Interim report as of June 30, 2004

The Vossloh Group at a glance

Group			
		H1/2004	H1/2003
Income statement data			
Net sales	€ mill.	407.2	391.1
thereof Rail Infrastructure	€ mill.	238.7	240.1
Motive Power	€ mill.	141.3	126.9
Information Technologies	€ mill.	27.0	24.6
EBIT[2]	€ mill.	36.0	49.1
Net interest expense	€ mill.	(6.0)	(6.2)
EBT[2]	€ mill.	30.0	42.9
Group earnings (total)	€ mill.	19.3	31.1
Earnings per share (EpS)	€	1.32	2.23
EBIT margin	%	8.8	12.6
Pretax return on equity (ROE)	%	20.2	31.7
Return on capital employed (ROCE)	%	11.2	16.4
Balance sheet data			
Fixed assets	€ mill.	371.9	380.5
capital expenditures	€ mill.	12.8	11.8
amortization/depreciation[1]	€ mill.	12.2	11.0
Working capital	€ mill.	270.3	218.8
Working capital ratio	%	33.2	28.0
Capital employed	€ mill.	642.2	599.4
Total equity	€ mill.	296.8	270.6
thereof minority interests	€ mill.	5.3	4.4
Net financial debt	€ mill.	215.4	207.5
Net leverage	%	72.6	76.7
Total assets	€ mill.	959.4	886.7
Equity ratio	%	30.9	30.5
Cash flow statement data			
Cash flow from operating activities	€ mill.	(3.2)	(19.3)
Cash flow from investing activities	€ mill.	(12.8)	37.8
Cash flow from financing activities	€ mill.	62.3	(18.8)
Change in cash & cash equivalents	€ mill.	46.3	0.0
Workforce			
Semiannual (H1) average headcount		4.324	4.467
thereof Rail Infrastructure		2.834	2.999
Motive Power		1.180	1.171
Information Technologies		277	269
Vossloh AG		33	28
Payroll-to-added value ratio	%	74.4	68.0
Personnel expenses	€ mill.	110.6	108.6
Share data			
Stock price at June 30	€	39.12	31.24
Market capitalization at June 30	€ mill.	571.4	449.7

[1] Excluding financial assets

[2] The H1/2003 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 6 months ended June 30, balance sheet data being stated as of June 30. 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:

"The rail industry is coming under severe pressure," "The rail sector is facing disaster," "German Rail's cost-cutting plans": these and similar headlines have been dominating the press in recent weeks. Continuous confusion over the current and future investment behavior not only of Deutsche Bahn AG (German Rail) has also undoubtedly impacted adversely on the Vossloh stock price trend.

Are there any justified grounds for the uncertainty which has arisen in certain quarters? Anyone who equates Vossloh with the railway industry is guilty of an oversimplification. Vossloh is different from most other participants in the industry. When Deutsche Bahn sneezes, our company does not come down with flu immediately, while other suppliers may well find themselves in intensive care.

The figures underline this very point, bearing in mind that Vossloh's business with Deutsche Bahn accounts for only about 12 percent of the Group's total sales. If Deutsche Bahn reduces its investment volume by 30 percent, this decision will decrease our sales by around four percent. While this is certainly not a welcome development, it does not constitute a setback for us because the fundamental market assessment that the rail industry throughout Europe and the world is a growth sector remains unchanged.

The experience of recent years has shown that regional highs and lows are part of our business operations. Vossloh is prepared for these ups and downs, responding to declining sales at home quickly and compensating for them either through additional orders in other segments or by expanding business activities abroad.

Although we have to scale back our sales expectations for the current year by some four percent to about €920 million, we are nonetheless sticking to our EBIT target of €106 million. In view of the lack of one-off gains this year, a higher tax burden and lower sales, such an EBIT improvement of about five percent on 2003 would be most remarkable. This pleasing forecast is attributable to a much more favorable product mix as well as additional cost-saving measures.

Far from being under pressure or on the verge of disaster, Vossloh is broadly based with a global presence, the share of sales transacted in Europe now reaching some 90 percent. In contrast, some sixty percent of the rail industry in Germany is on average dependent on domestic contracts, our sales share in Germany being just half of this. This is another reason for you, our stockholders, not to let yourselves be shaken by headlines designed to spread uncertainty.

We are on the right track, one of profitable growth. And this remains true for 2004, too. If we implement the acquisitions on our agenda in the second half of the year, fiscal 2004 will still become another successful year in our more than 130-year history despite a good many adverse factors.

With regard to the planned acquisitions, we have reorganized the Group's financing. As part of a private placement in the USA, Vossloh has raised some €200 million as very long-term debt from investors. The great interest being displayed by US investors in Vossloh demonstrates the high confidence shown in us not only in Germany but also abroad. We would be pleased if you, our stockholders, continued to accompany us along the path we have taken with this same confidence.

Vossloh AG
CEO

Burkhard Schuchmann

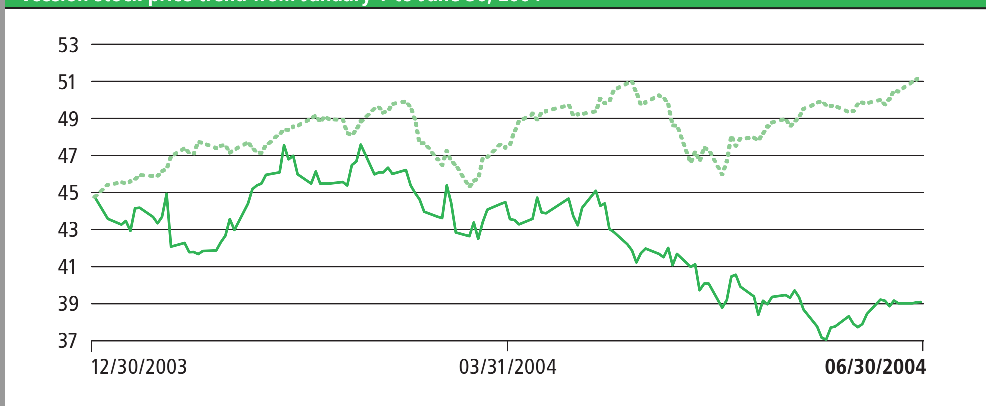
The MDAX, Germany's stock market index for mid-caps including Vossloh, continued its Q1/2004 uptrend into the second quarter. While, in April, good news from the corporate community and bright prospects let the bull prevail, early May saw brief downswings when oil prices began to soar. In mid-May stock markets managed to recover as oil prices dropped. The MDAX started Q2 at 4,757 (April 1, 2004), gaining 7.6 percent to peak at its semiannual high of 5,117 on April 26 and to close the second quarter at 5,111 on June 30, 2004 (up 7.4 percent in Q2).

The Vossloh stock price trend failed to keep pace with the overall market development. Profit-taking deals and the ongoing uncertainty about the current and future investment propensity of Western European state railways burdened our stock, which recorded its quarterly low at €36.79. On June 30, 2004, Vossloh stock was quoted at €39.12 (XETRA).

Compared with 2003, Vossloh stock trading volumes have again risen. During H1/2004, some 4.7 million shares (up 25 percent) changed ownership, about 80 percent through the XETRA electronic trading system. The average daily trading volume mounted from around 35,000 in 2003 to 37,000 in H1/2004.

In a survey conducted by *Börse Online* (a German stock market news service) among private investors, Vossloh ranked number 1 among the 80 mid-cap companies and, in the overall ranking across all categories, Vossloh came second. Particularly praised as well above average were the general quality and intelligibility of Vossloh's investor relations work and annual reporting. The German business monthly *Capital* jointly with DVFA, the German Association for Financial Analysis and Asset Management, recently interviewed some 300 financial analysts about the quality of corporate communications with financial markets. In 2004, Vossloh ranked second among the 50 companies listed as MDAX equities, an excellent result. At present, 80+ percent of financial analysts recommend to buy Vossloh stock. The current analyst assessments of the Vossloh stock upward potential range around target prices between €44.50 and €57. The latest analyst recommendations plus added information about Vossloh stock is downloadable at www.vossloh.com

Vossloh stock price trend from January 1 to June 30, 2004



Vossloh stock price in €
MDAX (rebased)

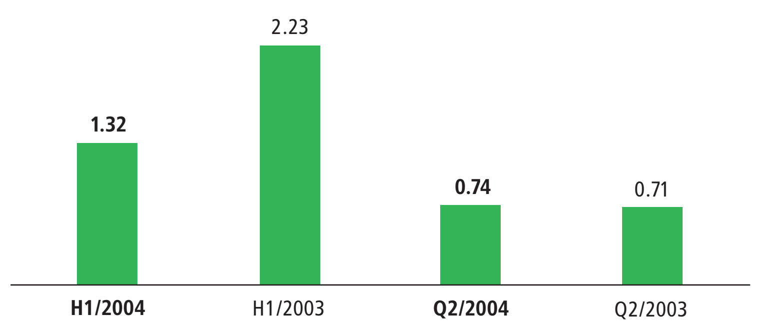
In the first half (H1) of 2004, the Vossloh Group generated net sales of €407.2 million, up about 4 percent or €16.1 million from the year-earlier €391.1 million. The Vossloh Locomotives, Vossloh Information Technologies and Vossloh Switch Systems business units were the driving force of this sales increase while the H1/2004 sales by the Vossloh Infrastructure Services and Vossloh Electrical Systems BUs narrowly missed re-achieving the year-earlier magnitude.

Vossloh Group					
		H1/2004	H1/2003	Q2/2004	Q2/2003
Net sales	€ mill.	407.2	391.1	209.0	207.9
EBITDA	€ mill.	48.2	60.1	26.1	25.5
EBIT	€ mill.	36.0	49.1	19.7	20.2
EBIT margin	%	8.8	12.6	9.4	9.7
EBT	€ mill.	30.0	42.9	16.8	17.3
Group earnings	€ mill.	19.3	31.1	10.8	10.3

The 6-month group EBIT of €36.0 million compares with €49.1 million a year ago. The H1/2003 EBIT 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, H1/2004 EBIT rose by €1.4 million in a year-on-year comparison. The analogously adjusted EBIT margin came to 8.8 percent, the year-earlier level.

The decrease in group earnings from €31.1 million to €19.3 million, too, is solely attributable to the one-time gains posted a year ago. Accordingly, H1/2004 EpS came to €1.32 (down from €2.23).

Earnings per share in €



Regional sales segmentation changed only slightly in an H1 year-on-year comparison. As in H1/2003, Europe again accounted for about 90 percent of worldwide sales.

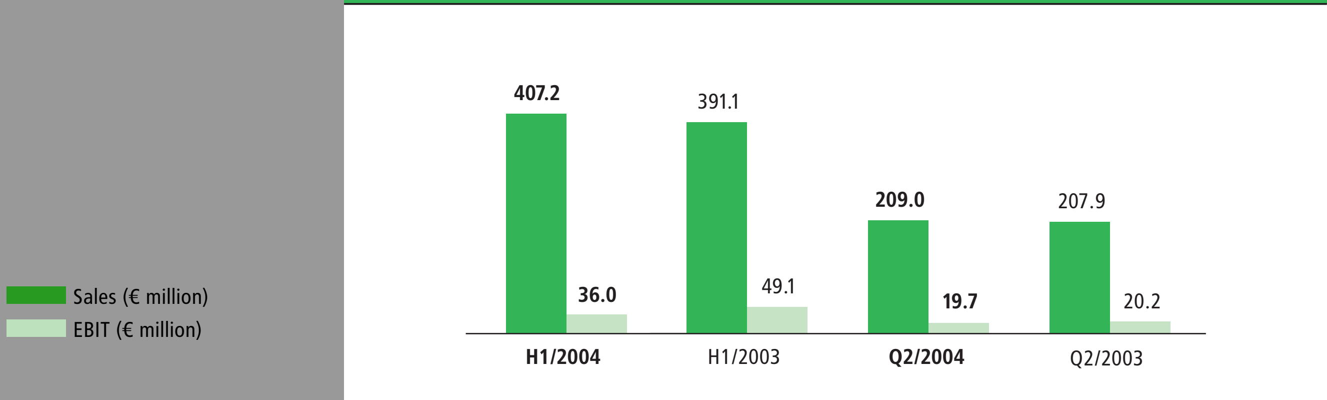
Sales by region

		H1/2004	H1/2003	Q2/2004	Q2/2003
Germany	€ mill.	130.8	129.5	66.0	69.7
Other Euroland	€ mill.	159.9	189.4	82.4	103.0
Other Europe	€ mill.	82.3	38.5	47.5	21.0
Total Europe	**€ mill.**	**373.1**	**357.4**	**196.0**	**193.7**
North America	€ mill.	7.3	2.8	2.4	(0.1)
Latin America	€ mill.	0.1	0.0	0.0	0.0
Total Americas	**€ mill.**	**7.4**	**2.8**	**2.4**	**(0.1)**
Asia	**€ mill.**	**17.6**	**20.5**	**8.8**	**9.5**
Other regions	**€ mill.**	**9.1**	**10.4**	**1.8**	**4.7**
Total	**€ mill.**	**407.2**	**391.1**	**209.0**	**207.9**

In Q2/2004, the Vossloh Group raised $240 million (equivalent to around €200 million) through a US private placement and thus reshuffled its financial and balance sheet ratios in comparison to the preceding periods. The $140 million and $100 million portions have a term of 10 and 12 years, respectively. The principal and interest payments have entirely been hedged on a euro basis through an interest rate and currency swap, thereby ensuring that both portions carry interest at fixed euro rates. On the one hand, this fresh debt was used to repay short-term liabilities to banks and, on the other, it will secure the funding of future acquisition projects.

By June 30, 2004, Vossloh received cash of about €150 million under the private placement agreement, including €95 million already repaid to banks for current debts, the balance of around €55 million being freely available cash. The remaining approx. €50 million will be disbursed on August 12, 2004, as agreed.

Sales and EBIT of the Vossloh Group



On balance, cash and cash equivalents rose from the December 31, 2003 level by €46.3 million to €70.4 million, financial debts mounting from €209.0 million at year-end 2003 to €286.3 million at June 30, 2004. The Group's total assets consequently grew from €877.8 million six months earlier to €959.4 million as of the H1/2004 closing date.

Vossloh Group				
		6/30/2004	12/31/2003	6/30/2003
Total assets	€ mill.	959.4	877.8	886.7
Total equity	€ mill.	296.8	297.6	270.6
Equity ratio	%	30.9	33.9	30.5
Working capital	€ mill.	270.3	242.6	218.8
Working capital ratio[1]	%	33.2	26.6	28.0
Fixed assets	€ mill.	371.9	377.6	380.5
Capital employed	€ mill.	642.2	620.4	599.4
ROCE[1]	%	11.2	16.3	16.4
ROE[1]	%	20.2	29.0	31.7
Net financial debt	€ mill.	215.4	183.1	207.5
Net leverage	%	72.6	61.5	76.7

[1] annualized

From December 31, 2003, net financial debt increased by €32.3 million to €215.4 million by June 30, 2004. Besides dividend payments of some €19 million, funding the higher working capital—raised due to accelerated production within the Locomotives business unit—also contributed to the higher net total.

Mid-2004 equity inched down from the year-end 2003 magnitude after the cash dividends were paid out for 2003.

Although the equity ratio as of June 30, 2004, did shrink from the December 31, 2003 level of 33.9 percent to 30.9, it still remained above the year-earlier 30.5 percent. The slight decline in H1/2004 was substantially attributable to the higher balance sheet total in the wake of the private placement.

As H1/2004 was closed with an elevated net financial debt, net leverage (i.e., the ratio of net financial debt to total equity) mounted from year-end 2003 by 11.1 percentage points to 72.6 percent but sank by 3.9 percentage points in comparison to the year-earlier ratio.

The increased working capital entailed a rise in capital employed (CE) which, at €642.2 million as of June 30, 2004, exceeded both prior-year figures (up from €599.4 million at 6/30/2003 and from €620.4 million at 12/31/2003). Annualized H1 ROCE (EBIT returned on capital employed) sagged by 5.2 percentage points from 16.4 percent at H1-end 2003 to 11.2 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 a virtually stable ROCE despite the higher capital employed.

At €996.5 million, the Vossloh Group's order backlog as of June 30, 2004, substantially remained at the year-earlier level of €998.5 million.

Rail Infrastructure division

In H1/2004, the Rail Infrastructure division generated sales of €238.7 million and an EBIT of €40.0 million, either figure thus being just insignificantly below the high year-earlier level.

Rail Infrastructure					
		H1/2004	H1/2003	Q2/2004	Q2/2003
Net sales	€ mill.	238.7	240.1	126.0	122.2
EBITDA	€ mill.	46.2	47.5	26.0	23.1
EBIT	€ mill.	40.0	42.1	22.8	20.6
EBIT margin	%	16.8	17.6	18.1	17.0

H1/2004 sales by Vossloh Fastening Systems came to €69.8 million. With Q1/2004 sales falling short of the comparable prior-year level, buoyant business during the second quarter meant that the H1/2003 figure of €69.5 million was slightly exceeded.

Sales in Germany were better than budgeted in H1/2004, boosted by standard business as well as the construction of the high-speed rail link between Nürnberg and Ingolstadt. Sales generated outside of Germany were a good 4 percent above budget, too.

A substantial follow-up contract was secured in Pakistan following modest initial orders, signaling the successful consistent introduction of Vossloh rail fastening systems in this market as well. In Turkey, along with the annual requirements of the Turkish state railway TCDD, a major contract was won from a Turkish-Spanish construction consortium in cooperation with Vossloh Switch Systems.

At €100.0 million, sales by the Vossloh Switch Systems business unit were a good two percent above the year-earlier €97.9 million. Europe, most notably France, the UK, Sweden, and Portugal, accounted for the lion's share of these revenues (€81.7 million).

In H1/2004, significant orders were booked from the French national railways SNCF, Israel Railways and the Kaohsiung metro system in Taiwan. In addition, various tram projects in France contributed to the favorable current order backlog.

Vossloh Infrastructure Services generated H1 sales of €72.4 million in 2004 (down from the year-earlier €79.1 million), again reflecting delays with some major tram/streetcar projects. Additionally, poor weather conditions in various parts of Europe are hampering the progress of major projects. During the past quarter, the business unit managed to secure orders for the construction of tram routes in Valenciennes, Montpellier and St. Étienne.

Rail Infrastructure				
		6/30/2004	12/31/2003	6/30/2003
Working capital	€ mill.	148.0	132.7	127.4
Working capital ratio[1]	%	31.0	25.7	26.5
Fixed assets	€ mill.	288.4	285.7	284.6
Capital employed	€ mill.	436.3	418.4	412.1
ROCE[1]	%	18.3	20.0	20.5

[1] annualized

Motive Power's H1/2004 sales of €141.3 million outnumbered those in the first six months of 2003.

Motive Power					
		H1/2004	H1/2003	Q2/2004	Q2/2003
Net sales	€ mill.	141.3	126.9	68.5	72.1
EBITDA	€ mill.	5.5	1.8	1.0	3.4
EBIT	€ mill.	0.8	(2.4)	(1.6)	1.3
EBIT margin	%	0.6	(1.9)	(2.3)	1.8

At €106.1 million, H1/2004 sales by the Vossloh Locomotives business unit were well over the year-earlier €85.1 million as a consequence of generally more homogeneous production output. Order intake during the first six months of the current year remained below expectations due to the deferred awarding of contracts by Europe's state-owned railways and to investment cutbacks on the part of private rail operators in Germany in the wake of the postponement of the truck road toll system. Swiss Federal Railways (SBB) announced, however, an order for a further 10 Am 843-type locomotives as part of an existing option. Though not budgeted, there is currently an opportunity to secure contracts for sizable numbers of G 2000-type locomotives intended for use in Italy.

At €33.2 million, H1/2004 sales by Vossloh Electrical Systems were well short of the year-earlier €40.0 million. This was attributable to the cancellation of a major contract for electrical equipment to be fitted in 40 streetcars due to technical problems that the consortium partner responsible for building the vehicles experienced.

The business unit's order intake was well above the year-earlier level, and included, in addition to the order for the supply to Canada of electrical systems for 188 low-floor articulated trolleybuses worth €69.6 million in all, a contract to fit out 30 low-floor articulated trolleybuses and 10 low-floor double articulated trolleybuses destined for Geneva.

Idle capacity and margins lost as a result of the canceled project in the Vossloh Electrical Systems business unit meant that earnings at Motive Power deteriorated markedly in Q2, with the division posting an H1/2004 EBIT just in the black.

With marginally reduced fixed assets, Motive Power's working capital exceeded the December 31 and June 30, 2003 levels, especially due to the higher work in process in the Locomotives unit.

Motive Power				
		6/30/2004	12/31/2003	6/30/2003
Working capital	€ mill.	113.5	100.2	85.9
Working capital ratio[1]	%	40.2	29.8	33.8
Fixed assets	€ mill.	60.6	62.7	62.8
Capital employed	€ mill.	174.1	162.9	148.7
ROCE[1]	%	0.9	9.4	(3.3)

[1] annualized

At €27.0 million, H1/2004 sales by Information Technologies were up by around 10 percent from the year-earlier €24.6 million.

Information Technologies					
		H1/2004	H1/2003	Q2/2004	Q2/2004
Net sales	€ mill.	27.0	24.6	14.4	13.9
EBITDA	€ mill.	1.8	2.6	1.4	1.9
EBIT	€ mill.	1.1	2.0	1.0	1.6
EBIT margin	%	4.2	8.0	6.7	11.5

As in the preceding quarter, the biggest contribution to sales revenues came from the UIC Zugbus project, under which 50 of Deutsche Bahn's passenger cars are presently being fitted with state-of-the-art passenger information systems every month.

Order influx is currently being adversely affected by Deutsche Bahn's halt on awarding new contracts. Nevertheless, incoming business for the entire year should exceed the prior-year level.

At €1.1 million, the H1 EBIT generated by Information Technologies was as budgeted below the 2003 level due to the H1 sales structure. As of June 30, 2004, working capital was well above the year-earlier magnitude since customer prepayments receded, but still slightly below the figure at year-end 2003. The division's ROCE came to 9.6 percent in H1/2004.

Information Technologies				
		6/30/2004	12/31/2003	6/30/2003
Working capital	€ mill.	10.0	10.9	4.8
Working capital ratio[1]	%	18.6	17.8	9.9
Fixed assets	€ mill.	13.6	13.0	13.0
Capital employed	€ mill.	23.7	23.9	17.8
ROCE[1]	%	9.6	24.6	21.9

[1] annualized

Capital expenditures

H1/2004 capital expenditures by the Vossloh Group totaled €12.8 million (up from €11.8 million).

Additions to tangible assets					
		H1/2004	H1/2003	Q2/2004	Q2/2003
Rail Infrastructure	€ mill.	7.2	8.4	4.2	5.2
Motive Power	€ mill.	5.0	2.8	2.5	1.8
Information Technologies	€ mill.	0.5	0.5	0.2	0.3
Vossloh AG	€ mill.	0.1	0.1	0.0	0.1
Total	**€ mill.**	**12.8**	**11.8**	**7.0**	**7.4**

Capital spending at Rail Infrastructure focused on its Vossloh Infrastructure Services (€3.7 million) and Vossloh Switch Systems (€2.7 million) business units, with some €3 million also going toward various projects to expand existing capacities.

At Motive Power, expenditures of €3.6 million and €1.4 million were incurred by the Vossloh Locomotives and Vossloh Electrical Systems units, respectively. Whereas Vossloh Locomotives' outlays centered almost exclusively on product developments, expenditures by Vossloh Electrical Systems included the purchase of a plot of land at its Vienna location for the construction of a new factory and office building.

Research & development

R&D expenses in H1/2004 totaled €4.3 million, up from €3.4 million. Vossloh Electrical Systems accounted for some 50 percent, the top items being the testing of alternative energy storage systems and drive concepts as well as the development of a drive autoconverter for future urban transit systems.

In the Vossloh Fastening Systems business unit, the development of a new generation of rail fastening systems advanced to the patent application stage.

As part of a pilot project, Information Technologies installed the first passenger information system based on the new electronic ink technology at Berlin-Ost railway station.

As of June 30, 2004, the Vossloh Group employed a workforce of 4,339, up about 1 percent or 44 employees from December 31, 2003.

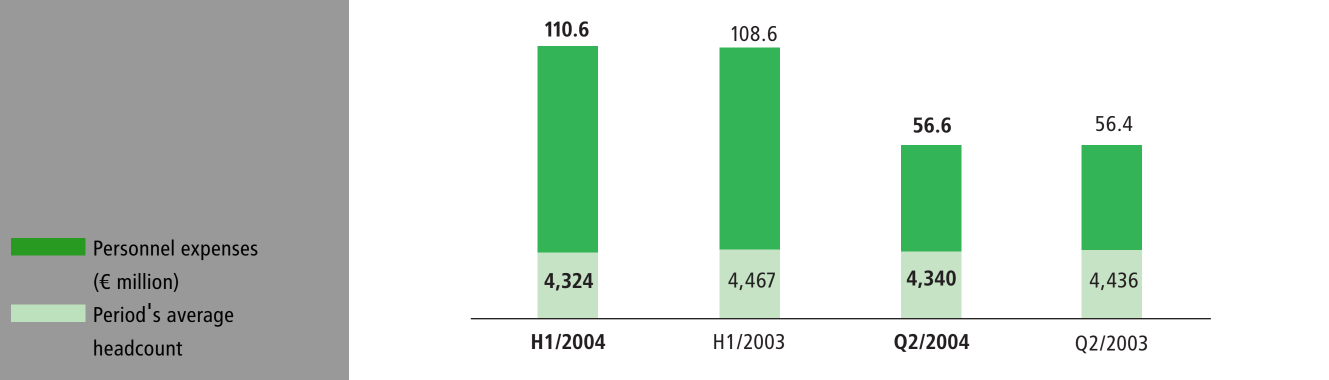
Headcount at			
	6/30/2004	12/31/2003	6/30/2003
Rail Infrastructure	2,847	2,824	2,921
Motive Power	1,186	1.169	1,177
Information Technologies	279	271	270
Vossloh AG	32	31	30
Total	**4,339**	**4,295**	**4,398**

Compared with June 30, 2003, the Group headcount fell by 59 employees. At 4,324, the semiannual average in the first half of 2004 was also below the year-earlier 4,467.

H1/2004 personnel expenses added up to €110,6 million (from €108.6 million). Personnel expenses per capita (rounded) during this period climbed about 5 percent from €24,300 to €25,600, mainly due to collectively agreed pay raises. In contrast, H1 sales per capita grew to 94,200 in 2004, up almost 8 percent from €87,500.

The ratio of payroll to value added rose from 68.0 percent in H1/2003 to 74.4 percent in the period. Since the prior-year value added had included a net gain of €14.5 million, the H1/2004 ratio of payroll to value added, when excluding this net gain, was 0.4 percentage points lower than the previous year's like-for-like ratio.

Group workforce trend and personnel expenses



Following an encouraging uptrend in H1/2004, we are confident about the continued favorable development of business over the next six months although some state and municipal customers of key significance to the rail industry are currently reluctant to invest. As already announced after Q1/2004, some of the major locomotive, tram system and tram infrastructure projects expected this year are being held over into subsequent periods, while additional orders have been secured in other sectors, meaning that from today's vantage point we plan to match the previous year's high sales figure of €920 million in 2004. Consequently, we will fall short of the target of €960 million budgeted for 2004 by about 4 percent.

Thanks to a much upgraded product mix as well as additional cost-paring programs, however, we do expect to achieve the budgeted EBIT of €106 million. Since no one-off gains will be made in 2004 and in view of the higher tax burden and an unexpected decrease in sales, such an EBIT, up five percent from 2003, would be a highly commendable performance.

Group earnings in 2004 would then rise by 2.5 percent to €56.9 million, equivalent to earnings per share of about €3.90. ROCE should reach almost 16 percent, thus again exceeding the Group's 15-percent benchmark.

If the acquisitions being targeted are carried out during the current fiscal year, fiscal 2004 will still become another successful year in Vossloh's over 130 years of corporate history despite the adverse factors faced.

Interim financial statements as of June 30, 2004

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

Consolidated income statement

for the six months ended June 30, 2004

€ million	**H1/2004**	H1/2003	**Q2/2004 3 months ended 6/30**	Q2/2003 3 months ended 6/30
Net sales	407.2	391.1	209.0	207.9
Cost of sales	(324.6)	(313.1)	(165.6)	(166.2)
General administrative and selling expenses	(51.1)	(48.2)	(26.5)	(23.1)
R&D expenses	(4.3)	(3.4)	(2.2)	(1.7)
Other operating income/expenses, net	8.4	22.3	4.9	3.1
Operating result	**35.6**	**48.7**	**19.6**	**20.0**
Income from investments carried at equity	0.6	0.4	0.3	0.2
Other financial results	(0.2)	0.0	(0.2)	0.0
Earnings before interest and taxes (EBIT)	**36.0**	**49.1**	**19.7**	**20.2**
Net interest expense	(6.0)	(6.2)	(2.9)	(2.9)
Earnings before taxes (EBT)	**30.0**	**42.9**	**16.8**	**17.3**
Income taxes	(10.1)	(11.3)	(5.7)	(6.7)
Net income	**19.9**	**31.6**	**11.1**	**10.6**
Minority interests	(0.6)	(0.5)	(0.3)	(0.3)
Group earnings	**19.3**	**31.1**	**10.8**	**10.3**
Earnings per share (EpS)				
Undiluted EpS (€)	1.32	2.23	0.74	0.71
Fully diluted EpS (€)	1.32	2.21	0.74	0.70

Consolidated statement of cash flows
for the six months (H1) ended June 30, 2004

€ million	H1/2004		H1/2003	
Cash outflow from operating activities				
Group earnings		19.3		31.1
Adjustments to reconcile group earnings with cash outflow from operating activities				
Minority interests in net income	0.6		0.5	
Amortization/depreciation	12.3		11.1	
Change in deferred taxes	2.4		(0.2)	
Book gains/losses (netted) from the disposal of fixed assets	(3.4)		(15.5)	
Undistributed earnings of associated affiliates	(0.5)		(0.4)	
Change in deferred income	0.7		0.9	
Change in receivables	20.5		9.7	
Change in inventories	(40.0)		(31.7)	
Change in prepaid expenses & deferred charges	(7.1)		(1.9	
Change in liabilities and accruals	(8.0)		(22.9)	
Total adjustments		(22.5)		(50.4)
Net cash used in operating activities		(3.2)		(19.3)
Cash (outflow)/inflow from investing activities				
Cash inflow from the disposal of intangible and tangible assets	5.2		0.9	
Cash inflow from the disposal of financial assets	0.0		4.5	
Cash outflow for intangible and tangible assets	(12.8)		(11.9)	
Cash outflow for financial assets	(6.5)		(7.0)	
Cash inflow from the disposal of short-term securities	1.3		2.8	
Cash inflow from the disposal of investments	0.0		48.5	
Net cash (used in)/provided by investing activities		(12.8)		37.8
Cash inflow/(outflow) from financing activities				
Cash inflow from capital increases	0.0		2.4	
Net borrowings through note-based finance	1.0		2.9	
Net finance from short-term credits	(42.5)		3.4	
Net finance from medium- and long-term loans	123.7		(28.6)	
Change in treasury stock	0.0		18.8	
Dividend payout	(19.0)		(17.2)	
Change in minority interests due to dividend payout	(0.9)		(0.5)	
Net cash (used in)/provided by financing activities		62.3		(18.8)
Net inflow/(outflow) of cash & cash equivalents		46.3		(0.3)
Inflow of cash & cash equivalents from deconsolidation/initial consolidation		0.0		0.3
Cash & cash equivalents at beginning of period		24.1		35.7
Cash & cash equivalents at end of period		70.4		35.7

Assets

€ million	**6/30/2004**	12/31/2003	6/30/2003
Total noncurrent assets	**394.0**	**398.5**	**407.8**
Intangible assets	272.8	272.8	273.6
Tangible assets	87.6	87.9	84.4
Investment properties	7.0	7.1	7.4
Financial assets	4.5	9.8	15.1
shares in unconsolidated subsidiaries	1.0	1.0	3.7
investments carried at equity	1.4	0.9	1.4
other investments and long-term securities	2.0	5.5	7.7
long-term loans	0.1	2.4	2.3
Total fixed assets	371.9	377.6	380.5
Sundry noncurrent assets	7.0	5.7	5.6
Deferred tax assets	15.1	15.2	21.7
Total current assets	**565.4**	**479.3**	**478.9**
Inventories	202.4	158.1	169.7
Trade receivables	225.4	257.8	233.7
Due from subsidiaries and investees	5.1	3.3	2.0
Sundry current assets	61.6	34.2	37.7
Short-term securities	0.5	1.8	0.1
Cash & cash equivalents	70.4	24.1	35.7
	959.4	**877.8**	**886.7**

Equity & liabilities

€ million	6/30/2004	12/31/2003	6/30/2003
Total equity	**296.8**	**297.6**	**270.6**
Capital stock	37.4	37.4	37.1
Additional paid-in capital	37.8	37.8	36.0
Treasury stock	(1.1)	(1.1)	(1.1)
Reserves retained from earnings	204.0	167.6	168.1
Undistributed group profit	0.1	0.0	0.0
Group earnings	19.3	55.5	31.1
Accumulated other comprehensive income (OCI)	(6.0)	(5.2)	(5.0)
Minority interests	5.3	5.6	4.4
Noncurrent liabilities and accruals	**330.0**	**211.2**	**176.3**
Noncurrent financial debts	257.0	138.2	108.3
Other noncurrent liabilities	6.7	6.4	14.8
Pension accruals	19.0	18.5	15.8
Other noncurrent accruals	37.8	39.6	28.6
Deferred tax liabilities	9.5	8.5	8.8
Current liabilities and accruals	**332.6**	**369.0**	**439.8**
Current financial debts	29.3	70.8	135.0
Trade payables	141.2	152.3	158.9
Due to unconsolidated subsidiaries and investees	4.8	3.0	4.3
Sundry current liabilities	101.5	83.0	87.5
Current accruals	55.8	59.9	54.1
	959.4	**877.8**	**886.7**

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistributed group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 1/1/2003	**36.8**	**29.5**	**(15.5)**	**131.8**	**0.3**	**52.4**	**(4.1)**	**4.8**	**236.0**
Carryover to new account					52.4	(52.4)			0.0
Dividend payout					(17.2)			(0.5)	(17.7)
Transfer to reserves retained from earnings				35.5	(35.5)				0.0
Capital increase from ESOP	0.3	2.1							2.4
Sale of treasury stock		4.4	14.4						18.8
Changes through initial consolidation/deconsolidation				0.8					0.8
Net income for H1/2003						31.1		0.5	
Accumulated OCI							(0.9)	(0.4)	
Comprehensive income						31.1	(0.9)		30.2
Minority interests								0.1	0.1
Balance at 6/30/2003	**37.1**	**36.0**	**(1.1)**	**168.1**	**0.0**	**31.1**	**(5.0)**	**4.4**	**270.6**
Changes through initial consolidation/deconsolidation				(0.5)					(0.5)
Capital increase from ESOP	0.3	1.8							2.1
Net income for H2/2003						24.4		1.3	
Accumulated OCI							(0.2)	(0.1)	
Comprehensive income						24.4	(0.2)		24.2
Minority interests								1.2	1.2
Balance at 12/31/2003	**37.4**	**37.8**	**(1.1)**	**167.6**	**0.0**	**55.5**	**(5.2)**	**5.6**	**297.6**
Carryover to new account					55.5	(55.5)			0.0
Dividend payout					(19.0)			(0.9)	(19.9)
Transfer to reserves retained from earnings				36.4	(36.4)				0.0
Additional stock purchase								(0.1)	(0.1)
Net income for H1/2004						19.3		0.6	
Accumulated OCI							(0.8)	0.1	
Comprehensive income						19.3	(0.8)		18.5
Minority interests								0.7	0.7
Balance at 6/30/2004	**37.4**	**37.8**	**(1.1)**	**204.0**	**0.1**	**19.3**	**(6.0)**	**5.3**	**296.8**

(1) Introduction

The consolidated interim financial statements as of June 30, 2004, were prepared in euro (€) in accordance with the International Financial Reporting Standards (IFRS), the year-earlier comparatives having been determined and adjusted accordingly. These 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 generally all its subsidiaries.

In comparison to December 31, 2003, one subsidiary left the consolidation group. After the initial consolidation of Swedish Rail Systems AB (a corporation based in Ystad, Sweden, and acquired in 2004), the number of fully consolidated companies has remained unchanged at 41.

One investee is 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, 22 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.

(3) Changed accounting principles

In comparison to Vossloh's consolidated financial statements as of December 31, 2003, which were based on US GAAP, 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 prohibit the write-up of tangible assets if made to reverse, due to the discontinuance of the reasons for, any previous 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 >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 recognized 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 total 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	6/30/2003	1/1/2003
Total equity according to US GAAP		**297.9**	**272.2**	**238.6**
capitalization of development costs	4.1	0.4	(0.6)	0.0
write-up of tangible assets	4.2	0.8	1.2	1.5
PoC accounting for manufacturing contracts	4.3	6.2	7.9	8.4
accruals for employee benefits	4.4	(0.7)	(1.0)	(2.1)
acquisitions	4.5	(3.4)	(2.9)	(4.1)
all other adjustments		(1.7)	(2.0)	(2.1)
tax effects of adjustments	4.6	(1.9)	(4.2)	(4.2)
total equity according to IFRS		**297.6**	**270.6**	**236.0**

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

€ million	Note	2003	H1/2003	Q2/2003
Group earnings based on US GAAP		**55.0**	**31.3**	**10.2**
capitalization of development costs	4.1	0.4	(0.6)	0.3
write-up of tangible assets	4.2	(0.7)	(0.3)	(0.1)
PoC accounting for manufacturing contracts	4.3	(2.1)	0.0	(0.1)
accruals for employee benefits	4.4	0.4	0.4	0.0
acquisitions	4.5	0.0	0.2	0.1
tax effects of adjustments	4.6	2.5	0.1	(0.1)
Group earnings based on IFRS		55.5	31.1	10.3

(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 all of 2003.

(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 decreased 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, 2003, 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 non-current assets, has now been recognized in the reserves retained from earnings to ensure 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 H1 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:

		H1/2004	H1/2003
Weighted average number of shares		14,604,293	13,977,478
Dilutive shares from stock options under the ESOP and LTIP		44,246	85,712
Fully diluted weighted average number of shares		14,648,539	14,063,190
Group earnings	€ mill.	19.3	31.1
Undiluted (basic) EpS	**€**	**1.32**	**2.23**
Fully diluted EpS	€	1.32	2.21

(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 €3.4 million to €5.6 million. In Q2/2004, a cash dividend of €1.30 was paid per share.

Segment information		Rail Infrastructure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
H1/2004	€ mill.	238.7	141.3	27.0	0.0	407.0	0.2	407.2
H1/2003	€ mill.	240.1	126.9	24.6	(0.7)	390.9	0.2	391.1
Q2/2004	€ mill.	126.0	68.5	14.4	0.0	208.9	0.1	209.0
Q2/2003	€ mill.	122.2	72.1	13.9	(0.4)	207.8	0.1	207.9
Amortization/depreciation[1]								
H1/2004	€ mill.	6.2	4.7	0.7	0.0	11.6	0.6	12.2
H1/2003	€ mill.	5.4	4.2	0.6	0.0	10.3	0.7	11.0
Q2/2004	€ mill.	3.2	2.6	0.4	(0.1)	6.1	0.3	6.4
Q2/2003	€ mill.	2.5	2.1	0.3	0.0	5.0	0.3	5.3
Net interest result								
H1/2004	€ mill.	(3.8)	(2.6)	(0.3)	(5.3)	(12.0)	5.9	(6.0)
H1/2003	€ mill.	(5.2)	(2.1)	(0.3)	(3.9)	(11.4)	5.2	(6.2)
Q2/2004	€ mill.	(1.9)	(1.3)	(0.4)	(2.2)	(5.8)	2.8	(2.9)
Q2/2003	€ mill.	(2.0)	(1.0)	(0.2)	(2.4)	(5.5)	2.6	(2.9)
EBIT								
H1/2004	€ mill.	40.0	0.8	1.1	(1.0)	41.0	(5.0)	36.0
H1/2003	€ mill.	42.1	(2.4)	2.0	(0.8)	40.8	8.3	49.1
Q2/2004	€ mill.	22.8	(1.6)	1.0	(0.5)	21.8	(2.1)	19.7
Q2/2003	€ mill.	20.6	1.3	1.6	(0.3)	23.1	(2.9)	20.2
EBT								
H1/2004	€ mill.	36.3	(1.8)	0.9	(6.3)	29.0	0.9	30.0
H1/2003	€ mill.	37.0	(4.5)	1.6	(4.7)	29.4	13.5	42.9
Q2/2004	€ mill.	21.0	(2.9)	0.9	(2.9)	16.0	0.7	16.8
Q2/2003	€ mill.	18.7	0.3	1.3	(2.7)	17.6	(0.3)	17.3
Net earnings/(deficit) [2]								
H1/2004	€ mill.	22.1	(0.5)	0.5	(3.8)	18.4	1.0	19.3
H1/2003	€ mill.	21.8	(2.8)	1.0	(2.7)	17.2	13.9	31.1
Q2/2004	€ mill.	12.9	(1.6)	0.5	(1.9)	10.0	0.9	10.8
Q2/2003	€ mill.	11.2	0.1	0.9	(1.7)	10.4	(0.1)	10.3
Capital expenditures (tangibles)								
H1/2004	€ mill.	7.2	5.0	0.5	0.0	12.8	0.1	12.8
H1/2003	€ mill.	8.4	2.8	0.5	(1.5)	10.2	1.6	11.8
Q2/2004	€ mill.	4.2	2.5	0.2	0.0	7.0	0.1	7.0
Q2/2003	€ mill.	5.2	1.8	0.3	(1.5)	5.8	1.6	7.4
Capital employed								
6/30/2004	€ mill.	436.3	174.1	23.7	242.6	876.7	(234.5)	642.2
12/31/2003	€ mill.	418.4	162.9	23.9	243.8	849.0	(228.7)	620.4
Total assets								
6/302004	€ mill.	567.6	316.2	39.8	253.2	1,176.9	(217.5)	959.4
12/31/2003	€ mill.	572.7	276.9	47.6	241.6	1,138.9	(261.1)	877.8
Semiannual average headcount								
H1/2004		2.834	1,180	277	0	4,291	33	4,324
H1/2003		2.999	1,171	269	0	4,439	28	4,467

[1] Excl. financial assets

[2] 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 accountant,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	
Publication of interim report	
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

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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 (6/30/2004):	14,605,232
Stock price (6/30/2004):	€39.12
H1/2004 high/low:	€47.68/€36.79
Reuters code:	VOSG.F
Bloomberg code:	VOS GF

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