Semiannual financial report as of June 30, 2012

Group figures and indicators		H1/2012	H1/2011
Income statement data			
Net sales	€ mill	571.3	561.5
Rail Infrastructure	€ mill	353.1	373.3
Transportation	€ mill	218.5	188.6
EBIT	€ mill	31.0	44.7
Net interest expense	€ mill	(9.1)	(4.9)
EBT	€ mill	21.9	39.8
Group earnings	€ mill	14.6	27.3
Earnings per share (EpS)	€	1.22	2.05
EBIT margin	%	5.4	8.0
Pretax return on equity (ROE)[1]	%	9.1	13.7
Return on capital employed (ROCE)[2]	%	7.7	11.2
Value added[2]	€ mill	(9.4)	4.7
Balance sheet data			
Fixed assets[3]	€ mill	646.0	594.2
capital expenditures	€ mill	24.1	30.3
amortization/depreciation	€ mill	20.1	19.4
Closing working capital	€ mill	153.0	187.1
Closing working capital intensity	%	13.4	16.7
Closing capital employed	€ mill	798.9	781.3
Total equity	€ mill	467.5	571.7
minority interests	€ mill	14.7	29.0
Net financial debt	€ mill	225.3	83.8
Net leverage	%	48.2	14.7
Total assets	€ mill	1,564.4	1,493.4
Equity ratio	%	29.8	38.3
Cash flow statement data			
Gross cash flow	€ mill	48.9	56.6
Cash flow from operating activities	€ mill	84.6	112.6
Cash flow from investing activities	€ mill	(33.9)	(38.3)
Cash flow from financing activities	€ mill	(40.3)	(36.1)
Change in cash & cash equivalents	€ mill	10.4	38.2
Workforce data			
Average headcount in the period		5,062	4,964
Rail Infrastructure		3,180	3,191
Transportation		1,835	1,726
Vossloh AG		47	47
Payroll intensity	%	80.6	73.6
Personnel expenses	€ mill	134.4	129.9
Share data			
Stock price at June 30	€	66.40	96.78
Market capitalization at June 30	€ mill	796.3	1,289.6

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

Dear Stockholders:

The second quarter of the current fiscal period saw an improvement in Vossloh's business situation, albeit not with the momentum we anticipate for the year as a whole. Especially a quarter-on-quarter comparison shows quite clearly the sales and EBIT upturn we have achieved during Q2. Altogether, sales and earnings within the Group were in line with our budget.

Worth special mention is that since early June this year we have been able to resume shipments of rail fasteners in China from our extensive order backlog as construction work on the corresponding high-speed lines is resuming. Likewise satisfactory is our switch business which, despite ongoing competitive pressure, keeps successfully expanding in major markets. Short of expectations is business at Vossloh Rail Services which this year in its core market of Germany is continuing to report lower sales and earnings than in the previous years since, in particular, orders for rail welding work are far short of the originally expected volumes. In accordance with our budget, the Transportation division again improved its performance in the second quarter of 2012 over the year-earlier period.

Hence, Vossloh managed to make good its modest first-quarter performance and achieved in H1/2012 group sales of €571.3 million, in all a slight growth over the €561.5 million of H1/2011. The Transportation division raised its sales from €188.6 million to €218.5 million; the Rail Infrastructure division still fell short of the year-earlier €373.3 million and reported revenue of €353.1 million.

For the six months under review (H1), group EBIT totaled €31.0 million; this compares with the year-earlier €44.7 million. Rail Infrastructure's EBIT fell from €45.9 million to €31.7 million. Transportation's improved from €7.1 million to €9.3 million. The Group's H1 EBIT margin amounted to 5.4 percent (down from 8.0). H1/2012 ROCE totaled 7.7 percent. Although we did manage to shrink working capital and hence maintain capital employed at the year-earlier level, nonetheless because of the reduced EBIT, ROCE failed to repeat the year-earlier 11.2 percent.

Vossloh has entered the second half of 2012 with once again a happily high order backlog which at June 30, 2012, added up to €1,498.6 million, comparable with the already ample €1,420.1 million twelve months ago. Both divisions reported taller order backlogs. At Rail Infrastructure, this amounted to €630.4 million at June 30, 2012 (up from €622.2 million) and at Transportation to €868.5 million (up from €799.1 million). In particular, the Rail Infrastructure division reported for the full six months new orders valued at €400.1 million, quite in excess of our expectations.

Order intake by the Transportation division at €173.8 million was somewhat down—given, however, the record level of the previous year not unexpected in large parts. Incremental momentum for new business we expect from the industry fair InnoTrans coming up this September where Vossloh will be premiering a whole bunch of new products.

Within a repeatedly more difficult economic environment, additionally clouded by uncertainties regarding public-sector funds and hence generally unpredictable financing activities, Vossloh is confident of being able to reach the targets set for fiscal 2012. We will do our utmost not only to improve sales and earnings over the months ahead but again maintain Vossloh on a constantly successful track. We would be pleased to have you stay with us on our journey.

Yours,

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.

Vossloh AG

Rail Infrastructure	Transportation
Vossloh Fastening Systems Vossloh Switch Systems Vossloh Rail Services	Vossloh Transportation Systems Vossloh Electrical Systems

Rail Infrastructure division

This division provides products and services for rail infrastructure and includes the Fastening Systems, Switch Systems and Rail Services business units.

Vossloh Fastening Systems is the 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.

Vossloh Rail Services offers wide-ranging rail-related services including complex logistics and welding work as well as preventive maintenance for the rails.

Transportation division

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

The Transportation Systems business unit is Europe's leading manufacturer of diesel locomotives with production locations at Valencia, Spain, and Kiel, Germany, and supplies M&R services. The Valencia location also manufactures local transport rail vehicles.

Vossloh Electrical Systems develops and produces key electrical components and systems for light rail vehicles (LRVs) and locomotives. The business unit is the world's leading supplier of electrical equipment for trolleybuses and other electric buses; moreover, it equips buses 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.

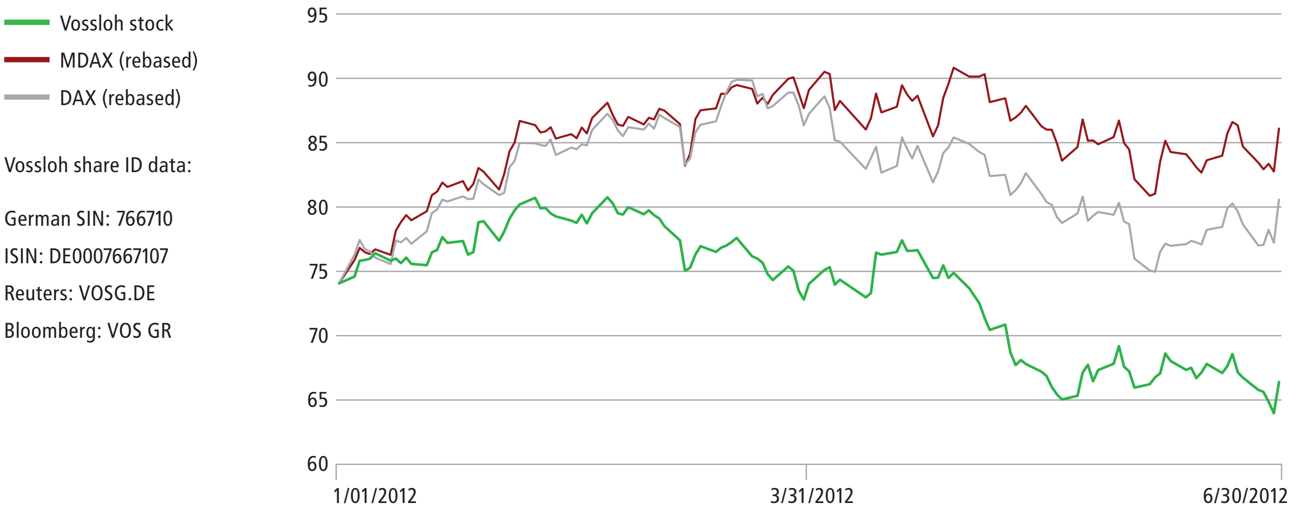
Vossloh stock

After making some progress in the first three months of 2012, the international stock markets once again came under appreciable pressure in the second quarter of 2012. Given resurfacing concerns regarding the sovereign debt crisis in some euro countries and weak economic data for Europe, the USA, and China, indexes fell worldwide. In the course of the quarter, the Euro Stoxx 50 lost 8.6 percent, the Dow Jones 2.5, and the Japanese Nikkei as much as 10.7 percent. Stock prices in Germany declined likewise, the DAX by 7.6 percent and the MDAX by 3.4 percent.

Vossloh stock underperforms market in Q2

Following a slight upswing in early April, Vossloh stock then also moved downhill as the quarter proceeded, its downswing from mid-April to mid-May being steeper than the comparable indexes'. Thereafter, prices moved sideways between €65 and €70. Altogether, compared with the closing price on March 30 of €74.02, the final price on June 29 of €66.40 represented a loss of 10.3 percent. The six-month downturn by almost 10.4 percent was very similar since the closing price of 2011 had been €74.07. In contrast for the same period (H1), the DAX rose by 8.8 and the MDAX by 16.3 percent. At the close of H1, Vossloh AG's market capitalization on the basis of the shares outstanding amounted to €796.3 million.

Vossloh stock price trend from January 1 to June 30, 2012



Vossloh share ID data:

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

In Q2/2012, altogether around 2.3 million Vossloh shares were traded, equivalent to an average daily volume of about 37,000. This compares with around 4.1 million in Q2/2011 or 65,800 per trading day. For the period ended June 30, 2012, the trading volume added up to around 3.9 million (down from 8.8 million) or an average daily volume of just under 30,600 for the total 127 trading days in the first six months of 2012. In H1/2011, the average daily volume had been 69,100.

The reason for the lower volumes is, besides the general decline in stock turnover rates, the repurchase of 10 percent treasury shares which reduce the number of Vossloh shares outstanding to just under 12 million. Also, with the advent of Heinz Hermann Thiele as a major stockholder of Vossloh AG, the proportion of long-term investors has again risen. Alongside the Vossloh Family Pool with its stake of around 34 percent, a 20.2-percent stake in Vossloh AG is now attributable to Mr. Thiele according to the most recent voting-interest notifications of July 11 and 12. Previously, his direct and indirect voting interests had totaled 19.5 percent according to an ownership analysis commissioned by Vossloh AG in early 2012. Mr. Thiele has reaffirmed that as part of his long-term investment strategy he intends to again raise his voting interests in Vossloh AG over the next twelve months.

Dividend at prior-year €2.50

At Vossloh AG's AGM held in Düsseldorf on May 23, 2012, at which around 50 percent of the capital stock was represented, virtually all the stockholders voted in favor of a dividend payout of €2.50 per share, as proposed by the Executive and Supervisory Boards. Hence, the dividend for 2011 was again at the record level paid out for 2010. The total dividend payout of €30 million (down from €33 million) meant a 54-percent cash distribution of group earnings for 2011 (up from 34).

In the course of Q2/2012, altogether 19 analyst firms followed the progress of Vossloh AG on the basis of regular and published comments on the Company. Following the publication of the Q1/2012 quarterly report, the overall assessment by the capital market pundits was, initially, still modest. After, however, the report of the resumption of fastening system shipments in China was announced in early June, several equity analysts upgraded their assessments. Mid-July, five recommended "buy," and only three "sell." Eleven opted for "hold." The average upside target price of €74 was unchanged versus mid-April; the fair-price bandwidth ranged from €60 to €95.

Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin-Bremen, Hannover, Hamburg, Stuttgart, Munich
Index	MDAX
Number of shares outstanding at 6/30/2012	11,992,761
Stock price (6/30/2012)	€66.40
H1/2012 high/low	€81.28/€63.57
Reuters code	VOSG.DE
Bloomberg code	VOS GR

For more details on Vossloh stock, present and past financial reports, presentations and the current financial diary as well as Creditor Relations information, go to www.vossloh.com/en/investors. Alternatively, contact Vossloh AG's Investor Relations team by email to investor.relations@ag.vossloh.com or by phone at (+49-2392) 52-359.

Interim group management report

The Group's business trend

In the analysis of its results of operations, the Vossloh Group discloses the pretax value added (VA) as a key corporate benchmark. For fiscal 2012 Vossloh has set the return expected by investors and lenders (weighted average cost of capital, or WACC) at 10 percent. The return on capital employed (ROCE) has groupwide been benchmarked at a sustainable 15 percent. Besides the pretax VA used for internal controlling purposes, also the posttax value added is communicated in external reports at group or division level, based on the current WACC—5.5 percent posttax for H1/2012—in order to disclose the quarterly updated value trend of relevance to stockholders.

Results of operations

Sales rise in both Q2 and H1/2012

Semiannual sales by the Vossloh Group climbed 1.8 percent from €561.5 million (H1/2011) to €571.3 million. The growth was generated in the second quarter, with sales improving 4.5 percent from €302.0 million to €315.6 million. In a quarter-on-quarter comparison, the Group boosted sales in Q2 by 23.4 percent or €59.9 million, the revenue increase being exclusively achieved by the Rail Infrastructure division.

Vossloh Group

		H1/2012	H1/2011	Q2/2012	Q2/2011
Sales	€ mill.	571.3	561.5	315.6	302.0
EBITDA	€ mill.	51.1	63.7	31.2	36.2
EBIT	€ mill.	31.0	44.7	20.8	26.7
EBIT margin	%	5.4	8.0	6.6	8.8
EBT	€ mill.	21.9	39.8	15.9	24.0
Group earnings	€ mill.	14.6	27.3	10.4	16.9
ROCE [1, 2]	%	7.7	11.2	10.3	13.5
Value added [1, 2]	€ mill.	(9.4)	4.7	0.6	6.9

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

Whereas the Transportation division reported mounting sales, those at the Rail Infrastructure division receded, especially due to ongoing weak demand for rail welding and rail logistics at the Rail Services business unit; the trend was compounded by another sales downturn at the Fastening Systems business unit. At Vossloh Fastening Systems, this was once more due to the project delays in China persisting through May 2012 and the resulting shortfall in sales. Then, in early June, the Chinese location was able to restart shipments of rail fasteners, thus again generating sales.

In all, the Rail Infrastructure division showed a 5.4-percent H1 sales decline to €353.1 million (down from €373.3 million). Its Switch Systems business unit, however, continued to push up sales.

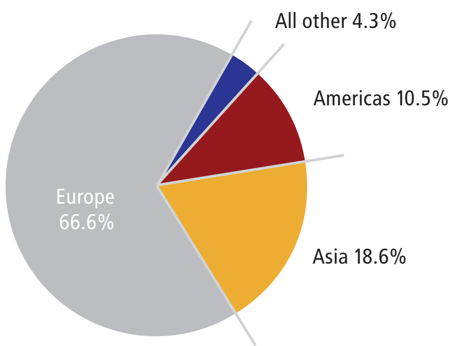
At the Transportation division, H1 sales climbed 15.9 percent to €218.5 million (up from €188.6 million), a clear improvement, chiefly thanks to its Transportation Systems business unit. The second business unit, Electrical Systems, also reported a slight gain in sales.

Order backlog once more tall at around €1.5 billion

Order intake by the Vossloh Group in H1/2012 amounted to €573.6 million, down from €896.6 million in H1/2011, a period in which the Transportation division had booked several megacontracts. Up to midyear 2012, the Rail Infrastructure division received orders worth €400.1 million (down from €478.1 million). Orders received by the Transportation division totaled €173.8 million (down from €419.3 million). At June 30, 2012, order backlog at the Vossloh Group had climbed to €1,498.6 million and thus outgrew the already high year-earlier €1,420.1 million. Both divisions showed year-on-year higher order backlogs. At June 30, 2012, Rail Infrastructure had an order backlog of €630.4 million (up from €622.2 million) and Transportation one of €868.5 million (up from €799.1 million).

Demand still slow in Southern Europe—sales in Germany and France again up

Regionally, the Vossloh Group generated higher semiannual sales in Germany, France, Eastern Europe, the Americas, Asia, and Australia. In contrast, sales elsewhere in Western Europe, Southern Europe, and Africa were down. Business in Northern Europe remained by and large at the year-earlier level. As expected, economic and budgetary constraints in Southern Europe again held back demand.



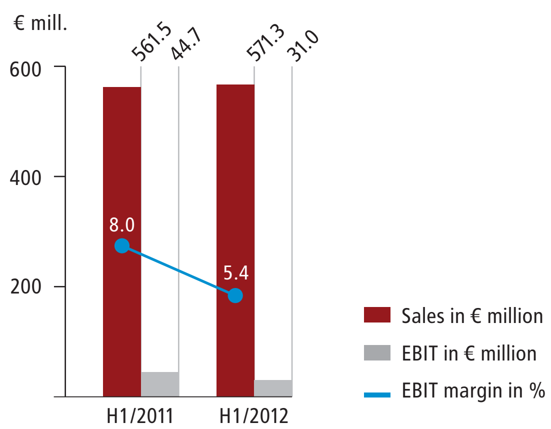
Geographical breakdown of H1/2012 sales

During the period, Europe accounted for some 67 percent (down from 70.1) of total sales. Outside of Europe, the regions with the highest sales were again Asia at 18.6 percent (up from 16.5), followed by the Americas with 10.5 percent (up from 8.5).

With sales making up 22.1 percent (up from 21.4), Germany was once more the Group's biggest market. Just as there, where revenue rose during the first six months, growth in France likewise continued. Elsewhere in Western Europe and in Southern Europe, sales receded. In contrast, sales in Eastern Europe (particularly in Poland as well as in Latvia and Lithuania) again made good progress.

Sales by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	H1/2012		H1/2011		Q2/2012		Q2/2011	
Germany	126.2	22.1	120.3	21.4	64.8	20.5	64.0	21.2
France	76.8	13.4	55.5	9.9	41.3	13.1	34.8	11.5
Other Western Europe	50.1	8.8	56.4	10.0	28.7	9.0	29.9	9.9
Northern Europe	39.2	6.9	40.5	7.2	25.8	8.2	28.9	9.6
Southern Europe	58.1	10.1	97.4	17.4	27.7	8.8	51.3	17.0
Eastern Europe	30.2	5.3	23.5	4.2	19.5	6.2	14.5	4.8
Total Europe	**380.6**	**66.6**	**393.6**	**70.1**	**207.8**	**65.8**	**223.4**	**74.0**
Americas	60.0	10.5	47.6	8.5	31.9	10.1	21.3	7.1
Asia	106.1	18.6	92.7	16.5	59.2	18.8	43.8	14.5
Africa	9.8	1.7	16.6	2.9	8.6	2.7	7.4	2.4
Australia	14.8	2.6	11.0	2.0	8.1	2.6	6.1	2.0
Total	**571.3**	**100.0**	**561.5**	**100.0**	**315.6**	**100.0**	**302.0**	**100.0**



Vossloh Group: sales and EBIT

Outside of Europe, H1 sales by Vossloh accounted for 33.4 percent of the total (up from 29.9). Advances were again reported in both the USA and South America as well as Australia. With a clear rise in several Asian countries in Q2/2012—especially in Indonesia, Malaysia, and Thailand—H1 sales by the Vossloh Group in Asia were much improved.

Despite still shrinking revenue in China clear H1 gains in overall Asia

Given the year-on-year considerably changed product mix of the Group, Vossloh's 6-month absolute gross margin shrank from €112.8 million to €106.2 million. In relative terms, the Group's gross margin contracted from 20.1 percent a year earlier to 18.6 in 2012.

H1/2012 EBIT added up to €31.0 million (down from €44.7 million). This 30.6-percent reduction is due to Rail Infrastructure's underperformance with a shortage of sales in China and a Vossloh Rail Services business downturn steeper than expected. Shipments from the Chinese location only recommenced in June 2012. In line with these declining earnings, the H1 EBIT margin slumped from 8.0 to 5.4 percent. In 2012, Q2 group EBIT reached €20.8 million (year-on-year down from €26.7 million). Accordingly, the Q2 EBIT margin totaled 6.6 percent (year-on-year down from 8.8).

Group EBIT down due to sales losses in China—shipments have restarted, however

Owing to the Group's year-on-year higher net financial debt, H1 net interest expense swelled from €4.9 million in 2011 to €9.1 million in 2012. This rise was, on the one hand, due to lower interest income, mainly within Vossloh Transportation Systems; on the other, higher financial debts also meant mounting interest expenses.
In combination with the lower H1 EBIT, six-month group earnings before taxes (EBT) fell to €21.9 million in 2012 (down from €39.8 million). With a heavier tax load ratio of 26.2 percent (up from 21.9), H1 group earnings amounted to €14.6 million in 2012 (down from €27.3 million). H1/2012 earnings per share (EpS) added up to €1.22 (down from €2.05), based on the average of 11,992,761 shares issued and outstanding in the first six months of 2012. The shrinkage from the H1/2011 average of 13,325,290 shares was attributable to the H2/2011 stock buyback program.

EBIT drop weighs on ROCE

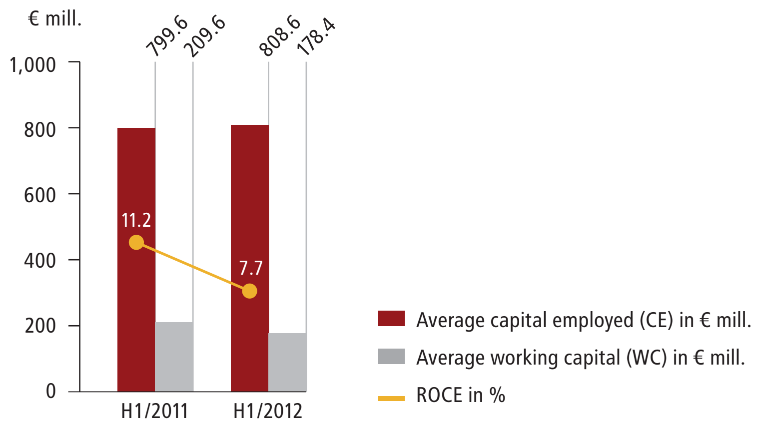
The Vossloh Group's H1 ROCE slipped to 7.7 percent in 2012 (down from 11.2), caused by the declining EBIT while capital employed stayed virtually unchanged. After value of €4.7 million had been added a year earlier, the Group's VA in H1/2012 was a red €9.4 million or, based on current WACC and after taxes, a likewise negative €0.7 million.

Asset and capital structure, financial position

At June 30, 2012, the Vossloh Group's assets totaled €1,566.4 million and its equity €467.5 million (down from €571.7 million), its equity ratio hence amounting to 29.8 percent (down from 38.3). The reduced total equity was largely ascribable to the repurchase in H2/2011 of treasury shares, which downsized it by about €100 million.

Working capital significantly downscaled

In H1/2012, the Group's average working capital showed a solid improvement, being pruned to €178.4 million (down from €209.6 million), mainly thanks to higher trade payables; these resulted from manufacturing contracts where prepayments outstripped contract progress. The (annualized) H1 average working capital intensity was upgraded year-on-year, from 18.7 in 2011 to 15.6 percent in the period.



Vossloh Group: CE, WC and ROCE trends

Capital employed unchanged

For H1/2012, both Vossloh's closing and average capital employed inched up, to €798.9 million as of June 30 (up from €781.3 million) and, as H1 average, to €808.6 million (up from €799.6 million). The minor increase was due to higher fixed assets after stepped-up capital expenditures.

The Vossloh Group's net financial debt as of June 30, 2012, hiked up year-on-year from €83.8 million to €225.3 million, its net leverage from 14.7 to 48.2 percent. The net financial debt leap was primarily due to the Group's mounting financial debts, besides to sinking cash and cash equivalents: as of June 30, 2012, cash and cash equivalents of €102.7 million contrasted with financial debts of €328.0 million.

Vossloh Group

		6/30/2012	12/31/2011	6/30/2011
Total assets	€ mill.	1,566.4	1,512.3	1,493.4
Total equity	€ mill.	467.5	480.3	571.7
Equity ratio	%	29.8	31.8	38.3
Average working capital	€ mill.	178.4	211.2	209.6
Average working capital intensity[1]	%	15.6	17.6	18.7
Fixed assets	€ mill.	646.0	625.6	594.2
Closing capital employed	€ mill.	798.9	825.9	781.3
Average capital employed	€ mill.	808.6	811.4	799.6
Return on equity (ROE)[1, 2]	%	9.1	15.3	13.7
Net financial debt	€ mill.	225.3	238.8	83.8
Net leverage	%	48.2	49.7	14.7

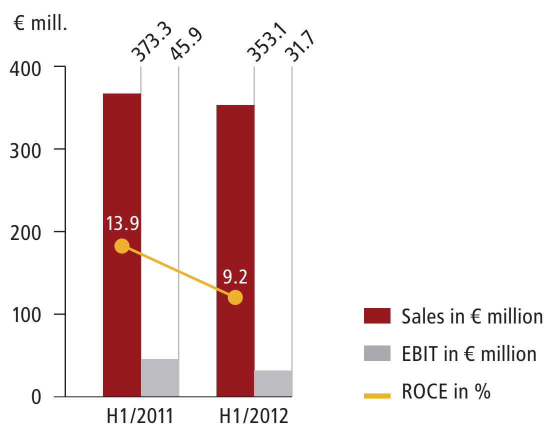
[1] Annualized
[2] Based on average equity

Rail Infrastructure business

Results of operations

In H1/2012, the Rail Infrastructure division generated sales of €353.1 million, down 5.4 percent from the year-earlier €373.3 million. Both the Fastening Systems and Rail Services business units reported a definite decrease in sales. In contrast, Vossloh Switch Systems showed a clear improvement throughout the period. In Q2/2012 alone, sales by Rail Infrastructure had been €207.9 million (down 1.1 percent from €210.2 million).

Orders booked by Rail Infrastructure amounted to €400.1 million (down from €478.1 million) in H1/2012. In Q2/2012, order intake amounted to €167.2 million; at June 30, 2012, order backlog at this division added up to €630.4 million (up from €622.2 million).



Rail Infrastructure: sales, EBIT and ROCE

Rail Infrastructure

		H1/2012	H1/2011	Q2/2012	Q2/2011
Sales	€ mill.	353.1	373.3	207.9	210.2
EBITDA	€ mill.	43.2	57.9	29.6	36.2
EBIT	€ mill.	31.7	45.9	23.8	30.3
EBIT margin	%	9.0	12.3	11.4	14.4
ROCE[1,2]	%	9.2	13.9	13.7	18.1
Value added[1,2]	€ mill.	(2.6)	12.9	6.5	13.5

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

For the first half of 2012, Vossloh Fastening Systems reported sales of €114.3 million (down 17.5 percent from €138.5 million). This shortfall was substantially due to project delays in China and the related sales shrinkage. Then, in June, shipments resumed at the Chinese location, which in turn contributed appreciable sales. In Q2/2012, revenue by this business unit inched up by 3.0 percent to €74.9 million.

Sales at Vossloh Fastening Systems depressed by project delays in China but revive in June

Order influx by the Fastening Systems business unit in H1/2012 reached €143.2 million (down 24.0 percent from €188.3 million). Major new contracts were booked in Q2/2012 in Germany and Thailand. At June 30, 2012, this business unit had orders on hand worth €295.1 million (up from €255.8 million).

Vossloh Switch Systems lifted its semiannual sales by 11.4 percent to €216.7 million (up from €194.5 million). This was primarily due to solid business in Iraq, Poland, and the USA. As expected, sales in Spain shrank. Second-quarter sales by the Switch Systems business unit were €119.7 million or 5.6 percent over the year-earlier €113.3 million and also up quarter-on-quarter.

Vossloh Switch Systems—sales keep climbing

Orders received by Vossloh Switch Systems in H1/2012 again made good progress, particularly propelled by new contracts from Sweden. During the period, Vossloh Switch Systems booked new business worth €231.9 million, again nearly matching the high year-earlier €238.2 million. At June 30, 2012, order backlog totaled €327.7 million (down from €354.5 million).

Vossloh Rail Services—sales at an unexpected low

Poor Q1/2012 sales at Vossloh Rail Services continued as the year progressed. In the first six months of the year, revenue at €23.0 million fell short of expectations and were well below the year-earlier level (down by 46.5 percent from €43.0 million). This was largely due to fewer orders for rail welding jobs in Germany.

Orders booked by this business unit in H1/2012 added up to €25.5 million, €28.9 million short of the year-earlier €54.4 million. Normally the business is made up of services to be provided at short notice for customers. At June 30, 2012, the business unit's order backlog had fallen from €12.4 million a year ago, to €8.3 million.

EBIT again down

Rail Infrastructure's EBIT for the period plunged from €45.9 million to €31.7 million (down 30.9 percent). Its EBIT was eroded by slumping revenue at the Rail Services business unit as well as receding sales at Vossloh Fastening Systems as a consequence of delayed projects in China. Accordingly, the division's H1/2012 EBIT margin dipped to 9.0 percent (down from 12.3). In Q2/2012, EBIT fell from the year-earlier €30.3 million to €23.8 million, a fall of 21.5 percent. The Q2 EBIT margin dropped accordingly to 11.4 percent (down from 14.4).

Rail Infrastructure's 6-month (H1) ROCE sagged from 13.9 percent a year earlier to 9.2 in 2012. The division's H1 value added (VA) turned around from a black €12.9 million in 2011 to a red €2.6 million. The VA level of the Fastening Systems and Rail Services business units slumped year-on-year: Fastening Systems' VA came to €10.0 million (down from €19.0 million), Rail Services' VA turned around from a year-earlier black €3.5 million into a red €8.7 million; in contrast, Vossloh Switch Systems' H1 VA, albeit still in the red, improved from a negative €9.7 million a year ago to a red €3.9 million. Based on current WACC, the Rail Infrastructure division added value of €3.2 million after taxes.

Asset and capital structure

Average working capital virtually unchanged, closing WC improved

The Rail Infrastructure division's H1 average working capital hardly changed year-on-year, slightly improving from the year-earlier €234.4 million to €230.0 million in 2012. Working capital intensity in the first two quarters of 2012 crept up year-on-year from 31.4 to 32.6 percent. Rail Infrastructure's closing working capital was upgraded from €256.7 million at June 30, 2011, to €240.1 million a year later, basically thanks to higher trade payables.

Average capital employed (CE) in H1 moved up from the year-earlier €661.1 million in 2011 to €686.3 million in the period, substantially as fixed assets grew in the wake of capex projects. Closing CE also inched up year-on-year, from €685.9 million to €699.5 million at June 30, 2012.

Rail Infrastructure

		H1/2012	FY 2011	H1/2011
Average working capital	€ mill.	230.0	249.3	234.4
Average working capital intensity*	%	32.6	32.0	31.4
Closing fixed assets	€ mill.	459.4	455.0	429.3
Closing capital employed	€ mill.	699.5	704.2	685.9
Average capital employed	€ mill.	686.3	683.1	661.1

*Annualized

Transportation business

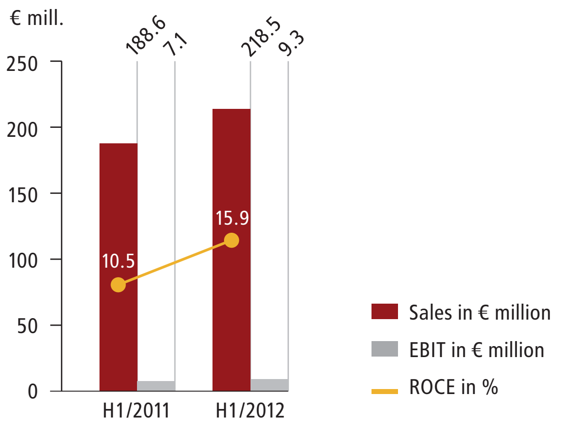
Results of operations

Sales rising 16 percent—both business units up

For H1/2012, the Transportation division reported sales of €218.5 million (up 15.9 percent from €188.6 million). Contributing to this increase was, in particular, the Transportation Systems business unit with its two locations in Kiel and Valencia. Q2/2012 sales at Transportation climbed from €92.1 million to €107.9 million.

Order intake fell, as expected, from the high year-earlier €419.3 million to €173.8 million. Q2/2012 inflow amounted to €53.0 million. At June 30, 2012, this division had an order backlog of €868.5 million, again well in excess of the year-earlier €799.1 million.

The Transportation Systems business unit generated 22.1 percent higher sales in H1/2012, up from €119.0 million to €145.3 million. Q2 sales jumped 27.5 percent, from €57.0 million to €72.6 million.



Transportation: sales, EBIT and ROCE

Both the German location in Kiel (Vossloh Locomotives) and the Spanish in Valencia (Vossloh Rail Vehicles) succeeded in boosting sales during the period. Vossloh Locomotives reported a surge of 32.8 percent, from €43.7 million to €58.0 million and thus benefited from the prior-year revival in demand for new locomotives. Vossloh Rail Vehicles stepped up its H1 sales by 16.0 percent from €75.3 million to €87.4 million. This rise was mainly derived from a contract with Israel Railways for EURO 4000 locomotives.

Transportation

		H1/2012	H1/2011	Q2/2012	Q2/2011
Sales	€ mill.	218.5	188.6	107.9	92.1
EBITDA	€ mill.	17.6	13.8	6.2	4.4
EBIT	€ mill.	9.3	7.1	1.8	1.0
EBIT margin	%	4.3	3.7	1.7	1.1
ROCE[1,2]	%	15.9	10.5	6.7	3.4
Value added[1,2]	€ mill.	3.5	0.4	(0.9)	(1.9)

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

The Transportation Systems business unit booked new orders worth €117.8 million (down from €254.9 million). At June 30, 2012, orders on hand at €476.5 million were still slightly more than the year-earlier €475.1 million.

Vossloh Electrical Systems reported year-on-year an 8.0-percent H1 sales hike from €71.6 million to €77.4 million. In Q2/2012 alone, the business unit generated sales of €37.4 million (up from €35.8 million). Orders booked by Vossloh Electrical Systems in H1/2012 amounted to €59.5 million (down from €169.2 million). At June 30, 2012, the business unit had an order backlog worth €413.8 million, comfortably above the year-earlier €329.7 million.

EBIT and EBIT margin up

Transportation's EBIT for H1/2012 rose 32.2 percent, from €7.1 million to €9.3 million. Accordingly, its EBIT margin climbed from 3.7 to 4.3 percent, chiefly thanks to growing sales coupled with better capacity utilization at the Transportation Systems business unit. In Q2/2012, this division's EBIT leapt from €1.0 million to €1.8 million. The Q2 EBIT margin improved year-on-year from 1.1 to 1.7 percent.

ROCE and value added both improved

In a year-on-year comparison, the division's six-month ROCE was boosted from 10.5 percent a year ago to 15.9 for 2012. The value added by the Transportation division jumped from the year-earlier €0.4 million to €3.5 million.
Vossloh Transportation Systems—albeit remaining in the red—considerably upgraded its H1 VA from the year-earlier negative €4.9 million to (a still red) €0.1 million, whereas the Electrical Systems business unit added value of €3.6 million (down from €5.2 million). Applying the current WACC brings the division's 6-month posttax value added to €3.3 million.

Asset and capital structure

Working capital and capital employed again clearly upgraded

The Transportation division's H1 average working capital was slashed again year-on-year, from a red €19.5 million to a likewise red €45.0 million, an uptrend mainly due to trade payables rising in the wake of higher prepayments under PoC contracts. The division's H1/2012 working capital intensity came to a red 10.3 percent.

The Transportation division's capital employed averaged €117.5 million in H1/2012, sinking from the year-earlier €134.1 million. A virtually stable trend was shown by its closing CE: Transportation's June 30 capital employed inched up year-on-year from €87.6 million to €88.1 million.

Transportation

		H1/2012	FY 2011	H1/2011
Average working capital	€ mill.	(45.0)	(31.3)	(19.5)
Average working capital intensity*	%	(10.3)	(7.5)	(5.2)
Closing fixed assets	€ mill.	175.1	159.2	154.6
Closing capital employed	€ mill.	88.1	117.8	87.6
Average capital employed	€ mill.	117.5	124.6	134.1

*Annualized

Capital expenditures

H1 capital expenditures by the Vossloh Group added up to €24.1 million, down by €6.2 million from €30.3 million a year ago. Both divisions—Rail Infrastructure and Transportation—downscaled their investing activities in comparison to H1/2011.

Additions to tangible/intangible assets

€ million	H1/2012	H1/2011	Q2/2012	Q2/2011
Rail Infrastructure	14.2	16.2	8.5	9.8
Transportation	9.4	12.2	4.6	4.8
Vossloh AG	0.5	1.9	0.3	1.0
Total	**24.1**	**30.3**	**13.4**	**15.6**

Rail Infrastructure biggest spender

At €14.2 million, the Rail Infrastructure division accounted for the lion's share but, compared with the H1/2011 volume of €16.2 million, the decline was €2.0 million. Capex volumes at the individual business units varied. Vossloh Fastening Systems invested €1.5 million (sagging from the year-earlier €4.4 million). The emphasis was on expanding capacity and restructuring the Werdohl location. Vossloh Switch Systems spent €8.6 million (up from €7.4 million), mainly on setting up a production line for switch blades in the USA and continuing construction work on the switch production plant in China. At the Rail Services business unit, the H1 capex volume of €4.1 million almost matched the high €4.4 million of H1/2011. Once again, the focal point was on the construction of new high-speed grinding trains. Another item on its bill was a mobile welding machine.

Transportation broadening product lineup

H1 expenditures at the Transportation division were at €9.4 million likewise short of the year-earlier €12.2 million. It was Vossloh Electrical Systems that lowered its spending; in contrast, Vossloh Transportation Systems, as budgeted, slightly stepped it up. The Transportation Systems business unit incurred altogether €7.7 million in H1/2012, up from €6.9 million. The focal point was again the development of the new locomotives EURO 3000 and EURO*LIGHT* and the Tramlink tram. Expenditures at Vossloh Electrical Systems totaled €1.7 million, well short of the high €5.4 million in H1/2011 which had included €4.5 million related to the acquisition of the new business property in Düsseldorf.

Research & development

A large portion of the Vossloh Group's R&D work is tied to specific contracts. The requirements of customers in different regions of the world govern in particular business at the Transportation division. Hence, the related expenses are reported as cost of sales rather than R&D expenses. The Vossloh Group's R&D input is therefore always relatively modest even though the amount of development work involved in specific projects is much higher.

R&D expenses in H1/2012 amounted to €4.5 million, virtually as in H1/2011. Whereas Rail Infrastructure reported a decline, Transportation's were slightly up.

Rail Infrastructure accounted for €2.2 million; this was short of the year-earlier €3.3 million on account of internal project rescheduling. The reduction affected all business units. Vossloh Fastening Systems spent in H1/2012 a total €1.1 million on R&D, down from €1.6 million a year ago. Vossloh Switch Systems pruned its H1 R&D expenses from €1.1 million to €1.0 million. At Vossloh Rail Services, no R&D expenses were incurred during the period (down from €0.5 million).

At the Transportation division, H1 R&D expenses rose from €1.3 million to €2.3 million. Its Transportation Systems business unit accounted for €0.9 million in H1/2012 (up from €0.7 million).

Workforce

At June 30, 2012, the Vossloh Group employed a workforce of 5,041, up 30 from the 5,011 at year-end 2011. Year-on-year, the headcount was up by 48, from 4,993 at June 30, 2011.

Group headcount: 5,041

The rise is solely due to the Transportation division which at June 30, 2012, employed a workforce of 1,831, up 89 or 5.1 percent compared with a year ago. New employees were recruited at the Spanish location of Valencia of the Transportation Systems business unit and at Vossloh Electrical Systems to cope with the tall order backlog.

Headcount at

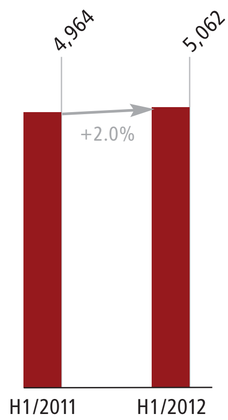
	6/30/2012	12/31/2011	6/30/2011
Rail Infrastructure	3,163	3,203	3,206
Transportation	1,831	1,763	1,742
Vossloh AG	47	45	45
Total	**5,041**	**5,011**	**4,993**

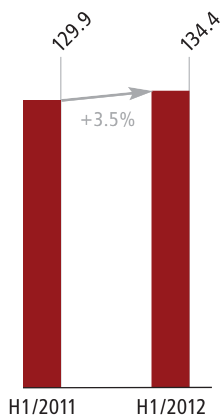
At 3,163, the workforce at Rail Infrastructure had shrunk by 43 by June 30, 2012 (down by 1.3 percent). The decrease was chiefly at Vossloh Switch Systems. It was above all in Poland and Turkey that Vossloh Fastening Systems recruited additional personnel.

Based on an average H1/2012 group workforce of 5,062, personnel expenses per capita climbed in the period from k€26.2 to around k€26.6.

Payroll intensity (i.e., the ratio of payroll to value created) worsened in H1/2012 from 73.6 to 80.6 percent since less value was created during the period.

Sales per capita during the period slipped by 0.2 percent from k€113.1 to k€112.9.





Average headcount (Group)

Personnel expenses in € million

Prospects, risks and rewards

The main risks and rewards impacting on the Vossloh Group's further development are depicted in the group management report 2011. Within the framework of ongoing risk monitoring and control through the Group's 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).

In July of this year, the German Federal Cartel Office (FCO) in its first ruling imposed penalties on producers and suppliers of standard rails, heat-treated rails and switch blades, on account of anticompetitive agreements and collusion. Among those concerned are the Vossloh subsidiaries Stahlberg Roensch GmbH, Seevetal, and KIHN SA, Luxembourg. By far most of the €13 million penalty imposed on the Vossloh subsidiaries will be borne by the previous owners of Stahlberg Roensch. The FCO penalty notice, however, is not the end of the antitrust proceedings. The Federal Cartel Office will now redirect its probes to other areas including rails and switches supplied for regional and local users. The disclosure of more details on potential risks emanating from ongoing antitrust proceedings involving group companies is not possible at present.

Forecasts for 2012 and 2013 reaffirmed but largely subject to the call-off order trend in China and recovering demand at Vossloh Rail Services

Given its still very tall order backlog, the Vossloh Group reaffirms its business forecasts for 2012 and 2013 first announced in December 2011. The key basis for expectations is the Group's order backlog of around €1.5 billion at June 30, 2012. For 2012, group sales have been budgeted at €1.25 billion to €1.3 billion (up from €1.2 billion). According to present assessments, the 2012 EBIT should range between €100 million and €110 million (up from €96.5 million). Group earnings in 2012 are set to total between €55 million and €60 million (€55.7 million in 2011). Critical to this year's performance are the degree to which contract call-offs for rail fasteners, which were resumed in June 2012, will continue as the year progresses and whether at Vossloh Rail Services demand for rail welding will pick up in the course of 2012. Predicated on these assumptions, the EBIT margin will reach 8.0–8.5 percent in 2012. Value added, as a key controlling parameter of the Group, should rise in 2012 to over €20 million (up from €15.4 million) and ROCE to 12.5–14.0 percent (up from 11.9) from the current vantage point.

For 2013, Vossloh is looking to further growth in sales and EBIT. In line with budget and order intake so far, this trend is particularly pronounced at the Transportation division which is benefiting increasingly from very strong order intake in 2011 for both new locomotive models and new local transport rail vehicles. Its order backlog totaled a new all-time high of €913.2 million at December 31, 2011, and at the end of June, €868.5 million. As to 2013, Vossloh is budgeting sales of €1.3 billion to €1.35 billion and an EBIT of €120 million to €130 million.

Condensed interim financial statements of the Vossloh Group as of June 30, 2012

Income statement for the 6 (H1) and 3 months (Q2) ended June 30, 2012

€ million	H1/2012	H1/2011 *	Q2/2012	Q2/2011 *
Net sales	571.3	561.5	315.6	302.0
Cost of sales	(465.1)	(448.7)	(253.3)	(238.2)
General administrative and selling expenses	(79.3)	(77.7)	(41.9)	(42.3)
R&D expenses	(4.5)	(4.5)	(2.5)	(2.5)
Other operating income/expenses, net	8.2	13.8	2.7	7.4
Operating result	**30.6**	**44.4**	**20.6**	**26.4**
Net P/L from associated affiliates	0.3	0.5	0.1	0.3
Other financial income	0.2	0.2	0.1	0.1
Other financial expenses	(0.1)	(0.4)	(0.0)	(0.1)
EBIT	**31.0**	**44.7**	**20.8**	**26.7**
Interest income	4.1	6.9	1.5	3.6
Interest expense	(13.2)	(11.8)	(6.4)	(6.3)
EBT	**21.9**	**39.8**	**15.9**	**24.0**
Income taxes	(5.8)	(8.7)	(3.9)	(5.4)
Total net income (EAT)	**16.1**	**31.1**	**12.0**	**18.6**
thereof group earnings (Vossloh stockholders)	**14.6**	**27.3**	**10.4**	**16.9**
thereof minority interests	1.5	3.8	1.6	1.7
Earnings per share (EpS) in €				
Undiluted/fully diluted EpS	1.22	2.05	0.87	1.26

Statement of comprehensive income (SOCI) for H1 and Q2/2012

€ million	H1/2012	H1/2011 *	Q2/2012	Q2/2011 *
Total net income	**16.1**	**31.1**	**12.0**	**18.6**
Statement at fair value of derivatives in CFHs				
Change in OCI	(0.1)	6.3	(3.2)	(3.3)
Gains/losses recycled from OCI to income statement	(0.1)	0.4	0.0	0.3
Actuarial gains/losses on pensions				
Change in OCI	0.0	0.4	0.0	0.2
Statement at fair value of securities available for sale				
Change in OCI	0.0	0.0	0.0	0.0
Currency translation differences				
Change in OCI	2.4	(6.3)	2.4	(1.0)
Deferred taxes				
on OCI changes	(0.2)	(2.2)	0.8	0.8
Total OCI	**2.0**	**(1.4)**	**(0.0)**	**(3.0)**
Comprehensive income	**18.1**	**29.7**	**12.0**	**15.6**
thereof Vossloh stockholders	16.5	27.3	10.3	14.0
thereof minority interests	1.6	2.4	1.7	1.6

*Due to the retroactive application of the change in pension accrual accounting, the year-earlier comparatives were adjusted accordingly. For details, see the Explanatory Notes, page 38.

Cash flow statement for the 6 months (H1) ended June 30, 2012

€ million	H1/2012	H1/2011*
Cash flow from operating activities:		
EBIT	31.0	44.7
Amortization/depreciation/write-down (less write-up) of noncurrent assets	20.2	19.4
Change in noncurrent accruals	(2.3)	(7.5)
Gross cash flow	**48.9**	**56.6**
Noncash change in shares in associated affiliates	(0.3)	(0.5)
Other noncash income/expenses, net	1.3	4.0
Net book gain/loss from the disposal of intangibles/tangibles	0.0	(1.8)
Cash outflow for income taxes	(5.2)	(14.3)
Change in working capital	57.4	60.5
Changes in other assets/liabilities, net	(17.5)	8.1
Net cash provided by operating activities	**84.6**	**112.6**
Cash flow from investing activities:		
Cash outflow for additions to intangibles/tangibles	(24.1)	(30.3)
Cash outflow for additions to noncurrent financial instruments	(0.2)	(5.2)
Cash inflow from the disposal of intangibles/tangibles	0.2	0.4
Cash (outflow for)/inflow from short-term securities purchased/sold, net	(3.1)	2.6
Cash inflow from the disposal of noncurrent financial instruments	0.3	(5.8)
Cash outflow for M&A	(7.0)	–
Net cash used in investing activities	**(33.9)**	**(38.3)**
Cash flow from financing activities:		
Cash outflow to stockholders and minority interest holders	(30.9)	(34.6)
Net finance from short-term loans	(6.2)	5.5
Net finance from medium-/long-term loans	(0.6)	0.2
Cash inflow from interest	10.8	4.1
Cash outflow for interest	(13.4)	(11.3)
Net cash used in financing activities	**(40.3)**	**(36.1)**
Net inflow of cash and cash equivalents	10.4	38.2
Change in cash and cash equivalents from initial consolidation	0.1	5.5
Parity-related changes	0.7	(2.1)
Opening cash and cash equivalents	**85.4**	**74.6**
Closing cash and cash equivalents	**96.6**	**116.2**

*Due to the retroactive application of the change in pension accrual accounting, the year-earlier comparatives were adjusted accordingly. For details, see the Explanatory Notes, page 38.

Balance sheet

Assets in € million	6/30/2012	12/31/2011 *	6/30/2011 *	1/1/2011 *
Intangible assets	432.0	415.1	403.6	406.2
Tangible assets	195.0	190.3	174.1	162.0
Investment properties	6.1	6.3	5.7	6.1
Shares in associated affiliates	1.2	0.9	1.4	5.5
Other noncurrent financial instruments	12.6	13.3	13.8	11.0
Other noncurrent assets	2.3	0.6	0.5	0.4
Deferred tax assets	44.7	44.6	36.6	35.2
Total noncurrent assets	**693.9**	**671.1**	**635.7**	**626.4**
Inventories	371.2	351.5	332.0	300.5
Trade receivables	327.2	353.0	344.3	360.6
Income tax assets	9.6	8.0	10.3	6.2
Sundry current assets	61.8	40.5	47.8	36.2
Short-term securities	6.1	2.8	7.1	1.3
Cash and cash equivalents	96.6	85.4	116.2	74.6
Total current assets	**872.5**	**841.2**	**857.7**	**779.4**
Total assets	**1,566.4**	**1,512.3**	**1,493.4**	**1,405.8**

Equity & liabilities in € million	6/30/2012	12/31/2011 *	6/30/2011 *	1/1/2011 *
Capital stock	37.8	37.8	37.8	37.8
Additional paid-in capital	42.7	42.7	42.7	42.7
Treasury stock	(102.9)	(102.9)	(105.8)	(105.8)
Reserves retained from earnings	435.2	423.3	529.7	467.7
Undistributed group profit	19.9	5.8	5.8	7.0
Group earnings	14.6	56.0	27.3	97.5
Accumulated other comprehensive income	5.5	3.6	5.2	1.8
Stockholders' equity	**452.8**	**466.3**	**542.7**	**548.7**
Minority interests	14.7	14.0	29.0	27.9
Total equity	**467.5**	**480.3**	**571.7**	**576.6**
Pension accruals	16.7	16.3	16.4	16.6
Noncurrent tax accruals	0.7	0.7	0.0	0.0
Other noncurrent accruals	68.4	60.0	58.5	75.8
Noncurrent financial debts	193.6	189.8	172.0	187.0
Noncurrent trade payables	11.7	8.2	–	–
Other noncurrent liabilities	16.8	21.3	42.3	26.2
Deferred tax liabilities	48.9	47.1	38.4	35.4
Total noncurrent liabilities and accruals	**356.8**	**343.4**	**327.6**	**341.0**
Current tax accruals	2.0	2.8	8.3	10.1
Other current accruals	145.2	162.9	165.7	157.9
Current financial debts	134.4	137.2	35.1	25.5
Current trade payables	373.3	314.5	282.4	204.9
Current income tax liabilities	6.6	4.2	4.4	3.9
Other current liabilities	80.6	67.0	98.2	85.9
Total current liabilities and accruals	**742.1**	**688.6**	**594.1**	**488.2**
Total equity and liabilities	**1,566.4**	**1,512.3**	**1,493.4**	**1,405.8**

*Due to the retroactive application of the change in pension accrual accounting, the year-earlier comparatives were adjusted accordingly. For details, see the Explanatory Notes, page 38.

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumulated OCI	Stock-holders' equity	Minority interests	Total
Balance at 12/31/2010	**37.8**	**42.7**	**(105.8)**	**467.7**	**7.0**	**97.5**	**5.2**	**552.1**	**27.9**	**580.0**
Effect of amended pension accrual accounting							(3.4)	(3.4)		(3.4)
Balance at 1/1/2011	**37.8**	**42.7**	**(105.8)**	**467.7**	**7.0**	**97.5**	**1.8**	**548.7**	**27.9**	**576.6**
Carryforward to new account				(3.4)	97.5	(97.5)	3.4	0.0		0.0
Transfer to reserves retained from earnings				65.4	(65.4)			0.0		0.0
Change due to initial consolidation					0.0			0.0		0.0
Comprehensive income*						27.3	0.0	27.3	2.4	29.7
Dividend payout					(33.3)			(33.3)	(1.3)	(34.6)
Balance at 6/30/2011	**37.8**	**42.7**	**(105.8)**	**529.7**	**5.8**	**27.3**	**5.2**	**542.7**	**29.0**	**571.7**
Transfer to reserves retained from earnings				(0.6)	0.6			0.0		0.0
Change due to initial consolidation and changes in equity interests					(0.6)			(0.6)	(6.6)	(7.2)
Comprehensive income*						28.7	(1.6)	27.1	1.2	28.3
Dividend payout								0.0	(9.6)	(9.6)
Treasury stock redeemed/withdrawn			105.8	(105.8)				0.0		0.0
Repurchase of treasury shares			(102.9)					(102.9)		(102.9)
Balance at 12/31/2011	**37.8**	**42.7**	**(102.9)**	**423.3**	**5.8**	**56.0**	**3.6**	**466.3**	**14.0**	**480.3**
Carryforward to new account					56.0	(56.0)		0.0		0.0
Transfer to reserves retained from earnings				11.9	(11.9)			0.0		0.0
Comprehensive income						14.6	1.9	16.5	1.6	18.1
Dividend payout					(30.0)			(30.0)	(0.9)	(30.9)
Balance at 6/30/2012	**37.8**	**42.7**	**(102.9)**	**435.2**	**19.9**	**14.6**	**5.5**	**452.8**	**14.7**	**467.5**

*Due to the retroactive application of the change in pension accrual accounting, the year-earlier comparatives were adjusted accordingly. For details, see the Explanatory Notes, page 38.

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 Local Court of Iserlohn. The Vossloh Group's key activities include the manufacture and marketing of rail infrastructure and locomotives, as well as of electrical systems for local transport vehicles, and the provision of rail-related services (logistics, welding, preventive care).

Accounting principles

The semiannual financial report as of June 30, 2012, has been prepared in accordance with the International Financial Reporting Standards (IFRS) which are applicable in the European Union (EU).

The accounting and valuation principles adopted in interim reporting conform with those used for the annual and interim consolidated financial statements as of December 31, 2011, and March 31, 2012, respectively, with due regard to International Accounting Standard (IAS) 34 *Interim Reporting* and German Accounting Standard (GAS) 16 *Interim Reporting*. Preparing interim financial reports 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.

As already published in the Q1/2012 report as of March 31, the accounting method for pension obligations was changed. This retroactive change in accounting policy produced the following effects on certain financial statement lines for the periods concerned or their respective closing dates:

	Balance sheet			SOCI	Income statement			
FS lines affected (€ mill.):	Pension accruals	Accumulated OCI	Deferred tax assets	Actuarial gains/losses on pensions (after deferred taxes)	EBIT	Income taxes	Total net income	EpS
12/31/2010	4.9	(3.4)	1.5					
Q1/2011	(0.3)	0.2	(0.1)	0.2	0.1	0.0	0.1	0.78
3/31/2011	4.6	(3.3)	1.4					
Q2/2011	(0.3)	0.2	(0.1)	0.2	0.1	0.0	0.1	1.26
H1/2011	(0.7)	0.3	(0.2)	0.3	0.2	0.0	0.2	2.05
6/30/2011	4.2	(3.1)	1.3					
Q3/2011				0.2	0.1	0.0	0.1	0.92
9M/2011	(1.0)	0.5	(0.3)	0.5	0.3	0.1	0.2	2.96
9/30/2011	3.9	(2.9)	1.2					
Q4/2011				0.2	0.1	0.0	0.1	1.36
FY 2011	(1.3)	0.7	(0.4)	0.7	0.4	0.1	0.3	4.30
12/31/2011	3.6	(2.8)	1.1					

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 only insignificantly changed since the Q1 report as of March 31, 2012:

Within the Switch Systems and Rail Services business units, one newly formed company each was included for the first time in consolidation. The new subsidiaries were established with a view to better pooling the responsibilities for marketing the respective products or services.

As of May 31, 2012, Vossloh Kiepe Beteiligungs GmbH acquired by share deal all of the shares in TPL (Midlands) Limited, Birmingham, UK, at a price of £7.8 million; the acquiree fully owns Transys Projects Ltd., Birmingham, UK, a company specializing in modernizing, refurbishing and enhancing rail vehicles.

The purchase price, translated into €9.7 million, contrasted with the following assets and liabilities:

€ million	Pre-combination book values	Adjustments	Fair values at initial consolidation date
Intangible assets	–	5.4	5.4
Trade receivables	2.9	–	2.9
Cash and cash equivalents	2.7	–	2.7
Other assets	0.5	–	0.5
Liabilities	9.9	1.4	11.3
Net assets acquired	**(3.8)**	**4.0**	**0.2**
Acquisition price			9.7
Residual goodwill			**9.5**

The adjustments to fair values in the above table are still provisional. The full purchase price was paid cash. Since its first-time consolidation, the acquired operations contributed €1.2 million to group sales and a red €0.2 million to group earnings. Had the acquiree been newly consolidated as of January 1, 2012, the Group's H1 sales would have totaled €581.2 million, with group earnings remaining unchanged.

Consequently, including Vossloh AG, 25 German and 39 foreign companies were consolidated fully in the interim financial statements as of June 30, 2012. Moreover, one German and three foreign companies were consolidated pro rata, one German associated affiliate being included at equity.

Equity

Since the interim consolidated financial statements as of March 31, 2012, Vossloh AG's capital stock has remained unchanged.

Since the consolidated financial statements as of June 30, 2011, Vossloh AG's capital stock has not changed either and amounted to €37,825,168.86. On July 26, 2011, however, the treasury shares then held were redeemed and withdrawn, thus downsizing the total number of shares issued and outstanding to 13,325,290, of which 11,992,761 were still outstanding as of June 30, 2012, after completion of the H2/2011 stock buyback program.

Earnings per share

		H1/2012	H1/2011
Weighted average number of common shares		13,325,290	14,795,920
Repurchased shares (weighted)		(1,332,529)	(1,470,630)
Weighted average number of shares outstanding		11,992,761	13,325,290
Dilutive shares from stock options under the ESOP/LTIP		–	–
Fully diluted weighted average number of shares outstanding		11,992,761	13,325,290
Group earnings	€ mill.	14.6	27.3
Undiluted (basic) EpS	**€**	**1.22**	**2.05**
Fully diluted EpS	**€**	**1.22**	**2.05**

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 the foremost supplier of rail fastening systems. The range embraces fasteners for every application: from light-rail via heavy-haul to high-speed.

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

Vossloh Rail Services engages in activities such as rail trading, long-rail (un)loading at construction sites, welding new rails, reconditioning old rails, on-site welding, rail replacement, rail grinding/milling, rail inspection, and construction site supervision, in addition to organizing and monitoring just-in-time rail shipments to construction sites and ensuring on-site availability of the approved (un)loading systems.

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

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

Vossloh Electrical Systems equips light rail vehicles and buses with advanced electrical systems. The product range includes traction systems, onboard power supply units, vehicle controls, heating and air-conditioning systems. The 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 businesses also cover 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 accounting methods of all segments are identical and conform with the EU-endorsed IFRS. 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	H1/2012	H1/2011	Q2/2012	Q2/2011
Value added	(9.4)	4.7	0.6	6.9
Cost of capital employed	40.4	40.0	20.2	19.8
EBIT	**31.0**	**44.7**	**20.8**	**26.7**

Related-party transactions

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

€ million	H1/2012 or 6/30/2012	H1/2011 or 6/30/2011
Sale/purchase of goods		
Net sales	3.8	2.0
Expenses	0.5	0.5
Trade receivables	3.3	2.9
Trade payables	0.4	0.1
Sale/purchase of other assets/sundry transactions		
Income	0.0	0.0
Expenses	0.0	0.0
Liabilities	1.1	0.0
Services provided or purchased		
Cost of services purchased	1.4	0.0
Finance		
Interest income from loans granted	0.0	0.0
Interest expense for loans received	0.0	0.0
Receivables under loans granted	5.7	0.4
Guaranties/collateral furnished		
Bonds/guaranties furnished	8.1	9.9
Other collateral furnished	1.3	1.3

Contingent liabilities

In comparison to December 31, 2011, the Group's contingent liabilities moved up €1.1 million to €16.4 million; this total includes guaranties for €12.9 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						
H1/2012	€ mill.	10.0	(3.9)	(8.7)	0.0	**(2.6)**
H1/2011	€ mill.	19.0	(9.7)	3.5	0.1	**12.9**
Q2/2012	€ mill.	9.4	0.7	(3.6)	0.0	**6.5**
Q2/2011	€ mill.	9.7	(1.0)	4.8	0.0	**13.5**
Total assets						
6/30/2012	€ mill.	208.7	444.9	131.7	182.8	**968.1**
6/30/2011	€ mill.	230.1	421.7	116.3	188.9	**957.0**
Liabilities						
6/30/2012	€ mill.	135.0	152.6	109.3	(14.6)	**382.3**
6/30/2011	€ mill.	123.2	135.1	79.4	0.8	**338.5**
Net external sales						
H1/2012	€ mill.	110.5	216.4	23.0	0.1	**350.0**
H1/2011	€ mill.	134.1	194.4	43.0	0.4	**371.9**
Q2/2012	€ mill.	72.2	119.6	13.7	0.1	**205.6**
Q2/2011	€ mill.	70.2	113.3	25.8	0.2	**209.5**
Intersegment transfers						
H1/2012	€ mill.	3.8	0.3	0.0	(1.0)	**3.1**
H1/2011	€ mill.	4.4	0.1	0.0	(3.1)	**1.4**
Q2/2012	€ mill.	2.6	0.1	0.0	(0.3)	**2.4**
Q2/2011	€ mill.	2.5	0.1	0.0	(2.0)	**0.6**
Interest income						
H1/2012	€ mill.	0.1	0.3	0.0	(0.1)	**0.3**
H1/2011	€ mill.	0.1	0.4	0.0	(0.1)	**0.4**
Q2/2012	€ mill.	0.1	0.1	0.0	0.0	**0.2**
Q2/2011	€ mill.	0.0	0.2	0.0	0.0	**0.2**
Interest expense						
H1/2012	€ mill.	(2.0)	(1.4)	(1.2)	(0.1)	**(4.7)**
H1/2011	€ mill.	(1.3)	(1.3)	(1.1)	0.0	**(3.7)**
Q2/2012	€ mill.	(1.0)	(0.7)	(0.7)	0.0	**(2.4)**
Q2/2011	€ mill.	(0.8)	(0.6)	(0.6)	(0.1)	**(2.1)**
Amortization/depreciation						
H1/2012	€ mill.	3.5	5.5	2.5	0.0	**11.5**
H1/2011	€ mill.	3.0	5.4	3.6	0.0	**12.0**
Q2/2012	€ mill.	1.7	2.8	1.3	0.0	**5.8**
Q2/2011	€ mill.	1.5	2.7	1.8	0.0	**6.0**
Additions to noncurrent assets						
H1/2012	€ mill.	1.5	8.6	4.1	0.0	**14.2**
H1/2011	€ mill.	4.4	7.4	4.4	0.0	**16.2**
Q2/2012	€ mill.	1.1	5.2	2.2	0.0	**8.5**
Q2/2011	€ mill.	2.7	4.6	2.5	0.0	**9.8**
Average headcount						
H1/2012		556	2,267	357	–	**3,180**
H1/2011		561	2,275	355	–	**3,191**

Transportation Systems	Electrical Systems	Consolidation	Transportation	Holding companies	Consolidation	Group
(0.1)	3.6	0.0	**3.5**	(11.5)	1.2	**(9.4)**
(4.9)	5.2	0.1	**0.4**	(8.7)	0.1	**4.7**
(1.9)	1.0	0.0	**(0.9)**	(5.7)	0.7	**0.6**
(3.9)	2.0	0.0	**(1.9)**	(4.6)	(0.1)	**6.9**
525.6	259.3	(2.9)	**782.0**	857.6	(1,041.3)	**1,566.4**
465.8	210.7	(0.9)	**675.6**	809.4	(948.6)	**1,493.4**
236.8	135.5	(2.9)	**369.4**	534.5	(471.3)	**814.9**
207.1	87.3	(0.8)	**293.6**	387.4	(386.4)	**633.1**
145.0	72.3	0.1	**217.4**	0.2	0.0	**567.6**
118.6	68.8	0.1	**187.5**	0.1	0.0	**559.5**
72.3	35.0	0.1	**107.4**	0.0	0.0	**313.0**
56.6	34.8	0.0	**91.4**	0.1	0.0	**301.0**
0.3	5.1	(4.3)	**1.1**	0.6	(1.0)	**3.8**
0.4	2.8	(2.1)	**1.1**	0.4	(0.9)	**2.0**
0.3	2.3	(2.0)	**0.6**	0.3	(0.7)	**2.6**
0.4	1.0	(0.7)	**0.7**	0.2	(0.5)	**1.0**
3.4	0.2	0.1	**3.7**	4.7	(4.6)	**4.1**
6.6	0.1	0.1	**6.8**	4.0	(4.3)	**6.9**
0.9	0.1	0.0	**1.0**	2.4	(2.1)	**1.5**
3.7	0.1	(0.1)	**3.7**	2.0	(2.3)	**3.6**
(3.4)	(1.9)	0.0	**(5.3)**	(8.2)	5.0	**(13.2)**
(4.7)	(0.6)	0.0	**(5.3)**	(7.1)	4.3	**(11.8)**
(1.4)	(1.4)	0.0	**(2.8)**	(3.5)	2.3	**(6.4)**
(2.7)	(0.3)	0.0	**(3.0)**	(3.5)	2.3	**(6.3)**
6.2	2.0	0.0	**8.2**	0.4	0.0	**20.1**
5.2	1.5	0.0	**6.7**	0.3	0.0	**19.0**
3.2	1.2	0.0	**4.4**	0.2	0.0	**10.4**
2.6	0.8	0.0	**3.4**	0.2	0.0	**9.6**
7.7	1.7	0.0	**9.4**	0.5	0.0	**24.1**
6.9	5.4	(0.1)	**12.2**	1.9	0.0	**30.3**
3.8	0.8	0.0	**4.6**	0.3	0.0	**13.4**
4.0	0.8	0.0	**4.8**	1.0	0.0	**15.6**
1,103	732	–	**1,835**	47	–	**5,062**
1,076	650	–	**1,726**	47	–	**4,964**

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 25, 2012

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, 2012, 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 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 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 reviewed 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 25, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

Fritz	Barhold
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial diary 2012

Publication of interim report:	
as of September 30	October 31, 2012
Investors and analysts conference	December 6, 2012

Financial diary 2013

Publication of financial information 2012	March 2013
Press conference	March 2013
Investors and analysts conference	March 2013
Annual general meeting	May 29, 2013

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Vossloh AG's boards

Executive Board	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, mechanic, Kiel

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