

**“Driving transformation. Shaping the future.**

**Speech by Dr.h.c. Hans Martin Schabert, Chief Executive Officer of Vossloh AG,  
on the occasion of the Annual General Meeting for financial year 2015**

Düsseldorf, May 25, 2016

– Please check against delivery –

## **PART I:**

Thank you very much, Mr. Thiele!

Dear Shareholders,

Shareholder Representatives, Ladies and Gentlemen from the financial media,

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 Düsseldorf.

### **Slide 2: (Board members talking to shareholders)**

We are delighted that once again so many of you have been able to attend the Vossloh Annual General Meeting. As in previous years, we had the opportunity to speak to some of you in the lobby again. This has become a fond tradition of ours, because we always want to be personally approachable - for you as our shareholders, for our customers, business partners and for our employees.

Before Mr. Schuster and I provide you with a detailed overview of financial year 2015, I would also like to briefly discuss the announcement made yesterday evening: The Vossloh Executive Board and Supervisory Board yesterday agreed a cash capital increase through the issue of new shares. More specifically, this means that Vossloh intends to issue around 2.64 million new shares, for which you as our shareholders will receive a subscription right. We intend to use the financial resources from the capital increase – we expect around € 126.8 million – to further accelerate the transformation of Vossloh into a focused rail infrastructure company – on the one hand through organic growth and, on the other hand, through business acquisitions which will reasonably complement our current portfolio.

Ladies and Gentlemen, with the planned capital increase, we intend to further strengthen Vossloh's already stable foundation. I will discuss this important step in greater detail later on.

**Slide 3: (Recovery and stabilization of the business)**

But first of all, ladies and gentlemen, allow me to draw your attention to the financial year 2015.

I am very pleased to be able to say to you today: The transformation of Vossloh is moving ahead successfully. The repositioning is visible. Vossloh recovered and stabilized last year. The goals that we had set ourselves for 2015 have been reached. We have grown significantly more strongly than the market, our profitability has increased greatly and debt was decreased. We have strengthened our financial position. This was achieved through both the conclusion of a syndicated loan in the summer of last year and through the sale of Rail Vehicles in Valencia, which was advantageous step for Vossloh.

Key financial milestones have thus been reached. But we had considerably more on our agenda.

**Slide 4: (Sales in over 80 countries on six continents)**

Vossloh is increasingly meeting its own goal of being THE supplier of comprehensive solutions in the rail infrastructure sector. In 2015, we made substantial progress in the regional expansion of our core divisions.

In Northern Europe, we were able to significantly strengthen our market position through two joint ventures with the VR Group, a subsidiary of the Finnish national railway.

**Slide 5: (Photo Vossloh Cogifer Finland)**

Since mid-2015, Vossloh has been operating switch productions and a long rail-welding plant together with VR. We were thereby able to substantially increase value created in Northern Europe and further internationalize our service activities. The success is visible in the increased regional sales figures in Customized Modules and Lifecycle Solutions in financial year 2015 as well as in the first months of 2016.

**Slide 4: (Sales in over 80 countries on six continents)**

We are also building a new manufacturing facility for fastening systems in Western Russia. Vossloh has been named technology partner of the Russian national railway. And when better times come in this extremely large rail market - one of the largest in the world - we expect that Vossloh will directly participate in the development.

**Slide 6: (Photo Vossloh Suzhou, China)**

Furthermore, in April 2015, we started manufacturing cavity filling elements in China. This new location is close to our production facilities for rail fasteners near Kunshan and is an optimal addition to our product range in China.

**Slide 4: (Sales in over 80 countries on six continents)**

Cavity filling elements, ladies and gentlemen, are an example of the innovations that Vossloh drives forward. Filler block elements acoustically and electrically insulate the rails and thereby make the booming local rail transportation quieter and safer.

**Slide 7: (Photo of production site in Waco, Texas)**

Last but not least, our rail fasteners production in Waco, Texas, was ramped up in the last year. There, we have the most modern production in the USA. A partner company produces the matching plastic system components right beside our facility. Ladies and gentlemen, this example not only shows how successfully Vossloh has internationalized itself, but also how efficiently we combine locations and competences.

**Slide 8: (Photo of railway network in the USA)**

In the medium-term, our prospects in the USA are very good. In this market, which continues to be the world's largest market for rail infrastructure, there is still huge technical catch-up potential. We will profit from this. All of the key requirements have been met.

**Slide 9: (Simple processes, unified standards: More precise, faster and more cost-effective)**

In 2015 we not only worked intensively on our international positioning, we also made substantial progress in the optimization and standardization of internal processes.

It was therefore necessary to reduce the number of our Group companies to a reasonable figure. Unfortunately, we also had to cut jobs in the last year. This decision, which was not easy to make, was essential in order to ensure the security of the entire company.

We have reduced unnecessary and time-consuming administrative work throughout the Group, standardized processes, streamlined our reporting and thereby noticeably improved efficiency and effectiveness.

The cultural change has been carried out at all levels and without regional boundaries. We want that the open change become part of day-to-day life, from the Executive Board to every individual employee. So, quarterly discussions with all managers from the first and second management levels have been established. We call this quarterly meeting with 16 participants the “Executive Management Meeting”. Every unit reports on the previous quarter and provides an outlook, summarized on just four slides, in front of the entire team. The focus is on content and dialog. This was not the case in the past. Previously each unit reported to the Executive Board separately, and only communicated with each other occasionally. Today we have a streamlined process with condensed information that is transparent for everyone.

**Slide 10: (Photos of employees)**

We have an open dialog in the entire Group and we foster an active decision-making culture. When I took office two years ago, I reported to you about “Vossloh Talk”, which we introduced at that time. It is a meeting during which a group of around 15 randomly selected employees from all levels and divisions meet with a member of the Executive Board. In 2015, my Executive Board colleagues and I held such

discussions with well over 500 employees, and thus spoke to over 10 percent of the total Vossloh workforce. I can assure you that we always received excellent comments and ideas at these occasions.

Ladies and Gentlemen, on behalf of the Executive Board and Supervisory Board, I would like to express our most sincere thanks to all Vossloh employees. The Vossloh team has loyally and dedicatedly supported the transformation process for two years now with great commitment and trust in a new Executive Board team. This cannot always have been easy. Each of our 4,850 employees has made a contribution. And it is thanks to them that Vossloh is once again on solid and stable footing.

**Slide 9: (Simple processes, unified standards: More precise, faster and more cost-effective)**

We have made occupational safety and health protection a top priority. And we take this very seriously: Progress in these processes have become part of bonus agreements. Our vision is to ensure that no Vossloh employee is harmed in the course of work.

**Slide 11: (Vossloh's cardinal rules for safety)**

Regular training courses and workshops take place at all large production locations in order to make employees aware of possible dangers.

**Slide 12: (Photos on occupational health and safety)**

The prevention of eye injuries was the focus set by our Work Safety Committee in 2015. The results are impressive: After eyes were one of the most commonly injured body parts in 2014, not one single employee in the Group suffered an eye injury in 2015.

**Slide 13: (One Vossloh: Coordinated and networked appearance in the market)**

Ladies and gentlemen, perseverance as well as working and thinking outside the box are all important skills when it comes to operating as THE leading supplier of rail

infrastructure solutions in the market. The improvement of our processes is combined with the strengthening of our external profile as “One Vossloh”. We made good progress here in 2015, as well. The systematic approach is a focus for Vossloh. In order to best meet customer requirements and constantly be able to offer attractive solutions, interdisciplinary thinking and a cross-divisional dialog along with the networking of innovation and expertise are becoming ever increasingly critical.

We are increasing our efficiency by combining functions in streamlined structures and managing this at a superordinate level. We have established regional centers in our focus markets. Here, sales representatives and specialists from all divisions work together closely at one location. This brings us closer to customers and allows us to customize cross-divisional offerings to their requirements and to specially adapt to the regional circumstances. Today we maintain such “Shared Offices” in the USA, Russia, China and Thailand.

**Slide 14: (Photo of corporate run)**

The fact that an increasing number of our employees complete cross-divisional training is also critical. We have, for example, introduced a joint training program in the USA for sales employees of all three core divisions with a focus on interdisciplinary expertise and uniform working methods. The structured knowledge transfer lays the foundation for safely and successfully handling even complex joint projects. This is not a matter of course, considering the dramatically different business models in the Group. This systematic approach is new, decisive for our business success and sets us apart from the competition.

**Slide 15: (Innovative and technologically leading rail infrastructure solutions)**

Ladies and gentlemen, Vossloh is a leading supplier of integrated rail infrastructure solutions. I would like to give you specific examples of this. Let us take one of the joint projects from Customized Modules and Lifecycle Solutions: We produce around 150 switches annually for the Swedish infrastructure authorities, pre-assemble them and deliver them on-time to the line with special transport vehicles. The old switches on site are removed and the new switches are positioned and installed directly in the

track beds. A great benefit for customers, especially because Vossloh promises that the line will be fully passable again after a maximum of 8 hours. A switch replacement previously took around 72 hours. Vossloh is also responsible for the grinding of around 900 switches in Sweden.

**Slide 16: (Photo of HSG-train)**

A further example for technologically leading solutions from Vossloh is our patented high-speed grinding technology for preventive track maintenance. Our HSG rail vehicles are now in use in local and long-distance transport in Germany, Scandinavia and China. In Germany the Lifecycle Solutions technology is in use on the three German high-speed lines Ingolstadt-Munich, Cologne-Frankfurt and Erfurt/Leipzig-Halle. These are all German routes with speeds of up to 300km/h.

**Slide 15: (Innovative and technologically leading rail infrastructure solutions)**

The HSG-city of the Rheinbahn AG here in Düsseldorf is a reference and successful project in local transport. Rheinbahn has now been using the HSG-city across a large area for just over a year. Through the regular track processing, the operating characteristics of the trains and the comfort of passengers have significantly improved. Noise levels have also been substantially reduced, according to feedback from Rheinbahn customers and local residents. And noise is the key acceptance issue for rail transport today.

**Slide 17: (Photo of HSG-city of Rheinbahn)**

The most pressing issues – securing high network availability, reducing lifecycle costs and finally environmental aspects such as the minimization of noise or dust pollution – are also precisely the same issues, which we will address at the InnoTrans trade fair in September this year in Berlin. Since these are the issues that affect all rail operators worldwide. Under the “Connecting Expertise” slogan, Vossloh will present and demonstrate its leading position, namely the range of key core competences from rail infrastructure from one source.



**Slide 18: (Divestment of Transportation ongoing, business recovering)**

Ladies and Gentlemen, let us now take a look at the Transportation division. As you know, we will also dispose of the two remaining business units, Vossloh Electrical Systems and Vossloh Locomotives, by the end of 2017 at the latest. Discussions with potential investors are going well.

Both business units within Transportation have developed very well. Business volume increased and earnings improved significantly thanks to the consistent further implementation of our program of measures in 2015.

Kiepe has managed to successfully deliver in particular the large orders, which were still a cause for concern in 2014. The high-floor light rail vehicles for Üstra in Hannover have been in regular operation since March of last year. Over 30 trains are in use with extremely high availability.

**Slide 19: (Photo of suspended railway in Wuppertal)**

The new vehicles for the Wuppertal overhead railway are also being shipped. The first of 31 trains was delivered to Wuppertal from Valencia at the beginning of this year. It was enthusiastically received by the population and is currently undergoing extensive testing. The modern and high-quality suspension trains will slowly be brought into passenger service and will replace their now 40-year-old predecessors.

**Slide 18: (Divestment of Transportation ongoing, business recovering)**

Vossloh Locomotives in Kiel was able to win numerous important orders at the end of 2015. This is a clear indication that our focus on standard locomotives and the significantly shorter production times for our locomotives in future meet the needs of the market.

**Slide 20: (New locomotives location in Suchsdorf offers significant advantages)**

With the new plant in Suchsdorf, Vossloh Locomotives is entering a new era. The business unit will benefit here: Dramatically reduced delivery times thanks to shorter paths and a directed material flow as well as state-of-the-art technology in production.

**Slide 21: (Photos of site in Suchsdorf)**

To make the difference very specific: Today forklift trucks cover 36 kilometers to bring the necessary material for one locomotive to the workstations. This distance will be reduced to 5 kilometers in Suchsdorf. This is just 14 percent of the previous journey. This reduction of the internal logistics workload makes an important contribution towards reducing our delivery times by up to two-thirds. The construction of our new building began in July 2015. In the second half of 2016 we will start to move to the new premises.

Ladies and gentlemen, this year I am once again sharing the report of the Executive Board with my colleague, Oliver Schuster, who will report on our figures. I will then talk briefly about our upcoming capital increase and inform you of the outlook for 2016.

***Slides 22 – 27:***

***cf. address of CFO, Mr. Schuster***

Thank you very much, Mr. Schuster.

**Slide 28: (Transformation is striving towards growth)**

Ladies and gentlemen, the figures presented by Mr. Schuster also prove that the restructuring and focusing of Vossloh is already at a very advanced stage. In the past two years, we have laid the foundation for the continued successful and profitable development of Vossloh. Vossloh is once again strategically and structurally well positioned. We now have to drive the positive development further forward with continued high momentum. This means that we are entering into the growth phase. Of course, in 2016 we will consistently continue and conclude the structural measures that have been initiated.

In entering the growth phase we are now beginning to more intensively investigate attractively priced companies in the international rail infrastructure market. Alongside our organic growth, acquisitions are to ensure an additional development boost and enable a forward-looking addition to the current product and service range. Also in order to meet this objective, the Executive Board and Supervisory Board yesterday agreed a capital increase. We intend to use the financial resources from the capital increase – we expect around €126.8 million – on the one hand for organic growth. On the other hand, we would also like to allow ourselves room to maneuver, in order to further optimize the positioning of Vossloh in the three core divisions and thereby grow further at greater speed. The financial resources will provide us with additional flexibility so that we can act immediately if attractive acquisition targets arise.

As part of the capital increase, Vossloh intends to issue 2.64 million new shares at a subscription price of €48,00 per share. You as shareholders have a subscription right to these new shares at a ratio of 5:1, which means that for every five Vossloh shares you are entitled to one new share. The necessary share prospectus for the capital increase is currently being examined by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and will presumably be published next Monday, May 30, 2016 following approval. The two-week period, in which you may subscribe for new shares, is scheduled to begin on May 31. Your depository bank will provide you with the necessary information and forms.

I am particularly pleased that Mr. Thiele as our Chairman of the Supervisory Board and main shareholder, as he has already said himself, supports our growth objectives and the planned capital increase. The confidence of Mr. Thiele in Vossloh, in the company's management and in its employees supports the planned capital measure and is a key part of the successful implementation of this strategy.

A further pillar of the transformation of Vossloh is the change of business purpose of Vossloh AG, which we will propose to you today for adoption under Agenda Item 6. In accordance with the concentration on our core competences, we ask you to update the business purpose of the company and to reposition it towards our future activities.

Ladies and Gentlemen, allow me to move on to a very personal topic. As announced in March, I have decided not to extend my mandate as an Executive Board member beyond its 3-year term until the end of March 2017. The transformation of Vossloh was a huge feat. In the last two years we have worked hard and with maximum personal commitment. Together we have achieved a great deal and have stabilized and secured the key areas of your company. I see my tasks at Vossloh as a great privilege and together with all of our employees I am proud of what we have achieved. However, I am a family man as well, with children and grandchildren. I would like to and I must give this important part of my life my time and attention, as well. Although the transformation process of Vossloh is already nearing completion, the implementation of the growth strategy will continue to require a great amount of effort and unconditional commitment. I am no longer able to support these upcoming years of the growth phase as intensively as before, balancing work and family. Special thanks to our supervisory board and especially to you, Mr. Thiele, for accepting my decision. And I am particularly pleased that my two Executive Board colleagues, Oliver Schuster and Volker Schenk, have already agreed an extension of their contracts until 2020. This ensures continuity at Vossloh. It goes without saying that I will use all of my skills and energy for Vossloh until the end of my mandate.

**Slide 29: (Outlook– ongoing improvement expected)**

Ladies and gentlemen, I say clearly and with great conviction: We stand by our planning. For 2016 we continue to anticipate sales of between €1.2 and €1.3 billion. We expect pleasing growth in Core Components. The EBIT margin will improve further to 4 – 4.5 percent. We expect the Transportation division to achieve a positive result once again in 2016, and we anticipate margin improvements in Lifecycle Solutions. In 2017, an EBIT margin of 5.5 – 6.0 percent should be achievable with the current portfolio structure. Without the Transportation activities, profitability will be significantly above these values.

Ladies and gentlemen, allow me to conclude with a brief summary:

- From 2016, the signs point to growth at Vossloh. We are keeping a close eye on strict cost and efficiency management.
- Vossloh will use the strong position in the important rail infrastructure markets for further organic growth.
- We will expand our range of cross-divisional and innovative rail infrastructure solutions to meet the requirements of our customers and extend and complement this range through selected acquisitions.
- Vossloh will continue to pursue research and development. Our competence centers make a key contribution to this.

I am convinced that as a focused and leading supplier of products, systems and services for rail infrastructure, Vossloh will be sustainably profitable and will continue to grow in value in the future. We will make targeted use of the financial resources, which we gain as part of the planned capital increase, for this purpose. We are delighted if you will join us in this next development stage.

Thank you for your attention!

**Slide 30: (Transformation)**