"Momentum for growth."

Address to Vossloh AG's stockholders at the AGM
in Düsseldorf on May 25, 2011

Werner Andree, CEO

Check against delivery

Stockholders,
Stockholder Representatives,
Ladies and Gentlemen:

Also on behalf of my Executive Board colleague, Dr. Norbert Schiedeck, and our employees, I would like to extend a warm welcome to this annual general meeting of Vossloh AG.

At last year's general meeting, I promised that we would do our utmost to continue to steadily add value for our company and for you as stockholders, too. Looking back on fiscal 2010 from today's vantage point, it is evident we once again kept our promise.

Vossloh AG's long-term business model, which had served us so well even in 2009, the year of recession, has more than proven itself. In 2010, we recorded the **most successful year in our corporate history** and reached **record highs in sales and earnings**.

We quickly and smoothly concluded the integration of our new **Rail Services business unit**. With the acquisition, we have managed to fortify our rail infrastructure competence, and besides fastening systems and switches, we now offer specific services related to the rails themselves. In terms of economic efficiency, we were likewise on target. In line with our demanding criteria for acquirees, the new business unit contributed toward group earnings right from the start. Now we are focusing on the internationalization of selected activities where we see excellent opportunities.

The buzzword **internationalization** takes me to another highlight of fiscal 2010. In recent years we have increasingly widened our presence in international markets to exploit their growth opportunities. In 2010, we were also successful in this respect: our organic growth was derived mainly from business abroad. We generated almost 30 percent of our sales outside of Europe. In 2006, this figure was then less than ten percent. In 2010, we not only grew in our traditional foreign markets, we set up business in new countries as, for instance, in the growth market of Russia, too. I will come to this later.

And we can be very satisfied with our **order intake**, which jumped by around 18 percent to more than €1.3 billion in the past fiscal year. Our bulging order books are an important indicator that Vossloh is excellently positioned beyond 2010, too. I would especially like to point to the share contributed by our Kiel-based **locomotive plant**. In 2009, here, the demand for locomotives had slumped due to the economic crisis and the decline in freight transport. Compared to this low level, order intake in the past fiscal year in Kiel, however, has significantly bettered. In other words: our German locomotive business has negotiated the trough and re-accelerated vigorously.

Ladies and Gentlemen:

Allow me to take a closer look at some of the key figures for fiscal 2010.

The **Vossloh Group’s sales** rose by 15.1 percent to the record high of €1.35 billion. Almost one-half of the sales growth is attributable to the first-time inclusion of Vossloh Rail Services. Organically, we boosted our sales by 7.9 percent.

Our **EBIT** reached a record €152.1 million, 10.3 percent more than one year before. We achieved an **EBIT margin** of 11.3 percent, thus again remaining clearly above our benchmark of ten percent.

Just as for the EBIT margin, we have defined a target for our **return on capital employed** (ROCE). It is 15 percent. In 2010, we easily topped this figure—despite the acquisition of the Rail Services business unit and a higher average capital employed as a consequence—with an impressive 17.2 percent. The prior year, ROCE had amounted to 20.5 percent.

Compared to the already good prior-year figures, both group earnings and earnings per share clearly improved in 2010. **Group earnings** mounted to €97.5 million, equivalent to a rise of 10.9 percent. **Earnings per share** accelerated 11.4 percent to €7.32.

Ladies and Gentlemen:

How did **our segments** fare in 2010? Summed up, we arrive at the following picture: the lion's share of organic sales growth is attributable to our business in rail fasteners, with again remarkably vigorous progress. Transportation Systems was the only business unit of the five having to contend with reduced revenue. This is quite understandable, as for locomotive business, sluggish order intake in 2009, the year of recession, led to receding revenue in 2010. The delayed fallout was due to the long delivery times typical of locomotive business.

In the **Rail Infrastructure division**, the Fastening Systems, Switch Systems and Rail Services business units generated sales of €891.5 million, 29.2 percent above the year before. Organically—in other words like-for-like, excluding Vossloh Rail Services—the division's sales grew 16.9 percent.

The key driving force of organic sales growth was the **Fastening Systems** business unit, which boosted its sales over the already high prior-year level by an impressive 38.3 percent to €369.4 million. We mainly benefited from excellent business in China, where we equipped the high-speed Beijing–Shanghai line with rail fasteners. Strong growth momentum was derived from Turkey, too, where we have been present with a production shop for rail fasteners since 2009.

Vossloh Switch Systems upped its sales by 3.3 percent to €439.0 million, thus remaining the Group's largest business unit. An important market for our switch business is North America where we had suffered in 2009 from weak demand for switches as a result of the economic crisis. All the more gratifying that sales in this region in the past fiscal year recovered.

Revenue at our new **Rail Services** business unit amounted to €84.8 million.

In our second division, **Transportation**, consisting of Vossloh Transportation Systems and Vossloh Electrical Systems, sales came to €459.7 million, 4.9 percent below the prior year.

This was attributable to poor business at **Vossloh Transportation Systems**, where sales fell by 9.3 percent to €304.8 million. Both locations, Valencia and Kiel, suffered from the belated effects of the global recession, reflected in declining sales from locomotive business. In Valencia, we at least managed to compensate for this to a substantial share through extra sales of local transport rail vehicles. And as Kiel focuses on the development and production of locomotives for freight transport, the late effects of the economic crisis in this case resulted in still noticeably sunken sales.

Finally, the **Electrical Systems** business unit continued the growth story of previous years and raised its sales by 7.8 percent to €160.0 million. It mainly benefited from brisk demand for electrical kits installed in trams and other light rail vehicles.

That completes the review of the business units. Let me now come to a subject of special relevance in fiscal 2010 and which will remain high on the agenda in 2011 and 2012, too: **capital expenditures**.

Despite last year's records we will not rest on our laurels; instead they represent an added incentive. We are working on the sustained further development of your company: further value-focused, profitable growth. The **capex program for the**

years 2010 to 2012 will inject additional momentum. And we have accordingly phrased the slogan of the annual report of 2010, “Momentum for growth.”

I will shortly deal in more detail with our capital expenditure program when looking ahead. Let me first outline our capital outlays for fiscal 2010.

In both divisions we clearly invested more in 2010 than one year earlier. In all, spending climbed 38.2 percent to €57.9 million. In the Rail Infrastructure division, the main expenditures went into capacity expansions and facility revamping. In the Transportation division we pushed ahead with the development of new locomotive models and light rail vehicles.

Fiscal 2010 saw the acquisition of Vossloh Rail Services and this impacted on our **net financial debt** which climbed €66.4 million to €136.6 million as of December 31, 2010, substantially after we paid the related purchase price. Total financial debts of €212.5 million contrasted at year-end 2010 with cash and cash equivalents (including short-term securities) of €75.9 million. Our closing net leverage came to a conservative 23.5 percent. Therefore, when it comes to funding our growth, we are well braced for future investing activities.

Our impressive **cash flow** in 2010 is another achievement I would like to highlight. The cash flow from operating activities improved by almost €100 million to €139.1 million, that freely available zooming from €5.4 million a year ago to €81.2 million in 2010.

We would like to reward you, our stockholders, for the record performance in 2010 with a commensurate annual dividend and so we propose for the past fiscal year a **dividend** of €2.50 per eligible share, following the €2.00 the year before. This is equivalent to a payout of €33.3 million. Both figures are up by one-quarter and represent new all-time highs. The payout ratio has now surged from 30.3 percent of group earnings to 34.2.

The success of the past fiscal year is also mirrored in the strong price gain shown by **Vossloh stock**. With a year-on-year rise of 37.4 percent, it even outperformed the very strong MDAX. At the end of 2010, the price was €95.50, a level where it still is.

Long-term, too, Vossloh stock is an attractive investment. During the twenty years since going public and as of December 31, 2010, it has shown an annual return of 15.8 percent. It is not only the price hikes that have contributed, our dividends, too, have mostly mounted or, at least, remained unchanged.

Ladies and Gentlemen:

I would like to close my review of the past fiscal year by commenting on our **headcount.** At the end of 2010, altogether 4,906 people worked for the Vossloh Group worldwide—4.2 percent or 198 more than twelve months before. In Germany, the Group employed a workforce of 1,685 at December 31, 2010; this is an increase of 354. The main reason for the additional workforce is the inclusion of the 323 employees at the new Rail Services business unit.

Any review of 2010 would be incomplete without a special thanks to our employees—after all, the key to our success achieved last year. My colleague on the Executive Board, Dr. Norbert Schiedeck, and I would like to thank them for their efforts. And I am sure I can do this on behalf of you, our stockholders, too.

Before talking about 2011 and the future of our group, I would like to make a number of comments on the agenda. This year it is relatively brief, certainly not due to the fact that Vossloh is dormant. As you know, we have great plans over the years ahead. However, it is a simple fact that there is no need for any further agenda items since you, ladies and gentlemen, last year already adopted resolutions which will be effective for several years.

Ladies and Gentlemen:

I now come to our position and prospects in the present fiscal year. We are off to a flying start in 2011. Demand for products from both divisions surged in the first quarter of the year. Order intake at over €620 million more than doubled.

Much brighter is now the outlook for business in locomotives and local transport vehicles. Our order books are fuller than they have ever been: at the end of March, order backlog within the Group reached a record €1.45 billion. This stokes our confidence. Today's orders are tomorrow's sales. This may be a truism but nonetheless it is still valid.

Q1 business this year was weaker than we had originally expected. Sales amounted to €259.5 million, EBIT totaled €17.9 million. The EBIT margin came to 6.9 percent, ROCE to 8.8 percent.

During these three months the Group generated earnings of €10.4 million and earnings per share of €0.78.

Please note that our cash flow from operating activities reached €71.7 million, an improvement of almost €100 million. As a consequence, net financial debt was further significantly downscaled to €70 million.

Together, the indicators are weaker than twelve months ago. There are evident reasons for this: because of the present situation in Libya we cannot, of course, ship to schedule and the switch capacities we had earmarked are not that easily rechanneled. The Valencia location is suffering from the expected revenue downturn due to the crisis-related order intake shrinkage over the past two years. Moreover, China, we had assumed, would make much higher order calls for rail fastener systems. So, let us not be deceived by this snapshot of the first quarter. We are and remain on the growth track.

Still, the present situation in China is somewhat uncertain as far as we are concerned. Because of the change at the helm of the Chinese Ministry of Railways at the start of the year, a number of projects have been postponed or will just be delayed. In our opinion, this will not mean any significant changes to the fundamental intent of considerably expanding railway lines in China over the next five years. Yet and as mentioned, particularly at the start of this year we did note a much lower rate of order calls. It is a fact that in China we have an order backlog extending beyond 2011. We expect order calls to resume appreciably within short. If this is not the case, however, it will be difficult for us to achieve our targets for 2011.

Ladies and Gentlemen:

Vossloh is still operating in a highly promising market. That this market will continuously grow is confirmed by all the relevant studies including the current forecasts by **UNIFE,** the Association of the European Rail Industry. This states that the global rail technology market will show a compound annual growth rate of around 2.3 percent up to 2015 and 2016.

Let us bear in mind such trends as urbanization, the growing scarcity of commodities, and the expanding global trade—factors that over the coming years, maybe even decades, will have a sustained impact on society and markets. The related challenges can only be mastered if transport and traffic infrastructure keeps pace in terms of efficiency, energy savings and ecological footprint.

In many countries around the world we sense an appreciably growing need to construct and expand rail and local public transport networks. In demand more than ever are green, cost-efficient and safe transportation systems for people and freight.

All these trends are very conducive to our business: industrial nations are concentrating on the necessary and extensive maintenance and refurbishment of their existing networks. Emerging countries, in contrast, are investing, in some cases heavily, in new rail and local transport facilities.

Ladies and Gentlemen:

In 2010 just as in the preceding five years, we clearly outperformed the quite respectable growth rates of our industry. In 2011 and 2012, we again intend to eclipse competition and achieve a better-than-average business expansion.

Here and now I can reaffirm our **sales and EBIT forecasts**, even if the present situation in China does represent an uncertainty factor. In all, we still expect **2011** to show sales of around €1.4 billion, thus outnumbering the all-time high of 2010. Also, EBIT is expected, from today's vantage point, to top €160 million.

As to **fiscal 2012**, we still predict sales to climb to around €1.5 billion and EBIT to exceed €170 million.

In both years, the EBIT margin is set to remain at 11.0 to 11.5 percent as in 2010, and hence superior to our ten-percent benchmark. ROCE likewise is expected to be well above our target level of 15 percent: for 2011 we are looking to a figure of around 17 and for 2012 of 18 percent. From today's viewpoint, earnings per share in 2011 will reach €7.20 and in 2012, rise to around €7.50. And finally, our net financial debt in both years should range between €100 million and €150 million. Hence, despite our capital expenditure program we remain loyal to our principle of keeping net leverage at a conservative level.

Ladies and Gentlemen:

Our lineup of new business originally included two megacontracts from **Libya**. In the final quarter of 2010, we had started to ship out rail fasteners for building a new Libyan rail network. When, however, the violent clashes commenced in February of this year, we suspended shipments for the time being at the request of our general contractor China Civil Engineering Construction Corporation. By the way, Vossloh does not have any of its own employees stationed in Libya.

Let me take this opportunity to comment generally on the **MENA nations**. In the past, I have often emphasized the growth prospects opening up in this region. Nothing has changed with respect to this assessment. Given the need for modern rail infrastructure we still identify vast market potential in many nations of this part of the world despite the political uncertainties.

Our expectations of continuing our outstanding growth rate are encouraged by the excellent order situation last year and this year. Our general optimism is encouraged by a series of **attractive orders** which we have won over the past months.

Back in fiscal 2010, we won an invitation to bid put out by the Swedish infrastructure agency Trafikverket for switches designed for very tough climatic conditions. Likewise last year we entered the Russian market by acquiring an order from this country's rail company RZD to deliver rail fasteners intended for the local infrastructure market. Moreover, we were awarded another large contract from China. We will be supplying rail fasteners probably in 2011 and 2012 for the Lanzhou–Urumqi high-speed line. And finally, together with Alstom Transport Deutschland we are building 50 light rail vehicles for Üstra Hannoversche Verkehrsbetriebe AG, the Hannover urban transit operator. The contract clinched a few weeks ago, includes the option for another 96 vehicles.

Likewise highly promising, as I already mentioned, is the order situation in our **locomotive business**. As the global economy recovers, so does demand for goods haulage by rail. We observe this in the course of many conversations with customers interested in our locomotives. Following the plunging demand in 2009, this recovery is increasingly reflected in hard facts. Order books at our Kiel location are filling up again not only in 2010 but also in the present fiscal year. This year and hence somewhat later than in the case of Kiel, we expect Valencia to likewise report rising interest in locomotives. Very good order intake figures in the first quarter of 2011 emphasize the validity of our expectations. In all, orders worth around €140 million were placed for the EURO 4000 and EURO 3000 locomotives along with the option for further such models.

To sum up: the signals here have switched back to green. We are very confident that in fiscal 2012 our locomotive business will once again show sales and EBIT growth.

Ladies and Gentlemen:

We would not be running your company with the necessary foresight if we limited our preview to the present planning period. With our **capital expenditure program**, we have already switched the points for further organic growth opportunities beyond 2012.

As mentioned, already in 2010 we substantially raised our capital spending. This and next fiscal year, we are making another €90 million and €60 million available. We are applying these funds to those areas where we are able to fulfill market needs and achieve profitable growth. Let me explain this by referring to major projects.

In the **Rail Infrastructure** division we identify growth potential in further geographical expansion. We are targeting our expenditures at two countries where we expect to generate a good return on our investments: **Russia and China**.

I have already mentioned the order we booked last year from **Russia**. The move into this local infrastructure market offers vast growth opportunities—after all, Russia has the world’s third-biggest rail market and intends to invest considerable sums in its infrastructure for the period up to 2030.

Together with a local partner we are therefore planning to set up a rail fastener plant with a production capacity of around €60 million annually. We will probably commence construction before the end of this year. Local presence is not only an essential success factor in order to consistently tap the Russian market; we also expect additional business potential in the remaining CIS nations such as Kazakhstan which likewise have a strong need for rail infrastructure projects and where even now we are operating.

China is another country where we are building a production plant. As part of a joint venture concluded with China’s family-owned Huaxing Group and the China Railway Material Group (CRMG) we are presently building close to Nanjing a rail switch factory with an annual production capacity valued at over €80 million.

With our rail fasteners, we are already established in China’s high-speed rail sector. The switch factory will allow us to set up a second source of business targeting local public transport and industrial trackage. These are segments with remarkable growth prospects. Given the burgeoning flow of traffic in China’s cities and megacities, local public transport, in terms of rail network length, is set to grow almost eightfold by 2020.

We will benefit from a strong tailwind since our partner, the China Railway Material Group, currently sources around 2,500 switches for local public transport and industrial trackage from other suppliers. With this joint venture we will be able to address the demand ourselves and so virtually ensure the capacity utilization of our production plant.

Whereas we are opting for new production plants in our rail fastener and switch businesses, in the Rail Services unit we are targeting expansion abroad through the construction of several new **high-speed grinding trains**.

Last year I talked about the principles of high-speed grinding used in preventive rail maintenance. Thanks to the rapid grinding speed of 80 km/h, there is no need for sections of rail to be shut down—and this entails much lower costs for our customers.

With the new grinding train, we have good prospects of spreading into foreign markets and putting Vossloh Rail Services on an international footing. We are worldwide the sole provider of this patented technique. Potential customers have indicated vast interest as shown in the positive reception at the industry fair InnoTrans where last year we showcased high-speed grinding.

In our **Transportation** division we again expect high growth rates in freight haulage and local public transport where as specialists in select niche markets we are already firmly established. In order to further extend our leadership we are presently investing, in particular, in the development of new products.

Last year we had reported on our development efforts at the Kiel location. Here we are working on a modular **locomotive family** which thanks to a high degree of parts commonality, offers numerous economic advantages. These locomotives can be largely customized to individual requirements including, alongside the proven diesel-hydraulic driveline, the option of diesel-electric traction.

This diesel-electric driveline is our own development carried out by the Electrical Systems business unit and will enhance our degree of vertical integration. The alternative driveline will also serve as a launching pad to attractive international markets. Whereas diesel-hydraulic traction is the rule especially in Germany and France, other countries in Eastern Europe, North Africa and the Middle East prefer locomotives with diesel-electric.

At our Valencia location we are also investing in the development of a new type of locomotive. With an axle load of less than 20 t, the **EURO*LIGHT*** addresses the specific requirements of secondary rail lines. At the same time it develops sufficient power to keep up with traffic on main lines. This flexible operating option allows us to enter new and attractive markets. Potential customers for the EURO*LIGHT* are, in particular, operators in Europe, the Middle East and North Africa where lines are often of limited axle-load capacity.

As early as this year, we expect that our expenditures at Kiel and Valencia will fuel demand for the new types of locomotives. Already in 2010 a large share of new orders booked by Kiel were for the G 6, the already marketable first-born of our modular family, and this endorses our expectations.

Other developments this year concern the first all-Vossloh tram. With a broad and innovative product lineup we are very well positioned to share in the growing local transport market. And here is another success story concerning our trams: Rostocker

Strassenbahn AG placed an order in April for thirteen trams from Vossloh Kiepe, Düsseldorf, and Vossloh Rail Vehicles, Valencia. The first are scheduled for delivery in 2013.

And, finally, our engineers have been working on the development of the first all-Vossloh train-tram for which they are now reaping the rewards. The so-called train-tram will one day be running on regular service on the island of Mallorca. This innovative vehicle for local public transport can function both downtown as a tram and as a train at higher speeds in the suburbs or on regional lines. The vehicle has been built by our plant in Valencia, Vossloh Electrical Systems supplied the electrical kits. The train-tram is the first all-Vossloh train and a milestone in our corporate history. It is also another example of successful intragroup interaction that allows us to operate as a single-source supplier.

Ladies and Gentlemen:

There are some who might be asking themselves whether our present capex program implies a ditching of our **acquisition strategy**. Certainly not.

In future we will continue to scout for takeover candidates in certain market areas, however, only if these fulfill our exacting strategic and economic criteria. We are looking for candidates with whom we can geographically expand our switch business. Potential acquirees include companies supplementing our Rail Infrastructure and Transportation products and services. We certainly have the money!

This closes my review of the Vossloh Group, as it is today and will hopefully be tomorrow. I trust that my comments have made one thing clear: within the framework of our **value-adding corporate strategy** we intend over the years ahead to compile new chapters in the Vossloh success story—through value-focused growth in excess of the market average and accompanied by high profitability.

Our route to this destination is clear: as always we are focusing on rail technology submarkets in which we command a foremost position or can do so within a reasonable period of time. And we are proactively seizing the opportunities in these markets by expanding our business in promising regions and aligning our products and services with present mobility requirements. It is with this in mind that the projects which I have talked about today, are targeted—projects by which we intend to once again step up our growth momentum.

Ladies and Gentlemen, I would like to close by thanking you for your confidence in Vossloh. We will do our utmost to remain a rewarding investment.

Thank you very much for your attention.