Interim report as of September 30, 2006

The Vossloh Group at a glance

Group			
		3Q/2006	3Q/2005
Income statement data			
Net sales[1]	€ mill.	689.6	677.6
thereof Rail Infrastructure	€ mill.	441.1	421.2
Motive Power	€ mill.	249.0	258.5
Information Technologies[2]	€ mill.	–	–
EBIT[2]	€ mill.	50.1	60.0
Net interest expense[2]	€ mill.	(10.0)	(13.2)
EBT[2]	€ mill.	40.1	46.8
Group earnings (total)	€ mill.	19.6	28.8
Earnings per share (EpS)	€	1.33	1.97
EBIT margin[2]	%	7.3	8.9
Pretax return on equity (ROE)[2]	%	14.6	18.3
Return on capital employed (ROCE)[2]	%	9.5	10.2
Balance sheet data			
Fixed assets	€ mill.	431.8	455.1
capital expenditures[2]	€ mill.	16.9	19.9
amortization/depreciation[1,2]	€ mill.	18.1	15.5
Working capital	€ mill.	267.2	332.2
Working capital ratio[2]	%	29.1	36.8
Capital employed	€ mill.	699.1	787.3
Total equity	€ mill.	365.2	340.7
thereof minority interests	€ mill.	7.4	5.8
Net financial debt	€ mill.	170.4	248.5
Net leverage	%	46.7	72.9
Total assets	€ mill.	1,151.3	1,081.3
Equity ratio	%	31.7	31.5
Cash flow statement data			
Cash flow from operating activities	€ mill.	77.3	10.4
Cash flow from investing activities	€ mill.	(25.2)	(47.5)
Cash flow from financing activities	€ mill.	(39.1)	(72.9)
Change in cash & cash equivalents	€ mill.	13.0	(110.0)
Workforce			
Nine-month (3Q) average headcount		5,011	4,589
thereof Rail Infrastructure		3,143	2,883
Motive Power		1,555	1,394
Information Technologies		*281*	*281*
Vossloh AG		32	31
Payroll-to-added value ratio	%	75.3	71.5
Personnel expenses	€ mill.	164.4	160.3
Share data			
Stock price at Sep. 30	€	46.47	43.76
Market capitalization at Sep. 30	€ mill.	684.8	644.7

[1] Excluding financial assets

[2] Due to the disclosure of the Information Technologies division as discontinued operation, the prior-year data has been restated.

The Vossloh Group structure

Rail Infrastructure	Motive Power	Information Technologies
Vossloh Fastening Systems	**Vossloh** Locomotives	**Vossloh** Information Technologies
Vossloh Switch Systems	**Vossloh** Electrical Systems	
Vossloh Infrastructure Services		

Rail Infrastructure

Rail fasteners from Vossloh are used in over 65 countries for their inherent safety and efficiency. And, when it comes to sophisticated track switches, the Group is again a foremost international supplier. In the construction of new trackage and the maintenance of existing, Vossloh likewise commands a leading position.

Motive Power

Ultramodern Vossloh diesel locomotives have for years now been leading the way throughout Europe. Cost efficiency, flexibility and attractive financing arrangements—these are some of the ingredients keeping this market leader on the success track. The lineup of products and services is extended with key technologies used on trams, streetcars, and trolleybuses.

Information Technologies

Engineering systems sourced from Vossloh ensure cost-effective and customer-friendly operations management for transport operators. Vossloh is also a leading supplier of passenger information systems used in trains, railway stations, and at airport terminals. Signaling components and electronic interlocks are other specialty markets with vast growth potential. Due to a lack of synergies shared with the remaining operations and its emphasis on the German market alone, this division has only marginal strategic relevance for Vossloh and is up for sale.

Dear Stockholders:

The Vossloh Group achieved good progress in the third quarter of the present fiscal year: Three-quarter (3Q) group sales added up to €690 million, EBIT totaled €50 million. Both divisions managed to book profitable megaorders in important international markets. We, too, have switched the points in directions that will make us fit for the future.

As part of its new strategy submitted in September and aimed above all at a sustained improvement in ROCE through profitable growth, Vossloh will in future focus on its core businesses of rail infrastructure and rail vehicle components. These growth fields we will expand through accelerated internationalization as well as takeovers. In the case of Locomotives we are looking to strategic alliances to better exploit the value-enhancement potential inherent in this business. Our smallest division—Information Technologies—will in the wake of the portfolio refocus be up for sale, a process already underway.

The internationalization of our business had partly been neglected and in this respect that will constitute one of the most important driving forces for Vossloh's future growth, we have most recently made appreciable progress in the shape of megacontracts from China for rail fastening systems to be installed on high-speed lines. We have thus accessed the important Chinese market, one that we see as harboring vast potential for Vossloh. We are presently setting up a production facility in China in order to address the needs of this market. For the first time from Australia, the Switch Systems business unit acquired a megacontract for the supply of 128 switches.

These factors had still little influence on performance in the first nine months of 2006. Nonetheless, we are already reaping the first fruits of the targeted profitability enhancement which will enjoy absolute priority for Vossloh in future. In the third quarter, our EBIT margin showed a slight improvement both versus Q2/2006 and Q3/2005. Following a phase of weaker earnings and a series of one-off burdens we expect that Vossloh will be squarely set to achieve the goals formulated in the strategy.

The capital market has rewarded our efforts to guide Vossloh in the direction of sustained and profitable growth through strategic repositioning and efficiency enhancement. Our stock price has performed well. We will do our utmost in future to continue to meet the expectations of our stockholders. We are confident that next year Vossloh will have made significant headway along the path toward its ambitious goals.

Yours,
Gerhard Eschenröder
CEO, Vossloh AG

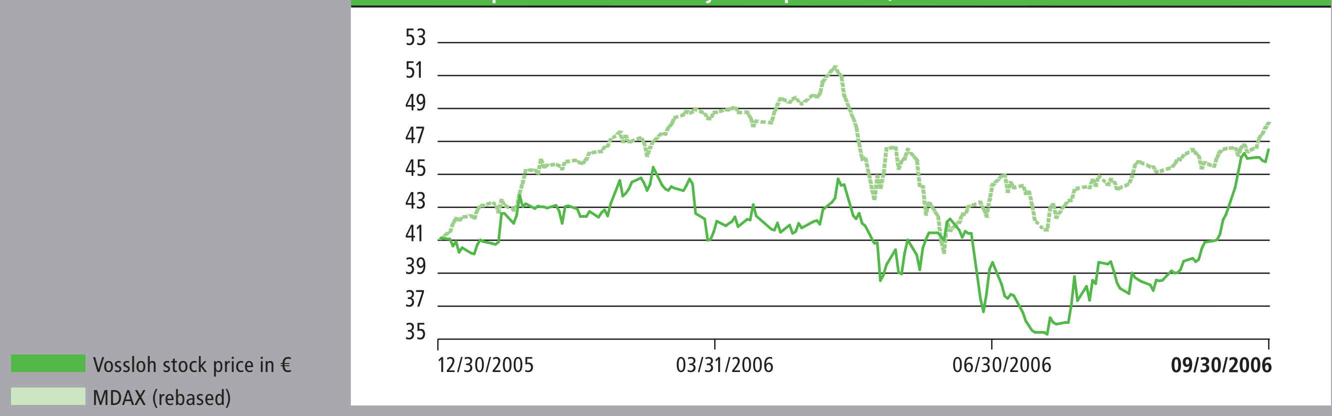
The sentiment on the capital market at the end of September 2006 was generally upbeat, even though two major trend reversals had had to be absorbed during this period. The MDAX (which includes Vossloh) reached a new high of 9,161 on May 10, only to shed 2,100 points inside just a few weeks to slump in the course of June even below its 2006 opening level. This was followed by a strong recovery to 8,547 by September 30, 2006, and in all for the first nine months of the year, this index posted a 16.9-percent gain from the 2005 closing figure of 7,312.

For long stretches during the first half of the year, Vossloh stock prices were moving sideways. In response to the adjusted profit prediction for 2006, the price fell to €34.90 on June 26, 2006, its 9-month low. Then, the strategic refocus clearly communicated at the start of September plus the announcement of various incoming orders (especially from China for Fastening Systems), pushed up the price which at September 30 reached €46.47 or 13.1 percent over the year-end 2005 of €41.10. Since the start of September 2006, the Vossloh stock price has easily outperformed the MDAX.

Compared to the 3Q/2005 figure of 7.2 million, the volume of Vossloh shares traded surged a good 65 percent to around 11.9 million, some 95 percent of the average daily turnover of about 62,000 through the Xetra electronic system.

The publications on the subject of strategic refocus and incoming orders prompted most analysts to upwardly revise their assessments regarding Vossloh's future stock price: the updated research reports of six analysts recommend "buy," two "hold," and one "sell." Price predictions presently range between €37.50 and €55.00, with a mean of €49.67. The latest analyst opinions and other information on Vossloh stock are downloadable at www.vossloh.com

Vossloh stock price trend from January 1 to September 30, 2006

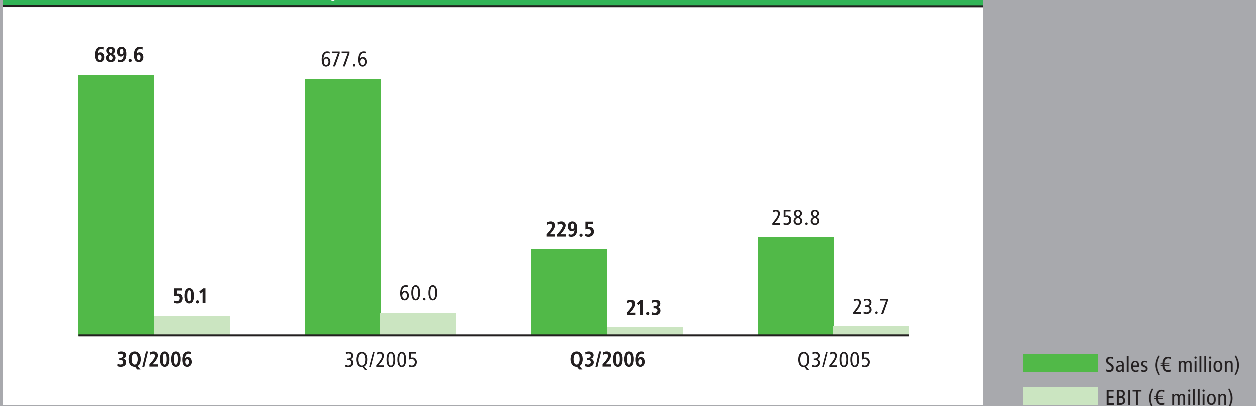


Introduction:

In May 2006, the Executive Board started the *GO 2010!* project to strategically refocus the Vossloh Group. The project deliverables were published in early September. Besides the Group's concentration on its core businesses of rail infrastructure (e.g. rail fasteners and switch systems) and rail vehicle components, the portfolio streamlining envisages the divestment of the Information Technologies (IT) division.

Due to this planned disposal and as required by IFRS 5, this division's net balance of income and expenses is shown in a separate income statement line as net result of discontinued operations. The year-earlier comparatives have been restated accordingly. Since September 2006, the IT division's assets and liabilities have been disclosed as *assets of discontinued operations* and *liabilities of discontinued operations*, respectively. All financial information reported for the Group conforms with these accounting rules and is therefore not comparable with any reports published before September 2006.

Sales and EBIT of the Vossloh Group



In 2006, the Vossloh Group posted three-quarter (3Q) sales of €689.6 million (excluding IT), up 2 percent over the like-for-like 2005 figure. Most of the added sales were attributable to the Infrastructure Services and Electrical Systems business units, the remaining units showing declines.

Third-quarter (Q3) sales in 2006 totaled €229.5 million, down €29.3 million from the prior year. While Q3 sales by the Rail Infrastructure division edged up this year, the Motive Power division recorded a higher-than-expected shrinkage due to delayed order intake and project completion.

Vossloh Group					
€ million		**3Q/2006**	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	689.6	677.6	229.5	258.8
EBITDA	€ mill.	68.2	75.5	27.3	29.4
EBIT	€ mill.	50.1	60.0	21.3	23.7
EBIT margin	%	7.3	8.9	9.3	9.1
EBT	€ mill.	40.1	46.8	17.3	19.6
Posttax loss from discontinued operations	€ mill.	(5.7)	(1.3)	(0.8)	(0.4)
Group earnings	€ mill.	19.6	28.8	10.6	12.2

The Vossloh Group's 3Q EBIT (excluding IT) sagged from €60.0 million a year ago to €50.1 million in 2006. The 3Q income statement already reflects €18.9 million of the nonrecurring 2006 burdens that prompted the revised EBIT forecast for the entire year. €9.3 million of this burden is allocable to Vossloh Information Technologies and thus included in the posttax loss of discontinued operations, the remaining €9.6 million weighing on the 3Q/2006 EBIT.

In 2006, the Group's Q3 EBIT inched down to €21.3 million but corresponds to an EBIT margin of 9.3 percent—which despite the one-time burden of €4.7 million recognized in Q3 is above the prior year's 9.1 percent.

Vossloh Group: Pro forma data without separate disclosure of discontinued operations					
		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	712.0	711.9	237.8	272.8
EBITDA	€ mill.	61.3	76.2	25.9	29.3
EBIT	€ mill.	41.8	59.9	19.5	23.4
EBIT margin	%	5.9	8.4	8.2	8.6
EBT	€ mill.	30.8	46.0	15.9	19.0
Group earnings	€ mill.	19.6	28.8	10.6	12.2

Problems in the realization of certain projects turned around the Information Technologies division's profit contribution into a loss which, however, thanks to the separate disclosure as posttax loss of discontinued operations, does not encumber group EBIT. However, this discontinued operation's posttax 3Q loss of €5.7 million is reflected in the 3Q group earnings of €19.6 million (down from €28.8 million) (see p. 14).

France, in particular, recorded a sales surge to which mainly the Infrastructure Services business unit contributed. In contrast, sales in Germany continued weak, largely due to the Kiel locomotive plant's declining sales.

Sales by region					
		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Germany	€ mill.	88.9	118.7	34.4	57.8
France	€ mill.	234.3	170.0	79.7	60.0
Other Euroland	€ mill.	207.6	208.6	67.8	84.3
Other Europe	€ mill.	97.7	114.9	30.6	30.3
Total Europe	**€ mill.**	**628.5**	**612.2**	**212.5**	**232.4**
North America	€ mill.	16.4	13.8	5.9	8.2
Latin America	€ mill.	3.7	5.2	0.6	0.8
Total Americas	**€ mill.**	**20.1**	**19.0**	**6.5**	**9.0**
Asia	**€ mill.**	**26.4**	**37.2**	**7.5**	**13.7**
Other regions	**€ mill.**	**14.6**	**9.2**	**3.0**	**3.7**
Total	**€ mill.**	**689.6**	**677.6**	**229.5**	**258.8**

The Vossloh Group's total assets as of September 30, 2006, edged up 6 percent from the year-earlier €1,081.3 million to €1,151.3 million, also due to the disclosure of Vossloh Information Technologies as discontinued operation, as required by IFRS 5. This separate disclosure limits comparability with 2005 of the balance sheet and its ratios.

Working capital shrank from €332.2 million a year ago to €267.2 million as of September 30, 2006, one of the reasons being again the Information Technologies division which in 2005 had been included at about €25 million. Other reasons for the downsized working capital were higher customer prepayments and significantly slimmed inventories.

Net financial debt (financial debts less cash and cash equivalents) was further trimmed, from €220.5 million at year-end 2005 to €170.4 million at Q3-end, thus upgrading net leverage (ratio of net financial debt to equity) to 46.7 percent.

The Vossloh Group's September 30 order backlog totaled an unchanged around €1.1 billion.

Vossloh Group				
		9/30/2006	12/31/2005	9/30/2005
Total assets	€ mill.	1,151.3	1,091.2	1,081.3
Total equity	€ mill.	365.2	361.0	340.7
Equity ratio	%	31.7	33.1	31.5
Working capital	€ mill.	267.2	303.3	332.2
Working capital ratio[1,2]	%	29.1	32.2	36.8
Fixed assets	€ mill.	431.8	453.3	455.1
Capital employed	€ mill.	699.1	756.6	787.3
ROCE[1,2]	%	9.5	11.6	10.2
ROE[1]	%	14.6	19.1	18.3
Net financial debt	€ mill.	170.4	220.5	248.5
Net leverage	%	46.7	61.1	72.9

[1] annualized

[2] prior-year data restated due to the separate disclosure of the Information Technologies division as discontinued operation

In 2006, Rail Infrastructure's 3Q sales added up to €441.1 million, a rise of around 5 percent from 2005 solely attributable to the lower-margin Infrastructure Services business unit whereas the higher-margin Vossloh Fastening Systems and Vossloh Switch Systems booked lower 3Q sales than in 2005. The 3Q EBIT margin slipped from 15.2 in 2005 to 13.1 percent. Besides the larger proportion of lower-margin business, another cause for this decline is the poorer average margin within Fastening Systems, chiefly due to price concessions at the end of 2005 (materials price increases were not handed down to customers).

Despite these lower prices and this year's predominance of the lowest-margin Infrastructure Services unit, Q3 EBIT at €22.2 million was virtually equal to the year-earlier €22.5 million and hence an improvement over the two preceding quarters 2006. At 15.0 percent, the EBIT margin was just short of the year-earlier 15.6 percent. The Q4 margin will fall short of Q3 due to the expected restructuring costs (€2.0 million) and the input costs upstream of a megacontract at Vossloh Fastening Systems.

Rail Infrastructure					
		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	441.1	421.2	148.4	143.8
EBITDA	€ mill.	68.3	73.7	25.4	25.9
EBIT	€ mill.	57.9	63.9	22.2	22.5
EBIT margin	%	13.1	15.2	15.0	15.6

The Fastening Systems unit realized 3Q sales of €102.7 million (down from €109.0 million). Buoyant demand, especially in Q3, for standard rail fasteners for Germany largely outweighed lower sales in other parts of Europe. The year-earlier figure had included the delivery of fasteners for a high-speed line in Taiwan and this year there were no comparable projects. Asian sales were therefore down.

Three-quarter order intake totaled €139.3 million (up from €110.9 million). The order backlog at September 30, 2006, of just under €50 million (up from €25.9 million) includes a contract for rail fasteners for the Chinese Olympics Beijing-Tianjin line worth around €19.0 million, acquired in September by a bidder consortium headed by Vossloh. Not yet included is the contract for high-speed rail fastening systems awarded to the same consortium by the Chinese Rail Ministry in September. The order, worth a total of around €166 million, is the outcome of an invitation to bid issued in June 2006 for the planned rail links Wuhan-Guangzhou and Guangzhou-Shenzhen. The underlying agreements are due to be signed in Q4/2006, with deliveries scheduled for 2007 and 2008 from a Chinese production plant operated through a joint venture in which Vossloh will hold a stake of around two-thirds.

At €181.3 million, 3Q sales at the Switch Systems business unit fell about 6 percent short of the very high year-earlier €192.5 million. Lower sales in Asia were not quite offset by rising shipments in France, Belgium and increased exports into the Maghreb region. 3Q order intake totaled €258.4 million, well over the year-earlier €188.9 million. For the first time a contract was booked from Australia, worth €14.3 million for the delivery of 128 switches. The contract will be handled together with a local associate. Order backlog at September 30 added up to €228.4 million (up from €163.3 million).

Infrastructure Services again showed buoyant sales in Q3/2006, the €166.7 million for 3Q surpassing the year-earlier figure by €32.3 million or 24.0 percent. Besides further progress in constructing various French tram links along with their overhead lines, it was the work on the high-speed TGV Est line that helped propel sales to an all-time high. This latter links Paris with eastern France and, as part of the Transeuropean high-speed rail links, will constitute an important element in European transport infrastructure. The 3Q order intake totaled €151.6 million, orders on hand at September 30 came to €138.3 million (down from €172.8 million).

Rail Infrastructure				
		9/30/2006	12/31/2005	9/30/2005
Working capital	€ mill.	144.9	172.7	182.4
Working capital ratio[1]	%	24.7	29.8	32.5
Fixed assets	€ mill.	291.2	296.1	296.5
Capital employed	€ mill.	436.1	468.8	478.9
ROCE[1]	%	17.7	18.7	17.8

[1] annualized

With customer prepayments and trade payables up and inventories downscaled, working capital as of September 30, 2006, fell €37.5 million short of the year-earlier €182.4 million to reach €144.9 million. Capital employed was likewise much lower and so the 17.7-percent 3Q ROCE approximated the year-earlier 17.8 percent.

3Q sales by the Motive Power division amounted to €249.0 million in 2006 (down €9.7 million or 3.7 percent). The decline is solely due to the much lower diesel-hydraulic locomotives sales at the Kiel location. Nine-month EBIT at €9.9 million was much superior to the year-earlier €6.0 million and the preceding quarters of 2006.

The Locomotives business unit was a major contributor to Motive Power's sales and EBIT through Vossloh España, the Valencia-based diesel-electric locomotive production plant acquired April 1, 2005: this company's sales and EBIT contributions are in 2006 for the first time included for the full period. Although the Kiel location did post slightly improved earnings due to the absence of the year-earlier restructuring costs, nonetheless the action initiated has yet to take full effect.

Motive Power					
		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	249.0	258.5	81.5	115.0
EBITDA	€ mill.	16.8	11.1	8.8	7.7
EBIT	€ mill.	9.9	6.0	6.4	5.8
EBIT margin	%	4.0	2.3	7.9	5.0

The Locomotives unit posted 3Q sales of €178.9 million (down from €200.2 million) of which over one-half (€95.2 million) was accounted for by diesel-electrics from Valencia. At €83.7 million, sales of diesel-hydraulic locomotives from Kiel were, expectedly, well below the year-earlier level of €135.6 million due to still frail demand.

The 3Q order intake by Locomotives totaled €156.4 million (down from €212.5 million); orders on hand at September 30 added up to €507.1 million (down from €527.1 million). New orders included the first for eighteen EURO 4000 locomotives, worth a total €55 million. Vossloh España showcased this newly developed locomotive at InnoTrans, the International Transport Technology Fair. It is presently Europe's most powerful diesel-electric locomotive. Series production commenced in September.

At €70.0 million, 3Q sales by the Electrical Systems business unit were around 20 percent higher than in 2005 (€58.3 million). As in the two preceding quarters, a major share of sales was accounted for by the electrical equipment for altogether 228 single and articulated trolleybuses for the city of Vancouver. The first of the single trolleybuses were shipped out in August of this year. Nine-month order intake amounted to €102.2 million (up from €63.0 million). New Q3/2006 orders include a contract worth €12.5 million for the electrical equipment on 38 trolleybuses destined for operation in Philadelphia. Order backlog at September 30 reached €234.6 million (up from €200.0 million).

Motive Power				
		9/30/2006	12/31/2005	9/30/2005
Working capital	€ mill.	122.8	102.7	122.9
Working capital ratio[1]	%	37.1	28.1	35.7
Fixed assets	€ mill.	125.5	123.0	122.0
Capital employed	€ mill.	248.3	225.7	244.9
ROCE[1]	%	5.3	6.8	3.2

[1] annualized

With working capital virtually unchanged and capital employed only slightly up, improved profitability raised ROCE from 3.2 to 5.3 percent.

Among the ingredients of the Vossloh Group's refocusing program is the disposal of the Information Technologies division. Due to a lack of synergies shared with the remaining operations and its emphasis on the German market alone, this, Vossloh's smallest division, has only marginal strategic relevance for the Group as such. Also, within the foreseeable future, the division will be unable to meet the benchmarks set by the Group for its core businesses.

Due to the contemplated divestment and as required by IFRS 5, the division's income and expenses are shown in a separate income statement line as posttax loss of discontinued operations. The year-earlier comparatives have been restated accordingly. Since September 2006, the division's assets and liabilities have been disclosed as *assets of discontinued operations* and *liabilities of discontinued operations*, respectively. The income statement line *posttax loss of discontinued operations* breaks down into the following income and expenses:

Calculation of the posttax loss of discontinued operations

		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	22.4	34.3	8.3	14.0
Other operating income	€ mill.	0.3	0.2	0.1	0.1
Operating expenses	€ mill.	(31.0)	(34.6)	(10.2)	(14.4)
EBIT	€ mill.	(8.3)	(0.1)	(1.8)	(0.2)
Net interest (expense)/income	€ mill.	(1.0)	(0.7)	0.4	(0.3)
EBT	€ mill.	(9.3)	(0.8)	(1.4)	(0.5)
Income taxes	€ mill.	3.6	0.1	0.6	0.1
Posttax loss of discontinued operations	€ mill.	(5.7)	(0.7)	(0.8)	(0.4)

To facilitate interdivision comparisons, the two tables below show the values before their reclassification into separate financial statement lines.

Information Technologies: discontinued operations

		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Net sales	€ mill.	22.4	34.3	8.3	14.0
EBITDA	€ mill.	(6.9)	0.7	(1.4)	(0.1)
EBIT	€ mill.	(8.3)	(0.1)	(1.8)	(0.3)
EBIT margin	%	(37.4)	(0.2)	(21.7)	(2.1)

Problems already encountered during Q2/2006 in handling certain passenger information system contracts again hurt Q3 earnings. Three-quarter EBIT has now piled up to a negative €8.3 million from a red €0.1 million in 2005. Order backlog at September 30, 2006, amounted to €38.5 million (down from €41.9 million). Despite a satisfactory order intake of €28.6 million (up from €25.8 million), sales of €22.4 million were well short of the year-earlier €34.3 million. Among the reasons for the reduction were the megaprojects included in the 2005 figure and capacities tied by up in projects still being processed. Our efforts to fulfill customer requirements in these instances have meant certain delays in completing other projects.

Information Technologies: discontinued operations				
		9/30/2006	12/31/2005	9/30/2005
Working capital	€ mill.	15.5	28.0	25.5
Working capital ratio[1]	%	52.0	52.1	55.7
Fixed assets	€ mill.	18.0	18.8	16.5
Capital employed	€ mill.	33.5	46.8	42.0
ROCE[1]	%	(33.2)	6.8	(0.2)

[1] annualized

With lower sales depressing trade receivables, working capital fell from €28.0 million (Dec. 31, 2005) to €15.5 million at September 30, 2006.

Capital expenditures

During the first nine months of fiscal 2006 the Vossloh Group's capital expenditures totaled €16.9 million (down from €19.9 million). Not included are any expenditures by Information Technologies as so-called disposal group.

Additions to tangible/intangible assets					
		3Q/2006	3Q/2005	**Q3/2006**	Q3/2005
Rail Infrastructure	€ mill.	5.7	11.9	2.9	3.3
Motive Power	€ mill.	11.0	7.2	2.5	2.5
Vossloh AG	€ mill.	0.2	0.8	0.1	0.4
Total	**€ mill.**	**16.9**	**19.9**	**5.5**	**6.2**

As in the preceding quarters, most of the funds (€11.0 million) were spent by the Motive Power division whose Locomotives unit accounted for €10.0 million alone, including €6.4 million of capitalized development costs for the new large six-axle EURO 4000 locomotive. With the September start-up of series production the development work will be virtually complete. Amounts of €3.2 million and €2.2 million were spent by the Infrastructure Services and Switch Systems units, respectively, on replacing, extending, and upgrading existing assets.

Research & development

Nine-month R&D expenses came to €5.0 million (up from €4.5 million), excluding R&D expenses by Information Technologies. In addition to the directly expensed development costs, the Group capitalized 3Q development costs of €8.5 million (up from €3.3 million) as intangible assets.

At the InnoTrans Trade Fair for Transport Technology, the Electrical Systems business unit presented the first prototype of a double-articulated trolleybus in hybrid-drive design. This clean vehicle with the passenger capacity of a small tram is intended to address the needs of transport operators in midsize towns. Electrical Systems spent €2.1 million on 3Q R&D.

Excluding the Information Technologies division, the Vossloh Group employed a worldwide workforce of 4,821 at September 2006, an increase of 426 or 9.7 versus a year ago.

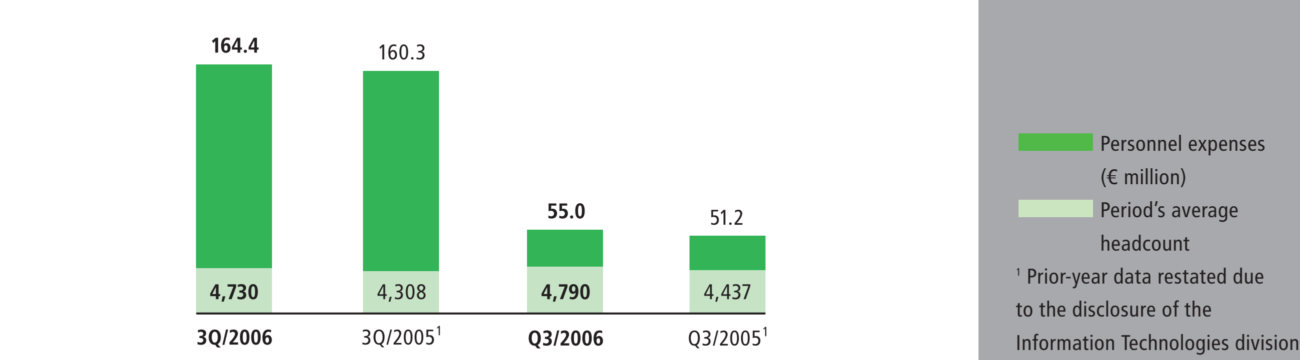
Rail Infrastructure's gain is mostly due to this year's first-time consolidation of the Indian Switch Systems companies J.S. Industries, Beekay and Dakshin. Motive Power's workforce increase is linked to the additional (mostly limited-term) employments at the Valencia location.

Despite the 9.7 percent higher headcount, 3Q personnel expenses at €164.4 million were just 2.6 percent above the year-earlier €160.3 million. Additional expenses through recruitments and pay rises were largely offset by the absence of the year-earlier restructuring costs. And since the headcount advance outpaced the rise in expenses, personnel expenses per capita (rounded) fell 6.6 percent or €2,500 below the year-earlier €34.800. Sales per capita slipped from €157,300 to €145,800.

The ratio of payroll to value added in 3Q/2006 amounted to 75.3 percent (up from 71.5), the 3.8-percentage-point gain resulting from lower value added, chiefly on account of this year's one-off burdens.

Headcount at			
	9/30/2006	12/31/2005	9/30/2005
Rail Infrastructure	3,190	2,896	2,827
Motive Power	1,601	1,528	1,536
Vossloh AG	30	33	32
Total	**4,821**	**4,456**	**4,395**
Pro forma			
Information Technologies	282	273	278
Total	**5,103**	**4,729**	**4,673**

Group workforce trend and personnel expenses



[1] Prior-year data restated due to the disclosure of the Information Technologies division as discontinued operation

Orders won by the Fastening Systems and Locomotives units in September and October allow us to predict Q4/2006 sales in excess of the preceding quarters. Consequently, we can expect 12-month group sales, as budgeted in H1/2006, in the region of €1 billion, excluding an expected some €45 million generated by Information Technologies this year.

The work now commencing on these orders will impact favorably during the final quarter on the Group's EBIT and so we are able to confirm the earnings expectation stated during H1. With Information Technologies disclosed as discontinued operation, we expect an EBIT of around €75 million (if Information Technologies were not separately reported as discontinued operation, an EBIT of €70 million). Of the earnings burdens announced in the ad-hoc notification of June 23, 2006, around €19 million has been recognized in 3Q/2006, another €2 million will follow in the final quarter. The Vossloh Group is combating heavy price pressure and the still unfavorable product mix by opening up new earnings potential through accelerated internationalization (as evident in the case of China). For all of 2006 and as announced, Vossloh is predicting group earnings of a good €35 million.

As announced, Vossloh will in future focus on its core businesses of rail infrastructure and rail vehicle components. These growth fields we will also expand through takeovers. True to our policy of repositioning the Group strictly for value enhancement, we are looking in the case of Locomotives to strategic alliances. Our smallest division—Information Technologies—will in the wake of the portfolio refocus be up for sale, a process already underway.

Interim financial statements as of September 30, 2006

Income statement
Cash flow statement
Balance sheet
Statement of changes in equity
Explanatory notes

Consolidated income statement

for the nine months (3Q) ended September 30, 2006

€ million	**3Q/2006**	3Q/2005	**Q3/2006**	Q3/2005
Net sales	689.6	677.6	229.5	258.8
Cost of sales	(558.4)	(539.8)	(183.1)	(206.6)
General administrative and selling expenses	(83.5)	(82.3)	(28.7)	(28.2)
R&D expenses	(5.0)	(4.5)	(1.9)	(1.6)
Other operating income/expenses, net	5.5	7.4	4.2	0.9
Operating result	**48.2**	**58.4**	**20.0**	**23.3**
Income from associated affiliates	1.0	0.8	0.4	0.2
Other investment income	0.9	0.0	0.9	0.0
Income from securities and other financial assets	0.2	0.3	0.0	0.2
Other financial results	(0.2)	0.5	0.0	0.0
Earnings before interest and taxes (EBIT)	**50.1**	**60.0**	**21.3**	**23.7**
Net interest expense	(10.0)	(13.2)	(4.0)	(4.1)
Earnings before taxes (EBT)	**40.1**	**46.8**	**17.3**	**19.6**
Income taxes	(14.1)	(16.1)	(5.6)	(6.7)
Net income from continuing operations	**26.0**	**30.7**	**11.7**	**12.9**
Minority interests	(0.7)	(0.6)	(0.3)	(0.3)
Posttax loss of discontinued operations	(5.7)	(1.3)	(0.8)	(0.4)
Group earnings	**19.6**	**28.8**	**10.6**	**12.2**
Undiluted EpS (€)	1.33	1.97	0.72	0.83
Fully diluted EpS (€)	1.33	1.96	0.72	0.83

Consolidated statement of cash flows
for the nine months (3Q) ended September 30, 2006

€ million	3Q/2006		3Q/2005	
Cash flow from operating activities				
Net earnings incl. minority interests	20.3		29.4	
Amortization/depreciation/write-down (net after write-up) of fixed assets	18.1		16.3	
Other noncash expenses/income (net)	1.4		6.0	
Book gains/losses (netted) from the disposal of fixed assets	1.0		0.3	
Change in inventories, trade receivables and other assets allocable to operating activities	(3.3)		(60.8)	
Change in trade payables and other liabilities allocable to operating activities	39.8		19.2	
Cash flow from operating activities		77.3		10.4
Cash flow from investing activities				
Cash inflow from the disposal of intangible and tangible assets	0.5		1.5	
Cash outflow for additions to intangible and tangible assets	(16.9)		(21.9)	
Cash inflow from the disposal of financial assets	0.1		0.0	
Cash outflow for additions to financial assets	(0.2)		(3.8)	
Cash outflow for additions to short-term securities	(8.7)		0.7	
Cash outflow for the acquisition of consolidated subsidiaries and other units	–		(24.0)	
Cash flow from investing activities		(25.2)		(47.5)
Cash flow from financing activities				
Cash inflow from transfers to equity	0.0		2.2	
Cash outflow to stockholders (incl. minority interest owners)	(20.0)		(19.8)	
Change in treasury stock	–		1.3	
Net finance from short-term credits	(25.8)		(54.3)	
Net finance from medium- and long-term loans	6.7		(2.3)	
Cash flow from financing activities		(39.1)		(72.9)
Net inflow/(outflow) of cash & cash equivalents		**13.0**		**(110.0)**
Change in cash & cash equivalents from initial consolidation		0.2		0.0
Cash & cash equivalents at beginning of period		50.2		140.0
Cash & cash equivalents at end of period		63.4		30.0

Assets

€ million	9/30/2006	12/31/2005	9/30/2005
Total noncurrent assets	**458.6**	**482.8**	**480.9**
Intangible assets	321.7	334.0	333.2
Tangible assets	95.3	102.7	100.8
Investment properties	7.2	7.4	7.4
Financial assets	7.6	9.2	13.7
shares in unconsolidated subsidiaries	3.1	4.6	5.0
shares in associated affiliates	1.3	1.0	0.9
other investments and long-term securities	1.1	1.4	1.8
long-term loans	2.1	2.2	6.0
Total fixed assets	431.8	453.3	455.1
Sundry noncurrent assets	1.1	0.9	0.6
Deferred tax assets	25.7	28.6	25.2
Total current assets	**647.6**	**608.4**	**600.4**
Inventories	177.5	174.2	208.7
Trade receivables	305.7	319.2	290.6
Due from unconsolidated subsidiaries and investees	37.4	4.7	3.4
Income tax assets	16.6	16.8	15.3
Sundry current assets	33.2	38.2	52.3
Short-term securities	13.8	5.1	0.1
Cash & cash equivalents	63.4	50.2	30.0
Assets of discontinued operations	45.1	0.0	0.0
	1,151.3	**1,091.2**	**1,081.3**

Equity & liabilities

€ million	9/30/2006	12/31/2005	9/30/2005
Total equity	**365.2**	**361.0**	**340.7**
Capital stock	37.7	37.7	37.7
Additional paid-in capital	40.4	40.2	40.2
Treasury stock	0.0	0.0	0.0
Reserves retained from earnings	267.3	241.5	241.4
Undistributed group profit	0.1	0.0	0.0
Group earnings	19.6	45.1	28.8
Accumulated other comprehensive income (OCI)	(7.3)	(9.6)	(13.2)
Minority interests	7.4	6.1	5.8
Noncurrent liabilities and accruals	**293.0**	**310.3**	**348.5**
Noncurrent financial debts	204.0	215.8	212.3
Other noncurrent liabilities	28.6	22.7	29.1
Pension accruals	10.4	14.9	14.6
Other noncurrent accruals	23.8	29.7	68.7
Deferred tax liabilities	26.2	27.2	23.8
Current liabilities and accruals	**445.9**	**419.9**	**392.1**
Current financial debts	43.5	60.0	66.2
Trade payables	167.5	153.5	146.6
Due to unconsolidated subsidiaries and investees	1.7	3.5	3.4
Income tax liabilities	8.0	6.5	5.5
Other current liabilities	114.4	97.5	100.4
Current accruals	110.8	98.9	70.0
Liabilities of discontinued operations	47.2	0.0	0.0
	1,151.3	**1,091.2**	**1,081.3**

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumulated OCI	Minority interests	Total
Balance at 12/31/2004	**37.4**	**37.8**	**(1.1)**	**203.2**	**0.1**	**57.2**	**(9.3)**	**5.8**	**331.1**
Stockholder-unrelated changes in equity:									
Carryover to new account					57.2	(57.2)			0.0
Transfer to reserves retained from earnings				38.3	(38.3)				0.0
Sale of treasury stock		0.2	1.1						1.3
Other changes				(0.1)					(0.1)
Net income for 3Q/2005						28.8		0.6	
Accumulated OCI from									
currency translation differences							0.5	0.1	
statement at fair value of financial instruments							(4.4)		
Comprehensive income						28.8	(3.9)		24.9
Minority interests								0.7	0.7
Stockholder-related changes in equity:									
Dividend payout					(19.0)			(0.7)	(19.7)
Capital increases from SOPs	0.3	2.2							2.5
Balance at 9/30/2005	**37.7**	**40.2**	**0.0**	**241.4**	**0.0**	**28.8**	**(13.2)**	**5.8**	**340.7**
Stockholder-unrelated changes in equity:									
Other changes				0.1					0.1
Net income for Q4/2005						16.3		0.2	
Accumulated OCI from									
currency translation differences							(0.1)	0.0	
statement at fair value of financial instruments							3.7		
Comprehensive income						16.3	3.6		19.9
Minority interests								0.2	0.2
Stockholder-related changes in equity:									
Capital increases from SOPs	0.0	0.0							0.0
Other capital increases								0.1	0.1
Balance at 12/31/2005	**37.7**	**40.2**	**0.0**	**241.5**	**0.0**	**45.1**	**(9.6)**	**6.1**	**361.0**
Stockholder-unrelated changes in equity:									
Carryover to new account					45.1	(45.1)			0.0
Transfer to reserves retained from earnings				25.8	(25.8)				0.0
Changes through initial consolidation								1.3	1.3
Net income for 3Q/2006						19.6		0.7	
Accumulated OCI from									
currency translation differences							(0.1)	0.1	
statement at fair value of financial instruments							2.4		
Comprehensive income						19.6	2.3		21.9
Minority interests								0.8	0.8
Stockholder-related changes in equity:									
Capital increases from SOPs					(19.2)			(0.8)	(20.0)
Other capital increases	0.0	0.2							0.2
Balance at 9/30/2006	**37.7**	**40.4**	**0.0**	**267.3**	**0.1**	**19.6**	**(7.3)**	**7.4**	**365.2**

(1) Introduction

The consolidated interim financial statements as of September 30, 2006, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the quarterly closing date. These financial statements meet all requirements of German Accounting Standard (GAS) No. 6 issued by the German Accounting Standards Committee (GASC).

(2) Consolidation group

Since December 31, 2005, the consolidation group has grown by three subsidiaries. Consequently, 45 subsidiaries were fully consolidated as of September 30, 2006. The newly consolidated subsidiaries are three Indian companies which, due to their minor significance, had previously not been included. This leaves 24 subsidiaries which due to their minor significance to the Group's net assets, financial position and results of operations, are not included in the consolidated financial statements although Vossloh AG directly or indirectly held the majority of voting rights at the balance sheet date.

(3) Accounting principles

The consolidation, accounting and valuation principles conform with those used for the consolidated financial statements as of December 31, 2005.

For German companies, income taxes were calculated by applying a rate of 40 percent while for foreign subsidiaries, the applicable local tax rates were used.

Preparing the interim financial statements requires management to make certain assumptions and estimates. Actual values may differ from those estimates and hence from the amounts disclosed in the interim financial statements.

(4) Discontinued operations

The assets and liabilities of the Information Technologies division as discontinued operation break down as follows:

Assets of discontinued operations	
€ million	**9/30/2006**
Noncurrent assets	**19.5**
Intangible assets	14.5
Tangible assets	3.5
Financial assets	0.0
Deferred tax assets	1.5
Current assets	**25.6**
Inventories	11.4
Trade receivables	9.1
Due from group companies	0.5
Sundry current assets	4.2
Cash & cash equivalents	0.4
	45.1

Liabilities of discontinued operations	
€ million	**9/30/2006**
Noncurrent liabilities and accruals	**5.9**
Sundry noncurrent liabilities	0.8
Pension accruals	3.1
Other noncurrent accruals	0.4
Deferred tax liabilities	1.6
Current liabilities and accruals	**41.3**
Current financial debts	0.2
Trade payables	1.3
Due to group companies	31.8
Sundry current liabilities	4.5
Current accruals	3.5
	47.2

For the detailed breakdown of the posttax loss of discontinued operations, see page 14.

In the period under review, Information Technologies generated the following cash flows:

Cash flows of discontinued operations	
€ million	**3Q/2006**
from operating activities	1.3
from investing activities	(1.0)
from financing activities	1.5

(5) Earnings per share (EpS)

Analysis of EpS:

		3Q/2006	3Q/2005
Weighted average number of shares		14,735,020	14,672,229
Dilutive shares from stock options under the ESOP and LTIP		4,508	23,799
Fully diluted weighted average number of shares		14,739,528	14,696,028
Group earnings	€ mill.	19.6	28.8
Undiluted (basic) EpS	**€**	**1.33**	**1.97**
thereof from continuing operations	€	1.72	2.05
thereof from discontinued operations	€	(0.39)	(0.08)
Fully diluted EpS	€	1.33	1.96

(6) Cash flow statement

This statement shows the changes in the Vossloh Group's cash and cash equivalents, these including checks, cash on hand, as well as cash in banks.

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

The cash flows of the Information Technologies division have been eliminated from the cash flow statement and are detailed in Note (4).

(7) Segment information

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

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

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

Information Technologies subsumes the development and marketing of operations management, passenger information and planning systems as well as signals engineering. Due to the contemplated disposal, this division is shown separately in accordance with IFRS 5.

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

(8) Contingent liabilities

In comparison to December 31, 2005, the Group's contingent liabilities—chiefly under guaranties/ suretyships and from the collateralization of third-party debts—shrank by €3.7 million to €6.7 million.

Segment information		Rail Infrastructure	Motive Power	Information Technologies[3]	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
3Q/2006	€ mill.	441.1	249.0	–	(0.7)	689.4	0.2	689.6
3Q/2005	€ mill.	421.2	258.5	–	(2.3)	677.4	0.2	677.6
Q3/2006	€ mill.	148.4	81.5	–	(0.5)	229.4	0.1	229.5
Q3/2005	€ mill.	143.8	115.0	–	(0.1)	258.7	0.1	258.8
Amortization/depreciation[1]								
3Q/2006	€ mill.	10.4	6.9	–	0.1	17.4	0.7	18.1
3Q/2005	€ mill.	9.8	5.1	–	0.1	15.0	0.5	15.5
Q3/2006	€ mill.	3.2	2.4	–	0.1	5.7	0.2	5.9
Q3/2005	€ mill.	3.4	1.9	–	0.1	5.4	0.3	5.7
Net interest result								
3Q/2006	€ mill.	(5.9)	(2.6)	–	(8.1)	(16.6)	6.6	(10.0)
3Q/2005	€ mill.	(5.7)	(4.3)	–	(8.1)	(18.1)	4.9	(13.2)
Q3/2006	€ mill.	(2.0)	(0.8)	–	(2.9)	(5.7)	1.7	(4.0)
Q3/2005	€ mill.	(1.9)	(1.5)	–	(2.4)	(6.1)	2.0	(4.1)
EBIT								
3Q/2006	€ mill.	57.9	9.9	–	(3.2)	64.6	(14.5)	50.1
3Q/2005	€ mill.	63.9	6.0	–	(1.2)	68.7	(8.7)	60.0
Q3/2006	€ mill.	22.2	6.4	–	(1.2)	27.4	(6.1)	21.3
Q3/2005	€ mill.	22.5	5.8	–	(0.5)	27.8	(4.1)	23.7
EBT								
3Q/2006	€ mill.	52.0	7.3	–	(11.3)	48.0	(7.9)	40.1
3Q/2005	€ mill.	58.2	1.7	–	(9.3)	50.6	(3.8)	46.8
Q3/2006	€ mill.	20.2	5.6	–	(4.1)	21.7	(4.4)	17.3
Q3/2005	€ mill.	20.6	4.3	–	(3.2)	21.7	(2.1)	19.6
Net earnings/(deficit)[2]								
3Q/2006	€ mill.	32.0	4.9	(5.7)	(6.8)	24.6	(4.8)	19.6
3Q/2005	€ mill.	36.2	1.8	(0.5)	(6.1)	31.4	(2.6)	28.8
Q3/2006	€ mill.	13.0	4.9	(0.8)	(2.4)	14.6	(2.6)	10.6
Q3/2005	€ mill.	12.5	3.3	(0.3)	(1.9)	13.6	(1.4)	12.2
Capital expenditures (tangibles)								
3Q/2006	€ mill.	5.7	11.0	–	0.0	16.7	0.2	16.9
3Q/2005	€ mill.	11.9	7.2	–	0.0	19.1	0.8	19.9
Q3/2006	€ mill.	2.9	2.5	–	0.0	5.4	0.1	5.5
Q3/2005	€ mill.	3.3	2.5	–	0.0	5.8	0.4	6.2
Capital employed								
9/30/2006	€ mill.	436.1	248.3	–	246.5	930.9	(278.6)	652.3
12/31/2005	€ mill.	468.8	225.7	46.8	247.0	988.3	(231.7)	756.6
Total assets								
9/30/2006	€ mill.	629.9	399.7	45.1	254.8	1,329.5	(179.0)	1,150.5
12/31/2005	€ mill.	639.1	382.5	91.1	248.0	1,360.7	(269.5)	1,091.2
9-month average headcount								
3Q/2006		3,143	1,555	281	0	4,979	32	5,011
3Q/2005		2,883	1,394	281	0	4,558	31	4,589

[1] Excl. write-down of financial assets

[2] Before P&L transfer

[3] Due to the separate disclosure of the Information Technologies division as discontinued operation, partly no data is shown hereunder.

Vossloh AG's boards	
Executive Board	Dr. Gerhard Eschenröder, Chairman Werner Andree
Supervisory Board	Dr.-Ing. Wilfried Kaiser, graduated engineer, former executive board member of Asea, Brown Boveri AG, Munich, Chairman
	Peter Langenbach, lawyer, Wuppertal, Vice-Chairman
	Dr. Jürgen Blume, sworn public auditor and tax accountant, Bad Bentheim
	Dr. Christoph Kirsch, former CFO of Südzucker AG, Weinheim
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel
Financial diary 2006	
Meeting with DVFA analysts	December 7, 2006
Financial diary 2007	
Publication of financial information 2006	March 2007
Press conference	March 2007
Meeting with DVFA analysts	March 2007
Annual stockholders' meeting	May 31, 2007
Investor Relations	
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Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin,
	Bremen, Hamburg, Hannover,
	Stuttgart, Munich
Index	MDAX
No. of shares (9/30/2006)	14,735,373
Stock price (9/30/2006)	€46.47
3Q/2006 high/low	€46.50/€34.90
Reuters code	VOSG.F
Bloomberg code	VOS GR

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