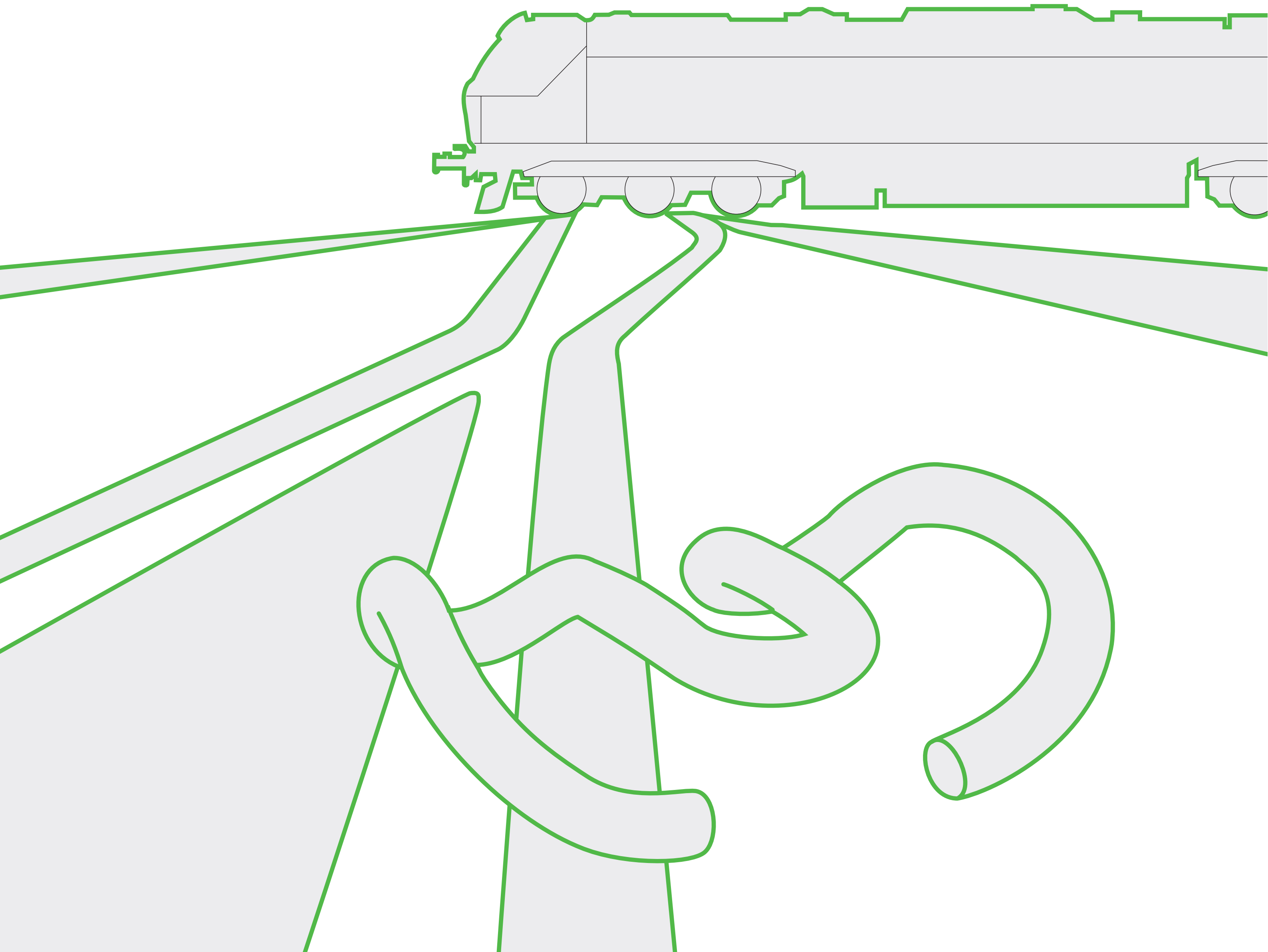
Sustainable success.

Interim report as of March 31, 2008



Group figures and indicators		Q1/2008	Q1/2007
Income statement data			
Net sales	€ mill.	344.8	267.7
thereof: Rail Infrastructure	€ mill.	203.8	147.7
Motive Power&Components	€ mill.	141.0	120.0
EBIT	€ mill.	32.9	20.7
Net interest expense	€ mill.	(3.4)	(2.5)
EBT	€ mill.	29.5	18.2
Group earnings (total)	€ mill.	19.4	12.0
Earnings per share	€	1.31	0.81
EBIT margin	%	9.5	7.7
Pretax return on equity (ROE)[1]	%	25.9	19.0
Return on capital employed (ROCE)[1]	%	14.7	12.9
Balance sheet data			
Fixed assets[2]	€ mill.	520.2	422.9
capital expenditures	€ mill.	7.1	6.0
amortization/depreciation	€ mill.	7.7	5.9
Working capital	€ mill.	372.6	221.4
Working capital intensity[1]	%	27.0	20.7
Capital employed	€ mill.	892.8	644.3
Total equity	€ mill.	455.3	382.9
thereof: minority interests	€ mill.	12.2	8.4
Net financial debt	€ mill.	141.7	27.3
Net leverage	%	31.1	7.1
Total assets	€ mill.	1,366.8	1,225.6
Equity ratio	%	33.3	31.2
Cash flow statement data			
Cash flow from operating activities	€ mill.	4.0	47.3
Cash flow from investing activities	€ mill.	(17.9)	(0.6)
Cash flow from financing activities	€ mill.	6.0	(16.9)
Change in cash & cash equivalents	€ mill.	(7.9)	29.8
Workforce			
Average headcount in the period		6,167	4,896
thereof: Rail Infrastructure		4,228	3,187
Motive Power&Components		1,897	1,677
Vossloh AG		42	32
Payroll-to-value added ratio	%	68.7	72.7
Personnel expenses	€ mill.	76.6	59.1
Share data			
Stock price at March 31	€	89.36	71.91
Market capitalization at March 31	€ mill.	1,322.2	1,059.7

[1] Where required, figures annualized
[2] Intangible/tangible assets, investment properties, investments carried at equity, other noncurrent financial instruments

Dear Stockholders:

Q1/2008 once again saw Vossloh push ahead dynamically; we showed a performance that, in line with our expectations, improved appreciably. Sharing in the progress were both divisions, which despite rising commodity prices reported clear gains in sales and EBIT.

Q1 sales by the Vossloh Group rose 28.8 percent to €344.8 million. EBIT climbed even more vigorously, by just under 59 percent to €32.9 million. We also bettered our key profitability indicator: ROCE mounted from 12.9 percent (Q1/2007) to 14.7 percent. The Q1 EBIT margin jumped from 7.7 to 9.5 percent. Hence, both indicators are just slightly short of our benchmarks of 15 percent for ROCE and 10 percent for the EBIT margin.

For our Locomotives business unit, back in the fall of 2006 we had considered entering into strategic partnerships, especially with a view to controlling greater value-adding potential. However, locomotive business is presently in the best of shape and both the Kiel and Valencia locations report a very tall order backlog and are operating with sustainable profitability. Given this situation, the pressure to make changes within this business unit has eased considerably.

Q1/2008 was a period during which we carried on with our accelerated internationalization efforts as reflected in the share of non-European sales which advanced from around 13 percent in Q1/2007 to almost 24 percent for the quarter ended March 31, 2008, thus enabling us to close in on our target of 30 percent sales outside Europe.

In our endeavors to place Vossloh on a broader international base and to plug geographical gaps in switch business through takeovers, we again made progress. During the period, two SME acquirees helped bolster our core Rail Infrastructure business. Effective January 3, 2008, we took over Denmark's leading switch manufacturer, Sportek Maskinfabrik A/S. Shortly thereafter, in February 2008, we announced the acquisition of the Dutch switch supplier Kloos Oving BV. Sportek and Kloos Oving—just as the Australian switch operations acquired from Thompsons Kelly & Lewis Pty. Ltd. (TKL Rail) at the close of 2007—were for the first time consolidated in the period.

We can reaffirm our forecasts for 2008 and 2009 published in December 2007 and endorsed when presenting the annual accounts. For 2008, we are looking to sales of a good €1.3 billion and an EBIT of €142 million; for 2009, a repeated rise in growth coupled with a sustained high level of profitability.

The ongoing successes scored by our operations and strategy underline the sustainable prospects inherent in our business model and strategic direction. The path of value-driven growth we have taken is one we will emphatically continue along.

Kind regards,

Werner Andree
CEO

Vossloh's corporate structure

Vossloh operates in the world markets of rail infrastructure and rail technology. As management and financial holding company, Vossloh AG parents the two divisions Rail Infrastructure and Motive Power&Components. Assigned to these divisions are five business units:

Vossloh AG	
Rail Infrastructure	Motive Power&Components
Vossloh Fastening Systems Vossloh Switch Systems Vossloh Infrastructure Services	Vossloh Locomotives Vossloh Electrical Systems

Rail Infrastructure division

This division bundles our rail infrastructure products and services.

The rail fasteners developed by Vossloh Fastening Systems ensure safe rail traffic in over 65 countries.

Vossloh Switch Systems commands a foremost international position in the market for advanced-engineered rail switches.

Vossloh Infrastructure Services builds trackage for mainline and local lines, which it also services and maintains.

Motive Power&Components division

This division builds locomotives and (sub)urban trains, and manufactures electrical components for various types of LRVs. It has two business units:

Vossloh Locomotives is Europe's leading supplier of diesel locomotives along with related financing arrangements and all-in services. Also available are state-of-the-art (sub)urban trains for a variety of operations.

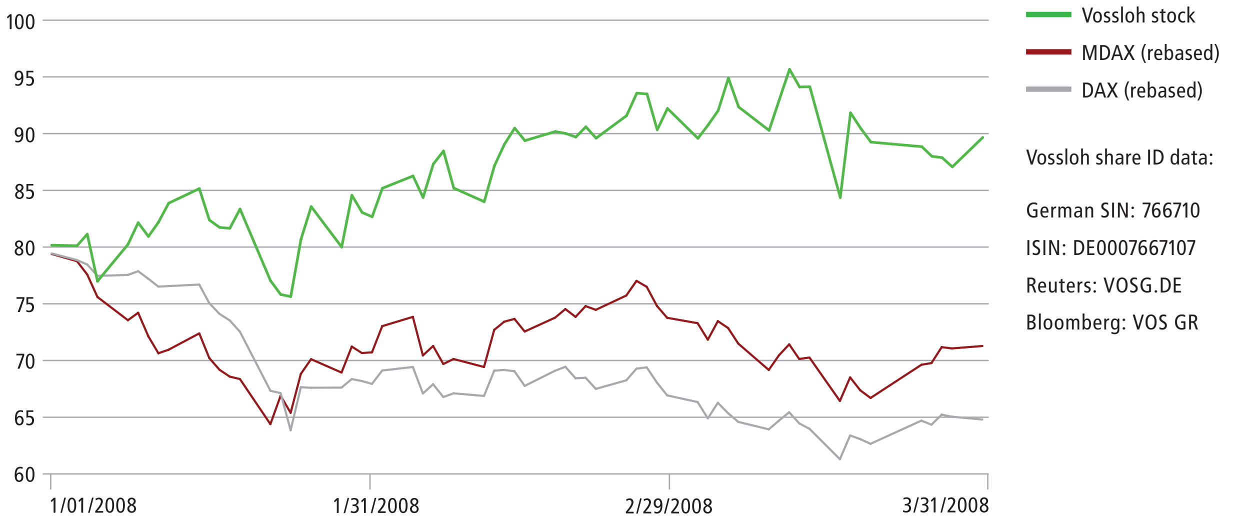
Vossloh Electrical Systems develops and produces key electrical components and systems for LRVs.

Vossloh stock

Plunging Q1 stock market prices

World stock market prices plummeted in the first three months of 2008. The international loan and bank crisis combined with stepped-up recession scares had already depressed prices in the latter half of 2007 and then around mid-January of the new year, prices in some cases went into a tailspin inside a very brief period. Germany's major index, the DAX, shed more than 1,500 points or over 23 percent between January 1 and March 31. The MDAX, which includes Vossloh, suffered a similar fate: entering 2008 at 9,835.16 and then sliding steadily, it slumped by January 22 to its low since July 2006. This was followed by slight rallies within what was still a highly volatile market. At March 31, the MDAX reached 8,787.38 points, still around 12 percent below the 2008 opening level.

Vossloh stock price trend from January 1 to March 31, 2008



Vossloh share ID data:

German SIN: 766710
ISIN: DE0007667107
Reuters: VOSG.DE
Bloomberg: VOS GR

Vossloh stock bucks trend and rises 12 percent

Vossloh AG was one of the few German stock market players to buck the general downswing and managed to raise its stock price by almost 12 percent between January and March to reach €96.99 on March 14—an all-time high. Toward the close of the quarter, the price slipped to €89.36 as a consequence of minor profit-taking. This performance is seen as a reward by the capital market for the favorable forecasts for 2008 and 2009 announced in December 2007.

The trading volume also advanced significantly during the first quarter, totaling almost 7.4 million shares, up by a vigorous 42 percent over Q1/2007. The Q1 volume per trading day in 2008 averaged some 119,000 shares (up from 80,600).

Further growth potential, say analysts

Presently 17 analysts are regularly reviewing Vossloh stock and until mid-April 2008, their price forecasts ranged between €64 and €112, with an average expectation of €91. During Q1/2008, most analysts recommended "buy" or "hold." The majority emphasized the solid growth prospects for the various units of the Group alongside the transparency and predictability regarding business ahead.

Dividend proposal for 2007: increase to €1.70

Vossloh AG's Executive and Supervisory Boards will propose to the annual general meeting in May to distribute a cash dividend for fiscal 2007 of €1.70 per share, up by around 30 percent versus 2006. The total dividend payout will then be equivalent to some 35 percent of group earnings. The clear increase in dividend reflects Vossloh's policy of letting all stockholders share in the Group's success.

For extensive details on Vossloh stock, dates and financial publications, go to www.vossloh.com in the Investors section.

Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hannover, Hamburg, Stuttgart, Munich
Index	MDAX
Number of shares outstanding at 3/31/2008	14,795,796
Stock price (3/31/2008)	€89.36
Q1/2008 high/low	€96.99/€68.00
Reuters code	VOSG.DE
Bloomberg code	VOS GR
Proposed dividend	€1.70

Interim management report

Group sales expanding 28.8 percent to €344.8 million

EBIT soaring 58.9 percent to €32.9 million

ROCE improving to 14.7 percent

The Group's business trend

Results of operations

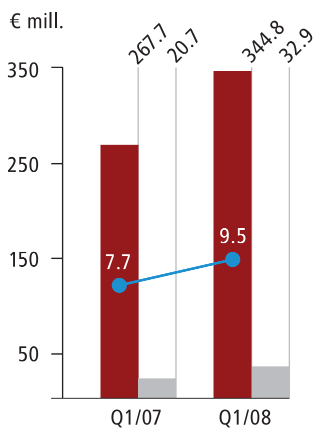
Double-digit growth rates
for both divisions

During the first three months of fiscal 2008, the Vossloh Group generated sales of €344.8 million, hence up 28.8 percent or €77.1 million from the Q1/2007 level of €267.7 million. These gains were fuelled by double-digit growth rates in both divisions. The two US subsidiaries of the Switch Systems business unit, Vossloh Track Material and Cleveland Track Material, together contributed some €21 million to Q1/2008 sales. With effect as from January 1, 2008, the three new subsidiaries Vossloh Cogifer Australia (takeover of the switch operations from Thompsons Kelly & Lewis Pty. Ltd., TKL Rail) in Australia, Sportek Maskinfabrik A/S in Denmark and Kloos Oving BV in the Netherlands were newly consolidated, together accounting for some €8 million of total sales. If all consolidation effects including Européenne de Travaux Ferroviaires SA (ETF), which was fully consolidated as from July 2007, are eliminated from the Group's Q1/2008 sales, the total comes to some €301 million (up 12.4 percent).

EBIT margin improved
to a remarkable 9.5 percent

From the year-earlier €20.7 million, Q1 EBIT climbed €12.2 million or 58.9 percent to reach €32.9 million in 2008. The EBIT margin advanced substantially from 7.7 percent in the first quarter of 2007 to 9.5 percent in the first three months of 2008. Both divisions contributed to EBIT growth and the improved EBIT margin. Crucial to the appreciably boosted profitability were the economies of scales achieved through high capacity utilization.

Q1 group earnings surged €7.4 million or 61.7 percent to €19.4 million (up from €12 million), while earnings per share were upgraded from €0.81 to €1.31.



Vossloh Group:
sales and EBIT

Sales in € million
EBIT in € million
EBIT margin in %

At March 31, 2008, the Vossloh Group's order backlog totaled €1,284.7 million, almost €77 million and just under 6 percent below the year-earlier €1,361.5 million. Q1 order intake (LFL, excluding the additions from initial consolidation) totaled €298.0 million, representing a 14.5-percent rise on the prior-year €260.3 million.

Vossloh Group

		Q1/2008	Q1/2007
Sales	€ mill.	344.8	267.7
EBITDA	€ mill.	40.6	26.6
EBIT	€ mill.	32.9	20.7
EBIT margin	%	9.5	7.7
EBT	€ mill.	29.5	18.2
Group earnings	€ mill.	19.4	12.0

Non-European sales over 23 percent

At March 31, 2008, the Vossloh Group's share of sales outside of Europe came to 23.6 percent, compared with 12.6 a year ago. The successful, accelerated business expansion into new regions outside of the longstanding and still dynamically growing European market is one of the Vossloh Group's strategic goals. Sales chiefly in North and Central America contributed to the even steeper growth rate outside of Europe compared with Q1/2007. High organic sales growth, albeit at a much lower level, was also achieved in the Middle East and in Africa. Q1 sales gains in Oceania were largely due to the first-time consolidation of the Australian switch producer TKL Rail. In Asia, China and India are the two major markets where Vossloh is building up an increasing presence. Projects in Japan, Thailand and Taiwan also helped raise sales. Whereas Q1 sales in India continued to rise, contrary to expectations the new production plant opened in China in the fall of 2007 invoiced only insignificant sales.

Double-digit sales hikes in Europe

In Europe, Q1 sales grew by 12.6 percent, with C&E Europe, Scandinavia and all the countries of Western Europe with the exception of Germany and France performing especially strongly. As already at year-end 2007 and according to plan, the Q1/2008 make-and-hold orders for rail fasteners in Germany were below the level expected for the remaining year. In France, sales were below the comparable year-earlier period as anticipated. In Q1/2007, sales had been booked from several tram projects which in subsequent quarters no longer accrued. Sales growth in European countries came to 10.7 percent excluding the newly consolidated companies.

Sales by region

	€ mill.	%	€ mill.	%
	Q1/2008		Q1/2007	
Germany	27.9	8.1	36.3	13.6
France	85.0	24.6	87.1	32.5
Other Western Europe	64.0	18.6	36.8	13.8
Northern Europe	15.8	4.6	10.6	4.0
Southern Europe	59.2	17.2	54.4	20.3
Central & Eastern Europe	11.5	3.3	8.7	3.2
Total Europe	**263.4**	**76.4**	**233.9**	**87.4**
North & Central America	50.1	14.5	5.7	2.1
South America	1.7	0.5	7.1	2.7
Total Americas	**51.8**	**15.0**	**12.8**	**4.8**
Near & Middle East	9.5	2.8	1.9	0.7
Other Asia	9.3	2.7	13.4	5.0
Africa	7.2	2.1	4.7	1.7
Oceania	3.6	1.0	1.0	0.4
Total	**344.8**	**100.0**	**267.7**	**100.0**

Asset and capital structure, financial position

Initial consolidation of acquirees raises total assets

At March 31, 2008, the Vossloh Group's total assets amounted to €1,366.8 million and were hence €40.0 million above the end-2007 level of €1,326.8 million. The main reasons were the first-time consolidation of the three new subsidiaries, as well as the scheduled buildup of inventories and the swelling portfolio of trade receivables. Year-on-year, total assets mounted by €141.2 million from the Q1/2007 total of €1,225.6 million, essentially due to the additions to tangible assets in the wake of the newly opened plant in China and the new business combinations in this 12-month period.

As of March 31, 2008, working capital grew to €372.6 million from €312.8 million at year-end 2007 and €221.4 million a year ago. The key reasons for the Q1 rise in working capital were taller steel stockpiles and inventories not yet called off by the Chinese facility. Q1/2008 working capital intensity deteriorated to 27.0 (up from 20.7 in Q1/2007 and 25.4 in fiscal 2007), the Vossloh Group's benchmark intensity being 20.

ROCE upgraded to a solid 14.7 percent

Q1/2008 closed with capital employed of €892.8 million, up from €816.2 million at December 31, 2007, and €644.3 million as of March 31, 2007. Despite this considerable increase, ROCE as one of the Vossloh Group's key controlling parameters was boosted in a year-on-year comparison from 12.9 percent for Q1/2007 to 14.7 in the quarter under review.

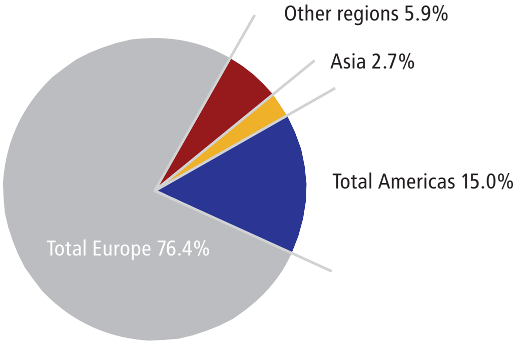
Vossloh Group

		3/31/2008	12/31/2007	3/31/2007
Total assets	€ mill.	1,366.8	1,326.8	1,225.6
Total equity	€ mill.	455.3	434.0	382.9
Equity ratio	%	33.3	32.7	31.2
Working capital	€ mill.	372.6	312.8	221.4
Working capital intensity[1]	%	27.0	25.4	20.7
Fixed assets	€ mill.	520.2	503.4	422.9
Capital employed	€ mill.	892.8	816.2	644.3
ROCE[1]	%	14.7	14.9	12.9
ROE[1]	%	25.9	25.2	19.0
Net financial debt	€ mill.	141.7	124.9	27.3
Net leverage	%	31.1	28.8	7.1

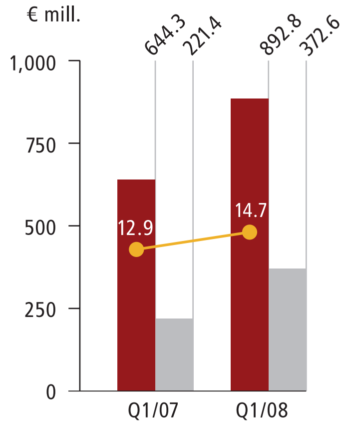
[1] annualized

Payments for acquisitions drive up net financial debt

At the end of Q1/2008, net financial debt mounted to €141.7 million (up from €124.9 million at year-end 2007). In either comparative period, the purchase prices paid for acquirees accounted for the rise: in Q1/2008 for the two new subsidiaries in Denmark and the Netherlands, and in the past 12 months also for the acquisitions in the United States and the stake taken over in France. At March 31, 2008, short-term funds of €84.0 million contrasted with financial debts of €225.7 million.



Sales by region Q1/2008



Vossloh Group: CE, WC and ROCE trends

Capital employed (CE) in € mill.
Working capital (WC) in € mill.
ROCE in %

Rail Infrastructure business

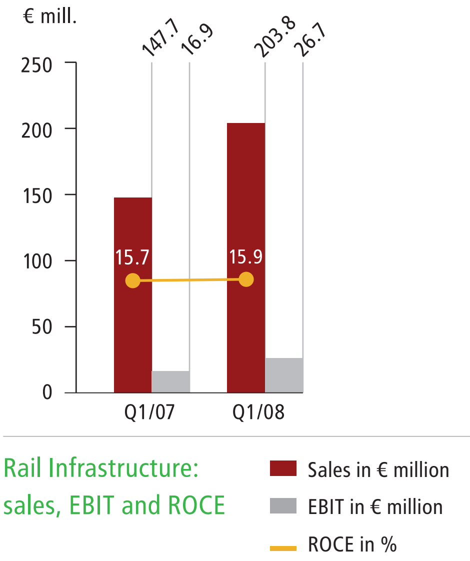
Double-digit organic Q1 sales growth rate—EBIT margin much improved

Q1/2008 sales by the Rail Infrastructure division reached €203.8 million or €56.1 million up over the year-earlier €147.7 million. The division therefore generated the highest sales ever reported in a first quarter, mainly thanks to the Switch Systems unit, whose business volume expanded appreciably. Alongside organic growth, it is the acquisition of the two US switch manufacturers during the past year as well as the first-time consolidation of the other acquirees by this business unit that are reflected in the Q1 consolidated financial statements.

The division's €9.8 million Q1 EBIT increase to €26.7 million (up from €16.9 million) was substantially due to sales growth. The EBIT margin advanced versus Q1/2007 owing to the improved cost structure from 11.5 to 13.1 percent.

Rail Infrastructure

		Q1/2008	Q1/2007
Sales	€ mill.	203.8	147.7
EBITDA	€ mill.	31.5	20.3
EBIT	€ mill.	26.7	16.9
EBIT margin	%	13.1	11.5



Rail Infrastructure: sales, EBIT and ROCE

At €31.8 million, Q1/2008 sales by the Fastening Systems business unit were slightly down on the year-earlier €33.5 million. Construction work on the Chinese high-speed railway lines was behind schedule, meaning that the number of locally manufactured and supplied systems fell well short of our expectations. Q1 order intake inched up from €39.2 million to €46.3 million. This includes a major order worth €4.2 million for the supply of rail fasteners for the Istanbul metro. At March 31, 2008, order backlog totaled €147.2 million (down from €194.4 million).

Q1 sales at the Switch Systems business unit leapt by some 70 percent from the prior year's €68.6 million to €116.9 million. Sales by the US switch manufacturers Cleveland Track Material and Vossloh Track Material, not yet included in Q1/2007, totaled €20.9 million. The acquisition of the Australian switch operations from Thompsons Kelly & Lewis Pty. Ltd. (renamed Vossloh Cogifer Australia) and of the Danish and Dutch switch producers Sportek Maskinfabrik A/S and Kloos Oving BV added some €8 million to sales. Apart from this acquisition-related growth, the delivery of switch systems destined for high-speed lines in southern Europe as well as shipments for most of a large metro train contract accounted for this substantial rise.
The business unit's Q1 order influx soared from €89.1 million to €124.7 million, while order backlog at March 31, 2008, totaled €283.8 million (up from €229.2 million).

Vossloh Infrastructure Services generated Q1/2008 sales of €56.4 million (up from €48.6 million) to which the ETF Group contributed some €30 million. This latter in which Vossloh previously held a 50-percent stake, has been fully included in the consolidated financial statements since the purchase of the remaining 50 percent in July 2007. The completion of the last tram line in Bordeaux and expanded Lyon tram network made significant contributions to sales and EBIT. At €42.3 million, Q1/2008 order intake fell well short of the year-earlier €72.8 million, which had included major tram projects which are not being awarded on such a scale at present. Orders on hand at March 31, 2008, totaled €155.9 million (up from €123.6 million).

Rail Infrastructure

		3/31/2008	12/31/2007	3/31/2007
Working capital	€ mill.	286.7	236.7	139.0
Working capital intensity[1]	%	35.2	31.0	23.5
Fixed assets	€ mill.	385.4	369.7	291.9
Capital employed	€ mill.	672.1	606.4	430.9
ROCE[1]	%	15.9	18.2	15.7

[1] annualized

Despite higher CE, ROCE improved to 15.9 percent

Working capital swelled to €286.7 million, hence up from both €139.0 million at March 31, 2007, and €236.7 million as of December 31, 2007. The increase was substantially attributable to higher trade receivables, the scheduled buildup of inventories and shrinking trade payables. Since EBIT was upgraded considerably, ROCE nonetheless inched up from 15.7 percent a year ago to 15.9 percent for Q1/2008.

Motive Power&Components

Much improved sales, EBIT margin advancing to 7.6 percent

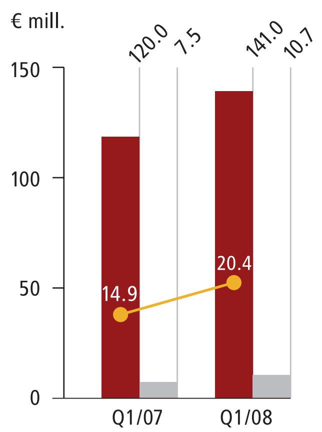
Motive Power&Components started 2008 very successfully, having already achieved a high level of sales and earnings the year before. In Q1/2008, both business units reported double-digit sales growth rates. At €141.0 million, the division's Q1 sales were thus €21.0 million or 17.5 percent in excess of the year-earlier €120.0 million.

The division's earnings once again advanced significantly, Q1 EBIT climbing from the prior-year €7.5 million to €10.7 million, representing a surge of 42.7 percent. The Motive Power&Components division's Q1 EBIT margin also saw an appreciable improvement, rising from 6.3 to 7.6 percent.

Motive Power&Components

		Q1/2008	Q1/2007
Sales	€ mill.	141.0	120.0
EBITDA	€ mill.	13.4	9.8
EBIT	€ mill.	10.7	7.5
EBIT margin	%	7.6	6.3

The Locomotives business unit contributed €103.9 million to Q1/2008 sales, equivalent to a gain of 11.6 percent on the year-earlier €93.1 million.
At €57.9 million, sales at the Valencia location were up over the year-earlier €48.6 million by a substantial 19.1 percent.



Motive Power&Components: sales, EBIT and ROCE

The latter plant once again benefited from the projects being undertaken by the Valencia province rail operator, which last year were further expanded and involve the shipment of suburban trains. Overall, such trains accounted for some 36 percent of Valencia's sales, with diesel-electric locomotives, especially the EURO 4000, making up the remainder.

Kiel's Q1/2008 sales were also above the prior year's, edging up from €44.4 million to €45.7 million, a rise of 2.9 percent. During the period under review, 14 units were shipped out, mostly the G 1206 and G 1000 locomotives ordered by a variety of customers.

Higher order intake at both business units

Vossloh Locomotives' Q1 order intake came to €72.4 million, far superior to the year-earlier €47.1 million. Featuring prominently in the new business at the Kiel location were the G 1000, G 2000 and G 1206 locomotives ordered by a number of customers, while Valencia again secured orders for suburban trains in particular. Vossloh Locomotives' order backlog at March 31, 2008, came to €511.1 million, lower than the year-earlier €610.3 million. With current orders on hand, Vossloh Locomotives has nonetheless enough to keep it busy for the rest of 2008 and beyond.

Vossloh Electrical Systems raised its Q1 sales by 37.9 percent to €37.1 million (up from €26.9 million), largely thanks to buoyant LRV and trolleybus business during the period under review. Partial shipments of the 40 articulated buses destined for the Canadian city of Vancouver as well as initial shipments of systems for new trams at Dortmund were major contributors to sales.

At €19.3 million, Q1 order intake by Vossloh Electrical Systems was up on the prior year's €15.7 million. At March 31, 2008, order backlog totaled €194.5 million, not far short of the high year-earlier €205.6 million. The Electrical Systems business unit thus continues to perform strongly, creating a bright outlook for further growth in the years ahead. In addition to the ongoing expansion in traditional trolleybus and LRV business, projects involving low-emission, low-noise hybrid buses carrying up to 200 passengers are also set to contribute increasingly to the unit's sales.

Motive Power&Components

		3/31/2008	12/31/2007	3/31/2007
Working capital	€ mill.	86.4	76.1	82.9
Working capital intensity [1]	%	15.3	16.2	17.3
Fixed assets	€ mill.	124.1	122.6	119.3
Capital employed	€ mill.	210.5	198.7	202.2
ROCE[1]	%	20.4	15.4	14.9

[1] annualized

ROCE over 20 percent

Q1 ROCE at Motive Power&Components amounted to 20.4 percent, well above Q1/2007 and also up over the already high ROCE for all of 2007. Both business units played their part through a relatively low rise in working capital despite expanded business and the earnings improvements. Fixed assets of Motive Power&Components totaled €124.1 million as of March 31, 2008, reflecting the prorated capitalization of additional development costs for new locomotive models in Kiel and the EURO 4000's further development. The new locomotive models will be showcased at the InnoTrans trade fair in fall 2008.

Capital expenditures

Work on new locomotive models slightly lifts capital outlays

At €7.1 million, the Vossloh Group's Q1 capital expenditures increased by 18.3 percent on the year-earlier figure.

Some 67 percent of capital outlays targeted the expansion of existing capacities, with replacements and rationalization measures accounting for the remainder.

Additions to tangible/intangible assets

€ mill.	Q1/2008	Q1/2007
Rail Infrastructure	2.8	3.9
Motive Power&Components	4.1	2.1
Vossloh AG	0.2	0.0
Total	**7.1**	**6.0**

At €3.8 million, the bulk of capital spending was allocated to the Locomotives unit and chiefly targeted extensions to existing facilities. A total of €2.6 million went toward the Valencia location, in particular, with capitalized development costs for the large EURO 4000 locomotive and IT hardware additions the prime targets.

In the Rail Infrastructure division, the Switch Systems unit accounted for €1.9 million of capital outlays, which were related to various projects conducted by the subsidiaries in France, Norway, Spain and Poland.

Research and development

First-quarter R&D expenses amounted to €2.2 million (up from €1.7 million a year ago).

Focus on advancing the EURO 4000 and further developing diesel-hydraulic locomotives

In addition to the directly expensed development expenditures, the Group capitalized Q1 development costs of €2.1 million (up from €0.7 million) in accordance with IAS 38.

Capitalized development costs were again exclusively related to locomotives. Vossloh Locomotives incurred these costs for the large diesel-electric EURO 4000 at the Valencia location in Spain and three diesel-hydraulic locomotive models at Kiel.

Workforce

Business expansion raises workforce by some 26 percent

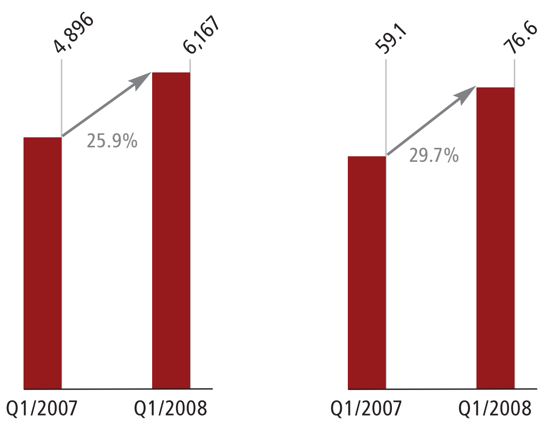
At March 31, 2008, the Vossloh Group employed a worldwide workforce of 6,170. Compared with March 31, 2007, this is an increase of 1,269 or 25.9 percent. This advance is mainly attributable to the M&A transactions in fiscal 2007.

During the first quarter of 2008, the number of Vossloh Group employees increased by 198 or 3.3 percent. As in 2007, these gains were also primarily ascribable to the acquirees.

Whereas at December 31, 2007, the Rail Infrastructure division had a headcount of 4,080, this figure had risen to 4,221 at March 31, 2008, equivalent to an increase of 3.5 percent.

In the Motive Power&Components division, the headcount mounted at a slightly lower rate of 2.9 percent from 1,851 at year-end 2007 to 1,905 at the end of Q1/2008.

The share of employees working in Germany is continuously falling due to accelerated expansion abroad. During Q1/2007, 24 percent on average had been employed in Germany. This proportion fell during fiscal 2007 to 22 percent and during the first quarter of 2008 to 20 percent on average—even though the average headcount at the German subsidiaries rose by 39 employees during Q1/2008.



Average headcount (Group)

Personnel expenses in € million

The Vossloh Group's personnel expenses climbed 29.7 percent to €76.6 million (up from €59.1 million). Personnel expenses per capita (rounded) given a workforce of 6,167 employees on average (up from 4,896) rose in Q1/2008 by a somewhat lower 3.0 percent to €12,400 (up from €12,100). At the same time, sales per capita (rounded) advanced by 2.3 percent from €54,700 to €55,900. The Q1 payroll ratio, which reflects the ratio of personnel expenses to sales, remained virtually unchanged at 22.2 percent (up from 22.1).

Ratio of payroll to value added improves to under 70 percent

The ratio of payroll to value added improved to 68.7 percent (down from 72.7), thanks to the relatively higher rise in value added.

Headcount at

	3/31/2008	3/31/2007
Rail Infrastructure	4,221	3,186
Motive Power&Components	1,905	1,683
Vossloh AG	44	32
Total	**6,170**	**4,901**

Prospects, risks and rewards

Forecasts reaffirmed

Versus the significant risk and reward situation impacting on the Vossloh Group's future development and as depicted in the consolidated financial statements 2007, the first quarter of 2008 has not seen any material changes. For fiscal 2008 we are expecting from today's vantage point sales of a good €1.3 billion and an EBIT of some €142 million. For 2009, we are anticipating further sales and earnings growth. ROCE, our chief benchmark for controlling business success, is expected to exceed 15 percent this year and next.

Condensed interim financial statements of the Vossloh Group as of March 31, 2008

Income statement for the 3 months (Q1) ended March 31, 2008

€ million	Q1/2008	Q1/2007
Net sales	344.8	267.7
Cost of sales	(277.6)	(219.6)
General administrative and selling expenses	(35.1)	(27.8)
R&D expenses	(2.2)	(1.7)
Other operating income/expenses, net	2.8	1.7
Operating result	**32.7**	**20.3**
Net P/L from investees carried at equity	0.2	0.3
Other financial results	0.0	0.1
EBIT	**32.9**	**20.7**
Net interest expense	(3.4)	(2.5)
EBT	**29.5**	**18.2**
Income taxes	(9.8)	(5.9)
Net income from continuing operations	**19.7**	**12.3**
Minority interests	(0.3)	(0.3)
Group earnings	**19.4**	**12.0**
Undiluted earnings per share (€)	1.31	0.81
Fully diluted earnings per share (€)	1.31	0.81

Cash flow statement for the 3 months (Q1) ended March 31, 2008

€ million	Q1/2008	Q1/2007
Cash flow from operating activities		
EBIT	32.9	20.7
Amortization/depreciation/write-down (less write-up) of noncurrent assets	7.7	5.9
Net result from statement at equity (if noncash)	0.2	0.3
Other noncash income/expenses, net	(0.4)	0.4
Net book (gain)/loss from fixed-asset disposal	(0.5)	0.0
Cash inflow/(outflow) from short-term securities sold/(purchased)	13.1	(8.9)
Cash outflow for income taxes	(6.1)	(0.3)
Change in working capital	(39.8)	(4.7)
Change in accruals	11.7	9.6
Changes in other assets/liabilities, net	(9.9)	24.3
Net cash provided by operating activities	**8.9**	**47.3**
Cash flow from investing activities		
Cash outflow for additions to intangibles/tangibles	(7.1)	(6.0)
Cash outflow for investments in noncurrent financial instruments	–	(0.3)
Cash inflow from the disposal of intangibles/tangibles	0.6	0.4
Cash inflow from the disposal of noncurrent financial instruments	0.1	–
Cash inflow from the divestment of consolidated subsidiaries	–	5.3
Cash outflow for the acquisition of consolidated subsidiaries	(16.4)	–
Net cash used in investing activities	**(22.8)**	**(0.6)**
Cash flow from financing activities		
Cash inflow from transfers to equity	0.0	0.0
Net finance from short-term loans	18.4	(2.3)
Net finance from medium-/long-term loans	(11.8)	(15.1)
Cash inflow from interest	1.7	1.8
Cash outflow for interest	(2.3)	(1.3)
Net cash provided by/(used in) financing activities	**6.0**	**(16.9)**
Net (outflow)/inflow of cash and cash equivalents	(7.9)	29.8
Change in cash and cash equivalents from initial consolidation	2.5	0.0
Opening cash and cash equivalents	71.3	140.1
Closing cash and cash equivalents	65.9	169.9

Balance sheet: Assets

€ million	3/31/2008	12/31/2007	3/31/2007
Total noncurrent assets	**553.6**	**533.8**	**463.3**
Intangible assets	369.9	352.2	314.6
Tangible assets	138.9	139.4	95.7
Investment properties	4.0	4.0	4.4
Investments carried at equity	0.8	0.8	1.0
Other noncurrent financial instruments	14.7	10.8	7.6
Other noncurrent assets	0.3	0.5	0.3
Deferred tax assets	25.0	26.1	39.7
Total current assets	**813.2**	**793.0**	**762.3**
Inventories	262.5	237.2	174.6
Trade receivables	417.8	396.6	338.0
Income tax assets	7.5	6.0	8.0
Sundry current assets	41.4	50.7	34.8
Short-term securities	18.1	31.2	37.0
Cash and cash equivalents	65.9	71.3	169.9
	1,366.8	**1,326.8**	**1,225.6**

Balance sheet: Equity & liabilities

€ million	3/31/2008	12/31/2007	3/31/2007
Total equity	**455.3**	**434.0**	**382.9**
Capital stock	37.8	37.8	37.7
Additional paid-in capital	42.7	42.7	40.4
Treasury stock	–	–	–
Reserves retained from earnings	268.9	268.7	267.9
Undistributed group profit	71.4	0.0	20.4
Group earnings	19.4	71.4	12.0
Accumulated other comprehensive income	2.9	1.3	(3.9)
Stockholders' equity	**443.1**	**421.9**	**374.5**
Minority interests	12.2	12.1	8.4
Total noncurrent liabilities and accruals	**272.7**	**291.5**	**289.5**
Pension accruals	8.4	11.5	10.1
Other noncurrent accruals	32.5	37.0	26.8
Noncurrent financial debts	159.7	182.7	194.8
Other noncurrent liabilities	53.7	42.2	31.2
Deferred tax liabilities	18.4	18.1	26.6
Total current liabilities and accruals	**638.8**	**601.3**	**553.2**
Current tax accruals	16.6	13.8	17.3
Other current accruals	152.7	133.9	126.6
Current financial debts	66.0	44.7	39.4
Trade payables	238.6	271.9	224.0
Income tax liabilities	14.4	12.7	7.5
Sundry current liabilities	150.5	124.3	138.4
	1,366.8	**1,326.8**	**1,225.6**

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock
Balance at 12/31/2006	**37.7**	**40.4**	**–**
Stockholder-unrelated changes in equity			
Carryforward to new account			
Change due to derecognition			
Other changes			
Net income for Q1/2007			
Accumulated OCI			
currency translation differences			
statement at fair value of financial instruments			
Comprehensive income			
Minority interests			
Stockholder-related changes in equity			
Capital increases from SOPs	0.0		
Balance at 3/31/2007	**37.7**	**40.4**	**–**
Stockholder-unrelated changes in equity			
Transfer to reserves retained from earnings			
Change due to initial consolidation			
Other changes			
Net income for Q2–Q4/2007			
Accumulated OCI			
currency translation differences			
statement at fair value of financial instruments			
Comprehensive income			
Minority interests			
Stockholder-related changes in equity			
Capital increases			
from SOPs	0.1	2.3	
other			
Dividend payout			
Balance at 12/31/2007	**37.8**	**42.7**	**–**
Stockholder-unrelated changes in equity			
Carryforward to new account			
Change due to initial consolidation			
Net income for Q1/2008			
Accumulated OCI			
currency translation differences			
statement at fair value of financial instruments			
Comprehensive income			
Minority interests			
Balance at 3/31/2008	**37.8**	**42.7**	**–**

	Reserves retained from earnings	Undistributed group profit	Group earnings	Accumulated OCI	Stockholders' equity	Minority interests	Total
	268.0	**0.1**	**20.3**	**(4.7)**	**361.8**	**9.3**	**371.1**
		20.3	(20.3)		0.0		0.0
					0.0	(1.2)	(1.2)
	(0.1)				(0.1)		(0.1)
			12.0		12.0	0.3	
				(0.4)	(0.4)		
				1.2	1.2		
			12.0	**0.8**	**12.8**		**12.8**
						0.3	0.3
					0.0		0.0
	267.9	**20.4**	**12.0**	**(3.9)**	**374.5**	**8.4**	**382.9**
	0.7	(0.7)			0.0		0.0
		(0.5)			(0.5)	1.3	0.8
	0.1				0.1		0.1
			59.4			2.4	
				(1.0)		0.3	
				6.2			
			59.4	**5.2**	**64.6**		**64.6**
						2.7	2.7
					2.4		2.4
						0.5	0.5
		(19.2)			(19.2)	(0.8)	(20.0)
	268.7	**0.0**	**71.4**	**1.3**	**421.9**	**12.1**	**434.0**
		71.4	(71.4)		0.0		0.0
	0.2				0.2		0.2
			19.4		19.4	0.3	
				(1.0)	(1.0)	(0.2)	
				2.6	2.6		
			19.4	**1.6**	**21.0**		**21.0**
						0.1	**0.1**
	268.9	**71.4**	**19.4**	**2.9**	**443.1**	**12.2**	**455.3**

Explanatory notes

Introduction

Vossloh AG's consolidated quarterly financial statements as of March 31, 2008, have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Reporting, as well as with the requirements of the near final draft of German Accounting Standard (GAS) No. 16 issued by the German Accounting Standards Committee (GASC).

Accounting principles

The consolidation, accounting and valuation principles applied in interim reporting conform with those used for the consolidated financial statements as of December 31, 2007. Vossloh AG's consolidated financial statements as of December 31, 2007, were prepared in accordance with Art. 315a German Commercial Code ("HGB") and the International Financial Reporting Standards (IFRS) which are applicable in the European Union (EU).

For German companies, income taxes owed or payable were calculated by applying a rate of 30 percent, while for foreign subsidiaries, the applicable local tax rates were used.

Preparing the interim financial statements requires management to make certain assumptions and estimates. Actual values may differ from those estimates and hence from the amounts disclosed in the interim financial statements.

Consolidation group

Since December 31, 2007, four companies have been added to the consolidation group, one derecognized. Consequently, 53 domestic and foreign subsidiaries were consolidated fully as of March 31, 2008.

The following companies were newly consolidated in Q1/2008:

Vossloh Cogifer Australia Pty. Ltd., Sydney, Australia, has been included in the consolidated financial statements since January 1, 2008, after acquiring by asset deal of November 19, 2007, the rail switch operations from Thompsons Kelly & Lewis Pty. Ltd. (TKL), a subsidiary wholly owned by Flowserve Corporation, Castlemaine, Victoria, Australia. The purchase price paid in 2007 under the asset deal (closed December 14, 2007) amounted to $A 14.1 million (€8.3 million).

In connection with the above acquisition, Vossloh Pty. Ltd., Castle Hill, Australia, a subsidiary wholly owned by Vossloh AG, has been fully consolidated since January 1, 2008, too. The subsidiary's key assets are the Vossloh Group's Australian investments.

Effective January 3, 2008, Sweden's Vossloh Nordic Switch Systems AB took over Sportek Maskinfabrik A/S, a Danish rail switch manufacturer also newly consolidated as of January 1, 2008.

The purchase price of €7.7 million contrasted with the following assets and liabilities:

€ mill.	Pre-combination book value	Adjustments	Fair values as of initial consolidation date
Intangible assets	0.0	0.9	0.9
Current receivables, inventories, cash and cash equivalents	2.9	0.0	2.9
Current liabilities and accruals	(1.5)	0.0	(1.5)
Deferred tax liabilities	0.0	(0.2)	(0.2)
Net assets acquired	**1.4**	**0.7**	**2.1**
Purchase price			7.7
Purchase incidentals			0.0
Total cost			**7.7**
Residual goodwill			**5.6**

Since its acquisition, Sportek Maskinfabrik A/S has contributed sales of €3.2 million and earnings of €0.7 million to the Group's.

In February, France's Vossloh Cogifer SA executed an agreement on the takeover of Kloos Oving BV, a rail switch supplier based in Alblasserdam near Rotterdam. The transaction was closed, and the subsidiary newly consolidated, in March 2008.

The purchase price of €8.9 million contrasted with the following assets and liabilities:

€ mill.	Pre-combination book values	Adjustments	Fair values as of initial consolidation date
Intangible assets	0.0	1.1	1.1
Tangible assets	0.6	0.0	0.6
Current receivables, inventories, cash and cash equivalents	4.9	0.0	4.9
Current liabilities and accruals	(3.4)	0.0	(3.4)
Deferred tax liabilities	0.0	(0.3)	(0.3)
Net assets acquired	**2.1**	**0.8**	**2.9**
Purchase price			8.9
Purchase incidentals			0.0
Total cost			**8.9**
Residual goodwill			**6.0**

This subsidiary's contributions to the Group's sales and earnings since its acquisition were insignificant. According to IFRS 3:62, the allocation of purchase prices to the assets and liabilities acquired is provisional.

Earnings per share

		Q1/2008	Q1/2007
Weighted average number of shares		14,795,796	14,735,795
Dilutive effects of stock options under LTIP/ESOP		69	23,763
Diluted weighted average number of shares issued		14,795,865	14,759,558
Group earnings	€ mill.	19.4	12.0
Basic (undiluted) EpS	€	1.31	0.81
Fully diluted EpS	€	1.31	0.81

Cash flow statement

This statement shows the changes in the Vossloh Group's cash and cash equivalents, these including checks, cash on hand, as well as cash in banks.

Prepared in accordance with IAS 7, the cash flow statement breaks down the change in cash and cash equivalents into the cash flows from operating, investing and financing activities. The cash flow from operating activities is determined according to the indirect method.

Segment information

For reporting purposes, the Vossloh Group's primary segments are defined by its identifiable two operating divisions, plus the holding company. Rail Infrastructure covers the Group's rail infrastructure products and services and comprises the Fastening Systems, Switch Systems and Infrastructure Services business units.

Motive Power&Components is a division that encompasses the Locomotives (manufacture of diesel locomotives and urban/suburban trains) and Electrical Systems (electric equipment for trams, streetcars and trolleybuses) business units.

The accounting methods of all segments are identical. Financial segment information is presented before consolidation.

Related-party transactions

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated subsidiaries, joint ventures and associated affiliates. All transactions of these companies inter se conform to the arm's length principle.

The income statement includes sales transacted with unconsolidated subsidiaries at €1.7 million and with joint ventures and consortiums at €1.2 million. Transactions in Q1/2008 with related individuals were altogether insignificant.

Contingent liabilities

In comparison to December 31, 2007, the Group's contingent liabilities shrank by €0.7 million to €8.8 million, including €5.2 million under guaranties/suretyships and €3.6 million from the collateralization of third-party debts.

Segment information

		Rail Infrastructure	Motive Power & Components	Intermediate holding company/ consolidation	Rail Technology (RT)	H.O./consolidation	Group
Net external sales							
Q1/2008	€ mill.	203.8	141.0	(0.1)	344.7	0.1	344.8
Q1/2007	€ mill.	147.7	120.0	(0.1)	267.6	0.1	267.7
Amortization/depreciation							
Q1/2008	€ mill.	4.8	2.6	0.1	7.5	0.2	7.7
Q1/2007	€ mill.	3.4	2.3	0.0	5.7	0.2	5.9
EBIT							
Q1/2008	€ mill.	26.7	10.7	0.0	37.4	(4.5)	32.9
Q1/2007	€ mill.	16.9	7.5	(0.4)	24.0	(3.3)	20.7
Net interest result							
Q1/2008	€ mill.	(3.4)	(0.2)	0.0	(3.6)	0.2	(3.4)
Q1/2007	€ mill.	(1.8)	(0.8)	(2.9)	(5.5)	3.0	(2.5)
EBT							
Q1/2008	€ mill.	23.3	10.5	0.0	33.8	(4.3)	29.5
Q1/2007	€ mill.	15.2	6.7	(3.4)	18.5	(0.3)	18.2
Net income							
Q1/2008	€ mill.	15.1	7.4	0.0	22.5	(3.1)	19.4
Q1/2007	€ mill.	9.9	4.3	(2.0)	12.2	(0.2)	12.0
Capex for tangible assets							
Q1/2008	€ mill.	2.8	4.1	0.0	6.9	0.2	7.1
Q1/2007	€ mill.	3.9	2.1	0.0	6.0	0.0	6.0
Capital employed							
3/31/2008	€ mill.	672.1	210.5	0.1	882.7	10.1	892.8
12/31/2007	€ mill.	606.4	198.7	0.0	805.1	11.1	816.2
Total assets							
3/31/2008	€ mill.	886.8	474.8	(0.2)	1,361.4	5.4	1,366.8
12/31/2007	€ mill.	830.8	465.3	(0.3)	1,295.8	31.0	1,326.8
Average headcount							
Q1/2008		4,228	1,897	0	6,125	42	6,167
Q1/2007		3,187	1,677	0	4,864	32	4,896

Financial diary 2008

Annual general meeting	May 21, 2008
Payment of cash dividends	May 22, 2008
Publication of interim report	
as of June 30	July 30, 2008
as of September 30	October 30, 2008
DVFA analysts conference	December 4, 2008

Financial diary 2009

Publication of 2008 financial data	March 2009
Press conference	March 2009
DVFA analysts conference	March 2009
Annual general meeting	May 2009

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Vossloh AG's boards

Executive Board	Werner Andree
	Dr.-Ing. Norbert Schiedeck
Supervisory Board	Dr.-Ing. Dipl.-Ing. Wilfried Kaiser, former executive board member of Asea Brown Boveri AG, Munich, Chairman
	Peter Langenbach, lawyer, Wuppertal, Vice-Chairman
	Dr. Jürgen Blume, sworn public auditor and tax accountant, Bad Bentheim
	Dr. Christoph Kirsch, former CFO of Südzucker AG, Weinheim
	Wolfgang Klein, galvanizer, Werdohl
	Michael Ulrich, mechanic, Kiel

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