vossloh

Interim report as of June 30, 2007

| Group figures and indicators | | H1/2007 | H1/2006 |
|---|---|---|---|
| Income statement data | | | |
| Net sales[1] | € mill. | 585.2 | 460.0 |
| thereof Rail Infrastructure | € mill. | 342.2 | 292.7 |
| Motive Power&Components | € mill. | 242.8 | 167.5 |
| EBIT[1] | € mill. | 56.2 | 28.7 |
| Net interest expense[1] | € mill. | (5.3) | (6.8) |
| EBT[1] | € mill. | 50.9 | 21.9 |
| Group earnings (total) | € mill. | 32.1 | 9.0 |
| Earnings per share (EpS) | € | 2.18 | 0.61 |
| EBIT margin[1] | % | 9.6 | 6.3 |
| Pretax return on equity (ROE)[1] | % | 26.2 | 12.5 |
| Return on capital employed (ROCE)[1] | % | 15.7 | 7.8 |
| Balance sheet data | | | |
| Fixed assets | € mill. | 461.3 | 452.7 |
| capital expenditures | € mill. | 21.4 | 12.2 |
| amortization/depreciation[1] | € mill. | 12.4 | 12.1 |
| Working capital | € mill. | 256.2 | 286.4 |
| Working capital ratio[1] | % | 21.9 | 31.1 |
| Capital employed | € mill. | 717.5 | 739.1 |
| Total equity | € mill. | 388.8 | 350.3 |
| thereof minority interests | € mill. | 9.5 | 6.7 |
| Net financial debt | € mill. | 75.2 | 199.8 |
| Net leverage | % | 19.3 | 57.0 |
| Total assets | € mill. | 1,269.3 | 1,079.8 |
| Equity ratio | % | 30.6 | 32.4 |
| Cash flow statement data | | | |
| Cash flow from operating activities | € mill. | 55.4 | 36.8 |
| Cash flow from investing activities | € mill. | (64.5) | (11.7) |
| Cash flow from financing activities | € mill. | (17.3) | (29.8) |
| Change in cash & cash equivalents | € mill. | (26.4) | (4.5) |
| Workforce | | | |
| Six-month (H1) average headcount | | 5.063 | 4.975 |
| thereof Rail Infrastructure | | 3.327 | 3.130 |
| Motive Power&Components | | 1.703 | 1.534 |
| Vossloh AG | | 33 | 32 |
| Information Technologies | | – | 279 |
| Payroll-to-value added ratio[1] | % | 68.0 | 78.0 |
| Personnel expenses[1] | € mill. | 125.6 | 111.2 |
| Share data | | | |
| Stock price at June 30 | € | 86.79 | 39.64 |
| Market capitalization at June 30 | € mill. | 1,284.1 | 584.1 |

[1] Due to the disclosure of the Information Technologies division as discontinued operation, the prior-year data has been restated.
Where required, ratios have been annualized.

Dear Shareholders,

In the second quarter of the present fiscal year the Vossloh Group again made solid, even accelerated progress. We have taken further important steps toward reaching our strategic targets.

Versus 2006, we boosted this year's H1 sales by 27.2 percent to €585.2 million, our best-ever H1 performance. The quarterly €317.5 million (up 32.6 percent) was likewise a record.

It is especially gratifying to realize the rapid advance being achieved toward our financial goals in H1/2007: at €56.2 million, EBIT showed remarkable growth, almost double the year-earlier €28.7 million while the EBIT margin of 9.6 percent is nudging our self-set threshold of 10 percent. The 15.7-percent ROCE slightly topped our 15-percent benchmark.

More emphatic internationalization— one of our principal business-growth drivers—is another area in which we are steaming ahead. Compared with just under 10 percent a year ago, non-European sales now account for around 17 percent of the total and so, we are steadily moving toward our destination of a 30-percent sales share outside of Europe.

Among the factors contributing toward the notable addition in non-European sales were the complete shipment of all rail fasteners destined for the Olympic line running from Beijing to Tianjin as well as the first-time consolidation of our US subsidiaries Vossloh Track Material Inc. (formerly, Pohl Corp.) and Cleveland Track Material Inc. in April and May of this year, respectively. These two manufacturers of switches and switch components we had acquired in the spring of this year, thus establishing our footprint on the US market. Over the months ahead we will coordinate and harmonize the activities of the two companies so that we can harness synergies as quickly as possible.

Not included in the H1 figures or our forecast are the sales and earnings from the stake acquired in the French company Européenne de Travaux Ferroviaires SA (ETF). In May of this year, our subsidiary Vossloh Infrastructure Services SA signed a binding memorandum of understanding for the complete takeover of the ETF Group in order to further improve its operations in the French market. Vossloh Infrastructure Services had already held a 50-percent stake in EFT. We expect to close the transaction soon.

Our success in the enactment of our refocused strategy is not only mirrored in the H1 figures. Our share price likewise emphasizes the progress made in the development of our group. During the period, the Vossloh stock price surged to new all-time highs, even outracing the bullish DAX and MDAX. We also want you, our stockholders, to benefit through dividends from our company's gain in stockholder value and in 2006 we paid out €1.30 per share of stock—equivalent to an unusually high payout ratio of 94 percent. Given the good progress achieved we feel well justified in having taken this step. Our declared aim is for our stockholders in future to share in our success through a dividend distribution of around one-third of net income and a higher dividend.

Our present expectations for all of 2007 endorse this clear intention: our ambitious forecasts for the current fiscal year we have again revised upward in the wake of the first-time consolidation of our two US subsidiaries to sales of around €1.14 billion and an EBIT in the region of €114 million. From today's vantage point, we expect for 2008 sales of around €1.2 billion and an EBIT of about €132 million.

At this year's general meeting I announced that 2007 would be our best ever and, in view of my preceding remarks, this is a prediction I can only endorse. Our success to date shows that we are moving in the right direction. We will continue to do our utmost to pursue our ambitious goals and rapidly enact our strategy.

Yours,

Dr. Gerhard Eschenröder

# Vossloh's corporate structure

Vossloh operates in the world markets of rail infrastructure and rail technology.
As management and financial holding company, Vossloh AG parents the two divisions Rail Infrastructure and Motive Power&Components. Assigned to these divisions are five business units:

## Rail Infrastructure division

This division bundles our rail infrastructure products and services.

The rail fasteners developed by Vossloh Fastening Systems ensure safe rail traffic in over 65 countries.

Vossloh Switch Systems commands a foremost international position in the market for advanced-engineered rail switches.

Vossloh Infrastructure Services builds trackage for mainline and local lines, which it also services and maintains.

## Motive Power&Components division

This division builds locomotives, (sub)urban trains, and manufactures electrical components for various types of LRVs. It has two business units:

Vossloh Locomotives is Europe's leading supplier of diesel locomotives along with related financing arrangements and all-in services. Also available are state-of-the-art (sub)urban trains for a variety of operations.

Vossloh Electrical Systems develops and produces key electrical components and systems for LRVs.

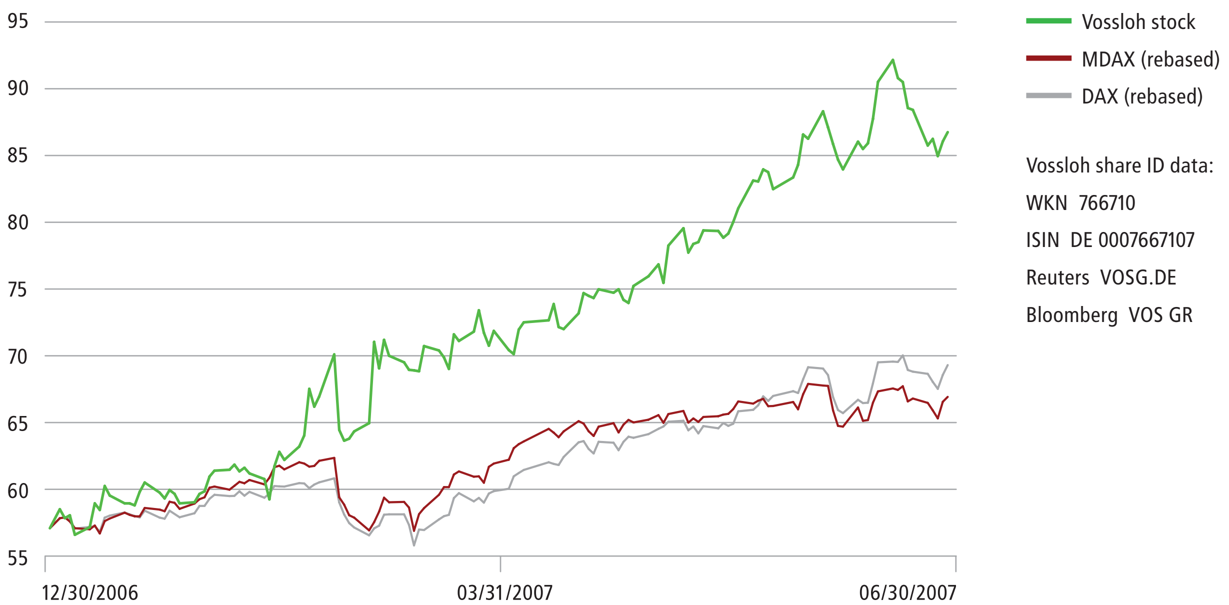
**Vossloh AG**

| Rail Infrastructure | Motive Power&Components |
|---|---|
| Vossloh Fastening Systems<br>Vossloh Switch Systems<br>Vossloh Infrastructure Services | Vossloh Locomotives<br>Vossloh Electrical Systems |

# Vossloh stock

From April to June 2007, the stock markets, especially the German and US, were altogether in a buoyant mood; on June 5, 2007, the MDAX rose to 11,249 points, a new high, while the DAX closed on June 20, at 8,090, having grazed during the day its historical high of 8,136 dating back to 2000. The Q2 gains were 16 and 8 percent for the DAX and MDAX, respectively. Then, in the final days of the period, the indexes subsided somewhat, the MDAX after six months reaching 11,024, the DAX 8,007. On a year-on-year comparison, the DAX had thus advanced 41 and the MDAX around 39 percent.

## Vossloh stock price trend from January 1 to June 30, 2007




Vossloh share ID data:
WKN 766710
ISIN DE 0007667107
Reuters VOSG.DE
Bloomberg VOS GR

Vossloh stock again outpaced the market as such in Q2/2007 and, especially from the start of May—after announcement of the Q1 results that fulfilled the high hopes—the price steamed ahead of the two indexes and on June 18 in the course of the day—scaled to its all-time high of €94.47. Then in the final days of the month, the price stumbled slightly to close Q2 trading at €86.79. This represents a gain of 119 percent on a 12-month comparison and around 21 percent within the second quarter. The trading volume, too, advanced further in the course of the current year, rising in comparison to Q2/2006 by 31 percent to a good 5.4 million or an average of around 89,000 shares per trading day.

At this year's general meeting on May 31, the Executive Board repeated the ambitious sales and earnings targets set for 2007 and 2008. Accessing the American switch market through the acquisition of Pohl Corporation in early March and of Cleveland Track Material Inc. a month later, is opening up further strategic perspectives for Vossloh AG. Even this year both companies will contribute to both sales and earnings. Operating as Vossloh Track Material Inc., Pohl has been fully consolidated since April 1 and Cleveland Track Material Inc. as from May 1, 2007. This year appears to be developing into Vossloh AG's best ever and the high dividend ratio of 94 percent of net income paid out on June 1, 2007, for 2006 re-emphasizes these hopeful expectations. It is a fundamental policy of Vossloh AG to allow its stockholders to share in its success through rising dividends.

Under the employee stock option programs launched in prior years, 59,901 new no-par bearer shares of common stock (equivalent to a notional stake of €153,134.47 in the capital stock) were issued by mid-2007 as employees exercised their subscription rights. The capital stock thus increased to €37,824,596.21, divided into 14,795,696 no-par bearer shares.

At present, Vossloh stock is regularly reviewed and commented on by eleven analyst firms most of whom recommended in Q2 either "buy" or "hold." By the close of the period forecasted upside targets ranged between €72 and €93.

For more information on Vossloh stock go to: www.vossloh.com under Investors.

# Interim management report

# The Group’s business trend

## Introduction

When the sale and transfer of Vossloh Information Technologies were closed in early February 2007, this division was derecognized. As this division had been up for disposal since September 2006, the net (posttax) balance of income and expenses of this division has since been shown in a separate income statement line as net result of discontinued operations, for both the current and prior periods, as required by IFRS 5. Since the Information Technologies division had already been written down to its net realizable value in the financial statements 2006, the H1/2007 net result of discontinued operations broke even.

## The Group’s business trend

By mid-2007 the Vossloh Group generated sales of €585.2 million, up €125.2 million or 27.2 percent over the year-earlier period. This is a new record for this half of the year. Q2 sales also reached an all-time high of €317.5 million (up 32.6 percent versus Q2/2006).

The most growth was shown by the locomotive locations of Valencia and Kiel and the Switch Systems business unit. The newly acquired US companies, included in the consolidated financial statements since April (Vossloh Track Material Inc.) and May (Cleveland Track Material Inc.) together contributed sales of €15.0 million.

H1 EBIT came to €56.2 million in 2007, almost double the 2006 amount of €28.7 million, and includes income of around €4 million from the release of accruals. The steep uptrend was mainly attributable to the high degree of capacity utilization and the resulting favorable effects on fixed costs. At 25.5 percent, the cost-of-sales growth rate was far below that of sales, thus improving the H1 EBIT margin considerably, from 6.3 percent in 2006 to 9.6 in 2007. H1 group earnings more than trebled, soaring from €9.0 million a year earlier to €32.1 million in the period. However, year-earlier group earnings had been burdened with the €4.1 million operating loss of the Information Technologies division (shown within the net result of discontinued operations).

At €1,314.2 million, the Vossloh Group's H1/2007 order backlog clearly exceeded the like-for-like H1/2006's (€1,081.2 million excluding Vossloh Information Technologies) by around €233.0 million.

Vossloh Group

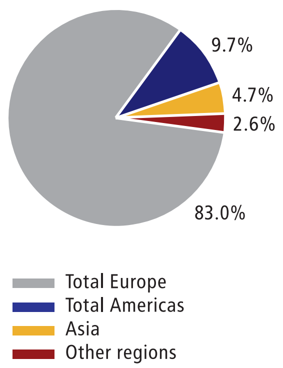
| | | H1/2007 | H1/2006 | Q2/2007 | Q2/2006 |
|---|---|---|---|---|---|
| Sales | € mill. | 585.2 | 460.0 | 317.5 | 239.5 |
| EBITDA | € mill. | 68.6 | 40.8 | 42.0 | 20.7 |
| EBIT | € mill. | 56.2 | 28.7 | 35.5 | 14.4 |
| EBIT margin | % | 9.6 | 6.3 | 11.2 | 6.1 |
| EBT | € mill. | 50.9 | 21.9 | 32.7 | 11.1 |
| Group earnings | € mill. | 32.1 | 9.0 | 20.1 | 4.0 |

The regional breakdown of sales shows a slight advance of sales outside Europe in comparison with H1/2006. Sales in the Americas were raised after the US subsidiaries were newly consolidated and the Switch Systems business unit stepped up its exports to Latin America. Furthermore, sales in Asia moved up significantly thanks to business transacted by the Fastening Systems and Switch Systems units in China. In contrast, the growth reported by the Motive Power&Components division increased sales in Europe only.

Sales by region

| | € mill | % | € mill | % | € mill | % | € mill | % |
|---|---|---|---|---|---|---|---|---|
| | H1/2007 | | H1/2006 | | Q2/2007 | | Q2/2006 | |
| Germany | 74.5 | 12.7 | 54.5 | 11.8 | 38.2 | 12.0 | 23.8 | 9.9 |
| France | 163.8 | 28.0 | 154.5 | 33.6 | 76.7 | 24.2 | 82.6 | 34.5 |
| Other Euroland | 174.8 | 29.9 | 140.0 | 30.4 | 88.7 | 27.9 | 74.5 | 31.1 |
| Other Europe | 72.4 | 12.4 | 67.5 | 14.7 | 48.0 | 15.1 | 34.8 | 14.5 |
| **Total Europe** | **485.5** | **83.0** | **416.5** | **90.5** | **251.6** | **79.2** | **215.7** | **90.0** |
| North America | 29.5 | 5.0 | 10.5 | 2.3 | 23.8 | 7.5 | 4.2 | 1.8 |
| Latin America | 27.3 | 4.7 | 3.1 | 0.7 | 20.2 | 6.4 | 1.6 | 0.7 |
| **Total Americas** | **56.8** | **9.7** | **13.6** | **3.0** | **44.0** | **13.9** | **5.8** | **2.5** |
| **Asia** | **27.8** | **4.7** | **18.8** | **4.1** | **14.4** | **4.5** | **11.7** | **4.9** |
| **Other regions** | **15.1** | **2.6** | **11.1** | **2.4** | **7.5** | **2.4** | **6.3** | **2.6** |
| **Total** | **585.2** | **100.0** | **460.0** | **100.0** | **317.5** | **100.0** | **239.5** | **100.0** |

Sales by region H1/2007




The earlier-year comparatives have been adjusted for the Information Technologies division's contributions.

As of June 30, 2007, the Vossloh Group's total assets amounted to €1,269.3 million and therefore, despite the disposal of Vossloh Information Technologies, exceeded the year-end 2006 level of €1,198.5 million by €70.8 million and the mid-2006 total of €1,079.8 million by €189.5 million.

The H1/2007 clear business uptrend lifted both trade receivables and inventories, thus swelling working capital from €216.7 million at year-end 2006 to €256.2 million as of June 30, 2007. Around €24 million of this rise is attributable to the first-time consolidation of the newly acquired US subsidiaries.

In comparison to June 30, 2006, working capital shrank by €30.2 million to €256.2 million, mainly as trade payables and prepayments received climbed significantly.

The definitely better H1/2007 EBIT and the lower capital employed (downscaled from the H1/2006 level) greatly improved ROCE, which surged to 15.7 percent for the first half of 2007 (up from 7.8).

Vossloh Group

| | | | | | (pro forma[2]) |
|---|---|---|---|---|---|
| | | 6/30/2007 | 12/31/2006 | 6/30/2006 | 12/31/2006 |
| Total assets | € mill. | 1,269.3 | 1,198.5 | 1,079.8 | 1,079.8 |
| Total equity | € mill. | 388.8 | 371.1 | 350.3 | 350.3 |
| Equity ratio | % | 30.6 | 31.0 | 32.4 | 32.4 |
| Working capital | € mill. | 256.2 | 216.7 | 286.4 | 257.1 |
| Working capital ratio[1] | % | 21.9 | 21.3 | 31.1 | 27.9 |
| Fixed assets | € mill. | 461.3 | 423.4 | 452.7 | 434.1 |
| Capital employed | € mill. | 717.5 | 640.1 | 739.1 | 691.2 |
| ROCE[1] | % | 15.7 | 12.9 | 7.8 | 8.3 |
| ROE[1] | % | 26.2 | 18.5 | 12.5 | 13.9 |
| Net financial debt | € mill. | 75.2 | 62.3 | 199.8 | 199.8 |
| Net leverage | % | 19.3 | 16.8 | 57.0 | 57.0 |

[1] annualized
[2] The pro forma data reflects the restated working capital and capital employed after adjustment for the Information Technologies division's contributions.

Net financial debt as of June 30, 2007, amounted to €75.2 million as high cash inflows from operating activities slashed it by €124.6 million from the year-earlier magnitude. However, in comparison with December 31, 2006, net financial debt rose by €12.9 million as the purchase prices of the new US acquirees were paid. As of June 30, 2007, financial assets of €151.4 million contrasted with financial debts of €226.6 million.

# Rail Infrastructure business

In the course of Q2/2007, the generally favorable development of business within the Rail Infrastructure division continued with increased momentum, sales advancing by 16.9 percent to €342.2 million. The added sales were chiefly generated by Switch Systems, with all three business units benefiting increasingly in Q2/2007 from high capacity utilization.

At €47.5 million, the division's H1/2007 EBIT was a substantial 33.1 percent higher than the €35.7 million for H1/2006. Apart from the improvement through the incremental business volume, the EBIT includes income of €3.9 million from the release of accruals no longer needed to provide for meantime inexistent risks. The EBIT margin of 13.9 percent was above the year-earlier 12.2 percent.

Rail Infrastructure

| | | H1/2007 | H1/2006 | Q2/2007 | Q2/2006 |
|---|---|---|---|---|---|
| Sales | € mill. | 342.2 | 292.7 | 194.5 | 157.5 |
| EBITDA | € mill. | 54.7 | 42.9 | 34.4 | 23.9 |
| EBIT | € mill. | 47.5 | 35.7 | 30.6 | 20.2 |
| EBIT margin | % | 13.9 | 12.2 | 15.7 | 12.8 |

H1/2007 sales by Vossloh Fastening Systems mounted to €76.9 million from the prior-year €65.4 million (up by €11.5 million or 17.6 percent). The chief reasons for this growth were increased domestic demand for standard W1 and W14 rail fastening systems, the supply of rail fasteners for (sub)urban transport projects in Spain and the complete shipment of all rail fasteners for the Tianjin–Beijing line in China. At €87.4 million, H1 order intake also exceeded the comparable year-earlier €79.2 million. Order backlog at June 30, 2007, skyrocketed from €27.7 million to €197.5 million especially thanks to the major order for rail fasteners destined for high-speed lines in China, which Vossloh secured during the second half of last year.

In the course of H1/2007, Vossloh Switch Systems generated sales of €174.2 million. Excluding the sales contribution of €15.0 million by the US companies newly consolidated in Q2/2007, this represents a rise of €38.4 million compared with the year-earlier €120.8 million, equivalent to organic sales growth of about 32 percent. Switch Systems increasingly exported switches and signaling components to South America, China and Australia and managed to outcompensate weakening sales in France owing to a lack of major projects.

During H1/2007, the business unit also recorded increased demand for switches in Scandinavian countries, including for the Botnia railway project, one of Sweden's biggest rail projects in recent years, as well as higher demand for switches from the Polish state railway, both of which boosted the volume sales figures of the subsidiaries operating in the respective markets. H1 order intake climbed from the year-earlier €129.1 million to €169.2 million, of which the newly consolidated US companies accounted for €12.8 million. At June 30, 2007, the Switch Systems unit's order backlog totaled €226.9 million, easily outstripping the prior-year €155.1 million.

At €96.4 million, H1/2007 sales at Vossloh Infrastructure Services, whose operations are largely centered on France and the Benelux countries, fell short of the prior-year €113.9 million as expected. Fiscal 2006 had been especially marked by a boom in French tram projects.

Six-month order intake by this unit totaled €102.1 million (up from €87.6 million), while orders on hand at June 30, 2007, declined from the year-earlier €126.0 million to €105.2 million.

Rail Infrastructure

| | | 6/30/2007 | 12/31/2006 | 6/30/2006 |
|---|---|---|---|---|
| Working capital | € mill. | 207.8 | 120.5 | 172.5 |
| Working capital ratio[1] | % | 30.4 | 19.6 | 29.5 |
| Fixed assets | € mill. | 311.7 | 291.9 | 293.3 |
| Capital employed | € mill. | 519.5 | 412.4 | 465.8 |
| ROCE[1] | % | 18.3 | 19.7 | 15.3 |

[1] annualized

Above all, the encouraging performance during H1/2007 and the related rise in trade receivables lifted working capital by €87.3 million or 72.4 percent from year-end 2006 to €207.8 million. Taking into account the increase in fixed assets to €311.7 million at June 30, 2007, mainly due to acquisitions (up from €291.9 million), capital employed climbed 26.0 percent to €519.5 million. At 18.3 percent, the Infrastructure Services unit's ROCE was 3 percentage points above the comparable prior-year figure, chiefly driven by the favorable earnings trend.

# Motive Power&Components business

In the course of H1/2007, sales at Motive Power&Components again advanced considerably on a year ago. At €242.8 million, six-month sales were €75.3 million or 45.0 percent in excess of the year-earlier €167.5 million. It was the Locomotives business that boosted sales and especially Vossloh España's substantial sales gains.

Thanks to good capacity utilization and a more lucrative product mix, the division's earnings showed a disproportionately high rise, EBIT soaring by €13.3 million to €16.8 million in H1/2007 (up from €3.5 million).

Motive Power&Components

| | | H1/2007 | H1/2006 | Q2/2007 | Q2/2006 |
|---|---|---|---|---|---|
| Sales | € mill. | 242.8 | 167.5 | 122.8 | 82.3 |
| EBITDA | € mill. | 21.5 | 8.0 | 11.7 | 2.4 |
| EBIT | € mill. | 16.8 | 3.5 | 9.3 | 0.0 |
| EBIT margin | % | 6.9 | 2.1 | 7.6 | 0.0 |

H1 sales by the Locomotives unit reached €187.7 million (up from €123.0 million), the Valencia location boosting its business by almost 63 percent from €66.6 million a year ago to €108.3 million in H1/2007. The production and shipment of metro trains to the Valencia province rail operator was the key contributor to these gains. Vossloh España secured this major contract for 20 vehicles of the 4300 series back in 2005.

At €79.6 million, H1 sales from the production of diesel-hydraulic locomotives at Kiel were above the year-earlier €56.4 million. The plant shipped out 34 diesel-hydraulic locomotives up to June 30, 2007 (up from 19), 18 of which were delivered to the French rail operator Seco-Rail as part of a major contract awarded in April 2006 for 20 four-axle multipurpose locomotives of the G 1206 series.

In H1/2007, the business unit's order intake came to €116.9 million, falling just short of the year-earlier €128.2 million. With an order backlog of €585.6 million at June 30, 2007 (up from €534.9 million), Kiel and Valencia have enough to keep them busy beyond the current fiscal year.

The Electrical Systems business unit raised its H1 sales by €10.7 million or around 24 percent from €44.5 million to €55.2 million. Whereas business in electrical systems for buses remained at the year-earlier level, sales of electrical equipment for railbound vehicles rose in particular.

H1 order intake at €39.9 million was well short of the prior year's €73.9 million. It included a contract to modernize the electrical systems of Bremen's trams worth €11.5 million. Due to the higher proportion of major projects in the order influx of a year ago, the order backlog at June 30, 2007, of €201.5 million fell short of the year-earlier €238.2 million.

Motive Power&Components

| | | 6/30/2007 | 12/31/2006 | 6/30/2006 |
|---|---|---|---|---|
| Working capital | € mill. | 49.4 | 96.9 | 97.0 |
| Working capital ratio[1] | % | 10.2 | 24.2 | 28.9 |
| Fixed assets | € mill. | 121.2 | 119.7 | 125.7 |
| Capital employed | € mill. | 170.6 | 216.6 | 222.7 |
| ROCE[1] | % | 19.7 | 10.9 | 3.1 |

[1] annualized

The rise in prepayments at Locomotives depressed working capital versus year-end and end-June 2006 by €47.6 million from €97.0 million to €49.4 million. With fixed assets slightly down, CE at June 30, 2007, sank proportionately. This effect combined with the solid earnings propelled ROCE from 3.1 to 19.7 percent.

# Capital expenditures

In H1/2007, capital expenditures totaled €21.4 million, of which additions to tangible assets accounted for €18.9 million (up from €7.4 million). A total of €2.5 million (down from €4.8 million) resulted from additions to intangible assets, predominantly made up of capitalized development costs. Compared with H1/2006, capital outlays soared by almost 75 percent.

Additions to tangible/intangible assets

| € mill. | H1/2007 | H1/2006 | Q2/2007 | Q2/2006 |
|---|---|---|---|---|
| Rail Infrastructure | 15.0 | 2.8 | 11.1 | 1.3 |
| Motive Power&Components | 6.2 | 8.5 | 4.1 | 3.7 |
| Information Technologies | 0.0 | 0.8 | 0.0 | 0.4 |
| Vossloh AG | 0.2 | 0.1 | 0.2 | 0.1 |
| **Total** | **21.4** | **12.2** | **15.4** | **5.5** |

At €10.3 million, the bulk of capital outlays was allocated to the Fastening Systems business unit, chiefly targeting the first major construction phases of the new production shop in China carried out in Q2/2007. At Vossloh Switch Systems, capital spending totaled €2.2 million and partly went toward expanding foundry capacity in India. The emphasis of the €2.6 million expenditures at the Infrastructure Services business unit was on equipment replacement. In the course of H1/20007, capital spending by the Rail Infrastructure division thus totaled €15.0 million, a multiple of the H1/2006 figure of €2.8 million.

At Motive Power&Components, on the other hand, H1 capital outlays in 2007 at €6.2 million were below the €8.5 million in 2006. Around €5.4 million went into Locomotives, chiefly as capitalized locomotive development costs. At Electrical Systems, capital spending amounted to €0.8 million and was devoted exclusively to replacements.

# Research and development

In H1/2007, R&D expenses amounted to €3.3 million, just above the €3.1 million spent a year ago (excluding the Information Technologies division in both cases). In addition to the directly expensed H1 development expenditures, the Group capitalized H1 development costs of €2.4 million (down from €5.9 million) in accordance with IAS 38.

At €1.2 million (down from €1.4 million), Vossloh Electrical Systems accounted for the lion's share of R&D spending in H1/2007. The business unit invested chiefly in further developing the PROTOS regional MU set, for which Vossloh is supplying the electrical systems as the systems partner of FTD Fahrzeugtechnik Dessau AG.

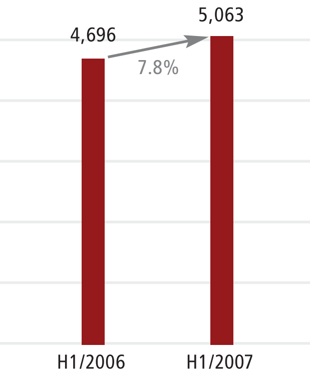
Up to June 30, 2007, the Locomotives business unit capitalized a further €1.4 million in development costs for the large six-axle EURO 4000, the most powerful diesel-electric locomotive currently on the European market. At June 30, 2006, the unit had already capitalized development costs of €4.1 million for this project. In 2007, Vossloh Locomotives also established R&D programs for developing crash prototypes, low-emission locomotives, three-phase current transformers and remote monitoring systems.

The Fastening Systems unit tested its products on various subsoils and surfaces and with country-specific adjustments, e.g. for use in India, the USA, and Spain.

R&D activities at the Switch Systems unit focused on optimizing switch systems for high-speed rail lines, improving nickel-chrome coatings and enhancing signaling systems for rail and tram transport.

# Workforce

Group headcount
(period average)




The year-earlier comparative has been adjusted for the Information Technologies division's contribution.

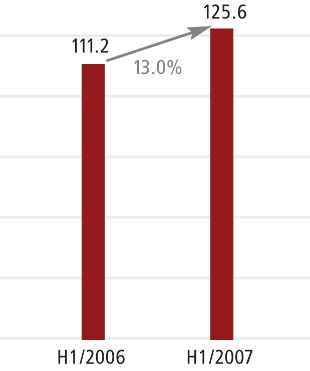
At June 30, 2007, the Vossloh Group employed a workforce of 5,356 worldwide. This is an increase of 489 or 10.0 percent compared with the end of the past fiscal year and of 614 or 12.9 percent compared with June 30, 2006. Not included herein or in the data below are the employees of the Information Technologies division sold in January 2007.

The number working in Germany rose marginally by 8 to 1,176 compared with June 30, 2006, while the headcount outside of Germany increased by 606 or 16.4 percent. At June 30, 2007, some 22 percent of Vossloh Group employees therefore worked in Germany.

The larger consolidation group raised the number of employees at June 30, 2007, by 379, of which Switch Systems through the newly consolidated US companies in this unit (Vossloh Track Material Inc. and Cleveland Track Material Inc.) accounted for 342.

Due to organic growth since June 30, 2006, the headcount at the Locomotives business unit increased by 159 or 14.9 percent, with the Valencia site recruiting 168 new employees coupled with a slight reduction in the workforce at Kiel.

Personnel expenses in € million




The year-earlier comparative has been adjusted for the Information Technologies division's contribution.

The Vossloh Group H1 personnel expenses climbed 13.0 percent to €125.6 million (up from €111.2 million).

Given an average headcount of 5,063 in H1/2007 (up from 4,696), personnel expenses per capita rose 4.8 percent to €24,800 (up from €23,700).

The ratio of payroll to value added in H1/2007 improved to 68.0 percent (down from 78.0 percent) thanks to the disproportionately steep rise in value added.

Headcount at

| | 6/30/2007 | 12/31/2006 | 6/30/2006 |
|---|---|---|---|
| Rail Infrastructure | 3,558 | 3,188 | 3,132 |
| Motive Power&Components | 1,761 | 1,648 | 1,578 |
| Vossloh AG | 37 | 31 | 32 |
| **Total** | **5,356** | **4,867** | **4,742** |
| **Pro forma** | | | |
| Information Technologies | – | 276 | 282 |
| **Total** | **5,356** | **5,143** | **5,024** |

# Prospects, risks and rewards

Versus the risk and reward situation impacting on the Vossloh Group's future development and as depicted in the consolidated financial statements 2006, the first six months of the present fiscal year have not seen any material changes.

The solid progress shown in the first six months of 2007 continues to be in line with the budget for 2007 and fully endorses the forecast of the Vossloh Group's operations formulated at the time of the 2006 annual closing.

After taking into account the input from the newly acquired US subsidiaries, Vossloh Track Material Inc. (first consolidated as of April 1, 2007) and Cleveland Track Material Inc. (first consolidated as of May 1, 2007), we expect for fiscal 2007 sales in the region of €1.14 billion and an EBIT of about €114 million on the basis of the figures available at the end of June, with an EBIT margin of over 10 percent. From today's vantage point, we expect for 2008 sales of around €1.2 billion and an EBIT of about €132 million.

This does not include the effect on sales and earnings from the acquisition of the remaining 50-percent stake in the French affiliate Européenne de Travaux Ferroviaires SA (ETF) because the deal had not yet been closed at the time of reporting.

# Condensed interim financial statements of the Vossloh Group as of June 30, 2007

## Income statement for the 6 (H1) and 3 (Q2) months ended June 30, 2007

| € mill. | H1/2007 | H1/2006 | Q2/2007 | Q2/2006 |
|---|---|---|---|---|
| Net sales | 585.2 | 460.0 | 317.5 | 239.5 |
| Cost of sales | (471.0) | (375.3) | (251.4) | (195.4) |
| General administrative and selling expenses | (62.6) | (54.8) | (34.8) | (28.9) |
| R&D expenses | (3.3) | (3.1) | (1.6) | (1.5) |
| Other operating income/expenses, net | 7.2 | 1.3 | 5.5 | 0.4 |
| **Operating result** | **55.5** | **28.1** | **35.2** | **14.1** |
| Income from associated affiliates | 0.5 | 0.6 | 0.2 | 0.3 |
| Income from securities and other financial assets | 0.2 | 0.1 | 0.1 | 0.0 |
| Other investment income | 0.0 | (0.1) | 0.0 | 0.0 |
| **EBIT** | **56.2** | **28.7** | **35.5** | **14.4** |
| Net interest expense | (5.3) | (6.8) | (2.8) | (3.3) |
| **EBT** | **50.9** | **21.9** | **32.7** | **11.1** |
| Income taxes | (17.8) | (8.5) | (11.9) | (4.5) |
| **Net income from continuing operations** | **33.1** | **13.4** | **20.8** | **6.6** |
| Minority interests | (1.0) | (0.3) | (0.7) | (0.1) |
| Posttax result of discontinued operations | 0.0 | (4.1) | – | (2.5) |
| **Group earnings** | **32.1** | **9.0** | **20.1** | **4.0** |
| Undiluted earnings per share (Eps) (€) | 2.18 | 0.61 | 1.37 | 0.27 |
| Fully diluted (Eps) (€) | 2.18 | 0.61 | 1.37 | 0.27 |

## Consolidated cash flow statement for H1/2007

| € mill. | H1/2007 | | H1/2006 | |
|---|---|---|---|---|
| Cash flow from operating activities | | | | |
| EBIT | 56.2 | | 22.3 | |
| Amortization/depreciation/write-down (net after write-up) of fixed assets | 12.4 | | 13.2 | |
| Other noncash expenses/income (net) | 2.4 | | 0.4 | |
| Book gains/losses (netted) from the disposal of fixed assets | (0.1) | | (0.3) | |
| Cash outflow for short-term securities | (9.6) | | (2.3) | |
| Change in inventories, trade receivables and other assets allocable to operating activities | (66.3) | | 14.4 | |
| Change in trade payables and other liabilities allocable to operating activities | 68.5 | | (2.0) | |
| Interest received | 2.9 | | 0.5 | |
| Interest paid | (8.9) | | (8.7) | |
| Taxes paid | (3.5) | | (0.7) | |
| **Net cash provided by operating activities** | | **54.0** | | **36.8** |
| Cash flow from investing activities | | | | |
| Cash inflow from the disposal of intangible and tangible assets | 0.9 | | 0.5 | |
| Cash outflow for additions to intangible and tangible assets | (21.4) | | (12.2) | |
| Cash inflow from the disposal of financial assets | 0.0 | | 0.0 | |
| Cash outflow for additions to financial assets | (0.3) | | 0.0 | |
| Cash inflow from the disposal of consolidated subsidiaries and other units | 5.3 | | 0.0 | |
| Cash outflow for the acquisition of consolidated subsidiaries and other units | (39.6) | | 0.0 | |
| **Net cash used in investing activities** | | **(55.1)** | | **(11.7)** |
| Cash flow from financing activities | | | | |
| Cash inflow from transfers to equity | 2.3 | | 0.0 | |
| Cash outflow to stockholders and minority interest holders | (20.0) | | (19.4) | |
| Net finance from short-term credits | (4.9) | | (16.4) | |
| Net finance from medium- and long-term loans | (2.7) | | 6.0 | |
| **Net cash used in financing activities** | | **(25.3)** | | **(29.8)** |
| Net outflow of cash & cash equivalents | | (26.4) | | (4.7) |
| Change in cash & cash equivalents from initial consolidation | | 0.0 | | 0.2 |
| Opening cash & cash equivalents | | 140.1 | | 50.2 |
| Closing cash & cash equivalents | | 113.7 | | 45.7 |

## Balance sheet: Assets

| € mill. | 6/30/2007 | 12/31/2006 | 6/30/2006 |
|---|---|---|---|
| **Total noncurrent assets** | **496.3** | **465.8** | **485.2** |
| Intangible assets | 336.8 | 315.4 | 336.7 |
| Tangible assets | 112.5 | 95.7 | 101.0 |
| Investment properties | 4.3 | 4.4 | 7.2 |
| Financial assets | 7.7 | 7.9 | 7.8 |
| Shares in unconsolidated subsidiaries | 3.4 | 3.6 | 3.1 |
| Shares in associated affiliates | 1.0 | 1.0 | 1.3 |
| Other investments and long-term securities | 1.2 | 1.2 | 1.2 |
| Long-term loans | 2.1 | 2.1 | 2.2 |
| Total fixed assets | 461.3 | 423.4 | 452.7 |
| Sundry noncurrent assets | 0.6 | 1.0 | 2.2 |
| Deferred tax assets | 34.4 | 41.4 | 30.3 |
| **Total current assets** | **773.0** | **698.9** | **594.6** |
| Inventories | 200.2 | 161.5 | 179.8 |
| Trade receivables | 377.8 | 331.1 | 298.4 |
| Due from unconsolidated subsidiaries and investees | 1.7 | 2.5 | 7.0 |
| Income tax assets | 4.8 | 8.2 | 17.5 |
| Sundry current assets | 37.1 | 27.4 | 38.8 |
| Short-term securities | 37.7 | 28.1 | 7.4 |
| Cash & cash equivalents | 113.7 | 140.1 | 45.7 |
| | | | |
| Assets of discontinued operations | – | 33.8 | – |
| | | | |
| | | | |
| | | | |
| | **1,269.3** | **1,198.5** | **1,079.8** |

## Balance sheet: Equity & liabilities

| € mill. | 6/30/2007 | 12/31/2006 | 6/30/2006 |
|---|---|---|---|
| **Total equity** | **388.8** | **371.1** | **350.3** |
| Capital stock | 37.8 | 37.7 | 37.7 |
| Additional paid-in capital | 42.6 | 40.4 | 40.3 |
| Treasury stock | – | – | – |
| Reserves retained from earnings | 268.7 | 268.0 | 267.3 |
| Undistributed group profit | 0.0 | 0.1 | 0.1 |
| Group earnings | 32.1 | 20.3 | 9.0 |
| Accumulated other comprehensive income (OCI) | (1.9) | (4.7) | (10.8) |
| Minority interests | 9.5 | 9.3 | 6.7 |
| **Total noncurrent liabilities and accruals** | **285.5** | **295.5** | **306.9** |
| Noncurrent financial debts | 184.9 | 191.9 | 202.7 |
| Other noncurrent liabilities | 31.8 | 31.7 | 35.8 |
| Pension accruals | 10.3 | 9.9 | 13.8 |
| Other noncurrent accruals | 31.9 | 35.3 | 26.5 |
| Deferred tax liabilities | 26.6 | 26.7 | 28.1 |
| **Total current liabilities and accruals** | **595.0** | **506.2** | **422.6** |
| Current financial debts | 41.7 | 38.6 | 50.1 |
| Trade payables | 257.2 | 203.8 | 149.9 |
| Due to unconsolidated subsidiaries and investees | 1.7 | 2.1 | 2.3 |
| Income tax liabilities | 11.2 | 5.6 | 6.8 |
| Other current liabilities | 141.6 | 133.1 | 109.5 |
| Tax accruals | 17.5 | 13.7 | 8.9 |
| Other current accruals | 124.1 | 109.3 | 95.1 |
| | | | |
| Liabilities of discontinued operations | – | 25.7 | – |
| | **1,269.3** | **1,198.5** | **1,079.8** |

## Statement of changes in equity

| € mill. | Capital stock | Additional paid-in capital |
|---|---|---|
| **Balance at 12/31/2005** | **37.7** | **40.2** |
| **Stockholder-unrelated changes in equity:** | | |
| Carryover to new account | | |
| Transfer to reserves retained from earnings | | |
| Change from initial consolidation | | |
| Net income for H1/2006 | | |
| Accumulated OCI from | | |
| currency translation differences | | |
| statement at fair value of financial instruments | | |
| **Comprehensive income** | | |
| **Minority interests** | | |
| **Stockholder-related changes in equity:** | | |
| Dividend payout | | |
| Capital increases from SOPs | | 0.1 |
| **Balance at 6/30/2006** | **37.7** | **40.3** |
| **Stockholder-unrelated changes in equity:** | | |
| Transfer to reserves retained from earnings | | |
| Change from initial consolidation | | |
| Other changes | | |
| Net income for H2/2006 | | |
| Accumulated OCI from | | |
| currency translation differences | | |
| statement at fair value of financial instruments | | |
| **Comprehensive income** | | |
| **Minority interests** | | |
| **Stockholder-related changes in equity:** | | |
| Capital increases | | |
| from SOPs | | 0.1 |
| other | | |
| **Balance at 12/31/2006** | **37.7** | **40.4** |
| **Stockholder-unrelated changes in equity:** | | |
| Carryover to new account | | |
| Transfer to reserves retained from earnings | | |
| Change from derecognition | | |
| Change from initial consolidation | | |
| Other changes | | |
| Net income for H1/2007 | | |
| Accumulated OCI from | | |
| currency translation differences | | |
| statement at fair value of financial instruments | | |
| **Comprehensive income** | | |
| **Minority interests** | | |
| **Stockholder-related changes in equity:** | | |
| Dividend payout | | |
| Capital increases from SOPs | 0.1 | 2.2 |
| **Balance at 6/30/2007** | **37.8** | **42.6** |

| Treasury stock | Reserves retained from earnings | Undistributed group profit | Group earnings | Accumulated OCI | Minority interests | Total |
|---|---|---|---|---|---|---|
| **–** | **241.5** | **0.0** | **45.1** | **(9.6)** | **6.1** | **361.0** |
| | | | | | | |
| | | 45.1 | (45.1) | | | 0.0 |
| | 25.8 | (25.8) | | | | 0.0 |
| | | | | | 1.3 | 1.3 |
| | | | 9.0 | | 0.4 | |
| | | | | | | |
| | | | | (0.5) | (0.3) | |
| | | | | (0.7) | | |
| | | | 9.0 | (1.2) | | 7.8 |
| | | | | | 0.1 | 0.1 |
| | | | | | | |
| | | (19.2) | | | (0.8) | (20.0) |
| | | | | | | 0.1 |
| **–** | **267.3** | **0.1** | **9.0** | **(10.8)** | **6.7** | **350.3** |
| | | | | | | |
| | 0.2 | (0.2) | | | | 0.0 |
| | 0.6 | | | | | 0.6 |
| | (0.1) | 0.2 | | | | 0.1 |
| | | | 11.3 | | 1.9 | |
| | | | | | | |
| | | | | 0.9 | 0.3 | |
| | | | | 5.2 | | |
| | | | 11.3 | 6.1 | | 17.4 |
| | | | | | 2.2 | 2.2 |
| | | | | | | |
| | | | | | | |
| | | | | | | 0.1 |
| | | | | | 0.4 | 0.4 |
| **–** | **268.0** | **0.1** | **20.3** | **(4.7)** | **9.3** | **371.1** |
| | | | | | | |
| | | 20.3 | (20.3) | | | 0.0 |
| | 0.7 | (0.7) | | | | |
| | | | | | (1.2) | (1.2) |
| | | (0.5) | | | 1.0 | 0.5 |
| | | | | | | 0.0 |
| | | | 32.1 | | 1.0 | |
| | | | | | | |
| | | | | 0.0 | 0.2 | |
| | | | | 2.8 | | |
| | | | 32.1 | 2.8 | | 34.9 |
| | | | | | 1.2 | 1.2 |
| | | | | | | |
| | | (19.2) | | | (0.8) | (20.0) |
| | | | | | | 2.3 |
| **–** | **268.7** | **0.0** | **32.1** | **(1.9)** | **9.5** | **388.8** |

# Explanatory notes

**Introduction**

The consolidated semiannual financial statements as of June 30, 2007, have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Reporting*, as well as with the requirements of the near final draft of German Accounting Standard (GAS) No. 16 issued by the German Accounting Standards Committee (GASC).

**Accounting principles**

The consolidation, accounting and valuation principles applied in interim reporting conform with those used for the consolidated financial statements as of December 31, 2006. Vossloh AG's consolidated financial statements as of December 31, 2006, were prepared in accordance with Art. 315a German Commercial Code ("HGB") and the International Financial Reporting Standards (IFRS) which are applicable in the European Union (EU).

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. The effects of Germany's business taxation reform have not been reflected in the measurement of deferred taxes since the reform did not take effect before July 6, 2007, when the Upper House (Bundesrat) passed the reform bill. The Group does not expect this reform to have any major impact on earnings.

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.

**Consolidation group**

Since December 31, 2006, six companies have been added to the consolidation group. Consequently, 52 domestic and foreign subsidiaries were consolidated fully or pro rata as of June 30, 2007.

On March 5, 2007, the Vossloh Group executed an asset deal with Pohl Corp., a US rail switch manufacturer based in Reading, PA, USA, whose business is meantime operated under the name of Vossloh Track Material Inc. The provisional price is $21 million plus incidentals of €0.7 million and is subject to adjustment in line with the working capital trend. The deal was closed as of March 30, 2007.

The purchase price of €15.4 million contrasted at the acquisition date with the following assets and liabilities:

| € mill. | Pre-combination book values | Adjustments | Fair values as of initial consolidation date |
|---|---|---|---|
| Intangible assets | 1.8 | 0.0 | 1.8 |
| Tangible assets | 2.5 | 0.2 | 2.7 |
| Current receivables, inventories and cash & cash equivalents | 15.2 | (0.6) | 14.6 |
| Current liabilities and accruals | (4.1) | 0.0 | (4.1) |
| Deferred tax assets | 0.0 | (0.5) | (0.5) |
| Deferred tax liabilities | 0.0 | 0.7 | 0.7 |
| **Net assets acquired** | **15.4** | **(0.2)** | **15.2** |
| Purchase price | | | 15.4 |
| Purchase incidentals | | | 0.7 |
| **Total cost** | | | **16.1** |
| **Residual goodwill** | | | **0.9** |

The assets and liabilities taken over were restated at their estimated fair values, the goodwill resulting from this purchase price allocation amounting to €0.9 million.

Assuming that the purchase price for Vossloh Track Material had already been paid at January 1, 2007, this would have increased net sales by €9.2 million and earnings distributable to the parent's stockholders by €0.1 million. Since its acquisition date, Vossloh Track Material has contributed net sales of €9.0 million and a loss of €0.1 million to the Group's performance.

On April 4, 2007, the Vossloh Group executed a share sale and transfer agreement on the takeover of all of the shares in Cleveland, OH, based Cleveland Track Material Inc. The price including financial debts assumed (enterprise value) is $42.5 million plus incidentals. The deal was closed as of April 30, 2007.

The equity value paid for at €23.3 million contrasted at the acquisition date with the following assets and liabilities:

| € mill. | Pre-combination book values | Adjustments | Fair values as of initial consolidation date |
|---|---|---|---|
| Intangible assets | 0.0 | 1.1 | 1.1 |
| Tangible assets | 4.0 | 0.0 | 4.0 |
| Financial assets | 0.1 | 0.0 | 0.1 |
| Current receivables, inventories and cash & cash equivalents | 13.5 | (0.7) | 12.8 |
| Current liabilities and accruals | (11.1) | 0.0 | (11.1) |
| Deferred tax liabilities | 0.7 | 0.3 | 1.0 |
| Deferred tax assets | (1.1) | (0.4) | (1.5) |
| **Net assets acquired** | **6.1** | **0.3** | **6.4** |
| Purchase price | | | 23.3 |
| Purchase incidentals | | | 0.6 |
| **Total cost** | | | **23.9** |
| **Residual goodwill** | | | **17.5** |

Assuming that Cleveland Track Material Inc. had already been acquired at January 1, 2007, this would have increased net sales by €11.7 million and earnings distributable to the parent's stockholders by €0.9 million. Since its acquisition date, Cleveland Track Material Inc. has contributed net sales of €5.9 million and a profit of €0.3 million to the Group's.

Since it was not possible to finally determine the fair values of identified assets, liabilities, contingent liabilities and cost by the time of H1 closing, the initial accounting for the acquisition of Vossloh Track Material Inc. and Cleveland Track Material Inc. is provisional according to IFRS 3:62.

In connection with the US acquisitions, Vossloh Corporate Finance GmbH, Werdohl, and the newly incorporated, Wilmington, DE, based US Holdings Inc., were consolidated for the first time. The essential assets of either subsidiary are the directly or indirectly held investments in the newly acquired US companies.

Also newly consolidated was Vossloh Fastening Systems, Kunshan, China, including its intermediate holding company.

## Discontinued operations

Since the Information Technologies division had been written down to net realized value in the consolidated financial statements 2006, the H1/2007 posttax result of discontinued operations broke even.

The posttax loss of discontinued operations is derived as follows:

| € mill. | H1/2007 | H1/2006 |
|---|---|---|
| Net sales | 1.4 | 14.1 |
| Cost of sales | (4.1) | (16.0) |
| Selling and general administrative expenses | (0.1) | (4.1) |
| R&D expenses | (0.1) | (0.6) |
| Other income/expenses, net | 2.9 | 0.1 |
| **EBIT** | **0.0** | **(6.5)** |
| Net interest expense | 0.0 | (0.6) |
| **EBT** | **0.0** | **(7.1)** |
| Income tax credit | 0.0 | 3.0 |
| **Net loss** | **0.0** | **(4.1)** |

The Information Technologies division generated the following cash flows:

Cash flows of discontinued operations

| € mill. | H1/2007 | H1/2006 |
|---|---|---|
| from operating activities | 4.6 | 2.5 |
| from investing activities | 0.0 | (0.8) |
| from financing activities | (4.6) | (2.2) |

## Earnings per share

Earnings per share

| | | H1/2007 | H1/2006 |
|---|---|---|---|
| Weighted average number of shares | | 14,756,450 | 14,735,020 |
| Dilutive shares from stock options under the ESOP/LTIP | | 13,991 | 5,784 |
| Fully diluted weighted average number of shares | | 14,770,441 | 14,740,804 |
| Group earnings | € mill. | 32.1 | 9.0 |
| **Undiluted (basic) EpS** | € | 2.18 | 0.61 |
| thereof from continuing operations | € | 2.18 | 0.93 |
| thereof from discontinued operations | € | – | (0.32) |
| Fully diluted EpS | € | 2.18 | 0.61 |

**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.

**Segment information**

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

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

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

The former Information Technologies division subsumed the development and marketing of operations management, passenger information and planning systems as well as signals engineering. Due to the Vossloh Group’s strategic refocus, this division is shown separately as discontinued operation.

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

**Related-party transactions**

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated subsidiaries, joint ventures and associated affiliates. All transactions of these companies inter se conform to the arm’s length principle.

**Contingent liabilities**

In comparison to December 31, 2006, the Group's contingent liabilities—chiefly under guaranties/suretyships and from the collateralization of third-party debts—climbed €3.5 million to €9.5 million; this total includes guaranties for €1.7 million issued for the Information Technologies division disposed of. However, a right of recourse to the acquirer exists for these contingent liabilities.

Subsequent events

On May 14, 2007, Vossloh Infrastructure Services SA (VIS), a Vossloh AG subsidiary, executed a binding memorandum of understanding with Colas SA, Boulogne Billancourt, France, for the complete acquisition of the ETF Group (Européenne de Travaux Ferroviaires SA), Paris, France. The antitrust approvals, which were an essential prerequisite to the acquisition, have meantime been received. All contractual conditions have thus been met in order to proceed soon to the ETF Group share transfer.
VIS owns a 50-percent stake in ETF, the other half being held by Spie Rail SA, Cergy Pontoise, France. The provisional price amounts to €33 million but may be subject to adjustment in the case of any changes in equity as of the closing date. The ETF Group generated sales in 2006 of around €120 million.

Segment information

| | | Rail Infrastructure | Motive Power & Components | Discontinued Information Technologies operation |
|---|---|---|---|---|
| **Net sales** | | | | |
| H1/2007 | € mill. | 342.2 | 242.8 | 0.0 |
| H1/2006 | € mill. | 292.7 | 167.5 | 0.0 |
| Q2/ 2007 | € mill. | 194.5 | 122.8 | 0.0 |
| Q2/2006 | € mill. | 157.5 | 82.3 | 0.0 |
| **Amortization/depreciation**[1] | | | | |
| H1/2007 | € mill. | 7.2 | 4.7 | 0.0 |
| H1/2006 | € mill. | 7.2 | 4.5 | 0.0 |
| Q2/ 2007 | € mill. | 3.8 | 2.4 | 0.0 |
| Q2/2006 | € mill. | 3.7 | 2.4 | 0.0 |
| **Net interest result** | | | | |
| H1/2007 | € mill. | (4.3) | (1.2) | 0.0 |
| H1/2006 | € mill. | (3.9) | (1.7) | 0.0 |
| Q2/ 2007 | € mill. | (2.5) | (0.4) | 0.0 |
| Q2/2006 | € mill. | (2.1) | (0.8) | 0.0 |
| **EBIT** | | | | |
| H1/2007 | € mill. | 47.5 | 16.8 | 0.0 |
| H1/2006 | € mill. | 35.7 | 3.5 | 0.0 |
| Q2/ 2007 | € mill. | 30.6 | 9.3 | 0.0 |
| Q2/2006 | € mill. | 20.2 | 0.0 | 0.0 |
| **EBT** | | | | |
| H1/2007 | € mill. | 43.3 | 15.6 | 0.0 |
| H1/2006 | € mill. | 31.8 | 1.8 | 0.0 |
| Q2/ 2007 | € mill. | 28.1 | 8.9 | 0.0 |
| Q2/2006 | € mill. | 18.1 | (0.8) | 0.0 |
| **Net earnings/(deficit)**[2] | | | | |
| H1/2007 | € mill. | 26.9 | 10.1 | 0.0 |
| H1/2006 | € mill. | 19.0 | 1.3 | (4.1) |
| Q2/ 2007 | € mill. | 17.0 | 5.8 | 0.0 |
| Q2/2006 | € mill. | 10.8 | (0.3) | (2.8) |
| **Capital expenditures** | | | | |
| H1/2007 | € mill. | 15.0 | 6.2 | 0.0 |
| H1/2006 | € mill. | 2.8 | 8.5 | 0.8 |
| Q2/ 2007 | € mill. | 11.1 | 4.1 | 0.0 |
| Q2/2006 | € mill. | 1.3 | 3.7 | 0.4 |
| **Capital employed** | | | | |
| 6/30/2007 | € mill. | 519.5 | 170.6 | 0.0 |
| 12/31/2006 | € mill. | 412.4 | 216.6 | 0.0 |
| **Total assets** | | | | |
| 6/30/2007 | € mill. | 721.8 | 459.8 | 0.0 |
| 12/31/2006 | € mill. | 605.4 | 367.6 | 82.3 |
| **6-month average headcount** | | | | |
| H1/2007 | | 3,327 | 1,703 | 0 |
| H1/2006 | | 3,130 | 1,534 | 279 |

[1] Excl. write-down of financial assets
[2] Before P&L transfer

| Intermediate holding company/ consolidation | Rail Technology | H.O./consolidation | Group |
|---|---|---|---|
| 0.0 | 585.0 | 0.2 | 585.2 |
| (0.3) | 459.9 | 0.1 | 460.0 |
| 0.1 | 317.4 | 0.1 | 317.5 |
| (0.3) | 239.5 | 0.0 | 239.5 |
| 0.0 | 11.9 | 0.5 | 12.4 |
| 0.0 | 11.7 | 0.5 | 12.2 |
| 0.0 | 6.2 | 0.3 | 6.5 |
| 0.0 | 6.1 | 0.3 | 6.4 |
| (6.1) | (11.6) | 6.3 | (5.3) |
| (5.2) | (10.8) | 4.0 | (6.8) |
| (3.2) | (6.1) | 3.3 | (2.8) |
| (2.8) | (5.7) | 2.4 | (3.3) |
| (0.5) | 63.8 | (7.6) | 56.2 |
| (2.0) | 37.2 | (8.5) | 28.7 |
| (0.1) | 39.8 | (4.3) | 35.5 |
| (1.0) | 19.2 | (4.8) | 14.4 |
| (6.7) | 52.2 | (1.3) | 50.9 |
| (7.2) | 26.4 | (4.5) | 21.9 |
| (3.3) | 33.7 | (1.0) | 32.7 |
| (3.8) | 13.5 | (2.4) | 11.1 |
| (8.7) | 28.3 | 3.8 | 32.1 |
| (5.0) | 11.2 | (2.2) | 9.0 |
| (6.7) | 16.1 | 4.0 | 20.1 |
| (2.5) | 5.2 | (1.2) | 4.0 |
| 0.0 | 21.2 | 0.2 | 21.4 |
| 0.0 | 12.1 | 0.1 | 12.2 |
| 0.0 | 15.2 | 0.2 | 15.4 |
| 0.0 | 5.4 | 0.1 | 5.5 |
| 246.5 | 936.6 | (219.1) | 717.5 |
| 246.7 | 875.7 | (235.6) | 640.1 |
| 252.4 | 1,434.0 | (164.7) | 1,269.3 |
| 251.4 | 1,306.7 | (217.3) | 1,089.4 |
| 0 | 5,030 | 33 | 5,063 |
| 0 | 4,943 | 32 | 4,975 |

## Responsibility statement by management

"To the best of our knowledge and in accordance with the applicable interim financial reporting principles, we state that (i) these interim consolidated financial statements present a true and fair view of the Group's asset and capital structure, financial position and results of operations, (ii) the interim group management report presents a fair review of the Group's business trend, performance and position, and (iii) the principal risks and rewards associated with the Group's expected development for the remaining months of the fiscal year have been duly described."

Werdohl, July 25, 2007

Vossloh AG
The Executive Board

Dr. Gerhard Eschenröder, Werner Andree, Dr.-Ing. Norbert Schiedeck

## Review report

to Vossloh AG

We have reviewed the condensed consolidated interim financial statements (comprising income statement, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes) together with the group management report of Vossloh AG, Werdohl, for the six months (H1) ended June 30, 2007, which are components of the semiannual financial report pursuant to Art. 37w German Securities Trading Act (“WpHG”). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the applicable WpHG provisions is the responsibility of the Company’s management as legal representatives.
Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We have conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements (issued by IDW, the Institute of Sworn Public Auditors & Accountants in Germany). Those standards require that we plan and perform the review so that we can exclude through critical evaluation, with a moderate level of assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that that the interim group management report has not been prepared, in every material respect, in conformity with the WpHG provisions applicable to interim group management reports. A review is limited primarily to interviewing the Company’s staff and to analytical procedures and thus provides less assurance than an audit. Since we have not been engaged to perform a statutory audit, we cannot issue an auditor’s opinion.

Based on our review, nothing has come to our attention that cause us to assume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, nor that the interim group management report has not been prepared, in every material respect, in conformity with the WpHG provisions applicable to interim group management reports.

Essen, July 25, 2007

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Rittmann | pp. Rüttershoff |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

## Vossloh AG's boards

| | |
|---|---|
| Executive Board | Dr. Gerhard Eschenröder, CEO |
| | Werner Andree |
| | Dr.-Ing. Norbert Schiedeck |
| Supervisory Board | Dr.-Ing. Wilfried Kaiser, degreed 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, former CFO of Südzucker AG, Weinheim |
| | Wolfgang Klein, galvanizer, Werdohl |
| | Michael Ulrich, machinist, Kiel |

## Financial diary 2007

| | |
|---|---|
| Publication of interim report | |
| as of September 30 | October 30, 2007 |
| Conference with DVFA analysts | December 7, 2007 |

For further dates, go to www.vossloh.com

## Financial diary 2008

| | |
|---|---|
| Publication of financial information 2007 | March 2008 |
| Press conference | March 2008 |
| Meeting with DVFA analysts | March 2008 |
| Annual stockholders' meeting | May 2008 |

## Investor Relations

| | |
|---|---|
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## Vossloh stock details

| | |
|---|---|
| ISIN | DE0007667107 |
| Traded at | Xetra, Düsseldorf, Frankfurt, |
| | Berlin-Bremen, Hannover, Hamburg, |
| | Stuttgart, Munich |
| Index | MDAX |
| No. of shares (6/30/2007) | 14,795,696 |
| Stock price (6/30/2007) | €86.79 |
| H1/2007 high/low | €94.47/€56.21 |
| Reuters code | VOSG.DE |
| Bloomberg code | VOS GR |


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