Interim report as of March 31, 2004

The Vossloh Group at a glance

Group			
		Q1/2004	Q1/2003
Income statement data			
Net sales	€ mill.	198.2	183.2
thereof Rail Infrastructure	€ mill.	112.7	117.9
Motive Power	€ mill.	72.8	54.8
Information Technologies	€ mill.	12.6	10.7
EBIT[2]	€ mill.	16.3	28.9
Net interest expense	€ mill.	(3.1)	(3.3)
EBT[2]	€ mill.	13.2	25.6
Group earnings (total)	€ mill.	8.5	20.8
Earnings per share (EpS)	€	0.58	1.52
EBIT margin	%	8.2	15.8
Pretax return on equity (ROE)	%	17.3	40.1
Return on capital employed (ROCE)	%	10.7	20.4
Balance sheet data			
Fixed assets	€ mill.	375.3	379.3
capital expenditures[1]	€ mill.	5.8	4.4
amortization/depreciation[1]	€ mill.	5.8	5.7
Working capital	€ mill.	236.4	189.9
Working capital ratio	%	29.8	25.9
Capital employed	€ mill.	611.7	569.2
Total equity	€ mill.	306.9	256.3
thereof minority interests	€ mill.	5.9	4.6
Net financial debt	€ mill.	163.6	196.3
Net leverage	%	53.3	76.6
Total assets	€ mill.	883.4	879.2
Equity ratio	%	34.8	29.2
Cash flow statement data			
Cash flow from operating activities	€ mill.	20.3	(12.6)
Cash flow from investing activities	€ mill.	(1.3)	39.6
Cash flow from financing activities	€ mill.	(19.7)	(33.6)
Change in cash & cash equivalents	€ mill.	(0.7)	(6.6)
Workforce			
3-month (Q1) average headcount		4,314	4,211
thereof Rail Infrastructure		2,829	2,754
Motive Power		1,183	1,165
Information Technologies		270	266
Vossloh AG		32	26
Payroll-to-added value ratio	%	75.7	63.6
Personnel expenses	€ mill.	54.0	52.2
Share data			
Stock price at March 31	€	43.58	29.80
Market capitalization at March 31	€ mill.	636.4	407.9

[1] excluding financial assets

[2] The Q1/2003 EBIT and EBT include a net €14.5 million from tax-free gains from the disposal of the VAE stake less provisions for risks

The income statement data refers to the 3 months ended March 31, balance sheet data being stated as of March 31. Where required, ratios have been annualized.

Contents

The Vossloh Group structure

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

Rail Infrastructure

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

Motive Power

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

Information Technologies

Engineering systems sourced from Vossloh ensure cost-effective and customer-friendly operations management for transport operators. Vossloh is also a leading supplier of passenger information systems used in trains, railway stations, and at airport terminals. Signaling components and electronic interlocks are another niche market with vast growth potential.

Dear Stockholders:

Fiscal 2004 started off successfully for the Vossloh Group whose sales climbed €15.0 million or 8.2 percent versus the year-earlier Q1 to €198.2 million, thanks to solid progress shown by both Vossloh Locomotives and Vossloh Information Technologies.

Eliminating one-off factors, the first three months of the current year yielded a significantly improved EBIT, up 13.2 percent from €14.4 million to €16.3 million. The like-for-like EBIT margin mounted from 7.9 to 8.2 percent. In absolute terms, both EBIT and group earnings for the period declined, however, in comparing the Q1 performance for the two years, it should be considered that the year-earlier figures had included a net €14.5 million from tax-free gains from shedding the Austrian VAE stake, less provisions for risks. The group earnings shrinkage, too, from €20.8 million to €8.5 million was solely attributable to the year-earlier nonrecurrent gains.

For all of 2004, the Group expects its EBIT to rise a good 5 percent to around €106 million, as projected, despite the nonrecurrence of the gains booked in 2003. Due to some delays in the placement of budgeted contracts, Vossloh at present cannot rule out that the €960 million sales targeted for 2004 will not quite be achieved. Group earnings are set to climb 2.5 percent to €56.9 million, equivalent to an EpS of around €3.90. ROCE should be just short of 16 percent, thus once more in excess of the corporate benchmark of 15 percent.

Depending on national priorities and individual procurement programs, the world rail market will again move in regionally very different directions in the course of the year. It will be essential to the success of our group that these trends are identified in good time, accurately assessed and consistently taken into account. Given Vossloh's solid position in the relevant markets, we do not anticipate to any notable extent any adverse impact on budgeted business.

Germany, Europe, the world: we are expanding our international presence step by step. In doing so, we are rigorously seizing the opportunities opened up by rail market deregulation, including such involving the acquisition of companies, stakes therein or joint ventures. Our credo reads: Go East, and we're certain we're on the right track, not only geographically.

We intend to further strengthen and advance our group through carefully calculated acquisitions. The first move this year was the takeover of Swedish Rail Systems AB, a switch maker and trader of rail infrastructure materials. For our subsidiary Vossloh Cogifer, this means gaining deeper inroads into the Scandinavian market while, at the same time, exploiting operational synergies shared with our activities hitherto in this part of the world.

Sincerely,

Vossloh AG
CEO

Burkhard Schuchmann

The MDAX, Germany's stock market index for midcaps including Vossloh, started the year at 4,472, gaining 11.6 percent to peak at its quarter high of 4,990 on March 8, 2004. Then, the rekindled terrorist scares in the wake of Madrid, March 11, 2004, combined with profit taking prompted by surfacing doubts as to the buoyancy of the economic recovery, depressed the MDAX within a relatively brief period to its annual opening level by March 22, 2004. By March 31, 2004, the index had rallied slightly to 4,750, closing the first quarter with a gain of 6.3 percent.

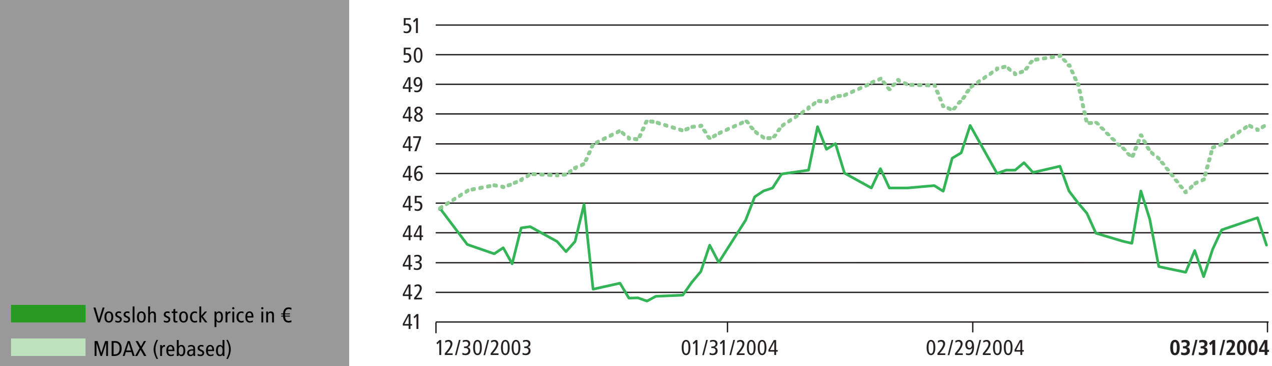
Following the steady price surges over the past three years, Vossloh stock in Q1/2004 underwent a consolidation phase. On January 20, 2004, the stock price was €41.13, the lowest during the quarter. Thereafter, however, the price rallied and recovered completely, reaching in the course of February 27 of this year €47.68, a new all-time high which, however, was not sustained on account of profit taking. At March 31, 2004, the stock was quoted at €43.58 (XETRA), a loss of 2.7 percent over the 2003 year-end closing price of €44.80.

The Executive and Supervisory Boards will propose to the annual stockholders' meeting a cash dividend per share raised €0.10 over the year-earlier dividend to €1.30. As a consequence and just as in the previous year, 35 percent of the Vossloh Group's earnings would be distributed, a proposal that underscores the policy of dividend predictability pursued by the Executive and Supervisory Boards.

Compared with 2003, Vossloh stock trading volumes have risen perceptibly. During Q1/2004, some 2.6 million (up from 1.4 million) shares changed ownership, 80 percent through the XETRA electronic trading system. The average daily trading volume mounted from around 35,000 in 2003 to about 40,000 in Q1/2004.

Following the presentation of the fiscal 2003 financial information at the analysts' conference on March 24, 2004, the analysts reviewed their assessments of Vossloh stock's upward potential, which is now projected between €46 and €57. Altogether 80 percent of the analysts recommend "buy." The latest analyst recommendations plus added information about Vossloh stock is downloadable at www.vossloh.com

Vossloh stock price trend from January 1 to March 31, 2004



For the Vossloh Group, January 1, 2004, marked the initial application of the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) after United States Generally Accepted Accounting Principles (US GAAP) had previously been the Group's primary accounting basis. This changeover anticipates Vossloh AG's compliance with its obligation to apply IAS/IFRS as group accounting standards by not later than 2005. The year-earlier financial information has been restated accordingly to ensure comparability with the financial statements as of March 31, 2004.

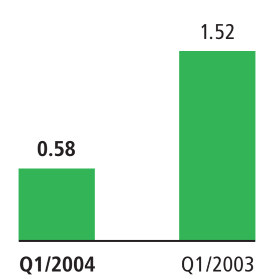
In the three months ended March 31, 2004, the Vossloh Group generated net sales of €198.2 million, up 8.2 percent or €15.0 million over the year-earlier level.

The Vossloh Locomotives and Vossloh Information Technologies business units were the driving force of this sales increase while the Q1/2004 sales by the remaining units failed to re-achieve the year-earlier magnitude.

Vossloh Group			
		Q1/2004	Q1/2003
Net sales	€ mill.	198.2	183.2
EBITDA	€ mill.	22.1	34.6
EBIT	€ mill.	16.3	28.9
EBIT margin	%	8.2	15.8
EBT	€ mill.	13.2	25.6
Group earnings	€ mill.	8.5	20.8

The 3-month group EBIT of €16.3 million compares with €28.9 million a year ago. The first-quarter EBIT 2003 was, however, inflated by €14.5 million being the net balance of (i) tax-free gains from the disposal of the VAE stake and (ii) provisions for risks. Adjusted for these one-off factors, Q1 EBIT improved from €14.4 million in 2003 to €16.3 million for 2004. The analogously adjusted EBIT margin came to 8.2 percent (up from 7.9).

Earnings per share in €



The decrease in group earnings from €20.8 million to €8.5 million, too, is solely attributable to the one-time gains posted the year before. Accordingly, first-quarter EpS came to €0.58 (down from €1.52).

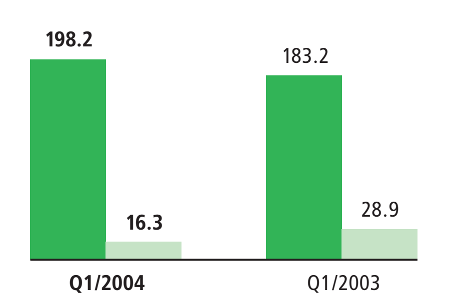
Sales by region			
		Q1/2004	Q1/2003
Germany	€ mill.	64.8	59.8
Other Euroland	€ mill.	77.5	86.4
Other Europe	€ mill.	34.7	17.5
Total Europe	**€ mill.**	**177.0**	**163.7**
North America	€ mill.	5.0	2.9
Latin America	€ mill.	0.1	0.0
Total Americas	**€ mill.**	**5.1**	**2.9**
Asia	**€ mill.**	**8.8**	**10.9**
Other regions	**€ mill.**	**7.3**	**5.7**
Total	**€ mill.**	**198.2**	**183.2**

Regional sales segmentation hardly changed in a Q1 year-on-year comparison. As in Q1/2003, Europe again accounted for about 90 percent of worldwide sales. Significant shifts in sales within the countries of Europe are exclusively the result of major locomotive projects, such as in Switzerland.

At €883.4 million, the Vossloh Group's total assets as of March 31, 2004, inched up by €4.2 million from the year-earlier balance of €879.2 million. Considerable changes are only reportable for equity, which rose by €50.6 million from the quarter-end 2003 balance, and for financial debts, which were slashed by €42.8 million within the same period. The equity ratio mounted from March 31, 2003, by 5.6 percentage points to 34.8 percent.

The Vossloh Group's working capital at the end of Q1/2004 rose by €46.5 million to €236.4 million from that a year ago, primarily as inventories at Vossloh Locomotives accumulated and prepayments received shrank. In comparison to year-end 2003, the working capital contracted by €6.2 million.

Sales and EBIT of the Vossloh Group



Sales (€ million)
EBIT (€ million)

Vossloh Group				
		03/31/2004	12/31/2003	03/31/2003
Total assets	€ mill.	883.4	877.8	879.2
Total equity	€ mill.	306.9	297.6	256.3
Equity ratio	%	34.8	33.9	29.2
Working capital	€ mill.	236.4	242.6	189.9
Working capital ratio[1]	%	29.8	26.6	25.9
Fixed assets	€ mill.	375.3	377.6	379.3
Capital employed	€ mill.	611.7	620.2	569.2
ROCE[1]	%	10.7	16.3	20.4
ROE[1]	%	17.3	29.0	40.1
Net financial debt	€ mill.	163.6	183.1	196.3
Net leverage	%	53.3	61.5	76.6

[1] annualized

As of March 31, 2004, the higher working capital also heightened capital employed to €611.7 million (up from €569.2 million at 3/31/2003), however, the latter remaining below the December 31, 2003 total of €620.2 million.

Annualized first-quarter ROCE (EBIT returned on capital employed) sagged by 9.7 percentage points from 20.4 percent at Q1-end 2003 to 10.7 percent at the end of the period under review. Using a like-for-like EBIT (adjusted for the prior year's one-off gains), however, would mean an 0.6 percentage points higher ROCE despite the higher capital employed.

Mainly thanks to the lower working capital employed and the favorable Q1/2004 EBT, net financial debt was slashed by €19.5 million versus December 31, 2003.

As net financial debt contracted and equity rose, net leverage (i.e., the ratio of net financial debt to total equity) as of March 31, 2004, improved by 23.3 percentage points to 53.3 percent in comparison to the year-earlier ratio while, compared to the year-end 2003 level, it still sank by 8.2 percentage points.

The Rail Infrastructure division generated sales of €112.7 million (down from €117.9 million) in Q1/2004.

Rail Infrastructure			
		Q1/2004	Q1/2003
Net sales	€ mill.	112.7	117.9
EBITDA	€ mill.	20.2	24.4
EBIT	€ mill.	17.2	21.5
EBIT margin	%	15.3	18.2

Of this amount, Vossloh Fastening Systems contributed €31.4 million, short of the high year-earlier €33.5 million, as expected. Public spending constraints in Germany and the accompanying reduction in rail infrastructure expenditures by Deutsche Bahn AG (German Rail) plus the postponement of orders for shipping rail fasteners to Turkey, Greece, and Taiwan were reasons for this decline in sales. During the period, order intake at Vossloh Fastening Systems added up to €35.9 million (down from €37.1 million), major contracts including rail fasteners for the Santiago de Chile metro and the high-speed Torino–Novare line in Italy. At March 31, 2004, this business unit's order backlog totaled €24.7 million (up from €22.7 million).

The Switch Systems business unit posted sales of €49.0 million in the course of the first quarter 2004, more or less equal to the year-earlier €49.3 million. High sales to Portugal and a milestone invoice for a construction project in Egypt as yet outweighed an expected shift in sales from the first to the second half of the year. At March 31, 2004, orders on hand at this business unit amounted to €125.5 million (down from €139.1 million).

During Q1/2004, Vossloh Infrastructure Services generated sales of €33.8 million, down from €37.1 million chiefly on account of delays in contracting certain tram projects in France and Italy. At March 31, 2004, order backlog added up to €175.2 million (up from €168.2 million).

The Rail Infrastructure division's EBIT of €17.2 million was far short of the year-earlier €21.5 million; this latter, however, had included nonperiod income of €3.3 million.

Rail Infrastructure				
		03/31/2004	12/31/2003	03/31/2003
Working capital	€ mill.	135.8	132.7	126.9
Working capital ratio[1]	%	30.1	25.7	26.9
Fixed assets	€ mill.	285.9	285.7	278.2
Capital employed	€ mill.	421.7	418.4	405.1
ROCE[1]	%	16.4	20.0	21.2

[1] annualized

Motive Power's Q1/2004 sales of €72.8 million were 32.8 percent over the year-earlier €54.8 million. Most of the increase was ascribable to Vossloh Locomotives which during the period posted sales of €54.6 million (up from €32.1 million). It should be taken into account that these revenues are realized according to the percentage of completion (PoC) of the locomotives being built to customer specifications. Nonetheless, the rise in sales is due both to the higher number of locomotives delivered and the high level of work in process. At March 31, 2004, order backlog at the Locomotives business unit amounted to €281.9 million (down from €361.9 million). As to orders received, the €23.6 million exceeded Q1/2003's €13.8 million but was short of expectations due to delays and postponements on the part of some European state railways.

Motive Power			
		Q1/2004	Q1/2003
Net sales	€ mill.	72.8	54.8
EBITDA	€ mill.	4.5	(1.6)
EBIT	€ mill.	2.4	(3.7)
EBIT margin	%	3.3	(6.7)

Q1/2004 sales at Electrical Systems reached €17.2 million (down from €21.7 million); order intake surged from €17.5 million to €79.8 million, including a megacontract worth €69.6 million for installing the electric systems into 188 low-floor rigid and 40 low-floor articulated trolleybuses to be built by a Canadian company for use in Vancouver. The first shipments are destined for the latter half of 2005. At March 31, 2004, orders on hand amounted to €255.3 million.

At €2.4 million, Motive Power's EBIT was easily in excess of the year-earlier negative €3.7 million. It was Vossloh Locomotive's performance that chiefly brought about this improvement.

Motive Power				
		03/31/2004	12/31/2003	03/31/2003
Working capital	€ mill.	94.5	100.2	59.6
Working capital ratio[1]	%	32.4	29.8	27.2
Fixed assets	€ mill.	60.5	62.7	64.3
Capital employed	€ mill.	155.0	162.9	123.9
ROCE[1]	%	6.2	9.4	(11.9)

[1] annualized

At €12.6 million, Q1/2004 sales by Information Technologies were up by around 17.8 percent. The biggest single source of sales was the UIC Zugbus project involving the newest passenger information systems for German Rail's passenger cars. At present, some 50 are being refurbished each month with these Vossloh systems.

Information Technologies			
		Q1/2004	Q1/2003
Net sales	€ mill.	12.6	10.7
EBITDA	€ mill.	0.4	0.7
EBIT	€ mill.	0.1	0.4
EBIT margin	%	0.5	3.3

Invoice timing technicalities meant that EBIT at €0.1 million was short of the year-earlier €0.4 million.

Compared with December 31, 2003, working capital sank by €3.9 million because of reduced trade receivables. A lower level of prepayments received raised working capital from €4.8 million (March 31, 2003) to €7.0 million a year later.

Information Technologies				
		03/31/2004	12/31/2003	03/31/2003
Working capital	€ mill.	7.0	10.9	4.8
Working capital ratio[1]	%	13.9	17.8	11.2
Fixed assets	€ mill.	13.0	13.0	13.0
Capital employed	€ mill.	20.0	23.9	17.8
ROCE[1]	%	1.4	24.6	8.0

[1] annualized

Order intake during the period amounted to €5.1 million (down from €6.9 million), the decline chiefly due to a temporary stoppage in orders placed by Deutsche Bahn AG (German Rail).

Capital expenditures

Q1/2004 capital expenditures by the Vossloh Group totaled €5.8 million (up from €4.4 million).

Both Infrastructure Services (€1.6 million) and Switch Systems (€1.0 million) added to their tangible assets, in each instance over 50 percent for widening the existing capacities.

Additions to tangible assets			
		Q1/2004	Q1/2003
Rail Infrastructure	€ mill.	3.0	3.2
Motive Power	€ mill.	2.5	1.0
Information Technologies	€ mill.	0.3	0.2
Vossloh AG	€ mill.	0.0	0.0
Total	**€ mill.**	**5.8**	**4.4**

Research & development

R&D costs in Q1/2004 came to €2.2 million (up from €1.7 million). In addition, the Locomotives business unit had to capitalize €1.8 million Q1/2004 development input according to IAS 38 (up from €0.5 million). These figures do not include project-related development work whose costs are included in the cost of sales.

Most of the R&D work concerned the continuation of projects started in previous years: at Rail Infrastructure, further development of switch systems, rail fasteners and crossings for high-speed and heavy-load traffic were in the focus.

At Locomotives it was the ongoing development of high-duty diesel locomotives for cross-border traffic into Scandinavia. As planned, this unit also researched deeper into alternative propulsion systems and emission reduction methods. Electrical Systems priorities were testing alternative energy storage units and drive systems. Q1/2004 R&D efforts also again looked into systems for remote/online transmission of workshop service and diagnosis data.

Information Technologies R&D centered on the development of a passenger information system that uses electronic ink.

Workforce

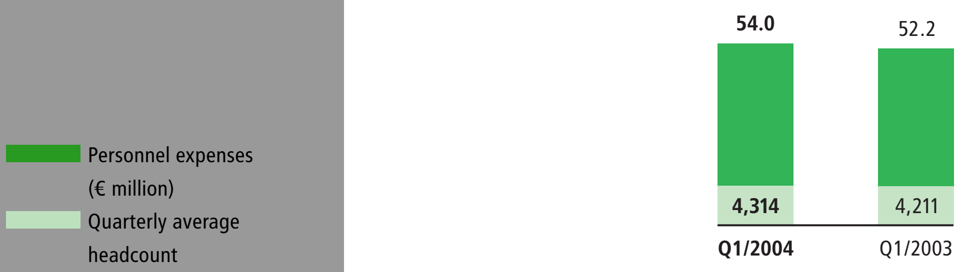
At March 31, 2004, the Vossloh Group had a workforce of 4,332 (up from 4,168), the 3.9 percent gain being chiefly due to the first-time inclusion of Vossloh Sp. z o.o. in the Rail Infrastructure division in Q2/2003.

Headcount at	**03/31/2004**	12/31/2003	03/31/2003
Rail Infrastructure	2,839	2,824	2,703
Motive Power	1,186	1,169	1,171
Information Technologies	274	271	268
Vossloh AG	33	31	26
Total	**4,332**	**4,295**	**4,168**

Q1/2004 saw a rise in personnel expenses by 3.4 percent to €54.0 million. Whereas like-for-like sales per capita (rounded) climbed appreciably from €43,500 to €45,900, personnel expenses per capita crept up only marginally from €12,400 to €12.500.

The ratio of payroll to added value during Q1/2004 rose from 63.6 to 75.7 percent, albeit the Q1/2003 added value did include nonrecurrent gains of €14.5 million. Excluding these, the Q1/2004 figure is 1.6 percentage points lower.

Group workforce trend and personnel expenses



For all of 2004, the Group expects its EBIT to rise a good 5 percent to around €106 million, as projected, despite the nonrecurrence of the gains booked in 2003. Due to some delays in the placement of budgeted contracts, Vossloh at present cannot rule out that the €960 million sales targeted for 2004 will not quite be achieved. Group earnings are set to climb 2.5 percent to €56.9 million, equivalent to an EpS of around €3.90. ROCE should be just short of 16 percent, thus once more in excess of the corporate benchmark of 15 percent.

Interim financial statements as of March 31, 2004

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

Consolidated income statement

for the three months (Q1) ended March 31, 2004

€ million	**Q1/2004**	Q1/2003
Net sales	198.2	183.2
Cost of sales	(159.0)	(146.9)
General administrative and selling expenses	(24.6)	(25.1)
R&D expenses	(2.2)	(1.7)
Other operating income/expenses, net	3.6	19.2
Operating result	**16.0**	**28.7**
Income from investments carried at equity	0.3	0.2
Earnings before interest and taxes (EBIT)	**16.3**	**28.9**
Net interest expense	(3.1)	(3.3)
Earnings before taxes (EBT)	**13.2**	**25.6**
Income taxes	(4.4)	(4.6)
Net income	**8.8**	**21.0**
Minority interests	(0.3)	(0.2)
Group earnings	**8.5**	**20.8**
Earnings per share (EpS)	€	€
Undiluted EpS	0.58	1.52
Fully diluted EpS	0.58	1.51

Consolidated statement of cash flows
for the three months (Q1) ended March 31, 2004

€ million	**Q1/2004**		Q1/2003	
Cash outflow/inflow from operating activities				
Group earnings		8.5		20.8
Adjustments to reconcile group earnings with cash outflow/inflow from operating activities				
Minority interests in net income	0.3		0.2	
Amortization/depreciation/write-down	5.8		5.7	
Change in deferred taxes	1.2		(0.4)	
Book gains/losses (netted) from the disposal of fixed assets	(2.2)		(16.2)	
Other noncash income/expenses (net)	0.0		(0.6)	
Change in deferred income	0.7		(0.7)	
Change in receivables	18.4		5.9	
Change in inventories	(18.5)		(23.4)	
Change in prepaid expenses & deferred charges	(6.9)		(1.0)	
Change in liabilities and accruals	13.0		(2.9)	
Total adjustments		**11.8**		**(33.4)**
Net cash provided by/(used in) operating activities		20.3		(12.6)
Cash inflow/outflow from investing activities				
Cash inflow from the disposal of intangible and tangible assets	5.0		0.2	
Cash inflow from the disposal of financial assets	0.1		0.0	
Cash outflow for intangible and tangible assets	(5.8)		(4.4)	
Cash outflow for financial assets	(0.1)		(0.8)	
Cash outflow for short-term securities	(0.5)		(3.8)	
Cash inflow from the disposal of investments	0.0		48.4	
Net cash (used in)/provided by investing activities		(1.3)		39.6
Cash outflow/inflow from financing activities				
Net borrowings through note-based finance	(1.1)		0.4	
Net finance from short-term credits	(15.3)		(37.6)	
Net finance from medium- and long-term loans	(3.3)		3.6	
Net cash (used in)/provided by financing activities		(19.7)		(33.6)
Net outflow of cash & cash equivalents		(0.7)		(6.6)
Cash & cash equivalents at beginning of period		24.1		35.7
Cash & cash equivalents at end of period		23.4		29.1

Assets

€ million	**03/31/2004**	12/31/2003	03/31/2003
Total noncurrent assets	**398.7**	**398.5**	**407.3**
Intangible assets	273.1	272.8	268.2
Tangible assets	84.9	87.9	82.9
Investment properties	7.0	7.1	7.1
Financial assets	10.3	9.8	21.1
shares in unconsolidated subsidiaries	1.0	1.0	7.1
investments carried at equity	1.2	0.9	1.3
other investments and long-term securities	5.6	5.5	7.5
long-term loans	2.5	2.4	5.2
Total fixed assets	**375.3**	**377.6**	**379.3**
Sundry noncurrent assets	7.1	5.7	5.7
Deferred tax assets	16.3	15.2	22.3
Total current assets	**484.7**	**479.3**	**471.9**
Inventories	176.7	158.1	161.0
Trade receivables	232.5	257.8	226.9
Due from subsidiaries and investees	3.9	3.3	2.9
Sundry current assets	45.9	34.2	45.4
Short-term securities	2.3	1.8	6.6
Cash & cash equivalents	23.4	24.1	29.1
	883.4	**877.8**	**879.2**

Equity & liabilities

€ million	03/31/2004	12/31/2003	03/31/2003
Group equity	**306.9**	**297.6**	**256.3**
Capital stock	37.4	37.4	36.8
Additional paid-in capital	37.8	37.8	29.5
Treasury stock	(1.1)	(1.1)	(15.5)
Reserves retained from earnings	167.7	167.5	132.3
Undistributed group profit	55.5	0.0	52.7
Group earnings	8.5	55.5	20.8
Accumulated other comprehensive income (OCI)	(4.8)	(5.1)	(4.9)
Minority interests	5.9	5.6	4.6
Noncurrent liabilities and accruals	**211.1**	**211.2**	**210.4**
Noncurrent financial debts	134.9	138.2	140.5
Other noncurrent liabilities	6.3	6.4	14.5
Pension accruals	18.7	18.5	18.9
Other noncurrent accruals	40.3	39.6	27.3
Deferred tax liabilities	10.9	8.5	9.2
Current liabilities and accruals	**365.4**	**369.0**	**412.5**
Current financial debts	54.3	70.8	91.5
Trade payables	154.3	152.3	167.7
Due to unconsolidated subsidiaries and investees	3.9	3.0	2.9
Sundry current liabilities	95.9	83.0	95.0
Current accruals	57.0	59.9	55.4
	883.4	**877.8**	**879.2**

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 1/1/2003	**36.8**	**29.5**	**(15.5)**	**132.3**	**0.3**	**52.4**	**(4.6)**	**4.8**	**236.0**
Carryover to new account					52.4	(52.4)			0.0
Net income for Q1/2003						20.8		0.2	
Accumulated OCI							(0.3)	(0.4)	
Comprehensive income						20.8	(0.3)		20.5
Minority interests								(0.2)	(0.2)
Balance at 3/31/2003	**36.8**	**29.5**	**(15.5)**	**132.3**	**52.7**	**20.8**	**(4.9)**	**4.6**	**256.3**
Dividend payment					(17.2)			(0.5)	(17.7)
Transfer to reserves retained from earnings				35.5	(35.5)				0.0
Changes through initial consolidation				(0.3)					(0.3)
Capital increase from ESOP	0.6	3.9							4.5
Sale of treasury stock		4.4	14.4						18.8
Net income for Q2–Q4/2003						34.7		1.6	
Accumulated OCI							(0.2)	(0.1)	
Comprehensive income						34.7	(0.2)		34.5
Minority interests								1.5	1.5
Balance at 12/31/2003	**37.4**	**37.8**	**(1.1)**	**167.5**	**0.0**	**55.5**	**(5.1)**	**5.6**	**297.6**
Carryover to new account					55.5	(55.5)			0.0
Changes through deconsolidation				0.2					0.2
Net income for Q1/2004						8.5		0.3	
Accumulated OCI							0.3	0.0	
Comprehensive income						8.5	0.3		8.8
Minority interests								0.3	0.3
Balance at 3/31/2004	**37.4**	**37.8**	**(1.1)**	**167.7**	**55.5**	**8.5**	**(4.8)**	**5.9**	**306.9**

(1) Introduction

The consolidated interim financial statements as of March 31, 2004, were for the first time prepared in euro (€) in accordance with the International Financial Reporting Standards (IFRS) effective at the balance sheet date, the year-earlier comparatives having been determined and adjusted accordingly. The quarterly financial statements meet all requirements of German Accounting Standard ("GAS") No. 6 issued by the German Accounting Standards Committee ("GASC").

(2) Consolidation group

Vossloh's consolidated financial statements encompass the financial statements of Vossloh AG and principally all its subsidiaries.

In comparison to December 31, 2003, one subsidiary left the consolidation group, which brings the number of fully consolidated companies to 40. After Nordic Track Services AB discontinued its business operations, only one investee remains to be carried at equity while another 24 companies and joint ventures are included pro rata.

Due to their minor significance to the Group's net assets, financial position and results of operations, an unchanged 21 subsidiaries were not included in the consolidated financial statements although Vossloh AG directly or indirectly held the majority of voting rights at the balance sheet date.

Swedish Rail Systems AB, Ystad, Sweden, a company newly acquired in 2004, has not yet been included in the consolidation group

(3) Changed accounting principles

In comparison with Vossloh's consolidated financial statements as of December 31, 2003, which were based on US GAAP, the initial application of the IFRS has mainly resulted in the following changed accounting for certain technicalities:

(3.1) Development costs

According to FAS 2, development costs not related to a job or contract had previously been expensed in the period when incurred. Pursuant to IAS 38, development costs must be capitalized as intangible assets if and when the Vossloh Group derives economic benefits from the manufacture of the newly developed products and the cash outflow for the development can be reliably estimated. Such capitalized development costs are amortized by straight-line charges over their estimated useful life.

(3.2) Write-up of tangible assets

The rules of FAS 121 and 141 prohibited the write-up of tangible assets if made to reverse any previous write-down due to the discontinuance of the reasons for such write-down. In contrast, IAS 36 strictly requires that tangible assets be written up to the depreciated cost before write-down.

(3.3) Manufacturing contracts

Under the previous GAAP, the percentage-of-completion (PoC) method was applied only to long-term manufacturing contracts (extending over more than 1 year). In contrast, the provisions of IAS 11 require that all manufacturing or construction contracts with customers be accounted for according to their PoC, notwithstanding their term or duration. Previously, profits from manufacturing contracts not accounted for according to their PoC were not realized until after final delivery or acceptance of the entire contract or billable milestones (completed-contract method). Applying the PoC method even to these manufacturing contracts means that part of the profit is reconized in line with contract progress wherever total revenue, total cost and PoC can be reliably determined.

(3.4) Accruals for employee benefits

Under the terms of IAS/IFRS as well as US GAAP, the projected unit credit (PUC) method must be applied to account for employee benefits. Both sets of GAAP permit the nonrecognition in net income of actuarial gains and losses unless and until outside a specified corridor, defined as a percentage of total obligatory employee benefits. However, under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, a company may elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS rules and thus accrue the full defined benefit obligations to employees even if it adopts the corridor approach for later actuarial gains and losses. This accounting option has been exercised and, therefore, the opening balance sheet as of January 1, 2003, does not reflect any unamortized actuarial gains or losses, the pension and related accruals hence corresponding to the full amount of benefit obligations to employees.

(3.5) Acquisitions

In the scope of its transition to the IFRS, Vossloh has applied the recently published IFRS 3, *Business Combinations*, which requires any badwill to be released to, and recognized in, net income. According to FAS 141, badwill should be offset against the carrying amounts of certain acquired noncurrent assets.

The goodwill stated according to US GAAP differs from goodwill disclosed in conformity with the IFRS in that the IFRS adjustments impact on the equity of acquired businesses as of the date of acquisition. Applying IFRS 3 also means that—just as under US GAAP—goodwill is not amortized but tested at least once annually for impairment. The application of IFRS 3 has not entailed any necessity for Vossloh to make any additional adjustments for goodwill remeasurement in future periods.

(4) Reconciliation statement

Due to the adjustment of the restated prior-year comparatives, the first-time application of the IFRS has resulted in differences between (i) the year-earlier balances of the Group's equity and earnings as based on IFRS and (ii) the corresponding balances determined according to US GAAP for the same periods.

In the statement of reconciliation, the year-earlier comparatives were determined as if the IFRS had always been applied. The resultant differences between the carrying amounts in the US GAAP-based consolidated balance sheet as of December 31, 2002, and those in the IFRS-based opening balance sheet as of January 1, 2003, were recognized in, and only in, the reserves retained from earnings.

In accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the table below reconciles the Group's total equity under US GAAP to that determined on an IFRS basis:

€ million	Note	12/31/2003	03/31/2003	01/01/2003
Total equity according to US GAAP		**297.9**	**259.1**	**238.6**
capitalization of development costs	4.1	0.4	(0.9)	0.0
write-up of tangible assets	4.2	0.8	1.3	1.5
PoC accounting for manufacturing contracts	4.3	6.2	8.5	8.4
accruals for employee benefits	4.4	(0.7)	(1.8)	(2.1)
acquisitions	4.5	(3.4)	(4.0)	(4.1)
all other adjustments		(1.7)	(1.9)	(2.1)
tax effects of adjustments	4.6	(1.9)	(4.0)	(4.2)
total equity according to IFRS		**297.6**	**256.3**	**236.0**

The effects of adjustments to IFRS on group earnings have been tabled below:

€ million	Note	01/01–12/31/2003	01/01–03/31/2003
Group earnings based on US GAAP		**55.0**	**21.1**
capitalization of development costs	4.1	0.4	(0.9)
write-up of tangible assets	4.2	(0.7)	(0.2)
PoC accounting for manufacturing contracts	4.3	(2.1)	0.1
accruals for employee benefits	4.4	0.4	0.4
acquisitions	4.5	0.0	0.1
tax effects of adjustments	4.6	2.5	0.2
Group earnings based on IFRS		**55.5**	**20.8**

(4.1) Development costs

The capitalization and amortization of development costs result in a different periodic allocation and distribution of development expenditures. This line covers development costs incurred in connection with the manufacture of locomotives.

(4.2) Write-up of tangible assets

Adding the write-up of tangible assets in the opening balance sheet to reverse previous write-downs increases the level of depreciation in future periods.

(4.3) PoC method

Adopting the PoC method also toward those manufacturing contracts which according to US GAAP would not be and had not been accounted for on a PoC basis entails sales and profits being realized earlier. Pretax profits of €8.4 million from contractual work in process were recognized in the opening balance sheet as of January 1, 2003, but not in the income statement. For all of fiscal 2003, this meant a €2.1 million lower IFRS-based EBT than according to US GAAP since profit recognition has thus been deferred into another period. This amount includes effects on the elimination of intercompany P/L and sales-related provisions.

(4.4) Accruals for employee benefits

The increase in accruals for employee benefits to the full level of these obligations, which has been recognized in the IFRS opening balance sheet, decreases equity and downscales to zero the amortization of actuarial gains and losses, thus resulting in lower pension expense in future periods.

(4.5) Acquisitions

The capital consolidation of Kiepe, a group acquired in late 2002, has produced in the IFRS opening balance sheet as of January 1, 2003, a difference of €4.1 million in comparison to the US GAAP-based balance. This difference is largely attributable to the higher equity as of acquisition date of the companies taken over since applying the PoC method raised their equity and thus also goodwill; see also Note (4.3) to PoC accounting.

The difference of a total €3.4 million as shown in the equity reconciliation as of December 31, 2002, covers an 0.6 million increase in the IFRS-based equity from the capital consolidation of Vossloh Skamo Sp. z o.o. The goodwill, which according to US GAAP had been offset against noncurrent assets, has now been recognized in the reserves retained from earnings in conformity with IFRS 3.

(4.6) Tax effects

This caption reflects all tax effects of the aforesaid adjustments to IFRS. A tax rate of 40 percent underlay the calculation of deferred taxes for German companies, while the applicable local tax rate was used abroad.

(5) Cash flow statement

This statement shows the changes in the Vossloh Group's cash and cash equivalents, these including checks, cash on hand, as well as cash in banks if maturing within three months or less. The year-earlier quarter's cash flows from operating, investing and financing activities as disclosed in the cash flow statement were affected by the transition from US GAAP to IFRS to an insignificant extent only.

(6) Earnings per share

Analysis of EpS:

		Q1/2004	Q1/2003
Weighted average number of shares		14,603,687	13,688,083
Dilutive shares from stock options under the ESOP and LTIP		25.373	85,159
Fully diluted weighted average number of shares		14,629,060	13,773,242
Group earnings	€ mill.	8.5	20.8
Undiluted (basic) EpS	**€**	**0.58**	**1.52**
Fully diluted EpS	€	0.58	1.51

(7) Segment information

For reporting purposes, the Vossloh Group's primary segments are defined by its identifiable three operating divisions. Rail Infrastructure comprises the Vossloh Switch Systems, Vossloh Fastening Systems and Vossloh Infrastructure Services business units (BUs). Motive Power is a division that encompasses the Vossloh Locomotives, Vossloh Electrical Systems and Vossloh Services BUs. Information Technologies subsumes the development and marketing of operations management, passenger information and planning systems as well as signals engineering. The production companies' geographical focus is on Germany and France; in addition, the Group has manufacturing and sales companies in another 26 countries. The accounting methods of all segments are identical. Financial segment information is presented before consolidation.

(8) Other disclosures

In comparison to December 31, 2003, the Group's contingent liabilities—chiefly under guaranties, suretyships and from the collateralization of third-party debts—shrank by €2.5 million to €6.5 million.

Segment information

		Rail Infrastructure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
Q1/2004	€ mill.	112.7	72.8	12.6	0.0	198.1	0.1	198.2
Q1/2003	€ mill.	117.9	54.8	10.7	(0.3)	183.1	0.1	183.2
Amortization/depreciation/write-down								
Q1/2004	€ mill.	3.0	2.1	0.3	0.1	5.5	0.3	5.8
Q1/2003	€ mill.	2.9	2.1	0.3	0.0	5.3	0.4	5.7
Net interest result								
Q1/2004	€ mill.	(1.9)	(1.3)	(0.1)	(2.9)	(6.2)	3.1	(3.1)
Q1/2003	€ mill.	(3.2)	(1.1)	(0.1)	(1.5)	(5.9)	2.6	(3.3)
EBIT								
Q1/2004	€ mill.	17.2	2.4	0.1	(0.5)	19.2	(2.9)	16.3
Q1/2003	€ mill.	21.5	(3.7)	0.4	(0.5)	17.7	11.2	28.9
EBT								
Q1/2004	€ mill.	15.3	1.1	0.0	(3.4)	13.0	0.2	13.2
Q1/2003	€ mill.	18.3	(4.8)	0.3	(2.0)	11.8	13.8	25.6
Net earnings/(deficit) [1]								
Q1/2004	€ mill.	9.2	1.1	0.0	(1.9)	8.4	0.1	8.5
Q1/2003	€ mill.	10.6	(2.9)	0.1	(1.0)	6.8	14.0	20.8
Capital expenditures (tangibles)								
Q1/2004	€ mill.	3.0	2.5	0.3	0.0	5.8	0.0	5.8
Q1/2003	€ mill.	3.2	1.0	0.2	0.0	4.4	0.0	4.4
Capital employed								
3/31/2004	€ mill.	421.7	155.0	20.0	243.4	840.1	(228.4)	611.7
12/31/2003	€ mill.	418.4	162.9	23.9	243.8	849.0	(228.8)	620.2
Total assets								
3/31/2004	€ mill.	553.5	309.0	39.7	248.9	1,151.1	(267.7)	883.4
12/31/2003	€ mill.	572.7	276.9	47.6	241.6	1,138.8	(261.0)	877.8
Quarterly average headcount								
Q1/2004		2,829	1,183	270	0	4,282	32	4,314
Q1/2003		2,754	1,165	266	0	4,185	26	4,211

[1] Before P&L transfer

Vossloh AG's boards	
Executive Board	Burkhard Schuchmann, Chairman Milagros Caiña-Lindemann Werner Andree
Supervisory Board	Dipl.-Vwt. Dr. rer. pol. Karl Josef Neukirchen, former CEO of mg technologies ag, Bad Homburg, Chairman
	Dipl.-Kfm. Dr. Jürgen Blume, sworn public auditor and tax accoun-tant,Bad Bentheim, Vice-Chairman
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel
	Peter Langenbach, lawyer, Wuppertal
	Dr. Anselm Raddatz, lawyer, Düsseldorf
Financial diary 2004	
Annual stockholders' meeting	June 3, 2004
Dividend payment	June 4, 2004
Publication of interim reports	
as of June 30	July 27, 2004
as of September 30	October 26, 2004
Press conference	December 9, 2004
Meeting with DVFA analysts	December 9, 2004
Financial diary 2005	
Publication of financial information 2004	March 2005
Press conference	March 2005
Meeting with DVFA analysts	March 2005
Annual stockholders' meeting	May 25, 2005
Investor Relations	
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Vossloh stock details	
ISIN	DE0007667107
Traded at:	Xetra, Düsseldorf, Frankfurt, Berlin,
	Bremen, Hamburg, Hannover
	Stuttgart, Munich
Index:	MDAX
No. of shares (3/31/2004):	14,603,687
Stock price (3/31/2004):	€43.58
1Q/2004 high/low:	€47.68/€41.13
Reuters code:	VOSG.F
Bloomberg code:	VOS GF
Proposed cash dividend:	€1.30

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