



*Ulrich M. Harnacke,
Deputy Chairman of the Supervisory Board*

Supervisory Board of Vossloh AG

Dr.-Ing. Volker Kefer (until March 4, 2019), Chairman,
former Deputy CEO of Deutsche Bahn AG, Erlangen

Ulrich M. Harnacke, Deputy Chairman,
auditor and tax adviser, Mönchengladbach

Prof. Dr. Anne Christine d'Arcy (since May 9, 2018),
University Professor for Corporate Governance and
Management Control, Vienna, Austria

Dr. Bernhard Düttmann (since May 9, 2018),
independent corporate consultant and interim member
of the Executive Board of Ceconomy AG, Meerbusch

Andreas Kretschmann, social security employee,
Chairman of the Works Council of Vossloh Fastening
Systems GmbH, Neuenrade

Dr.-Ing. Wolfgang Schlosser (until May 9, 2018),
consultant and former Managing Director of Knorr-Bremse
Systeme für Schienenfahrzeuge GmbH, Puchheim

Michael Ulrich, machinist, Chairman of the Works Council
of Vossloh Locomotives GmbH and Chairman of the European
Works Council and of the Group Works Council, Kiel

Ursus Zinsli (until May 9, 2018), Vice President
of the Administrative Board of Furrer + Frey AG and
former Managing Director of Scheuchzer SA, Saint-Sulpice,
Canton of Vaud, Switzerland

Report of the Supervisory Board

Dear shareholders,

Once again in the 2018 fiscal year, the Supervisory Board discharged the duties incumbent upon it pursuant to the law and the Articles of Incorporation with due care, continually monitored the work of the Executive Board and advised the Executive Board on the Company's management. The Executive Board met its information obligations and regularly informed the Supervisory Board of all the issues relevant to Vossloh AG and the Group with regard to strategy, planning, business development, the risk situation and developments, and compliance on a comprehensive and timely basis, in written and in verbal form. This also included information about deviations in the actual development from the previously reported targets and deviations in business performance from the plans.

The Supervisory Board discussed the Executive Board's reports in detail and verified the plausibility of the economic situation depicted in these reports as well as the development prospects of the Group, the individual divisions/units and the key investees in Germany and abroad together with the Executive Board. The Supervisory Board was involved in all decisions of significance to the Company and was therefore assured at all times of the legality, appropriateness and propriety of the work of the Executive Board. At all times, the Supervisory Board members had sufficient opportunity to critically examine and comment on the reports and draft resolutions presented by the Executive Board. Insofar as the approval of management decisions or measures was required pursuant to statutory regulations, the Articles of Incorporation or the Rules of Procedure, the members of the Supervisory Board examined the draft resolutions and granted the necessary approval.

The Supervisory Board was also informed of significant events by the Executive Board between meetings. In addition, there was a regular exchange of information between the Chairman of the Supervisory Board and the CEO. In this way, the Supervisory Board was always informed of the intended business policies, the business plans including financial, investment and staff planning, profitability, the business situation and the overall situation of the Company and the Group.

Focus of the meetings

In the year under review, the Supervisory Board convened for four ordinary meetings on March 21, May 8, September 28 and November 26. All ordinary Supervisory Board meetings were attended by all of the members of the Supervisory Board. Extraordinary meetings were held on February 14, May 9, July 25 and December 10 and 19, 2018. The Executive Board members attended

the Supervisory Board meetings unless the Chairman of the Supervisory Board specified otherwise.

In all the meetings in the past year, the Supervisory Board and Executive Board dealt extensively with the Company's largely completed process of focusing on rail infrastructure and the further development of the Vossloh Group. In addition, the Executive Board reported on the business situation in all the meetings and provided detailed information regarding the development of sales and earnings in the individual business units, on business development opportunities and risks and on key managing measures. The Supervisory Board also continually addressed the status of the regulatory and civil proceedings relating to earlier anticompetitive agreements, compliance issues and the ongoing development of the Vossloh Compliance Management System. The Supervisory Board also focused on the following issues in the individual meetings:

In the extraordinary meeting on February 14, 2018, the Supervisory Board deliberated on the strategy of the Vossloh Group for the entire day, particularly in regard to the opportunities and plans for organic and inorganic growth. A particular focus was placed on digital technologies and the subject of smart rail track. The meeting also addressed Vossloh's capital market communications.

The balance sheet meeting on March 21, 2018, considered in particular the separate and consolidated financial statements for 2017 as well as the agenda and the draft proposals for the Annual General Meeting on May 9, 2018. The Supervisory Board also discussed Vossloh Locomotives, the status of the planned sale, and the subject of innovations in detail. The results of the audit of the appropriateness and effectiveness of the Vossloh Compliance Management System performed by KPMG in 2017 and the results of the efficiency review of Supervisory Board activities were also discussed.

On May 8, 2018, two investment plans were on the agenda along with the regular reporting subjects and Vossloh Locomotives. Vossloh is making investments towards a new tie plant in British Columbia in connection with a framework agreement won with the Canadian rail operator Canadian National as well as expanding the switch plant in Memphis, Tennessee for the same purpose. The Supervisory Board approved the plan after careful consultation. The meeting also served as a preliminary discussion of the Annual General Meeting.

At the extraordinary inaugural meeting on May 9, 2018, following the Annual General Meeting, Dr.-Ing. Kefer was elected the Chairman of the Supervisory Board, Mr. Harnacke became his deputy and the members of the individual committees were selected.

At an extraordinary meeting on July 25, 2018, the Supervisory Board intensively addressed the acquisition of the Australian

market leader for concrete ties, Austrak Pty Ltd. The acquisition held high strategic importance for Vossloh in combination with existing business in Australia. After careful review, the Supervisory Board consented to the acquisition. The Supervisory Board approved a capital increase for the Chinese joint venture for switch manufacturing in Wuhu as well.

At the meeting on September 28, 2018, the Supervisory Board consented to, among other things, the Executive Board's proposal to further expand the bundled service business in the Lifecycle Solutions division through the acquisition of the rail milling business of STRABAG Rail GmbH following intensive review and discussion. The acquisition strengthens Vossloh's rail and switch processing business and contributes to the consistent expansion of Vossloh Rail Services into a comprehensive maintenance provider. In addition to discussing other M&A-related subjects, the Supervisory Board also made an adjustment to the Executive Board's Rules of Procedure.

At its final ordinary meeting of the year on November 26, 2018, the Supervisory Board dealt intensively with the business development in the past fiscal year as well as planning for the years 2019 through 2021. The Supervisory Board approved the budget for 2019 following an in-depth examination and discussion with the Executive Board. The agenda also included M&A-related subjects, including the planned sale of Vossloh Locomotives, the tender and selection procedure for the 2019 financial statement audit and the adoption of the 2018 declaration of conformity with the German Corporate Governance Code.

Two extraordinary meetings of the Supervisory Board also took place on December 10 and 19, 2018, in which the Supervisory Board addressed a potential acquisition plan as well as the strategic orientation of the individual business units in this context in detail. As a precautionary measure, Dr.-Ing. Kefer did not participate in these two extraordinary meetings due to a potential conflict of interest posed by his consulting activities for a competitor in the area of the acquisition under consideration.

Supervisory Board committees

The Supervisory Board has formed three committees in order to execute its duties efficiently: the Personnel Committee, the Audit Committee and the Nomination Committee. These committees focus on the issues assigned to them and prepare decisions for plenary meetings where necessary. Insofar as is permissible by law, the Supervisory Board has also transferred its decision making authority to the committees in certain cases. The committee chairs report on relevant issues and the results of discussions in the plenary Supervisory Board meeting following each committee meeting. The minutes of the meetings of the Audit Committee are made available to the Chairman of the Supervisory Board.

As in the previous year, the Audit Committee convened for six meetings in the 2018 fiscal year. All the Audit Committee meetings were attended by all of the committee members. The Executive Board is usually present in full at these meetings. Most of the meetings are also attended by representatives of the auditor and the heads of Accounting, Controlling and Legal Affairs & Compliance.

Among other things, the Audit Committee focuses its activities in particular on auditing the Company's accounts, the separate and consolidated financial statements prepared by the Executive Board, the combined management report, the dependent company report (Section 312 AktG) and the proposal for the appropriation of net earnings.

Following an extensive discussion in the presence of the auditor based on the auditor's reports on the audit of the annual financial statements of Vossloh AG and the Vossloh Group and of the combined management report, the Audit Committee decided to recommend the approval of the consolidated financial statements, the financial statements of Vossloh AG and the combined management report for the 2017 fiscal year to the Supervisory Board during its meeting on March 21, 2018. At its meetings on April 25, July 31 and October 23, 2018, the Audit Committee discussed the half-year report and the quarterly statements with the Executive Board before their publication.

The Company's relationship with the auditor also falls within the responsibility of the Audit Committee. The committee submitted a proposal to the Supervisory Board on March 21, 2018, to appoint an auditor, and subsequently awarded auditing responsibility to the auditor elected by the Annual General Meeting and determined the focal points of the audit and the auditor's remuneration. The committee also monitored the auditor's independence. The auditor may only be contracted to perform nonaudit services subject to the prior mandatory approval of the Audit Committee. An additional major task of the Audit Committee in the past fiscal year was the preparation and implementation of a tender and selection procedure for the selection of a suitable auditor for the Company and Group for the 2019 fiscal year on behalf of the Supervisory Board. The Audit Committee initiated a tender and selection procedure in accordance with EU rules in July 2018, obtained offers, held discussions with the auditors under consideration and negotiated the conditions of a commission. The Audit Committee presented the results of the tender and selection procedure to the plenary Supervisory Board on November 26, 2018, and submitted a justified recommendation for the election proposal to the Annual General Meeting for the 2019 auditor.

In all of its meetings, the Audit Committee also dealt with the key risks and legal and compliance issues. The Audit Committee discussed the main risks identified within the Group in detail with the Executive Board, as well as the necessity and adequacy of the risk provisioning, in particular also for risks due to legal

disputes relating to earlier anticompetitive agreements. The Audit Committee also considered compliance issues continuously and in depth, and received comprehensive information about related issues, how they were being handled and the ongoing monitoring and improvement of Vossloh's Compliance Management System. In addition, the Audit Committee dealt extensively with the Company's internal control system. The meeting on November 26, 2018, included a report to the Audit Committee from the Internal Audit department.

The Nomination Committee convened once in the course of the 2018 fiscal year. The subject of the meeting on March 21, 2018, was the preparation of election proposals for the Supervisory Board elections by the Annual General Meeting on May 9, 2018. The Personnel Committee did not convene in 2018. Relevant topics were discussed and resolved during plenary sessions.

Personnel changes on the Supervisory Board and Executive Board

There were changes on the Supervisory Board in the year under review. Dr.-Ing. Schlosser and Mr. Zinsli did not stand as candidates due to the existing standard age limit of 70 years. As proposed by the Supervisory Board, the Annual General Meeting elected Prof. Dr. d'Arcy and Dr. Düttmann as new members of the Supervisory Board on May 9, 2018. The other Supervisory Board members representing the shareholders and employees were each elected for an additional term of office in 2018. At the extraordinary Supervisory Board meeting following the Annual General Meeting, Dr.-Ing. Kefer was confirmed in his role as Chairman of the Supervisory Board and Mr. Harnacke was confirmed as his deputy. The Supervisory Board extends its thanks to the retiring members, Dr.-Ing. Schlosser and Mr. Zinsli, for their many years of capable and committed support in the Supervisory Board.

No changes to the Executive Board took place during the year under review.

Dr.-Ing. Kefer resigned from his position as a member of the Supervisory Board for personal reasons on March 4, 2019, after the end of the year under review. The Supervisory Board extends its thanks to Dr.-Ing. Kefer for his good and trustworthy work. Mr. Harnacke, the Deputy Chairman of the Supervisory Board, has been acting as the Chairman of the Supervisory Board since then.

Corporate Governance and Declaration of Conformity

The Supervisory Board attaches great importance to ensuring there is good corporate governance. At its meeting on November

26, 2018, the Supervisory Board considered the recommendations of the German Corporate Governance Code and, together with the Executive Board, issued a Declaration of Conformity in accordance with Section 161 AktG. This was made permanently accessible on the Company website (see also page 35 of the annual report). Vossloh AG complies with all the recommendations of the German Corporate Governance Code as amended on February 7, 2017. Details of corporate governance within the Company can be found in the Declaration on Corporate Governance (pages 32 to 36 of the annual report).

Separate and consolidated financial statements for 2018

The annual financial statements of Vossloh AG in accordance with German accounting standards, the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU and the combined management report for Vossloh AG and the Group for the 2018 fiscal year, including the accounting, were examined by the auditor duly appointed by the Annual General Meeting on May 9, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft based in Berlin (Düsseldorf office), and were each issued with an unqualified audit opinion. In its audit opinion, the auditor concluded that the Executive Board had taken the necessary steps to put in place an appropriate risk identification system as required by Section 91 (2) AktG and that the system was suitable for identifying going concern risks early on.

The auditor also examined the dependent company report prepared by the Executive Board (Section 312 AktG) and issued the following audit opinion: "After due and proper examination and assessment, we hereby confirm, first of all, that the information contained in the report is correct and second, that payment made by the Company for the transactions stated in the report was not inappropriately high."

The financial statements including the nonfinancial Group statement (Section 315b HGB) and the auditor's reports were distributed to the members of the Supervisory Board in good time prior to the meeting held on March 27, 2019, to approve the financial statements.

During the meeting, the auditors reported on the key findings of their audit and provided additional information. The Supervisory Board comprehensively discussed all the issues that arose in relation to these documents following the Audit Committee's preparations and in the presence of the auditors. The auditors also reported on the Vossloh Group's risk management system. The auditors additionally heard, read and acknowledged other information including the Declaration of Conformity in accordance with Section 161 AktG, the Declaration on Corporate Governance and the nonfinancial statement of the Group (Section

315b HGB) and found nothing that suggested this information constituted a material misrepresentation. The Supervisory Board also contracted an audit firm to perform a voluntary audit of the content of its nonfinancial Group statement (Section 315b HGB), which did not result in any objections.

The Supervisory Board likewise reviewed the annual financial statements submitted by the Executive Board, the consolidated financial statements and the combined management report for Vossloh AG and the Vossloh Group for the 2018 fiscal year, the dependent company report including the Executive Board's closing statement, the nonfinancial Group statement (Section 315b HGB) and the proposal for the appropriation of net earnings. According to the final result of its own review, the Supervisory Board raised no objections. The Supervisory Board approved the annual financial statements and consolidated financial statements on December 31, 2018. The annual financial statements were thus adopted on December 31, 2018. The Supervisory Board concurred with the combined management report, in particular the statements on the Company's continued development and the disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB), and with the dependent company report. The Supervisory Board approved the Executive Board's proposal for the appropriation of the 2018 net earnings, which recommended the payment of a dividend in the amount of €1.00 per dividend-bearing share.

The Supervisory Board would like to thank the Executive Board and all the employees of the Vossloh Group for their dedication and successful service in the past fiscal year.

Werdohl, March 27, 2019

The Supervisory Board
Ulrich M. Harnacke
Deputy Chairman