Driving Innovation. Developing Potential.

Interim financial report as of June 30, 2018

vossloh

Key Group figures		H1/2018	H1/2017*
Orders received	€ mill.	479.7	437.1
Order backlog	€ mill.	543.5	510.6
Income statement data			
Sales revenues	€ mill.	418.1	452.0
Core Components	€ mill.	141.0	174.8
Customized Modules	€ mill.	234.1	237.9
Lifecycle Solutions	€ mill.	46.1	42.8
EBIT	€ mill.	22.8	35.6
EBIT margin	%	5.4	7.9
Net interest result	€ mill.	(6.5)	(5.8)
EBT	€ mill.	16.3	29.8
Net income	€ mill.	11.2	13.4
Earnings per share	€	0.53	0.56
Return on capital employed (ROCE)[1]	%	5.9	9.0
Value added[1]	€ mill.	(6.3)	6.0
Balance sheet data			
Fixed assets[2]	€ mill.	574.2	568.7
Capital expenditure	€ mill.	19.9	12.8
Depreciation/amortization	€ mill.	17.6	19.0
Closing working capital[3]	€ mill.	210.2	236.6
Closing capital employed	€ mill.	784.4	805.3
Equity	€ mill.	519.3	559.2
Noncontrolling interests	€ mill.	18.0	21.3
Net financial debt	€ mill.	236.1	234.7
Total assets	€ mill.	1,204.7	1,245.5
Equity ratio	%	43.1	44.9
Cash flow statement data			
Gross cash flow	€ mill.	42.0	49.8
Cash flow from operating activities	€ mill.	18.0	(45.8)
Cash flow from investing activities	€ mill.	(21.8)	(89.6)
Cash flow from financing activities	€ mill.	(15.5)	5.0
Free cash flow	€ mill.	(2.8)	(61.8)
Employees			
Average number of employees	No.	3,735	3,909
Core Components	No.	780	859
Customized Modules	No.	2,399	2,525
Lifecycle Solutions	No.	494	464
Vossloh AG	No.	62	61
Personnel expenses	€ mill.	108.6	108.8
Share data			
Share price as of June 30	€	41.70	56.28
Closing market capitalization as of June 30	€ mill.	665.8	898.6

[1] Based on average capital employed, annualized

[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 (including contract assets) plus inventories minus trade payables (including contract liabilities) minus prepayments received minus other current provisions (adjusted for matters not attributable to the operating business)

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Dear shareholders,

First of all, I would like to take this opportunity to provide you with an overview of significant developments at Vossloh in the first half of 2018. Then I will provide you with some brief insights into current trends in our industry and what implications these have for your Company. As usual, at the end of my remarks you can see an assessment of the further course of the 2018 fiscal year.

Let's start by looking back. As you know, our 2018 fiscal year had a comparatively weak start, as is typical for the season. Group sales in the first quarter totaled approximately €178 million, while the EBIT margin was just under 1 percent. In the second quarter, which has now closed, the situation is far more encouraging. Sales amounted to approximately €240 million in the period from April to June, thereby about 6 percent below the previous year's figure of around €256 million, reflecting project-related, temporary sales weakness in the business with fastening systems in China. EBIT in the second quarter was around €21 million, which was encouraging under these circumstances. This corresponded to an EBIT margin of nearly 9 percent (previous year: just over 10 percent).

This brings Group sales to approximately €418 million in the first half of 2018 (previous year: €452 million). EBIT for this period comes to €22.8 million (previous year: €35.6 million). Accordingly, the EBIT margin came to 5.4 percent compared to 7.9 percent in the comparable period of 2017.

In terms of orders received, the good trend seen in the first three months of 2018 not only continued, but intensified. In the first six months of 2018, orders received totaled €479.7 million after €437.1 million in the first half of 2017. As a result, we have achieved an increase of 9.7 percent and a ratio of new orders to sales (book-to-bill) of 1.15 in the core business of the Group. It is noteworthy here that the book-to-bill ratio was greater than 1 in each individual business unit; in the Fastening Systems business unit, it was even 1.34.
On this note, I would like to call particular attention to the fact that in April 2018 we won another tender in China for the supply of rail fastening systems. The order is worth approximately €30 million, underscoring our sustained strong market position in the area of high-speed lines. But also outside China, orders received significantly exceeded sales in the first half of the year. Positive developments were also noted in our Lifecycle Solutions division. Here we were able to sign contracts for the welding and transport of new rails with important rail suppliers of Deutsche Bahn AG. The contracts have a term until the end of 2019 and can be extended twice by one year each. Our order backlog for the entire Group reached €543.5 million as of June 30, 2018, a significantly higher amount than the €510.6 million recorded on the same date in the previous year.

We also recently concluded two important framework agreements in North America, one of our focus markets. In both cases, the contractual partner is the Canadian freight operator Canadian National Railway (CN), with which multi-year contracts for the supply of switches and switch components as well as concrete ties were agreed. With this new major client, we are strengthening our competitive position in North America on a sustainable basis. In addition, the anticipated supply volumes provide very significant support to the expected uptrend in our business in North America.

Finally, free cash flow, the key figure that provides insight into the extent to which a company earns money from its operating business and after financing its investments, also improved significantly compared to the previous year. Following a figure of negative €61.8 million in the first half of 2017, the corresponding amount in the reporting period totaled only minus €2.8 million despite higher investments.

I would now like to address a few important developments beyond the financial key figures. As you know, innovation in general and digitalization in particular are topics that are playing an ever more important role in all industries and spheres of life. This also absolutely applies to the area of rail infrastructure. As a result of the internationalization of business, competitive pressure has increased significantly. Innovation as an opportunity to differentiate oneself from other market participants, thereby providing the basis for sustainable economic success, is even more important today than ever before. At the same time, ever improving technical options present themselves for analyzing and processing large quantities of data quickly and efficiently. In summary, innovation cycles are shortening significantly. But innovation for its own sake has no value if it is not aligned with the needs of the customer. At Vossloh, we have understood this fact and are holding to it strictly in all we do. Rather than developing ideas, products and solutions at the drawing board, we work with our customers to create ideas with quantifiable value.

We have identified track availability as a key issue that concerns our customers. This involves analyzing the current condition of the rail tracks, forecasting their future condition and developing and implementing optimal servicing and maintenance strategies in order to maximize the availability and lifespan of the rail tracks. This is what our "The Smart Rail Track by Vossloh" vision stands for. With this in mind, we are bundling all relevant activities and resources within our Group to ensure that we strictly focus on customer benefit and maximum efficiency. Within the framework of cooperation agreements, we will augment our in-depth knowledge – of all essential components as well as rail tracks as an entire system – with digital expertise. The key to our future growth and sustainable economic success lies in the combination of our physical-technical expertise, our industry experience with sensors, software and data analysis, and even artificial intelligence. Our industry is not simply on the cusp of profound change, but has long since started this process. Vossloh is, and will remain, one of the drivers of this transformation.

To conclude, let us now take a look at the 2018 fiscal year as a whole and our expectations. We continue to forecast Group sales at the level of the 2017 fiscal year. EBIT and therefore the EBIT margin are expected to fall short of the previous year's figures. As I mentioned earlier, the main reason for this was the very strong business performance in the high-margin focus market of China in the 2017 fiscal year, which is partially to the detriment of business performance in the current year. We cannot, and this remains unchanged, fully compensate for the resultant temporarily weaker business performance in the Core Components division at the Group level with an forecasted increase in operating results in the other divisions. In total, for Vossloh we expect sales between €875 million and €950 million and an EBIT margin between 6.0 percent and 7.0 percent in the current fiscal year.

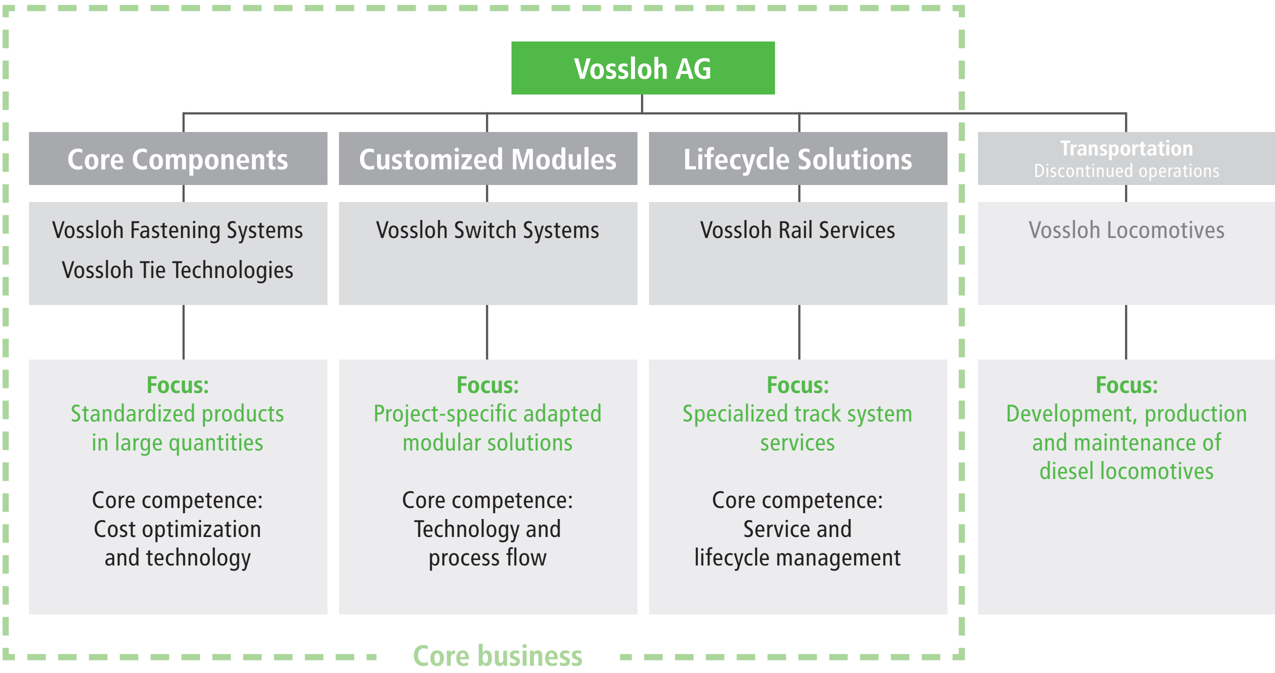
Dear shareholders and friends of the Vossloh Group, at our Company's Annual General Meeting, it became clear how much trust you place in the entire Vossloh team. We would like to thank you for this and assure you that your faithful support provides us with tremendous incentive. This motivates us to put all our efforts into leading Vossloh toward a successful future.

Yours sincerely,

Andreas Busemann,
Chief Executive Officer, Vossloh AG

Vossloh's Corporate Structure

The three divisions – Core Components, Customized Modules and Lifecycle Solutions – represent the pillars of the core business and are managed and supervised according to the fundamental principles of their business models: product, project and service orientation. The divisions cooperate closely and present themselves in the market in a unified and coordinated manner as "One Vossloh." Vossloh AG, operating as a management holding company, exerts direct influence on the operating units. The Executive Board of Vossloh AG expects that with Vossloh Locomotives the last remaining business unit of the Transportation division will be sold by the end of 2018. Therefore, all assets and liabilities as well as income and expenses in the interim financial statements will be classified as discontinued operations according to IFRS 5.



Core Components

The division combines the Group's range of industrially manufactured serial products that are generally required in high volumes for rail infrastructure projects. These are the rail fastening systems, which are currently developed, produced and distributed by the Fastening Systems business unit for all application areas, as well as the activities of Vossloh Tie Technologies, the leading manufacturer of concrete ties in North America.

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.

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. In particular, these include the 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.

Vossloh share

Concerns regarding inflation and global trade war influence stock exchanges in the first half year 2018

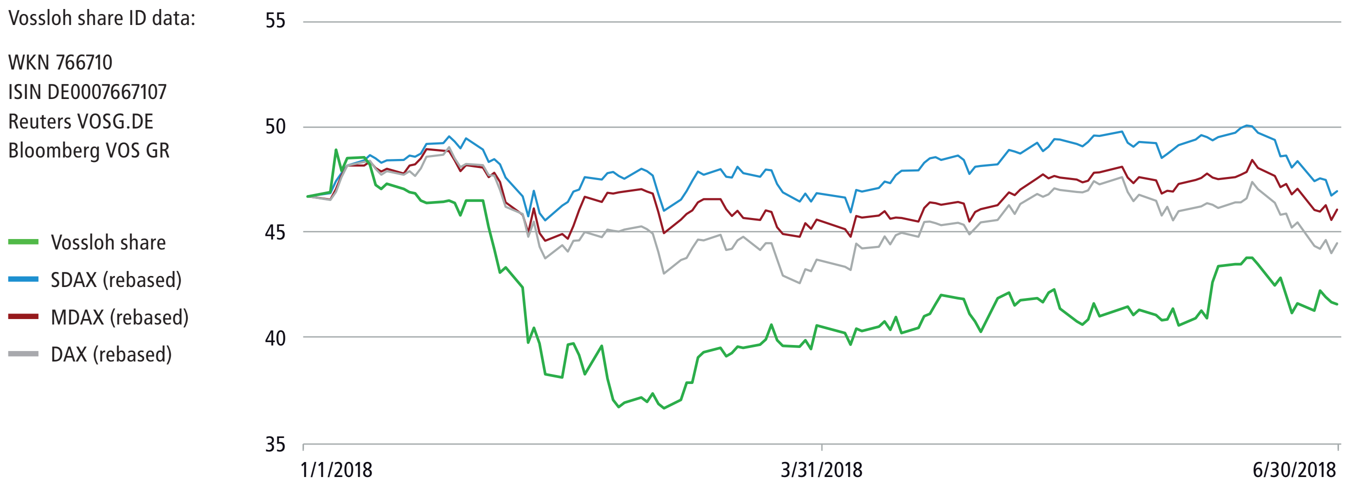
The worldwide stock exchanges began the 2018 stock market year on a mostly positive note and initially even achieved new multi-year highs in the first trading weeks. This development was particularly inspired by significantly higher profit expectations in the USA. In addition, the economic data in Europe and the USA was able to build upon the good trend of the previous year. Triggered by increasing inflation concerns in the USA and weaker leading indicators in the eurozone, a significant correction quickly ensued that led to severe price declines on the global exchanges particularly in February. In the first quarter, concerns regarding the threat of a global trade war with the USA also had a harmful effect. These concerns, along with disappointing economic data in the eurozone, repeatedly led to uncertainty among international investors. Sustained robust economic data in the USA and a strong US reporting season, the return of a stronger US dollar and the decision of the European Central Bank to leave key interest rates unchanged until the summer of 2019 all provided relief from this. As a result, international indexes displayed an inconsistent bottom-line picture in the first half of 2018.

The German stock market also recorded a high level of volatility in the first half of 2018. Although the DAX reached an interim new all-time high of just under 13,600 points in January, it sank below its 200-day line in March. On June 30, 2018, the index recorded a level of 12,306 points, a decline of 4.7 percent from the end of 2017. The MDAX ended the first six months at 25,854 points, thereby 1.3 percent below the level at the end of 2017. During the same period, the SDAX climbed slightly by 0.5 percent. At the end of June 2018, the index closed at 11,950 points.

Price performance of the Vossloh share, January 1 to June 30, 2018

Vossloh share ID data:

WKN 766710
ISIN DE0007667107
Reuters VOSG.DE
Bloomberg VOS GR



Vossloh share price lower in the first six months of 2018

The Vossloh share started the new stock market year on January 2, 2018 at a price of €47.00 and then immediately on January 3 reached its high so far this year of €49.15. Subsequently, a downward trend set in, during which the Vossloh share lost noticeably in value and, on March 2, 2018, recorded its lowest level in the first six months of 2018 of €36.55. Although the Vossloh share recovered significantly by the end of June, it lagged the overall performance of the SDAX index in the first half of 2018. The Vossloh share closed on June 29, 2018 at a price of €41.70, thereby 10.9 percent below the level at the end of 2017 (€46.80).

The trading volume of the Vossloh share climbed from 1.6 million shares in the first six months of the previous year to approximately 2.7 million shares during the current reporting period. Calculated on the basis of 125 trading days in the January-to-June period, the daily trading volume in the first half of 2018 amounted to an average of approximately 21,400 shares (previous year: 12,900 shares).

The closing market capitalization of the Vossloh Group, relative to the 15,967,437 shares outstanding, amounted to approximately €666 million as of the reporting date on June 30, 2018.

Free Float Market Capitalization at €373 million

Mr. Heinz Hermann Thiele is the largest shareholder of Vossloh AG. Mr. Thiele's share of Vossloh AG totaled 44.73 percent of the capital stock, according to a German Securities Trading Act (WpHG) notification on December 30, 2016. Other shareholders known to Vossloh AG with voting rights shares above the legal reporting threshold of 3 percent are Franklin Mutual Advisers LLC, Wilmington, Delaware, USA (with 5.05 percent, reported on December 28, 2017), LAZARD FRERES GESTION SAS, Paris/France (with 3.01 percent, reported on March 24, 2014) and LBBW Asset Management Investmentgesellschaft mbH, Stuttgart (with 3.09 percent, reported on February 14, 2018). In accordance with the Deutsche Börse AG definition, the assets of these investors, which are reported according to the German Securities Trading Act (WpHG), are not considered fixed shareholdings, but count toward the free float market capitalization. As a result, the free float of Vossloh AG's capital stock at the end of June 2018 totaled 55.27 percent, while its free float market capitalization amounted to about €373 million according to the German stock exchange calculation method.

The 2018 Annual General Meeting approves all agenda items by a large majority, including dividend of €1.00 per share

The shareholders approved all agenda items at Vossloh AG's Annual General Meeting, which was held in Düsseldorf on May 9, 2018. In total, around 67 percent of Vossloh AG's share capital was represented at the Annual General Meeting. Shareholders approved the proposed dividend distribution of €1.00 per dividend-bearing share by a large majority. In addition, the shareholders' meeting followed the recommendations of the administrative bodies and decided to discharge the members of the Management Board and the Supervisory Board for the past reporting year. In the scheduled election of the four shareholder representatives for the Supervisory Board, Dr.-Ing. Volker Kefer, Chairman of the Supervisory Board since 2017, and Ulrich M. Harnacke, Chairman of the Audit Committee since 2014 and Deputy Chairman of the Board, were confirmed in their offices. In addition, the shareholders' meeting newly elected Prof. Dr. Anne Christine d'Arcy and Dr. Bernhard Düttmann to the Supervisory Board. They are replacing Dr.-Ing. Wolfgang Schlosser and Ursus Zinsli, both of whom had stated that, in view of the existing age limit, they would refrain from renewing their candidacy for the Supervisory Board. Furthermore, KPMG AG Wirtschaftsprüfungsgesellschaft was elected as the auditor for 2018.

The Vossloh share rated mostly neutral in the first half of 2018

National and international financial analysts follow and evaluate Vossloh. In the first half of 2018, a total of ten financial analysts covered the performance of the Vossloh share and published estimates and commentaries. As of the end of June 2018, a total of seven of them recommended holding the Vossloh share, one analyst gave the Vossloh security a "buy" rating and two institutions maintained a "sell" recommendation. As of the end of June, the fair value for the Vossloh share price ranged between €38 and €53; the average target price was €44.

Information on the Vossloh share	
ISIN	DE0007667107
Trading locations	Xetra, Düsseldorf, Frankfurt, Berlin, Hamburg, Hanover, Stuttgart, Munich
Index	SDAX
Number of shares in circulation on June 30, 2018	15,967,437
Share price on June 30, 2018	€41.70
High/low price (January to June 2018)	€49.15/€36.55
Reuters code	VOSG.DE
Bloomberg code	VOS GR

You may obtain additional information on the Vossloh company and the Vossloh share on the website www.vossloh.com. In addition to current financial reports, presentations and press releases, you can also find information on creditor relations here. You are very welcome to contact us should you have any questions. You can reach us at investor.relations@vossloh.com or by telephone at +49 (0) 23 92 52 609.

Interim Group management report

Business development in the Group

Preliminary remarks

Due to the presentation of the Locomotives business unit, the last remaining business unit of the Transportation division, as discontinued operations, all assets and liabilities of this division are reported in the balance sheet as held for sale in a separate line item. In the income statement, all expenses and income that originate from the companies already sold or to be sold respectively or that are incurred in connection with the sale or are expected to be incurred in the further course of the sale process are reported in the line item "Result from discontinued operations." The figures from the previous year are presented in a comparable manner and therefore differ from the figures presented in the interim report as of June 30, 2017. Further information can be found in the selected explanatory notes on page 27 et seq. in this interim report.

Results of operations

Sales revenues in the first half of the year below the previous year

In the second quarter of the 2018 fiscal year, the sales of the Vossloh Group amounted to €239.8 million, thereby below the previous year's figure of €255.8 million. In the first half of 2018, sales revenues were €418.1 million, 7.5 percent lower compared to the previous year (€452.0 million). As in the first quarter of 2018, the sales decline was almost exclusively attributable to the Core Components division – above all due to the temporarily weaker China business in the Fastening Systems business unit – and was strengthened to a large extent by negative impacts of exchange rate developments.

Sales revenues by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	H1/2018		H1/2017*		Q2/2018		Q2/2017*	
Germany	38.1	9.1	37.8	8.4	22.4	9.3	23.6	9.2
France	54.3	13.0	49.8	11.0	31.1	13.0	26.2	10.2
Rest of Western Europe	35.5	8.5	37.7	8.3	20.8	8.7	25.1	9.8
Northern Europe	48.3	11.5	52.8	11.7	30.3	12.6	33.1	13.0
Southern Europe	36.7	8.8	27.9	6.2	19.4	8.1	15.7	6.1
Eastern Europe	35.7	8.5	21.2	4.7	19.6	8.2	13.7	5.4
Total of Europe	**248.6**	**59.4**	**227.2**	**50.3**	**143.6**	**59.9**	**137.4**	**53.7**
Americas	72.4	17.3	86.5	19.1	37.5	15.7	45.3	17.7
Asia	75.1	18.0	102.3	22.7	46.8	19.5	56.0	21.9
Africa	7.8	1.9	25.0	5.5	4.2	1.7	11.3	4.4
Australia	14.2	3.4	11.0	2.4	7.7	3.2	5.8	2.3
Total	**418.1**	**100.0**	**452.0**	**100.0**	**239.8**	**100.0**	**255.8**	**100.0**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

In the first half of 2018, sales in Europe increased by 9.4 percent relative to the corresponding period of the previous year. In Western Europe, the sales volume was slightly higher than the previous year's level. Above all France and the United Kingdom contributed to the increase. Sales in Northern Europe in the first six months of 2018 lagged the previous year's figures particularly due to lower sales contributions from Norway and Sweden. The good sales development in Southern Europe at the beginning of the year also continued in the second quarter of 2018. The key reason for this was primarily additional sales in Italy. The positive trend of the first quarter also solidified in Eastern Europe. It was possible to record a significant sales increase above all in Poland.

In the Americas region, sales in the first half of 2018 lagged the previous year's figure by 16.3 percent. A significant portion of this sales decline involves the USA, where weak demand continues to be experienced from Class I railroad operators. Adverse exchange rate effects also burdened business volumes in the dollar region. By contrast, sales in South America were slightly above the previous year, which was partially attributable to higher sales in Argentina.

In the Asia region, sales in the first six months of 2018 fell short of the high figure in the previous year, as expected. They fell from the previous year by 26.6 percent. The sales decline resulted largely from temporarily lower demand above all for rail fastening systems for high-speed routes in China. In addition, lower sales were also achieved in Saudi Arabia, whereas higher sales were realized amongst others in Kazakhstan.

In Africa, it was not possible to repeat the high sales level of the previous year in the first half of 2018. Sales fell by 68.7 percent from the corresponding period of the previous year. This development was almost exclusively attributable to the expiration of projects in Morocco.

In Australia higher sales could be realized. The sales increase relative to the first six months of the previous year was 29.2 percent.

Vossloh Group

€ mill.	H1/2018	H1/2017*	Q2/2018	Q2/2017*
Sales revenues	418.1	452.0	239.8	255.8
EBIT	22.8	35.6	21.2	26.1
EBT	16.3	29.8	18.3	22.0
Net income	11.2	13.4	9.7	8.6

*Previous year's figures presented in a comparable manner, see page 27 et seq.

EBIT and EBIT margin in the first half of 2018 below the previous year's level

Also in the second quarter, earnings before interest and taxes (EBIT) fell short of the previous year's figure, as expected. As a result, after the first half of 2018, EBIT was 36.1 percent below the previous year's level. Above all lower contributions to earnings from the Core Components division were responsible for this. This involves in particular lower earnings contributions due to lower sales from the Fastening Systems business unit in China. EBIT in the Customized Modules division in the first half of 2018 also lagged the previous year's figure. However, it was possible to achieve a significant EBIT increase in the Lifecycle Solutions division. The Vossloh Group's EBIT margin decreased from 7.9 percent in the previous year to 5.4 percent in the first half of 2018.

The net interest result of €(6.5) million in the first half of 2018 was slightly lower than the previous year's figure of €(5.8) million. While interest expense of €8.6 million in the previous year declined to €6.9 million in the first half of 2018 due to lower financing costs, interest income of €2.8 million in the previous year was significantly higher than the €0.4 million of the first six months of 2018 primarily as a result of the payment of interest on the purchase price from the sale of the Electrical Systems business unit. As a result of lower EBIT and a slightly worse net interest result in the first half of 2018, earnings before taxes were below the previous year's figure.

Positive result from discontinued operations, earnings per share at the previous year's level

Tax expense of €7.1 million in the first half of 2018 was slightly below the previous year at €8.3 million. The result from discontinued operations of €2.0 million in the first six months of 2018 was positive and indicated a significant improvement compared to the previous year's value of €(8.1) million. The primary driver was the significant improvement compared to the previous year in the Locomotives business unit, which is available for sale. Net income attributable to Vossloh AG shareholders of €8.5 million fell short of the previous year's figure of €9.0 million only insignificantly. Given the unchanged average number of shares outstanding of 15,967,437 in the first half of 2018, earnings per share of €0.53 in the first half of 2018 corresponded roughly to the previous year's level (€0.56).

Vossloh Group – Value management

		H1/2018	H1/2017*	Q2/2018	Q2/2017*
Average capital employed	€ mill.	775.0	791.5	781.4	800.8
ROCE[1,2]	%	5.9	9.0	10.8	13.0
Value added[1,2]	€ mill.	(6.3)	6.0	6.5	11.1

[1] Annualized

[2] Based on average capital employed

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Positive value added in the second quarter

The return on capital employed (ROCE) declined due to lower EBIT in the first six months of 2018 compared to the previous year. The value added in the first half of 2018 was negative, but it was possible to generate a positive value added in the second quarter. As in the previous year, a weighted average cost of capital (WACC) of shareholders and creditors of 7.5 percent was used to calculate the cost of capital.

Vossloh divisions – Orders received and order backlog

	Orders received		Order backlog	
€ mill.	H1/2018	H1/2017	6/30/2018	6/30/2017
Core Components	181.6	148.3	177.2	191.1
Customized Modules	247.8	248.2	340.4	289.8
Lifecycle Solutions	53.1	44.7	29.1	31.2
Vossloh AG / Consolidation	(2.8)	(4.1)	(3.2)	(1.5)
Group*	**479.7**	**437.1**	**543.5**	**510.6**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Orders received in the first half of 2018 significantly higher, book-to-bill ratio at the Vossloh Group of 1.15

Orders received at the Group level were significantly higher in the first half of 2018 than in the previous year. Overall orders received surpassed the previous year's level by 9.7 percent. The book-to-bill key figure, the ratio of orders received to sales, amounted to 1.15. Orders received were significantly higher in the Core Components division in particular; the Fastening Systems business unit was responsible for this increase. In addition, orders received in the Lifecycle Solutions division were significantly higher than in the previous year. In the Customized Modules division, orders received were nearly unchanged at the previous year's level. Order backlog as of the end of the first half of 2018 surpassed the previous year by 6.4 percent. Solely the Customized Modules division contributed to the increase.

The two framework agreements signed by Customized Modules and Vossloh Tie Technologies with the Canadian freight operator CN in the second quarter of 2018 will be recognized in orders received upon receiving the corresponding purchase orders from the customer.

Financial position

Equity ratio still significantly over 40 percent

Equity as of June 30, 2018 declined from the end of 2017 primarily due to the dividend payment of about €16 million (€1.00 per share) to the shareholders of Vossloh AG. Positive net income in the first half of 2018 had a partially offsetting effect. At more than 40 percent, the equity ratio remains at a very stable level. Relative to the figure on December 31, 2017, however, the equity ratio improved slightly due to a slightly reduced balance sheet total.

Vossloh Group

		6/30/2018 H1/2018	12/31/2017/ Fiscal year 2017	6/30/2017*/ H1/2017*
Total assets	€ mill.	1,204.7	1,252.9	1,245.5
Equity	€ mill.	519.3	532.4	559.2
Equity ratio	%	43.1	42.5	44.9
Closing working capital	€ mill.	210.2	190.0	236.6
Average working capital	€ mill.	208.3	211.6	206.9
Average working capital intensity	%	24.9	23.0	22.9
Fixed assets	€ mill.	574.2	568.7	568.7
Closing capital employed	€ mill.	784.4	758.7	805.3
Average capital employed	€ mill.	775.0	788.3	791.5
Free cash flow	€ mill.	(2.8)	(22.3)	(61.8)
Net financial debt	€ mill.	236.1	207.7	234.7

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Compared to the reporting date of June 30, 2017, it was possible to reduce working capital significantly by 11.2 percent as of June 30, 2018. Average working capital in the first half of 2018 was nearly unchanged at the level of the corresponding period of the previous year. Given the lower sales after the first six months of 2018, the average working capital intensity was somewhat higher than in the previous year. As of mid-year, capital employed was less than at the same date of the previous year, but was higher than the figure at the end of the previous year as a result of significantly lower working capital as of December 31, 2017. On average, capital employed in the first half of 2018 was below the corresponding figures in both the 2017 fiscal year and the first half of 2017.

The net financial debt of the Vossloh Group was about the level of June 30, 2017. Compared to the figure at the end of the previous year, net financial debt increased particularly due to the dividend payment to shareholders of Vossloh AG and the net interest payments.

Capital expenditures

€ mill.	H1/2018	H1/2017*	Q2/2018	Q2/2017*
Core Components	5.0	5.3	3.8	4.3
Customized Modules	9.8	5.7	6.5	2.8
Lifecycle Solutions	4.9	1.6	3.8	0.7
Vossloh AG / Consolidation	0.2	0.2	0.0	0.1
Total	**19.9**	**12.8**	**14.1**	**7.9**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Significant increase in investments at Vossloh Group from the previous year

In the first half of 2018, the Vossloh Group was able to record an increase in investments of 55.2 percent on the first half of the previous year. More was invested particularly in the Customized Modules and Lifecycle Solutions divisions. In the Core Components division, overall investments remained at the previous year's level after the first half of the year. The investments in the Tie Technologies business unit exceeded the previous year's value, while investments in Vossloh Fastening Systems were below the previous year's level. The largest single investment involved the modernization of the production plant for manganese frogs in Outreau, France, in the Customized Modules division. In addition, in the Lifecycle Solutions division, a major investment was made in the construction of a high-speed grinding vehicle.

Business development Core Components

High orders received at Core Components

In the second quarter of 2018, the orders received in the Core Components division totaled €138.7 million and thus were significantly above the previous year's figure of €76.8 million. This resulted in total orders received of €181.6 million in the first half of 2018 after €148.3 in the previous year. The increase is attributable to the Fastening Systems business unit. The division's order backlog amounted to €177.2 million as of mid-2018, while it had been €191.1 million in the previous year.

Orders received in the Fastening Systems business unit of €113.3 million in the second quarter of 2018 significantly exceeded the previous year's figure of €60.0 million. This is also reflected in the figure of €148.6 million for the entire first half of 2018 compared to orders received of €106.6 million in the previous year. This development was driven by new orders from China – included here is the order won in April for a section of the high-speed route from Zhengzhou to Wanzhou with a volume of about €30 million – as well as from Italy and Turkey. As of June 30, 2018, the order backlog of the Fastening Systems business unit was €138.2 million (previous year: €156.4 million).

In the second quarter orders received amounted to €26.3 million in the Tie Technologies business unit. Compared to €17.5 million in the same period of the previous year, this was a significant increase of €8.8 million. Orders received in the first six months of 2018 amounted to €33.9 million and were thereby below the previous year's figure of €42.8 million, still reflecting the impact of the weak first quarter. Although orders received declined in the USA, there was positive development in Canada and Mexico compared to the first half of the previous year. The order backlog as of mid-2018 totaled €39.0 million (previous year: €34.6 million).

Core Components

		H1/2018	H1/2017	Q2/2018	Q2/2017
Sales revenues	€ mill.	141.0	174.8	82.5	96.6
EBIT	€ mill.	16.1	26.7	10.5	15.1
EBIT margin	%	11.4	15.3	12.7	15.7
ROCE[1,2]	%	14.8	23.5	19.5	26.8
Value added[1,2]	€ mill.	7.9	18.2	6.4	10.9

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

Sales in the Core Components division decreased by 19.4 percent in the first six months of 2018 compared to the first half of the previous year. This development was primarily attributable to the Fastening Systems business unit, but it was reinforced by the Tie Technologies business unit.

Sales in the second quarter of 2018 in the Fastening Systems business unit totaled €67.3 million, about 8.9 percent below the €73.9 million achieved in the same quarter in the previous year. This resulted in sales in the first half of 2018 totaling €110.6 million (previous year: €133.0 million). The sales decline could particularly be traced back to temporarily weaker business development in China. Here customers took deliveries in the previous year that originally had been intended for 2018. However, this was partially offset by higher sales in Italy, Poland and Kazakhstan.

In the second quarter of 2018, the Tie Technologies business unit generated sales revenues of €16.0 million (previous year: €23.5 million). Sales in the first half of 2018 amounted to €31.1 million as a result and were accordingly weaker than the previous year's figure of €43.0 million. In a still-challenging market environment in the USA, this development was shaped by lower sales volumes in Transit area. In addition, the weak US dollar compared to the euro reinforced the sales decline. By contrast, sales in Canada performed positively compared to the previous year.

EBIT in the Core Components division in the first half of 2018 was significantly below the figure in the same period of the previous year. Project-related volatility in the business in China is the primary reason for this development.

EBIT in the Core Components division below the previous year

ROCE in the Core Components division declined in the first six months of 2018 in line with weaker earnings. The value added by the division fell by €10.3 million compared to the previous year. Despite lower sales than in the previous year, average working capital as a component of average capital employed was higher than in the previous year. This resulted in a higher average working capital intensity for the Core Components division in the first half of 2018 compared to the previous year's period. Lower fixed assets on average more than offset the increase in working capital and thereby led to lower average capital employed overall.

As expected, the value added of the Fastening Systems business unit of €11.0 million was unable to duplicate the magnitude of value added in the previous year of €20.0 million. The value added of the Tie Technologies business unit amounted to €(3.1) million (previous year: €(1.8) million).

Core Components

		H1/2018	Fiscal year 2017	H1/2017
Average working capital	€ mill.	67.8	67.7	62.8
Average working capital intensity	%	24.1	19.2	17.9
Average capital employed	€ mill.	217.0	225.0	227.2

Business development Customized Modules

Order backlog significantly above the previous year

Orders received in the Customized Modules division totaled €104.1 million in the second quarter of 2018, below the previous year's figure of €139.2 million. The orders received of €247.8 million in the first half of 2018 basically matched the previous year's figure of €248.2 million thanks to the good order situation in the first quarter. Order backlog as of June 30, 2018 amounted to €340.4 million, which represents a significant increase over the previous year's figure of €289.8 million.

Customized Modules

		H1/2018	H1/2017	Q2/2018	Q2/2017
Sales revenues	€ mill.	234.1	237.9	127.8	136.0
EBIT	€ mill.	12.6	14.7	10.3	12.0
EBIT margin	%	5.4	6.2	8.0	8.8
ROCE[1,2]	%	5.9	6.9	9.6	11.1
Value added[1,2]	€ mill.	(3.4)	(1.3)	2.2	3.9

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

In the second quarter of 2018, sales revenues of the Customized Modules division were 6.0 percent lower than in the previous year. In the first half of 2018, sales were slightly below the previous year by 1.6 percent. In particular, the strong contribution to sales from Morocco in the previous year could not be repeated, but this was almost offset by higher sales primarily in Poland, France, Italy and Australia.

EBIT at Customized Modules below the previous year

EBIT of the Customized Modules division after the first six months of 2018 was €2.1 million below the previous year's value. This development was attributable to the French key company, whose contributions to sales fell short of the previous year primarily due to the absence of Moroccan switch projects. At the same time, the US business slightly exceeded the previous year's level in a market environment that remains challenging.

ROCE of the Customized Modules division in the first half of 2018 declined from the previous year due to the lower EBIT. The value added fell by €2.1 million. Average working capital declined in the first half of 2018 compared to the previous year's period and along with it average working capital intensity.

Customized Modules

		H1/2018	Fiscal year 2017	H1/2017
Average working capital	€ mill.	133.5	137.6	139.8
Average working capital intensity	%	28.5	28.5	29.4
Average capital employed	€ mill.	425.0	424.9	425.8

Business development Lifecycle Solutions

Orders received in Lifecycle Solutions significantly above previous year

In the Lifecycle Solutions division, orders received amounted to €27.5 million in the second quarter of 2018, 24.7 percent above the previous year's value of €22.1 million. This resulted in total orders received of €53.1 million in the first half of 2018 (previous year: €44.7 million). The increase came primarily from Germany and Northern Europe. As of June 30, 2018, the order backlog of the Lifecycle Solutions division amounted to €29.1 million (previous year: €31.2 million).

Lifecycle Solutions

		H1/2018	H1/2017	Q2/2018	Q2/2017
Sales revenues	€ mill.	46.1	42.8	30.8	25.5
EBIT	€ mill.	3.1	1.8	5.0	2.7
EBIT margin	%	6.8	4.2	16.1	10.5
ROCE[1,2]	%	4.7	2.7	14.6	7.8
Value added[1,2]	€ mill.	(1.9)	(3.3)	2.4	0.1

[1] Annualized

[2] Based on average capital employed

Utilization of welding plants and High Speed Grinding driving positive sales and earnings development compared to previous year

In the second quarter of 2018, sales revenues in the Lifecycle Solutions division increased by a significant 20.9 percent on the previous year's figure. In the first half of 2018, it was possible to achieve €3.3 million higher sales than in the first half of 2017. Sales increases compared to the previous year were realized mainly as a result of better utilization of the welding plants in Germany as well as higher sales in High Speed Grinding. The degree of internationalization of the Lifecycle Solutions division's activities, measured in terms of the proportion of sales outside Germany, was 46.1 percent, thereby above the previous year's figure of 40.1 percent.

The Lifecycle Solutions division was able to exceed EBIT of the previous year's quarter by a significant €2.3 million. As a result, earnings of €1.3 million in the first half of 2018 exceeded the previous year's figure. In particular, Stationary Welding and High Speed Grinding were responsible for this.

Due to higher EBIT as well as slightly lower average capital employed, both ROCE and value added exceeded the previous year's levels. It was possible to reduce average working capital slightly despite a higher sales volume. Consequently, the Lifecycle Solutions division was able to report improved average working capital intensity compared to the previous year.

Lifecycle Solutions

		H1/2018	Fiscal year 2017	H1/2017
Average working capital	€ mill.	10.1	11.4	11.1
Average working capital intensity	%	11.0	12.6	13.0
Average capital employed	€ mill.	134.1	134.5	135.0

Research and development

A significant portion of research and development at the Vossloh Group occurs through individual contracts. Accordingly, the expenses that arise are recognized under cost of sales and not under the item research and development (R&D). As a result, the Vossloh Group reports relatively low R&D expenses, although the development work performed in the course of projects is significantly higher.

In the first six months of 2018, expenses for research and development at the Vossloh Group totaled €5.3 million, compared to €4.9 million in the same period of the previous year. The corresponding increase totals 7.7 percent. Expenses related to the Locomotives business unit, which is being held for sale, were no longer taken into account in the recognized figures. The comparable figure from the previous year has been adjusted accordingly.

In the Core Components division, expenses for research and development totaled €2.0 million in the first half of 2018, compared to €1.6 million in the first half of the previous year. These were completely generated by the Fastening Systems business unit. In the Tie Technologies business unit, no expenses arose for research and development in the first half of 2018, as was also the case in the first six months of 2017. As in the previous year, €2.0 million in research and development expenses was attributed to the Customized Modules division in the period from January to June 2018. The Lifecycle Solutions division also reported expenses of €1.3 million in the current reporting period, unchanged from the previous year.

In addition to the research and development costs recognized under expenses, expenditures for development work of €0.7 million were capitalized in the first half of the current fiscal year (previous year: €0.3 million). As in the previous year, these exclusively involved the Lifecycle Solutions division.

Employees

Without taking into account the Locomotives business unit, which is being held for sale, the Vossloh Group had a worldwide total of 3,778 employees as of June 30, 2018. As a result, the number of employees decreased in the past twelve months by 125 or 3.2 percent from 3,903. This decline is related to two companies in the Customized Modules division, which since December 2017 are no longer fully consolidated. These companies will now be accounted for using the equity method so that the employees are no longer included in the Group's numbers. At the same time, with 3,685 employees, an increase of 93 employees was recorded compared to the end of 2017.

3,778 employees worked for the Vossloh Group as of the end of June 2018

Employees	Closing date		Average	
	6/30/2018	6/30/2017*	H1/2018	H1/2017*
Core Components	795	837	780	859
Customized Modules	2,422	2,537	2,399	2,525
Lifecycle Solutions	500	468	494	464
Vossloh AG	61	61	62	61
Group	**3,778**	**3,903**	**3,735**	**3,909**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Core Components division reported 795 employees as of mid-2018, representing 42 fewer employees compared to the previous year (June 30, 2017: 837 employees). Following the transfer of an Indian company to the Customized Modules division, the Fastening Systems business unit had 578 employees as of June 30, 2018, in total 62 fewer employees compared to the previous year (June 30, 2017: 640 employees). By contrast, at Vossloh Tie Technologies, the second business unit of the Core Components division, the number of employees increased within the last twelve months by 20 to 217 employees (June 30, 2017: 197 employees). Staff figures decreased significantly in the Customized Modules division. Here the number of employees decreased despite the transfer of the Indian company from the Fastening Systems business unit as a result of the deconsolidation of two previously fully consolidated companies accounted for using the equity method from a total of 2,537 employees as of June 30, 2017 to 2,422 employees at the end of the first half of 2018. A total of 500 employees belonged to the Lifecycle Solutions division as of the end of June 2018, 32 more than at the previous year's reporting date (468 employees).

At the end of June 2018, a total of 2,901 employees worked for the Vossloh Group outside Germany. This corresponds to a decrease of 159 from 3,060 employees as of June 30, 2017. The number of employees working in Germany totaled 877 as of mid-2018 (June 30, 2017: 843 employees). As a result, the share of employees working outside Germany was 76.8 percent as of the 2018 mid-year reporting date, having declined by 1.6 percentage points from the previous year.

Share of employees outside Germany of 76.8 percent

Forecast, opportunities and risks

The Group management report for the 2017 fiscal year describes the material risks and opportunities for the expected performance of the Vossloh Group. In the course of the ongoing systematic recognition and management of risks through the Group's risk management, no risks are yet recognizable that could signify, individually or collectively, a threat to the existence of the Vossloh Group as a going concern.

With the presentation of the Annual Report for 2017 on March 22, 2018, Vossloh AG published a detailed forecast for the 2018 fiscal year (see 2017 Annual Report starting on page 82). This mid-year report confirms this guidance. Based on current knowledge, Vossloh assumes that it will be able to generate sales between €875 million and €950 million in 2018. Revenue development in the Core Components division is shaped by temporarily reduced expectations of business performance of the Fastening Systems business unit in China. A further massive expansion of the rail network in China continues to be expected. By 2025, the high-speed networks are expected to expand from the current 23,000 km to 38,000 km. Vossloh is assuming a consistently stable market position in this area, prompting expectations of significant revenue and net profit contributions in the future. However, the nature of the project business means that it is not possible to fully eliminate the possibility of cyclical performance. Unexpectedly high demand based on existing orders led to high sales in 2017 that initially were not expected to be generated until 2018. The tendering activities relevant to Vossloh were also below average in 2017. Overall, due to a continued stable market position, sales are expected to normalize in the high-speed area in China beginning in 2019. The decline in the forecast revenue in the Core Components division in 2018 is offset by an increase in the expected revenue for the Customized Modules and Lifecycle Solutions divisions.

Based on current knowledge, in 2018 both absolute EBIT and the Group's EBIT margin will not reach the very high levels of the 2017 fiscal year, in part due to the temporary weakness in China. The profitability of the Core Components division is expected to fall well below of the high level of the 2017 fiscal year. An improvement in EBIT margin is expected in the Customized Modules division. Similarly, a tangible improvement in profitability is anticipated for the Lifecycle Solutions division in 2018. Overall, Vossloh expects an EBIT margin of between 6.0 and 7.0 percent for 2018. In 2019, higher sales are being assumed particularly in the focus markets of China and North America – along with a corresponding improvement in profitability.

For the coming years, objectives will focus on achieving organic growth while improving profitability and also on seeking out suitable cooperation partners and potential acquisitions in order to strategically evolve the three core divisions and sustainably increase the Company's value. The planning presented for the 2018 fiscal year only reflects the targeted organic growth in the current Group structure.

Condensed interim financial statements of the Vossloh Group as of June 30, 2018

Income statement

€ mill.	H1/2018	H1/2017*	Q2/2018	Q2/2017*
Sales revenues	418.1	452.0	239.8	255.8
Cost of sales	(321.7)	(344.9)	(179.6)	(192.4)
General administrative and selling expenses	(73.4)	(72.7)	(38.2)	(36.5)
Change in valuation allowances for trade receivables according to IFRS 9	0.9	–	(0.1)	–
Research and development costs	(5.3)	(4.9)	(2.9)	(2.6)
Other operating result	3.6	4.4	1.1	1.6
Operating result	**22.2**	**33.9**	**20.1**	**25.9**
Income from investments in companies accounted for using the equity method	0.2	0.1	0.7	0.2
Other financial income	0.4	1.6	0.4	0.0
Earnings before interest and taxes (EBIT)	**22.8**	**35.6**	**21.2**	**26.1**
Interest income	0.4	2.8	0.2	1.2
Interest expenses	(6.9)	(8.6)	(3.1)	(5.3)
Earnings before taxes (EBT)	**16.3**	**29.8**	**18.3**	**22.0**
Income taxes	(7.1)	(8.3)	(7.8)	(6.2)
Result from continuing operations	**9.2**	**21.5**	**10.5**	**15.8**
Result from discontinued operations	2.0	(8.1)	(0.8)	(7.2)
Net income	**11.2**	**13.4**	**9.7**	**8.6**
thereof attributable to shareholders of Vossloh AG	**8.5**	**9.0**	**7.8**	**6.1**
thereof attributable to noncontrolling interests	2.7	4.4	1.9	2.5
Earnings per share				
Basic/diluted earnings per share (€)	0.53	0.56	0.49	0.39
thereof attributable to continuing operations	0.40	1.07	0.54	0.84
thereof attributable to discontinued operations	0.13	(0.51)	(0.05)	(0.45)

*Previous year's figures presented in a comparable manner, see page 27 et seq:

Statement of comprehensive income

€ mill.	H1 /2018	H1/2017*	Q2/2018	Q2/2017*
Net income	**11.2**	**13.4**	**9.7**	**8.6**
Changes in fair value of hedging instruments (cash flow hedges)	0.1	0.6	0.1	0.2
Currency translation differences	(1.7)	(2.7)	(1.9)	(6.2)
Income taxes from changes in the market value of hedging instruments	0.0	(0.2)	0.0	(0.1)
Amounts that will be transferred to profit or loss in future periods	**(1.6)**	**(2.3)**	**(1.8)**	**(6.1)**
Remeasurement of defined benefit plans	0.0	0.0	0.0	0.0
Income taxes	0.2	0.0	0.2	0.0
Amounts that will not be transferred to profit or loss in future periods	**0.2**	**0.0**	**0.2**	**0.0**
Income and expenses recognized directly in equity	**(1.4)**	**(2.3)**	**(1.6)**	**(6.1)**
Total comprehensive income	**9.8**	**11.1**	**8.1**	**2.5**
thereof attributable to shareholders of Vossloh AG	6.9	7.7	6.2	1.0
thereof attributable to noncontrolling interests	2.9	3.4	1.9	1.5

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Cash flow statement for the period from January 1 to June 30, 2018

€ mill.	H1/2018	H1/2017*
Cash flow from operating activities		
Earnings before interest and income taxes (EBIT)	22.8	35.6
EBIT from discontinued operations	2.0	(6.4)
Amortization/depreciation/impairment losses (less write-ups) of noncurrent assets	18.4	20.8
Change in noncurrent provisions	(1.2)	(0.2)
Gross cash flow	**42.0**	**49.8**
Noncash change in investments in companies accounted for using the equity method	0.0	0.0
Other noncash income/expenses, net	(15.7)	12.2
Net loss/(gain) from the disposal of noncurrent assets	(0.1)	(0.6)
Income taxes paid	(4.7)	(16.1)
Change in working capital	(10.0)	(84.2)
Changes in other assets/liabilities, net	6.5	(6.9)
Cash flow from operating activities	**18.0**	**(45.8)**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(20.9)	(12.7)
Investments in companies accounted for using the equity method	–	(3.3)
Cash-effective dividends from companies accounted for using the equity method	0.1	–
Free cash flow	**(2.8)**	**(61.8)**
Investments in noncurrent financial instruments	–	(0.6)
Proceeds from the disposal of intangible assets and property, plant and equipment	0.4	2.3
Disbursements/proceeds from the purchase/sale of short-term securities	0.0	(0.1)
Proceeds from the disposal of consolidated companies	–	42.4
Payments for the acquisition of consolidated companies	(1.4)	(117.6)
Cash flow from investing activities	**(21.8)**	**(89.6)**
Cash flow from financing activities		
Disbursements to shareholders and noncontrolling interests	(16.0)	0.0
Net financing from short-term loans	5.9	11.8
Net financing from medium-term and long-term loans	0.2	(0.1)
Interest received	0.4	2.9
Interest paid	(6.0)	(9.6)
Cash flow from financing activities	**(15.5)**	**5.0**
Net cash inflow/outflow	(19.3)	(130.4)
Change in cash and cash equivalents from the first-time consolidation of companies	–	0.2
Exchange rate effects	0.1	(1.1)
Opening cash and cash equivalents	**98.1**	**178.6**
Closing cash and cash equivalents	**78.9**	**47.3**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Balance sheet

Assets in € mill.	6/30/2018	12/31/2017	6/30/2017*
Intangible assets	280.9	280.4	299.7
Property, plant and equipment	217.2	212.5	218.5
Investment properties	2.7	2.8	2.9
Investments in companies accounted for using the equity method	64.5	64.2	38.0
Other noncurrent financial instruments	8.9	8.9	9.9
Other noncurrent assets	3.0	3.5	4.9
Deferred tax assets	17.8	23.7	35.6
Noncurrent assets	**595.0**	**596.0**	**609.5**
Inventories	176.2	154.3	172.1
Trade receivables	201.8	210.3	224.9
Contract assets	6.3	6.6	13.1
Income tax assets	3.9	7.8	5.3
Other current assets	38.3	43.2	47.5
Short-term securities	0.5	0.5	0.7
Cash and cash equivalents	76.7	96.3	45.8
Current assets	**503.7**	**519.0**	**509.4**
Assets held for sale	106.0	137.9	126.6
Assets	**1,204.7**	**1,252.9**	**1,245.5**

Equity and liabilities in € mill.	6/30/2018	12/31/2017	6/30/2017*
Capital stock	45.3	45.3	45.3
Additional paid-in capital	146.5	146.5	146.5
Retained earnings and net income	307.5	321.7	339.6
Accumulated other comprehensive income	2.0	3.9	6.5
Equity excluding noncontrolling interests	**501.3**	**517.4**	**537.9**
Noncontrolling interests	18.0	15.0	21.3
Equity	**519.3**	**532.4**	**559.2**
Pension provisions	22.6	22.4	24.8
Other noncurrent provisions	20.3	23.9	23.7
Noncurrent financial liabilities	249.0	248.8	148.3
Other noncurrent liabilities	2.7	4.6	2.9
Deferred tax liabilities	4.3	12.8	17.4
Noncurrent liabilities	**298.9**	**312.5**	**217.1**
Other current provisions	42.1	44.4	47.0
Current financial liabilities	64.3	55.7	132.8
Current trade payables	133.4	141.9	127.2
Current income tax liabilities	6.2	6.3	9.8
Other current liabilities	80.6	72.7	80.2
Current liabilities	**326.6**	**321.0**	**397.0**
Liabilities held for sale	59.9	87.0	72.2
Equity and liabilities	**1,204.7**	**1,252.9**	**1,245.5**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Statement of changes in equity

€ mill.	Capital stock	Additional paid-in capital	Retained earnings and net income	Accumulated other comprehensive income: Currency translation	Hedging transactions	Remeasurement of defined benefit plans	Equity excluding noncontrolling interests	Noncon-trolling interests	Equity
As of 12/31/2016	**45.3**	**146.5**	**333.2**	**10.9**	**(0.6)**	**(2.5)**	**532.8**	**18.0**	**550.8**
Transfer to retained earnings			(2.5)			2.5	0.0		0.0
Change in the scope of consolidation			(0.1)	(2.1)	(0.4)		(2.6)		(2.6)
Net income			9.0				9.0	4.4	13.4
Income and expenses recognized directly in equity				(1.7)	0.4		(1.3)	(1.0)	(2.3)
Dividend payments							0.0	(0.1)	(0.1)
As of 6/30/2017	**45.3**	**146.5**	**339.6**	**7.1**	**(0.6)**	**0.0**	**537.9**	**21.3**	**559.2**
Change in the scope of consolidation			(0.9)		0.1		(0.8)	(3.6)	(4.4)
Net income			(17.0)				(17.0)	3.9	(13.1)
Income and expenses recognized directly in equity				(2.9)	(0.1)	0.3	(2.7)	0.1	(2.6)
Dividend payments							0.0	(6.7)	(6.7)
As of 12/31/2017	**45.3**	**146.5**	**321.7**	**4.2**	**(0.6)**	**0.3**	**517.4**	**15.0**	**532.4**
Conversion effects from the first-time application of IFRS 9 and IFRS 15			(7.0)				(7.0)	0.1	(6.9)
Adjusted balance 1/1/2018	**45.3**	**146.5**	**314.7**	**4.2**	**(0.6)**	**0.3**	**510.4**	**15.1**	**525.5**
Transfer to retained earnings			0.3			(0.3)	0.0		0.0
Net income			8.5				8.5	2.7	11.2
Income and expenses recognized directly in equity after taxes				(1.9)	0.1	0.2	(1.6)	0.2	(1.4)
Dividend payments			(16.0)				(16.0)		(16.0)
As of 6/30/2018	**45.3**	**146.5**	**307.5**	**2.3**	**(0.5)**	**0.2**	**501.3**	**18.0**	**519.3**

Selected explanatory notes

Corporate background

Vossloh AG is a listed company based in Werdohl, Germany. The Company is registered under HRB 5292 in the commercial register of the Iserlohn Local Court. The Vossloh Group's key activities cover the manufacture and marketing of locomotives and products and components for rail infrastructure, as well as the provision of rail-related services (logistics, welding, preventive care).

Accounting policies

The interim financial report of the Vossloh Group as of June 30, 2018 has been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. This interim financial report constitutes half-year reporting according to Section 115 of the German Securities Trading Act (WpHG). Beginning with the 2018 fiscal year, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be applied. Additional IFRS or interpretations to be applied for the first time had no significant impact on the interim financial statements.

Otherwise, the accounting and valuation methods used in the preparation of the interim financial statements (interim Group management report and interim financial report) correspond to those of the consolidated financial statements as of December 31, 2017 in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and Standard 16 "Interim Financial Reporting" of the Accounting Standards Committee of Germany. The new mortality tables 2018G published by Heubeck AG on July 20, 2018 are not yet being applied. Vossloh expects a trend toward an increase in pension obligations recognized directly in other comprehensive income.

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

The business activities of the Vossloh Group are subject to seasonal effects to a certain degree. The calculation of income taxes is based on a tax rate of 31.98 percent for domestic companies. The calculation of income taxes for foreign companies is based on the respective national tax rates.

First-time application of IFRS 9 and IFRS 15

The two new standards IFRS 9 and IFRS 15 have been applied since January 1, 2018. While IFRS 9 governs the recognition and measurement of financial instruments, revenue recognition is the focus of IFRS 15. The initial application led to the following effects on the consolidated financial statements as of June 30, 2018:

IFRS 9

The first-time application of the new standards on financial instruments was subject to the application of the transitional provisions in IFRS 9 without adjustment of the comparative information. Existing differences on the date of first-time application between the carrying amounts of financial assets and liabilities as of December 31, 2017 and valuations according to classification and measurement provisions of IFRS in the amount of €(1.5) million were recognized directly in retained earnings. Vossloh's business model takes into account that financial instruments (for example, trade receivables) are typically held to maturity and any outstanding amounts will be covered by the customer. The SPPI (solely payment of principal and interest) criterion has been fulfilled. No use is made of the option of measuring equity instruments at fair value outside profit or loss.

The following table describes the reclassification of the four measurement categories of IAS 39 to the three measurement categories of IFRS 9 as of January 1, 2018.

Reconciliation of financial assets from the measurement categories according to IAS 39 to IFRS 9 as of January 1, 2018

€ mill.	IAS 39				IFRS 9		
	Loans and receivables	Held to maturity	Held for trading	Available for sale	(Amortized) cost	Fair value through OCI	Fair value through profit or loss
Trade receivables	210.3				210.3		
Securities		0.1	0.0	0.4	0.1	0.4	
Other financial instruments and other assets	29.3	2.7		0.6	29.3	2.7	0.6
Cash and cash equivalents	96.3				96.3		
Total financial assets	335.9	2.8	0.0	1.0	336.0	3.1	0.6

The following overview shows the difference between the impairment model according to IAS 39 and IFRS 9 for trade receivables. The differences for other financial assets, such as contract assets and cash and cash equivalents, are negligible.

Reconciliation of valuation allowances according to IAS 39 to the "expected credit loss" of IFRS 9 as of January 1, 2018

€ mill.	IAS 39 – 12/31/2017	IFRS 9 – 1/1/2018
Allowance for trade receivables	15.9	17.4

IFRS 15

The first-time application of the new standards on revenue recognition was subject to the application of the transitional provisions in IFRS 15 without adjustment of the comparative information. The cumulative effect totaling €(5.4) million from the conversion of revenue recognition from the provisions of IAS 11/IAS 18 to the new regulations of IFRS 15 was recognized directly in retained earnings as of January 1, 2018. The line item „Receivables from construction contracts" in the balance sheet of prior year's reporting has been renamed by „Contract assets".

As of June 30, 2018, the following balance sheet and income statement items would have been included in case of the further application of the previous accounting rules, with another amount in the cited elements of the financial statements:

Elements of financial statements	Value according to interim financial statements	Notional value for continuation of IAS 11/IAS 18
Deferred tax assets	17.8	17.7
Trade receivables	201.8	202.0
Sales revenues	418.1	414.2
Cost of sales	(321.7)	(320.2)

Presentation of the business units held for sale

Since December 31, 2017, the Locomotives business unit, which is held for sale, has been disclosed as a discontinued operation in the consolidated financial statements. In these interim financial statements, the income and expenses for the period under review as well as for the comparable period are disclosed in the line item "Result from discontinued operations," while the associated assets and liabilities are included in the consolidated balance sheet in the line items "Assets held for sale" or "Liabilities held for sale."

The former Electrical Systems business unit was deconsolidated as of January 31, 2017 through the sale of the shares of the former Vossloh Kiepe GmbH, Düsseldorf; Vossloh Kiepe Inc., Alpharetta, USA; and Vossloh Kiepe Southern Africa Pty. Ltd., Cape Town, South Africa.

In these interim financial statements, the income and expenses for the period in the previous year until deconsolidation are recognized according to IFRS 5 in the line item "Result from discontinued operations."

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

€ mill.	H1/2018	H1/2017*	Q2/2018	Q2/2017*
Income	105.8	52.0	40.2	12.0
Expenses	(108.0)	(59.4)	(45.0)	(18.8)
Result from operating activities, before taxes	**(2.2)**	**(7.4)**	**(4.8)**	**(6.8)**
Income taxes	0.3	(1.0)	0.1	(0.4)
Result from operating activities, after taxes	**(1.9)**	**(8.4)**	**(4.7)**	**(7.2)**
Impairment loss on goodwill	–	–	–	–
Impairment loss on other noncurrent assets	(0.8)	–	(0.8)	–
Gain from the disposal of the discontinued Rail Vehicles business unit	2.6	–	2.6	–
Income tax on the gains from the disposal of the Rail Vehicles business unit	–	–	–	–
Gain from the disposal of the discontinued Electrical Systems business unit	2.1	0.3	2.1	–
Income tax on the gains from the disposal of the discontinued Electrical Systems business unit	–	–	–	–
Result from discontinued operations	**2.0**	**(8.1)**	**(0.8)**	**(7.2)**
thereof attributable to shareholders of Vossloh AG	2.0	(8.1)	(0.8)	(7.2)

*Previous year's figures presented in a comparable manner, see page 27 et seq.

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

€ mill.	6/30/2018	12/31/2017*
Intangible assets (excl. goodwill)	–	–
Goodwill	–	–
Property, plant and equipment	–	–
Other noncurrent assets	0.8	1.0
Noncurrent assets	**0.8**	**1.0**
Inventories	84.0	103.5
Trade receivables	16.1	21.9
Contract assets	–	8.2
Other current assets	2.9	1.5
Cash and cash equivalents	2.2	1.8
Current assets	**105.2**	**136.9**
Assets	**106.0**	**137.9**
Provisions	18.3	14.3
Trade payables	13.1	28.0
Contract liabilities	2.1	0.3
Other liabilities	26.4	44.4
Liabilities	**59.9**	**87.0**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

In the period under review, as in the previous year, €0.0 million was recognized directly in equity. These amounts are mainly derived from currency translation differences.

The scope of consolidation has not changed compared to the end of the reporting period of December 31, 2017. Through the exercise of a call option exercisable upon acquisition, share holdings were increased in a company in the Rail Services business unit; the corresponding payout is disclosed separately in the cash flow statement. Since acquisition, this company has been completely included in the consolidated financial statements.

Scope of consolidation

Compared with June 30, 2017, as of June 30, 2018, 58 companies (previous year: 60), of which 17 are in Germany (previous year: 18), were consolidated and included in the consolidated financial statements of Vossloh AG. Nine (previous year: seven) foreign investments in companies were accounted for using the equity method.

Sales revenues

€ mill.	H1/2018	H1/2017	Q2/2018	Q2/2017
Sales of products				
Fastening Systems	110.6	133.0	67.3	73.9
Tie Technologies	31.1	43.0	16.0	23.5
Consolidation	(0.7)	(1.2)	(0.8)	(0.8)
Core Components	141.0	174.8	82.5	96.6
Customized Modules	234.1	234.5	127.8	132.7
Lifecycle Solutions	10.9	7.8	8.8	4.8
Consolidation	(3.1)	(3.5)	(1.3)	(2.3)
Group	**382.9**	**413.6**	**217.8**	**231.8**
Services				
Lifecycle Solutions	30.5	27.6	19.9	16.4
Group	**30.5**	**27.6**	**19.9**	**16.4**
Sales revenues from customer-specific manufacturing				
Customized Modules	0.0	3.4	0.0	3.3
Lifecycle Solutions	4.7	7.4	2.1	4.3
Group	**4.7**	**10.8**	**2.1**	**7.6**
Sales revenues				
Fastening Systems	110.6	133.0	67.3	73.9
Tie Technologies	31.1	43.0	16.0	23.5
Consolidation	(0.7)	(1.2)	(0.8)	(0.8)
Core Components	141.0	174.8	82.5	96.6
Customized Modules	234.1	237.9	127.8	136.0
Lifecycle Solutions	46.1	42.8	30.8	25.5
Consolidation	(3.1)	(3.5)	(1.3)	(2.3)
Group	**418.1**	**452.0**	**239.8**	**255.8**

A regional distribution of sales revenues is presented in the interim financial report on page 10.

Equity

Compared to the reporting date of June 30, 2017, capital stock of Vossloh AG continued to amount to €45,325,167.47, distributed across 15,967,437 shares. All of them were outstanding. The average number of shares outstanding in the first half of 2018 thus amounts – as in the previous year – to 15,967,437.

Earnings per share

		H1/2018	H1/2017*
Weighted average of shares outstanding	Number	15,967,437	15,967,437
Net income attributable to Vossloh AG shareholders	€ mill.	8.5	9.0
Diluted/basic earnings per share	€	**0.53**	**0.56**
thereof attributable to continuing operations	€	0.40	1.07
thereof attributable to discontinued operations	€	0.13	(0.51)

*Previous year's figures presented in a comparable manner, see page 27 et seq.

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

€ mill.	H1/2018	H1/2017	Q2/2018	Q2/2017
Result from continuing operations	(0.5)	0.1	(0.1)	0.1
Income and expenses recognized directly in equity	(0.4)	(0.7)	(0.4)	(0.7)
Total comprehensive income	**(0.9)**	**(0.6)**	**(0.5)**	**(0.6)**

Additional information on financial instruments

The table below shows the assignment of the financial assets and liabilities 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 measurement of fair value is the inputs applied. In Level 1, inputs are in the form of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 covers inputs for identical or similar assets/liabilities derived from observable market data. Level 3 is for when no observable market data are available, so a measurement model must be used for fair value.

Assignment of levels of fair value hierarchy

	Determined based on market prices (Level 1)		Derived from fair value (Level 2)		Measurement not based on fair value (Level 3)	
€ mill.	6/30/2018	12/31/2017	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Financial assets measured at fair value						
Held to maturity	0.0	0.0	0.0	0.0		
Available for sale			0.7	0.4		
Derivatives in hedging relationships			0.2	3.4		
Total	**0.0**	**0.0**	**0.9**	**3.8**	**0.0**	**0.0**
Financial liabilities measured at fair value						
Derivatives in hedging relationships			7.4	0.3		
Total	**0.0**	**0.0**	**7.4**	**0.3**	**0.0**	**0.0**

The following tables present the carrying amounts of financial instruments, their assignment based on measurement category, the required disclosures on fair value pursuant to IFRS 9 and their measurement sources pursuant to IFRS 7. The derivatives in hedging relationships are included though they do not belong to any measurement category of IFRS 9.

Carrying amounts, measurement categories and fair values as of June 30, 2018

€ mill.	Carrying amounts acc. to balance sheet 6/30/2018	Measurement pursuant to IFRS 9			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value as of 6/30/2018
Trade receivables	**201.8**				
Loans and receivables	201.8	201.8			201.8
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	**29.4**				
Loans and receivables	25.9	25.9			25.9
Held to maturity	2.8	2.8			2.8
Held for trading	0.0			0.0	0.0
Available for sale	0.5	0.2	0.3		0.5
Derivatives in hedging relationships	0.2		0.0	0.2	0.2
Cash and cash equivalents	**76.7**				
Loans and receivables	76.7	76.7			76.7
Total financial assets	**308.4**	**307.5**	**0.7**	**0.2**	**308.4**
Financial liabilities	**313.2**	**313.2**			**313.2**
Trade payables	**133.4**	**133.4**			**133.4**
Other liabilities	**62.1**				
Derivatives in hedging relationships	7.4		0.1	7.3	7.4
Other liabilities	54.7	54.7			54.7
Total financial liabilities	**508.7**	**501.3**	**0.1**	**7.3**	**508.7**

Summary of measurement categories

€ mill.	Carrying amounts acc. to balance sheet 6/30/2018	Measurement pursuant to IFRS 9			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value as of 6/30/2018
Financial assets					
Loans and receivables	304.4	304.4	0.0	0.0	304.4
Held to maturity	2.9	2.9	0.0	0.0	2.9
Held for trading	0.0	0.0	0.0	0.0	0.0
Available for sale	0.9	0.2	0.7	0.0	0.9
Total financial assets	**308.2**	**307.5**	**0.7**	**0.0**	**308.2**
Financial liabilities					
Measurement at amortized cost	501.3	501.3	0.0	0.0	501.3
Total financial liabilities	**501.3**	**501.3**	**0.0**	**0.0**	**501.3**

Carrying amounts, measurement categories and fair values as of December 31, 2017

€ mill.	Carrying amounts acc. to balance sheet 12/31/2017	Measurement pursuant to IFRS 9			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value as of 12/31/2017
Trade receivables	**210.3**				
Loans and receivables	210.3	210.3			210.3
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	**36.0**				
Loans and receivables	29.3	29.3			29.3
Held to maturity	2.7		2.7		2.7
Held for trading	0.0			0.0	0.0
Available for sale	0.6	0.6	0.0	0.0	0.6
Derivatives in hedging relationships	3.4	0.0	0.0	3.4	3.4
Cash and cash equivalents	**96.3**				
Loans and receivables	96.3	96.3			96.3
Total financial assets	**343.1**	**336.6**	**3.1**	**3.4**	**343.1**
Financial liabilities	**304.5**	**304.5**			**304.5**
Trade payables	**141.9**	**141.9**			**141.9**
Other liabilities	**55.5**				
Derivatives in hedging relationships	0.3		0.2	0.1	0.3
Other liabilities	55.2	55.2			55.2
Total financial liabilities	**501.9**	**501.6**	**0.2**	**0.1**	**501.9**

Summary of measurement categories

€ mill.	Carrying amounts acc. to balance sheet 12/31/2017	Measurement pursuant to IFRS 9			
		(Amortized) cost	Fair value through OCI	Fair value through profit or loss	Fair value as of 12/31/2017
Financial assets					
Loans and receivables	335.9	335.9			335.9
Held to maturity	2.8	0.1	2.7		2.8
Held for trading	0.0			0.0	0.0
Available for sale	1.0	0.6	0.4		1.0
Total financial assets	**339.7**	**336.6**	**3.1**	**0.0**	**339.7**
Financial liabilities					
Measurement at amortized cost	501.6	501.6	–	–	501.6
Total financial liabilities	**501.6**	**501.6**	**–**	**–**	**501.6**

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents within the Vossloh Group. Cash pertains to checks and cash on hand and in the bank. Cash equivalents comprise any financial instruments with a maximum term of three months that can be readily converted into cash.

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

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

€ mill	H1/2018		H1/2017*	
Cash flow items	Thereof from continuing operations	Thereof from discontinued operations	Thereof from continuing operations	Thereof from discontinued operations
Gross cash flow	43.9	(1.9)	58.2	(8.4)
Cash flow from operating activities	21.7	(3.7)	(38.0)	(7.8)
Free cash flow	1.8	(4.6)	(50.9)	(10.9)
Cash flow from investing activities	(21.0)	(0.8)	(86.5)	(3.1)
Cash flow from financing activities	(20.4)	4.9	1.2	3.8
Opening cash and cash equivalents	96.3	1.8	170.0	8.6
Closing cash and cash equivalents	76.7	2.2	45.8	1.5

*Previous year's figures presented in a comparable manner, see page 27 et seq.

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.

The segment structure in the three core divisions has not changed compared with the previous year.

The Core Components division contains the Group's range of industrially manufactured serial products that are generally required in large numbers for rail infrastructure projects. The division contains the Fastening Systems and Tie Technologies business units.

Vossloh Fastening Systems is a leading manufacturer of rail fastening systems. The product lineup includes fasteners for every application: from light-rail to heavy-haul and high-speed lines.

Following the acquisition of Rocla Concrete Tie at the beginning of 2017, Vossloh Tie Technologies is also reported under the Core Components division and is now the leading manufacturer of concrete ties in North America. It also offers switch ties, concrete elements for slab tracks and crossing panels.

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. It also organizes and monitors just-in-time rail shipments to construction sites and ensures on-site availability of the approved (un)loading systems.

Activities concerning rail vehicles, including corresponding services, are combined in the Transportation division. The division is no longer strategically part of the Group's core business. Since both Vossloh Locomotives and the former Electrical Systems business unit (in prior year) are presented as discontinued operations, all figures needed for reconciliation to the figures of the consolidated balance sheet are eliminated in a consolidation column.

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 – particularly those relating to locomotive servicing and maintenance.

Vossloh Electrical Systems develops and produces key electrical components and systems for public transportation rail vehicles and locomotives. The business unit is one of the world's leading suppliers of electrical equipment both for trolleybuses and hybrid buses. In addition to furnishing complete systems, the unit supplies air conditioners for rail vehicles, individual components, subassemblies, revamping work, servicing and maintenance. As explained above, the business unit was sold in the 2017 fiscal year and is therefore reported in the comparative figures for the previous year under discontinued operations in accordance with IFRS 5.

The consolidation includes the elimination of intersegment transactions. This pertains primarily to the offsetting of intra-Group expenses and income, the elimination of intra-Group income from dividends and the offsetting of intra-Group receivables and payables. The consolidation column 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 company so as to provide reconciliation to the consolidated figures for the entire Group.

The accounting methods of all segments are identical and conform to IFRS as endorsed in the EU. 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 income statement is shown below:

Reconciliation of value added to EBIT

€ mill.	H1/2018	H1/2017*	Q2/2018	Q2/2017*
Value added	(6.3)	6.0	6.5	11.1
Cost of capital employed	29.1	29.6	14.7	15.0
EBIT	**22.8**	**35.6**	**21.2**	**26.1**

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Related party transactions

The consolidated companies of the Vossloh Group regularly engage in business with nonconsolidated Vossloh subsidiaries, joint ventures and associated companies of the Vossloh Group. Additionally, transactions were carried out with companies of the Knorr-Bremse Group, which are to be considered related-party entities via the principal shareholder of Vossloh AG Mr. Heinz Hermann Thiele. All transactions with these companies are carried out at arm's length. The table below presents the income/expenses and receivables/payables recognized in the consolidated financial statements that originate from related-party transactions. These are mainly transactions with nonconsolidated subsidiaries. Business transactions with related persons during the reporting period were immaterial on the whole.

€ mill.	H1/2018 or 6/30/2018	H1/2017 or 6/30/2017*
Sale or purchase of goods		
Sales revenues from the sale of finished goods and WIP	7.4	7.7
Cost of materials from the purchase of finished goods and WIP	4.6	5.2
Trade receivables	13.7	10.3
Trade payables	1.5	1.9
Sale or purchase of other assets		
Income from the sale of other assets	0.1	0.0
Receivables from the sale of other assets	0.2	0.2
Liabilities from the purchase of other assets	1.1	1.2
Services rendered or received		
Income from services rendered	0.4	0.4
Expenses for services received	0.6	0.8
Financing		
Interest income from financial loans granted	0.1	0.0
Receivables on financial loans granted	7.1	1.2
Provision of guarantees and collateral		
Provision of guarantees	5.5	6.8
Provision of other collateral	1.3	1.3

*Previous year's figures presented in a comparable manner, see page 27 et seq.

Contingent liabilities

In comparison to December 31, 2017, contingent liabilities increased by €2.2 million to €26.6 million. €9.0 million was attributable to total contingent liabilities for the former Electrical Systems business unit sold with effect from January 31, 2017. 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 €5.8 million (including €5.5 million in favor of nonconsolidated affiliated companies) and of €20.8 million for letters of comfort (including €12.1 million allocable to nonconsolidated affiliated companies). A claim is considered unlikely for all of the listed contingent liabilities.

Events after the reporting period

There is nothing to be reported here.

Segment information by division and business unit*

			Fastening Systems	Tie Technologies	Consolidation	**Core Components**	**Customized Modules (Switch Systems)**
Value added	H1/2018	€ mill.	11.0	(3.1)	0.0	**7.9**	**(3.4)**
	H1/2017	€ mill.	20.0	(1.8)	0.0	**18.2**	**(1.3)**
	Q2/2018	€ mill.	8.3	(1.8)	(0.1)	**6.4**	**2.2**
	Q2/2017	€ mill.	10.9	0.0	0.0	**10.9**	**3.9**
Information from income statement/flow figures							
External sales revenues	H1/2018	€ mill.	107.0	30.6	–	**137.6**	**233.8**
	H1/2017	€ mill.	129.0	43.0	–	**172.0**	**237.1**
	Q2/2018	€ mill.	65.0	15.9	–	**80.9**	**127.7**
	Q2/2017	€ mill.	71.7	23.5	–	**95.2**	**135.7**
Intersegment sales revenues	H1/2018	€ mill.	3.6	0.5	(0.7)	**3.4**	**0.3**
	H1/2017	€ mill.	4.0	0.0	(1.2)	**2.8**	**0.8**
	Q2/2018	€ mill.	2.3	0.1	(0.8)	**1.6**	**0.1**
	Q2/2017	€ mill.	2.1	0.0	(0.7)	**1.4**	**0.3**
Depreciation/amortization	H1/2018	€ mill.	3.5	4.3	0.0	**7.8**	**6.5**
	H1/2017	€ mill.	4.0	4.5	0.0	**8.5**	**6.7**
	Q2/2018	€ mill.	1.6	2.4	0.0	**4.0**	**3.2**
	Q2/2017	€ mill.	2.0	1.7	0.0	**3.7**	**3.3**
Investments in noncurrent assets	H1/2018	€ mill.	2.8	2.2	0.0	**5.0**	**9.8**
	H1/2017	€ mill.	4.4	0.9	0.0	**5.3**	**5.7**
	Q2/2018	€ mill.	1.9	1.9	0.0	**3.8**	**6.5**
	Q2/2017	€ mill.	3.8	0.5	0.0	**4.3**	**2.8**
Income from investments in companies accounted for using the equity method	H1/2018	€ mill.	0.4	–	–	**0.4**	**(0.1)**
	H1/2017	€ mill.	(0.3)	–	–	**(0.3)**	**0.5**
	Q2/2018	€ mill.	0.5	–	–	**0.5**	**0.3**
	Q2/2017	€ mill.	(0.3)	–	–	**(0.3)**	**0.3**
Result from discontinued operations	H1/2018	€ mill.	–	–	–	**–**	**–**
	H1/2017	€ mill.	–	–	–	**–**	**–**
	Q2/2018	€ mill.	–	–	–	**–**	**–**
	Q2/2017	€ mill.	–	–	–	**–**	**–**
Information from the balance sheet							
Total assets	6/30/2018	€ mill.	209.9	133.3	(0.9)	**342.3**	**596.9**
	6/30/2017	€ mill.	202.9	140.6	(0.4)	**343.1**	**592.7**
Liabilities	6/30/2018	€ mill.	107.6	39.9	(0.9)	**146.6**	**312.5**
	6/30/2017	€ mill.	109.4	30.2	(0.5)	**139.1**	**309.0**
Investments in companies accounted for using the equity method	6/30/2018	€ mill.	5.2	–	–	**5.2**	**49.1**
	6/30/2017	€ mill.	4.8	–	–	**4.8**	**25.5**
Average number of employees (monthly values)	H1/2018	No.	582	198	–	**780**	**2,399**
	H1/2017	No.	632	227	–	**859**	**2,525**

* For more segment information, see page 33 et seq.
Previous year's figures from the Transportation division and the Group presented in a comparable manner, see page 27 et seq.

Lifecycle Solutions (Rail Services)	Locomotives (discontinued operations)	Electrical Systems (discontinued operations)	Consolidation	Transportation	Holding companies	Consolidation	Group
(1.9)	(7.8)	–	7.6	**(0.2)**	8.0	(16.7)	**(6.3)**
(3.3)	(11.4)	–	11.0	**(0.4)**	10.3	(17.5)	**6.0**
2.4	(7.7)	–	7.6	**(0.1)**	13.7	(18.1)	**6.5**
0.1	(7.8)	–	7.7	**(0.1)**	20.4	(24.1)	**11.1**
44.8	105.8	–	(105.8)	**0.0**	0.0	–	**416.2**
40.6	40.2	11.8	(52.0)	**0.0**	0.2	–	**449.9**
30.0	40.3	–	(40.3)	**0.0**	0.0	–	**238.6**
23.8	12.1	0.0	(12.1)	**0.0**	0.0	–	**254.7**
1.3	0.0	–	0.0	**0.0**	0.1	(3.2)	**1.9**
2.2	0.0	0.5	(0.5)	**0.0**	0.5	(4.2)	**2.1**
0.8	0.0	–	0.0	**0.0**	0.0	(1.3)	**1.2**
1.7	0.0	0.0	0.0	**0.0**	0.3	(2.6)	**1.1**
3.0	2.5	–	(2.5)	**0.0**	0.3	–	**17.6**
3.4	1.9	0.3	(2.2)	**0.0**	0.4	0.0	**19.0**
1.5	1.4	–	(1.4)	**0.0**	0.2	0.0	**8.9**
1.7	0.9	0.0	(0.9)	**0.0**	0.2	0.0	**8.9**
4.9	0.9	–	(0.9)	**0.0**	0.2	0.0	**19.9**
1.6	2.8	0.3	(3.1)	**0.0**	0.2	0.0	**12.8**
3.8	0.6	–	(0.6)	**0.0**	0.0	0.0	**14.1**
0.7	1.4	0.0	(1.4)	**0.0**	0.1	0.0	**7.9**
(0.1)	(0.1)	–	0.1	**0.0**	0.0	0.0	**0.2**
(0.1)	(0.1)	0.0	0.1	**0.0**	0.0	0.0	**0.1**
(0.1)	(0.1)	–	0.1	**0.0**	0.0	0.0	**0.7**
0.2	(0.2)	0.0	0.2	**0.0**	0.0	0.0	**0.2**
–	–	–	(2.7)	**(2.7)**	–	4.7	**2.0**
–	–	–	(83.3)	**(83.3)**	–	75.2	**(8.1)**
–	–	–	(5.5)	**(5.5)**	–	4.7	**(0.8)**
–	–	–	(7.3)	**(7.3)**	–	0.1	**(7.2)**
177.8	130.7	–	(24.2)	**106.5**	1,252.3	(1,271.1)	**1,204.7**
175.6	127.8	271.6	(271.6)	**127.8**	1,224.1	(1,217.8)	**1,245.5**
165.9	107.1	–	(61.2)	**45.9**	565.7	(611.1)	**625.5**
165.1	108.7	193.5	(265.7)	**36.5**	536.1	(571.7)	**614.1**
10.2	0.1	–	(0.1)	**0.0**	0.0	0.0	**64.5**
7.7	0.2	0.0	(0.2)	**0.0**	0.0	0.0	**38.0**
494	427	–	(427)	**0**	62	–	**3,735**
464	399	684	(1.083)	**0**	61	–	**3,909**

Responsibility statement

We confirm that, to the best of our knowledge and 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 net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the 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 financial year.

Werdohl, August 1, 2018

Vossloh AG
The Executive Board

Andreas Busemann, Volker Schenk, Oliver Schuster

Independent auditor's report

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 – as well as the interim Group management report of Vossloh Aktiengesellschaft, Werdohl, Germany, for the period from January 1 to June 30, 2018 – that are part of the midyear report according to Section 115 of the WpHG ["Wertpapierhandelsgesetz": the German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements of Vossloh in accordance with IAS 34 "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 generally accepted German standards for the review of financial statements promulgated by the IDW ["Institut der Wirtschaftsprüfer": the Institute of Public Auditors in Germany]. 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 IAS 34 "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 IAS 34 "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, August 1, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rodemer	Jessen
Auditor	Auditor

Financial calendar 2018

Publication of quarterly statement as of September 30, 2018	October 25, 2018

Financial calendar 2019

Publication of annual consolidated financial statements 2018	March 2019
Press conference	March 2019
Investors and analysts conference	March 2019
Annual General Meeting	May 2019

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Vossloh AG's board members

Executive Board	Andreas Busemann (Chief Executive Officer)
	Volker Schenk
	Oliver Schuster
Supervisory Board	Dr.-Ing. Volker Kefer, former Vice Chairman of the Executive Board of Deutsche Bahn AG, Erlangen, Chairman
	Ulrich M. Harnacke, Independent Accountant, Tax Advisor and Business Consultant, Mönchengladbach, Deputy Chairman
	Prof. Dr. Anne Christine d'Arcy, Full Professor for Corporate Governance and Management Control, Vienna, Austria
	Dr. Bernhard Düttmann, MBA, Independent Business Consultant, Meerbusch
	Andreas Kretschmann, Certified Social Security Professional, Neuenrade
	Michael Ulrich, Machinist, Kiel

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