Momentum for growth.

Separate financial statements of Vossloh AG as of December 31, 2010

Combined management report

Vossloh AG

Rail Infrastructure division

Business units:

Vossloh Fastening Systems
Vossloh Switch Systems
Vossloh Rail Services

Transportation division

Business units:

Vossloh Transportation Systems
Vossloh Electrical Systems

Business and market environment

Strategy, segmentation, and competitive position

Vossloh nowadays is a global player in the rail technology markets. The Group's core businesses comprise rail infrastructure products and services, rail vehicles, and components for rail vehicles and buses.

Fundamental strategic principles:
- Focused portfolio
- Value-driven growth
- High profitability

The Vossloh Group is run according to the following fundamental strategic principles:
- Focused portfolio: Vossloh offers products and services for the global rail technology market while concentrating on those submarkets in which it aspires to market leadership.
- Value-driven growth: Vossloh intends its business to grow in value at a rate superior to the overall rail technology market. Organic growth is nurtured by expanding into high-growth markets and developing new products.
- High profitability: Vossloh aims to add value by earning a premium on top of the cost of capital.

Under the roof of Vossloh AG as the management and financial holding parent, the Group has organized its business operations into two divisions: Rail Infrastructure and Transportation (previously *Motive Power&Components*).

Rail Infrastructure offers the related products and services. Besides the Fastening Systems and Switch Systems business units, the division has since the start of fiscal 2010 included a third, Rail Services.

- Vossloh Fastening Systems is a leading supplier of rail fastening systems. The lineup covers rail fasteners for all types of transport, from (sub)urban via heavy-haul to high-speed.
- Vossloh Switch Systems supplies, installs and services switches and turnouts, control and monitoring systems for rail networks. Here, too, the range reaches from light-rail to high-speed lines.
- Vossloh Rail Services specializes in complex rail logistics and welding solutions as well as preventive maintenance of rails.

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

- With its two production locations at Valencia, Spain, and Kiel, Germany, Vossloh Transportation Systems is Europe's leading manufacturer of diesel locomotives while in addition supplying maintenance services. At its Valencia location it also develops and builds (sub)urban trains.
- Vossloh Electrical Systems develops and manufactures key electrical components and systems for local transport rail vehicles and locomotives. The business unit is the world's foremost supplier of electrical equipment for (trolley)buses and also offers hybrid traction for installation in buses. Besides furnishing complete systems, the unit supplies air conditioners for rail vehicles, individual components, subassemblies plus revamping work, servicing and maintenance.

Organization

Some 90 companies within the Group

The Vossloh Group operates on a global scale. It patterns its business on local presence and customer proximity. Key European production plants are in Germany, France, Spain, Luxembourg, Scandinavia, Poland, and Austria. Outside of Europe Vossloh produces switch systems chiefly in Australia and the USA. It has major rail fastener plants in China and Turkey. Vossloh operates through sales companies and branches and has in some instances, together with competent partners, entered into local joint ventures and alliances. At the end of 2010, the Group comprised a total of around 90 companies in 30 countries.

Major subsidiaries and, at the same time, business unit lead companies are:
Vossloh Fastening Systems GmbH, Werdohl, Germany; Vossloh Cogifer SA, Rueil-Malmaison, France; Vossloh Rail Services GmbH, Seevetal, Germany; Vossloh Locomotives GmbH, Kiel, Germany; Vossloh España SA, Valencia, Spain; and Vossloh Kiepe GmbH, Düsseldorf, Germany.

Controlling system and objectives

Key performance indicators: value added and ROCE

As part of its value-driven growth strategy, Vossloh's prime target is to add value, defined as premium on top of the return claimed by investors and lenders (cost of capital). This premium is the difference between the return on capital employed (ROCE) and WACC, the weighted average cost of capital (debt and equity). Multiplying the premium by average capital employed (CE) produces the value added (VA) in a period in absolute terms. For intragroup controlling purposes, ROCE and value added (VA) are determined before taxes. In line with IFRS 8, VA is disclosed in published reports as the business unit controlling parameter and benchmark.

Cost of equity is composed of a risk-free rate plus a current premium of 5.0 percent, the interest rate being duly adjusted for its pretax application. Cost of debt is calculated on the basis of the Group's average funding terms. The ratio of equity to interest-bearing debt, required to determine WACC, is two-thirds to one-third and is derived not from the balance sheet since it is not only predicated on a benchmark for the funding structure and interest-bearing accruals but also because equity is here based on fair value and not the carrying amounts of the balance sheet.

ROCE benchmark: 15 percent

Intragroup controlling in fiscal 2010 was based on pretax WACC of 11 percent as the yield expected by investors and lenders. A groupwide sustainable ROCE of 15 percent has been set as value-oriented benchmark and relative performance indicator, the expected premium over pretax WACC hence being 4 percent in 2010 (related to capital employed). Besides this pretax VA used for internal controlling purposes, also the posttax value added is communicated in external reports at group and division levels, based on the current WACC—6.6 percent posttax for fiscal 2010—in order to disclose the actual value trend of relevance to stockholders.

Lower WACC as from 2011

The clearly lower interest rates have leveled down risk-free rates from 4.25 to 3.25 percent and thus also the cost of equity, a process accompanied by a shrinkage of the average cost of debt. Therefore, Vossloh has as from 2011 downscaled the yield expected by lenders and investors to 10 percent while maintaining sustainable ROCE at an unchanged benchmark of 15 percent.

Supplementary targets for the overall Group

Besides the ROCE and VA benchmarks, Vossloh has defined additional financial targets for the Group in its entirety, basically
- EBIT margin above 10 percent (after nonoperating one-time factors)
- sustainable increase in earnings per share
- commensurate cash dividends
- in the medium term, a conservative net debt ceiling.

For the ongoing analysis and control of subsidiaries, business units and the Group as such, senior management deploys such tools as monthly financial reports in which the financial statements and key indicators of all subsidiaries are consolidated and analyzed according to the same principles as the monthly rolling annual projection. Variances are analyzed for their impact on financial targets and explained in a commentary. The monthly updated annual projection is supplemented by a risk report to identify any drain on or addition to assets. The effectiveness of (counter)actions taken in order to achieve targets or benchmarks is repeatedly analyzed. Business unit monthly reports are discussed at periodical meetings between the Executive Board and management of each operating unit.

Business report

Business environment

Following the severe recession, the global economy recovered in 2010 at a rate that exceeded expectations at the start of the year. According to the International Monetary Fund, global GDP grew 5.0 percent. This compares with an overall shrinkage of 0.6 percent the year before.

Europe, China, and North America are the markets of special significance to Vossloh's business.

GDP in the eurozone, Vossloh's most important sales market, inched up 1.8 percent in 2010; Germany's 3.6-percent growth was better than average. In the recession year of 2009, Europe's and Germany's GDP had sunk 4.1 and 4.7 percent, respectively. The Central and Eastern European economies neighboring the eurozone likewise reported for 2010 a clear improvement of 4.2 percent (up from a negative 3.6).

The steepest rises in 2010 were again shown by the emerging nations of Asia, with China surging 10.3 percent (up from 9.2). Economic growth in the USA reached 2.8 percent (up from a negative 2.6).

As to Vossloh, the general economic climate is of minor relevance and Vossloh's rail technology markets follow international economic trends to a limited degree. Instead, pertinent are political policies, the current status of rail sector deregulation, and sovereign debt.

World Rail Market Study surveying industry prospects

There are only a few studies on the global rail technology market and these include the World Rail Market Study published by UNIFE, the Association of the European Rail Industry, and the Worldwide Market for Rail Technology 2010 published by the consultants SCI Verkehr. According to UNIFE, the accessible markets for rail technology amount to around €95 billion with Western Europe leading at €29 billion and Asia/Pacific tight on its heels at nigh €28 billion. Third place is taken by NAFTA at around €20 billion, followed by Eastern Europe and the CIS (mainly Russia) together accounting for some €11 billion.

The rail technology market is subdivided into four segments: Infrastructure, Rolling Stock, Rail Control, and Services. Rolling Stock has the largest share of the accessible market and totals almost €37 billion, followed by Services (around €28 billion) and Infrastructure (some €20 billion). The rest of the market at around €11 billion is attributable to Rail Control. Among these categories, Vossloh with its Rail Infrastructure and Transportation divisions has a footing primarily in the Infrastructure and Rolling Stock segments.

The total rail technology market is governed by a number of megatrends. Alongside rising mobility requirements, receding energy resources and enhanced environmental awareness, it is—especially—progressing urbanization that is driving the need for transportation. These considerations combine into a more pronounced political will to promote rail as a mode of mobility. The mushrooming markets—chiefly China—are also a driving force yet at the same time, dependence on these markets, does give rise to additional risk exposure.

Generally, Vossloh's relevant sales markets are barely homogeneous in their structure and direction and, moreover, there is very limited generally accessible and reliable data on them. A more detailed description of the key trends is therefore given in the following reports on each segment and in the *Prospects* chapter.

M&A transactions

New Rail Services business unit

The acquisition of the following companies of the Stahlberg-Roensch Group (all based in Seevetal near Hamburg) was officially closed on February 5, 2010:
- Stahlberg Verwaltungsgesellschaft mbH
- Stahlberg, Roensch GmbH & Co. KG
- OBERBAU Beteiligungsgesellschaft mbH
- RCH rail center Handel GmbH & Co. KG,
- Stahlberg Track Asset Verwaltungsgesellschaft mbH
- Stahlberg Track Asset GmbH & Co. KG

as well as of LOG Logistikgesellschaft Gleisbau mbH and ISB Instandhaltungssysteme Bahn GmbH, both of Hannover.

The acquisition covers seven German locations specializing mainly in complex logistics solutions, as well as in the welding and preventive maintenance of rails.

The acquirees form the new Rail Services business unit and are therefore separately dealt with in the segment report.

Results of operations

Group sales up 15.1 percent

Driven by another expansion of business at the Rail Infrastructure division, the Vossloh Group's sales in fiscal 2010 mounted 15.1 percent to €1,351.3 million. Just under one-half of the incremental revenue was due to the first-time inclusion of the acquired Rail Services business unit which reported sales of €84.8 million. Organic growth was 7.9 percent, with contributions coming from the Fastening Systems, Electrical Systems and Switch Systems business units. Vossloh Transportation Systems reported shrinking sales at both its locations.

Vossloh Group: sales by business unit

	€ million	%	€ million	%
	2010		2009	
Rail Infrastructure	**891.5**	**66.0**	**690.3**	**58.8**
Fastening Systems	369.4	27.3	267.1	22.8
Switch Systems	439.0	32.5	424.9	36.1
Rail Services	84.8	6.3	–	–
Consolidation	(1.7)	(0.1)	(1.7)	(0.1)
Transportation	**459.7**	**34.0**	**483.2**	**41.2**
Transportation Systems	304.8	22.6	336.2	28.6
Electrical Systems	160.0	11.8	148.5	12.7
Consolidation	(5.1)	(0.4)	(1.5)	(0.1)
Holding companies and consolidation	**0.1**	**0.0**	**0.2**	**0.0**
	1,351.3	**100.0**	**1,173.7**	**100.0**

The first-time inclusion of Vossloh Rail Services and Rail Infrastructure's overall vigorous organic growth meant that the division's share of total sales jumped from 58.8 percent in 2009 to 66.0 percent in 2010. All the division's business units boosted their sales volume, most especially Vossloh Fastening Systems. Added sales were generated in China and Turkey as well as through higher shipments from Germany. Vossloh Switch Systems reported reviving revenue compared with the year before. Especially in the US market where demand during the economic and financial crises had slumped, business began to return to normal.

Above all, it was the poor order intake at Kiel in 2009 that whittled down revenue a year later at Vossloh Transportation Systems. Again flourishing were sales at Vossloh Electrical Systems.

Vossloh Group: sales by region

	€ million	%	€ million	%
	2010		2009	
Germany	267.1	19.8	132.3	11.3
France	121.9	9.0	156.0	13.3
Other Western Europe	151.2	11.2	172.0	14.7
Northern Europe	96.5	7.1	100.5	8.6
Southern Europe	273.0	20.2	260.8	22.2
Eastern Europe	42.8	3.2	34.1	2.8
Total Europe	**952.5**	**70.5**	**855.7**	**72.9**
Americas	106.3	7.9	90.6	7.7
Asia	237.6	17.6	175.6	15.0
Africa	27.6	2.0	22.3	1.9
Australia	27.3	2.0	29.5	2.5
Total	**1,351.3**	**100.0**	**1,173.7**	**100.0**

Added sales almost everywhere

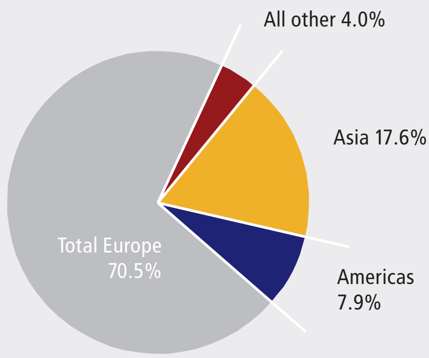
Fiscal 2010 was a period in which the Vossloh Group reported sales hikes in virtually all its markets around the globe. Even though sales on the European home turf rose, the gain was outpaced by surging sales in non-European regions which accounted for 29.5 percent (up from 27.1) of aggregate business. Western Europe generated 40.0 percent of group sales. Germany accounted for sales of €267.1 million, more or less double the prior-year, an essential factor being the first-time consolidation of the Rail Services business unit where annual sales of €84.8 million were largely home-made. Purely organic (like-for-like) sales in Germany soared €52.2 million thanks to Vossloh Electrical Systems whose light rail product group expanded. Vossloh's aggregate sales in Germany made up some 20 percent of the total in 2010.

France and other Western European countries reported lower sales, and so did Scandinavia. In Eastern and especially Southern Europe Vossloh again forged ahead. Spain, Italy and Turkey as well as Poland, and with its first major order now, Russia are all major markets for Vossloh that contributed to rising sales in 2010.

US sales were well up over 2009, a period clouded by softer demand on the part of the Class 1 rail operators who specialize in freight haulage. Central America was another region in which Vossloh Switch Systems posted sales gains. Hence, despite weaker sales in a number of South American countries, the Americas region closed the year with sales totaling €106.3 million (up by 17.4 percent).

Asian sales surging

Vossloh's main source of business in Asia was again China where sales jumped by over 50 percent. So far, Vossloh has been represented in China through its high-speed rail fasteners. In other Asian countries including the Middle East region, Vossloh is tapping burgeoning demand potential. Ascending sales in 2010 were reported in Kazakhstan, Malaysia, Israel, and Saudi Arabia. Altogether, Asia again advanced in significance for the Group and revenue there amounted to around 18 percent of the Group's aggregate (up from 15).



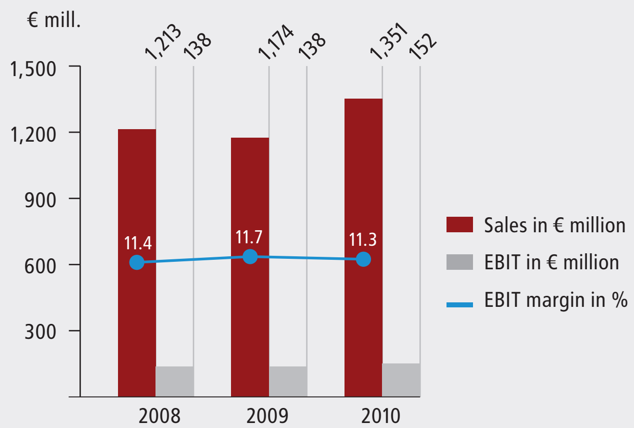
Sales breakdown by region in 2010

Vossloh Group: sales and performance

	€ million	%	€ million	%
	2010		2009	
Net sales	1,351.3	100.0	1,173.7	100.0
Gross margin	295.4	21.9	257.3	21.9
Operating result	151.0	11.2	138.0	11.8
EBITDA	191.9	14.2	162.5	13.8
EBIT	152.1	11.3	137.9	11.7
EBT	140.4	10.4	128.5	10.9
Net result of discontinued operations	5.3	0.4	–	–
Group earnings	97.5	7.2	87.9	7.5
Earnings per share (€)	7.32		6.57	

For the Group, cost of sales in 2010 climbed 15.2 percent (from €916.3 million to €1,055.9 million), its rate of increase equaling that of sales; therefore, the relative gross margin remained at an unchanged 21.9 percent.

General administrative and selling (GAS) expenses advanced in 2010 from €134.2 million to €157.7 million; as a share of sales, GAS expenses edged up from 11.4 to 11.7 percent.



Vossloh Group: sales and EBIT trends 2008–2010

With the Group's net other operating income inching down from €26.0 million to €24.2 million and with cost ratios slightly changed, the upward movement of EBIT was shallower than that of sales: Vossloh's EBIT improved 10.3 percent from €137.9 million to €152.1 million while the EBIT margin remained well above the internal benchmark of 10.0 percent.

Group EBIT at a record €152.1 million

Since the purchase price for the new Rail Services business unit fell due in 2010, net interest expense expanded to €11.7 million (up from €9.4 million). The Group's tax load ratio was an unchanged 25 percent approximately, thanks to the 12.5-percent tax burden in China (still half the customary rate) and the tax subsidy in favor of the local development of new products that benefited Vossloh's Spanish locations.

Group earnings mounted 10.9 percent in 2010 to €97.5 million. In the wake of the divestment in 2008 of Vossloh Infrastructure Services, the ensuing risks were reassessed and accruals of €5.3 million released to income as they were no longer deemed necessary. The minority interests in net income climbed from €8.8 million to €13.6 million. Earnings per share (EpS) of the Vossloh Group for 2010 came to €7.32, up from €6.57 for a virtually unchanged number of shares. Earnings per share from continuing operations reached €6.92 in fiscal 2010.

For fiscal 2010, Vossloh AG's Executive and Supervisory Boards will propose to the stockholders' meeting a dividend of €2.50 per share, equivalent to a total payout of €33.3 million. The respective figures for 2009 had been €2.00 and €26.6 million.

Proposed dividend of €2.50

Due to the significantly higher average capital employed, the Vossloh Group's ROCE contracted, as expected, from 20.5 percent a year ago to 17.2 in 2010 but nonetheless remained clearly above Vossloh's internal benchmark of 15 percent. The prime reason for the CE increase was the acquisition of Vossloh Rail Services, another factor was the higher working capital. Despite the elevated CE baseline, Vossloh clearly outearned its WACC of 11 percent (determined for the Group for 2010), the premium being hence over 6 percent.

Group's ROCE at 17.2 percent

Order intake up

Orders booked by the Vossloh Group in fiscal 2010 added up to €1,344 million (up from €1,140 million). At year-end 2010, order backlog was virtually unchanged at €1,085 million (down from €1,092 million).

Order intake and backlog at Rail Infrastructure were upgraded again. This division reported just under €1 billion worth of new business (precisely, €987 million) and all three units shared in the increase from €754 million the year before. Rail Infrastructure is setting off in 2011 with an order backlog of €517 million as of December 31, 2010.

In contrast, the aftermath of the financial and economic crises was still experienced in the Transportation division in 2010, especially at Vossloh Rail Vehicles in Valencia. Whereas Vossloh Locomotives, Kiel, as well as Vossloh Electrical Systems reported rising order intake and backlog, both figures were down at Vossloh Rail Vehicles. As a consequence, the division's order backlog fell year-on-year from €670 million to €568 million.

Vossloh divisions: order backlog

€ million	2010	2009
Rail Infrastructure	517	422
Transportation	568	670
	1,085	**1,092**

Financial position and investing activities

As the Group's management holding company, Vossloh AG is also responsible for managing the Group's finance and funding. Besides the central intragroup control and channeling of cash flows, Corporate Treasury Management is in charge of securing the finances of all subsidiaries as well as of hedging and managing financial risks, which include not only liquidity risks but also and in particular those from interest and exchange rate fluctuations. Hedging instruments comprise financial derivatives, too. The group companies' funding level is largely ensured by Vossloh AG providing the necessary cash resources intragroup. Only in isolated cases where funding outside Germany is either economically preferable or required by law will a subsidiary obtain finance locally.

The Vossloh Group's net financial debt as of December 31, 2010, rose to €136.6 million (up €66.4 million from €70.2 million a year ago), basically as the price for the acquisition of the new Rail Services business unit was paid. At year-end 2010, financial debts of €212.5 million (down from €227.5 million) contrasted with cash and cash equivalents of €75.9 million (down from €157.3 million). The net leverage (i.e., the ratio of net financial debt to equity) in 2010 was 23.5 percent (up from 14.3).

Acquisitions raise net debts

Vossloh Group: net leverage

		2010	2009
Total equity	€ mill.	580.0	492.6
Net financial debt	€ mill.	136.6	70.2
Net leverage	%	23.5	14.3

Financial debts in 2010, whose total barely changed year-on-year, substantially represented the long-term debt of around €180.3 million raised by Vossloh in 2004 by a two-loan private placement from the US capital market. The first and second fixed-rate US dollar loans (at $140 million and $100 million) fall due in 2014 and 2016, respectively. Since the funds were borrowed in US dollar at fixed rates, principal and interest payments have entirely been hedged on a euro basis through interest rate and cross-currency swaps. This means that both loans will be repayable at fixed euro-based rates of 5.325 and 5.455 percent, respectively.

The remaining financial debts of a total €32.2 million as of the balance sheet date mainly comprised short-term borrowings, the largest amount being the €15.5 million raised by Vossloh Fastening Systems China alone.

Vossloh Group: cash flow analysis

€ million	2010	2009
Cash flow from operating activities	139.1	44.9
Cash flow from investment activities	(151.1)	(52.3)
Cash flow from financing activities	(71.8)	(84.1)
Net cash outflow	**(83.8)**	**(91.5)**

Cash flow from operating activities at €139.1 million

The net cash provided in 2010 by the Group's operating activities soared from €44.9 million a year ago to €139.1 million. In contrast to fiscal 2009, a period adversely affected by the steep buildup of working capital, the higher working capital had only a minor weight on cash flow.

The net cash of €151.1 million used in investing activities in 2010 (up from €52.3 million) chiefly surged due to the cash outflows of a total €57.9 million for added intangible and tangible assets, another heavyweight being the €86.6 million cash paid for the Vossloh Rail Services acquisition and also other M&A. In a year-on-year comparison, fiscal 2009 had seen no major M&A transaction and also far lower expenditures for tangible assets.

The cash outflows for financing activities mainly went into the repayment of €31.9 million for short-term loans and the €36.5 million payout of cash dividends to minority interest holders and Vossloh stock owners, the latter accounting for €26.6 million alone.

The operating leases existing at December 31, 2010, will require future cash outflows of €40.5 million, including €11.2 million in 2011. In 2009, future cash outflows had totaled €40.2 million.

Unutilized cash credit facilities of €252.3 million

As of December 31, 2010, unutilized cash credit facilities of €252.3 million were available to the Vossloh Group (up from €172 million). For details, see the chapter on risk and reward management starting from page 56. At the closing date, no restrictions existed that could adversely affect the availability of the financial resources.

Vossloh Group: capital expenditures and amortization/depreciation				
€ million	2010		2009	
	Capex	Amort./deprec.	Capex	Amort./deprec.
Rail Infrastructure	29.3	25.5	21.6	11.5
Transportation	25.2	13.3	19.4	12.2
Holding companies	3.4	0.7	0.9	0.9
	57.9	**39.5**	**41.9**	**24.6**

The Group's capital outlays in 2010 of €57.9 million for intangible and tangible assets, up by €16.0 million, again outstripped by far amortization and depreciation of €39.5 million (up from €24.6 million).

Capex of €57.9 million

Both Vossloh divisions significantly boosted their capital expenditures in 2010: Rail Infrastructure spent €29.3 million (up from €21.6 million), Transportation €25.2 million (up from €19.4 million). The Fastening Systems business unit expanded its capacities, pushing up its total capex from €4.6 million in 2009 to €12.1 million in 2010. Vossloh Switch Systems' outlays centered on modernization and capacity extension projects and shrank to €14.2 million (down from €17.0 million). The Rail Services business unit started on the development of three new trains for its innovative high-speed grinding operations and appropriated most of its capex of €3.0 million to this project.

Expenditures on more capacities and new products

Vossloh Group: breakdown of capital expenditures				
€ million	2010		2009	
	Capex	%	Capex	%
Development costs	18.1	31.2	9.7	23.2
Other intangibles	1.7	2.9	1.9	4.5
Land and buildings	2.5	4.3	2.2	5.3
Production plant and machinery	14.0	24.2	9.8	23.4
Other plant, factory and office equipment	7.4	12.8	6.5	15.5
Prepayments made, construction in progress	14.2	24.6	11.8	28.2
	57.9	**100.0**	**41.9**	**100.0**

Expenditures of the Transportation Systems business unit totaled €22.4 million in 2010 (up from €15.2 million). Both locations (Kiel and Valencia) substantially pushed ahead with the development of new products. Vossloh Electrical Systems' capex came to €2.8 million (down from €4.2 million): Vossloh Kiepe's spending focused on the modernization, M&R, upkeep and replacement purchases of plant, equipment, and buildings.

Asset and capital structure

The Group's higher total assets—climbing €67.4 million from €1,338.4 million at the close of 2009 to €1,405.8 million as of December 31, 2010—primarily reflect the newly consolidated Rail Services business unit, which also accounted for the lion's share in the steep fixed-asset ascent by €132.5 million to €590.7 million.

Equity ratio: 41.3 percent

At 41.3 percent, Vossloh's equity ratio improved appreciably year-on-year (up from 36.8 percent at December 31, 2009), a key equity booster being group earnings. In absolute terms, total equity swelled from €492.6 million a year ago by €87.4 million to €580.0 million at December 31, 2010.

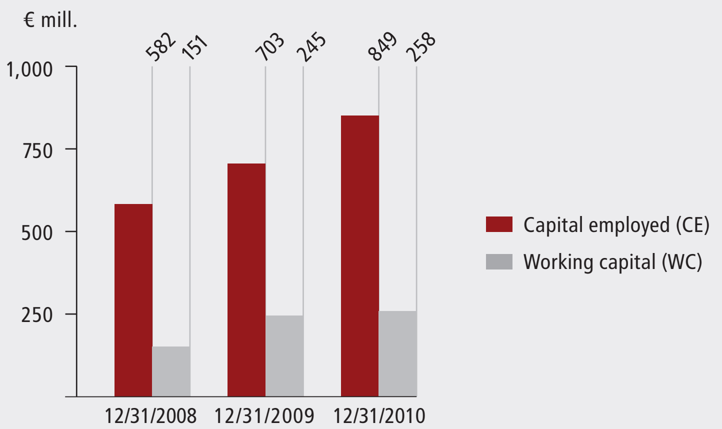
Vossloh Group: asset and capital structure

		2010	2009
Total assets	€ mill.	1,405.8	1,338.4
Total equity	€ mill.	580.0	492.6
Equity ratio	%	41.3	36.8
Closing working capital (WC)	€ mill.	258.0	245.1
Closing capital employed	€ mill.	848.6	703.2
Year-end working capital intensity	%	19.1	20.9
Fixed assets	€ mill.	590.7	458.2
Return on equity (ROE)	%	24.2	26.1

In a year-on-year comparison, the Vossloh Group's closing working capital moved up €12.9 million or 5.3 percent, from €245.1 million to €258.0 million. Related to sales, the working capital intensity as of December 31, 2010, was upgraded to 19.1 percent (down from 20.9). Vossloh's average working capital amounted to €309.0 million (up from €231.7 million). Due to the €77.3 million higher average WC, working capital intensity worsened on average, too (up from 19.7 percent to 22.9). A bulging trade receivables portfolio was the key reason for the Group's average working capital buildup.

Working capital intensity: 19.1 percent

It was chiefly the newly consolidated Rail Services business unit that hiked up closing capital employed, by €145.4 million or 20.7 percent from €703.2 million to €848.6 million. Capital employed in 2010 averaged €884.5 million (up €210.5 million from €674.0 million), essentially due to the first-time inclusion of Vossloh Rail Services, another (albeit minor) CE driver being the average WC buildup within the Group.



Vossloh Group: CE and WC trends 2008–2010

Shareholder value management

ROCE at 17.2 percent despite higher capital employed

As expected, the Vossloh Group's ROCE contracted in 2010. Although, at 17.2 percent, ROCE did sink from the prior year's 20.5, the internal benchmark of 15 percent was easily outperformed, the M&A-related CE leap not withstanding. Based on an 11-percent WACC for the Group in 2010, Vossloh earned a premium of 6.2 percent.

The Rail Infrastructure division with an ROCE of 20.6 percent achieved a premium of 9.6 percent. Although this division's EBIT of €141.9 million outgrew the prior year's by 13.5 percent, the rise in average capital employed was steeper in the wake of the first-time consolidation of Vossloh Rail Services.

With an ROCE of 14.5 percent, the Transportation division earned a premium of 3.5 percent in 2010: the year-on-year increase in average capital employed combined with a lower EBIT eroded ROCE.

Vossloh Group: shareholder value management

		2010	2009
Average capital employed	€ mill.	884.5	674.0
ROCE	%	17.2	20.5
Value added (VA)*	€ mill.	54.8	63.7

*Based on an 11-percent WACC.

The €210.5 million higher capital employed notwithstanding, the Vossloh Group's value added (VA) came to €54.8 million before taxes and after WACC of 11 percent. In 2009, the pretax VA amounted to €63.7 million, based on capital employed of €674.0 million. Rail Infrastructure added value of €66.1 million to the Group's, albeit this was just below the prior-year €67.5 million, it was again the lion's share. The Transportation division contributed €6.6 million to Vossloh's VA (down from €18.6 million).

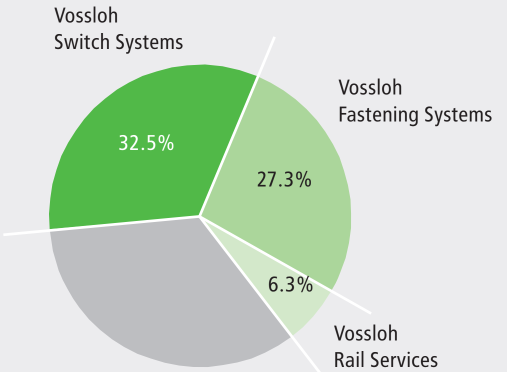
Value added: €54.8 million

Based on the current WACC, the Vossloh Group's posttax value added in 2010 totaled €48.1 million, breaking down into Rail Infrastructure's of €53.9 million and Transportation's of €6.7 million.

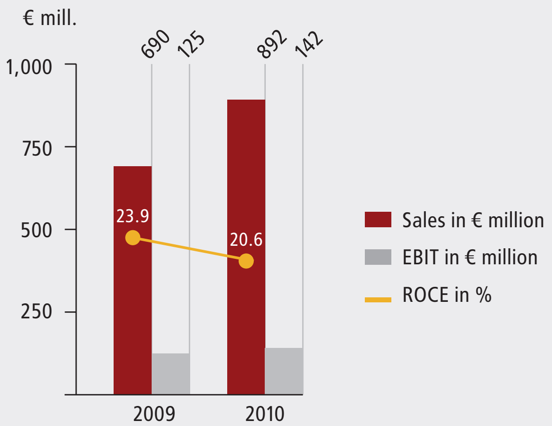
Vossloh Fastening Systems improving sales by over €100 million

Vossloh Switch Systems still the biggest business unit with sales of €439 million

Vossloh Rail Services adding sales of almost €85 million



Shares of business units in group sales



Rail Infrastructure division: sales, EBIT and ROCE trends

Rail Infrastructure business trend

Unchanged, the Rail Infrastructure division comprises the two business units, Fastening Systems and Switch Systems, and since January 1, 2010, has also included the newly acquired Rail Services business unit.

Sales rising 29.2 percent

Combined, the three units generated sales of €891.5 million in 2010 (up 29.2 percent from €690.3 million). Since the newcomer, Vossloh Rail Services, generated €84.8 million, purely organic growth added up to 16.9 percent. The prime driving force of such growth within this division and indeed throughout the Group was Vossloh Fastening Systems whose annual sales climbed to €369.4 million, a surge of 38.3 percent. The Group's biggest business unit in terms of sales, Vossloh Switch Systems reported a revenue rise of 3.3 percent to €439.0 million. All three business units benefited from a growing rail infrastructure maintenance and revamping demand by operators worldwide. Vossloh Fastening Systems, moreover, generated a major portion of sales and sales gains in China.

Rail Infrastructure

		2010	2009
Sales	€ mill.	891.5	690.3
EBITDA	€ mill.	167.8	136.5
EBIT	€ mill.	141.9	125.0
EBIT margin	%	15.9	18.1
Closing working capital	€ mill.	234.5	210.2
Year-end working capital intensity	%	26.3	30.5
Fixed assets	€ mill.	431.9	310.6
Capital expenditures	€ mill.	29.3	21.6
Amortization/depreciation	€ mill.	25.5	11.5
Closing capital employed	€ mill.	666.5	520.8
Average capital employed	€ mill.	688.7	522.3
ROCE	%	20.6	23.9
Value added	€ mill.	66.1	67.5

At €66.1 million, the value added (VA) by the Rail Infrastructure division in 2010 virtually nudged the prior-year €67.5 million. Despite the first-time consolidation of the new business unit, the ROCE of 20.6 percent was well above the 15-percent corporate benchmark. All three business units added value.

ROCE at 20.6 percent; value added at €66.1 million

The slight downturn in VA and ROCE was basically attributable to the significant €166.4 million rise in average capital employed to €688.7 million in the year under review, mainly in the wake of the Vossloh Rail Services acquisition. Another (albeit weaker) CE-raising factor was the average working capital of €269.4 million, which swelled from €220.3 million a year ago thanks to the sales uptrend. In contrast, average working capital intensity improved from 31.9 percent in 2009 to 30.2 in the period.

The Rail Infrastructure division succeeded in 2010 in again stepping up its EBIT to a new record level, from the high prior-year €125.0 million by another 13.5 percent to €141.9 million. Since cost of sales as a percentage of sales climbed, the division's EBIT margin, though missing the 2009 record, stayed at a very commendable 15.9 percent.

Vossloh Fastening Systems

Business branching out in all the big regions

Business at Vossloh Fastening Systems again forged ahead in fiscal 2010, with sales at €369.4 million leaping 38.3 percent or €102.3 million. As in preceding periods, most of the growth momentum was generated outside of Germany although here, too, sales were likewise higher. Advances were most emphatic in China and Turkey. Other countries with sizable shares of revenue were Italy, Austria, Russia, Kazakhstan, Libya, Netherlands, Saudi Arabia, Poland, the USA, and Taiwan. Sales abroad accounted for about 90 percent, outside of Europe for 60 percent. Vossloh Fastening Systems ships its products to over 65 countries.

Since 2007, Vossloh Fastening Systems has had its own local production subsidiary in China and in fiscal 2010 the joint venture, run together with two Chinese partners (Vossloh's stake 68 percent), was mostly concerned with fitting out the high-speed rail line from Beijing to Shanghai. The last of the shipments for this megaproject was completed at the start of October 2010. Sales in China were up by over 50 percent. In August 2010, Vossloh Fastening Systems China was awarded another megacontract by the Chinese Railways Ministry for likely execution in 2011 and 2012. The fasteners are destined for the Lanzhou–Urumqi line in the northwest of the country. An additional bending line in China will help expand local production capacities by about one-third and address the expected steep demand for high-speed rail fasteners.

The Russian state railway RZD awarded Vossloh Fastening Systems in October 2010 its first contract for rail fasteners intended for upgrading existing lines. The order is worth around €10 million. The fasteners have been specifically engineered for the Russian climate. The nation is the world's third-biggest rail market and here, too, Vossloh Fastening Systems plans to enter a joint venture with a local partner.

New all-time highs in order intake and backlog

An order intake of €421.4 million and a year-end order backlog of €206.0 million represent new all-time highs for Vossloh Fastening Systems (up from €349.0 million and €154.1 million, respectively).

Capital expenditures by this business unit zoomed from the prior year's €4.6 million to €12.1 million. The production locations in Werdohl, China, and Turkey all expanded their capacities. For this year, the business unit has earmarked again rising outlays at around €17 million. A large share will go to the setting-up of a rail fastener facility in Russia.

Value added by Vossloh Fastening Systems shrank year-on-year from €58.0 million to €54.3 million, mainly due to this business unit's thicker receivables portfolio and consequently higher average capital employed.

Vossloh Switch Systems

Sales of €439.0 million

This business unit reported sales of €439.0 million in 2010 (up 3.3 percent or €14.1 million). Western European sales were up—especially in France, Netherlands, and Switzerland—and so were Southern European. US sales likewise regained their pre-2009 magnitude. On balance virtually unchanged were sales in Scandinavia. Business in Australia stayed buoyant. In Asia as well as Eastern and Northern Europe sales were down.

Order intake of €482.8 million

Order intake at Vossloh Switch Systems in 2010 swelled from €405.7 million to €482.8 million. Year-end 2010 orders on hand amounted to €310.9 million (up from €267.1 million). The biggest item was the contract awarded in August 2010 worth €77.5 million for fitting out two planned railway lines in Libya by 2012. Likewise of significance is the framework contract awarded in the summer 2010 by Trafikverket, the Swedish infrastructure authority, for the supply of "Easyswitches" over a period of ten years with an option for another five. The total deal is valued at around €100 million and will be booked as new business as and when the orders are actually placed.

Capital expenditures added up to €14.2 million (down by €2.8 million). Several locations carried out modernization and capacity expansion work in 2010. Expenditures are set to rise appreciably to €27 million this year. Most will be absorbed by a new switch facility on the Wuhu site (close to Nanjing, Anhui Province) scheduled for completion by the end of 2011, and to be built together with two local partners. Also planned are modernization and capacity expansion expenditures.

Value added by the Switch Systems business unit contracted year-on-year from €9.6 million to €5.2 million as its capital employed grew.

Vossloh Rail Services

As from January 1, 2010, the Vossloh Group has included the new Rail Services business unit among its consolidated companies. Most of the constituent companies currently operate in Germany and focus their business on rail welding, rail logistics, and rail maintenance. Sales amounted to €84.8 million.

New orders in 2010 totaled €85.7 million; orders on hand at year-end were negligible since the business unit supplies its services on demand on the basis of short waiting and execution times.

High-speed grinding with plenty of potential

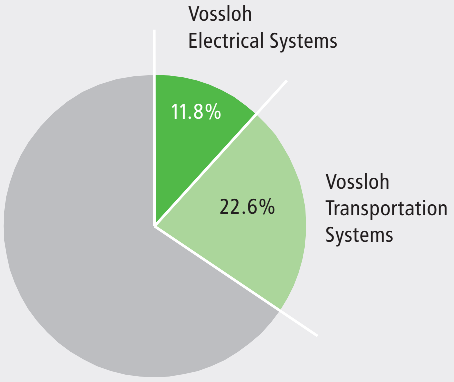
Vossloh Rail Services has developed an innovative, preventive maintenance technique for rails—high-speed grinding (HSG). The rails are ground at speeds of over 80 km/h. Vossloh Rail Services sees a substantial demand in and outside Germany for this service and is therefore investing in the development of three new HSG trains which will constitute the major item of expenditure of €15 million earmarked for this business unit in 2011. Capital expenditures by Vossloh Rail Services totaled €3 million in 2010, most of which went into the development of the new grinding train.

Value added by Vossloh Rail Services came to €6.7 million in 2010.

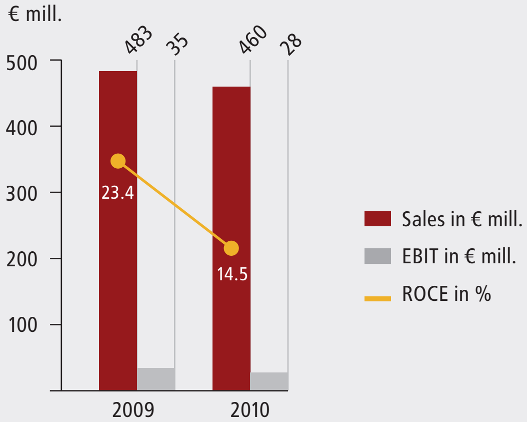
Transportation Systems still affected by the aftermath of the financial crisis, hence sales and order backlog down

Electrical Systems again growing

Expenditures on new locomotive models and a complete lineup for local transit



Shares of business units in group sales



Transportation division: sales, EBIT and ROCE trends

Transportation business trend

The turn of 2009/10 saw a renaming of certain Vossloh Group divisions and business units. One outcome was that the previous *Motive Power&Components* is now *Transportation*. This division still includes the Group's vehicle and component products and subdivides into the two business units of Electrical Systems and (renamed) Transportation Systems (previously *Locomotives*). The two production locations of Vossloh Transportation Systems are (still) Kiel, again known as Vossloh Locomotives, and Valencia, now renamed Vossloh Rail Vehicles. The more precise redesignation of the Spanish location does justice to its broader product range that meanwhile extends beyond the development of locomotives to embrace a complete lineup of local transport rail vehicles and trams.

Locomotive business weaker; trams and other LRVs stronger

Sales by the Transportation division in 2010 added up to €459.7 million, 4.9 percent short of the prior year's. Both locations of Vossloh Transportation Systems reported shrinking sales. The slump in freight haulage caused by the economic and financial crises had led to a significant reduction in locomotive orders in fiscal 2009 and in turn to shrinking sales at the Kiel location in 2010. Valencia-based Vossloh Rail Vehicles managed to largely offset poor locomotive business through rising sales from commuter trains. Nonetheless, its business as a whole was likewise down. Vossloh Electrical Systems, in contrast, maintained its recent years' growth. Repeated vigorous demand for trams and other light rail vehicles drove business at this unit.

ROCE of 14.5 percent; value added €6.6 million

The surging capital employed combined with a shrinking EBIT slashed Transportation's ROCE from 23.4 percent a year ago to 14.5 in 2010. Value added by the division slimmed down year-on-year from €18.6 million to €6.6 million. The Transportation division's average capital employed rose from the previous year's €150.8 million to €189.5 million in fiscal 2010, essentially in the wake of a working capital surge: in 2010 the 12-month average soared to €45.9 million (up from €18.1 million). The reason for the working capital increase was the still sluggish locomotive order intake and the accompanying lower downpayment volume.

The Transportation division's EBIT receded from €35.2 million to €27.5 million, the EBIT margin sliding from 7.3 to 6.0 percent. Both business units made positive contributions to EBIT.

Transportation

		2010	2009
Sales	€ mill.	459.7	483.2
EBITDA	€ mill.	40.7	47.4
EBIT	€ mill.	27.5	35.2
EBIT margin	%	6.0	7.3
Closing working capital	€ mill.	31.3	40.9
Year-end working capital intensity	%	6.8	8.5
Fixed assets	€ mill.	149.1	136.6
Capital expenditures	€ mill.	25.2	19.4
Amortization/depreciation	€ mill.	13.3	12.2
Closing capital employed	€ mill.	180.3	177.5
Average capital employed	€ mill.	189.5	150.8
ROCE	%	14.5	23.4
Value added	€ mill.	6.6	18.6

Vossloh Transportation Systems

Sales falling to €304.8 million

The Transportation Systems business unit reported a 9.3-percent year-on-year downturn in sales from €336.2 million to €304.8 million, with revenue receding at both locations. The share of sales per location varied barely: Kiel-based Vossloh Locomotives accounted for about 34 percent at around €102 million whereas Vossloh Rail Vehicles in Valencia contributed some 66 percent at approximately €203 million.

Total order inflow down

Order intake picked up conspicuously at Kiel; at Valencia, the rate of new orders retroceded. Altogether, Vossloh Transportation Systems reported an order influx of €195.9 million (down from €253.0 million). At year-end 2010, orders on hand came to €339.2 million (down from €448.1 million), enough for almost twelve months of production. In Q1/2011, Vossloh Transportation Systems received new orders of €100+ million, including a megacontract for 29 locomotives (models EURO 4000 and EURO 3000) awarded to the Valencia location, as well as several center-cab locomotives ordered from the Kiel plant.

Capital expenditures at Vossloh Transportation Systems totaled €22.4 million (up from €15.2 million) for the period. Efforts directed by both locations at developing new products were stepped up appreciably and another €20 million will probably be spent in 2011 on continuing these projects. Even in 2010, a large share of Kiel's incoming business was sourced from new locomotive models. In 2011, both Kiel and Valencia are expecting stronger demand for their new models.

Given the tepid business, the Transportation Systems business unit reported value added of a red €9.0 million in 2010 (down from a black €1.7 million a year ago).

Valencia location

Vossloh Rail Vehicles reported sales of €202.5 million (down from €215.3 million) for 2010, with locomotive business accounting for only around 32 percent of revenue compared with 59 the year before. Among the customers shipped out to in 2010 was again the French state rail SNCF which received diesel locomotives from Vossloh, acting as a subcontractor of Alstom. Customers of the EURO 4000 diesel locomotives were leasing companies and private freight haulage operators in France and Spain.

Valencia location with sales of €202.5 million

Business in commuter trains and light rail vehicles rose sharply in 2010. A good 68 percent of Vossloh Rail Vehicles' sales was generated from the production of urban rail vehicles, bogies, and other components. Key account in this product segment in 2010 was FGV (Ferrocarrils de la Generalitat Valenciana), the metro, light rail and tram operator of Valencia and Alicante.

First order for LRVs with Vossloh's proprietary electric driveline

Capital expenditures by Vossloh Transportation Systems in 2010 for Valencia amounted to €11.1 million (up from €8.0 million) and focused on the development of the freight and passenger locomotive EURO*LIGHT* plus a new type of tram with electrical components sourced from the Electrical Systems business unit. This year, spending at Valencia is targeting ongoing development work on the EURO*LIGHT* and on trams.

Kiel location

Sales at Kiel-based Vossloh Locomotives again fell expectedly short in 2010, sinking 15.8 percent or €19.2 million from €121.7 million to €102.5 million. Kiel develops and builds center-cab locomotives solely for freight haulage. This is a market segment that was weaker in 2009 as a result of the plunge in freight haulage. Given the extended lead times typical of this business, it was in 2010 only that the curbed order activity impacted on sales. Shipments last year totaled 31 units (down from 48). Most of the units comprised the proven G 1000, G 1206 and G 2000 series. The first of the new G 6 were also delivered.

Kiel location with sales down but order intake recovering

As the year progressed, there were evident indications of a recovery in the market for shunting locomotives. Orders booked by Vossloh Locomotives, Kiel, shot up by over 150 percent but were nonetheless still short of the figure for 2008. A big portion of the new business was accounted for by the G 6 launched in 2008 and of which 26 were sold. These ultramodern triple-axle shunters are stimulating interest not only in Germany but elsewhere in Europe, too.

Capital expenditures at Vossloh Locomotives rose from €7.2 million to €11.3 million and were largely absorbed by development work on the diesel-electric locomotives fitted out with electric traction systems from Vossloh Kiepe. The first prototype of the new series supplementing the Vossloh Locomotives lineup of diesel-hydraulic units was showcased at the industry fair InnoTrans in September 2010. Named DE 12 and DE 18, the two diesel-electrics are members of a family engineered to a uniform platform whose modularity delivers substantially improved quality, cost-efficiency and serviceability benefits. This year further expenditures have been earmarked for this family.

Vossloh Electrical Systems

Sales up 7.8 percent

As in previous periods, Vossloh Electrical Systems upped its sales in 2010, this time by 7.8 percent or €11.5 million to €160.0 million. The added revenue was mostly sourced from electrical systems fitted to trams and other light rail vehicles. In contrast, sales in the buses product group were down. Geographically, the main markets were Germany and elsewhere in Europe. During the year, Vossloh Electrical Systems fitted out and revamped new and existing light rail vehicles operating in Düsseldorf, Dortmund, Bremen, Manchester and Edinburgh. Trolleybus projects were carried out for Lausanne, Winterthur, Milan, etc.

For several years now, the business unit together with selected associates has been involved in the development and manufacture of hybrid buses. The first of these were shipped out to Luxembourg back in 2008. They were succeeded in 2010 by others to Düsseldorf, Wuppertal/Hagen/Ennepetal, and Dortmund. Last year, Vossloh Electrical Systems was awarded new orders for fitting out hybrid buses for Leipzig, Dresden, Lübeck, and Darmstadt.

Vossloh Electrical Systems is playing a major development role in the electric traction systems for the new locomotives and commuter trains from Kiel and Valencia. This work has been going on since 2009 together with Transportation Systems' two production locations. The business unit is also supplying the electric traction system for the train-tram destined for Mallorca to be supplied by Vossloh Rail Vehicles. The DE 18 diesel-electric locomotive showcased at InnoTrans and the DE 12 also feature a Vossloh Kiepe driveline.

Electric drive systems for locomotives and commuter trains

Order intake at Vossloh Electrical Systems mounted from €134.4 million to €170.1 million; orders on hand at year-end climbed, too, from €222.1 million to €232.2 million, and so orders are enough to keep the Electrical Systems business unit busy for well over a year. Due for shipment in 2011 and thereafter are projects involving refurbished and new products for Berlin, Cologne, Bonn, Bielefeld as well as Belgrade, Kraków, and elsewhere. Once again, it will be the light rail and tram product groups that generate the major share of sales.

Order intake and backlog up

The business unit's capital expenditures dropped from €4.2 million to €2.8 million and focused on revamping, maintaining and replacing plant and machinery, buildings and equipment. Spending this year is budgeted at around €9 million a substantial share of which will be absorbed by the purchase of additional plant premises including office buildings in Düsseldorf to improve workflows and facilitate the necessary capacity expansion.

The value added by Vossloh Electrical Systems slipped from €16.9 million to €15.7 million.

Vossloh AG

As management and financial holding company, Vossloh AG parents the Vossloh Group, and controls and oversees all major operations and activities within the Group. Besides determining corporate strategy and controlling corporate development, Vossloh AG allocates the financial resources, such as for capital expenditures, investments and M&A, is responsible for corporate accounting and controlling, groupwide treasury management, risk and reward management, internal auditing, as well as for IT, investor relations, and corporate communications. It oversees sales and marketing communication activities and coordinates or pools sourcing processes of its subsidiaries, besides being in charge of human resources policy, HR development and top management issues.

Analysis of the separate financial statements

As nonoperating holding company, Vossloh AG's revenue—€1.2 million (down from €1.4 million) for 2010—consists of rental income and intercompany allocations. The operating expenses are mainly incurred in connection with the Company's management and financing functions. Therefore, EBT is substantially influenced by general administrative expenses, other operating income/expenses and the net financial result. In fiscal 2010, the administrative expenses of €20.7 million were €1.1 million above the prior year's, basically as trade fair expenses surged in the wake of InnoTrans, the international transport technology fair held every other year in Berlin. Personnel expenses shrank by €0.7 million to €8.2 million; the annual average headcount moved down by 3 employees to 48. Year-on-year, the Company's other operating income climbed €0.8 million to €16.7 million and includes mainly income from the apportionment to subsidiaries of taxes, marketing fees and IT expenses.

In addition to the administrative expenses and the net other operating income or expense, the net financial result, which inched up from €39.9 million a year ago to €40.9 million in 2010, impacts materially on Vossloh AG's EBT since the Company is also the financial holding company of the Group and therefore owns its major subsidiaries.

Key components of the net financial result for 2010 were the €10.0 million dividend income from Vossloh France SAS, as well as the profits transferred by Vossloh-Werke GmbH, Vossloh Kiepe GmbH, and Vossloh Rail Services GmbH, together accounting for €49.4 million (down from €55.4 million).

Interest expense of €14.8 million (up from €14.6 million)—primarily for refinancing the Group's capital requirements—contrasted in 2010 with interest income of €7.7 million (up from €6.1 million) from granting short-term credit or medium-term loans to consolidated subsidiaries. A major weight on net financial income was the loss of a total €11.6 million absorbed from subsidiaries, mainly Vossloh Locomotives GmbH (up from €3.8 million). Vossloh AG's net income of €32.1 million for 2010 is €3.0 million above the prior year's, thanks not only to the somewhat upgraded operating and financial results but also the lighter income tax load (down from €2.2 million to €0.5 million). In contrast, extraordinary expenses of €3.8 million weighed on net income due to the first-time application of the new German accounting legislation (BilMoG).

Newly applying the BilMoG provisions to the balance sheet was also the reason for the plunge in total assets as of December 31, 2010: these wilted year-on-year from €815.4 million to €734.8 million since the treasury stock, previously stated non-netted, is now disclosed neither on the asset side nor within the reserves retained from earnings but its theoretical par value of €3.7 million is directly offset against the capital stock. The amended disclosure rule resulted in a €102.6 million decrease in the balance sheet total. The stock repurchase program (commenced October 15, 2008, and ended March 20, 2009) resulted in 1,470,630 treasury shares being held as of December 31, 2010, acquired at an average cost of €69.52 per share.

Other factors impacting on the Company's asset and capital structure were higher fixed assets, intercompany receivables/payables, and changes in the finance mix. The €27.4 million rise in fixed assets to €506.0 million as of year-end 2010 is largely attributable to the €23.0 million increase in Vossloh Rail Services GmbH's share capital, as well as to mounting capital expenditures for this subsidiary's Werdohl location. Intercompany receivables and payables climbed €74.9 million and €48.5 million, respectively. Given the amended treasury stock disclosure, Vossloh AG's equity totaled €394.1 million, down year-on-year by €96.7 million despite the €32.1 million net income. The equity ratio slipped from 60.2 to 53.6 percent.

Vossloh AG's financial position depends on the funds needed by subsidiaries and the borrowings made by the Company to refinance such requirements. The debt raised in 2004 from the US capital market by way of private placement, carried within sundry liabilities, amounted to an unchanged €203.9 million. The other borrowings crumbled from €26.0 million a year ago to €0.1 million as of December 31, 2010; cash and cash equivalents were slimmed down by €47.9 million to €0.7 million.

Board compensation report

This report summarizes the principles underlying remuneration of Vossloh AG's Executive Board members and specifies the details of structure and amount of income of each such officer. In addition, the report describes principles and level of Supervisory Board fees.

Remuneration of Executive Board members in 2010

The compensation of Executive Board members ("executive officers") breaks down into a fixed annual basic salary and an annual profit share, the fixed portion being paid out in monthly installments. The profit share is payable when the annual financial statements have been adopted. In fiscal 2010, an outside consultant specializing in compensation issues reviewed the Executive Board's compensation for a fair and reasonable scale and concluded that the overall compensation of the Executive Board represents fair and reasonable remuneration for each member's functions, duties, and personal performance, as well as for Vossloh's economic situation, successful performance and future prospects, besides being in line with industry peers and in proportion to Vossloh's general pay system.

The variable compensation (profit share) is linked to group earnings.

In fiscal 2010, Vossloh AG's executive officers received a total compensation of €2,839,517 (down from €3,050,230), including €759,326 of fixed, and €2,045,300 variable, remuneration. In addition, they received noncash fringes of €34,891 (tax base) as payments in kind (PIK), basically in the form of private company car use. PIK income is taxable income of each executive officer.

Vossloh AG's Executive Board members received no compensation for services performed on behalf of subsidiaries.

Moreover, they have been granted entitlements to defined postretirement benefits in the form of pension payments upon long-term invalidity or disability or as from the retirement age of 63. Depending on the years of service on the Executive Board, annual pension benefits amount after a minimum 3-year board membership to 15 (Dr.-Ing. Schiedeck) or 35 percent (Werner Andree), and are stepped up by 4 percent annually (as from April 1, 2010, or Jan. 1, 2005, respectively) to a maximum of 60 percent, of the pensionable annual basic compensation. In fiscal 2010, a total €1,182,489 was provided for accrued pension obligations to Executive Board members (up from €508,867). Current postretirement pensions are adjusted annually in line with the collective pay trend of white-collar employees.

The table below itemizes the remuneration of each executive officer:

€	Short-term benefits				Retirement benefits	
	Fixed salary	PIK	Profit share	Total	Provision in 2010	Total accrued
CEO Werner Andree	461,767	15,315	1,247,134	1,724,216	923,828	2,604,120
COO Dr.-Ing. Norbert Schiedeck	297,559	19,576	798,166	1,115,301	258,661	381,502
Total	**759,326**	**34,891**	**2,045,300**	**2,839,517**	**1,182,489**	**2,985,622**

Upon an active or former executive officer's death, a reduced pension is paid to their surviving dependants, spouses receiving a maximum 60 percent of the most recently paid pension, children a maximum 20 percent up to a certain age and while articled or undergoing other education.

No contractual arrangements with Executive Board members exist for any change of control.

No loans or advances were granted in 2010 to any Executive Board member.

The compensation paid as current pensions to former executive officers and their surviving dependants totaled €612,274 (down from €674,597).

Pension obligations to former executive officers and their surviving dependants amounted to €11,411,253 (up from €8,648,353) and are fully covered by accruals.

The option introduced in 2008 by the Supervisory Board to grant Executive Board members a discretionary bonus was not exercised in 2010.

Remuneration of Supervisory Board members in 2010

The compensation of members of the Supervisory Board and its committees is fixed by the stockholders' meeting and governed by Art. 17 of the Company's bylaws. These fees hinge on each Supervisory Board member's tasks and responsibilities, as well as on the Group's business performance.

Besides being reimbursed for their out-of-pocket expenses and costs advanced, Supervisory Board members receive a fixed annual fee of €20,000 each. In addition, they are paid a variable annual fee of €1,000 for each €0.10 in excess of the Group's earnings per share over €2.00, calculated on the basis of shares issued.

The Supervisory Board Chairman receives 300 percent, the vice-chairman 150 percent and each committee member 125 percent. The Audit Committee Chairman receives three times the additional Audit Committee membership fee. Membership in the Slate Submittal Committee is remunerated by paying only an additional 25 percent of the fixed fee, provided that the Committee convened in the fiscal year. If the Supervisory Board Chairman is also committee member, no additional fee is paid to him.

In accordance with the bylaws, Supervisory Board members will receive a total €689,375 (up from €612,125), including €222,500 fixed and €466,875 variable, performance-related fees. The table below itemizes the fees allocable to each Supervisory Board member:

€	Fixed fee	Variable fee	Total
Dr.-Ing. Wilfried Kaiser, Chairman	60,000	135,000	195,000
Peter Langenbach, Vice-Chairman	42,500	84,375	126,875
Dr. Jürgen Blume	30,000	56,250	86,250
Dr. Christoph Kirsch	40,000	78,750	118,750
Wolfgang Klein	30,000	67,500	97,500
Michael Ulrich	20,000	45,000	65,000
Total	**222,500**	**466,875**	**689,375**

In addition to these fees, no Supervisory Board member received in 2010 any further compensation, benefits or advantages for personally rendered (consultancy or agency) services.

No loans or advances were granted in 2010 to any Supervisory Board member.

Statutory takeover-related disclosures under the terms of Arts. 289(4) and 315(4) HGB

Capital stock breakdown
Vossloh AG's capital stock of €37,825,168.86 is divided into 14,795,920 no-par bearer shares of common stock entitling to one vote each. In the course of 2010, options were exercised under the stock option programs, raising the capital stock by €127.82.

Restraints on voting rights or share transfer
One share entitles to one vote at the general meeting, the same rights attaching to all Vossloh AG shares. Share transfer or assignment is not subject to any restraint.

Voting right exercise and share transfer by members of the Vossloh Family Pool ("Familiengemeinschaft Vossloh GbR") have been pooled by contractual agreement.

Direct or indirect shareholdings of 10+ percent
The Executive Board is aware that a direct voting interest above 10 percent in the Company's capital stock exists: The Vossloh Family Pool has notified Vossloh AG that, as of February 2011, its members owned a stake of nigh 31 percent in the Company's capital stock.

Shares with controlling rights, etc.
No such shares exist at Vossloh AG.

Voting control of employee shareholdings
Vossloh-shareholding employees exercise their control rights like any other stockholder, too, in accordance with the law and Vossloh's bylaws.

Appointment/removal of Executive Board members; amendment of the bylaws
Vossloh AG's Executive Board members are appointed or removed in accordance with the provisions of Arts. 84, 85 AktG in conjunction with Art. 7 of the bylaws. Pursuant to Art. 84(1) AktG, Executive Board members are appointed by the Supervisory Board for a maximum term of five years, their reappointment or the renewal of their term of office being permitted. The appointment of an Executive Board member may be revoked in the cases set out in Art. 84(3) AktG.

While, according to Art. 179(1) AktG, the bylaws may be amended by vote of the general meeting, any wording-only amendment may also be delegated to the Supervisory Board. In conformity with Art. 21(2) of the bylaws but subject to overriding statutory provisions to the contrary, the general meeting shall pass its resolutions with the simple majority of votes cast. Where the law prescribes a stock ownership majority in addition to a voting majority, the simple majority of the capital stock represented at the vote shall suffice unless the provisions of the law or Vossloh AG's bylaws prescribe otherwise. Art. 27 of the bylaws authorizes the Supervisory Board to amend the bylaws where only their wording is involved.

Art. 4(8) of the bylaws further entitles the Supervisory Board to update the bylaws accordingly after the capital stock has been increased by utilizing authorized or contingent capital.

Stock issuance or repurchase authority of the Executive Board

Art. 4 of the bylaws specify the Executive Board's powers to issue new stock while the authority to repurchase treasury stock is based on the AGM resolution of May 19, 2010.

(a) Authorized capital

The provisions of Art. 4(2) of the bylaws authorize the Executive Board, subject to the Supervisory Board's approval, to increase the capital stock on or before May 19, 2014, by an aggregate maximum of €7,500,000 by issuing once or several times new no-par bearer shares of common stock against cash and/or noncash contributions ("Authorized Capital") while duly granting stockholders their statutory subscription right. However, after first obtaining approval from the Supervisory Board, the Executive Board may exclude this subscription right:

(i) for fractions entailed by the subscription ratio;

(ii) in order to (a) grant to holders of conversion rights, options and/or warrants which are outstanding when the Authorized Capital is utilized or (b) satisfy conversion obligations ensuing from convertible and/or warrant bonds previously floated or issuable by the Company or any of its wholly-owned subsidiaries, the right to subscribe for new shares to the extent which they would be entitled to as stockholders upon exercise of their conversion rights and/or options or upon satisfaction of their conversion obligations;

(iii) if (a) the new stock is issued against cash contributions at a price that is not significantly below the stock market price current for same-class Vossloh stock at the time at which the final issuance price is fixed, and (b) the newly issued stock exceeds an aggregate ten percent of the capital stock neither at the effective date nor at the date of exercise of this authority. Any such shares are counted toward this capital ceiling as are disposed of ex rights (i.e., without granting a subscription right to stockholders) during the validity period of this authority by applying the provisions of Art. 186(3) clause 4 AktG. Shares issued or issuable to service convertible and/or warrant bonds or satisfy conversion obligations shall also be counted toward said 10-percent ceiling provided that the bonds are issued ex rights during the validity period of this authority in application of the provisions of Art. 186(3) clause 4 AktG;

(iv) for any capital increase against noncash contributions.

The Executive Board is authorized, subject to the Supervisory Board's approval, to stipulate all further details of the capital increase, as well as all stock issuance terms and conditions.

(b) Contingent/conditional capital

(i) Pursuant to Art. 4(3) of the bylaws, the Company's capital stock has been conditionally raised by €6,979,134.18 by issuing 2,730,000 bearer shares of common stock. This contingent capital increase will be implemented only to the extent that, under the warrant bond issues floated by Vossloh AG and/or its (directly or indirectly) wholly owned non-German subsidiaries on or before June 28, 1999, the warrant holders exercise their right to subscribe for common stock. The new common stock ranks for dividend as from the fiscal year in which it is created by option exercise.

(ii) Pursuant to Art. 4(4) of the bylaws, the Company's capital stock has been conditionally increased by €356,986.54 by issuing 139,641 bearer shares of common stock. This contingent capital increase is implemented only to the extent that the holders of stock options, which are granted to employees under an SOP authorized by the annual stockholders' meetings of June 25, 1998, and/or June 3, 2004, have exercised or will exercise their options. The new common stock ranks as from the fiscal year in which it is created by option exercise for the dividend of the fiscal year on whose profit appropriation the succeeding fiscal year's AGM votes.

(iii) Pursuant to Art. 4(5) of the bylaws, the Company's capital stock has been conditionally raised by €1,468,225.77 by issuing 574,320 bearer shares of common stock. This contingent capital increase is implemented only to the extent that the holders of stock options, which are granted to officers, executives and other management staff under a long-term incentive plan (LTIP) authorized by the annual stockholders' meetings of June 25, 1998, and June 3, 2004, have exercised or will exercise their options. The new common stock ranks as from the fiscal year in which it is created by option exercise for the dividend of the fiscal year on whose profit appropriation the succeeding fiscal year's AGM votes.

(iv) Pursuant to Art. 4(6) of the bylaws, the Company's capital has been conditionally raised by an aggregate €3,782,500 by issuing up to 1,479,585 no-par bearer shares of stock in order to grant new no-par bearer shares to the holders or creditors of such convertible bonds, warrant bonds, participating rights and/or income bonds (or any combination of such instruments) as are issued or floated by Vossloh AG or any of its (directly or indirectly) wholly owned subsidiaries by dint of the authority conferred by the AGM of May 19, 2010, according to Agenda Item 8. The new no-par bearer shares will be issued at a conversion or option price to be determined in accordance with the aforesaid AGM resolution. The conditional capital increase shall be implemented only to the extent that (i) conversion rights or equity warrant options are exercised, (ii) the bondholders, warrant owners or creditors subject to a conversion obligation actually meet their conversion obligations, (iii) no cash compensation is paid in lieu, or (iv) treasury shares or new shares issued by utilizing authorized capital are used. The newly issued no-par bearer shares rank for dividend as from the beginning of the fiscal year in which they are created by conversion or option exercise or by fulfillment of conversion obligations. The Executive Board is authorized to specify all further details of the conditional capital increase and its implementation.

(c) Repurchase of treasury stock
According to the AGM resolution of May 19, 2010, and pursuant to Art. 71(1) No. 8 AktG, the Company is authorized on or before May 18, 2015, to acquire treasury stock equivalent to an aggregate maximum of ten percent of Vossloh AG's then capital stock. At the Executive Board's discretion, treasury stock may be acquired either through a stock market or by public repurchase offer or public invitation to bid.

If shares are acquired through a stock market, the amount paid by the Company for each Vossloh share may neither be more than ten percent above or below the Vossloh stock price as quoted at the trading day's opening auction of the Xetra trade at the Frankfurt Stock Exchange. In the event that the stock is acquired by public repurchase offer or public invitation to bid, the purchase price offered or the limits of the purchase price spread per share shall not be more than ten percent above or below the average closing prices as quoted by the Xetra system on the three trading days preceding publication of either the repurchase offer or the public invitation to bid. In the event that, subsequent to the publication of either the repurchase offer or the public invitation to bid, the governing share price differs considerably, the repurchase offer or invitation to bid may be adjusted accordingly on the basis of the average closing prices as quoted by the Xetra system (or any successor system in lieu of and replacing the Xetra system) on the three trading days prior to publication of any such stock price adjustment. The repurchase offer or invitation to bid may include further stipulations. If the shares offered exceed the number required (in the case of a repurchase offer), or if not all bids out of several equivalent ones are accepted (in the case of an invitation to bid), offer or bid acceptance shall be prorated (i.e., based on proportionate allocation). The purchase terms may provide for the preferential acceptance of small lots of 100 shares or less per stockholder.

The Executive Board is authorized, after first obtaining Supervisory Board approval, to use treasury shares for any lawful purposes, including (without being limited to) to dispose of the treasury stock in a form other than through a stock market or by offering them to all Vossloh stockholders, however, provided that the previously acquired shares of treasury stock are sold at a price that is not significantly below the stock market price then current for same-class Vossloh stock.

The Executive Board is further authorized, after first obtaining Supervisory Board approval, to sell treasury stock ex rights to third parties in return for noncash contributions, including (without limitation) in connection with business combinations or when acquiring other enterprises or equity interests therein. The treasury stock may be used to settle obligations under convertible and/or warrant bonds issued by the Company and/or any of its wholly-owned subsidiaries.

Moreover, the Executive Board is authorized to redeem and effectively withdraw treasury stock with the Supervisory Board's approval, however, without requiring another vote by the general meeting.

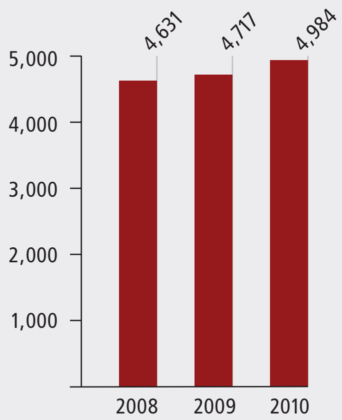
At December 31, 2010, the Company held 1,470,630 shares of treasury stock.

Agreements upon any change of control, etc.:
No agreements have been made with third parties that are contingent on a change of control in the wake of a takeover bid.

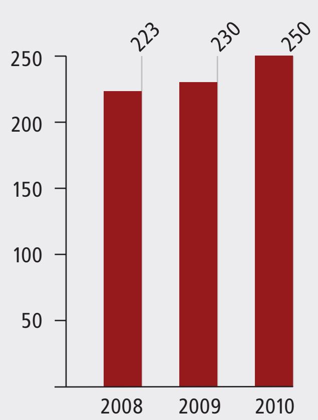
Compensation agreements upon change of control:
No arrangements for post-takeover indemnification or other compensation of Executive Board members or Vossloh employees upon a change of control have been made either.

M&A raise headcount

17 percent employees outside of Europe



Average group headcount



Personnel expenses in € million

Workforce

At December 31, 2010, the Vossloh Group employed a workforce worldwide of 4,906, up 4.2 percent or 198 compared with the 4,708 at year-end 2009. The consolidation of new companies added 368 employees of whom 323 at Vossloh Rail Services and 45 at Global Rail Systems.

Employee-related indicators

		2010	2009	2008
Payroll per capita	k€	50.1	48.7	48.2
Sales per capita	k€	271.1	248.8	261.9
Payroll intensity	%	61.5	61.9	61.3
Value created per capita	k€	81.4	78.7	78.7

Altogether 83 percent worked at the Group's European locations and 17 percent outside of Europe. Of the latter, North America accounted for 42.4 percent (up from 42.2) while the production locations in China and India together for some 44 percent (down from 47).

83 percent employees in Europe

There were only marginal changes in the age structure of the group employees and their average length of service with each subsidiary despite the acquisitions. The proportion of employees aged below 35 slipped slightly to 31 percent, and the share with ten service years or less inched down to 56 percent.

Personnel expenses (payroll)

€ million	2010	2009	% change
Pay	202.1	185.9	8.7
Social Security	43.3	40.0	8.3
Pension expense	4.1	3.7	10.8
Total personnel expenses	**249.5**	**229.6**	**8.7**

Since the employees of the acquirees of fiscal 2009 had been included only pro rata temporis, the Group's average headcount rise from 2009 to 2010 was steeper than at year-end. Whereas in 2009 the Group had employed a workforce of 4,717 on an annual average, this figure went up by 5.7 percent to 4,984 in the period under review.

In 2010, personnel expenses advanced by 8.7 percent from €229.6 million to €249.5 million. The average payroll per capita climbed by 2.9 percent from k€48.7 to k€50.1. Alongside pay hikes, this addition is chiefly due to the acquisitions.

Value created—defined as the excess of total operating performance over cost input and amortization/depreciation—per capita jumped from k€78.7 to k€81.4.

Payroll intensity at 61.5 percent

Hence, the ratio of payroll to value created (*a.k.a.* payroll intensity) improved slightly from 61.9 to 61.5 percent. Sales per capita ascended to k€271.1 (up 9.0 percent from k€248.8).

Rail Infrastructure

M&A-related, the annual average workforce in the Rail Infrastructure division climbed by about 16 percent from 2,710 to 3,155.

Average payroll per capita rose 7.2 percent from k€40.4 to k€43.3. Value created per capita mounted from k€87.6 to k€89.5. The payroll intensity totaled 48.4 percent (up 2.4 percentage points). Sales per capita advanced 11.0 percent from k€254.7 to k€282.6.

Transportation

The annual average number of Transportation employees fell by 8.9 percent from 1,956 to 1,781. Most of the reduction occurred at the Spanish location.

Sales per capita were stepped up 4.5 percent from k€247.0 to k€258.1, value created per capita slipped from k€74.9 to k€74.3. Payroll per capita increased 3.3 percent from k€56.8 to k€58.7. Payroll intensity climbed 3.2 percentage points from 75.8 to 79.0 percent.

Employees 2010

	Annual average*			Year-end		
	Germany	Abroad	**Total**	Germany	Abroad	**Total**
Rail Infrastructure	647	2,508	3,155	670	2,477	3,147
Transportation	972	809	1,781	968	744	1,712
Vossloh AG	48	0	48	47	0	47
Total	**1,667**	**3,317**	**4,984**	**1,685**	**3,221**	**4,906**

*Annual average based on monthly data

Recruiting and developing employees

For Vossloh, employees are the key to success and hence high-quality apprenticeship courses and carefully compiled HR development programs command high priority.

As part of current HR development programs the individual business units offer a broad-ranging menu of in-house and external courses. Typical subjects include quality, work techniques, communication, and leadership. We additionally organize advanced commercial and technical as well as language courses.

There are also wide-ranging blue-collar courses on such subjects as welding, load securing/hazardous goods, and the operation of forklift trucks.

The Vossloh Academy is an intercompany institute with a web portal from where (initially only) employees in Germany can register online for seminars. Dealt with are topics of assistance in daily work to ensure that future challenges are successfully addressed.

Launched in 2009, the program under the title “We lead Vossloh” went into its second successful round last fiscal year. It acts as a platform for regularly sharing ideas among staff in key positions across all business units. Concurrently, the program serves as a basis for the ongoing personal development of these employees and thus as an essential component for strengthening staff loyalty and planning for jobholder succession.

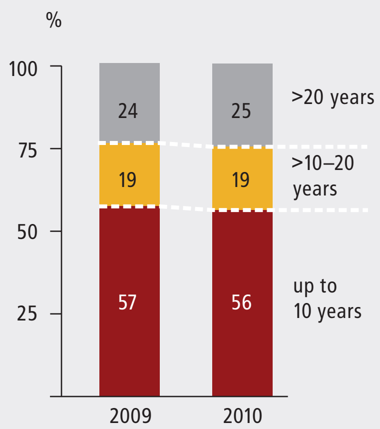
To make sure we recruit in good time well-trained and qualified employees, there are widely ranging relations with schools and universities, especially with European institutions of relevance to our industry. Some of these take the form of research and other project work.

A first taste of job experience can be obtained by undergraduates in the course of internships and other forms of practical training as well as when working on their diploma, B.A. and M.A. theses.

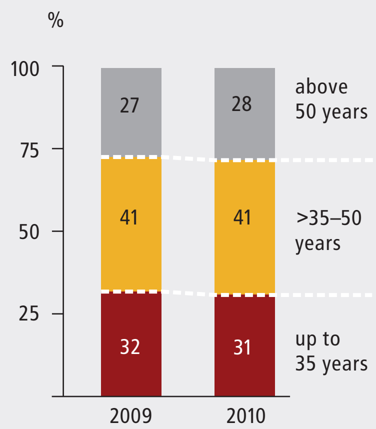
Besides the direct-entry options we have the newly developed Vossloh start-up program to ease young engineering graduates' transition from university to professional life.

Proportion of apprentices: 5.5 percent in Germany

Vossloh's own in-house apprenticeship courses play a major role in our talent recruitment efforts. During the period, the German companies hired 22 new blue-, white- and gray-collar apprentices and at year-end, the Werdohl, Düsseldorf, Kiel, Moers and Trier locations together employed 81 apprentices, equivalent to around 5.5 percent of the workforce at the German operations with apprenticeship opportunities.



Service years in %



Age structure in %

OSH project

During the period, Vossloh's Executive Board and the European Works Council promoted the subject of occupational safety and health (OSH) to action priority #1. This is not only in response to the existing legislative parameters it is also to exercise responsibility for employees that this subject will be treated as a standing initiative on the European Works Council. It was agreed to set up a project group briefed to analyze in its entirety the situation regarding OSH, introduce a reporting system and on the basis of this, map out suitable measures.

Thanks to the employees

Our thanks go to all our employees whose efforts, dedication and loyalty have largely contributed to Vossloh's success. We also thank the employee representatives for constructively working together with us in an atmosphere of mutual trust and confidence.

Research and development

The Vossloh Group's companies are among the technology leaders in their respective markets and are constantly investing in product and service improvements. One of their prime aims is to satisfy the specific requirements of customers in the various market regions. In addition, Vossloh repeatedly works on pioneering new solutions. Activities in this area were again intensified in 2010 in order to broaden the product portfolio and adapt it to emerging development trends on the markets. In research and development (R&D), the business units resort to cooperation both intragroup and with external specialists, and to partnerships with universities and scientific institutions. Since a large share of R&D takes place in connection with specific contracts, the associated costs are reflected in the cost of sales and not in R&D expenses.

W 30 for Russian conditions

A major innovation driver at Vossloh Fastening Systems is the development of individual customer solutions to address requirements specific to a certain region. The period saw the successful completion of further developed W 30 rail fasteners. In Russia, the W 30 has to cope with temperatures ranging between –60 and +50 °C while in the North American market, it is the heavy-haul lines where it is chiefly used. For the US market and elsewhere, new rail fastening systems were developed, some with new materials. Vossloh Fastening Systems' long-range R&D efforts are looking into noise-abatement options and the interaction between dowels and concrete sleepers.

Vossloh Switch Systems assembled the first prototype of a new switch developed in recent years and now undergoing track tryout. Further engineering tests were carried out on eco-friendly zero-lubrication switches with a view to coming up with coatings that minimize rail chair friction resistance. Official approval was given to a novel kind of spring-roller rail chair. This will reduce the force required to actuate very long and high-speed switches.

Further developing switch actuation and monitoring systems

Together with associates, Vossloh Cogifer is scouting for (combinations of) materials to replace the timber sleepers still being used in many countries. Work pushed ahead on various switch machines to help extend maintenance and service intervals. Also to be tested in 2011 are new features on conventional switch machines and a new kind of multiple-drive actuation switch for high-speed tracks. Completed in 2010 was work on the Algerian version of a new switch monitoring system NUMCOM; using Internet telephony the system can also be modified to match a variety of regional markets.

Vossloh Rail Services developed and designed in 2010 a new-generation high-speed rail grinding train. These new vehicles featuring advanced high-speed grinding technology are being built in close teamwork with Kiel-based Vossloh Locomotives. Acquired at the start of 2010, this business unit again developed semistationary welding techniques. These are two disciplines essential to the planned international expansion of Vossloh Rail Services.

High-speed grinding

A much talked-about rail industry subject in 2010 was the extension of Vossloh Transportation Systems' product portfolio. There is about to be an addition to the family of new modular center-cab locomotives at Kiel where engineers are busy working on the four-axle G 12 and DE 12 (up to 1,200 kW) and the G 18 and DE 18 (up to 1,800 kW) for shunting and mainline freight haulage. The "G" stands for *Gelenkwellenantrieb* (articulated shaft drive) on the diesel-hydraulic models; DE for "diesel-electric." All four-axle models in this locomotive family come with a choice of output, weight, software and now, driveline. Kiel's new diesel-electric driveline is a joint effort with Vossloh Electrical Systems. The Valencia location presented its EURO*LIGHT*, an offshoot of the best-selling EURO 4000. Underweight, it will also run on lines destined for limited axle loads and is intended for European secondary lines. A forthcoming addition to the Valencia breed will be the EURO 3000. Big steps forward were taken in 2010 by the first all-Vossloh train, a new local transport vehicle based on the proven train-tram to come into service on Mallorca in 2011. The Valencia engineers, too, teamed up closely with Vossloh Electrical Systems in developing the train-tram's driveline. Vossloh Transportation Systems is engaged in a whole series of R&D projects probing into options for a further reduction in locomotive exhaust and noise emissions.

Modular locomotive family with Vossloh's proprietary driveline

Hybrid technology for buses was again the R&D focus at Vossloh Electrical Systems in 2010. Heading the agenda was another reduction in environmental impact and improved cost savings through, for instance, less fuel consumption (enhancing energy efficiency). Contributing toward this goal are such features as automatic start-stop (diesel engine switches off when vehicle stops) and an intelligent energy management system (satellite-based vehicle position location to calculate in advance power and energy needs and accordingly manage the deployment of resources). In the course of a pilot project, tests started on a fuel-cell drive system running on eco-friendly hydrogen. In 2010, four such local-transit buses traveled to Amsterdam and Cologne where they will go into regular service over a number of years.

Hybrid technology again focal point

The business unit was largely involved in developing Vossloh's new diesel-electric driveline for locomotives and commuter trains.

Environmental protection

Passenger and freight haulage by rail is by nature one of the greenest modes of transportation. Products from Vossloh make an important contribution so that the eco-friendly movement of people and goods is both cost efficient and safe. The Group is working in all its business units on making rail transport even greener and thus emphasizing it as an attractive means of conveyance. Modern buses fitted out with Vossloh hybrid technology and, most especially, the (trolley)buses equipped with Vossloh traction systems command a leading edge in terms of ecological benefits compared with private cars.

Vossloh's diesel locomotive developers naturally make sure that their vehicles are as fuel-efficient as possible and thus minimize CO_2 emissions. The principle of "zero emissions" also applies to the (trolley)buses with traction technology from Vossloh Kiepe. Another benefit derived from these local transport vehicles is that they are very quiet in operation, a fact much appreciated by passengers and bystanders alike. Conventional buses can also improve their environmental profile with Vossloh technology in the form of hybrid drive for reducing exhaust and noise emissions. Other buses fitted with even greener fuel-cell hydrogen systems from Vossloh are presently being put to the test.

Because the Group achieves a significant portion of its sales with products and services that contribute to ecologically sustainable solutions, Vossloh is represented in the Global Challenges Index on the Hannover Stock Exchange and is rated by Inrate, Sarasin and oekom research.

In production, all Vossloh companies attach huge importance to the sparing and efficient use of resources. Emissions from production are reduced to a minimum across the board. Regular audits by the local environmental authorities demonstrate the consistent observance of all the legal and official limits and compliance with the permitted ceilings, in some cases even by a wide margin. As far as possible, residues are consistently recycled, while solid wastes are systematically separated.

Fiscal 2010 was a period in which the Vossloh Group scaled new heights in terms of sales. Accordingly, production volumes mounted at nearly all the locations. Despite the efficient use of natural resources, the added business led to a rise in total consumption of power (67.6 million kWh and 7 percent over 2009) and gas (123.1 million kWh and 14 percent up). Most of the extra gas was consumed by new hardening and tempering equipment in the German and Chinese rail fastener facilities. District heating consumption rose 15 percent to 13.4 million MWh as did water consumption to 139,500 m^3, up 5 percent.

The disproportionate rise in district heating was due to the Switch Systems business unit. Fuel oil consumption, in contrast, fell by 3 percent to 1,127 million liters. Altogether, energy costs mounted 10.4 percent from €12.5 million to €13.8 million. As these costs showed a shallower rise than sales, their ratio to sales dropped to 1.0 percent. So as to obtain even better control of energy and water consumption, a groupwide uniform energy measuring system has been gradually introduced since 2009.

Energy costs
1 percent of sales

At its Werdohl headquarters, Vossloh is currently step by step implementing a new energy concept one of whose components is to exploit the heat discharged by the hardening and tempering equipment. 2010 saw the decommissioning of the central steam boiler which until now had produced all the process and other heat. Process steam is now generated where needed by small, highly efficient local units. The right temperature in the production shops is ensured by likewise high-efficiency radiant heaters. Energy efficiency was also a criterion in the design of Vossloh Fastening Systems' new Technology Center which completely dispenses with fossil fuels, utilizes waste heat from the plant and machinery for its heating and transfers any surplus energy to other buildings.

In both Kiel and Valencia Vossloh uses exclusively low-solvent paints for the finishes on its locomotives. "Green IT" is the name of a program intended to cut paper and electricity consumption in Kiel. Vossloh Fastening Systems has also been using waterborne paints for the surface coating of its tension clamps for years now. By resorting to a special map, it conducts targeted searches for green production materials.

The large Vossloh locations have been approved and certified to the DIN EN ISO 14001 environmental management system or comparable systems and undergo regular audits by external, independent bodies. In Germany, Vossloh Kiepe has been additionally certified to the OHSAS 18001 occupational health & safety standard since 2001. Vossloh Rail Vehicles, Valencia, and Vossloh Kiepe Main Line Technology, Düsseldorf, followed on the heels of Vossloh Kiepe Austria, Vienna, and were awarded certification to IRIS (International Railway Industry Standard) in the course of 2010. The Vossloh Cogifer Fère-en-Tardenois location has been complying with the even stricter ILO OSH 2001 safety and health standard since the end of 2007. In accordance with the principle of sustainability in economic, ecological, safety and health respects, Vossloh Cogifer is in the process of merging its environmental management with quality and safety management to yield an integrated risk management system.

DIN EN ISO 14001
at the
large locations

Risk and reward management

Organization

Risks and rewards are, according to plan, identified, analyzed, assessed, reported, monitored and controlled at all levels of the Vossloh Group. To this end, Vossloh has set up a groupwide risk and reward management system. This proactive and systematic risk and reward management system ensures that the impact of possible adverse changes is avoided or contained and that any opportunities arising are indicated and seized. In this way, the system plays a major role in achieving financial targets and hence adding sustainable value to the Vossloh Group.

The risk and reward management system is part of the business, planning and controlling mechanisms. The system's setup is defined and described in groupwide principles, policies and procedures. The organizational setup is based on the structure of the operating processes and procedures of the respective unit. Risk owners, risk officers and risk controllers are appointed at all group levels. The identification of risks and rewards is ensured by a perpetual risk inventory in which relevant risks are identified effectively, timely, and systematically. Risks are registered and profiled with the aid of risk areas.

Perceived risks and rewards are analyzed and assessed at Vossloh for their possible impact on earnings. For this purpose, the interval between the worst case and best case and the most probable impact on earnings are determined. These are supplemented by an assessment of loss probability. For the best and worse case scenarios, a value-at-risk approach with a minimum probability of 5 percent is assumed.

All the (direct or indirect) Vossloh subsidiaries, both in Germany and abroad, are integrated into the risk and reward management system irrespective of their consolidation. Those acquired in 2010 were integrated into the system in good time.

Risks and rewards are documented and communicated by Vossloh in standardized reports. These contain detailed information on the type of risk and on the assessment parameters as well as on the risk control action. Periodic risk reporting is quarterly and serves as a supplement to the latest annual projection and allows risks and rewards possibly occurring in future periods to be profiled, too. Ad-hoc reports additionally facilitate at all times an updated evaluation of the current situation.

These reports are addressed to Vossloh AG's Executive Board as well as the management of each company and business unit. It is they that control and monitor risks and rewards. The current risk situation is regularly discussed between business unit management and the Executive Board. The system is regularly reviewed by Internal Auditing and the statutory auditor for adequacy, efficiency and compliance with legal requirements.

The report below accounts for those risks and rewards which were of relevance at the time the consolidated financial statements were prepared and which are material to the Vossloh Group's future development. Risks whose impact has already been recognized in the balance sheet in the form of write-down, allowances, haircuts and/or provisions or which have been shifted by contract, e.g. to insurers, are not covered by the following report unless deemed essential for the overall evaluation of the risk situation, such as if a material residual risk is retained. Rewards and opportunities chiefly result from operating business (e.g., through incremental revenue). For added details on these turn to the *Prospects* chapter.

General economic and sector risks and rewards

General economic risks and rewards are essentially related to economic cycles, sociopolitical events, exchange and interest rate trends, as well as changes to legal and fiscal parameters. Sector risks and rewards are tied to the competitive situation and the characteristics of the relevant markets.

Rail business is normally less volatile compared with the economy in general. Certain submarkets display, moreover, signs of an upswing only after a certain time lag. Despite the evident economic recovery in 2010 there is still the latent risk that here and there state and/or private customers will shelve or even in some cases cancel contracts.

Restraints on funds might also depress future business. The financing capabilities of the public sector are limited by the current sovereign-debt situation. Increasingly under review for new projects are alternative financing arrangements such as public-private partnerships. Austerity measures in the maintenance market, one of significance to Vossloh, are of only limited duration and restricted scope due to the expanding volume of rail haulage.

On the upside are the various economic stimulus packages provided they target higher or earlier spending on rail infrastructure or local public transport. Benefiting, in particular, are the new high-speed lines in China through earlier-than-planned spending as a result of these stimulus packages.

With its two divisions, Rail Infrastructure and Transportation, Vossloh ranks among the foremost suppliers on selected rail industry markets. The markets of relevance to Vossloh are oligopolistic by nature both on the demand and supply sides. Most of the customers are rail and network operators, as a rule still under public-sector control. This implies dependence on public-spending patterns. Vossloh attempts to abate such risks by expanding its international presence. Exploiting market opportunities as they surface, especially in the Rail Infrastructure division, brings about a balancing effect. At the focus of Vossloh's internationalization drive are presently the growth markets China, Russia, other Eastern European countries, the MENA states, the United States, and South America. In recent years the Group has much reduced its reliance on individual European markets. In 2010, non-European sales at 29.5 percent were at an all-time high. The share in 2009 had been 27.1 percent. For 2011, non-European sales are expected to once more rise.

Rail markets in Western Europe and North America are more or less stable in terms of their political and economic environments and hence as far as these core markets are concerned, there are no major risks confronting the Group. Accessing new markets elsewhere, especially Asia and Africa, does expose Vossloh not only to opportunities but also risks possibly arising from political and social instability, exchange rate fluctuations and legal uncertainties. As the percentage of sales in these markets grows, both opportunities and risk exposure rise.

The oligopolistic nature of the supply side of the market also harbors risks for Vossloh. The high level of market transparency may lead to fiercer price competition with adverse effects on margins. There is also the risk of products being replaced by newly engineered ones and that new competitors enter the market. Vossloh avoids or contains such risks by repeatedly refining its products and services and cultivating close contacts with existing customers. One particular trend observable at present is the mounting pressure on profit margins.

Operating risks and rewards

This category includes operations-related activities such as sourcing, production, and contract performance.

Vossloh attempts to counteract purchase price (input market) risks especially by long-term procurement contracts or price escalator clauses through agreements with customers. Exchange rate risks from purchasing are normally contained by currency forwards. With commodities (especially steel and oil) becoming scanter, this will lead in the medium term to higher production costs, especially for Rail Infrastructure. Component prices at Transportation impact on earnings. Price hikes in 2010 could not be wholly downloaded onto customers. The medium-term planning assumptions of increases in the cost of materials and components are based on such factors as supplier information and market analyses. Any rises significantly above these assumptions may drain profitability as forecast by the divisions. Rewards may accrue from material and component prices that turn out to be lower than budgeted.

Procurement chain risks may also result from supplier dropouts, poor quality or delivery delays. Vossloh attempts to minimize these risks by working with longstanding local vendors. Despite a careful screening of suppliers, ongoing monitoring and setting-up alternative sources, future procurement chain risks may be contained but never fully ruled out.

Along the value-adding chain, Vossloh subsidiaries are exposed to work interruption, quality problem, occupational safety and environmental risks. These risks are either altogether avoided or at least diluted through a comprehensive set of guidelines and standard procedures or policies that govern project and quality management, product and occupational safety, as well as environmental protection. The essential Vossloh locations have been certified to the DIN ISO 9001 quality management system and moreover the large ones such as the Chinese rail fastener facility fulfill the criteria of the ISO 14001 environmental management standard.

Project complexity is another source of risks. These include unexpected technical or engineering difficulties, unforeseeable developments at the project locations, problems with business associates or subcontractors, logistic challenges, and acceptance and invoicing delays.

These are factors possibly leading to unbudgeted expenses or financial penalties. Contractual provisions and all-embracing project and quality management mitigate such risks but never totally exclude them. Especially exposed to risks of this nature is Transportation. Rewards may arise when risk provisions are not (fully) utilized.

Project risks arising in 2010 and still existing have been provided for as required by the IFRS.

Financial risks and rewards

Financial risks are monitored and managed, and the Group's finances precision-engineered, by Corporate Treasury. The goals, principles, responsibilities and accountabilities are defined in policy statements. The overriding aim is to contain financial risks that might affect the survival and profitability of the Vossloh Group. This also means, however, that potential rewards are very sparse. In the management of its capital structure, Vossloh targets the benchmarks of an investment-graded company.

Financial derivatives
Vossloh uses financial derivatives solely to hedge against specific risks from current underlyings or forecast transactions. In this context, only marketable financial instruments approved beforehand are deployed. The contracting, settlement and controlling functions have strictly been segregated. For further details on financial derivatives, turn to the notes to the consolidated financial statements starting on page 172 of the Annual Report. The following financial risks are controlled: liquidity risks, price risks, default and counterparty risks, as well as cash flow risks.

Liquidity risks
Liquidity risks may arise if the Group is potentially unable to provide the funds required to meet its obligations in due course and fully. The Vossloh Group safeguards its liquidity (including cash reserves for contingencies) through a rolling cash management system. An intragroup financial netting concept through cash pooling and intercompany loans ensures the best possible application of any surplus cash at certain subsidiaries to meet the liquidity requirements at other group companies. As of December 31, 2010, the Vossloh Group had cash and cash equivalents (including short-term securities) of a total €75.9 million. In addition, bilaterally committed, unutilized credit facilities of another €252.3 million were at Vossloh's disposal, mostly due within one year.

The two major long-term borrowings raised need not be refinanced before 2014 and 2016. The very low net leverage ensures that no financial or cash bottlenecks occur.

Cash flow risks
Changes in future interest rates may cause cash flow ups and downs where variable-rate assets and liabilities are involved. Vossloh contains this risk by means of interest rate swaps and regularly analyzes the impact of a changed interest rate level on cash flows. Presently, the Vossloh Group is not exposed to any significant interest rate risks.

Price risks
Price risks arise from the possibility that the value of a financial instrument is changed by higher or lower market interest or exchange rates. With a view to benefiting for a long term from the low interest rates, the Group restructured its finances in 2004 by raising one ten-year and one twelve-year loan under a US private placement of a total $240.0 million (around €200 million). As part of its proactive risk management concept, Vossloh has fully hedged future principal and interest payments through interest rate and cross-currency swaps on a euro basis. For details, see the notes to the consolidated financial statements as in the Annual Report, pages 180/181. Current or expected currency receivables and payables represent an unmatched position which is generally closed by contracting currency forwards.

Default risks
Delinquency, default and other nonpayment risks arise if counterparties default on their obligations in a business transaction by late or non-performance, thus causing a financial loss to Vossloh. This type of risk is minimized by doing business with counterparties of good to prime standing only, mainly based on the assessment by international rating agencies. As of December 31, 2010, cash investments and financial derivatives with a positive fair value were allocable at 37 percent to counterparties rated between AA+ and AA–, at 46 percent to those rated from A+ to A–, at 15 percent to counterparties rated BBB+ (according to Standard & Poor's), and 2 percent to BB-rated or non-rated counterparties. In fiscal 2010, the rating of banks essentially remained unchanged. Monies are centrally deposited in Germany only with banks which are members of the German Deposit Insurance Fund. Moreover, risks are spread by distributing such cash deposits among several banks. No dependence on specific banks has existed or does exist.

Many of our customers are government agencies, and the risk of their default is regarded as very low.

In export business, the risk of customer default is usually counteracted by using documentary credits.

On balance, the Vossloh Group's net earnings were in 2010 not affected to any significant degree by financial risks.

Legal risks and rewards

Legal risks for Vossloh comprise basically those arising from complaints, warranty claims, claims for damages or indemnification, and litigation. Identifiable legal risks are either covered by insurance or, if the applicable criteria are met, adequately provided for in the balance sheet. Nonetheless, losses may occur that are uninsured or underinsured, or outweigh accruals by far. In contrast, rewards may in some cases be reaped if risk provisions remain underutilized.

None of these legal risks influenced the Group's earnings in 2010 to any substantial negative degree.

Other risks and rewards

These are mainly of a human resources or IT nature. The Group's economic situation may well suffer as a result of substandard staffing such as shortage of management and/or technical staff. The same applies to a high turnover rate among key personnel, poor training, mistakes or theft committed by employees. Vossloh has a whole menu of measures to abate such risks: in particular, our reputation as an attractive company to work for, a reputation that strengthens our position in the competition for highly qualified employees. In-house courses allow our employees to regularly upgrade their skills while highly competitive pay structures tie the employees long-term to the Group. The control of operational and strategic business processes largely relies on complex and powerful IT systems. Technical and organizational mechanisms minimize exposure to risks associated with information system data reliability, availability, confidentiality and security. Such mechanisms and instruments also ensure efficient information processing.

None of these "other risks" influenced the Group's earnings in 2010 to any substantial degree.

Overall assessment of the risk and reward situation

The potential impact of any or all risks described above and which Vossloh is exposed to on its results of operations, asset and capital structure or financial position, is monitored and controlled at all times. As required by IFRS, provisions have been made for all risks identified to date. The updated annual forecasts duly reflect any additional potential risks and rewards, where reliably identifiable. From today’s vantage point, neither any specific risks nor all currently known risks in their aggregate are potentially ruinous or likely to jeopardize the Vossloh Group’s or any subsidiary's continued existence as a going concern in terms of either assets or liquidity. The Group’s equity rose in the year under review largely thanks to group earnings, dividend payout having a reducing effect. Vossloh’s total equity lies well above the risk-adjusted capital, i.e., the statutory minimum equity portion that is earmarked exclusively for the cover of potential losses.

This risk and reward report refers to the situation of the Group at the time the group management report was prepared.

Key criteria of the accounting-related internal control and risk management systems (ICS/RMS) pursuant to Arts. 289(5) and 315(2) No. 5 HGB

Vossloh ICS/RMS definitions and elements
As stated earlier in the report on risks and rewards, Vossloh has installed a comprehensive monitoring system for the groupwide methodical early identification of going-concern risks as required by Art. 91(2) AktG, with a view to identifying early on, managing and monitoring not only risks jeopardizing Vossloh's survivability but also other risks beyond the statutory scope. According to Art. 317(4) HGB, the statutory group auditor assesses the effectiveness of the early risk identification system (ERIS).

The Vossloh Group's ICS described below encompasses all principles, methods, processes and procedures designed to ensure not only the accounting system's effectiveness, efficiency and propriety but also compliance with applicable legal and statutory regulations.

Responsible at group level for the ICS are substantially the corporate departments of Internal Auditing, Controlling, Accounting, Treasury, and Legal Affairs.

In-process and process-independent monitoring procedures and routines are ICS components. Besides manual process controls (such as peer reviews) IT processes, too, are a key element of in-process steps. Further, Corporate Legal Affairs ensures that certain in-process monitoring routines are implemented.

Process-independent tests and/or audit procedures are the responsibility of Vossloh AG's Supervisory Board (specifically its Audit Committee), Internal Auditing, and staff locally assigned at the level of the business unit parent. The statutory (group) auditor is involved in the Vossloh Group's control environment by performing process-independent tests and audit procedures. Particularly the annual audit of the separate and consolidated financial statements, as well as the focal interim audit procedures upstream of the annual audit of the separate financial statements are essential process-unrelated monitoring procedures that center on the corporate accounting system.

IT

For their separate financial statements, subsidiaries record accounting transactions locally by using presently still heterogeneous accounting software. However, for the purposes of Vossloh AG's consolidated financial statements, all Vossloh companies complement their separate financial statements with additional information and disclosures which thus constitute standardized reporting packages. The subsidiaries included in the consolidation group then enter these into the Cognos Controller system for processing into the required consolidated format and providing additional management information.

A multiyear SAP project is currently being implemented within the Vossloh Group in order to roll out a standardized SAP system at all entities involved in accounting and reporting processes. The new software will enable centralized access to data and centrally triggered control routines. The SAP rollout has so far been completed for Vossloh AG and the Fastening Systems and Electrical Systems business units.

Accounting-related risks

Preparing financial statements requires management to make certain assumptions and estimates. These estimates affect the reported values of recognized assets and liabilities and of current balances of contingent liabilities, as well as the recognition of income and expenses in the period. The use or misuse of the necessary discretion may entail accounting-related risks for the Group.

Safeguards for a valid and reliable accounting system

Based on the rules of the International Financial Reporting Standards (IFRS), the Vossloh Group's Corporate Reporting Manual governs the groupwide uniform accounting policies and principles to be applied by all German and foreign Vossloh companies included in the consolidated financial statements, essentially by describing the EU-conforming methods to be used for preparing balance sheet, income statement, and the notes. Furthermore, the Manual provides specific guidance for the official format of consolidated financial statements, and details the determination of the consolidation group and the reporting package elements to be submitted by the subsidiaries.

The format requirements also specify all details of the obligatory, standardized set of reporting package forms. The Manual is periodically revised and updated and then placed in due course at the disposal of all those involved in the Group's accounting process.

After transactions have been recorded in the local accounting system of each subsidiary, the monthly accounts are reviewed at the level of the business unit parent. Besides random-sampled cases, tests would focus primarily on high-amount or unusual transactions. Corporate guidelines exist, for instance, for capital expenditures, bidding, and risk management. Vossloh companies and business units are, moreover, obligated to issue local guidelines for material areas. Corporate Internal Auditing reviews all such guidelines and causes amendments to be enacted wherever deemed necessary.

In addition, further data is compiled and aggregated at group level in order to publish certain external information in the notes and the management report (including about significant subsequent events).

Through the organizational, controlling and monitoring structures established within the Group, Vossloh's ICS and RMS substantially ensure (i) the complete accounting for, as well as the processing and assessment of, Vossloh-related transactions and events, and (ii) the faithful representation thereof in the consolidated financial statements.

Specifically individual discretionary decisions, faulty controls, fraud, or other factors can naturally not be fully ruled out and, therefore, even the groupwide installation of such systems cannot provide absolute protection.

Limitations

The statements herein refer only to subsidiaries which have been consolidated by Vossloh AG and whose financial and business policies can directly or indirectly be controlled by Vossloh AG, as well as to Vossloh AG.

Reference to the corporate governance report acc. to Art. 289a HGB

For the corporate governance report see page 42 of the Annual Report. The Annual Report is also available long term on Vossloh AG's website at www.vossloh.com

Subsequent events

No events have occurred up to the date of preparation of the consolidated financial statements that would suggest that the Group's future cannot be inferred from the Group's current situation (as described above).

Market-outpacing growth budgeted for 2011 and 2012

EBIT margin to be maintained at 11.0 to 11.5 percent

Capex of €90 million (2011) and €60 million (2012) to better exploit market opportunities

Net debt remaining low

Sufficient financial scope for acquisitions in selected sectors

Prospects

The years 2011 and 2012 are expected to see a continuation in economic recovery. Accordingly and for this year, the International Monetary Fund (IMF) is counting on a global economic growth of 4.4 percent to be followed by 4.5 percent in 2012. In those markets chiefly of relevance to Vossloh—Euroland, China, North America, and the CIS—the IMF likewise predicts stable growth rates. Whereas the eurozone countries—driven especially by the ongoing resurgence in Germany—are likely to show rates of 1.5 and 1.7 percent in 2011 and 2012, respectively, US figures are gauged at 3.0 and 2.7 percent for these two years. As to the CIS, the IMF is looking to 4.7 and 4.6 percent expansion in 2011 and 2012, respectively. China's gains are set at 9.6 and 9.5 percent. These are all regions where Vossloh generates just under three-quarters of its total business.

Rail technology market driven by rising haulage volumes and urbanization

Propelled by the general economic trend, global trading volumes will advance significantly over the years ahead. For 2011, the IMF expects a growth of 7.1 percent and the year thereafter, 6.8 percent. Trading volumes and the related demand for haulage services are among the prime driving forces in the rail technology markets. These latter will also benefit over the coming years from ongoing urbanization and the increasing significance of ecological issues.

The Association of the European Rail Industry predicts in its Worldwide Rail Market Study 2010 annual growth rates of around 2.3 percent in the rail technology market for the period up to 2015/16. The study carried out by The Boston Consulting Group (BCG), estimates the value of the presently accessible market at €95 billion, which will then proceed to €112 billion by 2015/16.

The study assesses the global rail infrastructure market currently at around €20 billion, with Western Europe accounting for €6.6 billion, NAFTA for €5.6 billion and Asia/Pacific for €4.9 billion, these being the biggest regions for rail infrastructure products and services. The compound annual growth rate for the years ahead is stated at 0.7 percent. Experts expect exceptional growth especially in the CIS and Latin America. Risks over the period ahead might emanate from possible reductions in China's rail infrastructure expenditures.

The accessible rolling stock market is gauged by the study at just under €37 billion, the major share accounted for by Asia/Pacific at 40 percent and Western Europe at 28 percent. This market's growth over the next few years is assessed at an annual 2.5 percent.

Outpacing the market in general will be Eastern Europe and the CIS due to their urgent replacement needs and the USA because of rising freight traffic.

Vossloh planning growth to outpace market

For 2011 and 2012, Vossloh is acting on the assumption of being able to outgrow the rail infrastructure market just as it has done in the past. Over the preceding six years, Vossloh's growth rate has comfortably surpassed that of the global rail infrastructure's annual average 4.6 percent. Whereas the overall market is predicted to advance annually by 0.7 percent in the years to come, Vossloh is forecasting for itself an annual rate of about 5 percent. It is especially in Asia that we are looking to better-than-average gains in our rail infrastructure business. And for our Transportation division, we are for up to 2012 counting on expansion rates superior to the annual overall 2.5 percent.

Expenditures on new locations

A contributing factor in Rail Infrastructure's growth will be continuing internationalization. Among the items of expenditure in the years to come will be around €15 million for setting up a rail fastener production plant in Russia. In China, we have concluded an agreement with local venturers for manufacturing switch systems for commuter and industrial rail networks. Vossloh's share of the outlay is also in the region of €15 million. The Rail Services business unit is proceeding according to plan on the further development of its high-speed grinding technique so that this service can be marketed on an international scale, too. To this end, around €13 million has been earmarked. Many of the division's locations are planning expenditures for broadening their capacities and updating their production facilities in 2011 and 2012.

New locomotives allow access to new markets

The Transportation division sees cargo haulage and local public transport as the markets in which it commands a solid position. Both these can be expected to show definite growth in the years ahead. Especially promising are the newly developed products. The new Kiel-based center-cab locomotives are based on a modular platform. Also, the diesel-electric drivelines developed at Kiel together with the Electrical Systems business unit not only mean greater vertical integration, for the first time they also allow Vossloh access to the high-growth markets of Eastern Europe and the MENA states. The new locomotives comply with the modified legislation regarding crashworthiness, noise abatement, and emission control. Expenditures in the development of the modular center-cab locomotive family—the work will be completed in 2012—add up to €24 million. Of this, €6 million will be spent this year.

Following the recent economic crisis, the latter half of 2010 saw an evident resurgence in demand for locomotives built at Kiel. The Valencia location is likewise well equipped thanks to its new products. Joining the EURO 4000 is now the EURO*LIGHT*, a locomotive designed for sections of rail with limited axle loads to allow entry into new markets with such rail lines as in Eastern Europe, Southern Europe, and secondary lines in Western Europe.

Altogether €11 million is being invested in this development and of this amount €3 million will be incurred in 2011. Alongside the train-tram and the metros, the local transport product portfolio in 2011 will be extended by the first all-Vossloh tram developed together with Vossloh Electrical Systems. Total expenditures on this amount to €14 million, including €6 million in 2011. Both development projects are set to be completed more or less in 2011. In contrast to the Kiel location, demand at Valencia was still weak in 2010 in the wake of the economic crisis. Hence, for 2011 we are expecting significantly lower sales than in the preceding years. Nonetheless, we do expect rising demand this year. At the start of 2011, a major contract was awarded for fifteen EURO 3000 and fourteen EURO 4000 locomotives.

Megacontract for Valencia

In all, Vossloh will in 2011 and 2012 spend €90 million and €60 million, respectively, in order to propel its organic growth and strengthen its market positions. Both years, the expenditures will therefore once again outstrip amortization/depreciation at €40 million and €45 million, respectively.

Vossloh Group: sales and performance trends

		2010	2011p
Sales	€ bill.	1.35	approx. 1.4
EBIT	€ mill.	152.1	>160
EBIT margin	%	11.3	11 to 11.5
ROCE	%	17.2	approx. 17
Value added	€ mill.	54.8	approx. 65
Earnings per share (EpS) from continuing operations	€	6.92	approx. 7.20

p = plan

Profitable growth planned for the years ahead

The Vossloh Group is budgeting sales in 2011 and 2012 that will exceed the all-time high of 2010. For 2011, we are forecasting sales of around €1.4 billion (up from €1.35 billion in 2010). For 2012, Vossloh is planning sales of around €1.5 billion. In 2011, EBIT should top €160 million and, in 2012, even €170 million. So, the EBIT margin in both years will be unchanged versus 2010 and stand at between 11.0 and 11.5 percent and hence remain above the 10-percent benchmark. Group earnings should rise from €95 million in 2011 to about €100 million in 2012. Accordingly, EpS in 2012 will amount to around €7.50 compared with €7.20 in 2011. Value added as the key performance indicator will advance slightly—despite the heavy capex budgeted—from around €55 million in 2010 to about €65 million in 2011 and then to €75 million in 2012.

Vossloh Group: indicators

		2010	2011p
Closing working capital	€ mill.	258.0	approx. 260
Year-end working capital intensity	%	19.1	approx. 19
Capital expenditures*	€ mill.	57.9	approx. 90
Average capital employed	€ mill.	884.5	900 to 950
Net financial debt	€ mill.	136.6	100 to 150
Net leverage	%	23.5	20 to 25

p = plan
*excl. M&A

Working capital will close 2011 at around €260 million and should remain at the level of 2010 and, in 2012—in line with rising sales—again mount. Working capital intensity at the end of 2011 would then again be 19 percent. As to capital employed, we expect this to rise to €900 million or €950 million in 2011 and again slightly in 2012. ROCE will therefore in fiscal 2011 amount to around 17 percent and in 2012 this will climb to 18 percent. In both fiscal periods, it will be comfortably above the 15-percent benchmark.

Net financial debt to remain moderate

Despite the heavy expenditures, the Group's net debt in 2011 and 2012 will remain at a conservative level. Net leverage will range between 20 and 25 percent. Net financial debt over the next two years will be between €100 million and €150 million.

Besides general economic conditions, Vossloh's sales plans are based above all on assumptions specific to the various business units, concerning such factors as product prospects, expected maneuvers by competitors, project probability and market opportunities and risks in individual regions. Unlike other industries, the rail has more reliable parameters for its own plans. Vossloh's customers are public and private short-distance and long-haul operators that invest according to long-term decision processes and longer-term financing settings. In our partnering role, we side with our customers over many years. Together, we develop and plan specific solutions for their individual product requirements.

Opportunities from global presence and accessing new markets

As a rule, this leads to protracted delivery and project execution times. Accordingly, our order backlog covers a number of months and in some cases, contracts awarded take several years to complete. Risks may therefore emanate partly from the cyclic order-placing response of public and private customers in the individual markets. The compulsion to consolidate public budgets in certain regions may impact adversely on rail technology markets. Fluctuations in certain regions have in the past been largely offset by Vossloh through its global presence. In recent years, this has been amplified by accessing new markets especially in Asia, North America, and Eastern Europe. In our Rail Infrastructure division in past years we have been involved in acquisitions and new establishments in these regions, too, or are planning such measures for the years ahead. Nonetheless, besides opening up new opportunities, accessing new markets is also associated with additional risks. These may surface from political and social instability or legal uncertainties. In August 2010 and in the course of the rebuilding of the Libyan rail network, Vossloh was awarded two megacontracts worth a total €115 million. Following the violent clashes in Libya in early 2011 deliveries were suspended at the request of the general contractor. The sales shortfall of up to around €70 million in 2011 will largely be offset by additional sales in other regions. Regarding further risks affecting the medium-term plan, refer to the risk report on page 56.

Prospects: Vossloh AG

The bottom line of Vossloh AG as a genuine management and financial holding company is primarily affected by administrative expenses and net financial results. General administrative expenses are set to remain at their current level in 2011 and 2012, too.

M&A may supplement organic growth

Organic growth will continue to be the focus of Vossloh's objectives in the years ahead, as will the search for judicious acquisitions which strategically complement the existing portfolio of shareholdings. This concerns possible expansion geographically in the switch business as well as additional products and services in Rail Infrastructure and Transportation. The aim of such acquisitions is firstly to optimize the Group's vertical production integration and secondly to open up additional growth opportunities. Sizable M&A transactions are intended to meaningfully supplement the Group's core competencies in mobility and transport. Acquirees should always meet group requirements from the outset while adding value. The medium-term plan figures in the form represented refer to the envisaged organic growth alone.

Separate financial statements of Vossloh AG as of December 31, 2010

Income statement for the year ended December 31, 2010

€ million	2010	2009
Net sales	1.2	1.4
Cost of sales	(0.6)	(1.3)
Gross margin	**0.6**	**0.1**
General administrative expenses	(20.7)	(19.6)
Other operating income	16.7	15.9
Other operating expenses	(1.1)	(5.0)
Operating result	**(4.5)**	**(8.6)**
Income from investments	10.0	–
thereof from subsidiaries: €10.0 mill. (up from nil)		
Income from P&L transfer agreements	49.4	55.4
thereof from subsidiaries: €49.4 mill. (down from €55.4 mill.)		
Income from other long-term securities/loans	0.3	0.4
thereof from subsidiaries: €0.0 mill. (down from €0.1 mill.)		
Other interest and similar income	7.7	6.1
thereof from subsidiaries: €7.5 million (down from €4.8 million)		
Write-down of financial assets and short-term securities	(0.1)	(3.6)
Expenses for loss absorption	(11.6)	(3.8)
thereof for subsidiaries: €11.6 million (up from €3.8 million)		
Interest and similar expenses	(14.8)	(14.6)
thereof to subsidiaries: €0.5 million (down from €1.0 million)		
Net financial result	**40.9**	**39.9**
Result from ordinary operations (EBT)	**36.4**	**31.3**
Extraordinary result	(3.8)	–
Income taxes	(0.5)	(2.2)
Net income	**32.1**	**29.1**

Balance sheet

Assets in € million	12/31/2010	12/31/2009
Purchased franchises, concessions, industrial-property and similar rights and assets, as well as licenses thereto	0.4	0.5
Total intangible assets	**0.4**	**0.5**
Land, equivalent titles, and buildings (including on leased land)	3.8	3.2
Sundry plant, business and office equipment	0.3	0.4
Prepayments on tangibles, construction in progress	2.7	0.4
Total tangible assets	**6.8**	**4.0**
Shares in subsidiaries	496.9	473.9
Loans to subsidiaries	1.7	–
Other investments	0.1	0.1
Other long-term securities	0.1	0.1
Other long-term loans	0.0	0.0
Total financial assets	**498.8**	**474.1**
Total fixed assets	**506.0**	**478.6**
Trade receivables	0.0	0.0
Due from subsidiaries	225.3	150.4
Due from investees	–	0.3
Sundry assets	2.7	34.7
Total receivables and sundry assets	**228.0**	**185.4**
Cash on hand and in bank	0.7	48.6
Securities/treasury stock	–	102.6
Total current assets	**228.7**	**336.6**
Prepaid expenses and deferred charges	**0.1**	**0.2**
	734.8	**815.4**

Stockholders' equity & liabilities in € million	12/31/2010	12/31/2009
Capital stock	37.8	37.8
Treasury shares at notional par	(3.7)	–
	34.1	37.8
Additional paid-in capital	37.6	37.6
Reserves retained from earnings		
Reserve from treasury stock	–	102.6
Other	283.3	279.2
Net earnings	39.1	33.6
Total stockholders' equity	**394.1**	**490.8**
Accruals for pensions and similar obligations	5.6	12.8
Tax accruals	3.0	2.9
Other accruals	12.0	11.9
Total accruals	**20.6**	**27.6**
Due to banks	0.1	26.0
Trade payables	1.1	1.0
Due to subsidiaries	114.2	65.7
Due to investees	0.5	–
Sundry liabilities	204.2	204.3
thereof for taxes: €0.1 million (virtually unchanged)		
Total liabilities	**320.1**	**297.0**
	734.8	**815.4**

Fixed-asset analysis

€ million	Cost					Accumulated amortization/depreciation/write-down				Book values	
	Balance at 1/1/2010	Additions	Disposals	Book transfers	Balance at 12/31/2010	Balance at 12/31/2010	Additions	Disposals	Write-up	Balance at 12/31/2010	Balance at 12/31/2009
Intangible assets											
Purchased franchises, concessions, industrial-property and similar rights and assets, as well as licenses thereto	7.9	0.2	0.0	–	8.1	7.7	0.3	0.0	–	0.4	0.5
	7.9	**0.2**	**0.0**	**–**	**8.1**	**7.7**	**0.3**	**0.0**	**–**	**0.4**	**0.5**
Tangible assets											
Land, equivalent titles, and buildings (incl. on leased land)	11.2	0.8	(0.1)	0.0	11.9	8.1	0.2	(0.1)	–	3.8	3.2
Sundry plant, business and office equipment	1.2	0.0	(0.1)	–	1.1	0.8	0.1	(0.1)	–	0.3	0.4
Prepayments on tangibles, construction in progress	0.4	2.3	–	0.0	2.7	–	–	–	–	2.7	0.4
	12.8	**3.1**	**(0.2)**	**0.0**	**15.7**	**8.9**	**0.3**	**(0.2)**	**–**	**6.8**	**4.0**
Financial assets											
Shares in subsidiaries	492.4	23.0	–	–	515.4	18.5	–	–	–	496.9	473.9
Loans to subsidiaries	0.0	1.7	–	–	1.7	–	–	–	–	1.7	–
Other investments	0.1	–	–	–	0.1	–	–	–	–	0.1	0.1
Other long-term securities	0.1	–	–	–	0.1	0.0	–	–	–	0.1	0.1
Other long-term loans	6.2	0.1	0.0	–	6.3	6.3	0.1	–	0.0	0.0	0.0
	498.8	**24.8**	**0.0**	**–**	**523.6**	**24.8**	**0.1**	**–**	**–**	**498.8**	**474.1**
Total	**519.5**	**28.1**	**(0.2)**	**0.0**	**547.4**	**41.4**	**0.7**	**(0.2)**	**0.0**	**506.0**	**478.6**

Notes

The separate annual financial statements of Vossloh AG as of December 31, 2010, were prepared in accordance with German GAAP, i.e., the provisions of the German Commercial Code ("HGB") as amended up to May 29, 2009, by BilMoG, the German Accounting Law Modernization Act. Consequently, according to Art. 67(8) Commercial Code Implementation Act ("EGHGB") and in derogation of the consistency principle, the previously applied accounting methods were changed. The prior-year comparatives were not restated.

Accounting and valuation principles

Accounting and valuation are governed by the following principles: Purchased intangible assets, as well as tangible assets are carried at cost, if finite-lived less amortization or depreciation according to the declining-balance or straight-line method. Finite-lived fixed assets added on or after January 1, 2001, are depreciated on a straight-line basis only. Fixed assets are written down to any lower current value if so required. Financial assets are recognized at cost or any lower current value. Receivables and sundry assets as well as cash on hand and in bank are shown at par or principal, or at the lower of cost or market. The corporation income tax credit distributable in the period from 2010 to 2017 was discounted at 4 percent annually and shown at present value.

Non-euro receivables/payables are translated at the historical mean forex rate as of first recognition date or any more unfavorable mean current forex rate; this latter rate is always applied to non-euro receivables/payables with a remaining term of one year or less but if hedged, the rate so covered is used for their translation.

According to the amended Commercial Code provisions, treasury shares are no longer capitalized as assets; instead, the repurchased shares at their notional par value are openly offset against the capital stock, the difference between the treasury stock at notional par and at cost being recognized within the free reserves.

Since January 1, 2010, the project unit credit (PUC) method has been used to provide for pensions and similar obligations, based on the 2005G mortality tables of Prof. Dr. Klaus Heubeck and an imputed discount rate of 5.16 percent. This rate—which was published by Deutsche Bundesbank as of December 31, 2010, for obligations with an average 15 years to maturity—was applied in due accordance with German Accruals Discounting Regulations. Further actuarial parameters entering into consideration for pension accruals included a pay rise of 3 percent, an expected pension rise of 2 percent, and an average employee turnover rate of 6 percent. The option offered by Art. 67(1) Clause 1 EGHGB was not exercised and therefore, the full additional provision of €3.8 million was recognized as extraordinary expense in 2010.

So-called plan assets (assets beyond the reach of any creditors and earmarked exclusively for the settlement of pension obligations) are netted against such obligations and consequently no longer shown as sundry assets (down from €11.3 million). Pension accruals were thus reduced by €11.4 million. Income from and expenses for these assets are offset against the interest added back to the related obligations and recognized in the other financial results.

Tax and other accruals are shown at the settlement amounts required in sound business practice and judgment. Accruals with a remaining term of more than one year are discounted at a 7-year average market rate for matching maturities (as determined and published by Deutsche Bundesbank). Liabilities are stated at their current settlement amounts.

Hedge accounting is used for financial derivatives (mainly cross-currency swaps) by combining the derivatives with the underlying into one valuation unit wherever a direct hedging relationship exists between hedge and underlying. In these cases, the result from the currency hedge contracted is not recognized before maturity or due date.

Fixed assets

Classification and movements of fixed assets are detailed in the above fixed-asset analysis.

The additions to shares in subsidiaries refer to Vossloh Rail Services GmbH.

Within financial assets, write-down of k€81 was charged to the other long-term loans; write-up was credited at k€34.

List of shareholdings

€ million		Footnote	Shareholding in %	through ( )	Consoli-dation[1]	Equity[2]	EAT[2]
(1)	**Vossloh AG, Werdohl**				(c)	394.4	(4.0)
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(c)	23.2	0.0
(3)	Vossloh US Holding Inc., Wilmington, USA		100.00	(2)	(c)	20.8	(0.4)
(4)	Vossloh Australia Pty. Ltd., Sydney, Australia		100.00	(1)	(c)	4.3	(0.2)
(5)	Vossloh Verwaltungsgesellschaft mbH, Werdohl		100.00	(1)	(c)	(6.4)	(0.2)
	Rail Infrastructure division						
(6)	Vossloh France SAS, Paris, France		100.00	(1)	(c)	237.0	13.7
	Fastening Systems business unit						
(7)	Vossloh-Werke GmbH, Werdohl	3	100.00	(1)	(c)	4.2	19.8
(8)	Vossloh Fastening Systems GmbH, Werdohl	3	100.00	(7)	(c)	5.8	3.8
(9)	Vossloh Werdohl GmbH, Werdohl	3	100.00	(7)	(c)	5.3	6.9
(10)	Vossloh Tehnică Feroviară SRL, Bucharest, Romania	4	100.00	(7)	(u)	0.0	0.0
(11)	Vossloh Drážni Technika s.r.o., Prague, Czech Republic	4	100.00	(7)	(u)	1.2	0.3
(12)	Vossloh Sistemi Srl, Sarsina, Italy		100.00	(7)	(c)	4.5	0.8
(13)	Patil-Vossloh Rail Systems Pvt. Ltd., Hyderabad, India	4,6	51.00	(7)	(u)	1.6	0.7
(14)	T.O.O. Vossloh-Kasachstan, Almaty, Kazakhstan		50.00	(7)	(u)	0.3	0.2
(15)	BV Oberflächentechnik GmbH & Co. KG, Werdohl		50.00	(7)	(e)	0.7	1.0
(16)	BV Oberflächentechnik Verwaltungs GmbH, Werdohl		50.00	(7)	(u)	0.0	0.0
(17)	Vossloh Maschinenfabrik Deutschland GmbH, Werdohl	4	100.00	(7)	(u)	(0.7)	(0.1)
(18)	Vossloh Utenzilija d.d., Zagreb, Croatia	4	90.49	(7)	(u)	1.8	(0.2)
(19)	Vossloh Skamo Sp. z o.o., Nowe Skalmierzyce, Poland		100.00	(7)	(c)	4.7	2.2
(20)	Vossloh Rail Technologies Ltd. Şti., Istanbul, Turkey		99.5/0.50	(7/8)	(c)	5.5	3.3
(21)	Feder-7 Kft., Székesféheryár, Hungary	4	96.67/3.33	(7/8)	(u)	0.4	0.1
(22)	Vossloh Fastening Systems America Corp., Chicago, USA	5	100.00	(7)	(c)	0.8	0.2
(23)	Vossloh Fastening Systems China Co. Ltd., Kunshan, China		68.00	(7)	(c)	45.4	31.8
(24)	Vossloh-Werke China Investment GmbH, Werdohl		100.00	(7)	(c)	10.6	0.6
(25)	ZAO Vossloh Fastening Systems Rus, Moscow, Russia	4	50.10	(7)	(u)	0.0	0.0
(26)	Beijing China Railways Vossloh Technology Co., Ltd., Beijing, China		49.00	(7)	(u)	2.6	2.2
	Switch Systems business unit						
(27)	Vossloh Cogifer SA, Rueil-Malmaison, France		100.00	(6)	(c)	119.0	23.7
(28)	Jacquemard AVR SA, St. Jean Bonnefonds, France		100.00	(27)	(c)	2.4	0.2
(29)	Vossloh Cogifer Finland OY, Teijo, Finland		100.00	(30)	(c)	1.5	0.7
(30)	Vossloh Nordic Switch Systems AB, Örebro, Sweden		100.00	(27)	(c)	22.7	7.4
(31)	KIHN SA, Rumelange, Luxembourg		89.21	(27)	(c)	12.6	1.1
(32)	DDL SA, Rodange, Luxembourg		100.00	(31)	(c)	0.1	0.0
(33)	Vossloh Laeis GmbH & Co. KG, Trier		100.00	(31)	(c)	3.2	0.9
(34)	Vossloh Laeis Verwaltungs GmbH, Trier		100.00	(31)	(c)	0.0	0.0
(35)	Futrifer-Indústrias Ferroviárias SA, Lisbon, Portugal		61.00	(27)	(c)	3.2	1.8
(36)	Amurrio Ferrocarril y Equipos SA, Amurrio, Spain		50.00	(27)	(p)	30.7	7.0
(37)	Montajes Ferroviarios srl, Amurrio, Spain	4	100.00	(36)	(u)	1.5	0.0
(38)	Burbiola SA, Amurrio, Spain		50.00	(36)	(u)	0.3	0.1
(39)	Corus Cogifer Switches and Crossings Ltd., Scunthorpe, UK		50.00	(27)	(p)	9.0	1.3
(40)	Vossloh Cogifer Italia Srl, Bari, Italy		100.00	(27)	(c)	2.4	(1.7)
(41)	Cogifer Polska Sp. z o.o., Bydgoszcz, Poland		52.38	(27)	(c)	13.7	1.2
(42)	ATO-Asia Turnouts Limited, Bangkok, Thailand		51.00	(27)	(c)	0.9	0.0
(43)	Cogifer Services (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(27)	(c)	0.6	0.4
(44)	Cogifer Americas, Inc., Cincinnati, USA	4	100.00	(27)	(u)	0.1	0.0
(45)	Siema Applications SAS, Villeurbanne, France		100.00	(27)	(c)	2.8	0.6
(46)	Vossloh Min Skretnice AD, Niš, Serbia		100.00	(27)	(c)	2.2	0.1
(47)	J.S. Industries Pvt. Ltd., Secunderabad, India	4,6	51.00	(27)	(u)	0.0	(0.3)
(48)	Vossloh Beekay Castings Ltd., Bhilai, India	6	60.00	(27)	(c)	8.2	2.5
(49)	Dakshin Transtek Pvt. Ltd., Bangalore, India	4,6	100.00	(47)	(u)	0.1	0.0
(50)	Vossloh Track Material, Inc., Wilmington, USA		100.00	(3)	(c)	10.7	1.2
(51)	Cleveland Track Material Inc., Cleveland, USA		100.00	(3)	(c)	10.1	0.1
(52)	Vossloh Cogifer Australia Pty. Ltd., Sydney, Australia		100.00	(4)	(c)	7.3	0.9
(53)	Vossloh Sportek A/S, Horsens, Denmark		100.00	(30)	(c)	1.2	0.8

€ million		Footnote	Shareholding in %	through ( )	Consoli-dation[1]	Equity[2]	EAT[2]
(54)	Kloos Oving BV, Rotterdam, Netherlands		100.00	(27)	(c)	4.6	1.5
(55)	Global Rail Systems, Inc., Marlin, USA	5	60.00	(3)	(c)	4.5	0.3
(56)	Vossloh France International SAS, Rueil-Malmaison, France	4	100.00	(6)	(u)	0.0	0.0
(57)	Wuhu China-Railway Cogifer Track Co., Huo Long Gang Town, China		50.00	(27)	(u)	10.3	0.0
	Rail Services business unit						
(58)	Vossloh Rail Services GmbH, Seevetal	3, 5	100.00	(1)	(c)	22.8	12.7
(59)	Stahlberg, Roensch GmbH & Co. KG, Seevetal	3, 5, 7	96.0/4.0	(58/60)	(c)	22.5	12.3
(60)	Stahlberg Verwaltungsgesellschaft mbH, Seevetal	5	100.00	(58)	(c)	1.9	0.5
(61)	RCN Rail Center Nürnberg GmbH & Co. KG, Nürnberg	3, 5	100.00	(59)	(c)	2.1	7.1
(62)	RCN Rail Center Nürnberg Verwaltungs GmbH, Nürnberg	5	100.00	(59)	(c)	0.1	0.0
(63)	RCB Rail Center Bützow GmbH & Co. KG, Bützow	3, 5	100.00	(59)	(c)	1.2	2.4
(64)	RCB Rail Center Bützow Verwaltungs GmbH, Bützow	5	100.00	(59)	(c)	0.1	0.0
(65)	Stahlberg Roensch Leipzig GmbH, Seevetal	5	100.00	(59)	(c)	2.0	1.3
(66)	GTS Gesellschaft für Gleistechnik Süd mbH, Seevetal	3, 5	100.00	(59)	(c)	(0.2)	0.0
(67)	Stahlberg Roensch Hamburg GmbH, Hamburg	5	100.00	(59)	(c)	1.0	0.0
(68)	Alpha Rail Team GmbH & Co. KG, Berlin		50.00	(59)	(e)	8.2	1.8
(69)	Alpha Rail Team Verwaltungs GmbH, Berlin		50.00	(59)	(u)	0.0	0.0
(70)	LOG Logistikgesellschaft Gleisbau mbH, Hannover	3, 5	100.00	(58)	(c)	9.4	(1.0)
(71)	Vossloh Ray Hizmetleri Limited Şirketi, Istanbul, Turkey	4	99.5/0.5	(59/58)	(u)	0.0	0.0
(72)	Vossloh High Speed Grinding GmbH, Seevetal	3, 5	100.00	(58)	(c)	0.1	0.0
(73)	Vossloh Mobile Rail Services GmbH, Seevetal	3, 5	100.00	(59)	(c)	0.1	0.0
	Transportation division						
	Transportation Systems business unit						
(74)	Vossloh Locomotives GmbH, Kiel	3	100.00	(1)	(c)	40.7	(5.2)
(75)	Locomotion Service GmbH, Kiel	3	100.00	(74)	(c)	0.2	0.0
(76)	Vossloh España SA, Valencia, Spain		100.00	(1)	(c)	92.2	13.7
(77)	Erion Mantenimiento Ferroviario SA, Madrid, Spain		51.00	(76)	(c)	1.9	1.2
(78)	Vossloh Locomotives France SAS, Antony, France		100.00	(74)	(c)	(0.1)	0.2
	Electrical Systems business unit						
(79)	Vossloh Kiepe GmbH, Düsseldorf	3	100.00	(1)	(c)	54.9	13.8
(80)	Vossloh Kiepe Beteiligungs GmbH, Düsseldorf	3	100.00	(79)	(c)	1.4	(0.2)
(81)	Vossloh Kiepe Ges.mbH, Vienna, Austria		100.00	(80)	(c)	16.5	1.7
(82)	Vossloh Kiepe Corporation, Vancouver, Canada	4	100.00	(80)	(u)	0.3	0.1
(83)	Vossloh Kiepe Srl, Cernusco sul Naviglio, Italy	4	100.00	(80)	(u)	0.1	0.0
(84)	Vossloh Kiepe Sp. z o.o., Kraków, Poland	4	99.00/1.00	(79/80)	(u)	0.0	0.0
(85)	Vossloh Kiepe Main Line Technology GmbH, Düsseldorf	3	100.00	(80)	(c)	3.2	(1.1)
(86)	APS electronic AG, Niederbuchsiten, Switzerland		100.00	(80)	(c)	1.7	0.5
(87)	Vossloh Kiepe Inc., Alpharetta, USA	4	100.00	(3)	(u)	1.0	0.1
	Other companies						
(88)	Vossloh Schwabe Australia Pty. Ltd., Sydney, Australia	4	100.00	(4)	(u)	1.1	0.0
(89)	Delkor Rail Pty. Ltd., Sydney, Australia	4	100.00	(4)	(u)	2.2	0.5
(90)	Delkor Rail (HK) Ltd., Hong Kong, China	4	100.00	(89)	(u)	0.1	0.0
(91)	Vossloh Track Systems GmbH, Werdohl	4	100.00	(1)	(u)	0.0	0.0
(92)	Vossloh Middle East Business Rail LLC, Abu Dhabi, UAE		49.00	(91)	(u)		
(93)	Vossloh Zweite Beteiligungsgesellschaft mbH, Werdohl	4	100.00	(1)	(u)	0.0	0.0

[1]Fully consolidated companies are labeled (c), those included at equity (e), ventures consolidated pro rata (p), and unconsolidated companies (u).
[2]For consolidated subsidiaries: as stated in the consolidated financial statements. Non-euro equity is translated at the mean current rate, EAT (net income or loss) at the annual average rate.
[3]Company claims exemption from preparing and publishing separate financial statements pursuant to Art. 264(3) or 264b HGB.
[4]Not included in the consolidation group for lack of materiality to the asset and capital structure, financial position, and results of operations
[5]Newly consolidated in 2010
[6]Fiscal year from April 1 to March 31
[7]In addition, Vossloh Verwaltungsgesellschaft (5) holds a minor equity interest as general partner.

Except for k€399, all receivables and sundry assets fall due within one year. The accounts due from subsidiaries are nontrade receivables only.

Receivables and sundry assets

Stockholders' equity

Vossloh AG's capital stock of €37,825,168.86 (up from €37,825,041.04) is divided into 14,795,920 (up from 14,795,870) no-par bearer shares of common stock only.

Capital stock

The annual general meeting of May 20, 2009, authorized new capital of €7,500,000, the authority expiring May 19, 2014.

Authorized capital

The contingent capital—totaling €12,586,846.49 as of December 31, 2010—breaks down as follows:

Contingent capital

The Company's capital stock has been conditionally raised by €6,979,134.18 by issuing 2,730,000 bearer shares of common stock. This contingent capital increase will be implemented only to the extent that, under the warrant bond issues floated by Vossloh AG and/or its (directly or indirectly) wholly owned non-German subsidiaries on or before June 28, 1999, the warrant holders exercise their right to subscribe for common stock. The new common stock ranks for dividend as from the fiscal year in which it is created by option exercise.

The Company's capital stock has been conditionally increased by €356,986.54 by issuing 139,641 bearer shares of common stock. This contingent capital increase is implemented only to the extent that the holders of stock options, which are granted to employees under an SOP authorized by the annual stockholders' meetings of June 25, 1998, and/or June 3, 2004, have exercised or will exercise their options. The new common stock ranks as from the beginning of the fiscal year in which it is created by option exercise.

When employees exercised some of their options under the ESOP, the capital stock was raised by 50 shares or €127.82.

The Company's capital stock has been conditionally raised by €1,468,225.77 by issuing 574,320 bearer shares of common stock. This contingent capital increase is implemented only to the extent that the holders of stock options, which are granted to officers, executives and other management staff under a long-term incentive plan (LTIP) authorized by the annual stockholders' meetings of June 25, 1998, and June 3, 2004, have exercised or will exercise their options.

The new common stock ranks as from the fiscal year in which it is created by option exercise for the dividend of the fiscal on whose profit appropriation the succeeding fiscal year's AGM votes.

The Company's capital has been conditionally raised by an aggregate €3,782,500 by issuing up to 1,479,585 no-par bearer shares of stock in order to grant new no-par bearer shares to the holders or creditors of such convertible bonds, warrant bonds, participating rights and/or income bonds (or any combination of such instruments) as are issued or floated by Vossloh AG or any of its (directly or indirectly) wholly owned subsidiaries by dint of the authority conferred by the AGM of May 19, 2010, according to Agenda Item 8. The new no-par bearer shares will be issued at a conversion or option price to be determined in accordance with the aforesaid AGM resolution. The conditional capital increase shall be implemented only to the extent that (i) conversion rights or equity warrant options are exercised, (ii) the bondholders, warrant owners or creditors subject to a conversion obligation actually meet their conversion obligations, (iii) no cash compensation is paid in lieu, or (iv) treasury shares or new shares issued by utilizing authorized capital are used. The newly issued no-par bearer shares rank for dividend as from the beginning of the fiscal year in which they are created by conversion or option exercise or by fulfillment of conversion obligations. The authority will expire May 18, 2015.

Additional paid-in capital

This equity reserve includes the premiums from issuing Vossloh AG stock. As the capital stock was raised from contingent capital, a premium of €1,809.68 (up from €868.64) was transferred to additional paid-in capital.

Treasury stock

Based on the authority conferred by the AGM of May 21, 2008 (which expired November 20, 2009), the Executive Board, with the Supervisory Board's prior consent, had decided on October 15, 2008, to repurchase up to 1,479,582 treasury shares, then equivalent to 10 percent of the capital stock.

On October 25, 2010, the Executive Board decided to reclassify 5,600 no-par shares of treasury stock and offer them to those employees of Vossloh AG or a Vossloh Group company who had registered for participation in the ESOP 2010.

Consequently, 5,600 shares were used in November 2010 for this program; for a summary of treasury stock movements, see the table below.

Stock repurchase

	Shares purchased	Total price (€)*	Capital stock (€)	Capital stock (shares)	% of capital stock
October 2008	182,000	10,722,541.40	37,824,979.68	14,795,846	1.23
November 2008	293,000	20,056,694.21	37,824,979.68	14,795,846	1.98
December 2008	432,000	31,890,659.88	37,824,979.68	14,795,846	2.92
Total 2008	**907,000**		**37,824,979.68**	**14,795,846**	**6.13**
January 2009	230,000	17,555,206.81	37,824,979.68	14,795,846	1.55
February 2009	181,500	13,972,774.45	37,824,979.68	14,795,846	1.23
March 2009	161,082	12,119,195.03	37,824,979.68	14,795,846	1.09
Total 2009	**572,582**		**37,824,979.68**	**14,795,846**	**3.87**
As of March 31, 2009	**1,479,582**		**37,824,979.68**	**14,795,846**	**10.00**
November 2009	(3,352)	(241,075.84)	37,825,041.04	14,795,870	(0.02)
As of Dec. 31, 2009	**1,476,230**		**37,825,041.04**	**14,795,870**	**9.98**
November 2010	(5,600)	(428,519.48)	37,825,168.86	14,795,920	(0.04)
As of Dec. 31, 2010	**1,470,630**		**37,825,168.86**	**14,795,920**	**9.94**

*Excl. bank commissions

Vossloh AG's AGM reauthorized the Executive Board on May 19, 2010, to repurchase on or before May 18, 2015, treasury shares corresponding to an aggregate 10 percent of the capital stock in accordance with Art. 71(1) No. 8 AktG.

The treasury shares may be acquired via a stock exchange, by public offering or by a public invitation to bid.

The treasury shares thus acquired may be disposed of (i) through a stock market, (ii) by offering them to all Vossloh stockholders, (iii) in return for noncash contributions, particularly in M&A transactions, or (iv) in order to meet obligations from convertible or warrant bond issues, or they may redeemed and withdrawn without requiring another AGM resolution.

The authority conferred by the AGM of May 20, 2009, to repurchase treasury stock was revoked when the AGM resolution of May 19, 2010, took effect.

According to the amended Commercial Code provisions, the treasury stock's theoretical par value of €3,759,605.90 was openly offset against the capital stock, the difference of €98,478,591.70 between the treasury stock's notional par value and its amortized cost being recognized within the free reserves.

Reserves retained from earnings

The reserves retained from earnings totaled €283,367,916.07 as of December 31, 2010 (up from €279,205,558.17).

The closing treasury stock portfolio as of December 31, 2010, comprised 1,470,630 shares, carried at amortized cost of €69.52 each.

Accruals

Within the accruals for pensions and similar obligations, certain plan assets (assets beyond the reach of any other creditors and earmarked exclusively for the settlement of pension obligations) were netted against such obligations, their amortized cost and fair value amounting to k€11,363, while the settlement amount of obligations offset came to k€16,928. In the income statement, expenses of k€325 were netted against income of k€49.

The plan assets' amortized cost (which equals their fair value) corresponds to the budgeted unearned premium reserve from the employer's pension liability insurance contract, plus the credit balance from premiums refundable (so-called irrevocable capital bonus). This value, moreover, equals the asset value for tax purposes.

The other accruals of k€12,042 (up from k€11,864) include k€3,165 for personnel (up from k€2,815) and k€8,877 for sundry administrative purposes (down from k€9,049).

Liabilities (above-the-line and contingent)

k€116,273 of the liabilities recognized in the balance sheet falls due within one year (up from k€93,127), another k€118,946 after one but within five years (virtually unchanged) and k€84,962 after more than five years (virtually unchanged). The noncurrent liabilities (due >1 year) are all *sundry liabilities*. The accounts due to subsidiaries are throughout nontrade.

The contingent liabilities under suretyships and guaranties of k€414,038 (down from k€435,534) were in full incurred for obligations of subsidiaries (unchanged).

The limited-amount guaranties in favor of subsidiaries total k€657,113. Sixteen guaranties do not have a stipulated ceiling.

Since the subsidiaries will be able to settle the liabilities covered by such guaranties, no liabilities were recognized.

The other financial obligations (exclusively to third parties) total k€509 (down from k€684) and break down into k€314 falling due within one (down from k€324) and another k€195 between one and five years (down from k€360).

No evidence exists that would suggest that a guaranty might be enforced, a conclusion we have arrived at primarily given the many years in which not a single guaranty was called upon. The circumstances prevailing at the balance sheet and the situation up to financial statement preparation do not indicate any such enforcement either.

Results of operations

k€1,225 (down from k€1,429) of net sales, generated in 2010 solely in Germany, basically referred to rental income, including k€881 charged to subsidiaries (down from k€1,068).

The functional expenses break down into cost of sales and general administrative expenses.
Cost of sales mainly includes amortization, depreciation, and M&R expenses, while general administrative expenses essentially cover expenses for personnel, trade fairs, management consultancy, as well as amortization/depreciation.

The other operating income came to k€16,730 (up from k€15,914) and chiefly resulted from apportioned taxes of k€11,892 (up from k€11,812) and allocated marketing fees of k€2,413 and IT costs of k€1,223 (up from k€1,208 and k€1,187, respectively). Moreover, financial assets were written up at k€34 (down from k€43).

The net financial result includes write-down of k€81 charged to other long-term loans.

The extraordinary result solely accounts for the effects of the first-time application of the amended Commercial Code.

Income taxes refer to EBT of the current and prior periods.

Other disclosures

The income statement has been presented in the cost-of-sales format pursuant to Art. 275(3) HGB.

In the year under review, personnel expenses totaled k€8,193 (down from k€8,908), of which k€7,705 (down from k€7,733) is allocable to wages and salaries, another k€448 (down from k€1,175) to Social Security, pension expense and related employee benefits, pension expense alone being a credit of k€53 (up from a k€651 expense). The k€1,045 interest portion in the addition to pension accruals was recognized as interest and similar expenses.

In fiscal 2010, Vossloh AG employed an average white-collar workforce of 46 (down from 50).

The employee bonus program 2010 (on terms unchanged versus 2009) offered employees of German Vossloh companies the option of acquiring either two Vossloh shares free or eight shares at a discount of 50 percent of the issue price of €85.51 per share (up from €65), determined at market as of the share transfer date. Under this program, Vossloh employees were granted in 2010 altogether 3,148 free shares (up from 1,916) at an expense to the Company of k€218.8 (up from k€137.8).

Remuneration of Executive Board members for 2010 totaled k€2,840, including k€759 of fixed and k€2,045 of variable compensation plus k€35 payments in kind (PiK). Former Executive Board members received a total k€612 in 2010. k€11,411 was accrued for the pension obligations to former Executive and Management Board members and their surviving dependants. The obligations have fully been provided for.

Total Supervisory Board fees for 2010 came to k€689, including fixed and variable components of k€223 and k€466, respectively.

For the detailed disclosure of board member remuneration required under the terms of Art. 285 Clause 1 No. 9 HGB, see the Board Compensation Report (an integral part of the combined management report).

Financial derivatives and hedge accounting

Vossloh AG's business operations are exposed to exchange and interest rate risks which are contained or eliminated by contracting financial derivatives. The Company's Treasury Management controls and manages groupwide all exchange and interest rate risks.

In order to fully hedge the risks originating from the financial debts of $240.0 million raised by US private placement (USPP), as well as from the related future interest payments in US dollars, cross-currency swaps of matching maturities and amounts were contracted.

Vossloh AG contracts currency forwards with banks to cover currency risks from the operations of subsidiaries and hedge currency loans extended to subsidiaries.

All hedged underlyings are accounted for at the hedged rate. Since the so-called net method is used, neither any expected loss or gain, nor any decrease/increase in the hedging instrument's value is recognized.

The notional volumes and market values of these hedges are listed below:

Financial derivatives

€ million	2010		2009	
	Market value	Notional volume	Market value	Notional volume
Currency hedges				
Cross-currency swaps	(25.5)	203.9	(41.4)	203.9
Currency forwards	(1.5)	75.4	(0.1)	72.3
Interest rate hedges				
Interest rate swaps	–	–	(0.8)	25.6
	(27.0)	**279.3**	**(42.3)**	**301.8**

The method of determining market values to measure derivatives depends on the type of instrument.

The market value of cross-currency swaps is calculated by using a DCF method with the market interest rate appropriate for the remaining term of the derivative and a foreign exchange rate applicable to the currency of the expected future cash flows. Interest rate hedges are marked to market on the basis of bank opinions.

The fair market values of currency forwards were calculated internally by determining the current value at the hedged rate, i.e., on the basis of the forex spot rate quoted at the closing date, with due regard to forward markup or markdown for the remaining contract term in relation to the contracted forward rate.

Hedge accounting against currency risks

Where the criteria are met, hedge accounting is used for financial derivatives by combining the derivative with the underlying into one valuation unit. Where not, negative market values are accrued, positive market values not being capitalized. In 2010, all financial derivatives were combined as hedging instruments with the related underlyings to form microhedges whose future effectiveness is assessed in terms of matching maturities and volumes, i.e., on the basis of a critical term match.

The cross-currency swaps contracted by Vossloh AG at matching maturities and amounts to hedge its forex obligations from the USPP of US $240.0 million represent a valuation unit together with the related debts and, therefore, they are recognized according to hedge accounting rules. At December 31, 2010, the hedged sum of €203.9 million exceeded the current value at the closing rate by €23.2 million. The hedged interest expense of €11.0 million was €2.3 million above the current value at the closing rate.

Due to matching maturities and volumes in each currency, Vossloh AG's forex hedging is 100 percent effective.

Underlyings include firmly contracted purchase orders or shipments at fixed dates, as well as currency loans. The contracted cash flow is hedged by buying or selling foreign exchange, thus also closing the currency positions of subsidiaries for the latter's account. As of December 31, 2010, positions in UAE dirhem (AED), Australian dollar (AUD), Swiss franc (CHF), Czech koruna (CZK), Danish krone, Swedish krona (SEK), and US dollar (USD) were hedged.

Declaration of conformity

In December 2010, the Executive and Supervisory Boards issued, and made available long term to the stockholders on the Company's website, the declaration of conformity as required by Art. 161 AktG.

Notifications acc. to Sec. 21 WpHG

Vossloh AG received the following notifications of attributable voting rights in 2010 under the terms of Sec. 21 German Securities Trading Act ("WpHG"):

Notifying party	Date	Threshold	Voting interest
Generation Investment Management LLP, London, UK	2/04/2010	crossed above 5%	5.02%
Generation Investment Management LLP, London, UK	11/25/2010	crossed below 5%	4.76%
Generation Investment Management LLP, London, UK	12/06/2010	crossed below 3%	2.91%

The following fees for services rendered by the statutory auditor, BDO AG, Wirtschaftsprüfungsgesellschaft ("BDO"), were recognized as expense:

Statutory auditor's fees

€ million	2010	2009
Statutory audits	0.1	0.1
Other certification/verification services	0.2	0.3
Tax consultancy	0.3	0.4
Other services	0.0	0.0
	0.6	**0.8**

The fees for statutory audits mainly include those paid for the statutory annual audits by BDO of Vossloh AG's separate and consolidated financial statements where such fees are borne directly by Vossloh AG. The fees include €0.0 million (virtually unchanged) for other certification or verification services and €0.0 million (down from €0.1 million) for tax consultancy provided by non-German BDO firms but invoiced through BDO AG. The fees for other certification or verification services mainly account for consultancy and auditing work in connection with the implementation of groupwide accounting policies, as well as for quarterly report reviews.

The tax consultancy fees substantially cover advisory services for the formulation of tax returns, the review of tax assessment notices, as well as for national and international tax matters.

Vossloh AG's Executive Board

Werner Andree, born 1951, Neuenrade
CEO
(since Aug. 9, 2007; Executive Board member since Sep. 1, 2001, appointed up to Aug. 31, 2014)
– Vossloh Cogifer SA: Director
– Vossloh France SAS: President
– Vossloh Australia Pty. Ltd.: Director
– Vossloh Schwabe Australia Pty. Ltd.: Director
– Vossloh España SA: Director

Dr.-Ing. Norbert Schiedeck, born 1965, Arnsberg,
COO
(Executive Board member since Apr. 1, 2007, appointed up to Mar. 31, 2015)
– Vossloh Cogifer SA: Director
– Amurrio Ferrocarril y Equipos SA: Director
– Vossloh España SA: Director
– Wohnungsgesellschaft Werdohl GmbH: supervisory board member

Vossloh AG's Supervisory Board

Dr.-Ing. Dipl.-Ing. Wilfried Kaiser, Chairman[2, 4], Munich, degreed engineer, former executive board member of Asea Brown Boveri AG
– EvoBus GmbH: supervisory board member
– ACTech GmbH: advisory board member[5]
– schenck.de AG: supervisory board chairman
– Hugo Kern und Liebers GmbH & Co.: director[5]
– VAG Holding GmbH: advisory board chairman[5]

Peter Langenbach[2, 4], Vice-Chairman, Wuppertal, lawyer
– Credit- und Volksbank eG, Wuppertal: supervisory board chairman

Dr. Jürgen Blume[3, 4], Bad Bentheim, sworn public auditor and tax accountant

Dr. Christoph Kirsch[3, 4], Weinheim, former CFO of Südzucker AG
– GELITA AG: supervisory board member
– HELIKOS SE: member of the board

Wolfgang Klein[1, 2, 3], Werdohl, galvanizer, European and Group Works Council Chairman

Michael Ulrich[1], Kiel, mechanic

[1]Employee representative
[2]Staff Committee member
[3]Audit Committee member
[4]Slate Submittal Committee member
[5]Optional board

Proposed profit appropriation

The annual financial statements 2010 close with net income of €32,124,074.74. Including the profit carryover of €6,958,237.20, net earnings amount to €39,082,311.94.

The Executive Board will propose to the annual general meeting to distribute a cash dividend of €2.50 for each eligible no-par share of the common stock of €34,065,562.96 and carry forward the balance of €5,769,086.94. When determining the eligible capital stock, the total number of treasury shares (1,470,630) was deducted.

Proposed profit appropriation

in €	
Net income for 2010	32,124,074.74
Undistributed profit as of January 1, 2010	6,958,237.20
Net earnings as of December 31, 2010	**39,082,311.94**
Proposed:	
total dividend payout	33,313,225.00
carryforward to new account	5,769,086.94

Werdohl, March 11, 2011

Vossloh AG
The Executive Board

Werner Andree, Dr.-Ing. Norbert Schiedeck

Management representation

“We represent that, to the best of our knowledge and in accordance with applicable accounting principles, the separate financial statements present a true and fair view of Vossloh AG’s asset and capital structure, financial position, and results of operations, as well as that the management report describes fairly, in all material respects, the Company’s business trend and performance, its position, and the significant risks and rewards of the Company’s future development.”

Werdohl, March 11, 2011
Vossloh AG
The Executive Board

Werner Andree, Dr.-Ing. Norbert Schiedeck

Independent auditor's report and opinion on the separate financial statements

We have audited the annual financial statements (consisting of balance sheet, income statement, and notes) including the records and books of account and the combined management report (on the Company and the Group) of Vossloh AG, Werdohl, for the fiscal year ended December 31, 2010. The accounting and the preparation of the annual financial statements and combined management report in accordance with the German Commercial Code and the supplementary provisions of the bylaws are the responsibility and assertions of the Company's legal representatives. Our responsibility is, based on our audit, to express an opinion on the annual financial statements (including the accounting) and combined management report.

We have conducted our annual audit in accordance with the provisions of Art. 317 HGB and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Auditors & Accountants in Germany. Those standards require that we plan and perform the audit to obtain reasonable assurance that any misstatement or fraud which has a material impact on the view of the asset and capital structure, financial position and results of operations as presented by the annual financial statements in accordance with accounting principles generally accepted in Germany and by the combined management report is identified. When planning the audit procedures, knowledge and understanding of the Company's business, its economic and legal environment as well as sources of potential errors are given due consideration. An audit includes examining, largely on a test basis, the accounting-related internal control system's effectiveness and the evidence supporting the amounts and disclosures in the accounting, the financial statements, and the combined management report. An audit also includes assessing the accounting principles used, and significant estimates made, by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections or exceptions.

It is our opinion that, based on our audit conclusions, the annual financial statements, with due regard to accounting principles generally accepted in Germany, comply with the law and the supplementary provisions of the Company's bylaws, and present a true and fair view of the Company's asset and capital structure, financial position and results of operations. The combined management report is in conformity with the annual financial statements and presents fairly, in all material respects, the Company's overall position and the risks and rewards inherent in its future development.

Essen, March 11, 2011

BDO AG
Wirtschaftsprüfungsgesellschaft

Fritz	Barhold
Wirtschaftsprüfer	Wirtschaftsprüfer

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