

"Transforming Vossloh"

**Speech by Dr.h.c. Hans Martin Schabert, Chief Executive Officer of Vossloh AG,
on the occasion of the Annual General Meeting for the financial year 2014**

Düsseldorf, May 20, 2015

– Please check against delivery –

PART I:

Dear Shareholders,
Shareholder Representatives,
Ladies and Gentlemen,

I would like to welcome you - also on behalf of my Executive Board colleagues, Oliver Schuster and Volker Schenk - to this year's Annual General Meeting of Vossloh AG. In the conversations which I had with many of you this morning, I received a lot of positive feedback about our work. I am very pleased that you continue to place your trust in us, and I and my colleagues and all employees are sure that we're on the right track with Vossloh.

After only one year as your company's Chief Executive Officer, I can today provide you with comprehensive information about Vossloh's exact position in the market and about our prospects. As was the case last year, I will share the Executive Board's report together with Oliver Schuster, who will provide you with detailed information on our financial development later on.

The year on which we're reporting today, 2014, clearly represents a turning point in relation to the past. Our task involved making important decisions for the future. We rose to this challenge and I will elaborate on this now.

[Slide 2: Restructuring and realignment of the Group]

Ladies and Gentlemen, we last met here in spring 2014. At that time, I told you that we, as the newly appointed Executive Board of Vossloh, were performing a comprehensive status analysis of all divisions in the Group. From April to June last year, we actually examined all Group activities within a very short time, and closely scrutinized virtually every element of the business. We were very surprised to discover that Vossloh had significant weaknesses.

We found the Group to be in a structurally and economically poor situation, so much so that we had to act immediately. Vossloh had grown in the previous years, even in areas for which there had been insufficient competence. At the same time, the

economic conditions had worsened and the competitive pressure had increased dramatically in rail technology. We were forced to admit that Vossloh did not have adequate cost structures and competencies. There were inefficiencies in the complex, decentrally-managed Group. In short, the Group had failed to reposition itself for the future at the right point in time. Quick, but still well-considered, targeted action was the order of the day for the first few months.

By the end of June, just two months after the Executive Board was fully appointed, we had a complete overview of the situation. We made decisions, introduced measures and informed you, as well as the entire capital market and the public, of the results.

The vast majority of the necessary corrections concerned the Transportation division, particularly Vossloh Electrical Systems in this case, but also Vossloh Locomotives in Kiel. Both areas of activity obviously haven't had a profitable business model and did not have sustainable structures. The site in Kiel, which Vossloh had bought from Siemens in 1998, had not been extensively modernized as would have been necessary. And I can well remember how the site looked in 1998 because I negotiated the sale to Vossloh at that time on behalf of Siemens. Still in 2014, Vossloh was working in a very spacious area with several separate halls. The fundamental problem in Kiel was that capacity utilization at the facility had been below plan for years.

Ladies and Gentlemen, we have created fundamental new requirements for Kiel in 2014: Vossloh Locomotives will move gradually to a new plant in the Suchsdorf district from spring 2016. At the same time, we have tailored the capacity in Kiel to an annual 40 locomotives – 40 standardized shunting locomotives - to suit future market demand. Thus, the production capacity once again corresponds to a realistic volume of demand. And the modern site will enable work to be performed much more efficiently. Previously, Kiel needed about 18 months from the time an order was received to delivery of a standard locomotive. In future, our customers will be able to put their locomotives into their operation after a mere 6 months.

Also, we are making Vossloh Electrical Systems more sustainable. Vossloh Kiepe, as this part of the Group is well known in our industry, had its finger in too many pies. Acting as consortium manager or general contractor had led to significantly increasing complexities. In addition, the extent of required development capacities and certification requirements had been underestimated in a wide range of projects.

We have decided that Vossloh Kiepe, as an internationally recognized and highly successful system manufacturer, will revert again solely to its position as an independent electrical systems supplier in the areas of public transportation, trolleybuses, e-mobility and corresponding services. Even if Kiepe in the coming quarters will still have to contend with completing the low-margin projects from the period of excessive expansion, it is already evident that the company is regaining its balance and reclaiming its original position in the industry. The numerous exercising of options by existing contractors and the successful commissioning of new vehicles, for example, in Karlsruhe, are proving that Kiepe is recovering.

Ladies and Gentlemen, unfortunately immediate and extensive corrections were required in 2014 also in Vossloh's supposedly successful business units in the Rail Infrastructure division, I'm talking specifically about Vossloh Switch Systems. It became quite clear that the original assumptions on which the company's plans for the switch business were based up to June 2014 were not in all areas realistic.

The most important message, however, is that all resulting charges from the status analysis are already included in the annual financial statements 2014. The objective was to obtain an accurate analysis of Vossloh, to create a resilient, solid financial basis for Vossloh's future, and to achieve scope for the further development of the Group. My colleague Oliver Schuster will present further details on this topic in a moment. However, we can now say very clearly: We had defined essential conditions for repositioning Vossloh already in June 2014.

[Slide 3: Required preconditions for restructuring]

Ladies and Gentlemen, Vossloh has been at the center of a major transformation process since summer 2014. A factor which is critical to the successful achievement

of our objectives is the fact that we are a strong, powerful and streamlined team. At this point, I would like to highlight how Vossloh benefits from the profound rail expertise of its Supervisory Board. For over a year, we have had the benefit of cooperating with experienced Supervisory Board members, intensively discussing relevant issues and reaching quick decisions. I would like to sincerely thank Ms. Maisch as well as the gentlemen of our supervisory board for this.

The networking of competencies, thinking outside the box, straightforward and trustworthy communication, these are not only characteristics of the cooperation of Vossloh's senior bodies, but are also essential elements of "One Vossloh", our defining guiding principle which is based on the existing corporate values of Vossloh, namely passion, perfection, trust and entrepreneurial spirit.

With the proviso that we are a centrally managed uniform Group as a whole, we discarded the model of a purely financial and management holding with decentrally managed operating units. We don't want to manage a portfolio but, as the Executive Board, we aim at actively contributing to shape the operational development of the Vossloh Group. In addition to our strategic leadership responsibility, each of us has thus assumed additional management functions in the subsidiaries. Therefore, we were able to reduce the number of management board members and department heads by one third in summer 2014. Our operational management approach serves not only the tight control of target achievement. We primarily create a networking of the individual lines of action at top management level and contribute to a clear and consistent decision flow within the Group. We also ensure close proximity to our customers at the highest level in this challenging phase of the transformation.

The three of us, my two colleagues Volker Schenk and Oliver Schuster and I, regularly are on-site at our worldwide company locations and talk with customers and suppliers, but particularly with our employees also. We want to be approachable. This is also why we introduced "Vossloh Talk". These are meetings between an Executive Board member and employees from different Group companies. They are small, truthful discussion sessions in which we not only answer questions, but also ask many questions to obtain ideas and suggestions from our people on-site. Our employees really like them and they give us valuable input for our daily work.

Ladies and Gentlemen, we couldn't have managed our restructuring and repositioning program without the extensive commitment of the easily 5,700 employees of Vossloh worldwide. In the current phase, our colleagues in all divisions of Vossloh are under major personal pressure. They remain loyal to Vossloh despite the uncertainties which always accompany change processes. It is very important to us that the new structures are accepted by everyone and are lived with major commitment. Loyalty, strong commitment and working on one's own initiative in teams acting on a partnership basis are not a matter of course. I would thus like to give a huge thanks to all colleagues and employees of the entire Vossloh team for their work and support last year, and I'm sure that you agree with me in this respect!

We are "One Vossloh" and thus position ourselves as a uniform company in terms of the market perspective as well: individual Vossloh companies usually serve the same customers directly or indirectly. They want first-class and attractively priced products and services. They don't care about our internal structures. We must position ourselves so that we are seen as ONE central contact with respect to the customer.

We already successfully put this claim into practice in September of last year at the InnoTrans trade fair, which is held every two years in Berlin. This was the first time that all divisions of the Vossloh Group were presented uniformly and with a clear profile under the slogan "Global Expertise" on a joint stand. This earned us extremely positive feedback from many. Not only our customers and business partners were impressed, but also analysts and financial market specialists whom we had invited to Berlin in order to give them an update on the current status of the company and to provide them in particular with information on the exciting products from Vossloh.

Ladies and Gentlemen, the foundations which we created for Vossloh last year also included a new forward-looking strategy that we have developed. In order to explain how we did this, I would now like us to take an exact look at Vossloh in the market environment.

[Slide 4: Starting point for market development - 39 product groups, 1% market share]

As you can see here, Vossloh has about a 1 percent share of sales in the global rail technology market. However, we offer about one third of the product groups in this market. Thus Vossloh is clearly positioned too broadly and therefore not able to develop a sustainable and defendable world-market position for this product groups. But it is very clear: less is more and focusing yields better results.

[Slide 5: Strategy criteria]

To define the "more", in other words, "future sustainability", we have laid down clear criteria for products and markets:

1. Sustainable, above-average growth of the rail technology market
2. Global demand
3. Vossloh holds no.1 or no. 2 positions in the market segment or we can expect to achieve leading market positions in major markets
4. High market entry barriers for potential competitors, limited cyclicalities and attractive margins with low capital commitment

Our activities summarized in the form Rail Infrastructure division meet these criteria to a large extent. Defined products and services of the Rail Infrastructure industry represent Vossloh's core business for the future. This includes Vossloh's existing activities in this segment and will also include additional products and services in future, which fulfill our strategic requirements in every respect. As a focused company, we are thus concentrating on the Rail Infrastructure sub-segment of rail technology. Here, experts see a sustainable annual growth rate of 3.8%, much more than for the entire rail technology market whose growth is expected to be 2.8% in the coming years.

The Transportation division, however, does not meet our requirements. Under the Vossloh umbrella, it lacks the necessary size and market power to achieve globally leading market positions from its own efforts in the foreseeable future. Furthermore,

only moderate growth and thus pressure on margins are expected in this industry segment over the coming years.

[Slide 6: Key markets and attractive individual markets]

Ladies and Gentlemen, the new Vossloh Group has a clear performance profile: Rail Infrastructure. And we have a very precise idea about the regions of the global market which would provide special opportunities for us. The large, fast-growing and/or technologically leading rail infrastructure markets of China, the US, Russia and Western Europe offer excellent conditions for our business. Here, we want to remain or become at least the number 2 company and generate attractive income with this strong market position.

We already created basic essential prerequisites for this in 2014, and I would like to give you two examples of this: In Waco, Texas, we commenced our own, ultra-modern production of fastening systems in autumn. A site in North America is the basic prerequisite for the further development of this large and fast-growing market. In Russia, we entered into a joint venture in August of last year with OAO BeTelTrans for the production of rail fastening systems. OAO BeTelTrans is a subsidiary of Russian Railways and market leader for rail sleepers in Russia. Through this cooperation, Vossloh qualifies as a local provider in Russia, and we are securing all opportunities offered by this large market that is predicted to exhibit high growth rates in the long term.

Beyond the four focus markets, we will more intensively cultivate other attractive markets such as Australia, Brazil, Canada, the Middle East, Northern Europe and the STAN countries from a market perspective. "STAN countries" are the Central Asian nations whose names end in "stan", for example, Kyrgyzstan, Uzbekistan or Kazakhstan. We will serve all other regions as in the past, however, in a project-specific manner and thus much more selective than ever before. In total, we deliver our products to over 100 countries.

[Slide 7: Overview of the new Group structure]

Ladies and Gentlemen, so how does the "New Vossloh" look like? What is the positioning with which we have set out since the start of 2015 on the path to above-average growth with consistently positive value added and a sustainably high free cash flow?

A logical consequence of the focusing of our activities is the reorganization of the Group into three core divisions: Core Components, Customized Modules and Lifecycle Solutions. Our sharpened company profile is built on three pillars which represent the underlying business models and processes. And this is new. As of now, orientation towards product, project and service as well as an interaction of the divisions among themselves are key. Core Components, currently our rail fastenings, are product business. Customized Modules, based on our switch business, are project business. Lifecycle Solutions do service business. All three divisions operate according to market-driven processes and active principles. Vossloh now has a new, powerful profile with which we will establish ourselves in the medium term as THE infrastructure partner of choice – and that world-wide.

As regards the Transportation division, we will continue to operate and develop it as a fourth Group pillar until we have found one or more suitable partners for the further development of activities in the vehicle and vehicle component business. We are acquiring new orders, devoting our maximum attention to the management of ongoing projects and developing further opportunities from our order backlog. All planned investments will be implemented. We will watch very closely that Transportation rigorously recovers and is perfectly aligned.

Ladies and Gentlemen, let's now take a closer look at the individual core divisions:

[Slide 8: Core Components division]

Core Components – this is currently our fastening systems business. We offer standardized solutions for all requirements profiles – from light-rail via heavy-haul to

high-speed lines. We're globally active here and already one of the two leading suppliers in many markets.

A key customer requirement in this segment is economic efficiency. Quality and safety considerations are seen as a matter of course. Therefore, in addition to our leading technological competence, we must pay close attention to cost leadership here.

From our sites in Germany, China, Turkey, Poland and the US, we deliver our fastening systems directly to the lines, and we have been doing so for 120 years. Core Components as our product range is consistently aligned to the industrial production of series products and it is expected that further divisions will be added to it.

[Slide 9: Customized Modules division]

Our second division, Customized Modules, concentrates on the development and implementation of customer-specific or project-specific customized infrastructure modules. Specifically, these are currently switches, switch controller and control elements which we had previously bundled in the Switch System division. In addition to high economic efficiency, customers expect first-class technology, intelligent, application-specific solutions and fast response times in this area. With 39 production facilities worldwide, we are not only logistically close to our customers, but can also focus quickly and perfectly on the special needs of our customers. We would also like to supplement Customized Modules, as our project area, over time, via acquisitions.

[Slide 10: Lifecycle Solutions division]

Lifecycle Solutions, our third core division which was previously managed as the Rail Services division, comprise Vossloh's rail infrastructure services and supplements the two other core businesses by specialized services for the entire life cycle of the rail track. We take care of the maintenance and thus the long-term preservation of rails and switch systems. We are also active in the area of rail welding and rail logistics. Success factors include innovative services and integrated offerings for

infrastructure operations as well as maintenance that is precisely tailored to the needs of our customers.

In contrast to the two other divisions, which already generate much of their sales abroad, Lifecycle Solutions are only at the start of their internationalization. We currently offer the majority of our services in Europe, while we also have a high-speed grinding train in operation in China since 2013. Our goal in this division is thus on the one hand the expansion of our services beyond the domestic markets. On the other hand we want to expand of our competitive advantage in the preventive maintenance of rails and switches and develop holistic solutions for our customers.

Ladies and Gentlemen, before I give you information on very recent developments in our company and on our prospects up to 2017, I would now like to give the floor back to Mr. Thiel and to Oliver Schuster, CFO of Vossloh AG.

Thank you very much, Mr. Schuster and Mr. Thiele!

[Slide 20: Vossloh in Transformation]

Ladies and Gentlemen, we have now almost reached the end of this year's Annual General Meeting presentation. Finally, I would like to summarize:

With Vossloh's new strategy, we have defined the direction for the next few years and have laid a foundation for Vossloh's future. The company has been stabilizing, a fact which has also been reflected in the course of business during the first few months of 2015. We have already progressed quite a bit along Vossloh's transformation path to 2017.

Thus the guiding principle "One Vossloh" characterizes the organization and processes in the Group. We have created the conditions that our core divisions act uniformly in the focus regions. There is one local contact person for all Vossloh products. This is welcomed very much by our customers. Furthermore, synergies are already available now, resulting from the closer networking of divisions among themselves. In the US, China and in Russia "One Vossloh" is already being realized.

We have created the financial basis for the further development of the company. Oliver Schuster told you about the new financing framework, which ensures us financial security with maximum flexibility and favorable interest rates.

Our product portfolio is aligned according to business models and positioned in its operations strictly according to the criteria that are relevant to product, project and service business. It is also crucial that we drive innovation and research to a considerable extent – tailored to fit the requirements of the business models.

Our market presence in the focus regions continues to strengthen. At the end of April, we were awarded the contract for the delivery of fastening systems for a 700-km section of the high speed rail line from Beijing to Shenyang. We are thus still involved to a significant extent in the further expansion of the Chinese high-speed rail network.

You can see that Vossloh's transformation is running, it is running at full speed. And our financial goals are clearly set. We know what we want to achieve and how we will be measured.

With

- above-average sales growth,
- continually increasing operating profitability
- positive value added and
- a positive free cash flow in all our divisions,

we will

- only be active in product segments and regions in which we can **operate profitably** and hold or can achieve a leading market position in the medium term
- **significantly increase our research and development expenses** and thus further reinforce our position as an innovative and technologically leading rail infrastructure company
- continue to optimize our regional positioning as well as our internal structures and processes and **align ourselves more closely to the needs of the market** and
- accelerate the envisaged organic growth through targeted **acquisitions of complementary activities**. We have ensured the scope for this by taking out the very flexible medium-term Group financing in April.
- We are also working on **finding a buyer or new partners for the Transportation division**. We are currently encountering a high level of interest and are already holding the first exploratory talks.
- We are also strengthening the external and internal perception of the Group as "**One Vossloh**" and are thus using synergies as well.

In order to ensure the achievement of these goals, we will maintain the high implementation speed of the last few months. Although it will take some more time for the redefinition of the Group and the ongoing cultural change to be visible and noticeable at all levels, we will make every effort to lead Vossloh step by step towards a sustainably successful future. After a little less than one year, it is palpable how precise goals, clear communication, short decision-making paths and intensive cooperation have a positive impact. And, if you, as shareholders, decide to continue Vossloh's progressive transformation path with us, we will greatly appreciate it.

Thank you for your attention!