightly increased year on year from €861.5 million to €869.7 million , mainly due to a significant increase in sales attributed to the Tie Technologies business unit in Australia. This overall performance was particularly noteworthy due to the fact that around €90 million in sales originally scheduled for 2020 had to be postponed to future periods due to the pandemic.

As Mr. Schuster explained in the first part of his speech, we couldn't have chosen a better time for our performance program with regard to our earnings performance than 2019. Given that we had completely implemented the measures in a number of areas in 2019, we were able to launch into the pandemic year in early 2020 with far more efficient structures than we had before. This was a key reason for our earnings before interest and taxes, or EBIT, going up significantly from an adjusted figure of €55.7 million in 2019 to €73.1 million in 2020. Earnings contributions went down to around €25 million due to sales being postponed as a result of the pandemic and temporary shutdowns at our plants in a number of different countries. The majority of this downturn was offset by a positive effect of €15.6 million related to the transitional consolidation of our Chinese joint venture in Anyang.

We originally expected sales between €900 million and €1 billion and an EBIT margin between 7 and 8 percent for the 2020 fiscal year. Our most recent EBIT margin was 8.4 percent. That puts us at the top end of our revised forecast range of 7.5 to 8.5 percent. Our EBITDA margin of 14.2 percent slightly exceeded our most recent forecast range of 13 to 14 percent.

Value added is a key performance indicator for the longer-term planning within the Group. A positive value added indicates that the average return expectations of both debt and equity investors were exceeded. Value added came to €(105.4) million in 2019 due to negative effects related to the performance program. In 2020, we again achieved a positive value added of €12.4 million. It is important to note that the effect recognized in EBIT also had a positive impact on value added. 2017 and 2012 were the most recent years in which Vossloh posted a positive value added figure.

Net income was positive once again in the 2020 fiscal year at €20.8 million despite adverse effects from discontinued operations of €26.2 million. These adverse effects were related to the sale of

Vossloh Locomotives. In the 2019 fiscal year, net income was negative at €(136.8) million due to the one-time effects related to the performance program and a significant €(70.4) million loss from discontinued operations.

Net income attributable to you, the Vossloh AG shareholders, came to €17.2 million in 2020, up substantially compared to the previous year's figure of €(139.7) million. Earnings per share improved significantly year on year to €0.98 based on an average number of shares outstanding of around 17.6 million. Vossloh reported a €8.32 loss per share in 2019. The earnings per share attributable to continuing operations in the year under review came to €2.47, compared to €(4.13) in the previous year.

Ladies and gentlemen,

We also made great strides last year in terms of optimizing cash flow and making continuous improvements to our working capital management. Free cash flow improved significantly to €4.0 million, compared to €(42.4) million in the prior year. Both figures include effects related to the Locomotives business unit, which has since been sold. If we focus exclusively on our core business, we can see that free cash flow went up noticeably from €2.4 million in 2019 to €58.1 million in 2020. This was largely due to high cash inflows in the fourth quarter of 2020.

Let me now briefly discuss some balance sheet figures.

At the end of the 2020 fiscal year, the equity of the Group came to €414.5 million, an increase compared to the €403.6 million figure at the end of the previous year. Taking into account that total assets went down considerably after the sale of the Locomotives business unit was completed in May 2020, the equity ratio went up to 34.1 percent, an increase of 3.8 percentage points compared to the end of 2019.

We reduced net financial debt excluding lease liabilities from €321.3 million at the end of 2019 to €307.4 million at the end of 2020. Net financial debt went down from €370.4 million to €351.3 million when lease liabilities are included. This downturn was largely due to the positive free cash flow for our core business. Outflows from lease and interest obligations and net cash outflows from the sale of Vossloh Locomotives had the opposing effect. The cash outflows related to the transaction came to around €(15) million in the last fiscal year.

My dear shareholders,

To finish, let's take a look at how each of Vossloh's divisions performed in the 2020 fiscal year.

Core Components improved its sales by almost seven percent to €375.3 million in the 2020 fiscal year despite COVID-19. This development was driven by the Tie Technologies business unit, which significantly improved its sales revenues thanks to a major order in the Australian tie market. The major order from Rio Tinto in Northwest Australia was reported in June 2019. Most of the deliveries due under the contract were made in 2020. The Fastening Systems business unit did not achieve the previous year's sales figures due to some projects being delayed as a result of the pandemic. Due to the effect I mentioned earlier, the EBIT of the Core Components division came to €51.6 million, well above the adjusted figure of €39.3 million for 2019. The EBIT margin for 2020 came to 13.7 percent, compared to an adjusted figure of 11.2 percent in the previous year.

The Customized Modules division was also affected by the pandemic, mainly in the form of temporary shutdowns at a number of production sites in France, Luxembourg and India, among others. Nevertheless, the division posted a sales figure of €401.8 million for 2020. This was only slightly lower than the 2019 figure of €418.3 million when adjusted for portfolio effects. Sales growth in Israel, Poland and Croatia compensated for a significant amount of the downturn in sales in countries like France. EBIT improved from an adjusted figure of €23.7 million in the previous year to €30.0 million. Accordingly, the EBIT margin went up from an adjusted figure of 5.0 percent to 7.5 percent. The significant improvement in profitability was primarily driven by the positive effects from the 2019 performance program.

The Lifecycle Solutions division generated sales in excess of €100 million once again. The division's sales were only slightly lower than in the previous year at €103.8 million. Lower sales contributions from machinery sales, mainly due to the pandemic, were largely offset by higher sales in the stationary welding and logistics areas. Demand in Germany was particularly on a high level. EBIT for the division came to €8.8 million compared to an adjusted figure of €6.2 million in 2019. The EBIT margin improved considerably from an adjusted figure of 5.9 percent to 8.4 percent. Operational improvements brought about by the performance program contributed to the improvement in earnings and profitability.

All in all, as Dr. Grube and Mr. Schuster have already explained, we did extremely well in 2020.

Let's proceed to the first quarter of the 2021 fiscal year – I'll limit myself to talking about Vossloh's performance at a Group level.

Dear shareholders,
We have made a great start to the current fiscal year in the first quarter. Please bear in mind that the first quarter of every fiscal year is usually Vossloh's weakest in terms of sales and earnings for seasonal reasons. Our sales came to €207.1 million, a significant improvement on the €182.9 million generated in the same quarter last year. This was mainly due to increased sales contributions from rail fastener projects in China. EBIT consequently improved to €12.1 million compared to the figure of €0.9 million in the first quarter of 2020. The figure for the previous year does not include the one-off effect in China which has been mentioned a number of times to ensure that the figures are comparable. The operational EBIT margin went up to 5.8 percent, compared to 0.5 percent in the previous year. This is Vossloh's best operating performance in a first quarter for a decade.

Following the unusually high orders received of €291.9 million in the previous year, we are again very satisfied with the figure of €260.0 million we achieved in the first quarter of 2021. The ratio of new orders to sales, also known as the book to bill ratio, remained pleasingly high at 1.26.

Net income improved significantly from €(2.6) million in the first three months of 2020 to €6.1 million in the first quarter of 2021. The figure for the previous year includes losses from discontinued operations. Now that the sale of the Transportation division has been completed, it is safe to assume that there will be no significant negative impact on earnings from discontinued operations. Due to seasonal factors, free cash flow was negative at €(40.1) million in the first quarter of 2021, a slight improvement compared to the figure of €(50.2) million in the first quarter of 2020.

Dear shareholders,
I would like to draw your attention to a particularly significant event in the first quarter that will give Vossloh additional financial flexibility for the coming years to implement the strategy it revised in the last fiscal year. In February 2021, we entered the bond market and placed a sustainability-oriented hybrid note with a total volume of €150 million. This was an innovative move in many ways. In addition to being our first hybrid note, this note is one of the first issued by a German company to be linked to sustainability criteria. This underlines how important sustainability is for our company. The demand from investors showed that this step was the right one for us to take.

Because the issuance was significantly oversubscribed, the 4 percent interest to be paid over the coming five years is at the lower end of the market range.

The hybrid note is recognized as equity in our consolidated financial statements prepared in accordance with IFRS. This significantly improved the structure of our balance sheet. Net financial debt excluding lease liabilities fell sharply from €307.4 million as of December 31, 2020, to €202.1 million at the end of the first quarter of 2021. Our equity ratio also improved from 34.1 percent at the end of 2020 to 43.9 percent. The hybrid note has given us the financial flexibility we need to achieve our ambitious growth targets including through acquisitions.

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, Dr. Grube.