Interim report as of June 30, 2006

The Vossloh Group at a glance

Group			
		H1/2006	H1/2005
Income statement data			
Net sales	€ mill.	474.2	439.1
thereof Rail Infrastructure	€ mill.	292.7	277.4
Motive Power	€ mill.	167.5	143.5
Information Technologies	€ mill.	14.1	20.3
EBIT	€ mill.	22.3	36.5
Net interest expense	€ mill.	(7.4)	(9.5)
EBT	€ mill.	14.9	27.0
Group earnings (total)	€ mill.	9.0	16.6
Earnings per share (EpS)	€	0.61	1.14
EBIT margin	%	4.7	8.3
Pretax return on equity (ROE)	%	8.5	16.4
Return on capital employed (ROCE)	%	6.0	9.5
Balance sheet data			
Fixed assets	€ mill.	452.7	453.0
capital expenditures	€ mill.	12.2	14.9
amortization/depreciation[1]	€ mill.	13.2	10.4
Working capital	€ mill.	286.4	318.8
Working capital ratio	%	30.2	36.3
Capital employed	€ mill.	739.1	771.8
Total equity	€ mill.	350.3	330.5
thereof minority interests	€ mill.	6.7	5.4
Net financial debt	€ mill.	199.8	258.7
Net leverage	%	57.0	78.3
Total assets	€ mill.	1,079.8	1,102.2
Equity ratio	%	32.4	30.0
Cash flow statement data			
Cash flow from operating activities	€ mill.	39.7	(7.4)
Cash flow from investing activities	€ mill.	(14.0)	(41.0)
Cash flow from financing activities	€ mill.	(30.4)	(26.4)
Change in cash & cash equivalents	€ mill.	(4.5)	(74.8)
Workforce			
Six-month (H1) average headcount		4,975	4,629
thereof Rail Infrastructure		3,130	2,990
Motive Power		1,534	1,327
Information Technologies		279	282
Vossloh AG		32	30
Payroll-to-added value ratio	%	82.9	75.4
Personnel expenses	€ mill.	120.8	120.3
Share data			
Stock price at June 30	€	39.64	38.70
Market capitalization at June 30	€ mill.	584.1	570.1

[1] Excluding financial assets

The income statement data refers to the 6 months ended June 30, balance sheet data being stated as of June 30. Where required, ratios have been annualized.

Contents

The Vossloh Group structure

Rail Infrastructure	Motive Power	Information Technologies
Vossloh Fastening Systems	**Vossloh** Locomotives	**Vossloh** Information Technologies
Vossloh Switch Systems	**Vossloh** Electrical Systems	
Vossloh Infrastructure Services		

Rail Infrastructure

Rail fasteners from Vossloh are used in over 65 countries for their inherent safety and efficiency. And, when it comes to sophisticated track switches, the Group is again a foremost international supplier. In the construction of new trackage and the maintenance of existing, Vossloh likewise commands a leading position.

Motive Power

Ultramodern Vossloh diesel locomotives have for years now been leading the way throughout Europe. Cost efficiency, flexibility and attractive financing arrangements—these are some of the ingredients keeping this market leader on the success track. The lineup of products and services is extended with key technologies used on trams, streetcars, and trolleybuses.

Information Technologies

Engineering systems sourced from Vossloh ensure cost-effective and customer-friendly operations management for transport operators. Vossloh is also a leading supplier of passenger information systems used in trains, railway stations, and at airport terminals. Signaling components and electronic interlocks are other specialty markets with vast growth potential.

Dear Stockholders:

The Vossloh Group looks back on a challenging first six months of 2006. Although the market environment continued difficult in Germany, key international markets are showing promising trends. Despite such adverse conditions we succeeded in upholding our position of leadership. Our business volume developed largely as budgeted—in other words and as expected, at a very modest rate.

In all group sales advanced although chiefly due to our Spanish subsidiary Vossloh España which, this year, has for the first time been consolidated for the full period. In contrast, other business units showed slightly receding revenues for market reasons and Information Technologies even a sharp decline in sales.The problems at this smallest of our divisions induced us on June 23, to revise significantly our earnings expectations for fiscal 2006. Many of the exceptional burdens, identified in the course of extensive in-house reviews at €21.4 million, were recognized in the Q2/2006 accounts and therefore severely depressed the H1/2006 EBIT.

We may have shouldered significant one-off burdens yet there is still plenty to do. Recent sluggish business trends have endorsed our conviction that Vossloh is in urgent need of realignment—before a weak market, gradually eroding margins, and a lack of organic growth turn into serious problems for our group. So that over the years ahead Vossloh can show sustained and profitable growth we launched two significant projects at the end of May. *GO 2010!* is designed to adapt our strategy to future market conditions and optimize our portfolio while *Vossloh FIT!* targets an improvement in operating efficiency.

These two projects are proceeding according to plan. Details will be announced in September. But even at this early stage it is becoming apparent that the Vossloh Group is due for a shakeup. We will expand into new areas of business—complemental to those to date—and we will review which of our businesses suit us in future. As to costs and expenses—we are targeting savings in the region of double-digit millions, albeit with effect not before next year.

The current year we regard as a period of transition, which, of course, doesn't mean that we do not expect anything more from 2006. Quite the contrary: we expect Vossloh for the first time to generate sales in excess of €1 billion. Current order backlog and influx are grounds for assuming that over the coming months business will proceed in line with the updated budget. We are presently receiving encouraging signals, especially regarding new products required on a number of major foreign markets. The latter half of the year has traditionally been the stronger and so, despite the still difficult market environment, we are moving ahead reasonably optimistic.

Dr. Gerhard Eschenröder,
Executive Board Chairman, Vossloh AG

The first half of 2006 saw a conspicuous change of mood on the German stock exchanges. The in some cases steep price rises in the early months were then followed in May and June, in particular, by sharp declines. The MDAX, Germany's stock market index for mid-caps including Vossloh, scaled to a new high of 9,161 on May 10, before shedding around 2,100 points by mid-June and recovering slightly to 7,887 as of June 30, 2006. Even though showing a 9.0-percent loss for the second quarter of 2006, the MDAX did close the first six months of the year with a gain of 7.9 percent versus the 7,312 points at the end of 2005.

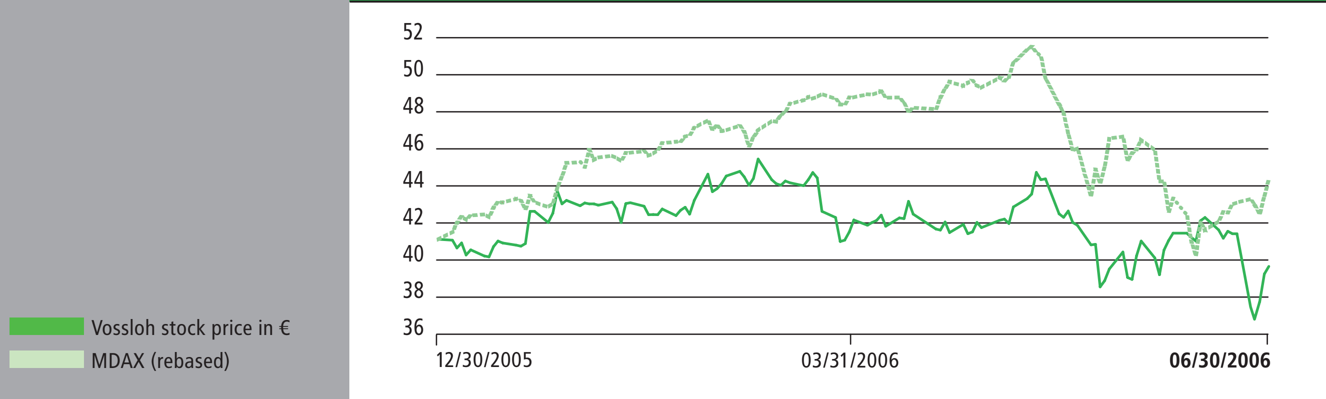
For lengthy periods of H1/2006, Vossloh's stock price moved in a sideward direction, hence in contrast to the soft market of the first three weeks of June. In the wake of revised earnings expectations for 2006 following extensive in-house reviews, the price slipped to a H1 low of €34.90 on June 26, 2006. At the end of the period, the Vossloh stock price was €39.64, only slightly short of the €41.10 at the close of 2005.

Compared to the H1/2005 figure of about 4.1 million, the volume of Vossloh shares traded climbed about 77 percent to around 7.3 million, some 95 percent of the average daily turnover of just under 58,000 through the Xetra electronic system.

By dint of the June 25, 1998 resolution by the annual meeting of Vossloh AG's stockholders to create new authorized but unissued capital, 562 new no-par bearer shares of common stock were in H1/2006 issued upon option exercise, equivalent to a theoretical interest of €1,436.73 in the capital stock. The latter rose to now €37,670,382.91, subdivided into 14,735,373 no-par bearer shares.

Following the revised earnings expectations for fiscal 2006, analysts adjusted their assessments regarding Vossloh's future stock price: one again recommends "buy," six opt for "hold," and four prefer a portfolio reduction. Price predictions presently range between €34.00 and €42.00, with a mean of €38.05. The latest analyst opinions and other information on Vossloh stock are downloadable at www.vossloh.com

Vossloh stock price trend from January 1 to June 30, 2006

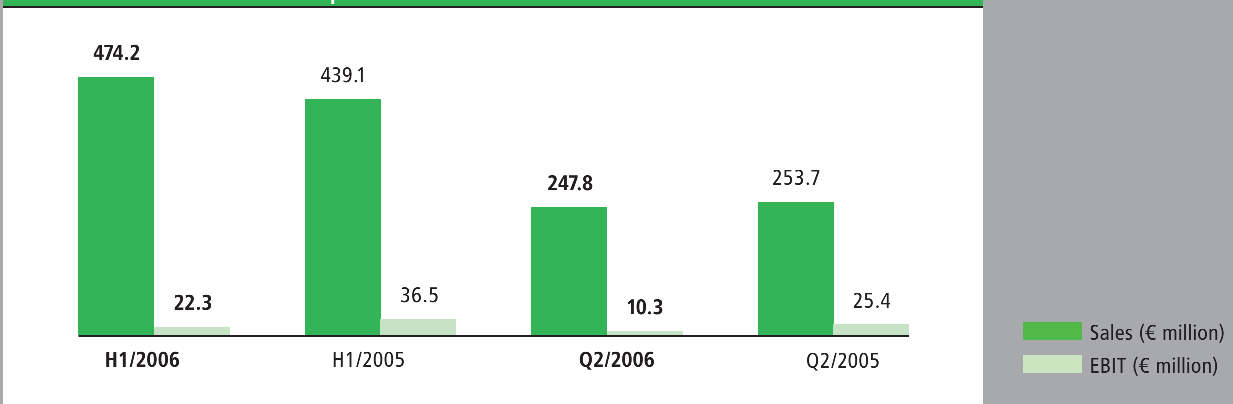


During the first six months of 2006, the Vossloh Group posted sales of €474.2 million, up 8 percent over the year-earlier €439.1 million. Most of the added revenues were attributable to the Infrastructure Services business unit and the inclusion of Vossloh España, consolidated since April 1, 2005. In contrast, the Kiel-based locomotives operation and the Information Technologies division both showed sharp declines.

Vossloh Group					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Net sales	€ mill.	474.2	439.1	247.8	253.7
EBITDA	€ mill.	35.5	46.9	17.2	30.8
EBIT	€ mill.	22.3	36.5	10.3	25.4
EBIT margin	%	4.7	8.3	4.2	10.0
EBT	€ mill.	14.9	27.0	6.7	20.6
Group earnings	€ mill.	9.0	16.6	4.0	13.1

H1/2006 earnings were significantly eroded by problems related to the handling of certain projects at Information Technologies. Additionally, an unbudgeted €2 million approximately for litigation at Motive Power plus the ongoing product mix mutations at Rail Infrastructure in favor of lower-margin operations combined to downsize earnings. As a consequence, EBIT dropped from the year-earlier €36.5 million to €22.3 million. The aforementioned effects also slashed H1 group earnings from €16.6 million in 2005 to €9.0 million.

Sales and EBIT of the Vossloh Group



H1/2006 sales in Germany were down mainly due to losses at Vossloh Information Technologies. The steep upturn in France resulted chiefly from sales gains at Infrastructure Services. Whereas the H1 increase elsewhere in Euroland was predominantly attributable to the inclusion of Vossloh España, the rise reported under "Other regions" was fueled by growing exports by Vossloh Switch Systems to the Maghreb region.

Sales by region					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Germany	€ mill.	63.1	77.9	32.5	44.1
France	€ mill.	154.6	110.1	80.4	59.8
Other Euroland	€ mill.	140.8	125.1	71.9	81.8
Other Europe	€ mill.	71.2	86.7	38.2	46.8
Total Europe	**€ mill.**	**422.7**	**399.8**	**223.0**	**232.5**
North America	€ mill.	10.6	5.7	4.3	4.0
Latin America	€ mill.	3.1	4.4	1.6	3.1
Total Americas	**€ mill.**	**13.7**	**10.1**	**5.9**	**7.1**
Asia	**€ mill.**	**18.9**	**23.6**	**11.8**	**11.0**
Other regions	**€ mill.**	**11.9**	**5.6**	**7.1**	**3.1**
Total	**€ mill.**	**474.2**	**439.1**	**247.8**	**253.7**

In a year-on-year comparison, the Vossloh Group's total assets at June 30 inched down 2.0 percent in 2006 to €1,079.8 million, substantially due to the significant shrinkage of inventory levels.

The June 30, 2006 working capital of €286.4 million was around €32 million below the year-earlier magnitude, mainly thanks to lower inventories and higher customer prepayments. With fixed assets virtually unchanged, capital employed shrank accordingly.

In a year-on-year comparison, the downsizing of net financial debt (financial debts less cash and cash equivalents) to about €200 million as of June 30, 2006, meant that the Group's net leverage (i.e., the ratio of net financial debt to equity) was upgraded to 57.0 percent.

The Vossloh Group's order backlog at June 30, 2006, totaled €1.1 billion, around 9 percent short of the year-earlier €1.2 billion.

Vossloh Group				
		6/30/2006	12/31/2005	6/30/2005
Total assets	€ mill.	1,079.8	1,091.2	1,102.2
Total equity	€ mill.	350.3	361.0	330.5
Equity ratio	%	32.4	33.1	30.0
Working capital	€ mill.	286.4	303.3	318.8
Working capital ratio[1]	%	30.2	30.4	36.3
Fixed assets	€ mill.	452.7	453.3	453.0
Capital employed	€ mill.	739.1	756.6	771.8
ROCE[1]	%	6.0	12.0	9.5
ROE[1]	%	8.5	19.7	16.4
Net financial debt	€ mill.	199.8	220.5	258.7
Net leverage	%	57.0	61.1	78.3

[1] annualized

H1/2006 sales at Rail Infrastructure added up to €292.7 million, up 5.5 percent over the year-earlier €277.4 million. All the added sales were generated by the lower-margin Infrastructure Services business unit while the more profitable Switch Systems and Fastening Systems units both reported slight declines. The preponderance of these lower-margin revenues and a general pressure on profitability caused this division's H1 EBIT to fall to €35.7 million (down by €5.7 million).
The Rail Infrastructure division recognized as a charge to the H1/2006 income about €5 million of the one-time burdens reported ad hoc on June 23.

Rail Infrastructure					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Net sales	€ mill.	292.7	277.4	157.5	150.8
EBITDA	€ mill.	42.9	47.8	23.9	26.7
EBIT	€ mill.	35.7	41.4	20.2	23.5
EBIT margin	%	12.2	14.9	12.8	15.6

At €65.4 million, Vossloh Fastening Systems H1 sales dropped €4.4 million below the €69.8 million generated in 2005. As already mentioned in the Q1/2006 report, this decline was attributable to receding exports to the Netherlands on account of the completion of the HSL-Zuid high-speed and the Betuwe cargo lines. Nonetheless, unlike Q1/2006, a sizable share of this lost business was offset by exports to Italy and Kazakhstan, in both cases in excess of budget, plus rising domestic demand versus 2005. H1/2006 order intake amounted to €78.7 million (up from €69.9 million).

H1 sales at Vossloh Switch Systems reached €120.8 million (down €9.2 million or around 7 percent). Receding exports into Asia and Europe were not fully offset by rising revenues in France, exports to the Maghreb region and the first-time consolidation of the Indian companies. The downswing in European exports compared with H1/2005 is largely due to the lack of any megaprojects in the UK and Spain. This business unit's order intake added up to €129.1 million (down from €129.3 million). Its order backlog at June 30, 2006, amounted to €155.1 million (down from €166.2 million).

At €113.9 million, H1 sales by Vossloh Infrastructure Services were well above the prior year's €87.5 million, the gain reflecting the good progress being made on eight concurrent tram contracts in France. Also helping to fuel sales was a revival in demand on the part of the French state rail for track maintenance work. Orders booked during the period totaled €87.6 million (down from €103.4 million) while orders on hand at June 30, 2006, totaled €126.0 million (down from €197.0 million).

Rail Infrastructure				
		6/30/2006	12/31/2005	6/30/2005
Working capital	€ mill.	172.5	172.7	180.8
Working capital ratio[1]	%	29.5	29.8	32.6
Fixed assets	€ mill.	293.3	296.1	295.5
Capital employed	€ mill.	465.8	468.8	476.3
ROCE[1]	%	15.3	18.7	17.4

[1] annualized

With working capital and capital employed slightly down, the lower H1 EBIT squeezed ROCE from 17.4 to 15.3 percent.

Motive Power division

The Motive Power division generated H1 sales of €167.5 million in 2006 (up from €143.5 million), the increase being largely due to the contribution by Vossloh España and higher sales by the Electrical Systems business unit. In contrast, sales at the Kiel-based locomotive operation slumped. Despite the unbudgeted litigation burden of around €2 million, the H1/2006 EBIT of €3.5 million was a marked improvement (up from €0.2-million) thanks to the very good capacity utilization at Valencia and the absence of the year-earlier restructuring expenses at the Kiel location.

Motive Power					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Net sales	€ mill.	167.5	143.5	82.3	91.3
EBITDA	€ mill.	8.0	3.4	2.4	5.8
EBIT	€ mill.	3.5	0.2	0.0	4.0
EBIT margin	%	2.1	0.2	0.0	4.4

H1/2006 sales at Vossloh Locomotives amounted to €123.0 million (up from €108.5 million), of which Vossloh España (consolidated since April 1, 2005) accounted for €66.6 million (up from €29.4 million). In contrast to the healthy sales and order situation for diesel-electrics, diesel-hydraulic locomotives business is afflicted by still unsatisfactory demand for such locomotives. Kiel's H1 sales at €56.4 million slumped €22.7 million or around 29 percent, chiefly because the year-earlier period had included two megacontracts invoiced to the Belgian (SNCB) and Swiss (SBB) state rail authorities (in all the handover of 34 locomotives). Order intake for the first half of 2006 at Vossloh Locomotives reached €128.2 million (down from €160.6 million), order backlog at June 30, 2006, equaled €534.9 million (down from €586.2 million).

At €44.5 million, H1 sales at Vossloh Electrical Systems rose €9.5 million (up from €35.0 million). Most of the increase was related to the ongoing smooth performance of the Vancouver megacontract for the fitting-out of 188 low-floor articulated trolleybuses with electrical systems. Order intake at €73.9 million was easily in excess of the prior year's €24.9 million. Sizable new contracts included the electric traction systems for trams in Porto and Kraków and the exercise of an option for further systems destined for the Bremen tram authority. The June 30, 2006 order backlog rose to €238.2 million (up from €190.9 million).

Motive Power				
		6/30/2006	12/31/2005	6/30/2005
Working capital	€ mill.	97.0	102.7	114.7
Working capital ratio[1]	%	28.9	28.1	40.0
Fixed assets	€ mill.	125.7	123.0	121.6
Capital employed	€ mill.	222.7	225.7	236.3
ROCE[1]	%	3.1	6.8	0.2

[1] annualized

Versus June 30, 2005, working capital fell from €114.7 million to €97.0 million due to downscaled inventories at Kiel and higher customer prepayments in Valencia. The higher EBIT raised ROCE above the year-earlier level.

The Information Technologies division posted H1 sales of €14.1 million in 2006. The some 30-percent decline from the previous year's €20.3 million is partly due to the invoicing of the two UIC-Zugbus and Betriebszentrale 2000 megaprojects last year and partly on account of problems associated with certain onerous contracts, with the result that despite ample workload not all the division's expenses proved billable.

Information Technologies					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Net sales	€ mill.	14.1	20.3	8.2	13.6
EBITDA	€ mill.	(5.5)	0.8	(3.7)	1.2
EBIT	€ mill.	(6.5)	0.2	(4.2)	0.9
EBIT margin	%	(45.7)	0.8	(51.2)	6.6

The massive deterioration in profitability is chiefly due to problems encountered in the handling of complex projects involving passenger information systems. Besides simply displaying data, these projects (started in 2005) include automatically providing passengers with displayed information and announcements depending on actual situations. The sophisticated software and customer demands deviating from original specifications led to substantial extra input in the second quarter of 2006. Nonetheless, in every case we succeeded in meeting customer demands in every respect. Substantially because of these circumstances, H1 EBIT turned around from a black €0.2 million last year to a red €6.5 million this year. Project controlling and specification management of the areas concerned are presently being analyzed and enhanced.

Order intake at this division mounted from the year-earlier €13.4 million to €17.7 million, order backlog dropped from €43.5 million to €37.2 million at June 30, 2006.

Information Technologies				
		6/30/2006	12/31/2005	6/30/2005
Working capital	€ mill.	18.6	28.0	19.9
Working capital ratio[1]	%	65.8	52.1	49.1
Fixed assets	€ mill.	18.6	18.8	16.5
Capital employed	€ mill.	37.2	46.8	36.4
ROCE[1]	%	(34.7)	6.8	0.9

[1] annualized

Both working capital and capital employed changed only slightly as of June 30 but given the division's poor profitability, ROCE—in line with EBIT—plunged dramatically.

Capital expenditures

H1 capital expenditures by the Vossloh Group for tangibles and intangibles added up to €12.2 million in 2006 (down from €14.9 million).

Additions to tangible/intangible assets					
		H1/2006	H1/2005	**Q2/2006**	Q2/2005
Rail Infrastructure	€ mill.	2.8	8.6	1.3	5.2
Motive Power	€ mill.	8.5	4.7	3.7	2.4
Information Technologies	€ mill.	0.8	1.2	0.4	0.9
Vossloh AG	€ mill.	0.1	0.4	0.1	0.2
Total	**€ mill.**	**12.2**	**14.9**	**5.5**	**8.7**

Altogether €7.8 million of Motive Power's capital outlays went into the Locomotives business unit, chiefly as capitalized development costs (including around €4 million for developing the new large six-axle Euro 4000 locomotive).
At Rail Infrastructure, Vossloh Switch Systems spent €1.0 million and Vossloh Infrastructure Services another €1.5 million—both for replacing and extending existing assets.

Research & development

H1/2006 R&D expenditure added up to €3.7 million (up from €3.2 million) of which Vossloh Electrical Systems again accounted for the lion's share (€1.4 million). Vossloh Kiepe pushed ahead with the first standard-production use of a 1,500-volt traction system converter besides prototyping a hybrid-drive double-articulated trolleybus.

In addition to the directly expensed development costs, the Group capitalized during the period development costs of €6.2 million (up from €3.2 million) according to IAS 38.

As of June 30, 2006, the Vossloh Group employed a worldwide workforce of 5,024, up by 279 or 5.9 percent. The extra employees are mainly at Rail Infrastructure and the result of the first-time consolidation of Switch Systems' India-based J.S. Industries, Beekay, and Dakshin.

Personnel expenses at €120.8 million were virtually unchanged from the year-earlier €120.3 million, despite the retrenchment. Additional expenses due to the higher headcount versus 2005 contrasted with the absence of the year-earlier restructuring burdens. Personnel expenses per capita (rounded) dipped by a sizable €1,700 or 6.5 percent to €24,300; sales per capita edged up from €94,900 to €95,300 (rounded).

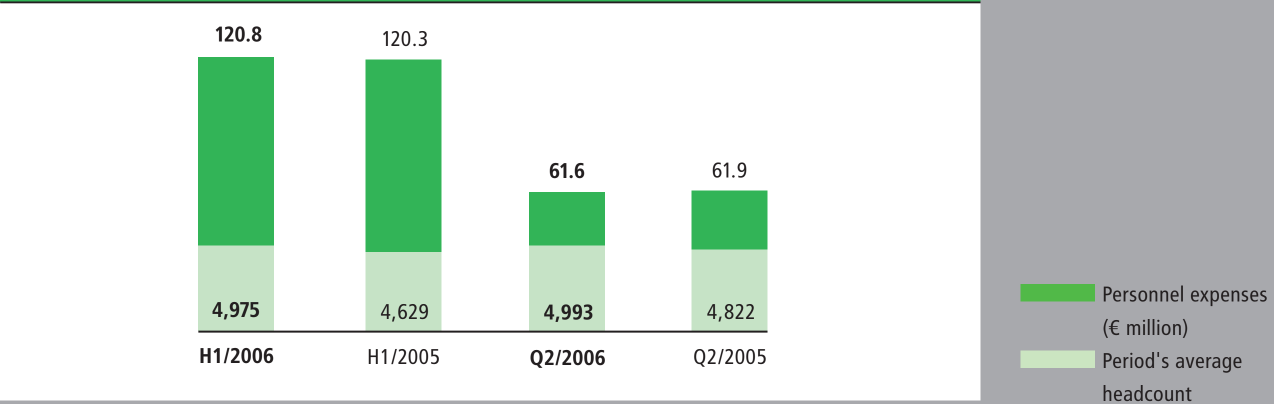
The ratio of payroll to value added in H1/2006 amounted to 82.9 percent, the 7.5 percentage point gain resulting from lower value added, chiefly on account of the higher proportion of the cost of materials.

Headcount at

	6/30/2006	12/31/2005	6/30/2005
Rail Infrastructure	3,132	2,895	2,890
Motive Power	1,578	1,528	1,552
Information Technologies	282	273	272
Vossloh AG	32	33	31
Total	**5,024**	**4,729**	**4,745**

Headcount based on FTE (full-time equivalent).

Group workforce trend and personnel expenses



As notified ad hoc on June 23, 2006, Vossloh is expected to close fiscal 2006 with an EBIT of €70.3 million and group earnings of €35.6 million, down from the originally budgeted €91.7 million and €47.3 million, respectively. Sales, in contrast, are likely to total the budgeted €1.04 billion.

The need to revise earnings is chiefly due to an accumulation of unexpected burdens. Project problems at Vossloh Information Technologies are predicted to depress this division's earnings to a red €3.9 million, hence €9.5 million short of budget. At the two other divisions, Rail Infrastructure and Motive Power, EBIT in all is likely to underrun budget by €7.9 million. Alongside a number of smallish items, it is above all unbudgeted restructuring expenses at Rail Infrastructure (€2.0 million) and litigation at Motive Power (€2.4 million) that are eroding this year's earnings. Other exceptional expenses will be incurred for refocusing Vossloh. *GO 2010!* and *Vossloh FIT!*, two projects launched this May, will entail consultancy fees probably in the region of €4.0 million in the course of fiscal 2006. Contrary to initial expectations, these exceptional burdens will not yet produce any net savings in the current year. Around €14 million of these burdens have already been recognized in income in Q2/2006.

Vossloh FIT! aims to achieve a significant and comprehensive improvement of cost structures while *GO 2010!* is reviewing all the business units for their fundamental strategic and economic parameters from which certain action options will be derived and defined with a view to tapping fresh growth potentials for the Group as such. Details are expected to be available for announcement by September this year.

Current order backlog and influx are grounds for assuming that over the coming months business will proceed in line with the updated budget.

Interim financial statements as of June 30, 2006

Consolidated income statement
for the six months (H1) ended June 30, 2006

€ million	**H1/2006**	H1/2005	**Q2/2006**	Q2/2005
Net sales	474.2	439.1	247.8	253.7
Cost of sales	(391.3)	(349.4)	(205.3)	(200.7)
General administrative and selling expenses	(58.9)	(57.7)	(31.0)	(32.1)
R&D expenses	(3.7)	(3.2)	(1.9)	(1.4)
Other operating income/expenses, net	1.4	6.5	0.4	5.6
Operating result	**21.7**	**35.3**	**10.0**	**25.1**
Income from associated affiliates	0.6	0.6	0.3	0.3
Income from securities and other financial assets	0.2	0.1	0.1	0.1
Other financial results	(0.2)	0.5	(0.1)	(0.1)
Earnings before interest and taxes (EBIT)	**22.3**	**36.5**	**10.3**	**25.4**
Net interest expense	(7.4)	(9.5)	(3.6)	(4.8)
Earnings before taxes (EBT)	**14.9**	**27.0**	**6.7**	**20.6**
Income taxes	(5.5)	(9.5)	(2.5)	(7.3)
Net income from continuing operations	**9.4**	**17.5**	**4.2**	**13.3**
Minority interests	(0.4)	(0.3)	(0.2)	(0.2)
Net loss of discontinued operations	0.0	(0.6)	0.0	0.0
Group earnings	**9.0**	**16.6**	**4.0**	**13.1**
Earnings per share (EpS)				
Undiluted EpS (€)	0.61	1.14	0.27	0.90
Fully diluted EpS (€)	0.61	1.13	0.27	0.89

Consolidated statement of cash flows

for the six months (H1) ended June 30, 2006

€ million	H1/2006		H1/2005	
Cash flow from operating activities				
Net earnings incl. minority interests	9.4		16.9	
Amortization/depreciation/write-down (net after write-up) of fixed assets	13.2		10.4	
Other noncash expenses/income (net)	0.2		1.5	
Book gains/losses (netted) from the disposal of fixed assets	(0.3)		0.3	
Change in inventories, trade receivables and other assets allocable to operating activities	13.3		(50.4)	
Change in trade payables and other liabilities allocable to operating activities	3.9		13.9	
Cash flow from operating activities		39.7		(7.4)
Cash flow from investing activities				
Cash inflow from the disposal of intangible and tangible assets	0.5		0.5	
Cash outflow for additions to intangible and tangible assets	(12.2)		(14.9)	
Cash inflow from the disposal of financial assets	0.0		0.1	
Cash outflow for additions to financial assets	(0.0)		(2.3)	
Cash outflow for additions to short-term securities	(2.3)		(0.4)	
Cash outflow for the acquisition of consolidated subsidiaries and other units	(0.0)		(24.0)	
Cash flow from investing activities		(14.0)		(41.0)
Cash flow from financing activities				
Cash inflow from transfers to equity	0.0		2.2	
Cash outflow to stockholders (incl. minority interest owners)	(20.0)		(19.8)	
Change in treasury stock	0.0		1.3	
Net finance from short-term credits	(16.4)		(5.1)	
Net finance from medium- and long-term loans	6.0		(5.0)	
Cash flow from financing activities		(30.4)		(26.4)
Net outflow of cash & cash equivalents		(4.7)		(74.8)
Change in cash & cash equivalents from initial consolidation		0.2		0.0
Opening cash & cash equivalents		50.2		140.0
Closing cash & cash equivalents		45.7		65.2

Assets

€ million	6/30/2006	12/31/2005	6/30/2005
Total noncurrent assets	**485.2**	**482.8**	**479.0**
Intangible assets	336.7	334.0	332.2
Tangible assets	101.0	102.7	101.0
Investment properties	7.2	7.4	7.5
Financial assets	7.8	9.2	12.3
shares in unconsolidated subsidiaries	3.1	4.6	3.6
associated affiliates	1.3	1.0	0.9
other investments and long-term securities	1.2	1.4	1.8
long-term loans	2.2	2.2	6.0
Total fixed assets	452.7	453.3	453.0
Sundry noncurrent assets	2.2	0.9	0.5
Deferred tax assets	30.3	28.6	25.5
Total current assets	**594.6**	**608.4**	**623.2**
Inventories	179.8	174.2	219.1
Trade receivables	298.4	319.2	267.5
Due from unconsolidated subsidiaries and investees	7.0	4.7	4.2
Income tax assets	17.5	16.8	12.5
Sundry current assets	38.8	38.2	53.6
Short-term securities	7.4	5.1	1.1
Cash & cash equivalents	45.7	50.2	65.2
	1,079.8	**1,091.2**	**1,102.2**

Equity & liabilities

€ million	6/30/2006	12/31/2005	6/30/2005
Total equity	**350.3**	**361.0**	**330.5**
Capital stock	37.7	37.7	37.7
Additional paid-in capital	40.3	40.2	40.1
Treasury stock	0.0	0.0	0.0
Reserves retained from earnings	267.3	241.5	241.4
Undistributed group profit	0.1	0.0	0.0
Group earnings	9.0	45.1	16.6
Accumulated other comprehensive income (OCI)	(10.8)	(9.6)	(10.7)
Minority interests	6.7	6.1	5.4
Noncurrent liabilities and accruals	**306.9**	**310.3**	**340.6**
Noncurrent financial debts	202.7	215.8	209.6
Other noncurrent liabilities	35.8	22.7	24.6
Pension accruals	13.8	14.9	14.4
Other noncurrent accruals	26.5	29.7	70.3
Deferred tax liabilities	28.1	27.2	21.7
Current liabilities and accruals	**422.6**	**419.9**	**431.1**
Current financial debts	50.1	60.0	115.4
Trade payables	149.9	153.5	145.0
Due to unconsolidated subsidiaries and investees	2.3	3.5	2.6
Income tax liabilities	6.8	6.5	2.3
Sundry current liabilities	109.5	97.5	103.0
Current accruals	104.0	98.9	62.8
	1,079.8	**1,091.2**	**1,102.2**

Statement of changes in equity

	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 12/31/2004	**37.4**	**37.8**	**(1.1)**	**203.2**	**0.1**	**57.2**	**(9.3)**	**5.8**	**331.1**
Stockholder-unrelated changes in equity:									
Carryover to new account					57.2	(57.2)			0.0
Transfer to reserves retained from earnings				38.3	(38.3)				0.0
Sale of treasury stock		0.2	1.1						1.3
Other changes				(0.1)					(0.1)
Net income for H1/2005						16.6		0.3	
Accumulated OCI from									
currency translation differences							0.2	0.0	
statement at fair value of financial instruments							(1.6)		
Comprehensive income						16.6	(1.4)		15.2
Minority interests								0.3	0.3
Stockholder-related changes in equity:									
Dividend payout					(19.0)			(0.7)	(19.7)
Capital increases from SOPs	0.3	2.1							2.4
Balance at 6/30/2005	**37.7**	**40.1**	**0.0**	**241.4**	**0.0**	**16.6**	**(10.7)**	**5.4**	**330.5**
Stockholder-unrelated changes in equity:									
Other changes				0.1					0.1
Net income for H2/2005						28.5		0.5	
Accumulated OCI from									
currency translation differences							0.2	0.1	
statement at fair value of financial instruments							0.9		
Comprehensive income						28.5	1.1		29.6
Minority interests								0.6	0.6
Stockholder-related changes in equity:									
Capital increases from SOPs	0.0	0.1							0.1
Other capital increases								0.1	0.1
Balance at 12/31/2005	**37.7**	**40.2**	**0.0**	**241.5**	**0.0**	**45.1**	**(9.6)**	**6.1**	**361.0**
Stockholder-unrelated changes in equity:									
Carryover to new account					45.1	(45.1)			0.0
Transfer to reserves retained from earnings				25.8	(25.8)				0.0
Changes through initial consolidation								1.3	1.3
Net income for H1/2006						9.0		0.4	
Accumulated OCI from									
currency translation differences							(0.5)	(0.3)	
statement at fair value of financial instruments							(0.7)		
Comprehensive income						9.0	(1.2)		7.8
Minority interests								0.1	0.1
Stockholder-related changes in equity:									
Dividend payout					(19.2)			(0.8)	(20.0)
Capital increases from SOPs	0.0	0.1							0.1
Balance at 6/30/2006	**37.7**	**40.3**	**0.0**	**267.3**	**0.1**	**9.0**	**(10.8)**	**6.7**	**350.3**

(1) Introduction

The consolidated interim financial statements as of June 30, 2006, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the quarterly closing date. These financial statements meet all requirements of German Accounting Standard (GAS) No. 6 issued by the German Accounting Standards Committee (GASC).

(2) Consolidation group

Since December 31, 2005, the consolidation group grew by four subsidiaries. Consequently, 46 subsidiaries were fully consolidated as of June 30, 2006. The newly consolidated subsidiaries are three Indian companies plus one Polish which, due to their minor significance, had previously not been included. This leaves 23 subsidiaries which due to their minor significance to the Group's net assets, financial position and results of operations, are not included in the consolidated financial statements although Vossloh AG directly or indirectly held the majority of voting rights at the balance sheet date.

(3) Accounting principles

The consolidation, accounting and valuation principles conform with those used for the consolidated financial statements as of December 31, 2005.

For German companies, income taxes were calculated by applying a rate of 40 percent while for foreign subsidiaries, the applicable local tax rates were used.

Preparing the interim financial statements requires management to make certain assumptions and estimates. Actual values may differ from those estimates and hence from the amounts disclosed in the interim financial statements.

(4) Earnings per share

Analysis of EpS:

		H1/2006	H1/2005
Weighted average number of shares		14,735,020	14,642,096
Dilutive shares from stock options under the ESOP and LTIP		5,784	19,469
Fully diluted weighted average number of shares		14,740,804	14,661,565
Group earnings	€ mill.	9.0	16.6
Undiluted (basic) EpS	**€**	**0.61**	**1.14**
Fully diluted EpS	€	0.61	1.13

(5) Cash flow statement

This statement shows the changes in the Vossloh Group's cash and cash equivalents, these including checks, cash on hand, as well as cash in banks. Prepared in accordance with IAS 7, the cash flow statement breaks down the change in cash and cash equivalents into the cash flows from operating, investing and financing activities. The cash flow from operating activities is determined according to the indirect method.

(6) Segment information

For reporting purposes, the Vossloh Group's primary segments are defined by its identifiable three operating divisions, plus the holding company.

Rail Infrastructure covers the Group's rail infrastructure products and services and comprises the Switch Systems, Fastening Systems and Infrastructure Services business units.

Motive Power is a division that encompasses the Locomotives (manufacture of diesel locomotives) and Electrical Systems (electric equipment for trams, streetcars and trolleybuses) business units.

Information Technologies subsumes the development and marketing of operations management, passenger information and planning systems as well as signals engineering.

The accounting methods of all segments are identical. Financial segment information is presented before consolidation.

(7) Contingent liabilities

In comparison to December 31, 2005, the Group's contingent liabilities—chiefly under guaranties/suretyships and from the collateralization of third-party debts—shrank by €4.0 million to €6.4 million.

Segment information								
		Rail Infrastructure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
H1/2006	€ mill.	292.7	167.5	14.1	(0.3)	474.0	0.2	474.2
H1/2005	€ mill.	277.4	143.5	20.3	(2.2)	439.0	0.1	439.1
Q2/2006	€ mill.	157.5	82.3	8.2	(0.3)	247.7	0.1	247.8
Q2/2005	€ mill.	150.8	91.3	13.6	(2.1)	253.6	0.1	253.7
Amortization/depreciation[1]								
H1/2006	€ mill.	7.2	4.5	1.0	0.0	12.7	0.5	13.2
H1/2005	€ mill.	6.4	3.2	0.6	0.0	10.2	0.2	10.4
Q2/2006	€ mill.	3.7	2.4	0.5	0.0	6.6	0.3	6.9
Q2/2005	€ mill.	3.2	1.8	0.3	0.0	5.3	0.1	5.4
Net interest result								
H1/2006	€ mill.	(3.9)	(1.7)	(1.4)	(5.2)	(12.2)	4.8	(7.4)
H1/2005	€ mill.	(3.8)	(2.8)	(0.4)	(5.4)	(12.4)	2.9	(9.5)
Q2/2006	€ mill.	(2.1)	(0.8)	(0.6)	(2.8)	(6.3)	2.7	(3.6)
Q2/2005	€ mill.	(2.0)	(1.4)	(0.2)	(2.8)	(6.4)	1.6	(4.8)
EBIT								
H1/2006	€ mill.	35.7	3.5	(6.5)	(2.0)	30.7	(8.4)	22.3
H1/2005	€ mill.	41.4	0.2	0.2	(0.7)	41.1	(4.6)	36.5
Q2/2006	€ mill.	20.2	0.0	(4.2)	(1.0)	15.0	(4.7)	10.3
Q2/2005	€ mill.	23.5	4.0	0.9	(0.3)	28.1	(2.7)	25.4
EBT								
H1/2006	€ mill.	31.8	1.8	(7.9)	(7.2)	18.5	(3.6)	14.9
H1/2005	€ mill.	37.6	(2.6)	(0.2)	(6.1)	28.7	(1.7)	27.0
Q2/2006	€ mill.	18.1	(0.8)	(4.8)	(3.8)	8.7	(2.0)	6.7
Q2/2005	€ mill.	21.5	2.6	0.7	(3.1)	21.7	(1.1)	20.6
Net earnings/(deficit)[2]								
H1/2006	€ mill.	19.0	1.3	(4.7)	(4.4)	11.2	(2.2)	9.0
H1/2005	€ mill.	23.7	(1.5)	(0.2)	(4.2)	17.8	(1.2)	16.6
Q2/2006	€ mill.	10.8	(0.3)	(2.8)	(2.5)	5.2	(1.2)	4.0
Q2/2005	€ mill.	13.8	1.6	0.3	(1.8)	13.9	(0.8)	13.1
Capital expenditures (tangibles)								
H1/2006	€ mill.	2.8	8.5	0.8	0.0	12.1	0.1	12.2
H1/2005	€ mill.	8.6	4.7	1.2	0.0	14.5	0.4	14.9
Q2/2006	€ mill.	1.3	3.7	0.4	0.0	5.4	0.1	5.5
Q2/2005	€ mill.	5.2	2.4	0.9	0.0	8.5	0.2	8.7
Capital employed								
6/30/2006	€ mill.	465.8	222.7	37.2	246.8	972.5	(233.4)	739.1
12/31/2005	€ mill.	468.8	225.7	46.8	247.0	988.3	(231.7)	756.6
Total assets								
6/30/2006	€ mill.	615.9	368.1	84.1	253.1	1,321.2	(241.4)	1,079.8
12/31/2005	€ mill.	639.1	382.5	91.1	248.0	1,360.7	(269.5)	1,091.2
6-month average headcount								
H1/2006		3,130	1,534	279	0	4,943	32	4,975
H1/2005		2,990	1,327	282	0	4,599	30	4,629

[1] Excl. write-down of financial assets

[2] Before P&L transfer

Vossloh AG's boards	
Executive Board	Dr. Gerhard Eschenröder, Chairman Milagros Caiña-Lindemann Werner Andree
Supervisory Board	Dr.-Ing. Wilfried Kaiser, graduated engineer, former executive board member of Asea, Brown Boveri AG, Munich, Chairman
	Peter Langenbach, lawyer, Wuppertal, Vice-Chairman
	Dr. Jürgen Blume, sworn public auditor and tax accountant, Bad Bentheim
	Dr. Christoph Kirsch, CFO of Südzucker AG, Weinheim
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel

Financial diary 2006	
Publication of interim report	
3Q as of September 30	October 31, 2006
Press conference	December 7, 2006
Meeting with DVFA analysts	December 7, 2006

Financial diary 2007	
Publication of financial information 2006	March 2007
Press conference	March 2007
Meeting with DVFA analysts	March 2007
Annual stockholders' meeting	May 31, 2007

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Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin,
	Bremen, Hamburg, Hannover,
	Stuttgart, Munich
Index	MDAX
No. of shares (6/30/2006)	14,735,373
Stock price (6/30/2006)	€39.64
H1/2006 high/low	€45.42/€34.90
Reuters code	VOSG.F
Bloomberg code	VOS GY

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