Interim report as of September 30, 2003

The Vossloh Group at a glance

Group		3Q/2003	3Q/2002
Income statement data			
Net sales	€ mill.	605.9	492.4
thereof Rail Infrastructure	€ mill.	372.1	375.5
Motive Power	€ mill.	193.4	95.2
Information Technologies	€ mill.	41.2	21.1
EBIT	€ mill.	74.1	49.9
Net interest expense	€ mill.	(9.8)	(9.9)
EBT	€ mill.	64.3	40.0
Group earnings (total)	€ mill.	44.3	38.9
Earnings per share (EpS)	€	3.13	2.86
EBIT margin	%	12.2	10.1
Pretax return on equity (ROE)	%	30.0	24.2
Return on capital employed (ROCE)	%	16.1	11.7
Balance sheet data			
Fixed assets[2]	€ mill.	382.1	379.8
capital expenditures[1]	€ mill.	14.2	18.5
amortization/depreciation[1]	€ mill.	14.3	14.1
Working capital[2]	€ mill.	232.4	188.2
Working capital ratio	%	28.8	28.7
Capital employed[2]	€ mill.	614.5	568.0
Total equity[2]	€ mill.	285.6	220.6
thereof minority interests	€ mill.	4.6	4.5
Net financial debt[2]	€ mill.	204.9	248.1
Net leverage	%	71.7	112.5
Total assets[2]	€ mill.	985.7	870.3
Equity ratio	%	29.0	25.3
Cash flow statement data			
Cash flow from operating activities	€ mill.	(17.4)	57.6
Cash flow from investing activities	€ mill.	35.7	(246.0)
Cash flow from financing activities	€ mill.	(28.5)	21.8
Change in cash & cash equivalents	€ mill.	(9.9)	(14.3)
Workforce			
9-month (3Q) average headcount		4,444	4,133
thereof Rail Infrastructure		2,968	3,221
Motive Power		1,177	637
Information Technologies		270	252
Vossloh AG		29	23
Payroll-to-added value ratio	%	67.6	71.7
Personnel expenses	€ mill.	161.7	127.1
Share data			
Stock price at Sep. 30	€	36.36	22.50
Market capitalization at Sep. 30	€ mill.	526.9	303.7

[1] excluding financial assets

[2] To ensure like-for-like comparability, the balance sheet data as of 9/30/2002 includes the Cogifer Group acquired as of October 1, 2002.

Income statement data covers the 9 months ended September 30, 2003 or 2002, balance sheet data refers to the Q3 closing date (September 30, 2003 or 2002). Wherever required, indicators were 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

Even now, rail fasteners from Vossloh are used in 65 countries for their inherent safety and efficiency. In both switch manufacture and the maintenance and construction of tracks Vossloh is likewise among the international leaders.

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. Vossloh is also among the foremost suppliers in the market for 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.

To our stockholders

Dear Stockholders:

The Vossloh Group's successful performance continued into the third quarter of fiscal 2003. During the first nine months of the fiscal year, Group sales rose by 23.1 percent to €605.9 million compared with the corresponding prior-year period. Earnings before interest and taxes (EBIT) came to €74.1 million, representing a 48.5-percent increase on the previous year. Adjusted for the net gain from the sale of the last third of our VAE stake and for one-off effects from the disposal of the Lighting operations and two-thirds of the VAE stake in the preceding year, EBIT solely from operations climbed almost 68 percent. At €44.3 million, Group earnings were 13.9 percent above the comparable year-earlier level.

The pleasing performance of 3Q/2003 confirms our increased forecast for the year as a whole announced at the annual stockholders' meeting on May 27, 2003. We are anticipating Group sales of about €890 million, with EBIT rising to some €97 million. At €53.5 million, Group earnings are even expected to outshine the already very high 2002 bottom line of €52.4 million.

The year 2003 has also been exceedingly gratifying for our stockholders to date. Apart from a 60-percent increase in the cash dividend compared with the previous year, the Vossloh stock price is also giving grounds for delight. On September 30, 2003, our stock was listed at €36.36, representing a 49.6-percent rise in the current year, following an increase in value by 65 percent over the two preceding years despite the gloom prevailing in the capital market. Moreover, the securities analysts following our performance believe that the stock still holds considerable potential for further rises.

We have followed with disconcertment the deliberations in some Western European countries—especially in Germany—on whether to reduce the public resources for the construction and expansion of the rail network in the years ahead. Against the background of the political efforts to give rail transport greater weighting, this seems almost incomprehensible to us. Nevertheless, we will have to allow for this development in the medium-term planning for our railway infrastructure business. Due to the strong internationalization of our activities, we are convinced, however, that in the years ahead we will be able to continue along our growth track as planned.

The economic successes in the last two years show that our focus on railway technology has been correct. The companies acquired last year have been speedily integrated and realigned in such a way that synergies can be harnessed. The results achieved to date are encouraging.

We would be only too pleased if you, our stockholders, continued to escort us on this future path.

Yours sincerely,

Vossloh AG
Burkhard Schuchmann

Executive Board Chairman

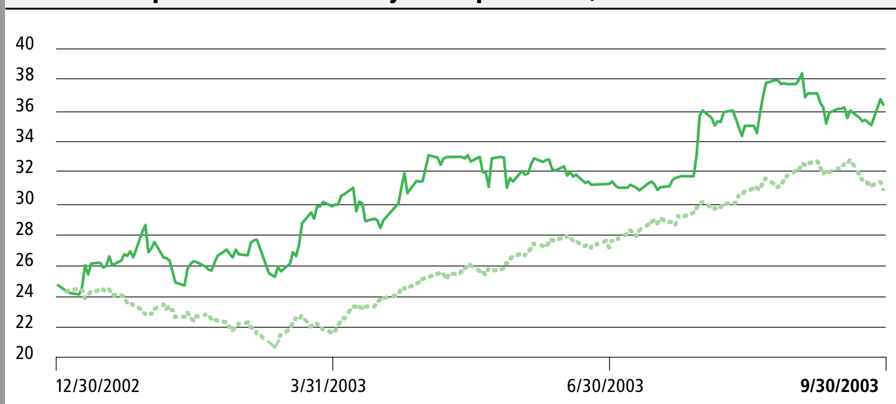
Vossloh stock

In the 3rd quarter of 2003, too, the MDAX, Germany's mid-cap index one of whose members is Vossloh, continued its uptrend. For the first time since June 2002, improved macroeconomic data (e.g. for industrial production and the German purchasing manager index) pushed the MDAX in August 2003 above the 4,000-point mark. The stock index peaked on September 19, 2003, at 4,200 points to close Q3/2003 at 3,961, a 27.3-percent increase from the year's opening level.

Vossloh stock joined the bull market in Q3/2003 and continued to climb, reaching its all-time high at €38.89 during September 3, 2003, and closing this quarter at €36.36 (XETRA), a 49.6-percent hike in the first nine months of 2003. On July 30, 2003, Zurich Financial Services notified us of the reduction to nil of its indirect voting stake in Vossloh (previously 11 percent). The Vossloh stock formerly held by Deutscher Herold Lebensversicherung AG, a Zurich Financial Services subsidiary, was placed with some 30 institutional investors. The associated higher free float, now grown to 60.1 percent, was highly welcomed by the market and revved up the Vossloh share price. The trading volume of Vossloh stock in 2003 has so far soared by around 135 percent from the prior-year level. In the first nine month of 2003, about 6.4 million (up from 2.8 million in 2002) Vossloh shares were traded, equivalent to an average of some 34,000 per market day.

A regular dialog with stockholders and investors is high up on our agenda of priorities. Therefore, we were quite proud to rank third among the 50 MDAX companies in The Best Annual Reports contest of *manager magazin*. In the 3rd quarter, too, at numerous presentations at home and abroad plus analysts conferences, the Executive Board outlined the present situation in the Group and its markets. In August 2003, Vossloh was for the first time researched by UBS, which assesses a fair value of our stock at €42 and thus recommended "buy." In September 2003, Cazenove also recommended "buying" Vossloh shares and predicted in its first analysis the currently highest rise, to €53.
Among the others recommending "buy" have been the ING Group, Berenberg Bank, ABN Amro, equinet AG, Deutsche Bank AG, WestLB, DZ-Bank, and Independent Research.

Vossloh stock price trend from January 1 to September 30, 2003



Vossloh stock price in €
MDAX (rebased)

Analysis of the consolidated financial statements

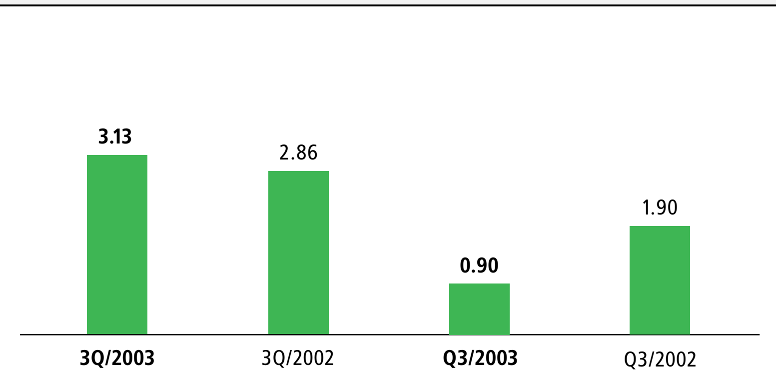
In the nine months ended September 30, 2003, the Vossloh Group generated net sales of €605.9 million, up about 23 percent or €113 million over the year-earlier level. The 9-month Group EBIT climbed from €49.9 million a year ago to €74.1 million, the 3Q EBIT margin advancing 2+ percentage points from 10.1 to now 12.2 percent. The 3-quarter EBIT in both 2003 and 2002 was influenced by gains in connection with the disposal of the VAE Group, as well as by provisions for risks. Adjusted for these factors, 9-month EBIT surged from €35.5 million in 2002 to €59.6 million by September 30, 2003. The analogously adjusted EBIT margin comes to 9.8 percent (up from 7.2).

Vossloh Group		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Net sales	€ mill.	605.9	492.4	238.3	187.4
EBITDA	€ mill.	88.4	64.0	29.5	32.5
EBIT	€ mill.	74.1	49.9	24.7	27.7
EBIT margin	%	12.2	10.1	10.4	14.7
EBT	€ mill.	64.3	40.0	21.1	23.5
Group earnings	€ mill.	44.3	38.9	13.0	25.8

At €44.3 million, Group earnings reported for 3Q/2003 also improved by almost 14 percent, from €38.9 million a year earlier. This results in an EpS of €3.13 compared with €2.86 for the same period the previous year. Besides the nonrecurrent factors reflected in EBIT, Group earnings for the period ended September 30, 2002, also included the €5.4 million of earnings contributed by the Lighting operations (disposed of and discontinued as of July 31, 2002) and shown in a separate line after the EBT from continued operations.

The sales surge from the 9-month level 2002 was ascribable to Vossloh Locomotives (up €32 million), Vossloh Fastening Systems (up €31 million), and Vossloh Information Technologies (up €20 million). Acquired in late 2002, Vossloh Electrical Systems (the previous Kiepe Group), Vossloh Switch Systems (formerly Cogifer SA) and Vossloh Infrastructure Services (then Cogifer TF) together contributed €321 million to 3Q/2003 Group sales, while the year-earlier 9-month sales include the VAE Group (shed as of 9/30/2002) at around €291 million.

Earnings per share in €



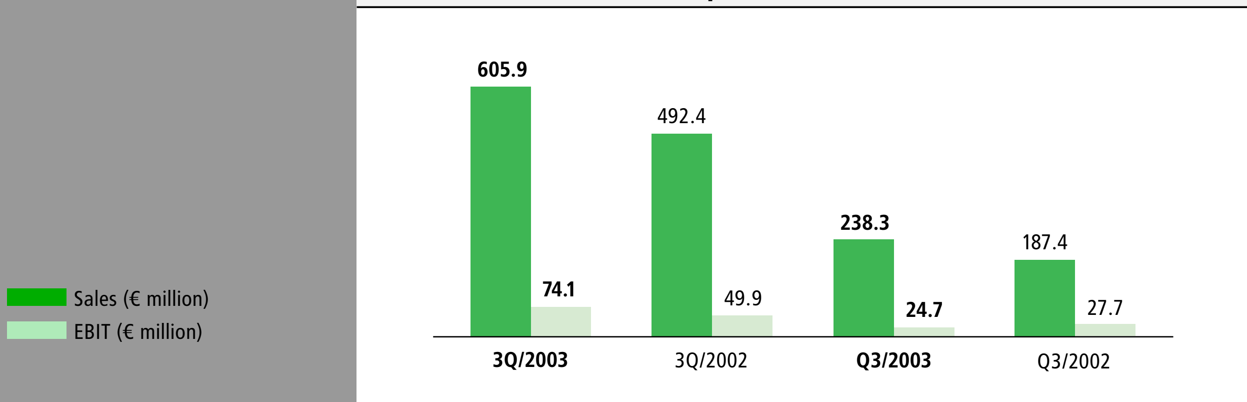
Analysis of the consolidated financial statements

Through the acquisitions and divestments in 2002, the regional sales distribution has changed, too. Especially the Vossloh Group's presence in the southern and eastern parts of Europe has definitely widened whereas, after the VAE Group had been sold, the share of sales in the volatile markets of North America narrowed. While 79 percent of Group sales had in 3Q/2002 been generated in Europe, this proportion rose to almost 90 percent in the period under review. In a year-on-year comparison, the German share of sales shrank from 36.9 to 36.4 percent.

Sales by region		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Germany	€ mill.	220.5	181.6	101.6	67.9
Other Euroland	€ mill.	267.8	144.9	87.0	57.9
Other Europe	€ mill.	55.0	63.4	20.8	28.0
Total Europe	**€ mill.**	**543.3**	**389.9**	**209.4**	**153.8**
North America	€ mill.	6.0	55.8	3.1	16.6
Latin America	€ mill.	0.0	4.1	0.0	1.1
Total Americas	**€ mill.**	**6.0**	**59.9**	**3.1**	**17.7**
Asia	**€ mill.**	**32.9**	**17.5**	**12.4**	**6.0**
Other regions	**€ mill.**	**23.7**	**25.1**	**13.4**	**9.9**
Total	**€ mill.**	**605.9**	**492.4**	**238.3**	**187.4**

At €985.7 million, the Vossloh Group's total assets as of September 30, 2003, inched up by close to €39 million from the December 31, 2002 balance of €947.2 million, the rise from total assets at September 30, 2002, coming to €115+ million.

Sales and EBIT of the Vossloh Group



Vossloh Group		9/30/2003	12/31/2002	9/30/2002
Total assets[2]	€ mill.	985.7	947.2	870.3
Total equity[2]	€ mill.	285.6	238.6	220.6
Equity ratio	%	29.0	25.2	25.3
Working capital[2]	€ mill.	232.4	175.5	188.2
Working capital ratio[1]	%	28.8	23.6	28.7
Fixed assets[2]	€ mill.	382.1	414.5	379.8
Capital employed[2]	€ mill.	614.5	590.0	568.0
ROCE[1]	%	16.1	13.3	11.7
ROE[1]	%	30.0	26.7	24.2
Net financial debt[2]	€ mill.	204.9	227.0	248.1
Net leverage	%	71.7	95.1	112.5

[1] annualized

[2] To ensure like-for-like comparability, the balance sheet data as of 9/30/2002 includes the Cogifer Group acquired as of October 1, 2002

Total assets mainly climbed as inventories soared and prepayments received mounted. While the level of inventories as of September 30 and December 31, 2002, hovered around €188 million, it leapt to €256+ million at September 30, 2003. This hike was primarily caused by Vossloh Locomotives restocking its inventories in preparation for the scheduled delivery in Q4 of over 65 locomotives. Part of the inventory increase was funded by prepayments received, which moved up by almost €19 million from the end-2002 balance and even surged by €83+ million from the level a year ago.

Working capital at the end of Q3/2003 rose by almost €57 million to €232.4 million from that at December 31, 2002, and by €44+ million from the year-earlier level, primarily as inventories and prepayments received accumulated. Fueled by the working capital increase, capital employed, too, moved up from €590.0 million as of December 31, 2002 (€568.0 million at September 30, 2002), to €614.5 million at the Q3/2003 closing date.

Annualized ROCE (EBIT returned on capital employed) was clearly ratcheted up from 13.3 percent at year-end 2002 to now 16.1 percent.

Despite the higher working capital employed, net financial debt was slashed by €22+ million from €227.0 million as of December 31, 2002, to €204.9 million at September 30, 2003, the reduction versus the year-earlier balance being as much as €43+ million. At the same time, total equity as of September 30, 2003, augmented by €47.0 million from year-end 2002 to €285.6 million, the equity ratio thus improving from 25.2 to 29.0 percent. At September 30, 2002, like-for-like equity had totaled around €220 million, the equity ratio roughly equaling the year-end 25 percent.

Net leverage (i.e., the ratio of net financial debt to total equity) improved from 95.1 percent at December 31, 2002, to 71.7 percent at the end of Q3/2003, as equity rose and net financial debt contracted. The year-earlier net leverage had still significantly exceeded 100 percent.

Rail Infrastructure division

In the first nine months of the current fiscal year, the Rail Infrastructure division generated sales of €372.1 million. It should be borne in mind that the €375.5 million in sales achieved during 3Q/2002 still included the €291.1 million contributed by the VAE Group, which was deconsolidated at the end of September 2002.

EBIT improved from the year-earlier €50.4 million to €67.4 million. The EBIT margin was raised by almost 5 percentage points to 18.1 percent.

Rail Infrastructure		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Net sales	€ mill.	372.1	375.5	131.5	142.2
EBITDA	€ mill.	76.6	60.9	28.2	21.4
EBIT	€ mill.	67.4	50.4	25.2	17.9
EBIT margin	%	18.1	13.4	19.2	12.6

Vossloh Cogifer SA, acquired the year before, and its subsidiaries, which have been integrated into the Switch Systems business unit (BU), contributed €143.7 million to the division's total sales (down from €151.9 million) in 3Q/2003. The VAL Torino project (driverless transport system) in Italy and the New Delhi Metro project in India boosted sales considerably during the period under review. In Q3/2003, order intake reached €41.7 million, with the French railway SNCF responsible for significant incoming business. As of September 30, 2003, orders on hand came to €123.7 million.

During 3Q/2003, Vossloh Fastening Systems generated sales amounting to €117.3 million (up from €86.6 million). Sales were therefore once again raised appreciably compared with the Q2 level, the rise being mainly attributable to increased exports. Deliveries of rail fastening systems for the upgrading of lines in the Netherlands and Libya as well as construction and redevelopment projects linked to the staging of the Olympic Games in Greece next year accounted for a substantial proportion of these increased sales abroad. As expected, Vossloh Skamo Sp. z o.o., which was consolidated for the first time in 2003, did not make any significant contribution to sales during the period under review. This acquisition is of special strategic interest, however, as part of the opening-up of Eastern European markets.

Vossloh Infrastructure Services SA, also acquired in 2002, and its subsidiaries, which are now integrated into the Infrastructure Services BU, generated sales of €119.7 million in 3Q/2003 (down from €133.5 million). France accounted for almost 70 percent and the Benelux countries for about 20 percent of these sales generated from the renewal and construction of conventional and high-speed lines as well as track installations for trams and metro systems and spread over a large number of different projects. As of September 30, 2003, order backlog totaled €161.0 million.

Rail Infrastructure		9/30/2003	12/31/2002	9/30/2002
Working capital[2]	€ mill.	128.6	129.0	125.5
Working capital ratio[1]	%	25.9	25.2	25.1
Fixed assets[2]	€ mill.	290.8	286.4	288.2
Capital employed[2]	€ mill.	419.4	415.4	413.7
ROCE[1]	%	21.4	16.8	16.3

[1] annualized

[2] To ensure like-for-like comparability, the balance sheet data as of 9/30/2002 includes the Cogifer Group acquired as of October 1, 2002.

Motive Power division

At €193.4 million, the Motive Power division's sales exceeded those of the comparable prior-year period by €98.2 million. In this context, it should be taken into account that the Vossloh Electrical Systems BU acquired in Q4/2002 accounted for €65.3 million of the sales generated during 3Q/2003.

Motive Power		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Net sales	€ mill.	193.4	95.2	89.2	36.6
EBITDA	€ mill.	4.3	(5.9)	4.1	0.6
EBIT	€ mill.	0.8	(8.0)	2.9	(0.2)
EBIT margin	%	0.4	(8.4)	3.2	(0.7)

With some 69 locomotives shipped out, the Vossloh Locomotives business unit contributed about €125 million to the division's total sales. Compared with the 9-month sales of €93.3 million generated in 2002, this is a rise of 34.3 percent. In Q3/2003, orders worth €13.5 million were received from various private-sector customers in Europe. The Locomotives BU's orders on hand as of September 30, 2003, came to €297.9 million. A bid invited by Deutsche Bahn AG for the supply of 203 mainline locomotives plus options will be submitted at the end of October. This major contract is due to be awarded in Q1/2004 at the earliest.

Sales generated by the Vossloh Electrical Systems subdivision added up to €65.3 million. It should be borne in mind that a large proportion of the delivery and acceptance dates fall in Q4, especially for the bulk of the electrical equipment being supplied for the 142 trolleybuses for the city of Athens. Major projects already reflected in the sales figures for the current fiscal year included deliveries of electrical equipment for the tram systems in Cologne, Schwerin, and Cracow. In 3Q/2003, Vossloh Electrical Systems received orders totaling €76.2 million. Compared with the same 9-month period of 2002, order influx has therefore more than doubled, a key contributor being a contract for electrical equipment for 40 low-floor tram vehicles from the Budapest transit company worth €50.2 million. As of September 30, 2003, Vossloh Electrical Systems had an order backlog of €209.9 million.

Motive Power		9/30/2003	12/31/2002	9/30/2002
Working capital	€ mill.	100.4	48.1	63.1
Working capital ratio*	%	39.0	24.8	49.8
Fixed assets	€ mill.	60.4	62.5	22.8
Capital employed	€ mill.	160.8	110.6	85.9
ROCE*	%	0.6	4.3	(12.4)

* annualized

In 3Q/2003, the Motive Power division's EBIT and EBIT margin have improved continually, with EBIT showing a clear increase compared with the 3 quarters of 2002.

The rise in working capital from €48.1 million as of December 31, 2002, to €100.4 million as of September 30, 2003, was based mainly on the Locomotives BU's higher inventory level due to accounting technicalities and the favorable order position.

The increased fixed assets compared with the total at September 30, 2002, resulted chiefly from the acquisition of the Kiepe Group. The annualized return on capital employed as of September 30, 2003, came to 0.6 percent, a clear improvement on the fairly red percentage a year ago.

Information Technologies division

Compared with the previous quarter, the Information Technologies division's sales again climbed considerably. In 2003, the division generated 9-month sales of €41.2 million, almost double the figure for 3Q/2002. The prime sources of these sales were the BZ 2000 project, an operations control system for the centralized monitoring and control of main-line rail traffic, the UIC train bus project, and the equipping of 1,198 ICE passenger cars and 145 locomotives belonging to Deutsche Bahn AG with passenger information systems.

At €33.7 million, order intake in 3Q/2003 was some 10 percent above that of the 9 months one year earlier. A further increase in incoming business is expected for the final quarter of 2003 from major projects in Switzerland, the Netherlands, Sweden, and Germany. As of September 30, 2003, the division's orders on hand totaled €85.3 million. Apart from the projects mentioned above, this backlog includes above all a follow-up contract from Hamburger Hochbahn AG for a control and operations management system for subway lines 2 and 3.

Information Technologies		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Net sales	€ mill.	41.2	21.1	17.9	8.3
EBITDA	€ mill.	3.6	1.5	1.0	0.3
EBIT	€ mill.	2.7	0.5	0.7	(0.1)
EBIT margin	%	6.5	2.5	4.1	(1.1)

At €2.7 million, EBIT exceeded the year-earlier figure by more than five-fold. Capital employed climbed from €12.8 million as of December 31, 2002, to €17.2 million as of September 30, 2003. The leap resulted from a corresponding change in working capital based essentially on the reduction in prepayments received. Despite the much improved EBIT, ROCE fell slightly compared with December 31, 2002, the higher capital employed being the reason.

Information Technologies		9/30/2003	12/31/2002	9/30/2002
Working capital	€ mill.	4.2	0.0	(10.0)
Working capital ratio*	%	7.6	0.0	(35.5)
Fixed assets	€ mill.	13.0	12.8	12.4
Capital employed	€ mill.	17.2	12.8	2.4
ROCE*	%	20.9	22.0	29.0

* annualized

Capital expenditure

The Vossloh Group's capital expenditures in 3Q/2003 totaled €14.2 million (down from €18.5 million). The chief areas of capital spending were the Rail Infrastructure division, with the Switch Systems BU accounting for €3.9 million and Infrastructure Services for €4.1 million. Various projects, especially those aimed at expanding capacities, required capital outlays. The €1.6 million spent by the Fastening Systems BU focused on the purchase of an additional heat treatment unit. The Locomotives BU accounted for outlays of €2.5 million in the Motive Power division, the chief expenditure items being the paint shop's expansion and measures to increase capacity.

Capital expenditures (PP&E)		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Rail Infrastructure	€ mill.	9.6	13.2	1.6	2.2
Motive Power	€ mill.	3.3	3.9	1.7	1.9
Information Technologies	€ mill.	0.8	1.2	0.3	0.2
Vossloh AG	€ mill.	0.5	0.2	0.3	0.1
Total	**€ mill.**	**14.2**	**18.5**	**3.9**	**4.4**

Research and development

R&D expenditure totaled €5.1 million (up from €4.7 million). The Electrical Systems BU accounted for €2.8 million of this amount with R&D projects related to independent-wheel drives and energy storage mechanisms in trolleybuses, product development for dual- and multi-system vehicles, and vehicle data management. The Rail Infrastructure division spent €1.5 million, about half of which funded the Fastening Systems BU's R&D costs.

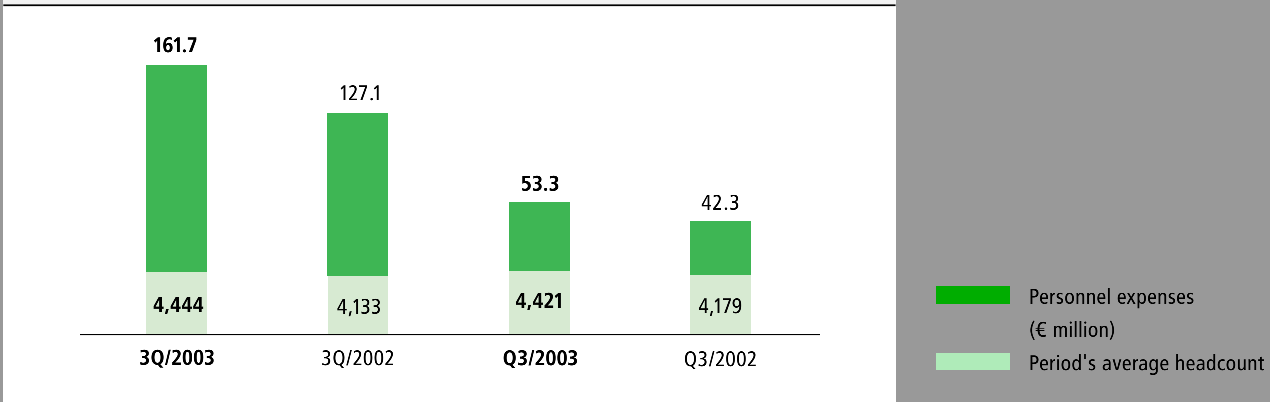
As of September 30, 2003, the number of employees on the Vossloh Group's payroll totaled 4,409, up 19.7 percent from the year-earlier 3,682. This increase was particularly due to the first-time consolidation of Vossloh Electrical Systems (formerly the Kiepe Group) and of Vossloh Information Systems Malmö AB in Q4/2002 as well as the first-time inclusion of Vossloh Skamo Sp. z o.o. in 2003.

Headcount at	9/30/2003	12/31/2002	9/30/2002
Rail Infrastructure	2,931	2,780	2,775
Motive Power	1,177	1,169	631
Information Technologies	271	262	251
Vossloh AG	30	25	25
Total	**4,409**	**4,236**	**3,682**

The 9-month 2003 personnel expenses added up to €161.7 million (up from €127.1 million). Sales per capita (rounded) climbed 14.5 percent to €136,300 (up from €119,100). Personnel expenses per capita came to €36,400, greatly exceeding the corresponding prior-year €30,700, basically due to the changed personnel structure in the wake of the divestment of the VAE Group. Whereas the VAE Group 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.

The ratio of payroll to value added was reduced from 71.7 percent in the first 9 months of 2002 to 67.6 percent in 3Q/2003. This clear improvement was attributable firstly to increased productivity in the subsidiaries acquired in 2002 compared with the companies sold and, secondly, to much higher productivity especially in locomotive production compared with the preceding year.

Group workforce trend and personnel expenses



Prospects

For 2003 as a whole, we are expecting Group sales of €890 million, with EBIT reaching €97 million. The outlook therefore confirms our forecast for the current fiscal year, which was revised upwards in Q2.

Group sales will thus exceed the year-earlier €744.5 million by almost 20 percent, with the EBIT anticipated for 2003 set to surpass the preceding year's €78.4 million by some 24 percent.

At €53.5 million, Group earnings will even outstrip the high 2002 level of €52.4 million.

ROCE is set to increase to a good 15 percent (up from 13.3 percent).

For the current fiscal year, the Rail Infrastructure division is predicting sales of €494 million and an EBIT mounting to €75+ million. Despite reduced sales compared with the preceding year's €511.8 million, the budgeted EBIT will be almost €5 million above the previous year's €70.0 million.

The Motive Power division will generate sales of €330.6 million in 2003, thus greatly exceeding the year-earlier €194.5 million. This also applies to EBIT, expected to total about €16 million (up from €4.8 million).

The Information Technologies division is forecasting its sales to reach €64 million in 2003, easily above the €37.9 million generated in fiscal 2002, with its EBIT climbing from €2.8 million in 2002 to €6.5 million in 2003.

Interim financial statements as of September 30, 2003

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

Consolidated income statement

for the nine months ended September 30, 2003

	3Q ended Sep. 30,		Q3 ended Sep. 30,	
	2003 € mill.	**2002 € mill.**	**2003 € mill.**	**2002 € mill.**
Net sales	605.9	492.4	238.3	187.4
Cost of goods sold	(472.0)	(389.6)	(186.8)	(147.8)
General administrative and selling expenses	(72.2)	(59.8)	(24.8)	(19.8)
R&D expenses	(5.1)	(4.7)	(1.7)	(1.3)
Operating result	**56.6**	**38.3**	**25.0**	**18.5**
Nonoperating income	17.0	9.9	(0.2)	7.8
Income from investments	0.5	1.7	(0.1)	1.4
Earnings before interest and taxes (EBIT)	**74.1**	**49.9**	**24.7**	**27.7**
Net interest expense	(9.8)	(9.9)	(3.6)	(4.2)
Earnings before taxes (EBT)	**64.3**	**40.0**	**21.1**	**23.5**
Income taxes	(19.1)	0.5	(7.7)	5.7
Earnings before minority interests/net income (continued operations)	**45.2**	**40.5**	**13.4**	**29.2**
Minority interests	(0.9)	(7.0)	(0.4)	(2.9)
Earnings from discontinued operations				
EBT	–	5.4	–	(1.3)
Income taxes	–	–	–	0.8
	–	5.4	–	(0.5)
Group earnings	**44.3**	**38.9**	**13.0**	**25.8**
Earnings per share (EpS)*	**€**	**€**	**€**	**€**
Earnings from continued operations	3.13	2.46	0.90	1.93
Earnings from discontinued operations	–	0.40	–	(0.03)
Basic EpS	3.13	2.86	0.90	1.90

* During the first 3 quarters (3Q) of 2003 and 2002, an average 14,132,823 and 13,618,809 no-par shares of stock, respectively, were issued and outstanding.

For 3Q/2002 and Q3/2002, 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 nine months ended September 30, 2003

	3Q/2003 € mill.		3Q/2002 € mill.	
Cash outflow/inflow from operating activities				
Group earnings	44.3		38.9	
Earnings from discontinued operations	–		(5.4)	
Earnings from continued operations		44.3		33.5
Adjustments to reconcile Group earnings with cash outflow/inflow from operating activities				
Minority interests in net income	0.9		7.0	
Amortization/depreciation/write-down	17.9		14.1	
Change in deferred taxes	(2.7)		(8.0)	
Book gains/losses (netted) from the disposal of fixed assets	(20.9)		(29.5)	
Undistributed profits of subsidiaries	(0.5)		(0.6)	
Change in deferred income	5.1		(0.1)	
Change in receivables	(8.3)		11.3	
Change in inventories	(67.6)		(25.6)	
Change in prepaid expenses & deferred charges	(2.3)		(1.4)	
Change in liabilities and accruals	16.7		56.9	
Total adjustments		(61.7)		24.1
Net cash (used in)/provided by operating activities		(17.4)		57.6
Cash inflow/outflow from investing activities				
Cash inflow from the disposal of intangible assets and property, plant & equipment	1.8		1.1	
Cash inflow from the disposal of financial assets	4.7		8.1	
Cash outflow for intangible assets and property, plant & equipment	(14.2)		(18.5)	
Cash outflow for financial assets (plus cash & cash equivalents from investees acquired)	(5.6)		(277.4)	
Cash inflow from the disposal of investments (less cash & cash equivalents of investees disposed of)	49.0		40.7	
Net cash provided by/(used in) investing activities		35.7		(246.0)
Cash outflow/inflow from financing activities				
Cash inflow from capital increases	2.3		–	
Net borrowings through note-based finance	2.3		–	
Net finance from short-term credits	(20.1)		(0.5)	
Net finance from medium- and long-term loans	(14.2)		43.1	
Change in treasury stock	18.9		(6.4)	
Cash dividend payments	(17.2)		(10.1)	
Change in minority interests due to dividend payout	(0.5)		(4.3)	
Net cash (used in)/provided by financing activities		(28.5)		21.8
Net outflow of cash & cash equivalents (continued operations)		(10.2)		(166.6)
Net inflow of cash & cash equivalents from discontinued operations		–		152.3
Cash inflow from initial consolidation		0.3		–
Cash & cash equivalents at beginning of period		38.6		45.2
Cash & cash equivalents at end of period		28.7		30.9

Consolidated balance sheet

Assets

	9/30/2003 € mill.	12/31/2002 € mill.	9/30/2002* € mill.
Total current assets	**584.3**	**513.6**	**483.3**
Cash & cash equivalents	28.7	38.6	30.9
Trade receivables	235.4	243.3	193.1
Due from subsidiaries and investees	1.6	1.9	2.3
Inventories	256.5	188.4	188.0
Sundry current assets	62.1	41.4	69.0
Total noncurrent assets	**401.4**	**433.6**	**387.0**
Financial assets	10.2	47.9	52.7
Shares in unconsolidated subsidiaries	1.0	7.1	9.1
Other investments and long-term securities	6.9	35.6	38.4
Long-term loans	2.3	5.2	5.2
Property, plant & equipment	90.4	89.7	74.7
Intangible assets	281.5	276.9	252.4
Total fixed assets	382.1	414.5	379.8
Sundry noncurrent assets	19.3	19.1	7.2
	985.7	**947.2**	**870.3**

* To ensure like-for-like comparability, the balance sheet as of 9/30/2002 includes the Cogifer Group acquired as of October 1, 2002.

Equity & liabilities

	9/30/2003 € mill.	12/31/2002 € mill.	9/30/2002* € mill.
Total liabilities and accruals	**700.1**	**708.6**	**649.7**
Current liabilities and accruals	**474.7**	**468.9**	**413.3**
Trade payables	70.0	85.5	86.8
Due to unconsolidated subsidiaries and investees	3.0	2.6	1.5
Sundry current liabilities	335.1	328.2	261.1
Current accruals	66.6	52.6	63.9
Noncurrent liabilities and accruals	**225.4**	**239.7**	**236.4**
Financial debts	126.5	140.7	136.0
Pension accruals and similar obligations	19.3	18.5	14.5
Sundry noncurrent liabilities	54.5	53.3	72.1
Sundry noncurrent accruals	25.1	27 .2	13.8
Group equity	**285.6**	**238.6**	**220.6**
Capital stock	37.1	36.8	36.8
Additional paid-in capital	36.0	29.5	29.5
Treasury stock	(1.1)	(15.5)	(19.6)
Reserves retained from earnings	170.1	135.0	135.0
Undistributed Group profit	0.0	0.3	0.3
Group earnings	44.3	52.4	38.9
Accumulated other comprehensive income	(5.4)	(4.5)	(4.8)
Minority interests	4.6	4.6	4.5
	985.7	**947.2**	**870.3**

Statement of changes in equity

Equity analysis		Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted Group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 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
Purchase/sale of treasury stock	€ mill.			(6.4)						(6.4)
Dividends distributed	€ mill.					(10.1)			(4.3)	(14.4)
Transfer to reserves retained from earnings	€ mill.				7.0	(7.0)				0.0
Net income for 3Q/2002	€ mill.						38.9		7.0	
Accumulated other comprehensive income (OCI)	€ mill.							0.5	(1.8)	
Comprehensive income	€ mill.						38.9	0.5		39.4
Minority interests	€ mill.								5.2	5.2
Changes through initial consolidation or deconsolidation*	€ mill.								(115.1)	(115.1)
Balance at 9/30/2002	**€ mill.**	**36.8**	**29.5**	**(19.6)**	**135.0**	**0.3**	**38.9**	**(4.8)**	**4.5**	**220.6**
Change through initial consolidation	€ mill.								(0.1)	(0.1)
Sale of treasury stock	€ mill.			4.1						4.1
Net income for Q4/2002	€ mill.						13.5		0.3	
Accumulated OCI	€ mill.							0.3	(0.1)	
Comprehensive income	€ mill.						13.5	0.3		13.8
Minority interests	€ mill.								0.2	0.2
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	Mio.€		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 3Q/2003	€ mill.						44.3		0.9	
Accumulated OCI	€ mill.							(0.9)	(0.4)	
Comprehensive income	€ mill.						44.3	(0.9)		43.4
Minority interests	€ mill.								0.5	0.5
Balance at 9/30/2003	**€ mill.**	**37.1**	**36.0**	**(1.1)**	**170.1**	**0.0**	**44.3**	**(5.4)**	**4.6**	**285.6**

* To ensure like-for-like comparability, this line reflects €4.5 million from the initial consolidation of the Cogifer Group already as of 9/30/2002 although it had only been acquired as of October 1, 2002.

Explanatory notes

(1) Introduction

The consolidated interim financial statements as of September 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, four subsidiaries have been added to the consolidation group, an additional three companies being fully consolidated, viz. Vossloh Skamo Sp. z o.o., Poland; Siema Applications SAS, France; and Vossloh Infrastructure Services Ltd., UK. Therefore, the consolidated financial statements include 42 fully consolidated subsidiaries, one company stated at equity, and 25 companies and joint ventures pro rata.

Due to their minor significance to the Group's net assets, financial position and results of operations, 16 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 September 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 and September 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 September 30, 2002, viz. 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 September 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 2002, in line with FAS 144. The EBT of €5.4 million from discontinued operations originated from the Lighting operations, shed as of July 31, 2002.

Explanatory notes

According to FAS 144, the effects of shed Lighting's cash flow on the consolidated statement of cash flows for fiscal 2002 were eliminated and disclosed in a separate line, *net inflow of cash & cash equivalents from discontinued operations*. In 2002, this net inflow amounted to €152.0 million, including the cash provided by the purchase price payment and the repayment of intercompany liabilities taken over by the acquirer. The Group earnings proratable to Lighting *(EBT from discontinued operations)* are also accounted for as net inflow of cash & cash equivalents from discontinued operations.

With a view to ensuring comparability of the balance sheet as of September 30, 2002, with the other closing dates, the Cogifer Group—though added with effect as of October 1, 2002, only—has already been included at the initial-consolidation values in the balance sheet as of September 30, 2002. The income statement information is presented unchanged.

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		3Q/2003	3Q/2002	Q3/2003	Q3/2002
Earnings before minority interests/net income*	€ mill.	45.2	40.5	13.4	29.2
EpS before minority interests*	€	3.20	2.97	0.92	2.14
Group earnings	€ mill.	44.3	38.9	13.0	25.8
EpS	€	3.13	2.86	0.90	1.90
Weighted average number of shares		14,132,823	13,618,809	14,438,449	13,537,651

* and before discontinued Lighting operations

The adjusted 9-month EpS for 2003 and 2002 amounts to €3.11 and €2.86, respectively.

(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.

Explanatory notes

Segment information		Rail Infra-structure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
3Q/2003	€ mill.	372.1	193.4	41.2	(1.1)	605.6	0.3	605.9
3Q/2002	€ mill.	375.5	95.2	21.1	(0.1)	491.7	0.7	492.4
Q3/2003	€ mill.	131.5	89.2	17.9	(0.4)	238.2	0.1	238.3
Q3/2002	€ mill.	142.2	36.6	8.3	(0.1)	187.0	0.4	187.4
Amortization/depreciation/write-down								
3Q/2003	€ mill.	9.2	3.5	0.9	0.1	13.7	0.6	14.3
3Q/2002	€ mill.	10.5	2.1	0.9	0.0	13.5	0.6	14.1
Q3/2003	€ mill.	3.0	1.2	0.3	0.1	4.6	0.2	4.8
Q3/2002	€ mill.	3.5	0.8	0.4	0.0	4.7	0.1	4.8
Net interest result								
3Q/2003	€ mill.	(7.3)	(3.3)	(0.4)	(5.9)	(16.9)	7.1	(9.8)
3Q/2002	€ mill.	(3.5)	(3.6)	0.2	(0.1)	(7.0)	(2.9)	(9.9)
Q3/2003	€ mill.	(2.1)	(1.2)	(0.1)	(2.1)	(5.5)	1.9	(3.6)
Q3/2002	€ mill.	(1.2)	(1.0)	0.1	(0.1)	(2.2)	(2.0)	(4.2)
EBIT								
3Q/2003	€ mill.	67.4	0.8	2.7	(1.6)	69.3	4.8	74.1
3Q/2002[1]	€ mill.	50.4	(8.0)	0.5	0.1	43.0	6.9	49.9
Q3/2003	€ mill.	25.2	2.9	0.7	(0.8)	28.0	(3.3)	24.7
Q3/2002[1]	€ mill.	17.9	(0.2)	(0.1)	0.0	17.6	10.1	27.7
EBT								
3Q/2003	€ mill.	60.1	(2.5)	2.3	(7.5)	52.4	11.9	64.3
3Q/2002[1]	€ mill.	46.9	(11.6)	0.7	0.0	36.0	4.0	40.0
Q3/2003	€ mill.	23.1	1.7	0.6	(2.9)	22.5	(1.4)	21.1
Q3/2002[1]	€ mill.	16.7	(1.2)	0.0	(0.1)	15.4	8.1	23.5
Net earnings/(deficit)[2]								
3Q/2003	€ mill.	35.9	(1.4)	1,3	(4.5)	31.3	13.0	44.3
3Q/2002	€ mill.	22.4	(8.5)	0,4	0.1	14.4	24.5	38.9
Q3/2003	€ mill.	14.1	1.2	0,3	(1.8)	13.8	(0.8)	13.0
Q3/2002	€ mill.	5.4	(0.7)	–0,1	2.1	6.7	19.1	25.8
Capital expenditures (PP&E)								
3Q/2003	€ mill.	9.6	3.3	0,8	0.0	13.7	0.5	14.2
3Q/2002	€ mill.	13.2	3.9	1,2	0.0	18.3	0.2	18.5
Q3/2003	€ mill.	1.6	1.7	0,3	0.0	3.6	0.3	3.9
Q3/2002	€ mill.	2.2	1.9	0,2	0.0	4.3	0.1	4.4
Capital employed								
9/30/2003	€ mill.	419.4	160.8	17,2	243.5	840.9	(226.4)	614.5
12/31/2002	€ mill.	415.4	110.6	12,8	244.7	783.5	(193.5)	590.0
Total assets								
9/30/2003	€ mill.	589.1	344.1	51,4	258.1	1,242.7	(257.0)	985.7
12/31/2002	€ mill.	577.4	281.7	58,3	250.3	1,167.7	(220.5)	947.2
3-quarter average headcount								
3Q/2003		2,968	1,177	270	0	4,415	29	4,444
3Q/2002		3,221	637	252	0	4,110	23	4,133

[1] In the 3Q and Q3 income statements for 2002, Lighting's earnings were shown according to FAS 144 below net income as earnings from discontinued operations.

[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
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel
	Peter Langenbach, lawyer, Wuppertal
	Dr. Anselm Raddatz, lawyer, Düsseldorf

Financial diary 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 (9/30/2003):	14,491,629
Stock price (9/30/2003):	€36.36
3Q/2003 high/low:	€38.89 / €23.75
Reuters code:	VOSG.F
Bloomberg code:	VOS GF

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