Interim financial report as of June 30, 2016

Key figures for the Group		H1/2016	H1/2015*
Orders received	€ mill.	521.9	585.7
Order backlog	€ mill.	1,030.4	1,161.8
Income statement data			
Sales revenues	€ mill.	522.7	566.0
Core Components	€ mill.	106.1	133.0
Customized Modules	€ mill.	246.7	253.1
Lifecycle Solutions	€ mill.	39.7	28.7
Transportation	€ mill.	136.2	155.6
EBIT	€ mill.	19.3	12.3
EBIT margin	%	3.7	2.2
Net interest result	€ mill.	(6.9)	(6.3)
EBT	€ mill.	12.4	6.0
Net income	€ mill.	14.6	4.8
Earnings per share	€	0.92	0.12
Return on Capital Employed (ROCE)[1]	%	4.9	3.0
Value added[1]	€ mill.	(16.5)	(28.3)
Balance sheet data			
Fixed assets[2]	€ mill.	547.7	556.0
Capital expenditures	€ mill.	12.3	16.4
Amortization/depreciation	€ mill.	18.2	17.8
Closing working capital[3]	€ mill.	250.3	266.6
Closing capital employed	€ mill.	798.0	822.6
Equity	€ mill.	560.8	362.0
Non-controlling interests	€ mill.	18.3	24.4
Net financial debt	€ mill.	125.1	328.9
Assets	€ mill.	1,427.9	1,670.6
Equity ratio	%	39.3	21.7
Cash flow statement data			
Gross cash flow	€ mill.	45.5	31.6
Cash flow from operating activities	€ mill.	(23.7)	(18.0)
Cash flow from investing activities	€ mill.	(14.0)	(26.3)
Cash flow from financing activities	€ mill.	95.6	47.5
Free cash flow	€ mill.	(35.7)	(38.4)
Employees			
Average headcount in the period	Number	4,837	4,911
Core Components	Number	633	623
Customized Modules	Number	2,558	2,585
Lifecycle Solutions	Number	456	377
Transportation	Number	1,134	1,271
Vossloh AG	Number	56	55
Personnel expenses	€ mill.	143.9	142.4
Share data			
Share price at June 30	€	55.56	53.55
Market capitalization at June 30	€ mill.	887.2	713.6

[1] Based on average capital employed

[2] Fixed assets = intangible assets plus property, plant and equipment plus investment properties plus investments in companies accounted for using the equity method plus other noncurrent financial instruments

[3] Trade receivables (incl. receivables from construction contracts) plus inventories minus trade payables (incl. liabilities from construction contracts) minus received advance payments minus other noncurrent provisions (adjusted for items not attributable to operating business)

*Prior year figures adjusted due to the sale of the Rail Vehicles business unit, see page 34 f.

Dear Shareholders,

It was already clear in the first quarter that Vossloh is on the right track of increasing its operational profitability. Despite the somewhat lower sales revenues as compared to the previous year, it was possible, unlike in 2015, to generate positive earnings before interest and taxes (EBIT) in the traditionally weak opening quarter. This trend was not only continued in the now completed second quarter of 2016, it was even further strengthened. For Vossloh, this means an increase in EBIT of more than 57 percent as compared with the first half of 2015 despite of sales revenues being nearly 8 percent below the level of the prior-year period. Our sustainable focus on high margin business accompanied by strict cost management and comprehensive programs for efficiency enhancements are increasingly making measurable contributions to the success of our company.

A significant portion of the sales decrease relates to the Transportation division, which has not been part of the core business since the end of 2014. The main reasons behind this development are project delays at Vossloh Electrical Systems as well as the switch in accounting to the completed contract method at Vossloh Locomotives necessitated within the scope of the change of the business model in large parts of the business. We nevertheless mastered to make significant steps forward in terms of profitability in this area. EBIT after six months remains negative, but the losses as compared to 2015 were nearly cut into halves.

A look at our activities in rail infrastructure reveals a varied picture. While the largest division by far, Customized Modules, kept its sales revenues at a nearly constant high level, it was able to further increase its EBIT margin. Our growth segment, Lifecycle Solutions, increased sales revenues by 38 percent compared to the previous year, accompanied by a significant increase in earnings and profitability. After six months, the Core Components division was noticeably below the previous year sales level. It is therefore all the more remarkable that here, too, the EBIT margin improved further as compared to the prior year period.

Orders received after six months were well above the respective sales revenues in all core divisions, which supports our expectations of increasing sales in the second half of the year. In the Core Components division, this figure of course benefits from the current low sales level. The receipt, however, of a further major order for rail fasteners from China in July of this year valued at about €50 million is a clear indication that we are on the right path here as well. In the Transportation division, orders received are about 15 percent higher than last year's figures.

Vossloh's net income was more than tripled in the first half of 2016 as compared to the previous year and reached €14.6 million. Our capital structure improved significantly, the equity ratio at the end of June 2016 was at 39.3 percent after 21.7 percent in the previous year. The net financial debt decreased in a year-on-year comparison from nearly €329 million to about €125 million. In addition to a positive free cash flow over the last twelve months the gain from the sale of the Rail Vehicles business unit as well as the capital increase conducted in the middle of June were the main sources for this development. I would like to take this opportunity to express my sincere thanks that you as our shareholders accepted our subscription offer for new shares with the overwhelming majority of more than 98 percent. You have thus impressively demonstrated your confidence in our actions and the course we have chosen for the strategic realignment of Vossloh. We have thereby laid an important cornerstone for the future profitable growth of this company and created the flexibility that is necessary to benefit from suitable opportunities to supplement the product and service offerings of our core business.

We are simultaneously continuing to work on the sale of our Transportation business. We continue to expect that we will have completed this step in the implementation of our Group strategy by the end of 2017. In November of this year, Vossloh Locomotives will begin its move to the new location in Kiel. Production is expected to begin in the first half of 2017. Our new plant will then be one of the most modern and efficient in Europe and will form a stable foundation for the future business success of Vossloh Locomotives.

With a view to full-year 2016, we anticipate a vitalization on the sales side for all divisions in the second half of the year and, as of today, expect that Group sales revenues will be at about the level of the previous year. At the same time, the EBIT margin will be in the area between 4 percent and 4.5 percent, as expected.

We, as the Executive Board of Vossloh AG, will continue to do everything in our power to make your company a leading global player in rail infrastructure. Please stay with us on this track and keep supporting us.

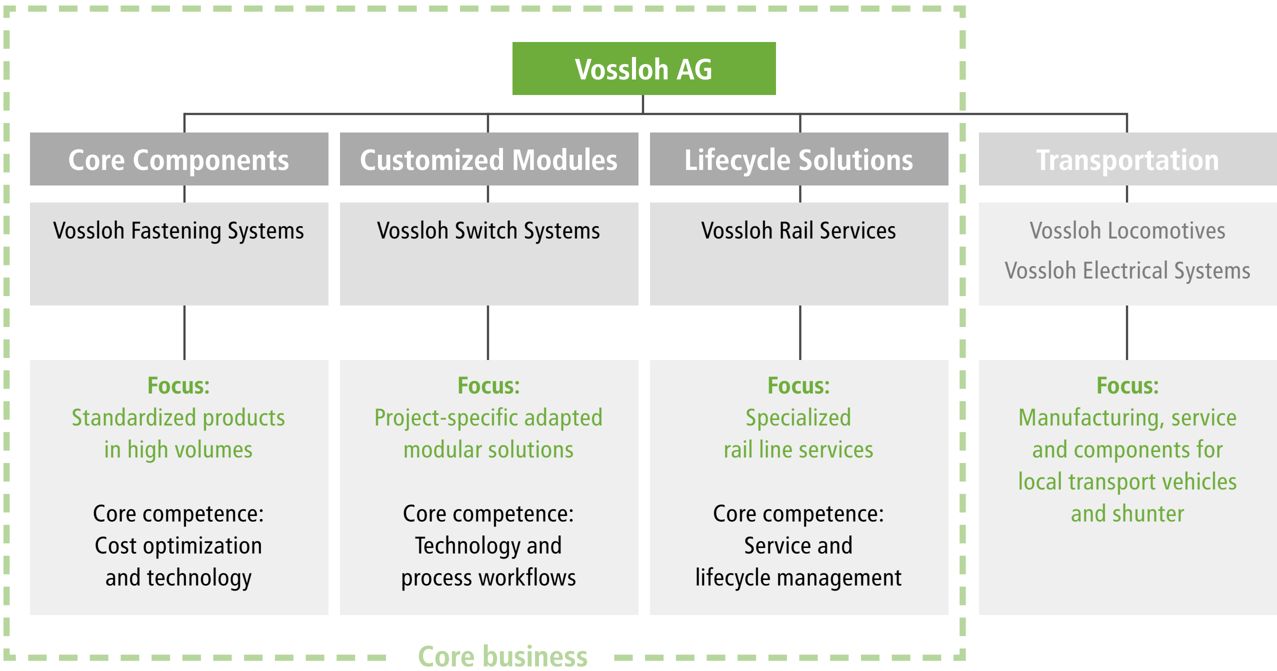
Yours sincerely,

Hans M. Schabert

Dr. h.c. Hans M. Schabert
Chairman of the Executive Board

Vossloh's corporate structure

The three divisions – Core Components, Customized Modules and Lifecycle Solutions – form the pillars of the core business and are managed and controlled in accordance with the basic principles of their business models, i.e. by product, project and service orientation. The divisions work closely together and present themselves uniformly and in a coordinated fashion as "One Vossloh". As an operational management holding, Vossloh AG has direct influence on the operating units. The business units of the Transportation division shall be sold by the end of 2017 at the latest or transferred into suitable partnerships in accordance with the Group's strategic orientation towards rail infrastructure.



Core Components

The division combines the Group's offerings of industrially-manufactured mass products that are required in high volumes for rail infrastructure projects. These currently include the rail fastening systems for use in local and heavy-haul transport through to high-speed lines that are developed, produced and distributed in the Fastening Systems business unit. The medium-term expansion of Core Components to include complementary activities is also planned.

Customized Modules

The division includes all of the Group's services related to the production, installation and maintenance of individualized infrastructure modules. Throughout the world, Vossloh supplies, installs and services switches and turnouts as well as control elements and monitoring systems for rail networks. The range reaches from light-rail to high-speed lines. The division currently includes the Switch Systems business unit. An expansion of activities in the medium-term is also possible here.

Lifecycle Solutions

The division focuses on specialized services related to the maintenance of rails and switches which are brought together in the Rail Services business unit. These particularly include preventive care and maintenance of rails and switches as well as welding and rail and switch logistics work. Comprehensive services supplement the product range of Core Components and Customized Modules. Lifecycle Solutions will be further internationalized and the range of high-quality services in the areas of operation and maintenance is to be broadened to also cover the entire life cycle of infrastructure.

Transportation

The Group's fourth division which, following careful consideration of all relevant criteria, no longer belongs to the core business, offers locomotives and electrical components for local transport vehicles as well as associated services. The division will initially continue to operate in its current form and will be sold or integrated into suitable partnerships by the end of 2017 at the latest. The division comprises the following business units: Locomotives and Electrical Systems.

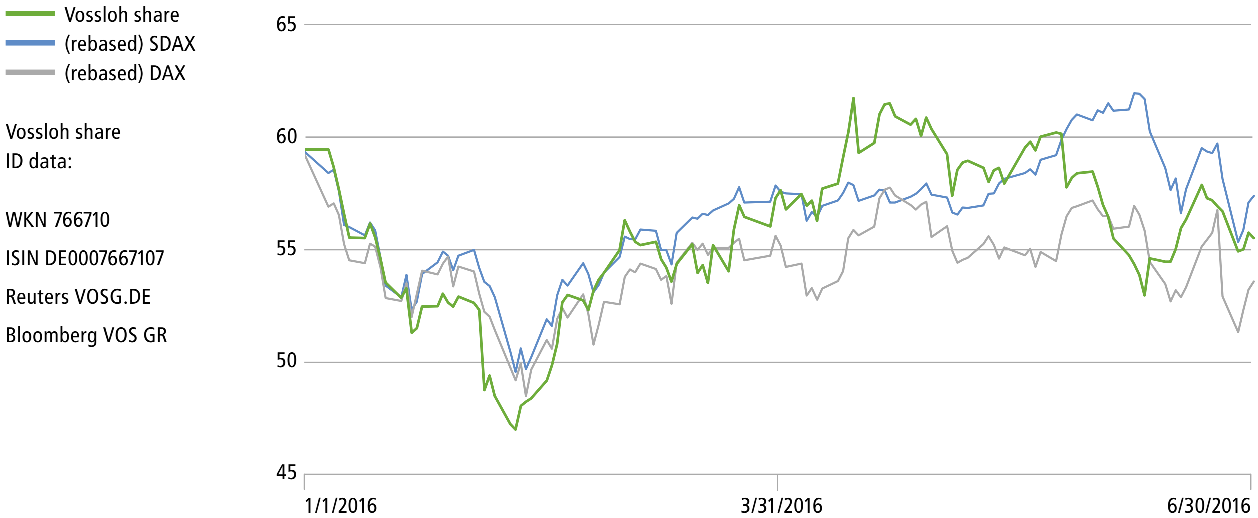
Vossloh share

The United Kingdom's vote to leave the European Union put pressure on international stock markets in the second quarter of 2016

In the second quarter of 2016, development on the stock markets was generally negative. Price drops resulted from weak labor market data in the USA, a reserved reporting season in the US technology sector and a renewed increase in uncertainty in the European banking sector. In addition, persistently disappointing economic data in China together with the decision on the part of the Bank of Japan to forgo a further relaxing of its monetary policy had a weakening effect. The largest burdening factor, however, was the so-called "Brexit" referendum, which caused significant price fluctuations on the global stock markets and, as a result of the United Kingdom's vote to leave the European Union, put an enormous amount of pressure on the global financial markets in the last week of June. Improved economic data in Europe and in the USA, a more stable oil price and increasing M&A activities led to only a brief countering of the situation during the second quarter.

Against this backdrop, on June 30, 2016, the DAX closed at 9,680 points, thereby recording a loss of 9.9 percent compared to the end of 2015. In the same period, the MDAX lost a total of 4.5 percent. The index closed at the end of June 2016 with 19,843 points. The SDAX closed out the first half of the year with 8,782 points. This corresponds to a 3.5 percent decline.

Price performance of the Vossloh share: January 1 – June 30, 2016



Vossloh share ID data:

WKN 766710

ISIN DE0007667107

Reuters VOSG.DE

Bloomberg VOS GR

Successful capital increase in June 2016

On June 17, 2016, Vossloh successfully conducted a capital increase by 2,642,147 new shares at a subscription price of €48.00. The new shares, which were offered at a subscription ratio of 5:1, were introduced into stock market trading on the same day. The number of shares of Vossloh AG increased accordingly from 13,325,290 to 15,967,437 so that the capital stock of Vossloh AG now amounts to €45,325,167.47. The New Shares carry full dividend rights retroactively as of 1 January 2016. In total, 98.2 percent of the subscription rights were exercised by the subscription rights holders within the scope of the transaction. The Executive Board decided to carry out the capital increase on May 24, 2016 as part of the strategic positioning of the Group under utilization of the entire authorized capital. The cash inflow in the net amount of €124.0 million lends additional financial stability and flexibility for future organic and non-organic growth of the company.

Overall, development of the Vossloh share in the first half of 2016 was worse than that of the reference index SDAX. The development of the Vossloh share, however, must be seen in the context of the capital increase carried out in June and the associated challenges for the share price. The Vossloh share closed on June 30, 2016 at €55.56 (December 30, 2015: €59.52). The high for the current financial year was reached on April 21, 2016 at €62.40. Vossloh reached the lowest price for the half-year on February 9, 2016 at €46.64.

Trading volume for Vossloh share decreased from 4.9 million in the first six months of 2015 market year to about 2.8 million for the current reporting period. Calculated on the basis of the 126 trading days in the period from January to June, an average daily trading volume of approximately 22,100 shares was reached (previous year: 39,700 shares). Market capitalization of the Vossloh Group was €887.2 million as of June 30, 2016.

Holdings of Mr. Thiele in Vossloh AG increased slightly to 40.97 percent within the scope of the capital increase; free float market capitalization of Vossloh AG at about €524 million.

Vossloh AG's largest shareholder is Mr. Heinz Hermann Thiele. Mr. Thiele, who is also Chairman of the Supervisory Board at the company, exercised all of the subscription rights to which he was entitled in the course of the capital increase of Vossloh Aktiengesellschaft, thus slightly increasing his stake, according to the WpHG notice from June 15, 2016, from 40.79 percent to 40.97 percent. Additional known shareholders of Vossloh AG with voting rights exceeding the legal reporting threshold of 3 percent are: LAZARD FRERES GESTION SAS, Paris, France, with 3.01 percent (reported as of March 24, 2014), Franklin Mutual Advisors, LLC, Wilmington, Delaware, USA, with 5.68 percent (reported as of July 1, 2014), as well as Iskander Makhmudov, Russian Federation, with 3.08 percent (reported as of February 5, 2015). Because these are purely financial investments, the assets of institutional investors count toward the free float market capitalization as defined by Deutsche Börse AG. The free float of Vossloh AG therefore amounted to 59.03 percent at the end of June 2016, which corresponds to a market capitalization of around €524 million.

Vossloh Annual General Meeting 2016: all agenda items approved with large majorities

At Vossloh AG's Annual General Meeting, which took place on May 25, 2016 in Düsseldorf, shareholders approved all of the agenda items by a large majority. A total of about 65 percent of the capital stock was represented. In accordance with the proposals from the administration, it was decided to discharge current members of the Executive Board Dr. h.c. Hans M. Schabert, Volker Schenk and Oliver Schuster for the year 2015 and that the unappropriated surplus from 2015 be carried forward. As proposed, the discharge of the Executive Board members who left the company in 2014, Werner Andree and Dr.-Ing. Norbert Schiedeck, was postponed. Furthermore, the Annual General Meeting re-elected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the 2016 financial year. The shareholders also approved the amendment to the business purpose of Vossloh AG in the Articles of Incorporation. The adjustment of the business purpose underlines the focusing of Vossloh's business activities.

Vossloh share with mainly positive evaluations in the second quarter of 2016

In the second quarter of 2016, a total of eight financial analysts of German and international institutions followed the development of the Vossloh Group with published regular assessments and commentaries. At the end of 2016, a total of two analysts gave the Vossloh share a "buy" recommendation. Six institutions recommended holding it. No sell recommendations were issued in the current reporting period. The range of assumed target prices for the Vossloh share at the end of June 2016 was between €53 and €66. On average, the target price amounted to €59.

Information on the Vossloh share	
ISIN	DE0007667107
Trading platforms	Xetra, Düsseldorf, Frankfurt, Berlin, Hamburg, Hanover, Stuttgart, Munich
Index	SDAX
Number of shares outstanding on June 30, 2016	15,967,437
Share price (June 30, 2016)	€55.56
Stock price high/low (January through June 2016)	€62.40/€46.64
Reuters code	VOSG.DE
Bloomberg code	VOS GR

For questions or additional information on Vossloh or the Vossloh share, we recommend that you visit our Internet site www.vossloh.com. You are very welcome to contact us should you have any questions. You can reach us at: investor.relations@ag.vossloh.com or by telephone at +49 (0) 23 92 52-609.

Business development in the Group

Preliminary remarks

Reporting takes into account the presentation of the sold Rail Vehicles business unit in 2015 in "discontinued operations"

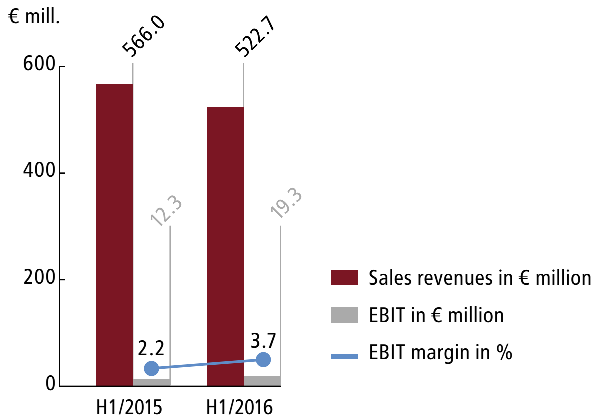
The sale of the Rail Vehicles business unit to the Swiss company Stadler Rail AG, Bussnang, was completed on December 31, 2015. The Rail Vehicles business unit was deconsolidated following the completion of the disposal. Against this backdrop, all income and expenses of the Rail Vehicles business unit have been included in the line item "net result from discontinued operations" in the income statement for the comparable period of the prior year. The assets and liabilities are reported separately under "assets or liabilities held for sale" in the balance sheet. Accordingly, the Group figures as well as the figures for the Transportation division are not comparable with those presented in the half-year report 2015. For more detailed information on this topic, please see the explanatory notes on p. 34 f. of this half-year report.

Results of operations

Sales revenues in the first six months of the year below the previous year

Sales revenues of the Vossloh Group of €282.6 million in the second quarter of 2016 were 7.7 percent below the corresponding prior year figure of €306.1 million. In the first six months of 2016, Group sales revenues were at €522.7 million and thereby fell short of the previous year's level of €566.0 million by 7.6 percent. The slow start for Group sales in the first three months of the reporting year continued in the second quarter of 2016, which was particularly attributable to weak sales development in the USA as well as delays to individual projects.

The decline in the first six months of 2016 was primarily a result of sales development in the Core Components division. Sales in the division were at €106.1 million in the first six months of the current financial year and were thereby 20.2 percent below the comparable figure of the previous year of €133.0 million. The Customized Modules division also did not quite reach the level of the previous year. In the first six months of 2016, sales revenues in the division amounted to €246.7 million and were thereby 2.5 percent lower than the previous year's figure of €253.1 million. In contrast, the positive trend of the first three months of the reporting year in the Lifecycle Solutions division continued in the second quarter of 2016. Sales in the first six months of 2016 improved from €28.7 million in the previous year to €39.7 million. This corresponds to sales growth of 38.0 percent. In the Transportation division, which no longer belongs to the core business, sales revenues in the first six months of the reporting year of €136.2 million were 12.5 percent lower than in the previous year (€155.6 million). The division was therefore responsible for a significant portion of the sales decline in the Vossloh Group.



Vossloh Group sales revenues and EBIT

Vossloh Group

		H1/2016	H1/2015*	Q2/2016	Q2/2015*
Sales revenues	€ mill.	522.7	566.0	282.6	306.1
EBIT	€ mill.	19.3	12.3	17.0	14.5
EBIT margin	%	3.7	2.2	6.0	4.7
EBT	€ mill.	12.4	6.0	13.4	10.7
Net profit	€ mill.	14.6	4.8	10.9	5.8
ROCE[1]	%	4.9	3.0	8.5	7.0
Value added[1]	€ mill.	(16.5)	(28.3)	(1.1)	(6.1)

[1] With average capital employed, cost of capital in 2016 at 9 percent (previous year: 10 percent).
*Previous year figures presented in a comparable manner, see page 34 f.

In the first six months of 2016, thanks to a good second quarter, the Vossloh Group achieved sales revenues of €355.2 million in Europe, thereby slightly above the prior year figure of €352.5 million. The sales increase was primarily attributable to higher revenues in Northern Europe. Significant sales growth could particularly be achieved in Finland – partially due to acquisitions – and Norway. As a result of pleasing sales development in Italy in the second quarter of 2016, the positive trend of the first three months continued in Southern Europe. In Western Europe the sales revenues in the first six months of the year were slightly below the level of the previous year. The significantly decreased sales volume in Germany could be compensated for by very good business development in France. In contrast, a significant decline in sales was recorded in Eastern Europe as was already the case in the first quarter of 2016. This is primarily attributable to lower sales in Poland in comparison with the previous year.

Sales revenues by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	H1/2016		H1/2015*		Q2/2016		Q2/2015*	
Germany	88.5	16.9	109.7	19.4	50.0	17.7	66.4	21.7
France	80.9	15.5	62.1	11.0	43.4	15.4	31.5	10.3
Rest of Western Europe	66.3	12.7	68.2	12.0	37.1	13.1	36.3	11.9
Northern Europe	63.0	12.0	46.3	8.2	40.4	14.3	27.8	9.1
Southern Europe	32.7	6.3	26.1	4.6	19.0	6.7	14.5	4.7
Eastern Europe	23.8	4.6	40.1	7.1	14.2	5.0	21.0	6.9
Total for Europe	**355.2**	**68.0**	**352.5**	**62.3**	**204.1**	**72.2**	**197.5**	**64.6**
Americas	68.7	13.1	106.9	18.9	30.5	10.8	59.4	19.4
Asia	72.5	13.9	83.5	14.8	36.5	12.9	39.0	12.7
Africa	16.7	3.2	12.1	2.1	6.5	2.3	5.2	1.7
Australia	9.6	1.8	11.0	1.9	5.0	1.8	5.0	1.6
Total	**522.7**	**100.0**	**566.0**	**100.0**	**282.6**	**100.0**	**306.1**	**100.0**

*Previous year figures presented in a comparable manner, see page 34 f.

In the Americas region the high sales level of the previous year could not be achieved in the first six months of 2016. Sales in the US market continued to decline in particular as a result of the lower investments by Class 1 railway operators due to economic conditions. In addition, sales revenues in South America also declined in the first six months of 2016, which is particularly a result of a decline in sales in both Argentina and Brazil.

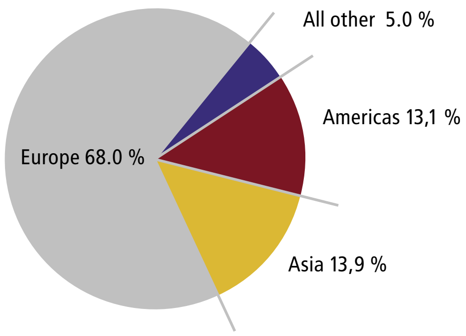
The sales decline in Asia from the first quarter of 2016 remained almost unchanged. In the first six months of the reporting year, sales revenues in China, Saudi Arabia, South Korea and Malaysia in particular failed to reach the level of the first six months of 2015. Sales in India and Qatar recorded positive development.

Positive sales development in comparison with the previous year was recorded in Africa in the first six months of 2016. This is primarily a result of the increased sales in Morocco.

The share of sales achieved outside of Europe in the first six months of 2016 decreased from 37.7 percent in the previous year to 32.0 percent in the current reporting period.

Orders received in the first six months of 2016 remained below the level of the previous year

In the first six months of financial year 2016, orders received by the Vossloh Group amounted to €521.9 million and were thereby below the previous year's figure of €585.7 million. Overall, the Core Components division was unable to reach the high orders received of the previous year. Here orders received in the first six months of 2016 amounted to €115.8 million and thereby fell short of the previous year's figure of €194.0 million by 40.3 percent. However, a major order was received in China at the beginning of the third quarter (see page 16), which will result in significant growth in orders received over the course of the year. In the Customized Modules division, orders received of €269.8 million in the first six months of 2016 fell just short of the level of the previous year of €281.0 million by 4.0 percent. In contrast, higher orders received were recorded in the other divisions in comparison with the previous year. Orders received in the Lifecycle Solutions division in the reporting period of €51.8 million significantly exceeded the level of the previous year by 46.9 percent (prior year: €35.2 million). Higher orders received in the first six months of 2016 of €91.6 million than in the first six months of the previous year (€79.7 million) were also recorded in the Transportation division. This corresponds to growth of 14.9 percent.



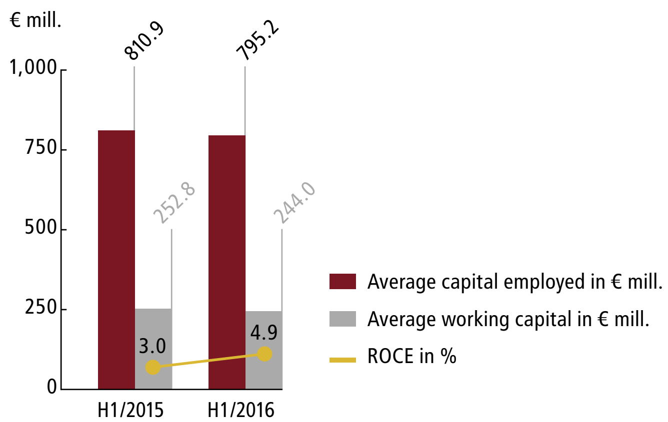
Sales revenues by region H1/2016

At €1,030.4 million, the Vossloh Group's order backlog as of June 30, 2016 was 11.3 percent lower than the amount at the end of the first half of 2016 of €1,161.8 million. This development was a result, among other things, of a decline in the order backlog in the Core Components division. At €187.2 million on June 30, 2016, this was below the previous year's figure of €243.7 million. The order backlog of the Customized Modules division at the end of the first six months of 2016 of €321.3 million was also slightly below the previous year's figure of €337.1 million. In contrast, the Lifecycle Solutions division recorded a slightly higher order backlog of €19.9 million on June 30, 2016 (previous year: €16.9 million). At €503.3 million on June 30, 2016, the order backlog of the Transportation division was significantly lower than on the closing date of the previous year, at €565.3 million. This decline is solely attributable to the Electrical Systems business unit and the processing of the high order backlog.

Order backlog at a continued high level at €1,030.4 million

The positive earnings development of the Vossloh Group in the first quarter of the reporting year continued in the second quarter. Earnings before interest and taxes (EBIT) of the Vossloh Group improved from €12.3 million in the previous year to €19.3 million in the first six months of 2016. The earnings increase was primarily attributable to the increased focus on high margin projects, stricter cost management and comprehensive efficiency enhancement programs. In the Transportation division in particular, EBIT in the first six months of 2016 of €(5.7) million significantly exceeded the level of the previous year of €(10.1) million. In addition to this reduction in losses in the Transportation division, the earnings increase in the Group was particularly attributable to the improved EBIT in the Lifecycle Solutions division, which achieved an EBIT of €3.2 million in the current reporting period, compared with €0.0 million in the previous year. The Customized Modules division was also able to record a slightly higher in EBIT compared with the prior year of €15.7 million (previous year: €15.5 million) thanks to a strong second quarter following a slow start to the current financial year in terms of earnings. In contrast, EBIT in the Core Components division of €12.8 million in the first six months of 2016 was below the previous year's figure of €14.2 million as a result of decreased sales volume. The EBIT margin of the Vossloh Group was 3.7 percent in the first six months of 2016 and thereby significantly exceeded the level of the first half of 2015 of 2.2 percent.

Profitability noticeably improved – Group EBIT increased to €19.3 million



Development of capital employed, working capital and ROCE of the Vossloh Group

Net income of €14.6 million in the first half of 2016 significantly higher than the previous year's figure

As a result of the significantly improved earnings in comparison with the prior year and the only slightly worsened net interest result of €(6.9) million (previous year: €(6.3) million), earnings before income taxes showed a clear improvement from €6.0 million in the previous year to €12.4 million in the reporting period. The tax expense in the first six months of 2016 amounted to €2.7 million and was thereby significantly lower than the tax expense of €6.8 million in the previous year. The Vossloh Group's net result from discontinued operation in the amount of €4.9 million in the reporting period (previous year: €5.6 million) is attributable to a subsequent purchase price increase ("earnout") in the first quarter of 2016 from the sale of the Rail Vehicles business unit. The resulting payment was received in July 2016. Overall, net income in the first six months of the current financial year was at €14.6 million (previous year: €4.8 million), of which €2.2 million (previous year: €3.2 million) was attributable to non-controlling interests, with €12.4 million attributable to the shareholders of Vossloh AG (previous year: €1.6 million). Earnings per share amounted to €0.92 in the current reporting period (previous year: €0.12). The average number of outstanding shares increased from 13,325,290 in the first six months of the previous year to 13,557,567 in the current reporting period.

Value added continues to be negative, ROCE increased to 4.9 percent

As expected, the value added of the Vossloh Group continued to be negative, however increased from €(28.3) million in the previous year to €(16.5) million in the first six months of 2016. The Transportation division particularly contributed towards the increase, with the negative value added in the division limited to €(11.6) million in the first six months of 2016 (previous year: €(16.5) million). In addition, Lifecyle Solutions with €(2.6) million (previous year: €(5.9) million, Customized Modules with €(3.0) million (previous year: €(5.7) million) as well as Core Components with €7.8 million (previous year: €7.6 million) were able to increase their value added in comparison with the previous year. For the calculation of value added, a weighted average cost of capital – WACC – of 9.0 percent was assumed. In 2015, WACC was at 10.0 percent. The average capital employed in the Vossloh Group for the determination of the cost of capital thereby includes goodwill of over €250 million.

The return on capital employed (ROCE) increased in the current reporting period to 4.9 percent (previous year: 3.0 percent) as a result of an improved Group EBIT as well as a lower average capital employed.

Net assets and financial position

Equity significantly increased in 2016, primarily as a result of the capital increase concluded in June

The Vossloh Group's assets amounted to €1,427.9 million as of the closing date of June 30, 2016. Including assets from discontinued operations of the former Rail Vehicles business unit, assets amounted to €1,670.6 million on the closing date of the previous year. Group equity at the end of the first six months of the current financial year amounted to €560.8 million, following €362.0 million on June 30, 2015 and €428.7 million on December 31, 2015. In addition to the profit from the disposal of the Rail Vehicles business unit, the capital increase in the second quarter of 2016 is primarily responsible for the boost in equity in comparison to the level of the previous year. As a result of the significantly higher equity and decreased assets in comparison with the previous year, the equity ratio increased noticeably to 39.3 percent following 21.7 percent on the closing date of the previous year.

Capital employed at the Vossloh Group at the end of the first six months amounted to €798.0 million and was thus below the level of June 30, 2015 (€822.6 million). The decline in comparison with the previous year is primarily attributable to the lower working capital compared with the prior year as well as decreased fixed assets. Average capital employed in the first six months of 2016 of €795.2 million was also lower than the first six months of 2015 of €810.9 million.

The average working capital of the Vossloh Group of €244.0 million in the first half of 2016 was below the previous year's figure of €252.8 million. Due to the drop in sales the working capital intensity – the ratio of working capital to sales – increased from 22.3 percent in the previous year to 23.3 percent in the reporting period. The increase is primarily attributable to the Transportation division.

Net financial debt drops to €125.1 million

Net financial debt of the Vossloh Group amounted to €125.1 million at the end of the first six months of 2016, following €328.9 million on June 30, 2016 and €200.1 million at the end of financial year 2015. The capital increase completed in June 2016 and the resulting proceeds contributed significantly to decreasing net financial debt, with €124.0 million. In addition, the cash inflow from the sale of the Rail Vehicles business unit as well as the free cash flow of the last twelve months had a positive impact on the reduction of net financial debt compared with the closing date of June 30, 2015. As of June 30, 2016, cash and cash equivalents as well as short-term securities amounting to €135.5 million (previous year: €54.3 million) stood opposite financial liabilities in the amount of €260.6 million (previous year: €383.2 million).

Vossloh Group

		6/30/2016 H1/2016	12/31/2015*/ 2015 financial year*	6/30/2015*/ H1/2015*
Assets	€ mill.	1,427.9	1,375.1	1,670.6
Equity	€ mill.	560.8	428.7	362.0
Equity ratio	%	39.3	31.2	21.7
Average working capital	€ mill.	244.0	251.1	252.8
Average working capital intensity	%	23.3	20.9	22.3
Fixed assets	€ mill.	547.7	558.3	556.0
Closing capital employed	€ mill.	798.0	768.5	822.6
Average capital employed	€ mill.	795.2	808.7	810.9
Free cash flow	€ mill.	(35.7)	66.1	(38.4)
Net financial debt	€ mill.	125.1	200.1	328.9

*Previous year figures presented in a comparable manner, see page 34 f.

Business development Core Components

Results of operations

Sales revenues significantly lower than the previous year's figure by 20.2%

In the second quarter of 2016, sales revenues of the Core Components division amounted to €54.8 million, remaining below the previous year's figure of €66.8 million, as in the first three months of the current year. At €106.1 million, sales revenues in the first six months of 2016 thereby fell short of the previous year's figure of €133.0 million by 20.2 percent. The decrease is particularly attributable to project delays in Argentina. In addition, the sales level of the previous year could also not be reached in Saudi Arabia, despite a significant sales increase in the second quarter of 2016 as a result of the order received this year for the Riyadh subway. In contrast, the positive sales development in Qatar and India continued.

Core Components received a major order from China at the beginning of the third quarter of 2016

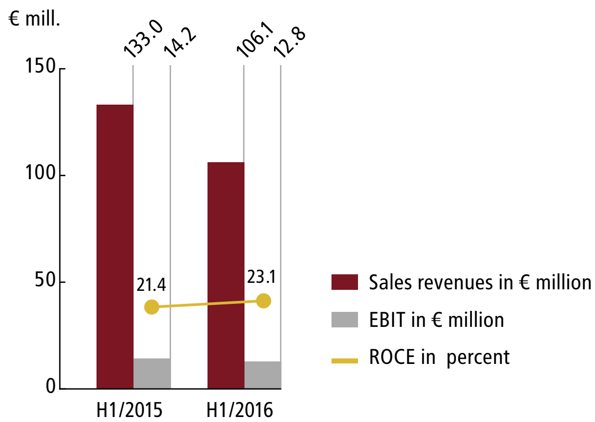
Orders received in the Core Components division of €50.7 million in the second quarter of 2016 were significantly lower than the previous year's figure of €122.6 million. In the first six months of the current financial year, orders received were higher than sales revenues at €115.8 million, however remained below the high level of the previous year of €194.0 million as expected. The prior year figure had been influenced, among other things, by an order from China in the amount of €70 million. At the beginning of the second quarter of 2016, Vossloh received an order to supply fastening systems for a high-speed line in China just inside the double-digit million range.

Pleasingly, a further major order from China in the amount of €50 million was received at the beginning of the third quarter of 2016. Further significant orders received include the local transport orders for Riyadh (Saudi Arabia) and Doha (Qatar), awarded in the first three months of the reporting year. The order backlog in the Core Components division amounted to €187.2 million on June 30, 2016 (previous year: €243.7 million).

Core Components

		H1/2016	H1/2015	Q2/2016	Q2/2015
Sales revenues	€ mill.	106.1	133.0	54.8	66.8
EBIT	€ mill.	12.8	14.2	6.1	7.8
EBIT margin	%	12.0	10.7	11.2	11.7
ROCE[1]	%	23.1	21.4	22.1	22.9
Value added[1]	€ mill.	7.8	7.6	3.6	4.4

[1] Based on average capital employed



Sales revenues, EBIT and ROCE in the Core Components division

At €12.8 million, EBIT was only slightly below the prior year figure of €14.2 million despite the significant decrease in sales volume. The EBIT margin at 12.0 percent thereby remained in double digits and even exceeded the level of the previous year figure of 10.7 percent. This was primarily the result of a higher margin project mix in China. Furthermore, the comprehensive measures program resulted in an improved cost position.

Profitability increased in comparison with the previous year – EBIT margin at 12.0 percent

Despite the decline in earnings, value added in the Core Components division of €7.8 million was almost unchanged from the previous year's figure of €7.6 million. The primary reason for this was lower average capital employed compared with the previous year. However, the decreased weighted average cost of capital before taxes (WACC) from 10 percent in the 2015 financial year to 9 percent also had a slightly positive effect on value added. As a result of the lower average capital employed, the ROCE also increased in comparison with the previous year to 23.1 percent (prior year: 21.4 percent).

Asset and capital structure

In the first half of 2016, at €110.8 million the average capital employed was lower than the corresponding level of the previous year of €132.5 million. This was a result, on the one hand, of a significantly lower average working capital in the reporting period of €59.8 million (prior year: €74.8 million) and, on the other hand, lower fixed assets compared with the previous year. The average working capital intensity was almost unchanged at 28.2 percent (previous year: 28.1 percent).

Average working capital significantly lower compared with the previous year

Core Components

		6/30/2016 H1/2016	12/31/15 2015 financial year	6/30/15 H1/2015
Average working capital	€ mill.	59.8	68.8	74.8
Average working capital intensity	%	28.2	26.8	28.1
Average capital employed	€ mill.	110.8	125.1	132.5

Business development Customized Modules

Results of operations

Sales revenues slightly below high level of the previous year

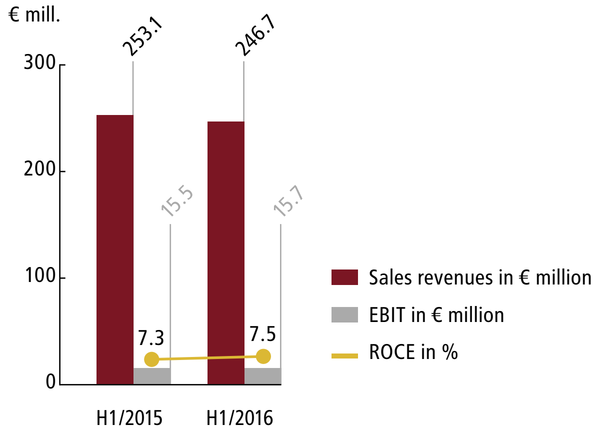
Sales revenues in the Customized Modules division in the second quarter of 2016 of €134.8 million were slightly below the level of the previous year of €137.2 million. In the first six months of the current financial year, sales revenues of the Customized Modules division of €246.7 million were also slightly below the previous year's figure of €253.1 million. Declining investments by Class 1 railway operators in the USA as a result of economic conditions and the completion of projects in Poland were primarily responsible for the decrease. In contrast, significant sales growth was achieved in France and Italy.

Orders received in the Customized Modules division amounted to €115.9 million in the second quarter of 2016 and were thereby lower than the previous year's figure of €133.8 million. In the first six months of the reporting year, orders received totaled €269.8 million and were thereby above sales revenues for this division, however slightly below the previous year's figure of €281.0 million. Key new orders in the first six months of 2016 came from France, the USA, Sweden and Morocco. The order backlog on June 30, 2016 amounted to €321.3 million (previous year: €337.1 million).

Customized Modules

		H1/2016	H1/2015	Q2/2016	Q2/2015
Sales revenues	€ mill.	246.7	253.1	134.8	137.2
EBIT	€ mill.	15.7	15.5	13.3	10.0
EBIT margin	%	6.4	6.1	9.9	7.3
ROCE[1]	%	7.5	7.3	12.8	9.2
Value added[1]	€ mill.	(3.0)	(5.7)	4.0	(0.8)

[1] Based on average capital employed



Sales revenues, EBIT and ROCE of the Customized Modules division

Despite continued very weak business development in the USA, the Customized Modules division recorded an improved margin development. In the first six months of the current financial year, EBIT increased from €15.5 million in the previous year to €15.7 million. The EBIT margin also improved slightly to 6.4 percent (previous year: 6.1 percent). The processing of a greater number of high margin projects also had a positive impact in the second quarter.

Strong earnings development in the second quarter – EBIT improved to €15.7 million

The value added in the Customized Modules division remained negative, however increased primarily due to the decline in the weighted cost of capital from 10 percent in 2015 to 9 percent in 2016 from €(5.7) million in the previous year to €(3.0) million in the first six months of 2016. ROCE also improved to 7.5 percent (prior year: 7.3 percent).

Net assets and financial position

Average capital employed in the Customized Modules division dropped to €416.4 million in the first six months of 2016, compared to €424.4 million in the prior year. The decrease is attributable to both lower fixed assets as well as reduced average working capital. The average working capital in the first six months of 2016 amounted to €133.5 million and was thereby slightly below the previous year's figure of €137.7 million. The average working capital intensity was almost unchanged at 27.1 percent (previous year: 27.2 percent).

Average working capital slightly below prior year figure

Customized Modules

		6/30/2016 H1/2016	12/31/15 2015 financial year	6/30/15 H1/2015
Average working capital	€ mill.	133.5	141.1	137.7
Average working capital intensity	%	27.1	27.0	27.2
Average capital employed	€ mill.	416.4	427.1	424.4

Business development Lifecycle Solutions

Results of operations

Sales revenues increased in the first six months of 2016 by 38.0 percent compared with the previous year

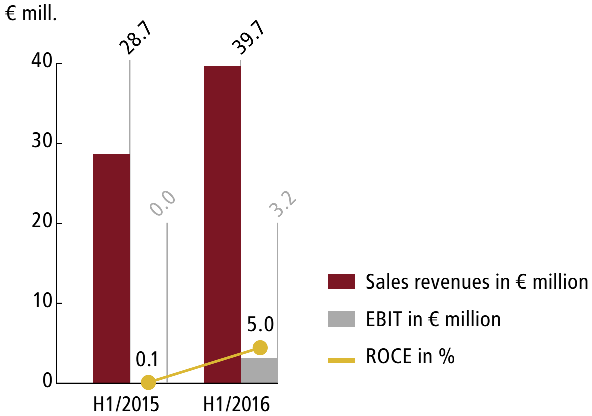
The Lifecycle Solutions division achieved high sales revenues of €25.9 million in the second quarter of 2016 (previous year: €16.8 million). In the first six months of the reporting year, the division recorded sales revenues in the amount of €39.7 million and thereby exceeded the previous year's figure of €28.7 million by 38.0 percent. As in the first three months of the reporting year, the sales increase was attributable to the positive business development in Northern Europe, in particular in Sweden and Finland. In addition, sales growth was also achieved in Germany.

In the second quarter of the current financial year, orders received in the Lifecycle Solutions division of €29.6 million clearly exceeded the previous year's figure of €15.9 million. Orders received in the first six months of 2016 of €51.8 million were thereby significantly higher than the corresponding sales revenues and were also substantially above the previous year's figure of €35.2 million. A major portion of the orders received were recorded in Germany, but key orders received were also achieved in Sweden as well as by the company in Finland, which has been consolidated since mid-2015. The order backlog of the Lifecycle Solutions division at the end of the first six months of 2016 of €19.9 million was above the previous year's figure of €16.9 million.

Lifecycle Solutions

		H1/2016	H1/2015	Q2/2016	Q2/2015
Sales revenues	€ mill.	39.7	28.7	25.9	16.8
EBIT	€ mill.	3.2	0.0	4.2	1.7
EBIT margin	%	8.1	0.1	16.2	9.8
ROCE[1]	%	5.0	0.1	12.9	5.5
Value added[1]	€ mill.	(2.6)	(5.9)	1.3	(1.3)

[1] Based on average capital employed



Sales revenues, EBIT and ROCE of the Lifecycle Solutions division

EBIT and EBIT margin considerably above prior year figures

After EBIT of the Lifecycle Solutions division had been negative in the first three months of the reporting year for reasons related to the season, in the first six months of 2016 it was clearly positive at €3.2 million (previous year: €0.0 million). This also resulted in a significantly improved EBIT margin of 8.1 percent (previous year: 0.1 percent). The earnings increase is particularly attributable to the substantial increase in sales in Northern Europe.

The value added in the division continues to be negative, as expected, however it was also increased from €(5.9) million in the previous year to €(2.6) million in the first six months of 2016 despite higher average capital employed. This was primarily attributable to the significant increase in earnings as well as – to a lesser extent – the decreased WACC. The ROCE improved from 0.1 percent in the previous year to 5.0 percent in the first six months of 2016.

Net assets and financial position

Average capital employed significantly above prior year figure

The average capital employed in the Lifecycle Solutions division increased in the first six months of 2016 to €129.5 million (previous year: €118.3 million). The increase was primarily attributable to higher fixed assets, which is partially attributable to the joint venture in Finland, which has been included in the scope of consolidation since the second half of 2015. The average working capital as a significant part of the average capital employed also increased from €8.8 million in the previous year to €11.7 million in the first six months of 2016. As a result of increased sales volume, the average working capital intensity decreased from 15.4 percent in the previous year to 14.8 percent in the first six months of 2016, despite the higher working capital.

Lifecycle Solutions

		6/30/2016 H1/2016	12/31/15 2015 financial year	6/30/15 H1/2015
Average working capital	€ mill.	11.7	9.9	8.8
Average working capital intensity	%	14.8	13.8	15.4
Average capital employed	€ mill.	129.5	122.0	118.3

Business development Transportation

Results of operations

Sales revenues in the first six months 12.5 percent below the previous year

Sales revenues in the Transportation division amounted to €70.7 million in the second quarter of the reporting year and were below the level of the previous year of €87.6 million. In the first six months of 2016, sales revenues of this division of €136.2 million were 12.5 percent below the level of the previous year of €155.6 million. Both Vossloh Locomotives and Vossloh Electrical Systems recorded a decline in sales in the first six months of 2016.

In comparison with the second quarter of the previous year, orders received in the Transportation division of €40.5 million were below the previous year's figure of €49.7 million. In contrast, in the first six months of 2016, orders received of €91.6 million were above the level of the previous year of €79.7 million. As of June 30, 2016, the order backlog amounted to €503.3 million (previous year: €565.3 million).

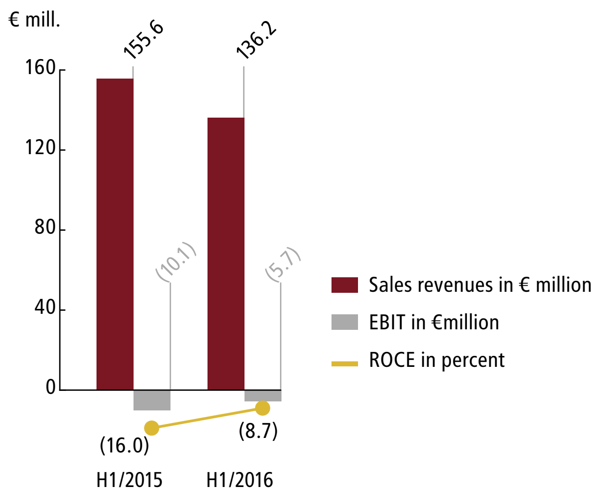
Transportation

		H1/2016	H1/2015	Q2/2016	Q2/2015
Sales revenues	€ mill.	136.2	155.6	70.7	87.6
EBIT	€ mill.	(5.7)	(10.1)	(3.3)	(1.3)
EBIT margin	%	(4.2)	(6.5)	(4.7)	(1.5)
ROCE[1]	%	(8.7)	(16.0)	(9.6)	(4.2)
Value added[1]	€ mill.	(11.6)	(16.5)	(6.5)	(4.5)

[1] Based on average capital employed

*Previous year figures presented in a comparable manner, see page 34 f.

The Locomotives business unit recorded sales revenues of €19.8 million in the second quarter of 2016, below the prior year's figure of €24.4 million. In the first six months of the reporting year, sales revenues of €34.9 million were 23.5 percent lower than the previous year's figure of €45.5 million. However, the share of sales revenues from construction contracts in 2016, which is to be reported in accordance with the percentage of completion method, was significantly lower than in 2015. In comparison with the previous year, the decline in sales is thereby primarily attributable to a large extent necessary change in recognizing sales revenues according to the completed contract method.



Sales revenues, EBIT and ROCE of the Transportation division

Orders received in the Locomotives business unit of €31.7 million in the second quarter of 2016 significantly exceeded the prior year's figure of €18.5 million. In the first six months of 2016 the volume of new orders amounted to €42.8 million and was thereby higher than in the previous year (€31.4 million). The order backlog on June 30, 2016 amounted to €107.1 million (prior year: €78.5 million).

The sales revenues of Vossloh Electrical Systems were €51.5 million in the second quarter of 2016, thereby below the value of the previous year of €64.1 million. In the first six months of the current financial year, sales revenues of €102.5 million were 7.8 percent lower than the previous year's figure of €111.2 million as a result of some project delays.

Orders received in the first six months of 2016 slightly above the previous year

Orders received in the Electrical Systems business unit of €9.2 million in the second quarter were at a low level and fell short of the previous year's figure of €31.2 million. However, orders received in the first six months of the reporting year of €52.7 million were slightly above the level of the previous year of €48.6 million. The order backlog at the end of the first six months of 2016 of €402.0 million was below the level at the end of the first six months of 2015 of €488.8 million due to the restructuring of the business unit.

EBIT noticeably improved, however still negative, as expected

The EBIT in the Transportation division was negative, as expected, but it improved noticeably from €(10.1) million in the previous year to €(5.7) million in the first six months of 2016. The implementation of the comprehensive measures program was the primary reason for the earnings increase. The EBIT margin also improved from (6.5) percent in the previous year to (4.2) percent in the first six months of 2016.

The Transportation division, as in the previous year, recorded negative value added of €(11.6) million in the first six months of 2016 (prior year: €(16.5) million). The increase in comparison to the previous year is attributable to an improved EBIT as well as lower capital costs as a result of a decreased WACC of the lower average cost of capital. The ROCE was at (8.7) percent after the first six months of the current year (previous year: (16.0) percent).

Net assets and financial position

Average working capital above previous year

The average capital employed in the Transportation division in the first six months of 2016 amounted to €131.8 million and was thereby above the average of the previous year of €126.5 million. The increase was particularly attributable to higher average working capital than the previous year of €42.0 million in the first six months of 2016 (prior year: €33.8 million). As a result of the lower sales volume than in the previous year, the average working capital intensity in the first six months of 2016 of 15.4 percent was significantly higher than the previous year's figure of 10.9 percent.

Transportation

		6/30/2016 H1/2016	12/31/2015* 2015 financial year*	6/30/2015* H1/2015*
Average working capital	€ mill.	42.0	34.5	33.8
Average working capital intensity	%	15.4	9.7	10.9
Average capital employed	€ mill.	131.8	126.3	126.5

*Previous year figures presented in a comparable manner, see page 34 f.

Capital expenditures

Capital expenditures in the first six months of 2016 at €12.3 million

In the first six months of 2016, capital expenditures in the Vossloh Group amounted to €12.3 million and were thereby below the previous year's level of €16.4 million. Capital expenditures of the sold Rail Vehicles business unit have not been included in the previous year's figures to improve comparability. As in the previous year, the focus of capital expenditures in the reporting period was on the Lifecycle Solutions division.

Investments in intangible assets and property, plant and equipment

€ mill.	H1/2016	H1/2015*	Q2/2016	Q2/2015*
Core Components	1.7	4.8	1.0	2.8
Customized Modules	2.5	3.4	2.0	1.8
Lifecycle Solutions	4.4	4.8	2.8	2.3
Transportation	3.7	2.9	1.7	1.5
Vossloh AG/Consolidation	0.0	0.5	0.2	0.1
Total	**12.3**	**16.4**	**7.7**	**8.5**

*Previous year figures presented in a comparable manner, see page 34 f.

In the Core Components division, capital expenditures decreased to €1.7 million in the first half of 2016. The decline in comparison with the level of the previous year (€4.8 million) was primarily attributable to a capital contribution in connection with a Russian joint venture as well as the construction of a new logistics center near Werdohl in the previous year. Capital expenditures in the Customized Modules division amounted to €2.5 million in the reporting period (previous year: €3.4 million). This was primarily attributable to the USA and France. The largest part of the capital expenditures in the first half of 2016 was attributable to the Lifecycle Divisions division. However, capital expenditures of €4.4 million in this division also fell short of the level of the previous year of €4.8 million. Wagons for rails and turnouts were primarily purchased in the reporting period.

In the Transportation division capital expenditures totaled €3.7 million in the first half of 2016 (previous year: €2.9 million). Of that total, €2.1 million (previous year: €1.3 million) was accounted for by the Locomotives business unit. This particularly related to the necessary development of a train control system and the completion of a new locomotive family. Capital expenditures in the Electrical Systems business unit amounted to €1.6 million in the current reporting period following €1.4 million in the first six months of 2015, and were primarily used for diverse IT systems.

Research & development

A large proportion of the Vossloh Group's research and development work is tied to individual contracts. Specific requirements from various customers in different regions of the world especially affect activities in the Transportation division. Thus, the expenses incurred are reported as cost of sales rather than R&D expenses. Taking this into consideration, comparatively low R&D expenses are reported by the Vossloh Group, even though the amount of development work involved in specific projects is much higher.

In the first six months of 2016, research and development expenses in the Vossloh Group totaled €6.3 million and were thereby 11.0 percent above the comparable figure of the previous year of €5.7 million. The increase is almost solely attributable to the Lifecylce Solutions division.

In the Core Components division, research and development expenses after six months of 2016 totaled €1.3 million as compared to €1.5 million in the comparable period of 2015. In the period January to June 2016, as in the previous year, a total of €1.8 million of the research and development expenses were due to the Customized Modules division. In contrast, research and development expenses in the Lifecycle Solutions division increased in the first six months of 2016 to a total of €1.2 million. In the comparable period of the previous year, research and development expenses here had been at €0.7 million.

At €2.0 million, the largest share of the research and development volume in the first six months of 2016 was attributable to the Transportation division (previous year: €1.7 million) and was incurred solely in the Electrical Systems business unit.

In addition to the research and development costs recognized in expenses, in the first six months of 2016 development work was capitalized in the amount of €1.3 million (prior year: €1.5 million). €1.2 million was attributable to the Locomotives division (previous year: €1.0 million). Furthermore, development work in the amount of €0.1 million (previous year: €0.2 million) was also capitalized in the Lifecycle Solutions division.

Employees

4,804 employees in the Vossloh Group at the end of June 2016

As of June 30, 2016, the Vossloh Group had a total of 4,804 employees. The workforce has thereby decreased from 4,877 employees by 73 or 1.5 percent in the last twelve months. In comparison with the end of 2015 (4,793 employees) an increase of 11 employees was recorded.

In the Lifecycle Solutions division, the number of employees increased compared with the closing date of the previous year (386 employees) by a total of 70 to 456 employees on June 30, 2016. In addition to the planned expansion of the service offer during 2015, the first-time consolidation of the Finnish subsidiary resulted in an increase in the number of employees in the third quarter of 2015. The Core Components division also increased the number of employees since 2015 (612 employees) as a result of the first-time consolidation of an Indian company by 24 employees to 636 at the end of the first six months of 2016. Adjusted for this effect, a significant decrease in the number of employees was recorded. In contrast, the Customized Modules division recorded a slight decrease in staff numbers by 48 with 2,536 employees at the end of June 2016 compared with the previous year (2,584 employees).

Employees	Closing date		Average	
	6/30/2016	6/30/2015	H1/2016	H1/2015
Core Components	636	612	633	623
Customized Modules	2,536	2.584	2,558	2,585
Lifecycle Solutions	456	386	456	377
Transportation	1,121	1,239	1,134	1,271
Vossloh AG	55	56	56	55
Group	**4,804**	**4,877**	**4,837**	**4,911**

Average number of employees (continuing operations)

Personnel expenses in € million

In the Transportation division, the number of employees has decreased since the end of June 2015 (1,239 employees) to 1,121 on the closing date of the current reporting period. The decrease primarily affected the Electrical Systems business unit. A total of 725 people were employed here on the closing date of June 30, 2016, 99 fewer than in the previous year (824 employees). Vossloh Locomotives had 396 employees at the end of the first six months of 2016 (previous year: 415 employees).

Around 64 percent of Vossloh employees working abroad

At the end of June 2016, a total of 3,081 employees were working for the Vossloh Group outside Germany (previous year: 3,034 employees). In Germany, the number of employees has decreased since June 30, 2015 from 1,843 by 120 to 1,723 employees. Accordingly, the share of Vossloh Group employees abroad increased as of the closing date of the first six months of 2016 to 64.1 percent (previous year: 62.2 percent).

Forecast, opportunities and risks

The main risks and opportunities for the Vossloh Group's further development are set out in the group management report for fiscal year 2015. In connection with the ongoing systematic recording and monitoring of risks which is carried out by the Group's risk management, there continue to be no identifiable risks that individually or taken together could threaten the Vossloh Group's continued existence.

In submitting the Annual Report for 2015 on March 17, 2016, Vossloh AG published a detailed forecast for financial year 2016 (see the 2015 Annual Report from page 103). According to earlier information, Vossloh expected to generate sales revenues of between €1.2 billion and €1.3 billion in 2016. As a result of the reserved sales development in the first six months of 2016, Vossloh now anticipates that Group sales revenues will be at approximately the level of the previous year of €1.2 billion. The main reason for this is a significant weakening of the sales forecast for the USA, primarily a result of reduced investments by Class 1 railway operators due to economic conditions as well as delays to contract awards and some delays in major projects in the Electrical Systems business unit.

With the ongoing restructuring measures, improvement in the Group's EBIT will be limited in 2016. The Vossloh Group continues to forecast an EBIT margin of between 4.0 percent and 4.5 percent in 2016. We particularly anticipate an improvement in profitability in the Lifecycle Solutions division. Profitability in the Core Components and Customized Modules divisions is expected to remain in line with the 2015 financial year. Vossloh expects a noticeable improvement in EBIT in the Transportation division; break-even continues to appear possible. In 2017, the EBIT margin of the Vossloh Group should be between 5.5 percent and 6.0 percent on the basis of the current Group structure. In a future portfolio structure without the Transportation division, significantly higher profitability is to be expected.

Condensed interim financial statements of the Vossloh Group as of June 30, 2016

Income statement for the 6 (H1) and 3 months (Q2) ended June 30, 2016

€ mill.	H1/2016	H1/2015*	Q2/2016	Q2/2015*
Sales revenues	522.7	566.0	282.6	306.1
Cost of sales	(427.4)	(471.3)	(228.5)	(249.5)
General administrative and selling expenses	(84.8)	(90.1)	(42.0)	(46.8)
Research and development expenses	(6.3)	(5.7)	(3.3)	(2.9)
Other operating result	13.4	12.0	7.0	6.3
Operating result	**17.6**	**10.9**	**15.8**	**13.2**
Income from investments in companies accounted for using the equity method	0.9	1.3	0.7	1.3
Other financial income	0.8	0.1	0.5	0.0
Other financial expenses	0.0	0.0	0.0	0.0
Earnings before interest and taxes (EBIT)	**19.3**	**12.3**	**17.0**	**14.5**
Interest income	0.7	0.6	0.4	0.3
Interest expense	(7.6)	(6.9)	(4.0)	(4.1)
Earnings before income taxes (EBT)	**12.4**	**6.0**	**13.4**	**10.7**
Income taxes	(2.7)	(6.8)	(2.5)	(7.8)
Net result from discontinued operations	4.9	5.6	0.0	2.9
Net income	**14.6**	**4.8**	**10.9**	**5.8**
thereof attributable to shareholders of Vossloh AG	**12.4**	**1.6**	**9.7**	**4.2**
thereof attributable to non-controlling interests	2.2	3.2	1.2	1.6
Earnings per share (EpS)				
Basic/diluted earnings per share (€)	0.92	0.12	0.71	0.31
thereof attributable to continuing operations	0.56	(0.28)	0.71	0.10
thereof attributable to discontinued operations	0.36	0.40	0.00	0.21

* Previous year figures presented in a comparable manner, see page 34 f.

Statement of comprehensive income for H1 and Q2/2016 ended June 30, 2016

€ mill.	H1/2016	H1/2015*	Q2/2016	Q2/2015*
Net income	**14.6**	**4.8**	**10.9**	**5.8**
Changes in fair value of hedging instruments (cash flow hedges)	3.6	(4.0)	0.4	2.2
Currency translation differences	(5.8)	10.3	(2.8)	1.2
Changes in fair value of available-for-sale securities	0.0	0.0	0.0	0.0
Income taxes	(1.3)	1.3	(0.3)	(0.7)
Amounts that will potentially be transferred into profit or loss in future periods	**(3.5)**	**7.6**	**(2.7)**	**2.7**
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0
Amounts that will not be transferred into profit or loss in future periods	**0.0**	**0.0**	**0.0**	**0.0**
Income and expenses recognized directly in equity	**(3.5)**	**7.6**	**(2.7)**	**2.7**
Comprehensive income	**11.1**	**12.4**	**8.2**	**8.5**
thereof attributable to shareholders of Vossloh AG	9.6	7.7	7.0	7.7
thereof attributable to non-controlling interests	1.5	4.7	1.2	0.8

* Previous year figures presented in a comparable manner, see page 34 f.

Cash flow statement for the 6 months (H1) ended June 30, 2016

€ mill.	H1/2016	H1/2015[2]
Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	19.3	12.3
EBIT from discontinued operations	4.9	6.7
Amortization/depreciation/write-downs (less write-ups) of noncurrent assets	18.2	22.4
Change in noncurrent provisions	3.1	(9.8)
Gross cash flow	**45.5**	**31.6**
Noncash change in investments in companies accounted for using the equity method	(0.9)	(1.3)
Other noncash income/expenses, net	3.7	(1.4)
Net loss/ (gain) on the disposal of noncurrent assets	0.0	0.0
Income taxes paid	(8.5)	(7.7)
Change in working capital	(42.2)	(59.5)
Changes in other assets/liabilities, net	(21.3)	20.3
Cash flow from operating activities	**(23.7)**	**(18.0)**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(12.3)	(18.6)
Cash-effective changes in investments in companies accounted for using the equity method	0.0	(1.8)
Cash-effective dividends from companies accounted for using the equity method	0.3	–
Free cash flow[1]	**(35.7)**	**(38.4)**
Investments in noncurrent financial instruments	0.0	(0.3)
Proceeds from the disposal of intangible assets and property, plant and equipment	0.1	0.5
Disbursements/proceeds from the purchase/sale of short-term securities	0.0	(0.1)
Proceeds from disposals of noncurrent financial instruments	1.1	0.5
Disbursements for the acquisition of consolidated companies	(3.2)	(6.5)
Cash flow from investing activities	**(14.0)**	**(26.3)**
Cash flow from financing activities		
Net proceeds from additions to equity[3]	124.0	–
Disbursements to shareholders and non-controlling interests	(0.2)	–
Net financing from short-term loans	(14.6)	(142.8)
Net financing from medium-/long-term loans	(6.5)	195.8
Interest received	0.7	0.8
Interest paid	(7.8)	(6.3)
Cash flow from financing activities	**95.6**	**47.5**
Net cash inflow/outflow	57.9	3.2
Change in cash and cash equivalents from the first-time consolidation of companies	0.1	0.0
Change in cash and cash equivalents from the deconsolidation of companies	0.0	0.0
Exchange rate effects	(1.7)	1.8
Opening cash and cash equivalents	**78.8**	**58.5**
Closing cash and cash equivalents	**135.1**	**63.5**

[1] Free cash flow comprises cash flow from operating activities, investments in intangible assets and property, plant and equipment in addition to inflows and outflows of cash in connection with investments in companies accounted for using the equity method.
For an allocation of cash flows to continued and discontinued operations see page 40.
[2] Previous year figures presented in a comparable manner, see page 34 f.
[3] Net presentation after transaction costs. Cash-effective transaction costs amount to €2.9 million.

Balance sheet

Assets in € mill.	6/30/2016	12/31/2015*	6/30/2015*
Intangible assets	290.6	294.0	283.9
Property, plant and equipment	211.2	215.6	216.7
Investment properties	4.2	4.5	4.7
Investments in companies accounted for using the equity method	33.7	33.1	35.7
Other noncurrent financial instruments	8.4	11.2	15.4
Sundry noncurrent assets	3.8	3.2	3.0
Deferred tax assets	23.0	18.7	22.2
Noncurrent assets	**574.9**	**580.3**	**581.6**
Inventories	363.4	339.8	366.3
Trade receivables	236.3	256.9	273.1
Receivables from construction contracts	39.3	50.2	75.2
Income tax assets	4.7	7.1	10.1
Sundry current assets	68.8	61.5	64.5
Short-term securities	0.4	0.5	0.7
Cash and cash equivalents	135.1	78.8	53.6
Current assets	**848.0**	**794.8**	**843.5**
Assets held for sale	5.0	–	245.5
Assets	**1,427.9**	**1,375.1**	**1,670.6**

Equity and liabilities in € mill.	6/30/2016	12/31/2015*	6/30/2015*
Capital stock	45.3	37.8	37.8
Additional paid-in capital	146.7	30.9	30.9
Retained earnings and net income	342.9	332.7	262.0
Accumulated other comprehensive income	7.6	10.3	6.9
Equity excluding non-controlling interests	**542.5**	**411.7**	**337.6**
Non-controlling interests	18.3	17.0	24.4
Equity	**560.8**	**428.7**	**362.0**
Pension provisions	29.3	29.1	29.1
Other noncurrent provisions	49.8	47.0	53.4
Noncurrent financial liabilities	247.0	253.4	245.5
Noncurrent trade payables	0.0	3.1	0.3
Other noncurrent liabilities	5.2	10.4	2.4
Deferred tax liabilities	3.8	4.0	2.7
Noncurrent liabilities	**335.1**	**347.0**	**333.4**
Other current provisions	75.3	121.4	108.4
Current financial liabilities	13.6	25.9	137.7
Current trade payables	164.7	172.5	159.8
Current liabilities from construction contracts	129.7	147.1	175.3
Current income tax liabilities	9.8	12.2	13.5
Other current liabilities	138.9	120.3	111.3
Current liabilities	**532.0**	**599.4**	**706.0**
Liabilities held for sale	–	–	269.2
Equity and liabilities	**1,427.9**	**1,375.1**	**1,670.6**

* Previous year figures presented in a comparable manner, see page 34 f.

Statement of changes in equity

				Accumulated other comprehensive income						
€ mill.	Capital stock	Additional paid-in capital	Retained earnings and net income	Reserves for currency translation	Reserves for financial instruments held for sale	Reserves for hedging transactions	Reserves for the remeasurement of defined benefit pension plans	Equity excluding non-controlling interests	Non-controlling interests	Total
Balance at December 31, 2014	**37.8**	**30.9**	**265.3**	**4.7**	**0.0**	**(3.9)**	**(4.9)**	**329.9**	**19.7**	**349.6**
Transfer to retained earnings			(4.9)				4.9	0.0		0.0
Net income			1.6					1.6	3.2	4.8
Income and expenses recognized directly in equity				8.8	0.0	(2.8)	0.1	6.1	1.5	7.6
Balance at June 30, 2015	**37.8**	**30.9**	**262.0**	**13.5**	**0.0**	**(6.7)**	**0.1**	**337.6**	**24.4**	**362.0**
Changes in the scope of consolidation			0.1			1.1		1.2	(1.8)	(0.6)
Net income			70.6					70.6	2.4	73.0
Income and expenses recognized directly in equity				0.1	0.0	2.7	(0.5)	2.3	(1.5)	0.8
Distribution of profit			0.0					0.0	(6.5)	(6.5)
Balance at December 31, 2015	**37.8**	**30.9**	**332.7**	**13.6**	**0.0**	**(2.9)**	**(0.4)**	**411.7**	**17.0**	**428.7**
Transfer to retained earnings			(0.4)				0.4	0.0		0.0
Changes in the scope of consolidation			(1.8)	(0.3)				(2.1)		(2.1)
Net income			12.4					12.4	2.2	14.6
Capital increase	7.5	115.8						123.3		123.3
Income and expenses recognized directly in equity				(5.1)		2.3		(2.8)	(0.7)	(3.5)
Distribution of profit								0.0	(0.2)	(0.2)
Balance at June 30, 2016	**45.3**	**146.7**	**342.9**	**8.2**	**0.0**	**(0.6)**	**0.0**	**542.5**	**18.3**	**560.8**

Explanatory notes

Corporate background

Vossloh AG is a listed company based in Werdohl, Germany. The company is 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 products, locomotives, electrical systems for local transport vehicles (LTVs), as well as the provision of rail-related services (logistics, welding, preventive care).

Accounting policies

The interim financial report as of June 30, 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU.

The following new or amended standards were applied for the first time in the current financial year:
- IAS 16 and IAS 41: Bearer Plants
- IAS 11: Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- IAS 1: Disclosure Initiative
- IAS 27: Equity Method in Separate Financial Statements

In addition, amendments to the following standards after the adoption of the "Annual Improvements to IFRSs 2012–2014 Cycle" were applied:
- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7: Financial Instruments
- IAS 19: Employee Benefits
- IAS 34: Interim Financial Reporting
- IFRS 1: First-time Adoption of International Financial Reporting Standards

The first-time application did not have any impact on the consolidated interim financial statements as of June 30, 2016.

Apart from this, the recognition and measurement methods applied in preparing the interim financial statements are consistent with those applied in the consolidated financial statements as of December 31, 2015, taking into consideration the International Accounting Standard (IAS) 34 „Interim Financial Reporting" and the German Accounting Standard (GAS) 16 „Interim Financial Reporting".

Preparing the interim consolidated financial statements requires management to make certain assumptions and estimates. Because of this, the actual values subsequently determined may differ from those estimates and hence from the amounts disclosed in the consolidated financial statements.

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

Presentation of the business unit sold in the previous year's figures

On December 31, 2015, all shares in the former Vossloh España S.A.U., Valencia, Spain, were sold and the former Rail Vehicles business unit was thereby deconsolidated. Since the interim report of September 30, this business unit has been reported as held for sale in accordance with IFRS 5. In order to comparably present the net assets, financial position and results of operations of the reporting quarter, the former Rail Vehicles business unit has been included in discontinued operations for the comparative figures of the previous year, even though this status was not yet applicable in summer 2015. The prior year figures in this interim report therefore differ in many areas from the figures presented in the previous year's report.

The following table presents a breakdown of the result from discontinued operations included in the income statement:

€ mill.	H1/2016	H1/2015	Q2/2016	Q2/2015
Revenues	–	128.8	–	68.8
Expenses	(0.1)	(122.0)	–	(65.3)
Result from operating activities, pre-tax	**(0.1)**	**6.8**	**–**	**3.5**
Income taxes	0.0	(1.2)	–	(0.6)
Result from operating activities after tax	**(0.1)**	**5.6**	**–**	**2.9**
Gain on the disposal of discontinued operations	5.0	–	–	–
Income tax on the gain on the disposal of discontinued operations	–	–	–	–
Net result from discontinued operations	**4.9**	**5.6**	**–**	**2.9**
thereof attributable to shareholders of Vossloh AG	4.9	5.3	–	2.8
thereof attributable to non-controlling interests	–	0.3	–	0.1

The following table shows the main groups of assets and liabilities of discontinued operations:

€ mill.	6/30/2016	12/31/2015	6/30/2015
Intangible assets	–	61.6	59.7
Property, plant and equipment	–	15.7	11.7
Sundry noncurrent assets	–	22.7	23.4
Noncurrent assets	**–**	**100.0**	**94.8**
Inventories	–	75.7	64.0
Trade receivables	–	5.5	4.8
Receivables from construction contracts	–	49.8	63.1
Sundry current assets	5.0	9.0	9.0
Cash and cash equivalents	–	38.6	9.8
Current assets	**5.0**	**178.6**	**150.7**
Assets	**5.0**	**278.6**	**245.5**
Provisions	–	81.6	80.8
Trade payables	–	37.2	43.8
Liabilities from construction contracts	–	113.9	105.4
Other liabilities	–	38.7	39.2
Liabilities	**–**	**271.4**	**269.2**
Cumulative income and expenses in other comprehensive income	–	(1.1)	(2.7)

In the reporting period, €0.0 million (previous year: €(2.7) million) was recognized directly in equity. These amounts mainly result from currency translation differences. Assets and liabilities as well as cumulative income and expenses in other comprehensive income attributable to discontinued operations as of the reporting date December 31, 2015 are derecognized due to the sale of the business unit and therefore not included in the group balance sheet.

Consolidation group

The consolidation group has been changed compared to the December 31, 2015 balance sheet date as follows: An Indian and a Chinese company in the Fastening Systems business unit were included in the scope of consolidation for the first time as a result of their increased importance for the net assets, financial position and results of operations of the Group.

In addition, a further joint venture was taken into account, which is allocated to the Locomotives business unit. The company was established in the first quarter of 2016. Furthermore, two American companies in the Switch Systems business unit were merged.

An expense in the amount of €0.5 million resulted from adjusting the conditional obligation regarding the outstanding purchase price payments for the acquisition of the switch facility in Finland in the third quarter of 2015 by Vossloh Cogifer Finland Oy, Teijo, Finland due to better business development in 2015 compared with previous expectations.

Consequently, including Vossloh AG, 22 German (unchanged from the prior year) and 42 foreign companies (previous year: 41) were fully consolidated in the interim financial statements as of March 31, 2016. As at the end of the reporting period in the previous year, an investment in one German associated company as well as in seven foreign associated companies (December 31, 2015: six) were accounted for at equity.

Equity

The capital stock of Vossloh AG increased as a result of the capital increase completed on June 17, 2016. As part of the capital increase 2,642,147 new shares were issued and placed on the capital market at an issue price of €48.

Compared to the previous year's reporting date, capital stock amounted to €45,325,167.47, divided into 15,967,437 shares. All of them were outstanding from the date of the capital increase, while only 13,325,290 shares were previously outstanding. The average number of shares outstanding in the first half of 2016 thus amounts to 13,557,567. In the same period of the previous year, there was an average of 13,325,290 shares outstanding.

Earnings per share (EpS)

		H1/2016	H1/2015*
Weighted average number of common shares	Number	13,557,567	13,325,290
Weighted average number of shares outstanding – basic/diluted –	Number	13,557,567	13,325,290
Net income (loss) attributable to Vossloh AG shareholders	€ mill.	12.4	1.6
Basic/diluted EpS	€	**0.92**	0.12
thereof attributable to "continuing operations"	€	0.56	(0.28)
thereof attributable to "discontinued operations"	€	0.36	0.40

* Previous year figures presented in a comparable manner, see page 34 f.

The following table presents summarized information for all companies accounted for at equity:

Additional information on investments in companies accounted for using the equity method

Information on investments in companies accounted for using the equity method

€ mill.	H1/2016	H1/2015	Q2/2016	Q2/2015
Profit or loss from continuing operations	0.4	0.4	0.4	(0.5)
Profit or loss from discontinued operations after taxes	0.0	0.0	0.0	0.0
Total income and expenses recognized directly in equity	1.8	2.6	1.8	1.1
Comprehensive income	**2.2**	**3.0**	**2.2**	**0.6**

Additional disclosures on financial instruments

The table below shows the assignment of the financial assets and payables carried at fair value to the fair value hierarchy levels in accordance with IFRS 7 and IFRS 13. There were no reclassifications between the various levels of the fair value hierarchy either during the reporting year or the previous year.

The basis for the levels of the hierarchy for the determination of fair value is the factors applied. In Level 1, inputs are in the form of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 covers direct inputs other than Level 1 quoted prices for identical or similar assets or liabilities or indirect inputs derived from observable market data. Level 3 is based on unobservable inputs for a financial asset or liability that are used to measure fair value wherever no observable market data is available.

Assignment of levels of the fair value hierarchy

	Level 1: Input of quoted prices		Level 2: Input of observable market data		Level 3: No input of observable market data	
€ mill.	6/30/2016	12/31/2015	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Financial assets at fair value						
Held to maturity	0.0	0.0	0.0	0.0		
Available for sale			0.7	0.7		
Derivatives in hedging relationships			1.6	0.5		
Total	**0.0**	**0.0**	**2.3**	**1.2**	**0.0**	**0.0**
Financial liabilities measured at fair value						
Derivatives in hedging relationships			3.5	7.5		
Total	**0.0**	**0.0**	**3.5**	**7.5**	**0.0**	**0.0**

The carrying amounts of financial instruments, the assignment based on measurement category and the required disclosures on fair value according to IAS 39 and their measurement sources according to IFRS 7 are presented in the following tables. The derivatives in hedging relationships are included as well as payables under capital leases, although they do not belong to any measurement category of IAS 39.

Carrying amounts, measurement categories and fair values as of June 30, 2016

€ mill.	Carrying amount according to balance sheet 6/30/2016	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value at 6/30/2016
Trade receivables	**236.3**				
Loans and receivables	236.3	236.3			236.3
Receivables from construction contracts	**39.3**				
Loans and receivables	39.3	39.3			39.3
Securities	**0.4**				
Held to maturity	0.0	0.0			0.0
Held for trading	0.0			0.0	0.0
Available for sale	0.4		0.4		0.4
Other financial instruments and other assets	**81.0**				
Loans and receivables	49.8	49.8			49.8
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	0.5	0.2	0.3		0.5
Derivatives in hedging relationships (not a category according to IAS 39.9)	1.6		0.9	0.7	1.6
IAS 39 not applicable	29.0				–
Cash and cash equivalents	**135.1**				
Loans and receivables	135.1	135.1			135.1
Total financial assets	**492.1**	460.8	**1.6**	**0.7**	**463.1**
Financial liabilities	**260.6**				
Loans and receivables	260.6	260.6			260.6
Finance leases (IAS 39 not applicable)	0.0				–
Trade payables	**164.7**				
Loans and receivables	164.7	164.7			164.7
Liabilities from construction contracts	**129.7**				
Loans and receivables	129.7	129.7			129.7
Other liabilities	**144.1**				
Loans and receivables	75.7	75.7			75.7
Derivatives in hedging relationships (not a category according to IAS 39.9)	3.5		1.1	2.4	3.5
IAS 39 not applicable	64.9				–
Total financial liabilities	**699.1**	630.7	**1.1**	**2.4**	**634.2**

Summary of measurement category of IAS 39

€ mill.	Carrying amount according to balance sheet 6/30/2016	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value hrough profit or loss	Fair value at 6/30/2016
Financial assets					
Loans and receivables	460.5	460.5	–	–	460.5
Held to maturity	0.1	0.1	–	–	0.1
Available for sale	0.9	0.2	0.7	–	0.9
Total financial assets	**461.5**	460.8	**0.7**	**–**	**461.5**
Financial liabilities					
Measurement at amortized cost	630.7	630.7	–	–	630.7
Total financial liabilities	**630.7**	**630.7**	**–**	**–**	**630.7**

Carrying amounts, measurement categories and fair values as of December 31, 2015

€ mill.	Carrying amount according to balance sheet 12/31/2015	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value at 12/31/2015
Trade receivables	**256.9**				
Loans and receivables	256.9	256.9			256.9
Receivables from construction contracts	**50.2**				
Loans and receivables	50.2	50.2			50.2
Securities	**0.5**				
Held to maturity	0.1	0.1			0.1
Held for trading	0.0			0.0	0.0
Available for sale	0.4		0.4		0.4
Other financial instruments and other assets	**75.9**				
Loans and receivables	46.0	46.0			46.0
Held to maturity	0.0		0.0		0.0
Held for trading	0.0			0.0	0.0
Available for sale	1.6	1.3	0.3		1.6
Derivatives in hedging relationships (not a category according to IAS 39.9)	0.5	0.0	0.1	0.4	0.5
IAS 39 not applicable	27.8				–
Cash and cash equivalents	**78.8**				
Loans and receivables	78.8	78.8			78.8
Total financial assets	**462.3**	**433.3**	**0.8**	**0.4**	**434.5**
Financial liabilities	**279.3**				
Loans and receivables	279.3	279.3			279.3
Finance leases (IAS 39 not applicable)	0.0				–
Trade payables	**175.6**				
Loans and receivables	175.6	175.6			175.6
Liabilities from construction contracts	**147.1**				
Loans and receivables	147.1	147.1			147.1
Other liabilities	**130.7**				
Loans and receivables	86.8	86.8			86.8
Derivatives in hedging relationships (not a category according to IAS 39.9)	7.5		4.2	3.3	7.5
IAS 39 not applicable	36.4				–
Total financial liabilities	**732.7**	**688.8**	**4.2**	**3.3**	**696.3**

Summary of measurement category of IAS 39

€ mill.	Carrying amount according to balance sheet 12/31/2015	Measurement according to IAS 39			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value at 12/31/2015
Financial assets					
Loans and receivables	431.9	431.9	–	–	431.9
Held to maturity	0.1	0.1	–	–	0.1
Available for sale	2.0	1.3	0.7	–	2.0
Total financial assets	**434.0**	**433.3**	**0.7**	**0.0**	**434.0**
Financial liabilities					
Measurement at amortized cost	688.8	688.8	–	–	688.8
Total financial liabilities	**688.8**	**688.8**	**–**	**–**	**688.8**

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents within the Vossloh Group. Cash pertains to checks, cash on hand and in bank. Cash equivalents comprise any financial instruments with an initial term of maximum three months and readily convertible into cash.

The cash flow statement is prepared in conformity with IAS 7 and breaks down changes in cash and cash equivalents into the cash flows from, and outflows for, operating, investing and financing activities. The cash flow from operating activities is determined according to the indirect method.

Cash flows from continuing and discontinued operations are shown in the table below:

€ mill.	H1/2016		H1/2015	
Cash flow items	Thereof from continuing operations	Thereof from discontinued operations	Thereof from continuing operations	Thereof from discontinued operations
Gross cash flow	40.6	4.9	27.9	3.7
Cash flow from operating activities	(23.7)	0.0	(7.4)	(10.6)
Free cash flow	(35.7)	0.0	(23.8)	(14.6)
Cash flow from investing activities	(14.0)	–	(22.3)	(4.0)
Cash flow from financing activities	95.6	–	34.4	13.1
Opening cash and cash equivalents	78.8	–	47.3	11.2
Closing cash and cash equivalents	135.1	–	53.6	9.9

Related parties

The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated Vossloh subsidiaries, joint ventures, and associated companies of the Vossloh Group. In addition, transactions were carried out with companies of the Knorr-Bremse group, which are to be considered related-party entities via the Chairman of Vossloh's Supervisory Board, Mr. Heinz Hermann Thiele. All transactions with these companies are carried out on an arm's length basis. The table below presents the income/expenses and receivables/payables which are recognized in the consolidated financial statements and originate primarily from related-party transactions.

€ mill.	H1/ 2016 or 6/30/2016	H1/ 2015 or 6/30/2015*
Sale or purchase of goods		
Sales revenues from the sale of finished goods and WIP	2.8	9.1
Cost of materials from the purchase of finished goods and WIP	8.7	26.2
Advance payments	48.6	65.7
Trade receivables	6.6	7.3
Trade payables	2.8	4.5
Sale or purchase of other assets		
Payables from the purchase of other assets	0.9	0.9
Services rendered or received		
Income from services rendered	1.1	1.8
Expenses for services received	1.2	2.0
Financing		
Interest income from financial loans granted	0.0	0.1
Interest expense from financial loans received	0.0	0.0
Receivables on financial loans granted	1.3	6.9
Liabilities on financial loans received	0.8	0.1
Provision of guarantees and collateral		
Provision of guarantees	6.8	8.6
Provision of other collateral	1.3	0.0

* Previous year figures presented in a comparable manner, see page 34 f.

The advance payments made were forwarded to Heiterblick Projektgesellschaft mbH, Leipzig, from advance payments received from customers in connection with a project in the Electrical Systems business unit.

Contingent liabilities

In comparison to December 31, 2015, contingent liabilities decreased by €170.0 million to €25.4 million. €13.6 million thereof was attributable to contingent liabilities for the Rail Vehicles business unit sold with effect from December 31, 2015. Vossloh AG was given an irrevocable and unconditional guarantee for these contingent liabilities at first request by a first-class bank. The Group has incurred contingent liabilities under guarantees of €8.7 million (including €6.8 million in favor of unconsolidated subsidiaries), of €13.6 million for letters of comfort and of €3.1 million for the collateralization of third-party debts (including €1.3 million allocable to unconsolidated subsidiaries).

Events after the balance sheet date

In July 2016, €5.0 million was recorded with due cash effect in assets from discontinued operations from the claim to the subsequent purchase price payment from the sale of the Rail Vehicles business unit.

Segment information

The primary format for segment reporting is defined by Vossloh's internal organizational and reporting structures, which are based on the products and services offered by the Vossloh Group's business units. Alongside the divisions, the business units are presented separately.

As a result of the sale of the Rail Vehicles business unit on December 31, 2015, the prior year figures for this business unit are presented as discontinued operations in order to allow improved comparability.

The segment structure in the three core business divisions has not changed in comparison to the previous year:

Vossloh Fastening Systems, the only business unit in the Core Components division to date, is a leading manufacturer of rail fastening systems. The product lineup includes fasteners for every application: from light-rail, extending through heavy-haul, to high-speed lines.

Vossloh Switch Systems, the only business unit in the Customized Modules division to date, is one of the world's leading rail switch manufacturers. The business unit equips rail networks with switches as well as with the related control and monitoring systems which it also installs and maintains. Here, also, the lineup extends from light-rail to high-speed applications.

As the only business unit in the Lifecycle Solutions division to date, 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. They also organize and monitor just-in-time rail shipments to construction sites and ensure on-site availability of the approved (un)loading systems.

The Transportation division, which is no longer part of the Group's core business following the strategy approved at the end of 2014, includes the rail vehicle and vehicle system/component operations plus the related services. The division comprises the Locomotives and Electrical Systems business units.

For nearly 100 years, the diesel locomotives developed and produced in the Locomotives business unit have set new benchmarks in terms of technological standards, economy, flexibility, and eco-friendliness. This business unit also offers extensive services, in particular relating to locomotive servicing and maintenance.

Vossloh Electrical Systems develops and produces key electrical components and systems for local transport rail vehicles and for locomotives. The business unit is one of the leading suppliers of electrical equipment both for trolleybuses and hybrid buses. Besides furnishing complete systems, the unit supplies air conditioners for rail vehicles, individual components, subassemblies, revamping work, servicing and maintenance.

The consolidation includes the elimination of intersegment transactions. This pertains primarily to the offsetting of intragroup income and expenses, the elimination of intragroup income from dividends and the offsetting of intragroup receivables and payables. The consolidation item at the highest Group level includes the required eliminations from business transactions between companies from different divisions. In addition, a separate column serves to present the holding companies not allocated to any segment as well as Vossloh AG as the Group's management and financial holding, in order to provide reconciliation to the consolidated figures for the entire Group.

The accounting methods of all segments are identical and conform to the EU-endorsed IFRS. Intersegment business is transacted on an arm's length basis.

A reconciliation of the segment result "value added" of the entire Group to the earnings before interest and taxes (EBIT) presented in the consolidated income statement is shown below:

Reconciliation of value added to EBIT

€ mill.	H1/2016	H1/2015*	Q2/2016	Q2/2015*
Value added	(16.5)	(28.3)	(1.1)	(6.1)
Cost of capital employed	35.8	40.6	18.1	20.6
EBIT	**19.3**	**12.3**	**17.0**	**14.5**

* Previous year figures presented in a comparable manner, see page 34 f.

Segment information by business unit*

			Core Components (Fastening Systems)	Customized Modules (Switch Systems)	Lifecycle Solutions (Rail Services)	Locomotives
Value added	H1/2016	€ mill.	**7.8**	**(3.0)**	**(2.6)**	(8.1)
	H1/2015	€ mill.	**7.6**	**(5.7)**	**(5.9)**	(9.3)
	Q2/2016	€ mill.	**3.6**	**4.0**	**1.3**	(4.1)
	Q2/2015	€ mill.	**4.4**	**(0.8)**	**(1.3)**	(3.5)
Information from the income statement/flow figures						
External sales revenues	H1/2016	€ mill.	**103.4**	**245.3**	**36.3**	34.9
	H1/2015	€ mill.	**126.0**	**252.5**	**26.5**	44.7
	Q2/2016	€ mill.	**53.2**	**134.0**	**23.5**	19.8
	Q2/2015	€ mill.	**62.3**	**137.1**	**16.1**	24.4
Intersegment sales revenues	H1/2016	€ mill.	**2.7**	**1.4**	**3.4**	0.0
	H1/2015	€ mill.	**7.0**	**0.6**	**2.2**	0.8
	Q2/2016	€ mill.	**1.6**	**0.8**	**2.4**	0.0
	Q2/2015	€ mill.	**4.5**	**0.1**	**0.7**	0.0
Interest income	H1/2016	€ mill.	**0.0**	**0.2**	**0.0**	0.3
	H1/2015	€ mill.	**0.1**	**0.2**	**0.0**	0.4
	Q2/2016	€ mill.	**0.0**	**0.2**	**0.0**	0.1
	Q2/2015	€ mill.	**0.1**	**0.1**	**0.0**	0.2
Interest expense	H1/2016	€ mill.	**(0.9)**	**(2.4)**	**(1.6)**	(1.0)
	H1/2015	€ mill.	**(0.7)**	**(2.0)**	**(1.6)**	(1.4)
	Q2/2016	€ mill.	**(0.6)**	**(1.3)**	**(0.8)**	(0.5)
	Q2/2015	€ mill.	**(0.4)**	**(1.2)**	**(0.8)**	(0.8)
Amortization/depreciation	H1/2016	€ mill.	**4.2**	**6.3**	**3.0**	2.0
	H1/2015	€ mill.	**4.6**	**6.3**	**2.2**	2.1
	Q2/2016	€ mill.	**2.1**	**3.1**	**1.5**	1.1
	Q2/2015	€ mill.	**2.3**	**3.1**	**1.2**	1.1
Income from investments in companies accounted for using the equity method	H1/2016	€ mill.	**0.0**	**0.3**	**0.6**	0.0
	H1/2015	€ mill.	**0.4**	**0.3**	**0.6**	0.0
	Q2/2016	€ mill.	**0.0**	**0.0**	**0.7**	0.0
	Q2/2015	€ mill.	**0.1**	**0.4**	**0.8**	0.0
Income taxes	H1/2016	€ mill.	**2.5**	**3.5**	**0.3**	0.3
	H1/2015	€ mill.	**3.0**	**3.8**	**0.6**	0.0
	Q2/2016	€ mill.	**1.1**	**3.5**	**0.4**	0.1
	Q2/2015	€ mill.	**1.4**	**1.9**	**1.2**	1.5
Net result from discontinued operations	H1/2016	€ mill.	**0.0**	**0.0**	**0.0**	0.0
	H1/2015	€ mill.	**0.0**	**0.0**	**0.0**	0.0
	Q2/2016	€ mill.	**0.0**	**0.0**	**0.0**	0.0
	Q2/2015	€ mill.	**0.0**	**0.0**	**0.0**	0.0
Other major noncash expenses	H1/2016	€ mill.	**0.0**	**6.5**	**0.8**	0.0
	H1/2015	€ mill.	**0.0**	**8.8**	**0.1**	0.0
	Q2/2016	€ mill.	**0.0**	**2.7**	**0.8**	0.0
	Q2/2015	€ mill.	**0.0**	**2.8**	**(0.1)**	0.0
Information from the balance sheet						
Assets	6/30/2016	€ mill.	**195.0**	**578.0**	**198.7**	120.5
	6/30/2015	€ mill.	**226.8**	**628.5**	**179.2**	111.0
Liabilities	6/30/2016	€ mill.	**116.0**	**294.7**	**185.3**	95.0
	6/30/2015	€ mill.	**130.1**	**333.6**	**162.7**	81.4
Investments in noncurrent assets	H1/2016	€ mill.	**1.7**	**2.5**	**4.4**	2.1
	H1/2015	€ mill.	**4.8**	**3.4**	**4.8**	1.3
	Q2/2016	€ mill.	**1.0**	**2.0**	**2.8**	0.8
	Q2/2015	€ mill.	**2.8**	**1.8**	**2.3**	0.7
Investments in companies accounted for using the equity method	6/30/2016	€ mill.	**1.8**	**24.9**	**7.0**	0.0
	6/30/2015	€ mill.	**3.5**	**24.7**	**7.5**	0.0
Average headcount	H1/2016	Number	**633**	**2,558**	**456**	401
	H1/2015	Number	**623**	**2,585**	**377**	423

*For more segment information, see page 42 f. For previous year figures in the Transportation business division and in the Group presented in a comparable manner, see page 34 f.

Rail Vehicles (discontinued operations)	Electrical Systems	Consolidation	**Transportation**	Holding companies	Consolidation	**Group**
0.0	(3.5)	0.0	**(11.6)**	(2.7)	(4.4)	**(16.5)**
9.2	(6.8)	(9.6)	**(16.5)**	14.8	(22.6)	**(28.3)**
0.0	(2.4)	0.0	**(6.5)**	(3.8)	0.3	**(1.1)**
4.8	(1.1)	(4.7)	**(4.5)**	15.9	(19.8)	**(6.1)**
0.0	100.7	0.0	**135.6**	0.0	–	**520.6**
128.8	109.6	(128.8)	**154.3**	0.2	–	**559.5**
0.0	50.6	0.0	**70.4**	0.1	–	**281.2**
68.8	62.9	(68.8)	**87.3**	0.1	–	**302.9**
0.0	1.8	(1.2)	**0.6**	0.6	(6.6)	**2.1**
0.0	1.6	(1.1)	**1.3**	0.6	(5.2)	**6.5**
0.0	0.9	(0.6)	**0.3**	0.3	(3.9)	**1.5**
0.0	1.2	(0.9)	**0.3**	0.3	(2.7)	**3.2**
0.0	0.1	0.0	**0.4**	6.2	(6.1)	**0.7**
0.5	0.1	(0.2)	**0.8**	5.4	(5.9)	**0.6**
0.0	0.0	0.1	**0.2**	3.1	(3.1)	**0.4**
0.2	0.0	0.0	**0.4**	3.0	(3.3)	**0.3**
0.0	(2.2)	0.0	**(3.2)**	(5.8)	6.3	**(7.6)**
(0.2)	(2.0)	0.0	**(3.6)**	(5.3)	6.3	**(6.9)**
0.0	(1.0)	0.0	**(1.5)**	(2.9)	3.1	**(4.0)**
(0.1)	(1.0)	0.0	**(1.9)**	(3.2)	3.4	**(4.1)**
0.0	2.3	0.0	**4.3**	0.4	0.0	**18.2**
4.4	2.3	(4.4)	**4.4**	0.3	0.0	**17.8**
0.0	1.2	(0.1)	**2.2**	0.2	0.0	**9.1**
2.2	1.1	(2.2)	**2.2**	0.2	0.0	**9.0**
0.0	0.0	0.0	**0.0**	0.0	–	**0.9**
0.0	0.0	0.0	**0.0**	0.0	–	**1.3**
0.0	0.0	0.0	**0.0**	0.0	–	**0.7**
0.0	0.0	0.0	**0.0**	0.0	–	**1.3**
0.0	0.4	0.0	**0.7**	(4.3)	0.0	**2.7**
1.4	1.9	(1.3)	**2.0**	(2.6)	0.0	**6.8**
0.0	0.1	0.0	**0.2**	(2.7)	0.0	**2.5**
0.8	3.2	(0.5)	**5.0**	(1.7)	0.0	**7.8**
0.0	0.0	0.0	**0.0**	4.9	–	**4.9**
5.6	0.0	–	**5.6**	0.0	–	**5.6**
0.0	0.0	0.0	**0.0**	0.0	–	**0.0**
2.9	0.0	0.0	**2.9**	0.0	–	**2.9**
0.0	1.2	0.0	**1.2**	0.6	0.0	**9.1**
0.0	0.9	0.0	**0.9**	0.6	0.0	**10.4**
0.0	1.2	0.0	**1.2**	0.3	0.0	**5.0**
0.0	0.8	0.0	**0.8**	0.3	0.0	**3.8**
0.0	310.4	(2.7)	**428.2**	1,095.6	(1,067.6)	**1,427.9**
368.8	366.0	(13.6)	**832.2**	1,030.4	(1,226.5)	**1,670.6**
0.0	229.4	(2.7)	**321.7**	406.4	(457.0)	**867.1**
282.8	299.3	(285.9)	**377.6**	644.5	(608.9)	**1,039.6**
0.0	1.6	0.0	**3.7**	0.0	0.0	**12.3**
4.0	1.4	(3.8)	**2.9**	0.2	0.3	**16.4**
0.0	0.9	0.0	**1.7**	0.0	0.2	**7.7**
2.6	0.6	(2.4)	**1.5**	0.1	0.0	**8.5**
0.0	0.0	0.0	**0.0**	0.0	–	**33.7**
0.0	0.0	0.0	**0.0**	0.0	–	**35.7**
0	733	0	**1,134**	56	–	**4,837**
891	848	(891)	**1,271**	55	–	**4,911**

Responsibility statement

"We confirm, to the best of our knowledge, that in accordance with the applicable accounting principles for the interim financial reporting, the Group interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year."

Werdohl, July 26, 2016

Vossloh AG
The Executive Board

Dr. h.c. Hans M. Schabert, Volker Schenk, Oliver Schuster

Review report of the independent auditor

To Vossloh Aktiengesellschaft

We have reviewed the condensed interim consolidated financial statements of Vossloh Aktiengesellschaft – comprising the income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and selected explanatory notes – together with the interim group management report of Vossloh Aktiengesellschaft, for the period from January 1 to June 30, 2016 that are part of the semi annual according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in 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 prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.
A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in 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 prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, July 26, 2016

KPMG AG Wirtschaftsprüfungsgesellschaft

Rodemer	Jessen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Dates 2016

Publication of interim reports/interim notes	
as of September 30, 2016	October 27, 2016

Dates 2017

Publication of annual financial statements 2016	March 2017
Press conference	March 2017
Investors and analysts conference	March 2017
Annual General Meeting	May 24, 2017

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Vossloh AG's boards

Executive Board	Dr. h.c. Hans M. Schabert (CEO)
	Volker Schenk
	Oliver Schuster
Supervisory Board	Heinz Hermann Thiele, former Chairman of Knorr-Bremse AG, Munich, Chairman
	Ulrich M. Harnacke, Tax Advisor and Auditor, Mönchengladbach, Vice Chairman
	Silvia Maisch, Electrical Mechanic, Monheim
	Dr.-Ing. Wolfgang Schlosser, Consultant and former Managing Director of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Puchheim
	Michael Ulrich, Machinist, Kiel
	Ursus Zinsli, member of the Administrative Board and former Managing Director of Scheuchzer SA (Switzerland), Saint-Sulpice (Kanton Vaud, Switzerland)

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