

## Declaration of Conformity

Pursuant to Art. 161 German Stock Corporation Act ("AktG"), the executive and supervisory boards of an exchange-listed stock corporation are required to issue an annual declaration on the extent to which the recommendations of the German Corporate Governance Code Government Commission have been and will be complied with.

In this context, the Executive and Supervisory Boards have made the following statement:

### **"Statement made by the Executive and Supervisory Boards of Vossloh AG on the recommendations of the German Corporate Governance Code Government Commission pursuant to Art. 161 AktG**

The recommendations of the German Corporate Governance Code Government Commission, which have been published by the Federal Ministry of Justice in the official part of the digital Federal Gazette (as amended up to June 2, 2005, and June 12, 2006, respectively), have been and are fully implemented, except for the recommendations indicated hereinbelow, which have not been and will not be applied (whether in full or in part):

(a) Clause 4.2.4 of the Code as amended up to June 2, 2005, recommended that the compensation of executive board members be disclosed as individualized figures in the notes to the consolidated financial statements, broken down into fixed, performance-related and long-term incentive components. With the enactment of the Executive Board Compensation Disclosure Act and unless otherwise resolved by the stockholders' meeting, individualized compensation figures are now required *qua lege* for each executive board member to be disclosed in the notes to the (consolidated) financial statements for fiscal years commencing on or after January 1, 2006. Therefore, the recommendation in Clause 4.2.4 of the Code as amended up to June 12, 2006, has now been superseded. Since Vossloh AG's Executive Board comprised only three (now two) members, the Executive and Supervisory Boards had believed that the disclosure of individual compensation data would not add any significant transparency to the report and therefore not justify the disclosure-related impairment of the Executive Board members' privacy. Consequently, the Executive and Supervisory Boards had decided for the annual report 2005 not to carry out the recommendation of Clause 4.2.4 of the Code as amended up to June 2, 2005. The annual report 2006 will, in contrast,

include the statutory Management Compensation Report with individualized Executive Board members' remuneration.

(b) In Clause 4.2.5, 2<sup>nd</sup> paragraph, 2<sup>nd</sup> sentence, the Code as amended up to June 12, 2006, has recommended the disclosure of the annual provision for accrued pension obligations to, or the annual endowment provided for pension funds in favor of, each executive board member. The Executive and Supervisory Boards believe that the individualized disclosure of annual provision or endowment data will not add any significant transparency to the other disclosures in the Management Compensation Report and therefore not justify the disclosure-related impairment of the Executive Board members' privacy. Consequently, the Executive and Supervisory Boards have decided not to carry out the recommendation of Clause 4.2.5, 2<sup>nd</sup> paragraph, 2<sup>nd</sup> sentence, of the Code, for either past or future fiscal years.

(c) According to the recommendation of Clause 5.4.7, 3<sup>rd</sup> paragraph, 1<sup>st</sup> sentence, of the Code, the compensation of the Supervisory Board members should be broken down into its components and disclosed on an individualized basis in the Corporate Governance Report. While this recommendation had not been carried out previously, it will be in future now that the compensation of each Executive Board member requires such disclosure.

(d) Under the terms of Clause 6.6, 2<sup>nd</sup> paragraph, of the Code, the total ownership of the company's stock or related financial instruments by executive board and supervisory board members should be reported if directly or indirectly in excess of 1% of the stock issued by the company. If (only) the entire holdings of all Executive and Supervisory Board members exceed such 1% threshold, the total ownership each of the Executive and Supervisory Board should be reported separately (without any individualization by members). According to Clause 6.6, 3<sup>rd</sup> paragraph, all the disclosures required by Clause 6.6 (including the aforementioned stock ownership, as well as the purchasing and selling transactions of board members) should be included in the Corporate Governance Report. While these recommendations had not been carried out in the past, they will henceforth be implemented since the compensation of each Executive and Supervisory Board member is disclosed on an individualized basis.

Werdohl, December 2006

The Executive and Supervisory Boards"