



*Prof. Dr. Rüdiger Grube  
Chairman of the Supervisory Board*

#### Supervisory Board of Vossloh AG

**Prof. Dr. Rüdiger Grube** (since February 5, 2020), Hamburg, Chairman, managing partner of Rüdiger Grube International Business Leadership GmbH and former CEO of Deutsche Bahn AG

**Ulrich M. Harnacke**, former Chairman, Mönchengladbach, Auditor and Tax Advisor

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

**Dr. Sigrid Evelyn Nikutta** (since May 22, 2019), Deputy Chairwoman, Berlin, Member of the Management Board of Deutsche Bahn AG for Freight Transport and CEO of DB Cargo AG

**Prof. Dr. Anne Christine d’Arcy**, Vienna, Austria, University Professor for Corporate Governance and Management Control

**Dr. Bernhard Düttmann** (until December 31, 2019), Meerbusch, independent management consultant and interim Chairman of the Executive Board of CECONOMY AG

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

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

## Report of the Supervisory Board

Dear shareholders,

Once again in the 2019 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 prompt 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. In addition, it discussed 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 regularity 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 27, May 21, October 2 and November 27, 2019. Extraordinary meetings were held on February 4, April 2, May 22, June 18 and 19, August 16, September 16 and October 16, 2019. Almost all the Supervisory Board meetings

were attended by all of the members of the Supervisory Board. Michael Ulrich was unable to attend two meetings (June 18 and October 2, 2019) due to illness and Dr. Bernhard Düttmann was unable to attend one meeting (May 22, 2019) for scheduling reasons. The Executive Board members attended the Supervisory Board meetings unless the Chairman of the Supervisory Board specified otherwise.

In all their meetings last year, the Supervisory Board and Executive Board dealt extensively with the further development of the Vossloh Group, including the performance program to achieve a sustainable increase in profitability along with an improvement in its self-financing capability. 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 4, 2019, the Supervisory Board deliberated with the Executive Board about Vossloh Locomotives, specifically its operational development and an upcoming tender, as well as the ongoing sales negotiations regarding Vossloh Locomotives.

The balance sheet meeting on March 27, 2019, considered in particular the separate and consolidated financial statements for 2018 as well as the agenda and the draft proposals for the Annual General Meeting on May 22, 2019. At this meeting, the Supervisory Board again discussed Vossloh Locomotives, especially the status of a major project, and the status of the planned sale. Another important topic covered in the meeting was the Vossloh Group's Smart Rail Track strategy.

In the extraordinary meeting on April 2, 2019, the focus was on organizational changes in the Supervisory Board that were necessary as a result of the decision of Dr. Volker Kefer to step down from the Supervisory Board, and on preparing the proposal for the election of Dr. Sigrid Evelyn Nikutta as a new member of the Supervisory Board.

The agenda on May 21, 2019, in addition to the regular reporting topics and Vossloh Locomotives, included the subjects of digitalization and the performance program to achieve a sustainable increase in profitability along with an improvement in its self-financing capability. The Supervisory Board also dealt extensively with the Customized Modules division and made preparations for the 2019 Annual General Meeting.

At the extraordinary meeting on May 22, 2019, following the Annual General Meeting, Dr. Sigrid Evelyn Nikutta was elected Deputy Chairwoman of the Supervisory Board as well as being made a member of the Personnel Committee and the Nomination Committee.

The extraordinary meetings on June 18 and 19, 2019, were held as a result of the capital increase of ten percent of the share capital from Authorized Capital 2017 carried out in June 2019. The Supervisory Board approved the capital increase with the aim of reducing consolidated net financial liabilities and improving financial flexibility for future growth.

At an extraordinary meeting on August 16, 2019, the Supervisory Board dealt extensively with the long-planned sale of Vossloh Locomotives to the strategic acquirer CRRC ZELC. After careful review, the Supervisory Board consented to the sale, which for Vossloh represents the final step on the road to becoming a pure infrastructure provider.

At the extraordinary meeting on September 16, 2019, the Supervisory Board dealt intensively with personnel matters relating to the Executive Board without the participation of the Executive Board. Following an in-depth discussion, the Supervisory Board resolved to appoint Mr. Schuster as the CEO and extended his contract by five years until February 2025. Furthermore, Dr.-Ing. Runge was appointed as a member of the Executive Board for a period of three years until September 30, 2022. Agreed terminations were arranged with Mr. Busemann and Mr. Schenk. The remuneration system for the members of the Executive Board was also reviewed in the course of extending Mr. Schuster's contract and appointing Dr.-Ing. Runge and, in some cases, adjusted in the light of regulatory requirements and investor expectations, and the variable remuneration was made more dependent on how the share price develops.

The meeting on October 2, 2019, which was held at Vossloh Outreau Technologies in Outreau, France, dealt primarily with the Supervisory Board's further deliberations on the Customized Modules division in addition to regular reporting topics. The Supervisory Board also visited the Outreau production site and witnessed the improvements in production as a result of the investments that have not yet been fully completed. The Supervisory Board also dealt with the status of the implementation of the performance program.

The extraordinary meeting on October 16, 2019, focused on the sale of Cleveland Track Material and a status update on the ongoing preparations for completing the sale of Vossloh Locomotives.

At its final ordinary meeting of the year on November 27, 2019, the Supervisory Board dealt intensively with the business development in the past fiscal year as well as planning for the years 2020 through 2022. The Supervisory Board approved the budget for 2020 following an in-depth examination and discussion with the Executive Board. The agenda also included the status of the performance program, Vossloh Locomotives, and the adoption of the 2019 Declaration of Conformity with the German Corporate Governance Code.

## 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 2019 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 individuals responsible for Accounting, Controlling and Legal Affairs & Compliance at Vossloh AG.

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 2018 fiscal year to the Supervisory Board during its meeting on March 27, 2019. At its meetings on April 24, July 24 and October 23, 2019, 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 27, 2019, 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 and assessed the quality of the audit. The auditor may only be contracted to perform nonaudit services subject to the mandatory approval of the Audit Committee.

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 27, 2019, included a report to the Audit Committee from the Internal Audit department.

The Nomination Committee convened twice in the course of the 2019 fiscal year. The subject of the meetings on March 12 and 29, 2019, was the preparation of the election proposal for the by-election of Dr. Sigrid Evelyn Nikutta to the Supervisory Board by the Annual General Meeting on May 22, 2019. The Personnel Committee also convened several times in 2019 and prepared for the change on the Executive Board as of October 1, 2019, namely the appointment of Mr. Schuster as CEO and the extension of his contract, as well as the appointment of Dr.-Ing. Runge as a member of the Executive Board.

## Personnel changes on the Supervisory Board and Executive Board

There were changes that took place to the Supervisory Board 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. As Deputy Chairman of the Supervisory Board, Mr. Harnacke assumed the duties of Chairman of the Supervisory Board until his official election as Chairman on April 2, 2019. Acting on a proposal from the Supervisory Board, the Annual General Meeting appointed Dr. Nikutta as a member of the Supervisory Board on May 22, 2019. At the extraordinary Supervisory Board meeting following the Annual General Meeting, Dr. Nikutta was elected Deputy Chairwoman as well as made a member of the Personnel Committee and the Nomination Committee.

Dr. Düttmann gave up his seat on the Supervisory Board with effect from the end of the year under review in light of his obligations at CECONOMY AG. The Supervisory Board extends its thanks to Dr. Düttmann for his good and trustworthy work. In an extraordinary meeting of the Supervisory Board on January 6, 2020, it was decided to apply for the court to appoint Prof. Dr. Grube as a new member of the Supervisory Board. Following his appointment on February 5, 2020, Prof. Dr. Grube also took over as Chairman of the Supervisory Board on February 10, 2020. Mr. Harnacke was re-elected Chairman of the Audit Committee with effect from the same day.

There were also changes that took place to the Executive Board during the year under review. In its extraordinary meeting on September 16, 2019, the Supervisory Board appointed CFO Oliver Schuster as the CEO with effect from October 1, 2019, and extended his term as a member of the Executive Board for a further five years until February 28, 2025. This does not affect Mr. Schuster's responsibility for financial affairs at Vossloh. Dr.-Ing. Karl Martin Runge was appointed to the Executive Board for a three-year term with effect from October 1, 2019. Supervisory Board and the Executive Board members Mr. Andreas Busemann and Mr. Volker Schenk mutually agreed that the contracts of Mr. Busemann and Mr. Schenk, which expire on March 31 and April 30, 2020, respectively, will not be extended and that both Executive Board members will step down from their positions at the end of September 30, 2019. Since this time, Vossloh AG's Executive Board has been composed of two members.

## Corporate Governance and Declaration of Conformity

The Supervisory Board attaches great importance to ensuring there is good corporate governance. At its meeting on November 27, 2019, 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 34 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 31 to 35 of the annual report).

## Separate and consolidated financial statements for 2019

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 2019 fiscal year, including the accounting, were examined by the auditor duly appointed by the Annual General Meeting on May 22, 2019, Deloitte GmbH Wirtschaftsprüfungsgesellschaft based in Munich (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) in accordance with Section 313 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 legal 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 18, 2020, to approve the financial statements. During the meeting, the auditor 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 auditor. The auditor also reported on the Vossloh Group's early risk detection system. The auditor 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 under ISAE 3000 (Revised) to achieve a certain degree of assurance therefor (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 2019 fiscal year including the nonfinancial Group statement (Section 315b HGB), the dependent company report including the Executive Board's closing statement, 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, 2019. The annual financial statements were thus adopted on December 31, 2019. 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), both in conjunction with the transitional provisions of Art. 83 para. 1 of the Introductory Law to the German Commercial Code (EGHGB), and with the dependent company report. The Supervisory Board approved the Executive Board's proposal for the appropriation of the 2019 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 employees of the Vossloh Group for their dedication and successful service in the past fiscal year.

Werdohl, March 18, 2020,

The Supervisory Board  
Prof. Dr. Rüdiger Grube  
Chairman