

**“Clear focus. Sharpened profile.”**

**Speech by Andreas Busemann, chairman of the Executive Board of Vossloh AG, on the occasion of the annual general meeting for financial year 2016**

Düsseldorf, May 24, 2017

– Check against delivery –

**PART I:**

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

On behalf of the entire Executive Board, I welcome you to this year's general meeting for Vossloh AG. My name is Andreas Busemann, and I have been chairman of the Executive Board of Vossloh AG for nearly two months now.

I am thankful that so many of you have come. I see this as a clear indication that you care about Vossloh and that it is important to you to receive firsthand information about your company. I speak on behalf of the entire Executive Board and Supervisory Board when I say that we also care about interacting with you, our shareholders.

Therefore, I am pleased to join my Executive Board colleague Oliver Schuster today in giving you a precise overview of the events and operational development of Vossloh in the past fiscal year. The entire executive team will be available to answer your questions. Finally, at the end of my speech, I will present the priorities that I would personally like to set for Vossloh in the future.

Next, however, I would like to briefly introduce myself.

In the past 27 years of my professional career, I have always been closely connected with the international railway industry and the railroad system. Over the last 10 years, I worked in three different Deutsche Bahn divisions – first as technical director of infrastructure, then as a production executive in long-distance traffic. In this role, I was responsible for the operation and maintenance of the white fleet, which means all ICEs and intercity trains. The last position at Deutsche Bahn before my switch to Vossloh was in freight transport, where I had executive responsibilities for sales and marketing.

In my entire time at Deutsche Bahn, I was allowed to contribute to important projects, such as the completely new approach for technology strategies in railway infrastructure, procuring the new DB flagship for high-speed rail traffic, the ICE 4, and the overall strategic reorientation of Deutsche Bahn in the current project “Zukunft Bahn” (Future Rail).

During these years, I was able to gain valuable experience from the point of view of a railway operator. And it is this important customer perspective that I would like to and shall gladly introduce during the further development of your company.

I started my career as a graduate engineer in aerospace technology in the traffic engineering division of Siemens AG, where I worked for 17 years on the side of a railway supplier. I held various leadership positions domestically and internationally, and in my last position, I was responsible for the global business of Siemens control and safety technology. There we developed systems to monitor and safely control rail traffic and installed them worldwide for major national railways and metro operators. Modern IT and efficient automation technology played a central role in this.

Ladies and gentlemen, of course you cannot get a comprehensive picture of me in such a short time. But I hope that I have been able to show you how intensively I have gotten to know railway systems and the railway industry – both from the perspective of a rail operator and from the viewpoint of a supplier. Now I am fully applying this extensive wealth of professional experience combined with solid technical expertise and the necessary management skills for and at Vossloh. I will do my part to make Vossloh even more modern and innovative. Vossloh has enormous potential, and that is why I, as your Executive Board chairman, am happily committed to doing everything in my power to further develop your company.

I fully support the approach adopted in 2014 to focus on railway infrastructure, and I am delighted to seamlessly continue the excellent work of Dr. Schabert, who I also warmly welcome. I would like to take this opportunity to join the Supervisory Board in thanking my predecessor. Together with his colleagues, Dr. Schabert has done a great deal for Vossloh in the last three years. Under his leadership, Vossloh was

consistently restructured, the company focused on its core competencies, and today Vossloh is a Group with a clear profile. Thank you for that, Dr. Schabert!

Ladies and gentleman, I can say that my introduction at Vossloh went very well. Collaboration with the Executive Board and the management team is open, cooperative and highly efficient, and I consider the employees to be capable, committed and motivated.

At this point, let me summarize the major milestones and recent successes from the ambitious reorientation.

1. First and foremost, I must mention the successful sale of Vossloh Rail Vehicles and Vossloh Kiepe. As you remember, by the end of 2014, the decision was made to separate the vehicle business as the result of a careful strategy definition. Today it is a fact that buyers have already been found for two of the three Transportation business units. From the beginning, it was very important to ensure the right combination of an attractive selling price and long-term security for the employees. We have succeeded in both.

Today, the only remaining subdivision, Vossloh Locomotives, has been consistently restructured and is now positioned in the market. A completely new production site is being built in Kiel-Suchsdorf. Production is due to begin there later in the year. Suchsdorf is one of the most modern, cost-effective and efficient locomotive sites in the industry. So, this is also a very good starting point for the planned sale of this business unit.

2. Vossloh was also able to achieve operational success in all divisions in 2016. Core Components was thus very successful in China last year. High revenues were generated with fastening systems for high-speed lines, and Vossloh was awarded the contract for two important major projects. We will equip around 900 km in total, and both contracts combined have a total volume of around 80 million euros.

China is also an important growing market for Lifecycle Solutions, which has significantly contributed to internationalizing business activities. Lifecycle Solutions has provided high-speed grinding services there since 2013, and in 2016, the division sold the first complete HSG train to China. In Northern Europe, the division with its services covering the entire railway life cycle was also able to score points. The “mobile rail milling” segment was further strengthened not least by the complete takeover of the shares in the former joint venture Alpha Rail Team in December 2016.

Customized Modules, Vossloh's highest-sales division, achieved good success in France in 2016. Cogifer was a project partner for three newly constructed track sections that will open later this year. The division delivered switch systems for a section of the high-speed line between Paris and Bordeaux and for the new route between Brittany and Pays de la Loire in western France. Powerful TGVs with speeds of up to 320 km/h will run on both of these lines. Vossloh switches were also installed on the track section between Nîmes and Montpellier. This section, which will be used for passenger and freight transport, completes the direct connection between Paris and Barcelona.

Vossloh Locomotives is also in demand as a supplier again. Last summer, Kiel won one of the biggest locomotive orders in many years. 44 type DE 18 locomotives will be delivered to the French leasing company Akiem as of 2018. This strategically important contract has a volume of around 140 million euros and includes options for additional vehicles and services. This means that the new location at Suchsdorf will be well utilized in the coming years.

3. With the acquisition of Rocla Contrete Tie, North America's leading tie manufacturer, a future-oriented step was finally made at just the right time in 2016. Since the beginning of 2017, these activities have been called Vossloh Tie Technologies, and they form the second business unit in our Core Components division.

The USA is an extremely attractive market, first because the country is the largest rail market worldwide with a railway network length of over 220,000 km, and

second because there is an immense need to modernize the long-distance routes. In the USA, there are still a large number of installed wooden ties that are being replaced step by step by concrete ties, which are superior in terms of life-cycle costs and product properties. And this is exactly the core product and core competency of our new Tie Technologies business unit. In addition, the Tie Technologies employees have established long-standing, strong customer contacts with all major freight transport and passenger transport companies.

Vossloh is also greatly strengthening its distribution by acquiring the existing business in the USA. In the medium-term, we see great potential for growth in North America for all three core divisions of Vossloh. Today, we are bringing all of our expertise to offer complete solutions to North American customers from a single source: a local production and distribution network and a product and service portfolio comprising ties, rail fastening systems, switches, as well as supplementary services to maintain the value of the infrastructure. Last but not least, we have a motivated team of capable and experienced industry specialists.

Ladies and gentleman, you can rely on Vossloh as a customer, an employee and a shareholder. Vossloh has kept the promises that were made in the last three years. Vossloh is back on track. This is also reflected by the business figures for the year 2016 and the first three months of 2017. The employees of the Vossloh Group deserve the utmost respect and highest recognition for this. Under the capable leadership of the Vossloh Executive Board, the team made the transformation possible with their great personal commitment, lots of passion, and clear goal orientation. At this time, please join me in expressing my gratitude to all the Vossloh employees.

Thank you very much for your attention, and I will now give the floor back to Mr. Thiele.

### **PART III:**

Thank you, Mr. Thiele.

Thank you, Mr. Schuster.

Ladies and gentlemen, following on the words of Mr. Schuster, I would now like to add our assessment of the further business development in 2017 and, as mentioned at the beginning, take a look together at the issues for Vossloh in the next few years.

Regarding the future business development of the Vossloh Group in the current year, on the one hand, the inclusion of the Tie Technologies business unit for the first time is important, and on the other hand, we expect revenues to increase in the Transportation division. We are therefore expecting to achieve Group revenues of between €1.0 billion and 1.1 billion.

From today's perspective, we will be able to improve both the EBIT and the EBIT margin in 2017. Our goal for the company in its present form is an EBIT margin between 5.5% and 6.0%. Specifically, improvements can be expected in the Customized Modules and Transportation divisions, and almost unchanged profitability in Lifecycle Solutions. The profitability of Core Components will probably be below the level of the previous year.

The crucial factor is that we want to further develop your company successfully. The entire Executive Board will continue to work intensively towards this with all teams worldwide. We can promise you that. Our start in 2017 makes us very confident!

Ladies and gentlemen, there is a new foundation for your company. Looking ahead, we see three main points.

1. We will continue to consistently focus on expanding the core business of railway infrastructure.
2. We want to grow both organically and inorganically.
3. We will drive innovation.

Let me go into detail about that last point in particular.

As a technological leader and a provider operating worldwide, it is our aspiration and our goal to actively promote the development of rail transport from our customers' point of view and in their interests. Our customers are asking for cost-effective solutions to further improve safety, operating quality and the availability of the existing infrastructure. In order to find sustainable answers, we, as a leading provider, must think in new dimensions and far outside of the box. This is not the case today. In many industries, what we call "Industry 4.0," "the Internet of Things," and the "digital change" have already arrived, but railway infrastructure is just beginning.

Ladies and gentlemen, digital technology will play a large role in the future in our industry as well. I am firmly convinced that, thanks to digital products and solutions, railway infrastructure can be built, operated and maintained more intelligently in the future. Our customers invest billions in their assets, so they understandably want to get the maximum benefit.

Ladies and gentlemen, please don't misunderstand me; a rail is still a rail, a switch is still a switch, and a tie is still a tie. Our core business remains the same. However, in conjunction with the possibilities of digitalization, enormous potential can be exploited for our customers.

You must be wondering what exactly is hidden behind digitalizing railway technology, and above all, what specific opportunities will arise for Vossloh.

I would like to shed some light on this question using some examples.

For a major railway operator in Europe, switch malfunctions cause nearly 20% of all operational failures. As a result of switch malfunctions, there are sometimes massive losses in operational quality, i.e., punctuality, and of course substantial costs result when trains stop running or have to be diverted. Passengers are delayed in reaching their destination and train and maintenance personnel have to work overtime. However, such malfunctions are often not a surprise, but rather arise from corresponding wear and tear over time. So if you monitor the condition of a switch with suitable sensors and link the sensor data to a central intelligence, the

maintenance can be started in a timely and targeted manner, and the unpleasant costly consequences are largely avoided.

With modern, cost-effective sensors, powerful digital transmission technology and intelligent evaluation of large amounts of data, it is now possible to address the aforementioned problem. However, this can only be achieved by mastering and combining both switch physics and digital components and methods. As a market leader for switch systems, we must tackle this topic of innovation and define our position.

The same is true for rails. In the course of its 25-year life cycle, a rail in the public network will be driven over by several million tons of train wheels. The powerful drives of trains and locomotives feed a large part of the drive energy directly into the rail. Over time, the high load leads to wear damage in the form of fine cracks and fractures in the material. In order to prevent serious damage to the line and ensure the safety of the infrastructure at all times, the rails are ground at periodic intervals. However, this is done regardless of whether or not there is actual damage to the rails. So, with the help of digital technology, the exact condition of the rail can be precisely measured, and the operator can provide targeted maintenance only where it is necessary and thereby extend the service life of the rail. At the same time, this reduces maintenance costs and increases rail availability. As providers of such grinding services, we will think about these modern technologies in order to offer our customers the greatest added value.

In addition to further developing our current products and solutions in our divisions, we will focus even more on the importance of digitalization in the future. Innovation for Vossloh in the context of Industry 4.0 focuses on monitoring and managing railway infrastructure with the help of digital technology. I will personally dedicate myself intensively to these tasks in the future together with specialists and suitable partners. Today we already have expertise and credentials in the Group on which we can build. But we will also investigate who could be suitable partners for us in this revolutionary development and also rely on their additional expertise.

Ladies and gentlemen, Vossloh, along with the railway market, is at a relatively early stage of a far-reaching development. We are a part of significant changes, and we want to be a driver of the associated opportunities. It will take time for digital technologies to be comprehensively included in infrastructure. But one thing is certain: Digital development will not be stopped. Railway infrastructure will become more intelligent in the future.

Ladies and gentlemen, I took over as Vossloh's chairman at a time when many assignments have been completed and Vossloh is back on track to its old strength. We are now looking ahead and are increasingly focusing on long-term, sustainable company growth. We will grow with additional momentum, but always combined with the goal of increasing value. As Vossloh's owners, you should benefit greatly from this once again in the future. That is our goal, and we are consistently working towards it with high motivation.

Thank you for your attention!