vossloh

Interim financial report as of September 30, 2013

Group figures and indicators		9 months 2013	9 months 2012*
Income statement data			
Net sales	€ mill.	971.6	891.5
Rail Infrastructure	€ mill.	671.8	571.5
Transportation	€ mill.	299.8	320.4
EBIT	€ mill.	34.4	61.1
Net interest expense	€ mill.	(15.9)	(13.9)
EBT	€ mill.	18.5	47.2
Total net income	€ mill.	11.8	35.5
Group earnings (Vossloh stockholders)	€ mill.	4.3	31.4
Earnings per share (EpS)	€	0.36	2.62
EBIT margin	%	3.5	6.9
Pretax return on equity (ROE)[1]	%	5.0	13.1
Return on capital employed (ROCE)[2]	%	5.1	9.7
Value added[2]	€ mill.	(22.9)	(2.1)
Balance sheet data			
Fixed assets[3]	€ mill.	679.1	650.5
capital expenditures	€ mill.	43.8	39.7
amortization/depreciation	€ mill.	32.0	29.7
Closing working capital	€ mill.	223.9	218.5
Closing working capital intensity	%	17.3	18.4
Closing capital employed	€ mill.	903.0	869.1
Total equity	€ mill.	482.3	486.2
minority interests	€ mill.	18.1	14.6
Net financial debt	€ mill.	292.1	253.2
Net leverage	%	60.6	52.1
Total assets	€ mill.	1,673.4	1,549.4
Equity ratio	%	28.8	31.4
Cash flow statement data			
Gross cash flow	€ mill.	61.4	97.2
Cash flow from operating activities	€ mill.	6.0	80.8
Cash flow from investing activities	€ mill.	(52.3)	(48.2)
Cash flow from financing activities	€ mill.	27.6	(66.7)
Change in cash & cash equivalents	€ mill.	(18.7)	(34.1)
Workforce data			
Average headcount in the period		5,301	5,053
Rail Infrastructure		3,366	3,172
Transportation		1,889	1,834
Vossloh AG		46	47
Payroll intensity	%	84.6	75.7
Personnel expenses	€ mill.	211.6	199.4
Share data			
Stock price at September 30	€	65.08	71.71
Market capitalization at September 30	€ mill.	780.9	860.0

[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.

*Year-earlier comparatives of ROCE, value added, working capital and capital employed adjusted due to changed accounting policy; cf. page 30.

Dear Stockholders:

Following a difficult first six months of 2013, Vossloh's business steadied in the succeeding quarter. One silver lining is that we managed to settle the litigation involving the Transportation division and which largely accounts for the heavy one-off burdens incurred this year. The Rail Infrastructure division again made solid progress. Altogether, even though Vossloh failed to repeat Q3/2012's good performance, we can report a clear improvement on the two preceding quarters of 2013. Sales growth within the Group proceeded according to plan and with new orders of €551.3 million in Q3 alone, order backlog at September 30 had jumped to a new all-time high of €1,745.8 million.

Three-quarter sales for the Vossloh Group mounted in 2013 by 9.0 percent to €971.6 million. Throughout this period, the added revenue was exclusively generated by the Rail Infrastructure division which, during these nine months, reported sales of €671.8 million, a 17.5-percent hike. In contrast, sales at Transportation's two business units have so far this year receded, after nine months totaling €299.8 million (down 6.4 percent year-on-year). Mainly on account of the heavy provisions for damages claimed (litigation settled this October), the Transportation division's 3-quarter EBIT slumped to a negative €22.8 million, which was to quite some degree offset in the period by the sharp EBIT improvement at the Rail Infrastructure division, leaping from €58.6 million to €72.6 million.

Nonetheless, 3-quarter group EBIT collapsed year-on-year from €61.1 million to €34.4 million; the EBIT margin for the period totaled 3.5 percent. Value added was a red €22.9 million. Likewise down after nine months was ROCE at 5.1 percent. In the third quarter of 2013, Vossloh did, however, achieve an ROCE of 9.8 percent, thus reemphasizing that we are on the road to recovery.

In the closing quarter of 2013, we expect sales to again pick up compared with Q4/2012, especially at the Transportation division's two business units. With this in mind, we reaffirm our most recent forecast for fiscal 2013. For the full twelve months we are looking to a group sales growth of a good 5 percent and an EBIT margin ranging between 4 and 5 percent.

Toward the close of a tough fiscal 2013 and after a series of challenging years, Vossloh is positioned as internationally as never before. Non-European group sales after nine months account for almost 40 percent of the aggregate. Back at the start of 2007, the share had been a mere 10 percent. Since the onset of the sovereign-debt crisis in 2008 our revenue in Southern Europe has contracted appreciably. Yet despite this regional sales slide of over €160 million Vossloh has been able to successfully uphold and even expand its foremost position in the European market.

Over the coming two years, Vossloh's growth will be vigorous. The momentum we expect will chiefly be created by the Transportation division that in recent years has booked record orders for its new freight and passenger haulage vehicles. By the close of September 2013, the division's order backlog had totaled €1.2 billion. Given these parameters and from today's vantage point we consider a sales growth of 10 to 15 percent to be likely for 2014. We are confident that the expected sales surge will be accompanied by enhanced profitability—especially at the Transportation division where gradually the upstream engineering costs will recede from this year's level. The Vossloh Group should in 2014, therefore, be able to significantly outperform 2013.

Yours,

W. Andree

Werner Andree
CEO

Vossloh's corporate structure

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

The operations are organized under the umbrella of Vossloh AG as the management and financial holding parent and comprise two divisions, Rail Infrastructure and Transportation.

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 a 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 rail maintenance, preventive care and reconditioning.

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.

- 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), and supplies M&R services. The Valencia location also develops and 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 among the world's leading suppliers of electrical equipment for trolleybuses and hybrid-drive buses. 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.

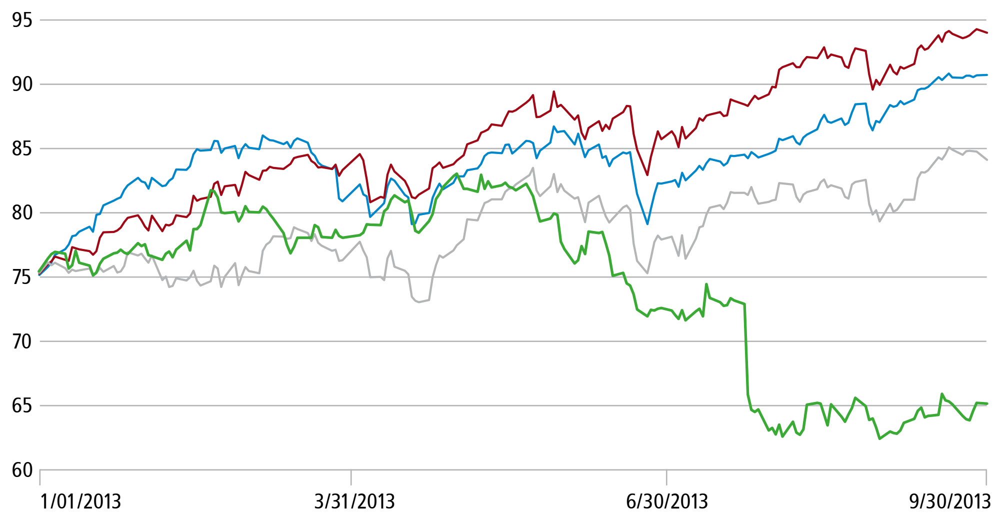
Vossloh stock

The upbeat sentiment on the international stock markets—already predominant in H1/2013—continued through Q3. The main factors for repeated share price gains were the ongoing expansive monetary policy of the European Central Bank and the surprising decision of the Fed to carry on buying large volumes of bonds. Encouraging economic data from Europe and China also helped buoy up the international stock markets. Weaker Q2 business reports did lead to a temporary frailty in August.

International stock markets continue bullish in Q3

Since the start of 2013, the most important stock markets have been showing clear double-digit gains: in these nine months, the DAX climbed 12.9 percent, the MDAX 26.2 percent, and the SDAX (Vossloh's benchmark index) 21.8 percent.

Vossloh stock price trend from January 1 to September 30, 2013



Vossloh share ID data:

German SIN: 766710

ISIN: DE0007667107

Reuters: VOSG.DE

Bloomberg: VOS GR

The Vossloh stock price shed 12.6 percent in the first nine months of 2013. At the close of the period and at a price of €65.08 market capitalization totaled €780.9 million. The background of the poor performance, especially in Q3, was the forecast on July 25 of sales and EBIT revised downward for fiscal 2013, which coincided with the publication of the semiannual report. As a consequence, Vossloh's stock price hit a year-to-date low of €62.02 in the third quarter on August 1, 2013. Its 9-month high of €84.84 had been quoted on April 30, 2013.

Vossloh stock plunging in Q3 after profit forecast adjustment

The Q3 trading volume of Vossloh stock totaled some 1.2 million shares, equivalent to a daily average of around 17,800 based on the third quarter's 66 trading days. The slump from the Q3/2012 daily average of 22,700 shares is linked to the much reduced free-float.

Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hannover, Hamburg, Stuttgart, Munich
Index	SDAX
Number of shares outstanding at 9/30/2013	11,998,569
Stock price (9/30/2013)	€65.08
9-month 2013 high/low	€84.84/€62.02
Reuters code	VOSG.DE
Bloomberg code	VOS GR

In Q3/2013, sixteen financial analysts of German and international banks were regularly commenting on the performance of Vossloh stock. Following the publication on July 25, 2013, of the H1 figures accompanied by an adjustment of the 2013 forecasts, the analysts scaled down their own predictions and recommendations.

In mid-October 2013, two analysts recommended "buy" and seven "sell." Another seven proposed "hold." The fair value bandwidth in October ranged from €51 to €85, with a mean of €65.

For the latest information on Vossloh stock, 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 by phone at (+49-2392) 52-359 or 52-609.

Interim group management report

The Group's business trend

Vossloh's growth strategy targets the addition of value, measured as value added (VA). Positive VA is generated when a premium on top of the return claimed by investors and lenders (cost of capital) is earned. This premium results from the difference between the return on capital employed (ROCE) and WACC, the weighted average cost of capital (debt and equity). In the analysis of its results of operations, the Vossloh Group discloses the pretax value added as a key corporate benchmark. For fiscal 2013 Vossloh has set the return expected by investors and lenders (WACC) at 8.5 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—4.6 percent posttax for the 9 months ended September 30, 2013—in order to disclose the quarterly updated value trend of relevance to stockholders.

Since fiscal 2013, certain obligations to employees (vacation not yet taken; profit-share/bonus payments; employee flexitime accounts; termination benefits or indemnities) are according to IAS 37 no longer accrued but recognized as other liabilities. For interperiod comparability, the resulting effects on working capital have been reflected in the year-earlier comparatives. Furthermore, obligations from invoices outstanding—with no impact on working capital—are shown within trade payables instead of being provided for as practiced previously.

Results of operations

For the third quarter of 2013, the Vossloh Group again reported strong sales growth of 9.4 percent, from €320.2 million a year ago to €350.3 million. Group sales for the full nine months jumped to €971.6 million (up from €891.5 million), tantamount to a 9.0-percent sales hike. The strongest boost of this leap came from the Fastening Systems business unit while the other two Rail Infrastructure business units, Vossloh Switch Systems and Vossloh Rail Services, likewise reported rising revenue during these nine months.

Nine-month group sales well up, most growth at Rail Infrastructure

Vossloh Group

		9 months 2013	9 months 2012	Q3/2013	Q3/2012
Sales	€ mill.	971.6	891.5	350.3	320.2
EBITDA	€ mill.	66.4	90.8	31.7	39.8
EBIT	€ mill.	34.4	61.1	21.9	30.1
EBIT margin	%	3.5	6.9	6.3	9.4
EBT	€ mill.	18.5	47.2	14.9	25.3
Group earnings	€ mill.	4.3	31.4	8.0	16.8
ROCE [1, 2]	%	5.1	9.7	9.8	14.0
Value added [1, 2]	€ mill.	(22.9)	(2.1)	2.8	8.6

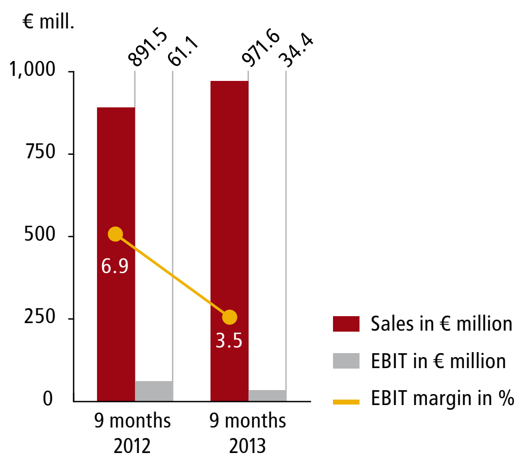
[1] Annualized
[2] Based on average capital employed

Three-quarter sales at the Rail Infrastructure division totaled €671.8 million, up 17.5 percent from €571.5 million. In contrast, sales by the Transportation division's two business units so far in 2013 have been short year-on-year and added up to €299.8 million, down 6.4 percent from €320.4 million. Happily, Q3 sales at the Transportation division have steadied, partly due to a clear increase at the Kiel location. At €104.2 million, third-quarter sales were up by 2.2 percent on 2012.

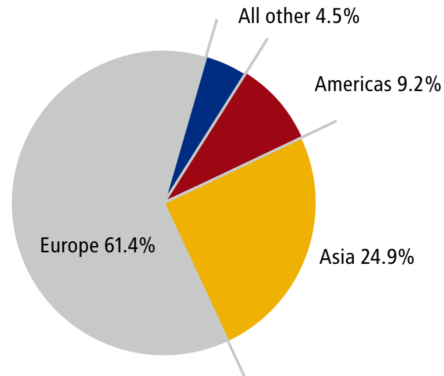
Another steep rise in group order intake and backlog

A megacontract from South Africa for locomotives worth around €250 million propelled the Group's Q3 order intake from €371.9 million to €551.3 million in 2013. New orders awarded to Transportation more than doubled in Q3, from €158.7 million to €370.5 million. Order inflow at the Rail Infrastructure division at €180.9 million was short of the year-earlier €213.9 million. Nine-month order intake by the Vossloh Group amounted to €1,169.6 million, up 23.7 percent from the high €945.5 million in 2012.

At September 30, 2013, order backlog in the Vossloh Group was at a new all-time high of €1,745.8 million of which the Transportation division alone accounted for €1,203.3 million. Hence, this division's sales forecasts—especially for 2014 but also for 2015—are corroborated by firm orders. At €542.5 million, the Rail Infrastructure division's order backlog as of September 30, 2013, was below the tall year-earlier €625.9 million.



Vossloh Group: sales and EBIT



Geographical breakdown of 9-month sales 2013

Accounting for 61.4 percent of group sales, Europe is still Vossloh's home and most important market. So far this year, group sales have mounted 3.5 percent to €596.7 million. Revenue has, however, surged even more sharply in those non-European markets to which over the past years Vossloh has more closely addressed itself. Three-quarter sales growth in these regions amounted to 19.0 percent. Non-European sales during this period at €374.9 million accordingly accounted for 38.6 percent of the Group's total.

Non-European sales share surging to 38.6 percent

In the period under review, Vossloh reported higher sales in Germany, France, Great Britain, Austria, the Netherlands, and Luxembourg, pushing up Western European sales year-on-year from €381.5 million to €426.5 million (up 11.8 percent). Sales in Southern Europe again stumbled—at €66.8 million down by 21.9 percent. Revenue also receded in Northern Europe where the Scandinavian countries' share of group sales skidded from 7.2 to 5.5 percent. Incremental sales were reported in Eastern Europe whose €50.3 million (up 10.1 percent) accounted for 5.2 percent.

Vossloh's biggest sales region outside of Europe so far this year has been Asia, with a share of 24.9 percent and a 30.1-percent sales hike to €242.1 million thanks to rising revenue in China, Kazakhstan, Thailand, and Vietnam.

Three-quarter sales in the Americas inched down, from €91.9 million to €89.3 million. Sales in Australia ascended from €23.9 million to €25.9 million and in Africa from €13.1 million to €17.6 million.

Sales by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	9 months 2013		9 months 2012		Q3/2013		Q3/2012	
Germany	205.6	21.1	191.2	21.4	71.4	20.4	65.0	20.3
France	111.8	11.5	104.9	11.8	38.4	11.0	28.1	8.8
Other Western Europe	109.1	11.2	85.4	9.6	44.0	12.6	35.1	11.0
Northern Europe	53.1	5.5	64.0	7.2	20.4	5.8	25.0	7.8
Southern Europe	66.8	6.9	85.5	9.6	18.4	5.2	27.4	8.5
Eastern Europe	50.3	5.2	45.7	5.1	21.7	6.2	16.6	5.2
Total Europe	**596.7**	**61.4**	**576.7**	**64.7**	**214.3**	**61.2**	**197.2**	**61.6**
Americas	89.3	9.2	91.9	10.3	26.6	7.6	31.9	10.0
Asia	242.1	24.9	185.9	20.8	92.1	26.3	78.7	24.6
Africa	17.6	1.8	13.1	1.5	8.0	2.3	3.3	1.0
Australia	25.9	2.7	23.9	2.7	9.3	2.6	9.1	2.8
Total	**971.6**	**100.0**	**891.5**	**100.0**	**350.3**	**100.0**	**320.2**	**100.0**

Group EBIT heavily burdened by one-off factors

The Group's 9-month EBIT plunged from €61.1 million to €34.4 million. The slump is attributable to the Transportation division which for the period reported a negative EBIT of €22.8 million. The plummeting EBIT is especially due to provisions for a customer's claim for damages. Litigation was finally settled in October 2013. Other one-off burdens were receivables written off by the Electrical Systems business unit. Also, H1 delays in the award of contracts and in shipments from subcontractors meant that the Transportation Systems business unit was partly idle; additionally, unexpected incremental and upstream costs were incurred by Vossloh Electrical Systems. EBIT at the Rail Infrastructure division, in contrast, was a much improved €72.6 million (up from €58.6 million).

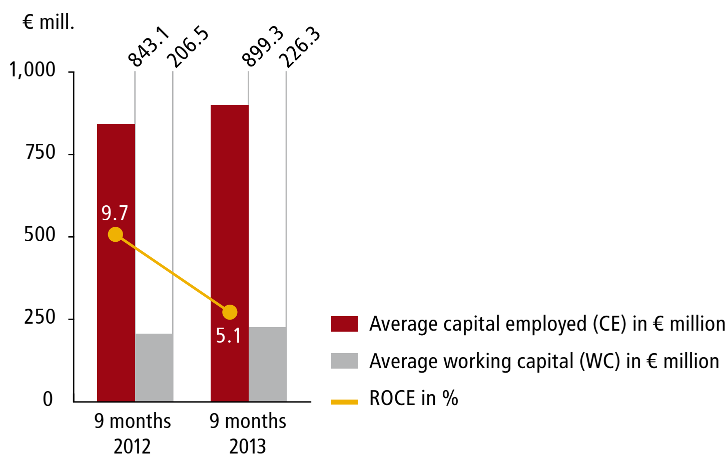
Steeper tax load ratio rise additionally weighing on group earnings

The Group's 9-month net interest expense swelled from €13.9 million in 2012 to €15.9 million this year. Vossloh's three-quarter earnings before taxes (EBT) were slashed year-on-year from €47.2 million to €18.5 million. A steeper tax load ratio rise from 24.8 to 36.5 percent and significantly higher minority interests in total net income (EAT) resulted in an out-of-line three-quarter group earnings plunge from €31.4 million to €4.3 million, causing earnings per share (EpS) to be whittled down year-on-year from €2.62 to €0.36.

The average number of shares issued and outstanding in the period inched up from 11,992,761 to 11,998,569 since Q4/2012 had seen 5,808 treasury shares being used for the employee bonus program.

ROCE at 5.1 percent, posttax VA a red €6.9 million

Given not only the period's EBIT erosion but also the climbing capital employed, Vossloh's 3-quarter ROCE shrank year-on-year from 9.7 to 5.1 percent. Value added (VA) by the Group in the 9 months ended September 30, 2013, came to a red €22.9 million before taxes (versus an equally negative €2.1 million a year earlier) and, based on current WACC and after taxes, to €6.9 million likewise in the red.



Vossloh Group: CE, WC and ROCE trends

Asset and capital structure, financial position

At September 30, 2013, the Vossloh Group's assets totaled €1,673.4 million (up from €1,549.4 million the year before), the rise essentially being attributable to an increase in tangible/intangible assets and in inventories. The Group's equity at the close of Q3 contracted from €486.2 million in 2012 to €482.3 million in 2013, the equity ratio amounting to 28.8 percent (down from 31.4) in light of the mounting total assets.

Working capital only slightly up

The 3-quarter period's closing working capital inched up year-on-year from €218.5 million to €223.9 million. An increase in trade receivables and inventories contrasted with a hike in trade payables and prepayments received. In the nine months ended September 30, the Vossloh Group's working capital averaged €226.3 million in 2013 (up from €206.5 million). The (annualized) average working capital intensity in the same period was ratcheted up from 17.4 to 17.5 percent, thus remaining virtually unchanged.

Given the higher tangible/intangible assets and the minor working capital rise, Vossloh's closing capital employed as of September 30, 2013, advanced year-on-year from €869.1 million to €903.0 million, the Group's 9-month average capital employed climbing to €899.3 million (up from €843.1 million).

The Vossloh Group's net financial debt as of September 30, 2013, hiked up year-on-year from €253.2 million to €292.1 million in the wake of swelling tangible/intangible assets and inventories. As of Q3-end 2013, cash and cash equivalents (including short-term securities) of €52.9 million contrasted with financial debts of €345.0 million, stepping up the Group's net leverage year-on-year from 52.1 to 60.6 percent.

Vossloh Group

		9/30/2013	12/31/2012	9/30/2012
Total assets	€ mill.	1,673.4	1,523.1	1,549.4
Total equity	€ mill.	482.3	505.7	486.2
Equity ratio	%	28.8	33.2	31.4
Average working capital	€ mill.	226.3	204.8	206.5
Average working capital intensity[1]	%	17.5	16.5	17.4
Fixed assets	€ mill.	679.1	662.7	650.5
Closing capital employed	€ mill.	903.0	828.7	869.1
Average capital employed	€ mill.	899.3	845.5	843.1
Pretax return on equity (ROE)[1, 2]	%	5.0	15.7	13.1
Net financial debt	€ mill.	292.1	200.8	253.2
Net leverage	€ mill.	60.6	39.7	52.1

[1] Annualized

[2] Based on average equity

Rail Infrastructure business

Results of operations

Q3 and 9-month sales much higher

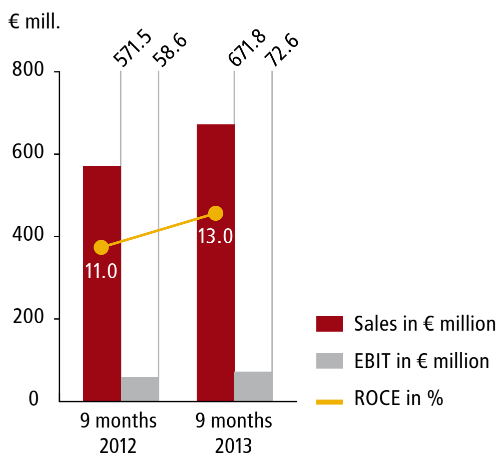
Following a solid first six months, the Rail Infrastructure division again performed well in the third quarter when revenue accelerated from €218.4 million to €246.1 million and for the full three quarters, from €571.5 million to €671.8 million, year-on-year a hike of 17.5 percent. All three business units shared in this growth, especially Fastening Systems whose business was nourished by ongoing vigorous sales in China and rising revenue elsewhere, too.

The division's 9-month order intake, in contrast, remained stable at €614.4 million (up from €614.0 million). Because of the substantial shipments of rail fastening systems in China so far this year, Rail Infrastructure's order backlog as of September 30, 2013, had dipped from €625.9 million a year ago to €542.5 million.

Rail Infrastructure

		9 months 2013	9 months 2012	Q3/2013	Q3/2012
Sales	€ mill.	671.8	571.5	246.1	218.4
EBITDA	€ mill.	92.3	76.1	37.0	32.9
EBIT	€ mill.	72.6	58.6	30.7	26.9
EBIT margin	%	10.8	10.3	12.5	12.3
ROCE[1, 2]	%	13.0	11.0	16.4	14.9
Value added[1, 2]	€ mill.	25.1	5.5	14.8	8.8

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



Rail Infrastructure: sales, EBIT and ROCE

Sales at the Fastening Systems business unit in the period January through September jumped from €200.5 million to €291.7 million, thus soaring 45.5 percent. Its Q3 sales of €101.9 million represent an 18.2-percent improvement over the year-earlier €86.2 million. Significant gains were generated by Vossloh Fastening Systems in China, Kazakhstan, Russia, Poland, and the United Arab Emirates.

Vossloh Fastening Systems continuing to bloom

Three-quarter order intake at Vossloh Fastening Systems lessened, as expected, from €216.2 million to €189.7 million. Order backlog of €182.1 million at quarter-end likewise failed to match the tall €281.9 million of a year ago. The receding order backlog is due, in particular, to the ongoing substantial shipments in China since the second quarter of 2012. In the period July 2011 to May 2012, there had been no shipments albeit fresh orders were placed.

The Switch Systems business unit generated 9-month sales worth €338.2 million, hence about the level of the year-earlier €334.3 million. Business branching out beyond Europe largely offset the ongoing poor performance within Europe. Q3 saw a sales gain of 7.0 percent to €125.8 million, a clear improvement over Q1 and Q2/2013.

Non-European business generating growth at Vossloh Switch Systems

Both 3-quarter order intake and order backlog at Vossloh Switch Systems outperformed the year-earlier figures. Order intake mounted from €357.9 million to €379.5 million, order backlog at quarter-end had climbed from €336.1 million to €353.6 million.

Nine-month sales by the Rail Services business unit advanced 11.5 percent, from €39.7 million to €44.3 million. Q3 sales totaled €19.4 million, up from €16.7 million. Revenue gains were mostly reported in high-speed grinding, the haulage of rails, and logistics. In the period January through September 2013, Vossloh Rail Services booked new business worth €47.4 million (up from €42.7 million). At September 30, 2013, order backlog amounted to €7.2 million (down from €8.9 million). In contrast to the Fastening Systems and Switch Systems business units, orders placed with Vossloh Rail Services have a very short lead time due to the service nature of its business.

Again rising demand for grinding and logistics services

Nine-month EBIT at the Rail Infrastructure division surged from €58.6 million to €72.6 million, a rise of 23.8 percent. Q3 EBIT was upgraded from €26.9 million to €30.7 million (up 14.0 percent). The EBIT margin also climbed again, to 10.8 percent for the nine months (up from 10.3) and to 12.5 percent for Q3 (up from 12.3). It was the Fastening Systems and Rail Services business units that, in particular, helped elevate profitability in this division whereas at the Switch Systems business unit, it was hurt because of one-off burdens, linked especially to restructuring expenses caused by the closedown of the Italian location.

Another EBIT margin improvement to 10.8 percent despite one-off burdens at Vossloh Switch Systems

9-month ROCE ascending to 13.0 percent

Rail Infrastructure's 9-month ROCE was once more stepped up in the course of 2013, year-on-year from 11.0 to 13.0 percent, the climbing capital employed notwithstanding. The division's 3-quarter value added (VA) likewise surged, by €19.6 million from a year-earlier €5.5 million to €25.1 million. The VA contributed by the Switch Systems and Rail Services business units remained in the red, amounting to €14.2 million and €1.9 million, respectively, whereas Vossloh Fastening Systems added value of a black €41.2 million.

Asset and capital structure

Working capital ratcheted up despite sales boost

The Rail Infrastructure division's 9-month average working capital swelled by a moderate 7.2 percent, from the year-earlier €250.2 million to €268.2 million in 2013, despite the 17.5-percent sales jump. Average working capital intensity in the three-quarter period under review shrank year-on-year from 32.8 to 29.9 percent. Rail Infrastructure's closing working capital at September 30 barely changed, moving up from €252.9 million in 2012 to €261.8 million in 2013.

Nine-month average capital employed (CE) moved up €37.3 million from the year-earlier €708.2 million to €745.5 million, while closing CE climbed year-on-year from €713.3 million to €743.3 million at September 30, 2013, substantially as fixed assets grew from €460.5 million to €481.4 million.

Rail Infrastructure

		9 months 2013	FY 2012	9 months 2012
Average working capital	€ mill.	268.2	247.5	250.2
Average working capital intensity*	%	29.9	31.2	32.8
Closing fixed assets	€ mill.	481.4	469.2	460.5
Closing capital employed	€ mill.	743.3	683.3	713.3
Average capital employed	€ mill.	745.5	706.7	708.2

*Annualized

Transportation business

Results of operations

Nine-month sales by the Transportation division dropped from €320.4 million to €299.8 million, a decline of 6.4 percent. Third-quarter sales by the division improved by €2.2 million to €104.2 million. Both business units still suffered from project execution delays.

Third-quarter sales taking an upturn

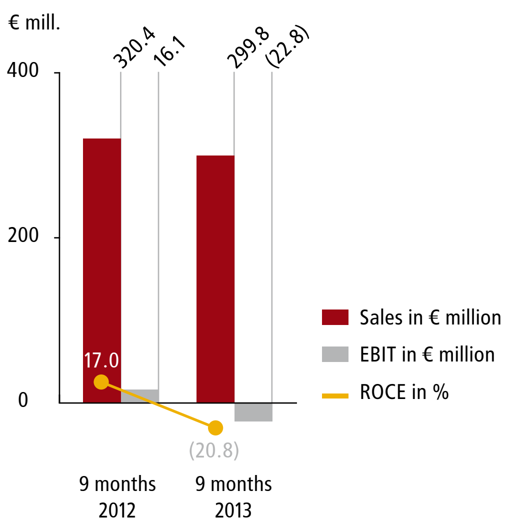
Three-quarter order intake by the Transportation division rocketed from €332.5 million to €553.9 million thanks to a Q3 megaorder worth around €250 million for 70 locomotives to be delivered to South Africa. Q3 order intake including this contract amounted to €370.5 million (up from €158.7 million). Hence, the division's order backlog as of September 30, had year-on-year jumped from €925.3 million to a record €1,203.3 million.

€250 million contract from South Africa; order backlog at a record €1.2 billion

Transportation

		9 months 2013	9 months 2012	Q3/2013	Q3/2012
Sales	€ mill.	299.8	320.4	104.2	102.0
EBITDA	€ mill.	(11.2)	27.7	(1.7)	10.2
EBIT	€ mill.	(22.8)	16.1	(5.0)	6.8
EBIT margin	%	(7.6)	5.0	(4.8)	6.7
ROCE[1, 2]	%	(20.8)	17.0	(13.8)	21.4
Value added[1, 2]	€ mill.	(32.2)	6.7	(8.2)	3.6

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



Transportation: sales, EBIT and ROCE

Nine-month sales by the Transportation Systems business unit slipped from €205.7 million to €188.0 million of which the third quarter contributed €63.5 million. Whereas Vossloh Rail Vehicles in Valencia reported shrinking sales in both periods, Kiel-based Vossloh Locomotives' revenue inched up. Three-quarter sales by Vossloh Rail Vehicles added up to €103.2 million, down 17.9 percent from the year-earlier €125.7 million. Q3 sales totaled €28.8 million, down 24.9 percent from €38.3 million. The Kiel-based locomotive plant in Germany, in contrast, raised its nine-month revenue by 5.9 percent, from €80.0 million to €84.8 million. In the third quarter of 2013, Vossloh Locomotives benefited from pent-up demand (two weak preceding quarters) that propelled sales from €22.1 million to €34.7 million (up 56.8 percent).

Order backlog at Vossloh Transportation Systems surging to €783.8 million

Three-quarter order intake at Vossloh Transportation Systems was €432.1 million (up from €225.5 million). A megaorder booked by Vossloh Rail Vehicles in Q3 boosted order influx from €107.7 million to €355.7 million. The Transportation Systems business unit's order backlog had soared accordingly from €523.8 million to €783.8 million by the end of the quarter. The South Africa contract provides Vossloh Transportation Systems with a very solid sales base for 2014 and 2015, and hence theoretically enough to keep it busy through to 2016.

Sales by Vossloh Electrical Systems in 2013 squeezed by unexpected project delays but overall reaccelerating

At €114.3 million, three-quarter sales by the Electrical Systems business unit fell short of the year-earlier €120.7 million. Whereas project delays depressed rail vehicle, service and component business, the bus, e-mobility and HVAC units all reported marginally higher sales. Then, in the third quarter, sales reaccelerated versus H1, albeit at €41.5 million were still 3.9 percent under the year-earlier €43.2 million.

A major contract from Great Britain acquired in early Q2 lifted 9-month order intake at Vossloh Electrical Systems year-on-year. This business unit's year-to-date order inflow came to €127.1 million (up from €113.9 million), including €16.4 million in Q3 alone (down from €54.4 million). Order backlog at September 30, 2013, totaled €444.4 million (up €19.5 million from €424.9 million).

Profitability severely eroded by one-off burdens

EBIT at the Transportation division in the first nine months of 2013 came to a red €22.8 million, hence slumping from the year-earlier black €16.1 million. The 3-quarter EBIT margin plunged from a black 5.0 percent a year ago to a red 7.6. The prime reason for the plummeting EBIT was the double-digit million transfer to the provision for damages claimed, part of which had already been accrued before. Moreover, the insolvency of a Vossloh Electrical Systems customer required the related receivable to be virtually written off as bad debt. Another burdening effect came from the downtrend of both business units' operations, with sales still declining year-on-year. In Q3/2013, too, the division's EBIT continued in the red and amounted to a negative €5.0 million. However, the period also had a silver lining: the litigious claim for damages was eventually settled finally.

In a year-on-year comparison and in line with the EBIT plunge, the division's nine-month ROCE turned around, from a black 17.0 percent to a red 20.8. Given the EBIT erosion in the period, the Transportation division's value added (VA) level nosedived from a year-earlier €6.7 million in the black to a red €32.2 million; the division's VA breaks down into €20.1 million and €11.5 million (both in the red) contributed by the Transportation Systems and Electrical Systems business units, respectively.

Asset and capital structure

The Transportation division's 9-month average working capital mounted year-on-year, from a red €40.5 million to a likewise negative €36.4 million, its average working capital intensity being a negative 9.1 percent (versus an equally red 9.5).

Three-quarter working capital remaining negative, yet climbing a good €4 million

The division's capital employed averaged €146.5 million in the three quarters ended September 30, 2013, swelling from the year-earlier €126.4 million in the wake of the fixed-asset additions. Transportation's Q3 closing capital employed grew year-on-year from €145.9 million to €156.6 million.

Transportation

		9 months 2013	FY 2012	9 months 2012
Average working capital	€ mill.	(36.4)	(39.4)	(40.5)
Average working capital intensity*	%	(9.1)	(8.7)	(9.5)
Closing fixed assets	€ mill.	184.7	180.6	177.4
Closing capital employed	€ mill.	156.6	136.7	145.9
Average capital employed	€ mill.	146.5	130.0	126.4

*Annualized

Capital expenditures

Heavier spending, especially at Rail Infrastructure

Three-quarter capital expenditures by the Vossloh Group reached €43.8 million (up 10.2 percent from €39.7 million). The Rail Infrastructure division was chiefly responsible for ramping up expenditures, its 9-month bill rising 22.2 percent from €22.1 million to €27.0 million. Transportation's spending was stepped up by 4.3 percent, from €15.6 million to €16.3 million.

Additions to tangible/intangible assets

€ million	9 months 2013	9 months 2012	Q3/2013	Q3/2012
Rail Infrastructure	27.0	22.1	9.3	7.9
Transportation	16.3	15.6	4.5	6.2
Vossloh AG	0.5	2.0	0.2	1.5
Total	**43.8**	**39.7**	**14.0**	**15.6**

Within the Rail Infrastructure division, expenditures at Vossloh Fastening Systems jumped from €2.2 million to €5.2 million. A substantial share of this was incurred in Q3, especially for setting up the rail fastener production plant in the USA. Capital expenditures at Vossloh Rail Services hiked up from €6.2 million to €9.3 million, largely for further upgrading the high-speed grinding trains, developing the new mobile millers, and procuring the welding trucks. At Switch Systems, the business unit with the highest sales, 3-quarter outlays fell by €1.2 million to €12.5 million. Major projects included a new forge in Luxembourg, equipping the production plant in China, and the Technology Center at the Reichshoffen location.

Within Transportation, €10.3 million was appropriated to the Transportation Systems business unit (down from €13.0 million) and mainly directed at the development of the Tramlink and the EURO 3000 locomotive at the Valencia location. Expenditures in the period at Vossloh Electrical Systems doubled from €2.6 million to €5.2 million. Most of the capex again went toward setting up a test bay at the Düsseldorf headquarters of Vossloh Electrical Systems.

Research & development

A large portion of the Vossloh Group's R&D work is tied to certain contracts. The requirements of customers in different regions of the world govern in particular efforts 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.

R&D expenses well up at both divisions

Three-quarter R&D expenses by the Vossloh Group added up to €8.9 million, up 29.2 percent over the year-earlier €6.9 million. Both divisions heightened their R&D expenses year-on-year.

Rail Infrastructure raised its R&D expenses in the period by €0.7 million, from €3.5 million to €4.2 million. At the Switch Systems business unit, the amount jumped from €1.6 million to €2.4 million. R&D expenses at Vossloh Fastening Systems crept up from €1.8 million to €1.9 million. During these nine months, Vossloh Rail Services incurred no R&D expenses (down from €0.1 million).

Nine-month R&D expenses at the Transportation division climbed from €3.4 million to €4.7 million. Whereas the amount spent by the Transportation Systems business unit on R&D shrank from €1.4 million to €1.2 million, Vossloh Electrical Systems ramped up its development expenses from €2.3 million to €3.7 million.

In addition to the recognized R&D expenses, development costs of €8.8 million (down from €11.4 million) were capitalized—mostly the €7.7 million (down from €10.6 million) by the Transportation Systems business unit. Capitalized development costs at Rail Infrastructure (mainly at Vossloh Rail Services) rose in the period from €0.7 million to €1.0 million.

R&D expenditures in percent of group sales down 0.2 points

The ratio of R&D expenditures to group sales in the period under review fell from 2.0 to 1.8 percent.

Workforce

Headcount rising 11.7 percent year-on-year

At September 30, 2013, the Vossloh Group employed a workforce of 5,603, year-on-year up 586 from 5,017. At year-end 2012, the headcount had been 5,022 (a year-to-date increase of 581). Both divisions reinforced their workforce.

Higher headcounts in all business units

At the Rail Infrastructure division the number of employees at September 30 mounted from 3,135 to 3,588, a year-on-year increase of 453. Compared with December 31, 2012, the gain was a total 454 (up from 3,134). Most of the extra workforce was due to the acquisition of companies abroad, especially in the Switch Systems business unit. Vossloh Switch Systems raised its headcount from 2,282 (September 30, 2012) and 2,297 (year-end 2012) to 2,680 by the close of September 2013. At Vossloh Fastening Systems the headcount at September 30, 2012, rose by 57 to 584 as of quarter-end 2013. The workforce of 524 at the end of 2012 increased by 60 employees. This year new employees were recruited especially at the production plants in Germany, China, and Poland. The Rail Services business unit has likewise stepped up its headcount since the start of 2013—by eleven to 324 (up from 313). At September 30, 2012, this business unit had had a workforce of 326.

Headcount at

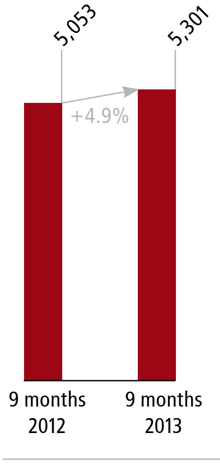
	9/30/2013	12/31/2012	9/30/2012
Rail Infrastructure	3,588	3,134	3,135
Transportation	1,970	1,842	1,835
Vossloh AG	45	46	47
Total	**5,603**	**5,022**	**5,017**

The Transportation division also expanded its workforce. During the twelve months since September 30, 2012, the number of employees rose 135 to 1,970 (from 1,835). The increase this year adds up to 128 (December 31, 2012: 1,842). Of these, at the end of September 2013, Vossloh Transportation Systems employed 1,146; this compares with 1,074 a year ago and 1,067 at year-end 2012. In the first nine months of 2013, additional employees were hired especially at the Valencia production location. The Electrical Systems business unit has continuously expanded its workforce, from 761 at September 30, 2012, to 775 at year-end 2012, and 824 at the close of September 2013.

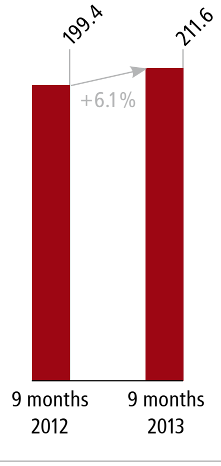
At the end of September 2013, the Vossloh Group employed 3,801 persons outside of Germany (year-on-year up 533 compared with September 30, 2012). The advance was largely due to acquisitions completed at the end of 2012 and in the course of 2013. Within Germany, the headcount likewise climbed: from 1,749 at September 30, 2012, to 1,802 at September 30, 2013.

Based on a 3-quarter average headcount of 5,301 in 2013, personnel expenses per capita swelled from around €39,460 to €39,913. Payroll intensity (i.e., the ratio of payroll to value created) worsened in the period from 75.7 to 84.6 percent. For the nine months, sales per capita were raised from around €176,500 to €183,300 (up 3.9 percent).

Sharp increase in sales per capita; payroll intensity rising due to higher personnel expenses and lower value created



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 2012 and outlined in the following. 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).

A good 5-percent sales growth expected

In submitting its annual report for 2012 on March 21, 2013, Vossloh published a detailed forecast for fiscal 2013 which then in view of the H1 apparent project delays and one-off burdens in the Transportation division had been adjusted at the time of the presentation of the semiannual report as of June 30, 2013. Since then, for fiscal 2013 group sales are expected to mount by around 5 percent. Hence, Vossloh would nonetheless outpace the overall rail technology market which, say the experts, is likely to advance 2.6–3.3 percent annually over the next 3 to 5 years.

EBIT margin probably 4 to 5 percent in 2013

Group earnings well short of 2012 due to increased tax load ratio and minority interests

Given the Transportation Systems business unit's additional provisions and in view of project delays in the Transportation division, Vossloh has since July 2013 been expecting its EBIT for 2013 to deteriorate considerably compared with 2012. This year's EBIT margin is likely to be only 4 or 5 percent. The Group's Q4 operating performance will again largely depend on shipments of rail fasteners in China and the progress made by Transportation in executing major current projects. Group earnings this year will be well short of 2012 as the tax load ratio is expected to rise, minority interests in total net income will escalate and, moreover, unlike 2012, discontinued operations will not produce any income.

Sales growth of 10 to 15 percent possible for 2014; EBIT margin should be able to improve appreciably

As of September 30, 2013, Vossloh had a combined order backlog of €1,745.8 million of which the Transportation division alone accounted for €1,203.3 million. This accumulation of orders whose execution extends into 2016, promises to generate a conspicuous sales boost in the course of fiscal 2014 and so a growth of 10 to 15 percent is conceivable at group level. Moreover, without the one-off burdens that depressed fiscal 2013 and given the surge in sales, an appreciable upgrade in profitability can be expected in 2014.

Condensed interim financial statements of the Vossloh Group as of September 30, 2013

Income statement for the 9 (3Q) and 3 months (Q3) ended September 30, 2013

€ million	9 months 2013	9 months 2012	Q3/2013	Q3/2012
Net sales	971.6	891.5	350.3	320.2
Cost of sales	(793.9)	(714.1)	(282.4)	(249.0)
General administrative and selling expenses	(140.1)	(121.0)	(43.8)	(41.7)
R&D expenses	(8.9)	(6.9)	(3.1)	(2.4)
Other operating income/expenses, net	6.8	10.9	1.2	2.7
Operating result	**35.5**	**60.4**	**22.2**	**29.8**
Net P/(L) from associated affiliates	0.1	0.5	(0.3)	0.2
Other financial income	0.1	0.3	0.0	0.1
Other financial expenses	(1.3)	(0.1)	(0.0)	(0.0)
EBIT	**34.4**	**61.1**	**21.9**	**30.1**
Interest income	2.7	4.6	1.2	0.5
Interest expense	(18.6)	(18.5)	(8.2)	(5.3)
EBT	**18.5**	**47.2**	**14.9**	**25.3**
Income taxes	(6.7)	(11.7)	(4.0)	(5.9)
Total net income (EAT)	**11.8**	**35.5**	**10.9**	**19.4**
thereof group earnings (Vossloh stockholders)	**4.3**	**31.4**	**8.0**	**16.8**
thereof minority interests	7.5	4.1	2.9	2.6
Earnings per share (EpS)				
Undiluted/fully diluted EpS in €	0.36	2.62	0.67	1.40

Statement of comprehensive income (SOCI) for 3Q and Q3/2013

€ million	9 months 2013	9 months 2012	Q3/2013	Q3/2012
Total net income	**11.8**	**35.5**	**10.9**	**19.4**
Statement at fair value of derivatives in CFHs	2.3	2.6	0.9	2.8
Currency translation differences	(7.9)	3.5	(3.8)	1.1
Statement at fair value of securities available for sale	0.0	0.0	0.0	0.0
Income taxes	(0.8)	(1.1)	(0.4)	(0.9)
Gains/losses subsequently recyclable from OCI to income statement	**(6.4)**	**5.0**	**(3.3)**	**3.0**
Actuarial gains/losses on pensions	0.0	(1.3)	0.0	(1.3)
Income taxes	0.0	0.4	0.0	0.4
Gains/losses not recyclable from OCI to income statement	**0.0**	**(0.9)**	**0.0**	**(0.9)**
Total OCI	**(6.4)**	**4.1**	**(3.3)**	**2.1**
Comprehensive income	**5.4**	**39.6**	**7.6**	**21.5**
thereof Vossloh stockholders	(1.4)	35.5	5.5	18.9
thereof minority interests	6.8	4.1	2.1	2.6

Cash flow statement for the 9 months ended September 30, 2013

€ million	9 months 2013	9 months 2012
Cash flow from operating activities:		
EBIT	34.4	61.1
Amortization/depreciation/write-down (less write-up) of noncurrent assets	32.1	29.8
Change in noncurrent accruals	(5.1)	6.3
Gross cash flow	**61.4**	**97.2**
Noncash change in shares in associated affiliates	(1.1)	(0.5)
Other noncash income/expenses, net	2.7	3.6
Net book gain/loss from the disposal of intangibles/tangibles	0.3	0.1
Cash outflow for income taxes	(12.6)	(10.5)
Change in working capital	(62.1)	3.3
Changes in other assets/liabilities, net	17.4	(12.4)
Net cash provided by operating activities	**6.0**	**80.8**
Cash flow from investing activities:		
Cash outflow for additions to intangibles/tangibles	(43.8)	(39.7)
Cash outflow for additions to noncurrent financial instruments	(0.6)	(0.2)
Cash inflow from the disposal of intangibles/tangibles	0.9	0.1
Cash (outflow for)/inflow from short-term securities purchased/sold, net	(3.1)	(2.5)
Cash inflow from the disposal of noncurrent financial instruments	1.1	0.5
Cash-based change in shares in associated affiliates	0.6	0.6
Cash outflow for the acquisition of consolidated subsidiaries and equity interests	(7.4)	(7.0)
Net cash used in investing activities	**(52.3)**	**(48.2)**
Cash flow from financing activities:		
Cash outflow to stockholders and minority interest holders	(27.5)	(33.5)
Net finance from short-term loans	68.7	(25.0)
Net finance from medium-/long-term loans	(1.0)	(1.3)
Cash inflow from interest	2.5	9.0
Cash outflow for interest	(15.1)	(15.9)
Net cash provided by/(used in) financing activities	**27.6**	**(66.7)**
Net outflow of cash and cash equivalents	(18.7)	(34.1)
Change in cash and cash equivalents from initial consolidation	0.0	0.1
Parity-related changes	(1.4)	0.9
Opening cash and cash equivalents	**65.9**	**85.4**
Closing cash and cash equivalents	**45.8**	**52.3**

Balance sheet

Assets in € million	9/30/2013	12/31/2012*	9/30/2012*
Intangible assets	441.9	439.4	433.5
Tangible assets	219.2	206.3	199.5
Investment properties	4.5	4.7	5.3
Shares in associated affiliates	1.1	0.5	0.8
Other noncurrent financial instruments	14.6	12.0	13.5
Other noncurrent assets	2.8	2.2	2.2
Deferred tax assets	53.3	51.0	44.5
Total noncurrent assets	**737.4**	**716.1**	**699.3**
Inventories	416.0	365.2	373.3
Trade receivables	279.0	234.7	264.5
PoC receivables	106.4	85.3	95.2
Income tax assets	23.9	7.1	11.8
Sundry current assets	57.8	44.8	47.5
Short-term securities	7.1	4.0	5.5
Cash and cash equivalents	45.8	65.9	52.3
Total current assets	**936.0**	**807.0**	**850.1**
Total assets	**1,673.4**	**1,523.1**	**1,549.4**

Equity & liabilities in € million	9/30/2013	12/31/2012*	9/30/2012*
Capital stock	37.8	37.8	37.8
Additional paid-in capital	42.7	42.7	42.7
Treasury stock	(102.5)	(102.5)	(102.9)
Reserves retained from earnings	448.1	432.7	435.2
Undistributed group profit	35.9	19.9	20.1
Group earnings	4.3	59.2	31.4
Accumulated other comprehensive income	(2.1)	0.0	7.3
Stockholders' equity	**464.2**	**489.8**	**471.6**
Minority interests	18.1	15.9	14.6
Total equity	**482.3**	**505.7**	**486.2**
Pension accruals	22.4	22.4	18.1
Other noncurrent accruals	51.9	57.8	61.7
Noncurrent financial debts	75.7	184.9	189.5
Noncurrent trade payables	7.4	10.4	13.6
Noncurrent income tax liabilities	0.2	0.0	0.6
Other noncurrent liabilities	16.1	26.1	18.3
Deferred tax liabilities	58.0	52.5	48.6
Total noncurrent liabilities and accruals	**231.7**	**354.1**	**350.4**
Other current accruals	114.2	102.0	107.1
Current financial debts	269.3	85.8	121.5
Current trade payables	171.6	157.7	156.6
Current PoC payables	239.5	219.6	209.4
Current income tax liabilities	15.7	7.7	11.6
Other current liabilities	149.1	90.5	106.6
Total current liabilities and accruals	**959.4**	**663.3**	**712.8**
Total equity and liabilities	**1,673.4**	**1,523.1**	**1,549.4**

*Due to the reclassification of certain balance sheet lines, some year-earlier comparatives restated; see page 30.

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumu-lated OCI	Stock-holders' equity	Minority interests	Total
Balance at 12/31/2011	**37.8**	**42.7**	**(102.9)**	**423.3**	**5.8**	**56.2**	**3.2**	**466.1**	**14.0**	**480.1**
Carryforward to new account					56.2	(56.2)		0.0		0.0
Transfer to reserves retained from earnings				11.9	(11.9)			0.0		0.0
Comprehensive income						31.4	4.1	35.5	4.1	39.6
Dividend payout					(30.0)			(30.0)	(3.5)	(33.5)
Balance at 9/30/2012	**37.8**	**42.7**	**(102.9)**	**435.2**	**20.1**	**31.4**	**7.3**	**471.6**	**14.6**	**486.2**
Transfer to reserves retained from earnings				(2.7)	3.1		(0.4)	0.0		0.0
Change due to increase in equity interests				0.2	(3.3)		0.6	(2.5)		(2.5)
Comprehensive income						27.8	(7.5)	20.3	1.3	21.6
Repurchase/disposal of treasury shares			0.4					0.4		0.4
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 reserves retained from earnings				15.6	(19.2)		3.6	0.0		0.0
Change due to increase in equity interests				(0.2)				(0.2)	(1.1)	(1.3)
Comprehensive income						4.3	(5.7)	(1.4)	6.8	5.4
Dividend payout					(24.0)			(24.0)	(3.5)	(27.5)
Balance at 9/30/2013	**37.8**	**42.7**	**(102.5)**	**448.1**	**35.9**	**4.3**	**(2.1)**	**464.2**	**18.1**	**482.3**

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 September 30, 2013, 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 IFRS 13 *Fair Value Measurement*, as well as the changes to IAS 1 *Presentation of Financial Statements;* IAS 12 *Income Taxes*—Deferred Tax: Recovery of Underlying Assets; IFRS 7 *Financial Instruments: Disclosures*—Offsetting Financial Assets and Financial Liabilities; plus IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. This initial application had only minor effects on the consolidated financial statements. What has changed is SOCI presentation where items potentially requiring subsequent reclassification from OCI into the income statement ("recyclable items") and non-recyclable items are henceforth shown separately.

Since fiscal 2013, certain obligations to employees (vacation not yet taken; profit-share/bonus payments; employee flexitime accounts; termination benefits or indemnities) have according to IAS 37 no longer been accrued but recognized as other liabilities. For interperiod comparability, the resulting effects on working capital have been reflected in the year-earlier comparatives. Furthermore, obligations from invoices outstanding—with no impact on working capital—are shown within trade payables instead of being provided for as practiced previously.

From the noncurrent other accruals, €4.2 million (as of September 30, 2012) and €2.3 million (as of December 31, 2012) were reclassified into noncurrent trade payables. From the current other accruals, (i) a total €49.2 million was reclassified as of September 30, 2012, including €25.6 million into current trade payables (with no effect on working capital) and €23.6 million into current other liabilities (which increased working capital), and (ii) a total €54.3 million as of December 31, 2012, including €28.0 million into current trade payables and €26.3 million into current other liabilities.

In addition and as mentioned in the semiannual financial report 2013, PoC receivables/payables have been shown in separate balance sheet lines, the correspondingly reclassified prior-year comparatives being openly disclosed on the face of the balance sheet.

Besides these newly applied rules, the accounting and valuation principles adopted in interim reporting conform with those used for the consolidated financial statements as of December 31, 2012, with due regard to International Accounting Standard (IAS) 34 *Interim Reporting* and German Accounting Standard (GAS) 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 changed since the H1 report as of June 30, 2013:

On July 23, 2013, the acquisition of all of the shares in Outreau Technologies SAS, Outreau, France, was closed. Outreau Technologies engages in the manufacture and marketing of rail switches and their components and forms part of the Switch Systems business unit. The acquiree is expected to boost Vossloh Switch Systems' market position by securing the business unit's supplies of cast frogs/crossings. Since the closing of the acquisition, Outreau Technologies has been integrated with the Group's reporting lines, the acquiree's operational decisions being made in agreement with business unit management.

The share purchase price of €5.2 million was fully paid in cash. No conditional price adjustments exist.

The purchase price contrasted with the following assets and liabilities:

€ million	Pre-combination book values	Adjustments	Fair values at initial consolidation date
Tangible and intangible assets	4.4	2.2	6.6
Inventories	2.1	0.0	2.1
Trade receivables	4.8	0.0	4.8
Other assets	1.8	0.0	1.8
Cash and cash equivalents	1.8	0.0	1.8
Financial debts	3.6	0.0	3.6
Trade payables	2.5	0.0	2.5
Other liabilities/accruals	5.8	0.0	5.8
Net assets acquired	**3.0**	**2.2**	**5.2**
Acquisition price			5.2
Residual goodwill			**0.0**

The figures of the fair-value restatement in the above table should be deemed provisional.

Since its acquisition, Outreau Technologies has contributed €4.6 million to Vossloh's sales and a net loss of €0.1 million to group earnings. If the share deal had been closed at January 1, 2013, these contributions would have amounted to €15.8 million and a red €0.4 million, respectively.

For the fair values of Metalúrgica Barros Monteiro Ltda., a company acquired in early 2013 and based in Sorocaba, Brazil, and of its holding companies, see the semiannual financial report. Such fair values should still be deemed provisional.

Consequently, including Vossloh AG, 24 German and 44 foreign companies were consolidated fully in the interim financial statements as of September 30, 2013. Moreover, one German and two foreign companies were consolidated pro rata, one German and three foreign associated affiliates being included at equity.

Equity

Since the consolidated financial statements as of December 31, 2012, Vossloh AG's capital stock has remained unchanged. In comparison to September 30, 2012, Vossloh AG's capital stock has not changed either and amounted to €37,825,168.86. The total number of shares issued came to 13,325,290, including 11,998,569 shares outstanding as of September 30, 2013 (up from 11,992,761).

Due to meantime recognized foreign-currency purchases of goods, the associated forex hedges were closed out, which resulted in a black €0.1 million being recycled in the period from equity (OCI) to the income statement (up from a year-earlier red €0.1 million).

Earnings per share

		9 months 2013	9 months 2012
Weighted average number of common shares		13,325,290	13,325,290
Repurchased treasury shares (weighted)		(1,326,721)	(1,332,529)
Weighted average number of shares issued and outstanding (undiluted/fully diluted)		11,998,569	11,992,761
Group earnings	€ mill.	4.3	31.4
Undiluted (basic) EpS	€	0.36	2.62
Fully diluted EpS	€	0.36	2.62

Additional disclosure details of financial instruments

The table below details not only the amounts of assets and liabilities stated at fair value but also the assignment to the appropriate fair-value hierarchy levels. This hierarchy that prioritizes the information (so-called inputs) from valuation techniques used to measure fair value of financial instruments breaks down into the following three broad levels:

Level 1 inputs are in the form of quoted prices in markets for identical assets or liabilities (such as listed or exchange-traded securities). Level 2 covers direct inputs other than Level 1 quoted prices for, e.g., derivatives or indirect inputs derived from observable market data (such as exchange rates, yield curves, interest-rate term structures). Level 3 is based on unobservable inputs for a financial asset or payable that are used to measure fair value wherever no observable market data is available. Since the application of IFRS 13 is prospective, the table shows no year-earlier comparatives.

Assignment to fair value hierarchy levels

€ million	Level 1: input of quoted prices	Level 2: input of observable market data	Level 3: no input of observable market data
Financial assets at fair value			
Held for trading		–	
Available for sale		0.7	
Derivatives in hedges		4.3	
Total		**5.0**	
Financial payables at fair value			
Derivatives in hedges		29.0	
Total		**29.0**	

The tables that follow detail financial-instrument (FI) book values, the breakdown into IAS 39 valuation categories, financial-instrument fair values, as well as fair value hierarchy levels of financial instruments according to IFRS 7, and include—although not covered by any IAS 39 valuation category—derivatives in hedges.

Book values (BV), valuation categories and fair values (FV) as of September 30, 2013

€ million	BV at 9/30/2013	Measured acc. to IAS 39			
		at amortized cost	at FV through OCI	at FV through IS	FV at 9/30/2013
Trade receivables	**279.0**				
loans and receivables	279.0	279.0			279.0
Securities	**7.1**				
held to maturity	6.8	6.8			6.8
held for trading	–				–
available for sale	0.3		0.3		0.3
Other FI and sundry assets	**75.1**				
loans and receivables	28.9	28.9			28.9
held to maturity	0.1	0.1			0.1
held for trading	–			–	–
available for sale	1.4	1.0	0.4		1.4
derivatives in hedges (no IAS 39:9 category)	4.3		1.7	2.6	4.3
not covered by IAS 39	40.4				–
Total financial assets	**361.2**	**315.8**	**2.4**	**2.6**	**320.8**
Financial debts	**345.1**				
loans and receivables	345.0	345.0			345.0
capital leases (not covered by IAS 39)	0.1				–
Trade payables	**179.0**				
loans and receivables	179.0	179.0			179.0
Other liabilities	**165.2**				
loans and receivables	86.5	86.5			86.5
derivatives in hedges (no IAS 39:9 category)	29.0		1.9	27.1	29.0
not covered by IAS 39	49.7				–
Total financial payables	**689.3**	**610.5**	**1.9**	**27.1**	**639.5**

The above table includes no cash or cash equivalents since these financial instruments belong in no IAS 39:9 valuation category.

Summary by IAS 39 valuation category

€ million	BV at 9/30/2013	Measured acc. to IAS 39 at amortized cost	at FV through OCI	at FV through IS	FV at 9/30/2013
Financial assets					
loans and receivables	307.9	307.9	–	–	307.9
held to maturity	6.9	6.9	–	–	6.9
held for trading	–	–	–	–	–
available for sale	1.7	1.0	0.7	–	1.7
Total financial assets	**316.5**	**315.8**	**0.7**	**–**	**316.5**
Financial payables					
loans and receivables	610.5	610.5	0.0	–	610.5
Total financial payables	**610.5**	**610.5**	**0.0**	**–**	**610.5**

Book values (BV), valuation categories and fair values (FV) of FI as of December 31, 2012

€ million	BV at 12/31/2012	Measured acc. to IAS 39 at amortized cost	at FV through OCI	at FV through IS	FV at 12/31/2012
Trade receivables	**234.7**				
loans and receivables	234.7	234.7			234.7
Securities	**4.0**				
held to maturity	3.6	3.6		–	3.6
held for trading	–			–	–
available for sale	0.4		0.4		0.4
Other FI and sundry assets	**59.0**				
loans and receivables	26.9	26.9			26.9
held to maturity	0.0	0.0			0.0
held for trading	–			–	–
available for sale	1.4	1.0	0.4		1.4
derivatives in hedges (no IAS 39:9 category)	1.5		0.1	1.4	1.5
not covered by IAS 39	29.2				–
Total financial assets	**297.7**	**266.2**	**0.9**	**1.4**	**268.5**
Financial debts	**270.7**				
loans and receivables	270.6	270.6			270.6
capital leases (not covered by IAS 39)	0.1				–
Trade payables	**168.1**				
loans and receivables	168.1	168.1			168.1
Other liabilities	**116.6**				
loans and receivables	72.9	72.9			72.9
derivatives in hedges (no IAS 39:9 category)	25.3		2.7	22.6	25.3
not covered by IAS 39	18.4				–
Total financial payables	**555.4**	**511.6**	**2.7**	**22.6**	**536.9**

The above table includes no cash or cash equivalents since these financial instruments belong in no IAS 39:9 valuation category.

Summary by IAS 39 valuation category

€ million	BV at 12/31/2012	Measured acc. to IAS 39			FV at 12/31/2012
		at amortized cost	at FV through OCI	at FV through IS	
Financial assets					
loans and receivables	261.6	261.6	0.0	–	261.6
held to maturity	3.6	3.6	0.0	–	3.6
held for trading	–	–	–	–	–
available for sale	1.8	1.0	0.8	–	1.8
Total financial assets	**267.0**	**266.2**	**0.8**	**–**	**267.0**
Financial payables					
loans and receivables	511.6	511.6	0.0	–	511.6
Total financial payables	**511.6**	**511.6**	**0.0**	**–**	**511.6**

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 a 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 also 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 hybrid-drive buses. 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.

Within the consolidation group, consolidation eliminates all intersegment transactions, such as primarily by mutually offsetting intercompany income/expenses and receivables/payables, as well as by eliminating intragroup income from profit distribution.

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	9 months 2013	9 months 2012	Q3/2013	Q3/2012
Value added	(22.9)	(2.1)	2.8	8.6
Cost of capital employed	57.3	63.2	19.1	21.5
EBIT	**34.4**	**61.1**	**21.9**	**30.1**

Related-party transactions

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated Vossloh subsidiaries, joint ventures, and associated affiliates. 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	9 months 2013 or 9/30/2013	9 months 2012 or 9/30/2012
Sale/purchase of goods		
Net sales	2.8	5.6
Expenses	1.1	0.8
Trade receivables	2.5	3.4
Trade payables	0.2	0.8
Sale/purchase of other assets		
Liabilities	1.1	1.1
Services provided or purchased		
Cost of services purchased	2.9	2.2
Finance		
Interest income from loans granted	0.1	0.1
Receivables under loans granted	5.3	4.7
Guaranties/collateral furnished		
Bonds/guaranties furnished	5.5	8.4
Other collateral furnished	1.3	1.3

Contingent liabilities

In comparison to December 31, 2012, the Group's contingent liabilities moved down €2.2 million to €10.5 million; this total includes guaranties for €7.1 million, as well as contingent liabilities from the collateralization of third-party debts of €3.4 million.

Segment information by business unit

		Fastening Systems	Switch Systems	Rail Services	Consolidation	Rail Infrastructure
Value added						
9 months 2013	€ mill.	41.2	(14.2)	(1.9)	0.0	**25.1**
9 months 2012*	€ mill.	19.4	(5.7)	(8.2)	0.0	**5.5**
Q3/2013	€ mill.	15.2	(1.7)	1.3	0.0	**14.8**
Q3/2012*	€ mill.	9.5	(1.2)	0.6	(0.1)	**8.8**
Total assets						
9/30/2013	€ mill.	230.4	460.5	135.3	189.8	**1,016.0**
9/30/2012	€ mill.	221.3	446.5	124.9	164.7	**957.4**
Liabilities						
9/30/2013	€ mill.	135.6	197.9	100.9	30.0	**464.4**
9/30/2012*	€ mill.	150.1	165.1	104.3	18.0	**437.5**
Net external sales						
9 months 2013	€ mill.	288.3	337.9	43.7	0.1	**670.0**
9 months 2012	€ mill.	193.1	333.9	39.7	0.1	**566.8**
Q3/2013	€ mill.	100.5	125.7	19.2	0.0	**245.4**
Q3/2012	€ mill.	82.6	117.5	16.7	0.1	**216.9**
Intersegment transfers						
9 months 2013	€ mill.	3.4	0.3	0.6	(2.5)	**1.8**
9 months 2012	€ mill.	7.4	0.4	0.0	(3.1)	**4.7**
Q3/2013	€ mill.	1.4	0.1	0.2	(1.0)	**0.7**
Q3/2012	€ mill.	3.6	0.1	0.0	(2.2)	**1.5**
Interest income						
9 months 2013	€ mill.	0.1	0.3	0.0	0.0	**0.4**
9 months 2012	€ mill.	0.2	0.4	0.0	(0.1)	**0.5**
Q3/2013	€ mill.	0.0	0.2	0.0	0.0	**0.2**
Q3/2012	€ mill.	0.0	0.2	0.0	0.0	**0.2**
Interest expense						
9 months 2013	€ mill.	(2.8)	(2.0)	(1.7)	(0.6)	**(7.1)**
9 months 2012	€ mill.	(3.1)	(2.3)	(1.9)	(0.1)	**(7.4)**
Q3/2013	€ mill.	(0.9)	(0.6)	(0.5)	(0.2)	**(2.2)**
Q3/2012	€ mill.	(1.1)	(0.9)	(0.6)	(0.1)	**(2.7)**
Amortization/depreciation						
9 months 2013	€ mill.	5.0	9.5	3.4	0.0	**17.9**
9 months 2012	€ mill.	5.3	8.5	3.7	0.0	**17.5**
Q3/2013	€ mill.	1.7	3.4	1.2	0.0	**6.3**
Q3/2012	€ mill.	1.8	3.0	1.2	0.0	**6.0**
Write-down of tangibles/intangibles						
9 months 2013	€ mill.	–	1.8	–	0.0	**1.8**
9 months 2012	€ mill.	–	–	–	–	**–**
Q3/2013	€ mill.	–	–	–	–	**–**
Q3/2012	€ mill.	–	–	–	–	**–**
Additions to noncurrent assets						
9 months 2013	€ mill.	5.2	12.5	9.3	0.0	**27.0**
9 months 2012	€ mill.	2.2	13.7	6.2	0.0	**22.1**
Q3/2013	€ mill.	3.7	4.6	1.0	0.0	**9.3**
Q3/2012	€ mill.	0.7	5.1	2.1	0.0	**7.9**
Average headcount						
9 months 2013		557	2,495	314	0	**3,366**
9 months 2012		550	2,274	348	0	**3,172**

*Due to the reclassification of certain accruals/liabilities, some year-earlier comparatives restated; see page 30.

	Transportation Systems	Electrical Systems	Consolidation	Transportation	Holding companies	Consolidation	Group
	(20.1)	(11.5)	(0.6)	**(32.2)**	(17.2)	1.4	**(22.9)**
	1.4	5.3	0.0	**6.7**	34.0	(48.3)	**(2.1)**
	(3.3)	(4.6)	(0.3)	**(8.2)**	(4.2)	0.4	**2.8**
	1.7	1.9	0.0	**3.6**	45.6	(49.4)	**8.6**
	557.5	283.4	(8.6)	**832.3**	922.5	(1,097.4)	**1,673.4**
	515.0	247.5	(1.9)	**760.6**	855.6	(1,024.2)	**1,549.4**
	277.7	172.7	(11.9)	**438.5**	580.3	(543.8)	**939.4**
	232.1	128.8	(1.9)	**359.0**	486.7	(458.2)	**825.0**
	187.9	110.6	0.0	**298.5**	0.3	0.0	**968.8**
	205.3	113.6	0.0	**318.9**	0.2	0.0	**885.9**
	63.5	40.2	0.0	**103.7**	0.0	0.0	**349.1**
	60.3	41.2	0.0	**101.5**	0.1	0.0	**318.5**
	0.1	3.7	(2.5)	**1.3**	0.7	(1.0)	**2.8**
	0.4	7.1	(6.0)	**1.5**	0.9	(1.5)	**5.6**
	0.0	1.3	(0.8)	**0.5**	0.3	(0.3)	**1.2**
	0.1	2.0	(1.6)	**0.5**	0.3	(0.6)	**1.7**
	1.9	0.1	0.0	**2.0**	5.8	(5.5)	**2.7**
	3.8	0.3	0.0	**4.1**	6.7	(6.7)	**4.6**
	1.0	0.0	0.0	**1.0**	1.9	(1.9)	**1.2**
	0.4	0.1	0.0	**0.5**	1.9	(2.1)	**0.5**
	(4.5)	(1.7)	0.0	**(6.2)**	(11.6)	6.3	**(18.6)**
	(4.0)	(2.5)	0.0	**(6.5)**	(12.0)	7.4	**(18.5)**
	(3.3)	(0.6)	0.0	**(3.9)**	(4.2)	2.1	**(8.2)**
	(0.6)	(0.6)	0.0	**(1.2)**	(3.8)	2.4	**(5.3)**
	8.7	3.0	0.0	**11.7**	0.6	0.0	**30.2**
	8.7	2.9	0.0	**11.6**	0.6	0.0	**29.7**
	2.3	1.0	0.0	**3.3**	0.2	0.0	**9.8**
	2.4	0.9	0.1	**3.4**	0.2	0.0	**9.6**
	–	–	–	**–**	–	–	**1.8**
	–	–	–	**–**	–	–	**–**
	–	–	–	**–**	–	–	**–**
	–	–	–	**–**	–	–	**–**
	10.3	5.2	0.8	**16.3**	0.5	0.0	**43.8**
	13.0	2.6	0.0	**15.6**	2.0	0.0	**39.7**
	3.1	1.2	0.2	**4.5**	0.2	0.0	**14.0**
	5.3	0.9	0.0	**6.2**	1.5	0.0	**15.6**
	1,091	798	0	**1,889**	46	0	**5,301**
	1,094	740	0	**1,834**	47	0	**5,053**

Financial diary 2014

Publication of financial information 2013	March 27, 2014
Press conference	March 27, 2014
Investors and analysts conference	March 27, 2014
Annual general meeting	May 28, 2014

Investor Relations

Contact	Lucia Mathée
Email	investor.relations@ag.vossloh.com
Phone	(+49-2392) 52-359
Fax	(+49-2392) 52-219

Creditor Relations

Contact	Christiane Konrad
Email	christiane.konrad@ag.vossloh.com
Phone	(+49-2392) 52-263
Fax	(+49-2392) 52-264

Corporate Communications

Contact	Lucia Mathée
Email	presse@ag.vossloh.com
Phone	(+49-2392) 52-359
Fax	(+49-2392) 52-219

Vossloh AG's boards

Executive Board	Werner Andree
	Dr.-Ing. Norbert Schiedeck
Supervisory Board	Heinz Hermann Thiele, former CEO of Knorr-Bremse AG, Munich, Chairman
	Dr. Wolfgang Scholl, lawyer, partner of the law firm of Arnecke Siebold, Frankfurt/Main, Vice-Chairman
	Silvia Maisch, electrician, Monheim
	Dr.-Ing. Dipl.-Ing. Kay Mayland, former CEO of SMS Siemag AG, Rösrath
	Dr. Alexander Selent, deputy CEO as well as CFO of Fuchs Petrolub SE, Limburgerhof
	Michael Ulrich, mechanic, Kiel

Vossloh AG · Vosslohstr. 4 · 58791 Werdohl · Mail: Postfach 1860 · 58778 Werdohl · Germany
Phone (+49-2392) 52-0 · Fax (+49-2392) 52-219