



▶ Semiannual financial report as of June 30, 2014



Group figures and indicators		H1/2014	H1/2013*
Orders received	€ mill.	661.6	588.5
Order backlog	€ mill.	1,763.9	1,523.5
<b>Income statement data</b>			
Net sales	€ mill.	626.0	612.8
Rail Infrastructure	€ mill.	404.4	417.1
Transportation	€ mill.	221.6	195.7
EBIT	€ mill.	(145.4)	12.1
Net interest expense	€ mill.	(17.7)	(8.8)
EBT	€ mill.	(163.1)	3.3
Net income	€ mill.	(151.0)	0.8
Earnings per share	€	(12.31)	(0.30)
EBIT margin	%	(23.2)	2.0
Pretax return on equity (ROE) <sup>1</sup>	%	(63.6)	1.3
Return on capital employed (ROCE) <sup>2</sup>	%	(34.3)	2.7
Value added <sup>2</sup>	€ mill.	(187.8)	(25.8)
<b>Balance sheet data</b>			
Fixed assets <sup>3</sup>	€ mill.	616.1	672.1
capital expenditures	€ mill.	30.8	28.4
amortization/depreciation	€ mill.	105.1	20.2
Closing working capital	€ mill.	153.0	225.0
Closing capital employed	€ mill.	769.1	897.1
Total equity	€ mill.	413.2	468.4
Non-controlling interests	€ mill.	23.2	18.0
Net financial debt	€ mill.	267.2	292.0
Net leverage	%	64.7	62.3
Total assets	€ mill.	1,576.4	1,593.9
Equity ratio	%	26.2	29.4
<b>Cash flow statement data</b>			
Gross cash flow	€ mill.	(14.4)	49.7
Cash flow from operating activities	€ mill.	(70.8)	(13.2)
Cash flow from investing activities	€ mill.	(33.6)	(33.0)
Cash flow from financing activities	€ mill.	91.4	20.1
Change in cash & cash equivalents	€ mill.	(13.0)	(26.1)
<b>Workforce data</b>			
Average headcount in the period		5,671	5,052
Rail Infrastructure		3,510	3,145
Transportation		2,112	1,861
Vossloh AG		49	46
Payroll expenses	€ mill.	161.9	139.5
<b>Share data</b>			
Stock price at June 30	€	62.09	72.55
Market capitalization at June 30	€ mill.	827.4	870.5

<sup>1</sup> Based on average equity

<sup>2</sup> Based on average capital employed

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

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

Where required, figures have been annualized.

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Dear stockholders,

Vossloh finds itself in the middle of a far reaching restructuring and repositioning process, which we, your new Executive Board, are intensively pressing forward. In this report, we are informing you with respect to the current situation of Vossloh and regarding important decisions which we have taken in the first weeks of our term of office. The imperative measures that have been derived from this have already been set into motion, and some significant points have also already been implemented.

Our thorough status analysis of all Vossloh Group operations which was immediately begun in the early summer of 2014 revealed extensive need for action. The upcoming measures can be divided into three categories. Firstly, restructuring steps, both relating to Vossloh Locomotives in Kiel and also in the Electrical Systems business unit, are urgently required. The necessary expense to streamline and focus the product portfolio, as well as to reduce capacity in the short and medium term, amounts in total to up to €100 million. Secondly, our current market assessments lead us to conclude that the carrying amounts of assets are required to be adjusted by up to approximately €80 million. This relates largely to the Switch Systems business unit. Thirdly, we have subjected all risks in the Group, including all project risks, to an updated assessment and have identified additional charges to the result in the amount of up to €70 million.

The aim of this intervention is to once again place Vossloh on a solid and sustainably resilient foundation. The total expense will amount up to €250 million and will negatively impact the result by this amount in the current fiscal year. We anticipate that the result for the entire 2014 fiscal year before interest and income taxes – EBIT – will be in a range of between €(150) million to €(180) million. A good portion of the charge to results has already been recognized in the interim financial statements for the first half of 2014. Thus, we are reporting a negative EBIT of €(145.4) million for the first six months of the year.

On a purely operational basis, the first half of the year was weak, which underscores the current need for action with which we have to deal. In the Switch Systems business unit and with respect to Vossloh Locomotives, the business performance was beneath the level which in April had still been seen as achievable. In the case of Vossloh Electrical Systems, the results in May and June fell significantly short of the previous forecasts. Vossloh's Group net sales of €626.0 million for the first six months of the current fiscal year were just 2.2 percent higher than in the prior year.

Dear shareholders, defining specific areas of action can unfortunately only represent the first step of a comprehensive realignment. This has been our paramount task in the last three months. Now we are concentrating with all our might to get Vossloh back on the right track again. Presently, fundamentals have already been created to do this. For one we were already able in June to entirely replace the US private placement. The new financing totaling €250 million has substantially more favorable conditions and is more flexible than the framework which we previously had. In addition, €90 million flowed to the Company in connection with the stock placement this past spring. Overall, we thus have adequate financial resources in order to sustain the charges to results from the restructuring of Vossloh. Furthermore, the major part of our program for the repositioning of the affected operations will not result in an outflow of liquid funds.

Moreover, we are now strongly positioned with our team. We have separated ourselves from a third of the managers and division heads; since the beginning of July, the Vossloh Executive Board is already also managing the operations of several business units. With this, our management structure is streamlined and efficient to the extent which we need for a future-oriented group.

Last, but not least, we have made the first important and far-reaching decisions, for example, the medium-term adjustment of production capacity of Vossloh Electrical Systems or the construction of a new modern locomotive plant in Kiel. Together with our management teams, we are now resolutely advancing all steps of the repositioning in the business units and at the same time developing a new medium-term and long-term strategy for the Vossloh Group. The high motivation, commitment and loyalty of all employees of the Company support us in carrying out these tasks. Two goals for the coming months have been defined: 1) The restructuring measures are to be systematically implemented; we will keep you informed of their progress. 2) At the end of the current year we will introduce and explain the new strategy for Vossloh.

I would like to thank you very much for your loyalty to Vossloh AG and the trust that you are putting in the new management team of the Company. I can assure you that we will devote all of our energy to return Vossloh once again to its former strength. Join us in this endeavor – we are full of confidence!

Yours,

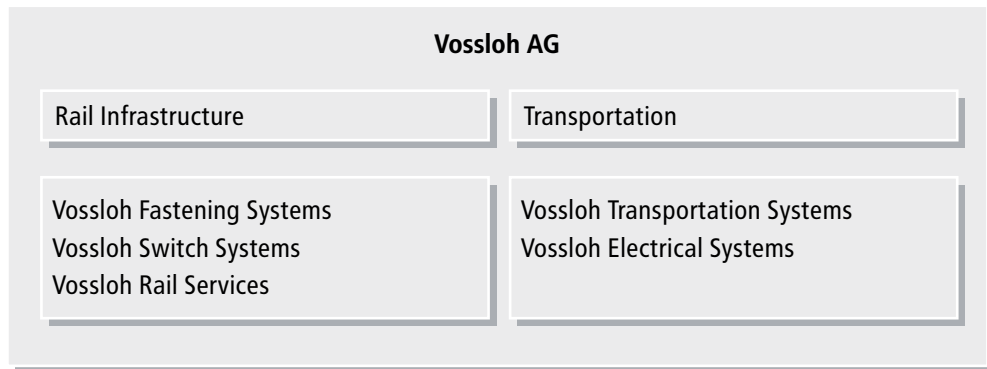
A handwritten signature in blue ink that reads "Hans Schabert". The signature is written in a cursive, slightly slanted style.

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.

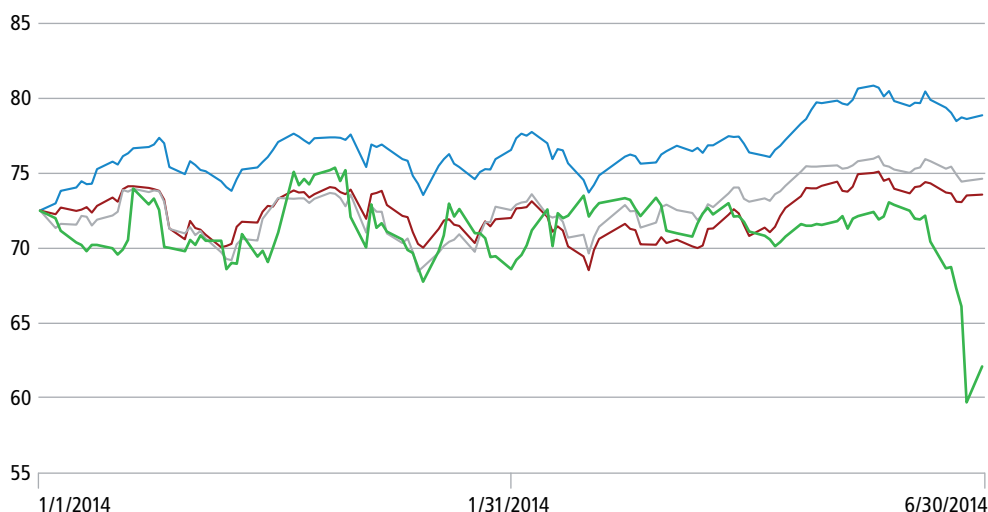
- Vossloh Transportation Systems is Europe's leading manufacturer of diesel locomotives with production locations at Valencia, Spain (Vossloh Rail Vehicles), and Kiel, Germany (Vossloh Locomotives); it also supplies maintenance and repair services. The Valencia location develops and manufactures local 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

In the second quarter of 2014, several stock indexes worldwide reached new historical highs. Having a positive effect were economic data from China, Japan and Europe, as well as the promise of sustained liquidity support of the American and European central banks. However, the continually escalating Crimea crisis and the intensified conflict in Iraq in June fostered insecurity in the second quarter. The Dow Jones index at the end of the first half of 2014 was 2.0 percent higher than at beginning of the year, and the Euro STOXX 50 was up by 3.8 percent. The DAX increased in the first half of the year by 2.9 percent and ended the quarter on June 30, 2014 at 9,833 points. In June, the 10,000 point mark of the German index was exceeded for the first time. The MDAX gained approximately 1.5 percent through June 30 and ended the quarter at a level of 16,816 points. The SDAX rose in the same period to 7,385 points, which represented a gain of 8.8 percent.

International stock markets report positive results in the first half of the year; DAX exceeds the 10,000 point mark

## Price performance of the Vossloh stock: January 1 – June 30, 2014\*



— Vossloh stock  
— (rebased) SDAX  
— (rebased) MDAX  
— (rebased) DAX

Information on Vossloh stock:

WKN 766710  
ISIN DE0007667107  
Reuters VOSG.DE  
Bloomberg VOS GR

\*Daily closing prices

The Vossloh stock, whose price had moved since the end of 2013 in a range between €70 and €75, traded at the end of the first half of 2014 at €62.09 and, with this, showed a loss of 14.4 percent compared to the end of 2013. The background of the price decline was the announcement made on June 27 by the Company to carry out an extensive program for the realignment and restructuring of several business units and thereby report a significant loss in fiscal 2014. Following this announcement, the Vossloh stock price in trading on June 27 dropped significantly to €56.77 and reached its lowest level since October 2008. The highest price in the first six months of 2014 had been quoted in trading on February 25 at €75.92; the highest amount in the second quarter was reached on June 12 at €73.90.

Drop in price of Vossloh stock after announcement of the realignment and restructuring program

As a result of the high trading volume in the last two trading days of the quarter just ended, the number of Vossloh shares traded in the period from April to June increased to almost 2.5 million shares (prior year: 1.6 million); in June 2014 alone, 1.1 million Vossloh shares were traded. In purely mathematical terms, this results in an average daily trading volume of 39,900 shares in the first half of the year. In the prior year, this amount has been 26,000 traded shares per trading day on average. The market capitalization of Vossloh AG, calculated on the basis of the 13,325,290 outstanding shares at the end of the second quarter of 2014, amounted to €827.4 million (prior year: €870.5 million).

Annual General Meeting elects two new Supervisory Board members approves dividend proposal of €0.50 per share

At the current year's annual general meeting of Vossloh on May 28, 2014, at which just short of 60 percent of the share capital was represented, two members were elected to the Supervisory Board. The former Supervisory Board members Dr.-Ing. Kay Mayland and Dr. Wolfgang Scholl resigned from office as of the close of the current year's annual general meeting. With large majorities, the two rail technology experts, Dr.-Ing. Wolfgang Schlosser, consultant, and former member of management of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, and Ursus Zinsli, delegate of the advisory board and former managing director of Scheuchzer SA, were elected by the shareholders. The shareholders represented at the annual general meeting also approved the dividend proposed by the Executive Board and the Supervisory Board in the amount of €0.50 per share for fiscal 2013 (prior year: €2.00). This represents a total distribution amount of €6.7 million, or a distribution ratio of 44.5 percent of the Group net profit of Vossloh in fiscal 2013 (prior year: 40.5 percent).

Mainly positive assessments of the analysts following the announcement of the restructuring program

Overall, 18 German and international institutions are following the developments of the Vossloh Group. Up to the date of publication of this report, a total of 13 institutions had prepared their assessments of the stock following the announcement of June 27. Eleven analysts recommended buying or holding the Vossloh stock; two recommended selling. The range of assumed target prices in July 2014 was between €40.50 and €78.00. On average, the fair price determined by the analysts for the Vossloh stock amounted to €64.00.

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 June 30, 2014	13,325,290
Stock price (6/30/2014)	€62.09
Stock price high/low (January through June 2014)	€75.92/€56.77
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](http://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](mailto:investor.relations@ag.vossloh.com) or by phone at (+49-2392) 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 is being 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 have been determined on a comparable basis also the interim financial statements of the Vossloh Group as of June 30, 2014 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

Sales of the Vossloh Group of €331.8 million in the second quarter of fiscal 2014 were 5.0 percent below the corresponding prior year's amount of €349.4 million. Lower than expected in this connection were sales of Vossloh Switch Systems, Vossloh Electrical Systems and Vossloh Locomotives. In the first half of the year, Group revenues increased also only slightly by 2.2 percent and overall weaker than planned to €626.0 million (prior year: €612.8 million).

Vossloh Group		H1/2014	H1/2013	Q2/2014	Q2/2013
Net sales	€ mill.	626.0	612.8	331.8	349.4
EBITDA	€ mill.	(40.3)	32.3	(57.1)	13.2
EBIT	€ mill.	(145.4)	12.1	(151.9)	2.7
EBIT margin	%	(23.2)	2.0	(45.8)	0.8
EBT	€ mill.	(163.1)	3.3	(165.6)	(2.2)
Net income	€ mill.	(151.0)	0.8	(152.6)	(2.5)
ROCE <sup>1,2</sup>	%	(34.3)	2.7	(71.3)	1.2
Value added <sup>1,2</sup>	€ mill.	(187.8)	(25.8)	(173.2)	(16.8)

<sup>1</sup> Annualized

<sup>2</sup> Based on average capital employed

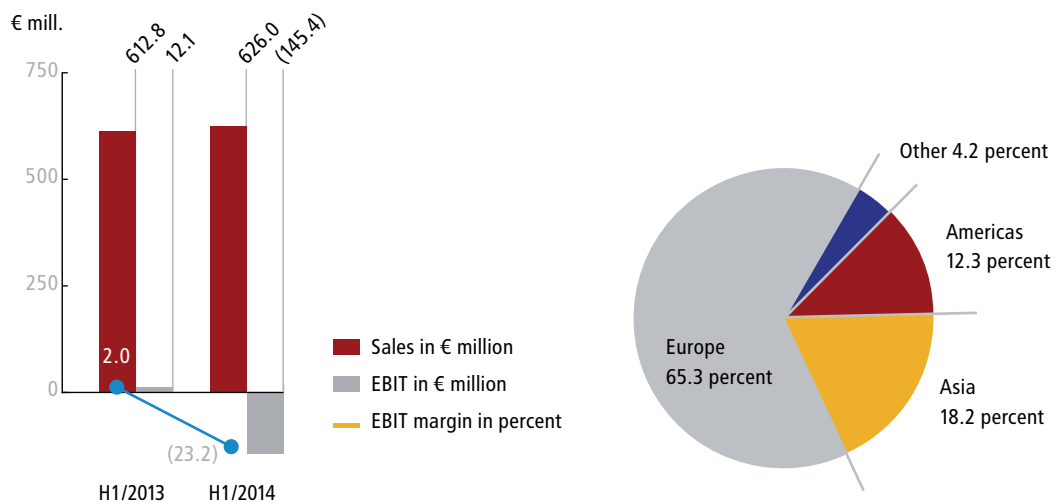
The lower-than-expected development of sales in the second quarter, and thus also in the first half of 2014, related to both divisions of the Group. In the Rail Infrastructure division, sales in the second quarter of the current year amounted to €225.5 million, compared to €244.3 million in the prior year's quarter. In the first half of 2014, sales amounted to €404.4 million and were 3.0 percent lower than in the first half of 2013 at €417.1 million. Sales of the Transportation division increased in the second quarter of 2014 by 1.2 percent to €106.3 million. In the first half of the year, total sales of €221.6 million were generated, or 13.2 percent more than in the first six months of 2013.

Increases in sales over the entire first half of the year in Europe and the Americas, sales decline in Asia

During the second quarter of 2014, the regional development of Vossloh Group's sales already observed in the first three months mainly continued. Thus, sales to European and American customers increased in the total first half of 2014, while in the regions of Asia and Australia they were below the prior year. In the second quarter, significantly higher sales were generated with customers from Africa, so that sales in the region also increased in a half-year comparison. In total, the share of sales generated outside of Europe declined during the first half of 2014 to 34.7 percent, compared to 38.6 percent in the first half of the prior year.

In Germany, sales in the first six months of 2014 were below the prior year. The decrease related to both divisions. Higher than in the first half of 2013 were sales in both divisions to customers in France, and significant increases in sales were generated in Northern Europe, here especially in Sweden, as well as in Great Britain and in the Netherlands. Sales in Poland also increased significantly compared to the first half of 2013. In contrast, sales to customers from Southern European countries declined, as expected.

The increase in sales of the Vossloh Group in the Americas in the first half of 2014 was due significantly to revenues of the Transportation division for a tram project in Brazil, as well as increased sales of the Rail Infrastructure division in Argentina and Brazil. In North America, sales declined especially in the switch business. As expected, sales in Asia in the first half of 2014 were below the prior year. This was caused in particular by the fact that the very high project revenues in 2013 in Kazakhstan were not achieved again in 2014. In China, as well, sales were correspondingly lower than in the prior year.



Vossloh Group's sales and EBIT

Sales breakdown by region H1/2014

#### Sales revenues by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	H1/2014		H1/2013		Q2/2014		Q2/2013	
Germany	124.3	19.9	132.0	21.5	59.7	18.0	78.5	22.5
France	87.6	14.0	73.4	12.0	44.1	13.3	46.6	13.3
Other Western Europe	79.1	12.6	64.7	10.6	43.8	13.2	30.2	8.6
Northern Europe	41.5	6.6	32.7	5.3	30.2	9.1	22.2	6.3
Southern Europe	39.8	6.3	45.0	7.3	18.5	5.6	22.5	6.5
Eastern Europe	36.7	5.9	28.6	4.7	21.0	6.3	16.5	4.7
<b>Total Europe</b>	<b>409.0</b>	<b>65.3</b>	<b>376.4</b>	<b>61.4</b>	<b>217.3</b>	<b>65.5</b>	<b>216.5</b>	<b>61.9</b>
Americas	76.7	12.3	62.7	10.2	40.1	12.1	33.2	9.5
Asia	114.2	18.2	147.5	24.1	57.8	17.4	86.7	24.8
Africa	14.5	2.3	9.6	1.6	10.8	3.3	4.4	1.3
Australia	11.6	1.9	16.6	2.7	5.8	1.7	8.6	2.5
<b>Total</b>	<b>626.0</b>	<b>100.0</b>	<b>612.8</b>	<b>100.0</b>	<b>331.8</b>	<b>100.0</b>	<b>349.4</b>	<b>100.0</b>

With €661.6 million, new orders received by the Vossloh Group in the first six months of 2014 were 12.4 percent higher than the corresponding amount in the prior year. The increase compared to the first half of 2013 resulted from higher incoming orders in the first quarter of the current year. In the Transportation division, order intake in the second quarter of 2014 of €27.8 million declined in comparison to the strong prior year's quarter (€154.4 million). In total, incoming orders of the Transportation division in the first six months of 2014 amounted to €219.6 million (prior year: €183.4 million). Order intake in the Rail Infrastructure division increased in the first half of 2014 to €442.7 million, compared to €403.7 million in the first half of the prior year. In the second quarter, the incoming orders of the division added up to €199.3 million, while in the second quarter of 2013 a total of €206.4 million new orders were received. While the incoming orders in the Rail Infrastructure division trended slightly better than planned, the orders received in the Transportation division remained below expectations. Among other reasons, this is due to delayed contract awards of our customers.

Group's orders received in first half of year 12.4 percent above prior year

At €1,763.9 million, the Vossloh Group's order backlog as of June 30, 2014 was 15.8 percent higher than the amount at the end of the first half of 2013 of €1,523.5 million. The order backlog in the Transportation division of €1,209.1 million significantly exceeded the amount of €937.0 as of the prior year's reporting date. Below the prior year (€586.4 million) was the order backlog of the Rail Infrastructure division with €555.5 million at June 30, 2014. The decline compared to the prior year is explained by the processing of large projects in the Fastening Systems business unit in the course of 2013.

Order backlog continued at high level

The development of Vossloh Group's results in the second quarter of 2014 was significantly impacted by the effects of the package of measures for restructuring and realignment of several business units introduced on June 27. The major portion of the announced charges to the result of up to €250 million for the entire fiscal year is already included in these financial statements for the first half of the year. The result before interest and income taxes (EBIT) of the Vossloh Group thus turned around in the second quarter to €(151.9) million (prior year: €2.7 million). For the first half of 2014, the Group EBIT amounted to €(145.4) million, compared to €12.1 million in the prior year's period.

Major portion of expenses of realignment and restructuring already recognized in second quarter

In June 2014, the financing through a US private placement existing since 2004, which was expensive compared to current market conditions, was replaced by a new financing in the total amount of €250 million. Refinanced were both the first tranche maturing in the summer of 2014 as well as the original second tranche to be first refinanced in 2016.

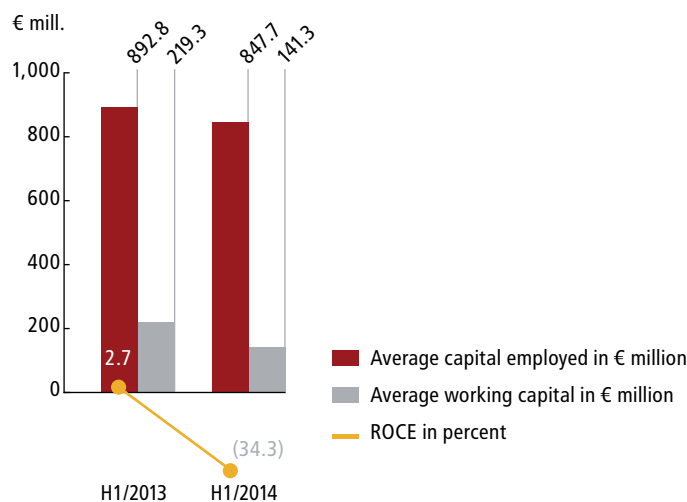
For the early redemption of the second tranche, one-time interest and fees were incurred in the second quarter. Net interest expense of the Vossloh Group increased in the first half of 2014 to €17.7 million (prior year: €8.8 million). Vossloh Group's result before income taxes for the first six months of 2014 amounted to €(163.1) million (prior year: €3.3 million). For the first half of 2014 there was a net tax credit in the amount of €12.1 million, while in the prior year's period a tax expense of €2.5 million was recognized. With this, there was a Group result in the amount of €(151.0) million, of which €4.9 million (prior year: €4.3 million) was attributable to non-controlling interests. As of June 30, 2014, there was thus a Group loss of €(155.9) million attributable to shareholders of Vossloh AG, compared to a Group loss of €(3.5) million in the first half of 2013. The earnings per share amounted in the reporting period to €(12,31), after €(0.30) in the first six months of 2013. The number of outstanding shares increased from an average of 11,998,569 in the first half of the prior year to 12,668,637 in the current reporting period.

The return on capital employed (ROCE) in the first half of 2014 was negative. It amounted to (34.3) percent, compared to 2.7 percent in the prior period. Vossloh Group's value added decreased to €(187.8) million after €(25.8) million in the first six month of 2013. For the calculation of value added, an average return expected by providers of equity and debt – WACC – of 10.0 percent was assumed. In 2013 this calculation basis had still amounted to 8.5 percent.

## Asset and capital structure

Equity ratio and total assets declined due to extensive adjustments of carrying amounts

As of the June 30, 2014 reporting date, Vossloh Group's total assets amounted to €1,576.4 million, compared to €1,593.9 million at June 30, 2013. Equity at the end of the first half of 2014 amounted to €413.2 million, while a year earlier it had amounted to €468.4 million and at the 2013 year end to €482.9 million. At 26.2 percent, the equity ratio at the June 30, 2014 reporting date was lower than at the prior year's reporting date (29.4 percent) and lower than at the end of fiscal 2013 at 30.9 percent. Having a significant effect on total assets and equity in the first half of 2014 was, on the one hand, the placement of treasury shares of Vossloh AG, from which net proceeds of approximately €90 million flowed to the Company in March 2014. On the other hand, in June 2014 extensive impairment write-downs had to be recognized in the financial statements due to revised market assessments as well as already-decided short-term and medium-term required capacity adjustments.



Vossloh Group: CE, WC and ROCE trends

Working capital and working capital intensity improved

In the first half of 2014, Vossloh operated with substantially less working capital as in the first half of 2013. The average working capital of the Group declined from €219.3 million in the prior year's period to €141.3 million in the current reporting period. Working capital intensity, representing the relationship of working capital to revenues, amounted in the first six months of 2014 to 11.3 percent, compared to 17.9 percent in the first half of 2013. On the one hand, trade receivables decreased. On the other hand, the improvement in working capital resulted from higher advance payments in the Transportation division during the last twelve months.

In the first half of 2014, Vossloh Group's average capital employed amounted to €847.7 million and with this was below the corresponding amount in the first half of 2013 of €892.8 million. Significant for this decrease was the declined working capital. Clearly lower than as of the half-year reporting date in 2013 (€897.1 million) was the capital employed as of the June 30, 2014 reporting date of €769.1 million. Decisive for this was the substantially lower fixed assets compare to the prior period due to the impairment write-downs, but also especially the significant decrease in working capital.

As of June 30, 2014, net financial debt of the Vossloh Group amounted to €267.2 million. It was thus below the amount of €292.0 million as of June 30, 2013, but especially as a result of the additional outside financing taken up in June 2014, was over the balance of €204.1 million as of the 2013 year end. Net leverage, defined as the net financial debt in relation to equity, amounted at the end of the first half of 2014 to 64.7 percent and with this was only slightly higher than at the end of the first half of 2013 with 62.3 percent. Net financial debt, which was lower than the balance twelve months prior, resulted primarily from proceeds following the share placement in the spring of 2014. As of June 30, 2014, cash and cash equivalents, as well as short-term securities, amounting to €41.3 million (prior year: €37.4 million) stood opposite financial liabilities in the amount of €308.5 million (prior year: €329.4 million).

Despite first charges from restructuring program, net financial debt lower than at the end of the first half of 2013

#### Vossloh Group

		6/30/2014	12/31/2013	6/30/2013
Total assets	€ mill.	1,576.4	1,564.3	1,593.9
Equity	€ mill.	413.2	482.9	468.4
Equity ratio	%	26.2	30.9	29.4
Average working capital	€ mill.	141.3	209.7	219.3
Average working capital intensity	%	11.3	16.1	17.9
Fixed assets	€ mill.	616.1	716.3	672.1
Closing capital employed	€ mill.	769.1	810.8	897.1
Average capital employed	€ mill.	847.7	889.4	892.8
Return on equity (ROE) <sup>1</sup>	%	(63.6)	6.8	1.3
Net financial debt	€ mill.	267.2	204.1	292.0
Net leverage	€ mill.	64.7	42.3	62.3

<sup>1</sup>Annualized, before income taxes

<sup>2</sup>Based on average equity

# Rail Infrastructure business

## Results of operations

Division's half-year sales below prior year, orders received increased from prior year by 9.7 percent

Sales of the Rail Infrastructure division in the second quarter of 2014 of €225.5 million were 7.7 percent below the prior year's amount of €244.3 million. While the sales in the Switch Systems and Rail Services business units improved compared to the prior year, in the case of Vossloh Fastening Systems they were lower than the very high amount in the prior year. In the first six months of 2014, the business unit's revenues of €404.4 million were 3.0 percent lower than the previous year's sales of €417.1 million.

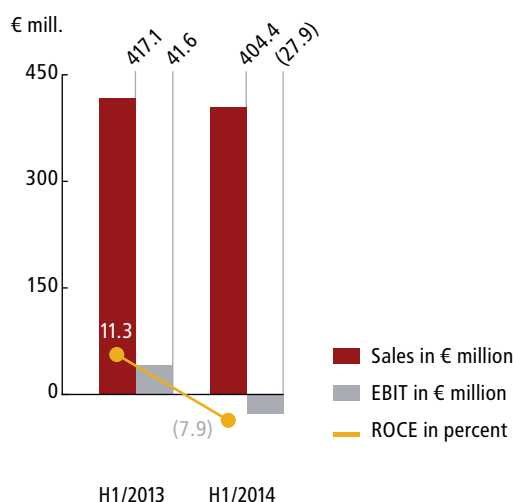
Orders received of the Rail Infrastructure division in the first half of 2014 amounted to €442.7 million (prior year: € 403.7 million), of which €199.3 million were reported in the second quarter of 2014 (prior year: €206.4 million). The order backlog of €586.4 million as of June 30, 2013 decreased to €555.5 million as of the 2014 reporting date. This was caused primarily by the very high sales of Vossloh Fastening Systems in the course of 2013 resulting from the completion of large projects.

In the first half of 2014, the Fastening Systems business unit's sales of €155.0 million were expectedly lower as in the prior period, during which very high revenues in China, Kazakhstan, and Russia sales of €189.8 million had been achieved. In the second quarter of 2014, sales of Vossloh Fastening Systems amounted to €84.1 million, compared to €111.6 million in the prior year.

Rail Infrastructure		H1/2014	H1/2013	Q2/2014	Q2/2013
Sales	€ mill.	404.4	417.1	225.5	244.3
EBITDA	€ mill.	44.3	52.9	8.7	34.3
EBIT	€ mill.	(27.9)	41.6	(58.0)	28.2
EBIT margin	%	(6.9)	10.0	(25.7)	11.6
ROCE <sup>1,2</sup>	%	(7.9)	11.3	(32.6)	15.0
Value added <sup>1,2</sup>	€ mill.	(63.5)	10.2	(75.7)	12.2

<sup>1</sup> Annualized

<sup>2</sup> Based on average capital employed



Rail Infrastructure: sales, EBIT and ROCE

In the first six months of the current fiscal year, incoming orders of Vossloh Fastening Systems reached the amount of €156.7 million and, with this, exceeded the prior year's level of €144.2 million by 8.7 percent. In the second quarter of 2014, the business unit obtained orders with a value of €58.8 million, compared to €69.0 million in the prior year. Significant orders in the first six months of 2014 came from China, Germany, Poland, Italy and Mongolia, as well as from Argentina and Russia. The business unit's order backlog as of June 30, 2014 amounted to €168.1 million (prior year: €238.6 million).

Sales and order backlog of Vossloh Fastening Systems, as expected, are below the very high prior year's amounts

Sales of the Switch Systems business unit rose in the first half of 2014, driven especially by higher revenues on projects in France, Sweden and Luxembourg, from €206.0 million in the prior year by 7.3 percent to €220.9 million. In the second quarter of 2014, Vossloh Switch Systems' sales of €123.9 million were 4.4 percent above the corresponding prior year's amount of €118.7 million. The business unit's sales increase particularly in North America and Australia, as well as the development in China, did not correspond with the planning.

Incoming orders of Vossloh Switch Systems in the first six months of the current fiscal year amounted to €254.5 million (prior year: €233.6 million). Significant orders came from France, the USA, Sweden, Poland, Norway, as well as from Brazil and Mexico. Order intake in the period from April to June 2014 rose slightly from €122.4 million in 2013 to €124.4 million. At the end of the second quarter of 2014, the order backlog of Vossloh Switch Systems amounted to €377.5 million, compared to €340.0 million as of June 30, 2013.

Vossloh Switch Systems with a gain in sales and orders received

Sales of Vossloh Rail Services increased in the first half of 2014 by 37.0 percent to €30.7 million (prior year: €22.4 million). As was already the case in the first three months of the current year, revenues in the second quarter of €18.5 million significantly exceeded the comparable prior year's amount of €14.6 million. The growth in sales in the business unit was driven especially by a large contract in the area of transport and logistics.

Vossloh Rail Services reports growth in sales and orders received in a double-digit percentage range

Incoming orders with a value of €33.8 million in the Rail Services business unit significantly exceeded the prior year's amount of €26.1 million. As of June 30, 2014, the business unit's order backlog of €11.1 million was also higher than in the prior year (€7.8 million).

EBIT of the Rail Infrastructure division of €(27.9) million in the first half of 2014 was clearly negative. Included in this amount is a positive one-off gain (and at the Group level an equal correcting amount as an expense) in the amount of €14.9 million from the intra-group realignment of the US subsidiary, Vossloh Fastening Systems America Corporation, which took place in the first quarter of 2014. On the other hand, the required impairment write-downs in the second quarter of 2014 negatively affected EBIT, especially in the Switch Systems business unit.

Due to higher restructuring expenses in the second quarter and half year, EBIT clearly negative

The EBIT margin of the Rail Infrastructure division, including all one-off effects, was negative in the first half of the year and amounted to (6.9) percent.

Due to the negative EBIT, the division's ROCE reversed from 11.3 percent in the first half of 2013 to (7.9) percent in the first six months of 2014. Value added in the Rail Infrastructure division dropped from €10.2 million in the first half of 2013 to €(63.5) million. Individually, the Fastening Systems business unit generated a positive value added of €31.5 million (prior year: €26.0 million), the Switch Systems business unit a negative value added of €(87.9) million (prior year: €(12.6) million), and the Rail Services business unit a negative value added of €(7.1) million (prior year: €(3.2) million). Looking at the development, it must be taken into consideration that since the beginning of 2014 Vossloh AG has assumed a weighted average cost of capital of 10.0 percent. As a result, the value added amounts for 2014 are principally lower overall than in the prior year. For fiscal 2013, the calculations were made based on a WACC of 8.5 percent.

## Asset and capital structure

Working Capital and Capital Employed lower than in prior year

The average working capital of the Rail Infrastructure division declined from €260.0 million in the first half of 2013 to € 222.6 million in the reporting period. The decrease is due primarily to a reduction in trade receivables in the division. The average working capital intensity decreased from 31.2 percent in the first half of 2013 to 27.5 percent in the first half of the current fiscal year. Also as a result of fixed assets being lower compared to the prior year due to carrying-amount adjustments in the Switch Systems business unit, the average capital employed of the Rail Infrastructure division declined from €738.3 million in the first half of 2013 to €710.8 million in the first six months of 2014.

Rail Infrastructure				
		6/30/2014/ H1/2014	FY 2013	6/30/2013/ H1/2013
Average working capital	€ mill.	222.6	251.6	260.0
Working capital intensity*	%	27.5	28.7	31.2
Closing fixed assets	€ mill.	436.6	490.6	476.2
Closing capital employed	€ mill.	656.2	679.2	745.6
Average capital employed	€ mill.	710.8	732.9	738.3

\*Annualized



# Transportation business

## Results of operations

Revenues in the Transportation division in the second quarter of 2014 of €106.3 million only slightly exceeded the prior year's amount of €105.1 million. While Vossloh Transportation Systems significantly increased its sales, revenues of Vossloh Electrical Systems declined. On the basis of the stronger sales of both business units in the first quarter, the sales volume in the first half of 2014 grew by 13.2 percent to €221.6 million (prior year: €195.7 million).

In the second quarter of 2014, the Transportation division generated orders with a value of €27.8 million (prior year: €154.4 million). For the first half of 2014, incoming orders, due to the strong first quarter, added up to €219.6 million, compared to €183.4 million in the prior year. The order backlog of the division increased to €1,209.1 million as of June 30, 2014, and substantially exceeded the prior year's value of €937.0 million.

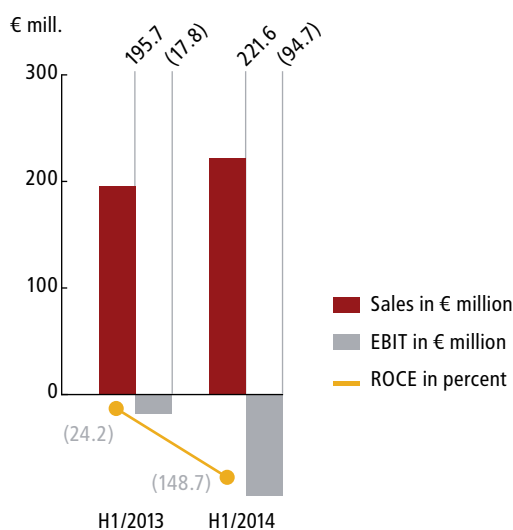
Increase in sales and incoming orders in first half of year

Transportation		H1/2014	H1/2013	Q2/2014	Q2/2013
Sales	€ mill.	221.6	195.7	106.3	105.1
EBITDA	€ mill.	(62.3)	(9.4)	(62.0)	(14.7)
EBIT	€ mill.	(94.7)	(17.8)	(90.0)	(18.8)
EBIT margin	%	(42.7)	(9.1)	(84.7)	(17.9)
ROCE <sup>1,2</sup>	%	(148.7)	(24.2)	(275.4)	(47.1)
Value added <sup>1,2</sup>	€ mill.	(101.1)	(24.0)	(93.3)	(22.2)

<sup>1</sup> Annualized

<sup>2</sup> Based on average capital employed

In the Transportation Systems business unit, sales increased in the first half of 2014, driven by high growth in Vossloh Rail Vehicles of 18.4 percent to €147.5 million (prior year: €124.5 million). In the second quarter, sales of the Transportation Systems business unit increased by 9.5 percent, from €68.4 million in 2013 to €75.0 million.



Transportation: sales, EBIT and ROCE

Significant growth in sales of Vossloh Rail Vehicles; sales of Vossloh Locomotives remain below prior year

The Spanish production site achieved higher sales extended over the entire half of the year, primarily with the continued processing of local transportation projects. From the order for the Brazilian port city of Santos, the first of 22 ordered trams left the plant in Valencia in the second quarter. After six months, sales of Vossloh Rail Vehicles amounted to €99.7 million, compared to €74.4 million in the prior year.

After a strong first quarter, sales of the locomotive facility in Kiel were noticeably lower in the second quarter of 2014 than in the corresponding prior year's period. In total, sales of Vossloh Locomotives in the first six months of 2014 amounted to €47.8 million (prior year: €50.2 million).

Orders received of Vossloh Transportation Systems increased in the first six months of 2014 to €108.5 million (prior year: €76.4 million), carried by a strong first quarter in which numerous orders were acquired both for Vossloh Locomotives in Kiel and for the site in Spain. In the second quarter of 2014, incoming orders declined significantly to €15.4 million, compared to €62.4 million in the prior year. The order backlog of the business unit at June 30, 2014 amounted to €692.7 (prior year: €491.5 million).

Sales development in Electrical Systems business unit below plan

Revenues of Vossloh Electrical Systems in the first six months of 2014 of €76.1 million only exceeded the prior year's amount of €72.7 million by 4.6 percent. The below-plan growth came from the rail vehicle segment. In the second quarter, sales declined by 12.5 percent, from €37.4 million in the prior year to €32.7 million.

Orders received of Vossloh Electrical Systems of €13.1 million in the second quarter of 2014 fell short of the prior year's amount of € 92.6 million. Significant new orders were received by the business unit in the first three months of 2014, for example, for the delivery of trams to the Austrian city of Gmunden (together with Vossloh Rail Vehicles) and for the outfitting of trolley-buses for the cities of Seattle and San Francisco. With these two large contracts from the first quarter, incoming orders of Vossloh Electrical Systems of €108.4 million in the first half of 2014 were only lower than the prior year's order intake of €110.7 million by an insignificant amount.

EBIT of the division severely negatively affected by one-off expenses, Vossloh Rail Vehicles shows positive result

The Transportation division's EBIT in the first half of 2014 dropped significantly to €(94.7) million (prior year: €(17.8) million) due to the high expenses in connection with necessary restructuring measures regarding Vossloh Locomotives in Kiel and revised assessments of project risks and other risks.

Return on capital employed – ROCE – in the Transportation division declined in the first six months of 2014 to (148.7) percent (prior year: (24.2) percent). Value added of the Transportation division decreased in the same period of 2014 to €(101.1) million (prior year: €(24.0) million). Vossloh Transportation Systems reported value added of €(64.9) million (prior year: €(16.8) million) and Vossloh Electrical Systems showed value added of €(31.9) million (prior year: €(7.0) million).

## Asset and capital structure

Average working capital of the Transportation division dropped in the first half of 2014 to €(77.7) million, compared to €(35.7) in the prior year. The average working capital intensity for the half year amounted to (17.5) percent. A significant reason for the low working capital compared to the average of the first six months of 2013 was the higher amount of advances received.

Working capital and capital employed further declined

With the significant decrease in working capital and an also noticeably lower balance of fixed assets, the average capital employed in the division declined from € 146.7 million in the prior year to €127.4 million in the reporting period.

### Transportation

		6/30/2014/ H1/2014	FY 2013	6/30/2013/ H1/ 2013
Average working capital	€ mill.	(77.7)	(36.7)	(35.7)
Working capital intensity*	%	(17.5)	(8.6)	(9.1)
Closing fixed assets	€ mill.	166.0	213.2	183.2
Closing capital employed	€ mill.	101.5	122.6	146.0
Average capital employed	€ mill.	127.4	149.0	146.7

\*Annualized

# Capital expenditures

Significant increase in capital expenditures of Rail Infrastructure division, especially in production plant for fastening systems in the USA

In the first six months of 2014, the Vossloh Group made capital expenditures totaling €30.8 million. With this, the investment volume was €2.4 million above the level of the prior year of €28.4 million. While the Transportation division, with €9.8 million, invested less (prior year: €11.7 million), the Rail Infrastructure division increased its investment activities by €4.5 million, from €16.4 million to €20.9 million in the first six months of 2014.

Investments in intangible and tangible fixed assets				
€ million	H1/2014	H1/2013	Q2/2014	Q2/2013
Rail Infrastructure	20.9	16.4	5.6	8.0
Transportation	9.8	11.7	5.6	5.6
Vossloh AG	0.1	0.3	0.1	0.2
<b>Total</b>	<b>30.8</b>	<b>28.4</b>	<b>11.3</b>	<b>13.8</b>

Within the Rail Infrastructure division, approximately 40 percent of the capital expenditures, amounting to €8.4 million (prior year: €1.4 million), were made in the Fastening Systems business unit and here primarily in the construction of the production plant for fastening systems in the USA. In the first half of the year, Vossloh Rail Services invested a total of €6.4 million (prior year: €8.3 million), which above all was used for the construction of a milling train. The capital expenditures of Vossloh Switch Systems in the amount of €6.1 million (prior year: €6.7 million) continued to relate primarily to the forge in Luxembourg.

Within the Transportation division, €6.6 million, and thereby approximately two-thirds of the total capital expenditures of €9.8 million (prior year: €11.7 million), related to the Transportation Systems business unit (prior year: €7.2 million). The investment activities of Vossloh Transportation Systems were concerned mainly the development of new locomotive types. With respect to Vossloh Electrical Systems, a total of €3.2 million (prior year: €4.0 million) was invested, the largest portion being for the test field at the Düsseldorf site.

# 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 six months of 2014, Vossloh Group's R&D expenses increased compared to the half year of 2013 from €5.9 million to €7.7 million. The increase related to both divisions, however especially to the Transportation division.

In the Rail Infrastructure division, research and development expenses in the first half of 2014 amounted in total to €3.4 million compared to €2.6 million in the prior year's period. A significant reason for the increase was higher personnel expenses. The largest portion of the total R&D expenses related in the amount of €1.8 million to the Switch Systems business unit (prior year: €1.6 million), followed by Vossloh Fastening Systems with development expenses in the amount of €1.3 million (prior year: €1.1 million). In the case of Vossloh Rail Services, the R&D expenses rose to €0.3 million. In the first half of 2013, no expenses were incurred in the Rail Services business unit for research and development.

In the Transportation division, expenses for R&D increased to €4.3 million, compared to €3.2 million during the first half of 2013. In this connection, R&D expenses of the Transportation Systems business unit increased comparing the two half-year periods from €0.8 million to €0.9 million. With respect to Vossloh Electrical Systems, the R&D expenses rose from €2.4 million in the prior year to €3.4 million in current year's reporting period.

In addition to the research and development costs recognized in expenses, in the first six months of 2014 development work was capitalized in the amount of €4.7 million (prior year: €5.9 million). The largest part of this related in the amount of €3.9 million (prior year: €5.2 million) to the Transportation Systems business unit. The capitalized disbursements for development projects in the Rail Infrastructure division amounted in the same period to €0.8 million (prior year: €0.6 million) and related solely to Vossloh Rail Services.

The R&D ratio (the relationship of R&D expenditures to group sales) remained with 2.0 percent almost unchanged from the level of the first half of 2013 in the amount of 1.9 percent.

# Workforce

At June 30, 2014, the Vossloh Group had a worldwide workforce of 5,792 employees. With this, the number of employees increased in the last twelve months by 685 individuals, or 13.4 percent (June 30, 2013: 5,107 employees). Compared to the 2013 year end (5,480 employees), the workforce increased by 312 individuals.

Buildup of employees  
especially in Switch  
Systems business unit

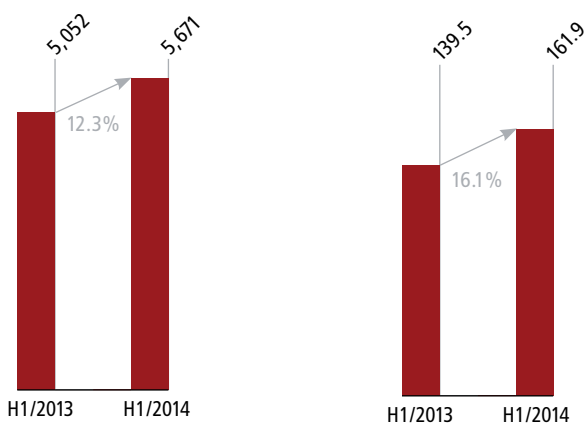
In the Rail Infrastructure division there was a workforce of 3,554 employees, and with this there were 384 more individuals employed than as of the prior year's reporting date (June 30, 2013: 3,170 employees). Compared to the 2013 year-end (3,425 employees), the workforce increased by 129 individuals. The buildup of employees in the past twelve months occurred in all business units, especially with respect to Vossloh Switch Systems. There, the number of employees increased compared to June 30, 2013 by 249 individuals. The largest portion of this growth resulted from the acquisition of the French company Outreau in the second half of 2013. Since the end of June 2013, Vossloh Fastening Systems has added a total of 84 employees, and the Rail Services business unit has grown by 51 individuals.

Workforce	Reporting date		Average	
	6/30/2014	6/30/2013	H1/2014	H1/2013
Rail Infrastructure	3,554	3,170	3,510	3,145
Transportation	2,185	1,890	2,112	1,861
Vossloh AG	53	47	49	46
<b>Total</b>	<b>5,792</b>	<b>5,107</b>	<b>5,671</b>	<b>5,052</b>

In the Transportation division, the number of employees increased from the June 30, 2013 reporting date (1,890 employees) by 295 individuals to 2,185 employees as of June 30, 2014. In this connection, the workforce of Vossloh Transportation Systems increased by 220 employees, while the Electrical Systems business unit grew by 75 employees. Of these, 25 employees relate to the first-time consolidation of a Group company in the USA. Compared to the 2013 year end, the number of employees in the Transportation division increased by 175 individuals (December 31, 2013: 2,010 employees).

As of June 30, 2014, employees making up 67.8 percent of the Vossloh Group workforce, representing 3,929 employees, were employed outside of Germany (June 30, 2013: 3,348 employees, or 66.2 percent). With this, the number of employees working abroad in the Vossloh Group has again increased significantly by 581 employees in the last twelve months. The number of employees in Germany also increased in the same period from 1,758 employees as of the 2013 half-year reporting date by 105 individuals to 1,863 employees as of June 30, 2014.

Growth in personnel in Germany and abroad



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.

The comprehensive status analysis of all operations of the Vossloh Group which has been carried out since early summer by the new Executive Board has led to the result that a substantial correction is required to the previous forecast for fiscal 2014. Restructuring measures regarding Vossloh Locomotives as well as in the Electrical Systems business unit, a revised assessment of ongoing projects and the necessary impairment write-down of assets will lead to charges to results of up to €250 million in 2014. On the basis of the Group analysis performed and current figures regarding the business performance, it additionally became clear that the previous sales planning for fiscal 2014 is also no longer achievable.

The restructuring measures and updated project calculation relate primarily to the Transportation division. For the locomotive facility in Kiel it was decided to solely direct the operations to the business with standardized industry and shunting locomotives and to intensify the approach of offering locomotives according to a modular concept with a high content of similar components. Starting immediately, Vossloh Rail Vehicles in Valencia is taking over the project business from Kiel and is thereby responsible in the future for the customer-specific development of locomotives, as well as the production and sale of these products. In June 2014 it was also decided to swiftly relocate the production in Kiel to a clearly more modern and cost-effective site within the city area.

From the point of view of profitability, there is also a rigorous new focus on the products and services of the Electrical Systems business unit headquartered in Düsseldorf. In the future, the business unit will again concentrate on the areas of local transport vehicles, trolleybuses, components, e-mobility and related services. The resulting forthcoming medium-term streamlining of the capacity, as well as the updating of ongoing project calculations are leading to extensive expenses in fiscal 2014. Streamlining measures are also being carried out in the Switch Systems business unit. A revised market assessment for North America, China, Australia and Europe has made it necessary to carry out a comprehensive revaluation of specific assets of the business unit. The Fastening Systems and Rail Services business units remain with their basic structures unchanged.

In connection with the realignment of the Vossloh Group, the Executive Board additionally decided to make comprehensive and carefully weighed changes at the management level. The number of management members who report directly to the Executive Board has been reduced by approximately one third.

The estimated total amount of up to €250 million for all measures is broken down into expenses for necessary restructuring (up to €100 million), expense from the revised measurement of the carrying amounts of various assets in the business units (up to €80 million) and expenses from the revised estimate of project risks and other risks (up to €70 million). Against this background, a negative EBIT of €(150) million to €(180) million is expected for 2014. From today's perspective it is assumed that of these charges to the result, which are predominantly being incurred on a one-time basis, a maximum of one third will affect the liquidity in 2014.

The operational implementation of the realignment and restructuring will continue into fiscal 2015. Nevertheless, it is being strived for that the Group will already be operating profitably in 2015. With the resolved realignment, the basis has been established to define a new strategy for the Vossloh Group. The Executive Board will communicate this new strategy at the end of 2014.



# *Condensed interim financial statements of the Vossloh Group as of June 30, 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 6 (H1) and 3 months (Q2) ended June 30, 2014

€ million	H1/2014	H1/2013*	Q2/2014	Q2/2013*
Net sales	626.0	612.8	331.8	349.4
Cost of sales	(571.0)	(504.4)	(329.6)	(293.5)
Selling and general administrative expenses	(106.6)	(94.9)	(62.2)	(52.2)
R&D expenses	(7.7)	(5.9)	(3.9)	(3.0)
Other operating income/expenses, net	(77.7)	4.0	(79.5)	1.5
<b>Operating result</b>	<b>(137.0)</b>	<b>11.6</b>	<b>(143.4)</b>	<b>2.2</b>
Net result from associated companies	(7.4)	0.5	(7.5)	0.5
Other financial income	0.1	0.1	0.0	0.0
Other financial expenses	(1.1)	(0.1)	(1.0)	0.0
<b>EBIT</b>	<b>(145.4)</b>	<b>12.1</b>	<b>(151.9)</b>	<b>2.7</b>
Interest income	1.4	1.5	0.5	0.7
Interest expense	(19.1)	(10.3)	(14.2)	(5.6)
<b>EBT</b>	<b>(163.1)</b>	<b>3.3</b>	<b>(165.6)</b>	<b>(2.2)</b>
Income taxes	12.1	(2.5)	13.0	(0.3)
<b>Net income</b>	<b>(151.0)</b>	<b>0.8</b>	<b>(152.6)</b>	<b>(2.5)</b>
<b>thereof attributable to Vossloh AG shareholders (Group loss)</b>	<b>(155.9)</b>	<b>(3.5)</b>	<b>(155.4)</b>	<b>(5.4)</b>
Thereof attributable to non-controlling interests	4.9	4.3	2.8	2.9
<b>Earnings per share</b>				
Basic undiluted/diluted earnings per share in €	(12.31)	(0.30)	(12.27)	(0.46)

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

## Statement of comprehensive income for H1 and Q2/2014

€ million	H1/2014	H1/2013*	Q2/2014	Q2/2013*
<b>Net income</b>	<b>(151.0)</b>	<b>0.8</b>	<b>(152.6)</b>	<b>(2.5)</b>
Changes in fair value of hedging instruments (cash flow hedges)	(0.7)	1.4	(3.2)	(2.1)
Currency translation differences	1.2	(4.3)	1.9	(5.9)
Changes in fair value of available-for-sale securities	0.0	0.0	0.0	0.0
Income taxes	0.2	(0.4)	1.1	0.6
<b>Amounts which may potentially be reclassified to the income statement (recycled) in future periods</b>	<b>0.7</b>	<b>(3.3)</b>	<b>(0.2)</b>	<b>(7.4)</b>
Actuarial gains/losses on employee benefits	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0
<b>Amounts which will not be reclassified to the income statement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total other comprehensive income</b>	<b>0.7</b>	<b>(3.3)</b>	<b>(0.2)</b>	<b>(7.4)</b>
<b>Comprehensive income</b>	<b>(150.3)</b>	<b>(2.5)</b>	<b>(152.8)</b>	<b>(9.9)</b>
thereof attributable to Vossloh AG shareholders	(155.0)	(6.9)	(155.7)	(12.5)
thereof attributable to non-controlling interests	4.7	4.4	2.9	2.6

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

## Cash flow statement for the 6 months (H1) ended June 30, 2014

€ million	H1/2014	H1/2013*
<b>Cash flow from operating activities</b>		
EBIT	(145.4)	12.1
Amortization/depreciation/write-down (less write-up) of noncurrent assets	105.1	21.4
Change in noncurrent provisions	25.9	16.2
<b>Gross cash flow</b>	<b>(14.4)</b>	<b>49.7</b>
Noncash change in share in associated companies	7.4	(0.6)
Other noncash income/expenses, net	15.7	2.7
Net gain/loss on the disposal of intangible and tangible assets	(0.1)	1.3
Income taxes paid	(9.9)	(7.6)
Change in working capital	(51.3)	(69.7)
Changes in other assets/liabilities, net	(18.2)	11.0
<b>Cash flow from operating activities</b>	<b>(70.8)</b>	<b>(13.2)</b>
<b>Cash flow from investing activities</b>		
Investment in intangible and tangible assets	(30.8)	(28.4)
Investment in noncurrent financial instruments	(3.2)	(0.4)
Proceeds from the disposal of intangible and tangible assets	0.2	0.3
Disbursements/proceeds from the purchase/sale of short-term securities	2.2	(0.9)
Proceeds from the disposal of noncurrent financial instruments	0.4	0.4
Disbursements for the acquisition of associated companies	(2.4)	0.0
Disbursements for the acquisition of consolidated companies	0.0	(4.0)
<b>Cash flow from investing activities</b>	<b>(33.6)</b>	<b>(33.0)</b>
<b>Cash flow from financing activities</b>		
Changes in treasury shares	89.8	0.0
Disbursements to shareholders and non-controlling interests	(6.7)	(24.5)
Net financing from short-term loans	113.2	55.3
Net financing from medium-term and long-term loans	(86.9)	0.2
Interest received	1.3	1.5
Interest paid	(19.3)	(12.4)
<b>Cash flow from financing activities</b>	<b>91.4</b>	<b>20.1</b>
Net inflow/outflow of cash and cash equivalents	(13.0)	(26.1)
Changes in cash and cash equivalents from the initial consolidation	0.5	0.0
Exchange rate effects	0.0	(0.7)
<b>Opening cash and cash equivalents</b>	<b>53.3</b>	<b>62.5</b>
<b>Closing cash and cash equivalents</b>	<b>40.8</b>	<b>35.7</b>

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

## Balance Sheet

Assets in € million	6/30/2014	12/31/2013*	6/30/2013*	1/1/2013*
Intangible assets	338.4	421.9	420.1	419.9
Tangible assets	222.4	235.5	193.8	186.3
Investment properties	4.2	4.3	4.7	4.7
Investments in associated companies (at equity)	37.8	42.9	42.2	42.0
Other noncurrent financial instruments	13.7	12.0	12.1	11.6
Other noncurrent assets	3.8	2.8	3.3	2.2
Deferred tax assets	62.9	28.0	28.5	27.3
<b>Total noncurrent assets</b>	<b>683.2</b>	<b>747.4</b>	<b>704.7</b>	<b>694.0</b>
Inventories	415.6	363.7	396.0	357.7
Trade receivables	247.3	237.6	293.4	223.7
Receivables from construction contracts	113.0	89.8	94.6	85.3
Income tax assets	5.5	6.6	18.0	7.0
Other current assets	70.5	63.2	49.8	48.0
Short-term securities	0.5	2.7	1.7	0.5
Cash and cash equivalents	40.8	53.3	35.7	62.5
<b>Total current assets</b>	<b>893.2</b>	<b>816.9</b>	<b>889.2</b>	<b>784.7</b>
<b>Total assets</b>	<b>1,576.4</b>	<b>1,564.3</b>	<b>1,593.9</b>	<b>1,478.7</b>

Equity and liabilities in € million	6/30/2014	12/31/2013*	6/30/2013*	1/1/2013*
Capital stock	37.8	37.8	37.8	37.8
Additional paid-in capital	30.4	42.6	42.7	42.7
Treasury stock	0.0	(102.0)	(102.5)	(102.5)
Retained earnings	447.0	438.5	438.5	424.5
Undistributed group profit	35.3	37.2	37.2	19.9
Group earnings/loss	(155.9)	16.8	(3.5)	59.2
Accumulated other comprehensive income	(4.6)	(6.6)	0.2	0.0
<b>Equity excluding non-controlling interests</b>	<b>390.0</b>	<b>464.3</b>	<b>450.4</b>	<b>481.6</b>
Non-controlling interests	23.2	18.6	18.0	15.2
<b>Total equity</b>	<b>413.2</b>	<b>482.9</b>	<b>468.4</b>	<b>496.8</b>
Pension provisions	22.8	22.6	22.1	22.5
Other noncurrent provisions	72.4	47.0	76.0	56.8
Noncurrent financial liabilities	50.0	124.6	187.5	184.9
Noncurrent trade payables	0.0	0.0	4.0	10.3
Other noncurrent liabilities	4.5	22.2	23.5	26.1
Deferred tax liabilities	24.9	15.9	31.7	29.2
<b>Total noncurrent liabilities</b>	<b>174.6</b>	<b>232.3</b>	<b>344.8</b>	<b>329.8</b>
Other current provisions	146.1	110.2	103.6	101.8
Current financial liabilities	258.5	135.5	141.9	82.8
Current trade payables	169.5	171.5	182.9	151.6
Current liabilities on construction contracts	291.2	277.0	224.7	219.6
Income tax liabilities	8.7	6.0	12.6	7.6
Other current liabilities	114.6	148.9	115.0	88.7
<b>Total current liabilities</b>	<b>988.6</b>	<b>849.1</b>	<b>780.7</b>	<b>652.1</b>
<b>Total equity and liabilities</b>	<b>1,576.4</b>	<b>1,564.3</b>	<b>1,593.9</b>	<b>1,478.7</b>

\*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 result	Accumulated OCI	Equity excluding NCI	Non-controlling interests (NCI)	Total equity
<b>Balance at 12/31/2012</b>	<b>37.8</b>	<b>42.7</b>	<b>(102.5)</b>	<b>432.7</b>	<b>19.9</b>	<b>59.2</b>	<b>0.0</b>	<b>489.8</b>	<b>15.9</b>	<b>505.7</b>
Change in accounting policy (IFRS 10/IFRS 11)				(8.2)			0.0	(8.2)	(0.7)	(8.9)
<b>Balance at 1/1/2013</b>	<b>37.8</b>	<b>42.7</b>	<b>(102.5)</b>	<b>424.5</b>	<b>19.9</b>	<b>59.2</b>	<b>0.0</b>	<b>481.6</b>	<b>15.2</b>	<b>496.8</b>
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
Increase in equity interests				(0.3)				(0.3)	(1.1)	(1.4)
Comprehensive income						(3.5)	(3.4)	(6.9)	4.4	(2.5)
Dividends paid					(24.0)			(24.0)	(0.5)	(24.5)
<b>Balance at 6/30/2013</b>	<b>37.8</b>	<b>42.7</b>	<b>(102.5)</b>	<b>438.5</b>	<b>37.2</b>	<b>(3.5)</b>	<b>0.2</b>	<b>450.4</b>	<b>18.0</b>	<b>468.4</b>
Comprehensive income						20.3	(6.8)	13.5	0.6	14.1
Purchase/sale of treasury stock		(0.1)	0.5					0.4		0.4
<b>Balance at 12/31/2013</b>	<b>37.8</b>	<b>42.6</b>	<b>(102.0)</b>	<b>438.5</b>	<b>37.2</b>	<b>16.8</b>	<b>(6.6)</b>	<b>464.3</b>	<b>18.6</b>	<b>482.9</b>
Carry forward to new account					16.8	(16.8)		0.0		0.0
Transfer to retained earnings				10.9	(12.0)		1.1	0.0		0.0
Consolidation effects				(2.4)				(2.4)		(2.4)
Comprehensive income						(155.9)	0.9	(155.0)	4.7	(150.3)
Dividends paid					(6.7)			(6.7)	(0.1)	(6.8)
Purchase/sale of treasury stock		(12.2)	102.0					89.8		89.8
<b>Balance at 6/30/2014</b>	<b>37.8</b>	<b>30.4</b>	<b>0.0</b>	<b>447.0</b>	<b>35.3</b>	<b>(155.9)</b>	<b>(4.6)</b>	<b>390.0</b>	<b>23.2</b>	<b>413.2</b>

# 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 policies** The interim financial report as of June 30, 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
<b>Balance sheet</b>	
Noncurrent assets	44.1
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 this connection, for one company the need for an impairment write-down was determined. The goodwill allocated to this company was offset in the amount of €8.2 million without profit or loss effect against retained earnings at the time of the accounting change.

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	6/30/2013/ H1/2013
<b>Balance sheet</b>		
Noncurrent assets	0.3	(0.3)
Inventories	(7.4)	(8.2)
Trade receivables and receivables from construction contracts	(13.8)	(13.0)
Cash and cash equivalents	(2.2)	(3.4)
Other current assets	(2.1)	0.4
Noncurrent liabilities	0.9	(1.1)
Current liabilities	(15.5)	(14.2)
<b>Income statement</b>		
Sales revenues		(8.5)
EBIT		(0.4)
Group result		0.0

+ = 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; two other companies in this business unit were merged with each other during the second quarter. 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 42 foreign companies were fully consolidated in the interim financial statements as of June 30, 2014. Two investments in German associated companies and six investments in foreign associated companies were accounted for at equity.

Change in estimates  
and other  
one-time effects

On June 27, 2014, the Executive Board of Vossloh AG, on the basis of its analysis made to date of the Group's situation and the expected development of the relevant markets for the Electrical Systems business unit and for Vossloh Locomotives, resolved to carry out restructuring measures and to adjust the capacity in these business units to the future market requirements. The capacity adjustments are being accompanied by certain changes in the operations of the two business units.

For Vossloh Locomotives, it was decided that, on the one hand, the focus should be solely on the product business with standardized industry and shunting locomotives, and on the other hand, lower quantities are to be anticipated in connection with the product business than previously assumed in the planning. Against this background, the recoverability of capitalized development expenditures was analyzed, whereby an impairment loss in the amount of €23.1 million resulted; the disclosure has been made under other operating income/expenses, net. In addition, in the consolidated Group financial statements impairment write-downs have been recognized on a number of inventories, and provisions have been recorded in connection with individual projects; these have resulted in a charge to EBIT in the amount of €30.6 million. Furthermore, provisions have been recognized in connection with resolved relocation of the production in the amount of €5.5 million.

In the Electrical Systems business unit, significant customer-specifically negotiated contracts which are currently in the processing phase were subjected to an updated assessment of the related contract costs and revenues. This resulted in an adjustment to the expected contract costs and thereby an adjustment to the stage of completion; this led to a reduction in revenues on construction contracts of €6.0 million. Furthermore, additions were made to provisions in a just below double-digit million amount.

Also in the Switch Systems business unit, revisions of the running calculation in connection with several projects requiring impairment write-downs of inventories and receivables from construction contracts, as well as required additions to provisions, due to new findings regarding certain contingent liabilities, resulted in a charge to EBIT in the amount of approximately €15 million. In addition, the carrying amount of an investment in an associated company was written down by €8.3 million.

In light of the changes resolved for Vossloh Locomotives and Vossloh Electrical Systems, an impairment test was performed of goodwill recognized at the level of these business units. The same applies to goodwill of the Switch Systems business unit, for which, due to the deviations determined between plan and actual results both for the direct prior year's periods as well in the current year, the materiality thresholds established in the Group's accounting policy for such plan/actual deviations was exceeded; accordingly an indication of an impairment loss exists according to IAS 36.14.

On the basis of the current CGU-specific discount rate and an income estimate revised by management for the coming three years, for one of the business units considered there was a market value which was below the carrying amount. The impairment write-down with respect to the Switch Systems business unit amounted to €60.0 million, while in the case of Vossloh Electrical Systems and Vossloh Locomotives no impairment write-down was required. The impairment loss is shown under other operating income/expenses, net. The lower result estimate determined in the current fiscal year with respect to Switch Systems reflects a number of market changes, which are manifested, among others, in lower or delayed infrastructure budgets in Europe, as well as increasing competitive pressure.

Equity

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



In comparison to the prior year's reporting date, 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 half of the current year, there were on average 12,668.637 shares outstanding (prior year: 11,998,569 shares).

Due to the early redemption of one tranche of the US private placement on June 30, 2014 and the accompanying closing out of a cross-currency swap used to hedge the currency risk from the semiannual interest payments, and amount of €0.9 million was reclassified with profit or loss effect from equity to the income statement and shown under interest expense (prior year: €0.0 million).

On June 24, 2014, the first tranche of the US private placement was due for payment; in this connection, USD 140 million was repaid. Additionally, as already mentioned, at the end of the reporting period the second tranche of USD 100 million was redeemed on an early basis. Leading up to this repayment, a financing reflecting current market conditions had been agreed with several banks for a total amount of €250 million.

Financial liabilities

From the repayment of the US private placement, prepayment penalties resulted in the amount of USD 10 million, which were charged to the interest result in the amount of €7.3 million.

		H1/2014	H1/2013
Weighted average of common shares		13,325,290	13,325,290
Repurchased shares (weighted)		(656,653)	(1,326,721)
Weighted average of outstanding shares		12,668,637	11,998,569
Weighted average of outstanding shares – Undiluted/diluted –		12,668,637	11,998,569
Group loss	€ mill.	(155.9)	(3.5)
<b>Basic undiluted/diluted earnings per share</b>	€	(12.31)	(0.30)

Earnings per share

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

Additional information regarding at equity accounting

Financial information for joint ventures in summarized form

€ million	H1/ 2014/ 6/30/2014	H1/2013/ 6/30/2013
<b>Balance sheet</b>		
Noncurrent assets	49.3	51.4
Inventories	11.7	12.0
Trade receivables and receivables from construction contracts	19.8	20.2
Cash and cash equivalents	5.6	7.0
Other current assets	20.1	13.7
Noncurrent liabilities	2.2	2.1
Current liabilities	34.1	35.6
<b>Income statement/statement of comprehensive income</b>		
Net sales	34.4	22.8
Income/loss from continuing operations	3.4	(0.2)
Income/loss from discontinued operations	0.0	0.0
Other result	(0.2)	0.5
Comprehensive income	3.2	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)
<b>Financial assets measured at fair value</b>			
Held for trading		0.0	
Available for sale		0.8	
Derivatives in a hedging relationship		0.9	
<b>Total</b>		<b>1.7</b>	
<b>Financial liabilities measured at fair value</b>			
Derivatives in a hedging relationship		4.1	
<b>Total</b>		<b>4.1</b>	

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 June 30, 2014

€ million	Carrying amount according to balance sheet 6/30/2014	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 6/30/2014
<b>Trade receivables</b>	<b>247.3</b>				
Loans and receivables	247.3	247.3			247.3
<b>Securities</b>	<b>0.5</b>				
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	0.4		0.4		0.4
<b>Other financial instruments and other assets</b>	<b>88.0</b>				
Loans and receivables	51.2	51.2			51.2
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)	0.9		0.0	0.9	0.9
IAS 39 not applicable	34.5				–
<b>Total financial assets</b>	<b>335.8</b>	<b>299.6</b>	<b>0.8</b>	<b>0.9</b>	<b>301.3</b>
<b>Financial liabilities</b>	<b>308.5</b>				
Loans and receivables	308.5	308.5			308.5
<b>Trade payables</b>	<b>169.5</b>				
Loans and receivables	169.5	169.5			169.5
<b>Other liabilities</b>	<b>119.1</b>				
Loans and receivables	87.0	87.0			87.0
Derivatives in hedging relationships (not a category according to IAS 39.9)	4.1		3.7	0.4	4.1
IAS 39 not applicable	28.0				–
<b>Total financial liabilities</b>	<b>597.1</b>	<b>565.0</b>	<b>3.7</b>	<b>0.4</b>	<b>569.1</b>

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 as of June 30, 2014

€ million	Carrying amount according to balance sheet 6/30/2014	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through the income statement	Fair values 6/30/2014
<b>Financial assets</b>					
Loans and receivables	298.5	298.5	0.0	0.0	298.5
Held to maturity	0.5	0.5	0.0	0.0	0.5
Held for trading	0.0	0.0	0.0	0.0	0.0
Available for sale	1.4	0.6	0.8	0.0	1.4
<b>Total financial assets</b>	<b>300.4</b>	<b>299.6</b>	<b>0.8</b>	<b>0.0</b>	<b>300.4</b>
<b>Financial liabilities</b>					
Loans and receivables	565.0	565.0	0.0	0.0	565.0
<b>Total financial liabilities</b>	<b>565.0</b>	<b>565.0</b>	<b>0.0</b>	<b>0.0</b>	<b>565.0</b>

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
<b>Trade receivables</b>	<b>237.6</b>				
Loans and receivables	237.6	237.6			237.6
<b>Securities</b>	<b>2.7</b>				
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
<b>Other financial instruments and other assets</b>	<b>78.0</b>				
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				–
<b>Total financial assets</b>	<b>318.3</b>	<b>278.8</b>	<b>3.3</b>	<b>2.1</b>	<b>284.2</b>
<b>Financial liabilities</b>	<b>260.5</b>				
Loans and receivables	260.5	260.5			260.5
<b>Trade payables</b>	<b>171.5</b>				
Loans and receivables	171.5	171.5			171.5
<b>Other liabilities</b>	<b>170.7</b>				
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	–			–
<b>Total financial liabilities</b>	<b>602.7</b>	<b>523.3</b>	<b>2.9</b>	<b>29.9</b>	<b>556.1</b>

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 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
<b>Financial assets</b>					
Loans and receivables	278.0	278.0	0.0	0.0	278.0
Held to maturity	0.6	0.2	0.4	0.0	0.6
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
<b>Total financial assets</b>	<b>282.1</b>	<b>278.8</b>	<b>3.3</b>	<b>0.0</b>	<b>282.1</b>
<b>Financial liabilities</b>					
Loans and receivables	523.3	523.3	0.0	0.0	523.3
<b>Total financial liabilities</b>	<b>523.3</b>	<b>523.3</b>	<b>0.0</b>	<b>0.0</b>	<b>523.3</b>

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

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	H1/2014	H1/2013*	Q2/2014	Q2/2013*
Value added	(187.8)	(25.8)	(173.2)	(16.8)
Cost of capital employed	42.4	37.9	21.3	19.5
<b>EBIT</b>	<b>(145.4)</b>	<b>12.1</b>	<b>(151.9)</b>	<b>2.7</b>

\*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	H1/2014 or 6/30/2014	H1/2013* or 6/30/2013*
<b>Purchase and sale of goods</b>		
Sales revenues	2.3	4.9
Expenses	6.5	5.4
Trade receivables	2.4	6.6
Trade payables	1.3	3.0
<b>Purchase or sale of other assets</b>		
Income	0.0	0.0
Expenses	0.0	0.0
Receivables from the sale of other assets	0.0	0.1
Liabilities	0.9	1.1
<b>Services performed or received</b>		
Revenue from the provision of services	0.0	0.0
Expenses from the obtaining of services	2.2	1.2
<b>Financing</b>		
Interest income from financial loans granted	0.0	0.1
Interest expense from financial loans received	0.0	0.0
Receivables on financial loans granted	1.2	8.4
Liabilities on financial loans received	0.0	0.0
<b>Guarantees/collateral furnished</b>		
Bonds/guarantees furnished	6.6	5.7
Other collateral furnished	1.3	1.3

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

## Contingent liabilities

In comparison to December 31, 2013, contingent liabilities increased by €1.3 million to €11.6 million. Contingent liabilities result in the amount of €8.3 million from guarantees and in the amount of €3.3 million from provision of securities for third-party liabilities.

## Events subsequent to the balance sheet date

During the period of the financial statement preparation, the already-mentioned restructuring plan for the Electrical Systems business unit was communicated to the works council of Vossloh Kiepe GmbH, Düsseldorf, as the managing company of the business unit. Vossloh anticipates expenses in connection with this restructuring plan which could amount to between six and seven million euros.

## Segment information by business unit

		Fastening Systems	Switch Systems	Rail Services	Consolidation	Rail Infrastructure
<b>Value added</b>						
H1/2014**	€ mill.	31.5	(87.9)	(7.1)	0.0	(63.5)
H1/2013*	€ mill.	26.0	(12.6)	(3.2)	0.0	10.2
Q2/2014	€ mill.	8.8	(81.2)	(3.4)	0.1	(75.7)
Q2/2013*	€ mill.	17.6	(5.5)	0.2	(0.1)	12.2
<b>Total assets</b>						
6/30/2014	€ mill.	223.3	573.2	160.9	(1.4)	956.0
6/30/2013	€ mill.	255.5	624.7	129.5	(13.1)	996.6
<b>Liabilities</b>						
6/30/2014	€ mill.	106.8	179.3	133.5	56.2	475.8
6/30/2013*	€ mill.	169.9	188.0	97.5	18.9	474.3
<b>Net external sales</b>						
H1/2014	€ mill.	152.0	220.6	30.2	0.0	402.8
H1/2013	€ mill.	187.8	203.0	22.1	0.0	412.9
Q2/2014	€ mill.	82.7	123.8	18.1	0.0	224.6
Q2/2013	€ mill.	110.2	116.8	14.4	0.1	241.5
<b>Intersegment revenues</b>						
H1/2014	€ mill.	3.0	0.3	0.5	(2.2)	1.6
H1/2013	€ mill.	2.0	3.0	0.3	(1.1)	4.2
Q2/2014	€ mill.	1.4	0.1	0.4	(1.0)	0.9
Q2/2013	€ mill.	1.4	1.9	0.2	(0.7)	2.8
<b>Interest income</b>						
H1/2014	€ mill.	0.0	0.1	0.0	0.0	0.1
H1/2013	€ mill.	0.1	0.2	0.0	0.0	0.3
Q2/2014	€ mill.	0.0	0.0	0.0	0.0	0.0
Q2/2013	€ mill.	0.0	0.1	0.0	0.0	0.1
<b>Interest expense</b>						
H1/2014	€ mill.	(1.1)	(1.0)	(1.1)	(0.6)	(3.8)
H1/2013	€ mill.	(1.9)	(1.2)	(1.2)	(0.4)	(4.7)
Q2/2014	€ mill.	(0.6)	(0.5)	(0.6)	(0.3)	(2.0)
Q2/2013	€ mill.	(1.2)	(0.7)	(0.6)	(0.1)	(2.6)
<b>Amortization/depreciation</b>						
H1/2014	€ mill.	3.0	5.8	2.4	0.0	11.2
H1/2013	€ mill.	3.3	5.5	1.9	0.0	10.7
Q2/2014	€ mill.	1.5	2.9	1.2	0.0	5.6
Q2/2013	€ mill.	1.7	2.8	1.1	(0.1)	5.5
<b>Impairment write-downs</b>						
H1/2014	€ mill.	1.0	60.0	0.1	–	61.1
H1/2013	€ mill.	–	0.6	–	–	0.6
Q2/2014	€ mill.	1.0	60.0	0.1	–	61.1
Q2/2013	€ mill.	0.0	0.6	0.0	0.0	0.6
<b>Investment in noncurrent assets</b>						
H1/2014	€ mill.	8.4	6.1	6.4	0.0	20.9
H1/2013	€ mill.	1.4	6.7	8.3	0.0	16.4
Q2/2014	€ mill.	3.1	1.9	0.6	0.0	5.6
Q2/2013	€ mill.	0.9	3.9	3.2	0.0	8.0
<b>Average headcount</b>						
H1/2014		629	2,548	333	0	3,510
H1/2013		545	2,298	302	0	3,145

\* 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
	(64.9)	(31.9)	(4.3)	(101.1)	(8.9)	(14.3)	(187.8)
	(16.8)	(7.0)	(0.2)	(24.0)	(13.0)	1.0	(25.8)
	(61.7)	(28.2)	(3.4)	(93.3)	(4.5)	0.3	(173.2)
	(14.5)	(7.7)	0.0	(22.2)	(7.2)	0.4	(16.8)
	508.0	327.9	(11.3)	824.6	1,000.8	(1,205.0)	1,576.4
	521.5	286.5	(3.1)	804.9	876.8	(1,084.4)	1,593.9
	269.2	212.6	(13.0)	468.8	551.7	(581.3)	915.0
	218.7	174.0	(6.2)	386.5	534.1	(507.6)	887.3
	146.4	74.9	0.0	221.3	0.1	0.0	624.2
	124.5	70.4	0.0	194.9	0.1	0.0	607.9
	74.3	31.9	0.0	106.2	0.1	0.0	330.9
	68.4	36.2	0.1	104.7	0.0	0.0	346.2
	1.1	1.2	(2.0)	0.3	0.5	(0.6)	1.8
	0.0	2.3	(1.5)	0.8	0.4	(0.5)	4.9
	0.7	0.8	(1.4)	0.1	0.3	(0.4)	0.9
	0.0	1.2	(0.8)	0.4	0.3	(0.4)	3.1
	1.2	0.1	0.0	1.3	4.5	(4.5)	1.4
	0.9	0.1	0.0	1.0	3.9	(3.7)	1.5
	0.7	0.1	0.0	0.8	2.1	(2.4)	0.5
	0.6	0.0	0.0	0.6	1.8	(1.8)	0.7
	(1.6)	(1.5)	0.0	(3.1)	(17.1)	4.9	(19.1)
	(1.3)	(1.1)	0.0	(2.4)	(7.4)	4.2	(10.3)
	(0.8)	(0.6)	0.0	(1.4)	(13.4)	2.6	(14.2)
	(0.7)	(0.6)	0.0	(1.3)	(3.7)	2.0	(5.6)
	7.4	1.9	0.0	9.3	0.3	0.0	20.8
	6.4	2.0	0.0	8.4	0.4	0.0	19.5
	3.8	1.0	0.0	4.8	0.2	0.0	10.6
	3.1	1.0	0.0	4.1	0.2	0.0	9.8
	21.2	0.0	1.9	23.1	0.1	–	84.3
	–	–	–	–	0.1	–	0.7
	21.2	0.0	1.9	23.1	0.0	–	84.2
	–	–	–	–	–	–	0.6
	6.6	3.2	0.0	9.8	0.1	0.0	30.8
	7.2	4.0	0.5	11.7	0.3	0.0	28.4
	3.8	1.8	0.0	5.6	0.1	0.0	11.3
	4.6	0.7	0.3	5.6	0.2	0.0	13.8
	1.259	853	0	2,112	49	0	5,671
	1.072	789	0	1,861	46	0	5,052

## Responsibility statement of the Company's legal representatives

“We confirm, to the best of our knowledge, that in accordance with the accounting principles to be applied for the interim reporting, the Group interim financial statements give a true and fair view the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.”

Werdohl, July 23, 2014

Vossloh AG  
The Executive Board

Dr. h. c. Hans M. Schabert, Volker Schenk, Oliver Schuster

## Review report of the independent auditor

To Vossloh Aktiengesellschaft

We have reviewed the condensed consolidated financial statements – comprising the income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and selected explanatory notes – and the interim group management report of Vossloh Aktiengesellschaft, Werdohl, for the period from January 1 to June 30, 2014, which are part of the half year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandels-gesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company’s legal representatives. Our responsibility is to issue a review report on the condensed consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and, therefore, does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

Essen, July 23, 2014

BDO AG  
Wirtschaftsprüfungsgesellschaft

Fritz	ppa. Barhold
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

## Financial calendar 2014

Publication of interim reports

per 30. September 2014

October 30, 2014

## Financial calendar 2015

Publication of financial information 2014

March 2015

Press conference

March 2015

Investors and analysts conference

March 2015

Annual general meeting

May 2015

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## Vossloh AG's boards

Executive Board

Dr. h. c. Hans M. Schabert (CEO)

Volker Schenk

Oliver Schuster

Supervisory Board

Heinz Hermann Thiele, former chairman of Knorr-Bremse AG, Munich, chairman

Dr. Alexander Selent, vice-chairman of the executive board and CFO of Fuchs Petrolub SE, Limburgerhof, vice-chairman

Silvia Maisch, electrical mechanic, Monheim

Dr.-Ing. Kay Mayland (until May 28, 2014), graduate engineer, former chairman of SMS Siemag AG, Ettlingen

Dr.-Ing. Wolfgang Schlosser (since May 28, 2014), consultant and former member of management of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Puchheim

Dr. Wolfgang Scholl (until May 28, 2014), attorney, partner of the law firm Arnecke Siebold, Frankfurt/Main, Vice-Chairman

Michael Ulrich, machine fitter, Kiel

Ursus Zinsli (since May 28, 2014), delegate of board of directors and former managing director of Scheuchzer SA (Switzerland), Saint-Sulpice (Kanton Vaud, Switzerland)