"Technology that moves"

Address to Vossloh AG's stockholders at the AGM in Düsseldorf on May 23, 2012

Werner Andree, CEO

<u>Check against delivery</u>

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 you at this annual general meeting of Vossloh AG. We are pleased that you have traveled here today to the Congress Center in Düsseldorf thus demonstrating your interest in the development of Vossloh AG.

Ladies and Gentlemen: let me come to the point immediately. At last year's AGM I announced that in 2011 we intended to achieve new record sales. This expectation, well-founded at the time, we have been unable to fulfill. The reasons were external effects whose occurrence and extent were unforeseeable.

Nonetheless, even for this tough year of 2011 Vossloh can report a number of great successes!

At around €1.5 billion, order backlog surged to a new all-time high at year-end 2011.

Interest in our locomotives and light rail vehicles has risen particularly steeply. Never before in our history has order intake for our products and services been higher than in 2011. Altogether, we booked new orders worth over €1.6 billion. The surging demand for our products impressively underscores that Vossloh enjoys great respect as a supplier with the ultimate in technological competence.

With such a bulging order book we have a solid base for returning Vossloh to the growth track. In the course of my comments, I will let you have details on new contracts as well as on the prospects for this and next year.

To begin with, however, I will ask you to join me in taking a closer look at **business in 2011**. After a series of highly successful fiscal years and especially compared with the record year of 2010, we had to contend with a number of setbacks.

The fact that last year developed differently than originally planned is mainly due to the following three **factors**:

- There was an unforeseeable interruption in deliveries of our rail fastening systems and switches to Libya.
- We were faced with ongoing project delays in China.
- We encountered a severe slackness in demand in several European markets.

Let me delve into details and the business situation in **Libya** to begin with. You all remember the armed conflicts last year that rapidly escalated in February. Inevitably, this brought about a suspension in work on building the newly planned line between Ras Adjer and Sirt. As a consequence, shipments of our rail fasteners and switches were put on hold. Particularly for our switch business we had counted on considerable sales from the Libyan project. Now we do not expect deliveries to recommence before 2013.

Regarding, however, Africa and the Middle East, we continue to be confident. Last year we almost doubled sales to this market—despite the suspension of shipments to Libya.

Let’s now take a look at the second external factor: project delays in **China**. Since 2007, we have had a rail fastener factory in China and ever since then, our Chinese business had been a success story. Vossloh has continuously expanded in this market and raised sales in 2010 to over €150 million. Altogether and since the start of our operations there, we have generated over €450 million in sales to China. After four extremely dynamic years, there was then a sudden change in direction in the spring of 2011 and this imposed heavy burdens on the entire rail industry in China.

To begin with, in February 2011 the then Minister of Railways was deposed. His successor ordered an interruption in the high-speed track construction work then underway. Five months later, in July last year, there occurred a terrible accident on one of the new high-speed lines. The need to research into the causes of the accident meant that construction work throughout the country again came to a halt. For Vossloh, this entailed that the rail fasteners already commissioned for the expansion of the Chinese railway network could not be shipped out. Accordingly, our sales in China remained far short of expectations. However, after having won new bids last year, we now have an order backlog of over €200 million in China. For us, it is simply a question of time when these contracted projects are implemented and hence sales in China rebound.

The third external factor hurting our business last year, was increasingly weaker demand in **Southern Europe** in the course of the period. The reason for this was and still is the tight public-sector budgets of a number of European countries. Unfortunately, we must assume that this will not basically change in 2012. In contrast, again stable and in some cases slightly advancing is our business in the big core markets of Western and Northern Europe.

Ladies and Gentlemen:

Following this review of last year's difficulties, I would now like to outline the **key figures for fiscal 2011.**

Sales by Vossloh dropped due to the already-mentioned external effects, from €1.35 billion in 2010 to just under €1.2 billion in 2011. This is a shortfall of 11.4 percent.

Earnings before interest and taxes (EBIT) slipped by over one-third, from €152.1 million to €96.5 million. The EBIT shrinkage in fiscal 2011 was partly due to the lower capacity utilization at several group locations on account of receding sales. Another reason was the higher cost of materials and fiercer competition for our products in certain markets. As a consequence, the Group's EBIT margin dropped from 11.3 percent in 2010 to 8.1 percent last year.

At 11.9 percent, our **return on capital employed (ROCE)** was likewise below the benchmark, 15 percent. As you will be aware, Vossloh pursues a value-driven growth strategy. Besides the value added (VA), defined as the premium earned in absolute terms above the cost of capital (WACC), ROCE is another key controlling parameter. I feel I should underline that even in this troubled year 2011, Vossloh did add positive value. With WACC at 10 percent, the premium of 1.9 percent the Group earned in fiscal 2011 was below the level of previous periods, however, we added value of €15.4 million and were thus able to produce a yield that well outcovers our cost of capital.

Group earnings by Vossloh slumped from €97.5 million to €55.7 million. This was in line with the reduced operating result. Moreover, the Group's tax load ratio mounted from previously 25 to 28 percent. Hence, **earnings per share** were lower than in 2010 and amounted to €4.28.

I will now take a look at the situation in our **divisions** and **business units**:

The **Rail Infrastructure** division subsumes all our operations connected with rail infrastructure products and services. It has three business units:

- Fastening Systems—as the name suggests, rail fasteners.
- Switch Systems—rail switches and turnouts as well as signaling equipment.
- Rail Services—all kinds of services connected with the rails themselves.

Sales by Rail Infrastructure in 2011 receded 12.6 percent to €778.8 million. Particularly the already-cited project delays—as well as the fiercer competitive and price pressure mentioned—were the reasons for the decrease.

These parameters hurt in particular the **Fastening Systems** business unit. Its sales last year were lower than 2010, declining by 28.9 percent to €262.8 million. In China alone, sales were down by more than €100 million compared with the record year of 2010. In Russia, too, for us a still new but highly promising market, there were delays which weighed on our sales. Looking ahead, however, we still expect the maintenance and repair of the Russian rail network to generate for us a highly attractive market potential.

Neither did switch business develop as expansively as we had originally expected for 2011. Vossloh **Switch Systems**, our biggest business unit in terms of sales, did manage to just about repeat the prior-year figure. At €433.0 million, revenue was merely 1.4 percent down. Nonetheless, suspension of shipments to Libya and weak demand in Southern Europe did depress sales and EBIT, which originally had been budgeted much higher.

The **Rail Services** business unit, a member of the Group since 2010, fared well last year. Its sales climbed 3.5 percent to €87.7 million.

Sales at our second division, **Transportation**, were short of the prior year's volume. This, however, was expected, given the poor order intake in the preceding years. Accordingly, revenue in 2011 slipped by 8.6 percent to €420.0 million.

Business at our **Transportation Systems** business unit was mixed. At our Spanish **location in Valencia**, where we build diesel locomotives, local transport rail vehicles and trams, sales shrank to €156.4 million. This is mainly due to the trickling order inflow in 2010. The sharp recovery in order intake since spring 2011 could not yet translate into sales. Major orders for locomotives and local transport rail vehicles normally take some time to place and execute, in some cases several years. In this context, we are all the more pleased that in fiscal 2011, the Transportation Systems business unit recorded an order intake of €445 million, a multiple of its annual sales. This delivers dependability for the years ahead.

Our **Kiel plant**, where we build center-cab locomotives, performed very well last year. Sales rose by over 20 percent to €123.5 million. Germany and France were again the most important sales markets. And with solid new orders, the Kiel location, just as our subsidiary in Spain, has laid the foundations for ongoing strong business over the years to come.

Our **Electrical Systems** business unit develops key electrical components and complete electrical systems for rail vehicles. Sales last year fell 8.4 percent to €146.7 million. The reason was a general delay in order intake. However, following the inflow of orders for over €340 million, Vossloh Electrical Systems has a very tall order backlog which already in 2012 and then starting from 2013 will have a favorable effect on sales and EBIT.

Ladies and Gentlemen:

Let us now glance at the **financial indicators**. The past year's challenges notwithstanding, the Vossloh Group is in great financial shape.

As you know, we redeemed and withdrew in July 2011 the ten-percent treasury stock we had repurchased as part of our **share buyback program** 2008/2009 and then again embarked on a new one. The decisive factors in favor of the new buyback program were Vossloh's substantial nest egg and the mid-2011 equity ratio of 40 percent. You all know the rock-bottom rates cash investments return nowadays, and what we wanted was an economically sensible way of appropriating our liquid funds. Sound alternatives for higher-yielding investments are scarce, and when we made our decision to reacquire treasury stock, we did not have any sufficiently specific M&A plans either. So we believed that an investment in Vossloh AG's own shares was the only option for offering added value to all our stockholders. Also the step we had taken before we could consider launching a new buyback program—the redemption and withdrawal of our then existing treasury stock portfolio—proved to be highly rewarding for all our stockholders. All those owning Vossloh shares at the time we decided on the share withdrawal benefited from a 10-percent increase in the value of their holdings. When we carried out the new buyback program for another ten percent of our treasury stock, we spent a good €100 million, which impacted favorably on earnings per share and endorses our confidence in Vossloh's value and further growth potential.

The share buyback program, completed December 2, 2011, drove up our **net financial debt** year-on-year from €136.6 million to €238.8 million. The offset of treasury stock against equity shrank Vossloh's **total equity** to €482.8 million as of year-end 2011, bringing our **equity ratio** to a still very solid 31.9 percent as of December 31, 2011.

Let us now dip into **cash flow** details. There are particularly two aspects I would like to limelight:

(1) The net cash produced by operating activities has remained virtually unchanged in spite of the challenges in 2011 since we managed to considerably slash the funds tied up in working capital in comparison to 2010.

(2) The freely available cash flow slipped to €72.9 million from the prior-year level—however, our investing activities were stepped up substantially from the 2010 magnitude.

Lades and Gentlemen:
This trend clearly illustrates Vossloh's focus on the addition of shareholder value, even when we have to weather a storm.

I would now like to comment on what, for us, is an unsavory issue. You may have learnt from the press that the **antitrust authorities** since mid-2011 have been investigating a number of companies, the so-called "Friends of Rail" who for years now have allegedly been practicing price collusion on the rail market. Also cited in this context is Vossloh, namely a 2009 acquiree. Given the still continuing investigations, I cannot give you any details on the status of the proceedings. I would like, however, to state with all clarity and emphasis: Vossloh for several years now has been following a **"strict compliance system"** that refuses to tolerate without exception any infringements of this nature. In fact, we have adopted the "zero tolerance" concept, as it is known in English—a fitting example of the unmistakable rules that we consistently apply.

Ladies and Gentlemen:
To achieve value-driven sustainable growth, one needs to invest in the future—even in tough times. And this is something we practice! Despite the more difficult conditions, we have rigorously pushed ahead with our expenditure programs which will take another two years. We even invested considerably more than in the previous

period. Altogether, our capital outlays rose to €65.6 million. The following projects were the center of focus:

(1) We are expanding our rail fastening plant in Werdohl and are, in fact, restructuring the entire location. This will take until the end of 2013. A new Technology Center, as part of these efforts, has already come on stream.
(2) In China and since 2011, jointly with two local venturers we have been building a switch factory to go into operation this year.
(3) This year, we will complete work on constructing two new high-speed grinding trains, to go into operation by year-end.
(4) Developing new locomotive models at the two locations of Vossloh Transportation Systems is and continues to be a major component for growing success.
(5) Finally and following the record orders booked by Vossloh Kiepe, it proved necessary to expand and restructure the Düsseldorf location. We started this in 2011 and are continuing the work until 2013.

This year, 2012, and in continuation of these projects we intend to spend another €79 million. Next year, 2013, expenditures will amount to around €65 million. In addition to the items mentioned, funds will be allocated to further revamping and in some cases expansion work at certain other locations of Vossloh Switch Systems.

Ladies and Gentlemen:

The results for 2011 were, all in all, disappointing yet we remain upbeat. For three reasons:
(1) Even if things are not always squarely on track, Vossloh is a fundamentally healthy group.
(2) Given the tall order backlog, the prospects for Vossloh are good.
(3) Today’s Vossloh AG is more international than ever before and on this basis, we will be able to make best possible use of growth opportunities both in our home markets and outside of Europe.

Let me now comment on the situation in the various regions in which we operate. To begin with, a few words on our core market of **Europe**. If we regard Western, Northern and Southern Europe as a single unit, in 2011 we suffered a sales setback of 14.6 percent to €776.9 million in this region. It was the weak demand in Southern Europe that burdened business, in particular. The reason: the tight public-sector budgets. This is not likely to change to any degree in 2012.

Business in Western and Northern Europe, in contrast, has stayed stable and at a solid level. Contributing toward this are, beside the necessary replacement expenditures on existing rail networks, such projects as the Gotthard Alptransit and the high-speed line between Vienna and St. Pölten. Vossloh will continue to generate stable-to-slightly-growing revenue in Western Europe. Let me cite some examples. Our innovative service, high-speed grinding, we have already successfully marketed in Switzerland, France and Scandinavia following its launch in Germany. For the first time we have also booked an order to supply rail fastening systems for a high-speed line in France—a country otherwise firmly in the hands of competition. And likewise in Germany, we have been able to substantially strengthen our market position not least of all because of new and modern light rail vehicles, completely sourced from Vossloh.

In **Eastern Europe** and **Russia** sales rose sharply last year, by 46.2 percent to €62.5 million. We showed particularly vigorous growth in Poland. Those of you attending UEFA's EURO 2012 and traveling by rail to the stadiums in Poland will encounter Vossloh products at many places along the line.

The revamping of rail networks and urban projects in Eastern Europe and Russia will continue to offer sound prospects for the years ahead. Russian Rail intends to spend around €350 billion alone by 2030—including on around 20,000 km of new rails and 3,000 new locomotives. The doubling of our order intake in Eastern Europe and Russia underlines this growth potential. Right now, we have a strong presence through our rail infrastructure products.

In the countries of the so-called **MENA region**, our sales are still relatively modest yet accelerating at a tremendous rate. Revenue last year almost doubled from €52.2 million in 2010 to €103.5 million—and all this despite the suspension of shipments to Libya. In Africa, we identify sustainable growth especially in the haulage of raw materials by rail as well as in local and long-distance passenger transport. Attractive markets in this context—in local and long-distance passenger transportion—are especially South Africa and given the emerging haulage of natural resources, the Sub-Sahara nations. The rail infrastructures in the Middle East are highly promising and offer sound prospects for the next five to ten years. We are supplying Metro Dubai with rail fasteners and, again from the United Arab Emirates, we booked an order to equip a freight haulage line likewise with rail fasteners. In all, we expect a sustained and high growth rate in this region for the coming years. As mentioned earlier, our budget does not include any notable sales from Libya up to 2013.

In Asia, Vossloh made very good progress outside of China, with clear sales uptrends in Taiwan, Malaysia, Singapore, and Thailand. Because of the project delays in China in 2011, however, Asian sales receded year-on-year from €213.0 million to €123.7 million. As to further developments in China and on the basis of the more moderate level now achieved, we are confident. Exactly when work will resume on the high-speed projects, is still open. We expect, however, that it is not a question of whether but when. The fact that work will continue and that Vossloh will play a role is underscored, among other things, by the contract won in September 2011 for the delivery of rail fasteners for the line Hefei–Fuzhou.

Starting from 2012, we will also focus more closely on the numerous metro market projects. For urban transit projects, we will start in 2012 delivering switches in China through our new joint venture. At the new Wuhu plant, a so-called “whisper” switch will enrich the product lineup. This results in a considerable reduction in noise when the train crosses—by 5 to 8 decibel. The first test installation will operate on the Shanghai metro, the world’s longest subway network.

Apart from the temporary setback in China, we are very confident as to market prospects in Asia. I would just mention the large number of cities with over a million inhabitants—already for some time now threatened with traffic gridlock. Of the 50 biggest cities worldwide, almost two-thirds are in Asia, of these eight in China alone. This is where we identify vast potential since the separation of home and working locations gives rise to vast flows of commuters. Chronically congested roads and smog make efficient public transport systems more than ever necessary.

Expanding and optimizing rail transport are essential preconditions for sustainable growth in all the countries of this region and Vossloh has an appreciable share in this growth. And, in future, we plan to be present not only through our infrastructure activities but also to score with our vehicles.

Now to the **Americas** where sales last year inched down by 3.5 percent to €102.6 million. In the USA, freight haulage, a sector closely tied to economic trends, is playing a decisive role. This is where Vossloh is benefiting from the modernization needs of heavy-haul freight transport infrastructure; these needs, however, will translate into demand only if the private railway operators have the necessary funds. When it comes to local public transport and rapid transit, we again identify potentials for Vossloh Electrical Systems and Vossloh Rail Vehicles. Our switch business in the USA has substantial growth potential. One sound indication that US business is continuing to recover is that our order backlog at year-end 2011 improved substantially compared with 12 months earlier.

Whereas in North America we are counting on moderate growth, depending on the general economy, over the years ahead, the South American market will show clear gains.

In South America, urban projects and the construction of freight haulage lines are factors that fuel business in addition to the upcoming FIFA World Cup and the Olympics in Brazil.

Besides Brazil, plenty of potential is also identified in Argentina. This nation’s railway network, extending for some 30,000 km and in poor condition, is set to be expanded through strong political support. In Argentina, Vossloh Cogifer Argentina together with ADIF, the national rail infrastructure authority, is aiming to set up a consortium in which Vossloh holds a majority stake. The purpose of this consortium is to establish and operate a switch production plant in La Plata, Argentina. The plant would start production next year.

Let's take a look now at the stock price of your company. In 2011, **Vossloh stock** with a loss of altogether 22.4 percent, fared worse than the average for the German stock market. Decisive in this performance was the already-mentioned fall in sales and EBIT as a consequence of two profit adjustments we had announced.

Even though we have had to contend with many challenges last year, I would like to reemphasize: we are convinced of the bright prospects facing the Vossloh Group and wish to allow our stockholders to share commensurately in this. This together with the very good 2011 cash flow are the reasons why the **dividend** for the past fiscal year will be unchanged at €2.50 per share. If you agree to this proposal, the payout will amount to around €30 million.

Ladies and Gentlemen, let me take this opportunity to thank most sincerely our **employees**—for their commitment and efforts last year. Together we overcame the challenges of 2011. Not least of all, the many new contracts underline that our products and services—developed and launched onto the markets by employees throughout the Vossloh Group, again closely address the needs of our customers. External circumstances may have set us back in terms of figures. We must not overlook, however, that great things were once again achieved at Vossloh last year. I'm sure that I can also express thanks to the employees on behalf of you, our stockholders.

I would now like to make a number of comments on items of the **agenda** before taking a look at business this year and at the future of your company. Just as last year, this year's agenda is brief. This is because you, our stockholders, at earlier AGMs have adopted resolutions that are effective for a number of years and so Vossloh can simply dispense with a long list of agenda items.

Ladies and Gentlemen:

Let us now take a look at business so far this year and the prospects facing the Vossloh Group. In the course of the first quarter of 2012 we managed to once again raise the record year-end order backlog which now amounted to €1.6 billion as of March 31. So, your company started off into the year with a bulging order book and this is why we are convinced that following the challenges of 2011, Vossloh can return to success and growth in 2012 and 2013.

The fact that business in the first three months of this year developed at a moderate pace was expected and therefore no reason for us to adjust our annual forecast. The main cause for the moderate start-up is the ongoing project delays in China.

The Group's Q1 sales at €256 million approximated the prior year's level; EBIT amounted to €10.2 million. The EBIT margin was 4.0 percent, ROCE 5.0 percent.

In the first three months of this year, we generated group earnings of €4.2 million; earnings per share totaled €0.35.

Ladies and Gentlemen, Vossloh has an order backlog at an all-time high. We look ahead optimistically.

According to the **Worldwide Rail Market Study** 2010 published by the European Rail Industry Association UNIFE, the market situation continues to be positive. Orders for the period up to 2015 and 2016, says the study, will grow annually by 2.3 percent until the rail technology market in 2016 has advanced to a volume of around €112 billion. We will carve out for ourselves a substantial share of this cake. After all, we have a lot to offer: our products and services are *state-of-the-art,* as they say!

In our **forecast** for the Group, we are counting on rising sales and EBIT. For this year, we predict revenue of between €1.25 billion and €1.3 billion. Let me remind you that in 2011 our sales were just short of €1.2 billion. For 2013, we are budgeting a further growth in sales to €1.3 billion or €1.35 billion. According to present estimates, EBIT will this year amount to €100 million or €110 million. This year's EBIT will be largely determined by the extent to which deliveries of rail fasteners in China can be made under the existing contracts. For 2013, we are budgeting an EBIT of €120 million to €130 million.

Accordingly, the EBIT margin should rise to 8.0–8.5 percent this year and 9.0–10.0 percent in 2013. From today's vantage point, the return on capital employed for this year will be between 12.5 and 14.0 percent; in 2013, this should range between 14.5 and 16.0 percent—and hence regain our benchmark of 15 percent.

Allow me to explain the details of our annual budget. We are expecting the Rail Infrastructure division to recover this year and improve its market position—on the one hand, through further internationalization and, on the other, through an improvement of our cost structures.

At the Transportation division, business has already bottomed out and we will increasingly benefit from the very brisk intake of orders for new locomotive models as well as light rail vehicles—orders booked in 2011.

Let me take a more detailed look at **order intake** last year. After all, such orders are a precondition for rising sales and EBIT. In the course of my review of 2011, I have already mentioned on a number of occasions: in 2011, Vossloh booked many new orders throughout its business units. This underscores, without doubt: our newly developed, innovative products are in demand since they "move" our customers in both senses of the term.

The motto of this year's annual report is for good reason: Technology that moves. And we are definitely on the move! Here are two comparatives from Transportation that impressively emphasize this:

- In 2010, we booked orders for 62 locomotives; last year for more than 100.
- Even more evident is the rise in demand for light rail vehicles. Following slack demand in 2010, the number of trams and commuter trains ordered soared to more than 120 last year.

What exactly your company's technology moves and will move, I would like to show in the following.

I would begin by mentioning first of all **Wuppertaler Schwebebahn**. This is not only fascinating in terms of technology, it is famous far outside of Wuppertal. It's unique! Accordingly, we are proud to have been awarded in November the contract to build new suspension railcars. And it is not only a question of producing modern railcars working according to the latest standards of technology. Vossloh will be lending these landmarks of Wuppertal a new livery for the next decades. We are, of course, delighted at this confidence in our capabilities. The new suspension railcars are being designed, developed and built by Vossloh Electrical Systems in Düsseldorf and Vossloh Rail Vehicles in Valencia. The first new vehicles are scheduled for delivery in mid-2014.

Last year we also booked a rising number of orders for **trams**. For the municipality of Karlsruhe, we will be building, for example, 25 low-floor trams. We also received the option for supplying another 50. And from Rostock we were awarded an order last year for 13 light rail vehicles. Just as in the case of the Wuppertal suspension railcars, these projects are a joint effort between the two business units of Transportation. Our traction systems for **electric buses** continue to be popular. In March this year, we booked an order from Lausanne for 27 buses, along with an option for another 16.

Our **location** in **Valencia** signed new contracts in Q1/2012 for its EURO 4000 and, for the first time, for the EURO*LIGHT*. Also doing well is our **location** in **Kiel.** The first order for supplying G 6 shunters placed by Verkehrsbetriebe Peine-Salzgitter (VPS), the rail operator of the Salzgitter steel company, underlined back in 2010 that our range of modular locomotives is addressing key customer needs. This newly developed modular family is proving extremely successful. New orders booked at Kiel in 2011 consisted primarily of megacontracts by German industry for altogether over 40 units, including a follow-up order from VPS and a large contract from BASF. Ordered in the majority of cases were the successful industrial and port locomotive G 6 and the first center-cab locomotives of the new generation with diesel-electric driveline. All the models of the modular family, those with diesel-hydraulic or the new diesel-electric driveline, are expected to generate high demand throughout Europe.

We also received a number of attractive orders for **rail fastening systems** in 2012. In Morocco, we were awarded a contract which I would particularly like to emphasize. We will be supplying rail fastening systems for the 200-km high-speed line between Tangier, Rabat and Casablanca. So, for the first time we will have a high-speed reference project for ballast tracks. In Morocco just as on the previously-mentioned new line in France, the TGV runs at regular speeds of 320 km/h; the lines, themselves are designed for speeds of up to 350 km/h. Hence, alongside our undisputed market leadership in the field of fastening systems for slab tracks, we are now among the leaders in high-speed ballast trackage. I would therefore like to underline: there are no applications and no technical or geographical challenges for which Vossloh Fastening Systems does not have a product that is ahead of competition. We are thus branching out into markets also completely new for us. Apart from stepping up our efforts in North America we have, just to cite another example, for the first time generated sales in Indonesia for our fastening systems.

Besides numerous contracts from different part of the world, order intake by our **switch business** includes a large contract as part of the project for reconstructing Iraq's railway network.

Order inflow by **Vossloh Rail Services** in 2011 was well over the prior-year level. This reflects increasing demand for all-in services, particularly in rail care and maintenance.

Alongside the various contracts that **Vossloh Electrical Systems** is handling together with our locomotive locations, this business unit won other large orders. I would mention, in particular, one to supply the electrical equipment for 50 light rail vehicles for Hannover. In addition, the business unit received orders for hybrid trolleybuses destined for the northern Italian transport authority TEP as well as for hybrid trolleybuses for the city of Milan and battery trolleybuses for Zurich. Vossloh Electrical Systems is fitting 100 double-deck vehicles of German Rail with its electrical and air-conditioning systems.

Ladies and Gentlemen:

Our strategy, started in 2009, of stepping up the development of our locomotives and light rail vehicles, is bearing fruit. There can be no disputing that because of external factors, 2011 was not an easy year yet the newly won orders speak for themselves. This year, we will continue in this vein. And so it is only logical for us to continue our capital expenditure program 2012 at a high level. In this way, we are strengthening the Group in the direction of value-driven growth.

Altogether, we intend to outgrow the rail technology market as such. In doing so, we are not only aiming for sales growth in itself. This applies both to organic growth and to any possible M&A deals. Instead, in our core businesses we intend to be more profitable than the overall market and achieve sustainable added value. In a nutshell: our business model—the business model of your company—has a long-term focus. Short-term setbacks as those of 2011 will not derail a company like Vossloh AG. I would like to once again thank you for your confidence in our strategy.

Ladies and Gentlemen: Technology that moves—this is our business. Value-driven growth is our objective. You, our stockholders, will have plenty to be pleased about in future!

Thank you for listening.