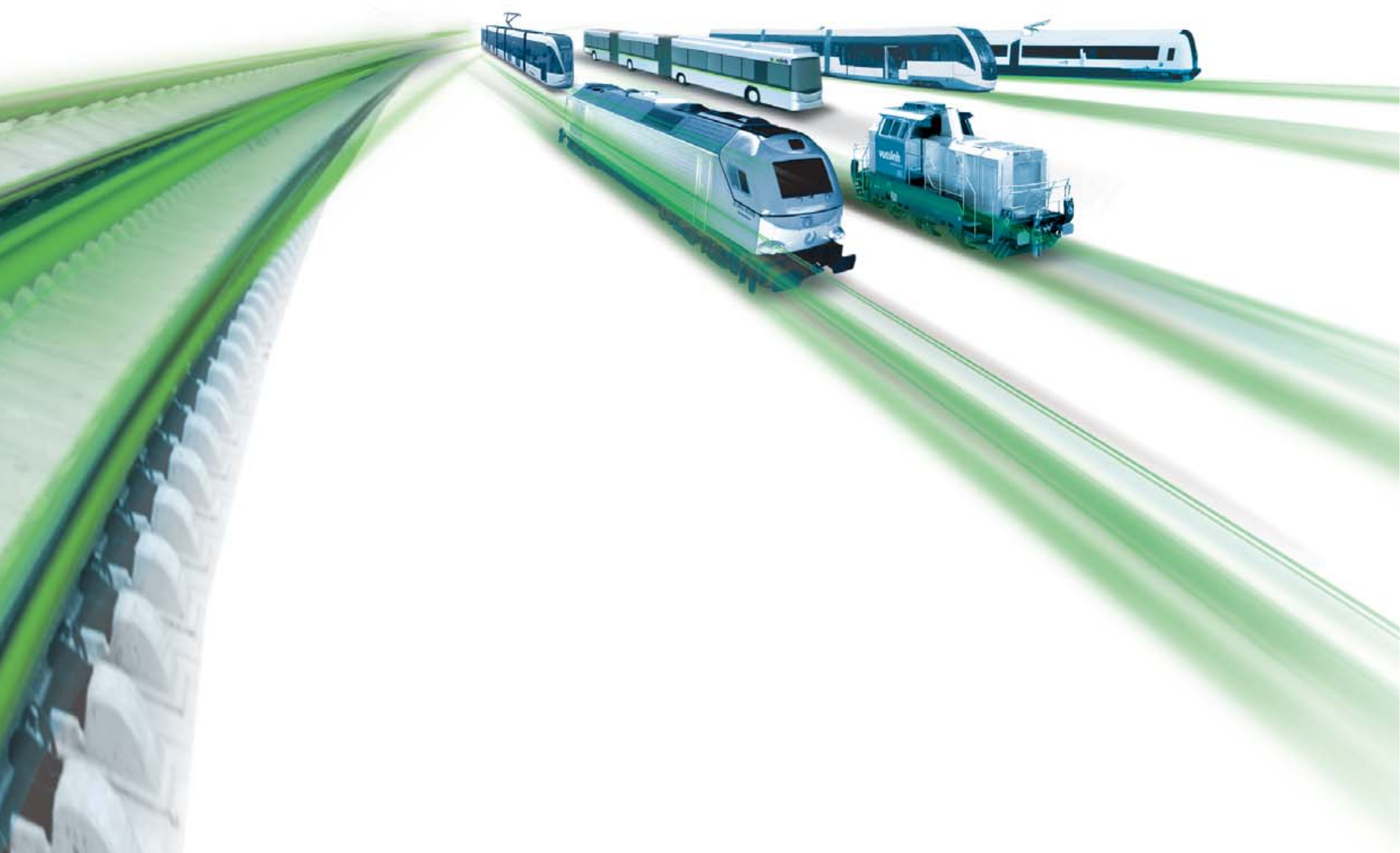
# Solid value. Sound prospects.

Semiannual financial report as of June 30, 2010



| Group figures and indicators | | H1/2010 | H1/2009 |
|---|---|---|---|
| **Income statement data** | | | |
| Net sales | € mill. | 683.1 | 599.0 |
| thereof Rail Infrastructure | € mill. | 438.6 | 323.0 |
| Transportation | € mill. | 244.4 | 275.8 |
| EBIT | € mill. | 80.4 | 67.8 |
| Net interest expense | € mill. | (6.1) | (3.7) |
| EBT | € mill. | 74.3 | 64.1 |
| Group earnings (total) | € mill. | 50.7 | 44.9 |
| Earnings per share | € | 3.81 | 3.34 |
| EBIT margin | % | 11.8 | 11.3 |
| Pretax return on equity (ROE) | % | 27.7 | 28.8 |
| Return on capital employed (ROCE)[1] | % | 18.3 | 20.8 |
| Value added[1] | € mill. | 32.2 | 32.0 |
| **Balance sheet data** | | | |
| Fixed assets[2] (June 30) | € mill. | 577.6 | 436.9 |
| capital expenditures | € mill. | 26.4 | 14.9 |
| amortization/depreciation | € mill. | 17.5 | 12.5 |
| Working capital (June 30) | € mill. | 323.7 | 251.2 |
| Working capital intensity[3] | % | 23.7 | 21.0 |
| Capital employed (June 30) | € mill. | 901.4 | 688.0 |
| Total equity (June 30) | € mill. | 537.2 | 444.3 |
| thereof minority interests (June 30) | € mill. | 30.9 | 13.8 |
| Net financial debt (June 30) | € mill. | 200.7 | 107.8 |
| Net leverage | % | 37.4 | 24.3 |
| Total assets (June 30) | € mill. | 1,448.4 | 1,260.7 |
| Equity ratio | % | 37.1 | 35.2 |
| **Cash flow statement data** | | | |
| Gross cash flow | € mill. | 119.3 | 83.1 |
| Cash flow from operating activities | € mill. | 35.5 | (32.6) |
| Cash flow from investing activities | € mill. | (119.7) | (21.5) |
| Cash flow from financing activities | € mill. | 8.4 | (89.2) |
| Change in cash & cash equivalents | € mill. | (74.3) | (143.3) |
| **Workforce** | | | |
| Average headcount in the period | | 4,974 | 4,697 |
| Rail Infrastructure | | 3,119 | 2,689 |
| Transportation | | 1,807 | 1,957 |
| Vossloh AG | | 48 | 51 |
| Payroll intensity | % | 60.6 | 62.6 |
| Personnel expenses | € mill. | 125.8 | 116.2 |
| **Share data** | | | |
| Stock price at June 30 | € | 66.52 | 85.55 |
| Market capitalization at June 30 | € mill. | 886.0 | 1,139.2 |

[1] Based on average capital employed
[2] Fixed assets = Intangible and tangible assets + investment properties + associated affiliates + other noncurrent financial instruments
[3] Based on closing working capital
Where required, figures annualized.

Dear Stockholders:

Vossloh looks back on a very successful H1/2010. The Group has grown appreciably and our EBIT has likewise improved.

In the first half of this year we managed to lift sales by 14.0 percent or €84.1 million to €683.1 million compared with H1/2009. The Rail Services business unit, consolidated since the start of the year, contributed €42.1 million. One-half of H1 growth has been organic. Especially remarkable has been our Q2 performance, with sales jumping 25.0 percent to €387.7 million. EBIT for the period reached €80.4 million, an advance of 18.6 percent. The EBIT margin also climbed, from 11.3 to 11.8 percent. ROCE at 18.3 percent fell somewhat short of the H1/2009 figure of 20.8 percent yet was still easily above our self-set benchmark of 15.0 percent.

As expected, our Fastening Systems, Switch Systems, Electrical Systems and Rail Services business units all shared in our progress, with in some cases significant growth rates. Again as expected, Vossloh Transportation Systems remained below the year-earlier figure, especially due to poorer diesel locomotive sales. Given the spending reluctance on the part of customers in 2009, we still forecast only slight sales for all of 2010. However, the order situation has meanwhile brightened up and in the course of H1/2010 order intake has significantly improved year-on-year.

Business so far this year underscores that we are moving in the right direction for ongoing profitable growth. We have again slightly upped our 12-month forecast. From today's vantage point we expect sales of a good €1.35 billion and EBIT, even after taking into account the higher commodity prices, to reach at least €150 million. According to present plans, ROCE will recede to around 17 percent, mainly due to the acquisition of Vossloh Rail Services. The EBIT margin is likely to range between 11 and 11.5 percent, EpS to amount to about €7.00.

For 2011, we still predict further progress with another rise in order intake at Transportation and an ongoing favorable climate in the Rail Infrastructure division. We expect to be invited to bid in China during the latter half of 2010. For fiscal 2011, we continue to budget a 2.5-percent sales uptrend and an EBIT margin of between 11 and 11.5 percent.

As a global, broadly based rail technology company, Vossloh is outstandingly positioned and so we face the future with confidence. We are presently strengthening our market position not least of all through our ongoing capital expenditure program especially devoted to new products. Major elements of our existing and new products will be on show at the industry fair InnoTrans in Berlin this September. We intend to continue along the path of value-driven growth.

Regards,

Werner Andree
CEO

# *Vossloh's corporate structure*

Vossloh is a global player in selected rail infrastructure and rail technology markets. Under the roof of Vossloh AG as the management and financial holding parent, the Group has organized its business operations into two divisions subdivided into altogether five business units.

New names within existing corporate structure

To make the type of activities more obvious, the Vossloh Group slightly revised some of its division and business unit names at the turn of 2009/2010:

**Vossloh AG**

| Rail Infrastructure | Transportation |
| --- | --- |
| Vossloh Fastening Systems<br>Vossloh Switch Systems<br>Vossloh Rail Services | Vossloh Transportation Systems<br>Vossloh Electrical Systems |

## Rail Infrastructure division

This division provides products and services for rail infrastructure and now includes, besides its Fastening Systems and Switch Systems business units, Rail Services as a third and new business unit.

Vossloh Fastening Systems is a foremost supplier of rail fastening systems for every application: from light-rail via heavy-haul to high-speed.

Vossloh Switch Systems equips rail networks with switches (turnouts, crossings, etc.), as well as with the related control and monitoring systems all of which it also installs and maintains. Here, too, the lineup extends from light-rail to high-speed.

Since January 1, 2010, Vossloh Rail Services has been a member of the Vossloh Group and offers wide-ranging rail-related services including complex logistics and welding work as well as preventive maintenance for the rails.

## Transportation division
## (formerly *Motive Power&Components*)

The second division, up to year-end 2009 known as *Motive Power&Components*, has been renamed Transportation and covers the operations concerned with rail vehicles and vehicle systems/components including the related services. The division has two business units: Transportation Systems (formerly *Locomotives*) and Electrical Systems.

The Transportation Systems business unit, whose portfolio includes both locomotives and (sub)urban trains, is Europe's leading manufacturer of diesel locomotives while in addition supplying comprehensive services.

Within the business unit, the Kiel location, which only builds locomotives, keeps the name of Vossloh Locomotives. The Valencia location, which also manufactures local transport vehicles, is now called Vossloh Rail Vehicles.

Unchanged, the Transportation division also includes the Electrical Systems business unit. Vossloh Electrical Systems develops and manufactures key electrical components and systems for local transport vehicles. It is the world's foremost supplier of electrical equipment for (trolley)buses and, since 2008, has also offered hybrid traction for installation in buses.

# Vossloh stock

**Stock markets in H1 extremely volatile**

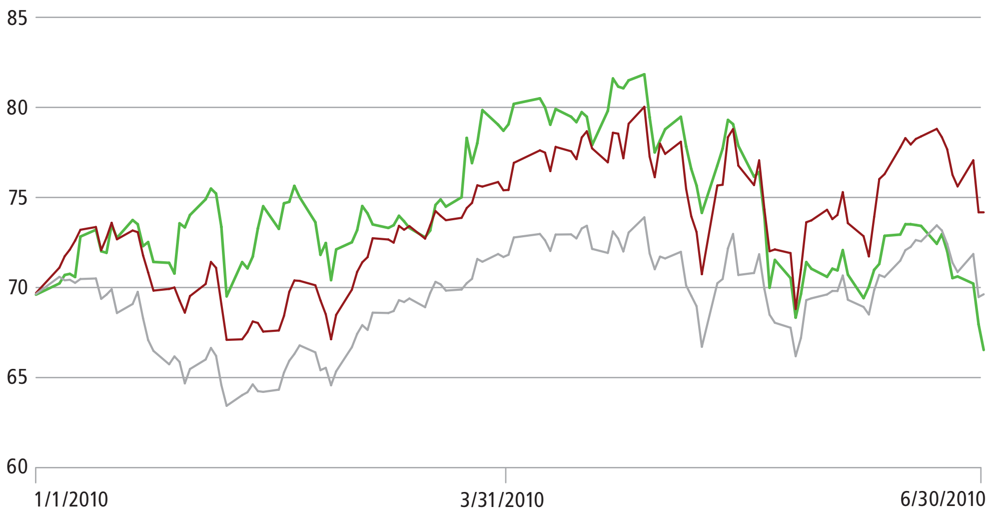
The sentiment on the international stock markets in H1/2010 was chiefly dictated by concern regarding the debt situation in Greece. The accompanying fear this would impose sustained burdens on other EU economies and threaten the euro led to generally weaker share prices. Following a temporary recovery in March, prices again dropped sharply especially in May and June and most stock exchanges worldwide closed H1 with losses.

Parallel to the situation on the international capital markets, following a soft start to the year, the DAX began to build up momentum in spring. By April 26 it had climbed to its annual high of 6,342, but then fully shed the gains as the year progressed and closed at 5,966 on June 30. In all, it therefore fell by around 3 percent in Q2/2010 and virtually resumed the position it had held at year-end 2009.

The MDAX, which includes Vossloh, followed a similar pattern. After a modest start to the year, it posted gains in March and April to reach its H1 high of 8,684 on April 26. It failed to quite maintain this position, closing the period on June 30 at 8,009, a Q2 loss of around 2 percent. Nonetheless, advancing by almost 7 percent during H1/2010, this index easily outperformed the DAX.

## Vossloh stock price trend from January 1 to June 30, 2010

Vossloh stock
MDAX (rebased)
DAX (rebased)




Vossloh share ID data:

German SIN: 766710
ISIN: DE0007667107
Reuters: VOSG.DE
Bloomberg: VOS GR

Vossloh stock price declining

Vossloh stock had closed Q1/2010 with a gain of almost 14 percent, thus well superior in performance to the DAX and MDAX. At the start of Q2/2010 it was still moving upward and reached €82.98 on April 26, to date its 2010 cusp. In the weeks that followed it failed to maintain this position and even tested €66.05, its H1 low. Vossloh closed the period at €66.52, a H1/2010 decrease of around 4 percent.

Vossloh stock's aggregate trading volume in Q2 was around 4.8 million (up 12.6 percent year-on-year). For the full six months it rose 16.7 percent to 9.8 million. An average 75,850 shares were traded daily in Q2/2010, an average 77,900 in H1/2010.

In Q2/2010, altogether 22 financial analysts were continuously monitoring Vossloh's stock performance. The vast majority viewed the stock promisingly, with a price target averaging €83 and a bandwidth ranging from €66 to €98. Four equity researchers recommended "sell," three "hold," and 15 "buy."

AGM votes in favor of prior-year record dividend

At this year's annual general meeting on May 19, 2010, Vossloh AG's stockholders voted in favor of a dividend of €2.00 per eligible share of stock for fiscal 2009. This dividend payout is equivalent to 30.3 percent of group earnings. The previous year's dividend had also been at this record level.

For further details on Vossloh stock (including dates, publications, and Creditor Relations information) see the Investors section at www.vossloh.com

| Vossloh stock details | |
|---|---|
| ISIN | DE0007667107 |
| Traded at | Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hannover, Hamburg, Stuttgart, Munich |
| Index | MDAX |
| Number of shares outstanding at 6/30/2010 | 13,319,690 |
| Stock price (6/30/2010) | €66.52 |
| H1/2010 high/low | €82.98/€66.05 |
| Reuters code | VOSG.DE |
| Bloomberg code | VOS GR |

# *Interim management report*

# The Group's business trend

Rail Services business unit newly consolidated as from January 1, 2010

On December 14, 2009, Vossloh had signed a sale and transfer agreement covering the rail services companies of the Stahlberg-Roensch Group as well as LOG Logistikgesellschaft Gleisbau mbH and ISB Instandhaltungssysteme Bahn GmbH of the Contrack Group. Following the due diligence and the go-ahead from its Supervisory Board and the antitrust authorities, Vossloh formally closed the transfer agreement on February 5, 2010.

These acquirees have been included since January 1, 2010, in Vossloh's consolidated financial statements; the segment report has since comprised the Rail Services business unit as well.

Disclosing an absolute performance indicator: VA a key yardstick for the Vossloh Group

Ever since submitting the interim report on the first quarter of 2009, Vossloh has met the IFRS 8 criteria by aligning the Group's external and internal segment reporting system and bases, thus again improving on depth and structure of external reports. True to its strategy of value-focused growth, Vossloh primarily works toward earning a premium on top of the return (cost of capital) claimed by investors and lenders. This premium equals the difference between ROCE (return on capital employed) and WACC (weighted average cost of equity and debt) as a relative indicator and, when multiplied by average capital employed (CE), the pretax value added (VA) in a period is an absolute indicator which Vossloh discloses in the analysis of its results of operations.

Besides the pretax VA used for internal controlling purposes, also the posttax value added is communicated in external reports at group and division levels, based on the current WACC—6.7 percent posttax in June 2010—in order to disclose the actual value trend of relevance to stockholders.

## Results of operations

In H1/2010, the Vossloh Group generated sales of €683.1 million, up €84.1 million or 14.0 percent over the year-earlier €599.0 million. The second quarter of 2010 showed particularly strong gains, with group sales amounting to €387.7 million (up €77.6 million or 25.0 percent from €310.1 million).

H1 group sales up 14 percent, organic growth accounting for one-half

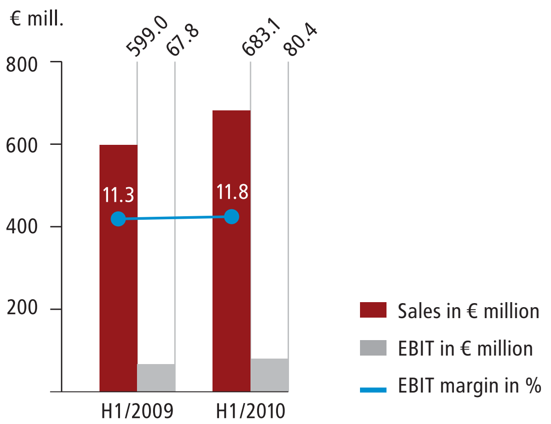
Around one-half of the incremental sales was contributed by Vossloh Rail Services (€42.1 million). Excluding this acquisition, sales climbed 7.0 percent. A year-on-year comparison shows an organic rise in Q2 alone of €49.2 million or 15.9 percent.

The Rail Infrastructure division reported a strong growth for H1/2010, its sales surging by €115.6 million or 35.8 percent to €438.6 million. Excluding the acquisition, the year-on-year addition was €73.5 million or 22.7 percent. The very good performance was mainly due to higher sales at both Vossloh Fastening Systems and Vossloh Switch Systems.

Rail Infrastructure growing 35.8 percent, LFL 22.7 percent

Sales at the Transportation division slipped during the first six months of 2010 by €31.4 million or 11.4 percent to €244.4 million. The reason was declining business at Vossloh Transportation Systems which rising revenue at Vossloh Electrical Systems failed to offset. Vossloh Transportation Systems suffered, in particular, from the (expected) lower sales at the Kiel location.

Transportation sales shrinking as expected after poor locomotive business in 2009




Vossloh Group: sales and EBIT

H1 group EBIT upgraded by 18.6 percent

In H1/2010, the Vossloh Group reported an EBIT of €80.4 million, an increase of €12.6 million or 18.6 percent over the year-earlier €67.8 million. Accordingly, the EBIT margin climbed from 11.3 to 11.8 percent. This improvement in earnings and profitability was attributable to the Rail Infrastructure division. Transportation, in contrast, reported lower figures for the period.

Group earnings in H1 climbed to €50.7 million, up €5.8 million or 13.1 percent from €44.9 million. Hence, earnings per share (EpS) climbed from €3.34 to €3.81.

Group ROCE at 18.3 percent, pretax value added €32.2 million, posttax VA €27.1 million

At 18.3 percent, the annualized H1 ROCE was short of the year-earlier 20.8 percent. The reason was the steep climb in capital employed as a result of the added working capital and the inclusion of the Rail Services business unit. The Group's value added (VA) changed only modestly, inching up from €32.0 million to €32.2 million. Based on the current WACC, posttax value added in H1 came to €27.1 million.

Vossloh Group

| | | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|---|
| Sales | € mill. | 683.1 | 599.0 | 387.7 | 310.1 |
| EBITDA | € mill. | 97.9 | 80.3 | 54.1 | 43.7 |
| EBIT | € mill. | 80.4 | 67.8 | 44.9 | 37.3 |
| EBIT margin | % | 11.8 | 11.3 | 11.6 | 12.0 |
| EBT | € mill. | 74.3 | 64.1 | 41.7 | 34.9 |
| Group earnings | € mill. | 50.7 | 44.9 | 27.9 | 24.6 |
| ROCE[1, 2] | % | 18.3 | 20.8 | 20.2 | 22.1 |
| Value added[1, 2] | € mill. | 32.2 | 32.0 | 20.6 | 18.7 |

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

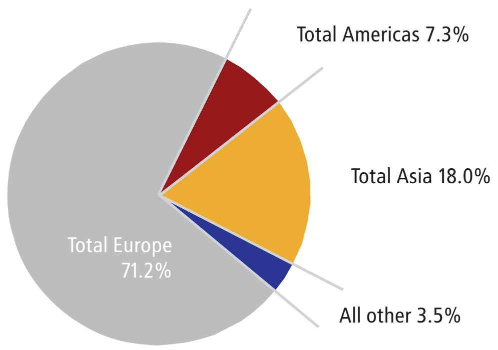
In the first half of 2009, the Vossloh Group's order intake had been as high as €705.5 million. In contrast, in the first six months of 2010 it was down by €132.2 million or 18.7 percent at €573.3 million. The figure includes orders booked by Rail Services, consolidated as of January 1, 2010, and totaling €50.6 million. Order backlog shrank from €1,232.7 million at June 30, 2009, to €982.4 million a year later. It was thus down by €250.3 million or 20.3 percent, one of the reasons being the high sales reported in Q2/2010.

During the period, the Vossloh Group generated sales of €486.3 million in Europe, an advance of 9.5 percent. The sales increase outside of Europe was even steeper, rising by 27.2 percent. Accordingly, the share of non-European H1 sales climbed from 25.9 to 28.8 percent year-on-year.

Sales rise in Europe 9.5 percent, outside Europe 27.2, non-European sales share 28.8

During the 6-month period under review, Western Europe including Germany and France was again the biggest market for the Group. Within Europe, Germany reported the biggest increase, this being also attributable to the Rail Services business unit which has been newly included since the start of 2010 and whose business centers on Germany. Excluding this effect, the H1 sales growth in Germany amounted to 16.7 percent and in Q2 as much as 25.0 percent. In France and elsewhere in Western Europe, the downtrend reported for Q1/2010 continued into the second quarter. The remaining Western European countries were, above all, burdened by lower revenue in Great Britain. In Northern, Southern and Eastern Europe H1 sales remained throughout above the level of 2009. Mainly contributing toward growth in these regions was a healthy uptrend in Norway and Sweden, Spain and Turkey.

Outside of Europe, Asia again accounted for the largest share of first-half sales, primarily from burgeoning business in China, Kazakhstan, Malaysia, and the Middle East.




Geographical breakdown of H1/2010 sales

Sales climbing in North and Central America and in Australia

Sales in North and Central America which had been severely affected by the economic and financial crisis in fiscal 2009, showed a significant improvement during the first six months of this year, especially in the United States.

The Australian and African markets made good progress during the 6-month period under review and reported rising sales.

Sales by region

| | € mill. | % | € mill. | % | € mill. | % | € mill. | % |
|---|---|---|---|---|---|---|---|---|
| | H1/2010 | | H1/2009 | | Q2/2010 | | Q2/2009 | |
| Germany | 115.3 | 16.9 | 63.0 | 10.5 | 67.7 | 17.4 | 31.6 | 10.1 |
| France | 69.0 | 10.1 | 90.3 | 15.1 | 34.0 | 8.8 | 48.7 | 15.7 |
| Other Western Europe | 69.9 | 10.2 | 87.1 | 14.5 | 38.1 | 9.8 | 40.9 | 13.2 |
| Northern Europe | 55.4 | 8.1 | 46.6 | 7.8 | 29.4 | 7.6 | 30.3 | 9.8 |
| Southern Europe | 161.6 | 23.7 | 142.6 | 23.8 | 98.4 | 25.4 | 68.5 | 22.1 |
| Eastern Europe | 15.1 | 2.2 | 14.7 | 2.4 | 9.3 | 2.4 | 7.9 | 2.5 |
| **Total Europe** | **486.3** | **71.2** | **444.3** | **74.1** | **276.9** | **71.4** | **227.9** | **73.4** |
| North & Central America | 49.1 | 7.2 | 44.2 | 7.3 | 23.4 | 6.0 | 21.6 | 7.0 |
| South America | 0.5 | 0.1 | 5.3 | 0.9 | 0.4 | 0.1 | 1.5 | 0.5 |
| **Total Americas** | **49.6** | **7.3** | **49.5** | **8.2** | **23.8** | **6.1** | **23.1** | **7.5** |
| Near & Middle East | 11.1 | 1.6 | 6.9 | 1.2 | 7.1 | 1.8 | 4.0 | 1.3 |
| Other Asia | 112.2 | 16.4 | 79.3 | 13.3 | 67.0 | 17.3 | 46.1 | 14.9 |
| **Total Asia** | **123.3** | **18.0** | **86.2** | **14.5** | **74.1** | **19.1** | **50.1** | **16.2** |
| Africa | 10.1 | 1.5 | 9.5 | 1.6 | 5.3 | 1.4 | 3.1 | 1.0 |
| Australia | 13.8 | 2.0 | 9.5 | 1.6 | 7.6 | 2.0 | 5.9 | 1.9 |
| **Total** | **683.1** | **100.0** | **599.0** | **100.0** | **387.7** | **100.0** | **310.1** | **100.0** |

## Asset and capital structure, financial position

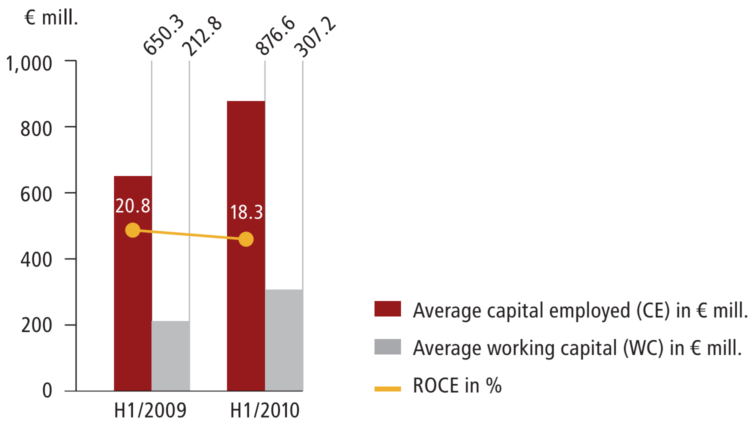
As of June 30, 2010, the Vossloh Group's total assets amounted to €1,448.4 million, hence up €110.0 million or 8.2 percent from year-end 2009 and €187.7 million or 14.9 percent from midyear 2009, primarily due to the first-time consolidation of the Rail Services business unit.

Equity ratio 37.1 percent

At June 30, 2010, the Vossloh Group's equity totaled €537.2 million, thus climbing €44.7 million or 9.1 percent from December 31, 2009, and mounting year-on-year by €93.0 million or 20.9 percent. As of June 30, 2010, the equity ratio rose to 37.1 percent.

Working capital intensity improved on Q1/2010

In H1/2010, the Group's working capital averaged €307.2 million, a year-on-year surge from €212.8 million, mainly attributable to higher trade receivables and lower trade payables. The (annualized) H1 working capital intensity moved up, too, from 17.8 to 22.5 percent, whereas in Q1/2010 it still had amounted to 25.5 percent.




Vossloh Group: CE, WC and ROCE trends

Rail Services takeover and higher working capital swell capital employed

Both average and closing capital employed climbed in a year-on-year comparison. Capital employed at the close of H1/2010 soared from €688.0 million to €901.4 million, the H1 average being €876.6 million in 2010 (up from €650.3 million). The prime drivers were the higher working capital and, above all, the significant additions to fixed assets as of June 30, 2010 (up €140.8 million or 32.2 percent from midyear 2009) in the wake of the inclusion of Vossloh Rail Services.

Vossloh Group

| | | 6/30/2010 | 12/31/2009 | 6/30/2009 |
|---|---|---|---|---|
| Total assets | € mill. | 1,448.4 | 1,338.4 | 1,260.7 |
| Total equity | € mill. | 537.2 | 492.6 | 444.3 |
| Equity ratio | % | 37.1 | 36.8 | 35.2 |
| Average working capital | € mill. | 307.2 | 231.7 | 212.8 |
| Working capital intensity[1] | % | 22.5 | 19.7 | 17.8 |
| Fixed assets | € mill. | 577.6 | 458.2 | 436.9 |
| Closing capital employed | € mill. | 901.4 | 703.2 | 688.0 |
| Average capital employed | € mill. | 876.6 | 674.0 | 650.3 |
| ROE[1] | % | 27.7 | 26.1 | 28.8 |
| Net financial debt | € mill. | 200.7 | 70.2 | 107.8 |
| Net leverage | % | 37.4 | 14.3 | 24.3 |

[1]Annualized

Though higher, net financial debt moderate

Mainly due to the cash outflow for the Vossloh Rail Services purchase price, the Vossloh Group reported net financial debt of €200.7 million as of June 30, 2010, which compares with €70.2 million at year-end 2009 and €107.8 million a year ago. The May 2010 dividend payout added €26.6 million to the surge from the December 31, 2009 level. As of June 30, 2010, cash and cash equivalents (including short-term securities) of €85.4 million contrasted with financial debts of €286.1 million.

# Rail Infrastructure business

Unchanged, the Rail Infrastructure business comprises the Fastening Systems and Switch Systems business units. Newly acquired and included as from January 1, 2010, Rail Services forms a third and new business unit.

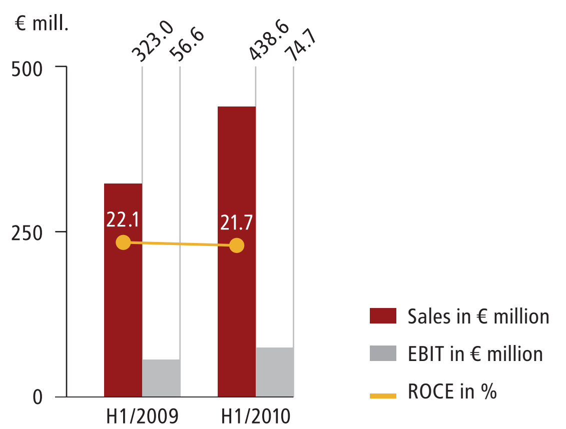
## Results of operations

Rail Infrastructure generated sales of €438.6 million in H1/2010, a jump of €115.6 million or 35.8 percent from the year-earlier €323.0 million. The growth was especially conspicuous in the second quarter: compared with Q2/2009, sales vaulted €90.1 million or 52.7 percent to €261.0 million. The leap was partly due to the first-time consolidation of the new business unit. Most of it, however, was of an organic nature.

Rail Infrastructure sales even LFL up 22.7 percent

Excluding the new Rail Services business unit, H1 sales swelled by €73.5 million or 22.7 percent, Q2 business hiking up by €61.7 million or 36.1 percent year-on-year. Vossloh Fastening Systems and Vossloh Switch Systems in both comparative periods shared in this growth with in some cases very substantial additional sales.

H1 sales by Vossloh Fastening Systems totaled €177.3 million, up €49.9 million or 39.2 percent over the year-earlier €127.4 million. The business unit benefited in particular from the June 2009 megacontract for the delivery of rail fasteners destined for the high-speed Beijing–Shanghai line, as well as from solid business progress in Kazakhstan, Turkey, and Austria.




Rail Infrastructure: sales, EBIT and ROCE

Order intake by Fastening Systems amounted to €191.0 million, short of the high €257.8 million of the previous year which had included the second megacontract from China. A comparison of Q2 and Q1/2010 indicates, however, the ongoing rise in order intake during the current year. Order backlog at June 30, 2009, had amounted to €202.6 million; a year later this had fallen to €167.7 million.

Business at Switch Systems in H1/2010 was likewise strong, sales climbing €23.2 million or 11.8 percent from €196.4 million to €219.6 million. In fiscal 2009, the decline in North American freight haulage in the wake of the economic and financial crisis had depressed sales at Vossloh Switch Systems. During the present period, business then returned to normal in this region. In addition, incremental sales in various European markets as well as Australia contributed primarily to the strong performance of this business unit.

Order intake by Switch Systems above year-earlier level

H1 order intake at Switch Systems outgrew the year-earlier level and advanced from €193.1 million to €219.9 million, up by €26.8 million. Because of the steep rise in Q2 sales, order backlog contracted, from €283.1 million at June 30, 2009, to €267.4 million as of midyear 2010.

During the six months under review, the new Rail Services business unit reported sales of €42.1 million. Order intake, including the newly consolidated order backlog, amounted to €50.6 million for this period; order backlog at June 30, 2010, totaled €8.5 million.

Rail Infrastructure

| | | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|---|
| Sales | € mill. | 438.6 | 323.0 | 261.0 | 170.9 |
| EBITDA | € mill. | 85.5 | 62.3 | 49.4 | 34.3 |
| EBIT | € mill. | 74.7 | 56.6 | 43.7 | 31.4 |
| EBIT margin | % | 17.0 | 17.5 | 16.8 | 18.4 |
| ROCE[1, 2] | % | 21.7 | 22.1 | 24.7 | 24.1 |
| Value added[1, 2] | € mill. | 36.9 | 28.4 | 24.3 | 17.0 |

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

Division EBIT surging 32 percent to €74.7 million

Rail Infrastructure's H1 EBIT showed a remarkable improvement, surging €18.1 million or 32.0 percent from €56.6 million to €74.7 million. The 6-month EBIT margin dipped from 17.5 to 17.0 percent.

Mainly due to the M&A-related CE boost, Rail Infrastructure's H1 ROCE edged down from 22.1 to 21.7 percent. In a year-on-year comparison, the division's value added (VA) in H1 improved, rising 30.0 percent by €8.5 million to €36.9 million (up from €28.4 million). Vossloh Fastening Systems' six-month VA of €29.9 million for 2010 outshone the prior year's of €26.4 million by €3.5 million or 13.3 percent. The value added by Vossloh Switch Systems in H1/2010 came to €3.2 million (up from €2.1 million), the H1 VA contributed by Vossloh Rail Services amounting to €3.8 million. Based on current WACC, the division added value of €29.4 million after taxes in the first six months of 2010.

Rail Infrastructure ROCE at 21.7 percent, VA €36.9 million

## Asset and capital structure

Rail Infrastructure

| | | H1/2010 | FY 2009 | H1/2009 |
|---|---|---|---|---|
| Average working capital | € mill. | 272.6 | 220.3 | 212.1 |
| Working capital intensity[1] | % | 31.1 | 31.9 | 32.8 |
| Closing fixed assets | € mill. | 424.0 | 310.6 | 298.7 |
| Closing capital employed | € mill. | 710.8 | 520.8 | 520.8 |
| Average capital employed | € mill. | 687.5 | 522.3 | 511.7 |

[1]Annualized

The Rail Infrastructure division's H1 working capital averaged €272.6 million (up from €212.1 million), basically due to the trade receivables portfolio bulging thanks to higher sales. In contrast to this rise, working capital intensity improved appreciably in H1, from 32.8 percent a year ago to 31.1 percent in 2010.

Working capital intensity improved to 31.1 percent

The division's H1 closing capital employed jumped to €710.8 million, the period's average to €687.5 million in 2010; both values were up over the year-earlier levels of €520.8 million and €511.7 million, respectively. Reasons for this growth were not only a higher working capital but also the increased fixed assets as a consequence of the M&A transactions to form Vossloh Rail Services.

# Transportation business

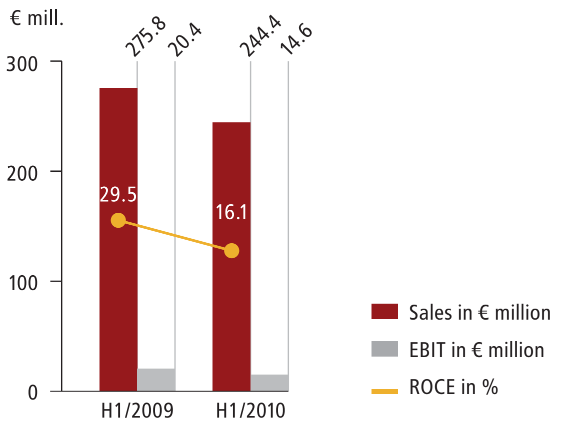
## Results of operations

Sales down as expected after sluggish locomotive business

H1 sales at Transportation fell by €31.4 million or 11.4 percent from €275.8 million to €244.4 million. Q2 sales alone were likewise down: business in the three months ended June 30, 2010, drooped, shrinking by €12.4 million or 8.9 percent from €139.1 million to €126.7 million. In both comparative periods, the shortfall was due to wilting business at Vossloh Transportation Systems. Vossloh Electrical Systems, in contrast, lifted sales both in Q2 and H1/2010.

H1/2010 sales by Transportation Systems added up to €163.2 million (down from €202.4 million). Both locations, Valencia and especially Kiel, were responsible for the decrease of €39.2 million or 19.4 percent. The year-on-year sales decline in Q2 was shallower: by €14.8 million or 14.6 percent to €86.6 million.

Six-month sales at Vossloh Rail Vehicles in Valencia, including the maintenance business, receded from €138.0 million to €129.3 million. Business in diesel-electric locomotives, components and local-transport vehicles contributed €124.2 million, 7.5 percent down from €134.4 million. This was due to lower revenue from locomotive business which added local-transport vehicle sales failed to offset. Sales at the Kiel location were, as expected, down from €65.2 million to €33.8 million.




Transportation: sales, EBIT and ROCE

At €63.8 million, order intake at Transportation Systems was short of the year-earlier €198.8 million. The slump was attributable to the Valencia location which in Q1/2010 reported a contract cancellation and in Q2/2010 booked only minor orders. In contrast, order inflow to the Kiel location in H1/2010 more than doubled, partly due to the contract for the delivery of eighteen G 6 diesel locomotives awarded in April 2010 by Verkehrsbetriebe Peine-Salzgitter. At €348.7 million, order backlog at Transportation Systems at June 30, 2010, was well short of the year-earlier €527.7 million.

Transportation Systems H1 order intake still below 2009, but more than doubled in Kiel

Electrical Systems continued to boost business: at €82.3 million, sales exceeded the year-earlier volume of €73.3 million by €9.0 million or 12.3 percent.

Electrical Systems lifts sales by 12.3 percent to €82.3 million

On account of delays in the award of orders, H1 order intake of €50.4 million at Electrical Systems was shy of the year-earlier €56.5 million. Midyear order backlog was likewise down, falling from €219.4 million to €190.1 million.

Transportation

| | | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|---|
| Sales | € mill. | 244.4 | 275.8 | 126.7 | 139.2 |
| EBITDA | € mill. | 20.9 | 26.8 | 8.9 | 14.4 |
| EBIT | € mill. | 14.6 | 20.4 | 5.6 | 11.0 |
| EBIT margin | % | 6.0 | 7.4 | 4.5 | 7.9 |
| ROCE[1, 2] | % | 16.1 | 29.5 | 12.8 | 28.7 |
| Value added[1, 2] | € mill. | 4.7 | 12.8 | 0.8 | 6.8 |

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

Transportation's EBIT for H1/2010 declined from €20.4 million to €14.6 million, down by €5.8 million or 28.3 percent. The EBIT margin at 6.0 percent was accordingly short of the year-earlier 7.4 percent.

H1/2010 ROCE and VA at Transportation showed a downturn, too.
In the first six months, annualized ROCE contracted from 29.5 percent in 2009 to 16.1 in 2010. The value added by the division fell by €8.1 million (63.3 percent) from €12.8 million to €4.7 million.

Transportation's VA at €4.7 million, ROCE at 16.1 percent

The Vossloh Transportation Systems' VA in H1 turned around from a black €3.4 million in 2009 to a red €3.2 million in 2010. Vossloh Electrical Systems, in contrast, added a €1.5 million (16.0 percent) lower value of €7.9 million.

Applying the current WACC brings the division's posttax value added in H1 to €4.2 million.

## Asset and capital structure

Transportation

| | | H1/2010 | FY 2009 | H1/2009 |
|---|---|---|---|---|
| Average working capital | € mill. | 41.0 | 18.1 | 7.4 |
| Working capital intensity[1] | % | 8.4 | 3.7 | 1.3 |
| Closing fixed assets | € mill. | 142.9 | 136.6 | 132.1 |
| Closing capital employed | € mill. | 184.2 | 177.5 | 167.6 |
| Average capital employed | € mill. | 181.4 | 150.8 | 138.6 |

[1]Annualized

Division's working capital intensity at 8.4 percent

The Transportation division's H1 working capital soared from a low prior-year €7.4 million to €41.0 million, largely due to trimmed trade payables and shrinking prepayments on orders. Working capital intensity equally surged: a higher working capital and dipping sales in H1 meant a rise from 1.3 percent a year ago to 8.4. However, in comparison to Q1/2010, working capital as well as its intensity of this division improved.

Closing and average capital employed climbed: year-on-year, CE grew from €167.6 million at June 30, 2009, to €184.2 million. Average capital employed likewise swelled in H1, from €138.6 million in 2009 to €181.4 million, the reasons being the increases in both fixed assets and working capital.

# Capital expenditures

H1 capex raised to €26.4 million

Six-months capital outlays added up to €26.4 million in 2010, a substantial rise of €11.5 million. Transportation accounted for the largest share, its expenditures climbing by €4.1 million to €12.5 million (up 48.8 percent). Capital spending at Rail Infrastructure grew by €5.9 million or 95.2 percent to €12.1 million. In order to strengthen market position and accelerate corporate growth, Vossloh has for 2010 and 2011 launched a capital expenditure program covering around €60 million annually. Refurbishment and selective capacity expansions are intended for Rail Infrastructure. At Transportation, the main objective is a broadened product range. The industry fair InnoTrans held in September 2010 will showcase the first of the new developments under this program.

Additions to tangible/intangible assets

| € million | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|
| Rail Infrastructure | 12.1 | 6.2 | 8.2 | 3.9 |
| Transportation | 12.5 | 8.4 | 6.0 | 3.8 |
| Vossloh AG | 1.8 | 0.3 | 1.5 | 0.2 |
| **Total** | **26.4** | **14.9** | **15.7** | **7.9** |

In H1/2010, Rail Infrastructure’s expenditure focused on its Switch Systems business unit. Altogether €6.4 million went toward a number of individual projects at various locations. Fastening Systems spent €4.8 million.

At €11.4 million, most of the outlays at Transportation were again accounted for by Transportation Systems, specifically the development of new locomotive models (€9.1 million).

# Research & development

R&D focus again on Transportation division

The Vossloh Group's H1/2010 R&D expenses amounted to €5.6 million (year-on-year up €0.6 million or 10.6 percent from €5.0 million).

In the first 6 months, the Transportation division once again accounted for the major share of R&D costs at €2.9 million (down from €3.4 million), breaking down into €1.6 million for Vossloh Electrical Systems and €1.3 million for Vossloh Transportation Systems.

Rail Infrastructure's H1 R&D expenses surged from €1.7 million to €2.7 million, Vossloh Switch Systems accounting for costs of €1.2 million, Vossloh Fastening Systems for €0.9 million, and the new Rail Services business unit for €0.6 million.

In addition to the directly expensed development expenditures, Vossloh capitalized H1 development costs of €9.1 million (up from €3.3 million) in accordance with IAS 38. These capitalized development costs were again solely incurred at the Transportation Systems business unit.

# Workforce

At the end of June 2010, the Vossloh Group employed a workforce of 4,907, which was 199 or 4.2 percent more than at December 31, 2009, and 191 or 4.1 percent above the headcount at June 30, 2009. The increase was due to the new Rail Services business unit which employed 322 persons as of midyear 2010.

Headcount at June 30, 2010, up to 4,907

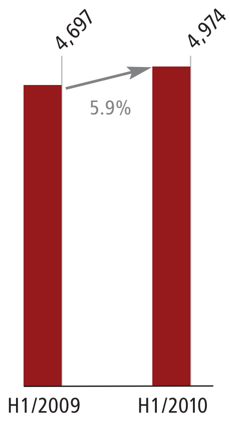
At June 30, 2010, the Rail Infrastructure division reported a workforce of 3,090, up 333 or 12.1 percent over year-end 2009. Compared with a year ago, the headcount was up by 407 or 15.2 percent, basically due to the addition of the Rail Services business unit.

At the close of H1/2010, the number of employees at the Transportation division totaled 1,768, a decline of 134 or 7.0 percent over year-end 2009. Year-on-year, the decrease was 215 or 10.8 percent.

Headcount at

| | 6/30/2010 | 12/31/2009 | 6/30/2009 |
|---|---|---|---|
| Rail Infrastructure | 3,090 | 2,757 | 2,683 |
| Transportation | 1,768 | 1,902 | 1,983 |
| Vossloh AG | 49 | 49 | 50 |
| **Total** | **4,907** | **4,708** | **4,716** |

At June 30, 2010, the number of employees in Germany added up to 1,674 or 34.1 percent of the total workforce (up from 27.8 percent). The rise is, in particular, attributable to the new Rail Services business unit whose locations are all in Germany.

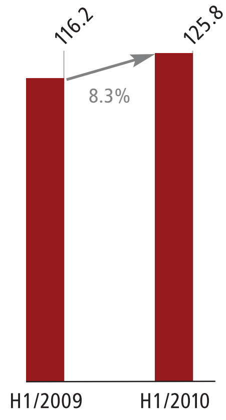



Average headcount (Group)

Efficiency 7.7 percent better

H1 personnel expenses per capita (based on an average workforce of 4,974) climbed 2.4 percent from k€24.7 to k€25.3. Sales per capita during the period were stepped up by 7.7 percent, from k€127.5 to k€137.3.

The ratio of payroll to value created (*a.k.a.* payroll intensity) in H1 improved from 62.6 to 60.6 percent.




Personnel expenses
in € million

# Prospects, risks and rewards

The main risks and rewards impacting on the Vossloh Group's future development are depicted in the group management report 2009. Within the framework of ongoing risk monitoring and control through our risk management system no risks are identifiable which either individually, combined or in their aggregate might threaten the Group's very survival as a going concern (unchanged).

Forecast revised upward

Following the closing of the Rail Services acquisitions and in view of this year's business trend to date we had revised our budget figures and announced them on March 25, 2010, when presenting the annual accounts for 2009. This assessment of Vossloh's progress in 2010 can be reaffirmed with greater precision from today's vantage point. For all of 2010 we therefore expect sales to rise to a good €1.35 billion. EBIT should improve to at least €150 million. According to present forecasts, ROCE will slip to around 17 percent, mainly due to the first-time consolidation of Vossloh Rail Services. The EBIT margin is set at between 11 and 11.5 percent, EpS at around €7.00. For 2011, we still expect a sales growth of at least 2.5 percent and an EBIT margin of between 11 and 11.5 percent.

# *Condensed interim financial statements of the Vossloh Group as of June 30, 2010*

## Income statement for the 6 (H1) and 3 months (Q2) ended June 30, 2010

| € million | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|
| Net sales | 683.1 | 599.0 | 387.7 | 310.1 |
| Cost of sales | (529.8) | (471.4) | (304.3) | (244.1) |
| General administrative and selling expenses | (74.1) | (62.0) | (40.3) | (31.7) |
| R&D expenses | (5.6) | (5.0) | (2.3) | (2.6) |
| Other operating income/expenses, net | 6.4 | 7.5 | 4.0 | 5.7 |
| **Operating result** | **80.0** | **68.1** | **44.8** | **37.4** |
| Net P/L from associated affiliates | 0.3 | (0.3) | 0.1 | (0.1) |
| Other financial income | 0.1 | 0.0 | 0.0 | 0.0 |
| Other financial expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** | **80.4** | **67.8** | **44.9** | **37.3** |
| Interest income | 5.1 | 6.7 | 2.6 | 2.9 |
| Interest expense | (11.2) | (10.4) | (5.8) | (5.3) |
| **EBT** | **74.3** | **64.1** | **41.7** | **34.9** |
| Income taxes | (16.3) | (15.7) | (9.7) | (8.3) |
| **Net income from continuing operations** | **58.0** | **48.4** | **32.0** | **26.6** |
| Minority interests | (7.3) | (3.5) | (4.1) | (2.0) |
| **Group earnings** | **50.7** | **44.9** | **27.9** | **24.6** |
| **Earnings per share (EpS)** | | | | |
| Undiluted (basic) earnings per share (€) | 3.81 | 3.34 | 2.10 | 1.83 |
| Fully diluted earnings per share (€) | 3.81 | 3.34 | 2.10 | 1.83 |

## Statement of comprehensive income for H1 and Q2/2010

| € million | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|
| Group earnings | 50.7 | 44.9 | 27.9 | 24.6 |
| Minority interests | 7.3 | 3.5 | 4.1 | 2.0 |
| **Statement at fair value of derivatives in CFHs** | | | | |
| Change in OCI | 4.0 | (8.2) | 2.1 | (5.2) |
| Gains/losses recycled from OCI to income statement | 0.1 | 0.0 | 0.0 | – |
| **Statement at fair value of securities available for sale** | | | | |
| Change in OCI | – | – | – | – |
| **Currency translation differences** | | | | |
| Change in OCI | 12.1 | (1.6) | 7.0 | (2.7) |
| **Deferred taxes** | | | | |
| on OCI changes | (1.2) | 2.5 | (0.6) | 1.5 |
| **Gains/losses directly recognized in equity, net** | **15.0** | **(7.3)** | **8.5** | **(6.4)** |
| **Comprehensive income** | **73.0** | **41.1** | **40.5** | **20.2** |
| thereof Vossloh AG stockholders | 62.4 | 38.4 | 34.4 | 18.8 |
| thereof minority interests | 10.6 | 2.7 | 6.1 | 1.4 |

## Cash flow statement for the 6 months (H1) ended June 30, 2010

| € million | H1/2010 | H1/2009 |
|---|---|---|
| **Cash flow from operating activities** | | |
| EBIT | 80.4 | 67.8 |
| Amortization/depreciation/write-down (less write-up) of noncurrent assets | 17.5 | 12.5 |
| Change in noncurrent accruals | 21.4 | 2.8 |
| **Gross cash flow** | **119.3** | **83.1** |
| Changes in shares in associated affiliates (if noncash) | (0.3) | 0.3 |
| Other noncash income/expenses, net | 7.0 | (3.9) |
| Net book gain/loss from the disposal of intangible/tangible assets | 0.2 | (0.1) |
| Cash outflow for income taxes | (12.7) | (8.0) |
| Change in working capital | (75.0) | (100.8) |
| Changes in other assets/liabilities, net | (3.0) | (3.2) |
| **Net cash provided by/(used in) operating activities** | **35.5** | **(32.6)** |
| **Cash flow from investing activities** | | |
| Cash outflow for additions to intangibles/tangibles | (26.4) | (14.9) |
| Cash outflow for investments in noncurrent financial instruments | (3.7) | 0.0 |
| Cash inflow from the disposal of intangibles/tangibles | 0.1 | 0.0 |
| Cash (outflow for)/inflow from short-term securities (purchased)/sold | (2.3) | (3.8) |
| Cash inflow from the disposal of noncurrent financial instruments | 0.0 | 0.0 |
| Cash outflow for M&A transactions | (87.4) | (2.8) |
| **Net cash used in investing activities** | **(119.7)** | **(21.5)** |
| **Cash flow from financing activities** | | |
| Change in treasury stock | – | (43.7) |
| Cash inflow from transfers to equity | 0.0 | 0.0 |
| Cash outflow to stockholders and minority interest holders | (27.9) | (45.8) |
| Net finance from short-term loans | 34.7 | 6.6 |
| Net finance from medium-/long-term loans | 2.4 | (1.6) |
| Cash inflow from interest | 10.5 | 5.7 |
| Cash outflow for interest | (11.3) | (10.4) |
| **Net cash provided by/(used in) financing activities** | **8.4** | **(89.2)** |
| Net outflow of cash and cash equivalents | (75.8) | (143.3) |
| Change in cash and cash equivalents from initial consolidation | 1.5 | – |
| **Opening cash and cash equivalents** | **156.5** | **247.8** |
| **Closing cash and cash equivalents** | **82.2** | **104.5** |

# Balance sheet

| Assets in € million | 6/30/2010 | 12/31/2009 | 6/30/2009 |
|---|---|---|---|
| Intangible assets | 403.9 | 322.1 | 317.1 |
| Tangible assets | 155.2 | 121.6 | 110.8 |
| Investment properties | 6.8 | 4.5 | 4.7 |
| Shares in associated affiliates | 4.3 | 0.4 | 0.3 |
| Other noncurrent financial instruments | 7.6 | 9.6 | 4.1 |
| Other noncurrent assets | 0.6 | 0.8 | 0.3 |
| Deferred tax assets | 33.3 | 30.6 | 25.3 |
| **Total noncurrent assets** | **611.7** | **489.6** | **462.6** |
| Inventories | 333.6 | 342.0 | 332.9 |
| Trade receivables | 369.4 | 298.9 | 311.4 |
| Income tax assets | 6.9 | 3.8 | 4.6 |
| Sundry current assets | 41.4 | 46.8 | 40.7 |
| Short-term securities | 3.2 | 0.8 | 4.0 |
| Cash and cash equivalents | 82.2 | 156.5 | 104.5 |
| **Total current assets** | **836.7** | **848.8** | **798.1** |
| **Total assets** | **1,448.4** | **1,338.4** | **1,260.7** |

| Equity & liabilities in € million | 6/30/2010 | 12/31/2009 | 6/30/2009 |
|---|---|---|---|
| Capital stock | 37.8 | 37.8 | 37.8 |
| Additional paid-in capital | 42.7 | 42.7 | 42.7 |
| Treasury stock | (106.2) | (106.2) | (106.4) |
| Reserves retained from earnings | 468.0 | 410.5 | 410.4 |
| Undistributed group profit | 7.0 | 4.5 | 4.5 |
| Group earnings | 50.7 | 87.9 | 44.9 |
| Accumulated other comprehensive income | 6.3 | (5.0) | (3.4) |
| **Stockholders' equity** | **506.3** | **472.2** | **430.5** |
| Minority interests | 30.9 | 20.4 | 13.8 |
| **Total equity** | **537.2** | **492.6** | **444.3** |
| Pension accruals | 11.8 | 9.7 | 8.9 |
| Noncurrent tax accruals | 2.8 | 2.7 | 4.0 |
| Other noncurrent accruals | 104.5 | 83.7 | 65.9 |
| Noncurrent financial debts | 202.1 | 167.9 | 169.6 |
| Other noncurrent liabilities | 15.4 | 47.2 | 38.3 |
| Deferred tax liabilities | 35.5 | 24.3 | 22.8 |
| **Total noncurrent liabilities and accruals** | **372.1** | **335.5** | **309.5** |
| Current tax accruals | 8.3 | 3.8 | 4.9 |
| Other current accruals | 143.5 | 137.3 | 141.8 |
| Current financial debts | 84.0 | 59.6 | 46.7 |
| Trade payables | 210.9 | 229.9 | 217.8 |
| Current income tax liabilities | 6.4 | 5.3 | 8.4 |
| Other current liabilities | 86.0 | 74.4 | 87.3 |
| **Total current liabilities and accruals** | **539.1** | **510.3** | **506.9** |
| **Total equity & liabilities** | **1,448.4** | **1,338.4** | **1,260.7** |

## Statement of changes in equity

| € million | Capital stock | Additional paid-in capital | Treasury stock | Reserves retained from earnings | Undistributed group profit | Group earnings | Accumulated OCI | Stockholders' equity | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2008** | **37.8** | **42.7** | **(62.7)** | **315.4** | **0.1** | **139.4** | **3.1** | **475.8** | **16.9** | **492.7** |
| Carryforward to new account | | | | | 139.4 | (139.4) | | 0.0 | | 0.0 |
| Transfer to reserves retained from earnings | | | | 95.0 | (95.0) | | | 0.0 | | 0.0 |
| Comprehensive income | | | | | | 44.9 | (6.5) | 38.4 | 2.7 | 41.1 |
| Capital increases from SOPs | 0.0 | 0.0 | | | | | | 0.0 | | 0.0 |
| Dividend payout | | | | | (40.0) | | | (40.0) | (5.8) | (45.8) |
| Repurchase of treasury stock | | | (43.7) | | | | | (43.7) | | (43.7) |
| **Balance at 6/30/2009** | **37.8** | **42.7** | **(106.4)** | **410.4** | **4.5** | **44.9** | **(3.4)** | **430.5** | **13.8** | **444.3** |
| Changes in equity interests | | | | (0.1) | | | (0.4) | (0.5) | 1.4 | 0.9 |
| Change due to initial consolidation | | | | 0.2 | | | | 0.2 | | 0.2 |
| Comprehensive income | | | | | | 43.0 | (1.2) | 41.8 | 5.3 | 47.1 |
| Capital increases from SOPs | | | | | | | | 0.0 | | 0.0 |
| Dividend payout | | | | | | | | 0.0 | (0.1) | (0.1) |
| Repurchase of treasury stock | | | 0.2 | | | | | 0.2 | | 0.2 |
| **Balance at 12/31/2009** | **37.8** | **42.7** | **(106.2)** | **410.5** | **4.5** | **87.9** | **(5.0)** | **472.2** | **20.4** | **492.6** |
| Carryforward to new account | | | | | 87.9 | (87.9) | | 0.0 | | 0.0 |
| Transfer to reserves retained from earnings | | | | 57.5 | (57.5) | | | 0.0 | | 0.0 |
| Change due to derecognition | | | | | (0.5) | | (0.4) | (0.9) | (0.3) | (1.2) |
| Change due to initial consolidation | | | | | (0.8) | | | (0.8) | 1.5 | 0.7 |
| Comprehensive income | | | | | | 50.7 | 11.7 | 62.4 | 10.6 | 73.0 |
| Capital increases from SOPs | 0.0 | 0.0 | | | | | | 0.0 | | 0.0 |
| Dividend payout | | | | | (26.6) | | | (26.6) | (1.3) | (27.9) |
| Repurchase of treasury stock | | | | | | | | 0.0 | | 0.0 |
| **Balance at 6/30/2010** | **37.8** | **42.7** | **(106.2)** | **468.0** | **7.0** | **50.7** | **6.3** | **506.3** | **30.9** | **537.2** |

# *Explanatory notes*

Corporate background

Vossloh AG is a listed resident company based in Werdohl, Germany, and registered under number HRB 5292 at the Commercial Register of the Iserlohn Local Court. The Vossloh Group's key activities include the manufacture and marketing of rail infrastructure, locomotives, electrical systems for local transport vehicles, as well as all rail-related services (logistics, welding, preventive maintenance).

Accounting principles

The interim financial statements as of June 30, 2010, have been prepared in accordance with the International Financial Reporting Standards (IFRS) which are applicable in the European Union (EU).

The accounting and valuation principles applied in interim reporting conform with those used for the consolidated financial statements as of December 31, 2009, however, with due regard to International Accounting Standard (IAS) 34 *Interim Reporting* and German Accounting Standard (GAS) 16 *Interim Reporting*. Preparing 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 report.

For German companies, income taxes have been calculated by applying a rate of 30 percent while for foreign subsidiaries, the applicable local tax rates are used.

Consolidation group

The consolidation group has changed since March 31, 2010, to only insignificant an extent: In the Switch Systems business unit, Belgium's EAV Durieux SA and two Indian companies (J.S. Industries Pvt. Ltd. plus its subsidiary Dakshin Transtek Pvt. Ltd.) have been disposed of.

While the divestment of EAV Durieux was closed in May, the share sale and transfer agreement with the two Indian companies' acquirer was executed in June but its closing is contingent on certain financing conditions being met by the acquirer. However, since the price has been deposited and control transferred *de facto*, these two companies have been derecognized as of June 30, 2010.

Moreover, April 30, 2010, saw the takeover from SaarGummi Deutschland GmbH of the latter's permanent-way segment. However, this transaction has not extended the consolidation group. So far, the acquiree mainly operates within Vossloh Fastening Systems and therefore generates no significant revenue from business with either third parties or other business units. The price of €7.1 million paid for the takeover (including direct incidentals) contrasted with the following assets and liabilities:

| € million | Pre-combination book values | Adjustments | Provisional fair values at initial consolidation date |
|---|---|---|---|
| Intangible assets | 3.0 | 0.1 | 3.1 |
| Tangible assets | 1.0 | 0.0 | 1.0 |
| Inventories | 0.4 | 0.0 | 0.4 |
| **Net assets acquired** | **4.4** | **0.1** | **4.5** |
| Acquisition price | | | 7.0 |
| **Residual goodwill** | | | **2.5** |

The allocation of the acquisition price to the assets and liabilities taken over as shown in the above table should presently still be deemed provisional since the determination of their fair values is yet to be finalized. The full price is payable in cash. Since their acquisition, the operations acquired have contributed €0.3 million to Vossloh's H1 sales and €0.0 million to group earnings. Acquisition of the operations as of January 1, 2010, would have added €0.6 million and €0.1 million to the Group's sales and earnings, respectively.

Consequently, including Vossloh AG, 29 German and 33 foreign companies were consolidated fully as of June 30, 2010. Moreover, two non-German companies were consolidated pro rata, three domestic associated affiliates being included at equity.

Equity

In comparison to December 31, 2009, the total capital stock has been raised by 50 common shares upon option exercise under the 2005 employee stock option program (ESOP) while it has remained unchanged versus March 31, 2010.

As of June 30, 2010, Vossloh AG's capital stock consequently amounted to €37,825,168.86, divided into 14,795,920 shares, of which 13,319,690 were then outstanding, another 1,476,230 shares being held as treasury stock.

## Earnings per share

| | | H1/2010 | H1/2009 |
|---|---|---|---|
| Weighted average number of common shares | | 14,795,895 | 14,795,855 |
| Repurchased shares (weighted) | | (1,476,230) | (1,350,349) |
| Weighted average number of shares outstanding | | 13,319,665 | 13,445,506 |
| Dilutive shares from stock options under the ESOP/LTIP | | 12 | 37 |
| Fully diluted weighted average number of shares outstanding | | 13.319.677 | 13.445.543 |
| Group earnings | € mill. | 50.7 | 44.9 |
| **Undiluted (basic) EpS** | **€** | **3.81** | **3.34** |
| **Fully diluted EpS** | **€** | **3.81** | **3.34** |

## Cash flow statement

The cash flow statement shows the changes in the Vossloh Group's cash and cash equivalents; cash includes checks, other cash on hand, as well as cash in bank, while cash equivalents comprise any financial instruments maturing within three months and readily convertible into cash.

Prepared in accordance with IAS 7, the cash flow statement breaks down the change in cash and cash equivalents into the cash flows from operating, investing and financing activities. The cash flow from operating activities is determined according to the indirect method.

## Segment information

The Vossloh Group's primary reporting segments are defined by its internal organizational and reporting structure which is based on the products and services offered by Vossloh's business units. In line with IFRS 8, segment reporting encompasses not only the two divisions (Rail Infrastructure and Transportation) but also separately presents their business units.

The Rail Infrastructure division covers the Group's related products and services and comprises the Fastening Systems, Switch Systems and Rail Services business units.

The Fastening Systems business unit is one of the foremost suppliers of rail fastening systems. The range embraces fasteners for every application: from light-rail via heavy-haul to high-speed.

Vossloh Switch Systems is the world’s second biggest rail switch manufacturer. The business unit equips rail networks with switches (turnouts, crossings, etc.), as well as with the related control and monitoring systems all of which it also installs and maintains. Here, too, the lineup extends from light-rail to high-speed.

The Rail Services business unit’s activities include rail trading, long-rail (un)loading at construction sites, welding new rails, reconditioning old rails, on-site welding, rail replacement, rail grinding/milling, rail inspection, and construction site supervision. The unit organizes and monitors just-in-time rail shipments to construction sites and ensures on-site availability of the approved (un)loading systems.

The Transportation division subsumes the rail vehicle and vehicle system/component operations plus the related services, and comprises the Transportation Systems and Electrical Systems business units.

Vossloh Transportation Systems with its two production locations in Valencia, Spain, and Kiel, Germany, is Europe’s leading manufacturer of diesel locomotives for which it also provides maintenance services. In addition, the Valencia location builds vehicles for local transport rail services. The business unit’s customers encompass state and private rail operators, as well as leasing companies.

Vossloh Electrical Systems equips light rail vehicles and buses with advanced electrical systems. The product range includes traction systems, onboard power supply units, vehicle controls, heating and air-conditioning systems. The kits are integrated into a complete customer-specific package and supplied from a single source. The business unit is the world’s leading supplier of electrical equipment for trolleybuses and other electric buses which since 2008 have optionally been available with hybrid drive systems. Besides complete vehicle kits, the unit’s business also covers retrofitted air-conditioning systems for rail vehicles, parts, components and subassemblies, revamping, servicing and M&R work.

Consolidation eliminates all intersegment transactions, such as primarily by mutually offsetting intragroup income/expenses and receivables/payables, as well as by eliminating intragroup income from profit distribution. The HQ/consolidation column includes not only the Group's top-tier consolidation items but also the holding companies which cannot be assigned to any segment, plus Vossloh AG as the Group's managerial grandparent and financial holding company.

The accounting methods of all segments are identical. Intersegment business is transacted on terms as if at arm's length.

The analysis below shows how the Group's total value added (according to the segment report) is reconciled with its recognized EBIT:

Reconciliation of value added with EBIT

| € million | H1/2010 | H1/2009 | Q2/2010 | Q2/2009 |
|---|---|---|---|---|
| Value added | 32.2 | 32.0 | 20.6 | 18.7 |
| Cost of capital employed | 48.2 | 35.8 | 24.3 | 18.6 |
| **EBIT** | **80.4** | **67.8** | **44.9** | **37.3** |

## Related-party transactionsn

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated subsidiaries, joint ventures, and the associated affiliates. All transactions with these companies conform to the arm's length principle. The table below presents the recognized income/expenses and receivables/payables which originate from related-party transactions with, and only with, unconsolidated subsidiaries. Transactions in H1/2010 with related individuals were altogether insignificant.

| € million | H1/2010 | H1/2009 |
|---|---|---|
| **Sale/purchase of goods** | | |
| Net sales | 3.6 | 1.7 |
| Expenses | 1.0 | 0.7 |
| Trade receivables | 4.4 | 4.1 |
| Trade payables | 0.2 | 1.4 |
| **Sale/purchase of other assets** | | |
| Receivables from the sale of other assets | 0.0 | 0.7 |
| **Finance** | | |
| Interest income from loans granted | 0.0 | 0.0 |
| Interest expense for loans raised | 0.0 | 0.0 |
| Receivables under loans | 1.5 | 0.9 |
| **Guaranties/collateral furnished** | | |
| Bonds/guaranties furnished | 15.4 | 6.0 |
| Other collateral furnished | 1.3 | 1.3 |

Contingent liabilities

In comparison to December 31, 2009, the Group's contingent liabilities rose €4.3 million to €18.9 million; this total includes guaranties for €15.4 million, as well as contingent liabilities from the collateralization of third-party debts of €3.5 million.

## Segment information by business unit

| | | Fastening Systems | Switch Systems | Rail Services | Consolidation | Rail Infrastructure |
|---|---|---|---|---|---|---|
| **Value added** | | | | | | |
| H1/2010 | € mill. | 29.9 | 3.2 | 3.8 | 0.0 | 36.9 |
| H1/2009 | € mill. | 26.4 | 2.1 | 0.0 | (0.1) | 28.4 |
| Q2/2010 | € mill. | 14.9 | 4.9 | 4.5 | 0.0 | 24.3 |
| Q2/2009 | € mill. | 14.1 | 3.0 | 0.0 | (0.1) | 17.0 |
| **Total assets** | | | | | | |
| 6/30/2010 | € mill. | 234.6 | 407.5 | 121.8 | 199.5 | 963.4 |
| 6/30/2009 | € mill. | 155.4 | 363.2 | 0.0 | 199.8 | 718.4 |
| **Liabilities** | | | | | | |
| 6/30/2010 | € mill. | 102.6 | 153.9 | 81.9 | (0.1) | 338.3 |
| 6/30/2009 | € mill. | 60.1 | 143.9 | 0.0 | 13.8 | 217.8 |
| **Net external sales** | | | | | | |
| H1/2010 | € mill. | 173.7 | 219.5 | 42.1 | 0.0 | 435.3 |
| H1/2009 | € mill. | 125.3 | 196.3 | 0.0 | 0.1 | 321.7 |
| Q2/2010 | € mill. | 104.2 | 126.5 | 28.4 | 0.0 | 259.1 |
| Q2/2009 | € mill. | 70.1 | 99.8 | 0.0 | 0.1 | 170.0 |
| **Intersegment transfers** | | | | | | |
| H1/2010 | € mill. | 3.6 | 0.1 | 0.0 | (0.4) | 3.3 |
| H1/2009 | € mill. | 2.1 | 0.0 | 0.0 | (0.8) | 1.3 |
| Q2/2010 | € mill. | 2.1 | 0.1 | 0.0 | (0.3) | 1.9 |
| Q2/2009 | € mill. | 1.3 | 0.0 | 0.0 | (0.4) | 0.9 |
| **Interest income** | | | | | | |
| H1/2010 | € mill. | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 |
| H1/2009 | € mill. | 0.1 | 0.3 | 0.0 | (0.2) | 0.2 |
| Q2/2010 | € mill. | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Q2/2009 | € mill. | 0.1 | 0.1 | 0.0 | (0.2) | 0.0 |
| **Interest expense** | | | | | | |
| H1/2010 | € mill. | (1.3) | (1.6) | (0.9) | 0.0 | (3.8) |
| H1/2009 | € mill. | (0.6) | (1.3) | 0.0 | 0.0 | (1.9) |
| Q2/2010 | € mill. | (0.7) | (0.8) | (0.6) | 0.0 | (2.1) |
| Q2/2009 | € mill. | (0.4) | (0.7) | 0.0 | 0.1 | (1.0) |
| **Amortization/depreciation** | | | | | | |
| H1/2010 | € mill. | 2.0 | 4.7 | 4.1 | 0.0 | 10.8 |
| H1/2009 | € mill. | 1.6 | 4.1 | 0.0 | 0.0 | 5.7 |
| Q2/2010 | € mill. | 1.2 | 2.4 | 2.0 | 0.0 | 5.6 |
| Q2/2009 | € mill. | 0.8 | 2.1 | 0.0 | 0.0 | 2.9 |
| **Expenditures for noncurrent assets** | | | | | | |
| H1/2010 | € mill. | 4.9 | 6.4 | 0.8 | 0.0 | 12.1 |
| H1/2009 | € mill. | 1.2 | 5.0 | 0.0 | 0.0 | 6.2 |
| Q2/2010 | € mill. | 3.2 | 4.5 | 0.5 | 0.0 | 8.2 |
| Q2/2009 | € mill. | 0.4 | 3.5 | 0.0 | 0.0 | 3.9 |
| **Average headcount** | | | | | | |
| H1/2010 | | 472 | 2,334 | 313 | 0 | 3,119 |
| H1/2009 | | 443 | 2,246 | 0 | 0 | 2,689 |

| Transportation Systems | Electrical Systems | Consolidation | Transportation | Corporate HQ/first-tier consolidation | Group |
|---|---|---|---|---|---|
| (3.2) | 7.9 | 0.0 | 4.7 | (9.4) | 32.2 |
| 3.4 | 9.4 | 0.0 | 12.8 | (9.2) | 32.0 |
| (3.0) | 3.8 | 0.0 | 0.8 | (4.5) | 20.6 |
| 1.8 | 5.0 | 0.0 | 6.8 | (5.1) | 18.7 |
| 398.2 | 174.2 | (1.1) | 571.3 | (86.3) | 1,448.4 |
| 381.2 | 158.8 | 0.0 | 540.0 | 2.3 | 1,260.7 |
| 151.5 | 58.2 | (1.0) | 208.7 | 57.4 | 604.4 |
| 166.1 | 54.4 | 0.0 | 220.5 | 129.8 | 568.1 |
| 163.2 | 80.8 | 0.0 | 244.0 | 0.2 | 679.5 |
| 202.4 | 73.0 | 0.0 | 275.4 | 0.2 | 597.3 |
| 86.6 | 39.9 | 0.0 | 126.5 | 0.1 | 385.7 |
| 101.4 | 37.5 | 0.0 | 138.9 | 0.0 | 308.9 |
| 0.0 | 1.5 | (1.1) | 0.4 | (0.1) | 3.6 |
| 0.0 | 0.4 | 0.0 | 0.4 | 0.0 | 1.7 |
| 0.0 | 1.3 | (1.1) | 0.2 | 0.0 | 2.1 |
| 0.0 | 0.3 | 0.0 | 0.3 | 0.0 | 1.2 |
| 4.9 | 0.1 | 0.0 | 5.0 | (0.1) | 5.1 |
| 5.4 | 0.6 | 0.0 | 6.0 | 0.5 | 6.7 |
| 2.5 | 0.1 | 0.0 | 2.6 | (0.1) | 2.6 |
| 2.6 | 0.2 | (0.1) | 2.7 | 0.2 | 2.9 |
| (2.9) | (0.6) | 0.0 | (3.5) | (3.9) | (11.2) |
| (3.6) | (0.5) | 0.0 | (4.1) | (4.4) | (10.4) |
| (1.6) | (0.3) | 0.0 | (1.9) | (1.8) | (5.8) |
| (2.0) | (0.3) | 0.0 | (2.3) | (2.0) | (5.3) |
| 4.9 | 1.3 | 0.0 | 6.2 | 0.5 | 17.5 |
| 5.3 | 1.1 | 0.0 | 6.4 | 0.4 | 12.5 |
| 2.6 | 0.7 | 0.0 | 3.3 | 0.2 | 9.1 |
| 2.8 | 0.6 | 0.0 | 3.4 | 0.1 | 6.4 |
| 11.4 | 1.1 | 0.0 | 12.5 | 1.8 | 26.4 |
| 6.3 | 2.1 | 0.0 | 8.4 | 0.3 | 14.9 |
| 5.9 | 0.1 | 0.0 | 6.0 | 1.5 | 15.7 |
| 2.7 | 1.0 | 0.1 | 3.8 | 0.2 | 7.9 |
| 1,178 | 629 | 0 | 1,807 | 48 | 4,974 |
| 1,380 | 577 | 0 | 1,957 | 51 | 4,697 |

## Management representation

“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 27, 2010

Vossloh AG
The Executive Board

Werner Andree, Dr.-Ing. Norbert Schiedeck

## Review report

to Vossloh AG

We have reviewed the condensed consolidated interim financial statements (comprising income statement, statement of comprehensive income, 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, 2010, which are components of the semiannual financial report pursuant to Sec. 37w German Securities Trading Act ("WpHG"). The preparation of the condensed consolidated interim financial statements in accordance with the interim financial reporting IFRS which are applicable in the EU, and of the interim group management report in accordance with the applicable WpHG provisions is the responsibility of the Company's legal representatives. Our responsibility is, based on our review, to issue a review report on the condensed consolidated interim financial statements and the interim group management report.

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 the interim group management report has not been formulated, 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 would 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, or that the interim group management report has not been formulated, in every material respect, in conformity with the WpHG provisions applicable to interim group management reports.

Essen, July 27, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Fritz | pp. Barhold |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

## Financial diary 2010

| | |
|---|---|
| Publication of interim report | |
| as of September 30 | October 27, 2010 |
| DVFA analysts conference | December 2, 2010 |

For further information go to www.vossloh.com

## Financial diary 2011

| | |
|---|---|
| Publication of financial information 2010 | March 2011 |
| Press conference | March 2011 |
| DVFA analysts conference | March 2011 |
| Annual general meeting | May 25, 2011 |

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## Vossloh AG's boards

| | |
|---|---|
| Executive Board | Werner Andree |
| | Dr.-Ing. Norbert Schiedeck |
| Supervisory Board | Dr.-Ing. Dipl.-Ing. Wilfried Kaiser, 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, mechanic, Kiel |


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