vossloh

ANNUAL REPORT 2015

Transforming Vossloh.

Key Group figures		2015	2014*
Orders received	€ mill.	1,089.8	1,149.6
Order backlog	€ mill.	1,031.3	1,142.1
Income statement data			
Net sales	€ mill.	1,200.7	1,100.8
Core Components	€ mill.	256.6	331.0
Customized Modules	€ mill.	523.0	473.1
Lifecycle Solutions	€ mill.	71.7	69.6
Transportation	€ mill.	357.3	231.9
EBIT	€ mill.	45.1	(183.4)
EBIT margin	%	3.8	(16.7)
Net interest expense	€ mill.	(13.5)	(24.2)
EBT	€ mill.	31.6	(207.6)
Net income	€ mill.	77.8	(205.7)
Earnings per share	€	5.42	(16.46)
Return on capital employed (ROCE)[1]	%	5.6	(21.7)
Value added[1]	€ mill.	(35.9)	(267.8)
Balance sheet data			
Fixed assets[2]	€ mill.	558.3	548.8
Capital expenditures	€ mill.	36.7	50.7
Amortization/depreciation	€ mill.	40.3	123.2
Closing working capital	€ mill.	210.2	226.5
Closing capital employed	€ mill.	768.5	775.3
Total equity	€ mill.	428.7	349.6
Non-controlling interests	€ mill.	17.0	19.7
Net financial debt	€ mill.	200.1	283.0
Total assets	€ mill.	1,375.1	1,604.4
Equity ratio	%	31.2	21.8
Cash flow statement data			
Gross cash flow	€ mill.	71.7	(8.7)
Cash flow from operating activities	€ mill.	107.8	(42.2)
Cash flow from investing activities	€ mill.	(11.6)	(58.3)
Cash flow from financing activities	€ mill.	(77.0)	103.7
Free Cashflow	€ mill.	66.1	(98.5)
Workforce data			
Annual average headcount	No	4,875	4,883
Core Components	No	609	636
Customized Modules	No	2,589	2,555
Lifecycle Solutions	No	400	346
Transportation	No	1,221	1,295
Vossloh AG	No	56	51
Personnel expenses	€ mill.	285.4	283.0
Share data			
Annual closing price	€	59.52	53.50
Closing market capitalization	€ mill.	793.1	712.9

[1]Based on average capital employed

[2]Fixed assets = intangible assets + property, plant and equipment + investment properties + investments in associated companies + other noncurrent financial instruments

* Previous year figures presented in a comparable manner due to the disposal of the business field Rail Vehicles

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Dear shareholders,

Vossloh, your company, attained the goals it set in the past financial year. Following radical cuts in 2014, the company not only recovered but also made significant progress in 2015. Group sales increased more strongly than recently expected by 9 percent to €1.2 billion. Compared with the average annual growth rate of 2.8 percent that experts attributed to the accessible market for rail technology, Vossloh thus grew considerably more strongly. Comparable EBIT of €18.8 million in 2014 soared to €45.1 million in the past financial year. The EBIT margin rose to 3.8 percent last year and is thus at the higher end of the intended variation ranges since December 2014.

With the disposal of the Spanish locomotive business, we have reached a decisive and strategic milestone in Vossloh's transformation. We completed this transaction already at the end of 2015. As was the objective, Vossloh's equity improved in a positive fashion due to book profits on the disposal and the Group's equity ratio reached a stable of more than 31 percent as of the end of reporting period. After nearly two years of extensive restructuring and repositioning measures, Vossloh is standing on solid financial ground again.

From the left:
Volker Schenk (Member of the Executive Board),
Dr. h.c. Hans M. Schabert (CEO),
Oliver Schuster (Member of the Executive Board)

We are successively coming closer to our strategic goal of making Vossloh a focused, global and leading supplier of products and services in the rail infrastructure market. Our operating success is increasingly being driven by collaborations between the three core divisions on many customer projects. This starts with the development of approaches for solutions for the requirements of our customers across different areas. This extends to the provision of integrated services in infrastructure for several years. Good and recent examples of this include ongoing projects in Sweden and India. For example, the Swedish infrastructure authorities are renewing the switches on its network together with Vossloh. In only eight hours, each new switch is fully functional and placed in the track beds. All key work stages are performed by companies of the Vossloh Group. In India, several metropolises are modernizing their metro networks. Here, Vossloh supplies both switches and fastening systems, which are both systemically and precisely coordinated.

"One Vossloh" has established itself as the maxim of our work. Integrated overall solutions for rail infrastructure from a single source qualify us, among global competitors, as an innovative partner of choice that is oriented towards overall services for rail infrastructure systems. In this context, sales and staff departments at the new shared offices on our target markets in the USA, China and Russia are interdisciplinary-oriented. Here, experts from all three core divisions are available for customers in one place. The strengthened collaboration between the three core areas is coordinated centrally. For customers, and also for our own organization, this approach stands out as a result of its high efficiency. Thanks to this new profile, Vossloh is gaining strength, which is also fueled by the cost discipline that is required and implemented throughout the company. To optimize our competitive capability, we are reducing the level of complexity and positioning ourselves in streamlined structures. We are also decreasing the number of companies and locations worldwide to a reasonable extent. In the past financial year, these projects also involved careful consideration and socially acceptable downsizing. These decisions were not easy to make, but measures had to be implemented to safeguard the company as a whole.

Vossloh is still on a path of full economic recovery. In order to prepare for future growth, we are continuing to work on Vossloh's transformation. There are key steps in 2016 that are meant to sustainably strengthen the company and prepare for growth. We will commission our new Russian production location for fastening systems and other shared offices worldwide are expected to intensify their work. In the Customized Modules division, which expanded by means of numerous acquisitions in the past, functions will be merged appropriately. This results in the complexity of processes being considerably reduced, fully to the advantage of our customers.

Finally, the Transportation division, which we will sell or transfer into suitable partnerships in 2017 at the latest, will become more attractive in business terms as a result of the ongoing productivity program. In the second half of the year, the new production site in Kiel will be in operation. At this site, the assembly of a standard locomotive will be reduced from 18 to only around six to nine months. This means Vossloh Locomotives has clearly begun a new era. At Vossloh Kiepe and in the Electrical Systems business unit, the focus of our adjusted and efficient schedule for 2016 is now on the earnings-oriented processing of the large order backlog in addition to innovations that have been launched.

Dear shareholders, by beginning this transformation last year, we have gone back to Vossloh's roots, at the same time firmly establishing the company in the field of rail infrastructure. Today, Vossloh is well on track to reposition itself. A culture change is palpable throughout the company and the economic success of the repositioning is increasingly tangible. After two hard years of restructuring, we are now focusing on the future in rail infrastructure. We will use this new and secure base for Vossloh to sustainably grow in the future. We would be delighted if you were to join us on this journey.

Yours sincerely

Hans Schabert

Dr. h.c. Hans M. Schabert
Chief Executive Officer

Overview of 2015

January

First customer deliveries leave the new ultra-modern rail fastener production facility in Waco, Texas. Four million tension clamps can be manufactured here every year.

KB Holding GmbH announces intention of making a voluntary public takeover bid for the entire share capital of Vossloh AG.

February/March

On March 15, the first TW3000 high-floor light rail vehicles produced by a consortium of Vossloh Kiepe and Alstom Transport Deutschland take up passenger operation with Üstra Hannoversche Verkehrsbetriebe.

The Executive and Supervisory Boards publish their joint statement on the public takeover bid in line with Article 27 German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz „WpÜG“).

April

In Suzhou, the new Vossloh production site for cavity filling elements is opened in China.

By successfully concluding a syndicated loan of €500 million, Vossloh AG provides a new basis for Group financing in the medium term.

May

Vossloh and VR Track, a subsidiary of the Finnish rail VR Group, establish two joint ventures. Together with this partner, Vossloh operates three switch locations and a long rail-welding plant.

At Vossloh AG’s Annual General Meeting in Düsseldorf, stockholders grant discharge to the Executive Board in office by an overwhelming majority. Auditor and tax advisor Ulrich M. Harnacke becomes the new shareholder representative on Vossloh AG’s Supervisory Board. In addition, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, is appointed as the new auditor.

June

Lifecycle Solutions division bundles sites: Vossloh Rail Services GmbH, previously based in Seevetal, and Vossloh High Speed Grinding GmbH move to Hamburg-Harburg under one roof.

July

Groundbreaking construction work begins in order to build the new ultra-modern locomotive plant of Vossloh Locomotives in the area of Suchsdorf in Kiel. The new construction is consistently designed to ensure an efficient production process, with the newest logistics and allowing for considerable energy savings.

As a consequence of the "One Vossloh" guiding principle, all companies of the Core Components, Customized Modules and Lifecycle Solutions divisions are seen as an integrated Group under the Vossloh umbrella brand from this moment on – without any additions.

September

The US Vossloh office opens in Charlotte, North Carolina. The central location, excellent domestic and international flight connections in addition to proximity with the most important clients tipped the scales for the decision on the location.

According to the relevant WpHG notifications, a total of 40.79 percent of Vossloh AG's total capital is attributed to Mr. Heinz Hermann Thiele.

November

Vossloh AG's Executive Board signs the contract on the sale of the Rail Vehicles business unit to Stadler Rail AG, Bussnang, Switzerland.

The first of a total of 31 new suspension railway vehicles built by Vossloh reaches Wuppertal and is welcomed with a festival at the final destination in Vohwinkel.

December

The new Vossloh website is online. The Group presents itself as more modern in terms of design and also content. A particularly new element is the target group-specific approach.

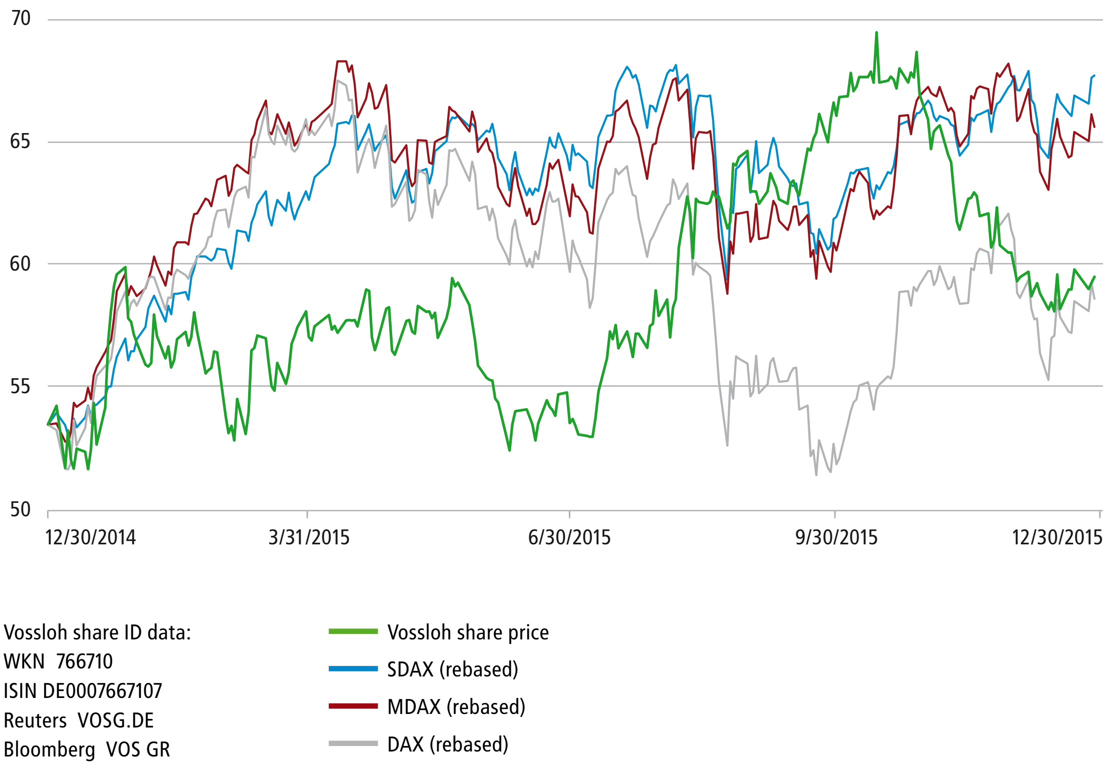
The sale of the Spanish locomotive business to Stadler Rail AG, Bussnang, Switzerland, is completed with effect from the end of December 31, 2015. All required anti-trust approvals had been granted beforehand.

Vossloh stock

At the end of 2015, the key stock indices worldwide were in positive territory, with German mid-cap and small-cap indices TecDAX, SDAX and MDAX leading the way. Nonetheless, the 2015 stock market year revealed a mixed picture. The ongoing expansive monetary policy of global central banks and the depreciation of the euro in addition to improved economic data in the euro zone initially resulted in a rally until April, as a result of which key indices reached new record highs for several years, in some cases all-time highs. The markets were much more volatile from May, leading to significant price corrections time and again until the end of the year. This was caused by the repeatedly discussed Greek debt crisis and the devaluation of the Chinese renminbi, associated with growing concerns regarding economic development in China. The Federal Reserve's moderate first step to raise interest rates in December 2015 briefly had a positive impact on capital markets.

In 2015, the leading German indices developed positively despite increasing volatility. On December 30, 2015, the DAX ended with 10,743 points and thus saw a total increase by around 10 percent as against the final trading day in the previous year. The MDAX ended 2015 at 20,775 points and was thus up around 23 percent compared to the end of the previous year. There was an even better performance on the SDAX which rose by approximately 27 percent, achieving a closing result of 9,099 points.

Vossloh stock price trend from January 1, 2015 to December 30, 2015



Vossloh share ID data:
WKN 766710
ISIN DE0007667107
Reuters VOSG.DE
Bloomberg VOS GR

In 2015, the price of the Vossloh share increased by 11 percent from €53.50 at the end of 2014 to €59.52 as of December 30, 2015. January 8 marked the lowest level of the year at €50.92. The highest level of the year was attained on October 16 at €69.75.

With a total of 8.4 million shares, substantially fewer Vossloh shares were traded in 2015 as against the previous year (11.7 million shares). For each of the 253 trading days in 2015, an average of around 33,114 Vossloh shares were traded on Xetra and at the Frankfurt Stock Exchange per day. The average trading volume in 2014 amounted to 46,345 shares.

Vossloh AG's free market capitalization, related to the 13,325,290 shares outstanding, was €793.1 million as of December 31, 2015, thus exceeding market capitalization at the end of the previous year's reporting period of €712.9 million. In Deutsche Börse's ranking, which is determined in the combined comparison of companies that qualify for the MDAX and SDAX, Vossloh shares were ranked 72nd on the list for free float market capitalization in December 2015. In terms of the average volume of shares traded, Vossloh was ranked 63rd at year-end.

Vossloh stock indicators		2015	2014
Earnings per share	€	5.42	(16.46)
Dividend per share	€	0.0*	0.0
Annual average number of shares outstanding	1,000	13,325	13,000
Number of shares outstanding at year-end	1,000	13,325	13,325
Closing stock price	€	59.52	53.50
Closing market capitalization	€ mill.	793.1	712.9
Annual high/low	€	69.75/50.92	75.92/41.88
Price-earnings ratio		11.0	–
Share trading volume	1,000	8,378	11,679
Average daily turnover of shares	1,000	33.1	46.3

*Dividend proposal subject to approval of the Annual General Meeting

Dividend

In light of the continued restructuring and repositioning of the Vossloh Group, which will be ongoing until the end of 2017, Vossloh AG 's Executive Board and Supervisory Board will make a proposal to shareholders at the Annual General Meeting scheduled for May 25, 2016 to suspend dividend payments for the 2015 financial year. The profit achieved in 2015, also thanks to the disposal of the Spanish locomotive business, is set to strengthen the equity base and thus be used to secure future growth.

Voluntary public takeover bid from KB Holding GmbH

On January 20, 2015, Mr. Heinz Hermann Thiele, whose stake amounted to 29.99 percent at the time via his investment company KB Holding GmbH, submitted a voluntary public takeover bid for all no-par bearer shares in Vossloh AG at a price of €48.50 per share. The acceptance period for the bid started on February 16, 2015 and expired on March 16, 2015. Another acceptance period was set on March 20, 2015 and ended on April 2, 2015. On February 26, 2015, the Executive Board and the Supervisory Board of Vossloh AG published a joint and reasoned opinion. The corporate bodies welcomed the long-term commitment of KB Holding at Vossloh, but recommended not accepting KB Holding's offer, also because the offering price at the same time was too low compared with the market price at the time.

In the takeover bid, a total of 29,711 Vossloh shares were tendered to KB Holding. After the ast closing condition had been met on July 27, 2015, the transaction was completed on July 31, 2015 so that according to the WpHG notification of August 3, 2015, Mr. Thiele was attributed a total of 30.21 percent of the Vossloh AG stock as of July 31, 2015. In line with the WpHG notification of September 17, 2015, Mr. Thiele was attributed another 744,367 Vossloh shares at that time via the exercise of financial instruments, corresponding to a share of around 5.59 percent in the capital stock and voting rights of Vossloh Aktiengesellschaft. In the end, in accordance with a WpHG notification dated September 30, 2015, KB Holding acquired another 665,000 shares in Vossloh over the counter. These 665,000 Vossloh shares are equivalent to around 4.99 percent of the capital stock and voting rights of Vossloh AG. As a result of the transactions mentioned above, the proportion of shares in Vossloh AG attributable to Mr. Thiele rose to a total of 40.79 percent as of September 29, 2015.

Ownership structure

Vossloh AG's largest shareholder is Mr. Heinz Hermann Thiele, with a share of 40.79 percent. Additional known shareholders of Vossloh AG with voting rights exceeding the legal reporting threshold of 3 percent are: LAZARD FRERES GESTION SAS, Paris, France, with 3.01 percent (March 24, 2014), Franklin Templeton Investment Funds, Luxembourg, with 3.05 percent (June 30, 2014), Franklin Mutual Advisors, LLC, Wilmington, Delaware, USA, with 5.68 percent (July 1, 2014), as well as Iskander Makhmudov, Russian Federation, with 3.08 percent (February 5, 2015). Because these are purely financial investments, the assets of institutional investors count toward the free float market capitalization as defined by Deutsche Börse AG. Therefore, the free float of Vossloh AG was 59.21 percent as calculated by Deutsche Börse as of the end of December 2015.

Analysts' ratings

At the beginning of 2016, ten financial analysts working at companies in Germany and abroad covered the development of Vossloh stock and regularly published comments and studies about the company. Among these analysts, seven had a Hold recommendation for Vossloh shares. One analyst rated the share as a Buy. There were no Sell recommendations. Two analysts had not yet updated their models on the anticipated business development of Vossloh and thus had not made an investment recommendation. Based on analysts' valuations until the end of February, the average price target for the Vossloh stock was €61. The lowest target price was €55, while the highest was €70.

Sustainability

As a rail technology company, Vossloh is active in an industrial segment for which sustainability is a major priority. With its products and services, Vossloh helps to ensure that the transport of people and goods is as safe as possible, while also being environmentally-friendly. Because of this, Vossloh AG also has the right qualifications for investors focusing on sustainability. Since 2008, Vossloh has been listed in multiple sustainability rankings and belongs to the Oekom Research's investment universe, as well as to Kempen/ SNS SRI.

Capital market dialog

The Vossloh Investor Relations team was also involved in an intensive dialog with institutional and private investors in 2015. Vossloh AG, over the course of the year, took part in several capital market conferences and also itself organized meetings for investors and analysts, as well as multiple teleconferences.

The team was also always available for any questions, either written or over the phone. We will gladly answer any questions or concerns. Please address questions to investor.relations@ag.vossloh.com or contact us at the number +49 (0)2392/52-609.

Driving transformation.

In 2014, the new management at Vossloh presented the objective of leading the company into an economically successful future and of sustainably increasing the value of the company. In particular in recent years, appropriate value added was lacking despite good products. Therefore, the most pressing tasks initially were the rapid reorganization and restructuring of key business units.

However, further action was required: to achieve its own objective, the Group is pressing ahead with its radical transformation. The medium-term strategy is the starting point and basis for this transformation. Since then, this process has dynamically made progress and there is movement everywhere in the company. The entire Vossloh team is working on achieving improvements on a daily basis. Established products and processes are also consistently called into question and deep cuts were necessary in part. Huge efforts are required and numerous projects are underway. This ongoing transformation can be classified into four fields of action:

The strategy is being rigorously implemented and the focus on core business is approaching. Integrated solutions from the entire Vossloh service portfolio are bringing the Group's unique selling proposition to bear on an operational level.

Following the "One Vossloh" guiding principle, the Group now appears on a uniform basis under the umbrella brand. Barriers between the divisions were removed and Sales is increasingly working across different areas.

Costs are the Group-wide focus. Necessary restructuring is having an impact. Now, further efforts apply primarily to the efficient organization and streamlining purchasing management.

In respect to technology, available expertise is networked more efficiently. Continuous improvement in processes, safety and health protection are in line with global standards.

But the transformation has not been completed yet. The following pages are dedicated to progress that has already been achieved. Our interim result is as follows: Vossloh is well on track.


1 Strategy
2 One Vossloh
3 Costs
4 Technology

Implementation of the strategy

Vossloh's new orientation with an integrated offer for rail infrastructure

The focus on the core business of rail infrastructure is making progress. Vossloh has strengthened its position on attractive infrastructure markets. Customers are using combined products from the Vossloh portfolio in an increasing number of projects, which is the result of the considerable rise in collaborations across the divisions. Administrative functions were combined and streamlined to support this process.

Already in 2015, the core business was strengthened on attractive rail infrastructure markets. In China, state investments are increasingly focusing on more efficient public transport. In April, Vossloh therefore opened a new production site for cavity filling elements in Suzhou. Mounting tracks in the city network is the purpose of cavity filling elements. They acoustically and electrically isolate the rails. The megacity of Suzhou is in the vicinity of Vossloh's first Chinese production site in Kunshan, where rail fasteners are manufactured. In 2015, the local production of rail fasteners was ramped up in the USA. Vossloh built an ultra-modern production facility in Waco, Texas. A partner company produces plastic system components in the same hall. The rail fastening systems developed by Vossloh for the transport of goods in North America are seen as a reference for heavy-haul lines around the world. Another production site for rail fasteners is being built in Russia. Production will begin in the middle of 2016. The joint venture is based in the city of Engels, in the European part of Russia on the Volga. Vossloh now operates three switch locations and a long rail-welding plant in Finland at two joint ventures with a subsidiary of the Finnish rail VR Group. With these joint ventures, the Group is considerably increasing its added value in the switch business in Finland and is further internationalizing the service business – on a rail market with excellent prospects.

With the Group's operational repositioning, Vossloh has been increasingly using its unique selling proposition of combining several core competences in the field of rail infrastructure. Components, systems and services from the divisions are combined as overall customer solutions–into an integrated product portfolio. For instance, when Swedish infrastructure authorities acquire Vossloh switches, they are also assured that the switches will be replaced within a period of eight hours. This solution comprises product, transport and installation services in addition to reconditioning and recycling. Recently, a grinding order was also placed for around 900 Swedish switches per year. In another cross-division project, Vossloh is supplying "ready-to-use" switches to an international chemical company. In this case, they are produced, transported and installed at the industrial facilities – all from a single source. Interdisciplinary teams are now the rule in local transportation projects in India. Metro networks in Delhi, Mumbai, Kochi and Lucknow are equipped with Vossloh switches and rail fasteners.

The Vossloh strategy to focus on the core business of infrastructure, on key regional markets and on concrete business models requires an internal organization that reduces complexity and keeps administrative effort at a manageable level. Vossloh has started to reduce the number companies across the Group. After numerous acquisitions and new companies established in recent years, first and foremost Customized Modules will reduce the number of companies significantly in the years ahead, particularly by means of mergers. Administrative or central functions such as law, marketing, occupational safety and finances are bundled primarily in the regional focus markets, for instance, in the new North American Vossloh office in Charlotte, North Carolina, in Moscow and in the Chinese city of Kunshan. Local staff departments support all the divisions. Furthermore, as deliberate side-effects collaboration and a uniform external presence are being promoted.

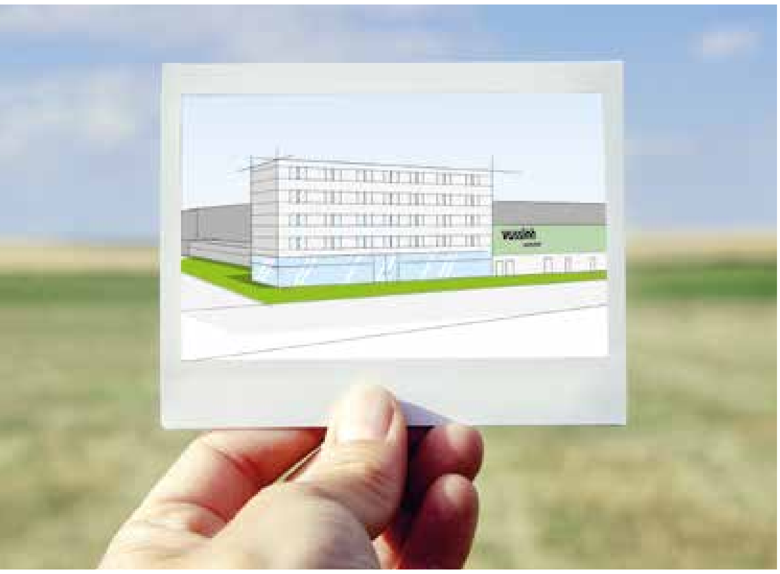
Administrative structures were streamlined and simplified in the focus markets.

With the sale of the Rail Vehicles business unit to Stadler Rail, a first milestone was reached in the focus on the core business of infrastructure at the end of the year. Rail Vehicles, based in Valencia, was managed by Vossloh as one of the three business units of the Transportation division that was available for sale. The competitive and highly innovative Spanish location should be able to develop in the Stadler Group.

There is still no concrete indication of any change of ownership for Vossloh Kiepe, based in Düsseldorf. Until then, Vossloh will rigorously move forward with all measures to further develop the potential of the Electrical Systems business unit. In 2015, Vossloh Kiepe generated more sales and a positive result, making remarkable progress in all key projects.

Vossloh Locomotives in Kiel is also expected to find new owners by 2017 at the latest. The business unit already has a sustainable product program: The diesel hydraulic and diesel electric locomotives are state-of-the-art based on an innovative platform concept. Manufacturing, which has evolved over time and is no longer modern, will be replaced by an ultramodern locomotive factory in the middle of 2016. July 2015 marked the groundbreaking start of a new era: The period between order placement and the manufacture of a standard locomotive has been shortened from 18 months to around six to nine months. The new construction is consistently designed to ensure an efficient production process, with the newest logistics and allowing for considerable energy savings.

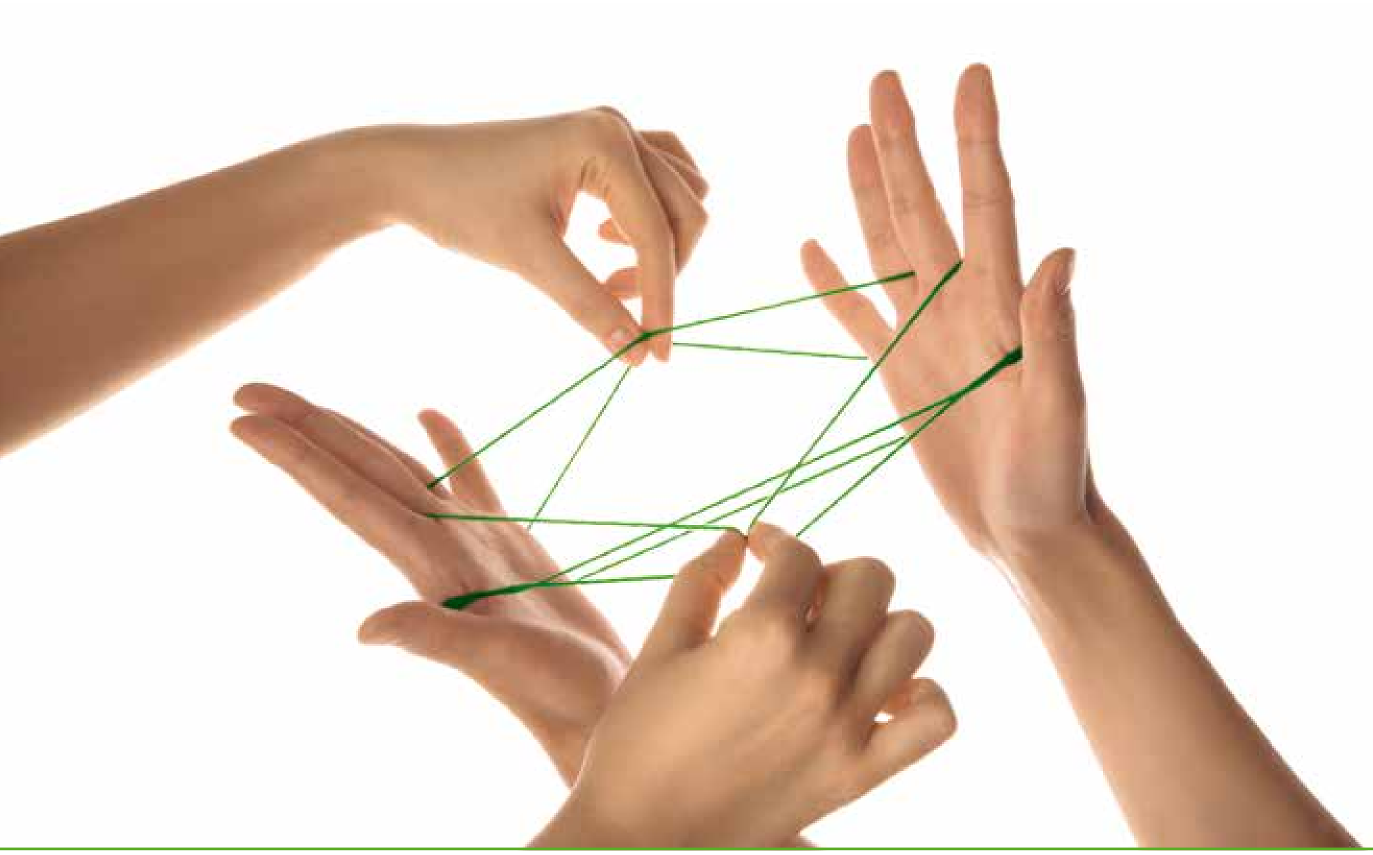
The business trend at Vossloh Locomotives has made a considerable improvement. This was primarily achieved by focusing on standardized industrial and shunting locomotives, without costly individualizations. In anticipation of the move to the new locomotive factory, production space was reduced and logistics optimized. Just recently the CFL freight group made the decision to deploy eleven DE 18 locomotives. Four-axle locomotives will be used in main-line and shunting traffic in Luxembourg, France and Germany. Vossloh Locomotives has also established new service companies in Sweden.



The most modern and efficient locomotive manufacturing site in Europe is being built in Kiel on a greenfield site.

–50 %

The amount of time needed to produce a standard locomotive will be reduced to between six and nine months at the new factory in Kiel.



One Vossloh

The new Vossloh coordinate system: networked, lean and communicative

With the "One Vossloh" guiding principle, the organization's management was realigned. The three infrastructure divisions are now coordinating their sales activities and have a uniform appearance that is closely networked on the market. The internal process is ongoing. A new integrated dialog and decision-making culture is currently establishing itself as a standard in all divisions. The transformation process is supported internally and externally by means of the uniform Vossloh umbrella brand.

Vossloh's combination of several core competences in rail infrastructure under one roof is a unique selling proposition on the rail technology market. But it was only the rejection of former, highly decentralized organization that led to the fact that Sales was increasingly able to convey comprehensive expertise in rail infrastructure and thus offer bundled solution packages, such as the highest availability of a line or optimized life cycle costs. Locations with interdisciplinary teams visibly demonstrate the internal repositioning. So far, Vossloh has been operating these shared offices in the USA, China and Russia. Others will follow.

In the meantime, employees are well connected in all areas and increasingly trained across various fields. For example, the entire sales force in all US divisions uses uniform training modules for the common CRM system in order to structure and share individual knowledge, for the same approaches and interdisciplinary expertise. Also in Europe, Latin America and India, Vossloh teams from different divisions have been working in a coordinated manner for a long time.

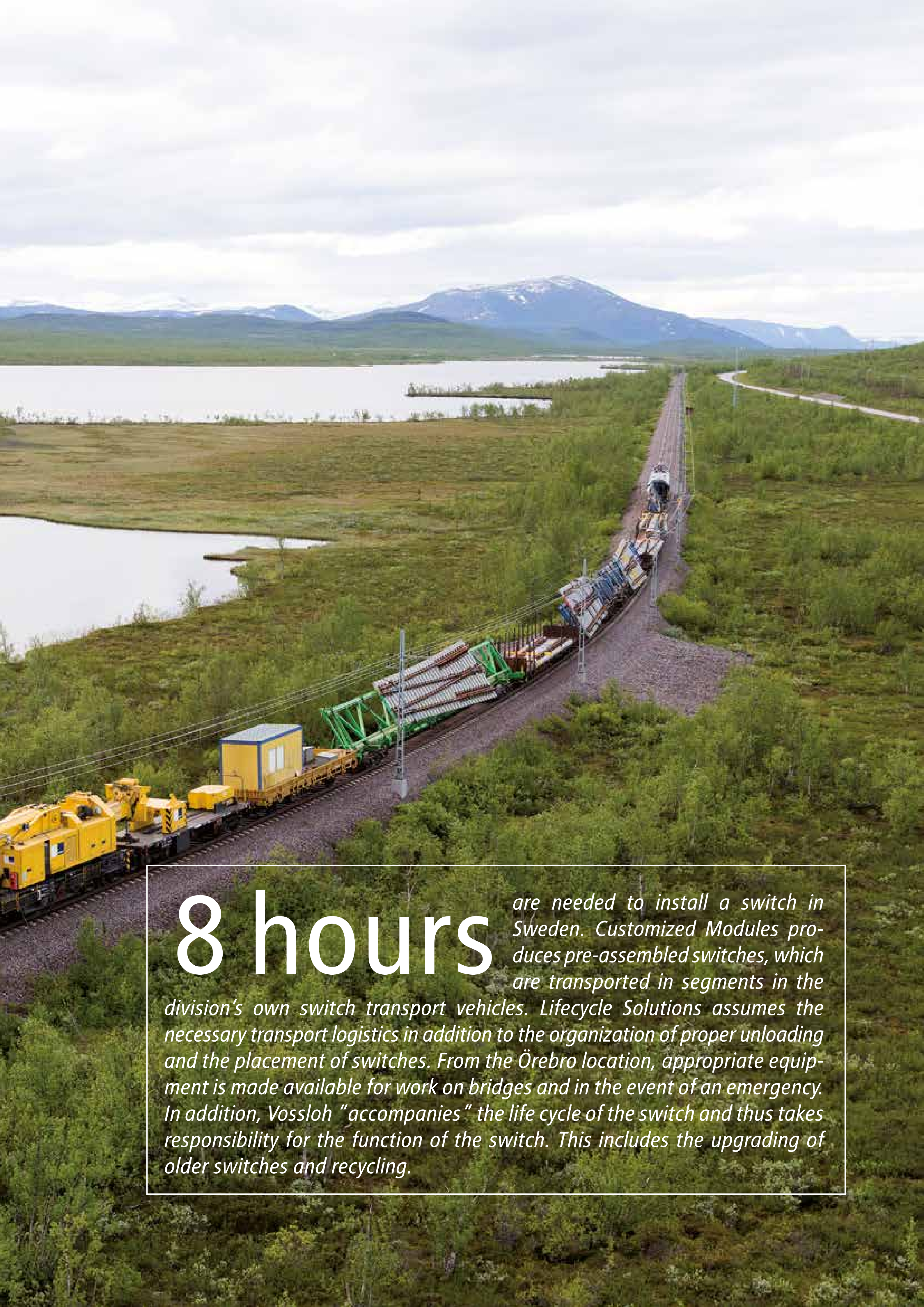
The new and open communication culture covers all areas. Thus project management experts from all fields are now working together to handle and assess complex joint projects more efficiently. This also involves common methods, which is not a matter of course considering the various business models. The purpose of numerous newly established in-house communication tools is the unimpeded exchange of information across hierarchical levels. In 2015 alone, more than 500 employees took part in personal talks with the Executive Board.

In 2015 there was also a clear break for brand management. The decentralized Group is now part of the past. As a consequence of the "One Vossloh" guiding principle, all division companies appear as an integrated Group only under the Vossloh umbrella brand. This uniform appearance provides orientation and identity within and outside the Group. A key communication channel was renewed in the year under review. The Vossloh website now appears in a more compact and uniform manner. In the medium term, it will replace the separate websites of the individual divisions or companies. A target group-specific approach is a particularly new element. Investors and the media receive varied, substantial information that is presented in a clear manner. Customers can have an overview of the integrated product portfolio and can find the right contact partner with a single click at any time and in any place. Not least, an information channel has been set up for potential employees.

Find all information at the click of a button: the new modern Vossloh website.

€3.5 billion

is the amount that the Finnish government wants to invest in the transportation infrastructure until 2022; key elements: Long-distance train lines and local passenger rail traffic in the regions of Helsinki, Turku and Tampere.



8 hours *are needed to install a switch in Sweden. Customized Modules produces pre-assembled switches, which are transported in segments in the division's own switch transport vehicles. Lifecycle Solutions assumes the necessary transport logistics in addition to the organization of proper unloading and the placement of switches. From the Örebro location, appropriate equipment is made available for work on bridges and in the event of an emergency. In addition, Vossloh "accompanies" the life cycle of the switch and thus takes responsibility for the function of the switch. This includes the upgrading of older switches and recycling.*

Costs

Necessary reorganization steps and more streamlined cost management for more efficiency

Vossloh had already established its basis for efficient economic activity in its strategy with clear business models. This basis is the clear allocation of all activities in product, project and service orientation. The reorganization and repositioning of certain areas were not an easy route to reestablish economic strength. Job cuts were unavoidable as a last resort. At the same time, the Group worked hard on creating efficient work environments and on costs. The high cost of materials necessitated ongoing optimization of purchasing management.

This restructuring has been effective. Vossloh Locomotives in Kiel has now stabilized. The decline in sales expectations to a realistic 35 to 40 locomotives per year also made job cuts necessary. Vossloh Kiepe has recovered significantly. However, the strategic withdrawal from vehicle responsibility and mechanics, associated with refocusing on Vossloh's core competence as an "independent supplier of electrical equipment" made numerous layoffs necessary. More realistic sales expectations and declining profitability over the years led to cuts even in the core business. As a result, streamlining the administration in the Core Components division was not possible without some job cuts.

Good cost management also means efficient work environments. Since June, the Lifecycle Solutions division has been benefiting from short distances and a quicker exchange of knowledge. Rail services, high-speed grinding activities, a welding plant, bundled research and development and administration are now at the Hamburg location as a result of a move. The two other core divisions are already benefiting from these "competence locations"–with the technological centers in Werdohl (Core Components) and in Reichshoffen, Alsace (Customized Modules). There, engineers and technicians network well and are developing innovative solutions with state-of-the-art technical equipment.

Stringent and professional purchasing management is nothing new in the Vossloh Group. Cost structure analysis, constant supplier screening, making use of the Group's global presence for cost comparisons, and strong collaboration between purchasers and product developers–all of these are self-evident tools in procurement. Nevertheless, the challenges remain huge. This can be explained with just two facts. The cost of materials amounts to more than 50 percent of sales and there are only a few suppliers for key purchased parts. In the year under review, Vossloh buyers continued to work hard on improved conditions, the sustainability of achieved success and new approaches.

> *"Constant discipline with regard to costs is essential because it helps us remain competitive. However, saving money alone cannot be the key to sustainable business success. Instead, we need to efficiently use the financial resources at our disposal."*
>
> *Oliver Schuster, Chief Financial Officer*

Cross-divisional exchanges have allowed for further improvements in existing tools such as online ordering platforms for small items in addition to the distribution of ideas such as local energy auctions worldwide.

Technology

Vossloh networks expertise and strengthens its leading technological position

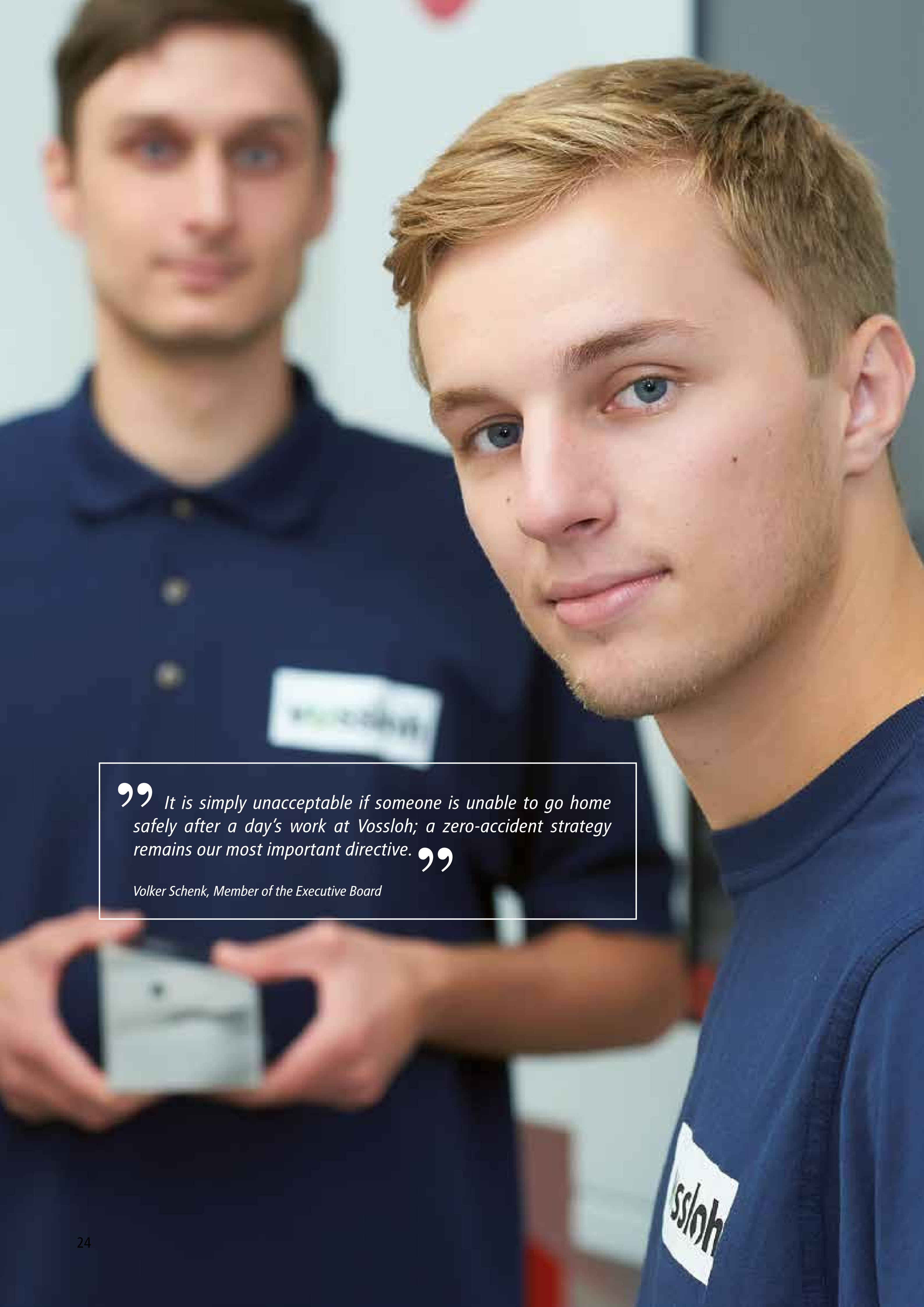
Vossloh is continuously investing in its product and services portfolio. A new aspect involves the possibility for division developers to focus even more on joint projects for the rail infrastructure of tomorrow. With the claim of technological leadership, the Group must optimize its own processes.

In research & development, Vossloh has added urgent issues in modern rail traffic on the agenda, such as environmental aspects, particularly noise, the life cycle costs of infrastructure and the availability of networks. For operators, funds deployed across the entire life cycle is much more significant than the initial investment. Servicing and maintenance costs carry weight. Their scope can hardly be generalized and loads on the lines and the tolerance of operators are too different – in addition to failure costs, for instance, in the case of line closures. These expenses can be many times higher than maintenance costs. In the rail world, this means that the economic success of an operator essentially depends on the availability of its network. Thanks to its multiple competences, Vossloh sees itself as a value-adding partner in rail infrastructure – with its own components, systems and services.

Products have a modular design and facilitate service or replacement work on already robust components, right from the start. Conserving resources in this way is necessary for all Vossloh solutions in order to optimize costs – for instance, by reducing the use of materials or environmentally-compatible lubrication-free components. Thanks to preventive track maintenance using high-speed grinding, Vossloh has a globally unique technology. It can double the service life of rails and it also reduces noise. Besides precautionary measures, Vossloh favors the approach of condition-oriented maintenance. Wear parts are only replaced if necessary – no remaining time is "given away" as a result of inflexible intervals. For example, this is the case with Vossloh switch monitoring systems. As a result, reliability and availability have significantly increased while at the same time costs have been optimized. With the core competence of rail services, Vossloh is also capable of assuming full responsibility for the availability of entire lines. By analyzing the current condition of rail infrastructure with an intelligent rail management system, it is possible, depending on the condition and age of the infrastructure, to select, plan and implement the most economically viable solution from the wide service and product portfolio.

Vossloh solutions provide for maximum availability of the line–also under extreme conditions.

As part of the focus on the core business of infrastructure a systemic approach is increasingly coming to the fore in the development departments. The goal is to provide comprehensive solutions for rail lines with expertise from all divisions. Quiet switches, uniform surface coatings and common complex simulation techniques are examples for overlapping projects. Innovation and expertise are connected in idea management as well. In the year under review, the specialist field of acoustics was enhanced in the Core Components division. There were also several innovations here again. A newly developed, highly elastic rail fastening system for metro systems based on a new type of polymer base plate will be tested shortly. In contrast, the new generation of the 300 system is already proving its worth on the tracks. With uniform functionality and stability, the optimized use of materials is good for the environment and also reduces the cost of logistics. Customized Modules has developed numerous switch and signaling components with regard to their durability and eco-friendliness. New materials, necessary regional product adaptations and proprietary simulation software are also on the list of developments. Lifecycle Solutions has developed a "HSG metro" (high speed grinding metro). This grinding train has a range that is 50 percent greater than a HSG-city. Its grinding performance is also more efficient. The HSG metro is aimed particularly at metros in China. Grinding applications with the HSG-city have been extremely successful in China for a year now.



It is simply unacceptable if someone is unable to go home safely after a day's work at Vossloh; a zero-accident strategy remains our most important directive.

Volker Schenk, Member of the Executive Board

Processes have to run in an organized and healthy manner, without any superfluous work stages, to allow Vossloh employees to do a good job in a safe environment. To achieve this lean organization, Vossloh is focusing on innovative changes in the value chain and on well-trained employees who actively communicate with each other. Shorter delivery times and high uniform standards worldwide are the tangible results of efficient manufacturing and the associated administrative processes. As the division with the highest number of production facilities, Customized Modules focuses particularly on lean corporate management. Around 400 employees, representing around 15 percent of the workforce, are involved in continuous improvements worldwide. Examples of concrete success, such as the reduced amount of production time for switch blades from 15 to three days at the Reichshoffen location, can be spread just as quickly as the international standard. Thanks to improved manufacturing logistics, it was also possible to increase capacity, improve quality and make processes safer there.

A reduction by

1,050 kilometers *in forklift transport and by 1,340 kilometers in walking distance each year reflect the success of newly organized production processes at the Werdohl location. This not only saves costs, but also increases safety.*

In the interest of the health of all its employees, Vossloh has high uniform standards worldwide in occupational safety and health protection. Part of the safety culture is a component in bonus regulations which is determined by success in occupational safety. Jobs at Vossloh have become significantly safer. All of the major production locations of the Vossloh Group are certified in accordance with OHSAS 18001. The rapid implementation of this comprehensive certification was made possible thanks primarily to the Work Safety Committee, which is the permanent body for occupational safety at Vossloh. Top objective: zero accidents.

Shaping the future.

On the way to becoming a leading international company with a focus on rail infrastructure, Vossloh has made rapid progress. Business models have been defined and capacity and processes are already aligned to this objective. This culture change to become an integrated Group, which customers and employees perceive as a single entity, can also be seen in the ramifications of the company. Bundling various core competences has paid off and our customers are responding positively to integrated offers.

The market as a whole remains attractive. The ongoing climate debate, urbanization and mobility requirements will bring rail transport further around the world. As a leading market player, Vossloh has to be at the top in all disciplines: in technology, costs and the task of meeting customer requirements. Until then, a number of steps still need to be taken. The Vossloh team is convincing with its strong commitment to work and great passion.

In the meantime, Vossloh has economically recovered and is stable in all areas. Now it is time to convert the many measures into further tangible results: in the clear focus on the core business, in concentrated and unique infrastructure expertise on the market, in clear-cut structures and in the claim to leadership. Achieving this goal will enable Vossloh to develop on its growth path in a sustainable and value-oriented manner. As a result, it will safeguard the future.

“Necessary transformation could not and cannot be taken for granted. I am positive about the future because the repositioning is showing signs of tangible success and is now in people’s minds. More detailed work is still needed as a basis for the upcoming growth phase.”

Hans M. Schabert, CEO

Vossloh AG's Supervisory Board

Heinz Hermann Thiele
Chairman, businessman,
former Chairman of the Executive Board of Knorr-Bremse AG, Munich

Ulrich M. Harnacke (since May 20, 2015)
Vice-Chairman, tax advisor and auditor, Mönchengladbach

Silvia Maisch
Electrical mechanic, Works Council Chairwoman
of Vossloh Kiepe GmbH, Monheim

Dr.-Ing. Wolfgang Schlosser
Consultant and former member of management of
Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Puchheim

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

Ursus Zinsli
Member of the Administrative Board and former Managing Director
of Scheuchzer SA, Saint-Sulpice (Canton of Vaud, Switzerland)

Heinz Hermann Thiele,
Chairman of the Supervisory Board

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board discharged its duties imposed on it by law and the Articles of Incorporation with due care in the 2015 financial year as well. We continuously monitored the work of the Executive Board and advised the Executive Board on the company's management. In this regard, the Executive Board regularly informed the Supervisory Board of all relevant issues for the company and the Group with regard to the strategy, planning, business development, risk situation and development as well as compliance on a comprehensive and timely basis, in written and in verbal form. This also included information about deviations in actual development from the previously reported targets in addition to deviations from planning in business performance.

The Supervisory Board extensively discussed the Executive Board's reports. In addition, it discussed and verified the plausibility of the economic situation depicted in the reports of the Executive Board in addition to the development prospects of the Group, the individual areas and key holding companies in Germany and abroad together with the Executive Board. The Supervisory Board was always involved in decisions of significant importance for the company, with sufficient preparation time. If an approval was required for decisions or management measures due to statutory regulations, the Articles of Incorporation or the Rules of Procedure, the members of the Supervisory Board verified the draft resolutions at meetings or adopted them on the basis of written information.

The Supervisory Board was also informed by the Executive Board of important processes between the regular meetings. In addition, the Chairman of the Supervisory Board and the Chairman of the Executive Board regularly exchanged information. In this way, the Supervisory Board was always informed of the business policies intended in addition to corporate planning (including financial, investment and staff planning), the company's return, the business situation and the situation of the company and the Group overall.

In the year under review, the Supervisory Board convened at four scheduled meetings on March 25, May 19, September 24 and November 25, and four extraordinary meetings on January 27, February 25, May 20 and October 29. The members of the Supervisory Board all participated in all meetings except one member who could not attend one extraordinary meeting.

Focal points of the meetings

In all the scheduled meetings, the Executive Board and Supervisory Board discussed the repositioning and transformation of the Vossloh Group and the focus on rail infrastructure at length. In addition, a key element of all Supervisory Board meetings was the Executive Board's report on the business situation with detailed information on the development of sales and earnings in the individual business units and on opportunities and risks in business development as well as key management measures of the Executive Board. Furthermore, the Supervisory Board continuously obtained information about the status of the investigation proceedings relating to anti-competitive agreements on the rail market, the progress of proceedings under civil law and the implementation and development of the compliance management system and relevant individual processes in addition to the way in which they are handled. Moreover, the Supervisory Board focused on the following topics in the individual meetings:

The extraordinary meetings of the Supervisory Board on January 27, 2015 and on February 25, 2015 essentially covered the voluntary takeover bid from KB Holding GmbH to the shareholders of Vossloh AG. In the meeting of January 27, 2015, the Supervisory Board had established a joint committee of the Supervisory Board and Executive Board in order to prepare the joint statement in accordance with Art. 27 WpÜG. In the committee, Mr. Ursus Zinsli and Mr. Michael Ulrich were delegated by the Supervisory Board. The Supervisory Board adopted a joint position in accordance with Article 27 WpÜG during the meeting of February 25, 2015, in which Mr. Heinz Hermann Thiele, as a controlling shareholder of the bidder, did not take part to avoid a conflict of interests.

During its meeting in March 2015, the Supervisory Board dealt specifically with the separate and consolidated financial statements for 2014 and the agenda for the Annual General Meeting on May 20, 2015. Furthermore, the Supervisory Board discussed company financing in detail and approved the conclusion of the new syndicated loan contract. Other topics were the discussion and approval of the joint acquisition of Customized Modules and Lifecycle Solutions in Finland and a change to the distribution of responsibilities in the Executive Board.

On May 19, 2015, the Supervisory Board dealt extensively with the status of the intended separation of the Transportation division, in addition to thorough discussions about the Customized Modules division and preparation for the Annual General Meeting. In the extraordinary meeting on May 20, 2015, the newly elected member of the Supervisory Board, Mr. Ulrich M. Harnacke, was elected as Vice-Chairman of the Supervisory Board and as a member of the Audit Committee.

Focal points of the meeting on September 24, 2015, which took place at the Vossloh Rail Services location in Hamburg and included a visit to the Vossloh Locomotives plant in Kiel the day before, were M&A issues, the development of the Customized Modules division, staff-related topics and the establishment of targets for the participation of women. Moreover, with the support of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), the Supervisory Board initiated an examination of the efficiency of its activities. The examination and evaluation performed in 2015 were discussed at the Supervisory Board meeting on March 16, 2016.

In its extraordinary meeting on October 29, 2015, the Supervisory Board extensively dealt with the status of the focus on core business and the separation of the Transportation division. After careful consideration, the Supervisory Board gave its approval for the sale of the Rail Vehicles business unit to Stadler Rail AG, Bussnang, Switzerland. The Supervisory Board also extensively discussed company financing.

In the last meeting of the year on November 25, 2015, the Supervisory Board particularly addressed business development in 2015 and plans for 2016-2018. After thoroughly examining and discussing them, it approved them. Other key topics on the agenda were the Customized Modules location in Outreau, France, and its development as well as the Transportation division. In 2015, the Supervisory Board also adopted the declaration of conformity in accordance with Article 161 of the German Stock Corporation Act (AktG), revised the objectives for its composition and made an addition to the Rules of Procedure for the Supervisory Board.

Supervisory Board Committees

To carry out its duties efficiently, Vossloh AG's Supervisory Board formed three committees: the Staff Committee, the Audit Committee and the Nomination Committee. The main duty of the committees is to prepare tasks, decisions and topics for the plenary meetings. To the extent permitted by law, the Supervisory Board may transfer its decision-making authority to the committees in certain cases. The Chairmen of the committees report on relevant issues and the results of the discussions in the meeting of the entire Supervisory Board following each committee meeting. The minutes of the meetings of the Audit Committee are made available to the Chairman of the Supervisory Board.

The **Audit Committee** met six times in the 2015 financial year. All but one member participated in all meetings of the Audit Committee. As a rule, the Executive Board is fully present during these meetings. In addition, auditor representatives and, in most cases, the department heads of Accounting, Controlling and Legal Affairs & Compliance attend the plenary meetings.

Key points of the Audit Committee include the accounting audits of the company and of the separate and consolidated financial statements prepared by the Executive Board, of the combined management report, of the report on relations with affiliated companies (Article 312 AktG) and the recommendation on the appropriation of net earnings. Based on the auditor's reports on the audit of the annual financial statements of Vossloh AG and the Vossloh Group, as well as on 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 2014 financial year to the Supervisory Board during its meeting on March 25, 2015, following an extensive discussion in the presence of the auditor. During its meetings on April 29, 2015, July 29, 2015 and October 28, 2015, the Audit Committee discussed the quarterly and semi-annual reports with the Executive Board before they were published.

The Audit Committee is also in charge of the company's relationship with the auditor. The committee submitted a proposal to the Supervisory Board to appoint an auditor after the invitation to tender for the audit mandate had been issued on March 25, 2015, to submit the audit engagement letter to the auditor elected by the Annual General Meeting and determine the focal points of the audit and the auditor's remuneration. Furthermore, the committee monitors the auditor's independence.

In all its meetings, the Audit Committee also dealt with risk management, key risks and legal and compliance issues. With the Executive Board, the Audit Committee extensively discussed the main risks identified within the Group in addition to the necessity and adequacy of the provisions recognized, particularly for risks arising from legal disputes and in connection with the procedure regarding anti-competitive agreements. Furthermore, the Audit Committee continuously and intensively dealt with compliance issues and received extensive information about compliance-relevant items, the way in which they are handled and the continuous monitoring and improvement of the Vossloh compliance management system. In addition, the Audit Committee extensively dealt with the company's internal control system. The meeting on November 25, 2015 included a report from Internal Audit to the members of the Committee.

The **Staff Committee** and the **Nomination Committee** did not meet in the 2015 financial year. The relevant issues in this respect were prepared and adopted in the plenary meetings.

Personnel changes in the Supervisory Board and the Executive Board

The Annual General Meeting on May 20, 2015 elected Mr. Ulrich M. Harnacke as the shareholder representative on the Supervisory Board. Since May 20, 2015, Mr. Harnacke has been Vice-Chairman of the Supervisory Board. He has also been Chairman of the Audit Committee of the Supervisory Board since July 29, 2015. In the year under review, there were no changes in the Executive Board. After the end of the year under review, the Chairman of the Executive Board of Vossloh AG, Dr. h.c. Hans M. Schabert, informed the Supervisory Board of the Company on March 2, 2016, that for family reasons he will not be available for another term of office after his current term of office ends on March 31, 2017. The Supervisory Board has acknowledged this decision with much regret. The contracts with the two remaining Executive Board members, Oliver Schuster and Volker Schenk, will be extended by a further three years as planned following the expiry of the current contracts on February 28, 2017, and April 30, 2017, respectively.

Corporate Governance and Declaration of Conformity

The Supervisory Board attaches considerable importance to the guarantee of good corporate governance. In its meeting on November 25, 2015, the Supervisory Board dealt with the recommendations of the German Corporate Governance Code and together with the Executive Board issued the declaration of conformity in line with Article 161 AktG. The declaration was made permanently accessible on the company's website (see page 39). Vossloh complies with all recommendations of the German Corporate Governance Code. Details on corporate governance within the company can be found in the Declaration on Corporate Governance (on pages 34 to 41).

Separate and consolidated financial statements 2015

The separate financial statements of Vossloh AG according to German GAAP, the consolidated financial statements according to International Financial Reporting Standards (IFRS) and the combined management report on Vossloh AG and the Group for the 2015 financial year (including the accounting) were examined by the statutory auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin (Düsseldorf branch) which had been duly appointed by the AGM on May 20, 2015 and each issued with an unqualified audit opinion. In its audit opinion, the auditor concluded that the Executive Board had installed a proper early risk identification system as required by Article 91 (2) AktG to identify any risks that could endanger the Group's continued existence.

In addition, the report prepared by the Executive Board on the relations with affiliated companies (Article 312 AktG) was examined by the auditor. The auditor issued the following audit opinion on the report: "Based on our proper audit and assessment, we confirm that 1. the factual details in the report are correct, 2. the amounts paid by the company in the course of legal transactions listed in the report were not unreasonably high, and 3. there are no circumstances that indicate an evaluation of the measures listed in the report that substantially differs from the evaluation by the Executive Board."

The financial statements and the audit reports were distributed to the members of the Supervisory Board in good time prior to the meeting that was held to approve the financial statements on March 16, 2016. During the meeting, the auditors reported on the significant results of their audit and the provided additional information. In this meeting, the Supervisory Board extensively clarified any questions raised in connection with these documents following the Audit Committee's preparations and in the presence of the auditors. The auditors also reported on the risk management system of the Vossloh Group. No evidence was found during the audit suggesting that the declaration of conformity issued by the Executive and Supervisory Boards in line with Article 161 AktG was incorrect.

The Supervisory Board also reviewed the separate and consolidated financial statements and the combined management report for Vossloh AG and the Vossloh Group for the 2015 financial year, the report on relations with affiliated companies including the final declaration of the Executive Board and the proposed profit appropriation. According to the final result of its own review, the Supervisory Board raised no objections. The Supervisory Board approved the separate and consolidated financial statements as of December 31, 2015. Thus, the annual financial statements as of December 31, 2015 were adopted. The Supervisory Board concurred with the combined management report, particularly the statements on further company development and the disclosures pursuant to Articles 289 (4) and 315 (4) of the German Commercial Code (HGB), in addition to the report on relations with affiliated companies. The Supervisory Board also concurred with the Executive Board's recommendation to carry forward net earnings, strengthen the equity base and to not distribute any dividends to shareholders to secure future growth for the 2015 financial year.

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

Werdohl, March 16, 2016

The Supervisory Board
Heinz Hermann Thiele
Chairman

Declaration on Corporate Governance

For Vossloh, an effective and transparent organization as well as responsible and reliable management and supervision are the core elements of sound and effective corporate governance.

Sound and sustainable corporate governance is also the indispensable basis for a relationship based on trust between the Company and its stockholders, its investors and lenders, employees, employee representatives and business partners. In this declaration, the Executive Board, also on behalf of the Supervisory Board, reports on corporate governance in accordance with Section 3.10 of the German Corporate Governance Code ("the Code") and Article 289a (1) HGB.

Management and control structure

Vossloh AG is subject to the provisions of the German Stock Corporation Act, capital market legislation, codetermination law, as well as its own articles of incorporation. As with all German stock corporations, Vossloh AG has a dual management and control structure which is reflected in the two bodies, the Executive Board and the Supervisory Board. The Annual General Meeting is responsible for fundamental decisions of the Company. All three bodies are obliged to act for the benefit of the Company and in the interest of the stockholders.

Executive Board

The members of the Executive Board are responsible for running the company together and they determine the strategic orientation of the Group. As Chairman of the Executive Board, Dr. h.c. Hans M. Schabert is responsible for coordinating the work of the members of the Executive Board and for Human Resources, M&A and Company Development. Oliver Schuster is in charge of Legal Affairs & Compliance, IT, Accounting, Controlling, Communications, Investor Relations, Internal Audit and Treasury. Mr. Volker Schenk is responsible for Sales, Development, Production, Quality Assurance, Environmental Protection and Occupational Safety in addition to association activities. In addition, the members of the Executive Board are involved operationally in the individual business units. Dr. h.c. Schabert has taken over operational responsibility for the Core Components and Transportation divisions, Mr. Schuster for the Lifecycle Solutions division and Mr. Schenk for the Customized Modules division.

The Executive Board is focused on sustainably increasing the enterprise value and works closely with the Supervisory Board. Certain measures which are described in the Rules of Procedure for the Executive Board require the approval of the Supervisory Board. The members of the Executive Board work together as colleagues and inform each other on an ongoing basis regarding important measures and transactions in their business areas. The entire Executive Board makes decisions regarding all significant issues. Potential conflicts of interest are immediately made known to the Supervisory Board and the other Executive Board members. Secondary employment or the assumption of external Supervisory Board mandates requires the prior approval of the Supervisory Board. Currently, no member of the Executive Board holds a Supervisory Board seat in a listed company outside the Group. Further information on the members of the Executive Board of Vossloh AG can be found on page 166 of this annual report.

For all of its Executive and Supervisory Board members, Vossloh AG has entered into so-called D&O insurance policies (against consequential economic loss) with an agreed deductible amounting to 10 percent of the loss, up to 150 percent of the fixed annual remuneration of the individual board member.

Supervisory Board

In accordance with Article 10 (1) sentence 1 of the Articles of Incorporation, the six-member Supervisory Board is composed according to the provisions of the One-Third Participation Act (Drittelbeteiligungsgesetz) and the Stock Corporation Act. It comprises one-third employee representatives and two-thirds stockholder representatives. According to the recommendations of the Code, the representatives of the stockholders were elected individually by the Annual General Meeting on May 29, 2013, May 28, 2014, and May 20, 2015. The terms of office of the current owner and employee representatives end on conclusion of the Annual General Meeting in 2018 which will pass a resolution to discharge the members for the 2017 financial year.

The Supervisory Board oversees and advises the Executive Board in its management of the business. Certain material transactions (specified in the Executive Board Rules of Procedure) are subject to prior Supervisory Board approval. The Supervisory Board periodically discusses with the Executive Board the business performance and planning, the strategy and its implementation and the risk management and compliance issues. It approves the annual planning and decides on the adoption of the separate financial statements of Vossloh AG and the approval of the consolidated financial statements with due consideration of the statutory auditor's audit reports. The Supervisory Board is also responsible for the appointment and dismissal of Executive Board members. The Supervisory Board constitutes a quorum if at least three members participate in voting. Supervisory Board resolutions require the simple majority of votes cast unless statutory or legislative regulations provide otherwise.

The Supervisory Board revised the objectives for its composition at its meeting on November 25, 2015. Diversity is in the interest of Vossloh AG, also with regard to the composition of the Supervisory Board. With due regard to the entity-specific situation of Vossloh AG and the Vossloh-Group, diversity will therefore be promoted to include candidates who are suitable from a personal and professional point of view. This also includes the promotion of internationality on the Supervisory Board. As a result, at least one member of the Supervisory Board must have particular longstanding experience abroad. Based on the new statutory regulation to introduce a quota of women, the Supervisory Board has established a target value of 16.67 percent for the Supervisory Board in the first target period until June 30, 2017. The objectives for the composition of the Supervisory Board have been fully achieved. In its Rules of Procedure, the Supervisory Board established other criteria for nominations at the Annual General Meeting, including an age limit and an upper limit on regular Supervisory Board membership. Furthermore, the Supervisory Board includes a sufficient number of independent members who have no personal or business relationship to either the Company or its Executive Board.

The Supervisory Board performs its duties both as a plenary body and through the current three committees it has established to improve its efficiency.

The three-member Staff Committee is mainly responsible for Executive Board matters. It prepares personnel decisions as well as resolutions and reviews of the plenary Supervisory Board regarding the compensation system and the total remuneration of the individual Executive Board members, as well as resolutions on reductions of remuneration of Executive Board members in accordance with Article 87 (2) AktG. In addition, it decides on the rules governing the legal relations between the Company and the individual Executive Board members (in particular, the execution, amendment, renewal, rescission, cancellation or termination of employment contracts), the regulation of the legal relationship between the Company and former Executive Board members, the approval of contracts and agreements with Supervisory Board members, as well as granting loans to Supervisory Board members. The Chairman of the Supervisory Board presides over the Staff Committee.

The Audit Committee is responsible for proposing the auditors for the Company and the Group to the Supervisory Board for election by the Annual General Meeting, and deals in particular with aspects relating to the statutory auditor's required independence and with issuing the audit engagement letter, determining the audit focus areas and fixing the auditor fees. The Audit Committee monitors the risk management on an ongoing basis and deals with regulatory and corporate compliance issues, which includes overseeing the internal control system. For these purposes, the Audit Committee obtains regular reports directly from the Internal Audit and the Chief Compliance Officer. The Audit Committee prepares the examination by the Supervisory Board of the Company's and the Group's financial statements, combined management report, and audit reports. The Audit Committee and the Executive Board jointly discuss each quarterly financial report prior to publication. Mr. Ulrich M. Harnacke assumed the role of Chairman of the three-member Audit Committee. Mr. Harnacke is a tax advisor and auditor as well as the former Managing Director of Deloitte & Touche GmbH and meets the requirements set forth in Article 100 (5) AktG, i.e. he is an independent financial expert.

The four-member Nomination Committee is responsible for the Supervisory Board's long-term succession planning and submits to the Supervisory Board a slate of suitable Supervisory Board candidates to be proposed to, for election by, the Annual General Meeting wherever any Supervisory Board member steps down. The Supervisory Board then makes a decision about the proposed candidates who are presented for appointment by the Annual General Meeting. In this process, the Nomination Committee and the plenary Supervisory Board make sure that the objectives for the composition and the other established criteria for nominations in the Rules of Procedure for the Supervisory Board at the Annual General Meeting are observed. The Chairman of the Nomination Committee is Mr. Heinz Hermann Thiele.

Every Supervisory Board member is obliged to act in the Company's best interests. Potential conflicts of interest must be reported to the Chairman of the Supervisory Board immediately. Supervisory Board members must abstain from voting on any business that affects themselves or related parties or companies. No Supervisory Board member may also be on a board or provide consultancy services to a competitor. The Company has not granted any loans to any Supervisory Board members. In financial year 2015, Mr. Ursus Zinsli received compensation of €34,000 for consultancy services related to a review of the current situation and assessment of the business activities, the business model and the procedures in one business unit. The Supervisory Board agreed to the conclusion of this consultancy contract in advance. Apart from this, no Supervisory Board members have received any compensation or benefits for personally rendered services. No former members of the Executive Board belong to the Supervisory Board of Vossloh AG.

Further information on the members of the Supervisory Board of Vossloh AG can be found on page 167 of this annual report.

Compliance

Compliance, as the sum of all Group-wide measures to comply with the legal and regulatory framework and internal guidelines, is a key management and control task at Vossloh. Doing business according to sustainable economic, social and ecological criteria is a central element of corporate culture for Vossloh. Vossloh sees the foundation for a successful future in the competence, quality and innovative strength of the Company, as well as the long-standing trust of its business partners. An essential precondition for this success is Vossloh's integrity in its dealings with employees, business partners, stockholders and the general public.

Vossloh AG's Executive Board has unambiguously expressed its zero-tolerance policy regarding any infringements against law and order and has published this on its website at www.vossloh.com. Any misconduct is rigorously pursued within the context of the applicable regulations.

In order to ensure uniform exemplary conduct, a code of conduct has applied to the entire Group and all its employees since 2007. In conjunction with the supplementary guidelines which also apply across the entire Group, this represents a framework which sets out binding principles and standards for all of Vossloh's employees in addition to the statutory regulations. There are also references to typical situations, which provide advice to employees in terms of the right moral conduct in their daily work.

The compliance guidelines have been published in 15 languages and have been distributed to all employees in the Vossloh Group worldwide. All employees who have contact outside the Company are instructed using eLearning programs and in regular class training events. Country-specific features are included in supplementary policies which, however, are always built on the generally applicable policies of the Vossloh Group as a minimum standard. It is the duty of the compliance organization, the management and the executives to communicate compliance as a sustainable value and to anchor it into the Group structure. It ensures that the compliance program is implemented worldwide.

The Vossloh Group has an appropriate compliance organization, comprising a Chief Compliance Officer and employees at the level of Vossloh AG and other internal managers appointed as local Compliance Officers in the Group companies. These individuals are available to advise their colleagues on matters concerning conduct. Compliance Officers regularly report to the central Compliance Committee, which is established at the level of Vossloh AG. This body continually observes further developments and changes in the risk structure and adapts the internal compliance policies accordingly. The Chief Compliance Officer and the Compliance Committee also perform regular audits without grounds, mostly with external auditors, to verify the effectiveness and the efficiency of the compliance system, new and changed risks and to identify any areas for improvement. The Chief Compliance Officer regularly reports to the Executive and Supervisory Boards in addition to the Audit Committee of the Supervisory Board, which is in charge of compliance.

In addition, Vossloh, together with an international law firm, has appointed "ombudspersons", who are contact persons for indications of potential compliance violations. The languages spoken in the Vossloh Group are largely covered. This means that Vossloh employees and external whistle blowers have the possibility to turn to these ombudspersons in their native language. Ombudspersons take the necessary measures to clarify the matter in advance so that the information can be followed up. For employees or external whistle blowers, the possibility exists that their names can remain anonymous to the respective company, but an efficient and successful resolution of the issue is nevertheless made possible.

Risk and control management

Responsible business risk management belongs to the principles of good corporate governance practice. Vossloh AG's Executive Board and the management of Vossloh subsidiaries have access to Group-wide and specifically tailored reporting and controlling systems which ensure that such risks are recorded, assessed and managed. The systems are continually checked for effectiveness and, where necessary, adapted to changing requirements and examined by the auditor as part of the statutory audit engagement. The Supervisory Board and the Audit Committee, as outlined above, are regularly informed and are integrated into the process of risk management. Details of risk management within the Vossloh Group are presented in the risk report (starting on page 90). This also includes the report on the accounting-related internal control and risk management system.

Declaration of conformity

Again in 2015, Vossloh AG's Executive and Supervisory Boards have thoroughly dealt with the Code recommendations. Vossloh's corporate governance practices are accordingly reviewed on a regular basis.

To this end, the Executive and Supervisory Boards made the following declaration in November 2015:

Declaration made by the Executive and Supervisory Boards of Vossloh AG on the recommendations of the "Government Commission of the German Corporate Governance Code" pursuant to Article 161 AktG.

Vossloh Aktiengesellschaft complies with all recommendations of the German Corporate Governance Code ("the Code") published by the Federal Ministry of Justice in the official part of the Federal Gazette in the version of May 5, 2015. It will also comply with this in the future. Since the declaration of conformity was issued in December 2014, Vossloh Aktiengesellschaft has complied with the Code recommendations in the old version of June 24, 2014.

Werdohl, November 2015
Vossloh Aktiengesellschaft
The Executive and Supervisory Boards

Stockholders and their general meeting

Vossloh AG's stockholders safeguard their statutory rights and exercise their voting rightsat the general meeting. As a rule, the Supervisory Board Chairman presides over the Annual General Meeting, which resolves with binding effect on all matters assigned or subjected by the law to Annual General Meeting vote, including on the appropriation of net earnings, the official approval of the acts and omissions of Executive and Supervisory Board members in the financial year, the election of the statutory auditor, as well as on intercompany agreements, equity moves and other amendments to the bylaws. At the general meeting, one share of (common) stock entitles to one vote. For the stockholders' convenience, the Company appoints a general proxy who ensures the exercise of the voting rights of, in accordance with instructions issued by, stockholders at the meeting. Directly after the Annual General Meeting, the voting results are published online on the Company's website.

Investor Relations

Vossloh attaches high priority to the early, timely and efficient information of all stockholders and other capital market participants. Any corporate news published by Vossloh is promptly disclosed in German and English on the Company's website at www.vossloh.com, including (without limitation) the annual, semiannual and quarterly reports and the Annual General Meeting invitations. The dates scheduled for major recurring or periodical events and publications (such as the Annual General Meeting, annual and interim reports) are summarized in a financial diary which is published in good time on Vossloh AG's website for long-term availability. The consolidated financial statements are published within 90 days after fiscal year-end while quarterly reports are publicly available within 45 days after closing date.

Any facts or circumstances surfacing or occurring outside Vossloh AG's periodic reporting are promptly communicated in ad-hoc notifications if of potential impact on the Vossloh share price. Furthermore, the corporate website at www.vossloh.com provides a host of up-to-date news and facts on the Group and Vossloh stock.

Accounting and annual audit

The Vossloh Group's accounting basis is the International Financial Reporting Standards, while the separate financial statements of Vossloh AG are prepared according to German GAAP (viz. the accounting regulations of the Commercial Code), as prescribed by law. Both the IFRS consolidated financial statements and the separate financial statements according to German GAAP were audited by KPMG AG Wirtschaftsprüfungsgesellschaft (the statutory auditor elected by the Annual General Meeting 2015 as proposed by the Supervisory Board), in accordance with German audit regulations and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Auditors & Accountants in Germany. The audit engagement letter was issued by the Supervisory Board's Audit Committee in conformity with the recommendations of the Code and after due verification beyond any doubt of the statutory auditor's independence. The Supervisory Board has agreed with the statutory auditor that the former will be promptly informed of any significant findings, conclusions and circumstances which are established during the annual audit and may be of relevance to the Supervisory Board's duties. While the statutory auditor has further agreed to notify the Supervisory Board if it finds any facts suggesting a departure from the declaration of conformity (as issued by the Executive and Supervisory Boards), no such indications were found during the audit. The semiannual financial report (condensed interim financial statements and interim management report of the Group) as of June 30, 2015, was reviewed by the statutory auditor.

Participation of women and men in management positions

On May 1, 2015, the Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) entered into force. This law established new obligations in this respect for the Executive and Supervisory Boards of Vossloh AG. The Executive and Supervisory Boards resolved the following targets for Vossloh AG in accordance with this law:

As targets for the Executive Board of Vossloh AG, currently comprising three male members, and against the backdrop of the ongoing appointments and recruitment contracts of Executive Board members until spring 2017, the Supervisory Board has resolved that no women will be members of the Executive Board until the end of the first target period on June 30, 2017, according to the plans of the Supervisory Board. Changes to or extensions of the Executive Board are currently not taken into account.

For first and second tier management levels below the Executive Board, Vossloh AG's Executive Board has established targets of 28.6 percent and 30 percent with a deadline of June 30, 2017. These targets have been achieved.

Remuneration of the Executive and Supervisory Boards

The Supervisory Board dealt extensively with the compensation for the Executive Board. The reasonableness of the Executive Board remuneration and the variable Executive Board compensation was examined. An assessment basis over a period of several years has been agreed with the members of the Executive Board for the largest part of the variable compensation. The overall compensation takes reasonable account of the duties of the individual members of the Executive Board, their personal performance, the economic situation, the success and the sustainable development of the Company, as well as being in line with industry peers and the overall Company compensation system. You can find further details regarding the remuneration of the Executive Board in the Remuneration Report starting on page 72, which is both a part of the combined management report and also a part of this declaration on the Company management.

The remuneration of the Supervisory Board is regulated in the Articles of Incorporation of Vossloh AG and was established as purely a fixed remuneration by the resolution of the Annual General Meeting of May 28, 2014, amending the articles of incorporation and with effect from July 1, 2014. You can find further details in the Remuneration Report starting on page 72, which is both a part of the combined management report and also a part of this declaration on the Company management.

Directors' Dealings

The provisions of Article 15a German Securities Trading Act ("WpHG") oblige members of Vossloh AG's Executive and Supervisory Boards, certain other employees at the executive level and related parties to disclose the purchase or sale of Vossloh AG shares or related financial instruments. The full details of all so-called "directors' dealings" are published on the Vossloh website under "Directors' Dealings".

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Business and market environment

Segmentation and competitive position

Vossloh is a global player on rail technology markets. The operating activities are performed under the umbrella of Vossloh AG. Since the restructuring on January 1, 2015, the Group's core business has been rail infrastructure. It is made up of three divisions: Core Components, Customized Modules and Lifecycle Solutions. The Vossloh product range for rail infrastructure is divided into the following categories: (standard) products, project business and service.

The fourth division, known as the Transportation division, does not belong to the core business and bundles the production of industrial and shunting locomotives, electrical equipment for trains and buses and associated maintenance services. The Rail Vehicles business unit, which was sold with effect from the end of December 31, 2015, was also established here. You can find detailed descriptions of the individual divisions starting on page 61.

In its core business of rail infrastructure, the company has the following competitive positions:

- Vossloh is a leading provider of rail fastening systems worldwide.
- Vossloh is a leading manufacturer of switch systems worldwide.
- Vossloh is a leading provider of rail services in Germany.

Organization

The Vossloh Group is active throughout the world. Local presence and customer proximity are integral elements of our business model. The most important production facilities for Vossloh rail fastening systems are in Germany, Poland, China and the USA. Vossloh's switch systems are mainly produced in France, the USA, Sweden, Australia, Luxembourg, Poland and the UK. Rail services are currently still mainly carried out from Germany. The Transportation division has its main production facilities in Germany; the manufacture of locomotives and light rail vehicles in Spain was sold as at December 31, 2015:

Vossloh operates globally through sales companies and branches. It has in some instances, together with competent partners, entered into local joint ventures and alliances. Key Group companies and business unit lead companies are:

- Vossloh Fastening Systems GmbH, Werdohl (Germany) for the Core Components division
- Vossloh Cogifer SA, Rueil-Malmaison (France) for the Customized Modules division
- Vossloh Rail Services GmbH, Hamburg (Germany), for the Lifecycle Solutions division

Vossloh Locomotives GmbH, Kiel (Germany) and Vossloh Kiepe GmbH, Düsseldorf (Germany) have this function in the Transportation division, which is not part of the core business.

The Rail Vehicles business unit, which was sold as at December 31, 2015, was managed by Vossloh España S.A.U., Valencia (Spain).

Control system and targets

Vossloh follows a value-oriented growth strategy. Value added serves as an indicator. Positive value added is generated when a premium on top of the return claimed by investors and lenders (cost of capital) is earned. This premium is the difference between the return on capital employed (ROCE) and WACC, the weighted average cost of capital (debt and equity). Multiplying the premium with average capital employed produces the value added in a period in absolute terms. For intragroup controlling purposes, ROCE and value added are determined on a pretax basis. In line with IFRS 8, value added is disclosed in published reports as the division and business unit controlling parameter.

Cost of equity is composed of a risk-free rate plus a market risk premium. As a result of the pretax consideration, the interest factor is accordingly adjusted. Cost of debt is calculated on the basis of the Group's average funding terms. The ratio of equity to interest-bearing debt, required to determine WACC, is two-thirds to one-third and is derived not from the statement of financial position since it is not only predicated on a benchmark for the funding structure but also because equity is here based on fair value and not the carrying amounts recognized in the statement of financial position. Intragroup controlling in the 2015 financial year – as in 2014 – was based on pretax WACC of 10.0 percent as the yield expected by investors and lenders.

Our financial performance indicators include value added, revenue, EBIT or EBIT margin.

While the Company uses sales and EBIT or EBIT margin as key performance indicators for its short-term business analysis, the long-term management of business units is based on value added. Generally, there are two ways of increasing value added: increasing EBIT and optimizing capital employed. Both variables are also major drivers of return on capital employed (ROCE). Vossloh seeks to improve the parameters it can influence to optimize this indicator. As a result, the Company additionally focuses in particular on working capital or working capital intensity, and free cash flow. Vossloh uses the average number of employees (full-time equivalents, FTE) as its non-financial reporting indicator.

Monthly financial reporting represents a central element for the analysis and control of the divisions, business units and the Group for management of Vossloh AG. Here, the financial statements and also the key performance indicators of all Group entities included are consolidated and analyzed as in the monthly annual projection. Variations from plan are investigated as to their effects on the financial targets and are explained. The monthly and quarterly annual projections are supplemented by a risk report to identify potential decreases or increases to assets. The effectiveness of actions proposed in order to achieve targets or benchmarks is repeatedly analyzed. The financial figures of the operating units are intensively discussed by the management and the Executive Board; the personal interaction between the Executive Board of Vossloh AG and the management of the operating units guarantees a rapid flow of information and also allows short-term responses.

Economic report

Economic environment

From a global perspective, the rail technology market as a whole has shown a steadily growing trend for years now. This is the result of the rising demand for environmentally friendly, safe and economical mobility for people and goods worldwide. This development was also driven by the increase in international trade flows, ongoing urbanization, growing environmental awareness as a result of climate change in addition to market deregulation and product standardization on the market. At the same time, competitive pressure has been rising, also as a result of new players on the market.

A number of studies regularly analyze developments on the global rail technology market. The most important of these publications are the World Rail Market Study, published by the Association of the European Rail Industry (UNIFE), and the Worldwide Market for Railway Technology, published by the consultancy firm SCI Verkehr. Both studies are updated every two years, and the most recent results were presented in September 2014 at the InnoTrans industry event in Berlin. UNIFE currently estimates the global volume of the rail market at around €150 billion per year in the 2011-2013 period, while SCI Verkehr has estimated an annual volume of €162 billion. The European industry association considers about 68 percent of the total volume–some €102 billion–to be accessible market share. Accessible means that this market is accessible in principle to foreign suppliers, and that the market demand is not exclusively met through domestic capacity. According to UNIFE, in the 2017-2019 period this accessible market is set to grow by an annual average of 2.8 percent (CAGR) to around €120 billion.

Products and services for rail infrastructure are Vossloh's core business. According to UNIFE data, the accessible volume of this market segment relevant to Vossloh was approximately €25 billion per year between 2011 and 2013. In the 2017-2019 period, the expectation is of strong average annual growth amounting to 3.8 percent to approximately €31 billion per year.

From a regional perspective, the Western European market, at around 31 percent, claims the largest share of the overall accessible market. The next-largest markets are the countries of the North American Free Trade Agreement (NAFTA: Canada, USA, and Mexico) with a 22 percent share, and the Asia-Pacific region with 19 percent. These are followed by the community of independent states (CIS) countries, with a share of some 12 percent, and Eastern Europe with approximately 7 percent. The Middle East/Africa region and Latin America comprise somewhat smaller shares, at around 7 percent and approximately 4 percent, respectively. Vossloh is active worldwide, particularly in its core business with the exception of the Lifecycle Solutions unit. The company is one of the leading global providers of both switches and rail fastening systems.

Since the restructuring on January 1, 2015, Vossloh has been focusing on target markets China, the USA, Russia and Western Europe. Australia, Brazil, Canada, the Middle East, Northern Europe and the stan countries (such as Kyrgyzstan, Uzbekistan, Kazakhstan and Turkmenistan) are also considered as attractive regional markets.

As a rule, investments in rail infrastructure are made around the world after lengthy decision-making processes. Therefore, current economic trends are reflected on the markets only to a limited degree. However, the "general climate" of the economy has an impact on Vossloh's business performance–even if this occurs with a time lag. In 2015 the company generated approximately 35 percent of its sales outside Europe, which is why economic development as a whole, for instance in China, Russia and the USA, is of importance. According to the International Monetary Fund (IMF), in 2015, the USA was the only country to report an increase in growth of 2.5 percent as against the previous year (2.4 percent), while China and Russia remained below the figures for 2014 (6.9 percent and (3.7) percent as against 7.3 percent and 0.6 percent respectively). According to the IMF, economic growth in the eurozone was positive at 1.5 percent – compared with 0.9 percent in the previous year. According to UNIFE data, Western Europe is still the most important region on the rail technology market, with a volume of over €30 billion; Europe as a whole remains Vossloh's primary market. In recent years, the severely weakened funding capability of public budgets has had an impact on the demand for rail technology. As of the end of the third quarter of 2015, the debt ratio (the ratio of public debt to GDP) of the euro countries (EU-19), according to the statistics office of the European Union (Eurostat), was 91,6 percent – as of the information cutoff date of this publication, this was the most current figure available. At the same time in the previous year, this figure was 92.3 percent. At the end of September 2015, the debt ratio of the EU as a whole (EU-28) amounted to 86,0 percent compared with 86,9 percent in the previous year.

Business acquisitions

Two transactions relating to the subsidiaries in Finland were completed with effect from July 1, 2015. Firstly, two switch plants were acquired in Finland by Vossloh Cogifer Finland Oy on the basis of an asset deal. Secondly, shares were acquired in the newly established company Vossloh Rail Services Finland Oy, to which a subsidiary of the finnish national railway transferred the business operations of a switch factory.

While the additionally acquired switch plants are operated within the company already established in the Customized Modules division, Vossloh Rail Services Finland Oy is part of the Lifecycle Solutions division.

Both business acquisitions have strengthened Vossloh's presence on the Finnish market for rail infrastructure.

Preliminary remarks

In the 2015 financial year, the net assets, financial position and results of operations of the Vossloh Group and of the Transportation division were essentially influenced by the disposal of the Rail Vehicles business unit. Rail Vehicles, based in Valencia, was managed by Vossloh as one of the three business units of the Transportation division. With management's strategic decision in 2014 to focus the Group's business activities on rail infrastructure, a decision was also reached to sell or transfer the three business units of the Transportation division into suitable partnerships no longer controlled by Vossloh by 2017 at the latest.

The sale of Vossloh's Spanish locomotive business to the Swiss company Stadler Rail AG, Bussnang, was completed with effect from December 31, 2015. The Rail Vehicles business unit was deconsolidated following the completion of the disposal. Against this backdrop, all expenses and income of the Rail Vehicles business unit have been included in the item "Net result from discontinued operations," both in the 2015 reporting period and in the comparative period of the previous year, starting from the interim report as of September 30, 2015. The assets and liabilities of the previous year's reporting date are reported separately under "Assets or liabilities from discontinued activities" in the statement of financial position. As of the 2015 reporting date, the assets and liabilities are no longer included in the statement of financial position due to the disposal and the deconsolidation. Accordingly, the Group figures now reported are not comparable with those presented in the reports up to and including the 2015 semi-annual report. For further details in this regard, please refer to the notes to the consolidated financial statements, page 121 and Note (7).

Results of operations

Forecast for 2015 met: Sales growth by 9.1 percent to €1.2 billion; EBIT margin of 3.8 percent

In the 2015 financial year, the development of sales and earnings of the Vossloh Group was noticeably normalized compared with the restructuring year of 2014. The key figures that were forecast for business development were achieved. Overall, the Vossloh Group generated revenue of €1,200.7 million in the 2015 financial year. Compared with the 2014 financial year (€1,100.8 million), the increase in sales amounted to €99.9 million or 9.1 percent. Sales exceeded the most recently forecast corridor between €1.13 billion and €1.16 billion due to an unexpectedly sharp rise in sales in the last quarter of 2015.

In the 2015 financial year, the translation of exchange rates had positive effects on sales amounting to €37.5 million. The original forecast for the 2015 financial year communicated sales growth including the Rail Vehicles business unit of 3 percent to 4 percent. More detailed commentary on the differences is provided in the Outlook from page 103.

The Group's EBIT improved to €45.1 million and was thus considerably above the previous year's figure adjusted for one-time items, which amounted to €18.8 million. In the 2015 financial year, the translation of exchange rates had positive effects on EBIT amounting to €2.7 million.

In the 2015 financial year, the EBIT margin increased to 3.8 percent as against 1.7 percent in the previous year. Vossloh had originally forecast an EBIT margin between 3 and 4 percent for the 2015 financial year. The Rail Vehicles business unit reported an EBIT margin in the mid-double-digit range. For this reason, the sale did not have any material effects on profitability in the Group as a whole.

In 2015, the Vossloh Group generated a return on capital employed (ROCE) of 5.6 percent (previous year unadjusted: (21.7) percent). As anticipated, ROCE therefore improved considerably and rose again to a positive figure. However, it failed to exceed the weighted average cost of capital (WACC) applied at 10 percent. Accordingly, value added remained negative as expected at €(35.9) million in 2015, but saw a noticeable year-on-year improvement (€(267.8) million).

In 2015, the Group's jump in sales primarily resulted from a significant increase in sales in the Transportation division, which had been anticipated. Revenue in the Transportation division rose by 54.1 percent in total, which was predominately driven by additional sales in the Electrical Systems business unit. Sales growth in the Customized Modules division was also higher than expected. In 2015, sales growth of 10.6 percent was reported here. As expected, the Lifecycle Solutions division saw higher revenues thanks to a year-on-year rise in sales of 3.1 percent. In contrast, sales in the Core Components division were below the level of the previous year by 22.5 percent due to ongoing weaker development in several countries. The decline had been anticipated but was greater than originally planned.

Vossloh-Group – sales by division and business unit

	€ million	%	€ million	%
	2015		2014	
Core Components	**256.6**	**21.4**	**331.0**	**30.1**
Customized Modules	**523.0**	**43.6**	**473.1**	**43.0**
Lifecycle Solutions	**71.7**	**6.0**	**69.6**	**6.3**
Transportation	**357.3**	**29.7**	**231.9**	**21.0**
Locomotives	109.5	9.1	90.0	8.2
Electrical Systems	249.5	20.8	143.8	13.0
Consolidation	(1.7)	(0.2)	(1.9)	(0.2)
Holding companies and consolidation	**(7.9)**	**(0.7)**	**(4.8)**	**(0.4)**
Total	**1,200.7**	**100.0**	**1,100.8**	**100.0**

Against this backdrop, the sales share of the Core Components division in the Group's total sales declined from 30.1 percent in the previous year to 21.4 percent in the year under review. In the Customized Modules division, the sales share amounted to 43.6 percent in the past financial year (previous year: 43.0 percent). In 2015, a 6.0 percent share in Group sales was attributable to the Lifecycle Solutions division, after 6.3 percent in the previous year. In the 2015 financial year, the Transportation division's share of Group sales totaled 29.7 percent (previous year: 21.0 percent).

Vossloh-Group – sales by region

	€ million	%	€ million	%
	2015		2014	
Germany	269.7	22.5	215.8	19.6
France	128.9	10.7	137.5	12.5
Other Western Europe	137.8	11.5	124.8	11.3
Northern Europe	107.0	8.9	86.9	7.9
Southern Europe	59.2	4.9	47.9	4.4
Eastern Europe	76.0	6.3	85.7	7.8
Total Europe	**778.6**	**64.8**	**698.6**	**63.5**
Americas	219.8	18.3	148.3	13.5
Asia	149.4	12.5	206.3	18.7
Africa	30.4	2.5	22.4	2.0
Australia	22.5	1.9	25.2	2.3
Total	**1,200.7**	**100.0**	**1,100.8**	**100.0**

Sales share in Europe at 64.8 percent

In Europe, revenue in the Vossloh Group in 2015 totaled €778.6 million (previous year: €698.6 million) and thereby contributed 64.8 percent to Group sales (previous year: 63.5 percent). In the past financial year, the sales share of markets outside Europe accordingly amounted to 35.2 percent (previous year: 36.5 percent).

Western Europe still the core region of the Vossloh Group

In Western Europe, sales amounted to €536.4 million in the year under review compared with €478.1 million in the previous year; sales growth amounted to 12.2 percent. Growth continued, particularly in Germany but also in the United Kingdom, and was primarily driven by highly positive development in the Transportation division. In contrast, revenue in France slightly declined as a result of lower sales contributions from the Customized Modules and Core Components divisions. Sales dropped sharply in Switzerland, where the volume of sales almost halved in comparison to the previous year.

In Southern Europe, the Vossloh Group saw a rise in revenue in the year under review. A decisive factor for positive development were essentially higher sales in the Customized Modules and Core Components divisions in Italy.

Joint ventures in Finland strengthen market position in Northern Europe

In the 2015 financial year, revenue in Northern Europe was clearly above the prior-year level. This was achieved thanks to sales growth, particularly as a result of a significant sales increase in the Customized Modules division in Sweden, Vossloh’s largest single market in Northern Europe. In addition, first-time inclusion of the switch and welding plants acquired in Finland in the Customized Modules and Lifecycle Solutions divisions contributed to the rise in revenue in the Northern Europe region. In Norway, the prior-year level of sales was not reached, whereas sales in Denmark were nearly equal to the level of the previous year.

In Eastern Europe, sales saw a year-on-year decline. The decrease was primarily due to lower sales in rail fastening systems in Russia. In Lithuania and Poland as well, revenue fell short of the prior-year level, whereas a significant sales increase in percent was achieved in the Czech Republic, Serbia and Romania.

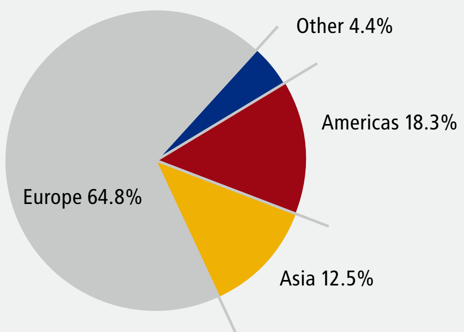
In Asia, Vossloh reported another noticeable decline in the volume of sales in the past financial year. Including the Middle Eastern region, sales worth €149.4 million were generated (previous year: €206.3 million). A key factor for the decrease was the anticipated decline in the volume of sales in China as against the high sales contributions from previous years. In addition, sales contributions from Thailand, Indonesia and Singapore were lower than in the previous year.

As expected, Vossloh's revenue in North America went up in the 2015 financial year, as the region with the most sales (after Europe) with a share of 18.3 percent. Overall, revenue amounted to €219.8 million after €148.3 million in the previous year, corresponding to a 48.2 percent jump in sales. In the USA, a considerable sales increase was achieved particularly in the Transportation division thanks to the Electrical Systems business unit. The Customized Modules and Core Components divisions also experienced sales growth here. In South America, the Customized Modules division achieved a significant increase in sales in Brazil and Chile, while the Core Components division reported higher sales in Argentina in particular.

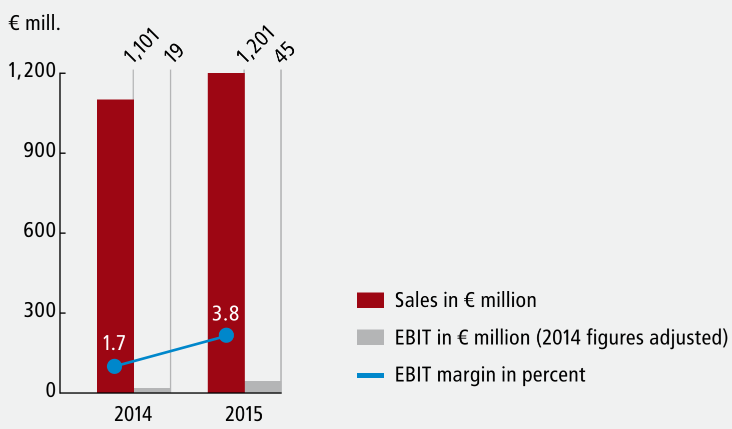
In the 2015 financial year, Vossloh sales in Africa amounted to €30.4 million compared with €22.4 million in the previous year. Higher sales were generated in Morocco in the Customized Modules division. At €22.5 million, sales in Australia, where Vossloh is essentially represented by the Customized Modules division, were below the prior-year level of €25.2 million.

More sales, lower costs

The Vossloh Group's gross profit – sales less cost of sales – amounted to €204.9 million in the 2015 financial year (previous year: €100.1 million). Despite a significant increase in sales, the cost of sales declined to €995.8 million compared with €1,000.7 million in the previous year. In 2014, this was shaped to a great extent by extraordinary charges in connection with the restructuring. In the reporting period, the gross margin recovered from 9.1 percent in the previous year, normalizing to 17.1 percent in the 2015 financial year.



Sales by region in 2015



Sales and EBIT of the Vossloh Group, 2014-2015

The costs of the two functional areas of sales and administration totaled €183.0 million in the 2015 financial year, and were thus substantially below the prior-year level of €193.9 million. In relation to sales, this corresponds to an expense ratio of 15.2 percent (previous year: 17.6 percent). Besides the elimination of non-recurring expenses, a decisive factor for this improvement was the decline in selling expenses to €82.4 million in the 2015 financial year (previous year: €96.5 million). Administrative expenses of €100.6 million were slightly above the level of the prior-year figure of €97.4 million.
In the 2015 financial year, the other operating result of the Vossloh Group amounted to €35.5 million, thus improving considerably as against the prior-year figure of €(67.7) million. This was burdened by one-time items in 2014, particularly as a result of the goodwill impairment of Vossloh Switch Systems and the impairment of capitalized development costs at Vossloh Locomotives.

Vossloh Group – sales and earnings

	€ million	%	€ million	%
	2015		2014	
Sales	1,200.7	100.0	1,100.8	100.0
Gross profit	204.9	17.1	100.1	9.1
Operating result	44.3	3.7	(174.4)	(15.9)
EBIT	45.1	3.8	(183.4)	(16.7)
EBT	31.6	2.6	(207.6)	(18.9)
Group net income	77.8	6.5	(205.7)	(18.7)
Earnings per share (in €)	5.42		(16.46)	

Group's EBIT improves significantly to €45.1 million, EBIT margin at 3.8 percent.

A sales increase and improvements in profitability pushed up the Vossloh Group's EBIT to €45.1 million in the year under review. In the previous year, unadjusted EBIT was reported at €(183.4) million.
On a comparable basis, i.e. excluding non-recurring extraordinary effects, the Group achieved EBIT of €18.8 million in 2014. In comparison to the figure shown in the income statement, for the calculation of EBIT adjusted for one-time items in the 2014 financial year, those earnings effects that resulted from restructuring measures, the repositioning of individual business units and goodwill impairment were eliminated. In addition, items were eliminated if they were aperiodic and/or of a non-recurring nature. For the most part, these included loss-free valuation of projects due to negative developments that occurred in the 2014 financial year as well as adjustment of earnings contributions in previous years for multi-year percentage of completion projects in the Electrical Systems business unit.

The rise in EBIT in 2015 was driven strongly by a significant reduction of losses in the Transportation division. In addition, EBIT saw a tangible improvement in the Customized Modules division. In contrast, EBIT in the Core Components division remained below the prior-year figure, as anticipated. EBIT in the Lifecycle Solutions division was equal to the previous year's comparative figure and improved as against the figure reported in 2014. In 2015, effects from the translation of exchange rates had a positive impact on the Group's EBIT in the amount of €2.7 million. In the year under review, the EBIT margin amounted to 3.8 percent as against 1.7 percent in the previous year.

In 2015, the interest income improved to €(13.5) million as against €(24.2) million in the previous year. In 2014, interest fees amounting to €7.3 million for the early repayment of a tranche of a US private placement were charged as interest expense. In 2015, the net interest expense already benefited from the more favorable conditions of the new funding structures. In April 2015, using a syndicated loan Vossloh settled the company's bridge loan of €250 million, which had been taken out in the middle of 2014.

With the significant rise in Group EBIT and the simultaneous reduction in net interest expense, EBT improved to €31.6 million in the past financial year (previous year: €(207.6) million). In 2015, income taxes amounted to €20.2 million (previous year: €7.0 million). The comparatively high tax rate of 64.1 percent in 2015 resulted from an adjustment of deferred tax assets. The Vossloh Group's net result from discontinued operations amounted to €66.4 million (previous year: €8.9 million). This primarily comprised, besides the result of the Rail Vehicles business unit in 2015 and the attributable transaction costs for the sale of this entity, book profits resulting from the disposal of Vossloh Rail Vehicles. Vossloh's consolidated profit amounted to €77.8 million in the 2015 financial year. This was significantly higher than the prior-year figure of €(205.7) million. Non-controlling interests in the post-tax profit totaled €5.6 million in 2015 compared with €7.8 million in the previous year. The decline in the past financial year is attributable particularly to the lower result of a Chinese subsidiary in the Core Components division.

In the year under review, the weighted average number of shares outstanding was 13,325,290. Consolidated net income per share attributable to shareholders of Vossloh AG amounted to €5.42. In the previous year, this was a loss of €(16.46).

In light of the continued restructuring and repositioning of the Vossloh Group, Vossloh AG's Executive Board and Supervisory Board will make a proposal to shareholders at the Annual General Meeting scheduled for May 25, 2016 to suspend dividend payments for the 2015 financial year. The profit achieved in 2015, also thanks to the disposal of the Spanish locomotive business, is set to strengthen the equity base and thus be used to secure future growth.

Order backlog at €1,031.3 million

As at the end of the 2015 financial year, the Vossloh Group had an order backlog amounting to €1,031.3 million. This represented a year-on-year decline of 9.7 percent compared with the order backlog of €1,142.1 million as of the previous year's reporting date. Here, all divisions of the Vossloh Group, particularly the Transportation division, report a year-on-year decline in the order backlog.

Vossloh divisions: Order backlog

€ mill.	2015	2014
Core Components	177.6	182.6
Customized Modules	298.1	309.1
Lifecycle Solutions	7.8	10.4
Transportation	547.9	641.2
Vossloh AG/consolidation	(0.1)	(1.2)
Group	1,031.3	1,142.1

As of the end of December 2015, the order backlog of the Core Components division amounted to €177.6 million as against €182.6 million at the end of December 2014. This corresponds to a 2.8 percent decline. In the Customized Modules division, the order backlog was below the prior-year figure by 3.6 percent, amounting to €298.1 million as of December 31, 2015 (previous year: €309.1 million). At €7.8 million, the order backlog of the Lifecycle Solutions division declined by around 25 percent as of the end of the reporting period (previous year: €10.4 million). At €547.9 million as of December 31, 2015, the order backlog of the Transportation division was significantly below the prior-year figure (€641.2 million). This development is largely attributable to the fact that the focus of the repositioning, particularly in the Electrical Systems business unit, will be placed on handling the high order backlog of previous years in a profitable manner and achieving customer satisfaction. Going forward, the business unit will focus again on the areas of light rail vehicles, trolleybuses, components, e-mobility and related services. This will reduce the project volumes allocable to Vossloh Electrical Systems in specific orders. In addition, in isolated cases expected orders were not obtained, and there were delays in the awarding of projects.

Fewer orders received

In 2015, the Vossloh Group's orders received amounted to €1,089.8 million, which was below the prior-year figure as expected (€1,149.6 million). Orders received in the past financial year were below sales generated, resulting in a book-to-bill ratio of 0.91 in the Group.

Orders received in the Core Components, Lifecycle Solutions and Transportation divisions saw weaker development as against the previous year. At €251.6 million, orders received in the Core Components division still lagged behind the high figure of the previous year (€347.2 million) by 27.5 percent in 2015 despite a larger new order from China for high-speed fastening systems of around €70 million. Orders received in the Lifecycle Solutions division were also lower than in the previous year (€72.9 million) with a 5.1 percent decline to €69.2 million in the year under review.

In the Transportation division, orders received amounted to €264.0 million in the year under review, which was below the level of the previous year (€275.8 million) by 4.3 percent. While the Locomotives business unit generated new orders of €115.9 million in 2015 (previous year: €86.5 million), orders received of €150.0 million in the Electrical Systems business unit remained below the prior-year figure (€190.9 million). This was also due to a strategic repositioning of the business unit and the moderate number of contract awards as a result of project delays. In contrast, the Customized Modules division saw a significant rise in orders received. Overall, new orders in the year under review reached €512.0 million, thus exceeding the prior-year figure of €458.7 million by 11.6 percent.

Financial position and investing activities

As the Group's management holding company, Vossloh AG is also responsible for the Group's financial management. In addition to the central management of cash flows, Corporate Treasury Management is responsible for ensuring the financing of all subsidiaries as well as for hedging and managing financial risks. These include not only liquidity risks but also and in particular risks from interest and exchange rate fluctuations. For hedging purposes, derivative hedging instruments, among others, are employed. The Group companies are primarily financed through intra-group funding by Vossloh AG. Only in isolated cases where funding outside Germany is either economically preferable or required by law do subsidiaries obtain original financing locally.

Net financial debt significantly reduced

The Vossloh Group's net financial debt significantly decreased from €283.0 million as of December 31, 2014 to €200.1 million as of the end of December 2015. The cash inflow from the disposal of the Rail Vehicles business unit, which was transferred to the Stadler Rail AG Group, Bussnang, Switzerland, with effect from December 31, 2015, contributed nearly half of this development. Furthermore, the Group's free cash flow from operating activities also saw a noticeable improvement in 2015 due to the continued implementation of the program to optimize working capital initiated in 2014. At the end of 2015, the Vossloh Group's financial liabilities amounted to €279.3 million, and were thus below the corresponding figure as of the end of the reporting period of the previous year (€330.8 million). In addition, the total of cash and cash equivalents and short-term securities increased to €79.3 million as of December 31, 2015 (previous year: €47.8 million).

In particular, current financial liabilities declined as of the end of the reporting period in December 2015. These liabilities amounted to €25.9 million, while they saw a significant increase to €281.0 million in the 2014 financial year as a result of bridge financing for the early repayment of the second tranche of the US private placement that was taken up in 2004. In 2014, financing of €250 million with a term until June 2015 had been agreed with several banks in order to fund the US private placement.
In April 2015, Vossloh AG found a new basis for its medium-term financing framework by successfully concluding a syndicated loan of €500 million and repaid the bridge loan. The loan is structured in two tranches and has a term of three years starting from April 23, 2015, and therefore provides a stable medium-term financing basis. €200 million has been made available to the company in the form of an interest-only loan, €300 million in the form of a revolving credit line, i.e. a flexibly available credit line.

Vossloh Group – equity and net financial debt

€ mill.	2015	2014
Equity[1]	428.7	349.6
Net financial debt	200.1	283.0

[1]Group equity, including non-controlling interests

In addition to unused directly available funds, the Vossloh Group had unused credit lines available at December 31, 2015, totaling €427.7 million, of which Vossloh AG directly had €279.0 million. The remaining unused credit lines were available at Group company level. The majority of these credit lines had a term of up to one year. The smaller proportion was granted for an unlimited term.

In the year under review, cash flow from operating activities amounted to €107.8 million (previous year: €(42.2) million). The year-on-year increase mainly resulted from the significant improvement in the Group's EBIT and the further decline in working capital.

Vossloh Group – analysis of cash flows

€ mill.	2015	2014
Cash flow from operating activities	107.8	(42.2)
Cash flow from investing activities	(11.6)	(58.3)
Cash flow from financing activities	(77.0)	103.7
Net cash outflow/inflow	**19.2**	**3.2**

Cash flow from investing activities in the Vossloh Group totaled €(11.6) million in the 2015 financial year (previous year: €(58.3) million). This was due in particular to cash inflow from the disposal of the Rail Vehicles business unit. The free cash flow – defined as cash flow from operating activities less investments in intangible assets and property, plant and equipment as well as cash-effective changes in investments in associated companies plus proceeds from dividends or the sale of associated companies – amounted to €66.1 million in the past financial year as against €(98.5) million in the previous year. Cash flow from financing activities amounted to €(77.0) million in the year under review (previous year: €103.7 million).

Vossloh-Group – capital expenditure and depreciation/amortization

€ mill.	2015		2014	
	Capital expenditure	Amortization/ depreciation	Capital expenditure	Amortization/ depreciation
Core Components	6.4	9.1	13.5	8.3
Customized Modules	11.4	16.2	13.3	72.1
Lifecycle Solutions	9.6	5.1	10.5	5.0
Transportation	8.6	9.2	13.2	37.1
Vossloh AG/Consolidation	0.7	0.7	0.2	0.7
Total	**36.7**	**40.3**	**50.7**	**123.2**

Not including the sold Rail Vehicles business unit, the Vossloh Group invested €36.7 million in property, plant and equipment and intangible assets in the 2015 financial year, which was significantly less than in the previous year (€50.7 million). The decline in capital expenditure in all divisions was primarily due to the completion of major investment projects.

In the Core Components division, capital expenditure in the past financial year more than halved to €6.4 million as against €13.5 million in the previous year. This was caused by the construction and commissioning of the new production facilities in the USA in the spring of 2015. Other investments of the Core Components division primarily related to a logistics center near the German headquarters in Werdohl and the expansion of production capacities in China. At €9.6 million, the Lifecycle Solutions division also invested less than in the previous year (€10.5 million). Here, capital expenditure mainly applied to the development of high-speed grinding trains and the further development and manufacture of a milling train. Capital expenditure in the Customized Modules division amounted to €11.4 million in the year under review and was thus also below the prior-year figure of €13.3 million. Capital expenditure comprised a large number of small investment projects. The largest single investment related to a welding machine for the Outreau site in France. The Transportation division spent a total of €8.6 million on investments (previous year: €13.2 million). €5.9 million related to the Locomotives business unit, flowing primarily into the development of the new locomotive family in Kiel (previous year: €5.8 million). In the Electrical Systems business unit, capital expenditure in the 2015 financial year totaled €2.4 million (previous year: €6.6 million) and related in particular to IT systems.

In the 2015 financial year, investments in property, plant and equipment and intangible assets fell slightly below write-downs of €40.3 million. In the previous year, the Vossloh Group's write-downs amounted to €123.2 million due to the restructuring and realignment of several business units – in particular, the impairment of goodwill in the Switch Systems business unit and write-downs of capitalized development costs in the Locomotives business unit. Like capital expenditure, these figures do not include the write-downs of the sold Rail Vehicles business unit.

Asset and capital structure

The Vossloh Group's total assets amounted to €1,375.1 million as of December 31, 2015. Including assets from discontinued activities, total assets amounted to €1,604.4 million as of December 31, 2014.

As of the end of the reporting period, the Vossloh Group's equity amounted to €428.7 million (previous year: €349.6 million). The year-on-year rise by €79.1 million is primarily attributable to book profit from the disposal of the Rail Vehicles business unit. The Vossloh Group's equity ratio increased accordingly to 31.2 percent as of the end of the reporting period (previous year: 21.8 percent).

The Group's working capital as of December 31, 2015 amounted to €210.2 million, compared to €226.5 million in the previous year. Despite a significant increase in sales, the decline in working capital was caused by the increase in trade payables while lower inventories also contributed to the improved working capital in the past financial year. At the same time, trade receivables were also virtually unchanged as against the end of 2014 although the Group's sales volume increased strongly.

Over the year, average working capital amounted to €251.8 million in the year under review (previous year: €258.3 million). Average working capital intensity – the ratio of average working capital to sales – improved to 21.0 percent in the 2015 financial year (previous year: 23.5 percent).

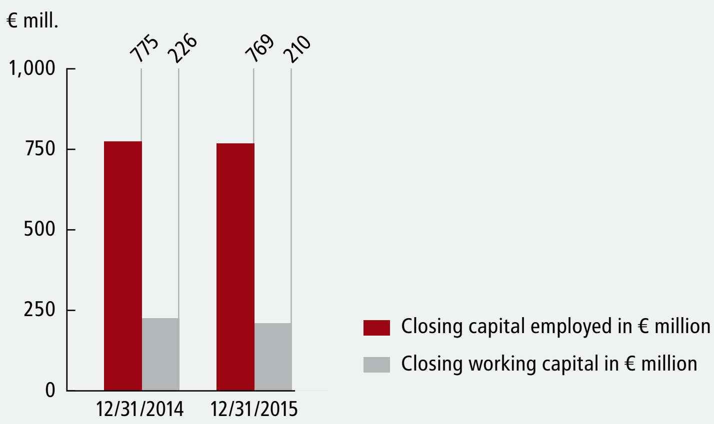
As of December 31, 2015, the capital employed of the Vossloh Group totaled €768.5 million (previous year: €775.3 million). A decisive factor for the decline was primarily the year-on-year fall in working capital at the reporting date. Average capital employed amounted to €809.7 million in the past financial year. The difference compared to the prior-year figure (€844.2 million) was primarily attributable to the goodwill impairment at Vossloh Switch Systems as of June 30, 2014, and the write-down of capitalized development costs at Vossloh Locomotives.

Vossloh Group – asset and capital structure

		31.12.2015	31.12.2014
Total assets	€ mill.	1,375.1	1,604.4
Equity[1]	€ mill.	428.7	349.6
Equity ratio	%	31.2	21.8
Closing working capital	€ mill.	210.2	226.5
Fixed assets	€ mill.	558.3	548.8
Closing capital employed	€ mill.	768.5	775.3

[1]Group equity, including non-controlling interests

In the 2015 financial year, Vossloh performed well following the radical cuts in 2014. Group sales increased more rapidly than most recently expected by 9 percent to €1.2 billion. On a like-for-like basis, EBIT of €18.8 million in 2014 soared to €45.1 million in the past financial year. The EBIT margin rose to 3.8 percent last year and was thus at the higher end of the range communicated since December 2014. A decisive and strategic milestone in Vossloh's transformation was reached with the disposal of the Spanish locomotive business at the end of 2015. Vossloh's equity improved in a positive fashion due to book profits on the disposal, and the Group's equity ratio again reached a figure of more than 31 percent as of the end of reporting period. Net financial debt was reduced significantly compared to the previous year.



Vossloh Group: Capital employed and working capital trend, 2014-2015

Value management

Against the backdrop of extraordinarily high charges in 2014, key value management figures for the 2014 and 2015 financial years are barely comparable.

ROCE of the Vossloh Group at 5.6 percent; due to WACC of 10 percent negative value added in the 2015 financial year

In the 2015 financial year, the Vossloh Group's ROCE – return on capital employed – was positive at 5.6 percent. ROCE amounted to (21.7) percent in the previous year due to the significantly negative EBIT. The improvement in ROCE in 2015 was driven primarily by the significant rise in EBIT. The decline in average working capital against the previous year and the resulting decrease in average capital employed also had a positive effect. For 2015, a weighted average cost of capital (WACC) of 10 percent before taxes was applied in the Vossloh Group. In the year under review, ROCE was therefore below the internal WACC by 4.4 percentage points, but was within the anticipated range of 5 to 8 percent.

In the Core Components division, ROCE amounted to 23.3 percent in the year under review. Due to significantly lower EBIT and the elimination of positive one-time effects from the internal sale of a company in 2014 in the division, ROCE remained below the prior-year figure of 45.7 percent.
The Customized Modules division reported a ROCE of 8.1 percent in the 2015 financial year (previous year: (11.7) percent). The ROCE in the Lifecycle Solutions division amounted to 4.5 percent while in the prior year it was 3.1 percent. At (3.9) percent, the Transportation division also improved in the past financial year (previous year: (104.3) percent). The Locomotives and Electrical Systems business units contributed to this improvement.

Vossloh Group's value added was negative in the 2015 financial year, amounting to €(35.9) million (previous year: €(267.8) million). Although the Core Components division reported positive value added of €16.6 million in the year under review, it was still below the corresponding prior-year figure of €45.9 million. In contrast, the Customized Modules, Lifecycle Solutions and Transportation divisions reported negative value added. However, the figure was better than the previous year. Value added in the Customized Modules division was €(8.3) million (previous year: €(94.0) million). Value added in the Lifecycle Solutions division in the 2015 financial year was €(6.7) million (previous year: €(8.0) million). In the 2015 financial year, value added in the Transportation division amounted to €(17.7) million (previous year: €(179.7) million).

Vossloh Group: Value management

		2015	2014
Average capital employed	€ mill.	809.7	844.2
ROCE	%	5.6	(21.7)
Value added	€ mill.	(35.9)	(267.8)

Core Components includes standardized products in high volumes

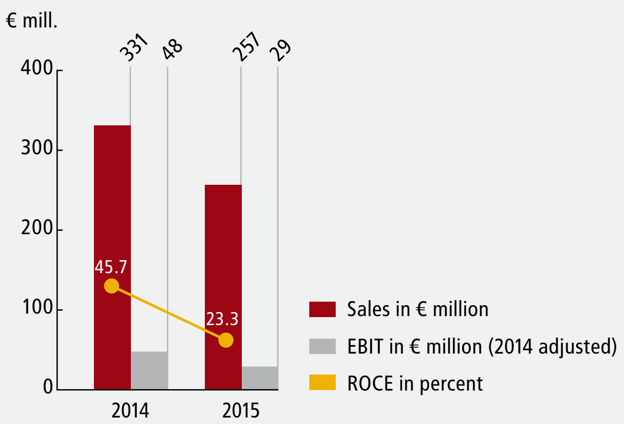
Division currently comprises the Fastening Systems business unit

Declining sales following extraordinarily high sales in China in the previous year

Profitability remains high – EBIT margin in double digits

Core Components

		2015	2014
Sales	€ mill.	256.6	331.0
EBIT	€ mill.	29.2	58.8
EBIT margin	%	11.4	17.8
Average working capital	€ mill.	68.8	76.0
Average working capital intensity	%	26.8	23.0
Average capital employed	€ mill.	125.1	128.6
ROCE	%	23.3	45.7
Value added	€ mill.	16.6	45.9



Sales, EBIT and ROCE
of the Core Components division

Business performance of Core Components

The Core Components division comprises the Group's range of industrially manufactured standard products needed in large volumes for rail infrastructure projects. The division currently comprises the Fastening Systems business unit and is set to be expanded by complementary activities in the medium term. Vossloh Fastening Systems, a globally established and leading manufacturer of rail fastening systems, offers an extensive portfolio of rail fasteners for a wide application area. With its many years of experience and extensive technological expertise, standards and innovative solutions, Vossloh Fastening Systems is setting benchmarks for the future for ballasted tracks, slab tracks, local rail traffic and all load profiles ranging from heavy-haul to high-speed.

Sales of €256.6 million, declining as expected

At €256.6 million, sales in the Core Components division in the 2015 financial year remained significantly below the previous year's figure of €331.0 million. As expected, the high sales of the previous year were not achieved again in China. The drop is largely attributable to fewer call-ups and deliveries of rail fasteners after extraordinarily high sales in previous years. Business performance in Turkey, Russia and Thailand also contributed to the decline in sales. In contrast, a considerable increase in sales was seen in Argentina, Italy and the Czech Republic.

In 2015, orders received in the Core Components division totaled €251.6 million as against €347.2 million in the previous year. Despite a major new order in China worth around €70 million for high-speed fastening systems and significant new orders from Italy, the orders received in the Core Components division failed to reach the level of the previous year. As of December 31, 2015, the division's order backlog amounted to €177.6 million. As a result, it was slightly under the value of €182.6 million at the end of 2014.

EBIT margin 2015 at 11.4 percent

In 2015, EBIT in the Core Components division fell due to a decline in sales to €29.2 million as against the comparable figure in the previous year of €47.6 million. Before adjustments, EBIT amounted to €58.8 million. However, this included the gain on the intragroup sale of a company that was only eliminated again at Group level. The EBIT margin remains in double digits and amounts to 11.4 percent, below the adjusted prior-year figure of 14.4 percent.

In the past financial year, the Core Components division generated positive value added of €16.6 million. However, due to the decline in earnings and the extraordinary effect from the intragroup sale of a subsidiary, this was considerably below the previous year's figure of €45.9 million.

ROCE, the return on capital employed, was clearly positive again at 23.3 percent in the year under review. However, it was also clearly below the previous year's figure of 45.7 percent due to the above extraordinary effect. Average capital employed fell slightly to €125.1 million (previous year: €128.6 million). Average working capital as a key element of average capital employed also declined. After €76.0 million in the 2014 financial year, the figure for the current reporting period amounted to €68.8 million. Due to a slump in sales, average working capital intensity rose to 26.8 percent (previous year: 23.0 percent) despite lower working capital.

Customized modules – focus on project- and customer-specific solutions

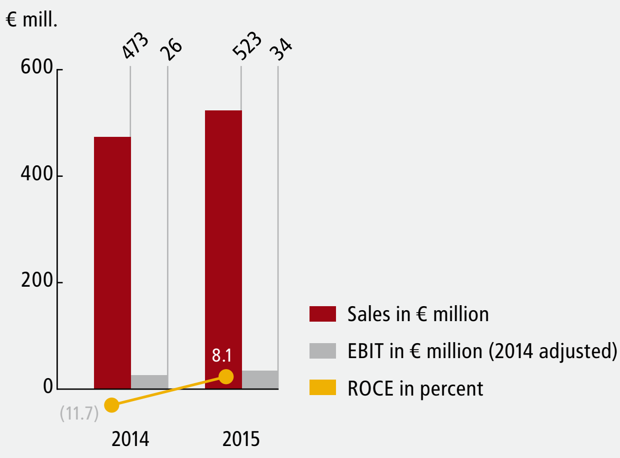
Division currently comprises the Switch Systems business unit

Increase in sales of over 10 percent

Significant rise in profitability as against the adjusted prior-year figure

Customized Modules

		2015	2014
Sales	€ mill.	523.0	473.1
EBIT	€ mill.	34.4	(50.7)
EBIT margin	%	6.6	(10.7)
Average working capital	€ mill.	141.1	129.0
Average working capital intensity	%	27.0	27.3
Average capital employed	€ mill.	427.1	431.7
ROCE	%	8.1	(11.7)
Value added	€ mill.	(8.3)	(94.0)



Sales, EBIT and ROCE of the Customized Modules division

Business performance of Customized Modules

All the Group's services for the manufacture, installation and maintenance of individualized infrastructure modules are bundled in the Customized Modules division. The Switch Systems business unit, one of the largest providers of switch systems worldwide, currently belongs to the division. From numerous production facilities in over 20 countries, Vossloh Switch Systems equips, installs and maintains global rail networks with switches as well as with control and monitoring elements. The product portfolio covers a very wide range of applications, extending from light-rail to high-speed applications.

In the 2015 financial year, the Customized Modules division reported a strong increase in sales by 10.6 percent to €523.0 million (previous year: €473.1 million). Positive revenue development in Northern Europe – primarily in Sweden – contributed in particular to the sales growth. In Finland, the Customized Modules division continued to build on its market position and more than doubled its revenue. In addition, higher sales were achieved in Italy, Brazil, Morocco and – primarily due to exchange rates – the USA compared with the previous year. In contrast, the extraordinarily high sales of the previous year were not achieved again in France. Business performance also declined in Norway, Indonesia and Switzerland in the year under review.

In the 2015 financial year, orders received in the Customized Modules division amounted to €512.0 million, which was significantly above the prior-year figure (previous year: €458.7 million). Key new orders came from France, the USA and Sweden. The order backlog at the end of 2015 amounted to €298.1 million, only immaterially below the previous year's figure of €309.1 million.

Over €500 million orders received in 2015

EBIT in the Customized Modules division improved by 30.9 percent to €34.4 million compared with the adjusted figure for the previous year. In the previous year, adjusted EBIT had amounted to €26.3 million. Including one-time items – especially the impairment of goodwill of €60 million here – EBIT in the 2014 financial year was €(50.7) million. In addition to higher earnings contributions driven by higher sales, efficiency improvements also contributed to the increased profitability. The EBIT margin improved tangibly from an adjusted value of 5.6 percent to 6.6 percent.

EBIT and EBIT margin considerably above prior-year figures

The value added of the Customized Modules division remained negative again in the 2015 financial year at €(8.3) million, but recovered considerably compared to the unadjusted prior year figure of €(94.0) million, which was dominated by extraordinary charges.

In the period under review, the division achieved a positive ROCE of 8.1 percent, again owing to clearly positive EBIT. In the same period in the previous year, unadjusted ROCE had amounted to (11.7) percent. Average capital employed declined slightly to €427.1 million compared with €431.7 million in the previous year. This was primarily due to the goodwill impairment not recognized until midway through 2014, which in 2015 was therefore included in the average calculation for the whole twelve months. In contrast, average working capital increased to €141.1 million (previous year: €129.0 million) due to the significant sales growth and exchange rate effects. The rise was particularly attributable to higher trade receivables. In contrast, average working capital intensity fell slightly from 27.3 percent in the previous year to 27.0 percent.

Lifecycle Solutions – specialized services relating to the life cycle of rail lines

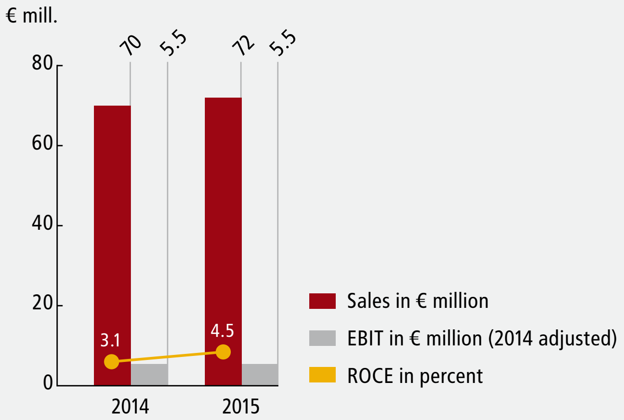
Division comprises the Rail Services business unit

Internationalization advanced as a result of newly established joint venture in Finland

Slight sales growth in financial year 2015

Lifecycle Solutions

		2015	2014
Sales	€ mill.	71.7	69.6
EBIT	€ mill.	5.5	3.5
EBIT margin	%	7.7	5.1
Average working capital	€ mill.	9.9	9.6
Average working capital intensity	%	13.8	13.8
Average capital employed	€ mill.	122.0	114.9
ROCE	%	4.5	3.1
Value added	€ mill.	(6.7)	(8.0)



Sales, EBIT and ROCE
of the Lifecycle Solutions division

Business performance of Lifecycle Solutions

Through its Rail Services business unit, the Lifecycle Solutions division concentrates on specialist services for the maintenance of tracks and switches. With its own innovative technologies, Lifecycle Solutions promotes the safety of rail lines and contributes to the extension of the service life of tracks. In addition to welding services and rail logistics, maintaining, working on and providing preventive care for tracks and switches are part of the service portfolio. Comprehensive services supplement the product range of Core Components and Customized Modules. Lifecycle Solutions is to be further internationalized and the range of high-quality logistics and maintenance services simultaneously broadened to also cover the entire life cycle of infrastructure. In 2015, the internationalization of the division was successfully continued in Finland.

Internationalization of the Lifecycle Solutions division picks up momentum

Sales of the Lifecycle Solutions division increased slightly to €71.7 million as against the previous year's figure of €69.6 million. The sales upturn is essentially the result of the solid order for stationary services and the first-time consolidation of the Finnish joint venture. The internationalization of the division is also increasingly taking shape. After a sales level under 20 percent outside Germany in the previous year, this figure increased to nearly 30 percent in the year under review. In addition to a considerable increase in sales in Northern Europe, sales in China also rose significantly.

Orders received in the Lifecycle Solutions division reached €69.2 million, which was near the prior-year level of €72.9 million. This was primarily related to the call-up business, with the exception of a track maintenance order in Croatia. As of December 31, 2015, the order backlog amounted to €7.8 million (previous year: €10.4 million).

EBIT on a par with the previous year

In the past year, the Lifecycle Solutions division achieved EBIT of €5.5 million, which is equal to the prior-year figure adjusted for one-time items. In 2014, unadjusted EBIT had amounted to €3.5 million. At 7.7 percent, the EBIT margin was essentially unchanged as against the adjusted prior-year figure of 7.9 percent.

Value added improved but remained negative at €(6.7) million. The reported value for the previous year amounted to an unadjusted figure of €(8.0) million.

ROCE of 4.5 percent

The Lifecycle Solutions division achieved a ROCE of 4.5 percent in the year under review, which was higher than the unadjusted prior-year figure of 3.1 percent. Average capital employed climbed from €114.9 million to €122.0 million due to an increase in fixed assets. Average working capital was virtually unchanged at €9.9 million (previous year: €9.6 million). As a result, at 13.8 percent in 2015 average working capital intensity was at exactly the level of the previous year.

Sale of the Rail Vehicles business unit completed with effect from the end of December 31, 2015

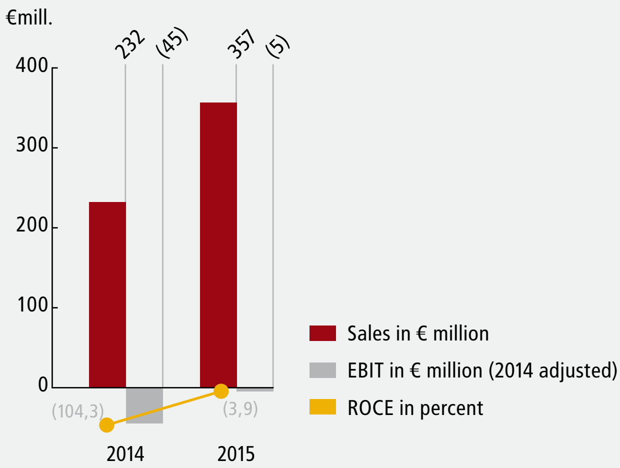
Division consists of the Locomotives and Electrical Systems business units

Significant increase in sales by 54.1 percent

Positive earnings development – considerable year-on-year improvement

Transportation

		2015	2014
Sales	€ mill.	357.3	231.9
EBIT	€ mill.	(5.0)	(164.0)
EBIT margin	%	(1.4)	(70.7)
Average working capital	€ mill.	35.2	46.3
Average working capital intensity	%	9.8	20.0
Average capital employed	€ mill.	127.4	157.3
ROCE	%	(3.9)	(104.3)
Value added	€ mill.	(17.7)	(179.7)



Sales, EBIT and ROCE of the Transportation division

Business performance of Transportation

Sale of Rail Vehicles to Stadler Rail AG completed

Since the announcement of the Group strategy in December 2014, the Transportation division has not been part of the Vossloh Group's core business. By 2017, activities in this division are expected to be sold or transferred to one or more partnerships that are no longer consolidated. A first milestone in the Vossloh Group's transformation into a rail infrastructure company was achieved with the sale of the Rail Vehicles business unit. The sale of Rail Vehicles to the Swiss company Stadler Rail AG was completed with effect from the end of December 31, 2015. As a result, the generated profit contributions, gains and transaction costs from the disposal of Rail Vehicles are shown as the "net result from discontinued activities" as a separate item in the statement of profit or loss and are not contained in the explanations below. The Transportation division thus comprises the Locomotives and Electrical Systems business units and provides state-of-the-art locomotives and electric components for local transport vehicles and associated services.

Significant increase in revenue in both business units

Processing high-volume orders from the order backlog resulted in a considerable increase in sales in 2015. Sales rose by 54.1 percent to €357.3 million (previous year: €231.9 million). The increase in sales was primarily driven by extraordinarily positive business performance in the Electrical Systems business unit. Vossloh Locomotives also reported strong sales growth in the double-digit range.

In the 2015 financial year, orders received in the Transportation division amounted to €264.0 million, achieving nearly the level of the previous year of €275.8 million. The order backlog is still very high at €547.9 million, but it remains below the prior-year figure of €641.2 million, owing to the high level of sales in the year under review and the refocusing of the Electrical Systems business unit.

Successful and continued implementation of the program of measures leads to an increase in earnings

At €(5.0) million, EBIT in the Transportation division significantly improved as against the adjusted prior-year figure of €(45.3) million. Following a weaker first half of the year, which was anticipated, EBIT rose significantly in the second half of the year as a result of the ongoing implementation of the cost reduction program and other measures to increase profitability. In the fourth quarter of 2015, positive EBIT had been achieved again for the first time since the end of 2012, which reflects the favorable development in the division. The EBIT margin also increased accordingly from a comparable (19.5) percent to (1.4) percent in the year under review.

In the year under review, the value added of the Transportation division amounted to €(17.7) million and was significantly above the unadjusted value added of the previous year of €(179.7) million.

The division's return on capital employed (ROCE) was still negative but improved from (104.3) percent in the previous year to (3.9) percent. Over the year, average capital employed was significantly below the level of the previous year. Decisive factors for the decline included impairments of capitalized development costs in the business unit Locomotives business unit in 2014. In the year under review, these were included in the average calculation for twelve full months for the first time, thus leading to lower capital employed of €127.4 million (previous year: €157.3 million). At €35.2 million, average working capital was also significantly below the prior-year figure of €46.3 million despite the considerable rise in sales. As a result, average working capital intensity decreased significantly to 9.8 percent (previous year: 20.0 percent).

Vossloh Locomotives

The Locomotives business unit develops and manufactures state-of-the-art diesel locomotives at the Kiel location, which have a leading position on the European market in terms of efficiency, flexibility and eco-friendliness. In addition, Vossloh Locomotives provides all necessary services for the servicing and maintenance of locomotives.

New construction of production site in Kiel-Suchsdorf makes progress – move planned for the second half of 2016

A key element in the repositioning and restructuring of the business unit is the move to a new locomotive plant in Kiel. The construction of this new plant has already made a lot of progress and the move is planned for the second half of 2016. Once the construction is complete, it will be one of the most innovative and efficient production sites for rolling stock in Europe. As a result of the move, operating procedures will be optimized and production and delivery times will be significantly shortened, allowing the efficiency of Vossloh Locomotives to be further increased.

Vossloh Locomotives reports strong rise in sales

In the 2015 financial year, revenue in the Locomotives business unit amounted to €109.5 million and was thus significantly above the prior-year figure of €90.0 million by 21.6 percent. This was mainly due to higher sales of new and used locomotives. Overall, 48 locomotives were supplied for various purposes in the past financial year. Germany and France remained by far the largest sales markets. Sales noticeably increased year on year in Sweden as well.

Orders received in the Locomotives business unit amounted to €115.9 million, which was 34.0 percent above the level in the previous year of €86.5 million. This was caused by high orders received of around €70 million in the last quarter of the 2015 financial year. The order backlog at the end of 2015 amounted to €99.2 million, also below the previous year's figure of €92.7 million.

Vossloh Locomotives value added was still negative at €(10.4) million. The unadjusted figure of the previous year of €(94.5) million was greatly influenced by high costs for the restructuring and repositioning of the Kiel location.

Vossloh Electrical Systems

The Electrical Systems business unit develops and manufactures electric systems for local transport rail and road vehicles. The portfolio of electric key components comprises drive equipment, on-board power supply, vehicle control systems and heating and air-conditioning technology.

The positive year-on-year business development of Vossloh Electrical Systems validates the restructuring and repositioning process, which began in 2014. With extensive operating and strategic measures, such as the focus on established application areas, including light rail vehicles, trolleybuses, components, e-mobility and related services, and capacity streamlining, the efficiency of Vossloh Electrical Systems was significantly increased.

Very strong sales growth as a result of scheduled project implementation

The business unit reported sales growth of 73.5 percent. Sales soared from €143.8 million in the previous year to €249.5 million in 2015. This was particularly attributable to the scheduled implementation of projects in the Rolling Stock and Buses and E-Mobility segment. Germany remained the market with the strongest sales in 2015. However, the business unit also generated a considerable sales share in the USA thanks to bus projects in Seattle and San Francisco.

In the 2015 financial year, Vossloh Electrical Systems recognized orders received of €150.0 million. The prior-year figure of €190.9 million was also shaped by the large order from the USA of around €50 million. The order backlog declined following the strong rise in sales, but remained at a high level at €451.7 million as of December 31, 2015 (previous year: €551.3 million). The reduction in the order backlog is a consequence of the strategic realignment of the business unit. Going forward, the business unit will focus again on the areas of light rail vehicles, trolleybuses, components, e-mobility and related services.

At €(8.1) million, the value added of Vossloh Electrical Systems was also negative in the year under review. Likewise heavily diminished by one-time items, value added in the previous year amounted to €(80.5) million.

Vossloh AG

As an operational management and financial holding company, Vossloh AG is the parent of the Vossloh Group and controls and oversees all major operations and activities within the Group. In addition to determining corporate strategy and controlling corporate development, Vossloh AG allocates the financial resources, such as for capital expenditures and acquisitions, is responsible for corporate accounting and controlling, group-wide treasury management, risk and opportunity management, internal auditing, as well as for IT, legal, investor relations, and corporate communications. It oversees sales and marketing communication activities. In addition to being in charge of human resources policy, it is responsible for personnel development and support of the Group's senior management. Its role in the control of the operational activities of the business units as an operational management holding has further strengthened in the course of the financial year, exemplified by the operational responsibility of Vossloh AG's Chairman of the Executive Board who has a dual role as Managing Director of the lead company in the Fastening Systems business unit. The other members of the Executive Board are also involved in the operating processes of the business units in a similar way.

Vossloh AG prepares its annual financial statements in accordance with the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The explanations below refer to these separate financial statements. In isolated cases, certain transactions are accounted for differently according to IFRS.

Analysis of the separate financial statements

Vossloh AG's revenue for financial year 2015 of €1.5 million (previous year: €1.4 million) consists of rental income and intercompany allocations. The operating expenses are mainly incurred in connection with the company's management and financing functions. Therefore, the result of ordinary activities (earnings before taxes = EBT) is substantially influenced by general administrative expenses, other operating income and the net financial result. The financial year's other operating income of €167.4 million (previous year: €4.6 million) was determined by the income from the disposal of Vossloh España S.A.U., Valencia, Spain. At the level of the separate financial statements, income of €156.0 million was generated from the disposal of the investment. In addition, it includes income from marketing and IT levies from Group companies.

In fiscal 2015, administrative expenses of €45.3 million were considerably higher than in the previous year (€20.4 million). This was due in particular to expenses relating to the planned and in one case successful divestment projects. Personnel expenses of €11.1 million were higher than the prior year's amount of €9.2 million. One reason for this was the mean number of employees in 2015 – calculated as the average of the figure at the end of each quarter – which increased by four compared with the previous year to 55.

Compared to the previous year, the 2015 net financial result increased from €(62.1) million to €66.3 million. The major components of the net financial result in 2015 were income from dividends from investments of €45.0 million (previous year: €30.0 million) as well as profit transfers or tax allocations mainly of Vossloh-Werke GmbH and Vossloh Rail Services GmbH totaling €36.8 million (previous year: €37.2 million). The net financial result was negatively affected primarily by the takeover of losses mainly of Vossloh Locomotives GmbH and Vossloh Kiepe GmbH in the total amount of €(16.2) million (previous year: €(119.2) million).

Opposite interest expenses of €12.9 million (previous year: €20.0 million), mostly from the refinancing of the Group's capital requirements, was interest income of €13.1 million in 2015 (previous year: €8.9 million), primarily from the transfer of these funds in the form of short-term credit or long-term loans to Group companies. In the previous year, interest expenses were negatively impacted by early repayment interest penalties due to the early repayment of the US private placement at that time. Income taxes amounted to €(1.8) million (previous year: €4.3 million). Vossloh AG's net income in the reporting year was €182.8 million (previous year: €(85.0) million).

The balance sheet total increased from €864.6 million to €888.2 million. While financial assets decreased from €523.0 million to €492.3 million as a result of the disposal of the investment in Vossloh España S.A.U. and lower loans to subsidiaries, current amounts due from subsidiaries increased considerably from €314.7 million to €369.3 million. Other assets were reduced materially by the receipt of sales tax refunds. The equity and liabilities side of the balance sheet showed a marked decrease in amounts due to subsidiaries as a result of the assumption of financial liabilities to Vossloh España by the acquirer of the investment. Amounts due to banks were reduced on the basis of the positive change in financial liabilities in the Group from €322.8 million to €268.0 million. In April 2015, new medium-term financing was arranged with the agreement of a credit facility of €500 million.

Equity increased from €286.7 million to €469.5 million. This was mainly driven by the significantly improved net income. The equity ratio amounted to 52.9 percent, compared to 33.2 percent in the prior year.

Relationships with affiliated companies

Due to the existing majority of capital represented at the 2015 Annual General Meeting, we assume that Vossloh AG is indirectly controlled within the meaning of Article 17 of the German Stock Corporation Act (AktG) by Mr. Heinz Hermann Thiele. In accordance with Article 312 AktG, the Company prepared a report on the relationships with affiliated companies containing the following wording: "In respect of the legal transactions listed in the report on relationships with affiliated companies, the Company, according to the circumstances known at the time when the legal transactions were made, received an appropriate consideration for each legal transaction. Measures putting the Company at a disadvantage at the request or in the interest of Mr. Heinz Hermann Thiele or companies affiliated with him were not made or omitted. This assessment is based on the facts and circumstances known by us at the time such reportable transactions were conducted." The report was audited by the statutory auditor and was issued with an unqualified auditor's opinion.

Remuneration report

The remuneration report contains the principles regarding the remuneration of Vossloh AG's Executive Board members and specifies the amount and structure of the Executive Board's income. In addition, the report describes principles and the amount of the Supervisory Board remuneration.

Principles of Executive Board remuneration

Goals. The aim of the Executive Board remuneration system is the fair remuneration of Vossloh AG's Executive Board members in accordance with their areas of activity and responsibility and in compliance with legal requirements.

Criteria for the appropriate level of remuneration for Executive Board members are based on each member's function and personal performance, Vossloh AG's economic situation, success and future prospects, and customary remuneration polices, while also taking the remuneration structure of the company and comparable corporations into account.

Classification of Executive Board member remuneration for 2015. The annual remuneration is a fixed basic salary plus variable remuneration. The variable remuneration is calculated on the basis of target remuneration defined for each Executive Board member in the case of 100 percent target attainment in terms of performance targets set by the Supervisory Board. 45 percent of the target remuneration is calculated using annual performance targets (one-year bonus); the larger portion of 55 percent of the target remuneration is determined according to the achievement of multi-year performance targets (multi-year bonus).

The details of the remuneration system are:

Basic remuneration is a fixed sum, based on the yearly salary and area of responsibility of each Executive Board member and is to be paid in twelve equal monthly installments. In addition, Executive Board members receive non-cash fringe benefits as payments in kind (PIK), which are primarily in the form of private company car use.

The performance targets of the **variable remuneration** are set and regularly reviewed by the Supervisory Board and are based either on financial performance indicators or personal targets. In the event of 100 percent target attainment, the variable remuneration equals the basic remuneration. The potential target attainment is capped at double the base value.

In addition, the Supervisory Board may use its discretion to set an extra bonus allocation for extraordinary performance and development.

Total remuneration granted by Vossloh AG to the Executive Board is calculated from basic remuneration in 2015 and variable remuneration for 2015. The performance targets for the one-year bonus in financial year 2015 are the EBIT, sales and working capital intensity of the Vossloh Group. The performance targets for the multi-year bonus are the average sales growth and average ROCE. In addition, the Supervisory Board granted Executive Board members special bonuses for extraordinary performance in 2014/2015 in connection with the realignment and transformation of the Vossloh Group. These comprised €300,000 for Dr. h.c. Hans M. Schabert, €192,500 € for Mr. Oliver Schuster and €100,000 € for Mr. Volker Schenk.

Executive Board remuneration in financial year 2015

Remuneration for the Executive Board has been assigned by name and is in compliance with the recommendations of the German Corporate Governance Code. The benefits granted also include accrued amounts for variable remuneration components that will not be paid out until 2016 or 2017. Payments in kind (PIK) cover private company car use in the amount recognized for tax purposes. No remuneration was received for services performed on behalf of subsidiaries. The special bonus granted for extraordinary performance in 2014 and 2015 is separately reported as multi-year variable remuneration.

€		Fixed remuneration[1]	Fringe benefits	**Total**	One-year variable remuneration	Multi-year variable remuneration			**Total**	Benefit expenses	**Total remuneration**
Benefits granted						2014 & 2015	Special bonus	2015 & 2016			
Dr. h.c. Hans M. Schabert Chairman of the Executive Board since April 1, 2014	2014	562,513	16,274	**578,787**	187,500	–[2]	–	–	**187,500**	203,844	**970,131**
	2015	500,000	14,736	**514,736**	343,993	306,317	300,000	161,658[3]	**1,111,968**	212,594	**1,839,298**
	2015 Min.	500,000	14,736	**514,736**	0	0	0	0	**0**	212,594	**727,330**
	2015 Max.	500,000	14,736	**514,736**	450,000	550,000	500,000	550,000	**2,050,000**	212,594	**2,777,330**
Oliver Schuster CFO since March 1, 2014	2014	510,429	17,443	**527,872**	72,917	–[2]	–	–	**72,917**	138,614	**739,403**
	2015	525,000	21,970	**546,970**	65,795	214,422	192,500	113,161[3]	**585,878**	144,380	**1,277,228**
	2015 Min.	525,000	21,970	**546,970**	0	0	0	0	**0**	144,380	**691,350**
	2015 Max.	525,000	21,970	**546,970**	140,000	385,000	350,000	385,000	**1,260,000**	144,380	**1,951,350**
Volker Schenk COO since May 1, 2014	2014	350,010	7,422	**357,432**	–	–[2]	–	–	**–**	135,557	**492,989**
	2015	350,000	11,461	**361,461**	240,795	214,422	100,000	113,161[3]	**668,378**	141,191	**1,171,030**
	2015 Min.	350,000	11,461	**361,461**	0	0	0	0	**0**	141,191	**502,652**
	2015 Max.	350,000	11,461	**361,461**	315,000	385,000	350,000	385,000	**1,435,000**	141,191	**1,937,652**
Werner Andree Chairman of the Executive Board until March 31, 2014[4]	2014	320,010	4,623	**324,633**	250,500	–	–	–	**250,500**	–	**575,133**
Dr.-Ing. Norbert Schiedeck COO until March 31, 2014	2014	83,798	5,482	**89,280**	–	–	–	–	**–**	145,716	**234,996**

[1]Of this, €187,500 (Dr. h.c. Schabert), €218,750 (Mr. Schuster) and €116,667 (Mr. Schenk) are a guaranteed bonus for 2014 and €175,000 (Mr. Schuster) are a guaranteed bonus for 2015.

[2]The grant of multi-year variable compensation for 2014 & 2015 depends on the achievement of the performance targets for the years 2014 and 2015. Target attainment was measured after the expiry of the contractually defined multi-year period.

[3]The grant of multi-year variable compensation for 2015 & 2016 was calculated on the basis of the most likely value and recognized as a provision.

[4]Expiry of employment contract on August 31, 2014

The table below shows the receipt of remuneration in the reporting year and the previous year in accordance with the recommendations of the German Corporate Governance Code. The paid amounts for the one-year variable remuneration were allocated to the years in which they were received by the respective Executive Board members.

€		Fixed remuneration	Fringe benefits	Total	One-year variable remuneration	Multi-year variable remuneration			Total	Benefit expenses	Total remuneration
Receipt						2014 & 2015	Special bonus	2015 & 2016			
Dr. h.c. Hans M. Schabert	2014	562,513	16,274	**578,787**	–	–[1]	–	–	**–**	203,844	**782,631**
Chairman of the Executive Board since April 1, 2014	2015	500,000	14,736	**514,736**	187,500	–	–	–[2]	**187,500**	212,594	**914,830**
Oliver Schuster	2014	510,429	17,443	**527,872**	–	–[1]	–	–	**–**	138,614	**666,486**
CFO since March 1, 2014	2015	525,000	21,970	**546,970**	72,917	–	–	–[2]	**72,917**	144,380	**764,267**
Volker Schenk	2014	350,010	7,422	**357,432**	–	–[1]	–	–	**–**	135,557	**492,989**
COO since May 1, 2014	2015	350,000	11,461	**361,461**	–	–	–	–[2]	**–**	141,191	**502,652**
Werner Andree Chairman of the Executive Board until March 31, 2014[3]	2014	320,010	4,623	**324,633**	250,500	–	–	–	**250,500**	0	**575,133**
Dr.-Ing. Norbert Schiedeck COO until March 31, 2014	2014	83,798	5,482	**89,280**	–	–	–	–	**–**	145,716	**234,996**

[1]The grant of multi-year variable compensation for 2014 & 2015 depends on the achievement of the performance targets for the years 2014 and 2015. Target attainment was measured after the expiry of the contractually defined multi-year period.
[2]The grant of multi-year variable compensation for 2015 & 2016 was calculated on the basis of the most likely value and recognized as a provision.
[3]Expiry of employment contract on August 31, 2014

Entitlements to defined retirement benefits in accordance with German GAAP (Commercial Code) are as follows:

€		Amount accrued for the fiscal year	Present value of pension obligation
Entitlements to defined retirement benefits			
Dr. h.c. Hans M. Schabert	2014	93,184	93,184
Chairman of the Executive Board	2015	165,303	258,487
Oliver Schuster	2014	64,426	64,426
Member of the Executive Board	2015	107,512	171,938
Volker Schenk	2014	51,498	51,498
Member of the Executive Board	2015	103,862	155,360
Werner Andree Chairman of the Executive Board (until March 31, 2014)	2014	–	4,002,598
Dr.-Ing. Norbert Schiedeck Member of the Executive (until March 31, 2014)	2014	265,753	947,170

Retirement benefits. The members of the Executive Board have been granted entitlements to defined retirement benefits in the form of pension payments upon reaching the retirement age of 63. Depending on the years of service on the Executive Board, annual pension benefits after a minimum three-year Executive Board membership amount to 1 percent, or in the case of a first time contract renewal 2 percent, up to a maximum of 40 percent of the pensionable annual basic remuneration. In financial 2015, a total of €376,677 was provided for the accrued balance of Executive Board members (previous year: €474,861). Upon the death of an active or former member of the Executive Board, the pension entitlement or the most recent pension paid to the surviving spouse is reduced to 60 percent.

Commitments in the event of termination of duties

Commitments in the event of early termination of duties. In the case of early termination of services provided, without proper grounds for said termination, the Executive Board employment contracts guarantee the payment of a base salary, with a set maximum limit of two years' salary remuneration. No payment obligations are made in the event of an early termination of Executive Board duties due to a change of control.

Loans to Executive Board members. In 2015 no advances or loans were granted to any Executive Board members of Vossloh AG.

Remuneration to former Executive Board members of Vossloh AG and their surviving dependents. The remuneration in the form of pension payments to former members of the Executive Board and their surviving dependents totaled €1,082,407 (previous year: €907,230). Current retirement pensions are subject to adjustment respective to the collective pay trend of salaried employees in the metal and electrical industries of North Rhine-Westphalia. Pension obligations to former members of the Executive Board and members of the Executive Management, as well as their surviving dependents, amounted to €19,070,851 (previous year: €17,500,736). Employer pension liability insurance policies totaling €10,930,434 (previous year: €11,054,586) are pledged in each beneficiary's favor. The balance of these pension obligations is covered by provisions.

Supervisory Board remuneration

Supervisory Board remuneration in 2015. The remuneration of members of the Supervisory Board is to be determined by the Annual General Meeting and governed by the company's Articles of Incorporation. The remuneration system is in compliance with German law and takes into account the responsibilities and duties of Supervisory Board members.

By resolution of the Annual General Meeting on May 28, 2014, the Supervisory Board's remuneration was changed to an entirely fixed annual fee. Through this change, the independence required for the Supervisory Board to carry out its monitoring function is further strengthened.

Remuneration for Supervisory Board members for financial year 2015 is defined by the Articles of Incorporation as amended on May 28, 2014, as follows: Supervisory Board members receive fixed annual remuneration for duties performed of €40,000 (gross) to be paid after the conclusion of the financial year and are also reimbursed for their expenses.

The following regulation applies to the current and future remuneration policy for the Supervisory Board: The Supervisory Board Chairman receives 300.0 percent, the Vice-Chairman 150.0 percent and all other committee members receive 125.0 percent of the above remuneration. Membership for each committee is thus compensated through a premium of 25.0 percent for each of the aforementioned remuneration amounts. The Audit Committee Chairman receives three times the premium for Audit Committee membership. However, membership in the Nomination Committee is only remunerated by the payment of an additional 25.0 percent of the fixed annual remuneration if the Committee convenes in the financial year. At the meeting of the Supervisory Board on September 24, 2015, the members of the Nomination Committee unanimously declared that they would waive the remuneration stipulated by the Articles of Incorporation for their work on the Nomination Committee. If the Supervisory Board Chairman is also a committee member, no additional remuneration is to be paid for his activities on the committee.

In accordance with the Articles of Incorporation, Supervisory Board members received a total remuneration of €393,334 for 2015 (previous year: €306,667).

The table below itemizes the amounts attributable to each Supervisory Board member.

€	2015	2014
Heinz Hermann Thiele (Chairman)	120,000	90,000
Ulrich M. Harnacke (from May 20, 2015)[1]	60,000	–
Ursus Zinsli	61,667	35,833
Dr.-Ing. Wolfgang Schlosser	51,667	32,500
Michael Ulrich	60,000	45,000
Silvia Maisch	40,000	30,000
Dr. Alexander Selent (until Sept. 14, 2014)	–	44,167
Dr. Wolfgang Scholl (until May 28, 2014)	–	16,667
Dr.-Ing. Kay Mayland (until May 28, 2014)	–	12,500
Total	**393,334**	**306,667**

[1] Vice Chairman since May 20, 2015

Loans to Supervisory Board members. In 2015, no advances or loans were granted to any Supervisory Board members.

Consulting Contracts. In 2015 a consulting contract was concluded with Mr. Ursus Zinsli, from which he received €34,000 in the financial year.

Statutory takeover-related disclosures pursuant to Articles 289 (4) and 315 (4) HGB

The provisions of Articles 289 (4) and 315 (4) HGB require that the following takeover-related disclosures as of December 31, 2015, be made.

Composition of subscribed capital
The Company's subscribed capital (share capital) of €37,825,168.86 is divided into 13,325,290 no-par bearer shares of common stock, each entitled to one vote.

Restrictions on voting rights or transfer of shares
Each share is entitled to one vote at the Annual General Meeting, the same rights attaching to all Vossloh AG shares. Share transfer or assignment is not subject to any restrictions.

Direct or indirect shareholdings in excess of 10.0 percent
The Executive Board is aware of one investment in the Company's capital stock that exceeds 10.0 percent of the voting rights. KB Holding GmbH, Grünwald, Germany, holds 40.79 percent of the voting rights in Vossloh AG. These voting rights are to be attributed to the TIB Vermögens- und Beteiligungsholding GmbH, Grünwald, Germany, Stella Vermögensverwaltung GmbH, Grünwald, Germany, and Mr. Heinz Hermann Thiele, Germany, pursuant to Article 22 (1) German Securities Trading Act (Wertpapierhandelsgesetz "WpHG").

Shares with special rights/controlling rights
Shares with special rights which confer controlling rights do not exist.

Voting control of employee shareholdings
Employees who are shareholders of the Company exercise their control rights similarly to other shareholders, directly in accordance with applicable statutory requirements and the Articles of Incorporation.

Appointment/dismissal of Executive Board members; bylaw amendments
Vossloh AG's Executive Board members are appointed or dismissed in accordance with the provisions of Articles 84, 85 AktG in conjunction with Article 7 of the Articles of Incorporation. Pursuant to Article 84 (1) AktG, Executive Board members are appointed by the Supervisory Board for a maximum term of five years, their reappointment or the renewal of their term of office being permitted. The appointment of an Executive Board member may be revoked in the cases set out in Article 84 (3) AktG. According to Article 179 (1) AktG, the Articles of Incorporation may be amended by vote of the annual general meeting. In conformity with Article 21 (2) of the Articles of Incorporation but subject to overriding statutory provisions to the contrary, the Annual General Meeting shall pass its resolutions with the simple majority of votes cast. Where the law prescribes a stock ownership majority in addition to a voting majority, the simple majority of the capital stock represented at the vote shall suffice unless the provisions of the law or Vossloh AG's Articles of Incorporation prescribe otherwise. Article 27 of the Articles of Incorporation authorizes the Supervisory Board to amend the Articles of Incorporation where only their wording is involved. Article 4 (8) of the Articles of Incorporation further authorizes the Supervisory Board to update the Articles of Incorporation accordingly after the capital stock has been increased by utilizing authorized or contingent capital.

Authority of Executive Board to issue and repurchase shares

Article 4 of the Articles of Incorporation specifies the Executive Board's powers to issue new stock.

a) Authorized capital

The provisions of Article 4 (2) of the Articles of Incorporation authorize the Executive Board, subject to the Supervisory Board's approval, to increase the capital stock on or before May 27, 2019, by an aggregate maximum of €7,500,000 by issuing once or several times new no-par bearer shares of common stock against cash and/or noncash contributions ("Authorized Capital") while duly granting stockholders their statutory subscription right. However, after first obtaining approval from the Supervisory Board, the Executive Board may exclude this subscription right:

(i) for fractions resulting from the subscription ratio;

(ii) in order to grant to holders of conversion rights, options and/or warrants, or of a conversion obligation from convertible and/or warrant bonds previously floated or issuable by the Company or one of its wholly-owned subsidiaries which are outstanding at the time of the utilization of the authorized capital, subscription rights for new shares in the amount they would be entitled to upon exercise of their conversion rights and/or options or upon satisfaction of a conversion obligation;

(iii) if new shares are issued against cash contributions at a price that is not significantly below the stock market price current for same-class Vossloh stock at the time at which the final issuance price is fixed, and the newly issued stock does not exceed a total of ten percent of the capital stock either at the effective date or at the date of exercise of this authority. The sale of treasury shares is taken into account for this capital limit, if during the term of this authorization this is carried out excluding the subscription right pursuant to Article 186 (3) sentence 4 AktG. Shares issued or issuable to service convertible and/or warrant bonds or to satisfy conversion obligations shall also be counted toward the 10-percent ceiling, provided that the bonds are issued ex rights during the validity period of this authority in application of the provisions of Article 186 (3) sentence 4 AktG;

(iv) for any capital increase against noncash contributions.

The Executive Board is authorized, subject to the Supervisory Board's approval, to stipulate all further details of the capital increase, as well as all stock issuance terms and conditions.

b) Contingent capital

(i) Pursuant to Article 4 (3) of the Articles of Incorporation, the Company's capital stock has been contingently increased by €6,979,134.18 by issuing 2,730,000 bearer shares of common stock. This contingent capital increase will be implemented only to the extent that, under the warrant bond issues floated by Vossloh AG and/or its (directly or indirectly) wholly owned non-German subsidiaries on or before June 28, 1999, the warrant holders exercise their right to subscribe for common stock. The new common shares participate in profits from the beginning of the financial year in which they arise through the exercise of options.

(ii) Pursuant to Article 4 (4) of the Articles of Incorporation, the Company's capital stock has been contingently increased by €356,986.54 by issuing 139,641 bearer shares of common stock. This capital increase is implemented only to the extent that the holders of stock options, which are granted to employees under an employee bonus program authorized by the Annual General Meetings of June 25, 1998, and/or June 3, 2004, have exercised or will exercise their options. The new common stock participates in profits from the beginning of the financial year in which it is created by option exercise, on whose profit appropriation is resolved in the succeeding financial year's annual general meeting.

(iii) Pursuant to Article 4 (5) of the Articles of Incorporation, the Company's capital stock has been contingently increased by €1,468,225.77 by issuing 574,320 bearer shares of common stock. This contingent capital increase is implemented only to the extent that the holders of stock options, which are granted to officers, executives and other management staff under a long-term incentive plan (LTIP) authorized by the Annual General Meetings of June 25, 1998, and June 3, 2004, have exercised or will exercise their options. The new common stock participates in profits from the beginning of the financial year in which it is created by option exercise, on whose profit appropriation is resolved in the succeeding financial year's Annual General Meeting.

(iv) Pursuantto Article 4 (6) of the Articles of Incorporation, the Company's capital has been contingently increased by a total of €3,782,500 by issuing up to 1,479,585 no-par bearer shares of stock in order to grant new no-par bearer shares to the holders or creditors of such convertible bonds, warrant bonds, participating rights and/or income bonds (or any combination of such instruments) as are issued or floated by Vossloh AG or any of its (directly or indirectly) wholly-owned subsidiaries through the authority conferred by the Annual General Meeting of May 19, 2010, according to Agenda Item 8. The new no-par bearer shares will be issued at a conversion or option price to be determined in accordance with the aforesaid Annual General Meeting resolution. The contingent capital increase shall be implemented only to the extent that conversion rights or equity warrant options are exercised, the bondholders, warrant owners or creditors subject to a conversion obligation actually meet their conversion obligations, and no cash compensation is paid in lieu, or treasury shares or new shares issued by utilizing authorized capital are used. The newly issued no-par bearer shares participate in profits as from the beginning of the financial year in which they are created by conversion or option exercise or by satisfaction of conversion obligations.

The Executive Board is authorized to specify all further details of the contingent capital increase and its implementation.

c) Repurchase of treasury stock

No authority of Vossloh AG to buy back treasury shares currently exists. At December 31, 2015, the Company did not hold any treasury shares.

Agreements upon a change of control
Four significant agreements of the Company exist which could come into effect upon a change in control.

In two of these agreements, a change of control essentially means the purchase of more than 30 percent of the voting rights by one or several trading individuals, where, in relation to Mr. Heinz Hermann Thiele, a change of control exists if 50 percent in capital stock is exceeded:

- A syndicated loan contract led by Bayerische Landesbank, Commerzbank AG, Landesbank Baden-Württemberg and SEB AG including the under credit line agreements reached on this basis: If a change of control exists, each individual bank has the right to terminate the loan contract for the amount of the loan attributable to it within 20 business days after the announcement has been made. In the event of a cancellation, the outstanding utilizations, including accrued interest, are immediately due and payable.

- A credit facility agreement with Deutsche Bank AG: In the event of a change of control, negotiations to continue the framework loan are foreseen under amended terms and conditions, if applicable. After a change of control, the bank is not obliged to fund further utilizations.

In two other agreements, a change of control means that a company or person directly or indirectly obtains more than 50.0 percent of the capital shares, or more specifically, the voting shares of the Company.

- A bonded loan under the leadership of Landesbank Baden Württemberg: In the event of a change of control, the loan agreement contains the right of the loan issuer to demand payment of the outstanding balance, including accrued interest, within 30 days after becoming aware of the payment of the outstanding amount by the next interest payment date (April 30/October 31 of each year).

- A credit facility agreement with SEB AG: If there is a change of control, the bank is entitled to an extraordinary termination right in the event of a cancellation, the outstanding balance, including accrued interest, is immediately due and payable.

Compensation agreements upon change of control
No agreements for compensation have been reached with members of the Executive Board or employees of the Company in the event of a takeover offer.

Workforce

At December 31, 2015, the Vossloh Group employed a workforce worldwide of 4,793. This figure was 112 fewer than in the previous year (4,905), and represents a decrease of 2.3 percent.

Employee-related indicators

k€	2015	2014
Personnel expense per employee	58.5	58.0
Sales per employee	246.3	225.4

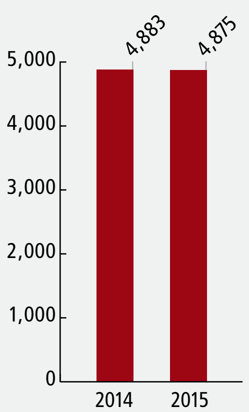
The average number of employees in the past financial year amounted to 4,875, compared to 4,883 in 2014.

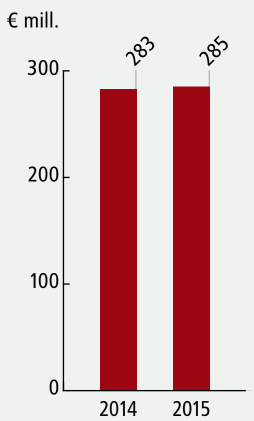
A total of 78.8 percent of the employees worked at the Group's European locations. Of the remaining 21.2 percent, 37.8 percent (previous year: 36.1 percent) were employed in the North American area and 38.9 percent (previous year: 40.5 percent) at production locations in Asia. In addition, employees were located in Australia and South America.

Personnel expenses

€ million	2015	2014
Wages and salaries	229.4	229.9
Social security and employee benefits	49.7	49.0
Pension expenses	6.3	4.1
Total	**285.4**	**283.0**

Despite a slight decrease in the number of employees, personnel expenses increased by 1.0 percent from €283.0 million to €285.4 million in 2015. Personnel expense per employee increased from k€58.0 to k€58.5.





Average number of group employees

Personnel expenses in € million

Age structure and service years

The age structure in the Group changed only slightly in 2015. The share of employees aged between 35 and 50 declined slightly to 38 percent and the share of employees aged under 35 also fell, to 30 percent. The portion of Group employees working for more than 10 years for the Company decreased to 54 percent.

Age	%	Service years	%
> 50 years	32	> 20 years	24
35 to 50 years	38	10 to 20 years	22
Up to 35 years	30	Up to 10 years	54

Core Components

In the Core Components division, work capacity was 609 FTE on average in 2015, a year-on-year decrease of 27 FTE. Personnel expenses per FTE amounted to k€50.3 and increased by k€3.8 compared to the prior year. Sales per FTE amounted to k€421.4, a decrease of k€99.1 from the prior year.

Customized Modules

In the Customized Modules division, work capacity was 2,589 FTE on average in 2015, an increase of 34 FTE compared to the prior year. Personnel expenses per FTE amounted to k€48.8, a year-on-year increase of k€2.6. Sales per FTE amounted to k€202.0, an increase of k€16.8 over the prior year.

Lifecycle Solutions

In the Lifecycle Solutions division, work capacity was 400 FTE on average in 2015, an increase of 54 FTE compared to the prior year. Personnel expenses per FTE amounted to k€57.3, a year-on-year increase of k€1.1. Sales per FTE amounted to k€179.3, a decrease of k€21.2 compared to the previous year.

Transportation

In the Transportation division, work capacity was 1,221 FTE on average in 2015. There were 74 FTE fewer than in the previous year. Personnel expenses per FTE amounted to k€78.3, below the prior-year figure by k€4.4. Sales per FTE amounted to k€292.7 thus k€113.6 above the prior-year figure.

HR management

HR initiatives launched as part of the strategic realignment were continuously developed and intensified in 2015. These initiatives include close international cooperation between the Group’s HR managers to develop certain areas such as HR marketing, recruitment and expatriation with the aim to attract skilled and motivated employees to Vossloh and retain these employees within the company in the long run.

Key measures to sustainably increase employer attractiveness include anchoring Group-wide succession planning, which was implemented in 2014, in addition to attractive specialist and personal development opportunities at all levels and all functions and the further development of health and safety management.

Staff and management development

Success requires life-long learning – this is all the more true in rapidly changing and challenging times. This is why we are building on systematically identifying development needs, e.g. at the annual employee meeting between managers and employees and by consistently developing and exchanging expertise using targeted and tailored HR development measures.

This includes a wide range of internal and external training measures - from individual support for new managers by means of coaching, to diverse specialized seminars in all fields, to language and methodical expertise training to internal CIP workshops to optimize processes within the company.

Management plays a key role in the implementation of the "One Vossloh" concept. Putting our values into practice, providing qualified support in periods of change as well as managing and encouraging employees as the company's key capital - this requires integrity and awareness with regard to the responsibility that has been given. Vossloh therefore places a lot of emphasis on the selection and development of its managers. The "Vossloh Leadership Mindsets" that have been developed for this purpose form the basis for understanding the concept of leadership and for the new leadership development program LEAD! that is aimed at people with high potential in the Group. Here, participants have the opportunity to acquire Vossloh-specific management skills, expand their network and thus prepare for further tasks in advance within the Group. The "Leaders' Lounge" annual conference for the Group's decision-makers also offers more opportunities to network across the divisions and discuss strategic issues. Top management is personally involved in all management processes, including Group-wide succession planning, and sets an example by consistently and systematically promoting high-potential and talented individuals in the Group.

Diversity

The diversity of the workforce at all levels is a strategic success factor for Vossloh. The experience of older employees and the contribution of employees of different nationalities are especially valued. This is part of our daily business in the context of cross-division and international collaborations – to the advantage of our customers.

Vossloh also acknowledges the huge potential of female staff and encourages women in all areas of the company – this has not only been the case since the introduction of a statutory quota of women in Germany. The success of our longstanding emphasis on this issue is reflected in the significant number of women holding responsible management and specialist functions in the company.

Initialtraining@Vossloh

An important building block to safeguard our company's future is initial training. Vossloh offers training opportunities in commercial and industrial-technical vocations as well as dual courses of study at the locations in Düsseldorf, Hamburg, Kiel, Moers, Trier and Werdohl. In 2015, 14 young individuals started an apprenticeship at the German locations. As of the end of the year, a total of 64 apprentices were employed – this represents an apprentice quota of approximately 4.1 percent.

In addition, Vossloh supports employees who are part-time apprentices or students by means of financial help, therefore giving incentives to improve their qualifications.

Occupational health and safety

"Zero accidents" – this is our vision! All those involved are working very hard to make working conditions a bit better every day. After successfully certifying all major production locations of Vossloh around the world in accordance with OHSAS 18001, the Work Safety Committee is now taking the lead and is working on reducing the number of injuries, particularly those related to exposed body parts (e.g. by means of optimized personal protective equipment) and on raising awareness of dangerous situations and near-accidents among employees. Occupational safety is always at the top of the agenda. Every meeting – from management conferences to daily production meetings – starts with a safety contact who informs participants of ways to avoid danger and is thus aimed at safeguarding the health of our employees.

In addition, we are continuously expanding our offer as part of occupational health management. Nutrition advice, support to quit smoking, driving courses or sport courses (e.g. team events such as running/triathlon events) are examples of the companies' versatile initiatives within the Group.

Thanks to the employees

We would like to thank our employees, apprentices and managers for their tireless commitment and high level of identification with Vossloh that they contribute to the success of the company on a daily basis.

We would also like to thank all the employee representatives of the Group for the extremely trusting and constructive cooperation in the past financial year.

Research and development

Vossloh is one of the leading technological providers on its core markets. To meet specific customer expectations in different market regions, Vossloh continuously invests in the refinement and optimization of its products and services, as well as in research and the implementation of innovative rail technology solutions. Particularly in the Transportation division, which is no longer part of Vossloh's core business, an essential part of research and development takes place in connection with individual orders. The associated costs are accordingly recognized in the statement of profit or loss and other comprehensive income under cost of sales, rather than under research and development (R&D) expenses. The development costs of a marketable product are capitalized wherever they fulfill IAS 38 criteria for capitalization of development costs. Development costs which cannot be capitalized – insofar as they are not reported under cost of sales – are recognized as research and development costs.

Expenses for research and development in 2015 – before own work capitalized and after consolidation effects – totaled €16.3 million (previous year: €18.7 million). This corresponded to a sales share of approximately 1.4 percent (previous year: 1.7 percent). €4.2 million (previous year: €3.1 million) related to the Core Components division, €3.9 million (previous year: €3.6 million) to the Customized Modules division, €2.3 million (previous year: €2.1 million) to the Lifecycle Solutions division and €6.1 million (previous year: €9.9 million) to the Transportation division, which is no longer part of core business.

Vossloh Group: research and development expenses

€ million	2015	2014
Research and development expenses	16.3	18.7
thereof capitalized	3.2	5.8
Research and development costs (income statement)	**13.1**	**12.9**
Amortization (of capitalized development expenses)	3.0	30.8

Capitalized own work in 2015 amounted to €3.2 million (previous year: €5.8 million). €2.6 million (previous year: €4.3 million) related to the Transportation division, €0.4 million (€1.3 million) to the Lifecycle Solutions division and €0.2 million (previous year: €0.2 million) to the Customized Modules division. Amortization of capitalized development expenses amounted to €3.0 million in the year under review (previous year: €30.8 million, strongly influenced by the amortization of capitalized development expenses at Vossloh Locomotives).

The focus of Vossloh's research and development activities has always been the continuous adaptation of existing products and services to specific customer requirements and to market developments, as well as the targeted expansion of our existing portfolio. In this process, a systemic development approach encompassing each of the individual divisions and business units has come to the fore with the "One Vossloh" guiding principle, which has been adopted since the Group's restructuring. The aim is to develop products and services in terms of optimal overall customer solutions by means of a close cooperation among the various Vossloh business units. To this end, cooperation between research and development teams across the entire Group was stepped up in 2015, also by means of regular innovation forums. These forums offer the company's research and development experts a venue apart from their day-to-day duties in which to generate creative development approaches.

For a range of research projects, Vossloh taps into the specific expertise of outside specialists. There are numerous partnerships with high-profile universities and research institutions. In several large-scale European projects, Vossloh is making contributions to the rail traffic of the future (e.g. ERI – Eco Rail Innovation with Vossloh Locomotives and Vossloh Rail Services in addition to CAPACITY4RAIL and RAILENIUM with Vossloh Switch Systems). These projects focus on a further reduction in emissions and noise, the utilization of alternative energy sources, and enhanced rail safety and efficiency.

In the Core Components division, the Fastening Systems business unit focused even more intensively on rail acoustics with noise reduction as a goal in 2015; the research and development team was reinforced with appropriate expertise. Other focal points included the development of materials for various rail fastening components and systems in addition to improvements in surface coating for metal parts. Furthermore, research and development experts intensively dealt with the consequences of the rise in track loads and the resulting wear of superstructure components and with the effects of high-frequency stimulation on rail fastening systems. The tests on rail fasteners under the extreme loads of the heavy-haul lines which were started in the previous year were continued and intensified.

In the year under review, several newly developed switch systems and system components were field tested in the Customized Modules division, including lubrication-free switches, which are to be built into the high-speed lines Le Mans – Rennes and Nîmes – Montpellier in France. After the end of the test phase, a new switch system will also be operational. This system stands out as a result of its particularly low stiffness. The largest part of the development work for switch monitoring and locking systems also took place in 2015 to meet specific customer requests. Research and development in the Switch Systems business unit benefited strongly from bundling all staff and technical capacities for switch systems and signaling technology under one roof in the new technology center in Reichshoffen.

Research and development activities in the Lifecycle Solutions division were carried out in projects and pre-projects, with the aim to develop machinery and systems for work on rail lines and switches. In 2015, this involved particularly the advance development of the HSG-metro grinder for China, the development of the drive technology for milling machines (high performance milling) and various developments related to HSG-city and HSG-2.

In the Transportation division, Vossloh Locomotives started to design and integrate further train safety systems for its vehicles and to develop Stage IIIB motors for the DE 18 locomotive in Kiel in 2015. Various studies had the objective of providing low emissions vehicles. Other national approvals were obtained for several types of locomotives.

In 2015, Vossloh Electrical Systems in Düsseldorf brought a new energy storage laboratory into service and successfully completed the development of a battery converter module – a patent application has been filed for this power converter principle. The module has already been built in the trolleybuses for Esslingen. In-house development of a new H-bridge was also successful. This is a key element for the operation of rail vehicles on routes with AC voltage overhead lines. The technology is currently being used in the modernization of both the two-system vehicles for Saarbrücken and the British Class 321 vehicles.

Environmental protection

Rail transportation is among the most environmentally-friendly modes of transportation that there is – for both local and long-distance transport. Products and services from Vossloh make an important contribution so that the environmentally-friendly movement of people and goods can be both cost-effective and safe. The company thus supports rail lines as an attractive mode of transportation. Modern vehicles in road-based local traffic, such as buses fitted out with Vossloh hybrid technology and, in particular, electric buses equipped with Vossloh systems, also have a significant advantage in terms of ecological benefits compared with private cars.

In addition to energy efficiency, the reduction of noise emissions generated when driving is an increasingly important topic in rail traffic. In Vossloh's Core Components and Customized Modules core divisions, the focus is on the development of innovative systems that ensure that less vibration and therefore also less noise occur upon contact between the rail and wheel. Work on rail lines and switches associated with the Lifecycle Solutions division contributes to an extended service life of the materials and ensures a noticeable reduction in noise emissions through the establishment of smooth surfaces.

In production, Vossloh traditionally attaches great importance to a sparing and efficient use of resources along the entire process chain – including comprehensive hazardous materials and waste management. Further improvements are being constantly achieved with a variety of measures in all environmentally-relevant areas. In 2015, the Fastening Systems business unit implemented several projects to reduce the electricity consumption of the Werdohl and Lüdenscheid locations. A CHP plant, which produces heat and electricity from natural gas, is also in operation. As a result, hot water to clean the tension clamps before they are tempered can now be produced with less energy.

At the end of 2014, the Customized Modules division systematically recorded and analyzed the energy consumption of all production areas. In 2015, the study resulted in a five-point-program to use energy more efficiently and thus reduce greenhouse gases in a targeted manner. The results are currently being assessed.

The large Vossloh locations have all been certified to the DIN EN ISO 14001 environmental management system or comparable certified systems. All of the Groups major production locations have now successfully completed the certification process in accordance with the social standard OHSAS 18001. The companies undergo regular audits by external, independent bodies. In the Core Components and Customized Modules divisions, environmental, energy, quality, occupational safety and health management systems are being successively combined into an integrated management system. In the first quarter of 2015, the Lifecycle Solutions division started the expansion of an environment management system; certification in accordance with DIN ISO 14001 is expected to be complete in the fall of 2016. For the first time, Vossloh Cogifer SA published a report on corporate social responsibility (CSR) in 2015. At the beginning of 2016, an energy audit took place at the Reichshoffen and Fère-en-Tardenois locations in line with the EU Directive EED 2012/27/EU.

In the Transportation division, the focus has been placed on the most environmentally-friendly locomotives and drive systems possible. The objective of Vossloh Locomotives is to reduce fuel consumption while improving the performance and reliability of vehicles and producing less CO_2 – and other pollutants – at the same time. Technical assistance systems support the environmentally-friendly operation of locomotives. The modular platform locomotives from Kiel already meet the strict exhaust emission standards of the European Non-Road Mobile Machinery Directive (NRMM). Traction systems from Vossloh Electrical Systems are designed in such a way that braking energy is used and can be fed back into the grid in trams, city railways and regional trains. Electric buses equipped with a Vossloh engine operate without producing any exhaust emissions whatsoever. With Vossloh-Kiepe’s hybrid drive, even conventional buses can be more environmentally-friendly.

Risk and opportunity management

Organisation

Risks and opportunities for the net assets, financial position and results of operations are systematically identified, analyzed, assessed, reported, communicated, monitored, controlled and managed at all levels of the Vossloh Group. To this end, Vossloh has set up a Group-wide risk and opportunity management system (RMS). This ensures that the impact of possible adverse changes is avoided or contained and that any opportunities arising are identified and exploited.

The risk and opportunity management system forms an integral component of the business, planning and controlling processes. The system's structure and processes are described in Group-wide policies and procedures. The organization of the RMS is oriented to the operating processes and procedures of the respective units. Risk owners, risk officers and risk controllers are appointed at all Group levels. The identification of risks and opportunities is ensured by a perpetual risk inventory in which relevant risks are identified effectively, systematically, and on a timely basis.

Perceived risks and opportunities are analyzed and assessed by Vossloh as to their possible effects on earnings. For this purpose, the worst-case and best-case scenarios and the most probable impact on earnings are determined. This is supplemented by an assessment of loss probability. For the best case and worst case scenarios, a value-at-risk approach with a minimum probability of 5.0 percent is assumed.

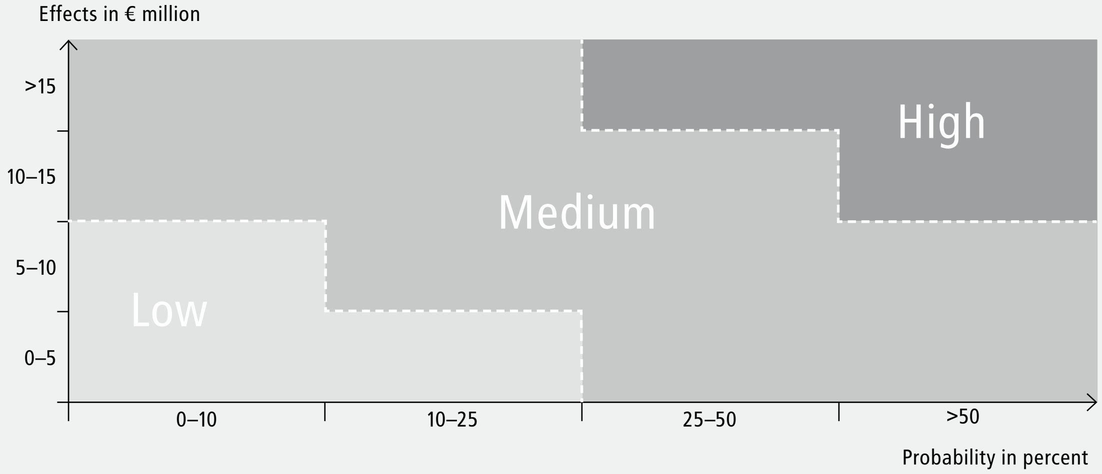
All direct or indirect Vossloh subsidiaries, both in Germany and abroad, are covered by the RMS, irrespective of their inclusion in the consolidated financial statements. Newly acquired companies are integrated into the system on a timely basis.

Risks and opportunities are documented and communicated by Vossloh in standardized reports. These contain detailed information on the type of risk and opportunity and on the measurement parameters, as well as on potential measures for managing risks and exploiting opportunities. Periodic reporting on risks and opportunities is quarterly and serves as a supplement to the rolling annual projection and comprises foreseeable and sufficiently concrete risks and opportunities potentially arising in future periods. Ad-hoc reports additionally facilitate an updated assessment of the situation at all times.

These reports are addressed to Vossloh AG's Executive Board as well as to the management of the Group companies and divisions. These individuals manage and monitor the risks and opportunities. The current risk situation is regularly discussed at the level of Vossloh AG between business unit management and the Executive Board. The close interaction among personnel ensures a rapid flow of information and also allows short-term responses. The Executive Board has accordingly taken suitable measures to ensure that developments that pose a risk to the Company as a going concern are identified at an early stage.

The risk and opportunity management system is regularly reviewed by Internal Auditing for the adequacy, efficiency and compliance with legal requirements. No substantial weak points were identified in 2015.

The significance of the described risk categories for the Vossloh Group is summarized on the basis of their potential negative effects on the projected financial targets in combination with their probability. Depending on these two factors, the risk categories are classified as high, medium, or low. The figure below shows the underlying scales for measuring the factors:



The report below presents those risks and opportunities which were of relevance at the time the consolidated financial statements were prepared and which are material to the Vossloh Group's future development.

General economic and sector risks and opportunities

General economic risks and opportunities are essentially related to economic cycle swings, sociopolitical events, exchange and interest rate trends, as well as changes to legal and tax-related conditions. Sector risks and opportunities are tied to the competitive situation and the characteristics of the relevant markets.

General economic development had only a limited impact on the business development of the Vossloh Group. More significant factors include public policy measures, the state of deregulation of rail traffic and the public debt situation. The latter affects the financing ability of public authorities awarding contracts. Thus, the restricted availability of financing has a negative effect on the future development of the business.

For Vossloh, the debt situation, in particular of some Southern European nations, continues to be a prime cause for delayed and therefore shrinking order inflow from this region. In some cases, the risk exists that public as well as private customers will delay orders or in exceptional cases will potentially cancel orders. In spite of the tight budget situation of public contractors, savings in the maintenance market, which is important for Vossloh, are only expected to be temporary given the increasing rail traffic. As a result, the Group reported a significant increase in business activities in Italy in the 2015 financial year. Opportunities may also arise from modernization initiatives for rail infrastructure, such as in Germany at the moment.

In 2015, Vossloh was active globally on the markets for rail infrastructure and rolling stock and is one of the leading suppliers on selected markets. The markets of relevance to Vossloh have oligopolistic structures, both on the demand and supply sides. Most of the customers are rail and network operators, which are often still publicly owned. Vossloh has identified China, the USA, Russia, and Western Europe as regional focus markets. Moreover, Australia, Brazil, Canada, the Middle East, Northern Europe and the Stan countries are attractive as regional markets for the rail infrastructure business. The Transportation division, which has not been part of the core-business since 2015, is mainly active on the European market. Rail markets in Western Europe and North America are distinguished by their considerably stable political and economic factors and hence as far as these core markets of Vossloh are concerned, there are no major risks expected. Activities in other markets – particularly in Asia, South America, Eastern Europe, Russia and Africa – not only hold opportunities for Vossloh but also additional risks. These mainly result from political and social instability, the development of oil prices, exchange rate fluctuations – primarily translation risks – and legal uncertainties. For example, business development was negatively affected in Russia as a result of EU sanctions and falling oil prices in 2015. As the share of group sales in these markets grows, both opportunities and risk exposure rise.

The oligopolistic nature of the supply side of the market also harbors risks for Vossloh. The high level of market transparency may further lead to adverse effects on margins. There is also the risk of products being replaced by new technical developments and that new competitors enter the market. Vossloh contains such risks by repeatedly refining its products and services and focusing on customer needs. Overall, increasing competitive pressure has been experienced in the past years in all business units.

Overall, the general economic risk and the sector risk for the projected financial targets are classified as low.

Operating risks and opportunities

Operating risks and opportunities arise in operations-related activities, especially relating to procurement, production, and contract performance. In connection with the procurement process, Vossloh attempts to counteract purchase price (input market) risks especially through long-term procurement contracts or price escalator clauses through agreements with customers. Exchange rate risks from purchasing are normally managed by forward exchange contracts. The medium-term planning assumptions of increases in the cost of materials and components are based on such factors as supplier information and market analyses.

No significant variances from the 2015 materials input market prices are expected in 2016. Any rises appreciably above these assumptions may drain profitability as forecast by the business units. Opportunities arise from material and component prices which are lower than planned.

Procurement chain risks may also result from supplier dropouts, poor quality or delivery delays. Vossloh attempts to minimize these risks by working with longstanding local vendors. Despite a careful selection of suppliers, ongoing monitoring and setting-up alternative sources, future procurement process risks may be contained but can never be fully ruled out.

Within the value creation process, Vossloh subsidiaries are exposed to work interruption, quality problems, as well as occupational safety and environmental risks. Vossloh avoids or reduces these risks through a comprehensive set of guidelines and standard procedures or policies that govern project and quality management, product and occupational safety, as well as environmental protection. Key Vossloh locations are certified in accordance with the DIN ISO 9001 quality management system. Large locations fulfill the criteria of the ISO 14001 environmental management standard and all key production facilities in the Vossloh Group are certified in accordance with OHSAS 18001, the world's most important standard for an occupational safety management system.

Project complexity is another source of risks and includes unexpected technical or engineering difficulties, unforeseeable developments at the project locations, problems with business associates or subcontractors, logistic challenges, and acceptance and invoicing delays. Especially in the start-up phase of new projects with correspondingly high development expenses or in the case of first-time cooperation on a project with new partners or subcontractors, risks can arise repeatedly and lead to additional expenses or contract penalties. Contract provisions and all-embracing project and quality management mitigate such risks but never totally exclude them. On the other hand, opportunities can occur sporadically if the risk provisions made do not need to be fully utilized.

Risks can also result from necessary impairment of goodwill if operational development turns out to be significantly weaker than expected. In accordance with IFRS 3 in conjunction with IAS 36, goodwill from business combinations is not amortized on a scheduled basis. Instead, the recoverability of the goodwill is tested annually (impairment test). In case of extraordinary events, such a test should also be carried out during the year. In this connection, the carrying amount of a cash generating unit (CGU) to which goodwill has been attributed is compared to its recoverable amount.

Risks arising in 2015 and still existing operational risks have been provided for as required by IFRS. Although appropriate provisions have been recognized for identified and highly probable risks, further significant impacts on earnings from the execution of projects cannot be completely ruled out and could have negative effects on the projected financial targets. Therefore, and in light of the extraordinarily high negative effects from this risk category in 2014, Vossloh classifies the risk from the execution of projects as medium. The risk of work interruption is also classified as a medium risk. The other operational risks are classified as low.

Financial risks and opportunities

Financial risks are monitored and managed, and the Group's financing is continually optimized by Corporate Treasury. The goals, principles, responsibilities and accountabilities are defined in policy statements. The overriding objective is to contain financial risks that might affect the sustainability and profitability of the Vossloh Group. Moreover, intragroup synergies and economies of scale must be realized wherever considered expedient.

Vossloh uses financial derivatives solely to hedge against specific risks from current or forecast underlying transactions. These economic hedging relationships are also treated as hedges for financial accounting purposes. In this connection, only marketable financial instruments approved beforehand are deployed. The trading, settlement and controlling functions have been strictly segregated from one another.
For further details on financial derivatives, turn to the notes to the consolidated financial statements starting on page 150. The following financial risks are managed: liquidity risks, cash flow risks, price risks, as well as default risks.

Liquidity risks

Liquidity risks may arise if the Group is unable to provide the funds required to meet its obligations on a timely and unrestricted basis. The Vossloh Group safeguards its liquidity (including cash reserves for contingencies and the necessary flexibility for translating corporate strategies into practice) through a continuous cash management system. An intragroup financial netting concept through cash pooling and intercompany loans ensures the best possible application of any surplus cash of individual subsidiaries to meet the liquidity requirements of individual group companies.

In April 2015, a stable medium-term financing basis was created by concluding a syndicated loan of €500 million with a term lasting until April 2018. The loan has two tranches: €200 million are available in the form of an interest-only loan, €300 million in the form of a revolving credit line, i.e. a flexibly available credit line. The loan agreement requires compliance with certain financial covenants, the violation of which entitles the lending banks to terminate the agreement. The financial covenants are defined as the ratio of net financial debt to EBITDA, the ratio of EBITDA to the net interest result, and the equity ratio. The covenants were complied with in the year under review. The syndicated loan was used to settle the bridge financing of €250 million with an agreed term until the end of June 2015, which had been taken up US to repay the US private placement in June 2014. At the same time, the existing bilateral cash credit lines of Vossloh AG were refinanced.

As of December 31, 2015, the Vossloh Group had cash and cash equivalents (including short-term securities) in a total amount of €79.3 million. In addition, Vossloh had free credit lines in the amount of €427.7 million. €279.0 million were related to free credit lines of Vossloh AG under the syndicated loan. The free credit lines of the subsidiaries, in the amount of €148.7 million, essentially had a duration of up to a year or were granted for an unlimited term. There are currently no existing financing or liquidity shortfalls. Overall, Vossloh classifies liquidity risk as a low risk.

Cash flow risks

Changes in future interest rates may cause cash flow fluctuations where variable-rate assets and liabilities are involved. Vossloh contains this risk by means of interest rate swaps, and it regularly analyzes the impact of changes in interest rate levels on cash flows. As part of active risk management, the variable interest payments of the bonded loan concluded in 2013 were replaced in 2014 by fixed cash flows with an interest rate swap. For details, see the notes to the consolidated financial statements, starting from page 156. The short-term change in interest rates and its impact on cash flows are estimated to be small. This risk is therefore classified as low.

Price risks

Price risks arise from the possibility that the value of a financial instrument is changed by higher or lower market interest or exchange rates. Current or expected liabilities and receivables denominated in foreign currencies are generally hedged at the time of initiation through forward exchange contracts. Translation risks – resulting from the translation of financial statements prepared in foreign currencies – are subject to ongoing monitoring. Due to the high level of hedging of price risks, this risk is classified as low overall.

Default risks

Default risks result if counterparties default on their obligations in a business transaction by late or non-performance, causing a financial loss to Vossloh. The Group minimizes the default risk by extensively limiting its business with counterparties of good to excellent standing only, whenever available, mainly based on the assessment of international rating agencies. As of December 31, 2015, cash investments and financial derivatives with a positive fair value were allocable at 29 percent to counterparties rated between AA+ and AA-, at 30 percent to those rated from A+ to A-, at 36 percent to counterparties rated BBB+ to BBB-, and at 5 percent to BB-rated or non-rated counterparties. Furthermore, risks are spread by distributing the Group's cash and other financial assets among a large number of banks. No dependence on specific banks has existed or currently exists.

Many of Vossloh's customers are government agencies, and the risk of their default is regarded as very low. Nonetheless, balances outstanding are monitored on an ongoing basis and partly covered by credit insurance. In exceptional cases, in spite of the precautionary measures taken, bad debt losses cannot be ruled out.

In the export business, the risk of customer default is usually counteracted by using documentary credits.

Due to the high proportion of business with public contractors and the restriction to counterparties with good or excellent credit ratings, default risk is classified as a low risk.

Overall, there were no significant effects on earnings owing to financial risks in 2015.

Legal risks and opportunities

Legal risks for Vossloh comprise basically those arising from complaints, warranty claims, claim for damages or indemnification, and litigation. Identifiable risks are either covered by insurance or, if the applicable criteria are met, adequately provided for in the balance sheet. Nevertheless, losses may occur that are uninsured or underinsured, or substantially exceed the recognized provisions. In contrast, rewards may in some cases be reaped if risk provisions remain underutilized.

The German Federal Cartel Office is continuing to investigate a Vossloh Group company regarding alleged anti-competitive agreements in the switches product segment. In the same product segment, the Spanish competition authority has launched investigations into a company in which Vossloh owns an equity interest, among others. Group companies of Deutsche Bahn have filed claims for damages against the Vossloh subsidiary Stahlberg Roensch GmbH, Hamburg. The Company has an indemnification claim for by far the largest portion of the prosecuted claim, which is secured with bank guarantees in an adequate amount. Various customers have filed claims for damages in connection with ongoing or concluded anti-trust proceedings. Wherever the enforcement of specific customer claims appears reasonably likely and the resulting loss can be reliably estimated, such potential fines and damages are duly provided for.

Risks arising in 2015 and still existing legal risks have been provided for as required by IFRS. The negative impact of legal risks on the projected financial targets cannot be ruled out for Vossloh and is therefore classified as a medium risk overall.

Other risks and opportunities

Other risks include primarily personnel and IT risks. The Group's economic situation could be negatively affected as a result of inadequate staffing such as a shortage of management and/or technical staff. Personnel risks can also arise from a high turnover rate among key personnel, an inadequate level of training, and mistakes or theft committed by employees. Vossloh has a whole menu of measures to meet such risks. In particular, the Company is well positioned as an attractive company for which to work, a reputation that strengthens its position in the competition for highly qualified employees. In-house courses allow employees to regularly upgrade their skills while attractive pay structures increase the likelihood of retaining employees in the Company in the long term. The control of operational and strategic business processes largely relies on complex and high-performance IT systems. Technical and organizational mechanisms minimize exposure to risks associated with information system data reliability, availability, confidentiality and security. At the same time, such precautionary measures ensure efficient information processing. In addition, risks from acquisitions carried out are conceivable if synergies assumed in the business plan cannot be leveraged during the post-merger integration. However, recent business acquisitions have mostly been smaller acquisitions whereby only very limited synergy effects were anticipated. An acquisition of additional shares by Mr. Heinz Hermann Thiele under the conditions of Sec. 8c Sent. 2 of the German Corporation Tax Act (KStG) (acquisition of more than 50 percent of the shares in a maximum period of five years) could result in the necessity to write down deferred taxes on loss and interest carryforwards.

In 2015, other risks did not have a significant impact on consolidated profit or loss. As things stand, potentially significant negative effects on the projected financial targets are unlikely. For this reason, the risk is classified as a low risk.

Overall assessment of the risk and opportunity situation

The potential impact of any or all risks described above and to which Vossloh is exposed regarding its net assets, financial position and results of operations, is continually monitored and controlled. Provisions have been recognized in accordance with IFRS for all risks identified to date. In addition, the updated annual forecasts consider any additional potential risks and opportunities, where adequately specified. From today's vantage point, neither any specific risks nor all currently known risks in the aggregate threaten continued existence of the Group in terms of either assets or liquidity. In the 2015 financial year, Group equity increased significantly after the sale of the Rail Vehicles business unit and is sufficient to cover potential risks. This risk and opportunity report refers to the situation of the Group at the time the combined management report was prepared.

Summary of key features of the (Group's) accounting-related internal control and risk management systems (ICS/RMS) pursuant to Articles 289 (5) and 315 (2) No. 5 HGB

Vossloh has installed a comprehensive monitoring system for the Group-wide systematic early identification of going-concern risks as required by Article 91 (2) AktG, with a view to identifying early on, managing and monitoring not only risks jeopardizing Vossloh's sustainability but also other risks, including those beyond the statutory scope. According to Article 317 (4) HGB, the statutory auditor of Vossloh AG assesses the existence and effectiveness of the early risk identification system (ERIS). The Vossloh Group's ICS described below encompasses all principles, processes and measures designed to ensure not only the accounting system's effectiveness, efficiency and propriety but also compliance with applicable legal and statutory regulations.

Responsible at the Group level for the ICS are primarily Vossloh AG's Internal Auditing, as well as the Controlling, Accounting, Treasury, and Legal Affairs divisions.

Process-integrated and process-independent monitoring procedures and routines are ICS components. In addition to manual process controls (such as principle of dual review), IT processes are also a key element of process-integrated measures. Furthermore, Corporate Legal Affairs ensures that in-process monitoring routines are ensured.

Process-independent audit procedures are the responsibility of Vossloh AG's Supervisory Board (specifically its Audit Committee) and Internal Auditing, as well as of staff locally assigned at the level of the business unit lead companies. The statutory company/Group auditor is also involved in process-independent audit procedures. Particularly the audit of the consolidated financial statements and the focal audit procedures in the preliminary examination for the annual audit of the financial statements are key process-independent monitoring procedures with regard to the Group's accounting process.

Information technology

For their separate financial statements, Group companies record accounting transactions, currently using different local accounting systems. However, for the purposes of Vossloh AG's consolidated financial statements, all Vossloh companies complement their separate financial statements in the reporting and consolidation system used in the Group, with additional information and disclosures which thus constitute standardized reporting packages. This system, the "Cognos Controller" from IBM, is used for both the consolidation and the provision of additional management information. The 10.1.1 version is currently being used.

A multiyear SAP project is currently being implemented in the Vossloh Group in order to roll out a standardized SAP system at all entities involved in accounting and reporting processes. The new standardized software will enable centralized access to data and centrally initiated controls. The new system has so far been introduced at Vossloh AG and principle companies in the Core Components, Customized Modules and Lifecycle Solutions divisions in addition to the Electrical Systems business unit.

Accounting-related risks
Preparing financial statements requires management to make a number of assumptions and estimates. These estimates affect the reported values of recognized assets and liabilities and of current amounts of contingent liabilities as of the end of the reporting period, as well as the recognition of income and expenses in the period. The use or misuse of the necessary discretion may entail accounting-related risks for the Group.

Key activities designed to ensure the propriety and reliability of the financial reporting
Based on the rules of those International Financial Reporting Standards which have been endorsed by the EU, the Vossloh Group's Corporate Reporting Manual governs the Group-wide uniform accounting policies and principles to be applied by all German and foreign Vossloh companies included in the consolidated financial statements, essentially by describing, in addition to general accounting principles and methods, the methods to be used for preparing the statement of financial position, statement of profit or loss and other comprehensive income, and the notes to be in compliance with current EU law. Furthermore, the Manual provides specific guidance for the official format of consolidated financial statements, and details the determination of the consolidation group and the reporting package elements to be submitted by the subsidiaries. The formal requirements also specify all details of the mandatory, standardized and complete set of reporting package forms. The Corporate Reporting Manual is regularly revised and updated, most recently in November 2015. Revised and updated versions are made available on a timely basis to all those involved in the Group's accounting process through a web-based information system.

After transactions have been recorded in the local accounting system of each Group company, the monthly accounts and annual financial statements are reviewed at the level of the business unit lead company. Indications for items to be reviewed, in addition to random selections, are especially high-amount or unusual transactions. Corporate guidelines exist, for instance, for capital expenditures, bidding, and risk management. Vossloh companies and business units are, moreover, obligated to issue local guidelines for material areas.

The separate financial statements reported by the individual companies are then consolidated in several steps at the level of Vossloh AG after they have been adjusted to conform to Group-wide accounting policies. The correct offset of intercompany receivables/payables, income/expenses and shareholdings as well as the proper elimination of earnings from intragroup transfers are generally ensured by carrying out dual reviews and running appropriate validation routines in corresponding control files.

In addition, further data is compiled and aggregated at Group level in order to publish information in the notes and the management report (including about significant events after the end of the reporting period).

Through the organizational, controlling and monitoring structures established within the Group, Vossloh's ICS and RMS supports (i) the complete accounting for, as well as the processing and assessment of, Vossloh-related transactions and events, and (ii) the faithful representation thereof in the consolidated financial statements.

Particularly individual discretionary or arbitrary decisions, faulty controls, fraud, or other factors can naturally not be fully ruled out and, therefore, even the Group-wide application of installed systems cannot provide absolute protection.

Limitations
The statements herein refer only to Vossloh AG and companies which have been consolidated by Vossloh AG and whose financial and business policies can directly or indirectly be controlled by Vossloh AG.

Reference to the corporate governance report pursuant to Art. 289a HGB

For the corporate governance report (which is an integral part of the combined management report) see page 34 of this annual report. The annual report is also permanently available on Vossloh AG's website at www.vossloh.com.

Studies anticipate an upturn in rail technology market

Sales growth in the Vossloh Group to between €1.2 billion and €1.3 billion expected

EBIT margin forecast to increase to between 4.0 percent and 4.5 percent in 2016

EBIT margin of between 5.5 percent and 6.0 percent anticipated for 2017 with current portfolio structure

Outlook

This combined management report contains forward looking statements based on management's estimates of future trends within the Vossloh Group. This Outlook is predicated on statements and forecasts representing management's assessment of the information available at the time of this report's publishing. In particular, assumptions on future trends of the international rail technology market and the specific business expectations of Vossloh's business units have been taken into account. These statements are subject to risks and offer opportunities not entirely within Vossloh's control. For additional information in this regard, please refer to the section on Risk and Opportunity Management (from page 90). If the assumptions underlying the statements and forecasts in the Outlook fail to materialize, or the risks and/or opportunities depicted do materialize, actual results may differ from this outlook. Vossloh does not assume any obligation to update its statements in this combined group management report beyond statutory publication dates.

Macroeconomic developments

The development of the global economy is of only minor importance to Vossloh. Around the world, investments in rail infrastructure are usually made after long-term decision-making processes; the current economic trends are therefore only partially reflected by the markets. Nevertheless, the macroeconomic situation at large can affect business performance at Vossloh – albeit somewhat delayed in some cases. As Vossloh generates a large share of its sales outside Europe, the overall economic development in China, Russia and the USA, among others, is certainly of interest.
At 3.4 percent, the International Monetary Fund (IMF) is forecasting slightly higher growth in 2016 than in 2015 (3.1 percent). Growth in the countries of the euro area should slightly exceed the figure for 2015 at 1.7 percent (1.5 percent). An increase of 2.6 percent is expected in the USA in 2016 after 2.5 percent in 2015. China is again expected to see weaker growth than in 2015 (6.9 percent) at 6.3 percent. The IMF is forecasting a further decline in economic performance for Russia at (1.0) percent. However, the decline should be considerably less severe than in 2015 ((3.7) percent).
For 2016, the Organisation for Economic Co-operation and Development (OECD) is forecasting a slight decline in the debt ratios of the countries in the euro zone (EU-19) and in the European Union as a whole (EU-28). Detailed information on the debt ratios can be found in the Economic Report on page 47.

Rail Industry Association forecast for the rail technology market

Studies call for continued growth in the rail technology market

The Association of the European Rail Industry (UNIFE), in its biennial "World Rail Market Study," thoroughly analyzes developments in the global rail technology market and on this basis elaborates on substantiated predictions for the coming years. The current study was presented in September 2014 at the InnoTrans industry event in Berlin. According to the study, the yearly global market volume of currently around €150 billion, will increase to over €176 billion in 2019 – an average increase of 2.7 percent per year. In doing so, the market accessible to European providers such as Vossloh will amount to almost €121 billion, based on the estimates of UNIFE. "Accessible" markets are those open to foreign suppliers and whose demand is not exclusively covered by domestic capacities. For comparison - currently, a market volume of €102 billion per year is classified as "accessible"; the expected increase signifies a gain of 2.8 percent per year. The results of a study conducted by consultants at SCI Verkehr and also published at the InnoTrans industry event in 2014 confirm the assessments made by the railway industry association. The study indicates that the total market volume for the global rail technology market will be approximately €190 billion in 2018, while the market volume for 2014 was projected to be €162 billion. This results in annual growth of 3.4 percent.

In regional distribution however, forecasts for market growth diverge sharply. According to predictions from UNIFE, strong above-average growth is expected in the coming years from regions including: Latin America at 6.1 percent, Asia-Pacific at 4.1 percent, and NAFTA at 3.6 percent (includes Canada, the USA and Mexico, the countries of the North-American Free Trade Agreement). Below-average growth is predicted for the rail technology markets in Western Europe (2.0 percent), in the Community of Independent States (CIS, 1.3 percent), in Eastern Europe (0.9 percent), and in Africa/Middle-East ((0.2) percent). However, the size of the individual markets and their accessibility is also to be taken into account. Western Europe remains Vossloh's largest accessible rail technology market, with a yearly volume of approximately €35 billion and a converted growth rate of 2.2 percent based on these numbers. The NAFTA regions follow with a market volume of almost €28 billion and growth of 3.7 percent per year, as well as Asia-Pacific with a volume of around €24 billion and anticipated growth of 4.2 percent per year. Almost three-fourths of the entire accessible market for rail technology is located within these three regions. For comparison - the accessible market of growth leader Latin America comprises around €5.8 billion per year.

Above-average growth is forecast for Vossloh's markets

The European rail industry association divides the rail technology market into the segments of infrastructure, rolling stock, control/signaling and safety, services and turnkey projects. The rolling stock segment currently makes up the largest share of the accessible market with some 40 percent. The services segment, with a market share of around 30 percent, is followed by infrastructure, which ranks third at almost 20 percent, ahead of control/signaling and safety at around 10 percent. The segment turnkey projects, while still small, is becoming increasingly important and is expected to reach a volume of €14 billion globally in 2019.

With its core divisions of Core Components, Customized Modules and Lifecycle Solutions, Vossloh is particularly active in the infrastructure and infrastructure services segments. UNIFE currently estimates the globally accessible infrastructure market at almost €20 billion per year. Growths forecast to be an annual 3.3 percent until 2019, which results in a future market volume of around €24.6 billion annually. Growth stimuli are expected, particularly in the regions of Asia-Pacific and Western Europe, as well as – on a markedly smaller scale – in Latin America. The focus is on China and India, France, Germany, the United Kingdom and Sweden as well as Brazil. According to statistics from UNIFE, the accessible volume of the market segment of services currently amounts to almost €29.4 billion per year and comprises services offered for road ways, rail lines and rolling stock. With an average rate of 3.7 percent yearly, the accessible service market is predicted to grow to a volume of almost €37.0 billion per year by 2019. The countries with the highest growth expectations are India and Australia in the Asia-Pacific region and Brazil in Latin America. As well as the infrastructure segment, the accessible market for products and services relevant to Vossloh comprises the high-growth infrastructure services sub-segment. In total, this market amounted to approximately €25 billion per year for the period 2011 to 2013; it is expected to grow strongly by 3.8 percent per year to €31 billion in the period 2017 to 2019.

Vossloh is currently still involved in the rolling stock segment, which belongs to the Transportation division and is no longer part of the core business. According to UNIFE, the accessible market for rolling stock currently has a volume of around €40 billion per year. By 2019, an average yearly growth rate of 1.6 percent on a volume of around €44 billion per year is expected. In urbanized regions in particular, local transport is seen as a driver for growth, although the demand for locomotives is generally expected to develop more slowly. Relevant contributions to market growth are expected in Asia-Pacific from China, India and South Korea, in the NAFTA region from the USA, in Western Europe from France and the United Kingdom and in Latin America from Brazil.

Vossloh Group: Outlook for 2016

The following forecast is based on the expected reporting structure of the Vossloh Group in 2016. While it is intended to sell the remaining business units of the Transportation division in full or in part by 2017 at the latest, or to transfer them to one or more partnerships no longer controlled by Vossloh, the criteria to justify the classification of these operations as “discontinued” in accordance with IFRS 5 have not been met for 2016. In this respect, the following comments refer to the Vossloh Group and the four divisions indicated in the current Group structure.

In addition to industry-related conditions, Vossloh’s sales plans take into consideration, in particular, assumptions specific to the divisions. These concern aspects such as product perspectives, the expected behavior of competitors, project award probabilities, and market risks and rewards in the individual regions. Vossloh’s customers are public and private local and long-distance transport operators, who carry out capital expenditures after lengthy decision-making processes and within the framework of long-range financing. Vossloh accompanies its customers as a partner through the years and works with them to develop and plan solutions for individual product requirements. As a rule, this results in lengthy delivery and project lead times. Accordingly, order backlogs extend over several months and, increasingly, orders awarded can even cover periods lasting several years.

Regional sales forecast for 2015 largely accurate

As a result of the adjustment of the Group's structure following the sale of the Rail Vehicles business unit, the forecast for 2015 found in the 2014 annual report for sales by region can only be compared with the actual figures for fiscal 2015 to a limited extent. Vossloh Rail Vehicles generated significant sales in Western and Southern Europe in particular, and in the Americas and Africa. The strong growth in Germany and the decline in sales in France also occurred as forecast with the current Group structure. However, the decline in sales was somewhat smaller than originally expected. The growth in the rest of Western Europe was also achieved with the current Group structure, although the expected increase in income at Vossloh Rail Vehicles in the UK had been particularly crucial to the original forecast for this region.

The development in Northern Europe was better than expected in 2015, in particular as a result of the high sales of the Customized Modules division in Sweden. Southern Europe also performed better than originally assumed, thanks particularly to improved business activities in Italy. The sharp decline in Eastern Europe was as expected. Even without Vossloh Rail Vehicles, the very strong growth in the Americas was achieved by the other business units, with the exception of Lifecycle Solutions. Lifecycle Solutions is not currently active in the Americas. The Asian region experienced a rather sharper drop in sales than expected. However, the projected minor growth in Australia was not achieved. Sales increased very sharply in Africa as forecast.

Sales between €1.2 billion and €1.3 billion projected

According to current information, Vossloh expects to generate sales of between €1.2 billion and €1.3 billion in 2016. The rise in sales in the Core Components division and in the Transportation division's Electrical Systems business unit is expected to be especially strong

EBIT margin to increase to between 4.0 percent and 4.5 percent in 2016

With the continuing ongoing restructuring measures and the more intensive expenses planned to drive innovation, improvement in the Group's EBIT will be limited in 2016. The Vossloh Group is forecasting an EBIT margin of between 4.0 percent and 4.5 percent in 2016. The EBIT margin is expected to be between 5.5 percent and 6.0 percent in 2017 based on the current Group structure. In a future portfolio structure without the Transportation division, significantly higher profitability is to be expected. Vossloh again anticipates a reserved start to 2016, typical for our business.

In fiscal 2016, WACC before taxes, which is relevant to internal controlling, will fall from previously 10 percent to 9 percent. This is due to significantly lower refinancing rates thanks to the new medium-term Group financing arranged in April 2015. The higher EBIT forecast and the reduced weighted cost of capital are expected to lead to a significant improvement in value added, though this is still expected to be negative again in 2016 overall. In 2016, Vossloh expects the average number of employees to increase slightly.

Customized Modules and Lifecycle Solutions anticipate an improvement in profitability. Profitability in the Core Components division is expected to remain on a par with the 2015 financial year. Vossloh is expecting a noticeable improvement in the Transportation division, which should lead to slightly positive EBIT after the division's remaining business areas reported negative EBIT overall in 2015.

Risks for Vossloh's business development may arise, especially within Transportation division. Due to the high project volumes and extremely high complexity of the projects, additional unforeseen impacts on earnings are not to be completely ruled out. Development of orders received at Vossloh Locomotives in Kiel is expected to have a continuing important impact on profitability in the Transportation division. Portions of the locomotive sales for 2016 are not yet secured by order backlog. Regarding any further risks which may affect the planning presented, please refer to the report on Risk and Opportunity Management (page 90 ff.).

Vossloh AG's performance as an operative management holding company is primarily affected by administrative expenses and the net financial result. The general administrative expenses at Vossloh AG in 2016 are expected to be considerably below the level of the previous year. In addition to incurred interest expenses, the net financial result is strongly dependent on income from dividends and from profit transfer agreements, or as the case may be, from the assumption of losses. The net financial result is expected to improve slightly overall. Net income in 2015 was significantly affected by the gain on the disposal of the Rail Vehicles business unit. As things stand, this positive one-time effect will not recur and will result in a very sharp decline in 2016.

Vossloh is focused on organic growth with an increase in profitability as well as the achievement of targets set for the coming years; specifically, the targeted search for acquisition objects in order to further develop the three core divisions Core Components, Customized Modules, and Lifecycle Solutions strategically and to achieve a sustainable increase in enterprise value. The strategy in the form presented here only takes into account targeted organic growth for fiscal 2016 with the current Group structure.

Consolidated financial statements of Vossloh AG as of December 31, 2015

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Income statement for the year ended December 31, 2015

€ mill.	Notes	2015	2014*
Sales revenue	(1)	1,200.7	1,100.8
Cost of sales	(2.1)	(995.8)	(1,000.7)
General administrative and selling expenses	(2.2)	(183.0)	(193.9)
Research and development expenses	(2.3)	(13.1)	(12.9)
Other operating result	(3)	35.5	(67.7)
Operating result		**44.3**	**(174.4)**
Investment result from companies accounted for using the equity method	(13)	3.0	(7.3)
Other financial income	(4.1)	0.8	0.4
Other financial expenses	(4.2)	(3.0)	(2.1)
Earnings before interest and taxes (EBIT)		**45.1**	**(183.4)**
Interest income		4.1	2.2
Interest expense	(5)	(17.6)	(26.4)
Earnings before income taxes (EBT)		**31.6**	**(207.6)**
Income taxes	(6)	(20.2)	(7.0)
Net result from discontinued operations	(7)	66.4	8.9
Group net income		**77.8**	**(205.7)**
thereof attributable to shareholders of Vossloh AG		**72.2**	**(213.9)**
thereof attributable to non-controlling interests	(8)	5.6	8.2
Earnings per share			
Undiluted/fully diluted EpS (€)	(9)	5.42	(16.46)
thereof attributable to continuing operations		0.43	(17.14)
thereof attributable to discontinued operations		4.99	0.68

* Previous year figures presented in a comparable manner, see page 121

Statement of comprehensive income for the year ended December 31, 2015

€ mill.	Notes	2015	2014*
Group net income		**77.8**	**(205.7)**
Changes in fair value of hedging instruments (cash flow hedges)		(0.1)	(2.6)
Currency translation differences		8.9	9.5
Changes in fair value of available-for-sale securities		0.0	0.0
Income taxes		0.0	0.7
Amounts that will potentially be transferred into profit or loss in future periods		**8.8**	**7.6**
Remeasurement of defined benefit plans	(24)	(0.6)	(6.8)
Income taxes		0.2	1.9
Amounts that will not be transferred into profit or loss in future periods		**(0.4)**	**(4.9)**
Total income and expenses recognized directly in equity		**8.4**	**2.7**
Comprehensive income		**86.2**	**(203.0)**
thereof attributable to shareholders of Vossloh AG		80.6	(212.6)
thereof attributable to non-controlling interests		5.6	9.6

* Previous year figures presented in a comparable manner, see page 121

Cash flow statement for the year ended December 31, 2015

€ mill.	2015	2014**
Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	45.1	(183.4)
EBIT from discontinued operations	(6.3)	11.9
Amortization/depreciation/write-downs (less write-ups) of noncurrent assets	48.7	132.0
Change in noncurrent provisions	(15.8)	30.8
Gross cash flow	**71.7**	**(8.7)**
Noncash change in shares in companies accounted for using the equity method	(2.5)	7.4
Other noncash income/expenses, net	2.7	2.2
Net loss/ (gain) on the disposal of noncurrent assets	(1.6)	0.1
Income taxes paid	(18.4)	(25.9)
Change in working capital	17.2	(6.1)
Changes in other assets/liabilities, net	38.7	(11.2)
Cash flow from operating activities	**107.8**	**(42.2)**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(46.1)	(55.2)
Cash-effective changes in investments in companies accounted for using the equity method	(1.9)	(2.4)
Cash-effective dividends from companies accounted for using the equity method	4.0	1.3
Proceeds from the disposal of companies accounted for using the equity method	2.3	0.0
Free cash flow*	**66.1**	**(98.5)**
Investments in noncurrent financial instruments	(3.8)	(5.2)
Proceeds from the disposal of intangible assets and property, plant and equipment	1.2	0.2
Disbursements/proceeds from the purchase/sale of short-term securities	0.1	2.1
Proceeds from disposals of noncurrent financial instruments	4.6	0.9
Proceeds from the disposal of consolidated companies	34.4	0.0
Disbursements for the acquisition of consolidated companies	(6.4)	0.0
Cash flow from investing activities	**(11.6)**	**(58.3)**
Cash flow from financing activities		
Change in treasury shares	0.0	89.8
Disbursements to shareholders and non-controlling interests	(6.6)	(15.2)
Net financing from short-term loans	(260.8)	139.3
Net financing from medium-/long-term loans	203.7	(87.2)
Interest received	4.6	3.3
Interest paid	(17.9)	(26.3)
Cash flow from financing activities	**(77.0)**	**103.7**
Net cash inflow/outflow	19.2	3.2
Change in cash and cash equivalents from the first-time consolidation of companies	0.0	0.5
Exchange rate effects	1.1	1.6
Opening cash and cash equivalents	**58.5**	**53.2**
Closing cash and cash equivalents	**78.8**	**58.5**

* Free cash flow comprises cash flow from operating activities, investments in intangible assets and property, plant and equipment in addition to inflows and outflows of cash that are in connection with consolidated associated companies accounted for using the equity method. For information regarding the breakdown of cash flow into continuing and discontinued operations, see page 128.

** Previous year figures presented in a comparable manner, see page 121

Balance sheet

Assets in € mill.	Notes	12/31/2015	12/31/2014*
Intangible assets	(10)	294.0	280.5
Property, plant and equipment	(11)	215.6	215.5
Investment properties	(12)	4.5	4.5
Investments in companies accounted for using the equity method	(13)	33.1	33.1
Other noncurrent financial instruments	(14)	11.2	15.5
Sundry noncurrent assets	(15)	3.2	3.2
Deferred tax assets	(16)	18.7	21.3
Noncurrent assets		**580.3**	**573.6**
Inventories	(17)	339.8	347.0
Trade receivables	(18)	256.9	255.3
Receivables from construction contracts	(18)	50.2	51.3
Income tax assets	(19)	7.1	9.7
Sundry current assets	(20)	61.5	71.3
Short-term securities	(21)	0.5	0.6
Cash and cash equivalents	(22)	78.8	47.3
Current assets		**794.8**	**782.5**
Assets held for sale	(7)	0.0	248.3
Assets		**1,375.1**	**1,604.4**

Equity and liabilities in € mill.	Notes	12/31/2015	12/31/2014*
Capital stock	(23.1)	37.8	37.8
Additional paid-in capital	(23.2)	30.9	30.9
Retained earnings and Group net income	(23.3)	332.7	265.3
Accumulated other comprehensive income	(23.4)	10.3	(4.1)
Group equity excluding non-controlling interests		**411.7**	**329.9**
Non-controlling interests	(23.5)	17.0	19.7
Equity		**428.7**	**349.6**
Pension provisions	(24)	29.1	28.7
Other noncurrent provisions	(25)	47.0	56.5
Noncurrent financial liabilities	(26.1)	253.4	49.8
Noncurrent trade payables	(26.2)	3.1	0.7
Other noncurrent liabilities	(26.4)	10.4	3.4
Deferred tax liabilities	(16)	4.0	3.6
Noncurrent liabilities		**347.0**	**142.7**
Other current provisions	(25)	121.4	106.3
Current financial liabilities	(26.1)	25.9	281.0
Current trade payables	(26.2)	172.5	147.3
Current liabilities from construction contracts	(26.2)	147.1	163.9
Current income tax liabilities	(26.3)	12.2	14.2
Other current liabilities	(26.4)	120.3	105.5
Current liabilities		**599.4**	**818.2**
Liabilities held for sale	(7)	0.0	293.9
Equity and liabilities		**1,375.1**	**1,604.4**

* Previous year figures presented in a comparable manner, see page 121

Statement of changes in equity

€ mill.	Capital stock	Additional paid-in capital	Reserves for treasury shares	Retained earnings and Group net income	Accumulated other comprehensive income: Reserves for currency translations	Reserves for financial instruments held for sale	Reserves for hedging transactions	Reserves for the remeasurement of defined benefit plans	Equity excluding non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2013	**37.8**	**42.6**	**(102.0)**	**490.7**	**(3.4)**	**0.0**	**(2.0)**	**(1.2)**	**462.5**	**18.6**	**481.1**
Transfer to retained earnings				(1.2)				1.2	0.0		0.0
Changes in the scope of consolidation		0.5		(3.6)					(3.1)	0.0	(3.1)
Group net income				(213.9)					(213.9)	8.2	(205.7)
Total income and expenses recognized directly in equity					8.1	0.0	(1.9)	(4.9)	1.3	1.4	2.7
Dividend payments				(6.7)					(6.7)	(8.5)	(15.2)
Treasury shares sold		(12.2)	102.0						89.8		89.8
Balance at December 31, 2014	**37.8**	**30.9**	**0.0**	**265.3**	**4.7**	**0.0**	**(3.9)**	**(4.9)**	**329.9**	**19.7**	**349.6**
Transfer to retained earnings				(4.9)				4.9	0.0		0.0
Changes in the scope of consolidation				0.1			1.1		1.2	(1.8)	(0.6)
Group net income				72.2					72.2	5.6	77.8
Total income and expenses recognized directly in equity					8.9	0.0	(0.1)	(0.4)	8.4		8.4
Dividend payments				0.0					0.0	(6.5)	(6.5)
Balance at December 31, 2015	**37.8**	**30.9**	**0.0**	**332.7**	**13.6**	**0.0**	**(2.9)**	**(0.4)**	**411.7**	**17.0**	**428.7**

Notes to the consolidated financial statements of Vossloh AG as of December 31, 2015

Segment information by division/business unit[1]

€ mill.		Core Components (Fastening Systems)	Customized Modules (Switch Systems)	Lifecycle Solutions (Rail Services)	Locomotives
Value added	2015	16.6	(8.3)	(6.7)	(10.4)
	2014	45.9	(94.0)	(8.0)	(94.5)
Information from the income statement/flow figures					
External sales revenue	2015	243.7	522.2	68.4	108.6
	2014	324.3	471.8	67.9	89.9
Intersegment sales revenue	2015	12.9	0.8	3.3	0.9
	2014	6.7	1.3	1.7	0.1
Interest income	2015	0.2	0.4	0.0	0.7
	2014	0.2	0.4	0.1	0.8
Interest expense	2015	(2.2)	(4.7)	(3.5)	(2.4)
	2014	(1.8)	(3.6)	(2.7)	(2.8)
Amortization/depreciation	2015	8.8	13.2	5.1	4.6
	2014	7.0	11.9	4.9	5.1
Investments in noncurrent assets	2015	6.4	11.4	9.6	5.9
	2014	13.5	13.3	10.5	5.8
Income from investments in companies accounted for using the equity method	2015	0.1	1.8	1.1	–
	2014	0.5	(9.2)	1.4	–
Income taxes	2015	7.9	9.7	(0.9)	2.0
	2014	13.8	5.4	0.6	(27.2)
Net result from discontinued operations	2015	0.0	0.0	0.0	0.0
	2014	0.0	0.1	0.0	0.0
Other major noncash expenses	2015	4.5	17.4	0.3	9.9
	2014	6.3	24.4	2.0	25.8
Impairment losses	2015	0.3	3.0	–	–
	2014	1.3	60.2	0.1	25.0
Information from the balance sheet					
Total assets	2015	204.7	605.1	205.2	108.2
	2014	240.2	584.8	174.6	174.4
Liabilities	2015	133.9	326.1	193.2	75.8
	2014	158.8	305.4	156.1	137.1
Investments in companies accounted for using the equity method	2015	1.8	24.6	6.7	–
	2014	1.3	24.9	6.9	–
Average headcount	2015	609	2,589	400	415
	2014	636	2,555	346	433

[1] For more segment information, see page 147 ff. For previous year figures in the Transportation business division and in the Group presented in a comparable manner, see page 121.

	Rail Vehicles (discontinued operations)	Electrical Systems	Consolidation	Transportation	Holding companies	Consolidation	Group
	17.2	(8.1)	(16.4)	**(17.7)**	165.4	(185.2)	**(35.9)**
	16.1	(80.5)	(20.8)	**(179.7)**	11.8	(43.8)	**(267.8)**
	239.3	247.0	(239.3)	**355.6**	0.3	0.0	**1,190.2**
	223.2	141.2	(223.2)	**231.1**	0.3	0.1	**1,095.5**
	1.2	2.5	(2.9)	**1.7**	1.2	(9.4)	**10.5**
	0.0	2.6	(2.0)	**0.7**	1.1	(6.2)	**5.3**
	0.7	1.9	(0.2)	**3.1**	13.6	(13.2)	**4.1**
	2.0	0.2	(1.1)	**1.9**	9.3	(9.7)	**2.2**
	(1.1)	(4.1)	0.8	**(6.8)**	(14.4)	14.0	**(17.6)**
	(0.3)	(3.9)	0.0	**(7.0)**	(21.7)	10.4	**(26.4)**
	8.4	4.6	(8.4)	**9.2**	0.7	0.0	**37.0**
	8.8	4.1	(8.7)	**9.3**	0.7	0.0	**33.8**
	11.6	2.4	(11.3)	**8.6**	0.3	0.4	**36.7**
	6.8	6.6	(6.0)	**13.2**	0.2	0.0	**50.7**
	–	–	–	**–**	–	–	**3.0**
	–	–	–	**–**	–	–	**(7.3)**
	2.0	2.9	(1.9)	**5.0**	(1.5)	0.0	**20.2**
	4.4	(24.3)	(5.6)	**(52.7)**	39.9	0.0	**7.0**
	11.1	0.0	2.0	**13.1**	–	53.3	**66.4**
	8.8	–	–	**8.8**	–	–	**8.9**
	16.7	9.6	0.0	**36.2**	2.3	(0.1)	**60.6**
	16.3	32.6	0.3	**75.0**	5.9	0.0	**113.6**
	–	–	–	**–**	–	–	**3.3**
	–	–	2.7	**27.7**	0.1	–	**89.4**
	375.1	366.3	(278.8)	**570.8**	1,008.4	(1,219.1)	**1,375.1**
	406.9	377.2	(11.8)	**946.7**	1,116.7	(1,458.6)	**1,604.4**
	283.2	285.1	(285.9)	**358.2**	446.1	(511.1)	**946.4**
	305.1	302.9	(309.1)	**436.0**	761.9	(857.3)	**960.9**
	0.0	–	–	**0.0**	–	–	**33.1**
	0.0	–	–	**0.0**	–	–	**33.1**
	913	806	(913)	**1,221**	56	–	**4,875**
	854	862	(854)	**1,295**	51	–	**4,883**

General principles

Vossloh AG is a listed company based in Werdohl, Germany, and is registered under number HRB 5292 at the Commercial Register of the Iserlohn Local Court. The Vossloh Group's key activities include the manufacture and marketing of rail infrastructure products, locomotives, electrical systems for local transport vehicles (LTVs), as well as the provision of rail-related services.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the supplementary regulations of Article 315a (1) German Commercial Code ("HGB"). All mandatorily applicable standards as of the end of the reporting period have been considered.

On February 26, 2016, Vossloh AG's Executive Board released the consolidated financial statements for transmittal to the Supervisory Board's Audit Committee.

New accounting rules

The following standards and interpretations were issued by the IASB or endorsed by the EU during 2015 but were not yet mandatorily applicable for financial year 2015 or were not yet adopted into European law. In the case of standards and interpretations that have not yet been adopted by the EU, the first-time application according to the IASB is indicated. An early adoption of these standards is not planned. The following new or amended standards will have, in some cases, a significant impact on Vossloh's consolidated financial statements:

Standard	Published by the IASB	First-time adoption	Endorsed by the EU	Key content and impact on the consolidated financial statements of Vossloh AG
New or amended standards				
Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations		2016	November 2015	In the case of an acquisition of interests in a joint operation that constitutes a business operation as defined in IFRS 3, the principles and disclosure requirements in IFRS 3 are to be adopted analogously. This will result in additional information in the notes on a case-by-case basis.
IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15	September 2015	2018	./.	This standard replaces existing regulations on the recognition of revenue, e.g. in IAS 18 or IAS 11, and comprises extensive regulations on the determination of whether, how much and when revenue is to be recognized. If criteria are no longer provided for time-related sales recognition in accordance with the PoC method, a significant impact on the consolidated financial statements is not to be excluded. The analysis of potentially affected transactions has not been completed yet.

Standard	Published by the IASB	First-time adoption	Endorsed by the EU	Key content and impact on the consolidated financial statements of Vossloh AG
New or amended standards				
IFRS 16 Leases	January 2016	2019	./.	This standard comprises key amendments to accounting for leases–for the lessee–as a result of a general capitalization of the rights of use with the simultaneous expensing of the net present value of minimum lease payment obligations; a significant impact on the consolidated financial statements is expected, particularly with regard to property, plant and equipment, financial liabilities and as a result of the higher total assets of the equity ratio; in addition, EBIT will tend to increase as a result of the separated recognition of depreciation and amortization and interest effects. A further analysis of the effects is currently being implemented.
Amendments to IAS 7: Disclosure Initiative	January 2016	2017	./.	Additional notes may be issued on a case-by-case basis. However, no impact on the consolidated financial statements is expected.

Apart from these new or amended standards and interpretations, which have an anticipated and, in some cases, a significant impact on the consolidated financial statements, a number of other standards and interpretations were adopted and their impact on the consolidated financial statements is expected to be insignificant:

Standard	Published by the IASB	First-time adoption	Endorsed by the EU
New or amended standards			
Amendment to IAS 19: Defined benefit plans: employee contributions	November 2013	2016	January 2015
Adoption of annual improvements to IFRSs 2010-2012 cycle	December 2013	2016	January 2015
Amendments to IAS 16 (property, plant and equipment) and IAS 41 (agriculture): fruit-bearing plants	June 2014	2016	November 2015
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	May 2014	2016	December 2015
Adoption of annual improvements to IFRSs 2012-2014 cycle	September 2014	2016	December 2015
Amendments to IAS 1: Disclosure initiative	December 2014	2016	December 2015
Amendments to IAS 27: Equity method in separate financial statements	August 2014	2016	December 2015
Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses	January 2016	2017	./.

First-time application of standards and interpretations

In the 2015 financial year, the amendments to standards and interpretations illustrated in the table below were used for the first time.

Standard	Published by the IASB	Endorsed by the EU
IFRIC 21: Levies	May 2013	June 2014
Adoption of annual improvements to IFRSs 2011-2013 cycle	December 2013	December 2014

Both pronouncements have no impact on Vossloh’s consolidated financial statements.

Principles for preparing the consolidated financial statements

The financial statements of all companies included in Vossloh's consolidated financial statements are prepared as of December 31 (Vossloh AG's closing date) in accordance with Group-wide uniform accounting and measurement methods; they are audited or reviewed by independent statutory accountants. The Group currency is the euro.

The consolidated financial statements are prepared in euro, the company's functional currency, and the statements are issued in € million to a large extent. The income statement is presented in cost-of-sales format.

Preparing the consolidated financial statements requires management to make certain discretionary decisions, assumptions and estimates. These estimates are to be made under conditions of uncertainty; they affect the carrying amounts of recognized assets and liabilities and of current amounts of contingent liabilities as of the end of the reporting period, as well as the recognition of income and expenses in the period under review. Due to uncertainty, the actual values subsequently determined may differ from those estimates and hence from the amounts disclosed in the consolidated financial statements. The estimates and underlying assumptions are subject to ongoing review. Adjustments are accounted for prospectively or in the period of change.

Estimation uncertainty with a significant impact on the consolidated financial statements is required, particularly when accounting for goodwill (see Note 10), with regard to the recognition of deferred taxes (see Note 16) as well as the recognition and measurement of other provisions (see Note 25).

Discretionary decisions with a significant impact on the consolidated financial statements apply specifically to the decision on control in the case of joint ventures, whereby a full consolidation or alternatively at-equity accounting takes place. There is a similar situation with accounting methods for consortia (see "Consolidation"). In addition, such discretionary decisions are required for the classification of leases in property, plant and equipment (see Note 11). Furthermore, the classification of the former Rail Vehicles business unit as a discontinued activity in accordance with IFRS 5 (see Note 7) is a key discretionary decision.

The recognition and measurement principles and policies followed in Vossloh AG's consolidated financial statements are detailed in the respective notes.

Consolidation

Vossloh's consolidated financial statements comprise the financial statements of Vossloh AG and principally all its subsidiaries. Generally all subsidiaries where Vossloh AG can exercise control through its directly or indirectly held voting majority are fully consolidated.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is obtained until the control relationship expires. In line with the acquisition method, the equity of the subsidiary is offset against the investment in the company. In this connection, the acquisition cost of the acquired shares is offset against the Group's interest in the equity of the subsidiaries. To determine the equity of subsidiaries acquired, all identifiable assets and liabilities, including the contingent liabilities of the subsidiary acquired, are recognized with their respective acquisition-date fair value. Any remaining asset difference is recognized as goodwill according to IFRS 3 and tested for impairment annually, while any resulting negative goodwill is directly released to income after fair values have been reassessed. Shares belonging to other investors with a corresponding stake in the identifiable net assets of the respective company acquired are measured at the acquisition date. Amendments to the Group's share in subsidiaries, which do not lead to an acquisition or loss of control over this subsidiary, are treated as equity transactions.

All intragroup receivables and payables and all income and expenses as well as all profits or losses realized among consolidated group companies are eliminated in connection with the intragroup receivable/payable elimination and expense/income elimination. Where write-downs have been recognized in the separate financial statements of consolidated subsidiaries on shares in consolidated subsidiaries or intragroup receivables, such write-downs are reversed in consolidation. Profits and losses from intercompany trade transfers are eliminated.

In accordance with IFRS 11, joint ventures are generally accounted for using the equity method insofar as the Group company holding the interest holds typical shareholder rights applicable to the net assets of the joint venture. Insofar as the rights of the Group company holding the interest apply to individual assets or liabilities, or the companies participating in the joint venture have entered into specific agreements regarding the division of the goods produced or services rendered by the joint venture, such a joint venture would be deemed jointly operated and the assets and liabilities or, respectively, the expense and income would be accounted for using proportionate consolidation. Where material, other enterprises in which Vossloh owns an equity interest of between 20 and 50 percent and where Vossloh can exercise a significant influence on their business and financial policies (so-called associated companies) are carried at equity.

All remaining investments are carried at cost, taking into consideration potential impairment, and are presented under other noncurrent financial instruments.

In financial year 2015, the following changes occurred to the consolidation group:

Two transactions relating to subsidiaries in Finland were completed with effect from July 1, 2015: Switch plants in Finland belonging to VR Track Oy, a subsidiary of the Finnish national railway, were acquired by way of an asset deal; in exchange, 40 percent of shares in Vossloh Cogifer Finland Oy, Helsinki/Finland, were transferred in addition to a payment of €2.2 million that was made to the seller. Another purchase price payment of €2.4 million was made to the seller by means of a capital reduction. At the same time, the acquisition of the shares transferred to the seller by Vossloh Nordic Switch Systems AB, Ystad/Sweden, was contractually agreed in four tranches at 10 percent each by means of call or put options until the end of 2019. Against this backdrop, the transaction was recognized as a complete acquisition in current/noncurrent liabilities while simultaneously reporting the fair value of the anticipated purchase price for these tranches.

The purchase price for the assets and liabilities assumed totaling €12.1 million was offset against the following assets:

€ mill.	Carrying amounts immediately before the business combination	Adjustments	Fair-value in first-time consolidation*
Property, plant and equipment and intangible assets	0.4	3.3	3.7
Inventories	6.0	0.0	6.0
Trade receivables	2.6	0.0	2.6
Other assets	0.5	0.0	0.5
Trade payables	1.3	0.0	1.3
Provisions	0.4	0.0	0.4
Other liabilities	0.4	0.0	0.4
Net assets acquired	**7.4**	**3.3**	**10.7**
Purchase price			12.1
Remaining goodwill			**1.4**

* The fair values are based on the opinion of an external consultant.

The adjustments to fair value that are shown in the table are to be considered as provisional. A disclosure of the contribution of the switch plants acquired to sales and the result is impossible due to the immediate integration of the switch plants into the existing Finnish company of Vossloh Switch Systems.

In addition to this transaction, 60 percent of shares in a company were acquired at the same time, into which the same Finnish seller transferred the business operations of a welding plant. The shares were acquired by means of an exchange of cash. Here as well, the acquisition of the shares initially remaining with the seller by Vossloh Rail Services International, Hamburg, was contractually agreed in four tranches at 10 percent each by means of call or put options until the end of 2018. As a result, this transaction was also recognized as a complete acquisition in current/noncurrent liabilities while simultaneously reporting the fair value of the anticipated purchase price for these tranches.

The purchase price for the assets and liabilities assumed totaling €7.2 million was offset against the following assets:

€ mill.	Carrying amounts immediately before the business combination	Adjustments	Fair-value in first-time consolidation*
Property, plant and equipment and intangible assets	0.4	3.7	4.1
Inventories	2.0	0.0	2.0
Trade receivables	0.5	0.0	0.5
Other assets	0.2	0.0	0.2
Trade payables	0.9	0.0	0.9
Provisions	0.2	0.0	0.2
Other liabilities	0.4	0.7	1.1
Net assets acquired	**1.6**	**3.0**	**4.6**
Purchase price			7.2
Remaining goodwill			**2.6**

* The fair values are based on the opinion of an external consultant.

The fair values are based on the opinion of an external consultant. The adjustments to fair value that are shown in the table are to be considered as provisional. Since the start of the inclusion in the consolidation group on July 1, 2015, this company has contributed €3.7 million to Group sales and €0.2 million to EBIT. If the acquisition had already been performed at the beginning of the financial year, the contribution to Group sales would have been €9.2 million and €1.0 million to EBIT.

While the switch plants acquired in the first transaction as additional capacity of the subsidiary already in existence are to be attributed to the Switch Systems business unit, the new subsidiary, which comprises the welding plant, is to be attributed to the Rail Services business unit. As a result, capacity on the Scandinavian–concretely Finnish–market was significantly increased to take advantage of relevant market opportunities. Remaining goodwill represents opportunities on the Finnish market for rail infrastructure that are not reflected in identifiable assets.

On December 31, 2015, the contract that was signed at the beginning of November for the disposal of interests in Vossloh España S.A.U., Valencia/Spain, by Vossloh AG to Stadler Rail AG Bussnang/Switzerland was completed. As a result, three previously fully consolidated foreign companies were deconsolidated as at the end of the reporting period. In addition, a foreign company that was previously accounted for using the equity method is no longer part of the Group. The assets and liabilities are no longer included in the balance sheet as of December 31, 2015; the previous year figures were transferred and reported as assets and liabilities held for sale. The income statement of the current year and of the previous year reports on all expenses and income of the business unit in the item „Net result from discontinued operations." In this respect, the previous year figures are presented in a comparable manner but deviate from the figures reported in the 2014 annual report. Further information can be found in the notes under (7) Net result from discontinued operations.

In addition to these changes, a domestic company was merged with Vossloh AG. Moreover, two foreign companies were newly established and included in the consolidated financial statements.

Consequently, 63 subsidiaries (including 22 in Germany) were fully consolidated as of the end of the financial year.

Changes in fully-consolidated subsidiaries

	2015	2014
Fully consolidated as of January 1	64	67
Disposals	(3)	(2)
First-time consolidations	3	1
Intragroup mergers	(1)	(2)
Fully consolidated as of December 31	**63**	**64**

Six companies (previous year: seven) based abroad and one company (previous year: two) based in Germany were accounted for using the equity method.

Due to their minor significance to the Group's net assets, financial position and results of operations, 24 subsidiaries (previous year: 26) were not included in the consolidated financial statements although Vossloh AG directly or indirectly held the majority of voting rights or otherwise controlled them at the end of the reporting period.

Currency translation

Non-euro financial statements of subsidiaries are translated into euro as the group currency according to the concept of functional currency. Since these subsidiaries are foreign operations (as defined by the IFRS), their functional currency corresponds to their local currency. For statement of financial position items, the mean exchange rate as of December 31 is used while for the translation of statement of profit or loss items, the annual average rate is applied.

Currency translation differences, from the translation of assets and liabilities compared to the prior year's translation or those between the statement of profit or loss and the statement of financial position, are recognized without profit or loss effect in equity and shown in a separate item within accumulated other comprehensive income (OCI).

In the separate financial statements, foreign-currency transactions are translated at the historical rate (upon initial recognition). Gains or losses arising up to the end of the reporting period from the remeasurement of financial instruments as well as cash and cash equivalents are recognized in the statement of profit or loss.

The exchange rates of non-euro zone countries where the Vossloh Group transacts major business through consolidated subsidiaries are listed below:

Exchange rates

	Currency	€	2015	2014	2015	2014
			Current rate at Dec. 31		Average rate	
Australia	AUD	1 €	1.49	1.48	1.48	1.47
Brazil	BRL	1 €	4.31	3.24	3.69	3.12
China	CNY	1 €	7.07	7.56	6.92	8.17
Great Britain	GBP	1 €	0.74	0.78	0.73	0.81
India	INR	1 €	72.31	77.47	71.20	80.99
Kazakhstan	KZT	1 €	370.76	222.26	246.64	238.16
Malaysia	MYR	1 €	4.67	4.26	4.33	4.35
Poland	PLN	1 €	4.26	4.29	4.18	4.18
Sweden	SEK	1 €	9.18	9.43	9.35	9.10
Switzerland	CHF	1 €	1.08	1.20	1.07	1.21
Serbia	RSD	1 €	121.62	120.70	120.67	117.23
Thailand	THB	1 €	39.25	40.02	38.01	43.17
Turkey	TRY	1 €	3.18	2.83	3.02	2.91
USA	USD	1 €	1.09	1.22	1.11	1.33

Notes to the consolidated income statement

(1) Sales revenue

Breakdown of sales revenue

€ mill.	2015	2014*
Sales of products	928.1	909.1
Revenues from construction contracts and from the rendering of services	272.6	191.7
Total	**1,200.7**	**1,100.8**

* Previous year figures presented in a comparable manner, see page 121

Sales revenue is recognized net of sales deductions and price allowances (such as cash and other discounts, bonuses, rebates, purchases or returns credited). In line with IAS 18, sales are generally recognized once goods have been delivered or services rendered, provided that the price has been fixed or can be determined, title and risk have passed to the purchaser, and realization of the underlying receivable is reasonably probable. Where milestone or partial invoices have been agreed upon in advance, sales are recognized after the customer has finally and formally accepted the milestone or partial delivery.

Sales from specific manufacturing or construction contracts with customers ("PoC contracts") is recognized according to the Percentage-of-Completion method (PoC) as required by IAS 11. This process establishes the percentage of completion of the contracts based on the ratio of costs already incurred to the estimated total contract costs (cost-to-cost method). The PoC sales recognized using this method correspond to the cost of sales plus a percentage of profit equivalent to the percentage of completion reached as of the balance sheet date. The proportional profit from the PoC method is recognized only where the results of the construction contracts can be determined reliably. If this condition is not met, sales are recognized in accordance with the PoC method without including the proportional profit. Where a loss from a PoC contract is imminent, this is recognized in full.

Sales revenue on services is recognized in an analogous manner according to the work performed under the contract, provided the conditions for application of the PoC method are fulfilled.

The segment reports starting on pages 114 ff. and 147 ff. include breakdowns of net sales revenue by division, business unit, and region.

(2) Functional expenses

According to the cost-of-sales format of income statement presentation, expenses are allocated to functional categories. The following expense types and their amounts are included in cost of sales, selling, general administrative and research and development expenses:

Nature of expenses

€ mill.	2015	2014*
Cost of raw materials and supplies	514.5	530.5
Cost of services purchased	137.7	104.3
Cost of materials	**652.2**	**634.8**
Wages and salaries	229.4	229.9
Social security and employee benefits	49.7	49.0
Pension expense	6.3	4.1
Personnel expenses	**285.4**	**283.0**
Amortization/depreciation	**40.3**	**123.2**
Expenses on operating leases	**10.7**	**10.2**

* Previous year figures presented in a comparable manner, see page 121

Based on the quarterly numbers, the workforce structure was on average the following:

Workforce structure

	2015	2014*
Executive/management boards	38	48
Other officers/executives	160	178
Non-tariff employees	948	927
Tariff employees	3,692	3,713
Apprentices	103	110
Interns/degree candidates	19	33
	4,960	**5,009**

* Previous year figures presented in a comparable manner, see page 121

In the sold Rail Vehicles business unit, 976 people on average were employed over the year (previous year: 916 employees). The number of employees in accordance with Article 314 (1) No. 4 HGB was 5,763 (previous year: 5,722).

(2.1) Cost of sales

Cost of sales covers the cost of goods and services sold in the period. Besides such direct costs as materials, labor and energy, cost of sales also comprises indirect costs including depreciation on plant, property and equipment and primarily amortization of intangible assets. Cost of sales also includes any write-downs of inventories in the period.

(2.2) Selling and general administrative expenses

Breakdown of selling and general administrative expenses

€ mill.	2015	2014*
Selling expenses	82.4	96.5
General administrative expenses	100.6	97.4
	183.0	**193.9**

* Previous year figures presented in a comparable manner, see page 121

In addition to personnel expenses, selling expenses mainly consist of outbound freight and commissions and include most of the allowances for bad trade receivables and sundry assets. The expense from allowances for trade receivables and other assets recognized in the reporting period as selling and general administrative expenses came to €4.0 million (previous year: €3.3 million).

General administrative expenses cover the personnel and other expenses of administration, including related amortization and depreciation.

(2.3) Research and development expenses

All research costs are directly expensed as research and development expenses in the income statement. The costs incurred for developing a marketable product are capitalized if they meet the intangible-asset recognition criteria in IAS 38. Non-capitalizable development costs are also expensed under this item. R&D expenses before capitalized development expenses came to €16.3 million in the past financial year (previous year: €18.7 million). In addition, costs for development projects in the amount of €3.2 million (previous year: €5.8 million) were capitalized in the balance sheet.

(3) Other operating result

Breakdown of other operating result

€ mill.	2015	2014*
Income from the release of provisions	20.1	6.2
Currency exchange gains	13.5	12.3
Income from governmental grants	2.4	2.4
Rental income	1.7	1.8
Insurance reimbursements	0.4	0.3
Release of allowances and reversal of write-downs	1.0	0.7
Income from the disposal of intangible assets and property, plant and equipment	0.3	0.3
Income from the disposal of financial instruments	1.7	0.0
Sundry income	15.0	11.2
Other operating income	**56.1**	**35.2**
Currency exchange losses	(18.8)	(13.6)
Losses on the disposal of intangible assets and property, plant and equipment	(0.4)	(0.3)
Expenses for buildings	(0.5)	(0.5)
Impairment losses from intangible assets and property, plant and equipment	(0.3)	(87.8)
Sundry expenses	(0.6)	(0.7)
Other operating expenses	**(20.6)**	**(102.9)**
Other operating result	**35.5**	**(67.7)**

* Previous year figures presented in a comparable manner, see page 121

Income from the release of provisions is offset in the amount of €8.0 million by relevant expenses for guarantees or the like. In particular, impairment losses from intangible assets and property, plant and equipment include a goodwill impairment charge in the Switch Systems business unit of €60.0 million as well as an impairment loss from the intangible asset related to the development of DE/DH locomotives of €27.8 million in the previous year. Income from public grants/subsidies is mainly related to R&D projects. Payments received on account of such grants are recognized as deferred income and amortized to other operating income. Investment/capex-related grants or incentives are offset against cost of the tangible assets concerned. Conditions yet to be met and where the failure to meet such conditions would entail the repayment of grants do not exist, nor do any contingent liabilities in this regard.

As at the end of the reporting period, €1.3 million was recognized as a cost reduction in property, plant and equipment. In the previous year, €1.2 million was deferred as the subsidized plant was not operational yet.

(4.1) Other financial income

Breakdown of other financial income

€ mill.	2015	2014*
Income from investments	0.2	0.2
Income from measurement of financial instruments at fair value	0.5	0.0
Income from securities	0.1	0.2
Other financial income	**0.8**	**0.4**

* Previous year figures presented in a comparable manner, see page 121

(4.2) Other financial expenses

Breakdown of other financial expenses

€ mill.	2015	2014*
Write-down of financial instruments	(3.0)	(1.6)
Losses from the remeasurement of financial instruments at fair value	0.0	(0.5)
Other financial expenses	**(3.0)**	**(2.1)**

* Previous year figures presented in a comparable manner, see page 121

(5) Interest expense

Breakdown of interest expense

€ mill.	2015	2014*
Interest from bank liabilities	(9.8)	(9.7)
Guarantee commissions	(2.9)	(2.6)
Other interest expense	(4.9)	(14.1)
Interest expense	**(17.6)**	**(26.4)**

* Previous year figures presented in a comparable manner, see page 121

As a result of the early repayment of the second tranche of the US private placement in the previous year, other interest expenses of €7.3 million resulted from the close-out of derivative financial instruments and interest fees.

(6) Income taxes

Breakdown of income taxes

€ mill.	2015	2014*
Current income taxes	(17.9)	(28.6)
Deferred taxes	(2.3)	21.6
Income taxes	**(20.2)**	**(7.0)**

* Previous year figures presented in a comparable manner, see page 121

In Germany, income taxes reflect the statutory corporate income tax rate of 15 percent, the 5.5 percent solidarity surtax thereon, and the municipal trade tax rate by applying factors fixed by local municipalities. We expect an average income tax rate of approximately 30 percent for both the Vossloh Group's German subsidiaries and group-wide.

The Vossloh Group's actual tax expense of €20.2 million (previous year: €7.0 million) was €10.7 million (previous year: €69.3 million) above the anticipated tax expense that would have resulted from applying a group-wide uniform rate of approximately 30 percent to EBT.

The reconciliation of the expected income tax expense to the actual income tax shown in the consolidated income statement is presented below:

Reconciliation of the expected to the actually recognized income tax expense

		2015	2014*
Earnings before income taxes (EBT)	€ mill.	31.6	(207.6)
Income tax rate including trade taxes	%	30.0	30.0
Expected income tax by applying a uniform rate	€ mill.	9.5	(62.3)
Effect of lower foreign income tax rates	€ mill.	(1.6)	(3.8)
Non-taxable income	€ mill.	(1.7)	(1.3)
Nondeductible expenses	€ mill.	5.9	22.8
Taxes for prior periods	€ mill.	(1.5)	5.1
Effect from goodwill impairment	€ mill.	–	18.0
Tax effect of write-ups/write-downs of deferred tax assets	€ mill.	6.4	23.0
Double-taxation effects	€ mill.	1.0	2.5
Effect of remeasurement of deferred taxes	€ mill.	1.4	2.5
Other differences	€ mill.	0.8	0.5
Recognized income tax expense	€ mill.	20.2	7.0
Effective income tax rate	%	64.1	(3.4)

* Previous year figures presented in a comparable manner, see page 121

Deferred taxes from items, which increased other comprehensive income, amounted to €0.1 million (previous year: €2.6 million). Deferred taxes arose from the remeasurement of defined benefit plans in the amount of €0.2 million (previous year: €1.9 million) to be accounted for in the financial year in addition to changes in the measurement of hedging instruments on cash flow hedges which are recognized directly in equity amounting to €(0.1) million (previous year: €0.7 million).

(7) Net result from discontinued operations/assets and liabilities held for sale

In the year under review, the net result from discontinued operations pertained to the former Rail Vehicles business unit, which has been reported as discontinued operations since the interim report as of September 30, 2015 in accordance with IFRS 5. Over the fourth quarter of 2015, a share purchase and transfer agreement was concluded with the buyer and was completed on December 31, 2015. The result reported in the consolidated income statement comprises all income and expenses resulting from current business of the former business unit and the associated tax expense in addition to all expenses incurred as a result of the measurement of assets and liabilities at fair value less costs to sell or costs related to the disposal and the net result of disposal after taxes.

In the previous year, here, income of €0.1 million from the release of provisions which had been recognized in connection with the divestment of the Infrastructure Services business unit and expenses of €0.0 million reported for deferred taxes.

The assets and liabilities of the Rail Vehicles business unit are reported as held for sale in the balance sheet, each as an amount. The table below shows key items. As of the end of the reporting period, all assets and liabilities were disposed of as a result of the completion of the sales transaction.

€ mill.	12/31/2015	12/31/2014
Intangible assets	61.6	57.8
Property, plant and equipment	15.7	12.6
Sundry noncurrent assets	22.7	22.8
Noncurrent assets	**100.0**	**93.2**
Inventories	75.7	76.0
Trade receivables	5.5	9.7
Receivables from construction contracts	49.8	48.4
Sundry current assets	9.0	9.8
Cash and cash equivalents	38.6	11.2
Current assets	**178.6**	**155.1**
Assets	**278.6**	**248.3**
Provisions	81.6	81.2
Trade payables	37.2	51.4
Liabilities from construction contracts	113.9	126.3
Other liabilities	38.7	35.0
Liabilities	**271.4**	**293.9**
Cumulative income and expenses in OCI	**(1.1)**	**(1.6)**

* Assets and liabilities in addition to cumulative income and expenses in OCI disposed of as a result of sale

€ mill.	12/31/2015	12/31/2014
Revenue	239.3	223.2
Expenses	(227.0)	(210.2)
Result from operating activities, pre-tax	**12.3**	**13.0**
Income taxes	(2.1)	(4.1)
Result from operating activities, after tax	**10.2**	**8.9**
Gain on the disposal of the discontinued operation	56.2	–
Income tax on the gain on the disposal of the discontinued operation	–	–
Net result from discontinued operations	**66.4**	**8.9**
thereof attributable to shareholders of Vossloh AG	65.8	8.5
thereof attributable to non-controlling interests	0.6	0.4

(8) Non-controlling interests

The Group's total net income includes non-controlling interests in profit of €5.6 million (previous year: €8.2 million) and in losses of €0.0 million (previous year: €0.0 million).

(9) Earnings per share

		2015	2014*
Weighted average number of common shares	Number	13,325,290	13,325,290
Weighted number of acquired treasury shares	Number	0	(325,628)
Weighted average of shares outstanding	Number	13,325,290	12,999,662
Consolidated profit (loss) attributable to Vossloh AG shareholders	**€ mill.**	**72.2**	**(213.9)**
Undiluted/fully diluted EpS	**€**	**5.42**	**(16.46)**
thereof attributable to continuing operations	€	0.43	(17.14)
thereof attributable to discontinued operations	€	4.99	0.68

* Previous year figures presented in a comparable manner, see page 121

Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents within the Vossloh Group. Cash pertains to cash on hand and in bank. Cash equivalents comprise any financial instruments with an initial term of maximum three months and readily convertible into cash.

The cash flow statement is prepared in conformity with IAS 7 and breaks down changes in cash and cash equivalents into the cash flows from, and outflows for, operating, investing and financing activities. The cash flow from operating activities is presented according to the indirect method.

The inflow of cash and cash equivalents from the acquisition of consolidated subsidiaries and other units amounting to €0.1 million (previous year: €1.8 million) is netted against cash outflows for purchase price payments of €6.5 million (previous year: €8.0 million). Proceeds from the sale of consolidated subsidiaries include the balance of the cash purchase price of €73.0 million and cash outflows of €38.6 million. No consolidated subsidiaries were sold in the previous year.

The figures in the statement of cash flows shown on page 111 relate to the entire Group including effects of discontinued operations. The table below divides the subtotals of the statement of cash flows and opening and closing cash and cash equivalents into continuing and discontinued operations:

€ mill.	2015		2014	
Cash flow items	Thereof from continuing operations	Thereof from discontinued operations	Thereof from continuing operations	Thereof from discontinued operations
Gross cash flow	57.9	13.8	(22.5)	13.8
Cash flow from operating activities	110.2	(2.4)	(66.4)	24.2
Free cash flow	80.2	(14.1)	(115.9)	17.4
Cash flow from investing activities	38.7	(50.3)	(51.5)	(6.8)
Cash flow from financing activities	(118.5)	41.5	112.5	(8.8)
Opening cash and cash equivalents	47.3	11.2	50.6	2.6
Closing cash and cash equivalents	78.8	0.0	47.3	11.2

Notes to the consolidated balance sheet

In accordance with IAS 1, the balance sheet is broken down into noncurrent and current assets and liabilities. Assets and liabilities maturing or due within one year are deemed current. Irrespective of their maturity, trade receivables/payables are always considered current even if due after one year but within one normal business cycle. In accordance with IAS 1.56, deferred tax assets and liabilities are presented as noncurrent.

(10) Intangible assets

Breakdown of intangible assets

€ mill.	2015	2014*
Goodwill	259.1	251.1
Development costs	14.5	16.9
Concessions, licenses, property rights	17.7	11.8
Advance payments	2.7	0.7
	294.0	**280.5**

* Previous year figures presented in a comparable manner, see page 121

Except for goodwill, all intangible assets are finite-lived and therefore carried at amortized cost. Goodwill is carried in the respective functional currency of the Group company whose acquisition gave rise to the goodwill.

In accordance with IFRS 3 in conjunction with IAS 36, goodwill from business combinations is not amortized on a scheduled basis. Instead, the recoverability of the goodwill is tested annually as of the reporting date or if "triggering events" occur (impairment test). In this connection, the higher amount from value in use or fair value less costs to sell are attributed to the respective carrying amount of a cash generating unit (CGU). There are five different CGUs in the Vossloh Group to which goodwill is allocated. The value in use is calculated based on the medium-term budget for the respective units and is derived from the expected discounted cash flows. In this respect, key assumptions are anticipated orders resulting from sales planning, expected sales revenue and the full earnings and balance sheet budget based on this.

When measuring the value in use by discounting anticipated cash flows, a pre-tax discount rate that is specific to the CGU is applied. When determining the respective discount rate, weighted specific country risks, inflation effects and tax rates were considered, whereby the weightings from the regional distribution of sales were derived in the past financial year and over the budget periods. The planning is based on empirical data and expected future market trends and encompasses a detailed planning period of three years. The expected sales growth of the CGUs is based on the planned (and sometimes to a large extent documented in the order backlog) projects. Average annual sales growth in the CGUS, which is anticipated for this period in line with the medium-term budget, is reported in the table below.

As in the prior year, for periods beyond this planning horizon, the cash flows are projected forward by assuming a CGU-specific annual growth rate to determine the value in use. Since the CGUs' values in use (including assigned goodwill) exceed their carrying amounts, no goodwill impairment was required. For the Locomotives business unit, a sensitivity analysis was required as the value in use was only €0.5 million above the carrying amount. During the sensitivity analysis, the discount rate was raised and the anticipated cash flows were reduced. An 11 basis point increase in the interest rate and a decrease in cash flows by 1.5 percentage points gave rise to identical values in the carrying amount and value in use. In the previous year there was no situation in the sensitivity analyses in which a reasonable possible change in the key measurement assumptions would have jeopardized the excess of values in use over carrying amounts. Goodwill in the Switch Systems business unit was impaired by €60.0 million in the six-month financial statements of the previous year.

Breakdown of goodwill by CGU and parameters for the impairment test

€ mill.	2015				2014
	Discount rate (in %)	Growth rate (in %)	Average sales growth p.a. (in %)	Carrying amount	Carrying amount
Vossloh Switch Systems	12.3	1.4	(0.3)	179.6	175.4
Vossloh Rail Services	8.7	0.8	13.5	51.0	48.4
Vossloh Electrical Systems	10.0	0.8	10.2	35.9	34.7
Vossloh Locomotives	12.8	0.7	8.4	2.4	2.4
Vossloh Fastening Systems	13.5	2.1	5.3	1.2	1.2
				270.1	**262.1**

In the goodwill of the CGU Vossloh Switch Systems, for purposes of the impairment test €11.0 million (previous year: €11.0 million) of calculated non-controlling interests are included.

Development costs are capitalized at cost wherever the latter can clearly be assigned, the developed product's technical feasibility and future marketability are ensured, and the development work is reasonably certain to produce future cash inflows.

Production cost includes all costs directly or indirectly assignable to the development process, as well as–for qualifying assets as defined by IAS 23–the borrowing costs allocable to the production period. Capitalized development costs are amortized on a straight-line basis over useful lives of one to five years.

Concessions, licenses and property rights are for the most part amortized on a straight-line basis over a period of one to twenty years.

The amortization of intangible assets in the amount of €7.2 million (previous year: €6.6 million) is included in the income statement in the respective functional expenses.

In the reporting year, no impairment losses were recognized, while write-downs amounting to €87.8 million had to be considered in the previous year.

Analysis of changes in intangible assets

€ mill.	2015	2014*	2015	2014*	2015	2014*	2015	2014*	2015	2014*
	Goodwill		Development costs		Concessions, licenses and property rights		Advance payments		Intangible assets	
Net carrying amount December 31	**259.1**	**251.1**	**14.5**	**16.9**	**17.7**	**11.8**	**2.7**	**0.7**	**294.0**	**280.5**
Cost										
Balance at January 1	**311.5**	**326.9**	**49.9**	**47.2**	**45.7**	**44.0**	**0.7**	**0.1**	**407.8**	**418.2**
First-time consolidation	3.9	0.0	0.0	0.0	5.4	(0.6)	0.0	0.0	9.3	(0.6)
Reclassification to assets held for sale	0.0	0.0	(5.4)	(3.3)	(1.3)	(0.1)	0.0	0.0	(6.7)	(3.4)
Additions/ongoing investment	0.0	0.0	7.6	8.8	2.5	1.8	3.0	0.6	13.1	11.2
Disposals	0.0	0.0	(0.5)	(3.0)	(2.6)	(1.8)	(0.2)	(0.1)	(3.3)	(4.9)
Transfers	0.0	(19.4)	(1.3)	0.1	5.3	1.2	(0.8)	0.1	3.2	(18.0)
Currency translation differences	4.1	4.0	0.0	0.1	1.3	1.2	0.0	0.0	5.4	5.3
Balance at December 31	**319.5**	**311.5**	**50.3**	**49.9**	**56.3**	**45.7**	**2.7**	**0.7**	**428.8**	**407.8**
Accumulated depreciation and write-downs										
Balance at January 1	**60.4**	**0.4**	**33.0**	**5.1**	**33.9**	**32.0**	**0.0**	**0.0**	**127.3**	**37.5**
First-time consolidation	0.0	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0	0.0	(0.5)
Reclassification to assets held for sale	0.0	0.0	(5.7)	(6.3)	(0.2)	(0.1)	0.0	0.0	(5.9)	(6.4)
Depreciation of the period	0.0	60.0	8.7	37.1	4.4	3.6	0.0	0.0	13.1	100.7
Disposals	0.0	0.0	(0.1)	(2.9)	(2.5)	(1.8)	0.0	0.0	(2.6)	(4.7)
Transfers	0.0	0.0	(0.1)	0.0	2.6	0.3	0.0	0.0	2.5	0.3
Currency translation differences	0.0	0.0	0.0	0.0	0.4	0.4	0.0	0.0	0.4	0.4
Balance at December 31	**60.4**	**60.4**	**35.8**	**33.0**	**38.6**	**33.9**	**0.0**	**0.0**	**134.8**	**127.3**

* Previous year figures presented in a comparable manner, see page 121; the statement of changes in fixed assets shows the movements during the year including the Rail Vehicles business unit. The value taking into account these movements is then reclassified.

(11) Property, plant and equipment

Breakdown of property, plant and equipment

€ mill.	2015	2014*
Land, leasehold rights and buildings, including buildings on non-owned land	64.9	57.3
Technical equipment and machinery	103.1	96.2
Other equipment, factory and office equipment	32.7	33.1
Advance payments and construction in process	14.9	28.9
	215.6	**215.5**

* Previous year figures presented in a comparable manner, see page 121

Property, plant and equipment is capitalized at cost and depreciated on a straight-line basis over the expected useful lives. In addition to the purchase price, acquisition costs include incidental acquisition costs. Acquisition costs are reduced by purchase price reductions.

Depreciation is primarily based on the following useful lives:

Useful lives of property, plant and equipment

	2015
Buildings	5 to 50 years
Technical equipment and machinery	2 to 30 years
Other equipment, operating and office equipment	2 to 30 years

Where the carrying amount of property, plant and equipment is determined to be impaired, appropriate write-downs are made. In the year under review, impairment losses of €0.3 million (previous year: €0.1 million) were recognized. Depreciation expense of €29.5 million is included within the functional expenses in the income statement (previous year: €27.0 million).

Changes in property, plant and equipment

€ mill.	2015	2014*	2015	2014*	2015	2014*	2015	2014*	2015	2014*
	Land, leasehold rights and buildings, including buildings on non-owned land		Technical equipment and machinery		Other equipment, factory and office equipment		Advance payments and construction in process		Property, plant and equipment	
Net carrying amount December 31	**64.9**	**57.3**	**103.1**	**96.2**	**32.7**	**33.1**	**14.9**	**28.9**	**215.6**	**215.5**
Cost										
Balance at January 1	**112.7**	**117.7**	**257.3**	**250.2**	**77.7**	**71.8**	**28.9**	**47.9**	**476.6**	**487.6**
First-time consolidation	0.0	(10.2)	2.1	(25.2)	0.2	(1.5)	0.0	(0.9)	2.3	(37.8)
Reclassification to assets held for sale	(3.0)	0.0	(2.3)	(1.4)	0.3	0.1	0.2	(0.8)	(4.8)	(2.1)
Additions/ongoing investment	2.7	1.5	8.1	17.2	5.4	9.2	15.6	16.5	31.8	44.4
Disposals	0.0	(0.2)	(8.0)	(15.3)	(2.6)	(5.6)	0.0	(13.2)	(10.6)	(34.3)
Transfers	10.0	2.0	17.3	27.3	(2.4)	2.9	(29.8)	(20.8)	(4.9)	11.4
Currency translation differences	1.9	1.9	3.7	4.5	0.8	0.8	0.0	0.2	6.4	7.4
Balance at December 31	**124.3**	**112.7**	**278.2**	**257.3**	**79.4**	**77.7**	**14.9**	**28.9**	**496.8**	**476.6**
Accumulated depreciation and write-downs										
Balance at January 1	**55.4**	**53.4**	**161.1**	**144.3**	**44.6**	**45.8**	**0.0**	**0.0**	**261.1**	**243.5**
First-time consolidation	0.0	(2.2)	0.0	(14.5)	0.0	(0.9)	0.0	0.0	0.0	(17.6)
Reclassification to assets held for sale	(0.3)	(0.3)	(1.8)	(1.0)	(0.4)	0.2	0.0	0.0	(2.5)	(1.1)
Depreciation of the period	3.9	3.8	21.1	19.0	7.3	6.6	0.0	0.0	32.3	29.4
Disposals	0.0	(0.2)	(7.5)	(3.5)	(2.6)	(5.5)	0.0	0.0	(10.1)	(9.2)
Transfers	0.0	0.6	0.0	14.6	(2.6)	(2.0)	0.0	0.0	(2.6)	13.2
Currency translation differences	0.4	0.3	2.2	2.2	0.4	0.4	0.0	0.0	3.0	2.9
Balance at December 31	**59.4**	**55.4**	**175.1**	**161.1**	**46.7**	**44.6**	**0.0**	**0.0**	**281.2**	**261.1**

* Previous year figures presented in a comparable manner, see page 121

(12) Investment properties

Changes in investment properties

€ mill.	2015	2014*
Net carrying amount	**4.5**	**4.5**
Cost		
Balance at January 1	8.2	7.6
Additions	0.0	0.0
Disposals	0.0	0.0
Transfers	0.0	0.0
Currency translation differences	0.4	0.5
Balance at December 31	**8.6**	**8.1**
Accumulated depreciation and write-downs		
Balance at January 1	3.7	3.3
Depreciation of the period	0.3	0.2
Disposals	0.0	0.0
Transfers	0.0	0.0
Currency translation differences	0.1	0.1
Balance at December 31	**4.1**	**3.6**

* Previous year figures presented in a comparable manner, see page 121

Investment properties include land and buildings not used for operations and fully or partly leased to non-group lessees. According to IAS 40, buildings owned for investment purposes are carried at depreciated cost. Straight-line depreciation of investment properties is based on useful lives of 10 to 50 years. Rental income in the period amounted to €1.2 million (previous year: €1.1 million). Expenses (including depreciation, maintenance and repairs and incidentals) incurred for properties leased out totaled €0.5 million (previous year: €0.5 million), those for non-leased properties amounted to k€2 (previous year: k€2). As in the prior year, expenses for leased properties include no amounts for write-downs. The fair values of investment properties totaled €7.7 million (previous year: €4.9 million) and are mostly based on current market prices of comparable real estate. An assessment performed by an accredited expert did not take place.

(13) Investments in companies accounted for using the equity method

Information regarding investments in companies accounted for using the equity method

€ mill.	2015	2014*
Profit or loss from continuing operations	3.0	(7.3)
Total income and expenses recognized directly in equity	2.2	1.5
Comprehensive income	**5.2**	**(5.8)**

* Previous year figures presented in a comparable manner, see page 121

The investments in these companies are accounted for using the equity method. In this connection, the carrying amounts of associated companies are adjusted for proportional profits or losses, dividends distributed or any other changes in equity. This pertains to shares in one (previous year: two) German and six (previous year: seven) foreign companies, upon which significant influence is exercised.

Loss from continuing operations in the previous year contains an impairment loss of €8.9 million relating to a joint venture in the Switch Systems business unit.

(14) Other noncurrent financial instruments

Breakdown of other noncurrent financial instruments

€ mill.	2015	2014*
Shares in unconsolidated subsidiaries	6.8	9.6
Other investments	1.5	0.5
Loans	2.6	4.1
Securities	0.2	1.0
Derivative financial instruments in a hedging relationship	0.0	0.1
Other noncurrent financial assets	0.1	0.2
	11.2	**15.5**

* Previous year figures presented in a comparable manner, see page 121

The shares in unconsolidated subsidiaries as well as the other investments are recognized at amortized cost as market values are not available or cannot readily be determined.

Noncurrent loans not quoted in an active market as well as the other noncurrent financial assets are initially measured as non-derivative receivables at fair value (which as a rule equals the nominal amount of the receivable or the loan amount). Non- and low-interest-bearing long-term loans and receivables are discounted. For their subsequent measurement at amortized cost, the effective interest rate method is used.

Noncurrent securities with fixed or quantifiable payments and fixed maturities are carried at amortized cost using the effective interest rate method as they are quoted in an active market and classified as held to maturity.

Other noncurrent securities are classified as available for sale and hence stated at fair value. Any fair value changes upon remeasurement are recognized in OCI within equity only; however, upon disposal of such securities, the respective amount included in accumulated OCI is recycled to the income statement.

The other financial instruments are measured according to their IAS 39 classification. For the reconciliation of the balance sheet line to the IAS 39 valuation categories, see pages 149 ff., Additional disclosures on financial instruments.

(15) Sundry noncurrent assets

This item mostly includes noncurrent prepaid expenses and deferred charges.

(16) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between tax bases and IFRS carrying amounts, for tax loss carryforwards, as well as for consolidation transactions recognized in the income statement. Deferred taxes are determined at the rates already enacted at the reporting date that will apply at the expected time of realization.

Deferred taxes due to temporary differences were allocable to the following balance sheet items:

Deferred taxes

€ mill.	2015		2014*	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets and property, plant and equipment	2.3	25.6	0.3	25.1
Inventories	6.0	7.9	5.3	3.0
Receivables	1.8	1.2	1.3	2.7
Other assets	0.2	0.2	1.3	0.2
Pension provisions	7.8	0.0	7.3	0.0
Other provisions	11.1	0.1	11.4	(0.3)
Liabilities	1.0	0.8	0.8	0.4
Other liabilities	5.7	3.6	3.0	2.9
Loss carryforwards	18.2	–	21.0	–
Total	**54.1**	**39.4**	**51.7**	**34.0**
Netting	(35.4)	(35.4)	(30.4)	(30.4)
Balance sheet presentation	**18.7**	**4.0**	**21.3**	**3.6**

* Previous year figures presented in a comparable manner, see page 121

The changes in deferred tax assets and liabilities in the year under review were primarily recognized in profit or loss. In the previous year, equity was increased by deferred tax assets of €1.9 million in connection with pension provisions and €0.7 million in connection with derivative financial instruments from cash flow hedging.

As of December 31, 2015, loss carryforwards of €165.7 million (previous year: €165.0 million) existed in Germany for corporate income tax purposes and of €159.2 million for municipal trade tax purposes (previous year: €157.3 million). No deferred taxes were recognized for corporation income tax losses of €141.1 million (previous year: €131.5 million) and trade tax losses of €125.5 million (previous year: €116.3 million). According to existing German law, the carryforward of tax losses is not subject to any limitation or expiration. In order to determine the recognizable deferred tax assets on loss carryforwards, the period of detailed planning, which normally covers three years, has been extended by two years as in previous periods and specifically taken into account in anticipated taxable income. In addition, non-German companies reported tax loss carryforwards of an additional €16.9 million (previous year: €15.8 million), of which €12.4 million (previous year: €15.6 million) were considered for deferred taxes.

Allowances were recorded in the year under review against deferred tax assets in the amount of €5.7 million (previous year: €5.3 million).

(17) Inventories

Breakdown of inventories

€ mill.	2015	2014*
Raw materials and supplies	145.9	142.1
Work in process	93.6	90.1
Merchandise	11.1	19.7
Finished products	31.5	32.5
Advance payments	57.7	62.6
Total	**339.8**	**347.0**

* Previous year figures presented in a comparable manner, see page 121

Inventories are stated at the lower of cost or net realizable value (NRV). In addition to direct costs, production cost also includes all fixed and variable manufacturing overheads systematically allocable to the production process, as well as special direct manufacturing costs. Borrowing costs are capitalized as part of cost wherever qualifying assets according to IAS 23 exist. To the extent that a group valuation is made, inventories are valued at the moving average price. Risks from obsolescence or slow-moving items are taken into consideration, resulting in allowances at the balance sheet date of €69.3 million (previous year: €56.6 million) and are primarily the result of an excessive inventory. €2.1 million of these were recognized in profit or loss in the year under review (previous year: €5.8 million). The carrying amount of inventories stated at NRV totaled €76.4 million (previous year: €86.2 million).

As the reasons for previous write-downs no longer existed, inventories were written up in 2015 by €1.3 million (previous year: €1.2 million).

(18) Trade receivables and receivables from construction contracts

Given their short remaining term, trade receivables other than those from construction contracts are carried at their nominal value. Specific risks are taken into account by appropriate allowances. If there are indications of probable impairment, an appropriate valuation allowance is recognized. Derecognition only occurs if the recovery of the respective receivable is virtually impossible for legal or practical reasons.

The balance and changes in the allowances for trade receivables are presented below:

Changes in the allowances for trade receivables

€ mill.	2015	2014*
Balance at January 1	**19.0**	**14.0**
Additions	7.0	7.8
Releases	(1.6)	(1.4)
Utilization	(1.4)	(0.2)
Currency translation differences	0.2	0.2
Reclassification to assets from discontinued operations	(1.0)	(1.4)
Balance at December 31	**22.2**	**19.0**

* Previous year figures presented in a comparable manner, see page 121

Receivables from construction contracts are calculated based on the "percentage-of-completion" (PoC) method. In applying this method, any contract costs incurred, including a percentage of profit equivalent to the percentage of completion less any losses, are capitalized as total progress under construction contracts. Where total progress under construction contracts exceeds the total of all advance payments received from customers, the construction contracts are presented under assets as "Receivables from construction contracts". Where the situation is reversed, after advance payments are credited toward total progress, they are recognized on the balance sheet under liabilities as "Liabilities from construction contracts."

PoC receivables and liabilities

€ mill.	2015			2014*		
	Shown under assets	Shown under liabilities	Total	Shown under assets	Shown under liabilities	Total
Contract costs	103.1	95.1	198.2	125.3	80.4	205.7
Proportional profit	33.7	11.1	44.8	32.8	11.0	43.8
Losses	(1.1)	(0.1)	(1.2)	(1.9)	(1.0)	(2.9)
Total progress under construction contracts	135.7	106.1	241.8	156.2	90.4	246.6
Advance payments received	(31.9)	(243.9)	(275.8)	(42.5)	(214.1)	(256.6)
Partial billings	(53.6)	(9.3)	(62.9)	(62.4)	(40.2)	(102.6)
Receivables from construction contracts per balance sheet	**50.2**		**50.2**	**51.3**		**51.3**
Liabilities from construction contracts per balance sheet		**147.1**	**147.1**		**163.9**	**163.9**

* Previous year figures presented in a comparable manner, see page 121

(19) Income tax assets

These include €1.6 million of income taxes (previous year: €1.9 million) refundable to companies of the Core Components division, €4.1 million (previous year: €5.7 million) to the Customized Modules division, €0.0 million (previous year: €0.6 million) to the companies of the Lifecycle Solutions division, and €1.4 million (previous year: €0.9 million) to companies at Group level.

(20) Sundry current assets

Breakdown of sundry current assets

€ mill.	2015	2014*
Receivables from reimbursements	28.8	28.8
Other tax receivables (excluding income taxes)	6.0	19.1
Interest receivable	0.0	0.2
Deferred income	3.2	2.6
Receivables from affiliated companies	3.6	1.5
Loans and other financial receivables	2.3	1.1
Security and similar deposits	1.0	0.5
Creditors with debit accounts	1.1	0.9
Derivative financial instruments	0.5	0.4
Receivables from employees	0.4	0.4
Receivables from investees	5.9	8.9
Miscellaneous current assets	8.7	6.9
Sundry current assets	**61.5**	**71.3**

* Previous year figures presented in a comparable manner, see page 121

The receivables shown under sundry current assets are recognized at acquisition cost or, where appropriate, at amortized cost. Specific risks are taken into account by appropriate allowances. The receivables from reimbursements are not reimbursements made by investors

The balances and changes in allowances are presented below:

Changes in the allowances

€ mill.	2015	2014*
Balance at January 1	**3.8**	**1.5**
Additions	0.7	2.3
Releases	(0.1)	0.0
Utilization	(3.7)	0.0
Currency translation differences	0.0	0.0
Balance at December 31	**0.7**	**3.8**

* Previous year figures presented in a comparable manner, see page 121

For the reconciliation of financial instruments shown as sundry current assets to the IAS 39 valuation categories, see pages 149 ff., Additional disclosures on financial instruments. The other tax receivables and miscellaneous current assets are measured at cost.

(21) Short-term securities

This line item presents funds invested in short-term fixed-income securities in the amount of €0.1 million (previous year: €0.2 million) which are classified as held to maturity and hence carried at cost. The remaining securities of €0.4 million (previous year: €0.4 million) are available for sale and therefore stated at fair value. Changes in the value of these assets are recognized in equity (OCI) without profit-or-loss effect. For the reconciliation of short-term securities to the IAS 39 valuation categories, see pages 149 ff., Additional disclosures of financial instruments.

(22) Cash and cash equivalents

Cash comprises cash on hand and in bank. Cash equivalents comprise any financial instruments with an initial term of three months and readily convertible into cash. Cash and cash equivalents are carried at their nominal value.

(23) Equity/capital management

For the statement of changes in equity, see page 113. The most important objectives of financial management are the sustainable increase of enterprise value through positive value added, the safeguarding of liquidity through positive free cash flow, and an adequate equity ratio for the Vossloh Group. The optimization of the capital structure contributes as much to this as does efficient management of cash inflows and outflows from financing activities and effective risk management.

(23.1) Capital stock

Vossloh AG's capital stock amounted to an unchanged €37,825,168.86, divided into 13,325,290 no-par bearer shares of common stock only. The shares each have a notional share of €2.84 in the capital stock.

(23.2) Additional paid-in capital

The capital reserve includes the stock premium from shares issued by Vossloh AG. There are also differences recorded in additional paid-in capital that arose based on the purchase and sale prices for treasury shares.

Employee bonus program 2015

The employee bonus program 2015 (on terms unchanged from the previous year) offered employees of German Vossloh companies the option of acquiring either two Vossloh AG shares at no cost or eight shares at a discount of 50 percent of the issue price of €62.09 per share (previous year: €52.63), determined as the market price as of the share transfer date. Under this program, Vossloh employees were granted in the year under review altogether 3,288 free shares (previous year: 3,586) as well as employees of a joint venture 0 shares (previous year: 128 shares) at an expense to the Company of k€219.0 (previous year: k€199.6). The shares issued are each subject to a five-year holding period. The shares issued are acquired via the capital market; there are no other obligations from the program.

(23.3) Retained earnings

The retained earnings contain prior years' earnings of the companies included in the consolidated financial statements which have not been distributed from the Group point of view.

(23.4) Accumulated other comprehensive income

Accumulated other comprehensive income in reserves after taxes

€ mill.	Reserve for currency translation	Reserve for held-for-sale financial instruments	Reserve from hedging	Reserve from remeasurement of defined benefit pension plans	Other comprehensive income not including non-controlling interests	Non-controlling interests in other comprehensive income	Other comprehensive income
				2015			
Reclassification of defined benefit plans to retained earnings	0.0	0.0	0.0	4.9	**4.9**	0.0	**4.9**
Foreign subsidiaries – Currency translation differences –	8.9	0.0	0.0	0.0	**8.9**	0.0	**8.9**
Cash flow hedges	0.0	0.0	(0.1)	0.0	**(0.1)**	0.0	**(0.1)**
Remeasurement of defined benefit plans	0.0	0.0	0.0	(0.4)	**(0.4)**	0.0	**(0.4)**
Deconsolidation effects	0.0	0.0	1.1	0.0	**1.1**		**1.1**
Total	**8.9**	**0.0**	**1.0**	**4.5**	**14.4**	**0.0**	**14.4**
				2014			
Reclassification of defined benefit plans to retained earnings	0.0	0.0	0.0	1.2	**1.2**	0.0	**1.2**
Foreign subsidiaries – Currency translation differences –	8.1	0.0		0.0	**8.1**	1.4	**9.5**
Cash flow hedges	0.0	0.0	(1.9)	0.0	**(1.9)**	0.0	**(1.9)**
Remeasurement of defined benefit plans	0.0	0.0	0.0	(4.9)	**(4.9)**	0.0	**(4.9)**
Total	**8.1**	**0.0**	**(1.9)**	**(3.7)**	**2.5**	**1.4**	**3.9**

Accumulated OCI contains the changes in equity without profit or loss effect from the translation of financial statements of foreign subsidiaries, from the measurement of derivatives in connection with hedging transactions (cash flow hedges), and of available-for-sale financial instruments as well as remeasurements from liabilities relating to employee benefits recognized during the reporting year.

(23.5) Non-controlling interests

€12.5 million (previous year: €13.6 million) of non-controlling interests relate to minority shareholders of the Fastening Systems business unit, another €4.5 million (previous year: €5.2 million) relate to the Switch Systems business unit and €0.0 million (previous year: €0.9 million) relate to the Rail Vehicles business unit.

(24) Pension provisions

Analysis of changes in pension provisions

€ mill.	Present value of benefit obligation	Fair value of plan assets	Total
Balance at January 1, 2014	**37.6**	**(15.0)**	**22.6**
Service cost	0.5		0.5
Net interest expense/ (income)	1.3	(0.5)	0.8
Remeasurements (recognized in other comprehensive income)			
Return on plan assets excluding the portion included in net interest expense		0.5	0.5
Gains/losses on changes in demographic assumptions	0.0		0.0
Gains/losses on changes in financial assumptions	5.8		5.8
Experience-related assumptions	0.3		0.3
Change in asset ceiling			0.0
Contributions			
from beneficiaries	0.1	(0.1)	0.0
from employer		(0.1)	(0.1)
Benefits paid	(1.4)	0.2	(1.2)
Transfer of obligations	(0.4)		(0.4)
Other/currency translation differences	0.0	(0.1)	(0.1)
Balance at December 31, 2014	**43.8**	**(15.1)**	**28.7**
Service cost	0.9		0.9
Net interest expense/ (income)	1.0	(0.3)	0.7
Remeasurements (recognized in other comprehensive income)			
Return on plan assets excluding the portion included in net interest expense		(0.1)	(0.1)
Gains/losses on changes in demographic assumptions	0.1		0.1
Gains/losses on changes in financial assumptions	0.1		0.1
Experience-related assumptions	0.2		0.2
Contributions			
from beneficiaries	0.1	(0.1)	0.0
from employer		(0.1)	(0.1)
Benefits paid	(1.8)	0.5	(1.3)
Transfer of obligations	(0.3)		(0.3)
Other/currency translation differences	0.6	(0.4)	0.2
Balance at December 31, 2015	**44.7**	**(15.6)**	**29.1**

Vossloh AG and some subsidiaries have entered into pension obligations to former or current employees. Pension payments are subject to the relevant conditions and made until the life of the beneficiary has ended. These defined benefit obligations (DBO) vary according to the economic situation and are as a rule based on service years, pensionable pay, and position within Vossloh. As these are defined benefit plans, the pension payment obligations must be met by the subsidiaries concerned. In addition, voluntary or statutory defined contribution plans are in place at a number of subsidiaries. These companies are under no obligation to make any pension-related payments other than their contractual contributions to an outside fund, which totaled €12.7 million (previous year: €11.6 million).

In accordance with IAS 19, the projected unit credit method has been used to determine pension obligations, taking into account current market interest rates and anticipating future pay and pension increases, as well as fluctuation rates. Accounting risks of the defined benefit plans particularly arise from changes in current market interest rates since the currently low interest rate as compared to the high present values of the obligations leads at the same time to the risk that the market values of the assets within the plan asset will not increase to the same extent. This could lead to a decrease in equity as a result of actuarial losses.

The plan assets which are offset against the present value of the pension benefits pertain primarily to pension liability insurance policies, which cover the major portion of the claims from the pension commitments. The pension liability insurance policies are pledged to the individual beneficiaries concerned; the offsetting with the present value of the obligation is carried out at fair value.

The pension provisions recognized are based on actuarial reports of independent actuaries. In this connection, the mortality tables 2005G from Klaus Heubeck have been utilized.

Assumptions for the calculation of the pension obligations

%	2015	2014
Discount rate	2.32	2.30
Expected increase in pension payments	1.8	1.8
Expected increase in wages and salaries	3.0	3.0
Estimated fluctuation rate	6.0	6.0

The recognized pension provision is derived as follows:

Analysis of the recognized pension provision

€ mill.	2015	2014
Present value of pension commitments covered by plan assets	21.7	20.9
Fair value of plan assets	(15.6)	(15.1)
Provision for pension benefits covered by plan assets	**6.1**	**5.8**
Present value of pension commitments not covered by plan assets	23.0	22.9
Provision for pension benefits not covered by plan assets	**23.0**	**22.9**
Recognized pension provision	**29.1**	**28.7**

The current service cost represents a portion of the personnel expense which is included in the functional costs. The interest expense forms part of the interest result.

The actual return on plan assets amounted to 3.7 percent in the reporting period, as in the previous year.

The discount rate is seen as a significant parameter for which a sensitivity analysis was performed due to possible changes. A decrease or increase in the discount rate by 25 basis points would have increased the DBO and therefore the provision by €1.5 million (previous year: €1.4 million) or decreased the provision by €1.3 million (previous year: €1.3 million) respectively.

The average duration of the defined benefit pension plans is 14.3 years (previous year: 15.0 years).

(25) Other provisions

Breakdown of other provisions

€ mill.	2015	2014*
Personnel-related provisions	16.1	14.4
Warranty obligations and follow-up costs	16.2	18.6
Litigation risks and impending losses	9.7	20.7
Sundry provisions	5.0	2.8
Other noncurrent provisions	**47.0**	**56.5**
Personnel-related provisions	0.4	1.1
Warranty obligations and follow-up costs	39.1	36.2
Litigation risks and impending losses	14.6	15.2
Sundry provisions	67.3	53.8
Other current provisions	**121.4**	**106.3**
	168.4	**162.8**

* Previous year figures presented in a comparable manner, see page 121

All provisions reported as current provisions have maturities of one year or less. All provisions reported as noncurrent provisions have remaining terms exceeding a year. The utilization dates are subject to significant uncertainty, especially with regard to risks from warranty obligations and litigation risks. The other provisions consider all obligations which are identifiable at the balance sheet date, based on past events, and are uncertain in terms of amount or timing. Accruals are recognized at amounts most likely to be utilized. If the effect of discounting is material, noncurrent provisions are recognized at the present value of the uncertain obligations.

The maximum risk inherent to recorded provisions is €31.9 million above the amount recognized in the balance sheet (previous year: €35.6 million). Additional risks of €4.4 million (previous year: €1.9 million) exist as below-the-line items but are not provided for since their probability is below 50 percent.

In addition to vacation provisions and obligations from partial retirement contracts, the personnel-related provisions also include provisions required under the law in France planned for non-recurring payments ("Indemnités de fin de carrière") for employees that depart the Company (both in the case of transitioning to retirement as well as other situations). As per IAS 19, such provisions are required to be treated as employee benefits and, because of the way they have been structured, classified as a "defined benefit plan". As these are not lifelong pension payments, the resulting provisions are recognized under other provisions.

Assets have partially been set up in an external benefit fund ("plan assets") in order to finance the expected payments. Thus the provisions recognized on the balance sheet constitute the total of the fair value of the plan assets less the present value of the obligation:

Assumptions for the calculation of provisions for "Indemnités de fin de carrière"

%	2015	2014
Discount rate	2.03	2.0
Expected increase in wages and salaries	2.0	2.0
Estimated fluctuation rate	0 to 10	0 to 10

Analysis of the recognized provisions for "Indemnités de fin de carrière"

€ mill.	2015	2014
Present value of pension commitments covered by plan assets	5.5	4.9
Fair value of plan assets	(1.2)	(1.2)
Provision for pension benefits covered by plan assets	**4.3**	**3.7**
Present value of pension commitments not covered by plan assets	1.4	1.4
Provision for pension benefits not covered by plan assets	**1.4**	**1.4**
Recognized pension provision	**5.7**	**5.1**

The following table shows how the present value of the obligation and the plan assets established for financing purposes developed during the financial year and the previous year:

Changes in provisions for "Indemnités de fin de carrière"

€ mill.	Present value of benefit obligation	Fair value of plan assets
Balance at January 1, 2014	**6.0**	**(1.4)**
Service cost	0.3	
Net interest expense/ (income)	0.2	0.0
Remeasurements		
Return on plan assets excluding the portion included in net interest expense		0.0
Gains/losses on changes in demographic assumptions		
Gains/losses on changes in financial assumptions	0.2	
Experience-related assumptions	0.0	
Change in asset ceiling		
Contributions		
from beneficiaries		
from employer		
Benefits paid	(0.4)	0.2
Transfer of obligations	0.0	
Effects from changes in the scope of consolidation		
Balance at December 31, 2014	**6.3**	**(1.2)**
Service cost	0.4	
Net interest expense/ (income)	0.1	–0.1
Remeasurements		
Return on plan assets excluding the portion included in net interest expense		0.0
Gains/losses on changes in demographic assumptions		
Gains/losses on changes in financial assumptions	0.0	
Experience-related assumptions	0.3	
Change in asset ceiling		
Contributions		
from beneficiaries		
from employer		
Benefits paid	(0.2)	0.1
Transfer of obligations		
Other/currency translation differences		
Balance at December 31, 2015	**6.9**	**(1.2)**

The warranty accruals include both provisions for specific warranty cases and the general warranty costs empirically derived from past sales. The accrued litigation risks and impending losses account for obligations under lawsuits and for loss risks from contracts in progress. As of the balance sheet date, €0.1 million was accrued for impending losses on purchase obligations (previous year: €0.8 million). The other provisions include provisions for risks from company disposals and antitrust investigations. Reimbursements in connection with the latter risks are accounted for under other assets.

Changes in other provisions

€ mill.	Opening balance 1/1/2015*	Addition from first-time consolidation	Utilization	Release	Addition	Interest effects	Currency translation differences	Closing balance 12/31/2015
Personnel-related provisions	15.5	0.0	(1.6)	(0.1)	2.7	0.0	0.0	16.5
Warranty obligations and follow-up costs	54.8	0.0	(13.7)	(6.9)	20.7	0.0	0.4	55.3
Litigation risks and impending losses	35.8	0.0	(8.5)	(10.0)	6.1	0.4	0.5	24.3
Sundry provisions	56.7	0.2	(9.4)	(3.1)	27.8	0.1	0.0	72.3
Other provisions	**162.8**	**0.2**	**(33.2)**	**(20.1)**	**57.3**	**0.5**	**0.9**	**168.4**

* Previous year figures presented in a comparable manner, see page 121

The release of sundry provisions relates in the amount of €0.0 million (previous year: €0.1 million) to discontinued operations.

(26) Liabilities

Liabilities according to remaining terms

€ mill.	2015	2014*	2015	2014*	2015	2014*	2015	2014*
Remaining term	≤ 1 year		1–5 years		> 5 years		Total	
Financial liabilities	25.9	281.0	253.4	49.8	0.0	0.0	279.3	330.8
Trade payables	172.5	147.3	3.1	0.7	0.0	0.0	175.6	148.0
Liabilities from construction contracts	147.1	163.9	0.0	0.0	0.0	0.0	147.1	163.9
Income tax liabilities	12.2	14.2	0.0	0.0	0.0	0.0	12.2	14.2
Other liabilities	120.3	105.5	10.4	3.4	0.0	0.0	130.7	108.9
	478.0	**711.9**	**266.9**	**53.9**	**0.0**	**0.0**	**744.9**	**765.8**

* Previous year figures presented in a comparable manner, see page 121

Breakdown of financial liabilities

€ mill.	2015	2014*
Other long-term liabilities to banks	253.4	49.8
Noncurrent finance leases	0.0	0.0
Noncurrent financial liabilities	**253.4**	**49.8**
Short-term liabilities to banks	24.9	280.6
Interest payable	1.0	0.4
Current notes payable	0.0	0.0
Current finance leases	0.0	0.0
Current financial liabilities	**25.9**	**281.0**
Financial liabilities	**279.3**	**330.8**

* Previous year figures presented in a comparable manner, see page 121

(26.1) Financial liabilities

Financial debts are principally carried at amortized cost.

In the year under review, a syndicated loan of €500 million with a term of three years was concluded between Vossloh AG and eleven banks. In this context, there is a liability of €200 million throughout the entire term and a credit line used in different amounts, which is adjusted at short notice in each case. The interest rate depends on the amount of specific indicators known as covenants; at the same time, a breach of the thresholds defined in these covenants leads to an early right of cancellation on the part of the lending banks. The following items were identified as covenants: (1) the ratio of net financial liabilities to EBITDA, (2) the ratio of EBITDA to the net interest result and (3) the equity ratio. The covenants are checked for compliance on a quarterly basis; the first check was performed at the end of September 30, 2015. The covenants were complied with both at this time and over the year as a whole.

For the reconciliation of the financial liabilities to the IAS 39 valuation categories, see pages 149 ff., Additional disclosures on financial instruments.

Covenants exist for two US Group companies in connection with bank credit lines, which as of the balance sheet date were not utilized.

(26.2) Trade payables and liabilities from construction contracts

PoC liabilities result from construction contracts where the advance payments made by customers and partial invoices are in excess of the cumulative performance from the processing of the respective contracts. For the detailed breakdown of these liabilities into gross receivables, prepayments received and partial invoices and other information, see Note (18) on receivables from construction contracts.

(26.3) Income tax liabilities

These pertain to the actual income taxes due to the tax authorities as of balance sheet date which are shown by the various Group companies.

(26.4) Other liabilities

Breakdown of other liabilities

€ mill.	2015	2014*
Derivative financial instruments on fair value hedges	0.1	0.0
Derivative financial instruments on cash flow hedges	0.7	1.7
Advance payments received	0.0	0.0
Noncurrent deferred income	0.7	1.2
Personnel-related liabilities	0.2	0.4
Sundry	8.7	0.1
Other noncurrent liabilities	**10.4**	**3.4**
Advance payments received	38.9	40.4
VAT payable	8.6	3.0
Social security and health insurance contributions	5.5	5.2
Other non-income taxes	4.2	3.8
Liabilities to employees	2.5	1.9
Other liabilities to affiliated companies	1.4	1.3
Commissions	0.2	0.1
Deferred income	1.5	2.4
Derivative financial instruments on fair value hedges	3.2	6.0
Derivative financial instruments on cash flow hedges	3.5	2.1
Personnel-related liabilities	34.4	30.0
Sundry	16.4	9.3
Other current liabilities	**120.3**	**105.5**
	130.7	**108.9**

* Previous year figures presented in a comparable manner, see page 121

Upon initial recognition, financial instruments are stated at their historical fair value (as of the trading date) including direct transaction costs (if any) and thereafter carried at amortized cost unless their measurement at fair value is required. The recognition of gains/losses from the measurement at fair value depends on whether the IAS 39 hedge accounting criteria are met. Gains/losses from the restatement at fair value of derivatives in fair value hedges are recognized in the income statement, as are the changes in value of the hedged underlying transactions. In contrast, the corresponding gains/ losses from measuring derivatives in cash flow hedges at fair value are recognized without profit-or-loss effect in equity (OCI) after considering deferred taxes.

For the reconciliation of other liabilities to the IAS 39 valuation categories, see pages 149 ff., Additional disclosures on financial instruments.

The prepayments received, shown at €38.9 million (previous year: €40.4 million) as other liabilities, include advance payments for projects not recognized as construction contracts according to IAS 11. In accordance with IAS 19, the current liabilities to employees are recognized at the undiscounted amount owed.

Notes to the segment report

The Vossloh Group's operating segments are defined by its internal organizational and reporting structures, which are based on the products and services offered by Vossloh's business units. In accordance with IFRS 8, segment reporting encompasses not only the divisions but also separately presents their business units.

The Rail Vehicles business unit is still listed as discontinued operations in the segment reports, while balance sheet information as of December 31, 2015 is no longer included.

The segment structure in the three core business divisions has not changed as against the previous year. At the moment, the Fastening Systems business unit is the only business unit in the Core Components division, Vossloh Switch Systems is the only business unit in the Customized Modules division, and Vossloh Rail Services is the only business unit in the Lifecycle Solutions division. The Transportation division continues to exist in its current structure and still includes the Locomotives and Electrical Systems business units following the disposal of the former Rail Vehicles business unit.

The Core Components division currently comprises the Fastening Systems business unit. It is a leading provider of rail fastening systems. The product lineup includes fasteners for every application from light-rail, extending through heavy-haul, to high-speed lines.

The Customized Modules division and the Switch Systems business unit comprised in this division are among leading switch manufacturers worldwide. The business unit equips rail networks with switches (turnouts, crossings, etc.), as well as with the related control and monitoring systems which it also installs and maintains. Here, also, the lineup extends from light-rail to high-speed applications.

The Lifecycle Solutions division and the Rail Services business unit engage in activities such as rail trading, long-rail (un)loading at construction sites, welding new rails, reconditioning old rails, on-site welding, rail replacement, rail grinding/milling, rail inspection, and construction site supervision, in addition to organizing and monitoring just-in-time rail shipments to construction sites and ensuring on-site availability of the approved (un)loading systems.

The Transportation division includes the rail vehicle and vehicle system/component operations plus the related services. The division comprises the Locomotives and Electrical Systems business units.

For nearly 100 years, the diesel locomotives developed and produced in the Locomotives business unit have set new benchmarks in terms of technological standards, economy, flexibility, and eco-friendliness. This business unit also offers extensive services, in particular relating to locomotive servicing and maintenance.

The Electrical Systems business unit develops and produces key electrical components and systems for public transport vehicles and locomotives. The business unit counts as one of the leading suppliers of electrical equipment both for trolleybuses and hybrid buses. Besides furnishing complete systems, the unit supplies air conditioners for rail vehicles, individual components, subassemblies, revamping work, servicing and maintenance.

In the consolidation, all intra-segment and intersegment transactions are eliminated. This pertains primarily to the offsetting of intragroup income/expenses, the elimination of intragroup income and dividends and the elimination of receivables/payables. In the previous year, a Group company that belongs to the Fastening Systems business unit was sold to a company at Group level. The intercompany profit of €14.9 million generated from this transaction was included in the value added attributable to Vossloh Fastening Systems and to the Core Components division and was removed only at the holding company level by means of intercompany profit elimination. The accounting methods applied by all segments are identical and conform to IFRS as adopted by the EU. Intersegment business is transacted on an arm's length basis.

Segment financial information is presented for each division and business unit on pages 114 f.

The major noncash segment expenses include additions to provisions.

In the analysis of its results of operations in the combined management report, the Vossloh Group reports the pretax value added (VA) as a key performance indicator. A pretax WACC of 10.0 percent was applied in the 2015 financial year, as in the previous year.

A reconciliation of the segment result "value added" of the entire Group to the earnings before interest and taxes (EBIT) presented in the consolidated income statement is shown below:

Reconciliation of value added to EBIT

€ mill.	2015	2014*
Value added	(35.9)	(267.8)
Cost of capital applied to the capital required for business operations (WACC 10 percent)	81.0	84.4
EBIT	**45.1**	**(183.4)**

* Previous year figures presented in a comparable manner, see page 121

Segment information by region is provided for noncurrent assets and (external) sales revenue in accordance with IFRS 8.33. The external sales revenue presented by region is based on the customer location. As sales with unconsolidated subsidiaries are not taken into account in this overview of external sales revenue, the figures are not compatible with the overview of sales by region on page 50 of the combined management report.

Segment information by region

€ mill.	2015	2014*	12/31/2015	12/31/2014*
	External sales revenue		Noncurrent assets	
Germany	269.7	215.8	223.6	226.0
France	128.9	137.4	165.6	167.5
Other Western Europe	137.8	124.8	53.9	53.6
Northern Europe	107.0	86.9	20.0	9.5
Southern Europe	58.7	47.5	8.2	9.6
Eastern Europe	66.8	82.1	5.5	6.3
Total Europe	**768.9**	**694.5**	**476.8**	**472.5**
Americas	219.4	147.3	70.5	68.5
Asia	149.0	206.1	23.0	22.4
Africa	30.4	22.4	0.0	0.0
Australia	22.5	25.2	10.0	10.2
Total	**1,190.2**	**1,095.5**	**580.3**	**573.6**

* Previous year figures presented in a comparable manner, see page 121

Additional disclosures on financial instruments

Vossloh's consolidated balance sheet includes both derivative and non-derivative financial instruments. Non-derivative financial instruments comprise as assets primarily receivables, cash and cash equivalents and the other financial assets. On the liability side, they include the financial liabilities.

In the case of derivative financial instruments, whose value is derived from an underlying, these pertain particularly to swaps and forward currency transactions.

Non-derivative financial instruments

Financial instruments are recognized and measured according to measurement category under IAS 39.

Non-derivative financial instruments are recognized in the consolidated balance sheet when Vossloh becomes a contractual party to the financial instrument. Financial assets are derecognized according to IAS 39 when the contractual right to payments from a financial asset lapses or expires or when the financial asset is assigned and transferred along with substantially all the risks and rewards of its ownership. Financial liabilities are derecognized when the contractual obligation is settled, discharged or canceled, or expires.

Financial assets and liabilities are categorized as loans and receivables, held for trading, held to maturity or available for sale. The Vossloh Group does not exercise the so-called fair value option.

Financial instruments categorized as loans and receivables or held to maturity are carried at amortized cost subsequent to initial recognition, while those held for trading are remeasured and carried at fair value, with the resulting gains/losses recognized in net income.

Available-for-sale financial assets are likewise remeasured and carried at fair value if their fair value is reliably determinable. The resulting gains/losses are recognized in equity (OCI) without profit-or-loss effect and after allowing for deferred taxes. This category mainly includes securities other than loans, receivables or financial instruments held to maturity.

Derivative financial instruments

The Vossloh Group uses various derivative financial instruments, primarily to hedge forex or currency risks from firm foreign-currency contractual obligations, future currency receivables/payables, price risks from sales or sourcing transactions, and interest rate risks arising from long-term financing.

Hedges of assets and liabilities reported in the balance sheet are recognized as fair value hedges. The offsetting changes in value of the underlying and hedging transactions, which relate to the hedged risk, are recognized in the balance sheet. Any fair value changes (gains/losses) due to exchange rate volatility are recognized in the income statement. In a completely effective hedge (in the case of a micro hedge this is generally the case), the gains (or losses) on the derivative’s fair value remeasurement equal the losses (or gains) on the underlying’s.

When accounting for cash flow hedges of pending or uncompleted transactions (so-called executory contracts), changes in the derivative's fair value are recognized in equity (OCI) without profit-or-loss effect and after allowing for deferred taxes. Upon completion or recognition of the underlying transactions, the associated gains/losses previously accumulated in OCI are either recycled to the income statement or offset against the cost of purchased assets.

The nominal volume of the hedged foreign currencies is divided as follows:

€ mill.	Währung	2015	2014
USA	USD	151.4	120.3
Great Britain	GBP	66.9	66.2
Poland	PLN	3.8	5.0
Sweden	SEK	3.3	6.6
Australia	AUD	2.9	2.6
China	CNY	2.0	2.3
Other	Other	2.2	6.8
		232.5	**209.8**

Owing to the disposal of Vossloh Rail Vehicles, derivatives previously classified as internal derivatives are now reclassified as external derivatives. As a result, the nominal volume of the hedged foreign currencies USD and GBP increased by €22.3 million and €15.8 million respectively as of December 31, 2015.

The table below shows the fair value of derivatives used for hedging currency and interest rate risks, as well as the hedged nominal volumes:

Derivative financial instruments			Fair value	Nominal	Fair value	Nominal
€ mill.			2015	2015	2014	2014
Interest rate swap	Maturity	Up to 1 year	–	–	–	–
		Up to 5 years	(0.5)	50.0	(0.2)	50.0
		> 5 years	–	–	–	–
			(0.5)	**50.0**	**(0.2)**	**50.0**
Currency forward transactions	Maturity	Up to 1 year	(6.2)	192.2	(8.2)	170.1
		Up to 5 years	(0.3)	40.3	(3.1)	39.7
		> 5 years	–	–	–	–
			(6.5)	**232.5**	**(11.3)**	**209.8**
Total			**(7.0)**	**282.5**	**(11.5)**	**259.8**

Discounted cash flow (DCF) methods are used to determine fair values of currency hedging and currency forward transactions. The discount is based on current market rates which match maturity of the financial instruments maturity.

The tables below detail financial instrument carrying amounts, the breakdown into measurement categories and financial instrument fair values in accordance with IFRS 13 as well as fair value hierarchy levels of financial instruments according to IFRS 7, and include–although not covered by any IAS 39 valuation category–derivatives in hedging relationships and payables under capital leases.

Carrying amounts, measurement categories and fair values as of December 31, 2015

€ mill.	Carrying amount at 12/31/2015	Measurement according to IAS 39			Fair value at 12/31/2015
		Amortized cost	Fair value through OCI	Fair value through income statement	
Trade receivables	**256.9**				
Loans and receivables	256.9	256.9			256.9
Receivables from construction contracts	**50.2**				
Loans and receivables	50.2	50.2			50.2
Securities	**0.5**				
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	0.4		0.4		0.4
Other financial instruments and other assets	**75.9**				
Loans and receivables	46.0	46.0			46.0
Held to maturity	0.0		0.0		0.0
Held for trading	0.0			0.0	0.0
Available for sale	1.6	1.3	0.3	0.0	1.6
Derivatives in hedging relationships (not a category according to IAS 39.9)	0.5	0.0	0.1	0.4	0.5
IAS 39 not applicable	27.8				–
Cash and cash equivalents	**78.8**				
Loans and receivables	78.8	78.8			78.8
Total financial assets	**462.3**	**433.3**	**0.8**	**0.4**	**434.5**
Financial liabilities	**279.3**				
Loans and receivables	279.3	279.3			279.3
Finance leases (IAS 39 not applicable)	0.0				–
Trade payables	**175.6**				
Loans and receivables	175.6	175.6			175.6
Liabilities from construction contracts	**147.1**				
Loans and receivables	147.1	147.1			147.1
Other liabilities	**130.7**				
Loans and receivables	86.8	86.8			86.8
Derivatives in hedging relationships (not a category according to IAS 39.9)	7.5		4.2	3.3	7.5
IAS 39 not applicable	36.4				–
Total financial liabilities	**732.7**	**688.8**	**4.2**	**3.3**	**696.3**

Summary of measurement category of IAS 39

€ mill.	Carrying amount at 12/31/2015	Measurement according to IAS 39			Fair value at 12/31/2015
		Amortized cost	Fair value through OCI	Fair value through income statement	
Financial assets					
Loans and receivables	431.9	431.9			431.9
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	2.0	1.3	0.7		2.0
Total financial assets	**434.0**	**433.3**	**0.7**	**0.0**	**434.0**
Financial liabilities					
Measurement at amortized cost	688.8	688.8	–	–	688.8
Total financial liabilities	**688.8**	**688.8**	**–**	**–**	**688.8**

Carrying amounts, measurement categories and fair values as of December 31, 2014

€ mill.	Carrying amount at 12/31/2014	Measurement according to IAS 39			Fair value at 12/31/2014
		Amortized cost	Fair value through OCI	Fair value through income statement	
Trade receivables	**255.3**				
Loans and receivables	255.3	255.3			255.3
Receivables from construction contracts	**51.3**				
Loans and receivables	51.3	51.3			51.3
Securities	**0.6**				
Held to maturity	0.2	0.2			0.2
Held for trading	0.0			0.0	0.0
Available for sale	0.4		0.4		0.4
Other financial instruments and other assets	**90.0**				
Loans and receivables	46.6	46.6			46.6
Held to maturity	0.4		0.4		0.4
Held for trading	0.0			0.0	0.0
Available for sale	1.0	0.6	0.4	0.0	1.0
Derivatives in hedging relationships (not a category according to IAS 39.9)	0.5	0.0	0.0	0.5	0.5
IAS 39 not applicable	41.5				–
Cash and cash equivalents	**47.3**				
Loans and receivables	47.3	47.3			47.3
Total financial assets	**444.5**	**401.3**	**1.2**	**0.5**	**403.0**
Financial liabilities	**330.8**				
Loans and receivables	330.8	330.8			330.8
Finance leases (IAS 39 not applicable)	0.0				0.0
Trade payables	**148.0**				
Loans and receivables	148.0	148.0			148.0
Liabilities from construction contracts	**163.9**				
Loans and receivables	163.9	163.9			163.9
Other liabilities	**108.9**				
Loans and receivables	83.8	83.8			83.8
Derivatives in hedging relationships (not a category according to IAS 39.9)	9.7		3.8	5.9	9.7
IAS 39 not applicable	15.4				–
Total financial liabilities	**751.6**	**726.5**	**3.8**	**5.9**	**736.2**

Summary of measurement category of IAS 39

€ mill.	Carrying amount at 12/31/2014	Measurement according to IAS 39			Fair value at 12/31/2014
		Amortized cost	Fair value through OCI	Fair value through income statement	
Financial assets					
Loans and receivables	400.5	400.5	0.0		400.5
Held to maturity	0.6	0.2	0.4		0.6
Held for trading	0.0				0.0
Available for sale	1.4	0.6	0.8	0.0	1.4
Total financial assets	**402.5**	**401.3**	**1.2**	**0.0**	**402.5**
Financial liabilities					
Measurement at amortized cost	726.5	726.5	–	–	726.5
Total financial liabilities	**726.5**	**726.5**	**–**	**–**	**726.5**

The measurement categories were not reclassified.

Due to the mostly short remaining terms, the fair value of trade receivables and from construction contracts, cash and cash equivalents, other receivables and assets essentially corresponds as of December 31 to their carrying amount.

Trade payables and liabilities from construction contracts as well as other liabilities also usually have short terms, which is why their carrying amounts essentially correspond to their fair values. The fair value of noncurrent financial liabilities was calculated by discounting the payments of principal and interest to be expected from these liabilities in the future based on current market interest rates.

The financial assets carried at fair value mainly pertain to derivatives in hedging relationships.

The table below shows the assignment of the financial assets and payables carried at fair value to the fair value hierarchy levels in accordance with IFRS 7 and IFRS 13. There were no reclassifications between the various levels of the fair value hierarchy either during the reporting year or the previous year.

Assignment of levels of the fair value hierarchy

	Level 1: Input of quoted prices		Level 2: Input of observable market data		Level 3: No input of observable market data	
€ mill.	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Financial assets at fair value						
Held to maturity	0.0	0.0		0.4		
Available for sale			0.7	0.8		
Derivatives in hedging relationships			0.5	0.5		
Total	**0.0**	**0.0**	**1.2**	**1.7**	**0.0**	**0.0**
Financial liability measured at fair value						
Derivatives in hedging relationships			7.5	9.7		
Total	**0.0**	**0.0**	**7.5**	**9.7**	**0.0**	**0.0**

The basis for the levels of the hierarchy for the determination of fair value is the factors applied. In Level 1, inputs are in the form of (unadjusted) quoted prices in active markets for identical assets or liabilities. Level 2 covers direct inputs other than Level 1 quoted prices for identical or similar assets or liabilities or indirect inputs derived from observable market data. Level 3 is based on unobservable inputs for a financial asset or liability that are used to measure fair value wherever no observable market data is available.

The potential offsetting of financial instruments based on legally enforceable global netting agreements is shown in the following table:

Offsetting possibilities for financial instruments

€ mill.	2015	2014*
Financial assets		
Recognized gross amounts of the financial assets	2.9	0.7
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet amounts of the financial assets	**2.9**	**0.7**
That can be offset on the basis of master agreements	(0.9)	(0.4)
Total net value of the financial assets	**2.0**	**0.3**
Financial liabilities		
Recognized gross amounts of the financial liabilities	(9.9)	(12.3)
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet amounts of the financial liabilities	**(9.9)**	**(12.3)**
That can be offset on the basis of master agreements	0.9	0.4
Total net value of the financial liabilities	**(9.0)**	**(11.9)**

* Previous year figures presented in a comparable manner, see page 121

The net gains/losses and net interest income/expense recognized in the income statement result from the following financial instrument measurement categories:

Net gains/ (losses) on financial instruments by measurement category

€ mill.	Loans and receivables	Held to maturity	Held for trading	Available for sale	2015	2014*
Net gains/ (losses) from:						
Interest	(9.3)	0.0	0.0	0.0	(9.3)	(9.0)
Remeasurement						
from allowances	(4.2)	0.2	0.0	(2.7)	(6.7)	(4.8)
from currency translation differences	(4.3)	–	–	–	(4.3)	(1.4)
at fair value	–	–	0.5	–	0.5	(0.5)
Derecognition	0.0	–	–	1.7	1.7	0.0
Total	**(17.8)**	**0.2**	**0.5**	**(1.0)**	**(18.1)**	**(15.7)**

*Previous year figures presented in a comparable manner, see page 121

Interest is shown within net interest expense, allowances for (primarily trade) receivables are recognized within the functional (mainly selling) expenses while the net gains or losses on disposal and currency translation are disclosed within net other operating income (or expense, as applicable). Gains from the remeasurement to fair value of securities held for trading and the write-down of financial instruments available for sale are included in the above table and recognized within the other financial results. Remeasurements to fair value for available-for-sale financial assets were recognized in the year under review in the amount of €0.0 million (previous year: €0.0 million) in OCI.

Financial risk management

The Vossloh Group's business operations are exposed to financial risks such as liquidity, currency, interest rate, default and other credit risks. Vossloh's Treasury Management controls and contains group-wide all liquidity, currency and interest rate risks while default and other credit risks are monitored by the general risk management system.

Liquidity risks

Vossloh manages its liquidity risks (i.e., that the Group is not able at all times to meet its payment obligations) through a rolling cash budget and a central cash management system. As of the end of the reporting period, cash, cash equivalents and readily salable securities of €79.3 million were at the Group's disposal, besides additional, unutilized credit facilities of €427.7 million to satisfy any future cash requirements. The table below shows the contractually agreed undiscounted payments of principal and interest for financial liabilities:

Maturities of interest and principal payments as of December 31, 2015

	Up to 1 year				1 to 5 years			
€ mill.	2015		2014		2015		2014	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Non-derivative financial liabilities	(25.9)	(4.9)	(281.0)	(1.4)	(253.5)	(6.3)	(49.8)	(2.6)
Derivative financial liabilities	(6.7)	–	(8.0)	–	(0.7)	–	(1.7)	–
Derivative financial assets	0.5	–	0.4	–	–	–	–	–

Currency risks

Currency risks arise from (i) recognized non-euro assets and liabilities whose euro equivalent may be adversely affected by unfavorable exchange rates, and (ii) pending or uncompleted currency transactions whose future cash flows may show a negative trend depending on how forex rates develop. Significant operations-related currency risks Vossloh is exposed to originate from trade receivables and payables denominated in a non-euro currency, as well as from pending or uncompleted trade and purchasing transactions. Vossloh has issued binding instructions to centrally hedge against currency risks group-wide through Treasury Management by using currency forwards at matching maturities and amounts as micro hedges of the associated underlying transactions. The fixed exchange rates for the hedged underlying transactions counter any unfavorable rate effects on cost estimates and assets.

Interest rate risks

Interest rate risks mainly result from floating-rate short-term loans raised for Group financing purposes, as well as from short-term funds invested at variable rates.

The risk of an unfavorable market rate trend and thus higher interest payments for floating-rate notes is contained by contracting interest rate swaps and caps.

In connection with hedge accounting, such interest rate hedging transactions are accounted for as cash flow hedges.

The fair value of derivatives used for hedging against currency and interest rate risks, as well as the hedged nominal volumes are detailed in the notes to financial instruments on page 149 ff.

Sensitivity analysis

Given certain assumptions, sensitivity analyses put an approximate figure to the risk that exists if certain influential factors undergo changes. The following changes have been assumed with regard to interest-rate risk and exchange-rate risk:
- an increase in market interest rates of one percentage point (parallel shift in the yield curve);
- simultaneous appreciation of the euro against all foreign currencies by 10 percent.

Financial instruments originally stipulated with variable interest rates as well as existing interest rate derivatives were taken into consideration in the determination of the interest-rate risk. A market interest rate that is higher by one percentage point applied to the financial liabilities identified with variable rates as of December 31, 2015 would have increased the financial expense by €2.3 million. A market interest rate that is lower by one percentage point would have reduced the net financial result by €0.1 million owing to the existing Euribor floor rule in the syndicated loan. This is based on the underlying assumption that the higher interest rate would have applied for an entire year.

As currency risks were almost fully hedged, the impact of a simultaneous 10 percent depreciation of the euro on the unhedged foreign currency positions was insignificant for the results of operations. The following tables show the effects of the sensitivity analysis on the provisions for hedging transactions:

Sensitivity analysis of key foreign currency derivatives

		Equity			Equity	
€ mill.	2015	+ 10 %	– 10 %	2014	+ 10 %	– 10 %
USD	151.4	1.8	(2.5)	120.3	0.6	(0.9)
GBP	66.9	2.0	(2.7)	66.2	5.6	(7.6)

Credit risks

Credit risks are defined as the risk that counterparties fail to meet their financial obligations. The credit risk attaching to the cash and cash equivalents invested by Vossloh with banks and the short-term securities held by subsidiaries, as well as to hedging instruments contracted with banks, is minimized by selecting counterparties of prime standing only. As part of business operations, trade and other receivables are exposed to a certain default risk.

These credit risks are monitored by the risk management system and minimized by taking out credit insurance (e.g. Euler Hermes). Specific collection risks are taken into account through adequate allowances.

The balance of gross receivables (receivables before allowances or write-down) breaks down as follows in terms of operational credit risks:

Balance of gross current receivables

€ mill.	Receivables neither past due nor impaired	Receivables past due but not impaired	Impaired receivables	Gross balance of receivables
Trade receivables				
2015	186.2	74.0	18.9	279.1
2014	176.9	81.8	15.6	274.3
Other				
2015	61.0	0.8	0.6	62.4
2014	71.4	0.0	3.7	75.1

The analysis below breaks down the receivables past due but not impaired:

Receivables not impaired but past due

€ mill.	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	>12 months	Total
Trade receivables						
2015	27.5	14.3	10.2	9.7	12.3	**74.0**
2014	34.0	22.3	13.1	5.0	7.4	**81.8**
Other						
2015	0.0	0.2	0.2	0.0	0.4	**0.8**
2014	0.0	0.0	0.0	0.0	0.0	**0.0**

No specific default risk arises from past due receivables since, given Vossloh's customer structure, many debtors are government or other public-sector agencies.

The maximum loss on default from all financial assets corresponds to their carrying amount (see the analysis on page 153).

Other disclosures

Contingent liabilities

As of December 31, 2014, total contingent liabilities were up by €183.7 million to €195.4 million. €182.4 million was attributable to total contingent liabilities for the sold Rail Vehicles business unit with effect from December 31, 2015. With the completion of the transaction, Stadler Rail AG assumed all obligations arising from these contingent liabilities. The actual release from the contingent liabilities is to take place within three months following the completion of the sale. For liability releases not completed yet, an irrevocable and unconditional guarantee is given at first request by a first-class bank or insurer. The Group has incurred contingent liabilities under guarantees of €98.6 million (including €7.1 million in favor of unconsolidated subsidiaries), of €93.7 million for letters of comfort and of €3.1 million for the collateralization of third-party debts (including €1.3 million allocable to unconsolidated subsidiaries). The risk of an enforcement of any of these contingent liabilities is not considered likely.

Other financial obligations

Commitments for the acquisition of property, plant and equipment and intangible assets totaled €8.5 million (previous year: €12.4 million).

The minimum undiscounted future payments under operating and similar leases and under rental agreements respectively amounted to €124.1 million (previous year: €96.3 million). Commitments under operating leases fall due as follows:

Financial commitments under operating leases

€ mill.	2015	2014
Due up to 1 year	11.2	11.1
Due in 1 to 5 years	30.3	21.2
Due in more than 5 years	13.2	0.0
	54.7	**32.3**

Financial commitments under rental agreements

€ mill.	2015	2014
Due up to 1 year	11.9	10.4
Due in 1 to 5 years	32.2	26.5
Due in more than 5 years	25.3	27.0
	69.4	**63.9**

The obligations under operating leases have been incurred primarily for factory, business and office equipment. The following payments were recognized in expense:

Lease payments recognized in expense

€ mill.	2015	2014
of which minimum lease payments	10.7	10.2
of which income from subleases	12.7	10.1

Future minimum payments of €32.3 million are expected under non-cancelable subleases (previous year: €19.5 million).

Significant Group companies with shareholders that have a non-controlling interest are
1. Vossloh Fastening Systems China Co. Ltd., Kunshan, China,
2. Vossloh Cogifer Kihn SA, Rumelange, Luxembourg and
3. Vossloh Beekay Castings Ltd., Bhilai, India.

Re 1.: 32 percent of the shares of capital of this company are held by shareholders with a non-controlling interest. During the reporting year, €5.3 million (previous year: €7.4 million) of the company's net income was attributable to these shareholders. As of December 31, 2015, the share of equity attributable to shareholders with a non-controlling interest was €12.5 million (previous year: €13.6 million).

Significant financial information for Vossloh Fastening Systems China Co. Ltd., Kunshan, China

€ mill.	12/31/2015	12/31/2014
Noncurrent assets	18.5	18.7
Current assets	74.1	78.7
Noncurrent liabilities	5.3	3.5
Current liabilities	48.4	51.5
Sales revenue	97.3	135.3
Net income after taxes	16.7	23.0
Comprehensive income	16.1	26.9

Re 2.: 10.79 percent of the shares of capital of this company are held by shareholders with a non-controlling interest. During the reporting year, €0.1 million (previous year: €0.1 million) of the company's net income was attributable to these shareholders. As of December 31, 2015, the share of equity attributable to shareholders with a non-controlling interest was €1.5 million (previous year: €1.7 million).

Significant financial information for Vossloh Cogifer Kihn, SA, Rumelange, Luxembourg

€ mill.	12/31/2015	12/31/2014
Noncurrent assets	19.8	19.6
Current assets	13.8	11.0
Noncurrent liabilities	0.9	0.3
Current liabilities	18.9	17.0
Sales revenue	24.4	26.9
Net income after taxes	0.5	0.9
Comprehensive income	0.5	0.9

Re 3.: 41.52 percent of the shares of capital of this company are held by shareholders with a non-controlling interest. During the reporting year, €0.0 million (previous year: €0.1 million) of the company's net income was attributable to these shareholders. As of December 31, 2015, the share of equity attributable to shareholders with a non-controlling interest was €2.9 million (previous year: €2.7 million).

Significant financial information for Vossloh Beekay Castings Ltd., Bhilai, India

€ mill.	12/31/2015	12/31/2014
Noncurrent assets	3.3	3.2
Current assets	6.0	5.6
Noncurrent liabilities	0.2	0.2
Current liabilities	2.1	1.9
Sales revenue	7.9	6.8
Net income after taxes	0.1	0.2
Comprehensive income	0.6	0.8

Where shareholders of other Group companies hold non-controlling interests, these interests are insignificant both individually and cumulatively.

Related parties

Vossloh AG as the ultimate controlling parent is at the helm of the Vossloh Group. The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated subsidiaries, joint ventures and associated companies. Resulting transactions were executed on an arm's length basis. Related unconsolidated companies and associated companies are disclosed in the list of shareholdings on page 164 f.

Individuals among the Vossloh Group's related parties are the members of the Executive and Supervisory Boards and certain other senior management staff.

The Chairman of the Supervisory Board indirectly controls the Knorr-Bremse Group. These companies are accordingly to be treated as related parties. Resulting from transactions with the Knorr-Bremse Group in the financial year were material purchases in the amount of €7.8 million (previous year: €4.1 million), sales in the amount of €1.3 million (previous year: €1.2 million) as well as open receivables and advance payments as of December 31, 2015 in the amount of €0.3 million (previous year: €0.0 million) and trade payables of €1.2 million (previous year: €0.5 million).

The table below breaks down the period's transactions with related parties (entities/individuals), conducted almost exclusively with unconsolidated subsidiaries and reflected in segment reporting as intragroup transfers (internal sales revenue) and in the consolidated balance sheet as intercompany receivables/payables due from or to unconsolidated subsidiaries (within other current assets or liabilities, as applicable). The volume of transactions with related individuals was negligible.

€ mill.	2015	2014
Sale or purchase of goods		
Sales revenue from the sale of finished goods or WIP	15.9	7.9
Cost of materials from the purchase of finished goods or WIP	47.9	7.7
Advance payments	46.1	62.9
Trade receivables	7.5	4.4
Trade payables	6.9	2.2
Sale or purchase of other assets		
Payables for the purchase of other assets	0.9	0.9
Services rendered or received		
Income from services rendered	4.2	3.8
Expenses for services received	2.8	5.5
Leasing arrangements		
Income from operating leases	0.0	0.0
Expenses on operating leases	0.1	0.1
Transfers of services in research and development		
Income from the transfer of research and development services	0.6	0.0
Licenses		
License income	0.0	0.0
License expenses	0.6	1.4
Financing		
Income from the provision of guarantees	1.6	0.0
Interest income from loans granted	0.3	0.1
Interest expense from financing loans taken up	0.5	1.0
Receivables on loans issued	7.9	6.4
Provision of guarantees and collateral		
Provision of guarantees	7.1	6.9
Provision of other collateral	1.3	1.3

Supervisory Board members will receive short-term benefits of k€393.3 for the reporting period (previous year: k€306.7). For an itemized breakdown by member of this total, and further details of the remuneration system, see the Board Compensation Report (an integral part of the Vossloh Group's combined management report).

Executive Board remuneration

€ mill.	2015	2014
Short-term benefits	3.8	2.4
Post-retirement benefits	0.4	0.6

In the year under review, former Executive Board members received benefits in the form of pension payments totaling k€1,082.4 (previous year: k€907.2). Pension obligations to former Executive and Management Board members and their surviving dependents amount to €19.1 million (previous year: €17.5 million). The full amount of these obligations is recognized in the consolidated financial statements, and the majority of them are covered by plan assets.

Auditor fees

The following fees for the services rendered in the year under review by the statutory auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, as well as by firms of KPMG AG's international network, and for the services rendered by the statutory auditor of the consolidated financial statements in the previous year, BDO AG Wirtschaftsprüfungsgesellschaft, as well as by firms of BDO AG's international network, were recognized as an expense:

Auditor fees

€ mill.	2015: KPMG	2014: BDO
Statutory audits	1.2	1.3
Other attestation services	0.2	0.3
Tax services	0.0	0.7
Other services	0.0	0.1
	1.4	**2.4**

In financial year 2015, the group auditor's fees include €0.4 million for statutory audits (previous year: €0.4 million), €0.2 million for other attestation services (previous year: €0.2 million) plus €0.0 million (previous year: €0.7 million) for tax services and €0.0 million (previous year: €0.1 million) for other services.

The fees for statutory audits mainly include those paid for the mandatory group audit and the statutory audits of Vossloh AG's and its German subsidiaries' financial statements, which were conducted by KPMG AG in the year under review and by BDO AG in the previous year. The fees include €0.1 million (previous year: €0.0 million) for other attestation services plus €0.0 million (previous year: €0.0 million) for tax consultancy provided by non-German KPMG firms but invoiced through KPMG AG. The same applies to non-German BDO firms or BDO AG in the previous year. The fees for other attestation services in the year under review mainly relate to consultancy in various transactions or projects and for quarterly report reviews. In the previous year, the fees for other attestation services mainly relate to consultancy and auditing work in connection with the implementation of group-wide accounting policies, for due diligence work and the quarterly report reviews. The tax consultancy fees of the previous year cover substantially advisory services rendered for the formulation of tax returns, the review of tax assessment notices, as well as for national and international tax matters. In the previous year, KPMG AG Wirtschaftsprüfungsgesellschaft rendered other services in the amount of €0.1 million.

German Corporate Governance Code

In December 2015 the Executive and Supervisory Boards issued, and made permanently available to the stockholders on Vossloh's website, the declaration of conformity pursuant to Sec. 161 AktG.

Group companies and investees

Pursuant to Sec. 313 (2) HGB, details of the Group's shareholdings are listed below:

List of shareholdings

		Footnote	Shareholding in %	in	Consolidation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh AG, Werdohl**				(k)		
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(k)		
(3)	Vossloh US Holdings Inc., Wilmington, USA		100.00	(2)	(k)		
(4)	Vossloh Australia Pty. Ltd., Sydney, Australia		100.00	(1)	(k)		
	Core Components division / Fastening Systems business unit						
(5)	Vossloh-Werke GmbH, Werdohl		100.00	(1)	(k)		
(6)	Vossloh Fastening Systems GmbH, Werdohl	3	100.00	(5)	(k)		
(7)	Vossloh Tehnica Feroviara SRL, Bucharest, Romania		100.00	(5)	(n)	0.0	0.0
(8)	Vossloh Drážni Technika s.r.o., Prague, Czech Republic		100.00	(5)	(n)	2.3	0.6
(9)	Vossloh Sistemi S.r.l., Sarsina, Italy		100.00	(5)	(k)		
(10)	Patil-Vossloh Rail Systems Pvt. Ltd., Hyderabad, India	5	51.00	(5)	(n)	1.5	(0.2)
(11)	Vossloh Maschinenfabrik Deutschland GmbH, Werdohl		100.00	(5)	(n)	0.2	0.0
(12)	Vossloh Skamo Sp.z o.o., Nowe Skalmierzyce, Poland		100.00	(5)	(k)		
(13)	Vossloh Rail Technologies Ltd Sti., Erzincan, Turkey		99.50/0.50	(5/6)	(k)		
(14)	FÉDER-7 Rugógyártó Kft., Sárkeresztes, Hungary		96.67/3.33	(5/6)	(n)	0.5	0.1
(15)	Vossloh Fastening Systems America Corp., Chicago, USA		100.00	(3)	(k)		
(16)	Vossloh Fastening Systems China Co. Ltd., Kunshan, China		68.00	(5)	(k)		
(17)	Vossloh-Werke International GmbH, Werdohl		100.00	(5)	(k)		
(18)	Beijing China-Railway Vossloh Technology Co., Ltd., Beijing, China		49.00	(5)	(n)	2.2	0.8
(19)	Vossloh Fastening Systems Southern Africa Proprietary Limited, Cape Town, South Africa		100.00	(101)	(n)	0.0	0.0
(20)	TOO Vossloh Fastening Systems (Kazakhstan) Co. Ltd., Kapchagay, Kazakhstan		50.00	(17)	(e)		
(21)	Suzhou Vossloh Track Systems Co., Ltd., Suzhou, China		100.00	(17)	(n)	0.0	0.6
(22)	OAO Vossloh Fastening Systems RUS, Engels, Russia		51.00	(5)	(n)	2.4	0.1
(23)	Vossloh Fastening Systems Australia Pty. Ltd., Sydney, Australia		100.00	(4)	(n)	0.9	(0.1)
	Customized Modules division / Switch Systems business unit						
(24)	Vossloh France SAS, Rueil-Malmaison, France		100.00	(1)	(k)		
(25)	Vossloh Cogifer SA, Rueil-Malmaison, France		100.00	(24)	(k)		
(26)	Jacquemard AVR SA, St. Jean Bonnefonds, France		100.00	(25)	(k)		
(27)	Vossloh Cogifer Finland Oy, Teijo, Finland		60.00	(28)	(k)		
(28)	Vossloh Nordic Switch Systems AB, Ystad, Sweden		100.00	(25)	(k)		
(29)	Vossloh Cogifer KIHN SA, Rumelange, Luxembourg		89.21	(25)	(k)		
(30)	Vossloh Laeis GmbH, Trier		100.00	(29)	(k)		
(31)	Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal		61.00	(25)	(k)		
(32)	Amurrio Ferrocarril y Equipos SA, Amurrio, Spain		50.00	(25)	(e)		
(33)	Montajes Ferroviarios, S.L., Amurrio, Spain		100.00	(32)	(n)	0.4	0.0
(34)	Burbiola SA, Amurrio, Spain		50.00	(32)	(n)	1.2	0.0
(35)	Vossloh Cogifer UK Limited, Scunthorpe, United Kingdom		100.00	(25)	(k)		
(36)	Vossloh Cogifer Italia S.r.l., Milan, Italy		100.00	(25)	(k)		
(37)	Vossloh Cogifer Polska Sp.z o.o., Bydgoszcz, Poland		96.20	(25)	(k)		
(38)	ATO-Asia Turnouts Limited, Bangkok, Thailand		51.00	(25)	(e)		
(39)	Vossloh Cogifer Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(25)	(k)		
(40)	Cogifer Americas, Inc., Cincinnati, USA		100.00	(25)	(n)	0.1	0.0
(41)	Siema Applications SAS, Villeurbanne, France		100.00	(25)	(k)		
(42)	VOSSLOH MIN SKRETNICE DOO ZA Proizvodnjui Montazu Skretnica i Opreme Niš, Niš, Serbia		100.00	(25)	(k)		
(43)	Vossloh Cogifer Turnouts India Private Limited, Hyderabad, India	5	100.00	(25)	(n)	1.5	0.7
(44)	Vossloh Beekay Castings Ltd., Bhilai, India	5	58.48	(25)	(k)		
(45)	Vossloh Cogifer Signalling India Private Limited, Bangalore, India	5	100.00	(25)	(n)	0.2	0.0
(46)	Vossloh Track Material, Inc., Wilmington, USA		100.00	(3)	(k)		
(47)	Cleveland Track Material Inc., Cleveland, USA		100.00	(3)	(k)		
(48)	Vossloh Cogifer Australia Pty. Ltd., Castlemaine, Australia		100.00	(4)	(k)		
(49)	Vossloh Cogifer Kloos BV, Nieuw-Lekkerland, Netherlands		100.00	(25)	(k)		
(50)	Vossloh France International SAS, Rueil-Malmaison, France		100.00	(24)	(n)	0.0	0.0
(51)	Wuhu China Railway Cogifer Track Co., Wuhu, China		50.00	(25)	(e)		
(52)	'J' Rail Components & Manufacturing, Inc., Grass Valley, USA		100.00	(53)	(k)		
(53)	Vossloh Signaling USA Inc., Cleveland, USA		100.00	(3)	(k)		
(54)	Vossloh Cogifer Argentina S.A., Buenos Aires, Argentina		90.00/10.00	(25/26)	(n)	0.5	(0.3)
(55)	ADIF S.E. - Vossloh Cogifer Argentina SA Consorcio de Cooperacion, Buenos Aires, Argentina		51.00	(54)	(n)	2.6	0.0
(56)	Vossloh Cogifer - SP Technologies B.V., Amsterdam, Netherlands		10.00	(25)	(n)	7.2	0.4
(57)	Vossloh Cogifer Southern Africa Proprietary Limited, Cape Town, South Africa		100.00	(101)	(n)	0.0	0.0
(58)	Vossloh Cogifer do Brazil Administracao de Bens e Participacoes Ltda., Sorocaba, Brazil		100.00	(25)	(k)		
(59)	Vossloh Cogifer do Brasil Metalúrgica MBM SA, Sorocaba, Brazil		100.00	(58)	(k)		
(60)	Outreau Technologies SAS, Outreau, France		100.00	(25)	(k)		
(61)	VOSSLOH COGIFER – SP TECHNOLOGIA L.L.C., Moscow, Russia		100.00	(56)	(n)	9.0	(1.7)
(62)	NOVOSIBIRSKIY STRELOCHNIY ZAVOD - NSZ, Novosibirsk, Russia		74.99	(61)	(n)	38.2	1.0

		Footnote	Shareholding in %	in	Consoli- dation[1]	Equity[2]	Result after taxes[2]
	Lifecycle Solutions division / Rail Services business unit						
(63)	Vossloh Rail Services GmbH, Hamburg	3	100.00	(1)	(k)		
(64)	Stahlberg Roensch GmbH, Hamburg	3	100.00	(63)	(k)		
(65)	Vossloh Rail Center Nürnberg GmbH, Nuremberg	3	100.00	(64)	(k)		
(66)	Vossloh Rail Center Bützow GmbH, Bützow	3	100.00	(64)	(k)		
(67)	Vossloh Rail Center Leipzig GmbH, Leipzig	3	100.00	(64)	(k)		
(68)	GTS Gesellschaft für Gleistechnik Süd mbH, Leipzig	3	100.00	(64)	(k)		
(69)	Vossloh Rail Center Hamburg GmbH, Hamburg	3	100.00	(64)	(k)		
(70)	Alpha Rail Team GmbH & Co. KG, Berlin		50.00	(64)	(e)		
(71)	Alpha Rail Team Verwaltungs GmbH, Berlin		50.00	(64)	(n)	0.0	0.0
(72)	LOG Logistikgesellschaft Gleisbau mbH, Hanover	3	100.00	(63)	(k)		
(73)	Vossloh Ray Hizmetleri Limited Sirketi, Ankara, Turkey		100.00	(76)	(k)		
(74)	Vossloh High Speed Grinding GmbH, Hamburg	3	100.00	(63)	(k)		
(75)	Vossloh Mobile Rail Services GmbH, Leipzig	3	100.00	(64)	(k)		
(76)	Vossloh Rail Services International GmbH, Hamburg	3	100.00	(63)	(k)		
(77)	Vossloh MFL Rail Milling GmbH, Liezen, Austria		50.00	(76)	(e)		
(78)	Vossloh Rail Services Scandinavia AB, Helsingborg, Sweden		100.00	(76)	(k)		
(79)	Vossloh Rail Services North America Corporation, Chicago, USA		100.00	(3)	(n)	0.3	(0.1)
(80)	Beijing CRM-Vossloh Track Maintenance Technology Co., Ltd., Beijing, China		47.00	(76)	(e)		
(81)	Vossloh Rail Services Kunshan Co., Ltd., Kunshan, China	4	100.00	(76)	(k)		
(82)	Vossloh Rail Services Finland Oy, Kouvola, Finland	4	60.00	(76)	(k)		
	Transportation division						
	Locomotives business unit						
(83)	Vossloh Locomotives GmbH, Kiel	3	100.00	(1)	(k)		
(84)	Locomotion Service GmbH, Kiel	3	100.00	(83)	(k)		
(85)	Vossloh Locomotives France SAS, Antony, France		100.00	(83)	(k)		
(86)	Vossloh Locomotives Scandinavia AB, Örebro, Sweden	4	100.00	(83)	(k)		
	Electrical Systems business unit						
(87)	Vossloh Kiepe GmbH, Düsseldorf	3	100.00	(1)	(k)		
(88)	Vossloh Kiepe Beteiligungs GmbH, Düsseldorf	3	100.00	(87)	(k)		
(89)	Vossloh Kiepe Ges.m.b.H., Vienna, Austria		100.00	(88)	(k)		
(90)	Vossloh Kiepe Corporation, Vancouver, Canada		100.00	(88)	(n)	0.4	0.1
(91)	Vossloh Kiepe S.r.l., Cernusco sul Naviglio, Italy		100.00	(88)	(n)	0.2	0.0
(92)	Vossloh Kiepe Main Line Technology GmbH, Düsseldorf	3	100.00	(88)	(k)		
(93)	APS electronic AG, Niederbuchsiten, Switzerland		100.00	(88)	(k)		
(94)	Vossloh Kiepe Inc., Alpharetta, USA		100.00	(3)	(k)		
(95)	Vossloh Kiepe Limited, Birmingham, United Kingdom		100.00	(88)	(k)		
(96)	Vossloh Kiepe UK Limited, Birmingham, United Kingdom		100.00	(95)	(k)		
(97)	Vossloh Kiepe Southern Africa Proprietary Limited, Cape Town, South Africa		100.00	(101)	(n)	0.0	0.0
(98)	Heiterblick Projektgesellschaft mbH, Leipzig		49.00	(88)	(n)	0.0	0.0
(99)	Vossloh Kiepe d.o.o., Niš, Serbia		100.00	(88)	(n)	0.0	0.0
	Other companies						
(100)	Vossloh Track Systems GmbH, Werdohl		100.00	(1)	(n)	0.1	0.0
(101)	Vossloh Southern Africa Holdings Proprietary Ltd., Johannesburg, South Africa		100.00	(100)	(n)	0.2	0.0
(102)	OOO Vossloh Bahn- und Verkehrstechnik, Moscow, Russia		99.00/1.00	(100/2)	(n)	0.4	0.2
(103)	Vossloh Middle East Business Rail - L.L.C., Abu Dhabi, UAE (i.L.)		49.00	(100)	(n)	0.0	0.0
(104)	Vossloh Zweite Beteiligungsgesellschaft mbH, Werdohl		100.00	(1)	(n)	0.0	0.0
(105)	Vossloh Dritte Beteiligungsgesellschaft mbH, Düsseldorf		100.00	(104)	(n)	0.0	0.0

[1]Fully consolidated companies are noted (k), those accounted for using the equity method (e) and unconsolidated companies (n)
The exclusion from the scope of consolidation is based on immateriality with respect to net assets, financial position and results of operations
[2]Foreign currency amounts in the case of equity are translated at the average exchange rate as of the balance sheet date and results after tax are translated at the annual average rate
[3]Exercise of the exemption according to Sec. 264 (3) HGB or Sec. 264b HGB
[4]Included in the consolidation for the first time
[5]Differing financial year 4/1 to 3/31

Vossloh AG's Executive Board

Dr. h.c. Hans M. Schabert, born 1961, Nuremberg,
Chairman of the Executive Board
First appointment: April 1, 2014, appointed until: March 31, 2017
Group mandates:
– Vossloh-Werke GmbH: Head of Executive Management
– Vossloh Fastening Systems GmbH: Managing Director
– Vossloh-Werke International GmbH: Managing Director
– Vossloh España S.A.U.: Member of the Administrative Board (since December 31, 2015)

Volker Schenk, born 1964, Düsseldorf
First appointment: May 1, 2014, appointed until: April 30, 2017
Group mandates:
– Vossloh Cogifer SA: Chairman of the Administrative Board
– Vossloh France International SAS: President
– Vossloh Australia Pty. Ltd.: Member of the Administrative Board
– Vossloh-Schwabe Australia Pty. Ltd.: Member of the Administrative Board
– Vossloh Kiepe GmbH: Head of Executive Management (until January 31, 2015)
– Vossloh Fastening Systems Australia Pty. Ltd. (formerly: Vossloh-Schwabe Australia Pty. Ltd.): Member of the Administrative Board
– Vossloh Track Systems GmbH: Managing Director (since May 6, 2015)
– Vossloh International GmbH: Managing Director (since May 6, 2015)
– Vossloh Southern Africa Holdings Pty. Ltd.: Managing Director (since July 21, 2015)
– Wuhu China Railway Cogifer Track Co. Ltd.: Member of the Administrative Board (since July 31, 2015)
– Vossloh Fastening Systems (China) Co. Ltd.: Chairman of the Administrative Board (since August 21, 2015)
– Beijing China-Railway Vossloh Technology Co. Ltd.: Member of the Administrative Board (since December 14, 2015)
– Suzhou Vossloh Track Systems Co. Ltd.: Chairman of the Administrative Board (since July 20, 2015)

Oliver Schuster, born 1964, Kierspe
First appointment: March 1, 2014, appointed until: February 28, 2017
External mandates:
– Wohnungsgesellschaft Werdohl GmbH: Member of the Supervisory Board
Group mandates:
– Vossloh Cogifer SA: Member of the Administrative Board
– Vossloh France SAS: President
– Vossloh España S.A.U.: Member of the Administrative Board (since December 31, 2015)

Vossloh AG's Supervisory Board

Heinz Hermann Thiele[2,4], Chairman, Munich, entrepreneur,
former Chairman of the Executive Board of Knorr-Bremse AG
– Chairman of the Supervisory Board of Knorr-Bremse AG
– Chairman of the Supervisory Board of Knorr-Bremse GmbH Austria

Ulrich M. Harnacke[2,3,4], Vice Chairman, Mönchengladbach,
tax consultant and auditor (since May 20, 2015)
– Member of the Supervisory Board of Elexis AG
– Member of the Shareholders' Committee of Thüga Holding GmbH & Co. KGaA

Silvia Maisch[1], Monheim, electrical mechanic

Dr.-Ing. Wolfgang Schlosser[4], Puchheim, consultant and former
Managing Director of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH

Michael Ulrich[1,2,3], Kiel, machinist

Ursus Zinsli[3,4], Saint-Sulpice (Canton of Vaud, Switzerland), former Managing Director
of Scheuchzer SA (Switzerland)
– Vice-President of the Administrative Board of FURRER + FREY AG, Bern (Switzerland)
– Member of the Administrative Board of Scheuchzer SA, Bussigny (Switzerland)

[1]Employee representative
[2]Member of the Personnel Committee
[3]Member of the Audit Committee
[4]Member of the Nomination Committee

Proposed profit appropriation

In accordance with German GAAP, Vossloh AG's separate financial statements 2015 show net income of €182,818,029.11 and, after including the loss carryforward of €59,351,633.51, an unappropriated surplus of €123,466,395.60.

The Executive Board will propose to the Annual General Meeting that the unappropriated surplus be carried forward.

Werdohl, February 26, 2016

Vossloh AG
Executive Board

Dr. h.c. Hans M. Schabert, Volker Schenk, Oliver Schuster

Management Representation

"We represent that, to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements present a true and fair view of the Vossloh Group's net assets, financial position and results of operations, and the combined management report gives a true and fair view of the Group's performance and the overall position of the Group, as well as the significant risks and opportunities associated with the Group's expected development."

Werdohl, February 26, 2016

Vossloh AG
Executive Board

Dr. h.c. Hans M. Schabert, Volker Schenk, Oliver Schuster

Auditor’s report

We have audited the consolidated financial statements prepared by Vossloh AG, Werdohl, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the report on the situation of the Company and the Group (combined group management report) for the financial year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 26, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rodemer	Jessen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar 2016/2017

Dates 2016

Annual General Meeting	May 25, 2016
Publication of interim reports/interim note	
as of March 31	April 28, 2016
as of June 30	July 27, 2016
as of September 30	October 27, 2016

For further dates, go to www.vossloh.com

Dates 2017

Publication of 2015 financial data	March 2017
Press conference	March 2017
Investors and analysts conference	March 2017
Annual General Meeting	May 2017

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Information on Vossloh stock

ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hanover, Hamburg,Stuttgart, Munich
Index	SDAX
Shares outstanding as of December 31, 2015	13,325,290
Shares outstanding as an annual average	13,325,290
Share price (December 31, 2015)	€59.52
2015 high/low	€69.75/€50.92
Reuters code	VOSG.DE
Bloomberg code	VOS GR
Proposed dividend	€0.00

Glossary

Guarantee line	Credit line for guarantees and surety bonds
Bilateral credit facility	Credit agreement between two parties
Capital employed	Working capital plus fixed assets
Cash pooling	Balance transfer procedure for pooling liquidity
Derivative financial instruments	Contracts whose fair values are derived from basis values (e.g. stocks or currencies)
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/sales
EBT	Earnings before taxes
Equity ratio	Equity/total assets
Finance lease	Type of lease contract that requires the lessee to account for the leased asset
Financial liabilities	Bonded loans, bank debts, notes payable and liabilities from finance leases
FTE	Full-time equivalent
IAS/IFRS	International Accounting Standards/International Financial Reporting Standards
Investment grade rating	Credit rating between AAA and BBB- as rated by Standard & Poor's, a lower rating means "speculative grade"

Return on capital	See Return on capital employed
Employee bonus program	Program for granting shares to employees free of charge or at reduced prices
Net financial debt	Financial liabilities – cash and cash equivalents – short-term securities
Operating lease	Type of lease contract that requires the lessor to account for the leased asset
Personnel expenses per capita	Personnel expenses/annual average headcount
Return on capital employed	EBIT/average capital employed
Treasury	Finance management
Value added	(Return on capital employed (ROCE) - weighted average cost of capital (WACC)) x average capital employed
Working capital	Trade receivables (incl. receivables from long-term construction contracts) + inventories – trade payables (incl. liabilities from long-term construction contracts) – prepayments received – other short-term provisions (adjusted for items not attributable to operating business)
Working capital intensity	Average working capital/sales
Interest rate cap	Option contract for an interest rate ceiling to hedge against rising rates
Interest rate swap	Contract for swapping variable and fixed interest payments based on underlying principal

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www.vossloh.com

Ten-year overview of the Vossloh Group

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Income statement data											
Sales revenue	€ mill.	1,200.7	1,100.8	1,300.7	1,243.0	1,197.2	1,351.3	1,173.7	1,212.7	1,232.1	1,015.2
EBIT	€ mill.	45.1	(183.4)	52.7	97.5	97.2	152.1	137.9	137.7	121.5	82.7
Net interest expense	€ mill.	(13.5)	(24.2)	(21.4)	(21.4)	(12.3)	(11.7)	(9.4)	(9.3)	(12.3)	(14.1)
EBT	€ mill.	31.6	(207.6)	31.3	76.1	84.9	140.4	128.5	128.4	109.2	68.6
Group net income	€ mill.	77.8	(205.7)	23.6	64.8	60.5	111.1	96.7	146.2	74.1	22.6
Earnings per share	€	5.42	(16.46)	1.25	4.94	4.32	7.32	6.57	9.48	4.83	1.38
Return on capital employed[1]	%	5.6	(21.7)	5.9	11.5	12.0	17.2	20.5	18.8	14.9	12.9
Value added	€ mill.	(35.9)	(267.8)	(22.8)	13.0	16.1	54.8	63.7			
Balance sheet data											
Fixed assets	€ mill.	558.3	548.8	714.5	662.7	625.6	590.7	458.2	431.4	503.4	423.4
Capital expenditure[2]	€ mill.	36.7	50.7	64.4	61.1	65.6	57.9	41.9	37.6	52.6	23.9
Depreciation/amortization[2]	€ mill.	40.3	123.2	40.7	41.4	38.2	39.5	24.6	22.8	29.2	25.9
Closing working capital[3]	€ mill.	210.2	226.5	94.5	166.0	200.3	258.0	245.1	300.7	312.8	216.7
Closing capital employed	€ mill.	768.5	775.3	809.0	828.7	825.9	848.6	703.2	732.1	816.2	640.1
Equity	€ mill.	428.7	349.6	481.1	505.7	480.1	580.0	492.6	492.7	434.0	371.1
thereof: non-controlling interests	€ mill.	17.0	19.7	18.6	15.9	14.0	27.9	20.4	16.9	12.1	9.3
Net financial debt[4]	€ mill.	200.1	283.0	204.1	200.8	238.8	136.6	70.2	(35.0)	124.9	62.3
Total assets	€ mill.	1,375.1	1,604.4	1,562.4	1,500.0	1,495.9	1,405.8	1,338.4	1,339.4	1,326.8	1,198.5
Equity ratio	%	31.2	21.8	30.8	33.7	32.3	41.3	36.8	36.8	32.7	31.0
Cash flow statement data											
Cash flow from operating activities	€ mill.	107.8	(42.2)	130.5	162.6	138.5	139.1	44.9	133.8	80.2	186.9
Cash flow from investing activities	€ mill.	(11.6)	(58.3)	(75.4)	(72.9)	(90.6)	(151.1)	(52.3)	116.8	(123.6)	(15.4)
Cash flow from financing activities	€ mill.	(77.0)	103.7	(63.1)	(109.9)	(47.3)	(71.8)	(84.1)	(77.0)	(25.7)	(81.5)
Net cash inflow/outflow	€ mill.	19.2	3.2	(8.0)	(20.2)	0.6	(83.8)	(91.5)	173.6	(69.1)	90.0
Employees											
Annual average headcount	No	4,875	4,883	5,247	5,078	5,000	4,984	4,717	4,631	5,493	4,765
thereof: Germany	No	1,830	1,853	1,759	1,756	1,747	1,667	1,312	1,243	1,183	1,168
Abroad	No	3,045	3,030	3,487	3,322	3,253	3,317	3,405	3,388	4,310	3,597
Personnel expenses	€ mill.	285.4	283.0	284.0	271.0	259.0	249.5	229.6	223.2	268.9	223.9
Personnel expenses per capita	k€	58.5	58.0	54.1	53.4	51.8	50.1	48.7	48.2	49.0	47.0

Ten-year overview of Vossloh AG

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Capital stock	€ mill.	37.8	37.8	37.8	37.8	37.8	37.8	37.8	37.8	37.8	37.7
Dividend per share	€	0.0[5]	0.0	0.50	2.00	2.50	2.50	2.00	2.00+1.00	1.70	1.30
Stock price at December 31	€	59.52	53.50	72.50	74.47	74.07	95.50	69.52	79.49	80.10	57.14
Market capitalization at December 31	€ mill.	793.1	712.9	870.3	893.5	888.3	1.272.6	926.0	1.104.0	1.185.1	842.0

[1]From 2009, based on average capital employed
[2]Excluding non-current financial instruments; scheduled amortization/depreciation plus impairment write-downs and reversals
[3]From 2009, the other current provisions, being non-interest, are also deducted
[4]With a negative sign: net financial assets
[5]Subject to the approval of the Annual General Meeting

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