Consolidated financial statements of Vossloh AG as of December 31, 2020

Income statement

€ mill.	Notes	2020	2019
Sales revenues	(1)	869.7	916.4
Cost of sales	(2.1)	(672.8)	(745.6)
General administrative and selling expenses	(2.2)	(148.1)	(169.4)
Allowances and write-ups of financial assets		1.9	(10.4)
Research and development costs	(2.3)	(8.9)	(10.7)
Other operating income	(3.1)	21.3	26.0
Other operating expense	(3.2)	(10.0)	(48.3)
Operating result		**53.1**	**(42.0)**
Result from investments in companies accounted for using the equity method		3.9	5.0
Other financial income	(4.1)	16.7	0.6
Other financial expense	(4.2)	(0.6)	(1.2)
Earnings before interest and taxes (EBIT)		**73.1**	**(37.6)**
Interest income	(5.2)	7.8	2.6
Interest and similar expense	(5.1)	(22.2)	(21.1)
Earnings before taxes (EBT)		**58.7**	**(56.1)**
Income taxes	(6)	(11.7)	(10.3)
Result from continuing operations		**47.0**	**(66.4)**
Result from discontinued operations	(7)	(26.2)	(70.4)
Net income		**20.8**	**(136.8)**
thereof attributable to shareholders of Vossloh AG		**17.2**	**(139.7)**
thereof attributable to noncontrolling interests	(8)	3.6	2.9
Earnings per share			
Basic/diluted earnings per share (€)	(9)	0.98	(8.32)
thereof attributable to continuing operations		2.47	(4.13)
thereof attributable to discontinued operations		(1.49)	(4.19)

Statement of comprehensive income

€ mill.	Notes	2020	2019
Net income		**20.8**	**(136.8)**
Changes in fair value of hedging instruments (cash flow hedges)		0.2	(0.3)
Currency translation differences	(23)	(11.5)	2.3
Amounts that will potentially be transferred to profit or loss in future periods		**(11.3)**	**2.0**
Remeasurement of defined benefit plans	(24)	(1.2)	(3.7)
Income taxes	(16)	0.5	1.1
Amounts that will not be transferred to profit or loss in future periods		**(0.7)**	**(2.6)**
Income and expenses recognized directly in equity		**(12.0)**	**(0.6)**
Total comprehensive income		**8.8**	**(137.4)**
thereof attributable to shareholders of Vossloh AG		5.8	(140.3)
thereof attributable to noncontrolling interests		3.0	2.9

*In order to improve transparency, other operating result is presented for the first time in this financial statement in two separate lines as other operating expense and other operating income. The previous-year figures have been calculated accordingly.

Cash flow statement for the period from January 1 to December 31, 2020

€ mill.	2020	2019
Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	73.1	(37.6)
EBIT from discontinued operations	(22.7)	(69.7)
Amortization/depreciation/impairment losses/reversal of impairment losses of noncurrent assets	60.8	137.8
Change in noncurrent provisions	1.7	8.8
Gross cash flow	**112.9**	**39.3**
Noncash change in investments in companies accounted for using the equity method	(17.6)	(4.9)
Other noncash income/expenses, net	1.3	15.9
Gains/losses from the disposal of noncurrent assets	(2.0)	(0.5)
Income taxes paid	(12.4)	(8.6)
Change in working capital	(21.7)	(19.5)
Changes in other assets/liabilities, net	(4.4)	(9.4)
Cash flow from operating activities	**56.1**	**12.3**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(52.0)	(51.3)
Investments in companies accounted for using the equity method	(0.1)	(3.5)
Cash-effective dividends from companies accounted for using the equity method	0.0	0.1
Free cash flow	**4.0**	**(42.4)**
Investments in noncurrent financial instruments	(0.4)	(1.1)
Proceeds from the disposal of intangible assets and property, plant and equipment	3.7	4.0
Disbursements/proceeds from the purchase/sale of short-term securities	(0.3)	0.5
Proceeds from disposals of noncurrent financial instruments	0.2	1.0
Proceeds from the disposal of consolidated companies	45.9	39.6
Payments for the acquisition of consolidated companies	0.0	(4.8)
Cash flow from investing activities	**(3.0)**	**(15.5)**
Cash flow from financing activities		
Net proceeds from additions to equity	0.0	48.5
Disbursements to shareholders and noncontrolling interests	(4.2)	(20.3)
Net financing from short-term loans	4.3	10.2
Net financing from medium-term and long-term loans	(35.2)	28.5
Repayments from leases	(19.1)	(21.6)
Interest received	7.9	2.7
Interest paid and similar expenses	(21.1)	(19.9)
Cash flow from financing activities	**(67.4)**	**28.1**
Net cash inflow/outflow	(14.3)	24.9
Change in cash and cash equivalents from the first-time consolidation of companies	0.6	0.0
Exchange rate effects	(2.2)	0.4
Opening cash and cash equivalents	**48.6**	**23.3**
Closing cash and cash equivalents	**32.7**	**48.6**

For more information on the cash flow statement, see page 123 et seq.

Balance sheet

Assets in € mill.	Notes	12/31/2020	12/31/2019
Intangible assets	(10)	299.6	280.1
Property, plant and equipment	(11)	313.6	296.8
Investment properties	(12)	4.4	1.8
Investments in companies accounted for using the equity method	(13)	72.8	74.6
Other noncurrent financial instruments	(14)	6.0	6.0
Other noncurrent assets	(15)	3.9	4.0
Deferred tax assets	(16)	20.4	17.7
Noncurrent assets		**720.7**	**681.0**
Inventories	(17)	163.4	152.1
Trade receivables	(18)	209.5	212.8
Contract assets	(18)	4.3	5.0
Income tax assets	(19)	3.3	5.8
Other current financial instruments	(20)	21.8	29.6
Other current assets	(20)	24.1	25.8
Short-term securities	(21)	0.3	0.0
Cash and cash equivalents	(22)	67.8	56.7
Current assets		**494.5**	**487.8**
Assets held for sale	(7)	1.3	162.6
Assets		**1,216.5**	**1,331.4**

Equity and liabilities in € mill.	Notes	12/31/2020	12/31/2019
Capital stock	(23.1)	49.9	49.9
Additional paid-in capital	(23.2)	190.4	190.4
Retained earnings and net income	(23.3)	172.3	158.7
Accumulated other comprehensive income	(23.4)	(14.0)	(4.8)
Equity excluding noncontrolling interests		**398.6**	**394.2**
Noncontrolling interests	(23.5)	15.9	9.4
Equity		**414.5**	**403.6**
Pension provisions/provisions for other post-employment benefits	(24)	35.5	34.8
Other noncurrent provisions	(25)	12.4	8.9
Noncurrent financial liabilities	(26.1)	244.5	385.8
Noncurrent trade payables	(26.2)	0.0	1.4
Other noncurrent liabilities	(26.4)	2.8	10.6
Deferred tax liabilities	(16)	7.7	7.9
Noncurrent liabilities		**302.9**	**449.4**
Other current provisions	(25)	56.4	59.4
Current financial liabilities	(26.1)	175.0	41.3
Current trade payables	(26.2)	152.3	132.8
Current contract liabilities	(26.2)	0.0	0.2
Current income tax liabilities	(26.3)	6.8	4.4
Other current liabilities	(26.4)	105.6	91.7
Current liabilities		**496.1**	**329.8**
Liabilities related to assets held for sale	(7)	3.0	148.6
Equity and liabilities		**1,216.5**	**1,331.4**

Previous year's figures for provisions for other post-employment benefits adjusted, see number 24 on page 139 et seq.

Statement of changes in equity

€ mill.	Capital stock	Additional paid-in capital	Retained earnings and net income	Accumulated other comprehensive income: Reseve for currency translation	Accumulated other comprehensive income: Reserve for financial instruments held for sale	Accumulated other comprehensive income: Reserve for hedging trans-actions	Accumulated other comprehensive income: Reserves for the remeasurement of defined benefit plans	Equity excluding noncontrolling interests	Noncon-trolling interests	Total
As of 12/31/2018	**45.3**	**146.5**	**318.7**	**2.0**	**0.0**	**(0.5)**	**0.5**	**512.5**	**10.8**	**523.3**
Transfer to retained earnings			0.5				(0.5)	0.0		0.0
Capital increase	4.6	43.9						48.5		48.5
Changes in the scope of consolidation			(6.8)	(5.7)				(12.5)	0.0	(12.5)
Other effects			2.0					2.0		2.0
Net income			(139.7)					(139.7)	2.9	(136.8)
Income and expenses recognized directly in equity after taxes				2.3		(0.3)	(2.6)	(0.6)	0.0	(0.6)
Dividend payments			(16.0)					(16.0)	(4.3)	(20.3)
As of 12/31/2019	**49.9**	**190.4**	**158.7**	**(1.4)**	**0.0**	**(0.8)**	**(2.6)**	**394.2**	**9.4**	**403.6**
Transfer to retained earnings			(2.6)				2.6	0.0		0.0
Changes in the scope of consolidation		0.0	(0.4)	(1.3)			1.2	(0.5)	7.1	6.6
Other effects			(0.6)				(0.3)	(0.9)	0.6	(0.3)
Net income			17.2					17.2	3.6	20.8
Income and expenses recognized directly in equity after taxes				(10.9)		0.2	(0.7)	(11.4)	(0.6)	(12.0)
Dividend payments			0.0					0.0	(4.2)	(4.2)
As of 12/31/2020	**49.9**	**190.4**	**172.3**	**(13.6)**	**0.0**	**(0.6)**	**0.2**	**398.6**	**15.9**	**414.5**

For more information about changes in equity components, see numbers (23.1) to (23.5) on pages 137 et seq.

Notes to the consolidated financial statements of Vossloh AG as of December 31, 2020

Segment information by division and business unit

€ mill.		Fastening Systems	Tie Technologies	Consolidation	Core Components	Customized Modules (Switch Systems)
Value added	2020	30.2	(1.1)	0.0	**29.1**	**4.4**
	2019	21.6	(7.8)	(0.1)	**13.7**	**(87.1)**
Information from income statement/flow figures						
External sales revenues	2020	198.7	166.5	0.0	**365.2**	**400.5**
	2019	219.7	120.0	0.0	**339.7**	**472.7**
Internal sales revenues	2020	17.6	2.6	(10.1)	**10.1**	**1.3**
	2019	14.5	5.7	(8.2)	**12.0**	**0.5**
Depreciation/amortization	2020	8.5	13.7	0.0	**22.2**	**14.0**
	2019	7.8	11.9	0.0	**19.7**	**17.1**
Investments in noncurrent assets	2020	25.5	5.6	0.0	**31.1**	**18.0**
	2019	16.3	14.1	0.0	**30.4**	**15.8**
Income from investments in companies accounted for using the equity method	2020	0.5	0.0	0.0	**0.5**	**2.3**
	2019	1.9	0.0	0.0	**1.9**	**1.9**
Result from discontinued operations	2020	0.0	0.0	0.0	**0.0**	**0.0**
	2019	0.0	0.0	0.0	**0.0**	**0.0**
Other material noncash segment expenses	2020	3.2	2.8	0.0	**6.0**	**13.9**
	2019	3.1	3.2	0.0	**6.3**	**27.9**
Impairment losses	2020	0.4	–	–	**0.4**	**0.7**
	2019	0.5	–	–	**0.5**	**27.2**
Reversals of impairment losses	2020	0.0	0.0	0.0	**0.0**	**0.1**
	2019	0.1	0.0	0.0	**0.1**	**0.0**
Information from the balance sheet						
Total assets	2020	280.0	205.5	(1.4)	**484.1**	**522.2**
	2019	229.7	206.3	(0.6)	**435.4**	**532.3**
Liabilities	2020	161.1	67.6	(1.3)	**227.4**	**292.4**
	2019	130.2	74.8	(0.6)	**204.4**	**301.6**
Investments in companies accounted for using the equity method	2020	4.5	0.0	0.0	**4.5**	**53.8**
	2019	9.3	0.0	0.0	**9.3**	**52.0**
Annual average headcount**	2020	542	396	0	**938**	**1,987**
	2019	541	338	0	**879**	**2,286**

* The Consolidation column incorporates the elimination of reclassified income, expenses and balance sheet items of reporting segments reported as discontinued operations as required in accordance with IFRS 5.

** The average number of employees is calculated based on quarterly figures. Reported values in the previous year were calculated based on monthly values. For comparability purposes the previous year's figures have been adjusted accordingly.

Lifecycle Solutions (Rail Services)	Discontinued operations/ Locomotives	Consolidation*	Transportation	Holding companies	Consolidation	Group
(3.9)	(30.7)	37.7	**7.0**	(9.0)	(15.2)	**12.4**
(20.3)	(43.9)	44.0	**0.1**	1.3	(13.1)	**(105.4)**
99.6	41.7	(41.7)	**0.0**	0.0	0.0	**865.3**
98.6	142.7	(142.7)	**0.0**	0.0	0.0	**911.0**
4.2	7.0	0.0	**7.0**	0.0	(18.2)	**4.4**
7.4	0.2	0.0	**0.2**	0.1	(14.8)	**5.4**
11.8	7.6	(7.6)	**0.0**	0.7	0.0	**48.7**
12.9	17.2	(17.2)	**0.0**	0.6	0.0	**50.3**
16.5	1.8	(1.8)	**0.0**	3.4	(0.3)	**68.7**
13.3	4.6	(4.6)	**0.0**	0.3	0.0	**59.8**
1.1	0.0	0.0	**0.0**	0.0	0.0	**3.9**
1.2	0.0	0.0	**0.0**	0.0	0.0	**5.0**
0.0	(31.7)	0.0	**(31.7)**	5.5	0.0	**(26.2)**
0.0	(74.4)	0.0	**(74.4)**	4.0	0.0	**(70.4)**
2.8	0.0	0.0	**0.0**	7.5	0.0	**30.2**
4.7	6.9	(6.9)	**0.0**	6.1	0.0	**45.0**
0.4	–	–	**–**	47.8	(47.9)	**1.4**
8.2	–	–	**–**	0.3	–	**36.2**
0.0	0.0	0.0	**0.0**	0.0	0.0	**0.1**
0.0	0.0	0.0	**0.0**	0.0	0.0	**0.1**
238.1	232.7	(232.7)	**0.0**	1,230.5	(1,258.4)	**1,216.5**
248.9	251.3	(54.1)	**197.2**	1,395.7	(1,478.1)	**1,331.4**
211.3	139.4	(139.4)	**0.0**	529.2	(461.3)	**799.0**
227.5	195.7	(143.2)	**52.5**	647.9	(654.8)	**779.1**
14.5	0.0	0.0	**0.0**	0.0	0.0	**72.8**
13.3	0.0	0.0	**0.0**	0.0	0.0	**74.6**
498	125	(125)	**0**	59	0	**3,482**
546	486	(486)	**0**	63	0	**3,774**

General principles

Vossloh AG is a listed company based in Werdohl, Germany. The Company is registered under HRB 5292 in the commercial register of the Iserlohn Local Court, the place of business is Vosslohstraße 4, 58791 Werdohl, Germany. The development, manufacturing and sale of products as well as the provision of services of all varieties in the field of rail technology, particularly in rail infrastructure and railbound traffic, are the Vossloh Group's primary activities.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the supplementary regulations of Section 315e (1) of the German Commercial Code (HGB). All binding standards as of the balance sheet date have been considered.

On March 1, 2021, Vossloh AG's Executive Board released the consolidated financial statements for transmittal to the Supervisory Board's Audit Committee.

New accounting rules

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) but were not yet binding for the 2020 fiscal year according to the EU's adoption regulations or were not yet adopted into European law. In the case of standards and interpretations that have not yet been adopted by the EU, the first-time application in accordance with the IASB is indicated. Early adoption of these standards is not planned.

New or amended standards	Issued	Applied for the first time in the fiscal year	Endorsed by the EU	Key content and impact on the consolidated financial statements of Vossloh AG
IFRS 17: Insurance Contracts	May 2017	2023	./.	None
Classification of Liabilities as Current or Non-current including Deferral of Effective Date (Amendment to IAS 1)	January/July 2020	2023	./.	May affect the classification of liabilities as current or noncurrent when dealing with expiring financing agreements, dependent on the case.
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	2022	./.	None
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	2022	./.	None
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	May 2020	2022	./.	We do not expect this to have any significant impact as we only sell a small volume of products which are produced while we prepare new items of property, plant and equipment for their intended use.
Annual Improvements to IFRS Standards 2018-2020	May 2020	2022	./.	None
Extension of temporary exemption from IFRS 9 (Amendments to IFRS 4)	June 2020	2023	2020	None
Reform of reference interest rates — Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	August 2020	2021	2021	The impact is currently being assessed
Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments to IAS 1 and Practice Statement 2)	February 2021	2023	./.	The impact is currently being assessed
Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting (Amendments to IAS 8)	February 2021	2023	./.	The impact is currently being assessed

First-time application of standards and interpretations

In the 2020 fiscal year, the changes to standards and interpretations listed in the following table were applied for the first time:

Standard/Interpretation	Issued	Endorsed by the EU
Amendments to References to the Conceptual Framework in IFRS Standards	March 2018	December 2019
Amendments to IFRS 3 (Definition of a Business)	October 2018	April 2020
Amendments to IAS 1 and IAS 8 (Definition of Material)	October 2018	December 2019
Reform of reference interest rates, amendments to IFRS 9, IAS 39 and IFRS 7	September 2019	January 2020
COVID-19-Related Rent Concessions (Amendments to IFRS 16)	May 2020	October 2020

The standards and interpretations which were applied for the first time had no significant impact on the consolidated financial statements. The amendments to IFRS 9, IAS 39 and IFRS 7 due to the reform of reference interest rates are described in detail in the notes on financial instruments and on financial risk management.

Principles for preparing the consolidated financial statements

The financial statements of all companies included in the consolidated financial statements are prepared as of Vossloh AG’s closing date (December 31) in accordance with uniform accounting and measurement methods; the majority are audited or reviewed by independent statutory accountants.

The consolidated financial statements are prepared in Euro, the functional currency of the company. Figures are mostly presented in millions of euros. The income statement is structured according to the cost-of-sales method. The consolidated financial statements were prepared on a going concern basis.

The COVID-19 pandemic caused production difficulties and project delays which had a significant impact on our business. However, the impact was relatively low compared to companies in other sectors. These two main factors reduced sales revenues by around €90 million. We expect EBIT to fall by around €25 million due to the pandemic. The main factors affecting our future performance will be the pace at which vaccinations can be rolled out in different countries and regions, as well as what further impact the pandemic will have on the economy in our main sales markets – particularly in light of how new variants are currently driving up infection rates. We analyze all risks relevant to our business on an ongoing basis in order to ensure that we are able to take any appropriate action at short notice.

Preparing the consolidated financial statements requires management to make certain discretionary decisions, assumptions and estimates. These estimates involve a certain level of uncertainty. They affect the valuation of recognized assets, liabilities and of contingent liabilities as of the balance sheet date, as well as the recognition of income and expenses in the reporting period.

Due to uncertainty, the actual values subsequently determined may differ from those estimates and hence from the amounts disclosed in the consolidated financial statements. The estimates and underlying assumptions are subject to ongoing review. Adjustments are made in the period of the change or in future periods, for example in the case of changes to the useful lives of property, plant and equipment.

Estimation uncertainty with a significant impact on the consolidated financial statements is particularly prevalent when accounting for goodwill (see Note 10), recognizing deferred taxes (see Note 16) and recognizing and measuring other provisions (see Note 25).

Discretionary decisions with a significant impact on the consolidated financial statements are particularly common when determining the duration of leases in the event of extension or termination options (see "Information on leases").

The recognition and measurement principles applied in Vossloh AG's consolidated financial statements are detailed in the notes.

Consolidation

Vossloh's consolidated financial statements comprise the financial statements of Vossloh AG and (generally speaking) all of its subsidiaries. All subsidiaries, where Vossloh AG usually exercises control by directly or indirectly holding the majority of voting rights, are fully consolidated.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is obtained until the control relationship expires. The acquisition method (purchase method) of accounting is applied for capital consolidation purposes. This involves offsetting the cost of the acquired shares against the Group's holding in the equity of the subsidiaries. To determine the equity of subsidiaries acquired upon initial consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are recognized at fair value at the acquisition date. Remaining positive differences between the purchase price and the market value of the acquired assets and liabilities are recognized as goodwill in accordance with IFRS 3 and are tested for impairment annually at the level of the relevant business unit. Negative goodwill is directly recognized in profit after the fair values of assets and liabilities have been reassessed. Shares belonging to other investors with a corresponding stake in the identifiable net assets of the respective company acquired are measured at the acquisition date. Changes to the Group's holdings in subsidiaries, which do not lead to an acquisition or loss of control over this subsidiary, are treated as equity transactions.

Receivables and payables, and income and expenses, between consolidated Group companies are eliminated in connection with the consolidation of liabilities as well as income and expenses. Where write-downs have been recognized in the separate financial statements of consolidated subsidiaries on shares in consolidated subsidiaries or intragroup receivables, such write-downs are reversed in consolidation. Interim profits and losses from intragroup transactions are eliminated.

In accordance with IFRS 11, joint ventures are generally accounted for using the equity method insofar as the Group company holding the interest has typical shareholder rights applicable to the net assets of the joint venture. Insofar as the rights of the Group company holding the interest apply to individual assets or liabilities, or the companies participating in the joint venture have entered into specific agreements regarding the division of the goods produced or services rendered by the joint venture, such a joint venture is deemed jointly operated and the assets and liabilities, or the expense and income, are accounted for using proportionate consolidation. Where material, other companies in which Vossloh owns an equity interest of between 20 and 50 percent and where Vossloh can exercise a significant influence on their business and financial policies (associated companies) are accounted for using the equity method.

All other equity interests are measured at fair value and recognized in other noncurrent financial instruments.

In the 2020 fiscal year, the following changes occurred in the scope of consolidation:

The Locomotives business unit was removed from the scope of consolidation on May 31, 2020 due to the finalization of the agreement signed on August 26, 2019, for the sale of the shares in Vossloh Locomotives GmbH. This caused five fully consolidated companies and one joint venture accounted for using the equity method to leave the Group.

A previously insignificant Group company was included in the scope of consolidation for the first time on January 1, 2020. One other Group company was sold, while two Group companies merged.

On January 1, 2020, Vossloh assumed control of Vossloh (Anyang) Track Material Co. Ltd., Anyang, China, a joint venture which had been jointly managed in the 2019 fiscal year during the start-up phase. The company has been fully consolidated since this date. Vossloh holds 51 percent of the shares in this company. The joint venture was founded together with a partner in the 2019 fiscal year with the objective of bundling the production of specific components of rail fastening systems in order to generate cost benefits. Against the backdrop of a number of relevant decisions in the start-up year, it was already contractually agreed at the time of the company's establishment that significant decisions over the course of 2019 would be made jointly, but that control would be transferred to Vossloh at the beginning of 2020 through the amendment of the corresponding provisions on unanimity requirements in the case of matters involving significant decisions.

Pursuant to IAS 28.22 (a) the acquisition of control was recognized in the balance sheet as a business combination in accordance with the regulations in IFRS 3. The difference between the previous carrying amount and the fair value of the shares at the time of gaining control resulted in income of €15.6 million, which was recognized as part of other financial income in the income statement. The fair value of the shares held previously amounted to a total of €19.5 million as of the time of taking over the control over the assets and liabilities, and incorporates the income prospects of the joint venture, which are thus also reflected in the goodwill resulting from the business combination. This amount was treated as consideration in the context of the first-time consolidation. The following assets and liabilities, which have been offset with the consideration in the amount of Vossloh's share of the equity and which resulted in the recorded goodwill as well as a corresponding recognition of noncontrolling interests, have been taken over:

€ mill.	Fair value
Intangible assets	9.7
Property, plant and equipment	9.7
Inventories	3.0
Trade receivables	4.8
Other current assets	3.2
Assets	**30.4**
Financial liabilities	2.1
Trade payables	5.7
Other liabilities	8.1
Total liabilities	**15.9**
Equity	0.0
Net assets included in the consolidated financial statements	**14.5**
thereof the share attributable to the JV partner (49%)	7.1
Share of net assets attributable to Vossloh	**7.4**
Surrendered value of shares	19.5
Goodwill	**12.1**

Since the time of its initial consolidation, the company has contributed €5.0 million to sales revenues and €(1.1) million to net income. No transaction costs were incurred for the acquisition of control. The company's cash balances as of the time of gaining control totaled €0.6 million, and are disclosed in the cash flow statement in the line item "Change in cash and cash equivalents from first-time consolidation". The trade receivables acquired are the result of deliveries to the joint venture partner and are recognized according to their gross value; it is unlikely that they will be irrecoverable. The goodwill acquired through the acquisition is not relevant for tax purposes.

As of the end of the fiscal year, 55 companies (previous year: 60 companies) were fully included in the consolidated financial statements, 14 of which were domiciled in Germany (previous year: 16 companies).

Nine companies domiciled outside of Germany (previous year: eleven) and one company domiciled in Germany (previous year: one) were accounted for using the equity method.

Due to their immateriality with respect to net assets, financial position and results of operations, 11 companies (previous year: 12) in which Vossloh AG directly or indirectly holds a voting majority as of the reporting date or controls by other means were not accounted for in the consolidated financial statements.

Currency translation

Noneuro financial statements of subsidiaries are translated into euros as the Group currency according to the concept of functional currency. Since these subsidiaries are economically independent entities, their functional currency corresponds to their local currency. For balance sheet items, the mean exchange rate as of the reporting date is used, while for the translation of items in the income statement, the annual average rate is applied, which serves as an approximation of the respective rates on the transaction dates.

Compared with the translation of the previous year, currency translation differences in assets and liabilities, and between income statement and balance sheet, are recognized directly in equity and presented in the line item "Accumulated other comprehensive income".

In the separate financial statements, foreign currency transactions are translated at the rate upon initial recognition. Gains or losses arising up to the end of the reporting period from the remeasurement of financial instruments or cash and cash equivalents are recognized in profit or loss.

The exchange rates of countries outside of the eurozone in which the Vossloh Group transacts major business through consolidated subsidiaries are listed below:

Exchange rates

Country	Currency	€	2020	2019	2020	2019
			Current rate		Average rate	
Australia	AUD	1 €	1.59	1.60	1.66	1.61
Brazil	BRL	1 €	6.35	4.51	5.90	4.42
China	CNY	1 €	7.99	7.82	7.87	7.74
United Kingdom	GBP	1 €	0.90	0.85	0.89	0.88
India	INR	1 €	89.32	80.07	84.57	78.85
Kazakhstan	KZT	1 €	515.58	429.30	471.80	428.56
Malaysia	MYR	1 €	4.92	4.59	4.79	4.63
Mexico	MXN	1 €	24.35	21.17	24.52	21.56
Poland	PLN	1 €	4.56	4.25	4.44	4.30
Russia	RUB	1 €	90.46	69.61	82.63	72.47
Sweden	SEK	1 €	10.05	10.49	10.49	10.59
Serbia	RSD	1 €	117.57	117.57	117.58	117.82
Thailand	THB	1 €	36.71	33.80	35.69	34.76
Turkey	TRY	1 €	9.08	6.68	8.04	6.36
USA	USD	1 €	1.22	1.12	1.14	1.12

Notes to the income statement

In the previous year, the Executive Board of Vossloh AG approved a performance program for a sustainable increase in profitability as well as an improvement in the self-financing capacity of the Vossloh Group. The resulting expenses mainly led to the impairment of intangible assets and property, plant and equipment, in addition to termination payments and related payments. Impairments in the previous year related to the divestment of unprofitable or disadvantageous activities came to €41.9 million. The expenses related to reducing the number of employees came to €30.2 million, divided between termination payments and provisions for such payments. Additional expenses of €21.2 million were mostly recognized in the cost of sales, in addition to further impairments of trade receivables under general administrative and selling expenses. One-time effects in the previous year led to expenses of €93.3 million in the income statement. Subsequent effects and reversal effects took the form of income from the reversal of staff-related provisions (€3.3 million) and expenses from the divestment of unprofitable activities (€4.9 million). These effects netted out to €(1.6) million in the year under review, and had little impact on the consolidated financial statements.

They are normally recognized in other operating income, other operating expense or cost of sales.

(1) Sales revenues

Breakdown of sales revenues

€ mill.	2020	2019
Sales of products		
Fastening Systems	216.3	234.2
Tie Technologies	169.1	125.7
Consolidation	(10.1)	(8.2)
Core Components	375.3	351.7
Customized Modules	403.2	471.9
Lifecycle Solutions	7.0	27.6
Consolidation	(11.1)	(14.5)
Group	**774.4**	**836.7**
Sales revenues from rendering services		
Lifecycle Solutions	84.5	64.4
Group	**84.5**	**64.4**
Sales revenues from customer-specific manufacturing		
Customized Modules	(1.4)	1.3
Lifecycle Solutions	12.3	14.0
Consolidation	(0.1)	0.0
Group	**10.8**	**15.3**
Total Group sales across all activities	**869.7**	**916.4**
Sales revenues by division and business unit		
Fastening Systems	216.3	234.2
Tie Technologies	169.1	125.7
Consolidation	(10.1)	(8.2)
Core Components	375.3	351.7
Customized Modules	401.8	473.2
Lifecycle Solutions	103.8	106.0
Consolidation	(11.2)	(14.5)
Group	**869.7**	**916.4**

The performance obligations of Group companies consist primarily of the delivery of typical products or the rendering of services, which are listed in the description of the business activities of the divisions and business units in the notes to the segment report on pages 144 et seq. Sales revenues are recognized net of sales deductions and price allowances such as discounts, bonuses, rebates, and purchases or returns credited. As a general rule, in accordance with IFRS 15, recognition takes place upon transfer of control of the products to be delivered on the basis of the respective contractually agreed incoterms. In most cases, this is covered by the transfer of ownership and risks to the buyer or when the customer takes physical possession. At several Group companies, "bill-and-hold" arrangements have been contractually agreed because the customers manage the delivery of products on the basis of their own planning of construction projects in cases of new or overhauled rail routes. In such cases, the products have already been accepted by the customer in advance and are also stored separately as the property of the customer. Where partial invoices have been contractually agreed upon in advance, sales are recognized after the customer has finally and formally accepted the partial delivery. The payment terms for the majority of customer contracts do not include any financing components. Some orders include de facto redemption obligations for individual components in the event that components need to be replaced with more suitable versions due to specific effects. Contractual guarantees are also concluded on at arm's length basis.

For certain projects, the performance of the owed service and the associated revenue recognition take place over a period of time. The same applies generally to the provision of services. In this context, the proportional earnings contribution realized as of the reporting date is also recognized along with the revenue in the income statement. The percentage of completion of the contracts is recognized using the percentage-of-completion method (PoC) by comparing the contract costs already incurred with the total expected contract costs. This process establishes the percentage of completion of the contracts based on the ratio of costs already incurred to the estimated total contract costs (cost-to-cost method). Costs due to inefficiencies or similar causes are deducted in the calculation of the percentage of completion. The proportional profit from the PoC method is recognized only where the results of the customer contracts can be determined reliably. If this condition is not met, sales are recognized without including the proportional profit. Where a loss from a customer contract is imminent, this is recognized in full.

The Customized Modules division recognized negative sales revenues from customer-specific manufacturing of €(1.4) million in the year under review due to an order being canceled which had not progressed for a number of years.

The segment reports starting on pages 108 et seq. and 144 et seq. include breakdowns of external sales revenues by division, business unit and region. A further overview of overall sales by region can also be found in the combined management report on page 39 of this annual report.

(2) Functional expenses

According to the cost-of-sales format of the income statement presentation, expenses are allocated to functional categories. The following expense types and their amounts are included in cost of sales, selling, general administrative, and research and development expenses:

Breakdown of cost types

€ mill.	2020	2019
Cost of raw materials and supplies	360.6	394.4
Cost of services purchased	63.6	67.8
Cost of materials	**424.2**	**462.2**
Wages and salaries	162.9	210.8
Social security expenses and charges	36.8	43.5
Pension expenses	5.4	5.8
Personnel expenses	**205.1**	**260.1**
Depreciation/amortization	**50.0**	**86.4**

Based on the quarterly numbers, the average annual workforce structure was as follows:

	2020	2019
Executive Board/Management Board	22	21
Other managers/executives	107	123
Nontariff employees	800	894
Tariff employees	2,625	2,772
Apprentices/trainees	35	43
Interns/working students	15	20
Total	**3,604**	**3,873**

The Locomotives business unit, which was sold on May 31, 2020, had 142 employees on average (previous year: 537). The number of employees in the Vossloh Group in accordance with Section 314 (1) No. 4 of the German Commercial Code was 3,666 (previous year: 4,299). Adjustments were made to the previous year's figures related to the structure of the workforce and the disclosure required under German commercial law. The values indicate the number of employed people; the average employee figures broken down by segment on page 108 et seq. are based on a conversion to Full Time Equivalents (FTE).

(2.1) Cost of sales

Cost of sales covers the cost of goods and services sold in the period. Besides such direct costs as materials, labor and energy, cost of sales comprises indirect costs, primarily depreciation on plant, property and equipment, in addition to amortization of intangible assets. Cost of sales also includes any write-downs of inventories in the period.

(2.2) General administrative and selling expenses

Breakdown of general administrative and selling expenses

€ mill.	2020	2019
Selling expenses	61.2	57.4
General administrative expenses	86.9	112.0
General administrative and selling expenses	**148.1**	**169.4**

In addition to personnel expenses, selling expenses primarily include outbound freight and commissions. Administrative expenses cover personnel, material and other administration expenses, including amortization and depreciation of corresponding assets.

All research costs are directly recognized as research and development expenses in the income statement. Costs incurred for developing a marketable product are capitalized if the criteria in IAS 38 are met. Noncapitalizable development costs are also recognized under this item in the income statement. R&D expenses before capitalized development expenses came to €10.5 million in the past fiscal year (previous year: €11.6 million). Of these costs for development projects, €1.6 million (previous year: €0.9 million) were recognized in the balance sheet.

(2.3) Research and development costs

(3.1) Other operating income

Breakdown of other operating income

€ mill.	2020	2019
Currency exchange gains	7.2	12.3
Income from the disposal of intangible assets and property, plant and equipment	3.1	1.2
Income from government grants	1.7	1.2
Rental income	1.2	1.0
Insurance reimbursements	0.3	0.7
Release of allowances and reversal of write-downs	0.1	0.0
Other income	7.7	9.6
Other operating income	**21.3**	**26.0**

Currency exchange gains include €1.3 million related to the release of currency translation differences in connection with the sale of Vossloh Signaling USA. Currency exchange gains and losses also include changes in the market value of stand-alone derivatives for the economic hedging of currency risk.

Income from government grants is mainly related to subsidies to R&D projects.

Payments received to subsidize expenses are recognized as deferred income under other liabilities and amortized to other operating income. Investment/capex-related grants or incentives are offset against the cost of the property, plant and equipment concerned. Conditions yet to be met and where the failure to meet such conditions would entail the repayment of grants do not exist, nor do any contingent liabilities in this regard. As of the end of the reporting period, no grants were recognized as a cost reduction in property, plant and equipment, as in the previous year.

(3.2) Other operating expense

Breakdown of other operating expense

€ mill.	2020	2019
Currency exchange losses	(6.9)	(3.7)
Losses on the disposal of intangible assets and property, plant and equipment	(1.1)	(1.0)
Expenses for buildings	(0.5)	(0.3)
Impairment of inventories and other assets	(0.5)	(6.8)
Impairment of intangible assets and property, plant and equipment	(0.2)	(35.1)
Other expenses	(0.8)	(1.4)
Other operating expense	**(10.0)**	**(48.3)**

The impairment of inventories and other assets is related solely to disposal groups which have been sold and are still available for sale. Additional information can be found in Note 7 on page 121 et seq.

(4.1) Other financial income

Breakdown of other financial income

€ mill.	2020	2019
Income from the measurement of financial instruments at fair value	15.6	0.0
Income from investments	1.0	0.3
Income from securities	0.1	0.1
Income from shares in affiliated companies	0.0	0.2
Other financial income	**16.7**	**0.6**

All income from the measurement of financial instruments at fair value in the year under review is related to the market assessment of the shares in Vossloh (Anyang) Track Material Co. due to its transitional consolidation. This joint venture was accounted for using the equity method in the previous year (further information is available in the "Consolidation" section on page 113).

(4.2) Other financial expense

Breakdown of other financial expense

€ mill.	2020	2019
Write-down of financial instruments	(0.6)	(1.2)
Other financial expense	**(0.6)**	**(1.2)**

(5.1) Interest and similar expense

Breakdown of interest and similar expense

€ mill.	2020	2019
Interest from bank liabilities	(7.2)	(6.2)
Interest from leases	(1.0)	(1.2)
Guarantee commissions	(0.8)	(0.9)
Other interest expense	(13.2)	(12.8)
Interest and similar expense	**(22.2)**	**(21.1)**

The majority of other interest expense relates to currency exchange losses from intragroup financing.

(5.2) Interest income

Currency exchange gains from intragroup financing totaling €6.8 million (previous year: €2.2 million) make up the majority of the €7.8 million in interest income in the income statement (previous year: €2.6 million).

(6) Income taxes

Breakdown of income taxes

€ mill.	2020	2019
Current income taxes	17.4	13.0
Deferred taxes	(5.7)	(2.7)
Income taxes	**11.7**	**10.3**

Of the current income taxes, €2.3 million (previous year: €(0.1) million) related to previous years. In the case of deferred taxes, this applied to €(3.0) million (previous year: €(0.3) million). Totaling €4.3 million (previous year: €3.2 million) of deferred tax income resulted from the changes of temporary differences and from loss and interest carryforwards. Remeasurements of temporary differences resulted in deferred tax expenses of €1.6 million (previous year: €0.3 million).

In Germany, the statutory corporate income tax rate of 15 percent and the solidarity surcharge (5.5 percent of corporate income tax) are applied. Municipal trade tax is also collected at rates defined by the respective local municipalities. We expect an average tax rate of 31.98 percent for Vossloh AG as the parent company (previous year: 31.87 percent).

The Vossloh Group's actual tax expense of €11.7 million (previous year: €10.3 million) was €7.1 million lower (previous year: €28.2 million higher) than the anticipated tax expense that would have resulted from applying a Group holding-wide tax rate to EBT.

The reconciliation of the expected income tax expense to the actual income tax shown in the consolidated income statement is presented below:

Reconciliation to the recognized income tax expense

		2020	2019
Earnings before taxes	€ mill.	58.7	(56.1)
Income tax rate including trade taxes	%	31.98	31.87
Expected tax expense when applying a uniform tax rate	€ mill.	18.8	(17.9)
Tax reduction/increase due to divergent foreign income tax rates	€ mill.	(2.6)	5.3
Tax reduction due to tax-exempt income	€ mill.	(3.1)	(7.0)
Tax increase due to nondeductible expenses	€ mill.	6.2	8.6
Taxes for previous years	€ mill.	(0.7)	(0.1)
Tax effect of write-ups/write-downs of deferred tax assets	€ mill.	(2.8)	20.7
Double-taxation effects	€ mill.	0.5	(0.1)
Effect from the remeasurement of deferred taxes	€ mill.	1.6	0.3
Effects from the measurement of investments in companies accounted for using the equity method	€ mill.	(6.0)	1.6
Other differences	€ mill.	(0.2)	(1.1)
Recognized income tax expense	€ mill.	11.7	10.3
Effective income tax rate	%	19.9	(18.4)

Effects from the measurement of investments in companies accounted for using the equity method primarily relate to changing the carrying amount of the joint venture in China to its fair value in connection with the transition from using the equity method to full consolidation. This change was recognized in profit or loss. The other deviations in the previous year are mainly the result of tax credits for Vossloh Cogifer KIHN SA in Luxembourg. Deferred taxes from items, which increased other comprehensive income, amounted to €0.5 million (previous year: €1.1 million). Those deferred taxes arose from the remeasurement of defined benefit plans in the amount of €0.5 million (previous year: €1.1 million) to be accounted for in the fiscal year in addition to changes in the measurement of hedging instruments on cash flow hedges amounting to €0.0 million (previous year: €0.0 million).

Taxable temporary differences of €97.5 million resulted from the valuation of investments in the respective parent companies and the net assets in the consolidated balance sheet (previous year: €194.3 million). The resulting deferred tax liabilities to be recognized would theoretically amount to €1.6 million (previous year: €3.3 million). Because the Group can manage the reversal of temporary differences and this reversal is not considered likely in the near future, no related deferred tax liabilities are incurred.

(7) Result from discontinued operations/assets and liabilities held for sale

The result from discontinued operations during the reporting year almost exclusively concerned the Locomotives business unit, which was reported as "discontinued operations" in accordance with IFRS 5 until it has been deconsolidated. The transfer of the shares in Vossloh Locomotives GmbH, which was originally agreed in August 2019, was finalized on May 31, 2020. The result disclosed in the income statement includes all income and expenses for the period of January to May 2020 and the 2019 fiscal year. The corresponding assets and liabilities reported under "Assets held for sale" and "Liabilities related to assets held for sale" in the consolidated balance sheet are solely presented in the 2019 fiscal year.

The following table shows a breakdown of the result from discontinued operations in the income statement:

Composition of the result from discontinued operations

€ mill.	2020	2019
Income	41.7	142.7
Expenses	(54.4)	(168.3)
Result from operating activities, before taxes	**(12.7)**	**(25.6)**
Income taxes	(3.0)	0.8
Result from operating activities, after taxes	**(15.7)**	**(24.8)**
Impairment loss on noncurrent assets	(10.3)	(49.6)
Subsequent effects from former business units	(0.2)	4.0
Result from discontinued operations	**(26.2)**	**(70.4)**
thereof attributable to shareholders of Vossloh AG	(26.2)	(70.4)
thereof attributable to noncontrolling interests	0.0	0.0

In the statement of comprehensive income, €0.0 million (previous year: €(0.4) million) results from the revaluation of defined benefit plans and related income taxes of €0.0 million (previous year: €0.1 million) from discontinued operations.

The assets and liabilities held for sale reported on the balance sheet relate to the company Vossloh Cogifer do Brasil Metalùrgica in Brazil. Vossloh Signaling USA, which was classified as held for sale in the previous year, was sold during the fiscal year. The remaining property, plant and equipment allocated to Vossloh Track Material was sold or transferred within the Group during the fiscal year. The significant assets of Vossloh Track Material had been sold in two transactions in the previous year. The following table shows the main groups of assets held for sale and the related liabilities:

Assets and liabilities related to disposal groups

€ mill.	12/31/2020	12/31/2019
Property, plant and equipment	0.0	1.5
Other noncurrent assets	0.0	0.0
Noncurrent assets	**0.0**	**1.5**
Inventories	0.2	4.6
Trade receivables	0.6	2.7
Other current assets	0.1	0.6
Cash and cash equivalents	0.4	0.7
Current assets	**1.3**	**8.6**
Assets	**1.3**	**10.1**
Provisions	0.1	0.3
Trade payables	0.2	0.8
Liabilities from leases	0.3	1.8
Other liabilities	2.4	2.7
Liabilities	**3.0**	**5.6**

As in the previous year, the table above includes the assets and liabilities of disposal groups in the sense of IFRS 5. As a result, it includes the assets and liabilities of the aforementioned Brazilian company for the year under review. In the previous year, this table also included the assets and liabilities of Vossloh Signaling USA, which has now been sold.

The assets held for sale and the liabilities related to assets held for sale reported in the balance sheet as of December 31, 2019 still included assets of €152.5 million and liabilities of €143.0 million from the Locomotives business unit, which has since been sold.

(8) Noncontrolling interests

The share of the Group's total net income attributable to noncontrolling interests includes shares in profit of €4.1 million (previous year: €4.4 million) and shares in losses of €0.5 million (previous year: €1.5 million).

(9) Earnings per share

		2020	2019
Weighted average of shares outstanding	Number	17,564,180	16,798,618
Net income attributable to Vossloh AG shareholders	€ mill.	17.2	(139.7)
Basic/diluted earnings per share	€	0.98	(8.32)
thereof attributable to continuing operations	€	2.47	(4.13)
thereof attributable to discontinued operations	€	(1.49)	(4.19)

Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents and short-term bank overdrafts within the Vossloh Group. Cash pertains to cash on hand and in the bank. Cash equivalents comprise any financial instruments with a maximum residual term of three months from the time of acquisition that can be readily converted into cash. Short-term bank overdrafts result from credit balances of bank balances due in the near future and are included in cash and cash equivalents. The cash flow statement is prepared in conformity with IAS 7 and breaks down changes in cash and cash equivalents into the cash inflows from, and outflows for, operating, investing and financing activities. The cash flow from operating activities is presented according to the indirect method.

The other noncash income and expenses primarily encompass currency translation effects and the changes to deferred taxes. In the cash receipts and payments arising from the purchase or sale of consolidated companies and other units, the cash inflows and outflows are offset against each other. Cash inflows from purchase price payments came to €48.3 million in the year under review (previous year: €40.1 million), while cash outflows totaled €2.4 million (previous year: €0.5 million).

As it did not result in cash flows, the reclassification of the Schuldschein loan tranches due in 2021 totaling €135 million from long-term to short-term loans was not reflected in the two relevant items of the cash flow statement: "Net financing from short-term loans" and "Net financing from medium-term and long-term loans". Net financing from short-term loans includes the repayment of the loan from Bayerische Landesbank (€10.6 million). In the previous year, net financing from short-term loans included the repayment of the loan from Bayerische Landesbank (€14.4 million) and a new loan taken out by Vossloh Fastening Systems China totaling €9.3 million. "Net financing from medium-term and long-term loans" in the previous year primarily consisted of drawdowns from additional tranches of the syndicated loan totaling €35.0 million. For more information, see our notes on the financial liabilities under Note 26.1.

The figures in the cash flow statement shown on page 105 relate to the entire Group, including the effects of discontinued operations. The table below divides the subtotals of the cash flow statement and opening and closing cash and cash equivalents into continuing and discontinued operations.

€ mill.	2020		2019	
Cash flow items	thereof from continuing operations	thereof from discontinued operations	thereof from continuing operations	thereof from discontinued operations
Gross cash flow	126.2	(13.3)	56.0	(16.7)
Cash flow from operating activities	109.3	(53.2)	54.8	(42.5)
Free cash flow	58.1	(54.1)	2.4	(44.8)
Cash flow from investing activities	(2.1)	(0.9)	(13.2)	(2.3)
Cash flow from financing activities	(121.3)	53.9	(17.0)	45.1
Opening cash and cash equivalents	46.0*	2.6	21.0	2.3
Exchange rate effects	(2.2)	0.0	0.4	0.0
Closing cash and cash equivalents	32.7*	0.0	46.0	2.6

* Thereof €0.7 million held in a disposal group at the beginning of the period and €0.4 million held in a disposal group at the end of the period and reported under "Assets held for sale".

The following table clarifies the breakdown of the changes in financial liabilities, as well as in derivatives from hedging relationships included in the cash flow from financing activities, between cash and noncash items:

€ mill.	Noncurrent and medium-term credit liabilities	Current credit liabilities	Lease liabilities	Derivatives in hedging relationships	Total
As of 12/31/2018	**319.8**	**31.7**	**5.0**	**8.1**	**364.6**
Payments for the period	28.5	(6.1)	(13.5)	0.0	8.9
Noncash changes					
Change due to disposal groups which have been sold and those which are still available for sale	0.0	0.0	(2.5)	0.0	(2.5)
New lease agreements	0.0	0.0	58.9	0.0	58.9
Changes in fair value	0.0	0.0	1.2	1.9	3.1
Exchange rate effects	0.0	0.0	0.0	0.0	0.0
Other	0.0	4.1	0.0	0.0	4.1
Considering bank overdrafts in cash and cash equivalents	(0.8)	(10.6)	0.0	0.0	(11.4)
As of 12/31/2019	**347.5**	**19.1**	**49.1**	**10.0**	**425.7**
Payments for the period	(35.2)	6.4	(12.1)	0.0	(40.9)
Noncash changes					
Reclassification	(135.0)	135.0	0.0	0.0	0.0
Change due to disposal groups which have been sold and those which are still available for sale	0.0	0.0	0.0	0.0	0.0
Change due to initial consolidation	0.0	2.1	0.0	0.0	2.1
New lease agreements	0.0	0.0	4.7	0.0	4.7
Changes in fair value	0.0	0.0	0.5	(5.9)	(5.4)
Exchange rate effects	0.0	0.0	0.7	0.0	0.7
Other	0.0	0.0	1.0	0.0	1.0
As of 12/31/2020	**177.3**	**162.6**	**43.9**	**4.1**	**387.9**

The figures for current, noncurrent and medium-term credit liabilities as of December 31, 2019 were adjusted due to bank overdrafts being considered in cash and cash equivalents since the previous year.

Notes to the balance sheet

The balance sheet is broken down into noncurrent and current assets and liabilities. Assets and liabilities maturing or due within one year are deemed current. Irrespective of their maturity, trade receivables/ payables are always considered current even if due after one year but within one normal business cycle. Deferred taxes are recognized as noncurrent assets or liabilities.

(10) Intangible assets

Breakdown of intangible assets

€ mill.	2020	2019
Goodwill	260.2	252.3
Development costs	4.9	5.0
Concessions, licenses and property rights	26.8	21.6
Advance payments	7.7	1.2
	299.6	**280.1**

Except for goodwill, all intangible assets have a finite useful life and are therefore carried at amortized cost. Goodwill is carried in the respective functional currency of the Group company whose acquisition gave rise to the goodwill.

Pursuant to IFRS 3 in conjunction with IAS 36, goodwill from acquisitions is not amortized but is tested annually for impairment as of the balance sheet date or upon the occurrence of triggering events. This involves comparing the recoverable amount, calculated as value in use, to the respective carrying amount of a group of cash-generating units (CGUs). Within the Vossloh Group, goodwill is assigned to the business units, which represent groups of CGUs. The impairment test is performed at this level. The value in use is calculated based on the medium-term budget for the respective units and is derived from the expected discounted cash flows. In this respect, key assumptions are the anticipated orders resulting from sales planning, the corresponding expected sales revenues and the full earnings and balance sheet planning based on this.

When measuring the value in use by discounting anticipated cash flows, a pre-tax discount rate specific to the business unit is applied. When determining the respective discount rate, weighted specific country risks, inflation effects and tax rates are considered, whereby the weightings from the country risks as well as the inflation effects from the regional distribution of sales were derived from both the past fiscal year and over the budget periods, while the tax rates were determined on the basis of the relative earnings contributions of the companies within the business units.

The planning is based on empirical data and expected future market trends and encompasses a detailed planning period of three years. The expected sales growth of the business units is based on the planned projects and projects which are already included in the order backlog to various extents. Average annual sales growth in the business units, which is anticipated for this period in line with the medium-term budget, is reported in the table below. The growth rate of the perpetual annuity was set at 50 percent of the business unit-specific inflation rate resulting from the discount factor calculation described above.

For periods beyond this planning horizon, the cash flows are projected forward by assuming the described growth rate to determine the value in use. An equal level of financing of inventories, trade receivables and payables, and property, plant and equipment associated with this growth was also included in the cash flow. As the business units' values in use (including assigned goodwill) exceed their carrying amounts, no goodwill impairment loss had to be recognized. Within the scope of sensitivity analyses, various scenarios are examined: an increase in the discount rates by 50 basis points, a separate derivation of the WACC just for the terminal value and a general reduction in cash flows by 7.5 percent. A need for impairment ranging between €0.7 million and €3.0 million was identified in the first and third scenario for the Rail Services business unit. The value in use of this business unit exceeds the carrying amount by €13.4 million.

Goodwill breakdown by reporting segment

€ mill.	2020				2019
	Discount rate (in %)	Growth rate of the perpetual annuity (in %)	Average sales growth p.a. (in %)	Carrying amount	Carrying amount
Vossloh Switch Systems	11.24	0.87	5.2	138.5	137.8
Vossloh Rail Services	8.54	0.66	9.2	56.8	56.8
Vossloh Tie Technologies	9.84	0.93	(0.8)	53.7	57.6
Vossloh Fastening Systems	12.87	1.26	13.1	13.0	1.2
				262.0	**253.4**

In the goodwill of the Vossloh Switch Systems business unit, €1.8 million of calculated noncontrolling interests are included for the purposes of the impairment test (previous year: €1.1 million). Due to the sale of the shares in Vossloh Signaling USA, the goodwill impaired in the previous year, part of which was allocated to Vossloh Signaling USA, no longer applies. The increase in goodwill in the Fastening Systems business unit during the year under review is due to the transition from using the equity method for Vossloh (Anyang) Track Material Co. in China to full consolidation. The decrease in the carrying amount of the goodwill allocated to the Tie Technologies business unit is solely down to currency effects.

Development costs are recognized at manufacturing costs in the balance sheet wherever such costs can clearly be assigned, the developed product's technical feasibility and future marketability are ensured, and the development work is reasonably certain to produce future cash inflows. Manufacturing costs include all costs directly or indirectly assignable to the development process. Capitalized development costs are amortized on a straight-line basis over useful lives of one to ten years.

Concessions, licenses and property rights are mostly amortized on a straight-line basis over a period of one to twenty years.

The amortization of intangible assets in the amount of €2.9 million (previous year: €2.7 million) is included in the income statement under cost of sales, €1.8 million (previous year: €2.3 million) under general administrative and selling expenses and €0.4 million (previous year: €0.9 million) under research and development costs.

No impairment losses were recognized during the reporting year (previous year: €4.8 million).

Changes in intangible assets

€ mill.	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Goodwill		Development costs		Concessions, licenses and property rights		Advance payments		Intangible assets	
Net carrying amount as of December 31	**260.2**	**252.3**	**4.9**	**5.0**	**26.8**	**21.6**	**7.7**	**1.2**	**299.6**	**280.1**
Cost										
As of January 1	**309.6**	**327.1**	**10.9**	**11.3**	**59.9**	**65.2**	**1.2**	**0.3**	**381.6**	**403.9**
Changes from first-time consolidation/business acquisitions	0.0	0.1	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0
Changes from transitional consolidation and deconsolidation	11.9	0.0	0.0	0.0	9.5	(3.7)	0.0	0.0	21.4	(3.7)
Additions/ongoing investments	0.0	0.0	0.2	0.7	1.3	1.3	6.4	1.1	7.9	3.1
Disposals	(2.7)	(19.7)	0.0	(1.1)	(3.6)	(4.9)	0.0	0.0	(6.3)	(25.7)
Transfers	0.0	0.0	0.0	0.0	(0.1)	1.6	0.1	(0.2)	0.0	1.4
Currency translation differences	(4.0)	2.1	0.0	0.0	(1.3)	0.5	0.0	0.0	(5.3)	2.6
As of December 31	**314.8**	**309.6**	**11.1**	**10.9**	**65.7**	**59.9**	**7.7**	**1.2**	**399.3**	**381.6**
Accumulated amortization and impairment losses										
As of January 1	**57.3**	**60.2**	**5.9**	**4.0**	**38.3**	**36.9**	**0.0**	**0.0**	**101.5**	**101.1**
Changes from transitional consolidation and deconsolidation	0.0	0.0	0.0	0.0	0.0	(2.5)	0.0	0.0	0.0	(2.5)
Depreciation and impairment losses in the fiscal year	0.0	14.9	0.3	2.8	4.8	8.2	0.0	0.0	5.1	25.9
Disposals	(2.7)	(18.5)	0.0	(0.9)	(3.5)	(4.6)	0.0	0.0	(6.2)	(24.0)
Transfers	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Currency translation differences	0.0	0.7	0.0	0.0	(0.7)	0.2	0.0	0.0	(0.7)	0.9
As of December 31	**54.6**	**57.3**	**6.2**	**5.9**	**38.9**	**38.3**	**0.0**	**0.0**	**99.7**	**101.5**

The deconsolidation of a company resulted in the adjustment of the previous year's disposal in goodwill reflected in accumulated depreciation and cost.

(11) Property, plant and equipment

Breakdown of property, plant and equipment

€ mill.	2020	2019
Land, leasehold rights and buildings including buildings on nonowned land	87.8	76.3
Rights of use – land, leasehold rights and buildings including buildings on nonowned land	29.4	33.1
Technical equipment and machinery	121.2	116.2
Rights of use – technical equipment and machinery	11.1	11.0
Other equipment, factory and office equipment	13.2	13.0
Rights of use – other equipment, factory and office equipment	4.3	5.1
Advance payments and construction in process	46.6	42.1
	313.6	**296.8**

Property, plant and equipment is capitalized at cost and depreciated on a straight-line basis over the expected useful lives. In addition to the purchase price, acquisition costs include incidental costs. Acquisition costs are reduced by purchase price reductions.

In the case of qualifying assets as defined by IAS 23, the borrowing costs allocable to the production period are also recognized. No interest expense was recognized during the reporting year (previous year: €0.1 million).

In accordance with IFRS 16, rights of use from leased property, plant and equipment is recognized at the time of addition using the total of the lease liability, payments before and at the beginning of use, ancillary costs in connection with entering into the contract and the estimated cost of restoration or similar liabilities at the end of the period of use. The initial valuation of the lease liability is derived from the present value of the expected lease payments. The interest rate used for the calculation of the present value is usually the marginal financing rate used in the monetary area with a similar maturity for the financing of an asset. The term of the agreements in question (and by extension the total of expected lease payments) is determined on the basis of the conditions of the agreement, in addition to the expectations of the relevant management team if extension or termination options are in place. Contracts are remeasured in response to changes in their expected term and other estimates. The resulting changes in value are shown in the line item "First-time application of IFRS 16 (2019) / remeasurements and modifications (2020)" in the table showing changes in carrying amounts. The relevant management has discretionary scope which is documented for material lease agreements. Fixed payments are agreed in the majority of cases. Contractual residual value guarantees are recognized at their anticipated value. Hire purchase agreements exist for a variety of assets in the Rail Services business unit. The purchase price at the end of the basic lease term was taken into account accordingly for the purposes of the measurement. Capitalized rights of use are mainly depreciated over the assumed term of the lease agreement. In the event of a subsequent transfer of ownership, depreciation is based on the expected total period of use for the asset in question.

Change in property, plant and equipment including the rights of use capitalized in accordance with IFRS 16

€ mill.	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Land, leasehold rights and buildings including buildings on nonowned land		Technical equipment and machinery		Other equipment, factory and office equipment		Advance payments and construction in process		Property, plant and equipment	
Net carrying amount as of December 31	**117.2**	**109.4**	**132.3**	**127.2**	**17.5**	**18.1**	**46.6**	**42.1**	**313.6**	**296.8**
Cost										
Stand January 1	**175.0**	**144.1**	**346.3**	**340.6**	**54.5**	**51.6**	**48.3**	**31.7**	**624.1**	**568.0**
First-time application of IFRS 16 (2019)/ remeasurements and modifications (2020)	3.7	41.2	0.0	10.3	0.2	6.0	–	–	3.9	57.5
Changes from first-time consolidation/ business acquisitions	0.0	0.0	1.1	0.0	0.2	0.0	8.5	0.0	9.8	0.0
Changes from transitional consolidation and deconsolidation	0.0	(12.6)	0.0	(18.5)	0.0	(3.7)	0.0	(2.7)	0.0	(37.5)
Additions/ongoing investments	10.3	3.7	10.9	12.0	4.3	4.5	31.8	33.2	57.3	53.4
Disposals	(8.3)	(4.1)	(5.9)	(8.3)	(4.2)	(3.6)	(0.1)	(3.3)	(18.5)	(19.3)
Transfers	13.7	1.7	19.3	8.8	1.8	(0.5)	(34.8)	(11.1)	0.0	(1.1)
Currency translation differences	(3.6)	1.0	(5.5)	1.4	(0.8)	0.2	(0.9)	0.5	(10.8)	3.1
As of December 31	**190.8**	**175.0**	**366.2**	**346.3**	**56.0**	**54.5**	**52.8**	**48.3**	**665.8**	**624.1**
Accumulated amortization and impairment losses										
As of January 1	**65.6**	**53.9**	**219.1**	**210.8**	**36.4**	**34.7**	**6.2**	**0.0**	**327.3**	**299.4**
Changes from first-time consolidation	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Changes from transitional consolidation and deconsolidation	0.0	(2.6)	0.0	(13.3)	0.0	(2.5)	0.0	0.0	0.0	(18.4)
Depreciation and impairment losses in the fiscal year	13.7	17.9	23.5	26.4	6.4	8.7	0.0	6.2	43.6	59.2
Disposals	(4.7)	(4.5)	(5.4)	(5.5)	(3.7)	(3.7)	0.0	0.0	(13.8)	(13.7)
Transfers	0.0	0.8	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	(0.1)
Currency translation differences	(1.0)	0.1	(3.4)	0.7	(0.6)	0.1	0.0	0.0	(5.0)	0.9
As of December 31	**73.6**	**65.6**	**233.9**	**219.1**	**38.5**	**36.4**	**6.2**	**6.2**	**352.2**	**327.3**

The following rights of use are capitalized as part of property, plant and equipment:

Development of capitalized rights of use in accordance with IFRS 16

Mio.€	2020	2019	2020	2019	2020	2019
	Land, leasehold rights and buildings including buildings on nonowned land		Technical equipment and machinery		Other equipment, factory and office equipment	
Net carrying amount as of December 31	**29.4**	**33.1**	**11.1**	**11.0**	**4.3**	**5.1**
Cost						
As of January 1	**40.3**	**0.0**	**11.9**	**0.0**	**7.5**	**0.0**
First-time application of IFRS 16 (2019)/ remeasurements and modifications (2020)	3.7	41.2	0.0	10.3	0.2	6.0
Changes from first-time consolidation/ business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Changes from transitional consolidation and deconsolidation	0.0	(1.0)	0.0	0.0	0.0	(0.1)
Additions/ongoing investments	2.8	3.0	1.5	1.7	1.3	1.7
Disposals	(5.2)	(3.0)	0.0	(0.1)	(0.9)	(0.1)
Transfers	1.0	0.0	(0.1)	0.0	0.0	0.0
Currency translation differences	(0.4)	0.1	0.1	0.0	0.1	0.0
As of December 31	**42.2**	**40.3**	**13.4**	**11.9**	**8.2**	**7.5**
Accumulated amortization and impairment losses						
As of January 1	**7.2**	**0.0**	**0.9**	**0.0**	**2.4**	**0.0**
Changes from transitional consolidation and deconsolidation	0.0	(0.3)	0.0	0.0	0.0	0.0
Amortization and impairment in the fiscal year	7.6	8.0	1.4	0.9	2.3	2.5
Disposals	(2.2)	(0.5)	0.0	0.0	(0.8)	(0.1)
Transfers	0.3	0.0	0.0	0.0	0.0	0.0
Currency translation differences	(0.1)	0.0	0.0	0.0	0.0	0.0
As of December 31	**12.8**	**7.2**	**2.3**	**0.9**	**3.9**	**2.4**

Depreciation is primarily based on the following useful lives:

Useful lives of property, plant and equipment

Buildings	5 to 50 years
Technical equipment and machinery	2 to 30 years
Other equipment, factory and office equipment	2 to 30 years

Changes from transitional consolidation relate to the change from using the equity method for Vossloh (Anyang) Track Material Co. in China in the previous year to full consolidation at the beginning of the year under review. Companies in the Switch Systems business unit made significant additions to their land holdings in the year under review, particularly Outreau Technologies and Vossloh Cogifer SA. Companies in the Rail Services business unit made additions to their technical equipment and machinery. The majority of advance payments and construction in process related to the "Factory of the Future" project at Vossloh Fastening Systems in Germany. Changes from deconsolidation in the previous year relate to the property, plant and equipment of the sold company Cleveland Track Material. Disposals included property, plant and equipment classified as held for sale in the previous year. Impairments going beyond planned cost allocations for property, plant and equipment totaled €0.2 million in the year under review (previous year: €15.0 million). These are mainly related to assets which were written down due to the sale of Group company Vossloh Signaling USA, in addition to assets of Vossloh Track Material and Vossloh Cogifer do Brasil Metalùrgica. Impairments of assets in the Rail Services and Fastening Systems business units totaled €0.2 million.

Depreciation of property, plant and equipment is included in the income statement in the amount of €36.7 million (previous year: €37.6 million) under cost of sales, €6.4 million (previous year: €6.3 million) under general administrative and selling expenses and €0.3 million (previous year: 0.3 million) under research and development costs.

(12) Investment properties

Development of investment property

€ mill.	2020	2019
Net carrying amounts	**4.4**	**1.8**
Cost		
As of January 1	4.0	5.2
Additions	3.9	0.0
Disposals	0.0	(0.9)
Transfers	0.0	(0.3)
Currency translation differences	(0.2)	0.0
As of December 31	**7.7**	**4.0**
Accumulated amortization and impairment losses		
As of January 1	2.2	3.0
Amortization of the fiscal year	1.2	0.2
Disposals	0.0	(0.9)
Transfers	0.0	(0.1)
Currency translation differences	(0.1)	0.0
As of December 31	**3.3**	**2.2**

Investment properties include land and buildings not used for operations and fully or partly leased to nongroup lessees. According to IAS 40, buildings owned for investment purposes are carried at depreciated cost. Straight-line depreciation of investment properties is based on useful lives of between 15 and 20 years.

Rental income in the reporting year amounted to €0.4 million (previous year: €1.0 million). Expenses (including depreciation, maintenance and repairs and incidentals) incurred for properties leased out totaled €0.5 million (previous year: €0.3 million); as in the previous year, there were no nonleased properties.
As in the previous year, expenses for leased properties include no amounts for write-downs. The fair value of property owned for investment purposes, including buildings under construction, totals €4.8 million (previous year: €2.5 million). Fair value is determined by an accredited expert.

(13) Investments in companies accounted for using the equity method

Information on investments in companies accounted for using the equity method

€ mill.	2020	2019
Result from continuing operations	3.9	5.0
Result from discontinued operations	0.1	(0.1)
Income and expenses recognized directly in equity	(0.9)	0.1
Total comprehensive income	**3.1**	**5.0**

Significant financial information for Wuhu China Railway Cogifer Track Co. Ltd., Wuhu, China, which is accounted for using the equity method

€ mill.	2020	2019
Noncurrent assets	14.2	15.5
Current assets	19.8	20.6
thereof cash and cash equivalents	2.7	2.1
Noncurrent liabilities	0.0	0.0
thereof noncurrent financial liabilities	0.0	0.0
Current liabilities	12.8	17.6
thereof current financial liabilities	2.9	6.6
Sales revenues	19.5	22.3
Result from continuing operations	3.0	1.9
Depreciation/amortization	1.8	1.8
Interest income	0.1	0.1
Interest expenses	0.3	0.5
Tax expense	0.0	0.0
Total comprehensive income	**2.6**	**1.9**

Significant financial information for Vossloh Beekay Castings Ltd., Bhilai, New Delhi, India, which is accounted for using the equity method

€ mill.	2020	2019
Noncurrent assets	2.3	2.4
Current assets	9.0	8.6
thereof cash and cash equivalents	0.3	0.3
Noncurrent liabilities	0.2	0.3
thereof noncurrent financial liabilities	0.0	0.0
Current liabilities	4.3	4.4
thereof current financial liabilities	0.0	0.0
Sales revenues	10.6	10.1
Result from continuing operations	0.7	(0.6)
Depreciation/amortization	0.3	0.3
Interest income	0.0	0.0
Interest expenses	0.0	0.0
Tax expense	0.2	0.1
Total comprehensive income	**0.0**	**(0.6)**

Significant financial information for Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal, which is accounted for using the equity method

€ mill.	2020	2019
Noncurrent assets	0.5	0.3
Current assets	6.2	3.6
thereof cash and cash equivalents	3.0	1.7
Noncurrent liabilities	0.0	0.0
thereof noncurrent financial liabilities	0.0	0.0
Current liabilities	3.7	1.6
thereof current financial liabilities	0.0	0.0
Sales revenues	9.1	6.3
Result from continuing operations	1.0	0.3
Depreciation/amortization	0.1	0.1
Interest income	0.0	0.0
Interest expenses	0.0	0.0
Tax expense	0.3	0.2
Total comprehensive income	**1.0**	**0.3**

The investments in these companies are accounted for using the equity method. In this connection, the carrying amounts of associated companies are adjusted for proportional profits or losses after taxes, dividends distributed or any other changes in equity. These investments are held in nine (previous year: eleven) foreign companies and one domestic company (previous year: one) which are normally jointly controlled by a Group company and one external partner or upon which significant influence is exercised. The company Vossloh (Anyang) Track Material has been fully consolidated since January 1, 2020 due to Vossloh assuming control. It was accounted for using the equity method in the previous year. A joint venture accounted for using the equity method was deconsolidated due to the sale of the Locomotives business unit. Detailed information about the scope of consolidation is provided in the notes on page 113 et seq.

(14) Other noncurrent financial instruments

Breakdown of other noncurrent financial instruments

€ mill.	2020	2019
Other investments	3.1	3.3
Shares in unconsolidated affiliated companies	2.3	2.0
Loans	0.3	0.5
Securities	0.1	0.1
Derivative financial instruments in hedging relationships	0.1	0.0
Other noncurrent financial assets	0.1	0.1
Other noncurrent financial instruments	**6.0**	**6.0**

Shares in unconsolidated affiliated companies where the criterion of control is fulfilled but which are not included in the scope of consolidation due to insignificance are generally recognized at fair value. They do not play a material role in the net asset and earnings position of the Group. The related assessment is made on the basis of the primary financial indicators of the companies, such as EBIT, sales, total assets and equity. No further information is provided for these equity instruments in accordance with IFRS 9 due to lack of materiality.

Loans not quoted in an active market as well as other noncurrent financial assets are initially measured at fair value (which generally equals the nominal amount of the receivable or the loan amount) on the basis of the business model followed for such financial instruments (payment flows arise exclusively from interest payments or the repayment amount upon maturity). Non- and low-interest-bearing long-term loans and receivables are discounted. For their subsequent measurement at amortized cost, the effective interest rate method is used.

Noncurrent securities with fixed or quantifiable payments and fixed maturities that are quoted in an active market and for which the business model described above applies are measured at amortized cost using the effective interest rate method.

Other noncurrent securities are recognized at fair value. Any fair value changes upon remeasurement are recognized directly in equity and, upon disposal of such securities, the respective amount included in accumulated other comprehensive income is recycled to the income statement.

Other financial instruments are measured according to their IFRS 9 classification. For the reconciliation of the IFRS 9 valuation categories, see pages 145 et seq., “Additional information on financial instruments“.

(15) Other noncurrent assets

Prepaid expenses are primarily recognized under other noncurrent assets.

(16) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between tax bases and IFRS carrying amounts, for tax loss carryforwards, as well as for consolidation transactions recognized in the income statement. Deferred taxes are determined at the rates enacted at the reporting date that will apply at the expected time of realization.

Deferred taxes due to temporary differences and deferred taxes on loss and interest carryforwards were allocated to the following balance sheet items:

Deferred taxes

€ mill.	2020		2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets and property, plant and equipment	2.0	21.5	2.1	26.7
Inventories	2.8	0.0	4.0	0.0
Receivables	1.0	2.0	1.5	2.6
Other assets	0.0	0.0	0.0	0.0
Pension provisions	7.9	0.0	7.7	0.0
Other provisions	5.9	0.4	4.5	1.4
Liabilities	4.7	0.5	4.9	1.1
Other liabilities	3.8	4.5	5.5	5.2
Loss and interest carryforwards	13.5	–	16.6	–
Total	**41.6**	**28.9**	**46.8**	**37.0**
Netting	(21.2)	(21.2)	(29.1)	(29.1)
Deferred taxes according to the balance sheet	**20.4**	**7.7**	**17.7**	**7.9**

The changes in deferred tax assets and liabilities for the year under review were recognized primarily in the income statement, and to a lesser degree in the statement of comprehensive income. This was also the case in the previous year.

As of December 31, 2020, tax loss carryforwards of €389.1 million (previous year: €338.2 million) existed in Germany for corporate income tax purposes and of €376.4 million for trade tax purposes (previous year: €308.7 million). No deferred taxes were recognized for corporate income tax losses of €361.8 million (previous year: €316.5 million), and no deferred taxes were recognized for trade tax losses of €342.6 million (previous year: €285.7 million). For the determination of deferred tax assets on loss and interest carryforwards, two additional years are considered beyond the three-year period of the detailed planning, as in previous periods, and the expected taxable income is estimated over this five-year period. Companies which realized losses in the reporting period or previous periods reported deferred tax assets of €8.7 million (before netting). Tax forecasts confirmed a lack of impairment. The forecasts for the group of companies consolidated for tax purposes in Germany are based on taxable profits which can reasonably be expected due to the absence of the loss-making and sold Locomotives business unit, expected contributions from additional investment in the German railway network, and condition-based monitoring projects expected to take place over the medium term.

In addition, non-German companies reported tax loss carryforwards of €80.1 million (previous year: €88.5 million), of which €9.9 million (previous year: €36.8 million) resulted in deferred tax assets. In the year under review, deferred tax assets in the amount of €17.4 million (previous year: €23.3 million) were impaired or not recognized due to the relevant conditions not being met. Deferred tax assets that had previously been impaired or which met recognition criteria for the first time totaled €20.2 million (previous year: €2.6 million). According to current German law and the law of most other countries, the carryforward of tax losses is not subject to any limitation or expiration. Loss carryforwards totaling €21.9 million (previous year: €15.2 million) will expire in the future, of which €20.3 million (previous year: €14.9 million) expire after more than five years.

(17) Inventories

Breakdown of inventories

€ mill.	2020	2019
Raw materials and supplies	83.3	81.1
Work in process	36.4	32.6
Merchandise	10.7	9.7
Finished products	31.4	28.0
Advance payments	1.6	0.7
Total	**163.4**	**152.1**

Inventories are stated at the lower of cost or net realizable value (NRV). Manufacturing costs comprise all production-related costs. This includes directly attributable direct costs as well as all fixed and variable manufacturing overheads systematically allocable to the production process and special direct manufacturing costs. Borrowing costs are capitalized as part of cost wherever qualifying assets according to IAS 23 exist. To the extent that a group valuation is made, inventories are valued at the moving average price. Inventory risks from obsolescence or slow-moving items are appropriately allowed for. Allowances on inventories amounted to €19.9 million as of the balance sheet date (previous year: €22.4 million), which primarily resulted from excessive inventories. €0.9 million of this was recognized in profit or loss in the year under review (previous year: €1.1 million). The carrying amount of inventories stated at net realizable value totaled €2.5 million (previous year: €4.3 million).

As the reasons for previous write-downs no longer existed, inventories were written up in 2020 by €0.5 million (previous year: €0.3 million).

(18) Trade receivables and contract assets

Given their short remaining term, trade receivables are carried at their nominal value. The simplified method for calculating the expected credit loss (ECL) is applied for valuation allowances. As of every reporting date, risk provisioning is carried out on the basis of the entire term by means of a provision matrix based on the actual receivables defaults per business unit. Prior experiences are then supplemented with future-oriented information such as macroeconomic circumstances and expectations for the divisions. Depending on the age of the trade receivables, valuation allowances are recognized at a loss rate based on the number of days of arrears.

The provision matrix is presented in table format below.

	2020				2019			
Risk class	Gross carrying amounts (€ million)	Net carrying amounts (after factoring in individual risks without refundable VAT) (€ million)	Impairment loss (€ million)	Average Vossloh Group loss rate (in %)	Gross carrying amounts (€ million)	Net carrying amounts (after factoring in individual risks without refundable VAT) (€ million)	Impairment loss (€ million)	Average Vossloh Group loss rate (in %)
Assets not due	163.5	136.3	0.1	0.09	173.6	136.4	0.2	0.13
Overdue by 1 to 30 days	21.7	19.6	0.1	0.26	20.1	18.0	0.1	0.52
Overdue by 31 to 90 days	14.3	12.9	0.1	0.79	12.6	11.2	0.1	0.70
Overdue by 91 to 180 days	5.4	4.8	0.1	3.12	12.9	11.5	0.1	0.59
Overdue by 181 to 360 days	5.5	4.8	0.2	4.70	7.7	6.8	0.4	5.74
Overdue by more than 360 days	5.0	4.4	0.8	18.31	1.0	1.0	0.4	41.94
Overdue by more than 360 days with individual value adjustment	2.3	2.1	0.1	4.17	5.2	4.7	0.3	6.02
	217.7	**184.9**	**1.5**		**233.1**	**189.6**	**1.6**	

Specific risks are taken into account by appropriate allowances. If there are indications of probable impairment, such as a declaration of insolvency, an appropriate valuation allowance is recognized. Derecognition only occurs if the recovery of the respective receivable is virtually impossible for legal or practical reasons (e.g. end of insolvency proceedings). Trade receivables vis-à-vis certain customers are treated as a special category due to past experiences and thus impaired to a lesser extent, despite being past due by more than 360 days.

The balance and changes in the allowances for trade receivables are presented below:

Changes in the allowances (including consideration of individual risks) for trade receivables

€ mill.	2020	2019
Balance as of January 1	**20.3**	**12.7**
Additions	2.1	10.9
Releases	(3.5)	(1.8)
Utilizations	(4.9)	(1.5)
Currency translation differences	(0.6)	0.0
Balance as of December 31	**13.4**	**20.3**

In the previous year, additions included €7.7 million in additional valuation allowances connected to the performance program. Additional information about the performance program is available on page 116.

Contract assets and liabilities result from the recognition of customer contracts for which revenue is realized over the course of the fulfillment of the performance obligation. For each pertinent contract, the contracts costs including a proportion of profit corresponding to the percentage of completion less any loss recognized in full are recognized as a contract asset or contract liability. Where total progress under construction contracts exceeds the total of all advance payments received from customers, construction contracts are presented under assets as a contract asset. Where the situation is reversed, after advance payments are credited toward total progress, they are recognized on the balance sheet under liabilities as "Contract liabilities". Prepayments ordinarily only take place to a limited extent, with the result that the orders relevant in this context typically result in a debit balance during the period of fulfillment of performance obligations.

Contract assets and liabilities

€ mill.	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Contract costs	18.4	0.8	14.4	0.8
Proportional profit	0.9	0.2	1.0	0.0
Proportional losses	(1.3)	0.0	(0.7)	0.0
Total progress under construction contracts	18.0	1.0	14.7	0.8
Advance payments received	0.0	0.0	0.0	0.0
Partial billings	(13.7)	(1.0)	(9.7)	(1.0)
Balance sheet presentation	**4.3**	**0.0**	**5.0**	**0.2**

(19) Income tax assets

Tax refund claims include €0.2 million of income taxes (previous year: €0.3 million) reimbursable to companies of the Fastening Systems business unit, €2.4 million (previous year: €4.7 million) to Vossloh Switch Systems, €0.5 million (previous year: €0.4 million) to the companies of the Rail Services business unit, €0.0 million (previous year: €0.1 million) to the Tie Technologies business unit and €0.2 million (previous year: €0.3 million) to companies at Group level.

(20) Other current financial instruments and other current assets

Breakdown of other current financial instruments and other current assets

€ mill.	2020	2019
Other financial receivables	8.3	5.7
Receivables from reimbursements	6.1	12.8
Receivables from affiliated companies	2.2	0.2
Derivative financial instruments	2.0	0.7
Receivables from investees	1.4	7.2
Security and similar deposits	1.3	2.4
Creditors with debit accounts	0.3	0.4
Receivables from employees	0.2	0.2
Loans	0.0	0.0
Interest receivables	0.0	0.0
Other current financial instruments	**21.8**	**29.6**
Other tax receivables (excluding income taxes)	12.2	11.2
Deferred income	4.4	2.8
Sundry current assets	7.5	11.8
Other current assets	**24.1**	**25.8**

The receivables shown under other current financial instruments are measured at fair value through profit or loss. Specific risks are taken into account by appropriate allowances. The receivables from reimbursements are not reimbursements made by shareholders. The majority of other financial receivables relate to retained amounts in connection with factoring contracts in the Switch Systems business unit totaling €5.4 million (previous year: €4.3 million) and in the Rail Services business unit amounting to €1.9 million (previous year: €1.4 million). The receivables represent claims against factoring banks. The nominal value of these receivables is equivalent to their fair value because they are due in the near future. Other financial receivables were not the subject of any impairment.

In the previous year, a financial asset from a previous sale of a business unit was reported at €6.0 million.

The balances and changes in allowances are presented below:

Changes in allowances

€ mill.	2020	2019
Balance as of January 1	**3.9**	**1.1**
Additions	0.0	3.0
Releases	0.0	0.0
Utilizations	(2.5)	0.0
Currency translation differences	0.0	(0.2)
Balance as of December 31	**1.4**	**3.9**

For the reconciliation of the IFRS 9 valuation categories, see pages 145 et seq., “Additional information on financial instruments”. Other tax receivables and miscellaneous current assets are measured at amortized cost.

(21) Short-term securities

This line item presents funds invested in short-term fixed-income securities for which both interest payments and sales come into account. These are reported at fair value; changes in value are recognized directly in other equity.

For the reconciliation of the IFRS 9 valuation categories, see pages 145 et seq., “Additional information on financial instruments”.

(22) Cash and cash equivalent

Cash comprises cash on hand and in the bank. Cash equivalents comprise any financial instruments with a maximum residual term of three months from the time of acquisition that can be readily converted into cash. Cash and cash equivalents are carried at their nominal value.

(23) Equity/capital management

For the statement of changes in equity, see page 107. Vossloh's capital management strategy is primarily geared towards raising enterprise value on a sustainable basis by making a positive contribution to its value added. Secondary to this, the aim is also to safeguard liquidity at all times as well as to ensure that the Vossloh Group's equity ratio is adequate in order to ensure the ability of the Company to operate as a going concern. The optimization of the capital structure contributes as much to this as does efficient management of cash inflows and outflows from financing activities and effective risk management.

Vossloh AG observes all statutory regulations within the scope of its capital management activities. It is not subject to any capital requirements imposed by the Articles of Incorporation. No special capital terms are used. Through its dividend policy, the Vossloh Group aims to pay out dividends on a sustainable basis if so permitted by the economic situation and approved by the corporate bodies. The decision on the amount of the annual dividend is made on a year-by-year basis.

(23.1) Capital stock

Vossloh AG's capital stock of €49,857,682.23 (previous year: €49,857,682.23) and is divided into 17,564,180 no-par-value shares, as it was in the previous year. Only shares of common stock are issued. One no-par-value share represents a notional interest of €2.84 in the capital stock.

The capital stock was increased in the previous year and concluded on June 19, 2019. This involved issuing 1,596,743 new shares at a placement price of €30.70 per share by way of an accelerated placement procedure. €0.7 million of the gross proceeds of the issue amounting to €49.0 million was deducted from equity with no effect on income.

(23.2) Additional paid-in capital

The additional paid-in capital includes the stock premium from shares issued by Vossloh AG. There are also differences recorded in additional paid-in capital that arose based on the purchase and sale prices for treasury shares. €43.9 million was added to the additional paid-in capital as a result of the capital increase in the previous year.

Employee bonus program

The employee bonus program was suspended in the year under review, as it was in the previous year. The suspension in the previous year was due to the performance program. The suspension in the year under review was due to the uncertainty surrounding the COVID-19 pandemic.

(23.3) Retained earnings and net income

The retained earnings contain the prior-year earnings of the companies included in the consolidated financial statements, which have not been distributed from the Group point of view.

Two adjustments resulting from previous years related to actuarial losses (€(0.3) million) and how non-controlling interests were factored in when determining the expected credit loss for a Group company (€0.6 million) were recognized in retained earnings, other comprehensive income and noncontrolling interests. The retained earnings for the previous year contain an effect from switching to the correct method to be used to take account of currency losses from certain financial transactions stemming from previous fiscal years amounting to €2.0 million.

Change in other comprehensive income

€ mill.	Reserves for currency translation	Reserve from hedging transactions (cash flow hedges	Reserve for the remeasurement of defined benefit plans	Other comprehensive income not including noncontrolling interests	Noncon-trolling interests	Other com-prehensive income
	2020					
Reclassification of actuarial gains and losses from defined benefit plans to retained earnings			2.6	**2.6**		**2.6**
Foreign subsidiaries – Currency translation differences	(10.9)			**(10.9)**	(0.6)	**(11.5)**
Cash flow hedges		0.2		**0.2**		**0.2**
Actuarial gains and losses from defined benefit plans			(0.7)	**(0.7)**		**(0.7)**
Effects from deconsolidation and transitional consolidation	(1.3)		1.2	**(0.1)**		**(0.1)**
Other effects			(0.3)	**(0.3)**		**(0.3)**
Total	**(12.2)**	**0.2**	**2.8**	**(9.2)**	**(0.6)**	**(9.8)**
€ mill.	2019					
Reclassification of actuarial gains and losses from defined benefit plans to retained earnings			(0.5)	**(0.5)**		**(0.5)**
Foreign subsidiaries – Currency translation differences	2.3			**2.3**	0.0	**2.3**
Cash flow hedges		(0.3)		**(0.3)**		**(0.3)**
Actuarial gains and losses from defined benefit plans			(2.6)	**(2.6)**		**(2.6)**
Effects from deconsolidation	(5.7)			**(5.7)**		**(5.7)**
Total	**(3.4)**	**(0.3)**	**(3.1)**	**(6.8)**	**0.0**	**(6.8)**

(23.4) Accumulated other comprehensive income

Accumulated other comprehensive income contains the changes in equity without profit or loss effect from the translation of financial statements of foreign subsidiaries, from the measurement of derivatives in connection with hedging transactions (cash flow hedges), and of financial instruments classified at fair value through other comprehensive income as well as actuarial gains and losses relating to employee benefits recognized during the reporting year. During the year under review, actuarial losses of €2.6 million (previous year: €0.5 gain) were reclassified from the reserve for revaluation of defined benefit plans to retained earnings.

(23.5) Noncontrolling interests

€15.0 million (previous year: €8.7 million) of noncontrolling interests relate to minority shareholders of the Fastening Systems business unit; another €0.9 million (previous year: €0.7 million) relates to the Switch Systems business unit.

Development of pension provisions/provisions for other post-employment benefits

€ mill.	Present value of the obligation	Fair value of plan assets	Total
As of 1/1/2019	**43.2**	**(11.7)**	**31.5**
Service cost	1.1		1.1
Net interest expense/income	0.8	(0.2)	0.6
Remeasurements			
Return on plan assets excluding the portion included in net interest expense		(0.1)	(0.1)
Gains/losses on changes in actuarial assumptions	4.9		4.9
Experience-related assumptions	(1.9)		(1.9)
Benefits paid	(1.9)	0.6	(1.3)
Currency translation differences	0.0		0.0
As of 12/31/2019	**46.2**	**(11.4)**	**34.8**
Service cost	1.1		1.1
Net interest expense/income	0.5	(0.1)	0.4
Remeasurements			
Return on plan assets excluding the portion included in net interest expense		(0.2)	(0.2)
Gains/losses on changes in actuarial assumptions	1.5		1.5
Experience-related assumptions	(0.2)		(0.2)
Benefits paid	(1.8)	0.8	(1.0)
Settlement of obligations	(0.9)		(0.9)
Currency translation differences	0.0		0.0
As of 12/31/2020	**46.4**	**(10.9)**	**35.5**

(24) Pension provisions/provisions for other post-employment benefits

Vossloh AG and some subsidiaries have entered into pension obligations to former or current employees. Pension payments are subject to the relevant conditions and are made until the death of the beneficiary. These defined benefit obligations vary according to the economic situation and are as a rule based on service years, pensionable pay and position within Vossloh. The future pension payment obligations must be met by the subsidiaries in question (defined benefit plan).

Provisions for pensions are formed using the projected unit credit method in accordance with IAS 19. This method takes into account current capital market interest rates, likely increases to salaries and pensions in the future and expected employee turnover. Accounting risks of the defined benefit plans particularly arise from the development of the current market interest rates, as the current low interest rate leads to comparably high present values of liabilities.

At the same time, there is also the risk that the market values of the plan assets do not increase at the same rate. Both effects could lead to a decrease in equity as a result of actuarial losses.

The plan assets, which are offset against the present value of the pension benefits, pertain primarily to pension liability insurance policies, which cover the major portion of the personal claims from the pension commitments. Each of these insurance contracts has been pledged to the individual beneficiary concerned, with the present value of the obligations being offset at fair value.

The pension provisions recognized are based on actuarial reports of independent actuaries using the mortality tables 2018 G from Klaus Heubeck.

The recognized pension provisions and the provisions for other post-employment benefits are derived as follows:

Analysis of the recognized pension provisions / provisions for other post-employment benefits

€ mill.	2020		2019	
	Pension provisions	Provisions for other post-employment benefits	Pension provisions	Provisions for other post-employment benefits
Present value of pension commitments covered by plan assets	16.9	5.8	15.5	7.7
Fair value of plan assets	(10.2)	(0.9)	(10.3)	(0.9)
Provision for pension benefits covered by plan assets	**6.7**	**4.9**	**5.2**	**6.8**
Present value of pension commitments not covered by plan assets	20.4	3.5	21.1	1.7
Provision for pension benefits not covered by plan assets	**20.4**	**3.5**	**21.1**	**1.7**
Recognized provision	**27.1**	**8.4**	**26.3**	**8.5**

The current service cost represents a portion of the personnel expense that is included in the functional costs. Interest expense is shown in other interest expense. The actual return on plan assets amounted to 3.5 percent in the reporting period (previous year: 3.7 percent).

A discount rate of 0.78 percent (previous year: 1.16 percent) was used in the year under review. This parameter is seen as significant; for this reason, a sensitivity analysis was performed due to possible changes. A decrease or increase in the discount rate by 25 basis points would have increased or decreased the defined benefit obligation (DBO) and therefore increased the provision by €1.7 million (previous year: €1.5 million) or decreased the provision by €1.7 million (previous year: €1.4 million). The average duration of the defined benefit pension plans is 15.3 years. Other parameters include the anticipated staff turnover (6.0 percent), income trend (3.0 percent), pension trend (1.8 percent) and the anticipated increase in the contribution measurement threshold (2.5 percent) (all values are per annum and unchanged over the previous year).

In addition, voluntary or statutory defined contribution plans are in place at a number of Group companies. These Group companies are not normally under any obligation to make pensions-related payments other than their contractual contributions to an outside fund, which totaled €7.2 million in the fiscal year (previous year: €8.2 million).

The pension provisions include provisions for nonrecurring payments (“indemnités de fin de carrière”) which are a legal requirement for a number of Group companies (particularly those in France) for employees who leave the Company (both in the case of retirement as well as other situations). In accordance with IAS 19, such provisions are required to be treated as employee benefits and, because of the way they have been structured, classified as a “defined benefit plan”. Obligations of this nature from other Group companies were recognized as other provisions in previous years. A €1.6 million adjustment was therefore made to the previous year’s figures for provisions for other post-employment benefits and other noncurrent provisions.

Assets have partially been set up in an external benefit fund (“plan assets”) in order to finance the expected payments. The provisions recognized on the balance sheet therefore constitute the total of the fair value of the plan assets and the present value of the obligation.

When calculating the provision, a discount rate of 0.59 percent (previous year: 0.77 percent) and an expected increase of wage and salary payments in line with the previous year of 2.0 percent was assumed.

(25) Other provisions

Breakdown of other provisions

€ mill.	2020	2019
Personnel-related provisions	1.5	1.9
Warranty obligations and follow-up costs	1.5	2.0
Litigation risks and impending losses	2.9	0.0
Other provisions	6.5	5.0
Other noncurrent provisions	**12.4**	**8.9**
Personnel-related provisions	0.0	0.1
Warranty obligations and follow-up costs	11.7	7.2
Litigation risks and impending losses	7.6	10.0
Other provisions	37.1	42.1
Other current provisions	**56.4**	**59.4**
Other provisions	**68.8**	**68.3**

All provisions reported as current provisions have maturities of one year or less. All provisions reported as noncurrent provisions have remaining terms exceeding one year. The utilization dates are subject to significant uncertainty, especially with regard to risks from warranty obligations and litigation risks. The other provisions consider all obligations that are identifiable at the balance sheet date, based on past events, and are uncertain in terms of amount or timing. Provisions are recognized at amounts most likely to be utilized if the probability of a charge is higher than 50 percent. If the effect of discounting is material, noncurrent provisions are recognized at the present value of the uncertain obligations.

Change in other provisions

€ mill.	Opening balance 1/1/2020	Addition from first-time consolidation	Utilization	Release	Addition	Interest effects	Currency translation differences	Closing balance as of 12/31/2020
Personnel-related provisions	2.0	–	(0.2)	(0.2)	0.2	–	(0.3)	1.5
Warranty obligations and follow-up costs	9.2	0.0	(1.0)	(1.6)	6.6	0.0	0.0	13.2
Litigation risks and impending losses	10.0	–	(2.0)	(1.0)	3.7	–	(0.2)	10.5
Other provisions	47.1	–	(14.2)	(5.1)	16.0	0.0	(0.2)	43.6
Other provisions	**68.3**	**0.0**	**(17.4)**	**(7.9)**	**26.5**	**0.0**	**(0.7)**	**68.8**

The warranty obligations include both provisions for specific warranty cases and the general warranty costs empirically derived from past sales. The accrued litigation risks and impending losses account for obligations under lawsuits and for loss risks from contracts in progress. As of the balance sheet date, provisions for impending losses on purchase obligations totaled €5.3 million (previous year: €6.2 million). The other provisions include provisions for risks from company disposals and possible claims for damages.

Liabilities

Liabilities according to remaining terms

€ mill.	2020	2019	2020	2019	2020	2019	2020	2019
Remaining term	≤ 1 year		1–5 years		> 5 years		Total	
Financial liabilities	175.0	41.3	234.4	373.3	10.1	12.5	419.5	427.1
Trade payables	152.3	132.8	–	0.9	–	0.5	152.3	134.2
Liabilities from construction contracts	0.0	0.2	–	–	–	–	0.0	0.2
Income tax liabilities	6.8	4.4	–	–	–	–	6.8	4.4
Other liabilities	105.6	91.7	2.8	10.6	–	–	108.4	102.3
Total	**439.7**	**270.4**	**237.2**	**384.8**	**10.1**	**13.0**	**687.0**	**668.2**

(26.1) Financial liabilities

Breakdown of financial liabilities

€ mill.	2020	2019
Other noncurrent liabilities to banks	177.3	347.5
Noncurrent liabilities from leases	34.4	37.5
Overdraft facilities	32.8	0.8
Noncurrent financial liabilities	**244.5**	**385.8**
Current liabilities to bank	157.0	13.4
Interest payable	1.5	1.5
Current notes payable	0.0	0.0
Current liabilities for outstanding dividend payments	4.2	4.2
Current liabilities from leases	9.5	11.6
Overdraft facilities	2.8	10.6
Current financial liabilities	**175.0**	**41.3**
Financial liabilities	**419.5**	**427.1**

Financial liabilities are principally measured at amortized cost. Vossloh has current and noncurrent lease liabilities arising from leases which are recognized in accordance with IFRS 16. See the explanatory notes to section (11) on page 128 for how these line items are measured. Bank overdrafts are shown separately from current and noncurrent liabilities to banks in the table because they were allocated to cash and cash equivalents in the cash flow statement. The figure for the previous year has been adjusted.

In July 2017, Schuldschein loans with terms of four years amounting to €135 million and seven years amounting to €115 million were issued by Vossloh AG. The agreed interest rate is fixed at 0.988 percent for the four-year maturities for an amount of €85 million, and variable at an amount of €50 million with a margin of 85 basis points above Euribor. For the seven-year maturities, a partial amount of €90 million has a fixed interest rate of 1.763 percent and the remaining amount of €25 million, 120 basis points above Euribor. A floor of 0.0 percent is respectively applicable to the reference value.

At the end of November 2017, Vossloh AG concluded a €150 million syndicated loan with eight banks. The financing agreement now has a term until November 2024 after exercising the option to extend it by one year respectively in November 2018 and 2019. In April 2019, the volume of the loan was increased by €80 million to €230 million. If necessary, it can be increased by up to a further €70 million during the term of the loan. The funds are available to the Company in the form of a revolving line of credit that can be flexibly accessed. Compliance with a covenant in the form of the ratio of net financial debt to EBITDA was agreed here. If the agreed threshold of this key figure is breached, this will allow the lending banks to terminate the agreement ahead of time. At the same time, the amount of the key figure in question determines the interest (basis points above Euribor). This is currently 1.50 percent. As of the balance sheet date, the credit line had been utilized in the amount of €85.9 million via cash, lines of credit available to subsidiaries, and guarantees (previous year: €102.3 million). Compliance with the covenant is verified every six months and was affirmed as of the half-year and as of the reporting date. The existing liability stemming from this syndicated loan is reported under noncurrent financial liabilities as required by the terms of the contract.

For the reconciliation of the IFRS 9 valuation categories, see pages 145 et seq., “Additional information on financial instruments“.

(26.2) Trade payables and contract liabilities

Contract liabilities result from contracts where the revenue recognition takes place over a period of time and the advance payments made by customers and partial invoices are in excess of the cumulative performance from the processing of the respective contracts. For the detailed breakdown of these liabilities into gross receivables, prepayments received and partial invoices and other information, see Note (18) “Contract assets“.

(26.3) Income tax liabilities

These pertain to the actual income taxes due to the tax authorities as of the balance sheet date, which are reported by the various Group companies.

(26.4) Other liabilities

Breakdown of other liabilities

€ mill.	2020	2019
Freestanding derivatives	0.0	10.1
Derivatives from cash flow hedges	0.0	0.0
Noncurrent financial liabilities	**0.0**	**10.1**
Noncurrent deferred income	2.8	0.2
Personnel-related liabilities	0.0	0.3
Other	0.0	0.0
Noncurrent nonfinancial liabilities	**2.8**	**0.5**
Other noncurrent liabilities	**2.8**	**10.6**
Social security and health insurance contributions	6.9	4.6
VAT payable	6.9	7.8
Freestanding derivatives	6.0	0.3
Other nonincome taxes	5.3	5.6
Liabilities to employees	2.3	2.3
Debtors with credit balances	1.1	0.6
Other liabilities to affiliated companies	0.8	1.1
Derivatives from cash flow hedges	0.2	0.4
Liabilities to other long-term investees and investors	0.0	1.7
Liabilities due to insurance companies	0.0	0.0
Commissions	0.0	0.0
Current financial liabilities	**29.5**	**24.4**
Advance payments received	41.8	28.5
Personnel-related liabilities	26.8	31.7
Deferred income	0.9	0.5
Other	6.6	6.6
Current nonfinancial liabilities	**76.1**	**67.3**
Other current liabilities	**105.6**	**91.7**

Upon initial recognition, financial instruments are stated at their fair value as of the trading date including direct transaction costs, if any, and thereafter carried at amortized cost unless their measurement at fair value is required. The recognition of gains/losses from the measurement at fair value depends on whether the IFRS 9 hedge accounting criteria are met. The corresponding gains/losses from measuring derivatives in cash flow hedges at fair value are recognized directly in equity after considering deferred taxes. Changes in the market value of freestanding derivatives are recognized in other operating income or other operating expenses. An interest rate floor embedded in an interest rate swap has also been designated as a hedging instrument for the purposes of fair value hedging. This is measured at fair value through profit or loss, and had a positive fair value on December 31, 2020.

The prepayments received, recognized at €41.8 million (previous year: €28.5 million) under other liabilities, consist of customer payments for projects where revenue recognition will not be carried out over a period of time. In accordance with IAS 19, the current liabilities to employees are recognized at the undiscounted amount owed.

Notes to the segment report

The primary format for segment reporting is defined by Vossloh's internal organizational and reporting structure, which differentiates between the products and services offered by the Vossloh Group's business units. Segment reporting to the Executive Board and Supervisory Board encompasses the business units and divisions as reportable segments in accordance with IFRS 8.

The segment structure in the three core divisions has not changed compared with the previous year. In addition to the Fastening Systems business unit, the Tie Technologies business unit is part of the Core Components division. Vossloh Switch Systems and Vossloh Rail Services continue to be the only business units of the Customized Modules and Lifecycle Solutions divisions, respectively. The Transportation division was removed from the scope of consolidation and sold upon finalization of the purchase agreement on May 31, 2020. In the previous year, this division consisted entirely of the Locomotives business unit, which was reported as a discontinued operation.

The Core Components division comprises the Fastening Systems and Tie Technologies business units. Vossloh Fastening Systems is a leading manufacturer of rail fastening systems. The product lineup includes rail fasteners for every application – from light-rail to heavy-haul and high-speed lines. Vossloh Tie Technologies, another business unit within this division, is North America's leading manufacturer of concrete ties. In addition to concrete ties, switch ties, concrete elements for slab tracks and level crossing systems are manufactured at several plants in the U.S. and at production sites in Australia, Mexico and Canada.

The Customized Modules division or the Switch Systems business unit comprised in this division is one of the leading switch manufacturers worldwide. The business unit equips rail networks with switches and crossings as well as with the related control and monitoring systems, which it also installs and maintains if required. Here, also, the lineup extends from light-rail to high-speed applications.

The Lifecycle Solutions division and Rail Services business unit engage in activities such as rail trading, long-rail (un)loading at construction sites, welding new rails, reconditioning old rails, on-site welding, rail replacement, rail grinding/milling, rail inspection and construction site supervision. It also organizes and monitors just-in-time rail shipments to construction sites and ensures on-site availability of the approved (un)loading systems.

Activities in the field of rail vehicles, including corresponding services were combined in the Transportation division. The Locomotives business unit, the sale of which was finalized on May 31, 2020, was allocated to this division.

In the consolidation, all intrasegment and intersegment transactions are eliminated. This pertains primarily to the offsetting of intragroup income/expenses, the elimination of dividends between Group companies and the elimination of intragroup receivables/payables. The accounting methods applied by all segments are identical and conform to IFRS as adopted by the EU. Intersegment business is transacted on at arm's length basis.

Segment information is presented for each division and business unit on pages 108 et seq. The major noncash segment expenses include additions to provisions.

In the analysis of its results of operations in the combined management report, the Vossloh Group reports the pretax value added as a key performance indicator. The Group used a pre-tax WACC of 7.0 percent (previous year 7.5 percent) for this purpose.

A reconciliation of the segment result “value added” of the entire Group to the earnings before interest and taxes (EBIT) presented in the consolidated income statement is shown below:

Reconciliation of value added to EBIT

€ mill.	2020	2019
Value added	12.4	(105.4)
Cost of capital employed (2020 WACC: 7.0 percent; 2019: 7.5 percent)	60.7	67.8
EBIT	**73.1**	**(37.6)**

Segment information by region is provided for noncurrent assets and external sales revenues in accordance with IFRS 8.33. The external sales revenues presented by region are based on the customer location. As sales with unconsolidated subsidiaries are not taken into account in this overview of external sales revenues, the figures are not compatible with the overview of sales by region on page 39 of the combined management report.

Segment information by region

€ mill.	2020	2019	2020	2019
	External sales revenues		Noncurrent assets[1]	
Germany	74.2	81.8	203.2	181.6
France	89.1	103.8	169.9	165.5
Rest of Western Europe	67.4	68.1	29.7	30.5
Northern Europe	115.5	105.2	21.5	21.3
Southern Europe	64.4	74.0	1.1	1.3
Eastern Europe	61.1	67.7	11.9	11.3
Total of Europe	**471.7**	**500.6**	**437.3**	**411.5**
Americas	127.3	185.8	97.8	117.2
Asia	151.3	149.7	43.3	11.3
Africa	15.8	15.1	0.0	0.0
Australia	99.2	59.8	43.1	42.7
Total	**865.3**	**911.0**	**621.5**	**582.7**

[1] Excluding financial instruments and deferred tax assets

Additional information on financial instruments

Financial instruments are recognized and measured according to the measurement categories of IFRS 9 mentioned in the following:

- Financial assets at amortized cost
- Financial assets at fair value with the recognition of changes in value through profit or loss (FVTPL)
- Financial assets at fair value with the recognition of changes in value in other comprehensive income (FVOCI)

Vossloh’s consolidated balance sheet includes both derivative and nonderivative financial instruments.

Nonderivative financial instruments

Nonderivative financial instruments primarily comprise receivables, cash and cash equivalents and other financial assets. On the liabilities side, they include financial liabilities. They are recognized in the consolidated balance sheet when Vossloh becomes a contractual party to the financial instrument. Financial assets are derecognized according to IFRS 9 when the contractual right to payments from a financial asset expires or when the financial asset is transferred along with all material risks and opportunities. Financial liabilities are derecognized when the contractual obligation is settled, canceled or expires.

Derivative financial instruments

In the case of derivative financial instruments, the value of which is derived from a basis value, these pertain particularly to foreign currency forwards.

The Vossloh Group uses various derivative financial instruments. These serve primarily to hedge for currency risks from firm foreign-currency contractual obligations, future currency receivables/payables, and interest rate risks arising from long-term financing.

Hedges of assets and liabilities reported in the balance sheet are recognized as freestanding derivatives. The offsetting changes in value of the underlying and hedging transactions, which relate to the hedged risk, are recognized in the consolidated financial statements. Any fair value changes (gains/losses) due to exchange rate volatility are recognized in the income statement. Rather than being carried out on the basis of planned items, the hedging of currency exposure is typically handled directly after an order is received by means of a foreign currency forward.

When accounting for cash flow hedges of pending or uncompleted transactions (executory contracts), changes in the derivative's fair value are recognized directly in equity after allowing for deferred taxes. Upon completion or recognition of the underlying transactions, the associated gains/losses previously recognized in profit and loss are either recycled to the income statement or offset against the cost of purchased assets. A hedging relationship that was previously classified as effective was closed in the 2020 fiscal year due to an amendment to the terms of a contract (see Financial Risk Management on page 149 for more information). The derivative which was originally designated as a hedging instrument was measured at fair value through profit or loss on December 31, 2020.

The nominal volume of the foreign currencies hedged by freestanding derivatives is divided as follows:

€ mill.	Currency	2020	2019
USA	USD	118.3	163.2
Australia	AUD	17.2	15.8
Poland	PLN	2.2	–
United Kingdom	GBP	–	1.2
		137.7	**180.2**

The table below shows the fair value of derivatives used for hedging currency and interest rate risks, as well as the hedged nominal volumes:

Derivative financial € mill.			Fair value 2020	Nominal value 2020	Fair value 2019	Nominal value 2019
Interest rate swaps	Maturity	up to 1 year	–	–	–	–
		up to 5 years	–	–	–	–
		over 5 years	(0.1)	7.1	(0.1)	8.0
			(0.1)	**7.1**	**(0.1)**	**8.0**
Foreign currency forwards	Maturity	up to 1 year	(4.1)	137.7	0.3	110.7
		up to 5 years	–	–	(10.1)	69.6
		over 5 years	–	–	–	–
			(4.1)	**137.7**	**(9.8)**	**180.3**
Total			**(4.2)**	**144.8**	**(9.9)**	**188.3**

Discounted estimated future cash flow methods are used to determine fair values of interest hedging instruments, currency hedging transactions and foreign currency forwards. The discount is based on current market rates, which match the maturity of the financial instruments.

The carrying amounts of financial instruments, the assignment based on measurement category and the required disclosures on fair value according to IFRS 13 and their measurement sources according to IFRS 7 are presented in the following table.

Carrying amounts, measurement categories and fair values as of December 31, 2020

€ mill.	IFRS 9 carrying amounts according to balance sheet 12/31/2020	Measurement categories pursuant to IFRS 9 Amortized cost	Measurement categories pursuant to IFRS 9 Fair value through OCI (FVOCI)	Measurement categories pursuant to IFRS 9 Fair value through profit or loss (FVTPL)	Fair values 12/31/2020
Trade receivables	209.5	209.5	0.0	0.0	209.5
Securities	0.3	0.0	0.0	0.3	0.3
Other financial instruments and other assets	23.5	20.3	0.5	2.7	23.5
Cash and cash equivalents	67.8	67.5	0.0	0.3	67.8
Total financial assets	**301.1**	**297.3**	**0.5**	**3.3**	**301.1**
Financial liabilities	375.5	375.5	0.0	0.0	375.5
Trade payables	152.3	152.3	0.0	0.0	152.3
Other liabilities	88.0	81.8	0.2	6.0	88.0
Total financial liabilities	**615.8**	**609.6**	**0.2**	**6.0**	**615.8**

Carrying amounts, measurement categories and fair values as of December 31, 2019

€ mill.	IFRS 9 carrying amounts according to balance sheet 12/31/2019	Measurement categories pursuant to IFRS 9 Amortized cost	Measurement categories pursuant to IFRS 9 Fair value through OCI (FVOCI)	Measurement categories pursuant to IFRS 9 Fair value through profit or loss (FVTPL)	Fair values 12/31/2019
Trade receivables	212.8	212.8	0.0	0.0	212.8
Securities	0.0	0.0	0.0	0.0	0.0
Other financial instruments and other assets	32.9	29.4	0.6	2.9	32.9
Cash and cash equivalents	56.7	56.7	0.0	0.0	56.7
Total financial assets	**302.4**	**298.9**	**0.6**	**2.9**	**302.4**
Financial liabilities	377.9	377.9	0.0	0.0	377.9
Trade payables	134.2	134.2	0.0	0.0	134.2
Other liabilities	83.8	73.0	0.4	10.4	83.8
Total financial liabilities	**595.9**	**585.1**	**0.4**	**10.4**	**595.9**

Trade receivables, cash and cash equivalents and other receivables and assets primarily have short maturities. Their carrying amounts as of the reporting date therefore approximately correspond to the fair value.

Trade payables and liabilities from construction contracts as well as other liabilities also usually have short remaining terms. Their carrying amounts therefore approximately correspond to the fair value. The fair value of noncurrent financial liabilities was calculated by discounting the payments of principal and interest to be expected from these liabilities in the future based on current market interest rates.

The financial liabilities carried at fair value mainly pertain to freestanding derivatives.

The table below shows the assignment of the financial assets and liabilities carried at fair value to the fair value hierarchy levels in accordance with IFRS 7 and IFRS 13. There were no reclassifications between the various levels of the fair value hierarchy either during the reporting year or the previous year.

Assignment to levels of the fair value hierarchy

	Determined based on market prices (Level 1)		Derived from fair value (Level 2)		Measurement not based on fair value (Level 3)	
€ mill.	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets measured at fair value			3.8	3.5		
Financial liabilities measured at fair value			6.2	10.8		
Total	**0.0**	**0.0**	**10.0**	**14.3**	**0.0**	**0.0**

The basis for the levels of the hierarchy for the measurement of fair value is the inputs applied. In Level 1, inputs are in the form of unadjusted quoted prices in active markets for identical assets or liabilities. Measurement models are normally used for inputs at both Level 2 and Level 3. While the inputs at Level 2 are observable on the market or can be derived, there is no observable market data at Level 3.

Vossloh AG enters into derivatives transactions for a framework agreement ("framework agreement for financial futures contracts") which do not qualify for netting. The reason for this is that the Group has no legal claim to offset the amounts recognized at the present time. The right to offset can only be enforced when future events occur, such as if a bank loan is defaulted on or other credit events. The following table presents the carrying amounts of the recognized financial instruments that are subject to the outlined agreements:

Offsetting possibilities for derivative financial assets and liabilities

€ mill.	2020	2019
Financial assets		
Recognized gross amounts of financial assets	1.9	0.6
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet figures of financial assets	**1.9**	**0.6**
Offsettable on the basis of framework agreements	(1.7)	(0.5)
Total net value of financial assets	**0.2**	**0.1**
Financial liabilities		
Recognized gross amounts of financial liabilities	(5.7)	(10.5)
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet figures of financial liabilities	**(5.7)**	**(10.5)**
Offsettable on the basis of framework agreements	1.7	0.5
Total net value of financial liabilities	**(4.0)**	**(10.0)**

Net gains/(losses) on financial instruments by measurement category

€ mill.	Assets at amortized cost	Assets at fair value through profit or loss (FVTPL)	Assets at fair value through other comprehensive income (FVOCI)	Liabilities at amortized cost	2020	2019
Net gains/losses from:						
Income from investments			1.0		1.0	–
Interest	0.0			(7.1)	(7.1)	(6.0)
Remeasurement						
from addition to valuation allowances	(0.8)				(0.8)	(12.2)
from reversal of valuation allowances	2.7				2.7	1.8
from currency translation differences	0.2				0.2	8.7
at fair value		(0.4)			(0.4)	(3.2)
Total	**2.1**	**(0.4)**	**1.0**	**(7.1)**	**(4.4)**	**(10.9)**

Interest is accounted for here within net interest income, while the net gains and losses on disposal and currency translation are disclosed within other operating income or other operating expenses. Gains from the remeasurement to fair value of securities held for trading and the write-down of financial instruments available for sale are included in above table and recognized within the other financial result.

Financial risk management

The Vossloh Group's business operations are exposed to financial risks. These risks relate to liquidity, currency, interest and credit. The Group-wide management and limitation of the liquidity, currency and interest rate risks is handled by Treasury Management. Credit risks are monitored as part of general risk management.

Liquidity risks

Vossloh manages its liquidity risks (i.e. the risk that the Group is not able at all times to meet its payment obligations) through liquidity planning and a central cash management system. At the end of the reporting period, cash, cash equivalents and readily salable securities of €68.1 million were at the Group's disposal, besides additional, unutilized credit facilities of €223.7 million to satisfy any future cash requirements. €144.1 million were related to free credit lines of Vossloh AG under the syndicated loan with a term until November 2024. The majority of the free credit lines of the subsidiaries, which totaled €79.6 million, had a duration of up to a year or were granted for an unlimited term. The table below shows the contractually agreed undiscounted payments of principal and interest for financial liabilities:

Maturities of interest and principal payments

	up to 1 year				1 to 5 years				More than 5 years			
€ mill.	2020		2019		2020		2019		2020		2019	
	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest
Nonderivative financial liabilities	(168.0)	(5.5)	(37.1)	(5.3)	(201.6)	(6.3)	(373.3)	(9.5)	(10.1)	0.0	(12.5)	0.0
Derivative financial liabilities	(6.2)	0.0	(0.6)	(0.1)	0.0	(0.1)	(10.1)	(0.1)	0.0	0.0	0.0	
Derivative financial assets	2.0		0.7									

Currency risks Currency risks arise from recognized noneuro assets and liabilities whose euro equivalent may be adversely affected by unfavorable exchange rates, and pending or uncompleted currency transactions whose future cash flows may show a negative trend depending on how foreign exchange rates develop. Significant operations-related currency risks Vossloh is exposed to originate from trade receivables and payables denominated in a noneuro currency, as well as from pending or uncompleted trade and purchasing transactions. Vossloh has issued binding instructions to centrally hedge against currency risks Group-wide through Treasury Management by using foreign currency forwards at matching maturities and amounts as micro hedges of the associated underlying transactions. The fixed exchange rates for the hedged underlying transactions counter any unfavorable rate effects on cost estimates and assets. As of the reporting date, Vossloh had €0.1 million in currency derivatives designated as a cash flow hedge. All other currency derivatives are freestanding. The translation of foreign separate financial statements into the Group currency, the euro, results in currency translation differences (translation risks) which are recognized directly in the "Accumulated other comprehensive income" balance sheet item (see "Currency translation" on page 115). Income, expenses and carrying values of companies that are not based in the eurozone are thus dependent on the respective euro exchange rate. Translation risks are not currently hedged because they do not directly affect cash flow. In addition, investments in foreign companies are typically long-term.

Interest rate risks Interest rate risks mainly result from floating-rate short- and long-term loans raised for Group financing purposes, as well as from short-term funds invested at variable rates.

The risk of an unfavorable market rate trend and thus higher interest payments for floating-rate notes is contained by contracting interest rate swaps (see the glossary for these terms on page 173).

In connection with hedge accounting, such interest rate hedging transactions are accounted for as cash flow hedges. Interest rate floors embedded in hedging transactions are recognized in the income statement as fair value hedges. The nominal amount of the interest rate swap amounted to €7.1 million as of the reporting date. Its term has been adjusted to the middle of 2026.

The dollar offset method is used for assessing the effectiveness of the hedge. The new terms of the agreement mean that this interest rate hedge is no longer effective. The cash flow hedge reserve of €(0.2) million will be released on a straight line basis in profit or loss over the remaining term, which runs until the middle of 2026.

The fair value of derivatives used for hedging against currency and interest rate risks, as well as the hedged nominal volumes are detailed in the "Additional information on financial instruments" on pages 145 et seq. Taking into account the existing interest rate derivatives, 46 percent of the financial liabilities were taken up with fixed interest rates as of the reporting date, with 54 percent subject to a variable interest rate.

Sensitivity analysis Given certain assumptions, sensitivity analyses put an approximate figure to the risk that exists if certain influential factors undergo changes. The following changes have been assumed with regard to interest-rate risk and exchange-rate risk:

- an increase in market interest rates of 1 percent or a reduction in market interest rates of 0.25 percent (parallel shift in the yield curve);
- a simultaneous appreciation and depreciation of the euro against all foreign currencies by 10 percent.

Financial instruments originally stipulated with variable interest rates as well as existing interest rate derivatives were taken into consideration in the determination of the interest-rate risk as of the reporting date. A market interest rate that is higher by 100 percentage points related to the financial liabilities and receivables identified with variable rates as of December 31, 2020, would have increased the financial result by €0.3 million. A market interest rate that was lower by 25 points would have reduced the net financial result by €0.1 million owing to the existing Euribor floor rule in the syndicated loan. Equity would have been €0.2 million lower at the higher market interest rate or €0.1 million lower at the lower market interest rate. This is based on the underlying assumption that the changed interest rate would have applied for an entire year.

As currency risks were almost fully hedged, the impact of a simultaneous 10 percent depreciation of the euro on the unhedged foreign currency positions was insignificant for the results of operations. The following table shows the effects of the sensitivity analysis of key existing foreign currency derivatives and currency loans on other net interest income and equity. A positive value reflects an increase in earnings and equity.

Sensitivity analysis of key foreign currency derivatives

	USD			
€ mill.	12/31/2020		12/31/2019	
	+ 10%	– 10%	+ 10%	– 10%
Net interest result	(0.5)	0.6	(0.1)	0.1
Equity	(0.4)	0.4	0.0	0.1

Credit risks

Credit risks are defined as the risk that counterparties fail to meet their financial obligations. The credit risk attached to the cash and cash equivalents invested by the Vossloh Group with banks and the short-term securities held by Group companies, as well as to hedging instruments contracted with banks, is minimized by selecting counterparties of prime standing only. As part of business operations, trade receivables and other receivables are potentially exposed to credit risk.

These credit risks are monitored by the risk management system and minimized by taking out credit insurance (for example Euler Hermes). Specific default risks are taken into account through adequate allowances.

The balance of gross receivables (receivables before deduction of allowances) is broken down as follows in terms of operational credit risks:

Balance of gross current receivables

€ mill.	Receivables neither past due nor impaired	Receivables past due but not impaired	Impaired receivables	Gross balance
Trade receivables				
2020	153.2	57.2	12.4	222.8
2019	153.3	59.5	20.3	233.1
Others				
2020	45.9	1.5	0.0	47.4
2019	55.6	2.4	1.4	59.4

The analysis below breaks down the receivables past due but not impaired:

Receivables past due

€ mill.	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Trade receivables						
2020	21.8	15.4	5.6	6.0	8.4	**57.2**
2019	20.1	12.6	12.9	7.7	6.2	**59.5**
Others						
2020	0.0	0.0	0.0	0.0	1.5	**1.5**
2019	0.3	0.3	0.5	0.3	1.0	**2.4**

No specific credit risk arises from past due receivables since, given customer structure of the Vossloh Group, many debtors are government or other public-sector agencies.

The maximum credit risk of all financial assets corresponds to their carrying amounts (see analysis on page 147).

IBOR reform

Leading global interest rate benchmarks are currently going through a period of reform. This process includes a transition away from some Interbank Offered Rates (IBORs) and towards alternative risk-free rates. IBOR reform will have an impact on the Vossloh Group due to its use of financial instruments whose cash flows are tied to IBORs and could therefore be replaced or reformed due to these initiatives. However, there is still some uncertainty over the methods that will be used to make this transition and when it will take place. The central Treasury department is tracking developments in this area and assessing agreements which are affected. It is also responsible for managing the transition to alternative rates and making the necessary amendments to agreements. IBOR reform could impact how Vossloh accounts for hedges if it becomes necessary to replace some or all of the company's current hedging arrangements.

As of December 31, 2020, the Vossloh Group had just one hedge in place which was directly affected by IBOR reform. The Group used an interest rate swap to achieve a fixed rate for a loan with a variable interest rate based on the 3-month Euribor rate and a floor of 0.00 percent. The nominal volume of the hedge due in 2026 was €9.0 million initially and was down to €7.1 million at the end of the year. An exemption is being used for this hedge on the basis of the amendments to IFRS 9, IAS 39 and IFRS 7 which the IASB published on September 26, 2019. These amendments permit entities to continue to apply hedge accounting even if the risk component (reference rate) is not separately identifiable on an ongoing basis. Euribor will be discontinued at the end of 2021. The interest rate swap involved is based on the framework agreement of Fédération Bancaire Française (FBF).

The FBF published a new technical schedule – 2021 FBF Rate Definitions – after it was announced that some IBOR rates would be discontinued. This new schedule updates certain definitions to provide fallback solutions for discontinued reference rates. The most significant change introduced by the FBF was the inclusion of the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association (ISDA) in October 2020 into the framework agreement. The Supplement changes the ISDA's standard definitions for interest rate derivatives to include robust fallbacks for derivatives that are linked to specific IBORs. These changes came into effect on January 25, 2021. The Protocol makes it possible for market participants to incorporate the changes into their existing derivative agreements with counterparties who agree to the Protocol. It also came into effect on January 25, 2021. The fallbacks are adapted versions of the risk-free rates determined in every currency.

The Group is currently planning to adhere to the Protocol and monitor compliance among its counterparties. Vossloh will enter into bilateral negotiations with any counterparties who choose not to adhere to the Protocol so that new fallback clauses can be added to their agreements. The Group will also take the same course of action if it ultimately decides against adhering to the Protocol.

Information is provided below about financing agreements which the Vossloh Group considers significant and are affected by reference rate reform.

Base contract	Nominal volume	Remaining term	Reference rate	Hedging instrument
Syndicated loan	€230 million	Nov. 2024	Euribor rate by maturity	
Schuldschein loan	€135 million	Jul. 2021	6-month Euribor	
Schuldschein loan	€115 million	Jul. 2024	6-month Euribor	
Loan	€9 million	Jul. 2026	3-month Euribor	Interest rate swap
Factoring agreements	€48 million		Various Euribor rates	

Other disclosures

Contingent liabilities

As a result of the completed sale of the business unit Locomotives with effect from May 31, 2020, the contingent liabilities issued for these companies must now be disclosed in the consolidated financial statements. Contingent liabilities went up significantly – from €21.0 million at the end of 2019 to €109.0 million, an increase of €88.0 million. €100.8 million thereof is attributable to contingent liabilities for the Locomotives business unit, while €0.3 million is attributable to contingent liabilities for the Electrical Systems business unit sold as of January 31, 2017. For the outstanding contingent liabilities from the two former business units, Vossloh AG has received irrevocable and unconditional guarantees at first request by first-class banks. The costs arising from these contingent liabilities are charged to the respective buyers or their affiliated companies. The Group has incurred contingent liabilities under guarantees of €26.0 million (previous year: €2.7 million). €24.3 million thereof are attributed to the former business units and €1.7 million (previous year: €2.4 million) to nonconsolidated affiliated companies. €83.0 million (previous year: €18.3 million) of the contingent liabilities are attributable to letters of comfort. €76.8 million thereof was related to the former business units and €6.2 million (previous year: €9.6 million) to nonconsolidated affiliated companies. The risk of a claim is considered unlikely for all of the listed contingent liabilities.

Commitments triggered by orders arising from the acquisition of property, plant and equipment and intangible assets totaled €19.0 million (previous year: €22.2 million).

Leasing

Agreements on the use of assets have frequently been concluded between the companies of the Vossloh Group and the respective owners. The subject of these agreements primarily relate to land and buildings, machinery and factory and office equipment, in particular company cars and IT equipment. The resulting assets subject to such rights of use are capitalized under property, plant and equipment pursuant to IFRS 16, while the present values of payment obligations are recognized financial liabilities. The option granted under IFRS 16.4 as regards rights of use for intangible assets is exercised in such a way that rights of use arising from such contracts are not recognized on the balance sheet. The accounting methods applied for the rights of use and for the financial liability resulting from the lease are outlined in the explanatory notes to property, plant and equipment. There, the expense incurred for the depreciation of capitalized values in use was also shown. Interest expense from the compounding of lease liabilities is accounted for under net interest expense.

Expenses relating to short-term leases (term of less than one year) and for low-value assets – the resulting rights of use are not capitalized in accordance with the option in IFRS 16.6 – are accounted for as other operating expense in the income statement. The same applies to variable lease payments, which are not to be taken into account when measuring the lease liability. Gains or losses from what are referred to as "sale-and-leaseback" transactions are accounted for depending on the conditions of the lease agreement to the extent that such transactions take place. There were no such transactions during the reporting year, as in the previous year. Rental income stemming from subleases is accounted for as other operating income.

The following table provides a summary of the expenses and payments recognized in the income statement relating to leases. All payments in this regard relate to cash changes in lease liabilities and expenses recognized in the income statement related to leases which did not lead to right-of-use assets being recognized in the balance sheet.

€ mill.	2020	2019
Interest expense from the compounding of lease liabilities	1.0	1.2
Expenses from short-term leases	3.4	4.5
Expenses from the renting of low-value assets	0.4	0.3
Expenses from variable lease payments	0.2	0.1
Total lease payments	21.2	27.3
Rental income from subletting	0.0	0.1

The following table shows the residual terms of the recognized leases:

Liabilities according to remaining terms

€ mill.	2020	2019	2020	2019	2020	2019	2020	2019
Remaining term	≤ 1 year		1 to 5 years		> 5 years		Total	
Liabilities from leases	9.5	11.6	25.4	27.2	9.0	10.3	43.9	49.1

Future payments that have not yet been taken into account when measuring lease liabilities may result from variable lease payments, extension options that do not yet appear to be largely probable or not exercising termination options or from residual value guarantees that have not been taken into account. The resulting payments are insignificant in total. As of the reporting date, the Vossloh Group had no lease agreements that have already been concluded but for which utilization would not commence until a later date. In the previous year, arrangements of this kind were expected to result in payments totaling €1.8 million. There are no restrictions imposed by lease agreements or assurances about certain financial circumstances.

Disclosures regarding companies with noncontrolling interests

Significant Group companies with other shareholders that have a noncontrolling interest are:
1. Vossloh Fastening Systems (China) Co. Ltd., Kunshan, China
2. Vossloh (Anyang) Track Material Co., Ltd., Anyang, China
3. Vossloh Cogifer KIHN SA, Rumelange, Luxembourg.

Re 1: 32 percent of the shares of capital of this company are held by shareholders with a noncontrolling interest. In the 2020 fiscal year, €3.8 million (previous year: €4.1 million) of the company's net income was attributable to these shareholders. As of December 31, 2020, the share of equity attributable to shareholders with a noncontrolling interest was €10.2 million (previous year: €10.3 million).

Significant financial information for Vossloh Fastening Systems (China) Co. Ltd., Kunshan, China

€ mill.	2020	2019
Noncurrent assets	10.3	11.3
Current assets	89.0	86.2
Noncurrent liabilities	4.2	2.2
Current liabilities	63.1	62.1
Sales revenues	58.8	66.7
Value added	13.2	14.9
Total comprehensive income	10.8	13.4
Cash flow	(0.3)	(9.2)
Dividends to shareholders	12.9	13.0

Re 2: 49 percent of the shares of capital of this company are held by shareholders with a noncontrolling interest. In the year under review, €(0.6) million of the company's net income was attributable to these shareholders. As of December 31, 2020, the share of equity attributable to shareholders with a noncontrolling interest was €6.3 million.

Significant financial information for Vossloh (Anyang) Track Material Co., Ltd., Anyang, China

€ mill.	2020	2019
Noncurrent assets	34.5	9.7
Current assets	8.6	10.1
Noncurrent liabilities	6.9	5.1
Current liabilities	11.4	8.5
Sales revenues	12.8	8.4
Value added	(3.0)	0.0
Total comprehensive income	(1.7)	0.8
Cash flow	(0.1)	0.6
Dividends to shareholders	0.0	0.0

Re 3: 10.79 percent of the shares of capital of this company are held by shareholders with a noncontrolling interest. In the year under review, €0.2 million (previous year: €(0.6) million) of the company's net income was attributable to these shareholders. As of December 31, 2020, the share of equity attributable to shareholders with a noncontrolling interest was €1.8 million (previous year: €0.6 million).

Significant financial information for Vossloh Cogifer KIHN, SA, Rumelange, Luxembourg

€ mill.	2020	2019
Noncurrent assets	15.4	15.4
Current assets	15.0	15.2
Noncurrent liabilities	0.4	1.1
Current liabilities	15.0	17.0
Sales revenues	34.3	39.4
Value added	0.7	(6.1)
Total comprehensive income	1.9	(5.1)
Cash flow	(0.6)	1.3
Dividends to shareholders	0.0	0.0

Where shareholders of other Group companies hold noncontrolling interests, these interests are insignificant both individually and cumulatively.

Related party transactions

As the ultimate controlling parent, Vossloh AG is at the helm of the Vossloh Group. The consolidated companies of the Vossloh Group regularly transact normal business with unconsolidated affiliated companies, joint ventures and associated companies. Resulting transactions were executed at arm's length basis. Related unconsolidated companies and associated companies are disclosed in the list of shareholdings on page 158 et seq.

Individuals among the Vossloh Group's related parties are the members of the Executive and Supervisory Boards.

Mr. Heinz Hermann Thiele passed away on February 23, 2021. He was in a position to dominate the decisions made at the Annual General Meeting due to the majority stake in Vossloh AG which he held indirectly through KB Holding GmbH. He also controlled the companies of the Knorr-Bremse Group indirectly. These companies are accordingly to be treated as related parties. Transactions with companies of the Knorr-Bremse Group in the fiscal year resulted in material purchases in the amount of €0.0 million (previous year: €0.0 million), sales in the amount of €0.0 million (previous year: €0.0 million) as well as open receivables and advance payments as of December 31, 2020, in the amount of €0.0 million (previous year: €0.0 million) and trade payables of €0.0 million (previous year: €0.0 million). Vossloh recognized a financial asset in the previous year worth €6.0 million resulting from the sale of shares of the former Vossloh Kiepe GmbH, Düsseldorf. The corresponding payment was received in the year under review.

The table below breaks down transactions with related parties (entities/individuals). These were conducted almost exclusively with unconsolidated subsidiaries and reflected in segment reporting as internal sales revenues and in the consolidated balance sheet as receivables/payables due from or to affiliated companies. Transactions with associated companies are also taken into consideration. No transactions with related individuals took place.

€ mill.	2020	2019
Sale or purchase of goods		
Sales revenues from the sale of finished goods and WIP	14.5	16.3
Cost of materials from the purchase of finished goods and WIP	20.5	11.4
Trade receivables	5.2	10.9
Trade payables	4.2	1.8
Advance payments received	0.0	0.1
Expenses for irrecoverable/doubtful accounts	0.0	0.1
Sale or purchase of other assets		
Income from the sale of other assets	0.1	0.0
Receivables from the sale of other assets	0.5	6.2
Liabilities from the purchase of other assets	0.8	1.0
Services rendered or received		
Income from services rendered	1.4	1.6
Expenses for services received	0.5	0.5
Licenses		
License income	0.1	0.1
License expenses	0.7	0.1
Funding		
Interest income from financial loans granted	0.1	0.1
Receivables on financial loans granted	4.1	3.1
Provision of guarantees and collateral		
Provision of guarantees	1.7	2.4
Provision of other collateral	0.0	0.7

Payments to related parties

	Short-term remuneration due		Pension entitlements (service cost)		Other noncurrent grants		Benefits due to employment contracts coming to an end		Total	
€	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Board of Vossloh AG	1,993,619	2,382,122	339,511	324,919	677,878	658,243	1,087,203	1,151,176	4,098,211	4,516,460
Supervisory Board of Vossloh	456,666	429,167	–	–	–	–	–	–	456,666	429,167

The short-term benefits paid for the Executive Board comprised the fixed and annual variable remuneration. Provisions for pensions for the CEO come to €2.3 million (previous year: €1.9 million). For an itemized breakdown by member of this total, and further details of the remuneration system, see the remuneration report (an integral part of the Vossloh Group’s combined management report).

Auditor fees

The fees for the services provided by the auditor of the consolidated financial statements in the year under review totaled €0.9 million, of which €0.1 million relates to the previous fiscal year. They relate mainly to attestation services, with the majority being fees paid to Deloitte GmbH for the audit of the consolidated financial statements and the financial statements of Vossloh AG and its German subsidiaries as well as audits in connection with corporate transactions. The auditor also reviewed interim financial statements and provided a small number of other services and certifications.

German Corporate Governance Code

In November 2020, the Executive and Supervisory Boards issued the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), and made it permanently available to the stockholders on Vossloh's website (www.vossloh.com).

Events after the reporting period

A number of agreements were signed and finalized with Talleres de Amurrio on January 29, 2021. One of these was for the transfer of 81 percent of the shares in Vossloh Cogifer do Brasil Administracao de Bens e Participacoes Ltda., Sorocaba, Brazil, which in turn holds all of the shares in Vossloh Cogifer do Brasil Metalúrgica MBM SA, Sorocaba, Brazil. In future, the companies will be accounted for as financial instruments measured at fair value through profit or loss. Changes were also made to the governance structure of the joint venture Vossloh Beekay Castings Ltd., New Delhi, India, which was previously accounted for using the equity method. These changes gave Vossloh control over the company. As a result, it will be fully included in the consolidated financial statements.

A €150 million subordinated perpetual bond was issued in February 2021. Due to the nature of the bond, it is classified as equity for accounting purposes in the consolidated financial statements. This bond can only be canceled by Vossloh AG, and not before February 23, 2026. The interest rate of the bond is 4.0 percent.

Group companies and investees

Pursuant to Section 313 (2) HGB, details of the Vossloh Group's shareholdings are listed below:

List of shareholding

€ mill.		Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh Aktiengesellschaft, Werdohl**				(k)		
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(k)		
(3)	Vossloh US Holdings, Inc., Wilmington, Delaware, USA		100.00	(2)	(k)		
(4)	Vossloh Australia Pty. Ltd., Sydney, Australia		100.00	(1)	(k)		
	Core Components division						
	Fastening Systems business unit						
(5)	Vossloh Fastening Systems GmbH, Werdohl	3	100.00	(1)	(k)		
(6)	Vossloh Tehnica Feroviara SRL, Bucharest, Romania		100.00	(5)	(n)	0.0	0.0
(7)	Vossloh Drazni Technika s.r.o., Prague, Czech Republic		100.00	(5)	(n)	1.9	1.1
(8)	Vossloh Sistemi S.r.l., Cesena, Italy		100.00	(5)	(k)		
(9)	Vossloh Skamo Sp.z o.o., Nowe Skalmierzyce, Poland		100.00	(5)	(k)		
(10)	FÉDER-7 Rugógyártó Kft., Sárkeresztes, Hungary		100.00	(5)	(n)	0.4	0.0
(11)	Vossloh Fastening Systems America Corp., Chicago, Illinois, USA		100.00	(3)	(k)		
(12)	Vossloh Fastening Systems (China) Co. Ltd., Kunshan, China		68.00	(5)	(k)		
(13)	Vossloh-Werke International GmbH, Werdohl		100.00	(5)	(k)		
(14)	Beijing China-Railway Vossloh Technology Co. Ltd., Beijing, China		49.00	(5)	(n)	1.6	0.0
(15)	Vossloh Fastening Systems Southern Africa Proprietary Limited, Cape Town, South Africa	6	100.00	(80)	(n)	0.0	0.0
(16)	TOO Vossloh Fastening Systems (Kazakhstan), Kapshagay, Kazakhstan		50.00	(13)	(e)		
(17)	Suzhou Vossloh Track Systems Co. Ltd., Suzhou, China		100.00	(13)	(k)		
(18)	AO Vossloh Fastening Systems RUS, Engels, Russia		50.00	(5)	(e)		
(19)	Vossloh Fastening Systems Australia Pty. Ltd., Sydney, Australia		100.00	(4)	(n)	1.0	0.1
(20)	OOO Vossloh Bahn- und Verkehrstechnik, Moscow, Russia		99.00/1.00	(2)/(1)	(k)		
(21)	Vossloh Maschinenfabrik Deutschland GmbH, Werdohl		100.00	(5)	(n)	1.6	(0.1)
(22)	Vossloh Fastening Systems India Private Ltd., New Delhi, India	4	99.99/0.01	(5)/(13)	(k)		
(23)	Vossloh (Anyang) Track Material Co., Ltd., Anyang, China		51.00	(13)	(k)		
(24)	Kunshan Vossloh Railway Materials Trading Co. Ltd., Kunshan, China		100.00	(13)	(k)		
	Tie Technologies business unit						
(25)	Rocla International Holdings, Inc., Wilmington, Delaware, USA		100.00	(3)	(k)		
(26)	Rocla Concrete Tie, Inc., Lakewood, Colorado, USA		100.00	(25)	(k)		
(27)	RCTI de Mexico, S. de R. L. de C. V., Mexico City, Mexico		99.998/0.002	(26)/(3)	(k)		
(28)	RocBra Participacoes e Empreendimentos Ltda., São Paulo, Brazil	6	100.00	(25)	(n)	3.5	0.0
(29)	Cavan Rocbra Industria E Comercio De Pre Moldados De Concreto S/A, São Paulo, Brazil	6	20.00	(28)	(n)	18.0	6.9
(30)	Austrak Pty. Ltd., Brisbane, Australia		100.00	(4)	(k)		
(31)	Vossloh Tie Technologies Canada ULC, Vancouver, Canada		100.00	(26)	(k)		
	Customized Modules division						
	Switch Systems business unit						
(32)	Vossloh France SAS, Rueil-Malmaison, France		100.00	(1)	(k)		
(33)	Vossloh Cogifer SA, Rueil-Malmaison, France		100.00	(32)	(k)		
(34)	Jacquemard AVR SA, St. Jean Bonnefonds, France		100.00	(33)	(k)		
(35)	Vossloh Cogifer Finland Oy, Teijo, Finland		100.00	(36)	(k)		
(36)	Vossloh Nordic Switch Systems AB, Ystad, Sweden		100.00	(33)	(k)		
(37)	Vossloh Cogifer KIHN SA, Rumelange, Luxembourg		89.21	(33)	(k)		
(38)	Vossloh Laeis GmbH, Trier		100.00	(37)	(k)		
(39)	Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal		61.00	(33)	(e)		
(40)	Amurrio Ferrocarril y Equipos SA, Amurrio, Spain		50.00	(33)	(e)		
(41)	Montajes Ferroviarios, S. L., Amurrio, Spain	6	100.00	(40)	(n)	0.2	(0.1)
(42)	Burbiola SA, Amurrio, Spain		50.00	(40)	(n)	1.6	0.1
(43)	Vossloh Cogifer UK Limited, Scunthorpe, United Kingdom		100.00	(33)	(k)		
(44)	Vossloh Cogifer Italia S.r.l., Milan, Italy		100.00	(33)	(k)		
(45)	Vossloh Cogifer Polska Sp.z o.o., Bydgoszcz, Poland		96.95	(33)	(k)		

€ mill		Foot-note	Shareholding in %	at	Consoli-dation[1]	Equity[2]	Result after taxes[2]
(46)	ATO-Asia Turnouts Limited, Bangkok, Thailand		51.00	(33)	(e)		
(47)	Vossloh Cogifer Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(33)	(k)		
(48)	Siema Applications SAS, Villeurbanne, France		100.00	(33)	(k)		
(49)	VOSSLOH MIN SKRETNICE DOO ZA Proizvodnjui Montazu Skretnica i Opreme Nis, Niš, Serbia		100.00	(33)	(k)		
(50)	Vossloh Beekay Castings Ltd., New Delhi, India	5	58.48	(33)	(e)		
(51)	Vossloh Cogifer Turnouts India Private Limited, Hyderabad, India	5	100.00	(33)	(k)		
(52)	Vossloh Cogifer Signalling India Private Limited, Bangalore, India	5	100.00	(33)	(k)		
(53)	Vossloh Track Material, Inc., Wilmington, Delaware, USA		100.00	(3)	(k)		
(54)	Vossloh Cogifer Australia Pty. Ltd., Castlemaine, Australia		100.00	(4)	(k)		
(55)	Vossloh Cogifer Kloos BV, Nieuw-Lekkerland, the Netherlands		100.00	(33)	(k)		
(56)	Wuhu China Railway Cogifer Track Co. Ltd., Wuhu, China		50.00	(33)	(e)		
(57)	Vossloh Cogifer Southern Africa Proprietary Limited, Cape Town, South Africa	6	100.00	(80)	(n)	0.0	0.0
(58)	Vossloh Cogifer do Brasil Administracao de Bens e Participacoes Ltda., Sorocaba, Brazil		99.99/0.01	(33)/(34)	(k)		
(59)	Vossloh Cogifer do Brasil Metalúrgica MBM SA, Sorocaba, Brazil		100.00	(58)	(k)		
(60)	Outreau Technologies SAS, Outreau, France		100.00	(33)	(k)		
(61)	Vossloh Infrastructure Systems LLC, Moscow, Russia		90.00/10.00	(37)/(49)	(n)	0.0	0.0
	Lifecycle Solutions division						
	Rail Services business unit						
(62)	Vossloh Rail Services GmbH, Hamburg	3	100.00	(1)	(k)		
(63)	Vossloh Rail Center GmbH, Hamburg	3	100.00	(62)	(k)		
(64)	Vossloh Rail Inspection GmbH, Leipzig (formerly: GTS Gesellschaft für Gleistechnik Süd mbH)	3	100.00	(63)	(k)		
(65)	Alpha Rail Team GmbH & Co. KG, Berlin	3	100.00	(63)	(k)		
(66)	Alpha Rail Team Verwaltungs GmbH, Berlin		100.00	(63)	(k)		
(67)	Vossloh Logistics GmbH, Hanover	3	100.00	(62)	(k)		
(68)	VOSSLOH Turkey Demiryolu Sistemleri Ltd. Sti., Istanbul, Turkey		100.00	(71)	(k)		
(69)	Vossloh Rail Maintenance GmbH, Hamburg (formerly: Vossloh High Speed Grinding GmbH)	3	100.00	(62)	(k)		
(70)	Vossloh Mobile Rail Services GmbH, Leipzig	3	100.00	(63)	(k)		
(71)	Vossloh Rail Services International GmbH, Hamburg	3	100.00	(62)	(k)		
(72)	Vossloh MFL Rail Milling GmbH, Liezen, Austria		50.00	(71)	(e)		
(73)	Vossloh Rail Services Scandinavia AB, Örebro, Sweden		100.00	(71)	(k)		
(74)	Vossloh Rail Services North America Corporation, Denver, Colorado, USA		100.00	(3)	(n)	(0.1)	(0.8)
(75)	Beijing CRM-Vossloh Track Maintenance Technology Co.,Ltd., Beijing, China		47.00	(71)	(e)		
(76)	Vossloh Rail Services Kunshan Co. Ltd., Kunshan, China		100.00	(71)	(k)		
(77)	Vossloh Rail Services Finland Oy, Kouvola, Finland		100.00	(71)	(k)		
(78)	Rhomberg Sersa Vossloh GmbH, Föhren		50.00	(62)	(e)		
(79)	Vossloh Services France SAS, Rueil-Malmaison, France		49.90/50.10	(33)/(71)	(k)		
	Other companies						
(80)	Vossloh Southern Africa Holdings Proprietary Ltd., Johannesburg, South Africa	6	100.00	(2)	(n)	0.4	0.0

[1] Fully consolidated companies are noted (k), those accounted for using the equity method (e) and unconsolidated companies (n). Exclusion from the scope of consolidation is based on immateriality with respect to net assets, financial position and results of operations.
[2] Foreign currency amounts in the case of equity are translated at the average exchange rate as of the balance sheet date and post-tax profits or losses are translated at the annual average rate.
[3] Company claims exemption from preparing and publishing separate financial statements pursuant to Section 264 (3) or 264b HGB.
[4] Included in the consolidation for the first time in the reporting year.
[5] Differing fiscal year April 1 to March 31
[6] Information on equity and result after taxes is based on the latest available financial statements.

Executive Board of Vossloh AG

Oliver Schuster, born 1964, Kierspe
Chairman of the Executive Board (since 10/1/2019)
First appointment: 3/1/2014, appointed until: 2/28/2025
External mandates:
- Wohnungsgesellschaft Werdohl GmbH: Member of the Supervisory Board (until 11/25/2020)
Group mandates:
- Vossloh Cogifer SA: Member of the Supervisory Board
- Vossloh France SAS: President
- Vossloh Fastening Systems (China) Co., Ltd.: Chairman of the Administrative Board (since 11/10/2020) and legal representative of the company (since 11/30/2020)

Dr. Thomas Triska, born 1975, Balve
First appointment: 11/1/2020, appointed until: 10/31/2023
External mandates:
- Wohnungsgesellschaft Werdohl GmbH: Member of the Supervisory Board (since 11/30/2020)
Group mandates:
- Vossloh Cogifer SA: Chairman of the Supervisory Board (since 12/3/2020)
- Vossloh International GmbH: Managing Director (since 11/2/2020)

Jan Furnivall, born 1976, Meerbusch
First appointment: 11/1/2020, appointed until: 10/31/2023
Group mandates:
- Vossloh International GmbH: Managing Director (since 11/2/2020)
- Vossloh Maschinenfabrik Deutschland GmbH: Managing Director (until 11/2/2020)

Dr.-Ing. Karl Martin Runge, born 1964, Kassel
First appointment: 10/1/2019, appointed until: 10/31/2020
Group mandates:
- Vossloh Cogifer SA: Chairman of the Supervisory Board (until 10/31/2020)
- Vossloh International GmbH: Managing Director (until 10/31/2020)
- Vossloh Fastening Systems (China) Co., Ltd.: Chairman of the Administrative Board (until 10/31/2020)

Prof. Dr. Rüdiger Grube[2,4], Chairman, Hamburg,
Managing Partner of Rüdiger Grube International Business Leadership GmbH and former CEO of Deutsche Bahn AG (Member of the Supervisory Board since 2/5/2020)
- Chairman of the Supervisory Board of Hamburger Hafen- und Logistik AG, Hamburg
- Non-Executive Member of the Administrative Board of RIB Software SE, Stuttgart
- Member of the Supervisory Board of Herrenknecht AG, Lahr-Schwanau (until 12/17/20)
- Non-Executive Member of the Administrative Board of Deufol SE, Hofheim (Wallau)
- Chairman of the Supervisory Boards of Bombardier Transportation Germany GmbH, Berlin, and Bombardier Transportation (Bahntechnologie) Holding Germany GmbH, Berlin
- Chairman of the Supervisory Board of Vantage Towers AG, Düsseldorf (since 1/18/2021)

Ulrich M. Harnacke[2,3,4], Deputy Chairman, Mönchengladbach, Independent Auditor, Tax Advisor and Management Consultant (Member of the Supervisory Board since 5/20/2015)
- Member of the Shareholders' Committee of Thüga Holding GmbH & Co., KGaA, Munich
- Member of the Supervisory Board and Chairman of the Audit Committee of Brenntag AG, Essen
- Member of the Advisory Board of Zentis GmbH & Co. KG, Aachen

Dr. Roland Bosch[3,4], Königstein im Taunus, former CEO of DB Cargo AG
(Member of the Supervisory Board since 5/27/2020)
- Chairman of the Supervisory Board of Danzer Holding AG, Dornbirn/Austria

Dr. Bettina Volkens[2,4], Königstein im Taunus, former member of the Executive Board of Deutsche Lufthansa AG (Member of the Supervisory Board since 5/27/2020)
- Member of the Supervisory Board of CompuGroup Medical SE & Co. KGaA, Koblenz (since 6/18/2020)
- Member of the Supervisory Board of Bilfinger SE, Mannheim (since 6/24/2020)

Dr. Sigrid Evelyn Nikutta[2,4], Deputy Chairwoman, Berlin, Member of the Management Board of Deutsche Bahn AG for Freight Transport and CEO of DB Cargo AG
(Member of the Supervisory Board between 5/22/2019 and 5/27/2020)
- Chairwoman of the Supervisory Board of DB Polska S.A., Warsaw, Poland (since 1/1/2020)
- Member of the Administrative Board of Kombiverkehr Deutsche Gesellschaft für kombinierten Verkehr mbH & Co. KG, Frankfurt a.M. (since 1/1/2020)

Prof. Dr. Anne Christine d'Arcy[3,4], Vienna (Austria), University Professor for Corporate Governance and Management Control (Member of the Supervisory Board between 5/9/2018 and 5/27/2020)

Marcel Knüpfer[1], Zwenkau, Technical Manager and Shift Leader
(Member of the Supervisory Board since 6/1/2020)

Andreas Kretschmann[1,2,3], Neuenrade, social security employee
(Member of the Supervisory Board since 8/30/2017)

Michael Ulrich[1,2,3], Kiel, Machinist (Member of the Supervisory Board between 4/20/2007 and 5/31/2020)

[1] Employee representative
[2] Member of the Staff Committee
[3] Member of the Audit Committee
[4] Member of the Nomination Committee

Proposed dividend

In accordance with German GAAP, the financial statements for the 2020 fiscal year show a net loss of €53,054,222.91 and, after including the profit carryforward of €81,171,140.50 and withdrawals from retained earnings of €50,000,000.00, the net profit retained amounts to €78,116,917.59.

The Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share be paid out on the dividend-bearing capital stock of €49,857,682.23 and that the remaining amount of €60,552,737.59 be carried forward. The total dividend amount is €17,564,180.00.

Werdohl, Germany, March 1, 2021

Vossloh AG
The Executive Board

Oliver Schuster, Dr. Thomas Triska, Jan Furnivall

Responsibility statement

We confirm that, to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements present a true and fair view of the Vossloh Group's net assets, financial position and results of operations, and the combined management report gives a true and fair view of the Group's performance and the overall position of the Group, as well as the significant risks and opportunities associated with the Group's expected development.

Werdohl, Germany, March 1, 2021,

Vossloh AG
The Executive Board

Oliver Schuster, Dr. Thomas Triska, Jan Furnivall

Independent Auditor's report

To Vossloh Aktiengesellschaft, Werdohl/Germany

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of Vossloh Aktiengesellschaft, Werdohl/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of Vossloh Aktiengesellschaft, Werdohl/Germany, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f and Section 315d German Commercial Code (HGB), which is referred to in the combined management report, nor the content of the consolidated non-financial statement pursuant to Section 315b HGB, which is included in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement and of the consolidated non-financial statement referred to above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the issue of recoverability of goodwill, which we have determined in the course of our audit to be a key audit matter.

Our presentation of this key audit matter has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)

b) auditor's response

Recoverability of goodwill

a) The consolidated financial statements of Vossloh Aktiengesellschaft disclose goodwill of mEUR 260.2 under the intangible assets balance sheet item, accounting for 21.4% of the consolidated balance sheet total.

Within Vossloh Group, a distinction is made between four cash-generating units (CGUs), each of which is allocated goodwill. Goodwill is tested for impairment (impairment test) annually as at the balance sheet date or on related occasions. This impairment test is carried out by comparing the carrying amounts of the cash-generating units with their respective recoverable amounts in order to determine any need for impairment. The recoverable amount is determined on the basis of value in use taking into account the medium-term budget of the respective unit using expected discounted cash flows (discounted cash flow method).

The cash flow forecasts are based on the group planning for a three-year detailed planning period that was approved by the executive board, acknowledged by the supervisory board and which is applicable at the time the impairment test is carried out. This also comprises expectations on the future development of the market and country-specific assumptions on the development of macro-economic indicators. Planning periods further in the future that account for a significant portion of value in use (period of perpetuity) are included in the value in use by rolling forward of cash flows taking into account a CGU-specific growth rate. Discounting is made using the weighted capital costs of the respective cash-generating unit.

The result of this valuation is highly dependent on the executive board's assessment of the future cash flows and the discount rate used and, therefore, is subject to great uncertainty. Therefore, and due to the complexity of the valuation of this high-amount item, this matter was of particular significance in the scope of our audit.

The executive board's disclosures on goodwill are included in chapter 10 of the notes to the consolidated financial statements.

b) During our audit, we, among other things, obtained an understanding of the method applied in the impairment test, estimated the determination of the weighted capital costs and assessed the calculation method of the impairment test by consulting our valuation specialists. We examined the appropriateness of the future cash flows used in the valuation, among other things, by comparing them with the current planning prepared by the executive board and acknowledged by the supervisory board and by means of questioning the executive board regarding the material planning assumptions. Moreover, we reviewed the planning in a critical manner taking into account general and industry-specific market expectations.

Together with the Parent's representatives in charge, we thoroughly discussed and obtained an understanding of any incremental adjustments of the detailed planning period and the rolling forward of cash flows for the period of perpetuity.

As already minor changes of the discount rate used may have material impacts on the amount of the determined recoverable amount, we dealt in detail with the parameters used in determining the discount rate used and obtained an understanding of the computation scheme. Furthermore, on account of the material significance of goodwill for assets and liabilities of the Group, we performed additional own sensitivity analyses in order to be able to assess any possible risk for impairment in the event of a potential change in a key valuation assumption. In addition, we audited the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required under IAS 36.

Other Information

The executive board and the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB, which is referred to in the combined management report,
- the consolidated non-financial statement pursuant to Section 315b HGB, which is included in the combined management report,
- the executive board's confirmation pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the combined management report, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive board and the supervisory board as well are responsible for the declaration on corporate governance according to Section 161 German Stock Corporation Act (AktG), which is part of the corporate governance statement and which is referred to in the combined management report. Apart from that the executive board is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information stated above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive board and the reasonableness of estimates made by the executive board and related disclosures.
- conclude on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to

the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value EDC0209C67E1009F4B47C1965AB11B0E6A319CFF55AEF79F76C14C3D802468D0, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Group Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Board and the Supervisory Board for the ESEF Files

The executive board of the parent is responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive board of the parent is responsible for such internal control as it has determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive board of the parent is also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited consolidated financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit of the ESEF files in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.

- evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 27 May 2020. We were engaged by the supervisory board on 26 October 2020. We have been the group auditor of Vossloh Aktiengesellschaft, Werdohl/Germany, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is René Kadlubowski.

Düsseldorf/Germany, 1 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
René Kadlubowski	Christian Siepe
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)