Interim financial report as of June 30, 2020

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Key group figures		H1/2020	H1/2019
Orders received	€ mill.	494.8	568.9[1]
Order backlog	€ mill.	656.0	726.9[2]
Income statement data			
Sales revenues	€ mill.	393.2	437.1[3]
Core Components	€ mill.	164.7	164.8
Customized Modules	€ mill.	186.5	231.7[4]
Lifecycle Solutions	€ mill.	47.2	48.8
EBITDA (2019 adjusted)	€ mill.	55.0	46.2
EBITDA margin (2019 adjusted)	%	14.0	10.6
EBIT (2019 adjusted)	€ mill.	30.1	20.5
EBIT margin (2019 adjusted)	%	7.6	4.7
Net interest result	€ mill.	(8.0)	(11.0)
EBT	€ mill.	22.1	2.6
Net income	€ mill.	(9.6)	(23.4)
Earnings per share	€	(0.58)	(1.58)
Return on capital employed (ROCE)[5]	%	7.0	2.9
Value added[5]	€ mill.	(0.1)	(21.0)
Balance sheet data			
Fixed assets[6]	€ mill.	688.4	693.2
Capital expenditure	€ mill.	30.5	19.0
Depreciation/amortization	€ mill.	24.9	25.6
Closing working capital[7]	€ mill.	180.9	224.1
Closing capital employed	€ mill.	869.3	917.3
Equity	€ mill.	391.6	531.5
Noncontrolling interests	€ mill.	16.6	12.8
Net financial debt	€ mill.	358.0	307.8
Net financial debt (including lease liabilities)	€ mill.	405.5	360.3
Total assets	€ mill.	1,232.7	1,443.9
Equity ratio	%	31.8	36.8
Cash flow statement data			
Gross cash flow	€ mill.	41.0	31.6
Cash flow from operating activities	€ mill.	(26.8)	7.2
Cash flow from investing activities	€ mill.	12.4	(18.8)
Cash flow from financing activities	€ mill.	1.8	0.0
Free cash flow from continuing operations	€ mill.	6.9	11.0
Free cash flow (including discontinued operations)	€ mill.	(47.2)	(8.8)
Employees*			
Average headcount during the period	No.	3,484	3,873
Core Components	No.	935	881
Customized Modules	No.	1,987	2,373
Lifecycle Solutions	No.	504	555
Vossloh AG	No.	58	64
Personnel expenses	€ mill.	103.9	122.5
Share data			
Share price as of June 30	€	38.95	32.30
Market capitalization as of June 30	€ mill.	684.1	567.3

* Since the end of 2019, the employee figures reported no longer include trainees; averages are calculated on the basis of quarterly figures. The figures for the previous year have been adjusted accordingly.

[1] This figure contains orders received worth an overall total of €50.1 million from the U.S. switch business sold in 2019. On a comparable basis, the orders received in 2019 totaled €518.8 million.

[2] This figure contains an order backlog worth an overall total of €74.7 million from the U.S. switch business sold in 2019. On a comparable basis, the order backlog totaled €652.2 million.

[3] This figure contains sales worth an overall total of €30.1 million from the U.S. switch business sold in 2019. On a comparable basis, sales in 2019 totaled €407.0 million.

[4] This figure contains sales worth an overall total of €30.1 million from the U.S. switch business sold in 2019. On a comparable basis, sales in 2019 totaled €201.6 million.

[5] Based on average capital employed; annualized

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

[7] 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)

Dear readers,

The first half of 2020 was marked by one of the most severe global economic crises of the last hundred years, triggered by the outbreak of the COVID-19 pandemic and the resulting measures adopted to prevent the virus from spreading. The social and economic effects of this devastating event will be felt worldwide for a long time. The Vossloh Group was also unable to escape the impact of the pandemic in the first half of the year; in comparison with other sectors, however, the effects were moderate for us.

Vossloh's above-average level of crisis stability is the result of a wide range of factors. The transport of goods and people is particularly crucial in times of crisis. For this reason, the rail industry is classified as system-critical in many countries, and therefore tends to be less affected by official measures. Furthermore, a majority of our customers are in the public sector and are less influenced by economic developments; in some cases, they are even taking advantage of the current reduced level of utilization of railway lines for increased maintenance activities. Apart from this, public investment will play a crucial role in revitalizing the global economy. In addition, the majority of our business is related to the maintenance of existing rail networks. Although this maintenance can be postponed to a certain extent, it is ultimately indispensable. The safety of rail traffic must remain guaranteed at all times.

At an early stage, we established a Group-wide crisis management team at Vossloh to focus on addressing the various effects of the COVID-19 pandemic while placing the highest priority on protecting our employees and ensuring the continuity of our production processes and supply chains. We have also adopted measures to ensure that we have a comprehensive view of the financial effects of the pandemic at all times. In the first half of the year, adverse effects on sales and earnings resulted primarily from the temporary shutdown of plants, particularly in our Customized Modules division, and from the postponement of projects by customers. In the last fiscal year, we invested a great deal of effort in a comprehensive performance program with the goal of strengthening our profitability and our self-financing power. In hindsight, there is no doubt that this was the best possible time to implement these measures. They resulted in a significant improvement of our economic stability, which is helping us to overcome our current and future challenges even more effectively than before. Working capital and personnel costs, for example, have already decreased noticeably in the first half of 2020. The sale of our locomotive business, which was completed in the second quarter of 2020, will also make us stronger going forward. While discontinued operations had an adverse impact of roughly €54 million on free cash flow and €1.58 on earnings per share in the first half of 2020, these effects will no longer apply in the future.

Now let's take a look at the numbers for the first half of the year: We generated Group sales of €393.2 million in the first half of 2020 compared to €437.1 million in the first half of 2019, which still included sales of around €30 million from the U.S. activities in the Customized Modules division which have since been sold. In addition, roughly €30 million in sales have been postponed as a result of the COVID-19 pandemic. EBIT totaled €30.1 million in the first half of 2020 (adjusted figure for the previous year: €20.5 million). EBIT includes the €15.6 million carrying amount adjustment recognized in profit and loss which was received in the first quarter of 2020 as part of the business combination achieved in stages of a joint venture in China, which had been established in the previous year in the Fastening Systems business unit. When adjusted for this effect, EBIT came to roughly €15 million. EBIT encompassed adverse effects from COVID-19 at a scale of roughly €10 million. In the absence of the pandemic, a substantial year-on-year increase in EBIT would have been recorded.

We are also very satisfied with the orders received situation, particularly in light of present conditions. The book-to-bill ratio, the ratio of orders received to sales, was an encouraging 1.26 after the first six months of the year.

We can confirm that our sales and earnings forecasts remain unchanged in these interim financial statements. We continue to anticipate sales for the 2020 fiscal year within the range specified in our previous outlook of €900 million to €1 billion. Due to sales being postponed, however, our sales are likely to be at the lower end of this range. Further sales shifts into the following years cannot be ruled out entirely due to the prevailing uncertainties in connection with COVID-19, and could cause this figure to fall below the €900 million mark. At the same time, we continue to firmly expect an EBIT margin of between 7 and 8 percent, which corresponds to an EBITDA margin of 12 to 13 percent.

Rising populations, migration from rural areas to rapidly growing cities, an increasing need for mobility linked with new, multi-modal mobility concepts and a steadily growing awareness of the importance of health and environmental protection will change the world in the coming decades. In this context, the transfer of traffic from roads to rails is one of the answers to these global megatrends, which remains relevant despite the current pandemic situation and is potentially even being strengthened by it. The European Commission's Green Deal, for example, aims to achieve a climate-neutral EU by 2050, and has identified healthy and environmentally friendly public transport as one of the key elements in reaching this goal. In order to increase rail traffic levels rail infrastructure must be in good condition and available to use. Together with longer-lasting and lower-maintenance products, condition-based and thus efficient maintenance will therefore become particularly important in the future. For this reason, we are continually working to enhance our products and services further while simultaneously taking advantage of the possibilities which are opened up by using sensors to monitor track conditions in order to generate added value for our customers. With our high innovative strength, our comprehensive understanding of rail infrastructure and our global presence, we will make a crucial contribution to this process together with our customers. Vossloh is dedicated to environmentally friendly mobility.

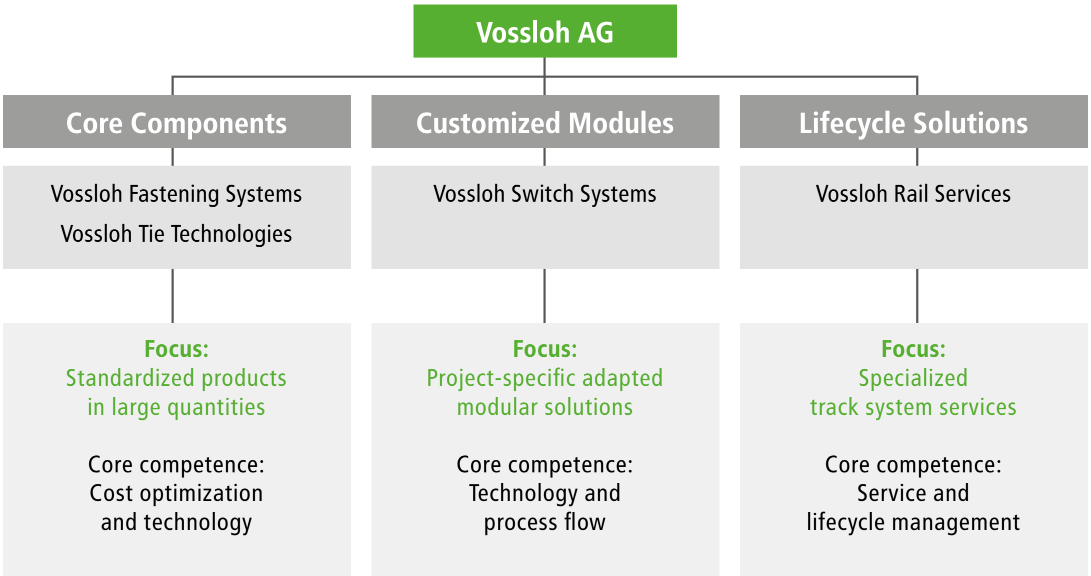
I would like to thank all of our shareholders, customers, suppliers and other business partners who are taking this journey with us for your trust and loyalty. Let's keep working together to make the world a better place.

Yours truly,

Oliver Schuster
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 according to the fundamental principles of their business models: product, project and service orientation. The divisions cooperate closely and increasingly present themselves in the market in a unified and coordinated manner. As an operational management and financial holding company, Vossloh AG serves as the parent of the Vossloh Group. It controls and oversees all major operations and activities within the Group, and also exerts direct influence on the operating units.



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 currently the rail fastening systems that are developed, produced and distributed worldwide 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 and Australia.

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 rail maintenance, the preventive care and corrective processing of rails and switches, welding, rail and switch monitoring and rail and switch logistics work. Comprehensive services supplement the product range of Core Components and Customized Modules.

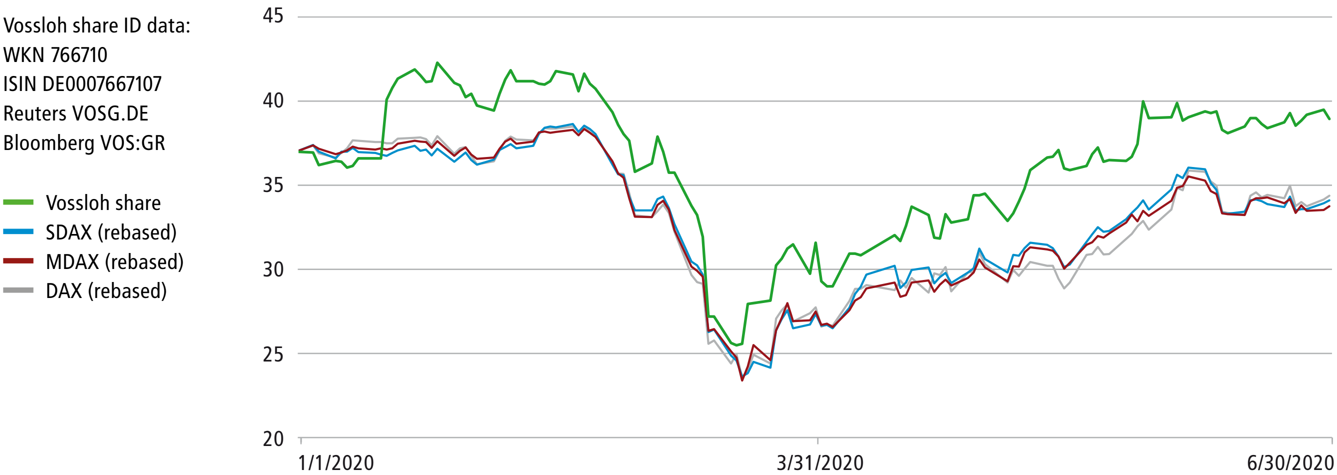
Vossloh share

The major global stock markets performed well until the end of February 2020. The global outbreak of the COVID-19 pandemic, which culminated in extensive shutdowns in virtually every country from March 2020 onwards, sent the world's stock markets into a significant decline. Since the end of March 2020, stock markets have recorded a qualified recovery as a result of factors including billions in economic stimulus measures in regions including the U.S. and the EU. However, business across the world continues to face substantial disruption due to the global restrictions adopted to prevent the spread of the pandemic. The World Trade Organization (WTO) anticipates a slump of 13 to 32 percent in global trade this year.

The DAX stood at around 12,311 points as of the end of the reporting period on June 30, 2020, corresponding to a 7.1 percent decrease compared to the beginning of the year. Over the same period, the MDAX decreased by 8.7 percent to around 25,840 points and the SDAX decreased by 7.8 percent to around 11,536 points.

Price performance of the Vossloh share, January 1 to June 30, 2020

Vossloh share ID data:
WKN 766710
ISIN DE0007667107
Reuters VOSG.DE
Bloomberg VOS:GR



The Vossloh AG share began the year at a price of €36.80 on January 2, 2020, and reached a high of €42.50 on January 21, 2020. The price decreased shortly afterwards following the onset of the COVID-19 crisis, and hit a low point of €23.60 per share on March 16, 2020. During the stock markets' subsequent recovery phase, the Vossloh AG share price went up consistently and outperformed the relevant benchmark indices. At the end of the reporting period on June 30, 2020, the share price was quoted at €38.95, up 5.3 percent compared to the closing price for the previous year, bucking the overall negative stock market trend.

The trading volume for the Vossloh AG share in the first half of 2020 was substantially higher than in the same period of the previous year. The total trading volume was twice as high at roughly 2.4 million shares (2019: roughly 1.2 million shares). The average daily volume on the basis of 125 trading days amounted to roughly 19,300 shares (2019: roughly 9,700 shares). The market capitalization of Vossloh AG as of June 30, 2020 amounted to roughly €684 million.

Vossloh AG's largest shareholder is Mr. Heinz Hermann Thiele, who holds 50.09 percent of the share capital. In addition, Franklin Mutual Advisers LLC, Wilmington, Delaware, USA holds 5.05 percent of Vossloh shares. The free float of Vossloh AG's capital stock in accordance with the Deutsche Börse definition amounted to 49.91 percent as of the end of the reporting period, since only the shares held by Mr. Heinz Hermann Thiele are deducted in this calculation. This resulted in a free float market capitalization of roughly €341 million.

The shareholders approved all agenda items at the company's first-ever virtual Annual General Meeting, which was held on May 27, 2020. The Annual General Meeting approved the proposal of the Executive Board and Supervisory Board to refrain from distributing a dividend in light of the considerable uncertainty surrounding the economic impact of the COVID-19 pandemic by a large majority. In addition, Dr. Bettina Volkens and Dr. Roland Bosch were appointed as two new members of the Supervisory Board, replacing previous members Dr. Sigrid Evelyn Nikutta and Prof. Dr. Anne Christine D'Arcy, who resigned from their positions at the end of the Annual General Meeting. Prof. Dr. Rüdiger Grube was confirmed as a member of the Supervisory Board and was reelected as its Chairman after the Annual General Meeting.

In the first half of 2020, the Vossloh AG share was evaluated by four analysts from notable institutions in analyses and commentaries. Of these, three analysts gave the Vossloh AG share a "buy" rating and one recommended holding it. Their price targets ranged between €40.00 and €45.00, with an average price target of €41.50.

Information on the Vossloh share	
ISIN	DE0007667107
Trading locations	Xetra, Düsseldorf, Frankfurt, Berlin, Hamburg, Hanover, Stuttgart, Munich
Number of shares outstanding on June 30, 2020	17,564,180
Share price (June 30, 2020)	€38.95
High price/low price (January to June 2020)	€42.50/€23.60
Reuters code	VOSG.DE
Bloomberg code	VOS:GR

Additional information about the Vossloh company and the Vossloh AG share is available on the website www.vossloh.com. In addition to up-to-date financial reports, presentations and press releases, the website also provides information about creditor relations. Please feel free to contact us should you have any questions. You can reach us at any time at investor.relations@vossloh.com or by telephone at +49 2392 52-609.

Interim Group management report

Business performance in the Group

Preliminary remarks

The COVID-19 pandemic has had an effect on the Vossloh Group's current figures. In comparison with other sectors, however, the impact can be classed as moderate overall. Due to a wide range of factors, rail infrastructure is only dependent on global economic performance to a limited extent and exhibits above-average crisis stability. The transport of goods and people is particularly crucial in times of crisis. For this reason, the rail industry tends to be affected by official measures to a relatively limited extent in many countries. The majority of our customers are in the public sector and are therefore relatively unaffected by economic developments. In addition, the majority of our business is related to the necessary maintenance of existing rail networks, which cannot be completely avoided even in times of limited financing. For this reason, no significant order cancellations have been recorded to date. In addition, orders received substantially exceeded sales in the first half of the year. The Vossloh Group responded to the new challenges promptly and established a Group-wide pandemic unit which focuses on protecting employees and ensuring the continuity of production processes and supply chains. In addition, measures were also adopted and implemented in order to maintain a comprehensive view of the potential financial impact of the pandemic on the net assets, financial position and results of operations at all times.

However, the impact of the pandemic cannot be completely avoided within the Vossloh Group either. In the first half of 2020, business processes within the Vossloh Group were in part adversely affected by the rapid spread of the COVID-19 pandemic. Sales and EBIT were particularly affected in the first half of the reporting year by temporary production shutdowns and the efficiency losses in connection with restarting production as well as project delays caused by customers. The adverse effects in the first half of the year primarily – but not exclusively – relate to the Customized Modules division. Additional adverse effects on sales and earnings in connection with the COVID-19 pandemic are expected for the Vossloh Group over the further course of the year. These could be caused by renewed production shutdowns resulting from official measures, restrictions on the customer or supplier side or postponed deliveries due to project delays. These extent of the impact will be largely dependent on global developments in the coming months.

In the 2019 fiscal year, the Vossloh Group implemented a performance program aimed at sustainably improving its profitability and self-financing power. The program primarily encompassed a reduction of the number of employees and the separation of unprofitable or disadvantageous activities. In connection with this program, an adjusted EBIT was reported in the previous year from the 2019 mid-year reporting onwards. The adjustment encompassed negative one-time effects on earnings arising from the performance program and related exclusively to the EBIT and EBIT margin for the 2019 fiscal year. The figures reported for the 2020 fiscal year are unadjusted.

Results of operations

Vossloh divisions – orders received and order backlog

	Orders received		Order backlog	
€ mill.	H1/2020	H1/2019	6/30/2020	6/30/2019
Core Components	187.4	243.9	295.3	316.5
Customized Modules	251.2	273.4[1]	337.8	387.4[2]
Lifecycle Solutions	60.4	60.7	23.7	24.7
Vossloh AG / consolidation	(4.2)	(9.1)	(0.8)	(1.7)
Group	**494.8**	**568.9**[1]	**656.0**	**726.9**[2]

[1] The previous year includes orders received worth an overall total of €50.1 million from the U.S. switch business sold in 2019. On a comparable basis, orders received in 2019 totaled €223.3 million for the Customized Modules division and €518.8 million at the Group level.

[2] The previous year included an order backlog worth an overall total of €74.7 million from the U.S. switch business sold in 2019. On a comparable basis, the order backlog totaled €312.7 million for the Customized Modules division and €652.2 million at the Group level.

Book-to-bill ratio at 1.26 despite COVID-19

Orders received by the Vossloh Group in the second quarter of 2020 totaled €202.9 million. The corresponding figure for the same quarter of the previous year was €287.9 million. Orders received in the first half of 2020 were therefore €74.1 million lower than the previous year. The decrease is mainly attributable to portfolio changes. The figure for the first half of 2019 includes orders received worth a total of €50.1 million from the U.S. switch business, which has since been sold. The previous year's figure also included a major order for rail fastening systems in China worth roughly €40 million. Excluding these factors, orders received were higher than in the previous year despite the adverse effects caused by COVID-19. At the divisional level, the decline for Core Components in the first half of 2020 can be attributed to a decrease in orders received by the Fastening Systems business unit (see page 16). This was mainly the result of the major order in China in the previous year mentioned above. In contrast, orders received by the Tie Technologies business unit in the first six months of 2020 exceeded the high figure for the previous year (see page 16). In the Customized Modules division, the portfolio-related decrease was largely offset. When adjusted for portfolio effects, orders received increased by 12.5 percent in the first half of 2020 (see page 18). Orders received by the Lifecycle Solutions division in the first six months of 2020 were nearly equivalent to the previous year (see page 19).

The book-to-bill ratio was significantly higher than 1 at 1.26. The drop in the order backlog as of June 30, 2020 relative to the corresponding figure for the previous year is exclusively attributable to the portfolio adjustments. Excluding the U.S. switch business sold in the previous year (order backlog as of June 30, 2019: €74.7 million), the order backlog remained at the previous year's level.

Sales lower than previous year due to portfolio effects and impact of COVID-19

Sales performance in the first half of the year was substantially impaired by COVID-19, particularly during the second quarter. The comparability of sales figures is also limited due to portfolio adjustments. The figures for the previous year include sales from the sold U.S. activities totaling €17.6 million in the second quarter and €30.1 million in the first half of the year. After adjusting for these portfolio effects, sales in the second quarter of 2020 amounted to €210.2 million, corresponding to a decrease of 8.4 percent relative to the previous year (€229.5 million). Sales in the first half of 2020 totaled €393.2 million, 3.4 percent lower than the previous year's figure adjusted for portfolio effects (€407.0 million). This decrease is attributable to the impact of the COVID-19 pandemic, which caused sales to be around €30 million lower than planned in the first half of 2020.

Sales revenues by region

	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
	H1/2020		H1/2019		Q2/2020		Q2/2019	
Germany	33.9	8.6	38.6	8.8	19.6	9.3	23.7	9.6
France	42.6	10.8	50.9	11.6	22.1	10.5	27.1	11.0
Rest of Western Europe	30.4	7.7	32.6	7.5	15.5	7.4	18.8	7.6
Northern Europe	53.7	13.7	50.8	11.6	31.5	15.0	31.8	12.8
Southern Europe	32.8	8.4	40.0	9.2	15.0	7.1	22.0	8.9
Eastern Europe	33.6	8.6	35.5	8.1	19.3	9.2	20.2	8.2
Total of Europe	**227.0**	**57.8**	**248.4**	**56.8**	**123.0**	**58.5**	**143.6**	**58.1**
Americas	63.7	16.2	91.2	20.9	32.0	15.2	49.6	20.1
Asia	53.2	13.5	65.9	15.1	28.0	13.3	36.5	14.8
Africa	6.0	1.5	4.3	1.0	2.1	1.0	3.1	1.2
Australia	43.3	11.0	27.3	6.2	25.1	12.0	14.3	5.8
Total	**393.2**	**100.0**	**437.1**	**100.0**	**210.2**	**100.0**	**247.1**	**100.0**

Sales in Europe in the first six months of the year remained 8.6 percent below the level of the previous year. Sales were lower in Western Europe, mainly as a result of lower contributions to sales from the Customized Modules division in France and the Fastening Systems business unit in Germany. Northern Europe performed well in terms of sales as a whole, mainly due to increased sales in Finland in the Customized Modules division. Southern Europe, however, recorded a decrease in sales which was primarily attributable to lower sales from the Fastening Systems business unit in Turkey. In Eastern Europe, the sales of the Vossloh Group remained at roughly the same level as the previous year in the first half of 2020. Lower sales in Russia and Hungary in the Fastening Systems business unit were largely offset by higher sales in Poland and Croatia in the Customized Modules division.

In the Americas, sales in the first half of the year decreased below the previous year's figure due to portfolio adjustments. After adjusting for the absence of sales from the U.S. activities in the Customized Modules division sold in the previous year, sales registered a slight increase of 4.3 percent compared to the corresponding figure for the previous year. Increased sales in the U.S., particularly in the Tie Technologies business unit, were more than able to offset lower sales in Canada.

In the Asia region, sales in the first six months of 2020 were 19.3 percent lower than the previous year. The decrease in sales relative to the previous year was especially pronounced at Vossloh Fastening Systems in China and Malaysia. Lower contributions to sales were also recorded in India in the Customized Modules division. The Fastening Systems business unit in the United Arab Emirates, on the other hand, saw a particularly significant increase in sales.

In Australia, a substantial increase in sales of 59.0 percent was generated in the first half of 2020. This positive performance is attributable to the Australian company in the Tie Technologies business unit. In Africa, an increase in sales of €1.7 million was recorded for the first half of the year. This was primarily attributable to higher sales in the Fastening Systems business unit in Tanzania.

Vossloh Group

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Sales revenues	393.2	437.1	210.2	247.1
EBITDA (2019 adjusted)	55.0	46.2	26.2	34.0
EBITDA margin (2019 adjusted)	14.0	10.6	12.5	13.8
EBIT (2019 adjusted)	30.1	20.5	13.6	21.1
EBIT margin (2019 adjusted)	7.6	4.7	6.4	8.5
Net income	(9.6)	(23.4)	(7.0)	(0.8)

Positive earnings performance despite COVID-19

The EBIT of the Vossloh Group increased significantly in the first half of 2020 in comparison with the corresponding figure for the previous year, which was adjusted for negative effects on earnings from the 2019 performance program. The increase is largely attributable to a positive effect on earnings totaling €15.6 million in connection with the business combination achieved in stages of a Chinese company in the Fastening Systems business unit. However, significant negative effects on earnings were recorded in the first half of 2020 due to COVID-19, particularly during the second quarter. Overall, these effects amounted to roughly €10 million in the first half of 2020. Given that deliveries in the Fastening Systems business unit in China were, as expected, lower in the first half of 2020 than in the previous year, earnings performance was good overall in the operational business in the first six months of 2020 under the conditions mentioned above. This is mainly attributable to operational improvements resulting from the performance program implemented in the previous year.

The net interest result of €(8.0) million in the first half of 2020 represents a substantial improvement (previous year: €(11.0) million). This was mainly attributable to lower currency conversion losses from secured loans in foreign currencies.

Net income substantially improved relative to previous year

In the first half of 2020, tax expense amounted to €4.0 million. The result from discontinued operations worsened slightly to €(27.7) million compared to the previous year's figure of €(25.0) million. The result for Vossloh Locomotives during the reporting period was once again marked by weak operating business performance. The loss on disposal following the completion of the sale also had an adverse effect on this earnings indicator. Although net income in the first half of 2020 was still negative due to the loss from discontinued operations, it showed a marked improvement in comparison with the previous year. The net income attributable to Vossloh AG shareholders totaled €(10.1) million, following a figure of €(25.4) million in the previous year. The average number of shares outstanding increased from 16,020,368 shares to 17,564,180 shares. Accordingly, earnings per share after the first six months of 2020 amounted to €(0.58) (previous year: €(1.58)). The earnings per share attributable solely to continuing operations improved from €(0.02) per share in the previous year to €1.00 per share.

Vossloh Group – value management

		H1/2020	H1/2019	Q2/2020	Q2/2019
Average capital employed[1]	€ mill.	860.9	921.7	868.3	935.6
ROCE[2]	%	7.0	2.9	6.2	6.0
Value added	€ mill.	(0.1)	(21.0)	(1.7)	(3.4)

[1] Capital employed = working capital plus fixed assets
[2] ROCE = EBIT / average capital employed; annualized

Value added substantially improved in comparison with previous year

Return on capital employed (ROCE) substantially increased in the first half of 2020 due to the increase in EBIT and the significantly reduced capital employed in comparison with the previous year. Average capital employed decreased mainly as a result of the sale of the U.S. switch business. This significantly outweighed the increase resulting from the Chinese joint venture in the Fastening Systems business unit being fully consolidated for the first time in the year under review. Value added also improved significantly in comparison with the previous year. The calculation of the ROCE and value added for the previous year is based on an unadjusted EBIT figure which was reduced by €6.9 million in one-time effects from the performance program. A weighted average cost of capital (WACC) of 7.0 percent was used to calculate the cost of capital (previous year: 7.5 percent).

Financial position

Equity ratio increased compared to the end of 2019

Total assets saw a notable decrease of 7.4 percent in comparison with the end of 2019. This was mainly due to the completion of the sale of the Locomotives business unit in the second quarter of 2020 and the resulting deconsolidation of the corresponding assets and liabilities. Equity as of June 30, 2020 decreased only slightly in comparison with the end of 2019. The equity ratio therefore stood 1.5 percentage points higher than the figure as of the end of the previous year.

Vossloh Group

		6/30/2020/ H1/2020	12/31/2019/ Fiscal year 2019	6/30/2019/ H1/2019
Total assets	€ mill.	1,232.7	1,331.4	1,443.9
Equity	€ mill.	391.6	403.6	531.5
Equity ratio	%	31.8	30.3	36.8
Closing working capital[1]	€ mill.	180.9	180.3	224.1
Average working capital	€ mill.	185.4	227.2	239.9
Average working capital intensity	%	23.6	24.8	27.4
Fixed assets[2]	€ mill.	688.4	659.2	693.2
Closing capital employed[3]	€ mill.	869.3	839.5	917.3
Average capital employed	€ mill.	860.9	904.1	921.7
Free cash flow from continuing operations[4]	€ mill.	6.9	2.4	11.0
Free cash flow (including discontinued operations)[4]	€ mill.	(47.2)	(42.4)	(8.8)
Net financial debt[5]	€ mill.	358.0	321.3	307.8
Net financial debt (including lease liabilities)	€ mill.	405.5	370.4	360.3

[1] Working capital = 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)

[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] Capital employed = working capital plus fixed assets

[4] Free cash flow = cash flow from operating activities less investments in intangible assets and property, plant and equipment as well as capital expenditures in companies accounted for using the equity method and plus cash inflows from profit distributions or the sale of companies accounted for using the equity method

[5] Net financial debt = financial liabilities minus cash and cash equivalents and short-term securities

Working capital saw a substantial decrease of 19.3 percent compared to the figure for the first half of the previous year as of June 30, 2020. This decrease is attributable to the 2019 performance program, of which the reduction of working capital was a key element, as well as the sale of the U.S. switch business to a large extent. The average working capital intensity was also reduced by nearly 4 percentage points in comparison with the first half of 2019, and can be used as an indicator for the success of the program. The capital employed as of June 30, 2020 was also below the previous year's figure as of June 30, 2019, mainly as a result of the sale of the U.S. switch business. The increase compared to the figure as of the end of the previous year is attributable to the Chinese joint venture in the Fastening Systems business unit being fully consolidated for the first time in the 2020 fiscal year.

The net financial debt of the Vossloh Group excluding lease liabilities decreased by €28.4 million relative to the figure as of the end of the first quarter of 2020. This was attributable to the proceeds from the completion of the sale of the Locomotives business unit in the second quarter of 2020, among other factors. Net financial debt increased relative to the end of the 2019 fiscal year, primarily as a result of the negative free cash flow of the sold Locomotives business unit during the first five months of the year as well as interest and lease payments.

Investments[1]

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Core Components	12.3	10.2	7.6	6.0
Customized Modules	9.9	3.6	6.3	2.5
Lifecycle Solutions	7.9	5.0	2.2	2.3
Vossloh AG / consolidation	0.4	0.2	0.0	0.1
Total	**30.5**	**19.0**	**16.1**	**10.9**

[1] The capital expenditure reported here does not match the figures in the cash flow statement, which only includes cash expenditure and capital expenditure from discontinued operations.

Capital expenditure substantially increased in comparison with previous year

Capital expenditure at the Group level increased by a substantial €11.5 million in comparison with the previous year during the first half of 2020. This increase is attributable to all divisions. In the Core Components division, capital expenditure in the Fastening Systems business unit was significantly higher than the previous year. Investments were made primarily in the modern production plant for rail fasteners ("Factory of the Future"). Capital expenditure in the Tie Technologies business unit decreased, following the construction of a concrete tie factory in Canada in the previous year. The increased capital expenditure in the Customized Modules division is attributable to the modernization of the manufacturing facility for manganese frogs in Outreau and other factors. Investments in the Lifecycle Solutions division primarily focused on the continued development of milling technology.

Business performance of Core Components

Core Components

		H1/2020/ 6/30/2020	H1/2019/ 6/30/2019	Q2/2020	Q2/2019
Orders received	€ mill.	187.4	243.9	79.5	153.2
Order backlog	€ mill.	295.3	316.5	–	–
Sales revenues	€ mill.	164.7	164.8	87.0	92.7
EBITDA (2019 adjusted)	€ mill.	38.7	28.9	14.0	17.4
EBITDA margin (2019 adjusted)	%	23.5	17.5	16.1	18.8
EBIT (2019 adjusted)	€ mill.	27.9	19.2	8.5	12.8
EBIT margin (2019 adjusted)	%	16.9	11.7	9.7	13.8
ROCE[1, 2]	%	17.8	13.3	10.5	17.3
Value added[1, 2]	€ mill.	16.9	8.1	2.8	6.8

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

Orders received lower than previous year's figure in line with expectations

Orders received in the Core Components division were lower in the first half of 2020 than the high figure for the previous year. While lower orders received were recorded in the Fastening Systems business unit, an increase was achieved in the Tie Technologies business unit. The overall book-to-bill ratio of the division was 1.14.

Orders received in the Fastening Systems business unit totaled €42.3 million in the second quarter of 2020 (previous year: €91.1 million). In the first half of 2020, orders received came to €88.6 million, a significant decrease compared to the previous year's figure of €152.4 million. This was primarily attributable to a major order of roughly €40 million won in the previous year as well as completed orders for maintenance of the first high-speed rail line constructed in China. Notable orders received were won in the United Arab Emirates as well as in Mongolia for the construction of new heavy-haul lines. As of June 30, 2020, the order backlog of the Fastening Systems business unit was €179.3 million (previous year: €234.2 million).

Orders received by the Tie Technologies business unit totaled €38.9 million in the second quarter of 2020 (previous year: €62.5 million). Thanks to its good performance in the first quarter of 2020, the business unit generated orders received totaling €106.4 million in the first half of 2020 (previous year: €94.5 million). This constitutes an increase of 12.6 percent in comparison with the considerably high figure for the previous year. Although orders received were lower in Australia – orders won in the second quarter of the previous year included a major order from Rio Tinto – higher orders received were generated in the transit business, particularly in the U.S. New orders in Mexico were also significantly higher than the previous year. The order backlog increased accordingly, reaching €121.4 million as of June 30, 2020 (previous year: €84.1 million).

Sales at the same level as the previous year

Sales for the Core Components division during the first six months of the 2020 fiscal year were in line with the figure for the previous year. No significant effects from COVID-19 were recorded in the first half of the year. Lower sales in the Fastening Systems business unit were fully offset by higher sales in the Tie Technologies business unit.

The Fastening Systems business unit generated sales of €91.7 million in the first half of 2020 (previous year: €109.3 million). Sales were lower than the previous year's figure in accordance with expectations, particularly in China. The deliveries for new construction projects in China are dependent on the extent to which the lines have been completed. Sales fluctuations between individual periods are typical and not unusual for this segment. Sales were also lower than the previous year in Turkey and Italy. However, this was partially offset by higher contributions to sales in areas including Tanzania and the United Arab Emirates.

The Tie Technologies business unit generated sales of €77.9 million in the first half of 2020 (previous year: €61.0 million). The increase primarily resulted from higher sales in Australia as a result of the processing of the significant order backlog, including the Rio Tinto order. Higher sales in the U.S. also contributed to the increase to a lesser extent.

EBIT significantly higher than in the previous year due to carrying amount adjustment recognized in profit and loss

EBIT in the Core Components division in the first half of 2020 was significantly higher than the adjusted figure for the previous year. The increase is entirely due to a €15.6 million carrying amount adjustment recognized in profit and loss. This transpired in the course of the business combination achieved in stages of a joint venture in China, which had been established in the previous year in the Fastening Systems business unit. EBIT was also negatively affected by start-up costs for concrete tie factories in Canada and Australia in the first half of 2020.

The ROCE for the Core Components division increased in the first half of the year due to the significant rise in EBIT. The average capital employed increased noticeably in comparison with the previous year. This was mainly due to the Chinese joint venture being consolidated in the Fastening Systems business unit for the first time in the 2020 fiscal year, but is also attributable to the higher average working capital to a lesser extent. The value added of the Core Components division also increased substantially compared to the previous year. The calculation of the ROCE and value added for the previous year is based on an unadjusted EBIT figure (including €0.8 million in negative one-time effects from the performance program).

The value added of the Fastening Systems business unit of €19.2 million substantially exceeded the previous year's level of €10.2 million in the first half of 2020. The value added of the Tie Technologies business unit amounted to €(2.3) million (previous year: €(2.1) million).

Core Components

		H1/2020	Fiscal year 2019	H1/2019
Average working capital	€ mill.	97.0	90.9	90.9
Average working capital intensity	%	29.4	25.9	27.6
Average capital employed	€ mill.	313.8	282.4	276.0

Business performance of Customized Modules

Customized Modules

		H1/2020/ 6/30/2020	H1/2019/ 6/30/2019	Q2/2020	Q2/2019
Orders received	€ mill.	251.2	273.4	103.5	113.4
Order backlog	€ mill.	337.8	387.4	–	–
Sales revenues	€ mill.	186.5	231.7	98.9	130.7
EBITDA (2019 adjusted)	€ mill.	16.7	16.7	11.0	12.6
EBITDA margin (2019 adjusted)	%	8.9	7.2	11.1	9.6
EBIT (2019 adjusted)	€ mill.	8.7	7.7	6.9	8.0
EBIT margin (2019 adjusted)	%	4.7	3.3	7.0	6.1
ROCE[1, 2]	%	4.8	2.6	7.6	5.4
Value added[1, 2]	€ mill.	(4.0)	(11.3)	0.5	(2.5)

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

Orders received up 12.5 percent compared to the previous year when adjusted for portfolio effects

The Customized Modules division once again saw a significant level of orders received in the first half of 2020. Orders received were lower than the previous year due to portfolio effects. If the €50.1 million in orders received from the U.S. activities sold in the previous year are excluded from the calculation, the increase in orders received amounted to 12.5 percent. This positive performance was primarily attributable to higher orders received in Eastern and Northern Europe, mainly in Poland and Finland. However, orders received in Israel and Australia were also noticeably higher than the previous year. In countries such as India and Malaysia, on the other hand, orders received were noticeably lower in comparison with the previous year. The book-to-bill ratio for the division as a whole was 1.35. The order backlog for the previous year included orders totaling €74.7 million from the U.S. activities which have since been sold. On a comparable basis, the order backlog grew by 8.0 percent relative to the previous year.

Sales performance adversely affected in comparison with the previous year due to portfolio adjustments and COVID-19

The sales revenues of the Customized Modules division in the first half of 2020 were lower than the previous year, mainly due to portfolio effects. The previous year's figure included a total of €30.1 million in sales revenues from the sold U.S. activities. Sales were also adversely affected by COVID-19 to a significant degree. A noticeable decline in sales was recorded in the first half of 2020, particularly at the French locations which were affected by temporary production shutdowns in connection with COVID-19. However, sales increased in other areas, particularly Poland and Finland.

EBIT higher than previous year despite COVID-19

The Customized Modules division increased its EBIT and EBIT margin relative to the adjusted figures for the previous year in the first six months of 2020 despite the impact of COVID-19. The improvement is largely attributable to the successes achieved under the performance program. Poland and Italy saw the most significant improvement to their earnings contributions. The division more than succeeded in offsetting the material adverse effects of COVID-19 overall, particularly thanks to the performance program.

The ROCE of the Customized Modules division increased in the first half of 2020 due to the higher EBIT as well as a lower average capital employed resulting from the sale of the U.S. switch business. The substantial reduction in average working capital is also attributable to the performance program. Value added also saw a marked improvement relative to the previous year. In the second quarter once again a positive value added was generated. The calculation of the ROCE and value added for the previous year is based on an unadjusted EBIT figure (including €1.7 million in negative one-time effects from the performance program).

Customized Modules

		H1/2020	Fiscal year 2019	H1/2019
Average working capital	€ mill.	76.7	123.2	136.1
Average working capital intensity	%	20.6	26.0	29.4
Average capital employed	€ mill.	364.0	436.8	462.0

Business performance of Lifecycle Solutions

Lifecycle Solutions

		H1/2020/ 6/30/2020	H1/2019/ 6/30/2019	Q2/2020	Q2/2019
Orders received	€ mill.	60.4	60.7	22.0	24.3
Order backlog	€ mill.	23.7	24.7	–	–
Sales revenues	€ mill.	47.2	48.8	27.0	29.7
EBITDA (2019 adjusted)	€ mill.	6.9	8.3	5.8	7.6
EBITDA margin (2019 adjusted)	%	14.7	16.9	21.5	25.6
EBIT (2019 adjusted)	€ mill.	1.1	1.5	2.9	4.1
EBIT margin (2019 adjusted)	%	2.2	3.2	10.7	13.9
ROCE[1, 2]	%	1.2	(2.0)	6.4	1.6
Value added[1, 2]	€ mill.	(5.3)	(8.8)	(0.3)	(2.8)

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

Orders received in the first half of the year at the same level as the previous year

In the Lifecycle Solutions division, orders received remained almost unchanged in the first half of 2020 in comparison with the previous year. Lower orders received, mainly in Germany, were fully offset by higher orders received in other areas, particularly the Netherlands, Denmark and Finland. The book-to-bill ratio of the division was 1.28.

The sales revenues of the Lifecycle Solutions division in the first half of 2020 were at the same level as the previous year. While lower sales were generated from the sale of track maintenance machinery, contributions to sales from the areas of logistics and stationary welding increased. The degree of internationalization of the Lifecycle Solutions division's activities, measured in terms of the proportion of sales outside Germany, was 47.9 percent (previous year: 45.0 percent).

EBIT and EBIT margin lower than previous year due to COVID-19

The Lifecycle Solutions division saw a slight decrease in its EBIT and EBIT margin compared to the previous year after the first six months of 2020. These figures were adversely affected by COVID-19 in the first half of 2020. Without the effects of COVID-19, an increase in EBIT and the EBIT margin would have been recorded. Stationary welding and logistics improved their EBIT figures, while EBIT from the area of maintenance was lower. The maintenance business is expected to be far more profitable in the second half of the year.

The ROCE and value added of the Lifecycle Solutions division increased in the first half of 2020 relative to the reported figures for the previous year. The calculation of the ROCE and value added for the previous year is based on an unadjusted EBIT figure (including €3.4 million in negative one-time effects from the performance program). The average working capital and average working capital intensity improved relative to the previous year.

Lifecycle Solutions

		H1/2020	Fiscal year 2019	H1/2019
Average working capital	€ mill.	14.0	14.6	16.1
Average working capital intensity	%	14.8	13.8	16.5
Average capital employed	€ mill.	182.0	183.7	184.2

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, not 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 2020, expenses for research and development at the Vossloh Group totaled €4.4 million, compared to €5.2 million in the same period of the previous year.

In addition to the research and development costs recognized under expenses, expenditures for development work of €3.5 million were capitalized in the first half of the current fiscal year (previous year: €0.5 million).

Employees

3,487 employees worked for the Vossloh Group as of the end of June 2020

As of June 30, 2020, the Vossloh Group had a total of 3,487 employees worldwide. The number of employees therefore decreased in the past twelve months by 378 or 9.8 percent from 3,865. The decrease is primarily attributable to the performance program implemented in 2019, which included a reduction of the number of employees and the discontinuation or sale of disadvantageous activities.

Employees*	Reporting date		Average	
	6/30/2020	6/30/2019	H1/2020	H1/2019
Core Components	959	879	935	881
Customized Modules	1,982	2,365	1,987	2,373
Lifecycle Solutions	490	557	504	555
Vossloh AG	56	64	58	64
Konzern	**3,487**	**3,865**	**3,484**	**3,873**

*As of the end of 2019, employee figures no longer include trainees; averages are calculated on the basis of quarterly figures. The figures for the previous year have been adjusted accordingly.

The Core Components division reported 80 more employees as of the mid-year reporting date for 2020 compared to the previous year. The number of employees in the Fastening Systems business unit remained almost unchanged relative to the previous year, with 545 employees as of June 30, 2020 (June 30, 2019: 544 employees). The increase in the number of employees due to the first-time full consolidation of the joint venture in China in the 2020 fiscal year was fully offset by the performance program in the previous year. By contrast, at Vossloh Tie Technologies, the second business unit of the Core Components division, the number of employees increased by 79 over the last twelve months to 414 employees (June 30, 2019: 335 employees). This was particularly attributable to the good order situation in Australia. The number of employees in the Customized Modules division decreased substantially from 2,365 on June 30, 2019 to 1,982 as of the end of the first half of 2020. The majority of the measures in the Group-wide program pertained to this division. A total of 490 employees belonged to the Lifecycle Solutions division as of the end of June 2020, 67 fewer than the previous year's reporting date (557 employees). This was also mainly due to the performance program.

79.7 percent of employees employed outside of Germany

At the end of June 2020, a total of 2,780 employees worked for the Vossloh Group outside Germany. This represents a decrease of 204 from the 2,984 employees which the Vossloh Group had on June 30, 2019. The number of employees working in Germany totaled 707 as of the mid-2020 reporting date (June 30, 2019: 881 employees). The proportion of employees working outside Germany as of the 2020 mid-year reporting date therefore amounted to 79.7 percent, an increase of 2.5 percentage points relative to the previous year.

Forecast, opportunities and risks

The Group management report for the 2019 fiscal year describes the material risks and opportunities for the expected performance of the Vossloh Group. Besides the risks indicated in the Group management report, the COVID-19 pandemic could represent an additional risk with the potential to have a significant influence on net assets and results of operations. Although the pandemic had a tangible impact on the Vossloh Group in the first half of the year, the effects can be classified as moderate in comparison with other industries. The transportation of goods and people, and hence also the rail sector, is viewed as system-critical in many countries. As a result, the rail sector has been affected by official measures to a relatively limited extent. Furthermore, the overwhelming majority of Vossloh's direct and indirect customers are public sector customers whose investments are based on long-term decision-making processes within the context of longer-term funding programs and whose actions are less influenced by economic developments. As a result, there has been no significant order cancellations. Megatrends such as population growth, urbanization, increased sustainability awareness and digitalization are also increasing in importance. These will lead to increased rail traffic, and will maintain their relevance despite the COVID-19 pandemic.

Negative effects on sales and earnings caused by COVID-19 were primarily – although not exclusively – recorded in the Customized Modules division. The possibility of further adverse effects for the Vossloh Group over the course of the year cannot be ruled out. Significant risks could emerge, for example, from a reintensification of official measures such as temporary closures of plants, further sales postponements due to project delays, particularly for new construction projects, or restrictions affecting customers or suppliers.

While acknowledging the substantial uncertainty associated with the pandemic in regard to future business development and a careful risk assessment, Vossloh can, from today's perspective, confirm the forecast for the 2020 fiscal year issued as of March 19, 2020 with the presentation of the 2019 annual report (see 2019 annual report from page 77 onwards). Vossloh continues to anticipate sales of between €900 million and €1 billion for the 2020 fiscal year. Due to potential sales shifts, it is assumed that sales will be at the lower end of the expected range. Compared to the previous year, the elimination of sales revenues as a result of the exit from the U.S. switch market will be largely offset by a positive development in the Tie Technologies business unit, particularly in Australia. Further sales shifts to subsequent years cannot currently be ruled out. This could lead to sales totaling slightly less than €900 million in the 2020 fiscal year. Developments in the coming months in China and certain other regions will be decisive in this regard.

The Vossloh Group continues to firmly expect an EBITDA margin of between 12 and 13 percent and an EBIT margin of between 7 and 8 percent for 2020. Along with the operational improvements resulting from the 2019 performance program, the aforementioned effect in connection with the first-time consolidation of a Chinese joint venture in the Fastening Systems business unit will also contribute to this improvement.

Value added is expected to improve significantly following a negative value in the three-digit million euro range in the previous year. Value added is still expected to be within the originally predicted range of €0 to 15 million for the 2020 fiscal year.

Condensed Interim Financial Statements of the Vossloh Group as of June 30, 2020

Income statement

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Sales revenues	393.2	437.1	210.2	247.1
Cost of sales	(308.7)	(352.1)	(161.3)	(197.1)
General administrative and selling expenses	(69.2)	(74.4)	(35.8)	(38.5)
Allowances for financial assets	(0.1)	0.2	0.1	0.3
Research and development costs	(4.4)	(5.2)	(2.0)	(2.6)
Other operating result	2.3	5.3	1.7	3.0
Operating result	**13.1**	**10.9**	**12.9**	**12.2**
Income from investments in companies accounted for using the equity method	1.4	2.5	0.7	1.8
Other financial income	15.6	0.3	0.0	0.2
Other financial expenses	0.0	(0.1)	0.0	(0.1)
Earnings before interest and taxes (EBIT)	**30.1**	**13.6**	**13.6**	**14.1**
Interest income	0.8	0.4	(1.0)	0.1
Interest and similar expenses	(8.8)	(11.4)	(2.9)	(5.3)
Earnings before taxes (EBT)	**22.1**	**2.6**	**9.7**	**8.9**
Income taxes	(4.0)	(1.0)	(8.8)	(2.3)
Result from continuing operations	**18.1**	**1.6**	**0.9**	**6.6**
Result from discontinued operations	(27.7)	(25.0)	(7.9)	(7.4)
Net income	**(9.6)**	**(23.4)**	**(7.0)**	**(0.8)**
thereof attributable to shareholders of Vossloh AG	**(10.1)**	**(25.4)**	**(7.4)**	**(1.5)**
thereof attributable to noncontrolling interests	0.5	2.0	0.4	0.7
Earnings per share				
Basic/diluted earnings per share (€)	(0.58)	(1.58)	(0.43)	(0.09)
thereof attributable to continuing operations	1.00	(0.02)	0.03	0.37
thereof attributable to discontinued operations	(1.58)	(1.56)	(0.46)	(0.46)

Statement of comprehensive income

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Net income	**(9.6)**	**(23.4)**	**(7.0)**	**(0.8)**
Changes in fair value of hedging instruments (cash flow hedges)	0.2	0.0	0.2	0.0
Currency translation differences	(9.9)	(0.7)	1.9	(3.0)
Income taxes from changes in the market value of hedging instruments	0.0	0.0	0.0	0.0
Amounts that will potentially be transferred to profit or loss in future periods	**(9.7)**	**(0.7)**	**2.1**	**(3.0)**
Income and expenses recognized directly in equity	**(9.7)**	**(0.7)**	**2.1**	**(3.0)**
Total comprehensive income	**(19.3)**	**(24.1)**	**(4.9)**	**(3.8)**
thereof attributable to shareholders of Vossloh AG	(19.4)	(26.1)	(4.9)	(4.0)
thereof attributable to noncontrolling interests	0.1	2.0	0.0	0.2

Cash flow statement for the period from January 1 to June 30, 2020

€ mill.	H1/2020	H1/2019
Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	30.1	13.6
EBIT from discontinued operations	(24.2)	(24.0)
Amortization/depreciation/impairment losses (less write-ups) of noncurrent assets	36.4	40.3
Change in noncurrent provisions	(1.3)	1.7
Gross cash flow	**41.0**	**31.6**
Noncash change in investments in companies accounted for using the equity method	(17.0)	(2.4)
Other noncash income/expenses, net	0.5	(0.7)
Net loss/gain from the disposal of noncurrent assets	(0.3)	(0.2)
Income taxes paid	(6.5)	(2.7)
Change in working capital	(47.3)	(14.9)
Changes in other assets/liabilities, net	2.8	(3.5)
Cash flow from operating activities	**(26.8)**	**7.2**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(20.4)	(16.1)
Investments in companies accounted for using the equity method	(0.1)	0.0
Cash-effective dividends from companies accounted for using the equity method	0.1	0.1
Free cash flow	**(47.2)**	**(8.8)**
Proceeds from the disposal of intangible assets and property, plant and equipment	2.8	0.5
Disbursements/proceeds from the purchase/sale of short-term securities	0.0	0.1
Proceeds from disposals of noncurrent financial instruments	0.0	0.0
Proceeds from the disposal of consolidated companies	30.0	0.0
Payments for the acquisition of consolidated companies	0.0	(3.4)
Cash flow from investing activities	**12.4**	**(18.8)**
Cash flow from financing activities		
Net proceeds from additions to equity	0.0	48.3
Disbursements to shareholders and noncontrolling interests	(0.1)	(18.0)
Net financing from short-term loans	(11.3)	(11.0)*
Net financing from medium-term and long-term loans	31.3	0.9
Repayments from finance leases	(12.4)	(9.8)
Interest received	0.9	0.4
Interest paid	(6.6)	(10.8)
Cash flow from financing activities	**1.8**	**0.0***
Net cash inflow/outflow	(12.6)	(11.6)*
Exchange rate effects	(1.3)	(0.1)
Change in cash and cash equivalents from first-time consolidation	0.6	0.0
Opening cash and cash equivalents	**48.6**	**23.3***
Closing cash and cash equivalents	**35.3**	**11.6***

*Previous year's figures adjusted, see page 28

Balance sheet

Assets in € mill.	6/30/2020	12/31/2019	6/30/2019
Intangible assets	300.7	280.1	300.7
Property, plant and equipment	304.6	296.8	314.0
Investment properties	4.6	1.8	2.1
Investments in companies accounted for using the equity method	72.2	74.6	68.6
Other noncurrent financial instruments	6.3	6.0	7.8
Other noncurrent assets	3.7	4.0	3.3
Deferred tax assets	19.9	17.7	19.6
Noncurrent assets	**712.0**	**681.0**	**716.1**
Inventories	179.1	152.1	200.5
Trade receivables	191.4	212.8	221.0
Contract assets	6.8	5.0	12.4
Income tax assets	5.3	5.8	3.9
Other current financial instruments	31.9	29.6	30.5
Other current assets	36.1	25.8	21.9
Short-term securities	0.0	0.0	0.4
Cash and cash equivalents	61.3	56.7	60.0
Current assets	**511.9**	**487.8**	**550.6**
Assets held for sale	8.8	162.6	177.2
Assets	**1,232.7**	**1,331.4**	**1,443.9**

Equity and liabilities in € mill.	6/30/2020	12/31/2019	6/30/2019
Capital stock	49.9	49.9	49.8
Additional paid-in capital	190.4	190.4	190.3
Retained earnings and net income	144.8	158.7	277.8
Accumulated other comprehensive income	(10.1)	(4.8)	0.8
Equity excluding noncontrolling interests	**375.0**	**394.2**	**518.7**
Noncontrolling interests	16.6	9.4	12.8
Equity	**391.6**	**403.6**	**531.5**
Pension provisions / provisions for other post-employment benefits	35.4	33.2	31.6*
Other noncurrent provisions	9.6	10.5	7.9*
Noncurrent financial liabilities	415.8	385.8	366.2*
Noncurrent trade payables	0.0	1.4	0.0
Other noncurrent liabilities	1.3	10.6	10.5
Deferred tax liabilities	9.5	7.9	7.7
Noncurrent liabilities	**471.6**	**449.4**	**423.9***
Other current provisions	54.0	59.4	40.2
Current financial liabilities	51.0	41.3	54.5*
Current trade payables	133.3	132.8	153.0
Current contract liabilities	0.0	0.2	0.0
Current income tax liabilities	4.6	4.4	2.3
Other current liabilities	120.3	91.7	90.1
Current liabilities	**363.2**	**329.8**	**340.1***
Liabilities related to assets held for sale	6.3	148.6	148.4
Equity and liabilities	**1,232.7**	**1,331.4**	**1,443.9**

*Previous year's figures adjusted, see page 28

Statement of changes in equity

€ mill.	Capital stock	Additional paid-in capital	Retained earnings and net income	Accumulated other comprehensive income: Reserves for currency translation	Accumulated other comprehensive income: Reserves for hedging transactions	Accumulated other comprehensive income: Reserve from the remeasurement of defined benefit plans	Equity excluding noncontrolling interests	Noncon-trolling interests	Equity
As of 12/31/2018	**45.3**	**146.5**	**318.7**	**2.0**	**(0.5)**	**0.5**	**512.5**	**10.8**	**523.3**
Transfer to retained earnings			0.5			(0.5)	0.0		0.0
Capital increase	4.5	43.8					48.3		48.3
Net income			(25.4)				(25.4)	2.0	(23.4)
Income and expenses recognized directly in equity after taxes				(0.7)	0.0	0.0	(0.7)		(0.7)
Dividend payments			(16.0)				(16.0)		(16.0)
As of 6/30/2019	**49.8**	**190.3**	**277.8**	**1.3**	**(0.5)**	**0.0**	**518.7**	**12.8**	**531.5**
Change in the scope of consolidation			(6.8)	(5.7)			(12.5)	0.0	(12.5)
Other effects	0.1	0.1	2.0				2.2		2.2
Net income			(114.3)				(114.3)	0.9	(113.4)
Income and expenses recognized directly in equity after taxes				3.0	(0.3)	(2.6)	0.1	0.0	0.1
Dividend payments							0.0	(4.3)	(4.3)
As of 12/31/2019	**49.9**	**190.4**	**158.7**	**(1.4)**	**(0.8)**	**(2.6)**	**394.2**	**9.4**	**403.6**
Transfer to retained earnings			(2.6)			2.6	0.0		0.0
Change in the scope of consolidation			(1.2)			1.4	0.2	7.1	7.3
Net income			(10.1)				(10.1)	0.5	(9.6)
Income and expenses recognized directly in equity after taxes				(9.5)	0.2		(9.3)	(0.4)	(9.7)
As of 6/30/2020	**49.9**	**190.4**	**144.8**	**(10.9)**	**(0.6)**	**1.4**	**375.0**	**16.6**	**391.6**

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 include the manufacture and sale of rail infrastructure products, as well as the provision of rail-related services (logistics, welding, preventive care).

Accounting policies

The interim financial statements of the Vossloh Group as of June 30, 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The amendments to IFRS 3 (Definition of a Business), to IAS 1 and IAS 8 (Definition of Material) and to IFRS 9 / IAS 39 / IFRS 7 (Interest Rate Benchmark Reform) were applicable for the first time in the 2020 fiscal year. This had no material effect on the interim financial statements.

Otherwise, the accounting and valuation methods used in the preparation of the interim financial statements correspond to those of the consolidated financial statements as of December 31, 2019, 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.

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 interim report.

The business activities of the Vossloh Group are subject to seasonal effects to a certain degree; the company's performance is normally stronger in the second quarter than in the first quarter. The calculation of income taxes is based on a tax rate of 31.87 percent for domestic companies. The calculation of income taxes for foreign companies is based on the respective national tax rates. Figures for the previous year generally pertain to the first half of 2019 or June 30, 2019 unless indicated otherwise.

The previous year's figures as of June 30, 2019 have been adjusted in some areas due to the changes to the presentation of current account liabilities as well as certain noncurrent provisions in the personnel area since the 2019 financial statements. For more information, please refer to the notes to the consolidated financial statements for 2019.

Significant events and impact of the COVID -19 pandemic

Although the COVID -19 pandemic had an effect on sales and earnings indicators for several business units in the first half of 2020, this did not result in any material impairment of the business activities of Vossloh. As already described in the management report, the defining characteristics of the rail sector are only subject to minimal risks; as such, there is no need for adjustments in regard to the Group's strategy and goals. In order to mitigate the minor risk of noncompliance with the indicator (the "covenant") stipulated by the credit agreement, an adjustment of the permissible amount of the indicator has been agreed for the period until June 30, 2021 with the lending banks of the syndicated loan concluded in 2017.

Other significant events / transactions pertain to the assumption of control over a Chinese joint venture and consequently the change of the previous carrying amount to the fair value of the company's shares in connection with the transition from accounting using the equity method to full consolidation. This is addressed in greater detail in the "Scope of consolidation" section. The completion of the sale of the Locomotives business unit is also considered a significant event. Information about the impact of this sale, which is reflected in the income statement in the line item "Result from discontinued operations" is provided below.

Presentation of discontinued operations

The Locomotives business unit, which had been designated as held for sale and reported as discontinued operations in the consolidated financial statements since December 31, 2017, was sold to CRRC ZELC on May 31, 2020; the contract signed in August 2019 transferring the shares of Vossloh Locomotives GmbH was executed at the end of May. In these interim financial statements, the income and expenses for the period from January to May 2020 as well as for the comparative period from January to June 2019 are disclosed in the line item "Result from discontinued operations" while the associated assets and liabilities in the consolidated balance sheet in the line items "Assets held for sale" and "Liabilities related to assets held for sale" are only reported for the comparative periods.

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

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Income	41.7	58.2	12.8	35.2
Expenses	(54.3)	(71.1)	(29.0)	(36.5)
Result from operating activities, before taxes	**(12.6)**	**(12.9)**	**(16.2)**	**(1.3)**
Income taxes	(3.0)	(0.1)	0.0	(1.8)
Result from operating activities, after taxes	**(15.6)**	**(13.0)**	**(16.2)**	**(3.1)**
Impairment of noncurrent assets	(12.1)	(13.9)	8.3	(6.2)
Subsequent effects from former business units	0.0	1.9	0.0	1.9
Result from discontinued operations	**(27.7)**	**(25.0)**	**(7.9)**	**(7.4)**
thereof attributable to shareholders of Vossloh AG	(27.7)	(25.0)	(7.9)	(7.4)
thereof attributable to noncontrolling interests	0.0	0.0	0.0	0.0

The following table shows the main groups of assets held for sale and the associated liabilities:

€ mill.	6/30/2020	12/31/2019
Property, plant and equipment	1.1	1.5
Other noncurrent assets	0.4	0.0
Noncurrent assets	**1.5**	**1.5**
Inventories	4.3	4.6
Trade receivables	1.4	2.7
Other current assets	0.5	0.6
Cash and cash equivalents	1.1	0.7
Current assets	**7.3**	**8.6**
Assets	**8.8**	**10.1**
Provisions	0.2	0.3
Trade payables	0.5	0.8
Liabilities from leases	1.6	1.8
Other liabilities	4.0	2.7
Liabilities	**6.3**	**5.6**

The assets held for sale and the liabilities related to assets held for sale reported in the balance sheet as of December 31, 2019 still included assets of €152.5 million and liabilities of €143.0 million from the Locomotives business unit, which has since been sold. For the sake of improved comparability, the table above contains the figures for the assets and liabilities from the disposal groups which were reported in the balance sheet at that time and as of the reporting date.

In the period under review, as in the previous year, no amounts were recognized directly in equity. Other elements of the purchase price will come due over the further course of the fiscal year, and are partially dependent on the fulfillment of certain conditions. Such financial assets are measured at fair value. The presentation of the result from discontinued operations is based on the information that was available at the time these interim financial statements were prepared. The preparation and the audit of the deconsolidation financial statements, parts of which will be used to determine the final purchase price, had not yet been finalized as of the end of the preparation period for these interim financial statements. This may cause changes to the net result of the disposal.

Scope of consolidation

The scope of consolidation has changed relative to the end of the reporting period on December 31, 2019: Five fully consolidated companies and one joint venture accounted for using the equity method under the former Locomotives business unit were deconsolidated following the execution of the sale of shares. In addition, one previously immaterial company in the Fastening Systems business unit was included in the scope of consolidation for the first time during the fiscal year.

On January 1, 2020, Vossloh assumed control of Vossloh (Anyang) Track Material Co. Ltd., Anyang, China, a joint venture which had been jointly managed in the 2019 fiscal year during the start-up phase. The company has been fully consolidated since this date. Vossloh holds 51 percent of the shares in this company. The joint venture was founded together with a partner in the 2019 fiscal year with the objective of bundling the production of specific components of rail fastening systems in order to generate cost benefits. Against the backdrop of a number of relevant decisions in the start-up year, it was already contractually agreed at the time of the company's establishment that significant decisions over the course of 2019 would be made jointly, but that control would be transferred to Vossloh at the beginning of 2020 through the amendment of the corresponding provisions on unanimity requirements in the case of matters involving significant decisions. The acquisition of control was recognized in the balance sheet as a business combination pursuant to IAS 28.22 (a) in accordance with the regulations in IFRS 3. The difference between the previous carrying amount of the shares and the fair value as of the time of gaining control resulted in income of €15.6 million, which has been recognized in other operating result. The fair value of the shares held previously amounted to a total of €19.5 million as of the time of taking over the control over the assets and liabilities, and incorporates the income prospects of the joint venture, which are thus also reflected in the goodwill resulting from the merger. This amount was treated as consideration in the context of the first-time consolidation. The following assets and liabilities, which have been offset with the consideration in the amount of Vossloh's share of the equity and which resulted in the recorded goodwill as well as a corresponding recognition of noncontrolling interests, have been taken over:

€ mill.	Fair value
Intangible assets	9.7
Property, plant and equipment	9.7
Inventories	3.0
Trade receivables	4.8
Other current assets	3.2
Financial liabilities	2.1
Trade payables	5.7
Other liabilities	8.1
Net assets included in the consolidated financial statements	**14.5**
thereof the share attributable to the JV partner (49%)	7.1
Share of net assets attributable to Vossloh	**7.4**
Surrendered value of shares	19.5
Goodwill	**12.1**

Since the time of its initial consolidation, the company has contributed €0.1 million to sales and €(0.7) million to net income. No transaction costs were incurred for the acquisition of control. The company's cash balances as of the time of gaining control totaled €0.6 million, and are disclosed in the cash flow statement in the line item "Change in cash and cash equivalents from first-time consolidation." The trade receivables acquired are the result of deliveries to the joint venture partner and are recognized according to their gross value; it is unlikely that they will be irrecoverable.

Consequently, as at June 30, 2020, 57 companies (previous year: 60), 14 of which are in Germany (previous year: 17), were consolidated and included in the consolidated financial statements of Vossloh AG. Ten (previous year: eleven) investments in associated companies or joint ventures were accounted for using the equity method, one of which is in Germany (previous year: one).

Sales revenues

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Sales of products				
Fastening Systems	91.7	109.3	47.8	63.3
Tie Technologies	77.9	61.0	41.4	32.5
Consolidation	(4.9)	(5.5)	(2.2)	(3.1)
Core Components	164.7	164.8	87.0	92.7
Customized Modules	187.7	231.7	99.6	130.7
Lifecycle Solutions	8.5	10.8	4.8	7.6
Consolidation	(5.2)	(8.2)	(2.7)	(6.0)
Group	**355.7**	**399.1**	**188.7**	**225.0**
Services				
Lifecycle Solutions	31.8	30.4	19.7	18.5
Group	**31.8**	**30.4**	**19.7**	**18.5**
Sales revenues from customer-specific manufacturing				
Customized Modules	(1.2)	0.0	(0.7)	0.0
Lifecycle Solutions	6.9	7.6	2.5	3.6
Consolidation	0.0	0.0	0.0	0.0
Group	**5.7**	**7.6**	**1.8**	**3.6**
Sales revenues				
Fastening Systems	91.7	109.3	47.8	63.3
Tie Technologies	77.9	61.0	41.4	32.5
Consolidation	(4.9)	(5.5)	(2.2)	(3.1)
Core Components	164.7	164.8	87.0	92.7
Customized Modules	186.5	231.7	98.9	130.7
Lifecycle Solutions	47.2	48.8	27.0	29.7
Consolidation	(5.2)	(8.2)	(2.7)	(6.0)
Group	**393.2**	**437.1**	**210.2**	**247.1**

Equity

The capital stock of Vossloh AG has not changed relative to the June 30, 2019, reporting date and still amounts to €49,857,682.23 divided into 17,564,180 shares. All of these are outstanding. The average number of shares outstanding in the first half of 2020 thus also amounts to 17,564,180 shares (previous year: 16,020,368).

Earnings per share

		H1/2020	H1/2019
Weighted average of shares outstanding – diluted/basic –	Number	17,564,180	16,020,368
Net income attributable to Vossloh AG shareholders	€ mill.	(10.1)	(25.4)
Diluted/basic earnings per share	**€**	**(0.58)**	**(1.58)**
thereof attributable to continuing operations	€	1.00	(0.02)
thereof attributable to discontinued operations	€	(1.58)	(1.56)

Additional information on investments in companies accounted for using the equity method (joint ventures/associated companies)

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Result from continuing operations	1.4	1.0	0.7	0.7
Result from discontinued operations after taxes	0.0	0.0	0.0	0.0
Income and expenses recognized directly in equity	(0.6)	0.2	(0.4)	(0.6)
Total comprehensive income	**0.8**	**1.2**	**0.3**	**0.1**

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 to levels of the 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.	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Financial assets measured at fair value	–	–	3.5	3.5	–	–
Financial liabilities measured at fair value	–	–	12.3	10.8	–	–

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 even though they do not belong to any measurement category of IFRS 9.

Carrying amounts, measurement categories and fair values as of June 30, 2020

		Measurement pursuant to IFRS 9			
€ mill.	Carrying amounts according to balance sheet 6/30/2020	Amortized cost	Fair value through OCI (FVOCI)	Fair value through profit or loss (FVTPL)	Fair values as of 6/30/2020
Trade receivables	191.4	191.4			191.4
Securities	0.0	0.0			0.0
Other financial instruments and other assets	35.1	31.6	0.6	2.9	35.1
Cash and cash equivalents	61.3	61.3			61.3
Total financial assets	**287.8**	**284.3**	**0.6**	**2.9**	**287.8**
Financial liabilities	419.3	419.3			419.3
Trade payables	133.3	133.3			133.3
Other liabilities	92.0	79.7	0.2	12.1	92.0
Total financial liabilities	**644.6**	**632.3**	**0.2**	**12.1**	**644.6**

Carrying amounts, measurement categories and fair values as of December 31, 2019

		Measurement pursuant to IFRS 9			
€ mill.	Carrying amounts according to balance sheet 12/31/2019	Amortized cost	Fair value through OCI (FVOCI)	Fair value through profit or loss (FVTPL)	Fair values as of 12/31/2019
Trade receivables	212.8	212.8			212.8
Securities	0.0	0.0			0.0
Other financial instruments and other assets	32.9	29.4	0.6	2.9	32.9
Cash and cash equivalents	56.7	56.7			56.7
Total financial assets	**302.4**	**298.9**	**0.6**	**2.9**	**302.4**
Financial liabilities	377.9	377.9			377.9
Trade payables	134.2	134.2			134.2
Other liabilities	83.8	73.0	0.4	10.4	83.8
Total financial liabilities	**595.9**	**585.1**	**0.4**	**10.4**	**595.9**

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents and short-term current account liabilities 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. Short-term current account liabilities result from debit balances of short-term due bank balances and are included in cash and cash equivalents.

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.	H1/2020		H1/2019	
Cash flow items	Thereof from continuing operations	Thereof from discontinued operations	Thereof from continuing operations	Thereof from discontinued operations
Gross cash flow	54.3	(13.3)	39.4	(7.8)
Cash flow from operating activities	26.4	(53.2)	26.3	(19.1)
Free cash flow	6.9	(54.1)	11.0	(19.8)
Cash flow from investing activities	13.3	(0.9)	(18.1)	(0.7)
Cash flow from financing activities	(52.1)	53.9	(20.1)	20.1
Opening cash and cash equivalents	46.0*	2.6	21.0	2.3
Closing cash and cash equivalents	32.9*	2.4	9.3	2.3

*of which €0.7 million at the beginning of the period and €1.1 million at the end were recognized in disposal groups and will be presented in assets held for sale in accordance with IFRS 5.

Segment information

The primary format for segment reporting is defined by Vossloh's internal organizational and reporting structure, which differentiates between 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 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 rail fasteners for every application: from regional transportation to heavy-haul and high-speed lines.

Vossloh Tie Technologies is the leading manufacturer of concrete ties in North America, and is also active in Australia. In addition to concrete ties, it also provides 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.

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. As described above, the sale of the business unit was completed during the second quarter of 2020. For this reason, the business unit is reported as 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 value added amount given in the segment information for the entire Group with the earnings before interest and taxes (EBIT) presented in the income statement is shown below:

Reconciliation of value added to EBIT

€ mill.	H1/2020	H1/2019	Q2/2020	Q2/2019
Value added	(0.1)	(21.0)	(1.7)	(3.4)
Cost of capital employed	30.2	34.6	15.3	17.5
EBIT	**30.1**	**13.6**	**13.6**	**14.1**

Related party transactions

The consolidated companies of the Vossloh Group regularly engage in business with unconsolidated Vossloh subsidiaries, joint ventures and associated companies of the Vossloh Group. Additionally, transactions have been carried out with companies of the Knorr-Bremse Group, which are to be considered related party transactions via the majority shareholder of Vossloh AG, Mr. Heinz Hermann Thiele. During the reporting period, a subsequent purchase price of €5.8 million from the sale of the former Electrical Systems business unit was received from Knorr-Bremse Systeme für Schienenfahrzeuge GmbH. As of June 30, 2019, receivables from this transaction for the sale of other assets totaling €3.9 million were still outstanding. 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.	H1/2020 or 6/30/2020	H1/2019 or 6/30/2019
Sale or purchase of goods		
Sales revenues from the sale of finished goods and WIP	4.3	4.5
Cost of materials from the purchase of finished goods and WIP	8.6	3.7
Advance payments	–	–
Trade receivables	4.6	9.7
Trade payables	3.6	4.5
Sale or purchase of other assets		
Receivables from the sale of other assets	0.0	0.0
Expenses from the purchase of other assets	0.0	0.0
Receivables from the sale of other assets	0.1	4.4
Liabilities from the purchase of other assets	1.0	1.2
Services rendered or received		
Income from services rendered	0.7	0.7
Expenses for services received	0.2	0.3
Financing		
Interest income from financial loans granted	0.0	0.0
Interest expense from financial loans received	0.0	0.0
Receivables on financial loans granted	4.4	3.4
Liabilities on financial loans received	0.0	0.0
Provision of guarantees and collateral		
Provision of guarantees	0.3	3.2
Provision of other collateral	0.0	0.0

Contingent liabilities

Due to the sale of the Locomotives business unit with effect from May 31, 2020, the contingent liabilities for these companies must now be reported. Contingent liabilities increased from June 30, 2019, by €178.0 million from €23.1 to €201.1 million. €182.5 million thereof is attributable to contingent liabilities for the Locomotives business unit, while €9.0 million remains attributable to contingent liabilities for the Electrical Systems business unit sold as of January 31, 2017. For the outstanding contingent liabilities from the two former business units, Vossloh AG has received irrevocable and unconditional guarantees at first request by first-class banks. The Group has incurred contingent liabilities under guarantees of €102.0 million (previous year: €3.5 million). €101.7 million thereof are attributed to the former business units and €0.3 million (previous year: €3.2 million) to nonconsolidated affiliated companies. €99.1 million (previous year: €18.3 million) of the contingent liabilities are attributable to letters of comfort. €89.8 million thereof was related to the former business units and €9.3 million (previous year: €9.6 million) to nonconsolidated affiliated companies. €0.0 million was attributable to the provision of collateral for third-party liabilities (previous year: €1.3 million). The risk of a claim is considered unlikely for all of the listed contingent liabilities.

Segment information by division and business unit*

			Fastening Systems	Tie Technologies	Consolidation	Core Components	Customized Modules (Switch Systems)
Value added	H1/2020	€ mill.	19.2	(2.3)	0.0	**16.9**	**(4.0)**
	H1/2019	€ mill.	10.2	(2.1)	0.0	**8.1**	**(11.3)**
	Q2/2020	€ mill.	2.6	0.2	0.0	**2.8**	**0.5**
	Q2/2019	€ mill.	7.3	(0.5)	0.0	**6.8**	**(2.5)**
Information from income statement/ flow figures							
External sales revenues	H1/2020	€ mill.	82.4	77.2	0.0	**159.6**	**185.6**
	H1/2019	€ mill.	100.6	56.6	0.0	**157.2**	**231.6**
	Q2/2020	€ mill.	43.5	40.9	0.0	**84.4**	**98.2**
	Q2/2019	€ mill.	58.5	28.9	0.0	**87.4**	**130.7**
Internal sales revenues	H1/2020	€ mill.	9.3	0.7	(4.9)	**5.1**	**0.9**
	H1/2019	€ mill.	8.7	4.4	(5.5)	**7.6**	**0.1**
	Q2/2020	€ mill.	4.3	0.5	(2.2)	**2.6**	**0.7**
	Q2/2019	€ mill.	4.8	3.6	(3.1)	**5.3**	**0.0**
Depreciation/amortization	H1/2020	€ mill.	4.2	6.6	0.0	**10.8**	**7.3**
	H1/2019	€ mill.	3.9	5.8	0.0	**9.7**	**8.8**
	Q2/2020	€ mill.	2.2	3.3	0.0	**5.5**	**3.8**
	Q2/2019	€ mill.	1.9	2.7	0.0	**4.6**	**4.5**
Investments in noncurrent assets	H1/2020	€ mill.	10.0	2.3	0.0	**12.3**	**9.9**
	H1/2019	€ mill.	4.8	5.4	0.0	**10.2**	**3.6**
	Q2/2020	€ mill.	7.1	0.5	0.0	**7.6**	**6.3**
	Q2/2019	€ mill.	2.2	3.8	0.0	**6.0**	**2.5**
Income from investments in companies accounted for using the equity method	H1/2020	€ mill.	0.4	0.0	0.0	**0.4**	**0.5**
	H1/2019	€ mill.	1.2	0.0	0.0	**1.2**	**0.9**
	Q2/2020	€ mill.	0.2	0.0	0.0	**0.2**	**0.2**
	Q2/2019	€ mill.	0.9	0.0	0.0	**0.9**	**0.6**
Result from discontinued operations	H1/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	H1/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	Q2/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	Q2/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
Impairment losses	H1/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.6**
	H1/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.1**
	Q2/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.3**
	Q2/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.1**
Reversals of impairment losses	H1/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	H1/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	Q2/2020	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
	Q2/2019	€ mill.	0.0	0.0	0.0	**0.0**	**0.0**
Information from the balance sheet							
Total assets	6/30/2020	€ mill.	262.9	208.4	(3.3)	**468.0**	**544.5**
	6/30/2019	€ mill.	206.7	200.3	(2.8)	**404.2**	**660.2**
Liabilities	6/30/2020	€ mill.	136.5	80.4	(3.4)	**213.5**	**310.1**
	6/30/2019	€ mill.	115.7	69.6	(2.8)	**182.5**	**364.4**
Investments in companies accounted for using the equity method	6/30/2020	€ mill.	5.8	0.0	0.0	**5.8**	**52.4**
	6/30/2019	€ mill.	5.1	0.0	0.0	**5.1**	**51.0**
Average number of employees**	H1/2020	No.	541	394	0	**935**	**1,987**
	H1/2019	No.	555	326	0	**881**	**2,373**

* For more segment information, see page 33 et seq.

** The average number of employees has been calculated on the basis of quarterly averages while excluding trainees since the 2019 financial statements. The previous year's figures have been adjusted accordingly.

	Lifecycle Solutions (Rail Services)	Locomotives (discontinued operations)	Consolidation	Transportation	Holding companies	Consolidation	Group
	(5.3)	(24.5)	31.5	**7.0**	(10.8)	(3.9)	**(0.1)**
	(8.8)	(23.8)	23.7	**(0.1)**	(10.9)	2.0	**(21.0)**
	(0.3)	(22.2)	29.2	**7.0**	(6.0)	(5.7)	**(1.7)**
	(2.8)	(9.5)	9.5	**0.0**	(4.8)	(0.1)	**(3.4)**
	45.2	41.7	(41.7)	**0.0**	0.0	0.0	**390.4**
	46.4	58.1	(58.1)	**0.0**	0.1	0.0	**435.3**
	25.8	12.8	(12.8)	**0.0**	0.0	0.0	**208.4**
	28.0	35.2	(35.2)	**0.0**	0.0	0.0	**246.1**
	2.0	7.0	0.0	**7.0**	0.0	(12.2)	**2.8**
	2.4	0.0	0.0	**0.0**	0.0	(8.3)	**1.8**
	1.2	7.0	0.0	**7.0**	0.0	(9.7)	**1.8**
	1.7	0.0	0.0	**0.0**	0.0	(6.0)	**1.0**
	5.9	7.6	(7.6)	**0.0**	0.3	0.0	**24.3**
	6.7	8.6	(8.6)	**0.0**	0.3	0.0	**25.5**
	2.9	3.7	(3.7)	**0.0**	0.2	0.0	**12.4**
	3.4	4.8	(4.8)	**0.0**	0.2	0.0	**12.7**
	7.9	1.8	(1.8)	**0.0**	0.4	0.0	**30.5**
	5.0	0.7	(0.7)	**0.0**	0.2	0.0	**19.0**
	2.2	0.5	(0.5)	**0.0**	0.0	0.0	**16.1**
	2.3	0.4	(0.4)	**0.0**	0.1	0.0	**10.9**
	0.5	0.0	0.0	**0.0**	0.0	0.0	**1.4**
	0.4	0.0	0.0	**0.0**	0.0	0.0	**2.5**
	0.3	0.0	0.0	**0.0**	0.0	0.0	**0.7**
	0.3	0.0	0.0	**0.0**	0.0	0.0	**1.8**
	0.0	(33.5)	0.0	**(33.5)**	0.0	5.8	**(27.7)**
	0.0	(26.3)	0.0	**(26.3)**	0.0	1.3	**(25.0)**
	0.0	(14.3)	0.0	**(14.3)**	0.0	6.4	**(7.9)**
	0.0	(8.9)	0.0	**(8.9)**	0.0	1.5	**(7.4)**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.6**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.1**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.3**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.1**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	229.8	232.7	(232.7)	**0.0**	1,339.0	(1,348.6)	**1,232.7**
	236.9	206.3	(28.9)	**177.4**	1,336.4	(1,371.2)	**1,443.9**
	209.5	139.4	(139.4)	**0.0**	585.5	(483.8)	**834.8**
	222.3	200.9	(148.9)	**52.0**	611.8	(669.1)	**763.9**
	14.0	0.0	0.0	**0.0**	0.0	0.0	**72.2**
	12.5	0.0	0.0	**0.0**	0.0	0.0	**68.6**
	504	490	(490)	**0**	58	0	**3,484**
	555	477	(477)	**0**	64	0	**3,873**

Responsibility statement

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles for 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, Germany, July 29, 2020

Vossloh AG
The Executive Board

Oliver Schuster, Dr.-Ing. Karl Martin Runge

Review Report

To Vossloh Aktiengesellschaft, Werdohl/Germany

We have reviewed the condensed interim consolidated financial statements – comprising the income statement and the statement of comprehensive income, the cash flow statement, the balance sheet, the statement of changes in equity as well as selected explanatory notes to the financial statements – and the interim group management report for the period from 1 January to 30 June 2020 of Vossloh Aktiengesellschaft, Werdohl/Germany, that are part of the half-year financial report under Section 115 German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the executive directors. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all 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 personnel and to analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Vossloh Aktiengesellschaft, Werdohl/Germany, are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf/Germany, 29 July 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: André Bedenbecker	Signed: René Kadlubowski
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar 2020

Publication of interim report/interim financial statements as of September 30, 2020	October 29, 2020

Financial calendar 2021

Publication of consolidated financial statements 2020	March 2021
Press conference	March 2021
Investor and analyst conference	March 2021
Annual General Meeting	May 2021

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Vossloh AG's Board Members

Executive Board	Oliver Schuster (CEO)
	Dr.-Ing. Karl Martin Runge
Supervisory Board	Prof. Dr. Rüdiger Grube, Chairman, Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg
	Ulrich M. Harnacke, Deputy Chairman, auditor and tax advisor, Mönchengladbach
	Dr. Roland Bosch, former CEO of DB Cargo AG, Königstein im Taunus
	Marcel Knüpfer, Technical Manager and Shift Leader, Zwenkau
	Andreas Kretschmann, Certified Social Security Professional, Neuenrade
	Dr. Bettina Volkens, former member of the Executive Board of Deutsche Lufthansa AG, Königstein im Taunus

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