vossloh

Interim report as of March 31, 2012

Group figures and indicators		Q1/2012	Q1/2011
Income statement data			
Net sales	€ mill.	255.7	259.5
Rail Infrastructure	€ mill.	145.2	163.1
Transportation	€ mill.	110.5	96.4
EBIT	€ mill.	10.2	18.0
Net interest expense	€ mill.	(4.2)	(2.3)
EBT	€ mill.	6.0	15.7
Group earnings (total)	€ mill.	4.2	10.5
Earnings per share (EpS)	€	0.35	0.78
EBIT margin	%	4.0	6.9
Pretax return on equity (ROE)[1]	%	4.9	10.7
Return on capital employed (ROCE)[2]	%	5.0	8.9
Value added[2]	€ mill.	(10.1)	(2.2)
Balance sheet data			
Fixed assets[3]	€ mill.	624.7	585.6
capital expenditures	€ mill.	10.7	14.8
amortization/depreciation	€ mill.	9.7	9.5
Closing working capital	€ mill.	159.2	190.7
Closing working capital intensity	%	15.6	18.4
Closing capital employed	€ mill.	783.9	776.3
Total equity	€ mill.	486.5	590.8
minority interests	€ mill.	13.7	28.8
Net financial debt	€ mill.	191.5	70.0
Net leverage	%	39.4	11.8
Total assets	€ mill.	1,510.4	1,444.3
Equity ratio	%	32.2	40.9
Cash flow statement data			
Gross cash flow	€ mill.	20.6	23.3
Cash flow from operating activities	€ mill.	56.6	71.7
Cash flow from investing activities	€ mill.	(9.4)	(17.0)
Cash flow from financing activities	€ mill.	(53.6)	(3.0)
Change in cash & cash equivalents	€ mill.	(6.4)	56.0
Workforce			
Average headcount in the period		5,013	4,937
Rail Infrastructure		3,178	3,172
Transportation		1,788	1,717
Vossloh AG		47	48
Payroll intensity	%	85.8	77.0
Personnel expenses	€ mill.	66.3	63.4
Share data			
Stock price at March 31	€	74.02	94.39
Market capitalization at March 31	€ mill.	887.7	1,257.8

[1] Based on average equity
[2] Based on average capital employed
[3] Fixed assets = Intangible and tangible assets + investment properties + shares in associated affiliates + other noncurrent financial instruments

Where required, figures annualized.

Dear Stockholders:

The Vossloh Group's business progressed, as expected, at a moderate pace in the first three months of this year. Our total sales were virtually unchanged compared with Q1/2011. Whereas the Transportation division raised its revenue, Rail Infrastructure showed a marked decline chiefly due to ongoing project delays in China. Fortunately, all the Vossloh business units again booked a solid volume of new orders during the period. So, despite a weak Q1 we remain confident of achieving our budgeted figures for fiscal 2012.

At Rail Infrastructure and as expected, the period barely produced any significant sales in China. Demand in our Southern European markets also stayed soft while revenue at Vossloh Rail Services receded more sharply than budgeted especially because of much reduced rail-welding work in Germany. Altogether, Rail Infrastructure's sales in the first quarter were down by 11 percent to €145.2 million while EBIT at €7.9 million fell by 49 percent. Only the Switch Systems business unit reported year-on-year higher sales.

The Transportation division boosted Q1 sales by 15 percent to €110.5 million and EBIT by 24 percent to €7.5 million. Its first-quarter ROCE reached 24 percent. The division is therefore squarely on track.

Total sales by the Vossloh Group in Q1/2012 added up to €255.7 million, EBIT to €10.2 million. The EBIT margin was 4.0 percent, ROCE 5.0 percent. Three-month group order intake amounted to €354 million. Allowing for the two megacontracts by Transportation in Q1/2011, the present rate of incoming orders, especially for this part of our business, indicates that the vigorous demand is persisting. At €1.59 billion at the end of March 2012, the Group's backlog of orders was at an all-time high.

As a specialist in rail technology products and services, Vossloh is a leader in its markets which, say the experts, are set to grow at a sustained pace even if presently short of the years 2006–10. The trend of our order intake and backlog is a clear endorsement of the prospects of sustained growth.

Vossloh AG's Executive and Supervisory Boards will propose to the annual general meeting on May 23 a dividend of €2.50 per share of stock—the same as for 2010. For you, our stockholders, this will mean another record payout. Besides this, each stockholder's share of Vossloh AG's capital stock rose by around 10 percent in the summer of 2011 since prior to this, we had redeemed and withdrawn the treasury stock we held.

Finally, our comfortable financial position has enabled us to again repurchase treasury shares—a move that we deemed the economically most sensible after examining the available options for utilizing the funds.

We would be happy to continue to enjoy the confidence of you, our stockholders.

Yours,

Werner Andree
CEO

Vossloh's corporate structure

Vossloh is a global player in selected rail infrastructure and rail technology markets. Under the roof of Vossloh AG as the management and financial holding parent, the Group has organized its business operations into two divisions subdivided into altogether five business units.

Vossloh AG

Rail Infrastructure	Transportation
Vossloh Fastening Systems Vossloh Switch Systems Vossloh Rail Services	Vossloh Transportation Systems Vossloh Electrical Systems

Rail Infrastructure division

This division provides products and services for rail infrastructure and includes the Fastening Systems, Switch Systems and Rail Services business units.

Vossloh Fastening Systems is the foremost supplier of rail fastening systems for every application: from light-rail via heavy-haul to high-speed.

Vossloh Switch Systems equips rail networks with switches (turnouts, crossings, etc.), as well as with the related control and monitoring systems all of which it also installs and maintains. Here, too, the lineup extends from light-rail to high-speed.

Vossloh Rail Services offers wide-ranging rail-related services including complex logistics and welding work as well as preventive maintenance for the rails.

Transportation division

The second division covers the operations concerned with rail vehicles and vehicle systems/components including the related services. The division has two business units: Transportation Systems and Electrical Systems.

The Transportation Systems business unit is Europe's leading manufacturer of diesel locomotives with production locations at Valencia, Spain, and Kiel, Germany, and supplies M&R services. The Valencia location also manufactures local transport rail vehicles.

Vossloh Electrical Systems develops and produces key electrical components and systems for light rail vehicles (LRVs) and locomotives. The business unit is the world's leading supplier of electrical equipment for trolleybuses and other electric buses; moreover, it equips buses with hybrid drive systems. Besides complete vehicle kits, the unit's business also covers retrofitted air-conditioning systems for rail vehicles, parts, components and subassemblies, revamping, servicing and M&R work.

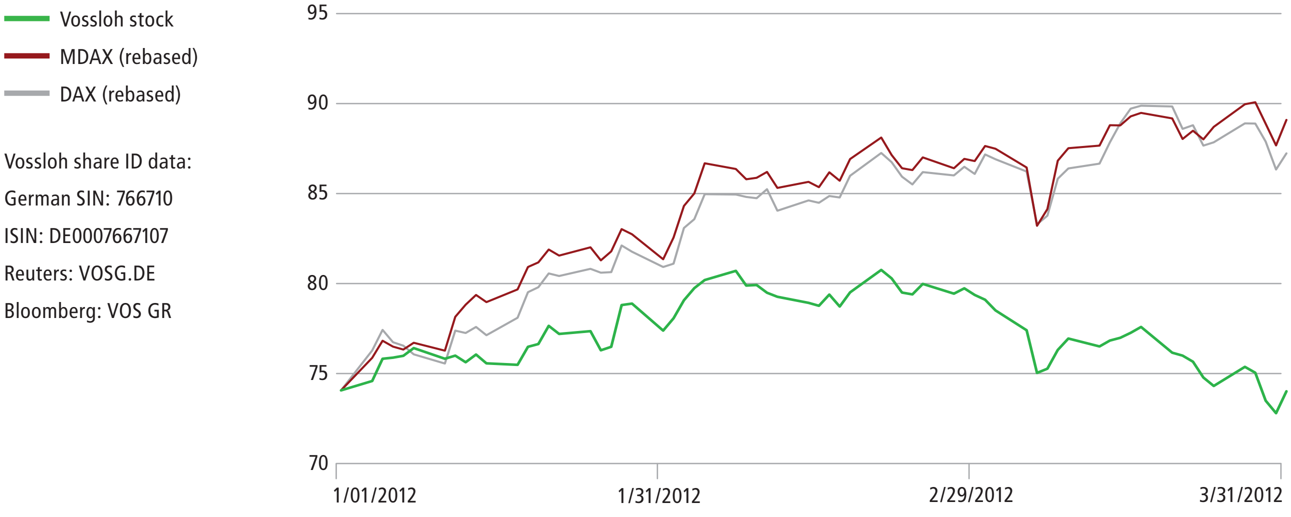
Vossloh stock

In the first three months of 2012 and after the losses of 2011, the European and US stock markets were generally in a buoyant mood. Germany's lead indexes performed especially well on an international comparison, with double-digit gains. At a good 20 percent, the MDAX was even more vigorous than the DAX which advanced by just under 18 percent compared with year-end 2011. Progressing more modestly, the Euro Stoxx 50 and the Dow Jones had risen by March 31, 2012, around 7 and 8 percent, respectively; still, the Dow was the first of the major international stock indexes to post a new three-year high during the period.

Vossloh stock underperforms market in Q1/2012

Vossloh stock underperformed the market as such. Starting 2012 at €74.50, it climbed to a three-month high of €81.28 in the course of February 20, subsequently falling to a quarterly low of €72.70 on March 29. On the final trading day of the period it then rallied to €74.02, virtually unchanged from the year-end 2011 of €74.07. Vossloh AG's market capitalization at quarter-end was €887.7 million.

Vossloh stock price trend from January 1 to March 31, 2012



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

The daily trading volume of Vossloh stock averaged around 24,300 shares equivalent to a total volume of 1.6 million for the period. This compares with 4.6 million the year before. Besides the generally declining trading volumes, this is also due to the change in Vossloh AG's ownership structure whose analysis, commissioned by Vossloh AG in early 2012, indicates that at the time Mr. Heinz Hermann Thiele, Germany, directly or indirectly, held 19.5 percent of Vossloh AG's capital stock; in Q1/2011, his stake had been just over 5 percent. So, together with the some 34 percent reportedly held by the Vossloh family, around 53.5 percent of Vossloh's capital stock is in the hands of strategic investors with a long-range focus. A year before, this had been about 35 percent.

Following the publication of the financial information for 2011 and discussions with journalists, analysts, and investors on the subject of business projects, held on March 29, 2012, the assessments regarding Vossloh by the capital market players improved slightly compared with the start of 2012. Of the 19 analysts tracking Vossloh's business trend, mid-April 2012, ten recommended "hold," and only six "sell." From the viewpoint of these equity research experts, Vossloh stock is overpriced or fairly priced, since after years of high-margin expansion in rail infrastructure business, the generally less profitable business in locomotives and local transport trains is presently showing stronger growth and hence the Vossloh Group—at least for the time being—cannot return, they say, to the record margins of 2010. Three financial analysts recommended "buying" Vossloh stock. They again identify substantial prospects for Vossloh in the Chinese market. Mid-April, the analysts' upside targets averaged €74; the fair-price bandwidth ranged from €60 to €95.

Proposed dividend of €2.50 per share

The Executive and Supervisory Boards will again recommend a dividend of €2.50 at the AGM to be held on May 23, 2012, in Düsseldorf. This will mean repeating the high dividend for 2010. The total payout would then amount to €30 million for 2011, equivalent to 54 percent of group earnings (up from 34).

Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hannover, Hamburg, Stuttgart, Munich
Index	MDAX
Number of shares outstanding at 3/31/2012	11,992,761
Stock price (3/31/2012)	€74.02
Q1/2012 high/low	€81.28/€72.70
Reuters code	VOSG.DE
Bloomberg code	VOS GR

For up-to-date details on Vossloh stock, our financial reports, presentations and the current financial diary as well as Creditor Relations information, go to www.vossloh.com/investors. Alternatively, contact us by email to investor.relations@ag.vossloh.com or call us at (+49-2392) 52-359.

Interim group management report

The Group’s business trend

Rail Infrastructure business

Transportation business

Capital expenditures

Research & development

Workforce

Prospects, risks and rewards

The Group's business trend

In the analysis of its results of operations, the Vossloh Group discloses the pretax value added (VA) as a key corporate benchmark. For fiscal 2012 Vossloh has set the return claimed by investors and lenders (WACC) at 10 percent. The return on capital employed (ROCE) has been benchmarked at a sustainable 15 percent. Besides the pretax VA used for internal controlling purposes, also the posttax value added is communicated in external reports at group or division level, based on the current WACC—5.9 percent posttax for Q1/2012—in order to disclose the actual quarterly value trend of relevance to stockholders.

Results of operations

Q1 group sales of €256 million almost unchanged

In Q1/2012, the Vossloh Group generated sales of €255.7 million, down 1.5 percent from the year-earlier €259.5 million. Whereas both business units of the Transportation division raised their sales, revenue at Rail Infrastructure slumped due to the poor performance by Vossloh Fastening Systems caused primarily by project delays in China and the accompanying sales loss.

Vossloh Group

		Q1/2012	Q1/2011
Sales	€ mill.	255.7	259.5
EBITDA	€ mill.	19.9	27.5
EBIT	€ mill.	10.2	18.0
EBIT margin	%	4.0	6.9
EBT	€ mill.	6.0	15.7
Group earnings	€ mill.	4.2	10.5
ROCE [1, 2]	%	5.0	8.9
Value added [1, 2]	€ mill.	(10.1)	(2.2)

[1] Annualized
[2] Based on average capital employed

Group order backlog of €1.59 billion at new all-time high

Q1 order intake by the Vossloh Group amounted to €353.6 million (down from €622.8 million). However, the year-earlier figure contains two megacontracts booked by Transportation worth together around €200 million. At March 31, 2012, the Group's order backlog totaled €1,594.2 million, 10.1 percent above the €1,448.2 million the year before.

At March 31, 2012, the Rail Infrastructure division had an order backlog of €671.2 million (virtually unchanged from €678.6 million a year ago). A sharp gain in order backlog was reported by Transportation at both its business units. At the end of Q1/2012, order backlog here amounted to €923.5 million (up from €770.5 million).

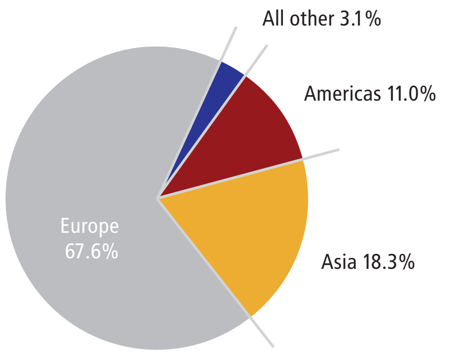
For the period, the Rail Infrastructure division showed sales of €145.2 million, down 11.0 percent from the year-earlier €163.1 million. The Fastening Systems and Rail Services business units both reported a clear decline in sales whereas Vossloh Switch Systems' climbed.

Q1 sales at Transportation totaled €110.5 million, 14.6 percent above the year-earlier €96.4 million. Both business units stepped up their revenue.

Demand again weak in Southern Europe; sales up in Germany and France

A regional sales breakdown for the period shows a mixed picture. Whereas Germany, France, Northern and Southern Europe, the Americas and Australia raised sales, those elsewhere in Western and in Southern Europe, Asia and Africa decreased. In Southern Europe still tight budgets again eroded demand, as expected; in Asia and Africa, project delays led to shrinking sales in Q1/2012.

During the period, Vossloh generated 67.6 percent of its sales in Europe (up from 65.6 percent). Outside of Europe, Asia contributed the largest share of 18.3 percent (down from 18.8), followed by the Americas with 11.0 percent (up from 10.1).



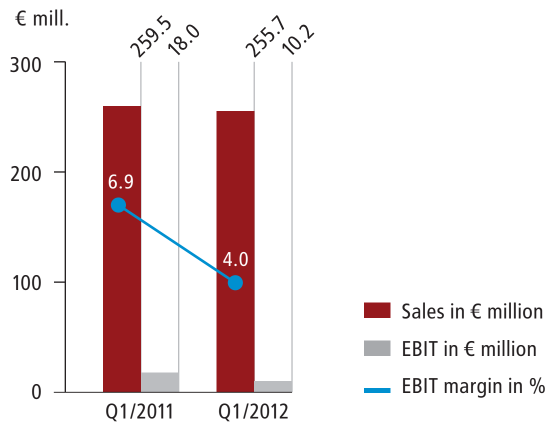
Geographical breakdown of Q1/2012 sales

Group sales outside Europe slightly down due to project delays in China

As in Q1/2012, Germany was once more the biggest individual market of the Vossloh Group, accounting for 24.0 percent of sales (up from 21.7 percent). During the period, sales again advanced in Germany. Following a weak 2011, sales in France progressed clearly during the period. Elsewhere in Western and in Southern Europe, the decline in sales continued in Q1/2012. Particularly weak were Switzerland, Italy, Portugal, and Spain. In contrast, business in Northern Europe revived and growth in the Eastern Europe sales region continued, especially in Poland.

Sales by region

	€ mill.	%	€ mill.	%
	Q1/2012		Q1/2011	
Germany	61.4	24.0	56.3	21.7
France	35.5	13.9	20.7	8.0
Other Western Europe	21.3	8.3	26.6	10.2
Northern Europe	13.5	5.3	11.6	4.5
Southern Europe	30.4	11.9	46.1	17.8
Eastern Europe	10.7	4.2	8.9	3.4
Total Europe	**172.8**	**67.6**	**170.2**	**65.6**
Americas	28.1	11.0	26.3	10.1
Asia	46.9	18.3	48.9	18.8
Africa	1.2	0.5	9.2	3.6
Australia	6.7	2.6	4.9	1.9
Total	**255.7**	**100.0**	**259.5**	**100.0**



Vossloh Group: sales and EBIT

Non-European sales accounted for 32.4 percent (down from 34.4). Q1 sales in the Americas rose, in Asia they fell slightly. This was mainly due to project delays in China, which cost revenue.

Q1 group EBIT at €10.2 million

For Q1/2012 the Vossloh Group reported a relative gross margin of 17.1 percent (year-on-year down from 18.9), the dip being largely attributable to Vossloh's changed product mix. The Transportation division's share in total sales easily outgrew the year-earlier proportion. The Group's Q1 EBIT dropped from €18.0 million in 2011 to €10.2 million in the current year. Vossloh's Q1 EBIT margin, too, was leveled down year-on-year, from 6.9 to 4.0 percent. The receding EBIT was due to the Rail Infrastructure division.

Three-month group earnings came to €4.2 million in 2012 (down from €10.5 million). The plunge was not only caused by the above-mentioned EBIT drop and the surging interest expense on account of Vossloh's year-on-year appreciably higher net financial debt as of March 31, 2012, but also by the Group's rising tax load ratio since earnings in low-tax countries—especially China—sank. Q1/2012 earnings per share (EpS) contracted to €0.35. After the stock buyback program had been carried out in H2/2011, the number of shares issued and outstanding in the quarter under review fell to 11,992,761 (down from 13,325,290).

ROCE at 5.0 percent; value added a negative €4.8 million after taxes

Vossloh's Q1 ROCE receded in 2012 to 5.0 percent (down from 8.9). Since capital employed remained virtually unchanged, the ROCE sag was exclusively attributable to the Group's weaker EBIT. Consequently, the 3-month value added (VA) in 2012 was a red €10.1 million (which compares with a negative €2.2 million in Q1/2011) or, based on current WACC and after taxes, an equally red €4.8 million.

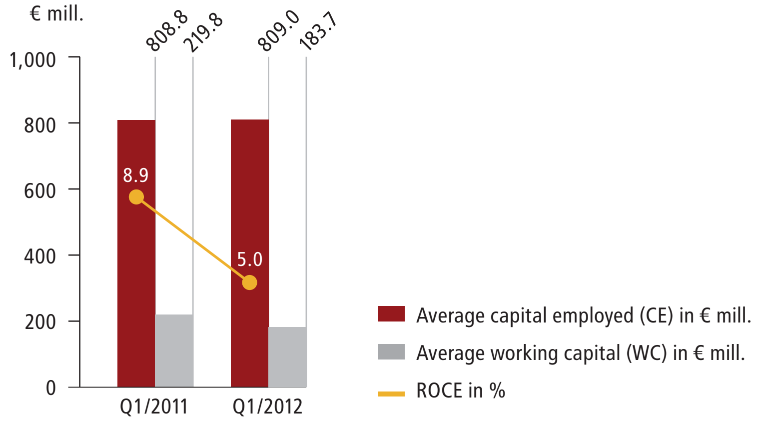
Asset and capital structure, financial position

At March 31, 2012, the Vossloh Group's assets totaled €1,510.4 million and were thus marginally lower than the year-end 2011 amount of €1,512.3 million. Substantially at the 2011 closing level of €480.5 million but considerably below the €590.8 million as of March 31, 2011, the Vossloh Group's total equity closed Q1/2012 at €486.5 million, equivalent to an equity ratio of 32.2 percent. This compares with 31.8 and 40.9 percent at the end of fiscal 2011 and Q1/2011, respectively. The key reason for the reduced equity was the H2/2011 treasury stock repurchase as it slashed equity by some €100 million.

Working capital improved; capital employed almost unchanged

In 2012, the Group's working capital averaged €183.7 million in Q1, down from both the 12-month and Q1 figures for 2011 (€211.2 million and €219.8 million, respectively). This improvement was primarily ascribable to swelling trade payables: these increased steeply since customer prepayments outstripped progress in manufacturing contracts. The (annualized) Q1 average working capital intensity was upgraded year-on-year, from 21.2 to 18.0 percent.

As of March 31, Vossloh's capital employed (CE) inched up from €776.3 million in 2011 to €783.9 million this year. Average Q1 CE likewise remained substantially unchanged, edging up from €808.8 million a year ago to €809.0 million in 2012.



Vossloh Group: CE, WC and ROCE trends

The Vossloh Group showed net financial debt of €191.5 million as of March 31, 2012, equivalent to a 39.4-percent net leverage (up from €70.0 million and 11.8 percent, respectively). While these two figures did mount steeply in a Q1 comparison, they were upgraded significantly from the magnitude at December 31, 2011 (down from €238.8 million and 49.7 percent, respectively). The year-on-year juxtaposition of the March 31 net financial debt indicates that shrinking cash and cash equivalents (down to €80.6 million) contrasted with heavier financial debts (up to €272.1 million).

Net financial debt down from level at year-end 2011

Vossloh Group

		3/31/2012	12/31/2011	3/31/2011
Total assets	€ mill.	1,510.4	1,512.3	1,444.3
Total equity	€ mill.	486.5	480.5	590.8
Equity ratio	%	32.2	31.8	40.9
Average working capital	€ mill.	183.7	211.2	219.8
Average working capital intensity[1]	%	18.0	17.6	21.2
Fixed assets	€ mill.	624.7	625.6	585.6
Closing capital employed	€ mill.	783.9	825.9	776.3
Average capital employed	€ mill.	809.0	811.4	808.8
Return on equity (ROE)[1, 2]	%	4.9	15.3	10.7
Net financial debt	€ mill.	191.5	238.8	70.0
Net leverage	%	39.4	49.7	11.8

[1] Annualized
[2] Based on average equity

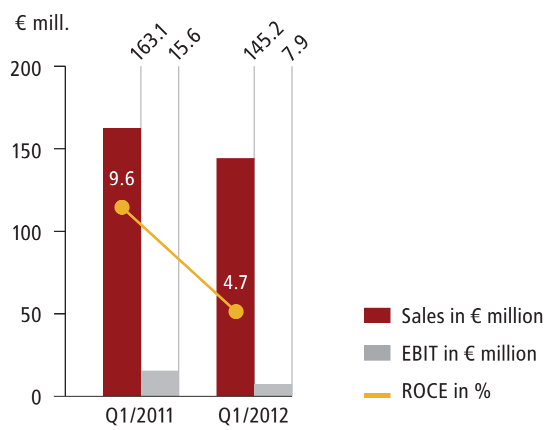
Rail Infrastructure business

Results of operations

Q1 sales by Rail Infrastructure amounted to €145.2 million for 2012 (down 11.0 percent from €163.1 million). Both Vossloh Fastening Systems and Vossloh Rail Services reported a clear reduction in revenue; in contrast, Vossloh Switch Systems' increased appreciably.

Sales at Vossloh Fastening Systems again eroded by project delays in China

In Q1/2012, Vossloh Fastening Systems generated sales of €39.4 million (down 40.1 percent from €65.8 million). This downturn was largely the result of the ongoing project postponements in China where Vossloh hardly shipped out any products during the period; in contrast, Q1/2011 had still seen sales of around €20 million.



Rail Infrastructure: sales, EBIT and ROCE

Rail Infrastructure

		Q1/2012	Q1/2011
Sales	€ mill.	145.2	163.1
EBITDA	€ mill.	13.6	21.7
EBIT	€ mill.	7.9	15.6
EBIT margin	%	5.5	9.6
ROCE[1, 2]	%	4.7	9.6
Value added[1, 2]	€ mill.	(9.1)	(0.7)

[1] Annualized
[2] Based on average capital employed

Order intake at Vossloh Fastening Systems for the period under review added up to €93.4 million (down from €142.6 million). However, the year-earlier quarter had included contracts from China worth over €70 million. Major new orders during the period were booked from France, Kazakhstan, Germany, and Saudi Arabia. At March 31, 2012, order backlog at Vossloh Fastening Systems totaled €320.1 million, 13.2 percent more than the year-earlier €282.8 million.

Sales by Vossloh Switch Systems clearly up

Vossloh Switch Systems raised its Q1 sales by 19.5 percent to €97.0 million (up from €81.2 million), primarily thanks to good business in Iraq and Europe (e.g. Sweden, France, and Poland).

Q1 order intake at Vossloh Switch Systems totaled €128.5 million (down from €153.8 million). Among the new orders were projects in the USA, Sweden, France, and Australia. At March 31, 2012, order backlog at Vossloh Switch Systems amounted to €344.0 million (down from €383.5 million).

Sales by Vossloh Rail Services down due to less welding work

Q1 sales by Vossloh Rail Services reached €9.3 million (down 46.0 percent from €17.1 million). The main reason for this unexpected underperformance is the much reduced volume of rail-welding orders from Germany. In Q1, the Rail Services business unit booked orders worth €11.0 million (down from €29.3 million) for work supplied on demand and typically at short notice. At March 31, 2012, order backlog at Vossloh Rail Services totaled €7.6 million (down from €13.1 million).

Q1 EBIT by Rail Infrastructure at €7.9 million

For Q1/2012, the Rail Infrastructure division's EBIT declined, from €15.6 million to €7.9 million. The EBIT margin fell accordingly from 9.6 to 5.5 percent.

Rail Infrastructure's Q1 ROCE slumped from 9.6 to 4.7 percent. The Q1 value added by this division decelerated from a red €0.7 million the previous year to an equally red €9.1 million in 2012. In detail: Vossloh Fastening Systems' Q1 VA contracted from €9.4 million to €0.6 million in the black, whereas the Rail Services and Switch Systems business units' VA remained in the red, Vossloh Rail Services reporting a year-on-year deterioration from a negative €1.3 million to a likewise red €5.0 million. Although Vossloh Switch Systems' value added was still red, it was shrunk from €8.7 million to €4.6 million (both negative). Based on the current WACC, Rail Infrastructure's Q1 VA amounted to a red €4.5 million after taxes.

Asset and capital structure

The Rail Infrastructure division's Q1 average working capital barely changed year-on-year, inching up from €224.5 million to €226.4 million. Rail Infrastructure's first-quarter working capital intensity rose from 34.4 to 39.0 percent in 2012.

Q1 closing capital employed of €674.8 million was above the year-earlier €640.9 million. With the division's working capital remaining unchanged, the slight increase was attributable to capital expenditures, which added fixed assets. In terms of Q1 average CE, too, the same uptrend was observable, capital employed rising from €651.1 million a year ago to €680.5 million in 2012.

Rail Infrastructure capital employed up due to added fixed assets

Rail Infrastructure

		Q1/2012	FY 2011	Q1/2011
Average working capital	€ mill.	226.4	249.3	224.5
Average working capital intensity*	%	39.0	32.0	34.4
Closing fixed assets	€ mill.	453.1	455.0	423.0
Closing capital employed	€ mill.	674.8	704.2	640.9
Average capital employed	€ mill.	680.5	683.1	651.1

*Annualized

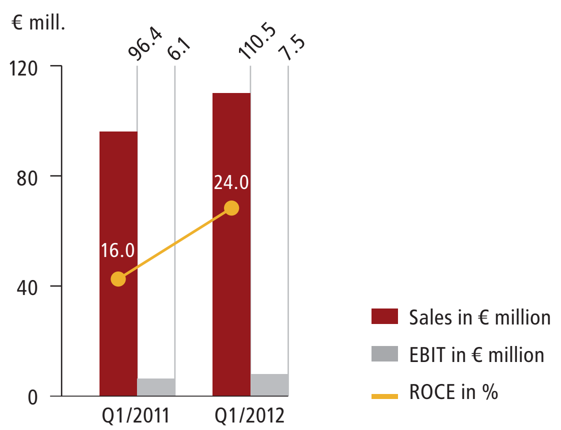
Transportation business

Results of operations

Extra sales of around 15 percent driven by growth in both business units

For 2012, the Transportation division reported a Q1 sales rise of 14.6 percent to €110.5 million (up from €96.4 million). Both business units, Transportation Systems and Electrical Systems, shared similarly in this increase. This also applies to Vossloh Transportation Systems' two locations of Kiel and Valencia.

Vossloh Transportation Systems boosted its Q1 sales by 17.2 percent to €72.7 million (up from €62.0 million). The Kiel location of the Transportation Systems business unit, Vossloh Locomotives, generated 20.3 percent added sales to €30.7 million (up from €25.5 million). The ongoing revival in locomotive business is the main reason for this congenial situation. The Spanish location in Valencia, Vossloh Rail Services, revved up its Q1 sales by 15.1 percent, from €36.5 million to €42.0 million. The incremental sales are basically due to a project awarded by Israel Railways for EURO 4000 locomotives.



Transportation: sales, EBIT and ROCE

Three-month order intake by Vossloh Transportation Systems plunged in 2012 from €169.5 million a year ago to €92.6 million. The biggest individual orders were awarded to the Spanish location, Vossloh Rail Vehicles, and include 15 EURO*LIGHT* locomotives for the British market and six EURO 4000 locomotives for the French and Belgian. In the first quarter of 2011, Vossloh Rail Vehicles had booked the megacontract from Israel worth just under €100 million. The Q1/2012 closing order backlog at the Transportation Systems business unit totaled €524.0 million, well over the €446.7 million the year before.

Transportation

		Q1/2012	Q1/2011
Sales	€ mill.	110.5	96.4
EBITDA	€ mill.	11.4	9.4
EBIT	€ mill.	7.5	6.1
EBIT margin	%	6.8	6.3
ROCE[1, 2]	%	24.0	16.0
Value added[1, 2]	€ mill.	4.4	2.3

[1] Annualized
[2] Based on average capital employed

Vossloh Electrical Systems achieved an 11.5-percent sales hike, from €35.9 million to €40.0 million in Q1/2012. Business in rail vehicle control systems was particularly buoyant. Order intake by this business unit during the period plummeted from €129.9 million to €31.1 million. The year-earlier total had included a megacontract from Hannover. Order backlog at the end of the quarter amounted to €422.8 million, easily above the year-earlier €326.1 million.

EBIT, EBIT margin, ROCE and value added all much improved

The Transportation division's EBIT for the period was €7.5 million and clearly outperformed the year-earlier €6.1 million. The Q1 EBIT margin improved from 6.3 to 6.8 percent. The division's ROCE surged from 16.0 to 24.0 percent and was hence once more far superior to the 15-percent group benchmark. The Transportation division added value of €4.4 million, nigh double the year-earlier €2.3 million.

The Transportation Systems business unit added value of €1.7 million (up from a negative €0.9 million). Vossloh Electrical Systems' VA came to €2.7 million (down from €3.2 million). On the basis of current WACC and after taxes, the value added by Transportation in Q1/2012 amounted to €3.4 million.

Asset and capital structure

Another working capital upgrade

The Transportation division's Q1 average working capital remained negative for both 2011 and 2012, shrinking further from €1.8 million to €35.1 million, mainly due to the higher trade payables; these were created by accounting for contracts where customer prepayments outstripped contract progress. Q1 working capital intensity likewise remained in the red, amounting to a negative 7.9 percent in 2012 (versus minus 0.5 percent a year ago).

Accompanying the working capital reduction was a decrease in capital employed: CE as of March 31 diminished year-on-year from €138.9 million to €107.2 million. Average Q1 capital employed equally improved, slimming down from €151.2 million in 2011 to €124.6 million in the period.

Transportation

		Q1/2012	FY 2011	Q1/2011
Average working capital	€ mill.	(35.1)	(31.3)	(1.8)
Average working capital intensity*	%	(7.9)	(7.5)	(0.5)
Closing fixed assets	€ mill.	160.2	159.2	153.0
Closing capital employed	€ mill.	107.2	117.8	138.9
Average capital employed	€ mill.	124.6	124.6	151.2

*Annualized

Capital expenditures

First-quarter capital outlays were downscaled by €4.1 million to €10.7 million. The reduction affected both divisions.

Additions to tangible/intangible assets

€ million	Q1/2012	Q1/2011
Rail Infrastructure	5.7	6.4
Transportation	4.8	7.4
Vossloh AG	0.2	1.0
Total	**10.7**	**14.8**

Q1 expenditures at Rail Infrastructure fell from €6.4 million to €5.7 million. Both Vossloh Fastening Systems and Vossloh Rail Services cut their spending. At Vossloh Fastening Systems, €0.5 million was invested (down from €1.8 million). The major projects—the final steps in capacity expansion and restructuring at Werdohl—will be carried out in the course of 2012. Vossloh Switch Systems spent altogether €3.4 million (up from €2.7 million) in Q1. The main item was further work on the switch production plant in China. At Vossloh Rail Services, expenditures again targeted the two new trains for high-speed grinding as well as a new mobile rail welder. Total spending by Vossloh Rail Services added up to €1.8 million (down from €1.9 million).

At a total of €4.8 million, Q1 expenditures at the Transportation division were well short of the year-earlier €7.4 million. The reduction affected the Electrical Systems business unit which in Q1/2011 had spent €4.5 million in acquiring the new business property in Düsseldorf. Process optimization and capacity expansion at the location will progress as the year proceeds. However, Q1 spending was modest at a mere €0.9 million. As budgeted, Vossloh Transportation Systems leveled up its capital outlays from €2.9 million to €3.9 million. Both locations, Vossloh Locomotives and Vossloh Rail Vehicles, continued work on developing new locomotive models. Encouraged by the recently acquired contracts, Vossloh Rail Vehicles centers on the two models EURO 3000 and EURO*LIGHT*.

Research & development

A large portion of the Vossloh Group's R&D work is tied to specific contracts. The requirements of customers in different regions of the world govern in particular business at the Transportation division. Hence, the related expenses are reported as cost of sales rather than R&D expenses. The Vossloh Group's R&D input is therefore always relatively modest even though the amount of development work involved in specific projects is much higher.

Q1/2012 R&D expenses by the Vossloh Group amounted to €1.9 million (down from €2.1 million). Rail Infrastructure accounted for €1.0 million (down from €1.4 million), with substantially equal shares of €0.5 million each at the Fastening Systems and Switch Systems business units. Vossloh Rail Services incurred no R&D expenses during the period (down from €0.2 million).

Three-month R&D expenses at the Transportation division totaled €0.9 million (up from €0.7 million). Hereof, Vossloh Electrical Systems accounted for €0.6 million (up from €0.4 million).

Vossloh Transportation Systems capitalized development costs of €3.3 million (up from €2.2 million) for new models of locomotives at the two locations of Kiel and Valencia. Vossloh Rail Services capitalized development costs of €0.2 million during the period.

Workforce

At the end of March 2012, the Vossloh Group employed a workforce of 5,014, including once again easily the most at the Rail Infrastructure division (3,174). Transportation's Q1 closing headcount was 1,793.

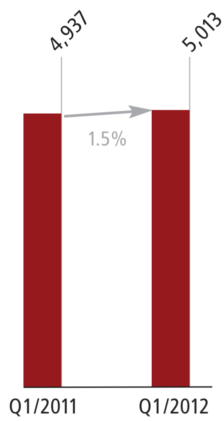
Both within the Group and at the two divisions, the workforce rose slightly compared with a year ago. At March 31, 2011, the Group had had 4,933 employees, including 3,164 at Rail Infrastructure and 1,721 at Transportation. Compared with year-end 2011, the total number of employees was virtually unchanged. At December 31, 2011, the Vossloh Group's workforce numbered 5,011. The Rail Infrastructure division's headcount declined by 29 during Q1/2012, specifically at Vossloh Fastening Systems and Vossloh Rail Services. The Transportation division hired new employees, mostly at Vossloh Electrical Systems.

Headcount at

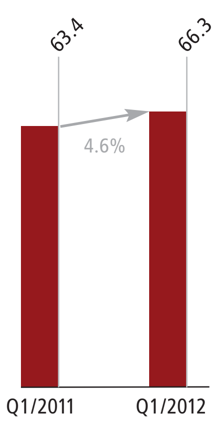
	3/31/2012	12/31/2011	3/31/2011
Rail Infrastructure	3,174	3,203	3,164
Transportation	1,793	1,763	1,721
Vossloh AG	47	45	48
Total	**5,014**	**5,011**	**4,933**

At March 31, 2012, altogether 35.2 percent (1,767) employees worked for the Group in Germany. Compared with a year ago (1,730), the headcount in Germany rose slightly. This is in particular due to added personnel at the Düsseldorf location of Vossloh Electrical Systems. The Vossloh Group has employees in numerous other European countries as well as at its plants in the USA, Asia (India, Malaysia), and Australia. As of March 31, 2012, all these locations had a total workforce of 3,247, or 1.4 percent more than at Q1-end 2011, and virtually unchanged versus year-end 2011 (3,249).

The ratio of payroll to value created worsened in Q1/2012 from 77.0 to 85.8 percent since less value was created during the period while personnel expenses rose.
Q1 personnel expenses per capita, based on an average Q1/2012 group workforce of 5,013 (up from 4,937), climbed from k€12.8 to k€13.2. Sales per capita during the period slipped from k€52.6 to k€51.0.



Average headcount
(Group)



Personnel expenses
in € million

Prospects, risks and rewards

The main risks and rewards impacting on the Vossloh Group's further development are depicted in the group management report 2011. Within the framework of ongoing risk monitoring and control through the Group's risk management system no risks are identifiable which either individually, combined or in their aggregate might threaten the Group's very survival as a going concern (unchanged).
Two antitrust authorities are currently investigating suspicions of quota and price collusion among competitors regarding rail marketing and activities in the rail switch market. Affected are three Vossloh subsidiaries. The disclosure of more details on potential risks emanating from antitrust proceedings involving group companies is not possible at present.

Budgets for 2012 and 2013 reaffirmed

On the occasion of the presentation of the annual accounts for 2011 on March 29, 2012, Vossloh reaffirmed the forecasts for 2012 and 2013 first formulated on December 2, 2011. The key basis for expectations is the Group's record order backlog of around €1.5 billion at year-end 2011 and just under €1.6 billion at the end of Q1/2012. For 2012 and on this basis, group sales have been budgeted at €1.25 billion to €1.3 billion (up from €1.2 billion). According to present assessments, the 2012 EBIT should range between €100 million and €110 million (up from €96.5 million). Group earnings in 2012 are set to total between €55 million and €60 million (€55.7 million in 2011). Critical to this year's performance are the degree to which shipments of rail fasteners will generally be resumed in China and whether at Vossloh Rail Services demand for rail maintenance work will pick up in the course of the year. Predicated on these sales and EBIT assumptions, the EBIT margin will reach 8.0–8.5 percent in 2012. Value added, as a key controlling parameter of the Group, should rise in 2012 to over €20 million (up from €15.4 million) and ROCE to 12.5–14.0 percent (up from 11.9 percent).

For 2013, Vossloh is looking to further growth in sales and EBIT. In line with budget and order intake so far, this trend is particularly pronounced at the Transportation division which is benefiting increasingly from very strong order intake in 2011 for both new locomotive models and new local transport rail vehicles. Its order backlog totaled a new all-time high of €913 million at December 31, 2011, and at the end of March, €924 million thanks to new orders slightly outpacing sales. As to 2013, Vossloh is budgeting sales of €1.3 billion to €1.35 billion and an EBIT of €120 million to €130 million.

Condensed interim financial statements of the Vossloh Group as of March 31, 2012

Income statement for the 3 months (Q1) ended March 31, 2012

€ million	Q1/2012	Q1/2011*
Net sales	255.7	259.5
Cost of sales	(211.9)	(210.5)
General administrative and selling expenses	(37.4)	(35.4)
R&D expenses	(1.9)	(2.1)
Other operating income/expenses, net	5.5	6.4
Operating result	**10.0**	**17.9**
Net P/L from associated affiliates	0.2	0.3
Other financial income	0.1	0.0
Other financial expenses	(0.1)	(0.2)
EBIT	**10.2**	**18.0**
Interest income	2.6	3.2
Interest expense	(6.8)	(5.5)
EBT	**6.0**	**15.7**
Income taxes	(1.9)	(3.2)
Total net income	**4.1**	**12.5**
thereof group earnings (Vossloh stockholders)	**4.2**	**10.5**
thereof minority interests	(0.1)	2.0
Earnings per share (EpS)		
Undiluted/fully diluted EpS in €	0.35	0.78

Statement of comprehensive income (SOCI) for Q1/2012

€ million	Q1/2012	Q1/2011*
Total net income	**4.1**	**12.5**
Statement at fair value of derivatives in CFHs		
Change in OCI	3.1	9.7
Gains/losses recycled from OCI to income statement	0.0	0.1
Actuarial gains/losses on pensions		
Change in OCI	0.0	0.3
Statement at fair value of securities available for sale		
Change in OCI	0.0	0.0
Currency translation differences		
Change in OCI	0.0	(5.3)
Deferred taxes		
on OCI changes	(1.0)	(3.1)
Total OCI	**2.1**	**1.7**
Comprehensive income	**6.2**	**14.2**
thereof Vossloh stockholders	6.3	13.3
thereof minority interests	(0.1)	0.9

*Given the retroactively applicable amendment to pension accrual accounting policies, the prior-year comparatives have been restated accordingly. For details, see the explanatory notes on pages 36/37.

Cash flow statement for the 3 months (Q1) ended March 31, 2012

€ million	Q1/2012	Q1/2011 *
Cash flow from operating activities:		
EBIT	10.2	18.0
Amortization/depreciation/write-down (less write-up) of noncurrent assets	9.8	9.7
Change in noncurrent accruals	0.6	(4.4)
Gross cash flow	**20.6**	**23.3**
Noncash change in shares in associated affiliates	(0.2)	(0.3)
Other noncash income/expenses, net	1.8	2.7
Net book gain/loss from the disposal of intangibles/tangibles	0.0	(1.6)
Cash outflow for income taxes	(2.8)	(6.9)
Change in working capital	40.7	60.0
Changes in other assets/liabilities, net	(3.5)	(5.5)
Net cash provided by operating activities	**56.6**	**71.7**
Cash flow from investing activities:		
Cash outflow for additions to intangibles/tangibles	(10.7)	(14.8)
Cash outflow for additions to noncurrent financial instruments	(0.2)	(1.7)
Cash inflow from the disposal of intangibles/tangibles	0.1	0.2
Cash inflow from/(outflow for) short-term securities purchased/sold, net	1.3	(3.2)
Cash inflow from the disposal of noncurrent financial instruments	0.1	2.5
Net cash used in investing activities	**(9.4)**	**(17.0)**
Cash flow from financing activities:		
Cash outflow to stockholders and minority interests	(0.2)	–
Net finance from short-term loans	(54.2)	(1.9)
Net finance from medium-/long-term loans	(1.8)	0.2
Cash inflow from interest	7.0	1.6
Cash outflow for interest	(4.4)	(2.9)
Net cash used in financing activities	**(53.6)**	**(3.0)**
Net (outflow)/inflow of cash and cash equivalents	(6.4)	51.7
Change in cash and cash equivalents from initial consolidation	0.1	5.5
Parity-related changes	(0.1)	(1.2)
Opening cash and cash equivalents	**85.4**	**74.6**
Closing cash and cash equivalents	**79.0**	**130.6**

*Given the retroactively applicable amendment to pension accrual accounting policies, the prior-year comparatives have been restated accordingly. For details, see the explanatory notes on pages 36/37.

Balance sheet

Assets in € million	3/31/2012	12/31/2011 *	3/31/2011 *	1/1/2011 *
Intangible assets	415.5	415.1	403.4	406.2
Tangible assets	190.3	190.3	169.1	162.0
Investment properties	6.1	6.3	5.8	6.1
Shares in associated affiliates	1.0	0.9	1.2	5.5
Other noncurrent financial instruments	14.0	13.3	13.1	11.0
Other noncurrent assets	2.0	0.6	0.7	0.4
Deferred tax assets	44.1	44.6	34.7	35.2
Total noncurrent assets	**673.0**	**671.1**	**628.0**	**626.4**
Inventories	369.9	351.5	322.7	300.5
Trade receivables	337.9	353.0	304.9	360.6
Income tax assets	10.9	8.0	8.0	6.2
Sundry current assets	38.1	40.5	45.6	36.2
Short-term securities	1.6	2.8	4.5	1.3
Cash and cash equivalents	79.0	85.4	130.6	74.6
Total current assets	**837.4**	**841.2**	**816.3**	**779.4**
Total assets	**1,510.4**	**1,512.3**	**1,444.3**	**1,405.8**

Equity & liabilities in € million	3/31/2012	12/31/2011	3/31/2011	1/1/2011
Capital stock	37.8	37.8	37.8	37.8
Additional paid-in capital	42.7	42.7	42.7	42.7
Treasury stock	(102.9)	(102.9)	(105.8)	(105.8)
Reserves retained from earnings	424.1	423.3	464.3	467.7
Undistributed group profit	61.8	5.8	104.5	7.0
Group earnings	4.2	56.0	10.5	97.5
Accumulated other comprehensive income	5.1	3.8	8.0	1.8
Stockholders' equity	**472.8**	**466.5**	**562.0**	**548.7**
Minority interests	13.7	14.0	28.8	27.9
Total equity	**486.5**	**480.5**	**590.8**	**576.6**
Pension accruals	16.2	16.0	16.4	16.6
Noncurrent tax accruals	0.7	0.7	0.0	0.0
Other noncurrent accruals	59.4	60.0	62.3	75.8
Noncurrent financial debts	183.1	189.8	175.4	187.0
Noncurrent trade payables	14.2	8.2	–	–
Other noncurrent liabilities	23.9	21.3	39.7	26.2
Deferred tax liabilities	48.0	47.2	38.5	35.4
Total noncurrent liabilities and accruals	**345.5**	**343.2**	**332.3**	**341.0**
Current tax accruals	2.8	2.8	7.9	10.1
Other current accruals	172.8	162.9	177.0	157.9
Current financial debts	89.0	137.2	29.7	25.5
Current trade payables	337.1	314.5	217.5	204.9
Current income tax liabilities	5.3	4.2	4.1	3.9
Other current liabilities	71.4	67.0	85.0	85.9
Total current liabilities and accruals	**678.4**	**688.6**	**521.2**	**488.2**
Total equity and liabilities	**1,510.4**	**1,512.3**	**1,444.3**	**1,405.8**

*Given the retroactively applicable amendment to pension accrual accounting policies, the prior-year comparatives have been restated accordingly. For details, see the explanatory notes on pages 36/37.

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistributed group profit	Group earnings	Accumulated OCI	Stockholders' equity	Minority interests	Total
Balance at 12/31/2010	**37.8**	**42.7**	**(105.8)**	**467.7**	**7.0**	**97.5**	**5.2**	**552.1**	**27.9**	**580.0**
Effect of amended pension accrual accounting							(3.4)	(3.4)		(3.4)
Balance at 1/1/2011	**37.8**	**42.7**	**(105.8)**	**467.7**	**7.0**	**97.5**	**1.8**	**548.7**	**27.9**	**576.6**
Carryforward to new account				(3.4)	97.5	(97.5)	3.4	0.0		0.0
Change due to initial consolidation					0.0			0.0		0.0
Comprehensive income						10.5	2.8	13.3	0.9	14.2
Balance at 3/31/2011	**37.8**	**42.7**	**(105.8)**	**464.3**	**104.5**	**10.5**	**8.0**	**562.0**	**28.8**	**590.8**
Transfer to reserves retained from earnings				64.8	(64.8)			0.0		0.0
Change due to initial consolidation and changes in equity interests					(0.6)			(0.6)	(6.6)	(7.2)
Comprehensive income						45.5	(4.2)	41.3	2.7	44.0
Dividend payout					(33.3)			(33.3)	(10.9)	(44.2)
Treasury stock redeemed/withdrawn			105.8	(105.8)				0.0		0.0
Repurchase of treasury shares			(102.9)					(102.9)		(102.9)
Balance at 12/31/2011	**37.8**	**42.7**	**(102.9)**	**423.3**	**5.8**	**56.0**	**3.8**	**466.5**	**14.0**	**480.5**
Carryforward to new account				0.8	56.0	(56.0)	(0.8)	0.0		0.0
Comprehensive income						4.2	2.1	6.3	(0.1)	6.2
Dividend payout								–	(0.2)	(0.2)
Balance at 3/31/2012	**37.8**	**42.7**	**(102.9)**	**424.1**	**61.8**	**4.2**	**5.1**	**472.8**	**13.7**	**486.5**

Explanatory notes

Corporate background

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

Accounting principles

The interim financial report as of March 31, 2012, has been prepared in accordance with the International Financial Reporting Standards (IFRS) which are applicable in the European Union (EU).

Applied for the first time were the changes in IFRS 7 *Financial Instruments: Disclosures—Transfers of Financial Assets,* however, which has not had any effect on the consolidated financial statements.

Fiscal 2012 saw a change in the accounting for pension obligations under defined benefit plans: Previously, actuarial gains and losses were not recognized in the income statement if within a 10-percent range of the defined benefit obligation (DBO). This corridor method has been discontinued, any actuarial gains/losses arising in the year are recognized in OCI when earned or incurred, their reclassification to the income statement for the same or any subsequent period being excluded by the provisions of IAS 19:93D.

This voluntary change in the pension accrual accounting method is in line with IAS 8:14 *et seq.* and merely represents, according to Vossloh's current assessment, an early application of the amended IAS 19 that at the latest in fiscal 2013 would anyhow have become obligatory once the EU has endorsed the Standard in 2012 (as is expected). Using the new accounting method one year early has Vossloh believes its benefits since EBIT swings in either direction are thus avoided by amortizing actuarial gains and losses as early as 2012. Such EBIT vagaries are generally deemed nonoperational and, therefore, the representation of an operating result free from bias appears a well-advised corollary step toward a true and fair view of the asset and capital structure, financial position and results of operations.

As required by IAS 8, the change in accounting policy has been applied retroactively and produced the following effects on certain financial statement lines for the period(s) concerned or their respective closing dates:

FS lines affected (€ mill.):	Balance sheet			SOCI	Income statement			
	Pension accruals	Accumulated OCI	Deferred tax assets	Actuarial gains/ losses on pensions (after deferred taxes)	EBIT	Income taxes	Total net income	EpS
12/31/2010	4.9	(3.4)	1.5					
1/1–3/31/2011	(0.4)	0.2	(0.1)	0.2	0.1	0.0	0.1	0.78
3/31/2011	4.5	(3.2)	1.4					
4/1–12/31/2011	(1.2)	0.6	(0.4)	0.6	0.3	0.1	0.2	3.52
12/31/2011	3.3	(2.6)	1.0					
1/1–3/31/2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3/31/2012	3.3	(2.6)	1.0					

Apart from the above change, the accounting and valuation principles adopted in interim reporting essentially conform with those used for the consolidated financial statements as of December 31, 2011, with due regard to International Accounting Standard (IAS) 34 *Interim Reporting* and German Accounting Standard (GAS) No. 16 *Interim Reporting*. Preparing interim financial reports requires management to make certain assumptions and estimates. Actual values may differ from those estimates and hence from the amounts disclosed in the interim report.

For German companies, income taxes have been calculated by applying a rate of 30 percent while for foreign subsidiaries, the applicable local tax rates are used.

Consolidation group

The consolidation group has only insignificantly changed since December 31, 2011:

On December 21, 2011, Vossloh Cogifer SA, Rueil-Malmaison, France, closed the share deal executed at November 30, 2011, for all of the shares in Entreprise d'Études de Signalisation Ferroviaire (EESF), a railway signaling company. The acquiree has been consolidated since January 1, 2012.

The purchase price of €1.25 million contrasted with the following assets and liabilities:

€ million	Pre-combination book values	Adjustments	Fair values at initial consolidation date
Tangible assets and inventories	0.1	0.0	0.1
Receivables	0.3	0.0	0.3
Other assets	0.2	0.0	0.2
Cash and cash equivalents	0.1	0.0	0.1
Liabilities	0.2	0.0	0.2
Net assets acquired	**0.5**	**0.0**	**0.5**
Acquisition price			1.3
Residual goodwill			**0.8**

Consequently, including Vossloh AG, 24 German and 36 foreign companies were consolidated fully in the interim financial statements as of March 31, 2012. Moreover, one German and three foreign companies were consolidated pro rata, one German associated affiliate being included at equity.

Equity

Since the consolidated financial statements 2011, Vossloh AG's capital stock has remained unchanged and amounted to €37,825,168.86, divided into 13,325,290 shares, of which 11,992,761 were outstanding as of March 31, 2012.

Earnings per share

		Q1/2012	Q1/2011
Weighted average number of common shares		13,325,290	14,795,920
Repurchased shares (weighted)		(1,332,529)	(1,470,630)
Weighted average number of shares outstanding		11,992,761	13,325,290
Dilutive shares from stock options under the ESOP/LTIP		–	–
Fully diluted weighted average number of shares outstanding		11,992,761	13,325,290
Group earnings	€ mill.	4.2	10.5
Undiluted (basic) EpS	**€**	**0.35**	**0.78**
Fully diluted EpS	**€**	**0.35**	**0.78**

Cash flow statement

The cash flow statement shows the changes in the Vossloh Group's cash and cash equivalents; cash includes checks, other cash on hand, as well as cash in bank, while cash equivalents comprise any financial instruments maturing within three months and readily convertible into cash.

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

The Vossloh Group's primary reporting segments are defined by its internal organizational and reporting structure which is based on the products and services offered by Vossloh's business units. In line with IFRS 8, segment reporting encompasses not only the two divisions (Rail Infrastructure and Transportation) but also separately presents their business units.

The Rail Infrastructure division covers the Group's related products and services and comprises the Fastening Systems, Switch Systems and Rail Services business units.

The Fastening Systems business unit is the foremost supplier of rail fastening systems. The range embraces fasteners for every application: from light-rail via heavy-haul to high-speed.

Vossloh Switch Systems is one of the world's leading rail switch manufacturers. The business unit equips rail networks with switches (turnouts, crossings, etc.), as well as with the related control and monitoring systems which it installs and maintains. Here, too, the lineup extends from light-rail to high-speed applications.

Vossloh Rail Services engages 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.

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

Vossloh Transportation Systems with its two production locations in Valencia, Spain, and Kiel, Germany, is Europe's leading manufacturer of diesel locomotives for which it also provides maintenance services. In addition, the Valencia location develops and builds vehicles for local transport rail services. The business unit's customers comprise state and private rail operators as well as leasing companies.

Vossloh Electrical Systems equips light rail vehicles and buses with advanced electrical systems. The product range includes traction systems, onboard power supply units, vehicle controls, heating and air-conditioning systems. The kits are integrated into a complete customer-specific package and supplied from a single source. The business unit is the world's leading supplier of electrical equipment for trolleybuses and other electric buses which since 2008 have optionally been available with hybrid drive systems. Besides complete vehicle kits, the unit's businesses also cover retrofitted air-conditioning systems for rail vehicles, parts, components and subassemblies, revamping, servicing and M&R work.

Consolidation eliminates all intersegment transactions, such as primarily by mutually offsetting intragroup income/expenses and receivables/payables, as well as by eliminating intragroup income from profit distribution. The last *Consolidation* column includes not only the Group's top-tier consolidation items but also the holding companies which cannot be assigned to any segment, plus Vossloh AG as the Group's managerial grandparent and financial holding company.

The accounting methods of all segments are identical and conform with the EU-endorsed IFRS. Intersegment business is transacted on terms as if at arm's length.

The analysis below shows how the Group's total value added (according to the segment report) is reconciled with its recognized EBIT:

Reconciliation of value added with EBIT

€ million	Q1/2012	Q1/2011
Value added	(10.1)	(2.2)
Cost of capital employed	20.3	20.2
EBIT	**10.2**	**18.0**

Related-party transactions

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated Vossloh subsidiaries, joint ventures, and the associated affiliate. All transactions with these companies conform to the arm's length principle.
The table below presents the income/expenses and receivables/payables which originate from related-party transactions with, and only with, unconsolidated subsidiaries. Transactions in the period with related individuals were altogether insignificant.

€ million	Q1/2012 or 3/31/2012	Q1/2011 or 3/31/2011
Sale/purchase of goods		
Net sales	1.3	1.0
Expenses	0.2	0.2
Trade receivables	1.9	3.0
Trade payables	0.4	0.1
Sale/purchase of other assets		
Income/gains	0.0	–
Expenses/losses	0.0	–
Receivables from the sale of other assets	0.0	0.0
Payables	1.1	–
Outbound/inbound services		
Income from outbound services	0.0	0.0
Expenses for inbound services	0.6	0.0
Finance		
Interest income from loans granted	0.0	0.0
Interest expense for loans raised	0.0	0.0
Receivables under loans granted	2.3	0.4
Payables under loans received	0.0	0.5
Guaranties/collateral furnished		
Bonds/guaranties furnished	11.4	10.9
Other collateral furnished	1.3	1.3

Contingent liabilities

In comparison to December 31, 2011, the Group's contingent liabilities moved up €1.4 million to €16.7 million; this total includes guaranties for €13.2 million, as well as contingent liabilities from the collateralization of third-party debts of €3.5 million.

Segment information by business unit

		Fastening Systems	Switch Systems	Rail Services	Consolidation	Rail Infrastructure
Value added						
Q1/2012	€ million	0.6	(4.6)	(5.0)	(0.1)	(9.1)
Q1/2011	€ million	9.4	(8.7)	(1.3)	(0.1)	(0.7)
Total assets						
3/31/2012	€ million	208.9	424.7	110.0	179.5	923.1
3/31/2011	€ million	206.5	414.7	112.0	186.6	919.8
Liabilities						
3/31/2012	€ million	140.1	126.6	86.0	(4.4)	348.3
3/31/2011	€ million	100.5	132.3	79.9	(1.6)	311.1
Net external sales						
Q1/2012	€ million	38.3	96.9	9.3	(0.1)	144.4
Q1/2011	€ million	63.9	81.1	17.1	0.2	162.3
Intersegment transfers						
Q1/2012	€ million	1.1	0.1	0.0	(0.4)	0.8
Q1/2011	€ million	1.9	0.1	0.0	(1.2)	0.8
Interest income						
Q1/2012	€ million	0.0	0.1	0.0	0.0	0.1
Q1/2011	€ million	0.0	0.2	0.0	0.0	0.2
Interest expense						
Q1/2012	€ million	(1.0)	(0.7)	(0.6)	0.0	(2.3)
Q1/2011	€ million	(0.5)	(0.6)	(0.5)	0.0	(1.6)
Amortization/depreciation						
Q1/2012	€ million	1.7	2.7	1.2	0.0	5.6
Q1/2011	€ million	1.5	2.7	1.9	0.0	6.1
Additions to noncurrent assets						
Q1/2012	€ million	0.5	3.4	1.8	0.0	5.7
Q1/2011	€ million	1.8	2.7	1.9	0.0	6.4
Average headcount						
Q1/2012		569	2,248	360	0	3,178
Q1/2011		552	2,272	348	0	3,172

Transportation Systems	Electrical Systems	Consolidation	Transportation	Holding companies	Consolidation	Group
1.7	2.7	0.0	4.4	(5.8)	0.4	(10.1)
(0.9)	3.2	0.0	2.3	(3.9)	0.1	(2.2)
507.5	255.9	(1.8)	761.6	789.9	(964.3)	1,510.4
430.3	166.5	(1.6)	595.2	838.1	(908.8)	1,444.3
218.5	126.3	(1.6)	343.2	427.2	(396.5)	722.2
171.6	45.6	(1.6)	215.6	374.3	(350.7)	550.3
72.7	37.3	0.0	110.0	0.0	0.0	254.4
62.0	34.1	0.0	96.1	0.1	0.0	258.5
0.0	2.7	(2.2)	0.5	0.3	(0.3)	1.3
0.0	1.8	(1.5)	0.3	0.2	(0.3)	1.0
2.5	0.1	0.0	2.6	2.4	(2.5)	2.6
3.0	0.1	(0.1)	3.0	1.9	(1.9)	3.2
(2.0)	(0.5)	0.0	(2.5)	(4.5)	2.5	(6.8)
(2.0)	(0.3)	0.0	(2.3)	(3.6)	2.0	(5.5)
3.1	0.8	0.0	3.9	0.2	0.0	9.7
2.6	0.7	0.0	3.3	0.1	0.0	9.5
3.9	0.9	0.0	4.8	0.2	0.0	10.7
2.9	4.5	0.0	7.4	1.0	0.0	14.8
1,100	688	0	1,788	47	0	5,013
1,071	646	0	1,717	48	0	4,937

Financial diary 2012

Annual general meeting	May 23, 2012
Dividend payout	May 24, 2012
Publication of interim reports:	
as of June 30	July 26, 2012
as of September 30	October 31, 2012
Investors and analysts conference	December 6, 2012

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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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