VOSSLOH
AKTIENGESELLSCHAFT

Interim report as of March 31, 2002

- **Vossloh Group: Sales and earnings on target, yet slightly below previous year**
- **Railway & Transport: Business volume at year-earlier level**
- **Lighting: Good progress despite ongoing recession**
- **Prospects: Much improved performance and Group earnings expected for the current fiscal year**

Group

The economic recession, which had already heavily impacted on the Vossloh Group's sales and earnings in the second half of the past fiscal year, continued in Q1/2002. Nonetheless, the Lighting division, especially battered by the economic crisis, managed to make progress in the quarter under review. Despite the sustained recession, this division operated as budgeted on its relevant markets and yielded a positive EBIT, mainly due to cost savings resulting from the restructuring and optimizing programs enacted over the past years. We are quite confident that the division will achieve the EBIT of €13.5 million budgeted for the current fiscal year, thus well above the year-earlier €11.4 million.

Railway & Transport, a division highly impervious to economic cycles, showed almost constant year-on-year sales. The drop in EBIT over the year earlier is mainly ascribable to delays in invoicing major projects for the Locomotives and Engineering Systems units. In the further course of the fiscal year, EBIT growth is expected to outpace that of the first quarter and reach the budgeted magnitude of €71 million.

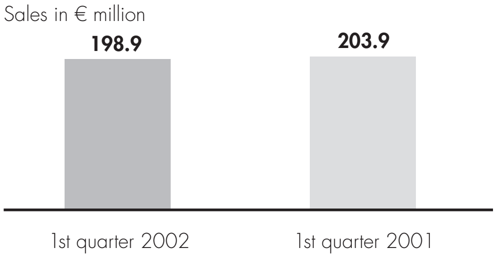
In Q1/2002, the Vossloh Group generated sales of €198.9 million, thus almost meeting the comparable previous year's sales of €203.9 million, despite the economic situation as described. Excluded from the year-earlier figures is the mechanical engineering unit which was contributed to a joint venture last year with economic effect as of January 1, 2001.

EBIT in the first three months of this fiscal year amounted to €11.1 million. Although falling short of the comparable year-earlier figure of €16.4 million, this is as budgeted and proves that the Vossloh Group is on track for achieving its ambitious goals set for the current fiscal year. The year-earlier figure includes goodwill amortization of €1.2 million, which is no longer charged as from the start of 2002, as required by US GAAP.

Group earnings per share in the first three months of 2002 were €0.14 (down from €0.43).

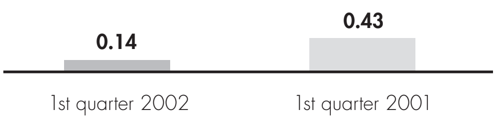
Group – Sales

Sales in € million



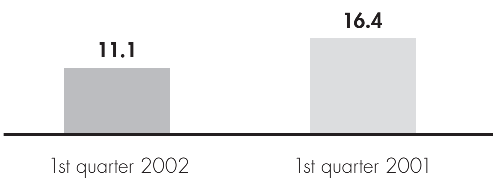
Group – Earnings per share

Earnings per share in €



Group – EBIT

Earnings before interest and income taxes in € million



The number of employees rose by a net 406 to 5,558 when compared to March 31, 2001. This advance was mainly caused by the expansion of locomotive production and the VAE Group's acquisition of Transwerk Perway Ltd. as of April 1, 2001.

Group		1st quarter 2002	1st quarter 2001**
Total assets	€ million	907.8	881.2
Group equity	€ million	315.6	333.8
Equity ratio	%	34.8	37.9
Working capital	€ million	348.0	322.3
Net working capital ratio*	%	43.7	39.5
Capital employed	€ million	669.6	633.5
Fixed assets	€ million	321.6	311.2
Capital expenditures	€ million	6.4	9.9
Amortization/ depreciation	€ million	7.7	9.3
ROCE *	%	6.6	10.3
Return on equity*	%	7.2	15.7
Net financial debt	€ million	256.9	203.9
Net leverage	%	81.4	61.1
Headcount (3–31)		5,558	5,152
Payroll ratio	%	82.5	74.5

* annualized
** excluding the mechanical engineering unit (deconsolidated as of January 1, 2001)

Railway & Transport

In the first three months of the current fiscal year, sales by the Railway & Transport division amounted to €134.9 million, thus at the prior year's level (€133.8 million).

Mainly due to the delays in invoicing major projects, EBIT dropped over Q1/2001 by €1.7 million to €9.3 million (down from €11.0 million, including goodwill amortization of €1.1 million).

Railway & Transport		1st quarter 2002	1st quarter 2001**
Net sales	€ million	134.9	133.8
EBITDA	€ million	13.6	16.3
EBIT	€ million	9.3	11.0
EBIT margin	%	6.9	8.2
ROCE *	%	8.1	10.4
Working capital	€ million	240.6	203.0
Net working capital ratio*	%	44.6	37.9
Capital employed	€ million	460.8	422.3
Fixed assets	€ million	220.2	219.3
Capital expenditures	€ million	4.7	5.8
Payroll ratio	%	80.8	76.0
Headcount (3–31)		4,076	3,692

* annualized
** excluding the mechanical engineering unit (deconsolidated as of January 1, 2001)

The Track subdivision again did well, its sales in the quarter under review reaching €102.6 million, around 9 percent above the year-earlier €94.4 million.

At €75.2 million, the VAE Group's sales topped the prior-year Q1 level of €67.4 million by 11.6 percent. In Q1/2002, the subsidiary Transwerk Perway Ltd., acquired during 2001 only, added sales of €2.6 million.

At €27.8 million, sales by Rail Fasteners approximated the year-earlier €28.6 million.

This business unit still aims to step up its export activities in order to further reduce its dependence on the home market (2001, around 47 percent of total sales). In Q1/2002, another project was contracted in Asia, this time for fitting the Metro Delhi with Vossloh rail fasteners.

In Q1/2002, Railbound Vehicles & Maintenance generated sales of €27.1 million, hence again in excess of the previous Q1's €25.0 million.

Q1/2002 sales by Locomotives added up to €26.5 million, again almost 14 percent above the year-earlier €23.3 million. Acceptance delays meant that some already completed locomotives will only be invoiced in April and May. As of March 31, 2002, order backlog reached around €220 million, thus some 17 percent above one year before.

Following €1.7 million one year before, sales by Maintenance totaled €0.6 million in the first quarter of 2002.

At €5.3 million in the quarter under review and according to expectations, sales by the Engineering Systems subdivision fell well short of the prior year's €14.4 million, one reason being the divestment of the Industrial unit. Moreover, sales and earnings are only realized once customers have accepted a project. According to the contract terms, major projects will be formally accepted during Q2 and Q3/2002, and hence sales and EBIT will clearly gain during such quarters.

As of March 31, 2002, this unit reported an order backlog worth more than €100 million, almost twice as high as the year earlier's. Included is the contract awarded in 2001 by the German rail corporation, Deutsche Bahn AG, for fitting around 1,200 IC/EC passenger cars with a new kind of IT technology by 2004. In February 2002, the subdivision concluded an alliance with E Ink Corporation, Cambridge, MA, USA, which aims at offering new display technologies for railway, bus and air traffic starting from the end of 2003. These displays have a much lower energy consumption and are more convenient. Furthermore, at the start of the year and to round off its product range, Engineering Systems acquired parts of the Passenger Information and Entertainment (PIE) unit of Bombardier Transportation GmbH, Hennigsdorf, which had been shut down.

In Q1/2002, capital expenditures within Railway & Transport amounted to €4.7 million, thus €1.1 million below the Q1/2001 level. The decline mainly resulted from the 2001 rationalization measures meantime completed by the VAE Group, which also restructured production.

Railway & Transport's order backlog totaled around €530 million as of March 31, 2002.

Lighting

The highly cyclic business of Lighting meant that this division still had to cope with the recession in the first quarter of 2002. Although the division's Q1 sales of €63.8 million were, as budgeted, €6.2 million below the high year-earlier €70.0 million, Lighting did make good progress. Owing to the restructuring of magnetic components manufacture at Urbach, lampholder production at Lüdenscheid and Sarsina as well as logistics process optimization, cost savings led to a positive Q1 EBIT of €4.3 million, which, albeit €3.5 million below the Q1/2001 figure of €7.8 million, is a satisfactory figure under these circumstances, and also within budget.

An encouraging outcome from the implemented restructuring measures was the remarkable reduction of working capital by more than 10 percent. At €1.7 million, capital expenditures were well below the year-earlier €4.0 million, but the previous period's amount also included heavy spending on restructuring measures. The annualized ROCE in the first quarter of 2002 came to almost 10 percent, thus below Q1/2001 (16.1 percent), but above the 6.5 percent for the full year 2001.

Lighting		**1st quarter 2002**	**1st quarter 2001**
Net sales	€ million	63.8	70.0
EBITDA	€ million	7.5	11.2
EBIT	€ million	4.3	7.8
EBIT margin	%	6.7	11.1
ROCE *	%	9.9	16.1
Working capital	€ million	107.4	119.7
Net working capital ratio*	%	42.0	42.7
Capital employed	€ million	173.4	192.4
Fixed assets	€ million	66.0	72.7
Capital expenditures	€ million	1.7	4.0
Payroll ratio	%	74.6	62.3
Headcount (3–31)		1,459	1,440

* annualized

Prospects

The forecast for the fiscal year as a whole is primarily based on developments in the second half of 2001 and the first quarter of the current fiscal year, since a sustained improvement of the economic situation in the markets and regions of relevance to Vossloh is presently not evident. Against this background, the Executive Board does not expect any noteworthy business volume expansion for the Group in the current fiscal year. 2002 sales will range around €915 million, hence only slightly above the €903 million of 2001.

As to EBIT and Group earnings, however, we do anticipate respectable increases. In 2002, EBIT is expected to climb around 23 percent to about €74 million. Apart from the elimination of goodwill amortization and the unbudgeted earnings burdens of the year 2001, the results of the various restructuring measures in Lighting and clearly improved productivity in locomotive construction will mainly contribute to the planned EBIT improvement.

At €25 million (up 45 percent), Group earnings are also expected to clearly surpass the level of the year 2001 (€17.2 million). For 2002, this would yield Group earnings per share of €1.74. Given these justified expectations, Vossloh is not sharing the doom-and-gloom mood prevalent at many corporate headquarters—quite the contrary. This is independent of the fact that forecasted earnings are linked to both opportunities and risks due to uncertainties in economic trends and invoice timing in Railway & Transport's project business. In terms of Group earnings, we still assess these variables at around €5 million in either direction.

Even if Lighting has to cope with a sales drop of around €10 million over 2001 due to the general market situation in 2002, the division still expects an EBIT of €13.5 million, which is well above the previous year's €11.4 million. Despite the weak economy, we therefore anticipate an encouraging increase in EBIT to the budgeted level.

For Railway & Transport we expect to achieve the budgeted annual sales of €671 million (up from €649.7 million) as well as the budgeted EBIT of €71+ million (up from €56.2 million). Both Special Trackwork and Locomotives are likely to grow their business volumes.

In October 2001, Vossloh AG's Executive Board decided to utilize part of its authority to repurchase an aggregate total 10 percent of the capital stock. The treasury stock thus acquired will be used for M&A transactions to implement the planned growth policy. Until March 31, 2002, altogether 689,272 shares were repurchased by Vossloh AG, equivalent to 4.8 percent of the capital stock. By April 16, 2002, this percentage rose to 5.5.

Plans to refocus the Group

Over the past months, Vossloh AG's Executive Board has been closely examining a strategic realignment for the Group. In future, Vossloh intends to selectively expand its transport equipment operations into a transport technology group positioned within profitable growth markets. In doing so, the Group will apply its resources exclusively to this core business. Such emphasis will enable investors in future to invest exclusively in a company dedicated to transport technology activities.

The plan is to sell the Lighting division, which is parented by Vossloh Elektro GmbH, in its entirety to a strategic or financial investor able to maximize the growth and value enhancement potentials of this division. The Executive and Supervisory Boards will therefore propose to the annual stockholders' meeting on May 28, 2002, that the concept for selling Vossloh AG's Lighting division be approved and that the Executive Board be authorized to take the necessary steps to consummate this concept. At its meeting of April 10, 2002, Vossloh AG's Supervisory Board approved the divestment concept. Its actual implementation is subject to the approval by the Supervisory Board of the still executory acquisition agreement.

In opting for this strategic realignment, the Executive Board is pursuing the following targets:

– Further develop Vossloh into a transport technology group
– Focus resources on a single division
– Continue the policy of a specialty supplier to high-growth niche markets that offer ample market share
– Enhance its appeal for the investor community

Vossloh's Executive Board aims to hold positions of market and technology leadership in the segments in which the Group operates and to further develop the Vossloh brand into a well-known synonym for quality in transport technology. Vossloh is placing the growth market of transport at the center of its activities. The Group has repeatedly demonstrated its vast technology competence and remarkable market insight. In future and even more than in the past, it will emphasize the interplay of production and services.

Werdohl, April 2002

Vossloh AG
The Executive Board

Consolidated income statement according to US GAAP for the quarter ended March 31, 2002

Income statement	1st quarter 2002	1st quarter 2001
	€ million	€ million
Net sales	198.9	203.9
Cost of sales	(157.1)	(157.0)
General administrative and selling expenses	(28.1)	(27.1)
R&D expenses	(2.5)	(2.4)
Operating result	**11.2**	**17.4**
Nonoperating result	(0.3)	0.0
Income from investments	0.2	0.2
Goodwill amortization	0.0	(1.2)
Earnings before interest and taxes (EBIT)	**11.1**	**16.4**
Net interest result	(5.4)	(3.3)
Earnings before taxes (EBT)	**5.7**	**13.1**
Income taxes	(2.5)	(5.7)
Earnings before minority interests/net income	**3.2**	**7.4**
Minority interests	(1.3)	(1.1)
Group earnings	**1.9**	**6.3**
Earnings per share* [€]		
Basic EpS	0.14	0.43
Diluted EpS	0.14	–

* During Q1/2001, altogether 14,400,000 and during Q1/2002 altogether 13,725,608 no-par shares of stock were issued and outstanding.

Prior-year figures excluding the mechanical engineering unit (deconsolidated as of January 1, 2001).

Consolidated statement of cash flows according to FAS 95 for the quarter ended March 31, 2002

	1st quarter 2002		1st quarter 2001	
	€ million		€ million	
Cash inflow/outflow from operating activities *				
Group earnings		1.9		6.3
Adjustments to reconcile Group earnings with cash inflow/outflow from operating activities				
Minority interests in net income	1.3		1.1	
Amortization/depreciation/write-down	7.7		9.3	
Change in deferred taxes	(0.5)		(0.5)	
Book gains/losses (net) from the disposal of intangible assets and property, plant & equipment	0.0		(0.2)	
Undistributed profits of Group companies	(0.2)		(0.2)	
Other noncash expenses/income, net	—		1.3	
Increase in deferred income	1.2		1.3	
Change in receivables	6.4		(20.6)	
Increase in inventories	(29.4)		(6.5)	
Increase in prepaid expenses & deferred charges	(0.3)		(0.4)	
Change in liabilities and accruals	(6.0)		25.2	
Total adjustments		(19.8)		9.8
Net cash provided by/(used in) operating activities		**(17.9)**		**16.1**
Cash inflow/outflow from investing activities *				
Cash from the disposal of intangible assets and property, plant & equipment	0.2		0.2	
Capital expenditures for intangible assets and property, plant & equipment	(6.4)		(9.8)	
Cash & cash equivalents of investments sold	—		(1.0)	
Net cash used in investing activities		**(6.2)**		**(10.6)**
Cash inflow/outflow from financing activities *				
Net borrowings through note-based finance	0.0		(0.5)	
Net financing from credits/loans	12.4		(11.2)	
Purchase of treasury stock	(1.6)		0.0	
Net cash (used in)/provided by financing activities		**10.8**		**(11.7)**
Net inflow/outflow of cash & cash equivalents		(13.3)		(6.2)
Effect of exchange rate changes on cash & cash equivalents		0.0		(0.2)
Cash & cash equivalents at beginning of period		53.5		58.0
Cash & cash equivalents at end of period		40.2		51.6

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

VOSSLOH
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Financial diary 2002	
Annual stockholders' meeting:	May 28, 2002
Payment of cash dividends:	May 29, 2002
Publication of interim report	
as of June 30:	July 29, 2002
as of September 30:	October 28, 2002
DVFA presentation:	December 2002

Financial diary 2003	
Publication of 2002 financial data:	March 2003
Annual accounts conference:	April 2003
DVFA presentation:	April 2003
Annual stockholders' meeting:	May 27, 2003

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Vossloh stock details	
ISIN:	DE 000 766 710 7
Traded at:	Xetra, Düsseldorf, Frankfurt, Berlin, Bremen, Hamburg, Hannover, Stuttgart, Munich
Responsible at Xetra:	Commerzbank AG, Deutsche Bank AG
Index:	MDAX
No. of shares (3–31–2002):	13,710,728
Stock price (3–31–2002):	€21.10
6-month 2002 high/low:	€25.00/20.51
Reuters code:	VOSG.F
Bloomberg code:	VOS GF
Dividend proposed:	€0.75

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