Interim report as of March 31, 2003

Q1/2003 at a glance

Group		Q1/2003	Q1/2002
Income statement data			
Net sales	€ mill.	165.5	135.1
thereof Rail Infrastructure	€ mill.	117.8	102.6
Motive Power	€ mill.	37.5	27.1
Information Technologies	€ mill.	10.3	5.3
EBIT	€ mill.	29.5	7.3
Net interest expense	€ mill.	(3.3)	(2.7)
EBT	€ mill.	26.2	4.6
Group earnings (total)	€ mill.	21.1	1.9
Earnings per share (EpS)	€	1.54	0.14
EBIT margin	%	17.8	5.4
Pretax return on equity (ROE)	%	40.5	5.9
Return on capital employed (ROCE)	%	20.6	5.9
Balance sheet data			
Fixed assets	€ mill.	386.9	255.7
capital expenditures[1]	€ mill.	3.9	4.7
amortization/depreciation[1]	€ mill.	4.6	4.5
Working capital	€ mill.	184.9	240.5
Working capital ratio	%	27.9	44.5
Capital employed	€ mill.	571.9	496.2
Total equity	€ mill.	259.1	314.2
thereof minority interests	€ mill.	4.2	120.3
Net financial debt	€ mill.	196.2	239.8
Net leverage	%	75.7	76.3
Total assets	€ mill.	943.8	908.5
Equity ratio	%	27.4	34.6
Cash flow statement data			
Cash flow from operating activities	€ mill.	(13.1)	(18.0)
Cash flow from investing activities	€ mill.	44.0	(4.7)
Cash flow from financing activities	€ mill.	(33.9)	10.4
Change in cash & cash equivalents	€ mill.	(3.0)	(12.3)
Workforce			
Quarterly average headcount		4,211	4,074
thereof Rail Infrastructure		2,754	3,161
Motive Power		1,165	639
Information Technologies		266	252
Vossloh AG		26	22
Payroll-to-added value ratio	%	63.1	84.8
Personnel expenses	€ mill.	52.1	40.7
Share data			
Stock price at March 31	€	29.80	21.10
Market capitalization at March 31	€ mill.	429.1	303.8

[1] excluding financial assets

Income statement data covers the 3 months ended March 31, 2003 or 2002, balance sheet data refers to the quarterly closing date (March 31, 2003 or 2002). Wherever required, indicators were annualized. None of the year-earlier comparatives reflect the Lighting operations (discontinued and sold in 2002).

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

Even now, rail fasteners from Vossloh are used in 65 countries for their inherent safety and efficiency. With the takeover of Cogifer, Vossloh has slipped into a global-scale leadership role in both switch manufacture and the maintenance and construction of tracks.

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. Moreover, with the takeover of the Kiepe Group, Vossloh has securely positioned itself as a supplier of key technologies used in the building of 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 signal boxes are another niche market with vast growth potential.

To our stockholders

Dear Stockholders:

Despite a lingering scenario of economic gloom and doom plus the imponderable consequences of the Iraq war, the Vossloh Group started off well into fiscal 2003.

Compared with the like-for-like Q1/2002, Group sales climbed 22.4 percent to €165.5 million while in the same period, EBIT quadrupled from €7.3 million to €29.5 million. Allowing for the €14.5 million collected from the sale of the final third of our VAE stake, EBIT from strictly operational business has still more than doubled.

This remarkably good first quarter combined with an order backlog meanwhile increased to around €980 million encourages our confidence in the further course of fiscal 2003 and in our ability to achieve the ambitious targets set for the current year: sales to advance by a good 16 percent to €870 million and EBIT to rise by a good 20 percent to €95 million.

This sound progress shown by our group was accompanied by the strong price gains posted by Vossloh stock. In contrast to the general market mood, Vossloh stock quotations climbed in Q1/2003 by 20+ percent and even a total of 65 percent in the past two years, with the very good earnings, the proposed generous dividend increase to €1.20 per share, and the inclusion of Vossloh stock in the new MDAX (now shrunk to 50 members), all promising additional upside potential. What's more, the most recent analysts' opinions look to a price of €40.00, this comparing with the €29.80 (XETRA) quoted at the end of Q1/2003.

Over the past months we have repeatedly informed you about the Vossloh Group's realignment into a transport technology group during the past year. This forward-driven refocus is also reflected as of now in Vossloh's new trademark and logo which mirrors our own efforts to focus on clearly defined markets: dynamically pointing forward, while at the same time solid and graspable. The green stands worldwide for *Go!*–signaling direction and an eagerness to move tomorrow's transport markets and safely arrive at the self-set destinations.

Our transformation is not only reflected in the new logo. As you will realize, our quarterly report is now much more detailed and, moreover, it was reviewed by our statutory auditors.

Vossloh's website has also been redesigned and its content significantly enlarged.

Our intention is to present Vossloh as a successful, informative and hence stockholder-friendly Group. Investing in Vossloh stock has been rewarding and is set to be even more so in future.

Sincerely,

Vossloh AG
Executive Board Chairman

Burkhard Schuchmann

Vossloh stock

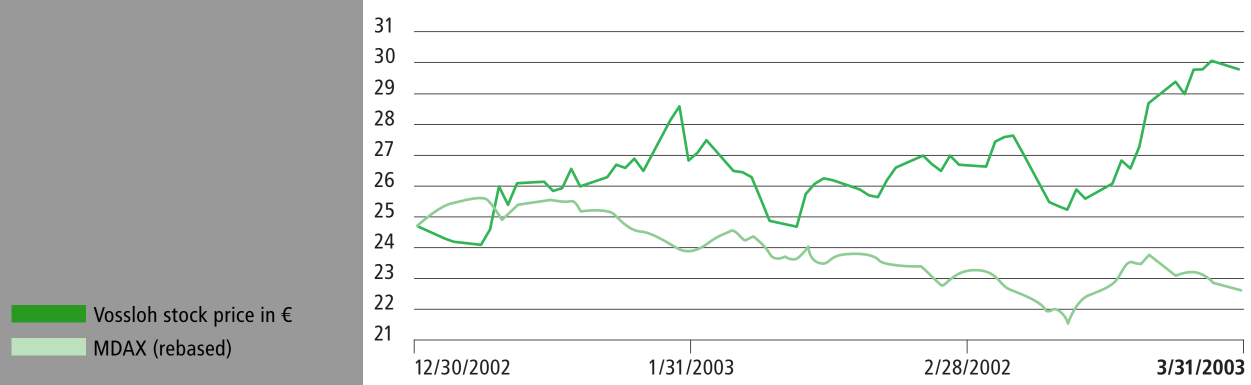
Stock markets in the first quarter of fiscal 2003 were battered by the start of the Iraq war and the general uncertainty as to its duration and repercussions. MDAX, the German index for midsize corporations including Vossloh, started 2003 at 3,025 points, then rising 4.1 percent to peak at 3,148 points as early as January 6, 2003. Thereafter, the index slid downhill to sink to a mere 2,622 points, its quarterly low, during March 12, 2003. As of March 31, 2003, the MDAX had reached 2,770 points, thus closing the quarter with a loss of 8.4 percent.

In contrast, Vossloh stock in the first three months of 2003 managed to buck the general market trend and continued its course of the preceding two years. During Q1/2003, it climbed by a further 20.6 percent, from €24.00 at the start of the year to its all-time high of €31.37 on March 28, 2003, following announcement of the figures for fiscal 2002. On March 31, 2003, the price was €29.80 (XETRA).

Prompted by the data presented at the analysts' conference of March 21, 2003, many of those present began to take a fresh look at Vossloh's stock price potential, present estimates reaching as high as up to €40. Among the buy recommenders were the ING Barings Group, Berenberg Bank, ABN Amro, equinet ag, Nols AG, and Independent Research.

March 24, 2003, saw the resegmentation of Deutsche Börse's stock indexes, the MDAX having been shrunk from 70 to 50 members and including for the first time foreigners. This reduction and inclusion of non-German companies will step up investor appeal. Vossloh, too, is a member of the new and smaller MDAX and will thus also benefit from this enhanced attraction.

Vossloh stock price trend in Q1/2003



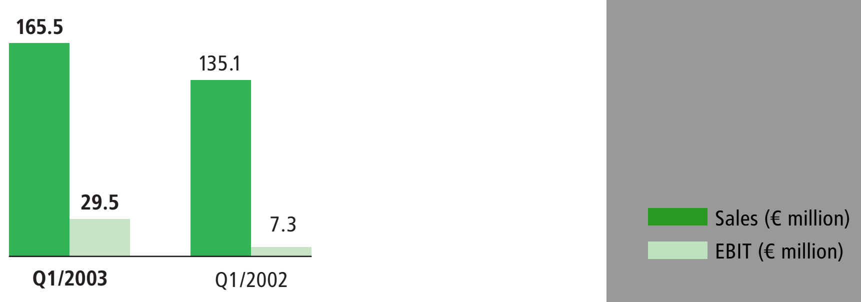
Analysis of the consolidated financial statements

Fiscal 2002 saw Vossloh's realignment and focus on transport technology. This refocus involved the acquisition of the Cogifer and Kiepe Groups, as well as the divestment of the VAE Group and the Lighting operations, the latter being disclosed as discontinued in line with FAS 144 under US GAAP. These accounting principles require for representational faithfulness that the year-earlier income statement be adjusted by eliminating from reported net income all contributions by Lighting to the Q1/2002 earnings and subsuming such contributions as earnings from discontinued operations. The Lighting assets and liabilities also had to be eliminated from the balance sheet as of March 31, 2003, and reported in separate lines as assets of discontinued operations and liabilities of discontinued operations, respectively. In the Q1/2002 cash flow statement, all cash inflows and outflows related to Lighting were aggregated and shown as net inflow of cash & cash equivalents from discontinued operations. The year-earlier comparatives disclosed herein always refer to data after reclassification according to FAS 144.

Like-for-like sales in Q1/2003 rose by 22 percent to €165.5 million (up from €135.1 million), mainly due to the newly acquired Cogifer and Kiepe Groups which in the period under review generated clearly higher sales revenues than the meantime sold VAE Group did a year ago.

Sales by regions		**Q1/2003**	**Q1/2002**
Germany	€ mill.	48.7	42.8
Other Euroland	€ mill.	83.3	38.4
Other Europe	€ mill.	14.3	17.9
Total Europe	**€ mill.**	**146.3**	**99.1**
North America	€ mill.	2.9	18.9
Latin America	€ mill.	0.0	2.3
Total Americas	**€ mill.**	**2.9**	**21.2**
Asia	**€ mill.**	**10.9**	**8.6**
Other	**€ mill.**	**5.4**	**6.2**
Total	**€ mill.**	**165.5**	**135.1**

Sales and EBIT of the Vossloh Group



Analysis of the consolidated financial statements

The acquisitions and the divestment of the VAE Group together raised again the non-German share in total sales, up from 68.3 percent in Q1/2002 to 70.6 percent in Q3/2003. The percentage share of European sales in the total climbed from 73.4 a year ago to now 88+ percent.

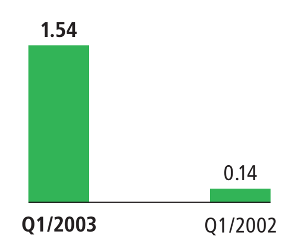
Vossloh Group		Q1/2003	Q1/2002
Net sales	€ mill.	165.5	135 .1
EBITDA	€ mill.	34.1	11 .8
EBIT	€ mill.	29.5	7.3
EBIT margin	%	17.8	5.4
EBT	€ mill.	26.2	4.6
Group earnings	€ mill.	21.1	1.9

First-quarter Group EBIT in 2003 more than quadrupled to €29.5 million (up from €7.3 million). This EBIT includes a net €14.5 million, viz. the gain from the last third of the stake in the VAE Group (sold January 2, 2003) net after risk provisions. Adjusted for this factor, EBIT climbed almost €8 million to a like-for-like €15.0 million. The adjusted quarterly EBIT margin came to 9.1 percent (up from 5.4), largely attributable to the definitely improved margins of the Rail Infrastructure and Information Technologies divisions.

Thanks to the tax-exempt capital gain from the VAE stake's disposal, the income tax load ratio dropped from just under 41 percent a year ago to around 19 percent in Q1/2003. First-quarter net income 2003 amounted to €21.3 million, which compares with the year-earlier €2.7 million.

Group earnings for Q1/2003 totaled €21.1 million (up from €1.9 million), equivalent to quarterly EpS of €1.54 (up from €0.14).

Earnings per share (€)



At €943.8 million, the Vossloh Group's total assets as of March 31, 2003, remained virtually unchanged (down from €947.2 million). Total equity as of March 31, 2003, climbed €20.5 million from year-end 2002 to €259.1 million, the equity ratio thus improving from 25.2 to 27.4 percent while, versus March 31, 2002, the equity ratio slipped by just over 7 percentage points. However, total equity at the end of Q1/2002 had still included minority interests of €120.3 million (contrasting with €4.2 million as of March 31, 2003). Excluding the minority interests, the (stockholders') equity ratio improved from 21.3 percent (3/31/2002) to 27.0 percent at the end of the quarter under review.

Vossloh Group		3/31/2003	12/31/2002	3/31/2002
Total assets	€ mill.	943.8	947 .2	908.5
Total equity	€ mill.	259.1	238.6	314.2
Equity ratio	%	27.4	25.2	34.6
Working capital	€ mill.	184.9	175.5	240.5
Working capital ratio*	%	27.9	23.6	44.5
Fixed assets	€ mill.	386.9	414.5	255.7
Capital employed	€ mill.	571.9	590.0	496.2
ROCE*	%	20.6	13.3	5.9
Return on equity*	%	40.5	26.7	5.9
Net financial debt	€ mill.	196.2	227.0	239.8
Net leverage	%	75.7	95.1	76.3

* annualized

Despite the higher working capital (up around 5 percent to €184.9 million from the level at December 31, 2002), the capital employed shrank as of March 31, 2003, by a good €18 million to €571.9 million, mainly due to the retirement of the VAE shares from fixed assets. In comparison to the year-earlier quarter, annualized ROCE was enhanced by 14.7 percentage points to 20.6 percent. Even excluding the gain from the VAE divestment, ROCE climbed 4.6 percentage points to 10.5 percent.

The lower net financial debt–down from December 31, 2002, by almost 14 percent to €196.2 million–is also substantially attributable to the cash inflow from the sale of the VAE stake. The Group's net leverage, i.e., the ratio of net financial debt to equity, improved from 95.1 percent at year-end 2002 to 75.7 percent as of March 31, 2003, as equity increased and net financial debt decreased. Despite the acquisitions in 2002, net financial debt was downscaled by close to €44 million from the level at March 31, 2002. Net leverage at the end of Q1/2003 is 0.6 percentage points below that a year ago.

Rail Infrastructure division

The Rail Infrastructure division generated Q1/2003 sales revenues of €117.8 million (up 14.9 percent from €102.6 million).

The Vossloh Fastening Systems subdivision showed an almost 20-percent increase, from €27.8 million to €33.3 million, with German business showing especially strong growth during Q1/2003. Like-for-like, sales revenues climbed by 37 percent. Not only German, foreign business, too, made better-than-expected progress. Deserving special mention was the construction work leading up to the 2004 Olympics in Athens, which yielded added sales in Greece of over €4 million.

Vossloh Cogifer SA and its subsidiaries, which together make up the Vossloh Switch Systems subdivision, generated sales of €49.3 million (like-for-like up by 13 percent). In Q1/2002, the VAE Group, now no longer belonging to the Vossloh Group, had accounted for sales of €75.2 million.

Sales by the Vossloh Infrastructure Services subdivision reached €37.2 million in Q1/2003.

Rail Infrastructure		Q1/2003	Q1/2002
Net sales	€ mill.	117.8	102 .6
EBITDA	€ mill.	24.4	16.6
EBIT	€ mill.	21.5	13.2
EBIT margin	%	18.2	12.8

Q1/2003 EBIT soared by 60+ percent to €21.5 million from the year-earlier €13.2 million, the EBIT margin thus rising from 12.8 percent in Q1/2002 to 18.2 percent in Q1/2003.

Working capital was ratcheted down from the level at December 31, 2002, by €4.3 million to €124.7 million and from March 31, 2002, by €15.8 million. The hike in fixed assets versus the level at March 31, 2002, was largely caused by goodwill in connection with the acquisition of the Cogifer Group. In spite of the resultant growth of capital employed, annualized ROCE picked up by 5+ points to 20.9 percent in comparison to Q1/2002.

Rail Infrastructure		3/31/2003	12/31/2002	3/31/2002
Working capital	€ mill.	124.7	129.0	140.5
Working capital ratio*	%	26.5	25.2	34.3
Fixed assets	€ mill.	286.7	286.4	198.2
Capital employed	€ mill.	411.4	415.4	338.7
ROCE*	%	20.9	16.8	15.6

* annualized

The order backlog of Rail Infrastructure as of March 31, 2003, came to €330 million, up 6.7 percent from the end of 2002.

Motive Power division

Sales by the Motive Power division totaled €37.5 million, well above the year-earlier €27.1 million, although it should be remembered that around €20 million of the Q1/2003 sales were delivered by the Kiepe Group (Vossloh Electrical Systems) acquired in Q4/2002. Despite a tall order backlog, the Vossloh Locomotives subdivision's sales of €16.4 million could not match the year-earlier €26.5 million and hence, this unit still failed to yield a positive EBIT for Q1/2003. The latter was a negative €3.0 (up from an equally red €2.9 million).

Motive Power		Q1/2003	Q1/2002
Net sales	€ mill.	37.5	27.1
EBITDA	€ mill.	(1.9)	(2.3)
EBIT	€ mill.	(3.0)	(2.9)
EBIT margin	%	(7.9)	(10.7)

The year-earlier working capital of €117.3 million was slashed to €58.0 million as prepayments received surged. The capital employed, too, was thus downscaled from Q1/2002–despite the inclusion of the Kiepe Group–by €14.2 million to €120.0 million. Versus December 31, 2002, CE inched up by a good 8 percent, the reason being the higher inventory level at the Vossloh Locomotives subdivision, whose work in process increased.

Motive Power		3/31/2003	12/31/2002	3/31/2002
Working capital	€ mill.	58.0	48.1	117.3
Working capital ratio*	%	38.7	24.8	108.4
Fixed assets	€ mill.	62.0	62.5	16.9
Capital employed	€ mill.	120.0	110.6	134.2
ROCE*	%	(9.9)	4.3	(8.6)

* annualized

As of March 31, 2003, the division had an order backlog of around €560 million (up from €545 million at year-end 2002). Contracts awarded to the Vossloh Electrical Systems subdivision during the period included a follow-up project from the city of Athens for supplying the electrical equipment for trolleybuses and an order from Stadtbahn Stuttgart. The Vossloh Locomotives subdivision posted orders worth a good €36 million for 16 new locomotives including another 7 destined for Locomotion Capital NV/SA plus an option for a further 25, all to be leased by Locomotion to the French national railways SNCF.

Information Technologies division

At €10.3 million, the like-for-like year-earlier sales of €5.3 million by the Information Technologies division were almost doubled. EBIT, too, improved, turning around from a red €0.6 million in Q1/2002 to a black €0.2 million, as budgeted.

Information Technologies		Q1/2003	Q1/2002
Net sales	€ mill.	10.3	5.3
EBITDA	€ mill.	0.5	(0.3)
EBIT	€ mill.	0.2	(0.6)
EBIT margin	%	2.3	(10.8)

The interperiod comparison (Q1/2003 vs. Q1/2002) shows that capital employed rebounded from a negative €4.4 million to a black €16.6 million as prepayments received receded and inventories mounted. The increase from year-end 2002 came to €3.8 million, the annualized Q1/2003 ROCE being 5.7 percent.

Information Technologies		3/31/2003	12/31/2002	3/31/2002
Working capital	€ mill.	3.6	0.0	(17.1)
Working capital ratio*	%	8.7	0.0	(80.7)
Fixed assets	€ mill.	13.0	12.8	12.7
Capital employed	€ mill.	16.6	12.8	(4.4)
ROCE*	%	5.7	22.0	–

* annualized

The Information Technologies division's order backlog remained unchanged at just under €90 million.

Capital expenditures

Q1/2003 capital expenditures by the Vossloh Group added up to €3.9 million (down from €4.7 million). Of the combined €1.7 million expended by Vossloh Switch Systems during the period, around €1.0 million went toward expanding current production capacities. Of its some €1.3 million total, the Vossloh Infrastructure Services subdivision spent about €1.0 for replacements. None of the other divisions had any major capital outlays during the period.

Capital expenditures (PP&E)		Q1/2003	Q1/2002
Rail Infrastructure	€ mill.	3.2	3.2
Motive Power	€ mill.	0.5	0.8
Information Technologies	€ mill.	0.2	0.7
Vossloh AG	€ mill.	0.0	0.0
Total	**€ mill.**	**3.9**	**4.7**

Research & development

Compared with the €1.5 million in Q1/2002, R&D spending in Q1/2003 advanced by €0.3 million to €1.8 million. At Rail Infrastructure, most of the work concentrated on new and further developed switch systems, crossings, and rail fasteners, especially for high-speed services. Vossloh Switch Systems and Vossloh Fastening Systems combined their efforts in developing rail fastening systems for mainline slab track switches whose approval for trial operation is expected during Q3/2003.

Information Technologies has developed electronic interlock boxes for branch lines and these are now being modified to match the French market together with Vossloh Switch Systems.

Besides pushing ahead with the R&D projects launched in 2002, Vossloh Electrical Systems started in Q1/2003 on a project for developing drive converters for board systems of up to 1,500 V.

Vossloh Locomotives developed its Nordlok, a large diesel locomotive for the first time operable in both Germany and Scandinavia. This project is being sponsored by Germany's Federal Ministry for Education and Research. The basis for the Nordlok will be the G 2000 diesel locomotive, which will be equipped with a 2,700-kW diesel motor and three different signaling and control systems (Germany, Denmark, Sweden).

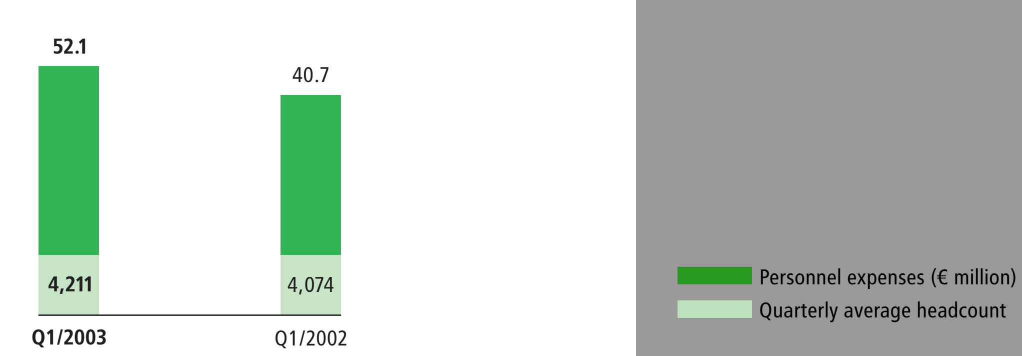
At March 31, 2003, the Vossloh Group had a workforce of 4,168, up by 1.7 percent from the year-earlier headcount (4,099 excluding Lighting) and 68 fewer than on December 31, 2002. The average workforce during Q1/2003 was 4,211 (up from 4,074, excluding Lighting).

The gain is mostly due to the fact that the newcomers (Cogifer companies and Kiepe Group) plus recruitments by the existing units more than outweighed losses from the disposal of the VAE Group stake.

Headcount at	**3/31/2003**	**12/31/2002**	**3/31/2002**
Rail Infrastructure	2,703	2,780	3,189
Motive Power	1,171	1,169	637
Information Technologies	268	262	250
Vossloh AG	26	25	23
Total	**4,168**	**4,236**	**4,099**

The Vossloh Group's sales per capita (rounded) climbed 19 percent in Q1/2003 to €39,300, from €33,200 a year ago. First-quarter personnel expenses for 2003 totaled €52.1 million (up from €40.7 million), those per capita amounted to €12,400, thus clearly above the year-earlier €10,000. This increase reflected the change in personnel structure brought about by the various transactions. Whereas the groups sold employed a high proportion of staff in countries with very low income structures, the key sites of the newly acquired companies are located in Central and Southern Europe. Due to the definite rise in the value added from the Q1/2002 level, the ratio of payroll to value added was nonetheless improved from the year-earlier 84.8 percent to 63.1 percent. Excluding the VAE divestment gain of €14.5 million, which is mirrored in the value added, the improvement is 8+ percentage points to 76.5 percent.

Group workforce and personnel expenses



Prospects

The sound progress made during the first three months of 2003, endorse the predictions for 2003 as such. Vossloh AG is still expecting Group sales in 2003 to climb by more than 16 percent to a good €870 million (up from €744.5 million). EBIT is set to rise from €78.4 million by more than 20 percent to just under €95 million. These figures include the meanwhile realized gains from the disposal of investments (including risk provisions) of €14.5 million (up from €14.4 million). The EBIT margin in 2003 is set to increase 0.5 percentage points to almost 11 percent (up from 10.5 percent). Group earnings at €52 million will be in the region of the high prior-year figure. ROCE at over 15 percent will be easily above the year-earlier 13.3 percent.

The adverse overall economic prospects anticipated for 2003 will impact on the Vossloh Group's performance to only a limited degree, especially since the revenues budgeted for this year are largely based on orders firmly placed. Hence, the risks and opportunities inherent in sales and earnings predictions can only relate to possible postponements of invoicing dates for long-term projects.

For 2003, Rail Infrastructure expects sales of €493 million and an EBIT approximating €72 million. Even though sales are expected to be lower than in 2002 (€511.8 million), EBIT is likely to climb by about 3.0 percent (up from €70.0 million).

Motive Power reckons on sales of almost €317 million in 2003, a forecast largely based on orders already contracted. This division's EBIT is predicted to advance to almost €18 million, a vast improvement over the year-earlier €4.8 million.

Information Technologies is budgeting sales of nearly €62 million, a good 60+ percent higher than the year-earlier figure. EBIT is targeted to more than double, from €2.8 million to over €6 million.

Interim financial statements as of March 31, 2003

Income statement

Cash flow statement

Balance sheet

Statement of changes in equity

Explanatory notes

Interim financial statements of the Vossloh Group as of March 31, 2003

Consolidated income statement

for the quarter ended March 31, 2003

	Q1/2003 € million	Q1/2002 € million
Net sales	165.5	135.1
Cost of goods sold	(126.0)	(108.2)
General administrative and selling expenses	(24.7)	(18.6)
R&D expenses	(1.8)	(1.5)
Operating result	**13.0**	**6.8**
Nonoperating result	16.4	(0.1)
Income from investments	0.1	0.6
Earnings before interest and taxes (EBIT)	**29.5**	**7.3**
Net interest expense	(3.3)	(2.7)
Earnings before taxes (EBT)	**26.2**	**4.6**
Income taxes	(4.9)	(1.9)
Earnings before minority interests/net income (continued operations)	**21.3**	**2.7**
Minority interests	(0.2)	(1.1)
Earnings from discontinued operations		
EBT	–	0.9
income taxes	–	(0.6)
		0.3
Group earnings	**21.1**	**1.9**
Earnings per share*		
Earnings from continued operations	1.54	0.12
Earnings from discontinued operations	–	0.02
Basic EpS	1.54	0.14

* During Q1/2002 and Q1/2003, an average 13,725,608 and 13,688,083 no-par shares of stock, respectively, were issued and outstanding.

For Q1/2002, earnings of the Lighting operations (shed in 2002) are disclosed after the continued operations' earnings before minority interests/net income.

Consolidated statement of cash flows

according to FAS 95 for the quarter ended March 31, 2003

	Q1/2003 € million		Q1/2002 € million	
Cash inflow/outflow from operating activities*				
Group earnings	21.1		1.9	
Earnings from discontinued operations	–		(0.3)	
Earnings from continued operations		21.1		1.6
Adjustments to reconcile Group earnings with cash inflow/outflow from operating activities				
Minority interests in net income	0.2		1.1	
Amortization/depreciation/write-down	4.6		4.5	
Change in deferred taxes	(0.1)		(0.1)	
Book gains/losses (net) from the disposal of intangible assets and property, plant & equipment	(0.2)		0.0	
Undistributed profits of subsidiaries	(0.2)		(0.2)	
Book gains/losses from investments disposed of	(16.0)		–	
Change in deferred income	(0.4)		0.8	
Change in receivables	14.3		13.7	
Change in inventories	(40.3)		(30.6)	
Change in prepaid expenses & deferred charges	(1.2)		(0.3)	
Change in liabilities and accruals	5.1		(8.5)	
Total adjustments		(34.2)		(19.6)
Net cash used in operating activities		**(13.1)**		**(18.0)**
Cash inflow/outflow from investing activities*				
Cash inflow from the disposal of intangible assets and property, plant & equipment	0.5		0.1	
Cash inflow from the disposal of financial assets	0.0		0.0	
Cash outflow for intangible assets and property, plant & equipment	(3.9)		(4.7)	
Cash outflow for financial assets	(0.9)		(0.1)	
Cash inflow from the disposal of investments	48.3		–	
Net cash provided by/(used in) investing activities		**44.0**		**(4.7)**
Cash inflow/outflow from financing activities*				
Net borrowings through note-based finance	0.4		0.0	
Net financing from short-term credits	(33.9)		27.1	
Net financing from medium- and long-term loans	(0.3)		(15.1)	
Purchase of treasury stock	–		(1.6)	
Change in minority interests due to dividend payout	(0.1)		–	
Net cash provided by/(used in) financing activities		**(33.9)**		**10.4**
Net outflow of cash & cash equivalents (continued operations)		**(3.0)**		**(12.3)**
Net outflow of cash & cash equivalents from discontinued operations		–		(1.0)
Cash & cash equivalents at beginning of period, continued operations		**38.6**		**45.2**
Cash & cash equivalents at end of period, continued operations		**35.6**		**32.9**

* Positive amounts correspond to an inflow, negative ones to an outflow of funds.

Consolidated balance sheet

Assets

	3/31/2003 € million	12/31/2002 € million	3/31/2002 € million
Total current assets	**537.6**	**513.6**	**644.3**
Cash & cash equivalents	35.6	38.6	32.9
Trade receivables	214.2	243.3	128.7
Due from subsidiaries and investees	2.9	1.9	1.0
Inventories	228.7	188.4	235.5
Sundry current assets	56.2	41.4	32.2
Assets of discontinued operations	–	–	214.0
Total noncurrent assets	**406.2**	**433.6**	**264.2**
Financial assets	20.9	47.9	30.9
Shares in unconsolidated subsidiaries	7.1	7.1	3.5
Other investments and long-term securities	8.6	35.6	14.0
Sundry long-term loans	5.2	5.2	13.4
Property, plant and equipment	88.6	89.7	145.6
Intangible assets	277.4	276.9	79.2
Total fixed assets	386.9	414.5	255.7
Sundry noncurrent assets	19.3	19.1	8.5
	943.8	**947.2**	**908.5**

According to FAS 144, the assets and liabilities of the Lighting operations disposed of are disclosed as of March 31, 2002, in separate lines, viz. *assets of discontinued operations* and *liabilities of discontinued operations*, respectively.

Equity & liabilities

	3/31/2003 € million	12/31/2002 € million	3/31/2002 € million
Total liabilities and accruals	**684.7**	**708.6**	**594.3**
Current liabilities and accruals	**440.7**	**468.9**	**417.4**
Trade payables	81.6	85.5	60.7
Due to subsidiaries and investees	2.9	2.6	1.5
Sundry current liabilities	295.9	328.2	242.2
Current accruals	60.3	52.6	42.8
Liabilities of discontinued operations	–	–	70.2
Noncurrent liabilities and accruals	**244.0**	**239.7**	**176.9**
Financial debts	140.5	140.7	98.6
Pension accruals and similar obligations	18.7	18.5	25.3
Sundry noncurrent liabilities	60.2	53.3	25.4
Sundry noncurrent accruals	24.6	27.2	27.6
Group equity	**259.1**	**238.6**	**314.2**
Capital stock	36.8	36.8	36.8
Additional paid-in capital	29.5	29.5	29.5
Treasury stock	(15.5)	(15.5)	(14.8)
Reserves retained from earnings	135.0	135.0	128.0
Undistributed Group profit	52.7	0.3	17.4
Group earnings	21.1	52.4	1.9
Accumulated other comprehensive income	(4.7)	(4.5)	(4.9)
Minority interests	4.2	4.6	120.3
	943.8	**947.2**	**908.5**

Statement of changes in equity

Equity analysis		Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistributed Group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 12/31/2001	**€ mill.**	**36.8**	**29.5**	**(13.2)**	**128.0**	**0.2**	**17.2**	**(5.3)**	**118.7**	**311.9**
Carryforward to new account	€ mill.					17.2	(17.2)			0.0
Sundry changes	€ mill.			(1.6)						(1.6)
Net income for Q1/2002	€ mill.						1.9		1.1	
Accumulated other comprehensive income (OCI)	€ mill.							0.4	0.5	
Comprehensive income	€ mill.						1.9	0.4		2.3
Minority interests	€ mill.								1.6	1.6
Balance at 3/31/2002	**€ mill.**	**36.8**	**29.5**	**(14.8)**	**128.0**	**17.4**	**1.9**	**(4.9)**	**120.3**	**314.2**
Dividends distributed	€ mill.					(10.1)			(4.2)	(14.3)
Transfer to reserves retained from earnings	€ mill.				7.0	(7.0)				0.0
Change through initial consolidation or deconsolidation	€ mill.								(115.3)	(115.3)
Sundry changes	€ mill.			(0.7)						(0.7)
Net income for Q2-Q4/2002	€ mill.						50.5		6.2	
Accumulated OCI	€ mill.							0.4	(2.4)	
Comprehensive income	€ mill.						50.5	0.4		50.9
Minority interests	€ mill.								3.8	3.8
Balance at 12/31/2002	**€ mill.**	**36.8**	**29.5**	**(15.5)**	**135.0**	**0.3**	**52.4**	**(4.5)**	**4.6**	**238.6**
Dividends distributed	€ mill.								(0.1)	(0.1)
Carryforward to new account	€ mill.					52.4	(52.4)			0.0
Net income for Q1/2003	€ mill.						21.1		0.2	
Accumulated OCI	€ mill.							(0.2)	(0.5)	
Comprehensive income	€ mill.						21.1	(0.2)		20.9
Minority interests	€ mill.								(0.3)	(0.3)
Balance at 3/31/2003	**€ mill.**	**36.8**	**29.5**	**(15.5)**	**135.0**	**52.7**	**21.1**	**(4.7)**	**4.2**	**259.1**

(1) Introduction

The interim consolidated financial statements as of March 31, 2003, have been prepared in euro (€) in accordance with the US generally accepted accounting principles (US GAAP) current at the balance sheet date and meet all requirements of German Accounting Standard ("DRS") No. 6 issued by the German Accounting Standards Committee ("DRSC").

(2) Group of consolidated companies

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

The consolidation group has remained unchanged versus December 31, 2002, and therefore includes 39 fully consolidated subsidiaries, one company stated at equity, and 24 companies and joint ventures pro rata.

Due to their minor significance to the Group's net assets, financial position and results of operations, an unchanged 19 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) Accounting principles

Vossloh AG's interim financial statements as of March 31, 2003, were prepared in accordance with the same, consistently applied consolidation, accounting and valuation methods as those underlying the consolidated financial statements as of December 31, 2002, and March 31, 2002.

Income and expenses, if allocable to the reported result from operations, not of a seasonal nature and regularly recognized at year-end only, have been shown in the quarterly earnings report pro rata temporis.

Income tax calculation has been based on an unchanged 40 percent for German companies, while the applicable national tax rate has been used for foreign subsidiaries. Tax-exempt income has been duly accounted for.

The Statements issued by the FASB since March 31, 2002, viz. FAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, FAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, and FAS 148, *Accounting for Stock–Based Compensation-Transition and Disclosure–an Amendment of FASB Statement No. 123*, have had no impact on the quarterly accounts as of March 31, 2003.

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

Due to the Lighting operations having been discontinued, such operations were stated accordingly in the income statement, in line with FAS 144. The Q1/2002 earnings from discontinued operations of €0.3 million were exclusively produced by Lighting's ordinary activities. The net sales generated in Q1/2002 by the discontinued Lighting operations totaled €63.8 million. According to FAS 144, the effects of Lighting's cash flow on the consolidated statement of cash flows for Q1/2002 were eliminated and disclosed in a

Explanatory notes

separate line, net inflow of cash & cash equivalents from discontinued operations. In the balance sheet as of March 31, 2002, all Lighting assets and liabilities were summarized as assets of discontinued operations and liabilities from discontinued operations, respectively.

The cash inflow of €46.8 million from the January 2003 disposal of the final third of the VAE stake was reported as cash inflow from the disposal of investments within the cash flow from investing activities, while the gain, net after risk provisions, of €14.5 million was in the income statement reported as nonoperating income.

(7) Earnings per share

Analysis of EpS:

	Q1/2003		Q1/2002	
	Total in € million	**EpS in €**	**Total in € million**	**EpS in €**
Earnings before minority interests/net income	21.3	1.56	2.7	0.20
Group earnings	**21.1**	**1.54**	**1.9**	**0.14**
Total common shares	14,400,000		14,400,000	
Reacquired shares (weighted)	711,917		674,392	
Weighted average number of shares	13,688,083		13,725,608	

Basic earnings per share according to FAS 128 came to €1.54 (up from €0.14).

(8) Segment information

Following the divestment of its Lighting operations as of July 31, 2002, the Vossloh Group focuses on transport technology. These operations break down into three divisions. Rail Infrastructure comprises the subdivisions Vossloh Switch Systems, Vossloh Fastening Systems, and Vossloh Infrastructure Services. Motive Power is a division that encompasses the Vossloh Locomotives, Vossloh Electrical Systems, and Vossloh Services subdivisions. Information Technologies subsumes the development and marketing of operations management, passenger information and planning systems as well as signals engineering. The 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.

(9) Auditor's review

The interim report for the three months ended March 31, 2003, comprising consolidated income statement, consolidated statement of cash flows, consolidated balance sheet, statement of changes in equity and further financial information, was reviewed by our statutory auditors, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Essen; the scope and nature of an auditor's review do not equal those of a statutory audit.

Segment information		Rail Infra-structure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technologies	HO/ consolidation	Group
Net sales								
Q1/2003	€ mill.	117.8	37,5	10.3	(0.3)	165.3	0.2	165.5
Q1/2002 (excl. LT)[1]	€ mill.	102.6	27,1	5.3	(0.1)	134.9	0.2	135.1
Amortization/depreciation/write-down								
Q1/2003	€ mill.	2.9	1.1	0.3	0.1	4.4	0.2	4.6
Q1/2002 (excl. LT)[1]	€ mill.	3.4	0.6	0.3	0.0	4.3	0.2	4.5
Net interest result								
Q1/2003	€ mill.	(3.2)	(1.0)	0.0	(1.6)	(5.8)	2.5	(3.3)
Q1/2002 (excl. LT)[1]	€ mill.	(0.7)	(1.1)	0.2	0.0	(1.6)	(1.1)	(2.7)
EBIT								
Q1/2003	€ mill.	21.5	(3.0)	0.2	(0.4)	18.3	11.2	29.5
Q1/2002 (excl. LT)[1]	€ mill.	13.2	(2.9)	(0.6)	(0.4)	9.3	(2.0)	7.3
EBT								
Q1/2003	€ mill.	18.3	(4.0)	0.2	(2.0)	12.5	13.7	26.2
Q1/2002 (excl. LT)[1]	Mio.€	12.5	(4.0)	(0.4)	(0.4)	7.7	(3.1)	4.6
Net income/(loss)[3]								
Q1/2003	€ mill.	10.6	(2.4)	0.1	(1.2)	7.1	14.0	21.1
Q1/2002	€ mill.	7.3	(2.4)	(0.3)	(0.9)	3.7	(1.8)	1.9
Capital expenditures (PP&E)								
Q1/2003	€ mill.	3.2	0.5	0.2	0.0	3.9	0.0	3.9
Q1/2002 (excl. LT)[1]	€ mill.	3.2	0.8	0.7	0.0	4.7	0.0	4.7
Capital employed								
3/31/2003	€ mill.	411.4	120.0	16.6	244.7	792.7	(220.8)	571.9
12/31/2002	€ mill.	415.4	110.6	12.8	244.7	783.5	(193.5)	590.0
Total assets								
3/31/2003	€ mill.	574.7	290.7	57.7	255.5	1,178.6	(234.8)	943.8
12/31/2002	€ mill.	577.4	281.7	58.3	250.3	1,167.7	(220.5)	947.2
Quarterly average headcount [2]								
Q1/2003		2,754	1,165	266	0	4,185	26	4,211
Q1/2002 (excl. LT)[1]		3,161	639	252	0	4,052	22	4,074

[1)] In the Q1/2002 income statement, Lighting's earnings were shown according to FAS 144 below net income as earnings from discontinued operations.

[2)] The Q1/2002 average headcount of 4,074 excludes Lighting's workforce, which was sold as of 7/31/2002. The inclusion of Lighting would increase the period's headcount by 1,455.

[3)] Before P&L transfer

Financial diary 2003	
Annual stockholders' meeting	May 27, 2003
Payment of cash dividends	May 28, 2003
DVFA presentation	July 29, 2003
Publication of interim reports	
as of June 30	July 28, 2003
as of September 30	October 27, 2003
Press conference	December 10, 2003
Meeting with DVFA analysts	December 10, 2003

Financial diary 2004	
Publication of 2003 financial data	March 2004
Press conference	April 2004
DVFA presentation	April 2004
Annual stockholders' meeting	June 3, 2004

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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 (3/31/2003):	13,688,083
Stock price (3/31/2003):	€29.80
Q1/2003 high/low:	€31.37/€23.75
Reuters code:	VOSG.F
Bloomberg code:	VOS GF
Dividend proposed:	€1.20

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