VOSSLOH
AKTIENGESELLSCHAFT

# Interim report as of September 30, 2002

- **Nine-month Group earnings skyrocketing from € 8.5 million to € 38.9 million**
- **Prospects: For all of 2002, EpS expected to almost triple to € 3.47**
- **Acquisition of the Kiepe Elektrik Group and Poland's state-owned Skamo**

Excluding its meantime sold Lighting division, the first nine months of fiscal 2002 saw the Vossloh Group's sales rise 8 percent over the comparable year-earlier figure to €492.4 million. And, despite all the adverse economic factors, the Group succeeded in increasing its earnings for the period from €8.5 million to €38.9 million.

The third quarter 2002 was another period in which Vossloh made good progress along its path of corporate realignment.
On September 14, 2002, Vossloh signed an agreement to acquire the Kiepe Elektrik Group, Düsseldorf, a move that will allow Vossloh to selectively expand its range of transport technology products and services. Kiepe specializes in the manufacture, assembly, installation, and marketing of complete electrical component packages plus parts for trams and trolleybuses. Most of the group's business is done in Europe, specifically Germany and Austria. The deal is expected to be consummated by the end of October 2002.

Another agreement concluded on September 23, 2002, will mean that Vossloh takes over the Skamo company, hitherto held by the Polish state. Headquartered in Nowe Skalmierzyce and foremost in the Polish rail fastener market, the acquisition permits Vossloh to secure for itself the biggest eastern Central European market also for rail fasteners, a move of major significance given the anticipated far-reaching infrastructural adjustments in the wake of EU eastwards enlargement.

Both of these purchases will be funded from the cash flow.

The Cogifer takeover and the shedding of the Lighting division found their consummation in the course of the third quarter just as did the divestment of (initially) two-thirds of the stake held in the Austrian VAE Group. The proceeds from these divestments helped to fund the acquisition of the Cogifer Group.

## Group

The Group's income statement for the 9 months ended September 30, 2002, reflects current business operations excluding the sold Lighting division. Consequently, the corresponding income statement for 2001 has been accordingly adjusted.

Included are the operating results of the VAE Group plus the proceeds from the disposal of two-thirds of this shareholding as of September 30, 2002. Not included in the Q1-3/2002 figures are any earnings by the Cogifer Group since this acquisition only became effective as of September 30, 2002.

The Vossloh Group (excluding Lighting) generated during the first nine months of fiscal 2002 sales amounting to €492.4 million, hence almost 8 percent over the comparable year-earlier figure. At €49.9 million, EBIT was twice the prior period's €24.9 million. In this context, it should be considered that the amount includes gains from deconsolidating the VAE Group and the entire provisions for the costs and risks incidental to the recent takeovers/divestments. Adjusted for this effect, EBIT hiked up by almost 38 percent from €24.9 million to €34.8 million.

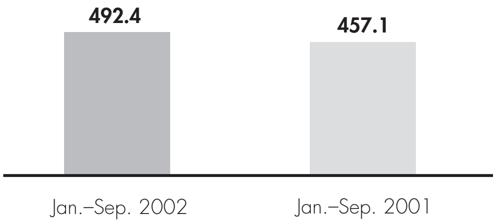
Group earnings for the period ended September 30, 2002, surged to €38.9 million, up from €8.5 million a year ago, EpS soaring from €0.59 to €2.86.

Taking into account the gains/burdens from its disposal, the former Lighting division contributed a net €5.4 million to Group earnings.

The cash outflow of €124.1 million for investing activities also includes cash inflows from the disposal of Lighting and of two-thirds of the stake in the VAE Group, as well as cash outflows for acquiring the Cogifer Group. These transactions resulted in a net cash outflow of close to €47 million, equivalent to the cash receivable from the disposal of the remaining VAE stake. Accounting for the various investees' cash & cash equivalents added and disposed of produced a cash outflow of €107.3 million as of September 30, 2002.

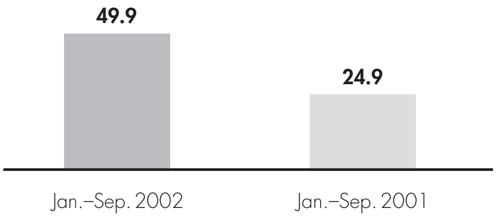
### Group – Sales

Sales in € million



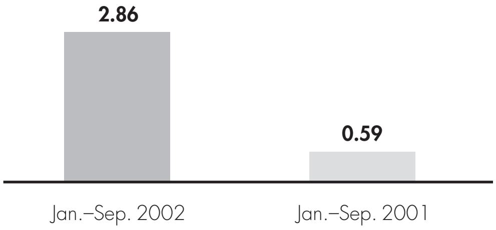

### Group – EBIT

Earnings before interest and taxes in € million




### Group – Earnings per share

Earnings per share in €




| **Group** | | **Jan.– Sep. 2002** | **Jan.– Sep. 2001** |
|---|---|---|---|
| Equity | € mill. | 214.9 | 324.6 |
| Fixed assets | € mill. | 262.6 | 318.6 |
| Capital expenditures | € mill. | 18.5 | 36.5 |
| Amortization/ depreciation | € mill. | 14.1 | 28.2 |
| Net financial debt | € mill. | 220.9 | 251.1 |
| Net leverage | % | 102.8 | 77.4 |

For better comparability, the VAE Group, though deconsolidated as of September 30, 2002, has still been reflected in the fixed-asset data.

**Railway & Transport**

In the year under review, the Railway & Transport division generated 9-month sales of €491.7 million, hence up 7.6 percent from the year-earlier €456.8 million. This increase is attributable to the Track subdivision having stepped up business by almost 20 percent. Division EBIT outpaced sales growth, leaping 35.5 percent from the year-earlier €31.7 million to €43.0 million.

| Railway & Transport | | Jan.–Sep. 2002 [1] | Jan.–Sep. 2001 |
|---|---|---|---|
| Net sales | € mill. | 491.7 | 456.8 |
| EBITDA | € mill. | 56.5 | 48.5 |
| EBIT | € mill. | 43.0 | 31.7 |
| EBIT margin | % | 8.7 | 6.9 |
| ROCE * | % | 13.0 | 9.5 |
| Working capital | € mill. | 205.3 | 228.3 |
| Net working capital ratio* | % | 31.3 | 37.5 |
| Capital employed | € mill. | 439.6 | 442.8 |
| Fixed assets | € mill. | 234.3 | 214.5 |
| Capital expenditures | € mill. | 18.4 | 27.2 |
| Payroll ratio | % | 74.1 | 77.9 |
| Headcount (9/30) | empl. | 4,139 | 3,995 |

*annualized

[1] For better comparability, balance sheet data and related indicators still reflect the VAE Group (though deconsolidated as of Sep. 30, 2002).

The cash flow from operating activities swelled from the year-earlier €3.7 million to € 55,7 million, mainly due to both a much improved operating result and, especially, an almost €38 million reduction in working capital at the Locomotive unit.

The Track subdivision again did well, its revenues rising from the year-earlier €313.3 million to €375.5 million, a 19.9-percent gain.

Rail Fasteners generated €86.6 million sales, up 3 percent over the year-earlier €84.2 million.

Special Trackwork's sales in the first nine months of 2002 raced from €232.8 million in Q1-3/2001 to €291.1 million. When comparing these figures it should be remembered that last year saw the acquisition of the stake in Transwerk Perway Ltd.

For invoice timing reasons, sales by Railbound Vehicles & Maintenance at €95.2 million were 16.6 percent short of the year-earlier € 114.0 million. By the end of the year, most of this shortfall will have been made good. A contract won in July 2002 for the delivery of 59 diesel-hydraulic locomotives to the Swiss Railways (SBB) pushed up order backlog as of September 30, 2002, by almost 24 percent, from €288 million to around €356 million. The first of the units is scheduled for shipment in the fall of 2003.

At €21.1 million, sales by Engineering Systems during the period were expectedly clearly below the prior year's €29.4 million, mainly on account of the meanwhile shed marginal activities and also the fact that sales and hence earnings are not realized until after the customer has accepted the project. In the case of some key projects, the contracts stipulate that acceptance is only forthcoming in the final quarter of the year when sales and earnings will then show a sharp improvement. As of September 30, 2002, this subdivision's order backlog totaled over € 100 million including a contract signed in 2001 with Deutsche Bahn AG (German Rail) for equipping by 2004 around 1,200 IC/EC passenger trains with new IT and communications systems. As of September 30, 2002, capital expenditures by the Railway & Transport division amounted to € 18.4 million (down from €27.2 million).

As of September 30, 2002, the division's order backlog totaled around €475 million, which compares with €520 million one year ago, and includes neither the deconsolidated VAE Group's nor the newly added Cogifer Group's.

## Lighting

The Lighting division was sold to Matsushita Electric Works, Ltd, Osaka, Japan, in May 2002, and is therefore no longer reflected in the Group's net sales or EBIT, although the gain from its disposal has been added to Group earnings.

## Prospects

For all of 2002, the Vossloh Group expects to generate net sales of a good €700 million and Group earnings of about €50 million, EpS then amounting to €3.47 (in terms of the number of shares issued) and virtually triple the prior year's €1.20.

The predicted doubling of Group earnings as against the original budget is the result of the full inclusion of the Cogifer Group's results for the fourth quarter, net gains from the disposal of the Lighting division and the two-third stake in the VAE Group as well as a reduction in interest expense due to lower net financial debt in the wake of the aforementioned transactions.

Werdohl, October 2002

Vossloh AG
The Executive Board

## Consolidated income statement
## according to US GAAP for the 9 months ended September 30, 2002

| **Income statement** | **Jan.–Sep. 2002** | **Jan.–Sep. 2001** |
|---|---|---|
| | € mill. | € mill. |
| Net sales | 492.4 | 457.1 |
| Cost of sales | (389.6) | (367.9) |
| General administrative and selling expenses | (59.8) | (57.7) |
| R&D expenses | (4.7) | (4.0) |
| **Operating result** | **38.3** | **27.5** |
| Nonoperating result | 9.9 | 0.4 |
| Income from investments | 1.7 | 0.2 |
| Goodwill amortization | (0.0) | (3.2) |
| **Earnings before interest and taxes (EBIT)** | **49.9** | **24.9** |
| Net interest expense | (9.9) | (6.7) |
| **Earnings before taxes (EBT)** | **40.0** | **18.2** |
| Income taxes | 0.5 | (8.5) |
| **Earnings before minority interests/net income** | **40.5** | **9.7** |
| Net gain from the disposal of Lighting (after taxes) | 5.4 | 3.0 |
| Minority interests | (7.0) | (4.2) |
| **Group earnings** | **38.9** | **8.5** |
| **Earnings per share (EpS)*** | | |
| Net income after minority interests | €2.46 | €0.38 |
| Group earnings | €2.86 | €0.59 |

* During the 9-month period ended September 30, 2001, altogether 14,400,000 and during that ended September 30, 2002, an average 13,618,809 no-par shares of stock were issued and outstanding.

Net income of the sold Lighting division is shown after the earnings before minority interests/net income. The prior-year data has been restated accordingly.

## Consolidated statement of cash flows according to FAS 95 for the 9 months ended September 30, 2002

| | Jan.–Sep. 2002 | | Jan.–Sep. 2001 | |
|---|---|---|---|---|
| | € mill. | € mill. | € mill. | € mill. |
| **Cash inflow/outflow from operating activities*** | | | | |
| Group earnings | | 38.9 | | 8.5 |
| Adjustments to reconcile Group earnings with cash inflow/outflow from operating activities<br>Minority interests in net income | 7.0 | | 4.2 | |
| Amortization/depreciation/write-down | 14.1 | | 28.2 | |
| Change in deferred taxes | (7.9) | | 1.8 | |
| Book gains/losses (net) from the disposal of intangible assets and property, plant & equipment | (0.7) | | (1.8) | |
| Undistributed profits of Group companies | (0.6) | | (0.7) | |
| Other noncash and nonoperating expenses/income, net | (20.9) | | 1.3 | |
| Increase in deferred income | 0.6 | | 2.3 | |
| Change in receivables | 16.7 | | (43.9) | |
| Increase in inventories | (31.9) | | (34.3) | |
| Increase in prepaid expenses & deferred charges | (1.7) | | (0.3) | |
| Increase in liabilities and accruals | 42.4 | | 38.2 | |
| Total adjustments | | 17.1 | | (5.0) |
| Net cash provided by operating activities | | **56.0** | | **3.5** |
| **Cash inflow/outflow from investing activities*** | | | | |
| Cash from the disposal of intangible assets and property, plant & equipment | 1.7 | | 2.5 | |
| Cash inflow from the disposal of investments (less cash & cash equivalents of investees sold) | 190.8 | | (1.1) | |
| Capital expenditures for intangible assets and property, plant & equipment | (18.5) | | (36.5) | |
| Capital expenditures for financial assets (plus cash & cash equivalents of investees acquired) | (298.1) | | 0.0 | |
| Net cash used in investing activities | | **(124.1)** | | **(35.1)** |
| **Cash inflow/outflow from financing activities*** | | | | |
| Net borrowings through note-based finance | 0.0 | | 5.7 | |
| Net financing from credits/loans | 39.6 | | 9.2 | |
| Purchase of treasury stock | (6.4) | | | |
| Cash dividend payments | (10.2) | | (10.8) | |
| Change in minority interests due to dividend payout | (4.2) | | 0.0 | |
| Net cash provided by financing activities | | **18.8** | | **4.1** |
| Net outflow of cash & cash equivalents | | (49.3) | | (27.5) |
| Effect of exchange rate changes on cash & cash equivalents | | 0.0 | | (0.5) |
| Cash & cash equivalents at beginning of period | | 53.5 | | 58.0 |
| Cash & cash equivalents at end of period | | 4.2 | | 30.0 |

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

| **Financial diary 2002** | |
|---|---|
| DVFA presentation: | December 10, 2002 |

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

| **Investor Relations** | |
|---|---|
| Contact: | Werner Andree |
| Email: | investor.relations@ag.vossloh.de |
| Phone: | (+49-2392) 52-249 |
| Fax: | (+49-2392) 52-264 |

| **Vossloh stock details** | |
|---|---|
| ISIN: | DE0007667107 |
| Traded at: | Xetra, Düsseldorf, Frankfurt, Berlin, Bremen, Hamburg, Hannover, Stuttgart, Munich |
| Responsible at Xetra: | Commerzbank AG, Deutsche Bank AG |
| Index: | MDAX |
| No. of shares (9-30-2002): | 13,497,883 |
| Stock price (9-30-2002): | €22.50 |
| 9-month 2002 high/low: | €27.10/€20.50 |
| Reuters code: | VOSG.F |
| Bloomberg code: | VOS GF |
| Cash dividend 2001: | €0.75 |

AKTIENGESELLSCHAFT

**Vossloh AG**
Postfach 18 60 · 58778 Werdohl · Vosslohstrasse 4 · 58791 Werdohl · Germany · Phone: (+49-2392) 52-0 · Fax: (+49-2392) 52-2 19 · www.vossloh.com