



► Interim financial report as of March 31, 2014



Key group figures		Q1/2014	Q1/2013*
Orders received	€ mill.	435.2	227.7
Order backlog	€ mill.	1,869.3	1,512.0
Income statement data			
Net sales	€ mill.	294.2	263.4
Rail Infrastructure	€ mill.	178.9	172.9
Transportation	€ mill.	115.3	90.6
EBIT	€ mill.	6.5	9.4
Net interest expense	€ mill.	(4.1)	(3.9)
EBT	€ mill.	2.4	5.5
Net income	€ mill.	1.6	3.3
Earnings per share	€	(0.04)	0.16
EBIT margin	%	2.2	3.6
Pretax return on equity (ROE) ¹	%	1.9	4.3
Return on capital employed (ROCE) ²	%	3.0	4.3
Value added ²	€ mill.	(14.8)	(9.2)
Balance sheet data			
Fixed assets ³	€ mill.	734.9	682.7
capital expenditures	€ mill.	19.5	14.7
amortization/depreciation	€ mill.	10.3	9.8
Closing working capital	€ mill.	139.3	241.7
Closing capital employed	€ mill.	874.2	924.4
Total equity	€ mill.	580.9	512.5
non-controlling interests	€ mill.	20.4	17.0
Net financial debt	€ mill.	191.1	299.4
Net leverage	%	32.9	58.4
Total assets	€ mill.	1,643.3	1,582.6
Equity ratio	%	35.4	32.4
Cash flow statement data			
Gross cash flow	€ mill.	17.6	15.6
Cash flow from operating activities	€ mill.	(51.0)	(72.8)
Cash flow from investing activities	€ mill.	(19.6)	(17.3)
Cash flow from financing activities	€ mill.	75.3	79.2
Change in cash & cash equivalents	€ mill.	4.7	(10.9)
Workforce data			
Average headcount in the period		5,610	5,024
Rail Infrastructure		3,485	3,131
Transportation		2,078	1,847
Vossloh AG		47	46
Payroll expenses	€ mill.	77.1	69.3
Share data			
Stock price at March 31	€	68.58	78.00
Market capitalization at March 31	€ mill.	913.8	935.9

¹ Based on average equity

² Based on average capital employed

³ Fixed assets = Intangible and tangible assets + investment properties + shares in associated companies + other noncurrent financial instruments

Where required, figures have been annualized.

*Prior year's figures have been presented on a comparable basis, see page 9

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Dear stockholders,

As the new Chief Executive Officer of Vossloh AG, I would like to take this opportunity to introduce myself and our new Executive Board team. My name is Hans Martin Schabert, and together with Volker Schenk and Oliver Schuster, I have been appointed by the Supervisory Board of Vossloh AG to serve on the Executive Board of your company. To fulfill this role, we are bringing in extensive experience in rail technology and many years of expertise from various positions with other companies.

We are sure to meet many of you personally at the upcoming annual general meeting on May 28, 2014 in Düsseldorf, to which we are looking forward. If in the meantime, if you would like to learn additional details regarding our previous professional duties and positions, as well as regarding our respective areas of responsibility, this information is available on Vossloh's internet site under www.vossloh.com.

Today, I would like to report to you on the business development of Vossloh in the first quarter of 2014. As planned, the sales of the Vossloh Group have increased significantly – in the first quarter of 2014, sales of €294.2 million in total were generated and, with this, 11.7 percent more than in the first three months of the prior year. As expected, sales of the Rail Infrastructure division were just slightly above the positive prior year's amount, while sales in the Transportation division increased significantly by 27.3 percent.

In line with expectations, the result before interest and income taxes (EBIT) was weaker in the first quarter of the current year, with €6.5 million, than in the first quarter of 2013. This resulted in an EBIT margin for the Group of 2.2 percent (prior year: 3.6 percent) and a ROCE of 3.0 percent (prior year: 4.3 percent). The reason for the decline in earnings is a loss in the Transportation division, whereas EBIT in the Rail Infrastructure division once again improved. With a view to the profitability of the Rail Infrastructure division, it needs to be considered that the reported EBIT contains a one-off effect in the amount of €14.9 million. The background for this is the intra-group sale of a subsidiary, which by its nature has no effect at the Group level. Without consideration of this one-time effect, EBIT of the Rail Infrastructure would amount to €15.1 million.

New orders received and the order backlog were pleasingly positive. The Group's incoming orders from January to March 2014 amounted to €435.2 million and, with an increase of more than €200 million over the comparable period in the prior year, almost doubled. The order backlog, which increased again and now stands at €1,869.3 million, provides a stable basis for the further operational development of our business.

Dear Stockholders, my fellow Executive Board members and I have just started our work. We are currently working under great pressure but also working with care to obtain an overview in order to get to better know the Company, its employees, customers, suppliers and partners. Our agenda for the first "hundred days" is very tight. And even though it is too early at the moment to talk about areas of focus, structures and strategy, you can assume that in the further course of the year we will already be developing detailed findings and reporting them to you.

We are convinced of the quality of our products and successful performance of the Vossloh Group employees. The Supervisory Board expresses its thanks to our predecessors who made the smooth transition possible, and would also like to express our thanks to them.

For the future, we see Vossloh being faced with great challenges, since the competitive intensity in our markets will continue. At the same time, we are operating in an environment which should be characterized by long-lasting growth and good prospects for Vossloh. We will take advantage of the opportunities provided by our market and will utilize the resources Vossloh, both existing and to be developed. We would be very pleased to have you continue to accompany us as stockholders.

Yours,

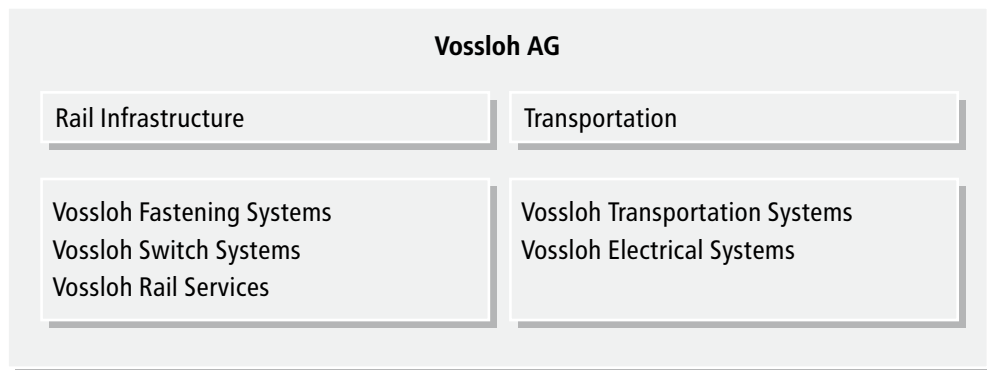
A handwritten signature in blue ink, appearing to read 'Hans Schabert', with a stylized, cursive script.

Dr. h. c. Hans M. Schabert
CEO

Vossloh's corporate structure

Today's Vossloh is a global player in rail technology markets. Products and services for rail infrastructure, rail vehicles and their components, as well as buses are the Group's core business.

Under the umbrella of Vossloh AG as the management and financial holding parent, the operations are organized into two divisions: Rail Infrastructure and Transportation.



Rail Infrastructure division

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

- Vossloh Fastening is a foremost supplier of rail fastening systems for every application: from light-rail, extending through heavy-haul all the way to high-speed rail links.
- Vossloh Switch Systems equips rail networks with switches 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 lines.
- Vossloh Rail Services offers wide-ranging rail-related services including, among others, welding and logistics work, as well as rail maintenance, preventive care and reconditioning of rails.

Transportation division

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

- Vossloh Transportation Systems is Europe's leading manufacturer of diesel locomotives with production locations at Valencia, Spain (Vossloh Rail Vehicles), and Kiel, Germany (Vossloh Locomotives); it also supplies maintenance and repair services. The Valencia location develops and manufactures local transport rail vehicles, as well.
- Vossloh Electrical Systems develops and produces key electrical components and systems for public transport vehicles and locomotives. In addition to providing entire vehicle systems, the line-up includes air-conditioning systems for rail vehicles, the supply of individual parts and subassemblies, revamping and servicing, as well as maintenance and repair work.

Vossloh stock

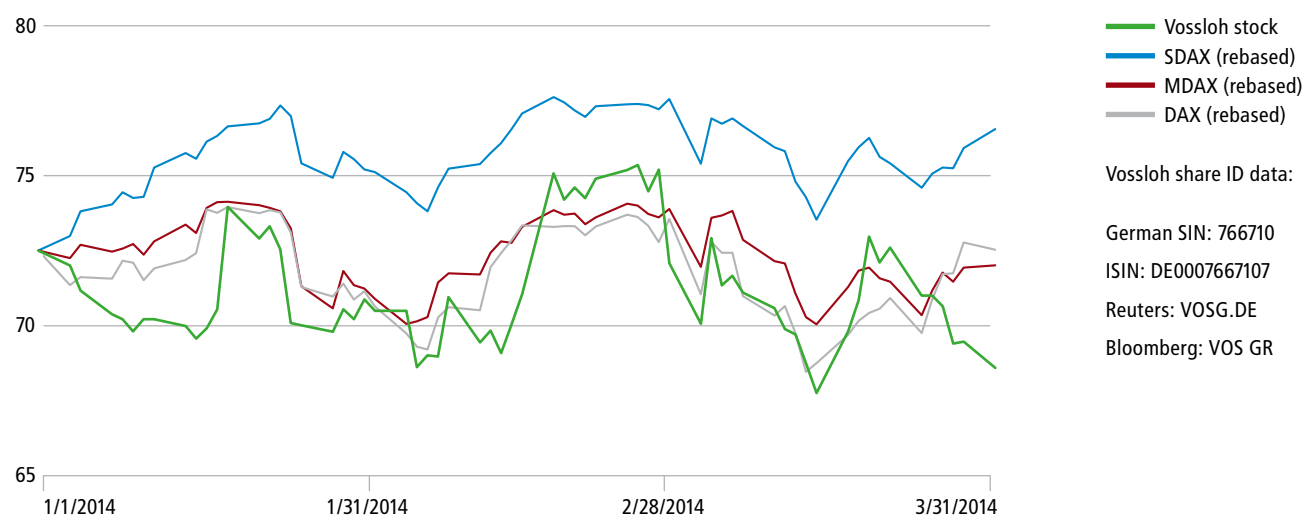
After the strong upward trend of the stock markets in the second half of 2013, the majority of the major indexes developed into a volatile sideways movement in the first quarter of 2014. The crisis in the Ukraine, continuing weak economic data from China and currency instability in various developing countries, together with inconsistent earnings reports have caused uncertainty. There has been a compensating effect from the publishing of indicators that suggest a further recovery of the American economy, as well as a positive economic forecast for the euro area.

Sideways movement
of the global
stock markets

The Dow Jones declined in the first three months of 2014 by 0.7 percent; the Euro STOXX 50 increased by 1.7 percent. After high fluctuation during the course of the first three months, the leading German index DAX finished the quarter with 9,556 points at almost the level of the 2013 year end. The MDAX lost 0.7 percent, whereas the SDAX rose by 5.6 percent in the first quarter of 2014.

Vossloh's stock started the new year with a price of €72.50 on January 2. It reached its highest level to date in trading on February 25 of €75.92, and the lowest level in the first three months of 2014 was established on March 14 of €67.36. After the placement of the treasury shares at a price of €69.00 on March 26, the stock closed on the last trading day of the first quarter at €68.58 and thereby 5.4 percent below the closing price of the year 2013.

Price trend of Vossloh stock January 1 – March 31, 2014



The number of outstanding shares increased to 13,325,290 as a result of the sale of 1,320,603 treasury shares at the end of the quarter. By way of an accelerated bookbuilding procedure, Vossloh AG sold its shares acquired in 2011 over the stock exchange – less a few shares utilized in 2012 and 2013 for the Vossloh employee stock purchase program – to qualified investors within and outside of Germany. The private placement was carried out on March 26 after close of the exchange. From the sale, Vossloh AG generated gross proceeds in the amount of €91 million, which on the one hand serves to finance the planned growth and, on the other hand, serves to increase the financial flexibility, among other considerations, in light of the upcoming repayment of financial liabilities.

Vossloh AG sells
treasury shares
and generates gross
proceeds of €91 million

Subsequent to the transaction, Franklin Mutual Advisers, USA, announced that on March 27, 2014, it had exceeded the statutory reporting threshold of 3 percent of the shares and as of this date held 3.19 percent of the Vossloh shares. Also in the first quarter, Lazard Frères Gestion, France, reported a holding of 3.01 percent of the voting rights as of March 18, 2014.

Free float
approximately
75 percent at end
of first quarter

The market capitalization of Vossloh AG, calculated on the basis of the total outstanding shares at the end of the first quarter, amounted to €914 million (prior year: €936 million). Calculated on the basis of the free float according to the definition of the Deutsche Börse, currently 74.86 percent, the market value of Vossloh AG amounts to €705 million as of the end on trading on March 31, 2014 (prior year: €334 million). The trading volume of the Vossloh stock increased in the first three months of 2014 to 1.7 million shares; this represents an average daily volume of approximately 27,400 shares (prior year: 17,300 shares). The cause of the significant increase in free market capitalization and trading volume compared to the prior year's amounts is primarily the higher free float. This results both from the sale of a large block of shares of the Vossloh family at the end of 2013 as well as the share placement by Vossloh AG in the current quarter under report.

Proposed dividend of
€0.50 per share

The Executive Board and Supervisory Board plan to propose to the annual general meeting on May 28, 2014, a cash dividend for fiscal 2013 in the amount of €0.50 per share. Subject to the approval of the shareholders, Vossloh AG will distribute dividends for fiscal 2013 in the total amount of €6.7 million (prior year: €24.0 million). The dividend proposal reflects the significantly weakened earnings situation in 2013.

In the course of the first quarter of 2014, 17 financial analyst firms were following Vossloh's stock and regularly publishing comments on the Company. In mid-April, twelve analysts recommended buying or holding the Vossloh stock, and five analysts recommended selling the stock. From the analysts' point of view, the fair price of the Vossloh stock on average was €72 and ranged between €49 and €85.

Information on the Vossloh Stock	
ISIN	DE0007667107
Trading platforms	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hamburg, Hannover, Stuttgart, Munich
Index	SDAX
Number of outstanding shares as of March 31, 2014	13,325,290
Stock price (3/31/2014)	€68.58
Stock price high/low (January through March 2014)	€75.92/€67.36
Reuters code	VOSG.DE
Bloomberg code	VOS GR

For questions or additional information on Vossloh or the Vossloh stock, we recommend that you visit our internet site www.vossloh.com. There you will find, in addition to current financial reports, presentations and the most recent press announcements as well as information on the topic of creditor relations. In the event that there any unanswered questions, please feel free to reach us per e-mail at investor.relations@ag.vossloh.com or by phone at (0 23 92) 52-609.

Interim group management report

The Group's business trend

Change in accounting and effects on the comparative figures of the prior year

Beginning in fiscal 2014, certain new accounting standards are relevant for EU listed companies which affect the scope of consolidated companies, especially regarding the inclusion of joint ventures. IFRS 11 “Joint Arrangements”, which is now in effect, no longer permits investments of the Vossloh Group in joint ventures to be accounted for using proportional consolidation but instead requires accounting under the equity method. Under this method, the investment reflects, roughly stated, the share of net assets of the joint venture, while proportional consolidation means that the assets and liabilities, as well as income and expenses, are included proportionally in the consolidated amounts. Furthermore, in applying the new IFRS 10 “Consolidated Financial Statements”, one company in the Switch Systems business unit was deconsolidated and since then has been accounted for at equity.

In connection with the transitional provisions of the new standards, the new rules are to be applied as of the beginning of the comparative period – thus fiscal 2013 – in order to satisfy the principle of comparability of the information. For this reason, all prior year's figures in this interim report have been determined on a comparable basis and, therefore, are at variance to the figures published a year ago. In the following, in order to avoid any confusion, only the amounts which have been determined on a comparable basis are used for comparative purposes.

The changes affect primarily the Switch Systems business unit and – to a minor extent – the Rail Services business unit.

Results of operations

As expected, the Vossloh Group in the first quarter of fiscal 2014 reported a significant increase in sales compared to the corresponding prior year's period. With €294.2 million, sales of the current quarter were 11.7 percent above the prior year's amount of €263.4 million.

Group sales increase –
Transportation division
grows at double-digit rate

Vossloh Group		Q1/2014	Q1/2013
Net sales	€ mill.	294.2	263.4
EBITDA	€ mill.	16.8	19.1
EBIT	€ mill.	6.5	9.4
EBIT margin	%	2.2	3.6
EBT	€ mill.	2.4	5.5
Net income	€ mill.	1.6	3.3
ROCE ^{1,2}	%	3.0	4.3
Value added ^{1,2}	€ mill.	(14.8)	(9.2)

¹ Annualized

² Based on average capital employed

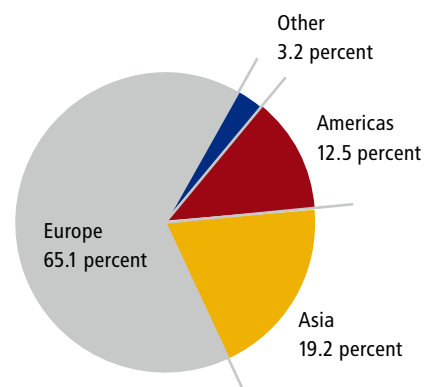
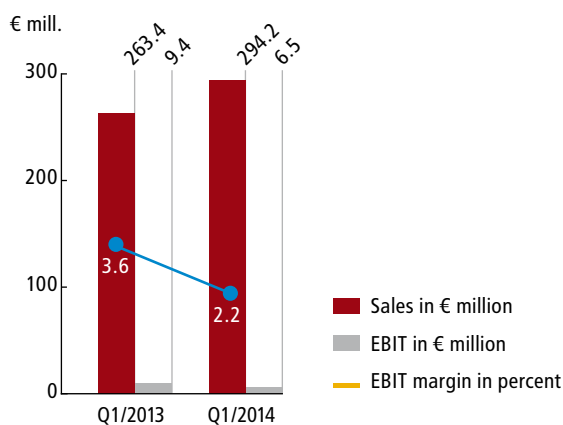
Overall, revenues of the Rail Infrastructure division of €178.9 million exceeded the amount in the first quarter of 2013 of €172.9 million by 3.5 percent, while in the Transportation division they significantly increased by 27.3 percent to €115.3 million.

As expected, share of sales of non-European markets below the prior year due to very strong growth in Europe

As expected, sales of the Group significantly increased in the first quarter of 2014 both in Europe and also in the Americas, while in the regions of Asia, Africa and Australia, they were below the prior year. The share of sales generated outside of Europe thus declined in the first quarter of 2014 to 34.9 percent, compared to 39.3 percent in the first quarter of 2013.

With the processing of large orders for local transport trains, which Electrical Systems business unit had obtained together with Vossloh Rail Vehicles in Valencia for a number of German cities in 2011 through 2013, sales in Germany increased substantially in the first three months. In France, the very strong increase in sales resulted, for one, from the delivery of switches for new high-speed rail lines. For another, the Kiel location of the Transportation Systems business unit completed orders for French customers. Also in Northern Europe, Vossloh Group's revenues increased compared to the first quarter of 2013, since higher sales of switches and switch components were generated in Sweden and Finland.

Significantly higher sales than in the prior year's quarter were also generated in the Americas. Decisive for this were the first sales of the Transportation division for a tram project in Brazil and increased sales of the Rail Infrastructure business unit in Argentina and Brazil. As expected, sales in Asia in the first quarter of 2014 declined. Both in China and in Kazakhstan, the unusually high revenues of the prior year's quarter could not be achieved again.



Vossloh Group's sales and EBIT

Sales breakdown by region
Q1/2014

Sales revenues by region

	€ mill.		%	
	Q1/2014		Q1/2013	
Germany	64.6	22.0	53.5	20.3
France	43.4	14.7	26.8	10.2
Other Western Europe	35.2	12.0	34.5	13.1
Northern Europe	11.4	3.9	10.5	4.0
Southern Europe	21.3	7.2	22.5	8.5
Eastern Europe	15.7	5.3	12.1	4.6
Total Europe	191.6	65.1	159.9	60.7
Americas	36.7	12.5	29.5	11.2
Asia	56.4	19.2	60.8	23.1
Africa	3.7	1.2	5.3	2.0
Australia	5.8	2.0	7.9	3.0
Total	294.2	100.0	263.4	100.0

New orders received in the first three months of 2014 amounted at the Group level to €435.2 million. With an increase of €207.5 million, they almost doubled compared to the amount of €227.7 million in the first quarter of 2013. In both divisions, the incoming orders were considerably higher than in the prior period. In the Rail Infrastructure division they amounted to €243.4 million, after €197.3 million in the prior year, and in the Transportation division new orders amounted to €191.8 million (prior year: €29.0 million).

New orders received in first quarter noticeably higher than in prior year

At €1,869.3 million, the order backlog of the Vossloh Group as of March 31, 2014 was significantly above the already positive amount of €1,512.0 million at the end of the prior year's quarter. Significantly higher than as of the prior year's balance sheet date was the order backlog of the Transportation division in the amount of €1,287.6 million (prior year: €887.7 million). In contrast, the order backlog of the Rail Infrastructure division amounted to €581.7 million compared to €624.3 million in the prior year. The decrease compared to the prior year is explained by the completion of larger projects in the Fastening Systems business unit in course of 2013 and the normalization of incoming orders in the same period.

Order backlog continues to be at very high level

The result before interest and income taxes (EBIT) of the Vossloh Group amounted in the quarter to €6.5 million. The decrease compared to the amount in the prior year of €9.4 million is due to the negative EBIT of €(4.7) million (prior year: €1.0 million) in the Transportation division. In the Rail Infrastructure division, once again an improved EBIT was achieved compared to the prior year. In addition, there was a positive one-time effect in the amount of €14.9 million from the intra-group sale of a subsidiary; this effect was eliminated at the Group level in connection with the consolidation. Excluding this effect, EBIT of the Rail Infrastructure division of €15.1 million was above the EBIT in the prior year of €13.3 million. The decline of the Group EBIT with significantly increased sales resulted from an EBIT margin of 2.2 percent, compared to 3.6 percent in the prior year's quarter.

Group EBIT below prior year's amount due to negative EBIT of the Transportation division

With the decline in EBIT and a net interest result almost unchanged from the prior year's quarter of €(4.1) million, Vossloh Group's result before taxes in the first quarter of 2014 dropped to €2.4 million (prior year: €5.5 million). Income taxes incurred for the first quarter of 2014 amounted to €0.8 million (prior year: €2.2 million). Net income in the first quarter of 2014 amounted to €1.6 million, compared to €3.3 million in the prior year. The shares of non-controlling interests amounted to €2.1 million (prior year: €1.4 million), so that there was a Group net loss for the current period of €(0.5) million. In the first three months of 2013, the Group net income had amounted to €1.9 million. The result per share amounted in the current quarter to €(0.04) compared to €0.16 for the first quarter of 2013. The number of outstanding shares increased significantly from the 11,998,569 shares in the prior year's quarter to 13,325,290, since the shares previously held as treasury shares were placed with institutional investors at the end of March 2014.

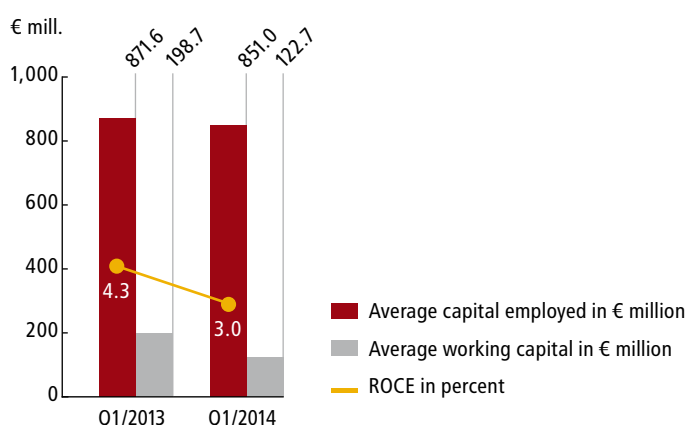
ROCE of 3.0 percent,
– value added of
€(14.8) million

The return on capital employed (ROCE) declined in the reporting quarter to 3.0 percent compared to 4.3 percent in the prior year's quarter. As in the first quarter of 2013, Vossloh Group's value added was negative and amounted to €(14.8) million compared to €(9.2) million in the first quarter of the prior year. In order to calculate the value added, for 2014 the average return expected by providers of equity and debt – WACC – of 10 percent was higher than in the prior year (8.5 percent), so that a portion of the decline in value added is due to the higher rate of return on capital employed.

Asset and capital structure

Equity and total assets
increased due to
placement of shares

As of the March 31, 2014 balance sheet date, Vossloh Group's total assets of €1,643.3 million were in comparison to the amount adjusted for the new consolidation method of €1,582.6 million as of March 31, 2013. Equity at the end of the first quarter of 2014 amounted to €580.9 million, compared to €512.5 million as of March 31, 2013 and €491.1 million as of the 2013 year end. At 35.4 percent, the equity ratio as of the reporting quarter's reporting date was higher than at the end of the first quarter of 2013 at 32.4 percent and at the end of fiscal 2013 at 31.2 percent.



Development of Vossloh Group's capital employed, working capital und ROCE

A significant factor affecting the rise in total assets and the increase in equity was the placement of Vossloh AG's treasury shares. On the asset side, fixed assets further increased.

Working capital, working capital intensity and capital employed declined significantly in the first quarter of 2014 compared to the figures in the first quarter of 2013. Vossloh's average working capital in the current reporting quarter amounted to €122.7 million, after €198.7 in the prior year. This was primarily the result of the high amount of advance payments received in the fourth quarter of 2013 in the Transportation division. Working capital intensity decreased significantly from 18.9 percent in the first quarter of 2013 to 10.4 percent in the first three months of the current year, since not only working capital decreased, but also sales increased substantially at the same time.

Working capital and capital employed under prior year's amounts

With the decline in the average working capital, the average capital employed was also lower than in the prior year's quarter, although the fixed assets increased during this period. In the first quarter of 2014, the average capital employed amounted to €851.0 million, compared to €871.6 million during the first quarter of 2013.

As of March 31, 2014, the Vossloh Group's net financial indebtedness amounted to €191.1 million. Net financial indebtedness decreased significantly compared to both the amount of €204.1 million at the end of 2013 as well and also especially to the amount of €299.4 million in the first quarter of 2013. Net leverage, defined as net financial indebtedness in relation to equity, decreased as of the end of the current reporting quarter to 32.9 percent, compared to 58.4 percent at the end of the first quarter of 2013 and 41.6 percent at the end of fiscal 2013. The lower amount of net financial indebtedness results primarily from the reduction in financial liabilities. As of March 31, 2014, cash and cash equivalents as well as short-term securities in the amount of €59.3 million (prior year: €55.7 million) stood opposite financial liabilities in the amount of €250.4 million (prior year: €355.1 million).

Net financial indebtedness significantly under the prior year

Vossloh Group

		3/31/2014	12/31/2013	3/31/2013
Total assets	€ mill.	1,643.3	1,572.5	1,582.6
Equity	€ mill.	580.9	491.1	512.5
Equity ratio	%	35.4	31.2	32.4
Average working capital	€ mill.	122.7	216.1	198.7
Average working capital intensity*	%	10.4	16.6	18.9
Fixed assets	€ mill.	734.9	724.5	682.7
Closing capital employed	€ mill.	874.2	819.0	924.4
Average capital employed	€ mill.	851.0	895.4	871.6
Return on equity (ROE)*	%	1.9	6.7	4.3
Net financial indebtedness	€ mill.	191.1	204.1	299.4
Net leverage	€ mill.	32.9	41.6	58.4

*Annualized, before income taxes

Rail Infrastructure business

Results of operations

Increase in sales
of 3.5 percent in
first quarter of 2014

In the first three months of fiscal 2014, the Rail Infrastructure division achieved a sales volume of €178.9 million. With this, revenues were 3.5 percent above the prior year's amount of €172.9 million. While sales of the Switch Systems and Rail Services business units increased compared to the prior year, they decreased, as expected, for Vossloh Fastening Systems.

New orders received
23.4 percent higher
than in the prior year

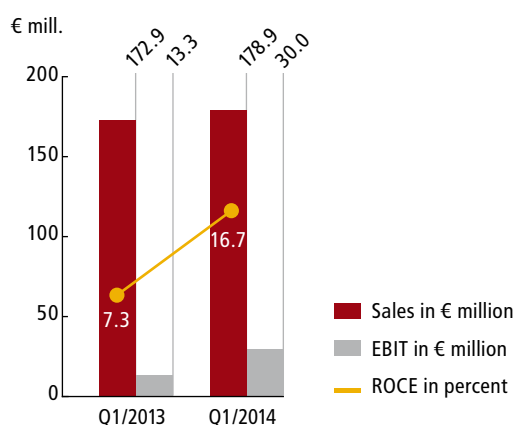
Orders received in the Rail Infrastructure division significantly increased in the first quarter of 2014 to €243.4 million, compared to the corresponding amount in the prior year of €197.3 million. The exceptionally high order backlog of €624.3 million as of March 31, 2013, declined to €581.7 million as of March 31, 2014. The reason for the decrease was the highly dynamic development of sales in the Fastening Systems business unit in 2013, combined with a normalizing of the order intake over the same period.

Rail Infrastructure		Q1/2014*	Q1/2013
Sales	€ mill.	178.9	172.9
EBITDA	€ mill.	35.6	18.5
EBIT	€ mill.	30.0	13.3
EBIT margin	%	16.8	7.7
ROCE ^{1,2}	%	16.7	7.3
Value added ^{1,2}	€ mill.	12.1	(2.2)

*With the exception of sales, all amounts consider the special effect of the intra-group sale of an investment; see page 15

¹ Annualized

² Based on average capital employed



Sales, EBIT and ROCE of Rail Infrastructure division

In the first quarter of 2014, sales of the Fastening Systems business unit of €70.9 million were lower, as expected, than in the first quarter of 2013, in which, with very high sales from Kazakhstan and China, an amount of €78.2 million was achieved. The orders received by Vossloh Fastening Systems in the first three months of the current fiscal year amounted to €97.9 million and exceeded the prior year's level of €75.2 million by 30.2 percent. In addition to new orders from China with a value of over €40 million which were received in the first quarter of 2014, the order granted for the outfitting of a new heavy-load line in Mongolia and with this the development of new market for Vossloh Fastening Systems was an important success. The order backlog in the business unit amounted to €193.4 million as of March 31, 2014 (prior year: €281.2 million).

In the Switch Systems business unit, Vossloh generated significantly increased sales of €97.0 million in the first quarter of 2014 (prior year: €87.3 million). This growth was driven especially by the increase in revenues in France and the Netherlands. Also, orders received in the business unit of €130.1 million were markedly higher than the prior year's amount of €111.2 million. Significant orders received came from France, USA, Poland and Sweden. As of the end of the first quarter of 2014, the order backlog of Vossloh Switch Systems amounted to €377.1 million (prior year: €336.2 million).

Sales of Vossloh Switch Systems increase by 11.2 percent, orders received by 17.1 percent

Sales of Vossloh Rail Services reached €12.2 million in the first quarter and significantly exceeded the prior year's amount of €7.7 million with a gain of 56.9 percent. The increase in sales came primarily from the transport/logistics area. Orders received of Vossloh Rail Services in the first three months of 2014 of €16.4 million were also above the prior year's level of €11.1 million. As of March 31, 2014, the business unit had an order backlog of €12.3 million, compared to €7.4 million as of March 31, 2013.

In the first quarter of 2014, an intra-group reassignment of the US subsidiary, Vossloh Fastening Systems America Corporation was carried out. The related income in the amount of €14.9 million was eliminated at the Group level. EBIT of the Rail Infrastructure division reported for the first quarter of €30.0 million therefore does not only reflect the positive operational development of Vossloh Rail Infrastructure. After eliminating the one-time effect, EBIT of the division amounted to €15.1 million. In the first quarter of 2013 it amounted to €13.3 million.

EBIT of the Rail Infrastructure business unit improves by 13.4 percent; additional, one-time EBIT contribution through intra-group sale of a subsidiary

The EBIT margin of the Rail Infrastructure division, adjusted for the gain on the sale, increased in the first quarter of 2014 to 8.4% (prior year: 7.7 percent). ROCE, adjusted for the gain on sale, climbed from 7.3 percent in the prior year to 8.4 percent in the first three months of 2014. Value added in the Rail Infrastructure division declined from €(2.2) million in the first quarter of 2013 to €(3.1) million in the reporting period. It is comprised of the positive value added in the Fastening Systems business unit, corrected for the gain on the sale, of €7.6 million (prior year: €8.4 million) and the negative value added of the Switch Systems business unit of €(6.9) million (prior year: €(7.1) million) and Rail Services of €(3.7) million (prior year: €(3.4) million). In assessing the development it must also be considered that, since the beginning of 2014, Vossloh AG has assumed a weighted average cost of capital of 10.0 percent, whereby the current value added is lower overall compared to the prior year. In 2013, a WACC of 8.5 percent was assumed.

Asset and capital structure

Working capital declines due to reduction of receivables and lower inventories

The average working capital of the Rail Infrastructure division decreased in particular due to the reduction of receivables and inventories in the Switch Systems and Fastening Systems business units from €250.8 million in the first quarter of 2013 to €215.8 million in the reporting period. Working capital intensity decreased from 36.3 percent in the prior year to 30.1 percent in the first quarter of the current fiscal year. As a result of the decrease in working capital, the average capital employed of the Rail Infrastructure division, in spite of higher capital expenditures, also declined slightly from €729.0 million in the prior year to €719.1 million in the first quarter of 2014.

Rail Infrastructure

		3/31/2014/ Q1/2014	FY 2013	3/31/2013/ Q1/2013
Average working capital	€ mill.	215.8	258.1	250.8
Working capital intensity*	%	30.1	29.5	36.3
Closing fixed assets	€ mill.	508.8	499.9	487.9
Closing capital employed	€ mill.	727.8	688.5	762.1
Average capital employed	€ mill.	719.1	739.0	729.0

* Annualized

Transportation business

Results of operations

Sales in the Transportation division increased significantly in the first quarter of 2014, supported by both business units, by 27.3 percent to €115.3 million (prior year: €90.6 million).

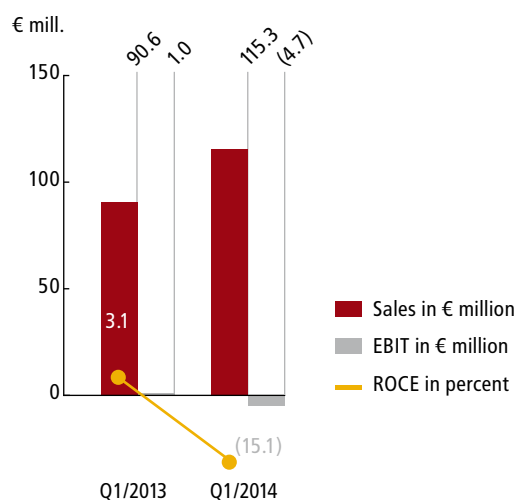
Sales in the Transportation Systems business unit reached €72.5 million after €56.1 million in the prior year. At the German location, sales of Vossloh Locomotives increased compared to the prior year by 46.2 percent to €32.3 million (prior year: €22.1 million). The rise in sales resulted for the most part from increased sales of new locomotive models, as well as higher sales in the used locomotive business. In the case of Vossloh Rail Vehicles in Spain, revenues improved by 18.1 percent to €40.2 million (prior year: €34.0 million). The significant sales driver was the business with local transport trains.

Significant sales growth
in both business units

Transportation		Q1/2014	Q1/2013
Sales	€ mill.	115.3	90.6
EBITDA	€ mill.	(0.2)	5.3
EBIT	€ mill.	(4.7)	1.0
EBIT margin	%	(4.1)	1.2
ROCE ^{1,2}	%	(15.1)	3.1
Value added ^{1,2}	€ mill.	(7.8)	(1.8)

¹ Annualized

² Based on average capital employed



Orders received in both business units significantly higher than in the prior year's quarter

Compared to the first quarter of 2013, incoming orders of the Transportation Systems business unit grew significantly: For both of the locations Kiel and Valencia, new orders were reported in the first three months with a value of €93.1 million. In the same period of 2013, incoming orders of only €14.0 million were recorded. With this, the backlog of the Transportation Systems business unit, with €752.3 million as of March 31, 2014 (prior year: €497.5 million), was at a very high level.

In the first quarter of 2014, Vossloh Electrical Systems generated a sales volume of €43.3 million and thus increased revenues compared to the prior year's amount of €35.3 million by 22.7 percent. The drivers for the growth in sales were especially the rail vehicles and bus sectors.

Orders received in the Electrical Systems increased in comparison to the prior year by more than fivefold to €95.3 million, admittedly starting from a very low prior year's amount of €18.1 million. The largest single orders in the reporting period were a tram order for the Austrian city of Gmunden and trolley buses for the cities of Seattle and San Francisco. The order backlog at the end of the quarter also increased correspondingly, from €414.3 million in the prior year to €556.1 as of March 31, 2014.

EBIT negative due to low contribution margins

EBIT of the Transportation division was weaker in the first quarter, with €(4.7) million compared to €1.0 million in the first three months of 2013. This was due mainly to low contribution margins on a number of projects in light of, among other factors, the higher expenses for the complex approval processes.

The average return on capital employed (ROCE) amounted to (15.1) percent in the first three months of 2014 (prior year: 3.1 percent). The cause of the lower return on capital is the significantly decreased result, while the average capital employed was slightly under the prior year. Value added of the Transportation division declined in the first quarter of 2014 to €(7.8) million (prior year: €(1.8) million). In the current reporting quarter, value added of both business units was negative: in the case of Vossloh Transportation Systems with €(3.2) million (prior year: €(2.4) million) and of Vossloh Electrical Systems with €(3.6) million (prior year: €0.7 million). The decrease in value added is especially due to the poor development of results. In addition, the increased WACC of 10.0 percent since the beginning of 2014 compared to the WACC of 8.5 in 2013 represents an impeding factor.

Asset and capital structure

The average working capital of the Transportation division declined in the first quarter of 2014 to €(88.5) million; in the prior year's quarter it amounted to €(48.4) million. Working capital intensity in the reporting quarter was (19.2) percent, after (13.4) percent in the prior year. A significant reason for the low working capital compared to the first quarter of 2013 relates to higher advance payments for orders received in the past twelve months.

Working capital and capital employed lower than in first quarter of 2013

With the significant decrease in working capital, the average capital employed, in spite of higher fixed assets, declined in the Transportation division in the reporting quarter to €124.0 million. In the prior year's period, capital employed amounted to €133.5 million.

Transportation

		3/31/2014/ Q1/2014	FY 2013	3/31/2013/ Q1/2013
Average working capital	€ mill.	(88.5)	(36.7)	(48.4)
Working capital intensity*	%	(19.2)	(8.6)	(13.4)
Closing fixed assets	€ mill.	212.5	213.2	182.1
Closing capital employed	€ mill.	135.9	122.6	153.9
Average capital employed	€ mill.	124.0	149.0	133.5

*Annualized

Capital expenditures

Capital expenditures increase by 32.6 percent compared to the prior year

In the first three months of 2014, the Vossloh Group made capital expenditures totaling €19.5 million. With this, the investment volume was €4.8 million above the level of the prior year of €14.7 million. While the Transportation division, with €4.2 million, invested significantly less (prior year: €6.2 million), the Rail Infrastructure division intensified its investment activities from an amount of €8.4 million in the prior year to €15.3 million in the first three months of 2014.

Investments in intangible and tangible fixed assets		
€ million	Q1/2014	Q1/2013
Rail Infrastructure	15.3	8.4
Transportation	4.2	6.2
Vossloh AG	0.0	0.1
Total	19.5	14.7

Focus in first quarter of 2014: production facility of Vossloh Fastening Systems in the USA and milling capacity

Of the investments in the Rail Infrastructure division, a significant portion related to the construction of the production facility for fastening systems in the USA. In total, Vossloh Fastening Systems made capital expenditures of €5.3 million in the reporting quarter (prior year: €0.6 million). With respect to Vossloh Switch Systems, capital expenditures were made in the amount of €4.1 million in numerous individual projects, among others in the forge in Luxembourg. In the prior year, €2.7 million was invested. At €5.9 million, the largest portion of the investments in the Rail Infrastructure division pertained to the Rail Services business unit and related to the development of new capacity for the milling of rails. In the prior year, there were capital expenditures made in the business unit of €5.1 million.

In the Transportation division, €2.7 million of the total investments related to the Transportation Systems business unit (prior year: €2.6 million). The investments were divided more or less equally between Vossloh Locomotives in Kiel and Vossloh Rail Vehicles in Valencia and went primarily into the development of new locomotives. Vossloh Electrical Systems, unchanged, invested primarily in the test field at the Düsseldorf site. In total, investments in the test field amounted to €1.4 million (prior year: €3.3 million).

Research & Development

A large portion of the Vossloh Group's R&D work is tied to specific contracts. Specific requirements of customers in different regions of the world especially affect the operations of the Transportation division. Thus, the related expenses are reported as cost of sales rather than R&D expenses. Taking this into consideration, comparatively low R&D expenses are reported by the Vossloh Group, even though the amount of development work involved in specific projects is much higher.

In the first three months of 2014, Vossloh Group's R&D expenses increased significantly compared to the prior year to €3.8 million (prior year: €2.9 million). The increase related to both divisions.

Higher expenses
for research and
development compared
to prior year

In the Rail Infrastructure division, research and development expenses in the first quarter of 2014 amounted in total to €1.6 million and, with this, slightly exceeded the prior year's amount of €1.4 million.

The largest portion related in the amount of €0.9 million, in turn, to the Switch Systems business unit (prior year: €0.8 million), followed by Vossloh Fastening Systems with development expenses in the amount of €0.6 million (prior year: €0.5 million). With respect to Vossloh Rail Services, R&D expenses of €0.1 million remained stable when comparing the first two quarters of 2013 and 2014.

In the Transportation division, expenses for research and development increased significantly in the first quarter of 2014 to €2.1 million (prior year: € 1.5 million). In this connection, the R&D expenses grew in both the Transportation Systems business unit in comparing the two quarters from €0.3 million to €0.5 million and in Vossloh Electrical Systems from €1.2 million in the prior year to €1.6 million in this year's period.

In addition to the research and development costs recognized in expenses, in the first three months of 2014 development work was capitalized in the amount of €1.7 million (prior year: €2.1 million). The largest part of this related in the amount of €1.4 million (prior year: €1.9 million) to the Transportation Systems business unit. The capitalized disbursements for development projects in the Rail Infrastructure division amounted in the same period to €0.3 million (prior year: €0.2 million) and related mainly to the Rail Services business unit.

The R&D ratio (the relationship of R&D expenditures to group sales) of 1.9 percent in the reporting period was at the level of the prior year.

Workforce

At March 31, 2014, the Vossloh Group had a worldwide workforce of 5,680 employees. With this, the number of employees increased in the last twelve months by 649 individuals, or 12.9 percent (March 31, 2013: 5,031 employees). Compared to the 2013 year-end (5,480 employees), the workforce increased by 200 individuals. The higher number of employees since the end of 2013 is divided almost equally between the two divisions. Differences to the employee numbers reported in the prior year result from the already explained change in accounting for joint ventures from proportional consolidation to the equity method.

Growth in personnel
since March 2013
especially through
business acquisitions

In the Rail Infrastructure division, the employee number increased by 389 individuals from 3,134 as of March 31, 2013 to 3,523 as of the period end in 2014. The major portion of this expansion in personnel – 207 employees – resulted from acquisitions. The growth in personnel since December 31, 2013 (3,425 employees) amounted in total to 98 individuals and took place for the most part outside of Germany and in the business units Switch Systems (50 employees) and Fastening Systems (41 employees).

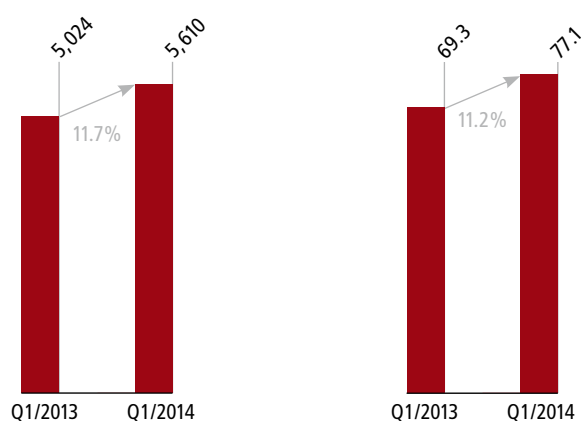
Workforce				
	3/31/2014	3/31/2013	Q1/2014	Q1/2013
Rail Infrastructure	3,523	3,134	3,485	3,131
Transportation	2,110	1,852	2,078	1,847
Vossloh AG	47	45	47	46
Total	5,680	5,031	5,610	5,024

An increase in personnel was also recorded in the Transportation division, both within the last twelve months as well as since the end of 2013. Compared to March 31, 2013, when 1,852 staff were employed, the number of employees climbed by 258 as of the March 31, 2013 reporting date to a total of 2,110 employees. In the process, personnel of Vossloh Transportation Systems increased by 196 employees, while the Electrical Systems business unit grew by 62 employees, thereof 20 employees due to the first-time consolidation of Vossloh Kiepe in the USA. Since the end of 2013, there has been an addition of 100 employees in the division, 77 of which were in the Transportation Systems business unit.

At the end of March 2014, the Vossloh Group had 3,863 employees abroad, representing an increase of 565 employees compared to the prior years reporting date and evidence of the continued internationalization strategy of the Vossloh Group. In Germany, in comparison to the prior year's reporting date when there 1,733 employees, there are 84 more individuals as of the reporting date, or 1,817 employees (December 31, 2013: 1,795 employees). Since the end of 2013, the number of employees in Germany grew once again by 22 individuals.

Share of Vossloh workforce abroad increased slightly to 68.0 percent

The personnel expense per employee in the Vossloh Group – calculated on the basis of an average number of employees of 5,610 in the first quarter of 2014 – amounted to approximately €13,700 which is almost in line with the prior year amount as of € 13,800. The sales amount per employee of €52,400 is unchanged in comparing the two first quarters of 2013 and 2014.



Group workforce on average

Personnel expenses in € million

Forecast, risks and opportunities

The main risks and opportunities impacting on the Vossloh Group's further development are depicted in the group management report for fiscal 2013. In connection with the ongoing systematic recording and monitoring of risks which is carried out by the Group's risk management, there continue to be no identifiable risks that individually or in the aggregate could threaten the continuation of the company.

In submitting the Annual Report for 2013 on March 26, 2014, Vossloh AG published a detailed forecast for fiscal 2014 (see the 2013 Annual Report beginning on page 115). The Vossloh Group's order backlog of more than €1.7 billion as of December 31, 2013 represents an important planning basis for the sales expectations in 2014. On this basis and taking into consideration current information regarding the development of the market and industry, Vossloh anticipates that in the current fiscal year growth in Group sales of over 10 percent can be achieved. With this, the forecast company growth is once again significantly higher than the growth expectations for the rail technology market. The driver for this growth will be the Transportation division, while a stable sales level is expected for the Rail Infrastructure division in comparison to fiscal 2013.

The high appeal of the rail technology market leads to a strong intensity of competition and continuing pressure on prices in all business segments of Vossloh AG. Nevertheless, Vossloh anticipates that it will achieve an improvement in the operating EBIT in the current fiscal year which will be driven primarily by the non-recurrence of the one-off charges in 2013. From today's perspective, the Group's operating EBIT margin in fiscal 2014 will be most likely at the lower end of the forecast range of 5 percent to 7 percent and will significantly depend, among other factors, on the progress of projects in the Transportation division.

Condensed interim financial statements of the Vossloh Group as of March 31, 2014

Income statement

Statement of comprehensive income

Cash flow statement

Balance sheet

Statement of changes in equity

Explanatory notes

Segment information

Income statement for the three months (Q1) ended March 31, 2014

€ million	Q1/2014	Q1/2013 *
Net sales	294.2	263.4
Cost of sales	(241.4)	(210.9)
General administrative and selling expenses	(44.4)	(42.7)
R&D expenses	(3.8)	(2.9)
Other operating income/expenses, net	1.8	2.5
Operating result	6.4	9.4
Net result from associated companies	0.1	0.0
Other financial income	0.1	0.1
Other financial expenses	(0.1)	(0.1)
EBIT	6.5	9.4
Interest income	0.9	0.8
Interest expense	(5.0)	(4.7)
EBT	2.4	5.5
Income taxes	(0.8)	(2.2)
Net income	1.6	3.3
thereof attributable to Vossloh AG shareholders (Group earnings)	(0.5)	1.9
thereof attributable to non-controlling interests	2.1	1.4
Earnings per share		
Basic undiluted/diluted earnings per share in €	(0.04)	0.16

*Prior year's figures presented on a comparable basis, see page 9

Statement of comprehensive income for Q1/2014

€ million	Q1/2014	Q1/2013 *
Result after taxes	1.6	3.3
Changes in fair value of hedging instruments (cash flow hedges)	2.4	3.5
Currency translation differences	(0.7)	1.6
Changes in fair value of available-for-sale securities	0.0	0.0
Income taxes	(0.9)	(1.0)
Amounts which may potentially be reclassified to the income statement (recycled) in future periods	0.8	4.1
Actuarial gains/losses on employee benefits	0.0	0.0
Income taxes	0.0	0.0
Amounts which will not be reclassified to the income statement	0.0	0.0
Total other comprehensive income	0.8	4.1
Comprehensive income	2.4	7.4
thereof attributable to Vossloh AG shareholders	0.6	5.6
thereof attributable to non-controlling interests	1.8	1.8

*Prior year's figures presented on a comparable basis, see page 9

Cash flow statement for the three months (Q1) ended March 31, 2014

€ million	Q1/2014	Q1/2013*
Cash flow from operating activities		
EBIT	6.5	9.4
Amortization/depreciation/write-down (less write-up) of noncurrent assets	10.5	9.8
Change in noncurrent provisions	0.6	(3.6)
Gross cash flow	17.6	15.6
Noncash change in shares in associated companies	0.2	(8.2)
Other noncash income/expenses, net	0.5	(0.9)
Net gain/loss on the disposal of intangible and tangible assets	0.0	0.0
Income taxes paid	(3.7)	(4.5)
Change in working capital	(44.8)	(73.2)
Changes in other assets/liabilities, net	(20.8)	(1.6)
Cash flow from operating activities	(51.0)	(72.8)
Cash flow from investing activities		
Investment in intangible and tangible assets	(19.5)	(14.7)
Investment in noncurrent financial instruments	(2.6)	0.0
Proceeds from the disposal of intangible and tangible assets	0.2	0.1
Disbursements/proceeds from the purchase/sale of short-term securities	2.2	(0.2)
Proceeds from the disposal of noncurrent financial instruments	0.1	0.2
Disbursements for the acquisition of consolidated companies	0.0	(2.7)
Cash flow from investing activities	(19.6)	(17.3)
Cash flow from financing activities		
Changes in treasury shares	89.8	0.0
Net financing from short-term loans	(11.0)	80.2
Net financing from medium-term and long-term loans	(2.1)	0.0
Interest received	0.6	0.6
Interest paid	(2.0)	(1.6)
Cash flow from financing activities	75.3	79.2
Net inflow/outflow of cash and cash equivalents	4.7	(10.9)
Change in cash and cash equivalents from initial consolidation	0.5	0.0
Exchange rate effects	0.3	(0.1)
Opening cash and cash equivalents	53.3	65.9
Closing cash and cash equivalents	58.8	54.9

*Prior year's figures presented on a comparable basis, see page 9

Balance Sheet

Assets in € million	3/31/2014	12/31/2013 *	3/31/2013 *
Intangible assets	421.1	421.9	423.1
Tangible assets	245.3	235.5	193.7
Investment properties	4.2	4.3	4.7
Investments in associated companies (at equity)	51.0	51.1	49.9
Other noncurrent financial instruments	15.5	12.0	13.7
Other noncurrent assets	2.2	2.8	3.5
Deferred tax assets	27.2	28.0	28.3
Total noncurrent assets	766.5	755.6	716.9
Inventories	392.4	363.7	400.6
Trade receivables	244.9	237.6	256.1
Receivables from construction contracts	109.1	89.8	97.9
Income tax assets	11.4	6.6	9.8
Other current assets	59.8	63.2	45.6
Short-term securities	0.4	2.7	0.8
Cash and cash equivalents	58.8	53.3	54.9
Total current assets	876.8	816.9	865.7
Total assets	1,643.3	1,572.5	1,582.6

Equity and liabilities in € million	3/31/2014	12/31/2013 *	3/31/2013 *
Capital stock	37.8	37.8	37.8
Additional paid-in capital	30.4	42.6	42.7
Treasury stock	0.0	(102.0)	(102.5)
Retained earnings	455.2	446.7	447.0
Undistributed group profit	41.9	37.2	61.2
Group earnings	(0.5)	16.8	1.9
Accumulated other comprehensive income	(4.3)	(6.6)	7.4
Equity excluding non-controlling interests	560.5	472.5	495.5
Non-controlling interests	20.4	18.6	17.0
Total equity	580.9	491.1	512.5
Pension provisions	22.7	22.6	21.9
Other noncurrent provisions	47.7	47.0	54.0
Noncurrent financial liabilities	122.3	125.0	191.7
Noncurrent trade payables	0.0	0.0	6.0
Other noncurrent liabilities	17.3	22.2	17.9
Deferred tax liabilities	17.3	15.9	31.8
Total noncurrent liabilities	227.3	232.7	323.3
Other current provisions	113.4	110.2	105.8
Current financial liabilities	128.1	135.5	163.4
Current trade payables	162.5	171.5	146.9
Current liabilities on construction contracts	293.5	277.0	222.2
Income tax liabilities	6.8	6.0	7.2
Other current liabilities	130.8	148.5	101.3
Total current liabilities	835.1	848.7	746.8
Total equity and liabilities	1,643.3	1,572.5	1,582.6

* Prior year's figures presented on a comparable basis, see page 9

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Retained earnings	Undistributed group profit	Group earnings	Accumulated OCI	Equity excluding NCI	Non-controlling interests (NCI)	Total equity
Balance at 12/31/2012	37.8	42.7	(102.5)	432.7	19.9	59.2	0.0	489.8	15.9	505.7
Carryforward to new account					59.2	(59.2)		0.0		0.0
Transfer to retained earnings				14.3	(17.9)		3.6	0.0		0.0
Effects of deconsolidation							0.1	0.1	(0.7)	(0.6)
Comprehensive income						1.9	3.7	5.6	1.8	7.4
Balance at 3/31/2013	37.8	42.7	(102.5)	447.0	61.2	1.9	7.4	495.5	17.0	512.5
Increase in equity interests				(0.3)				(0.3)	(0.9)	(1.2)
Comprehensive income						14.9	(14.0)	0.9	6.1	7.0
Dividends paid					(24.0)			(24.0)	(3.6)	(27.6)
Purchase/sale of treasury stock		(0.1)	0.5					0.4		0.4
Balance at 12/31/2013	37.8	42.6	(102.0)	446.7	37.2	16.8	(6.6)	472.5	18.6	491.1
Carryforward to new account					16.8	(16.8)		0.0		0.0
Transfer to retained earnings				10.9	(12.1)		1.2	0.0		0.0
Consolidation effects				(2.4)				(2.4)		(2.4)
Comprehensive income						(0.5)	1.1	0.6	1.8	2.4
Purchase/sale of treasury stock		(12.2)	102.0					89.8		89.8
Balance at 3/31/2014	37.8	30.4	0.0	455.2	41.9	(0.5)	(4.3)	560.5	20.4	580.9

Explanatory notes

Corporate background Vossloh AG is a listed stock company having its legal seat in Werdohl, Germany, and registered under number HRB 5292 at the Commercial Register of the Local Court of Iserlohn. The Vossloh Group's primary activities include the manufacture and sale 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, 2014, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU.

The following new or amended standards and interpretations were applied for the first time:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 27: Separate financial statements
- IAS 28: Investments in Associates and Joint Ventures
- IAS 32: Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities
- IAS 39: Financial Instruments: Recognition and Measurement; Novation of Derivatives and Continuation of Hedge Accounting

As a result of the above, there have been the following significant effects on the consolidated financial statements:

Due to the recognition of joint ventures according to equity method prescribed by IFRS 11 in conjunction with IAS 28, in the case of three Group companies, which were previously included proportionally in the Group's consolidated financial statements, a change in the method of inclusion has taken place. For all three companies, the contractual provisions are such that the definition of a joint venture is fulfilled, and therefore these companies are now to be accounted for under the equity method. In this connection, the transitional provisions of IFRS 11.C2 et seq. were observed.

As of the beginning of the comparative period (January 1, 2013), the following balance sheet amounts were reclassified from the respective items in the balance sheet to investments in associated companies:

€ million	1/1/2013
Balance sheet	
Noncurrent assets	52.3
Inventories	7.9
Trade receivables and receivables from construction contracts	15.0
Cash and cash equivalents	6.4
Other current assets	12.4
Noncurrent liabilities	2.4
Current liabilities	23.5

In addition, in evaluating the conditions for a full consolidation according to IFRS 10, it was determined that in the case of one company, the required substantial decision-making rights are not met. In observing the transitional provisions of IFRS 10, this company was deconsolidated and is now also accounted for under the equity method.

The total changes from the first application of IFRS 10 and IFRS 11 had the following effects on the comparative figures of the prior year:

€ million	12/31/2013	3/31/2013/ Q1/2013
Balance sheet		
Noncurrent assets	9.5	7.6
Inventories	(7.4)	(7.9)
Trade receivables and receivables from construction contracts	(13.8)	(11.0)
Cash and cash equivalents	(2.3)	(3.2)
Other current assets	(0.4)	(1.2)
Noncurrent liabilities	(0.7)	(1.1)
Current liabilities	(15.5)	(13.4)
Income statement		
Sales revenues		(3.8)
EBIT		(0.3)
Group result		(0.2)

+ = Items in the adjusted comparable figures increased compared to the original comparative figures

– = Items in the adjusted comparable figures decreased compared to the original comparative figures

With the exception of these first-time applications, the recognition and measurement methods applied in preparing the interim financial statements are consistent with those applied in the consolidated financial statements as of December 31, 2013, taking into consideration the International Accounting Standard (IAS) 34 “Interim Financial Reporting”, and the German Accounting Standard (GAS) 16 “Interim Reporting”. The preparation of the interim financial statements requires a number of assumptions and estimates on the part of management. Because of this, differences between the amounts shown in the interim financial statements and the actual amounts can result.

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.

The consolidation group has only been slightly changed compared to the December 31, 2013 balance sheet date:

Consolidation group

As explained in the above section, one company of the Switch Systems business unit was deconsolidated with effect from January 1, 2014 and has been accounted for in the reporting period at equity. An additional company in this business unit was liquidated after the discontinuance of its operations. A company in the Electrical Systems business unit, which in the previous years had not been significant, was added to the consolidated group in this fiscal year.

Consequently, including Vossloh AG, 24 German and 43 foreign companies were consolidated fully in the interim financial statements as of March 31, 2014. Two investments in German associated companies and six investments in foreign associated companies were accounted for at equity.

Since the consolidated financial statements as of December 31, 2013, Vossloh AG’s capital stock has remained unchanged.

Equity

In comparison to March 31, 2013, Vossloh AG’s capital stock amounted to an unchanged €37,825,168.86, divided into 13,325,290 shares as of the reporting date. These were entirely outstanding after the treasury shares which were held as of December 31, 2013 were sold at the end of March 2014. In the first quarter of the current year, there were on average 12,004,687 shares outstanding (prior year: 11,998,569 shares).

Earnings per share

		Q1/2014	Q1/2013
Weighted average of common shares		13,325,290	13,325,290
Repurchased shares (weighted)		(1,320,603)	(1,326,721)
Weighted average of outstanding shares		12,004,687	11,998,569
Dilution effects from subscription rights of employees and executives		0	0
Weighted average of outstanding shares – Undiluted/diluted –		12,004,687	11,998,569
Group earnings	€ mill.	(0.5)	1.9
Basic undiluted/diluted earnings per share	€	(0.04)	0.16

Additional information regarding at equity accounting

The following table presents summarized financial information for all eight companies accounted for at equity.

Financial information for joint ventures in summarized form

€ million	3/31/2014/ Q1/2014	12/31/2013/ FY 2013	3/31/2013/ Q1/2013
Balance sheet			
Noncurrent assets	46.0	52.6	54.6
Inventories	11.2	11.2	12.1
Trade receivables and receivables from construction contracts	17.0	19.0	18.2
Cash and cash equivalents	3.2	4.6	6.0
Other current assets	24.7	20.1	14.3
Noncurrent liabilities	1.7	2.3	2.1
Current liabilities	32.8	38.2	32.5
Income statement/statement of comprehensive income			
Net sales	12.2	47.2	9.9
Income/loss from continuing operations	0.1	0.8	(0.3)
Income/loss from discontinued operations	–	–	–
Other result	(0.4)	(0.5)	0.6
Comprehensive income	(0.3)	0.3	0.3

Additional information on financial instruments

The following table provides information on the amount of assets and liabilities measured at fair value and the allocation of the fair values to the three levels of the fair value hierarchy, which results from the respective available information on the valuation techniques applied.

If the market price for an asset or liability is directly observable in the market, the fair value is assigned to the first level of the fair value hierarchy (e.g. for listed securities). Fair values for derivatives, for example, are determined on the basis of market data such as currency rates or yield curves using a valuation technique. These types of fair values are assigned to Level 2. Fair values are assigned to Level 3 whose determination is not performed using a valuation model based on observable market data, but instead, for example, must be extrapolated from market data.

Assignment of the levels of the fair value hierarchy

€ million	Determined based on market prices (Level 1)	Derived from market values (Level 2)	Measurement not based on market values (Level 3)
Financial assets measured at fair value			
Held for trading		0.0	
Available for sale		0.7	
Derivatives in a hedging relationship		3.8	
Total		4.5	
Financial liabilities measured at fair value			
Derivatives in a hedging relationship		32.3	
Total		32.3	

The carrying amounts of financial instruments, the assignment based on measurement category and the required disclosures on fair value according to IAS 39 and their measurement sources according to IFRS 7 are presented in the following tables. In this connection, the derivatives in hedging relationships are included, although they do not belong to any measurement category of IAS 39.

Carrying amount, measurement categories and fair values as of March 31, 2014

€ million	Carrying amount according to balance sheet 3/31/2014	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 3/31/2014
Trade receivables	244.9				
Loans and receivables	244.9	244.9			244.9
Securities	0.4				
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	0.3		0.3		0.3
Other financial instruments and other assets	77.5				
Loans and receivables	32.8	32.8			32.8
Held to maturity	0.4	0.4			0.4
Held for trading	0.0			0.0	0.0
Available for sale	1.0	0.6	0.4		1.0
Derivatives in hedging relationships (not a category according to IAS 39.9)	3.8		1.8	2.0	3.8
IAS 39 not applicable	39.5				–
Total financial assets	322.8	278.8	2.5	2.0	283.3
Financial liabilities	250.4				
Loans and receivables	250.4	250.4			250.4
Trade payables	162.5				
Loans and receivables	162.5	162.5			162.5
Other liabilities	148.1				
Loans and receivables	83.4	83.4			83.4
Derivatives in hedging relationships (not a category according to IAS 39.9)	32.3		2.3	30.0	32.3
IAS 39 not applicable	32.4				–
Total financial liabilities	561.0	496.3	2.3	30.0	528.6

Cash and cash equivalents are not listed in the above table, since these financial instruments do not fall under the measurement categories of IAS 39.9.

Summary of IAS 39 measurement categories

€ million	Carrying amount according to balance sheet 3/31/2014	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 3/31/2014
Financial assets					
Loans and receivables	277.7	277.7	0.0	0.0	277.7
Held to maturity	0.6	0.6	0.0	0.0	0.6
Held for trading	0.0	0.0	0.0	0.0	0.0
Available for sale	1.3	0.6	0.7	0.0	1.3
Total financial assets	279.6	278.9	0.7	0.0	279.6
Financial liabilities					
Loans and receivables	496.3	496.3	0.0	0.0	496.3
Total financial liabilities	496.3	496.3	0.0	0.0	496.3

Carrying amount, measurement categories and fair values as of December 31, 2013*

€ million	Carrying amount according to balance sheet 12/31/2013	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 12/31/2013
Trade receivables	237.6				
Loans and receivables	237.6	237.6			237.6
Securities	2.7				
Held to maturity	0.2	0.2			0.2
Held for trading	0.0			0.0	0.0
Available for sale	2.5		2.5		2.5
Other financial instruments and other assets	78.0				
Loans and receivables	40.4	40.4			40.4
Held to maturity	0.4		0.4		0.4
Held for trading	0.0			0.0	0.0
Available for sale	1.0	0.6	0.4		1.0
Derivatives in hedging relationships (not a category according to IAS 39.9)	2.1		0.0	2.1	2.1
IAS 39 not applicable	34.1				–
Total financial assets	318.3	278.8	3.3	2.1	284.2
Financial liabilities	260.5				
Loans and receivables	260.5	260.5			260.5
Trade payables	171.5				
Loans and receivables	171.5	171.5			171.5
Other liabilities	170.7				
Loans and receivables	91.3	91.3			91.3
Derivatives in hedging relationships (not a category according to IAS 39.9)	32.8		2.9	29.9	32.8
IAS 39 not applicable	46.6				–
Total financial liabilities	602.7	523.3	2.9	29.9	556.1

Cash and cash equivalents are not listed in the above table, since these financial instruments do not fall under the measurement categories of IAS 39.9.

*Prior year's figures presented on a comparable basis, see page 9

Summary of IAS 39 measurement categories

Summary of IAS 39 measurement categories

€ million	Carrying amount according to balance sheet 12/31/2013	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 12/31/2013
Financial assets					
Loans and receivables	278.0	278.0	0.0	0.0	278.0
Held to maturity	0.7	0.2	0.5	0.0	0.7
Held for trading	0.0	0.0	0.0	0.0	0.0
Available for sale	3.5	0.6	2.9	0.0	3.5
Total financial assets	282.2	278.8	3.4	0.0	282.2
Financial liabilities					
Loans and receivables	523.3	523.3	0.0	0.0	523.3
Total financial liabilities	523.3	523.3	0.0	0.0	523.3

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 banks, while cash equivalents comprise any financial instruments maturing within three months and readily convertible into cash.

Cash flow statement

The cash flow statement, which was prepared in accordance with IAS 7, 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.

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.

Segment information

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 a foremost supplier of rail fastening systems. The product range covers fasteners for every application: from light-rail, extending over heavy-haul, all the way to high-speed lines.

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

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.

The Transportation division 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 local transport rail trains. 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 vehicle equipment is 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 hybrid buses. Besides complete vehicle equipment, the unit's businesses also cover retrofitted air-conditioning systems for rail vehicles, parts, components and subassemblies, revamping, servicing and maintenance and repairs work.

The consolidation includes the elimination of intersegment transactions. These pertain primarily to the clearing of intra-group income and expenses, the elimination of intra-group income from distributions and the offsetting of intra-group receivables and payables.

The accounting methods of all segments are identical and conform to the EU-endorsed IFRS. Intersegment business is transacted at normal market conditions.

A reconciliation of the segment result "value added" of the total Group to EBIT presented in the income statement is presented below:

Reconciliation of value added to EBIT		
€ million	Q1/2014	Q1/2013*
Value added	(14.8)	(9.2)
Cost of capital employed	21.3	18.6
EBIT	6.5	9.4

*Prior year's figures presented on a comparable basis, see page 9

Related party transactions

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated Vossloh subsidiaries, working groups, and associated companies of the Vossloh Group. In addition, transactions were carried out with companies of the Knorr-Bremse group, which are to be considered related-party entities via the Chairman of the Supervisory Board, Heinz Hermann Thiele. All transactions with these companies are carried out at normal market conditions. The table below presents the income/expenses and receivables/payables which are recognized in the consolidated financial statements and originate primarily from related-party transactions with unconsolidated subsidiaries. Transactions in the period with related-party individuals were altogether insignificant.

€ million	Q1/2014 or 3/31/2014	Q1/2013* or 3/31/2013*
Purchas and sale of goods		
Sales revenues	0.8	1.7
Expenses	0.3	3.2
Trade accounts receivable	1.6	4.9
Trade payables	0.2	3.5
Purchase or sale of other assets		
Income	0.0	0.0
Expenses	0.0	0.0
Receivables from the sale of other assets	0.0	0.1
Liabilities	0.9	1.2
Services performed or received		
Revenue from the provision of services	0.0	0.0
Expenses from the obtaining of services	0.9	0.6
Financing		
Interest income from financial loans granted	0.0	0.0
Interest expense from financial loans received	0.0	0.0
Receivables on financial loans granted	1.9	6.3
Liabilities on financial loans received	0.0	0.0
Guarantees/collateral furnished		
Bonds/guarantees furnished	5.4	7.0
Other collateral furnished	1.3	1.3

*Prior year's figures presented on a comparable basis, see page 9

In comparison to December 31, 2013, contingent liabilities increased by €0.1 million to €10.4 million. Contingent liabilities result in the amount of €7.1 million from guarantees and in the amount of €3.3 million from provision of securities for third-party liabilities.

Contingent liabilities

Segment information by business unit*

		Fastening Systems	Switch Systems	Rail Services	Consolidation	Rail Infrastructure	
Value added							
Q1/2014**	€ mill.	22.7	(6.9)	(3.7)	0.0	12.1	
Q1/2013	€ mill.	8.4	(7.1)	(3.4)	(0.1)	(2.2)	
Total assets							
3/31/2014	€ mill.	208.5	454.0	139.1	187.1	988.7	
3/31/2013	€ mill.	238.3	447.3	127.2	185.8	998.6	
Liabilities							
3/31/2014	€ mill.	103.4	183.9	105.8	52.6	445.7	
3/31/2013*	€ mill.	167.0	163.0	97.0	39.3	466.3	
Net external sales							
Q1/2014	€ mill.	69.3	96.8	12.1	0.0	178.2	
Q1/2013	€ mill.	77.6	86.2	7.6	0.0	171.4	
Intersegment revenues							
Q1/2014	€ mill.	1.6	0.2	0.1	(1.2)	0.7	
Q1/2013	€ mill.	0.6	1.1	0.1	(0.3)	1.5	
Interest income							
Q1/2014	€ mill.	0.0	0.1	0.0	0.0	0.1	
Q1/2013	€ mill.	0.0	0.1	0.0	0.0	0.1	
Interest expense							
Q1/2014	€ mill.	(0.4)	(0.5)	(0.6)	(0.3)	(1.8)	
Q1/2013	€ mill.	(0.8)	(0.6)	(0.6)	(0.1)	(2.1)	
Amortization/depreciation							
Q1/2014	€ mill.	1.5	2.9	1.2	0.0	5.6	
Q1/2013	€ mill.	1.6	2.7	0.9	0.0	5.2	
Impairment write-downs							
Q1/2014	€ mill.	–	–	–	–	–	
Q1/2013	€ mill.	–	–	–	–	–	
Investment in noncurrent assets							
Q1/2014	€ mill.	5.3	4.1	5.9	0.0	15.3	
Q1/2013	€ mill.	0.6	2.7	5.1	0.0	8.4	
Average headcount							
Q1/2014		614	2,549	322	0	3,485	
Q1/2013		533	2,294	304	0	3,131	

*Prior year's figures presented on a comparable basis, see page 9

**Value added in the Fastening Systems business unit and Rail Infrastructure division including consideration of the intra-group sale of an investment, see page 15.

	Transportation Systems	Electrical Systems	Consolidation	Transportation	Holding companies	Consolidation	Group
	(3.2)	(3.6)	(1.0)	(7.8)	(0.5)	(18.6)	(14.8)
	(2.4)	0.7	(0.1)	(1.8)	(5.7)	0.5	(9.2)
	528.6	336.5	(8.7)	856.4	995.5	(1,197.3)	1,643.3
	488.6	282.6	(3.7)	767.5	889.7	(1,073.2)	1,582.6
	254.5	213.4	(12.4)	455.5	527.3	(572.7)	855.8
	193.7	165.6	(6.5)	352.8	516.2	(484.1)	851.2
	72.1	43.0	0.0	115.1	0.1	0.0	293.4
	56.1	34.1	0.0	90.2	0.1	0.0	261.7
	0.4	0.3	(0.5)	0.2	0.3	(0.4)	0.8
	0.0	1.2	(0.8)	0.4	0.1	(0.3)	1.7
	0.5	0.0	0.0	0.5	2.4	(2.1)	0.9
	0.4	0.1	0.0	0.5	2.0	(1.8)	0.8
	(0.8)	(0.9)	0.0	(1.7)	(3.8)	2.3	(5.0)
	(0.6)	(0.5)	0.0	(1.1)	(3.6)	2.1	(4.7)
	3.5	0.9	0.0	4.4	0.2	0.0	10.2
	3.3	1.0	0.0	4.3	0.2	0.0	9.7
	–	–	–	–	0.1	–	0.1
	–	–	–	–	0.1	–	0.1
	2.7	1.4	0.1	4.2	0.0	0.0	19.5
	2.6	3.3	0.3	6.2	0.1	0.0	14.7
	1,233	845	0	2,078	47	0	5,610
	1,067	780	0	1,847	46	0	5,024

Financial calendar 2014

Annual general meeting	May 28, 2014
Payment of dividends	May 29, 2014
Publication of interim reports	
As of June 30, 2014	July 24, 2014
As of September 30, 2014	October 30, 2014

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Vossloh AG's boards

Executive Board	Dr. h.c. Hans M. Schabert (CEO) Oliver Schuster
Supervisory Board	Heinz Hermann Thiele, former chairman of Knorr-Bremse AG, Munich, Chairman Dr. Wolfgang Scholl, attorney, partner of the law firm, Arnecke Siebold, Frankfurt/Main, Vice-Chairman Silvia Maisch, electrical mechanic, Monheim Dr. Ing. Kay Mayland, graduate engineer, former chairman of SMS Siemag AG, Ettlingen Dr. Alexander Selent, vice-chairman of the executive board and CFO of Fuchs Petrolub SE, Limburgerhof Michael Ulrich, machine fitter, Kiel