Interim report as of September 30, 2004

The Vossloh Group at a glance

Group			
		3Q/2004	3Q/2003
Income statement data			
Net sales	€ mill.	642.7	634.5
thereof Rail Infrastructure	€ mill.	372.0	372.0
Motive Power	€ mill.	227.9	224.1
Information Technologies	€ mill.	42.6	39.3
EBIT[2]	€ mill.	67.5	72.1
Net interest expense	€ mill.	(11.1)	(9.3)
EBT[2]	€ mill.	56.4	62.8
Group earnings (total)	€ mill.	37.5	43.3
Earnings per share (EpS)	€	2.57	3.06
EBIT margin	%	10.5	11.4
Pretax return on equity (ROE)	%	23.8	29.6
Return on capital employed (ROCE)	%	13.3	15.8
Balance sheet data			
Fixed assets	€ mill.	373.6	374.9
capital expenditures	€ mill.	19.8	16.9
amortization/depreciation[1]	€ mill.	18.5	16.7
Working capital	€ mill.	303.4	232.3
Working capital ratio	%	35.4	27.5
Capital employed	€ mill.	677.0	607.2
Total equity	€ mill.	316.0	283.0
thereof minority interests	€ mill.	5.4	4.7
Net financial debt	€ mill.	236.0	205.6
Net leverage	%	74.7	72.7
Total assets	€ mill.	999.1	916.8
Equity ratio	%	31.6	30.9
Cash flow statement data			
Cash flow from operating activities	€ mill.	(29.6)	(12.8)
Cash flow from investing activities	€ mill.	(11.0)	33.1
Cash flow from financing activities	€ mill.	105.7	(28.5)
Change in cash & cash equivalents	€ mill.	65.1	(7.9)
Workforce			
Three-quarter (3Q) average headcount		4,311	4,444
thereof Rail Infrastructure		2,820	2,968
Motive Power		1,179	1,177
Information Technologies		279	270
Vossloh AG		33	29
Payroll-to-added value ratio	%	69.8	68.3
Personnel expenses	€ mill.	162.9	161.7
Share data			
Stock price at September 30	€	31.45	36.36
Market capitalization at September 30	€ mill.	459.3	526.9

[1] Excluding financial assets

[2] The 3Q/2003 EBIT and EBT include a net €14.5 million from tax-free gains from the disposal of the VAE stake less provisions for risks

The income statement data refers to the 9 months ended September 30, balance sheet data being stated as of September 30. Where required, ratios have been annualized.

The Vossloh Group structure

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

Rail Infrastructure

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

Motive Power

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

Information Technologies

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

Dear Stockholders:

There was no overlooking the headlines appearing mid-October 2004, their general tenor being "Crumbling order intake for the rail industry—job losses continuing." Germany's rail industry association reckons that during the first half of 2004 order influx subsided by 34 percent compared with H1/2003 and that of the industry's good 40,000 jobs, a total 1,800 would be lost. "What we had regarded as stagnation has proven to be far more dramatic," emphasized the association. Given these factors, the figures that we are submitting in this interim report for the period ended September 30, 2004, may be appreciated all the more highly.

Naturally we, too, are affected if the key state and municipal authorities responsible for awarding rail industry contracts decide to cut back or stretch out their budgeted expenditures. Nonetheless, thanks to its robust internationalization, Vossloh is increasingly in a position, despite declining sales in certain markets, to gain additional business elsewhere and thus create some kind of balance.

After all, only in this way can we account for the fact that in the first nine months of the present fiscal year we have even managed to slightly raise sales over the year-earlier period—in spite of the general rail industry trend mentioned. At the same time we are confident of achieving the overall earnings targeted for 2004, meaning a remarkable improvement in EBIT of around 5 percent despite no one-off gains to report this year. This encouraging prediction is above all the outcome of a much more favorable product mix along with added cost savings, enabling us to respond swiftly and flexibly to shrinking submarkets.

Sadly, the stock market has failed to appreciate this. On the contrary, ongoing distress signals regarding expenditures not only sent out by German Rail, have doubtlessly afflicted Vossloh stock prices, too. Nonetheless, we trust that prices will recover since nothing has changed regarding the fundamental conviction that the rail industry is a growth market both in Europe and worldwide.

This applies in particular to Central and Eastern Europe as endorsed by the study commissioned by Vossloh and presented on September 20, 2004, on the occasion of the Worldwide Rail Market conference opened in Berlin by Chancellor Gerhard Schröder. With a view to generating fresh market momentum, Vossloh not only examined the markets, it also looked into the possibilities of promoting investments through public-private partnerships. Such projects could help close the gap between transport needs and the available resources. The next step would be to enact together with local partners the financing models worked out.

In a nutshell: Vossloh is on track. As part of our earnings-driven growth we are continuing to explore takeover options. Mid-September 2004 we had briefed you on the negotiations with the Alstom Group regarding the purchase of its Valencia-based diesel locomotive plant in Spain. We expect an agreement to this effect to be signed within short. Alstom Valencia develops and builds diesel-electric locomotives for passenger and freight haulage as well as shunting functions. Its sales in 2003/04 were around €90 million. Indeed, this acquisition would be a strategically important addition to the diesel-hydraulic locomotive lineup at Kiel. By enhancing our product ranges through further acquisitions and/or stakes we are confident of sowing the seeds for an ongoing successful future for our group.

Vossloh AG
CEO

Burkhard Schuchmann

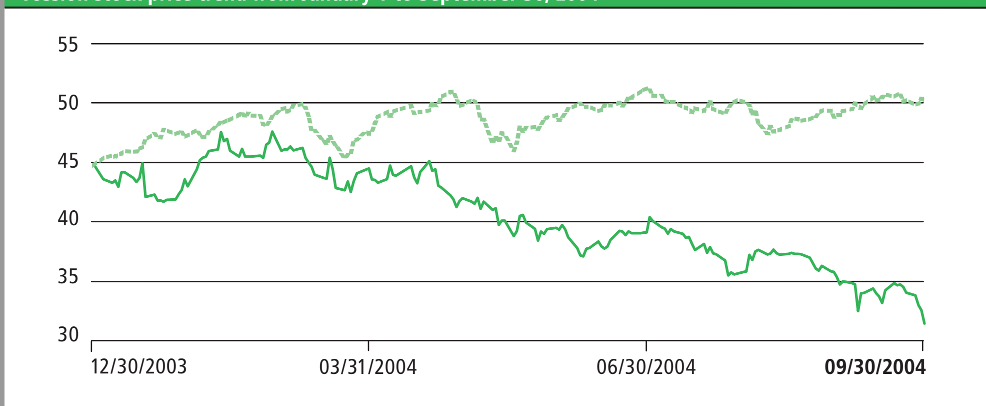
The MDAX, Germany's stock market index for mid-caps including Vossloh, failed to continue into Q3/2004 its H1 upturn, instead adopting a sideward trend triggered by the sharp oil price increase which, in turn, had a retarding impact on the economy. At September 30, 2004, the MDAX closed at 5,014, up 12.2 percent over January 1.

During these nine months Vossloh stock failed to keep pace with the market as such and, again in Q3, was unable to buck the downswing that had set in during February 2004. Profit-taking and the growing uncertainty as to present and future spending patterns on the part of some state-owned Western European railways dented Vossloh share prices which at €30.92 reached their Q3/3Q nadir and closed the quarter at €31.45 (XETRA). When related to the earnings predicted for 2004, the closing price converts into a PER of 8.1.

Compared to 3Q/2003, the volume of Vossloh shares traded climbed 12 percent to 7.2 million, the daily average advancing from 35,000 in 2003 to 37,000. More than 80 percent of the total was traded through the XETRA electronic system.

At the start of October 2004, HSBC Trinkaus & Burkhardt included Vossloh among its researched stock whose fair price it presently sees at €35 and recommends "add." The upward potentials assessed by other financial analysts currently range between €33 and €53. An updated survey of analyst opinions and other information on Vossloh stock is downloadable at www.vossloh.com

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



Vossloh stock price in €
MDAX (rebased)

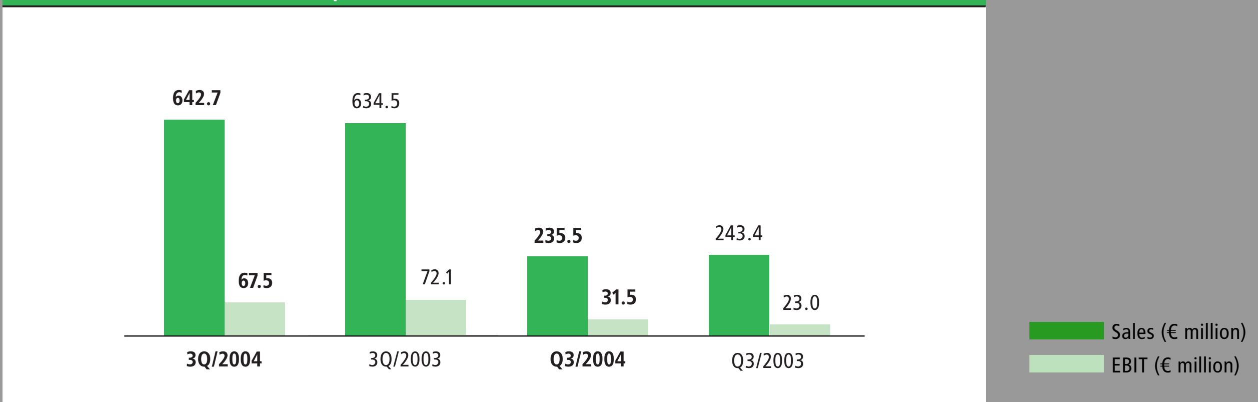
In the first nine months (3Q) of 2004, the Vossloh Group generated net sales of €642.7 million, slightly up from the year-earlier €634.5 million. Contributors to the sales increase were Vossloh Switch Systems, Vossloh Locomotives, and Vossloh Information Technologies. The Group's 3Q EBIT of €67.5 million compares with €72.1 million a year ago. The 3Q/2003 EBIT was, however, inflated by €14.5 million being the net balance of (i) tax-free gains from the disposal of the VAE stake and (ii) provisions for risks. Adjusted for these one-off factors, the 9-month EBIT 2004 rose by €9.9 million or 17.2 percent in a year-on-year comparison. The analogously adjusted EBIT margin climbed from 9.1 to 10.5 percent in the same period. The decrease in group earnings from €43.3 million to €37.5 million, too, is solely attributable to the one-time gains posted a year ago.

Vossloh Group

		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Net sales	€ mill.	642.7	634.5	235.5	243.4
EBITDA	€ mill.	86.0	88.8	37.8	28.7
EBIT	€ mill.	67.5	72.1	31.5	23.0
EBIT margin	%	10.5	11.4	13.4	9.4
EBT	€ mill.	56.4	62.8	26.4	19.9
Group earnings	€ mill.	37.5	43.3	18.2	12.2

Three-quarter EpS in 2004 came to €2.57 (down from €3.06).

Sales and EBIT of the Vossloh Group



Europe continues to be the Vossloh Group's focal market, accounting for around 90 percent of the entire Group's sales in both 2004 and 2003. In Germany and other Euroland, sales did fall short of the year-earlier level but the expansion elsewhere in Europe outcompensated this shortfall.

Sales by region

		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Germany	€ mill.	200.1	223.2	69.3	93.7
Other Euroland	€ mill.	252.0	285.4	92.1	96.0
Other Europe	€ mill.	141.0	63.3	58.7	24.8
Total Europe	**€ mill.**	**593.1**	**571.9**	**220.1**	**214.5**
North America	€ mill.	12.9	6.0	5.6	3.2
Latin America	€ mill.	0.1	0.0	0.0	0.0
Total Americas	**€ mill.**	**13.0**	**6.0**	**5.6**	**3.2**
Asia	**€ mill.**	**24.2**	**32.9**	**6.6**	**12.4**
Other regions	**€ mill.**	**12.4**	**23.7**	**3.2**	**13.3**
Total	**€ mill.**	**642.7**	**634.5**	**235.5**	**243.4**

After receiving another €50 million approximately in the 3rd quarter (Q3) 2004, meantime all funds borrowed under the US private placement agreement have been disbursed to Vossloh. The Vossloh Group thus collected a total $240 million (equivalent to around €200 million) in debt. The $140 million and $100 million portions have a bullet maturity after a term of 10 and 12 years, respectively. The principal and interest payments have entirely been hedged on a euro basis through an interest rate and currency swap, thereby ensuring that both portions carry interest at fixed euro rates. On the one hand, this fresh debt was used to repay short-term liabilities to banks and, on the other, it will secure the funding of future acquisition projects.

Including the US private placement, financial debt increased from €209.0 million as of December 31, 2003, to €325.3 million, as well as cash and cash equivalents from €24.1 million to €89.2 million, lifting total assets to €999.1 million as of September 30, 2004 (up from €877.8 million at year-end 2003).

Net financial debt grew from €183.1 million at December 31, 2003, to €236.0 million now, largely due to funding a substantially higher working capital.

Vossloh Group				
		09/30/2004	12/31/2003	09/30/2003
Total assets	€ mill.	999.1	877.8	916.8
Total equity	€ mill.	316.0	297.6	283.0
Equity ratio	%	31.6	33.9	30.9
Working capital	€ mill.	303.4	242.7	232.3
Working capital ratio[1]	%	35.4	26.6	27.5
Capital employed	€ mill.	677.0	620.4	607.2
ROCE[1]	%	13.3	16.3	15.8
ROE[1]	%	23.8	29.0	29.6
Net financial debt	€ mill.	236.0	183.1	205.6
Net leverage	%	74.7	61.5	72.7

[1] annualized

Due to the higher equity ratio, up from 30.9 percent at September 30, 2003, to 31.6 percent a year later, end-September net leverage (i.e., the ratio of net financial debt to total equity) inched up in a year-on-year comparison by a mere two percentage points, from 72.7 percent in 2003 to now 74.7.

The working capital rose from €242.7 million at year-end 2003 to now €303.4 million due to accelerated production within the Locomotives business unit and to receding prepayments received.

The higher working capital almost analogously raised capital employed, which was definitely up from the levels as of September 30, 2003 (€607.2 million), and December 31, 2003 (€620.4 million), to €677.0 at Q3-end. Annualized 3Q ROCE (EBIT returned on capital employed) edged down from 15.8 percent at 3Q-end 2003 to 13.3 percent for the period under review. Using a like-for-like EBIT (adjusted for the prior year's one-off gains), however, would mean an 0.6 percentage points higher ROCE.

At €954.0 million, the Vossloh Group's order backlog as of September 30, 2004, was 2.9 percent above the year-earlier level of €927.2 million.

At €372.0 million, Rail Infrastructure 9-month sales matched the year-earlier volume while EBIT at €66.4 million fell just short of the 3Q/2003 €67.5 million. The same applies to the EBIT margin which at 17.9 percent slipped a slight 0.2 percentage points from the year-earlier figure.

Rail Infrastructure		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Net sales	€ mill.	372.0	372.0	133.3	131.9
EBITDA	€ mill.	75.6	75.7	29.4	28.2
EBIT	€ mill.	66.4	67.5	26.4	25.4
EBIT margin	%	17.9	18.1	19.8	19.2

Fastening Systems generated 3Q sales of €113.6 million, which though below the very high 3Q/2003 level of €117.1 million did clearly top budget. Contributory factors were, besides unexpectedly robust domestic business, substantial revenues generated in the Netherlands, Greece, and Turkey.

At €156.9 million, sales by Switch Systems rose some 10 percent over the comparable year-earlier €143.1 million, and included projects on behalf of the French, Portuguese and British state railways as well as the delivery of switch systems for metros and trams in France, Chile, and Venezuela. Major items on the Q3 order intake books comprised switch systems for high-speed lines in Italy, for the French state rail SNCF and various tram and metro lines, especially in France.

Infrastructure Services 3-quarter sales added up to €108.3 million (down from €119.7 million), the shortfall still reflecting delays in major tram projects in France and Italy. In the course of Q3, the business unit again booked contracts for constructing tram lines in France including an extensive such project for Strasbourg.

Working capital climbed from €132.7 million at December 31, 2003, to €156,4 million, chiefly due to the advance in trade receivables and inventories at Switch Systems. Rail Infrastructure's ROCE again reached around 20 percent despite the higher working capital.

Rail Infrastructure		09/30/2004	12/31/2003	09/30/2003
Working capital	€ mill.	156.4	132.7	127.0
Working capital ratio[1]	%	31.5	25.7	25.6
Fixed assets	€ mill.	288.2	285.7	282.7
Capital employed	€ mill.	444.5	418.4	409.6
ROCE[1]	%	19.9	20.0	22.0

[1] annualized

At €227.9 million, Motive Power sales were just slightly up over the year-earlier €224.1 million.

The division's EBIT of €7.4 million was a sharp improvement over the 3Q/2003 negative €0.9 million, with the EBIT margin showing a commensurate sharp turnaround from a red 0.4 percent to a black 3.2 percent.

Motive Power					
		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Net sales	€ mill.	227.9	224.1	86.6	97.2
EBITDA	€ mill.	14.8	5.6	9.3	3.8
EBIT	€ mill.	7.4	(0.9)	6.6	1.5
EBIT margin	%	3.2	(0.4)	7.6	1.5

Nine-month sales by the Vossloh Locomotives business unit totaled €166.4 million. Despite a 7.5-percent surge in revenues compared with 3Q/2003, business fell short of expectations. The same is true of order intake, which was again affected by contract postponements on the part of European state railways, delays in the introduction of Germany's truck toll system and the associated uncertainty for rail operators.

Sales by Electrical Systems again suffered from the loss of a megacontract due to engineering problems encountered by the vehicle builder. At €58.6 million, 3Q sales were 12.0 percent short of the year-earlier €66.6 million. Major projects reflected in sales during the current year were deliveries of electrical equipment for the Cologne, Bonn, Düsseldorf and Bremen trams plus the shipment of the last of the electrical systems for the trolleybuses of the Athens municipality. 3Q order intake and order backlog are both up over the prior-year levels. Among the orders on hand are the electrical equipment on 188 low-floor articulated trolleybuses for Vancouver, Canada, and the electrical equipment for 30 low-floor articulated trolleybuses and ten low-floor double-articulated trolleybuses for Geneva.

Due to an increase in work in process and declining customer prepayments, Motive Power's working capital rose from €100.2 million at December 31, 2003, to €135.0 million at September 30, 2004. Annualized ROCE at 5.0 percent was well above the red 0.7 percent a year ago.

Motive Power				
		09/30/2004	12/31/2003	09/30/2003
Working capital	€ mill.	135.0	100.2	100.8
Working capital ratio[1]	%	44.4	29.8	33.7
Fixed assets	€ mill.	60.0	62.7	62.9
Capital employed	€ mill.	195.0	162.9	163.7
ROCE[1]	%	5.0	9.4	(0.7)

[1] annualized

Sales by Information Technologies reached €42.6 million, some 8 percent higher than the 3Q/2003 €39.3 million.

Information Technologies					
		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Net sales	€ mill.	42.6	39.3	15.6	14.7
EBITDA	€ mill.	3.4	3.6	1.6	1.0
EBIT	€ mill.	2.4	2.7	1.3	0.7
EBIT margin	%	5.6	6.9	8.3	4.8

As in the preceding quarters, the biggest contribution to sales revenues came from the UIC Zugbus project, under which German Rail's passenger cars are presently being fitted with state-of-the-art passenger information systems. Order intake was again slowed down by this customer's spending stop, although a number of postponed projects are expected to materialize in the course of Q4 of this year. The lower EBIT of €2.4 million (down from €2.7 million) is chiefly the result of billing delays.

At €14.3 million, working capital increased significantly due to lower customer prepayments while the commensurate rise in capital employed was mainly the reason for ROCE sliding from 19.7 percent at September 30, 2003, to 11.4 percent at the close of Q3/2004.

Information Technologies				
		09/30/2004	12/31/2003	09/30/2003
Working capital	€ mill.	14.3	10.9	5.3
Working capital ratio[1]	%	25.1	17.8	10.0
Fixed assets	€ mill.	13.8	13.0	13.0
Capital employed	€ mill.	28.1	23.9	18.2
ROCE[1]	%	11.4	24.6	19.7

[1] annualized

Capital expenditures

The Vossloh Group's 9-month capital expenditures totaled €19.8 million in 2004 (up from €16.9 million).

Additions to tangible assets		3Q/2004	3Q/2003	Q3/2004	Q3/2003
Rail Infrastructure	€ mill.	10.9	10.1	3.7	1.7
Motive Power	€ mill.	7.1	5.6	2.1	2.8
Information Technologies	€ mill.	1.0	0.8	0.5	0.3
Vossloh AG	€ mill.	0.8	0.4	0.7	0.3
Total	**€ mill.**	19.8	**16.9**	**7.0**	**5.1**

Capital outlays by Rail Infrastructure focused on the Infrastructure Services (€5.7 million) and Switch Systems (€4.0 million) business units. Alongside some €3 million replacement expenditures, another €4.6 million was spent on capacity expansions, the most costly single item (€1.0 million) being new equipment for the overhead conductor project at Vossloh Infrastructure Services, Luxembourg.

In the Motive Power division, €5.3 million was spent by Vossloh Locomotives and €1.7 million by Vossloh Electrical Systems. Whereas the outlays of Vossloh Locomotives represented almost exclusively capitalized development costs, expenditures by Vossloh Electrical Systems included the purchase of land at its Vienna location for the construction of a new factory and office building.

Research & development

Nine-month R&D expenses in 2004 totaled €6.3 million (up from €5.1 million).

Vossloh Electrical Systems accounted for some 50 percent, major items being the testing of alternative energy storage systems and drive concepts as well as the development of a drive converter for future urban transit systems.

At InnoTrans, the world's biggest rail trade fair, Vossloh Fastening Systems presented for the first time to the general public its new generation of rail fasteners for concrete cross-ties. Developed as a joint project between the Vossloh Fastening Systems and Vossloh Switch Systems business units was a device for recording track data. Rail Infrastructures' R&D costs added up to €1.6 million (up from €1.5 million).

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

Workforce

As of September 30, 2004, the Vossloh Group employed a workforce of 4,310, up by 15 compared with December 31, 2003.

Headcount at	09/30/2004	12/31/2003	09/30/2003
Rail Infrastructure	2,823	2,824	2,931
Motive Power	1,171	1,169	1,177
Information Technologies	283	271	271
Vossloh AG	33	31	30
Total	**4,310**	**4,295**	**4,409**

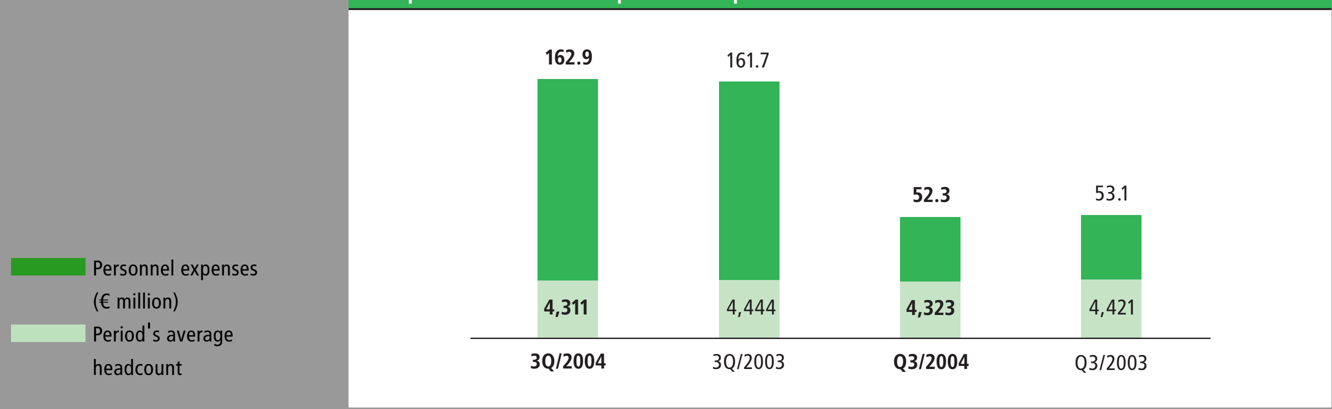
Versus September 30, 2003, workforce numbers were down by 99 and the 3Q average declined from 4,444 to 4,311, mainly due to last year's disposal of marginal Rail Infrastructure businesses.

At September 30, 2004, the Group's German operations employed 69 apprentices.

Three-quarter personnel expenses within the Group inched up 0.7 percent, from €161.7 million a year ago to €162.9 million in 2004. Personnel expenses per capita (rounded) rose 3.8 percent from €36,400 to €37,800, mainly on account of collectively negotiated pay hikes, while 3Q sales per capita (rounded) advanced 4.4 percent from €142,800 to €149,100.

The ratio of payroll to value added mounted from 68.3 percent in 3Q/2003 to 69.8 percent in 3Q/2004. The prior-year value added had included a net one-off gain of €14.5 million; excluding this, the 3Q/2004 ratio was down 2.9 percentage points.

Group workforce trend and personnel expenses



Despite the present spending reluctance on the part of a number of state and municipal customers of key significance to the rail industry, business so far has proven satisfactory and we are confident of achieving our targeted earnings. For all of 2004, we continue to predict sales to total €920 million.

Annual EBIT is still forecasted at €106 million and would hence, despite the absence in 2004 of any one-off gains, improve by a remarkable 5 percent.

Group earnings for 2004 should reach €56.9 million.

This performance is equivalent to earnings of €3.90 per share. At around 16 percent, ROCE should once more top the Group's 15-percent benchmark.

Interim financial statements as of September 30, 2004

Consolidated income statement
for the nine months ended September 30, 2004

€ million	3Q/2004	3Q/2003	Q3/2004	Q3/2003
Net sales	642.7	634.5	235.5	243.4
Cost of sales	(504.3)	(506.5)	(179.7)	(193.4)
General administrative and selling expenses	(79.1)	(75.3)	(28.0)	(27.1)
R&D expenses	(6.3)	(5.1)	(2.0)	(1.7)
Other operating income/expenses, net	12.1	24.4	3.7	2.1
Operating result	**65.1**	**72.0**	**29.5**	**23.3**
Income from investments in associated affiliates	0.9	0.5	0.3	0.1
Other investment income	0.1	3.1	0.1	3.1
Income from securities and financial assets	0.0	0.1	0.0	0.1
Other financial results	1.4	(3.6)	1.6	(3.6)
Earnings before interest and taxes (EBIT)	**67.5**	**72.1**	**31.5**	**23.0**
Net interest expense	(11.1)	(9.3)	(5.1)	(3.1)
Earnings before taxes (EBT)	**56.4**	**62.8**	**26.4**	**19.9**
Income taxes	(18.3)	(18.6)	(8.2)	(7.3)
Net income	**38.1**	**44.2**	**18.2**	**12.6**
Minority interests	(0.6)	(0.9)	0.0	(0.4)
Group earnings	**37.5**	**43.3**	**18.2**	**12.2**
Earnings per share (EpS)				
Undiluted EpS (€)	2.57	3.06	1.25	0.83
Fully diluted EpS (€	2.56	3.04	1.24	0.83

Consolidated statement of cash flows

for the nine months (3Q) ended September 30, 2004

€ million	**3Q/2004**		3Q/2003	
Cash outflow from operating activities				
Group earnings		37.5		43.3
Adjustments to reconcile group earnings with cash inflow/(outflow) from operating activities				
Minority interests in net income	0.6		0.9	
Amortization/depreciation	17.1		20.3	
Change in deferred taxes	1.3		(3.1)	
Book gains/losses (netted) from the disposal of fixed assets	(3.2)		(15.9)	
Undistributed earnings of associated affiliates	(0.8)		(0.5)	
Change in deferred income	0.8		0.8	
Change in receivables	(5.1)		(23.5)	
Change in inventories	(42.6)		(38.6)	
Change in prepaid expenses & deferred charges	(8.3)		(1.5)	
Change in liabilities and accruals	(26.9)		5.0	
Total adjustments		(67.1)		(56.1)
Net cash used in operating activities		(29.6)		(12.8)
Cash (outflow)/inflow from investing activities				
Cash inflow from the disposal of intangible and tangible assets	5.4		1.1	
Cash inflow from the disposal of financial assets	3.1		5.0	
Cash outflow for intangible and tangible assets	(19.2)		(16.9)	
Cash outflow for financial assets (plus cash & cash equivalents from acquirees)	(6.5)		(7.3)	
Cash inflow from the disposal of short-term securities	1.7		2.7	
Cash inflow from the disposal of investments	4.5		48.5	
Net cash (used in)/provided by investing activities		(11.0)		33.1
Cash inflow/(outflow) from financing activities				
Cash inflow from capital increases	0.0		2.4	
Net borrowings through note-based finance	0.5		2.3	
Net finance from short-term credits	3.9		(20.1)	
Net finance from medium- and long-term loans	121.2		(14.2)	
Change in treasury stock	0.0		18.8	
Dividend payout	(19.0)		(17.2)	
Change in minority interests due to dividend payout	(0.9)		(0.5)	
Net cash provided by/(used in) financing activities		105.7		(28.5)
Net inflow/(outflow) of cash & cash equivalents		65.1		(8.2)
Inflow of cash & cash equivalents from deconsolidation/initial consolidation		0.0		0.3
Cash & cash equivalents at beginning of period		24.1		35.8
Cash & cash equivalents at end of period		89.2		27.9

Assets

€ million	**09/30/2004**	12/31/2003	09/30/2003
Total noncurrent assets	**393.1**	**398.5**	**404.7**
Intangible assets	272.8	272.8	272.7
Tangible assets	88.1	87.9	84.3
Investment properties	6.9	7.1	7.3
Financial assets	5.8	9.8	10.6
shares in unconsolidated subsidiaries	2.7	1.0	1.0
investments in associated affiliates	1.1	0.9	1.0
other investments and long-term securities	1.9	5.5	6.3
long-term loans	0.1	2.4	2.3
Total fixed assets	**373.6**	**377.6**	**374.9**
Sundry noncurrent assets	6.7	5.7	5.5
Deferred tax assets	12.8	15.2	24.3
Total current assets	**606.0**	**479.3**	**512.1**
Inventories	205.1	158.1	176.7
Trade receivables	238.5	257.8	254.1
Due from subsidiaries and investees	6.0	3.3	1.6
Sundry current assets	67.1	34.2	51.7
Short-term securities	0.1	1.8	0.1
Cash & cash equivalents	89.2	24.1	27.9
	999.1	**877.8**	**916.8**

Equity & liabilities

€ million	09/30/2004	12/31/2003	09/30/2003
Total equity	**316.0**	**297.6**	**283.0**
Capital stock	37.4	37.4	37.1
Additional paid-in capital	37.8	37.8	36.0
Treasury stock	(1.1)	(1.1)	(1.1)
Reserves retained from earnings	204.0	167.6	168.1
Undistributed group profit	0.1	0.0	0.0
Group earnings	37.5	55.5	43.3
Accumulated other comprehensive income (OCI)	(5.1)	(5.2)	(5.1)
Minority interests	5.4	5.6	4.7
Noncurrent liabilities and accruals	**315.4**	**211.2**	**192.2**
Noncurrent financial debts	250.1	138.2	123.3
Other noncurrent liabilities	6.7	6.4	14.7
Pension accruals	15.6	18.5	15.9
Other noncurrent accruals	36.2	39.6	29.8
Deferred tax liabilities	6.8	8.5	8.5
Current liabilities and accruals	**367.7**	**369.0**	**441.6**
Current financial debts	75.2	70.8	110.3
Trade payables	121.6	152.3	165.6
Due to unconsolidated subsidiaries and investees	4.3	3.0	3.0
Sundry current liabilities	105.9	83.0	100.4
Current accruals	60.7	59.9	62.3
	999.1	**877.8**	**916.8**

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Treasury stock	Reserves retained from earnings	Undistrib-uted group profit	Group earnings	Accumulated OCI	Minority interests	**Total**
Balance at 1/1/2003	**36.8**	**29.5**	**(15.5)**	**131.8**	**0.3**	**52.4**	**(4.1)**	**4.8**	**236.0**
Carryover to new account					52.4	(52.4)			0.0
Dividend payout					(17.2)			(0.5)	(17.7)
Transfer to reserves retained from earnings				35.5	(35.5)				0.0
Capital increase from ESOP	0.3	2.1							2.4
Sale of treasury stock		4.4	14.4						18.8
Changes through initial con-solidation/deconsolidation				0.8					0.8
Net income for 3Q/2003						43.3		0.9	
Accumulated OCI							(1.0)	(0.5)	
Comprehensive income						43.3	(1.0)		42.3
Minority interests								0.4	0.4
Balance at 9/30/2003	**37.1**	**36.0**	**(1.1)**	**168.1**	**0.0**	**43.3**	**(5.1)**	**4.7**	**283.0**
Changes through initial con-solidation/deconsolidation				(0.5)					(0.5)
Capital increase from ESOP	0.3	1.8							2.1
Net income for Q4/2003						12.2		1.3	
Accumulated OCI							(0.1)	(0.4)	
Comprehensive income						12.2	(0.1)		12.1
Minority interests								0.9	0.9
Balance at 12/31/2003	**37.4**	**37.8**	**(1.1)**	**167.6**	**0.0**	**55.5**	**(5.2)**	**5.6**	**297.6**
Carryover to new account					55.5	(55.5)			0.0
Dividend payout					(19.0)			(0.9)	(19.9)
Transfer to reserves retained from earnings				36.4	(36.4)				0.0
Changes through deconsolidation								(0.1)	(0.1)
Net income for 3Q/2004						37.5		0.6	
Accumulated OCI							0.1	0.2	
Comprehensive income						37.5	0.1		37.6
Minority interests								0.8	0.8
Balance at 9/30/2004	**37.4**	**37.8**	**(1.1)**	**204.0**	**0.1**	**37.5**	**(5.1)**	**5.4**	**316.0**

(1) Introduction

The consolidated interim financial statements as of September 30, 2004, were prepared in euro (€) in accordance with the International Financial Reporting Standards (IFRS), the year-earlier comparatives having been determined and adjusted accordingly. These financial statements meet all requirements of German Accounting Standard (GAS) No. 6 issued by the German Accounting Standards Committee (GASC).

(2) Consolidation group

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

As of September 30, 2004, a total of 42 subsidiaries were fully consolidated.

One investee is carried at equity as associated affiliate while another 24 companies and joint ventures are included pro rata.

Due to their minor significance to the Group's net assets, financial position and results of operations, 22 subsidiaries were not included in the consolidated financial statements although Vossloh AG directly or indirectly held the majority of voting rights at the balance sheet date.

(3) Changed accounting principles

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

(3.1) Development costs

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

(3.2) Write-up of tangible assets

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

(3.3) Manufacturing contracts

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

(3.4) Accruals for employee benefits

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

(3.5) Acquisitions

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

The goodwill stated according to US GAAP differs from goodwill disclosed in conformity with the IFRS in that the IFRS adjustments impact on the equity of acquired businesses as of the date of acquisition. The application of IFRS 3 has not entailed any necessity for Vossloh to make any additional adjustments for goodwill remeasurement.

(4) Reconciliation statement

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

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

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

€ million	Note	12/31/2003	9/30/2003	01/01/2003
Total equity according to US GAAP		**297.9**	**285.6**	**238.6**
capitalization of development costs	4.1	0.4	(1.5)	0.0
write-up of tangible assets	4.2	0.8	1.0	1.5
PoC accounting for manufacturing contracts	4.3	6.2	7.4	8.4
accruals for employee benefits	4.4	(0.7)	(0.8)	(2.1)
acquisitions	4.5	(3.4)	(2.8)	(4.1)
all other adjustments		(1.7)	(2.1)	(2.1)
tax effects of adjustments	4.6	(1.9)	(3.8)	(4.2)
total equity according to IFRS		**297.6**	**283.0**	**236.0**

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

€ mill.	Note	01/01–12/31/2003	01/01–09/30/2003	07/01–09/30/2003
Group earnings based on US GAAP		**55.0**	**44.3**	**13.0**
capitalization of development costs	4.1	0.4	(1.5)	(0.9)
write-up of tangible assets	4.2	(0.7)	(0.5)	(0.2)
PoC accounting for manufacturing contracts	4.3	(2.1)	(0.4)	(0.4)
accruals for employee benefits	4.4	0.4	0.4	0.0
acquisitions	4.5	0.0	0.3	0.1
all other adjustments		0.0	0.3	0.3
tax effects of adjustments	4.6	2.5	0.4	0.3
Group earnings based on IFRS		**55.5**	**43.3**	**12.2**

(4.1) Development costs

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

(4.2) Write-up of tangible assets

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

(4.3) PoC method

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

(4.4) Accruals for employee benefits

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

(4.5) Acquisitions

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

The difference of a total €3.4 million as shown in the equity reconciliation as of December 31, 2003, covers an 0.6 million increase in the IFRS-based equity from the capital consolidation of Vossloh Skamo Sp. z o.o. The goodwill, which according to US GAAP had been offset against noncurrent assets, has now been recognized in the reserves retained from earnings to ensure conformity with IFRS 3.

(4.6) Tax effects

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

(5) Cash flow statement

This statement shows the changes in the Vossloh Group's cash and cash equivalents, these including checks, cash on hand, as well as cash in banks if maturing within three months or less. The year-earlier 3Q cash flows from operating, investing and financing activities as disclosed in the cash flow statement were affected by the transition from US GAAP to IFRS to an insignificant extent only.

(6) Earnings per share

Analysis of EpS:

		3Q/2004	3Q/2003
Weighted average number of shares		14,604,608	14,132,823
Dilutive shares from stock options under the ESOP and LTIP		41,275	99,944
Fully diluted weighted average number of shares		14,645,883	14,232,767
Group earnings	€ mill.	37.5	43.3
Undiluted (basic) EpS	**€**	**2.57**	**3.06**
Fully diluted EpS	€	2.56	3.04

(7) Segment information

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

(8) Other disclosures

In comparison to December 31, 2003, the Group's contingent liabilities—chiefly under guaranties, suretyships and from the collateralization of third-party debts—shrank by €2.2 million to €6.8 million.

Segment information		Rail Infrastructure	Motive Power	Information Technologies	Intermediate holding company/ consolidation	Rail Technology	H.O./ consolidation	Group
Net sales								
3Q/2004	€ mill.	372.0	227.9	42.6	(0.1)	642.4	0.3	642.7
3Q/2003	€ mill.	372.0	224.1	39.3	(1.1)	634.3	0.2	634.5
Q3/2004	€ mill.	133.3	86.6	15.6	(0.0)	235.5	0.0	235.5
Q3/2003	€ mill.	131.9	97.2	14.7	(0.4)	243.4	0.0	243.4
Amortization/depreciation[1]								
3Q/2004	€ mill.	9.2	7.4	1.0	0.0	17.6	0.9	18.5
3Q/2003	€ mill.	8.2	6.5	0.9	0.0	15.6	1.1	16.7
Q3/2004	€ mill.	3.0	2.7	0.3	0.0	6.0	0.3	6.3
Q3/2003	€ mill.	2.8	2.3	0.3	(0.1)	5.3	0.4	5.7
Net interest result								
3Q/2004	€ mill.	(5.5)	(4.0)	(0.5)	(8.0)	(18.0)	6.9	(11.1)
3Q/2003	€ mill.	(7.3)	(3.3)	(0.4)	(5.9)	(16.9)	7.6	(9.3)
Q3/2004	€ mill.	(1.7)	(1.4)	(0.2)	(2.7)	(6.0)	0.9	(5.1)
Q3/2003	€ mill.	(2.1)	(1.2)	(0.1)	(2.1)	(5.5)	2.4	(3.1)
EBIT								
3Q/2004	€ mill.	66.4	7.4	2.4	(1.7)	74.5	(7.0)	67.5
3Q/2003	€ mill.	67.5	(0.9)	2.7	(1.7)	67.6	4.5	72.1
Q3/2004	€ mill.	26.4	6.6	1.3	(0.8)	33.5	(2.0)	31.5
Q3/2003	€ mill.	25.4	1.5	0.7	(0.8)	26.8	(3.8)	23.0
EBT								
3Q/2004	€ mill.	60.9	3.4	1.9	(9.7)	56.5	(0.1)	56.4
3Q/2003	€ mill.	60.2	(4.2)	2.3	(7.6)	50.7	12.1	62.8
Q3/2004	€ mill.	24.6	5.2	1.0	(3.3)	27.5	(1.1)	26.4
Q3/2003	€ mill.	23.2	0.3	0.7	(2.9)	21.3	(1.4)	19.9
Net earnings/(deficit)[2]								
3Q/2004	€ mill.	38.4	2.6	1.1	(5.8)	36.3	1.2	37.5
3Q/2003	€ mill.	36.0	(2.6)	1.3	(4.5)	30.2	13.1	43.3
Q3/2004	€ mill.	16.3	3.1	0.6	(2.1)	17.9	0.3	18.2
Q3/2003	€ mill.	14.2	0.2	0.3	(1.8)	13.0	(0.9)	12.2
Capital expenditures (tangibles)								
3Q/2004	€ mill.	10.9	7.1	1.0	0.0	19.0	0.8	19.8
3Q/2003	€ mill.	10.1	5.6	0.8	0.0	16.5	0.4	16.9
Q3/2004	€ mill.	3.7	2.1	0.5	(0.1)	6.2	0.8	7.0
Q3/2003	€ mill.	1.7	2.8	0.3	1.5	6.4	(1.2)	5.1
Capital employed								
09/30/2004	€ mill.	444.5	195.0	28.1	242.1	909.8	(232.8)	677.0
12/31/2003	€ mill.	418.4	162.9	23.9	243.8	849.0	(228.6)	620.4
Total assets								
09/30/2004	€ mill.	594.0	297.9	38.3	260.8	1,191.0	(191.9)	999.1
12/31/2003	€ mill.	572.7	276.9	47.6	241.7	1,138.9	(261.1)	877.8
Average headcount								
3Q/2004		2,820	1,179	279	0	4,278	33	4,311
3Q/2003		2,968	1,177	270	0	4,415	29	4,444

[1] Excl. write-down of financial assets

[2] Before P&L transfer

Vossloh AG's boards	
Executive Board	Burkhard Schuchmann, Chairman Milagros Caiña-Lindemann Werner Andree
Supervisory Board	Dipl.-Vwt. Dr. rer. pol. Karl Josef Neukirchen, former CEO of mg technologies ag, Bad Homburg, Chairman
	Dipl.-Kfm. Dr. Jürgen Blume, sworn public auditor and tax accountant, Bad Bentheim, Vice-Chairman
	Wolfgang Klein, galvanizer, Werdohl
	Wilfried Köpke, engineering designer, Kiel
	Peter Langenbach, lawyer, Wuppertal
	Dr. Anselm Raddatz, lawyer, Düsseldorf
Financial diary 2004	
Press conference	December 9, 2004
Meeting with DVFA analysts	December 9, 2004
Financial diary 2005	
Publication of financial information 2004	March 18, 2005
Press conference	March 18, 2005
Meeting with DVFA analysts	March 18, 2005
Annual stockholders' meeting	May 25, 2005
Investor Relations	
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Vossloh stock details	
ISIN	DE0007667107
Traded at	Xetra, Düsseldorf, Frankfurt, Berlin,
	Bremen, Hamburg, Hannover
	Stuttgart, Munich
Index	MDAX
No. of shares outstanding (9/30/2004)	14,605,232
Stock price (9/30/2004)	€31.45
3Q/2004 high/low	€47.68/€30.92
Reuters code	VOSG.F
Bloomberg code	VOS GF

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