

Letter from the CEO	4	Consolidated financial statements of Vossloh AG	103
Overview of the year 2019	8	Income statement	104
Vossloh stock	10	Statement of comprehensive income	104
Focused. Dynamic. Green.	12	Cash flow statement	105
Report of the Supervisory Board	26	Balance sheet	106
Declaration on Corporate Governance/ Corporate Governance Report	31	Statement of changes in equity	107
Combined management report	37	Notes to the consolidated financial statements	108
Business and market environment	38	Segment information by division and business unit	108
Economic report	40	Responsibility statement	160
Economic environment	40	Independent auditor's report	161
Results of operations	41	Service	
Financial position and investing activities	45	Financial calendar 2020/2021	168
Asset and capital structure	47	Glossary	169
General statement on the economic situation	48	Addresses	170
Business performance of Core Components	49	Ten-year overview	171
Business performance of Customized Modules	51		
Business performance of Lifecycle Solutions	52		
Vossloh AG – Analysis of the separate financial statements	53		
Remuneration report	55		
Statutory takeover-related disclosures pursuant to Section 289a (1) and Section 315a (1) HGB	60		
Workforce	63		
Research and development	65		
Risk and opportunity management	68		
Reference to the Declaration on Corporate Governance pursuant to Section 289f HGB	76		
Outlook	77		
Nonfinancial Group statement	80		

Letter from the CEO

Dear readers,

The 2019 fiscal year was a challenging, eventful but ultimately successful one for Vossloh. Sales revenues in our core business were in line with our expectations. EBIT adjusted for one-time effects even exceeded our forecasts. Our orders received and the addition of important long-term framework agreements give us every reason to be confident about the future. We successfully integrated new acquisitions into our core business, established strategically significant partnerships and signed a contract for the sale of our shunting locomotives business based in Kiel. We implemented a variety of measures in the previous fiscal year to improve our earnings situation and our self-financing power in order to give the company a firm foundation for the future. I will now cover some areas in greater detail below.

Group sales increased significantly compared to the previous year from €865.0 million to €916.4 million. The sales generated by the Customized Modules division remained largely on the level of the previous year despite the sale of a U.S. subsidiary, while the two other divisions both significantly improved their sales figures. The Core Components division expanded its rail fastening system business especially in China and North America. It also improved its performance in the concrete ties business with the acquisition of Australian market leader Austrak at the end of 2018. The acquisition of several milling machines was also finalized in 2018, and this contributed significantly to the Lifecycle Solutions division doing a greater level of business.

We have now implemented a significant proportion of the performance program that was launched in 2019. As a result, this annual report includes information about our EBIT adjusted for one-time effects in addition to our unadjusted EBIT. This information is included in order to provide the greatest possible level of transparency about Vossloh's operating performance. The adjusted EBIT figure came to €55.7 million in the year under review, which was slightly higher than the EBIT reported for 2018 (€54.2 million) and the most recent forecast for 2019. The one-time effects arising from the performance program totaled €93.3 million in 2019. Approximately one third of this figure relates to costs for employee redundancies, with allowances and losses on disposals related to the sale of unprofitable activities accounting for the lion's share of the remainder. The performance program has been incorporated into the income statement for the 2019 fiscal year to the extent permitted by relevant accounting regulations. However, certain measures and the related cash outflows will last into 2020.



“In 2019 we built the foundation for the future of Vossloh”

Oliver Schuster CEO

The performance program was and remains an important step for Vossloh along the road to a successful future. In addition to extensive downsizing of our workforce in our core business and the fundamental reorganization of parts of our production landscape, another significant factor was our withdrawal from the American turnout sector, which has been unprofitable for several years. The sale of one Group company in that sector has been finalized, while all of the operational assets held by another have been sold off. The proceeds from these transactions are sufficient to finance the entire performance program. This has enabled us to provide a solid foundation for significant improvements in our profitability and self-financing power going forwards, without having to employ additional financial resources.

Another highlight of the 2019 fiscal year was the significant number of orders and framework agreements, which demonstrates the confidence our customers have in our products and services. As an example, we secured another major order in China for rail fastening systems, worth approximately €40 million. In the second quarter, we announced long-term framework agreements for switch components in Sweden and Italy, namely a total sales volume of up to €100 million. Only call-offs under these agreements will be included in orders received. The framework agreements are therefore only included in the 2019 orders received figure to a limited extent. We have increased our vertical integration in the important Chinese market by establishing a joint venture to manufacture components for rail fastening systems. We have also gained access to Chinese market segments that were previously unavailable to us. All of these factors will significantly strengthen our core business and provide a solid foundation for future organic growth.

Alongside our positive performance in our core business, we also made significant progress with the sale of Vossloh Locomotives in 2019. A contract agreeing the sale of this business to a subsidiary of the China Railway Rolling Stock Corporation (CRRC) was signed on August 26, 2019. The financial strength and technological expertise of CRRC will enable Vossloh Locomotives to ensure the future of the business, utilize synergies and secure the site. The sale will give us stability and end the perennial outflow of cash, which is urgently needed for the core business. The transaction had not received all of the relevant approvals at the time that this annual report was prepared. The transaction is expected to be completed in the near future. This sale will finalize Vossloh's transformation into a pure provider of rail infrastructure.

Dear shareholders, the rail technology market is changing at a tremendous pace. Megatrends like population growth, globalization and urbanization inevitably result in the need to transport increased amounts of goods and more passengers than ever before. With sustainability becoming an increasingly important issue, people are focusing more and more on rail due to its outstanding environmental credentials. Rail networks are almost at full capacity in several countries because expansion cannot keep pace with the increase in traffic levels. As a result, network operators are focusing on increasing the availability of existing lines. And this is where Vossloh's unique strengths come into play. With our thorough understanding of the physics of rail and the wide range of services we offer, we can help our customers to optimize their maintenance practices. Smart infrastructure, asset monitoring and track digitalization are the tools that we use to achieve this goal. By assessing current track conditions and forecasting changes, we can provide our customers with recommendations about how to optimize their maintenance practices, in addition to offering to perform this work ourselves. We are working hard to fit measuring technology to our maintenance vehicles. In the near future we will receive valuable complementary information on the condition of the rail system not only from stationary sensors on the track, but also from a large number of passes these vehicles perform. This is just another competitive advantage of our company.

In addition to technical expertise, Vossloh needs stable finances in order to meet the impending challenges. We have put a solid foundation in place with the clear target to achieve an EBIT margin in the double-digit range in all divisions of the Vossloh Group in the medium term. This will ensure the financial scope for the future growth of Vossloh in an increasingly digitalized rail industry. We are putting all of our efforts into achieving this objective. We expect profitability to increase noticeably in 2020 compared to the adjusted EBIT margin in 2019. We expect Group sales for the 2020 fiscal year to total between €900 million and €1 billion. The impact on sales caused by the portfolio adjustments in the U.S. turnout sector are currently expected to be completely balanced out by growth in the other operations of the Vossloh Group. The EBIT margin is currently expected to be between 7 and 8 percent. This corresponds to an EBITDA margin of between 12 and 13 percent, and is an important step in the right direction. In light of our positive expectations, the Supervisory Board and Executive Board are once again proposing a dividend of €1.00 per share for the 2019 fiscal year in order to allow our shareholders to continuously participate in the Company's success.

Vossloh is in an excellent position to achieve its targets. "Focused. Dynamic. Green." is our motto for the 2019 fiscal year and reflects our commitment to meeting the significant strategic challenges facing us. Because we are mindful about the impact our activities have on the environment and society, we joined the UN Global Compact at the beginning of this year. Our support for the principles of the UN Global Compact highlights our contribution to achieving global sustainability targets by 2030. From a total of 17 development goals, we have defined six goals on which the Group's commitment will focus. We hope that you, our esteemed shareholders, will continue to place your trust in us and join us on our journey. My colleague Dr.-Ing. Karl Martin Runge and I will do everything in our power to ensure that the company has a successful future.

On behalf of the Executive Board



Oliver Schuster
CEO



Dr.-Ing. Karl Martin Runge
(member of the Executive Board)

Oliver Schuster
(CEO)

Overview of the year 2019

Q1 2019

Vossloh integrates the newly acquired rail milling business into the Alpha Rail Team subsidiary in the Lifecycle Solutions division and significantly expands its activities, making Vossloh one of the top companies in the European rail milling industry.

Q2 2019

Dr.-Ing. Volker Kefer steps down. Ulrich M. Harnacke, who served as Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee of Vossloh AG since 2015, was elected as Chairman of the body by the Supervisory Board. Dr. Bernhard Düttmann joins the Audit Committee as Chairman.

Vossloh Services France is founded in April. Vossloh establishes a services unit made up of employees from the Lifecycle Solutions and Customized Modules divisions to meet the growing demand for rail-related services.

Vossloh announces the conclusion of multi-year frame-agreements in Sweden and Italy. Over the coming years, Vossloh will supply switch components to Trafikverket, the Swedish Transport Administration. This will generate a sales volume in excess of €75 million including options. In Italy, switch components and systems for high-speed lines will be supplied to the state-owned rail company Rete Ferroviaria Italiana (RFI). This frame-agreement has a term of two years and generates around €25 million in sales.

The Executive Board approves the essential cornerstones of a performance program for achieving a sustainable increase in profitability as well as an improvement in the self-financing power and a corresponding reduction in net financial debt of the Vossloh Group. Among other measures, the program includes reducing the number of employees by roughly 5 percent compared to the end of 2018, as well as eliminating unprofitable activities. In addition, the program will include savings in overheads, focusing of investments and intensified measures for the reduction of working capital.

Vossloh Fastening Systems wins another important tender for the supply of rail fastening systems for high-speed lines in China. The new order encompasses a volume of just over €40 million. The fastening systems will be used to build new high-speed lines between the cities of Hangzhou and Taizhou south of Shanghai.

The Annual General Meeting of Vossloh AG takes place in Düsseldorf, with around 71 percent of the share capital represented. The shareholders approve all proposed agenda items and the dividend proposal of €1.00 per share with a large majority. Dr. Sigrid Evelyn Nikutta is elected as new shareholder representative on the Supervisory Board. She is appointed Deputy Chairperson at the next meeting of the Supervisory Board.



20

Vossloh AG carries out a capital increase under exclusion of subscription rights and issues 1,596,743 new no-par-value ordinary bearer shares to institutional investors in a private placement by way of an accelerated bookbuilding process. Vossloh receives gross proceeds of €49.0 million.

Q3 2019

With the symbolic groundbreaking ceremony for a new 8,000 m² manufacturing facility, the hot phase for the building of the "Factory of the Future" begins. Vossloh will invest around €40 million in total at its sites in Werdohl and Lüdenscheid.

Vossloh AG signs a contract for the sale of the Locomotives business unit to CRRC Zhuzhou Locomotive Co., Ltd., Zhuzhou, China (CRRC ZELC), a subsidiary of CRRC Corporation Limited. Vossloh Locomotives is the last one remaining from the original three business units of the Transportation division that Vossloh has been selling off since the decision to strategically focus on rail infrastructure.

A further joint venture for the production of components for rail fastening systems is established in China, in which Vossloh holds a stake of 51 percent. With the joint venture, Vossloh is increasing its vertical integration, gaining at the same time access to a previously untapped segment of the Chinese market.

Around 300 experts from Germany and abroad visit the third symposium on rail and switch maintenance, hosted by Vossloh in Hamburg.

Q4 2019

The Supervisory Board of Vossloh AG appoints CFO Oliver Schuster as the CEO with effect from October 1, 2019, and extends his term as a member of the Executive Board for a further five years until February 28, 2025. He remains the company's Chief Financial Officer. Dr.-Ing. Karl Martin Runge is appointed to the Executive Board for a three-year term with effect from October 1, 2019. He is primarily responsible for Sales and Technology. The previous CEO Andreas Busemann and Board member Volker Schenk had previously resigned.

Vossloh completes the sale of Cleveland Track Material, a U.S. Group company in the Customized Modules division. The sale had been announced on October 22, 2019. The sale is made to Progress Rail Services, a subsidiary of Caterpillar Inc. based in Albertville, Alabama, in the USA. The operational business of Vossloh Track Material is also sold in December 2019.

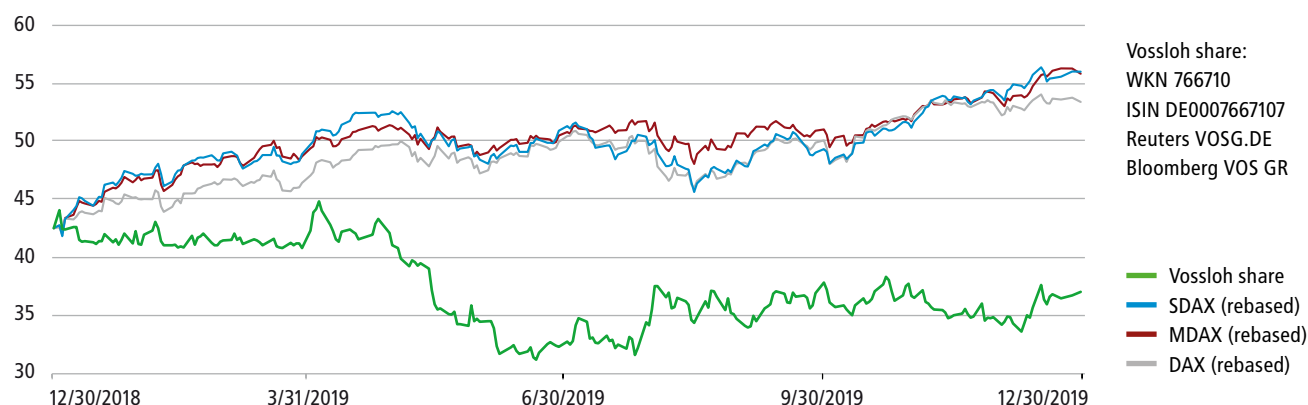
Vossloh stock

2019 was an unusual year for global stock markets, with the leading indexes in Europe and the USA ending the year at all-time highs. Stock markets performed particularly well in the first and fourth quarters of 2019, while the second and third quarters were characterized by increased volatility and sideways movement. Share prices in Europe and the USA provided the best level of return in a decade. Leading examples include a 23 percent increase in the value of the STOXX 600 and a 29 percent improvement for the S&P 500. The global rally extended to German markets; however indications of a local economic slowdown in the third quarter raised the possibility of a recession. The DAX closed the year up 25 percent, with the MDAX and SDAX up by 31 percent and 32 percent respectively. The first quarter of 2019 was shaped by progress in the trade negotiations between the U.S. and China and the general expectation that the U.S. Fed would steer clear of raising interest rates. Europe and China loosened their monetary policies to combat a slowdown in global economic growth. This propped up stock markets and provided stability in the face of a possible no-deal Brexit. Increased tension in the trade relationship between China and the U.S. and political unrest in Europe led to a correction in the middle of the second quarter. Further signs of monetary policies loosening up

and the decreasing temperature of the trade war in June helped stock markets to recover. Stock markets were back under pressure in the middle of the third quarter as the trade war between China and the USA intensified and a global economic slowdown appeared more likely. Markets were buoyed after the summer break by central bank measures aimed at cushioning these negative factors. The positive performance in the fourth quarter was due to a de-escalation in the trade war between China and the U.S. Markets closed 2019 at all-time highs due to increasingly loose monetary and fiscal policies in a number of countries and renewed optimism about the United Kingdom's ability to reach Brexit agreement due to the clear majority won by the Conservative Party.

Germany's leading index, the DAX, was up significantly. The DAX closed at 13,249 points on December 30, 2019, up 25.5 percent on the 2018 year-end figure of 10,559 points. The MDAX recorded an even higher year-on-year growth rate of 31.2 percent, and closed 2019 at 28,313 points. The SDAX, which is the most significant index for Vossloh, was also up significantly in 2019. It closed the year at 12,512 points, an improvement of around 31.6 percent compared to the previous year.

Stock price trend from January 1, 2019, to December 30, 2019



Vossloh stock indicators		2019	2018
Earnings per share	€	(8.32)	1.14
Dividend per share	€	1.00 ¹	1.00
Annual average number of shares outstanding	thousand shares	16,799	15,967
Number of shares outstanding at year-end	thousand shares	17,564	15,967
Closing share price	€	37.00	42.45
High/low	€	44.85/31.00	50.40/36.55
Closing market capitalization	€ mill.	649.9	677.8
Trading volume	thousand shares	3,600	4,092
Average daily trading volume	thousand shares	14.3	16.3

¹ Dividend proposal subject to approval of the Annual General Meeting

The Vossloh share did not perform in line with the German stock market index for a large part of 2019. On January 2, 2019, the Vossloh share started the new fiscal year at a price of €41.90. The share price followed a largely sideways trend in the first quarter. It increased slightly in April 2019, and reached its year high of €44.85 on April 3. The Vossloh share came under much stronger pressure than the German indexes in May and June, and reached its year low of €31.00 on June 7, 2019. Despite significant improvements in July, September and December 2019, the price of the Vossloh AG share fell by 12.8 percent year-on-year. The Vossloh share closed at a price of €37.00 on December 30, 2019 (year-end 2018: €42.45).

On June 19, 2019, Vossloh AG had successfully completed the issue of new shares under exclusion of subscription rights. The 1,596,743 new no-par-value shares were issued to institutional investors within the framework of a private placement. This increased the number of shares outstanding from 15,967,437 to 17,564,180. The market capitalization of Vossloh AG amounted to €649.9 million as of the December 30, 2019, reporting date.

On June 5, 2019, the Deutsche Börse announced that Vossloh AG would no longer be included in the SDAX with effect from June 24, 2019, following its quarterly review of the index. In line with the fast exit rule, Vossloh AG was removed from the index due to its trading volume being too low. The Deutsche Börse made an unscheduled adjustment to the SDAX index on January 3, 2020. As a result, Vossloh AG was readmitted to the SDAX index with effect from January 8, 2020.

Dividend

The Executive Board and Supervisory Board of Vossloh AG will propose a dividend of €1.00 per share for the 2019 fiscal year to the shareholders at the Annual General Meeting scheduled for May 27, 2020. Based on the number of dividend-bearing shares, this equates to a dividend payout of approximately €17.6 million.

Shareholder structure

Vossloh AG's largest shareholder is Mr. Heinz Hermann Thiele. He increased his shareholding to 50.09 percent as part of the capital increase in June 2019. Additional known shareholders of Vossloh AG with voting rights exceeding the legal reporting threshold of 3 percent are Franklin Mutual Advisers, LLC, Wilmington, Delaware, USA (5.05 percent of capital stock, December 28, 2017). The latter is attributed to free market capitalization in line with the definition used by Deutsche Börse AG. As a result, the free float of Vossloh AG's share capital was 49.91 percent on December 31, 2019. According to this definition, the freely available market capitalization totaled around €310 million on the reporting date of December 30, 2019, on the basis of a volume-weighted average price over 20 trading days.

Analysts' ratings

Coming into 2020, the Vossloh AG share was being tracked by five financial analysts, who issue reports and assessments at regular intervals. Three recommended holding the Vossloh share, while two analysts recommended selling. The average price target for the Vossloh share was €41 based on the analysts' ratings made available up to the beginning of 2020. The lowest price target was €40 and the highest was €44.

Sustainability

Vossloh AG has been listed in a number of sustainability rankings for many years, making it an attractive option for investors with a sustainability focus. The Vossloh share belongs to oekom research's investment universe, and is also part of the Global Challenges Index, which is made up of 50 companies worldwide that promote sustainable development through their product and service portfolios. Sustainability measures are also reviewed on a regular basis by the EcoVadis rating agency. Vossloh AG has published an annual nonfinancial Group statement since 2017.

Capital market dialog

The Investor Relations Team of Vossloh AG continued its intensive dialog with private and institutional investors in the 2019 fiscal year. Vossloh took part in a number of capital market conferences and organized meetings with capital market representatives in 2019. Vossloh representatives have used regular teleconferences as a way to maintain links with the capital market for a number of years.

The Investor Relations Team of Vossloh AG is happy to respond to any inquiries submitted in writing or in person. For additional information about the company and the Vossloh AG share, please refer to our website www.vossloh.com. In addition to up-to-date financial reports, presentations and press releases, the website also provides information about creditor relations. You can also send us an email at any time to investor.relations@vossloh.com or call us at (02392) 52-609.

In order to achieve profitable growth in these fast-moving times, it is essential to be fast in every respect. This requires focusing on the right products and services. Moreover, dynamic in innovations and processes is necessary to stay in control of the action.

After five years of extensive transformation, Vossloh is now focusing on rail infrastructure. By implementing our vision of “The Smart Rail Track by Vossloh”, we will play our part in the digital revolution. Finally, Vossloh is making a major contribution to combat climate change.

We are:

Focused.

Smart.

International.



The decision to focus on Vossloh's core business was probably the most important part of the strategic shift in 2014. After five years of extensive transformation, Vossloh will focus on rail infrastructure once the sale of Vossloh Locomotives is completed. Vossloh's internal organizational structure reflects its established business models together with their core competencies: the industrial manufacture of mass produced products in the Core Components division, project-specific and tailored solutions from Customized Modules and comprehensive rail-related services provided by Lifecycle Solutions. An important step on the final road to becoming a focused group was the sale of Vossloh Locomotives in 2019.

The next transformation that (not only) Vossloh is undergoing, is in full swing: the digitalization of all areas of life. After decades of stagnation, the rail industry is going through a transition. This also affects the area of rail infrastructure, which is typically slow to change due to its investment-intensive nature and long service life. Both the political sphere and society in general want to see more transport done by rail. However, new lines can't be built quickly due to the conflict between community interests and individual interests. In order to increase the availability of existing lines at least condition-based maintenance is required as a bare minimum. Predictive maintenance is an even better approach. This will only be fully effective if we can provide transparency about the condition of the rail network and enable customers to forecast future developments. The key factor in all this is the opportunities currently offered by digitalization and data analysis.

Focus enables for changes

The decisive factors driving the ever-increasing rate of change – globalization, technological progress, climate change – are extremely relevant for the rail industry. The world in which Vossloh now operates has seen some major changes in recent times. Globalization has had a

noticeable impact on the market environment; the result is, among others, constantly increasing competitive pressure. At the same time, we need to invest in new technology, partnerships, our growth and our future.

We have ambitious goals: Due to its market-leading level of rail infrastructure expertise, Vossloh is willing and able to drive the digitalization of rail networks and is investing in new products and solutions. All of this needs to be funded. That's why Vossloh used 2019 to put itself in a good position going forward. The company implemented a comprehensive performance program, which will play an important role in greatly increasing our profitability and our self-financing power. The details are known: Eliminating activities that are not profitable, reducing working capital and overheads, concentrating capital expenditure and, as far as possible, reducing the workforce in a socially responsible manner. A major milestone in the ongoing program was the sale of the U.S. company Cleveland Track Material in 2019. Vossloh will divest itself of all other companies in the Customized Modules division based in the USA and South America. Some have already been sold, such as the operational business of Vossloh Track Material.

Vossloh's focus remains on manufacturing rail infrastructure components and providing services because our expertise in these areas is the basis for understanding the rail track as a system. Vossloh has taken clear steps in recent years to consistently strengthen its core business with acquisitions.

We also want to become much more efficient and reliable. Technology is opening up new ways for us to achieve these aims. In addition to changing how we do business with our customers, it is also the key to optimizing our internal procedures. E-commerce solutions, for example, can be used to (partially) automate common and recurring ordering and processing procedures.

However, efficiency and financial discipline are just the first steps in a much wider process. They safeguard and improve the profitability that we need.



Following its transformation into a focused rail infrastructure supplier, Vossloh is now preparing its core business for change. The company's performance program will play an important role in increasing Vossloh's efficiency, profitability and self-financing power.

Our vision of "The Smart Rail Track by Vossloh" reflects how we see the future of the company. Reference solutions used across the world provide a solid foundation for differentiating ourselves from the competition through innovation and new business models.

The only way to ensure the future of the company is by gaining a clear advantage over the competition, especially through innovation.

Infrastructure is getting smart

There are three steps in creating an intelligent railway, which will enable us to improve track availability. Gathering data is the first important step. Vossloh already uses track-bound products and mobile inspection and monitoring solutions for switches and rails for this purpose. In future, we will deploy measurement technology on our own maintenance vehicles to gain access to comprehensive informa-

tion. In the second step, Vossloh will draw on its extensive railway expertise to understand the data and derive recommendations and forecasts. In the third step, we will provide extensive tailored services for operators. These range from consulting to guaranteeing the availability of a component or an entire line as a service offer. The data obtained is the link between transparency about track conditions and smart maintenance and is the basis for new Vossloh business models and future product innovations.

As we have frequently reported, our response to the challenges of a technology-driven world is called "The Smart Rail Track by Vossloh". This concept for an intelligent railway and maximum track availability is based on the full extent of

our expertise. We chose the name carefully. Smart can mean – digital – but doesn't have to. Vossloh will continue to use steel, concrete, plastic, composites and other materials for infrastructure components. Having a smart rail track also means using products with a long service life.

Vossloh can draw on decades of experience with a wide range of materials and frequently comes up with innovative ideas, such as hard steel used in switch construction, ultra-thin but extremely resistant metal coatings and durable composite materials for rail ties. A long service life of products plays an important role in reducing lifecycle costs. This service life can be planned in at the design stage. Vossloh has industry-leading expertise in the use of simulation technology

257,851 kilometers of track

Vossloh Fastening Systems has fitted rail fasteners globally since the invention of the tension clamp. That is equivalent to

6 times around the world.

Over **1.7 million** concrete ties

manufactured by Vossloh Tie Technologies in 2019 in North America and Australia. That's equivalent to more than

1,000 kilometers of track.



94 countries

Vossloh Customized Modules has equipped with switch systems.

136 countries

across the world have railway systems.

*Vossloh is a **world leader** in the switches segment.*

*Vossloh Lifecycle Solutions is a leading company in the European rail milling sector. Vossloh remains the only provider of **innovative high-speed grinding** in the world. In China alone, since 2013*

30,000 kilometers

of track has been ground.

and uses complex models that analyze both material qualities and the dynamic vehicle-track interaction as a whole.

Building information modeling (BIM) is playing an increasingly important role in network management. This involves creating three-dimensional models of every track component and storing all of their technical specifications in a standardized format. When combined with up-to-date field measurements, these details make it possible to predict future maintenance requirements and avoid disruption.

Transformation knows no borders

In the distant past, railways were essentially treated as purely national entities; nowadays, modern rail transport and the trend towards an intelligent railway are of global importance and play a vital role in the sustainable mobility of urban and long-distance transport. The main issues facing the industry worldwide are the

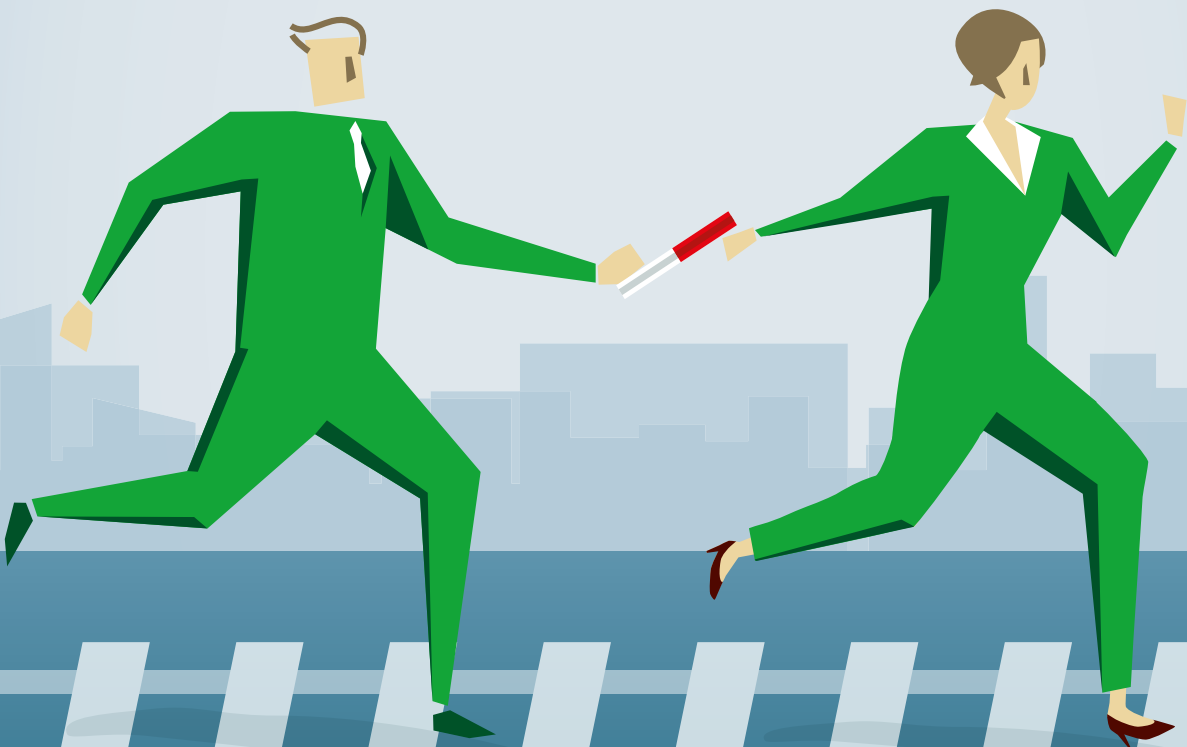
same: the efficiency of networks, noise reduction (primarily in conurbations), environmental considerations, and the cost of infrastructure over its entire lifecycle. Wherever the railways are – Vossloh is there. We are represented on every continent. We have the right rail solutions for any customer, wherever they are. The world is our market.

We are:

Dynamic.

Proactive.

Rail track experts.



We drive change. Vossloh has the equipment and the ambition not only to observe and respond to changes in the industry but to proactively shape them and reap the benefits.

Vossloh has a uniquely wide range of rail components and rail-related services. No manufacturer has anywhere near our level of expertise in this complex system under one roof. This is an advantage we want to use.

One Vossloh the route to dynamic processes

Years ago, we launched One Vossloh to lay the groundwork for our success in an increasingly solution-oriented world of rail infrastructure. We are already extremely effective at working across different geographical borders, social spheres and qualification levels. The dividing lines between our organizational units will become even more blurry as we move forward. The ability of Lifecycle Solutions to transport fully preassembled switches already gives Customized Modules a step up over the competition, as customers appreciate an all-in-one logistics solution and installations can be carried out without significant downtime. The sale of concrete ties by Vossloh Tie Technologies in the USA and Canada is opening up sales channels for our fastening systems in

these markets because rail ties can be delivered together with rail fasteners. Product and service business are increasingly merging into a single unit. A number of fundamental business concepts are being reconsidered, and new ones are emerging.

That's why we increased our focus on making this established guiding principle a more integral part of our operations in the year under review. In terms of our customers, this means that we will be integrating our sales activities even more across different divisions. We want to keep things simple: one contact partner, one quote for the products and solutions that our customers need, and a clear rundown of lifecycle costs. This is the only way for us to unlock the added value in our extensive range of services and products available from a single source. Due to Vossloh's global presence, increasing the standardized use of administrative

functions can play a significant role in improving our efficiency and performance as a company. We are also encouraging a greater level of networking and transparency between our various research and development activities, all with a consistent focus on maximizing the benefit for the group as a whole. This gives our experts the time they need for innovation, while also putting them in a position to think outside the box in order to come up with holistic solutions.

We are committed to being proactive

We still have some way to go before releasing new products, using data-based business models and being able to offer track availability as a service. That's why Vossloh is committed to innovation, partnerships and running pilot projects with

customers. We want to see an intelligent railway, greater efficiency and impressive mobility solutions.

We work alongside operators to leverage valuable data in order to provide the transparency we need. To take an example, switch faults are a frequent cause of disruption for our customers. Vossloh's internally developed switch monitoring system provides an extensive amount of useful data in this area, and provides a framework for recording the current condition of a switch and predicting how its condition is likely to change in future. For Vossloh, the next step is equipping our own maintenance machines with sensors. This will allow us to generate valuable information about the current condition of the network from the large amount of trips that are already performed for our customers. We are constantly working on improving the services that we offer. Although it is still a technology with a unique selling position, we have developed a method for high-speed grinding that reduces the number of passes while improving grinding performance. This provides more control over the transverse profile and improves productivity.

In the near future, every stage of the manufacturing process will be even more digitalized, from product development through to prototypes and efficient (i.e. quick and cost-effective) mass production. So-called additive manufacturing, also known as 3D printing, is already being used for components and manufacturing equipment. Components prepared using additive or hybrid techniques could be an option for small batch runs in just a few years. Vossloh's "Factory of the Future" in Werdohl is laying the groundwork for Industry 4.0. The aim is for the facility to be a self-regulating and connected factory.

Vossloh is always building on its extensive railway expertise

As a manufacturer of all the railway components, Vossloh is well acquainted with the physics of the rail track. Only



with this holistic expertise can the company pinpoint relevant parameters and interactions, interpret sensor data, distill that data into information that is relevant for customers and incorporate data into products, services and recommendations. Be it the rails, rail fasteners, switches, or rail ties, Vossloh understands railway systems and how to maintain them. In addition to advising our customers about how they could optimize their maintenance practices, we can also offer to perform this work ourselves.

Vossloh is committed to using open systems and open platforms in the interests of its customers. The asset management application MR.pro is an important starting point in our data-driven approach to assessing track conditions and preventing disruption. Well-founded service life forecasts and medium-to-long-term rail infrastructure replacement plans can be drawn up based on a cyclical evaluation of the remaining wear reserve. Vossloh's mapl-e application is used to plan the deployment of maintenance machines to deal with track defects. An interface is currently being developed for both applications. The decisive step towards a truly predictive service requires the use of self-learning customer-specific systems that can predict disruptions from data patterns.

The management of change requires consistent qualification and further training. With increasing digitalization, it is foreseeable that hardly any workplace will remain as it is. In order to enable our employees to rise to new challenges, training programs are used as required. It is a misconception that no humans will work in the "Factory of the Future". In actual fact, the purpose of this new approach is to make the best possible use of the skills and abilities of both man and machine. For example, jobs with changed requirements will be created, or increased vertical integration will result in new jobs for brand-new manufacturing stages.

We firmly believe that it's not just what you do that counts, but also how you do it. We are guided by a shared set of values and principles. Vossloh's values – passion, excellence, trust and respect

as well as entrepreneurship – are more relevant than ever before in this period of transition.

Passion is what drives us to work that little bit harder, which makes all the difference. We are committed to giving our streamlined teams all of the resources and tools that they need to work more efficiently. Excellence means nothing more and nothing less than meeting customer expectations. To achieve that, we need to know what our core competencies are so that we can focus on them. We build trust and respect by working together in close partnerships in accordance with our One Vossloh principle. This means that Vossloh needs to be more than just the sum of its parts. When you combine all of these principles together with entrepreneurship, you get a company that is committed to being successful while also being socially responsible. The outstanding commitment, team spirit, passion and expertise of Vossloh's employees are what drives the company.

In line with Vossloh's values, we believe that personal growth goes hand-in-hand with the operational growth of the company. We will leave no one behind as we make sure that our organizational structure is ready for the technological revolution. Vossloh has set up a digital learning environment so that employees can access the company's expertise and training content at any time. The workforce was heavily involved in the design of the system to make sure that all of the content is relevant.

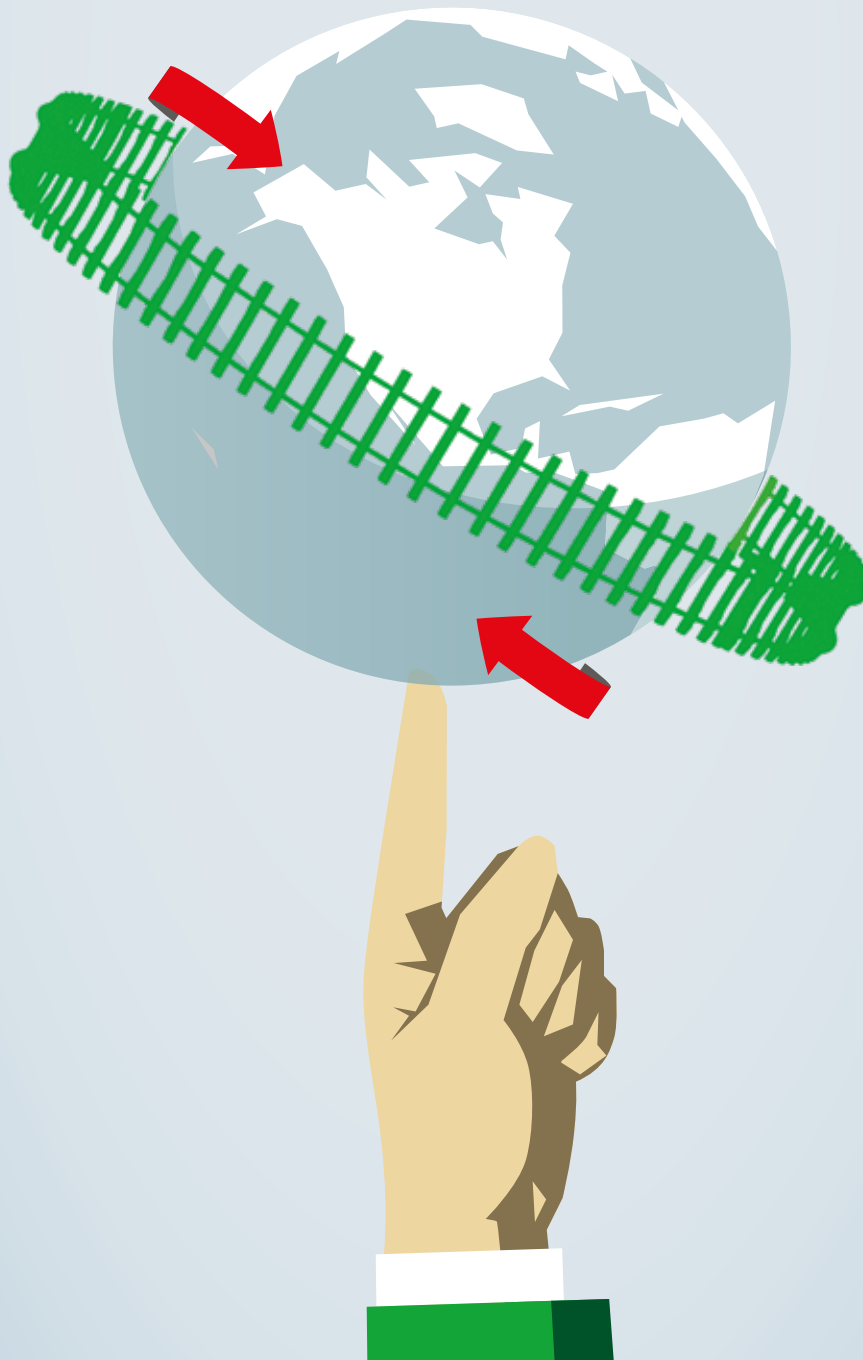


Not even a full year was needed by the Vossloh Rail Services team to develop a tailored HSG grinding unit for a Chinese customer and get it delivered ready for installation.



Vossloh Cogifer Kibn will double the capacity of the modern forging plant by 2023 by optimizing the flow of materials and providing additional tools.

We are:
Green.
Mobile.
Sustainable.



Sustainability plays a decisive role in our success as a company. The topic of sustainability has reached the heart of society, the amount of railway traffic is bound to increase over the coming years. No other form of transport comes close to rail in terms of sustainability.

Vossloh is committed to the guiding principles of sustainable development and recognizes its growing global significance for the environment, economy and society - and will make its contribution.

People's desire for mobility in the private and professional spheres and the global disparity between where products are produced and where they are consumed all make one thing clear: mobility plays an absolutely vital role in the transport of economic goods and the lives of individuals, regardless of how developed a country is or how its society is structured. The question is not whether, but rather how mobility will look like. We must make transport socially responsible and resource-saving. This is what Vossloh and its workforce stand for with their unique rail infrastructure expertise, their sustainable management and, of course, with all their products and services.

Like all other companies, Vossloh will

have an obligation to prove that it is making a significant contribution to achieving the sustainable development targets of the United Nations and to the environmental goals pursued by the European Union, specifically the decarbonization of the transport sector. This involves far more than simply submitting reports. Through the EU taxonomy of sustainable activities, financing will be prioritized for companies, technologies and products that make a demonstrable contribution to protecting natural resources, particularly in the area of reducing CO₂ emissions. The proposed taxonomy is a classification system for sustainability. It provides an extensive overview of all economic activities that are considered to be "green", a

consideration that will also become increasingly important for capital markets moving forward.

More rail required for green transport

Rail is one of the most sustainable and safest modes of transport. It should therefore come as little surprise that the long-term vision of the EU for a thriving, modern, competitive and climate-neutral economy places such an emphasis on the decarbonization of the mobility system, in particular by shifting transport to rail. The EU taxonomy specifically calls for more efficient infrastructure in the sector

relevant to Vossloh. However, building new lines and expanding the existing rail infrastructure will be expensive and, moreover, the railway network will not be able to grow unhindered and fast as competing interests will also have to be weighed up, which is an extensive process. The only way forward is to increase the capacity of the existing track.



0.7 percent of all CO₂ emissions worldwide are caused by rail traffic, even though it accounts for 9 percent of global transport.



The “Factory of the Future” in Werdohl will reduce its carbon footprint by 30 percent between 2017 and 2021. We expect the site to be carbon-neutral in 20 years.

Mobile with increased capacity

Vossloh has two levers that it can pull in this context. We can build better and better products that fail less frequently and extend service lives. That has been the company’s core area of expertise for more than a century. We can also help customers to optimize their maintenance practices.

Vossloh’s contribution to sustainable mobility ultimately consists in making more rail traffic possible. For maximum and plannable track availability, Vossloh is pursuing a clear vision: the intelligent railway. This is what “The Smart Rail Track by Vossloh” stands for. The interaction between long-lasting and low-maintenance components and the possibilities of digitalization has already created numerous opportunities to reach this goal. Condition-based and preventative rail maintenance, cutting-edge railway monitoring sensors, supporting and learning applications, and flexible and networked maintenance machines are just some of the products and services that Vossloh offers its customers.

In an ideal world, each operator could make use of their infrastructure reliably and without restrictions. They would have such a detailed insight into their network that they would detect issues before they even occur. They would also be able to tailor the nature and extent of the work performed on the track to the current and predicted condition of their infrastructure.

Sustainability begins with us

As rail track experts, we are always looking for ways to minimize or even eliminate the negative aspects of rail transport. Our commitment to reducing noise and vibration levels plays a vital role in maximizing the availability of rail infrastructure. As a rail systems supplier, we can address this issue at the source: the track itself. We apply our ideas and innovations for combating noise and vibrations to our own products first: like other rail milling machines, the new MPM compact milling machine not only ensures “quiet rails”, it is itself quieter in operation than your neighbors’ arguments.

When our teams and vehicles are out working on the track, we use technological measures, smart logistics and a code of conduct to reduce the amount of waste and air pollution during service work. For instance, we use appropriate materials for sleepers and lubricant-free switch rail chairs to minimize our impact on water systems.

Protecting our natural resources begins with us. All of our major manufacturing facilities are certified to ISO 14001 and thus have a sophisticated environmental management system. All of our locations are completely committed to reducing their CO₂ emissions. Our cutting-edge manufacturing facility in Outreau, France, will come online with an optimized intralogistics system once the second phase of the project is completed in 2020. A closed water circuit, the use of solar energy with the help of photovoltaics, the reduction in emissions, and the minimization of sand and dust will ensure sustainable and clean production. The amount of space required by the facility will go down by almost half to 25,000 square meters. In addition to making us more productive, optimizing the flow of recyclable materials allows us to achieve higher occupational health and safety standards for our workforce.



Profitable growth requires an all-encompassing commitment to sustainability. Vossloh does business in a focused manner and uses all natural resources sparingly. We push ourselves and our projects forward dynamically to improve the efficiency of our rail infrastructure and safeguard the long-term future of the company. We consider ourselves sustainably prepared for green mobility.