Interim report as of June 30, 2003

H1/2003 at a glance

Group		H1/2003	H1/2002
Income statement data			
Net sales	€ mill.	367.6	305.0
thereof Rail Infrastructure	€ mill.	240.6	233.3
Motive Power	€ mill.	104.2	58.6
Information Technologies	€ mill.	23.3	12.8
EBIT	€ mill.	49.4	22.2
Net interest expense	€ mill.	(6.2)	(5.7)
EBT	€ mill.	43.2	16.5
Group earnings (total)	€ mill.	31.3	13.1
Earnings per share (EpS)	€	2.24	0.96
EBIT margin	%	13.4	7.3
Pretax return on equity (ROE)[2]	%	31.8	10.6
Return on capital employed (ROCE)[2]	%	16.6	9.2
Balance sheet data			
Fixed assets	€ mill.	388.0	255.3
capital expenditures[1]	€ mill.	10.3	14.1
amortization/depreciation	€ mill.	9.5	9.2
Working capital	€ mill.	207.1	229.9
Working capital ratio[2]	%	28.2	37.7
Capital employed	€ mill.	595.1	485.2
Total equity	€ mill.	272.2	310.7
thereof minority interests	€ mill.	4.3	119.3
Net financial debt	€ mill.	207.5	248.1
Net leverage	%	76.2	79.9
Total assets	€ mill.	962.3	917.0
Equity ratio	%	28.3	33.9
Cash flow statement data			
Cash flow from operating activities	€ mill.	(21.9)	(4.1)
Cash flow from investing activities	€ mill.	37.5	(9.6)
Cash flow from financing activities	€ mill.	(18.8)	13.4
Change in cash & cash equivalents	€ mill.	(3.2)	(3.2)
Workforce			
Semiannual average headcount		4,467	4,107
thereof Rail Infrastructure		2,999	3,195
Motive Power		1,171	639
Information Technologies		269	250
Vossloh AG		28	23
Payroll-to-added value ratio	%	67.7	79.1
Personnel expenses	€ mill.	108.4	84.8
Share data			
Stock price at June 30	€	31.24	21.85
Market capitalization at June 30	€ mill.	449.7	296.6

[1] excluding financial assets

[2] annualized

Income statement data covers the 6 months ended June 30, 2003 or 2002, balance sheet data refers to the semiannual closing date (June 30, 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. Switch manufacture and the maintenance and construction of tracks are further markets in which Vossloh commands positions of international leadership.

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. With key technologies used in the building of trams, streetcars, and trolleybuses, Vossloh has securely positioned itself as a foremost supplier.

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 the unchanged weak economy, the Vossloh Group is able to look back on a successful first half of 2003. Versus the comparable year-earlier period, the Group managed to raise its sales by 21 percent to €367.6 million, EBIT for the same 6 months more than doubling to €49.4 million. Adjusted for the €14.5 million net gain from the transfer of the final one-third of our VAE stake, EBIT from purely operating business grew just under 60 percent and adjusted Group earnings by 133 percent.

The solid progress shown in the course of H1/2003 had prompted us as early as Vossloh AG's annual stockholders' meeting on May 27, 2003, to raise the Group's sales forecast for this year from originally €870 million to €890 million. The budgeted EBIT of €95 million we have upped to €97 million, with Group earnings now targeted at €53.5 million (up from initially €52 million), thus beating the already high year-earlier figure. The semiannual accounts for 2003 and the outlook for the year as a whole substantiate these expectations.

For you, our stockholders, these past six months have given reasons to rejoice. On May 27, 2003, Vossloh AG's annual stockholders' meeting resolved to distribute for fiscal 2002 a cash dividend of €1.20 per share, representing a 60-percent increase over 2001. Added to this have been the sustained price gains shown by Vossloh stock which on June 30, 2003, was quoted at €31.24 (Xetra), equivalent to an advance of 26.5 percent for the first six months of the current year. During the two preceding years and despite the desolate condition of the capital markets, this same stock had gained altogether 65 percent.

One of the consequences of Vossloh's realignment and the related acquisitions and divestments is that the headcount in Germany has dropped below the threshold of 2000. This means that Vossloh as such is now governed not by Germany's Codetermination Act 1976 but by the provisions of the Industrial Constitution Act 1952. The stockholders' meeting therefore resolved to amend the bylaws to the effect that the Supervisory Board will in future have six members, of which four representing the stockholders will be elected by the stockholders' meeting and the two employee representatives by the workforce through a special ballot. Dr. Karl Josef Neukirchen was re-elected Supervisory Board Chairman.

Our policy of refocusing on transport technology has proven resultful. We have succeeded in rapidly assimilating the newcomers into the Vossloh Group and realigned them in such a way as to already yield the first synergies. We are making good progress in this respect.

We would be pleased if you, our stockholders, continued to accompany us along the path we have taken. Our H1/2003 progress again demonstrates that Vossloh stock is a rewarding investment. Analysts reviewing our stock are presently predicting a price of up to €40. The Executive Board is confident that such predictions will come true.

Sincerely,

Vossloh AG
Executive Board Chairman

Burkhard Schuchmann

Vossloh stock

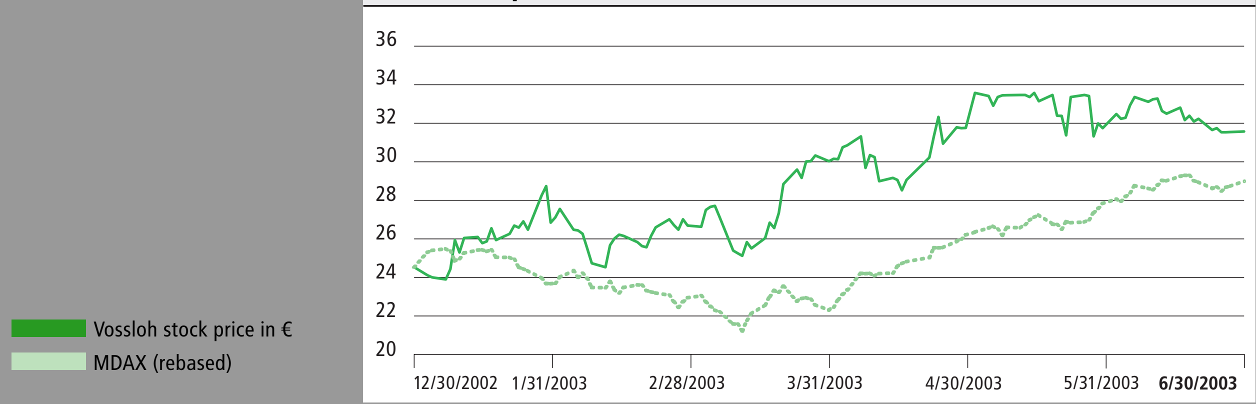
The stock market uptrend, starting at the end of March, continued into April. Q1 results reported by business mostly outperformed expectations and thus fueled stock prices. At the start of April 2003, the MDAX, Germany's mid-cap index one of whose members is Vossloh, had reached 2,788 points. The very same month the 3,000-point mark was again topped. On June 17, 2003, the MDAX peaked at 3,583 and closed the month at 3,532 points, equivalent to an H1/2003 advance of 16.8 percent.

Q2/2002 saw further price gains for Vossloh stock and in the course of May 2, 2003, Vossloh stock reached a new all-time high of €35.00.

Then, on May 27, 2003, the annual stockholders' meeting resolved the distribution of a 60-percent higher cash dividend (compared with 2001) for fiscal 2002 amounting to €1.20. This meant that around 30 percent of Group earnings was paid out. On June 30, 2003, Vossloh stock was priced at €31.24 (Xetra), an increase of 26.5 percent during the first six months of the year. Compared with the preceding year, there has been a sharp rise in the stock's trading volumes, around 3.8 million shares (up from 1.4 million), and equivalent to an average 30,000 per trading day and a rise of about 160 percent over 2001.

A regular dialog with stockholders and investors is high up on our agenda of priorities. At numerous presentations at home and abroad plus analysts conferences, the Executive Board outlined the present situation in the Group and its markets. The business magazine *Capital* and the German Association for Financial Analysis & Asset Management (DVFA) both awarded high grades to Vossloh's investor relations efforts. A recently published review rated Vossloh no. 5 among the 50 MDAX companies. Analysts reviewing Vossloh stock are presently predicting a price of up to €40. Among those recommending "buy" have been the ING Group, the Berenberg Bank, ABN Amro, equinet AG (price prediction raised from €33 to €36), Nols AG, and Independent Research. In July 2003, Vossloh was for the first time analyzed by the DZ Bank which foresees a stock price of €35 and thus likewise recommended "buy."

Vossloh stock price trend in H1/2003



Analysis of the consolidated financial statements

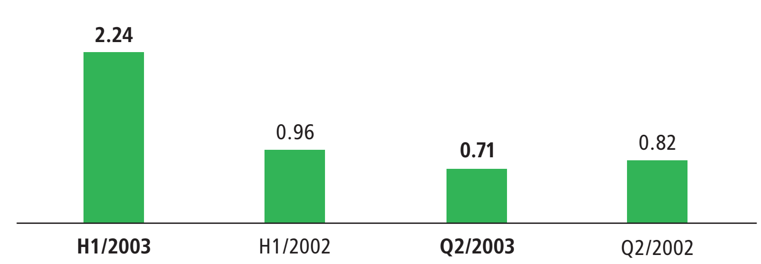
In H1/2003, the Vossloh Group generated sales of €367.6 million, a 21-percent improvement over the year-earlier €305.0 million. During this period, Group EBIT climbed to €49.4 million, more than twice the prior year's €22.2 million, the EBIT margin advancing 6+ percentage points from 7.3 to now 13.4 percent.

Vossloh Group		H1/2003	H1/2002	Q2/2003	Q2/2002
Net sales	€ mill.	367.6	305.0	202.1	169.8
EBITDA	€ mill.	58.9	31.4	24.8	19.6
EBIT	€ mill.	49.4	22.2	19.9	14.9
EBIT margin	%	13.4	7.3	9.8	8.8
EBT	€ mill.	43.2	16.5	17.0	11.9
Group earnings	€ mill.	31.3	13.1	10.2	11.2

At €31.3 million, Group earnings reported for H1/2003 also more than doubled, from €13.1 million in H1/2002 to €31.3 million. This results in an EpS of €2.24 compared with €0.96 for the same period the previous year.

All the divisions and business units shared in this steep sales rise: Vossloh Information Technologies soared by 80+ percent over its year-earlier sales figure; Vossloh Fastening Systems achieved a growth of almost 17 percent; and Vossloh Locomotives just under 11 percent. Acquired in late 2002, Vossloh Electrical Systems contributed almost €39 million to Group sales. Together, Vossloh Switch Systems and Vossloh Infrastructure Services—redefined as business units after the Cogifer Group takeover in Q4/2002—generated H1/2003 sales of €177.1 million, thus topping the H1/2002 sales (which had included the VAE Group) of €174.8 million. As early as in the H1/2002 report, Lighting, shed at the end of July 2002, had been disclosed as discontinued operation 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 earnings contributed by Lighting and subsuming such contributions as earnings from discontinued operations.

Earnings per share in €



Analysis of the consolidated financial statements

Through the acquisitions and the concurrent divestment of its stake in the VAE Group in 2002, the Vossloh Group has raised its international profile. While 62.7 percent of Group sales was in H1/2002 generated outside of Germany, this percentage rose to 67.7 in the period under review.

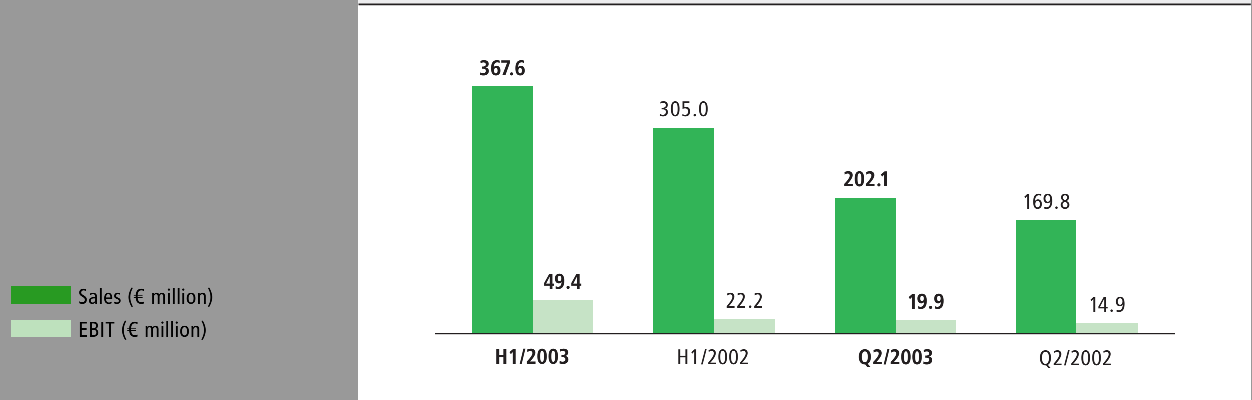
Sales by region		**H1/2003**	**H1/2002**	**Q2/2003**	**Q2/2002**
Germany	€ mill.	118.9	113.7	70.2	70.9
Other Euroland	€ mill.	180.8	87.0	97.5	48.6
Other Europe	€ mill.	34.2	35.4	19.9	17.5
Total Europe	**€ mill.**	**333.9**	**236.1**	**187.6**	**137.0**
North America	€ mill.	2.9	39.2	0.0	20.3
Latin America	€ mill.	0.0	3.0	0.0	0.7
Total Americas	**€ mill.**	**2.9**	**42.2**	**0.0**	**21.0**
Asia	**€ mill.**	**20.5**	**11.5**	**9.6**	**2.9**
Other	**€ mill.**	**10.3**	**15.2**	**4.9**	**8.9**
Total	**€ mill.**	**367.6**	**305.0**	**202.1**	**169.8**

The H1/2003 EBIT includes a net gain of €14.5 million from the transfer on January 2, 2003, of the final one-third stake in the VAE Group. Adjusted for this, EBIT increased by €12.7 million to €34.9 million, the EBIT margin then equaling 9.5 percent (up from 7.3).

Whereas this year's H1 earnings include the tax-exempt capital gain from the transfer of the VAE stake, the earnings reported by the Group for H1/2002 had subsumed a net gain from the sale of the Lighting division (€5.9 million). Discounting these one-time factors, Group earnings show a rise of 133 percent.

At €962.3 million, the Vossloh Group's total assets as of June 30, 2003, had inched up from the December 31, 2002 balance of €947.2 million. Total equity as of June 30, 2003, climbed €33.6 million from year-end 2002 to €272.2 million, the equity ratio thus improving from 25.2 to 28.3 percent while, versus June 30, 2002, the equity ratio slipped by 5.6 percentage points. However, total equity at the end of Q2/2002 had still included

Sales and EBIT of the Vossloh Group



minority interests of €119.3 million (contrasting with €4.3 million as of June 30, 2003). Excluding the minority interests, the (stockholders') equity ratio improved from 20.9 percent (6/30/2002) to 27.8 percent at the end of the period under review.

Vossloh Group		6/30/2003	12/31/2002	6/30/2002
Total assets	€ mill.	962.3	947.2	917.0
Total equity	€ mill.	272.2	238.6	310.7
Equity ratio	%	28.3	25.2	33.9
Working capital	€ mill.	207.1	175.5	229.9
Working capital ratio*	%	28.2	23.6	37.7
Fixed assets	€ mill.	388.0	414.5	255.3
Capital employed	€ mill.	595.1	590.0	485.2
ROCE*	%	16.6	13.3	9.2
ROE*	%	31.8	26.7	10.6
Net financial debt	€ mill.	207.5	227.0	248.1
Net leverage	%	76.2	95.1	79.9

* annualized

The working capital rose from €175.5 million at December 31, 2002, by €31.6 million to €207.1 million, mainly as inventories accumulated for invoice timing reasons. Capital employed crept up from €590.0 million as of December 31, 2002, to €595.1 million at mid-year closing date. Despite this increase, annualized ROCE (return on capital employed) moved up by 3+ percentage points, from 13.3 percent at year-end 2002 to 16.6 as of June 30, 2003. Compared to the H1/2002 ROCE, the rise from 9.2 to 16.6 percent is an improvement of some 82 percent. Even when disregarding the capital gains from the VAE divestment, the mid-2003 ROCE is still 11.7 percent.

Net financial debt shrank by close to 9 percent from €227.0 million as of December 31, 2002, to €207.5 million. This achievement is primarily 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, was upgraded from 95.1 percent at year-end 2002 to 76.2 percent as of June 30, 2003, as equity rose and net financial debt fell. In spite of the acquisitions in 2002, net financial debt was downscaled by €40+ million from the level at June 30, 2002.

Rail Infrastructure division

H1/2003 sales by the Rail Infrastructure division amounted to €240.6 million. The H1/2002 figure of €233.3 million had still included the €174.8 million sales by the VAE Group, which was deconsolidated as of end-September 2002.

Rail Infrastructure		H1/2003	H1/2002	Q2/2003	Q2/2002
Net sales	€ mill.	240.6	233.3	122.8	130.7
EBITDA	€ mill.	48.4	39.5	24.0	22.9
EBIT	€ mill.	42.2	32.5	20.7	19.3
EBIT margin	%	17.5	13.9	16.9	14.8

Vossloh Cogifer SA with its subsidiaries, now making up the Vossloh Switch Systems business unit, contributed sales of €98.0 million (up from €93.7 million a year ago). Major revenue sources during the period were the projects VAL Torino, Italy, and Metro New Delhi, India. As of June 30, 2003, order backlog totaled €129 million, including sizable contracts received from Greece, Italy, and the French national railways SNCF.

Sales by Vossloh Fastening Systems in H1/2003 came to €69.6 million (up 16.8 percent from €59.6 million). Business made good progress both at home and abroad. Versus the comparable year-earlier share, exports rose from 55 to 58 percent. Shipments showed a steep gain, specifically through projects related to the 2004 Olympics in Greece, sizable rail network extensions in the Netherlands, the Baltic nations, and the former CIS. Vossloh Skamo Sp. z o.o., acquired the previous year, was for the first time consolidated in the H1/2003 accounts. As budgeted, this strategically significant newcomer did not add any significant contribution to the unit's H1/2003 sales.

Vossloh Infrastructure Services SA (formerly Cogifer TF) and its subsidiaries subsumed under the Vossloh Infrastructure Services business unit, generated sales of €79.1 million during H1/2003, short of the comparable year-earlier €84.1 million on account of project postponements by the state railways in France, Belgium, and the Netherlands. A megaproject for Thailand, which in 2002 had accounted for a sizable share of sales, reached completion at the start of 2003. Some follow-up orders are expected from this part of the world though not generating any short-term sales revenues. This business unit's order backlog as of June 30, 2003, added up to €156 million.

Rail Infrastructure		6/30/2003	12/31/2002	6/30/2002
Working capital	€ mill.	128.2	129.0	150.0
Working capital ratio*	%	26.6	25.2	32.1
Fixed assets	€ mill.	293.1	286.4	201.8
Capital employed	€ mill.	421.3	415.4	351.8
ROCE*	%	20.0	16.8	18.5

* annualized

Compared with December 31, 2002, Rail Infrastructure's working capital showed only a marginal change. The fixed-asset rise versus June 30, 2002, is chiefly related to the acquisition of the Cogifer Group. Despite the advance in capital employed from €351.8 million as of June 30, 2002, to now €421.3 million, the division's ROCE has improved from 18.5 percent in H1/2002 to 20.0 percent in the period under review.

Motive Power division

At €104.2 million, H1/2003 sales by the Motive Power division were well over the year-earlier €58.6 million; however, some €38.8 million of the semiannual sales came from Vossloh Electrical Systems, acquired and added to the division in Q4/2002.

Motive Power		H1/2003	H1/2002	Q2/2003	Q2/2002
Net sales	€ mill.	104.2	58.6	66.7	31.6
EBITDA	€ mill.	0.2	(6.5)	2.1	(4.2)
EBIT	€ mill.	(2.1)	(7.8)	0.9	(4.9)
EBIT margin	%	(2.0)	(13.2)	1.4	(15.4)

With sales of €63.6 million, the Vossloh Locomotives business unit topped the year-earlier €57.4 million by some 11 percent. Order backlog as of June 30, 2003, totaled €347 million, contracts booked during the period including one from Locomotion Capital NV/SA for eight locomotives plus an option for a further 25 all to be leased to the French state railways SNCF, plus six G2000 locomotives ordered by ACT Italy.

At €38.8 million, H1/2003 sales by Vossloh Electrical Systems were, as anticipated, short of the year-earlier €41.8 million, mainly due to the acceptance/delivery dates agreed with customers mostly for the latter half of 2003 in which also the first trolleybuses ordered by the municipality of Athens will be delivered. It was the tram projects for Cologne, Schwerin, and Kraków that chiefly contributed to H1/2003 sales plus the fitting-out of 14 Paris Metro maintenance locomotives with electrical systems by Vossloh Electrical Systems.

As of June 30, 2002, the business unit had an order backlog of around €222 million. Besides the follow-up orders from the Athens municipality for electrically equipping now altogether 142 trolleybuses, a highlight in H1/2003 was a contract worth about €50 million from the Budapest transit authorities.

Motive Power		6/30/2003	12/31/2002	6/30/2002
Working capital	€ mill.	74.5	48.1	99.0
Working capital ratio*	%	35.7	24.8	84.5
Fixed assets	€ mill.	60.2	62.5	21.5
Capital employed	€ mill.	134.7	110.6	120.5
ROCE*	%	(3.1)	4.3	(12.9)

* annualized

Motive Power's working capital reduction compared with H1/2002 is primarily due to the rise in prepayments, most of which were received in Q4/2002. The increase in fixed assets over H1/2002 largely results from the acquisition of Vossloh Kiepe. Albeit still negative, the division's ROCE improved from a negative 12.9 percent the year before by almost 10 percentage points.

Information Technologies division

As expected and already announced in Q1/2003, the Information Technologies division succeeded in continuing the sharp rise in sales over the year-earlier period. H1/2003 sales totaled €23.3 million (up from €12.8 million).

H1/2003 order intake by this division reached €26.2 million and included a follow-up order from Hamburger Hochbahn AG for an operations control and management system for the city's subway lines 2 and 3. The year before, such a system had been successfully commissioned on line 1.

Order backlog as of June 30, 2003, reached €96 million and does not account for a possible contract from the SNCF awarded in response to an invitation to bid submitted in cooperation with Vossloh Switch Systems for the mainline network on Corsica. The bid specified the recently introduced Alister electronic interlock.

Information Technologies		H1/2003	H1/2002	Q2/2003	Q2/2002
Net sales	€ mill.	23.3	12.8	13.0	7.5
EBITDA	€ mill.	2.6	1.2	2.1	1.5
EBIT	€ mill.	2.0	0.6	1.8	1.2
EBIT margin	%	8.4	4.8	13.5	16.2

Capital employed as of June 30, 2003, rose to €16.8 million, chiefly attributable to the higher level of receivables and inventories. This is €4.0 million over year-end 2002. Annualized ROCE grew to 23.3 percent during the first half of 2003.

Information Technologies		6/30/2003	12/31/2002	6/30/2002
Working capital	€ mill.	3.8	0.0	(13.2)
Working capital ratio*	%	8.2	0.0	(51.6)
Fixed assets	€ mill.	13.0	12.8	12.7
Capital employed	€ mill.	16.8	12.8	(0.5)
ROCE*	%	23.3	22.0	–

* annualized

Capital expenditures

H1/2003 Group expenditures amounted to €10.3 million (down from €14.1 million). Rail Infrastructure spent €8.0 million, chiefly on the Infrastructure Services (€3.7 million) and Switch Systems (€2.8 million) companies. Most of the money went toward various projects aimed at capacity expansions. At Motive Power, expenditures of €1.1 million were incurred by the Locomotives unit, primarily for larger painting facilities.

Capital expenditures (PP&E)		H1/2003	H1/2002	Q2/2003	Q2/2002
Rail Infrastructure	€ mill.	8.0	11.0	4.8	7.8
Motive Power	€ mill.	1.6	2.0	1.1	1.2
Information Technologies	€ mill.	0.5	1.0	0.3	0.3
Vossloh AG	€ mill.	0.2	0.1	0.2	0.1
Total	**€ mill.**	**10.3**	**14.1**	**6.4**	**9.4**

Research & development

R&D expenses in H1/2003 totaled €3.4 million, the same as a year earlier.

At €2.0 million, the top items of R&D expenditure were Electrical Systems projects concerned with individual wheel drive and electric-bus energy storage systems, as well as the development of components for dual and multisystem vehicles.

Employees

As of June 30, 2003, the Vossloh Group employed a workforce of 4,398, up 5.4 percent over a year before.

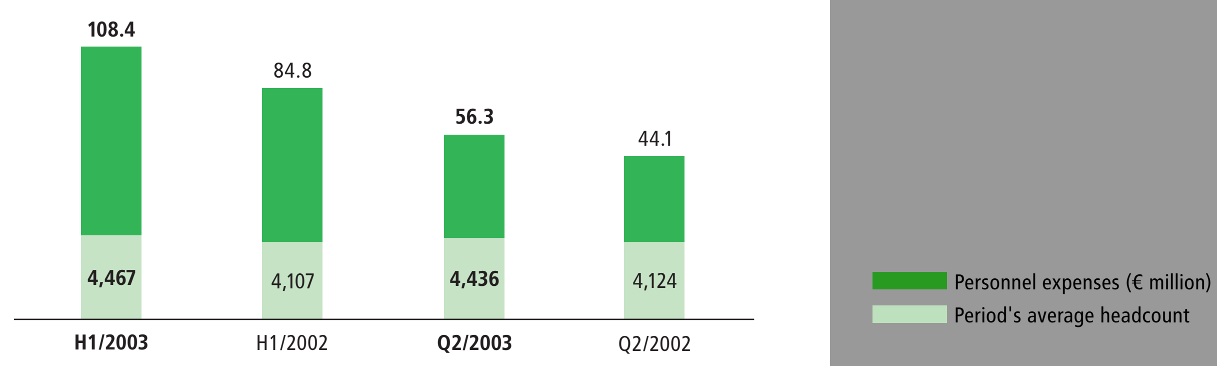
Most of the extra personnel was due to the first-time consolidation of Vossloh Skamo Sp.z.o.o.

Headcount at	6/30/2003	12/31/2002	6/30/2002
Rail Infrastructure	2,921	2,780	3,273
Motive Power	1,177	1,169	628
Information Technologies	270	262	250
Vossloh AG	30	25	22
Total	**4,398**	**4,236**	**4,173**

Sales per capita (rounded) within the Vossloh Group rose to €82,300 in H1/2003, up 10.8 percent from the prior year's €74,300. H1/2003 personnel expenses added up to €108.4 million (from €84.8 million). Personnel expenses per capita during this period climbed from €20,600 to €24,300, this increase reflecting the divestment/investment-related personnel mix changes. Whereas the shed groups had a high proportion of employees working in very low-wage countries, the most important locations of the newcomers are in central and southern European countries.

It is in terms of the ratio of payroll to value added that the Vossloh Group measures its productivity progress. In H1/2003, this benchmark improved from 79.1 percent in H1/2002 to 67.7 percent. Excluding the gains from the disposal of the VAE Group (included as value added) the improvement is still over four percentage points down to 74.5 percent.

Group workforce and personnel expenses



Prospects

Solid business progress in the course of H1/2003 prompts the Group to raise its sales and earnings forecasts made in Q1/2003.

For fiscal 2003 as such, Group sales are predicted to climb from a good €870 million to €890 million, with EBIT set to mount from an expected €95 million to €97 million.

As a consequence, 12-month sales in 2003 are budgeted to rise almost 20 percent from €744.5 million, while the EBIT expected for 2003 is targeted to exceed the year-earlier €78.4 million by around 24 percent.

Hitherto targeted at €52 million, Group earnings are now predicted to reach €53.5 million, even superior to the already highly commendable year-earlier €52.4 million. ROCE is aimed to rise from 13.3 to 15 percent.

The sales and earnings forecasts are subject to possible shortfalls related to potential invoicing delays on long-term projects.

For 2003, Rail Infrastructure is counting on sales of €494 million and an EBIT of almost €75 million. Despite sales revenues down from the year-earlier €511.8 million, the budgeted EBIT is virtually €5 million above the €70.0 million for 2002.

Motive Power is targeting sales of €330.6 million for all of 2003, easily in excess of the prior year's €194.5 million. The same applies to the anticipated EBIT of a good €16 million (up from €4.8 million).

For Information Technology, we are budgeting 12-month sales of €64 million (up from €37.9 million). EBIT is set to stride forward from €2.8 million in 2002 to €6.5 million in 2003.

Interim financial statements as of June 30, 2003

Income statement

Cash flow statement

Balance sheet

Statement of changes in equity

Explanatory notes

Interim financial statements of the Vossloh Group as of June 30, 2003

Consolidated income statement

for the six months ended June 30, 2003

	H1 ended June 30,		Q2 ended June 30,	
	2003 € mill.	**2002 € mill.**	**2003 € mill.**	**2002 € mill.**
Net sales	367.6	305.0	202.1	169.8
Cost of goods sold	(285.2)	(241.8)	(159.2)	(133.5)
General administrative and selling expenses	(47.4)	(40.0)	(22.7)	(21.3)
R&D expenses	(3.4)	(3.4)	(1.7)	(2.0)
Operating result	**31.6**	**19.8**	**18.5**	**13.0**
Nonoperating income	17.2	2.1	0.8	2.2
Income from investments	0.6	0.3	0.6	(0.3)
Earnings before interest and taxes (EBIT)	**49.4**	**22.2**	**19.9**	**14.9**
Net interest expense	(6.2)	(5.7)	(2.9)	(3.0)
Earnings before taxes (EBT)	**43.2**	**16.5**	**17.0**	**11.9**
Income taxes	(11.4)	(5.2)	(6.5)	(3.3)
Earnings before minority interests/net income (continued operations)	**31.8**	**11.3**	**10.5**	**8.6**
Minority interests	(0.5)	(4.1)	(0.3)	(3.0)
Earnings from discontinued operations				
EBT	–	6.7	–	5.8
Income taxes	–	(0.8)	–	(0.2)
	–	5.9	–	5.6
Group earnings	**31.3**	**13.1**	**10.2**	**11.2**
Earnings per share (EpS)*				
Earnings from continued operations (in €)	2.24	0.53	0.71	0.41
Earnings from discontinued operations (in €)	–	0.43	–	0.41
Basic EpS (in €)	2.24	0.96	0.71	0.82

* During H1/2003 and H1/2002, an average 13,977,478 and 13,660,060 no-par shares of stock, respectively, were issued and outstanding.

For H1/2002 and Q2/2002, 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 six months ended June 30, 2003

	H1/2003 € mill.		H1/2002 € mill.	
Cash outflow from operating activities*				
Group earnings	31.3		13.1	
Earnings from discontinued operations	–		(5.9)	
Earnings from continued operations		31.3		7.2
Adjustments to reconcile Group earnings with cash inflow/outflow from operating activities				
Minority interests in net income	0.5		4.1	
Amortization/depreciation/write-down	9.5		9.2	
Change in deferred taxes	(0.2)		(0.3)	
Book gains/losses (net) from the disposal of intangible assets and property, plant & equipment	0.5		0.0	
Undistributed profits of subsidiaries	(0.4)		(0.3)	
Book gains/losses from investments disposed of	(16.0)		0.0	
Change in deferred income	3.9		0.9	
Change in receivables	14.6		14.1	
Change in inventories	(56.5)		(27.8)	
Change in prepaid expenses & deferred charges	(2.1)		(1.0)	
Change in liabilities and accruals	(7.0)		(10.2)	
Total adjustments		(53.2)		(11.3)
Net cash used in operating activities*		(21.9)		(4.1)
Cash inflow/outflow from investing activities*				
Cash inflow from the disposal of intangible assets and property, plant & equipment	1.2		0.8	
Cash inflow from the disposal of financial assets	2.9		5.9	
Cash outflow for intangible assets and property, plant & equipment	(10.3)		(14.1)	
Cash outflow for financial assets	(5.3)		(2.2)	
Cash inflow from the disposal of investments	49.0		–	
Net cash provided by/(used in) investing activities*		37.5		(9.6)
Cash inflow/outflow from financing activities*				
Cash inflow from capital increases	2.4		–	
Net borrowings through note-based finance	2.9		–	
Net financing from short-term credits	3.5		31.2	
Net financing from medium- and long-term loans	(28.7)		(1.9)	
Purchase of treasury stock	18.8		(4.7)	
Cash dividend payments	(17.2)		(10.1)	
Change in minority interests due to dividend payout	(0.5)		(1.1)	
Net cash provided by/(used in) financing activities*		(18.8)		13.4
Net outflow of cash & cash equivalents (continued operations)*		(3.2)		(0.3)
Net outflow of cash & cash equivalents from discontinued operations		–		(2.9)
Cash inflow from initial consolidation		0.3		–
Cash & cash equivalents at beginning of period, continued operations		38.6		45.2
Cash & cash equivalents at end of period, continued operations		35.7		42.0

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

Consolidated balance sheet

Assets

	6/30/2003 € mill.	12/31/2002 € mill.	6/30/2002 € mill.
Total current assets	**544.8**	**513.6**	**643.3**
Cash & cash equivalents	35.7	38.6	42.0
Trade receivables	213.4	243.3	124.9
Due from subsidiaries and investees	2.0	1.9	2.0
Inventories	245.5	188.4	232.7
Sundry current assets	48.2	41.4	34.7
Assets of discontinued operations	–	–	207 .0
Total noncurrent assets	**417.5**	**433.6**	**273.7**
Financial assets	14.8	47.9	27.1
Shares in unconsolidated subsidiaries	3.7	7.1	5.5
Other investments and long-term securities	8.8	35.6	14.1
Long-term loans	2.3	5.2	7.5
Property, plant & equipment	90.5	89.7	144.7
Intangible assets	282.7	276.9	83.5
Total fixed assets	388.0	414.5	255.3
Sundry noncurrent assets	29.5	19.1	18.4
	962.3	**947.2**	**917.0**

According to FAS 144, the assets and liabilities of the Lighting operations disposed of are disclosed as of June 30, 2002, in separate lines, viz. *assets of discontinued operations* and *liabilities of discontinued operations*, respectively.

Equity & liabilities

	6/30/2003 € mill.	12/31/2002 € mill.	6/30/2002 € mill.
Total liabilities and accruals	**690.1**	**708.6**	**606.3**
Current liabilities and accruals	**478.9**	**468.9**	**383.9**
Trade payables	71.9	85.5	65.9
Due to unconsolidated subsidiaries and investees	4.4	2.6	1.9
Sundry current liabilities	346.2	328.2	216.0
Current accruals	56.4	52.6	39.2
Liabilities of discontinued operations	–	–	60.9
Noncurrent liabilities and accruals	**211.2**	**239.7**	**222.4**
Financial debts	112.0	140.7	111.8
Pension accruals and similar obligations	21.3	18.5	25.5
Sundry noncurrent liabilities	54.2	53.3	58.6
Sundry noncurrent accruals	23.7	27.2	26.5
Group equity	**272.2**	**238.6**	**310.7**
Capital stock	37.1	36.8	36.8
Additional paid-in capital	36.0	29.5	29.5
Treasury stock	(1.1)	(15.5)	(17.9)
Reserves retained from earnings	170.1	135.0	135.0
Undistributed Group profit	0.0	0.3	0.3
Group earnings	31.3	52.4	13.1
Accumulated other comprehensive income	(5.5)	(4.5)	(5.4)
Minority interests	4.3	4.6	119.3
	962.3	**947.2**	**917.0**

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.			(4.7)						(4.7)
Dividends distributed	€ mill.					(10.1)			(1.1)	(11.2)
Reserves retained from earnings	€ mill.				7.0	(7.0)				0.0
Net income for H1/2002	€ mill.						13.1		4.1	
Accumulated other comprehensive income (OCI)	€ mill.							(0.1)	(2.4)	
Comprehensive income	€ mill.						13.1	(0.1)		13.0
Minority interests	€ mill.								1.7	1.7
Balance at 6/30/2002	**€ mill.**	**36.8**	**29.5**	**(17.9)**	**135.0**	**0.3**	**13.1**	**(5.4)**	**119.3**	**310.7**
Change through initial consolidation or deconsolidation	€ mill.								(115.3)	(115.3)
Dividends distributed									(3.2)	(3.2)
Sundry changes	€ mill.			2.4						2.4
Net income for H2/2002	€ mill.						39.3		3.6	
Accumulated OCI	€ mill.							0.9	0.2	
Comprehensive income	€ mill.						39.3	0.9		40.2
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**
Carryforward to new account	€ mill.					52.4	(52.4)			0.0
Capital increase from ESOP	€ mill.	0.3	2.0							2.3
Purchase/sale of treasury stock	€ mill.		4.5	14.4						18.9
Changes through initial consolidation	€ mill.				(0.4)					(0.4)
Dividends distributed	€ mill.					(17.2)			(0.5)	(17.7)
Transfer to reserves retained from earnings	€ mill.				35.5	(35.5)				0.0
Net income for H1/2003	€ mill.						31.3		0.5	
Accumulated OCI	€ mill.							(1.0)	(0.3)	
Comprehensive income	€ mill.						31.3	(1.0)		30.3
Minority interests	€ mill.								0.2	0.2
Balance at 6/30/2003	**€ mill.**	**37.1**	**36.0**	**(1.1)**	**170.1**	**0.0**	**31.3**	**(5.5)**	**4.3**	**272.2**

Explanatory notes

(1) Introduction

The consolidated interim financial statements as of June 30, 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.

In comparison to December 31, 2002, only Vossloh Skamo Sp. z o.o. has been added to the consolidation group, which therefore includes 40 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, 17 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 June 30, 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 June 30, 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 June 30, 2002, viz. 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*, FAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Instruments*, and FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, have had no impact on the quarterly accounts as of June 30, 2003.

Preparing the interim financial statements requires management to make certain assumptions and estimates. Actual values may differ from those estimates and hence from the amounts disclosed or reported 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 net sales generated in H1/2002 and Q2/2002 by the discontinued Lighting operations totaled €123.8 million and €60.0 million, respectively.

Explanatory notes

According to FAS 144, the effects of Lighting's cash flow on the consolidated statement of cash flows for H1/2002 were eliminated and disclosed in a separate line, *net outflow of cash & cash equivalents from discontinued operations*. In the balance sheet as of June 30, 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 capital gain, net after risk provisions, of €14.5 million was reported in the income statement as nonoperating income.

(4) Earnings per share

Analysis of EpS:

Earnings per share	H1/2003	H1/2002	Q2/2003	Q2/2002
Earnings before minority interests/net income* (€ mill.)	31.8	11.3	10.5	8.6
EpS before minority interests* (€)	2.28	0.83	0.73	0.63
Group earnings (€ mill.)	31.3	13.1	10.2	11.2
EpS (€)	2.24	0.96	0.71	0.82
Weighted average number of shares	13,977,478	13,660,060	14,263,693	13,594,992

The adjusted EpS for H1/2003 amounts to €2.23, that for Q2/2003 to €0.71.

* before discontinued operations

(5) 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 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.

Segment information		Rail Infra-structure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
H1/2003	€ mill.	240.6	104.2	23.3	(0.7)	367.4	0.2	367.6
H1/2002 (excl. LT)[1]	€ mill.	233.3	58.6	12.8	0.0	304.7	0.3	305.0
Q2/2003	€ mill.	122.8	66.7	13.0	(0.4)	202.1	0.0	202.1
Q2/2002 (excl. LT)[1]	€ mill.	130.7	31.6	7.5	0.0	169.8	0.0	169.8
Amortization/depreciation/write-down								
H1/2003	€ mill.	6.2	2.3	0.6	0.0	9.1	0.4	9.5
H1/2002 (excl. LT)[1]	€ mill.	7.0	1.3	0.6	(0.1)	8.8	0.4	9.2
Q2/2003	€ mill.	3.3	1.2	0.3	(0.1)	4.7	0.2	4.9
Q2/2002 (excl. LT)[1]	€ mill.	3.6	0.7	0.3	(0.1)	4.5	0.2	4.7
Net interest result								
H1/2003	€ mill.	(5.2)	(2.1)	(0.3)	(3.8)	(11.4)	5.2	(6.2)
H1/2002 (excl. LT)[1]	€ mill.	(2.3)	(2.6)	0.1	0.0	(4.8)	(0.9)	(5.7)
Q2/2003	€ mill.	(2.0)	(1.1)	(0.3)	(2.3)	(5.7)	2.8	(2.9)
Q2/2002 (excl. LT)[1]	€ mill.	(1.6)	(1.5)	(0.1)	0.0	(3.2)	0.2	(3.0)
EBIT								
H1/2003	€ mill.	42.2	(2.1)	2.0	(0.8)	41.3	8.1	49.4
H1/2002 (excl. LT)[1]	€ mill.	32.5	(7.8)	0.6	0.1	25.4	(3.2)	22.2
Q2/2003	€ mill.	20.7	0.9	1.8	(0.4)	23.0	(3.1)	19.9
Q2/2002 (excl. LT)[1]	€ mill.	19.3	(4.9)	1.2	0.5	16.1	(1.2)	14.9
EBT								
H1/2003	€ mill.	37.0	(4.2)	1.7	(4.6)	29.9	13.3	43.2
H1/2002 (excl. LT)[1]	€ mill.	30.2	(10.4)	0.7	0.1	20.6	(4.1)	16.5
Q2/2003	€ mill.	18.7	(0.2)	1.5	(2.7)	17.3	(0.3)	17.0
Q2/2002 (excl. LT)[1]	€ mill.	17.7	(6.4)	1.1	0.5	12.9	(1.0)	11.9
Net earnings/(deficit)[3]								
H1/2003	€ mill.	21.8	(2.6)	1.0	(2.7)	17.5	13.8	31.3
H1/2002 (excl. LT)[1]	€ mill.	17.0	(7.8)	0.5	(2.0)	7.7	5.4	13.1
Q2/2003	€ mill.	11.2	(0.2)	0.9	(1.5)	10.4	(0.2)	10.2
Q2/2002 (excl. LT)[1]	€ mill.	9.7	(5.4)	0.8	(1.1)	4.0	7.2	11.2
Capital expenditures (PP&E)								
H1/2003	€ mill.	8.0	1.6	0.5	0.0	10.1	0.2	10.3
H1/2002 (excl. LT)[1]	€ mill.	11.0	2.0	1.0	0.0	14.0	0.1	14.1
Q2/2003	€ mill.	4.8	1.1	0.3	0.0	6.2	0.2	6.4
Q2/2002 (excl. LT)[1]	€ mill.	7.8	1.2	0.3	0.0	9.3	0.1	9.4
Capital employed								
6/30/2003	€ mill.	421.3	134.7	16.8	245.2	818.0	(222.9)	595.1
12/31/2002 (excl. LT)[1]	€ mill.	415.4	110.6	12.8	244.7	783.5	(193.5)	590.0
Total assets								
6/30/2003	€ mill.	583.8	298.8	60.2	255.1	1,197.9	(235.6)	962.3
12/31/2002	€ mill.	577.4	281.7	58.3	250.3	1,167.7	(220.5)	947.2
Semiannual average headcount[2]								
H1/2003		2,999	1,171	269	0	4,439	28	4,467
H1/2002 (excl. LT)[1]		3,195	639	250	0	4,084	23	4,107

1) In the H1 and Q2 income statements for 2002, Lighting's earnings were shown according to FAS 144 below net income as *earnings from discontinued operations*.

2) The H1/2002 average headcount of 4,107 excludes Lighting's workforce, which was sold as of 7/31/2002. The inclusion of Lighting would increase the period's headcount by 1,453.

3) 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, Bad Homburg, Chairman
	Dipl.-Kfm. Dr. Jürgen Blume, sworn public auditor and tax accountant, Bad Bentheim
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel
	Peter Langenbach, lawyer, Wuppertal
	Dr. Anselm Raddatz, lawyer, Düsseldorf

Financial diary 2003	
Publication of interim report	
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
Meeting with DVFA analysts	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 (6/30/2003):	14,393,777
Stock price (6/30/2003):	€31.24
H1/2003 high/low:	€35.00/€23.75
Reuters code:	VOSG.F
Bloomberg code:	VOS GF

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