Consolidated financial statements of Vossloh AG as of December 31, 2021

Income statement

€ mill.	Notes	2021	2020
Sales revenues	(1)	942.8	869.7
Cost of sales	(2.1)	(724.8)	(672.8)
General administrative and selling expenses	(2.2)	(160.8)	(148.1)
Allowances and write-ups of financial assets		2.3	1.9
Research and development costs	(2.3)	(9.0)	(8.9)
Other operating income	(3.1)	18.7	21.3
Other operating expense	(3.2)	(7.8)	(10.0)
Operating result		**61.4**	**53.1**
Result from investments in companies accounted for using the equity method		4.5	3.9
Other financial income	(4.1)	6.4	16.7
Other financial expense	(4.2)	0.0	(0.6)
Earnings before interest and taxes (EBIT)		**72.3**	**73.1**
Interest income	(5.2)	5.2	7.8
Interest and similar expense	(5.1)	(12.7)	(22.2)
Earnings before taxes (EBT)		**64.8**	**58.7**
Income taxes	(6)	(28.6)	(11.7)
Result from continuing operations		**36.2**	**47.0**
Result from discontinued operations	(7)	(0.3)	(26.2)
Net income		**35.9**	**20.8**
thereof attributable to shareholders of Vossloh AG		**23.1**	**17.2**
thereof attributable to hybrid capital investors		5.1	–
thereof attributable to noncontrolling interests	(8)	7.7	3.6
Earnings per share			
Basic/diluted earnings per share (€)	(9)	1.31	0.98
thereof attributable to continuing operations		1.33	2.47
thereof attributable to discontinued operations		(0.02)	(1.49)

Statement of comprehensive income

€ mill.	Notes	2021	2020
Net income		**35.9**	**20.8**
Changes in fair value of hedging instruments (cash flow hedges)		(0.1)	0.2
Currency translation differences	(23)	12.7	(11.5)
Income taxes		0.1	0.0
Amounts that will potentially be transferred to profit or loss in future periods		**12.7**	**(11.3)**
Remeasurement of defined benefit plans	(24)	1.9	(1.2)
Income taxes	(16)	(0.7)	0.5
Amounts that will not be transferred to profit or loss in future periods		**1.2**	**(0.7)**
Income and expenses recognized directly in equity		**13.9**	**(12.0)**
Total comprehensive income		**49.8**	**8.8**
thereof attributable to shareholders of Vossloh AG		34.2	5.8
thereof attributable to hybrid capital investors		5.1	–
thereof attributable to noncontrolling interests		10.5	3.0

Cash flow statement for the period from January 1 to December 31, 2021

€ mill.	2021	2020
Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	72.3	73.1
EBIT from discontinued operations	(0.3)	(22.7)
Amortization/depreciation/impairment losses/reversal of impairment losses of noncurrent assets	51.6	60.8
Change in noncurrent provisions	1.5	1.7
Gross cash flow	**125.1**	**112.9**
Noncash change in investments in companies accounted for using the equity method	(11.3)	(17.6)
Other noncash income/expenses, net	(2.5)	1.3
Gains/losses from the disposal of noncurrent assets	(1.2)	(2.0)
Income taxes paid	(23.0)	(12.4)
Change in working capital	(1.9)	(21.7)
Changes in other assets/liabilities, net	(3.9)	(4.4)
Cash flow from operating activities	**81.3**	**56.1**
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	(51.7)	(52.0)
Investments in companies accounted for using the equity method	0.0	(0.1)
Cash-effective dividends from companies accounted for using the equity method	1.0	0.0
Free cash flow	**30.6**	**4.0**
Investments in noncurrent financial instruments	0.0	(0.4)
Proceeds from the disposal of intangible assets and property, plant and equipment	3.1	3.7
Disbursements/proceeds from the purchase/sale of short-term securities	(0.2)	(0.3)
Proceeds from disposals of noncurrent financial instruments	0.2	0.2
Proceeds from the disposal of consolidated companies	(0.8)	45.9
Payments for the acquisition of consolidated companies	(9.5)	0.0
Cash flow from investing activities	**(57.9)**	**(3.0)**
Cash flow from financing activities		
Disbursements to shareholders and noncontrolling interests	(26.2)	(4.2)
Net cash inflow from hybrid capital	148.3	–
Net financing from short-term loans	(146.9)	4.3
Net financing from medium-term and long-term loans	12.0	(35.2)
Repayments from leases	(11.3)	(19.1)
Interest received	5.2	7.9
Interest paid and similar expenses	(11.9)	(21.1)
Cash flow from financing activities	**(30.8)**	**(67.4)**
Net cash inflow/outflow	(7.4)	(14.3)
Change in cash and cash equivalents from the first-time consolidation of companies	2.3	0.6
Exchange rate effects	2.0	(2.2)
Opening cash and cash equivalents	**32.7**	**48.6**
Closing cash and cash equivalents	**29.6**	**32.7**

For more information on the cash flow statement, see page 131 et seq.

Balance sheet

Assets in € mill.	Notes	12/31/2021	12/31/2020	1/1/2020
Intangible assets*	(10)	343.2	314.4	294.9
Property, plant and equipment	(11)	323.8	313.6	296.8
Investment properties	(12)	7.4	4.4	1.8
Investments in companies accounted for using the equity method*	(13)	47.6	55.9	57.7
Other noncurrent financial instruments	(14)	4.4	6.0	6.0
Other noncurrent assets	(15)	4.1	3.9	4.0
Deferred tax assets	(16)	12.3	20.4	17.7
Noncurrent assets		**742.8**	**718.6**	**678.9**
Inventories	(17)	195.0	163.4	152.1
Trade receivables	(18)	214.5	209.5	212.8
Contract assets	(18)	2.9	4.3	5.0
Income tax assets	(19)	7.0	3.3	5.8
Other current financial instruments	(20)	17.7	21.8	29.6
Other current assets	(20)	33.5	24.1	25.8
Short-term securities	(21)	1.0	0.3	0.0
Cash and cash equivalents	(22)	75.0	67.8	56.7
Current assets		**546.6**	**494.5**	**487.8**
Assets held for sale	(7)	0.0	1.3	162.6
Assets		**1,289.4**	**1,214.4**	**1,329.3**

Equity and liabilities in € mill.	Notes	12/31/2021	12/31/2020	1/1/2020
Capital stock	(23.1)	49.9	49.9	49.9
Additional paid-in capital	(23.2)	190.4	190.4	190.4
Retained earnings and net income*	(23.3)	172.0	170.2	156.6
Hybrid capital	(23.4)	148.3	–	–
Accumulated other comprehensive income	(23.5)	(1.3)	(14.0)	(4.8)
Equity excluding noncontrolling interests		**559.3**	**396.5**	**392.1**
Noncontrolling interests	(23.6)	28.6	15.9	9.4
Equity		**587.9**	**412.4**	**401.5**
Pension provisions/provisions for other post-employment benefits	(24)	34.5	35.5	34.8
Other noncurrent provisions	(25)	16.5	12.4	8.9
Noncurrent financial liabilities	(26.1)	222.4	244.5	385.8
Noncurrent trade payables	(26.2)	1.0	0.0	1.4
Other noncurrent liabilities	(26.4)	2.9	2.8	10.6
Deferred tax liabilities	(16)	12.2	7.7	7.9
Noncurrent liabilities		**289.5**	**302.9**	**449.4**
Other current provisions	(25)	56.3	56.4	59.4
Current financial liabilities	(26.1)	69.2	175.0	41.3
Current trade payables	(26.2)	149.2	152.3	132.8
Current contract liabilities	(26.2)	0.0	0.0	0.2
Current income tax liabilities	(26.3)	6.8	6.8	4.4
Other current liabilities	(26.4)	130.5	105.6	91.7
Current liabilities		**412.0**	**496.1**	**329.8**
Liabilities related to assets held for sale	(7)	0.0	3.0	148.6
Equity and liabilities		**1,289.4**	**1,214.4**	**1,329.3**

*Previous year's figures (12/31/2020 and 1/1/2020) adjusted retrospectively pursuant to IAS 8, see the explanations on page 133.

Statement of changes in equity

€ mill.	Capital stock	Additional paid-in capital	Retained earnings and net income	Hybrid capital	Accumulated other comprehensive income: Reserve for currency translation	Accumulated other comprehensive income: Reserve for hedging transactions	Accumulated other comprehensive income: Reserves for the remeasurement of defined benefit plans	Equity excluding noncontrolling interests	Noncon-trolling interests	Total
As of 12/31/2019 as reported	**49.9**	**190.4**	**158.7**	**–**	**(1.4)**	**(0.8)**	**(2.6)**	**394.2**	**9.4**	**403.6**
Correction pursu-ant to IAS 8*			(2.1)					(2.1)		(2.1)
As of 1/1/2020 after adjustment	**49.9**	**190.4**	**156.6**	**–**	**(1.4)**	**(0.8)**	**(2.6)**	**392.1**	**9.4**	**401.5**
Transfer to retained earnings			(2.6)				2.6	0.0		0.0
Change in the scope of consolidation		0.0	(0.4)		(1.3)		1.2	(0.5)	7.1	6.6
Others 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**	**170.2**	**–**	**(13.6)**	**(0.6)**	**0.2**	**396.5**	**15.9**	**412.4**
Transfer to retained earnings			0.2				(0.2)	0.0		0.0
Issuance of hybrid capital				148.3				148.3		148.3
Change in the scope of consolidation			(2.4)		1.4		0.0	(1.0)	5.6	4.6
Others effects			(1.3)		0.1	0.3		(0.9)	0.9	0.0
Net income			23.1	5.1				28.2	7.7	35.9
Income and expenses recognized directly in equity after taxes					9.9	0.0	1.2	11.1	2.8	13.9
Dividend payments			(17.8)					(17.8)	(4.3)	(22.1)
Compensation to hybrid capital investors				(5.1)				(5.1)		(5.1)
As of 12/31/21	**49.9**	**190.4**	**172.0**	**148.3**	**(2.2)**	**(0.3)**	**1.2**	**559.3**	**28.6**	**587.9**

*Previous year's figures adjusted retrospectively pursuant to IAS 8, see explanation on page 133.
For more information about changes in equity components, see numbers (23.1) to (23.5) on pages 145 et seq.

Notes to the consolidated financial statements of Vossloh AG as of December 31, 2021

Segment information by division and business unit

€ mill.		Fastening Systems	Tie Technologies	Consolidation	Core Components	Customized Modules (Switch Systems)	
Value added	2021	23.3	(0.8)	(0.1)	**22.4**	**8.3**	
	2020	30.2	(1.1)	0.0	**29.1**	**4.3***	
Information from income statement/flow figures							
External sales revenues	2021	278.0	132.3	0.0	**410.3**	**417.0**	
	2020	198.7	166.5	0.0	**365.2**	**400.5**	
Internal sales revenues	2021	14.4	10.0	(5.6)	**18.8**	**1.7**	
	2020	17.6	2.6	(10.1)	**10.1**	**1.3**	
Depreciation/amortization	2021	8.9	15.4	0.0	**24.3**	**13.7**	
	2020	8.5	13.7	0.0	**22.2**	**14.0**	
Investments in noncurrent assets	2021	19.1	4.5	0.0	**23.6**	**14.2**	
	2020	25.5	5.6	0.0	**31.1**	**18.0**	
Result from investments in companies accounted for using the equity method	2021	1.0	0.0	0.0	**1.0**	**2.5**	
	2020	0.5	0.0	0.0	**0.5**	**2.3**	
Result from discontinued operations	2021	0.0	0.0	0.0	**0.0**	**0.0**	
	2020	0.0	0.0	0.0	**0.0**	**0.0**	
Other material noncash segment expenses	2021	3.2	1.8	0.0	**5.0**	**17.2**	
	2020	3.2	2.8	0.0	**6.0**	**13.9**	
Impairment losses	2021	0.0	0.0	–	**0.0**	**0.0**	
	2020	0.4	0.0	–	**0.4**	**0.7**	
Reversals of impairment losses	2021	0.0	0.0	0.0	**0.0**	**0.0**	
	2020	0.0	0.0	0.0	**0.0**	**0.1**	
Information from the balance sheet							
Total assets	2021	298.3	201.2	(2.2)	**497.3**	**570.4**	
	2020	280.0	205.5	(1.4)	**484.1**	**524.2***	
Liabilities	2021	159.2	54.8	(2.2)	**211.8**	**320.8**	
	2020	161.1	67.6	(1.3)	**227.4**	**292.4**	
Investments in companies accounted for using the equity method	2021	5.3	0.0	0.0	**5.3**	**30.7**	
	2020	4.5	0.0	0.0	**4.5**	**41.0***	
Annual average headcount[2]	2021	535	344	0	**879**	**2,150**	
	2020	542	396	0	**938**	**1,987**	

[1] The Consolidation column contains the elimination of reclassified income, expenses and balance sheet items of reporting segments reported as discontinued operations as required in accordance with IFRS 5.
[2] The average number of employees is calculated on the basis of quarterly figures.
* Previous year's figures adjusted retrospectively pursuant to IAS 8, see the explanations on page 133.

	Lifecycle Solutions (Rail Services)	Discontinued operations/ Locomotives	Consolidation [1]	Transportation	Holding companies	Consolidation	Group
	(3.6)	–	–	**–**	1.4	(19.0)	**9.5**
	(3.7)*	(30.7)	37.7	**7.0**	(9.0)	(15.2)	**12.5***
	110.8	–	–	**–**	0.0	0.0	**938.1**
	99.6	41.7	(41.7)	**0.0**	0.0	0.0	**865.3**
	4.7	–	–	**–**	0.1	(20.6)	**4.7**
	4.2	7.0	0.0	**7.0**	0.0	(18.2)	**4.4**
	12.3	–	–	**–**	0.8	0.0	**51.1**
	11.8	7.6	(7.6)	**0.0**	0.7	0.0	**48.7**
	11.4	–	–	**–**	2.1	0.0	**51.3**
	16.5	1.8	(1.8)	**0.0**	3.4	(0.3)	**68.7**
	1.0	–	–	**–**	0.0	0.0	**4.5**
	1.1	0.0	0.0	**0.0**	0.0	0.0	**3.9**
	0.0	–	–	**–**	(0.3)	0.0	**(0.3)**
	0.0	(31.7)	0.0	**(31.7)**	5.5	0.0	**(26.2)**
	3.5	–	–	**–**	0.2	0.0	**25.9**
	2.8	0.0	0.0	**0.0**	7.5	0.0	**30.2**
	0.0	–	–	**–**	0.8	0.0	**0.8**
	0.4	–	–	**–**	47.8	(47.9)	**1.4**
	0.0	–	–	**–**	0.0	0.0	**0.0**
	0.0	0.0	0.0	**0.0**	0.0	0.0	**0.1**
	265.8	–	–	**–**	1,264.9	(1,309.0)	**1,289.4**
	234.0*	232.7	(232.7)	**0.0**	1,230.5	(1,258.4)	**1,214.4***
	245.5	–	–	**–**	373.5	(450.1)	**701.5**
	211.3	139.4	(139.4)	**0.0**	529.2	(461.3)	**799.0**
	11.6	–	–	**–**	0.0	0.0	**47.6**
	10.4*	0.0	0.0	**0.0**	0.0	0.0	**55.9***
	520	–	–	**–**	63	0	**3,612**
	498	125	(125)	**0**	59	0	**3,482**

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 February 28, 2022, 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 2021 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 fiscal year	Endorsed by the EU	Key content respectively expected impact on the consolidated financial statements of Vossloh AG
IFRS 17: Insurance Contracts	May 2017	2023	2021	None
Classification of Liabilities as Current or Noncurrent including Deferral of Effective Date (Amendment to IAS 1)	January / July 2020	2023	./.	Effects on presentation as current or noncurrent in the case of expiring financing agreements are possible, dependent on the situation.
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	2022	2021	None
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	2022	2021	None
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	May 2020	2022	2021	We do not expect any material effects, as sales of products manufactured during the test phase of new property, plant and equipment are low.
Annual Improvements to IFRS Standards 2018–2020	May 2020	2022	2021	None
Extension of temporary exemption from IFRS 9 (Amendments to IFRS 4)	June 2020	2023	2020	None
Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)	February 2021	2023	./.	None
Definition of accounting estimates (amendments to IAS 8)	February 2021	2023	./.	None
Deferred taxes relating to assets and liabilities arising from a single transaction (amendments to IAS 12)	May 2021	2023	./.	Currently, changes are being analyzed. No material effects expected.
First-time application of IFRS 17 and IFRS 9 – comparative information (amendment to IFRS 17)	December 2021	2023	./.	None

First-time application of standards and interpretations

In the 2021 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
Coronavirus pandemic-related lease concessions after June 30, 2021 (amendment to IFRS 16)	March 2021	August 2021
Interest rate benchmark reform—phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	January 2021
Extension of temporary exemption from IFRS 9 – amendments to IFRS 4	June 2020	December 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, IFRS 7 and IFRS 16 due to the reform of reference interest rates are described in detail – to the extent that material impacts resulted – 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 Vossloh AG. 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.

Compared to the previous year, the COVID-19 pandemic had a much smaller direct impact on our business in the form of production difficulties and project delays. Furthermore, the impact was relatively low compared to other industries. However, we have seen subsequent effects from the pandemic which are reflected in higher material costs for our products. The main factors affecting our future performance will be the extent to which contact and other restrictions are eased and, in particular, the continuing global shortages in the supply of various primary products and raw materials. 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.

Preparation of 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 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 in principle 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 on which control is obtained until the control relationship expires. The acquisition method (purchase method) of accounting is used 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. Noncontrolling interests 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. As far 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 2021 fiscal year, the following changes occurred in the scope of consolidation:

The contract for the acquisition of all shares in the companies ETS Spoor BV (now operating under the name of Vossloh ETS BV) and ETS International BV was signed on July 30, 2021. The companies operate as trading companies, particularly in the Dutch rail market. Vossloh took over this function through the acquisition and can thereby handle projects even more efficiently in a cross-business-unit approach ("One Vossloh"). In addition, this will create the opportunity to improve the range of specialized services relating to the maintenance of rails and switches on the Dutch rail market. The purchase price amounted to €13.0 million as of the reporting date and includes a contingent consideration ("earn out") of €2.4 million as the present value of the expected payments over the next five years. The future business prospects were decisive for the acquired goodwill, which is not effective for tax purposes. The adjustments to the previous carrying amounts to the fair values to be recognized in the consolidated financial statements are also not effective for tax purposes.

The purchase price was compensated for by the following assets and liabilities:

€ mill.	Fair value
Intangible assets	4.6
Other noncurrent assets	0.2
Inventories	1.7
Trade receivables	3.1
Other current assets	1.2
Assets	**10.8**
Trade payables	3.5
Other liabilities	1.5
Total liabilities	**5.0**
Acquired net assets	**5.8**
Purchase price	13.0
Goodwill	**7.2**

The fair values of the acquired assets and liabilities should be viewed as provisional, since the determination process is at an advanced stage but is not yet complete.

The contribution of the acquired companies to sales revenues for the 2021 fiscal year amounted to €3.7 million; the contribution to Group net income was €(0.2) million. If the acquisition had taken place at the beginning of the fiscal year, €16.2 million would have been contributed to Group sales and €0.6 million would have been contributed to Group net income. The transaction costs associated with the acquisition amounted to €0.3 million, and they are reported under general administrative expenses in the income statement. The acquired trade receivables correspond to the nominal values; no bad debts are expected.

In addition to these acquisitions, there were two cases of transitional consolidation by the acquisition of control. In both cases, an adjustment of the contractual provisions concerning the responsibilities of the executive bodies and the required approval quotas for major decisions was agreed upon with the respective partner.

As of 1/1/2021, Vossloh took control of Vossloh Beekay Castings Ltd., New Delhi, India; the company has been fully included in the consolidated financial statements since that date. Vossloh holds 58.48 percent of the shares in this company. Pursuant to IAS 28.22 (a), the acquisition of control was treated as a business combination in accordance with the regulations in IFRS 3. The difference between the previous carrying amount of the investment accounted for using the equity method and the fair value of the shares (€6.8 million) at the time of gaining control resulted in income of €1.4 million, which was recognized as part of the other financial income in the income statement. The fair value reflects the earnings prospects of the subsidiary and, to that extent, also gives rise to the goodwill resulting from the business combination. The fair value was technically treated as consideration at initial consolidation. The following assets and liabilities, which have been offset with the consideration in the amount of the share of net assets held by Vossloh 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	0.1
Property, plant and equipment	4.4
Other noncurrent assets	0.4
Inventories	2.8
Trade receivables	4.5
Other current assets	1.8
Assets	**14.0**
Trade payables	2.5
Tax liabilities	1.1
Provisions	1.0
Other liabilities	1.1
Total liabilities	**5.7**
Net assets included in the consolidated financial statements	**8.3**
thereof the share attributable to the JV partner (41.52 %)	3.5
Share of net assets attributable to Vossloh	**4.8**
Surrendered value of shares	6.8
Goodwill	**2.0**

Since the date of initial consolidation, the company has contributed €8.1 million to Group sales and €0.4 million to Group net income. Transaction costs were incurred only to an insignificant extent. The company's cash as of the time of gaining control totaled €0.3 million, and is disclosed in the cash flow statement in the line item "Change in cash and cash equivalents from first-time consolidation". The acquired trade receivables correspond to the nominal values; no bad debts are expected. The goodwill acquired through the acquisition is not relevant for tax purposes.

As of 10/4/2021, Vossloh took control of Futrifer-Indústrias Ferroviárias SA, Lisbon, Portugal; the company has been fully included in the consolidated financial statements since that date. Vossloh holds 61.0 percent of the shares in this company. Pursuant to IAS 28.22 (a) the acquisition of control was treated as a business combination in accordance with the regulations in IFRS 3. The difference between the previous carrying amount of the investment accounted for using the equity method and the fair value of the shares (€12.0 million) at the time of gaining control resulted in income of €4.1 million, which was recognized as part of the other financial income in the income statement. The fair value reflects the earnings prospects of the subsidiary, which operates in the market for rail infrastructure in Portugal, and, to that extent, also gives rise to the goodwill resulting from the business combination. The fair value was technically treated as consideration at initial consolidation. The following assets and liabilities, which have been offset with the consideration in the amount of the share of net assets held by Vossloh 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	2.4
Property, plant and equipment	0.4
Other noncurrent assets	0.1
Inventories	2.0
Trade receivables	3.4
Other current assets	1.6
Assets	**9.9**
Trade payables	0.6
Provisions	0.8
Other liabilities	2.9
Total liabilities	**4.3**
Net assets included in the consolidated financial statements	**5.6**
thereof the share attributable to the JV partner (39 %)	2.2
Share of net assets attributable to Vossloh	**3.4**
Surrendered value of shares	12.0
Goodwill	**8.6**

Since the date of initial consolidation, the company has contributed €3.4 million to Group sales and €(0.1) million to Group net income. Transaction costs were incurred only to an insignificant extent. The company's cash as of the time of gaining control totaled €1.1 million, and is disclosed in the cash flow statement in the line item "Change in cash and cash equivalents from first-time consolidation". The acquired trade receivables correspond to the nominal values; no bad debts are expected. The goodwill acquired through the acquisition is not relevant for tax purposes.

In addition, two previously insignificant Group companies were included in the scope of consolidation for the first time on January 1, 2021. One other Group company was established, one company was liquidated and two Group companies were merged into a third. Finally, the majority of shares in two Group companies were sold, with the result that these companies were removed from the scope of consolidation.

As of the end of the fiscal year, 57 companies (previous year: 55 companies) were fully included in the consolidated financial statements, 14 of which were domiciled in Germany as in the previous year.

Six companies domiciled outside of Germany (previous year: nine) 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, nine companies (previous year: eleven) in which Vossloh AG as of the reporting date directly or indirectly holds a voting majority 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 the translation of 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 the 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	€	2021	2020	2021	2020
			Current rate		Average rate	
Australia	AUD	1 €	1.57	1.59	1.57	1.66
China	CNY	1 €	7.25	7.99	7.63	7.87
United Kingdom	GBP	1 €	0.84	0.90	0.86	0.89
India	INR	1 €	84.42	89.32	87.48	84.57
Canada	CAD	1 €	1.44	1.56	1.48	1.53
Malaysia	MYR	1 €	4.74	4.92	4.90	4.79
Mexico	MXN	1 €	23.28	24.35	24.00	24.52
Poland	PLN	1 €	4.58	4.56	4.56	4.44
Russia	RUB	1 €	85.36	90.46	87.24	82.63
Sweden	SEK	1 €	10.28	10.05	10.15	10.49
Serbia	RSD	1 €	117.58	117.57	117.58	117.58
Turkey	TRY	1 €	15.07	9.08	10.46	8.04
USA	USD	1 €	1.14	1.22	1.18	1.14

Notes to the income statement

(1) Sales revenues

Breakdown of sales revenues

€ mill.	2021	2020
Sales of products		
Fastening Systems	292.4	216.3
Tie Technologies	142.3	169.1
Consolidation	(5.6)	(10.1)
Core Components	429.1	375.3
Customized Modules	416.9	403.2
Lifecycle Solutions	22.6	7.0
Consolidation	(20.2)	(11.1)
Group	**848.4**	**774.4**
Sales revenues from rendering services		
Lifecycle Solutions	84.6	84.5
Group	**84.6**	**84.5**
Sales revenues from customer-specific manufacturing		
Customized Modules	1.8	(1.4)
Lifecycle Solutions	8.3	12.3
Consolidation	(0.3)	(0.1)
Group	**9.8**	**10.8**
Total Group sales across all activities	**942.8**	**869.7**
Sales revenues by divisions and business units		
Fastening Systems	292.4	216.3
Tie Technologies	142.3	169.1
Consolidation	(5.6)	(10.1)
Core Components	429.1	375.3
Customized Modules	418.7	401.8
Lifecycle Solutions	115.5	103.8
Consolidation	(20.5)	(11.2)
Group	**942.8**	**869.7**

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 152 et seq. Sales revenues are recognized net of sales deductions and price allowances such as discounts, bonuses, rebates, and refunded charges 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 upon 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 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 sales 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 segment reports presented on pages 116 and 117 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 42 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.	2021	2020
Cost of raw materials and supplies	409.0	360.6
Cost of services purchased	58.3	63.6
Cost of materials	**467.3**	**424.2**
Wages and salaries	169.5	162.9
Social security expenses and charges	36.8	36.8
Pension expenses	5.5	5.4
Personnel expenses	**211.8**	**205.1**
Depreciation/amortization	**51.9**	**50.0**

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

	2021	2020
Executive Board/Management Board	22	22
Other managers/executives	94	107
Nontariff employees	881	800
Tariff employees	2,693	2,625
Apprentices/trainees	39	35
Interns and working students	13	15
Total	**3,742**	**3,604**

The Locomotives business unit, which was sold on May 31, 2020, had 142 employees on average in the previous year. The number of employees in the Vossloh Group in accordance with Section 314 (1) No. 4 of the German Commercial Code was 3,668 (previous year: 3,666). The values indicate the number of employed people; the average employee figures broken down by segment on page 116 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 sold and services rendered 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.	2021	2020
Selling expenses	65.3	61.2
General administrative expenses	95.5	86.9
General administrative and selling expenses	**160.8**	**148.1**

In addition to personnel expenses, selling expenses primarily include outbound freight and commissions.

General administrative expenses cover personnel, material and other administration expenses, including amortization and depreciation of corresponding assets.

(2.3) Research and development costs

All research costs are directly expensed as research and development (R&D) expenses in the income statement. Costs incurred for developing a marketable product are capitalized if the criteria in IAS 38 are met. Non-capitalizable development costs are also recognized under this item in the income statement. R&D expenses before capitalized development expenses came to €10.3 million in the year under review (previous year: €10.5 million). Of these costs for development projects, €1.3 million (previous year: €1.6 million) were capitalized in the balance sheet.

(3.1) Other operating income

Breakdown of other operating income

€ mill.	2021	2020
Currency exchange gains	5.4	7.2
Income from the disposal of intangible assets and property, plant and equipment	1.8	3.1
Income from government grants	1.6	1.7
Rental income	1.1	1.2
Insurance reimbursements	0.3	0.3
Release of allowances and reversal of write-downs	0.0	0.1
Other income	8.5	7.7
Other operating income	**18.7**	**21.3**

In the previous year, currency exchange gains included €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 the other liabilities and amortized to the other operating income pro rata. 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.	2021	2020
Currency exchange losses	(5.3)	(6.9)
Losses on the disposal of intangible assets and property, plant and equipment	(0.6)	(1.1)
Expenses for buildings	(0.6)	(0.5)
Impairment of intangible assets and property, plant and equipment	(0.4)	(0.2)
Impairment of inventories and other assets	(0.3)	(0.5)
Other expenses	(0.6)	(0.8)
Other operating expense	**(7.8)**	**(10.0)**

The currency exchange losses include expenses of €1.8 million from the release of the currency translation difference in connection with the sale and subsequent deconsolidation of a South American company.

The impairment of inventories and other assets is entirely a consequence of subsequent effects from disposal groups already sold.

Additional information can be found in Note (7) on page 129.

(4.1) Other financial income

Breakdown of other financial income

€ mill.	2021	2020
Income from the measurement of financial instruments at fair value	5.5	15.6
Income from shares in affiliated companies	0.8	0.0
Income from investments	0.1	1.0
Income from securities	0.0	0.1
Other financial income	**6.4**	**16.7**

Similar to the previous year, 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 joint ventures previously accounted for using the equity method in connection with a transitional consolidation due to the acquisition of control. In the reporting year, these were shares in Vossloh Beekay Castings Ltd. and in Futrifer-Indústrias Ferroviárias SA (further information is available in the “Consolidation” section on page 120 et seq.). In the previous year, the income was related to the transitional consolidation of the Vossloh (Anyang) Track Material Co. joint venture.

(4.2) Other financial expense

Breakdown of other financial expense

€ mill.	2021	2020
Write-down of financial instruments	0.0	(0.6)
Other financial expense	**0.0**	**(0.6)**

(5.1) Interest and similar expense

Breakdown of interest and similar expense

€ mill.	2021	2020
Interest from bank liabilities	(4.8)	(7.2)
Interest from leases	(1.1)	(1.0)
Guarantee commissions	(0.8)	(0.8)
Other interest expense	(6.0)	(13.2)
Interest and similar expense	**(12.7)**	**(22.2)**

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 €4.3 million (previous year: €6.8 million) make up the majority of the €5.2 million in interest income in the income statement (previous year: €7.8 million).

(6) Income taxes

Breakdown of income taxes

€ mill.	2021	2020
Current income taxes	18.5	17.4
Deferred taxes	10.1	(5.7)
Income taxes	**28.6**	**11.7**

Of the current income taxes, €(2.1) million (previous year: €2.3 million) affected previous years. In the case of deferred taxes, this applied to €0.1 million (previous year: €(3.0) million). A total of €9.7 million (previous year: €4.3 million) of deferred tax income resulted from the changes of temporary differences and from tax loss and interest carryforwards. Remeasurements of temporary differences resulted in deferred tax expenses of €0.3 million (previous year: €1.6 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 32.15 percent for Vossloh AG as the parent company (previous year: 31.98 percent).

The Vossloh Group's actual tax expense of €28.6 million (previous year: €11.7 million) was €7.8 million higher than the anticipated tax expense (previous year: €7.1 million lower actual 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

		2021	2020
Earnings before taxes	€ mill.	64.8	58.7
Income tax rate including trade taxes	%	32.15	31.98
Expected tax expense when applying a uniform tax rate	€ mill.	20.8	18.8
Tax reduction/increase due to divergent foreign income tax rates	€ mill.	(6.5)	(2.6)
Tax reduction due to tax-exempt income	€ mill.	(1.4)	(3.1)
Tax increase due to nondeductible expenses	€ mill.	2.9	6.2
Taxes for previous years	€ mill.	(2.0)	(0.7)
Tax effect of write-ups/write-downs of deferred tax assets	€ mill.	14.3	(2.8)
Double-taxation effects	€ mill.	1.2	0.5
Effect from the remeasurement of deferred taxes	€ mill.	0.3	1.6
Effects from the measurement of investments in companies accounted for using the equity method	€ mill.	(1.5)	(6.0)
Other differences	€ mill.	0.5	(0.2)
Recognized income tax expense	€ mill.	28.6	11.7
Effective income tax rate	%	44.1	19.9

The write-down of deferred tax assets in the reporting year mainly resulted from the extensive impairment of deferred tax assets on loss and interest carryforwards previously recognized at Vossloh AG due to a new assessment of the usability of loss and interest carryforwards in the forecast period. The total of deferred taxes recognized in other comprehensive income amounted to €(0.7) million (previous year: €0.5 million). Those deferred taxes arose from the remeasurement of defined benefit plans in the amount of €(0.7) million (previous year: €0.5 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 €180.1 million resulted from the valuation of investments in the respective parent companies and the net assets in the consolidated balance sheet (previous year: €97.5 million). The resulting deferred taxes to be recognized would theoretically amount to €2.3 million (previous year: €1.6 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

Following the sale of the Locomotives business unit, which was reported as a discontinued operation in the consolidated financial statements until its disposal, to Chinese company CRRC ZELC on May 31, 2020, the result from discontinued operations in the reporting year resulted from subsequent effects of earlier disposals of business units. In the previous year, the expenses and income from the former Locomotives business unit for the period from January to May 2020 were additionally included. The figures reported under "Assets held for sale" and "Liabilities related to assets held for sale" on the previous year's consolidated balance sheet pertain to a Group company in South America, the majority of whose shares have since been sold and which has therefore been deconsolidated due to the transfer of control.

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

Composition of the result from discontinued operations

€ mill.	2021	2020
Income	–	41.7
Expenses	–	(54.4)
Result from operating activities, before taxes	**–**	**(12.7)**
Income taxes	–	(3.0)
Result from operating activities, after taxes	**–**	**(15.7)**
Impairment loss on noncurrent assets	–	(10.3)
Subsequent effects from former business units	(0.3)	(0.2)
Result from discontinued operations	**(0.3)**	**(26.2)**
thereof attributable to shareholders of Vossloh AG	(0.3)	(26.2)
thereof attributable to noncontrolling interests	0.0	0.0

The following table shows the main groups of assets held for sale and the related liabilities:

Assets and liabilities related to disposal groups

€ mill.	12/31/2021	12/31/2020
Property, plant and equipment	–	0.0
Other noncurrent assets	–	0.0
Noncurrent assets	**–**	**0.0**
Inventories	–	0.2
Trade receivables	–	0.6
Other current assets	–	0.1
Cash and cash equivalents	–	0.4
Current assets	**–**	**1.3**
Assets	**–**	**1.3**
Provisions	–	0.1
Trade payables	–	0.2
Liabilities from leases	–	0.3
Other liabilities	–	2.4
Liabilities	**–**	**3.0**

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 previous year.

(8) Noncontrolling interests

The share of the Group's total net income attributable to noncontrolling interests includes shares in profit of €7.9 million (previous year: €4.1 million) and shares in losses of €0.2 million (previous year: €0.5 million).

(9) Earnings per share

		2021	2020
Weighted average of shares outstanding	Number	17,564,180	17,564,180
Net income attributable to Vossloh AG shareholders	€ mill.	23.1	17.2
Basic/diluted earnings per share	€	1.31	0.98
thereof attributable to continuing operations	€	1.33	2.47
thereof attributable to discontinued operations	€	(0.02)	(1.49)

Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents as well as 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. Bank overdrafts result from credit balances of bank balances due in the near future, as well as from sub-lines in the context of the credit agreement that is due in principle by November, 2024, and are included in cash and cash equivalents. In the balance sheet, these sub-lines are recognized under the noncurrent financial liabilities as a part of the drawdown from the credit agreement. Thus, in addition to the cash and cash equivalents reported in the balance sheet, the cash and cash equivalents of €75.0 million (previous year: €67.8 million) still include bank overdrafts of €45.4 million (previous year: €35.6 million). In the previous year, cash and cash equivalents of €0.4 million from the Brazilian company that was deconsolidated at the beginning of the reporting year were still accounted for. 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. In the reporting year, cash received of €1.1 million was offset against purchase price payments of €10.6 million. Proceeds from the disposal of consolidated companies comprised cash outflows of €0.5 million and necessary payments of €0.3 million in connection with the sale. In the previous year, purchase price payments received in the amount of €48.3 million were netted against cash outflows in the amount of €2.4 million.

As it did not result in cash flows, the reclassification of the Schuldschein loan tranche of €25 million, which was terminated prematurely in January 2022, from medium-term to short-term 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”. The line item “Net financing from short-term loans” includes the repayment of the Schuldschein loan tranche due in the amount of €135 million from the inflow of funds from hybrid capital and the new loan of €15 million from Bayerische Landesbank. Furthermore, Vossloh Fastening Systems (China) repaid short-term loans of around €12 million. The line item “Net financing from medium-term and long-term loans” included the new issue of a Schuldschein loan in the amount of €25 million and a medium-term loan from DZ Bank AG and, in turn, around €47 million lower utilization under the syndicated loan. For more information, see our notes on the financial liabilities under (26.1).

The figures in the cash flow statement shown on page 113 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.

Mio.€	2021		2020	
Cash flow items	thereof from continuing operations	thereof from discontinued operations	thereof from continuing operations	thereof from discontinued operations
Gross cash flow	125.2	(0.1)	126.2	(13.3)
Cash flow from operating activities	81.4	(0.1)	109.3	(53.2)
Free cash flow	30.7	(0.1)	58.1	(54.1)
Cash flow from investing activities	(57.9)	–	(2.1)	(0.9)
Cash flow from financing activities	(30.8)	–	(121.3)	53.9
Opening cash and cash equivalents	32.7	–	46.0*	2.6
Exchange rate effects	2.0	–	(2.2)	0.0
Closing cash and cash equivalents	29.6	–	32.7*	0.0

*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 distribution of the changes in financial liabilities (without bank overdrafts), as well as in derivatives from hedging relationships included in the cash flow from financing activities, between cash and noncash items:

€ mill.	Long-term and medium-term credit liabilities	Short-term credit liabilities	Lease liabilities	Derivatives in hedging relationships	Total
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 held for sale	0.0	0.0	0.0	0.0	0.0
Changes 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**
Payments for the period	12.0	(148.3)	(11.3)	0.0	(147.6)
Noncash changes					
Reclassification	(25.0)	25.0	0.0	0.0	0.0
Change due to company acquisition	0.0	0.0	0.5	0.0	0.5
Change due to initial consolidation	0.0	0.0	0.0	0.0	0.0
Interest payable to hybrid capital investors	–	5.1	–	–	5.1
New lease agreements	0.0	0.0	7.7	0.0	7.7
Changes in fair value	0.0	0.0	(0.3)	(0.2)	(0.5)
Exchange rate effects	0.0	0.0	0.0	0.0	0.0
Other	0.0	(4.2)	1.1	0.0	(3.1)
As of 12/31/2021	**164.3**	**40.2**	**41.6**	**3.9**	**250.0**

Notes to the balance sheet

Error correction in accordance with IAS 8.42

In the current fiscal year, the need for an adjustment to the accounting presentation of changes in the status of two companies in prior years from full consolidation to a consolidation at-equity was identified. The allocated goodwill and the measurement of the fair values for the initial recognition of the investment in the joint ventures had not been determined correctly when these status changes occurred. If they had been determined correctly, the other operating result for these transactions would have been €2.0 million higher at the time of the transitional consolidations. In addition, the carrying amount was not determined correctly for another transitional consolidation of an investment previously accounted for using the equity method. The other operating result would have declined €4.1 million for this transitional consolidation.

The resulting corrections increase intangible assets by €14.8 million, decrease the carrying amount of investments in companies accounted for using the equity method by €16.9 million and decrease retained earnings by €2.1 million. The correction is first made in the first comparative balance sheet period (January 1, 2020) and in retained earnings in the statement of changes in equity as of January 1, 2020 and is considered in the following periods. There was no impact on earnings per share in either the reporting period or the comparative period.

Balance sheet structure

The balance sheet is structured into noncurrent and current assets and liabilities. Assets and liabilities maturing or due within one year are deemed current.

Regardless of their maturity, trade receivables and trade 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.	2021	2020
Goodwill	297.4	275.0*
Development costs	4.2	4.9
Concessions, licenses and property rights	31.3	26.8
Advance payments	10.3	7.7
	343.2	**314.4***

*Previous year’s figure adjusted retrospectively pursuant to IAS 8, see the explanations on this page.

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 (after taxes), a discount rate after taxes specific to the business unit is applied. When determining the respective discount rate, weighted specific country risks, inflation/currency adjustments 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 year under review 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 regional distribution of sales as a weight in determining the discount rate for the perpetual annuity is based solely on sales revenues in the last planning year. Especially for the purpose of differentiated consideration of the current and long-term inflation/currency adjustment of the cost of capital, various after-tax discount rates are determined for the planning period and the perpetual annuity, which primarily differ with regard to the inflation/currency adjustment they include. Furthermore, uniform pre-tax discount rates specific to the business units are calculated whereby the same value in use arises based on the pre-tax cash flows that results from discounting the after-tax cash flows with the differentiated after-tax discount rates. The pre-tax discount rates for the individual business units are indicated in the table below.

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 is set at 50 percent of the business unit-specific inflation rate resulting from the discount factor calculation for the perpetual annuity described above.

For periods to account for the perpetual annuity beyond this planning horizon, the cash flows are projected forward by assuming the described growth rate to determine the value in use. This takes into account the financing of working capital and property, plant and equipment to the same extent 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 after-tax discount rates by 50 basis points and a general reduction in cash flows by 7.5 percent. It was not necessary to impair goodwill under any scenario.

Goodwill breakdown by reporting segment

€ mill.	2021	2020	2021	2020	2021	2020	2021	2020
	Discount rate (in %)		Growth rate of the perpetual annuity (in %)		Average sales growth p.a. (in %)		Total value*	
Vossloh Switch Systems	10.62	11.24	1.27	0.87	4.9	5.2	187.9	169.8[1]
Vossloh Rail Services	8.05	8.54	1.03	0.66	15.3	9.2	64.0	56.8
Vossloh Tie Technologies	9.48	9.84	1.13	0.93	5.6	(0.8)	56.7	53.7
Vossloh Fastening Systems	11.30	12.87	1.24	1.26	5.6	13.1	26.9	24.4[2]
							335.5	**304.7**

[1] Previous year's figure adjusted retrospectively pursuant to IAS 8, see the explanations on the previous page.
[2] Previous year's figures adjusted.
*Carrying amount plus calculated noncontrolling interests

For the purposes of the impairment test, goodwill of the Vossloh Switch Systems business unit includes €25.5 million (previous year: €18.3 million) and goodwill of the Fastening Systems business unit includes €12.6 million (previous year: €11.4 million) in calculated noncontrolling interests. The additions to goodwill in the fiscal year resulted in the Rail Services business unit from the acquisition of ETS Spoor BV in the Netherlands and in the Switch Systems business unit from the transitional consolidations of Vossloh Beekay Castings Ltd., India, and Futrifer-Indústrias Ferroviárias SA, Portugal.

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 1 to 18 years. Concessions, licenses and property rights are mostly amortized on a straight-line basis over a period of 1 to 30 years.

The amortization of intangible assets in the amount of €3.3 million (previous year: €2.9 million) is included in the income statement under cost of sales, €1.8 million (previous year: €1.8 million) under general administrative and selling expenses and €0.5 million (previous year: €0.4 million) under research and development costs.

Impairments were recorded in the year under review in the amount of €0.4 million (previous year: €0.0 million).

Development of intangible assets

€ mill.	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Goodwill		Development costs		Concessions, licenses and property rights		Advance payments		Intangible assets	
Net carrying amount as of December 31	**297.4**	**275.0**	**4.2**	**4.9**	**31.3**	**26.8**	**10.3**	**7.7**	**343.2**	**314.4**
Cost										
As of January 1	**329.6**	**309.6**	**11.1**	**10.9**	**65.7**	**59.9**	**7.7**	**1.2**	**414.1**	**381.6**
Adjustment pursuant to IAS 8*	–	14.8	–	–	–	–	–	–	–	14.8
Changes from first-time consolidation/business acquisitions	7.2	0.0	0.0	0.0	4.7	0.0	0.0	0.0	11.9	0.0
Changes from transitional consolidation and deconsolidation	10.7	11.9	0.0	0.0	2.1	9.5	0.0	0.0	12.8	21.4
Additions/ongoing investments	0.0	0.0	0.0	0.2	1.2	1.3	3.1	6.4	4.3	7.9
Disposals	(0.8)	(2.7)	(0.3)	0.0	(4.6)	(3.6)	0.0	0.0	(5.7)	(6.3)
Transfers	0.0	0.0	0.0	0.0	0.1	(0.1)	(0.1)	0.1	0.0	0.0
Currency translation differences	4.5	(4.0)	0.0	0.0	2.0	(1.3)	0.0	0.0	6.5	(5.3)
As of December 31	**351.2**	**329.6**	**10.8**	**11.1**	**71.2**	**65.7**	**10.7**	**7.7**	**443.9**	**414.1**
Accumulated amortization and impairment losses										
As of January 1	**54.6**	**57.3**	**6.2**	**5.9**	**38.9**	**38.3**	**0.0**	**0.0**	**99.7**	**101.5**
Changes from transitional consolidation and deconsolidation	0.0	0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	(0.4)	0.0
Amortization and impairment losses in the fiscal year	0.0	0.0	0.4	0.3	5.2	4.8	0.4	0.0	6.0	5.1
Disposals	(0.8)	(2.7)	0.0	0.0	(4.5)	(3.5)	0.0	0.0	(5.3)	(6.2)
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation differences	0.0	0.0	0.0	0.0	0.7	(0.7)	0.0	0.0	0.7	(0.7)
As of December 31	**53.8**	**54.6**	**6.6**	**6.2**	**39.9**	**38.9**	**0.4**	**0.0**	**100.7**	**99.7**

*Previous year's figures adjusted retrospectively pursuant to IAS 8, see the explanations on page 133.

(11) Property, plant and equipment

Breakdown of property, plant and equipment

€ mill.	2021	2020
Land, leasehold rights and buildings including buildings on nonowned land	105.0	87.8
Rights of use – land, leasehold rights and buildings including buildings on nonowned land	27.7	29.4
Technical equipment and machinery	126.6	121.2
Rights of use – technical equipment and machinery	9.8	11.1
Other equipment, factory and office equipment	16.3	13.2
Rights of use – other equipment, factory and office equipment	5.2	4.3
Advance payments and construction in process	33.2	46.6
	323.8	**313.6**

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. In the reporting year, as in the previous year, this matter was immaterial.

In accordance with IFRS 16, rights of use from leased property, plant and equipment is recognized at the time of addition using the sum 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 sum 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 "Remeasurements and modifications" 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 following transfer of ownership, depreciation is based on the expected total period of use for the asset in question.

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

€ mill.	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	**132.7**	**117.2**	**136.4**	**132.3**	**21.5**	**17.5**	**33.2**	**46.6**	**323.8**	**313.6**
Cost										
As of January 1	**190.8**	**175.0**	**366.2**	**346.3**	**56.0**	**54.5**	**52.8**	**48.3**	**665.8**	**624.1**
Remeasurements and modifications	0.0	3.7	0.0	0.0	0.0	0.2	–	–	0.0	3.9
Changes from first-time consolidation/ business acquisitions	0.4	0.0	1.9	1.1	0.5	0.2	0.0	8.5	2.8	9.8
Changes from transitional consolidation and deconsolidation	2.9	0.0	1.2	0.0	0.4	0.0	0.4	0.0	4.9	0.0
Additions/ongoing investments	10.4	10.3	10.7	10.9	6.7	4.3	17.4	31.8	45.2	57.3
Disposals	(2.0)	(8.3)	(4.3)	(5.9)	(2.7)	(4.2)	(0.1)	(0.1)	(9.1)	(18.5)
Transfers	13.7	13.7	13.5	19.3	3.1	1.8	(31.3)	(34.8)	(1.0)	0.0
Currency translation differences	4.1	(3.6)	5.6	(5.5)	1.3	(0.8)	0.2	(0.9)	11.2	(10.8)
As of December 31	**220.3**	**190.8**	**394.8**	**366.2**	**65.3**	**56.0**	**39.4**	**52.8**	**719.8**	**665.8**
Accumulated depreciation and impairment losses										
As of January 1	**73.6**	**65.6**	**233.9**	**219.1**	**38.5**	**36.4**	**6.2**	**6.2**	**352.2**	**327.3**
Changes from first-time consolidation	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Changes from transitional consolidation and deconsolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and impairment losses in the fiscal year	13.3	13.7	24.9	23.5	6.9	6.4	0.0	0.0	45.1	43.6
Disposals	(1.6)	(4.7)	(3.1)	(5.4)	(2.5)	(3.7)	0.0	0.0	(7.2)	(13.8)
Transfers	0.9	0.0	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation differences	1.4	(1.0)	3.6	(3.4)	0.9	(0.6)	0.0	0.0	5.9	(5.0)
As of December 31	**87.6**	**73.6**	**258.4**	**233.9**	**43.8**	**38.5**	**6.2**	**6.2**	**396.0**	**352.2**

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

€ mill.	2021	2020	2021	2020	2021	2020
	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	**27.7**	**29.4**	**9.8**	**11.1**	**5.2**	**4.3**
Cost						
As of January 1	**42.2**	**40.3**	**13.4**	**11.9**	**8.2**	**7.5**
Remeasurements and modifications	0.0	3.7	0.0	0.0	0.0	0.2
Changes from first-time consolidation/business acquisitions	0.3	0.0	0.2	0.0	0.1	0.0
Changes from transitional consolidation and deconsolidation	0.0	0.0	0.0	0.0	0.0	0.0
Additions/ongoing investments	4.7	2.8	0.0	1.5	3.0	1.3
Disposals	(0.7)	(5.2)	0.0	0.0	(1.1)	(0.9)
Transfers	0.0	1.0	0.0	(0.1)	0.0	0.0
Currency translation differences	0.7	(0.4)	0.0	0.1	0.0	0.1
As of December 31	**47.2**	**42.2**	**13.6**	**13.4**	**10.2**	**8.2**
Accumulated depreciation and impairment losses						
As of January 1	**12.8**	**7.2**	**2.3**	**0.9**	**3.9**	**2.4**
Changes from transitional consolidation and deconsolidation	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and impairment in the fiscal year	6.8	7.6	1.5	1.4	2.2	2.3
Disposals	(0.4)	(2.2)	0.0	0.0	(1.1)	(0.8)
Transfers	0.0	0.3	0.0	0.0	0.0	0.0
Currency translation differences	0.3	(0.1)	0.0	0.0	0.0	0.0
As of December 31	**19.5**	**12.8**	**3.8**	**2.3**	**5.0**	**3.9**

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 plant, factory and office equipment	2 to 30 years

Changes from first-time consolidation mainly include additions from the acquisition of the company ETS Spoor BV. Changes from transitional consolidation result from the transition of Vossloh Beekay Castings Ltd., New Delhi, India and Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal from the previous accounting using the equity method to full consolidation. Significant additions to land were made in the reporting year at companies in the Fastening Systems business unit, in particular at Vossloh Fastening Systems GmbH and Vossloh Fastening Systems America Corp. Vossloh Fastening Systems GmbH (Fastening Systems business unit), Vossloh Cogifer SA (Switch Systems business unit) and the companies in the Rail Systems business unit were the main contributors to the additions to technical equipment/machinery and other equipment, factory and office equipment. Impairments going beyond depreciations for property, plant and equipment were not recorded in the year under review (previous year: €0.2 million).

Depreciation of property, plant and equipment is included in the income statement in the amount of €39.3 million (previous year: €36.7 million) under cost of sales, €5.6 million (previous year: €6.4 million) under general administrative and selling expenses and €0.2 million (previous year: €0.3 million) under research and development costs.

(12) Investment properties

Development of investment properties

€ mill.	2021	2020
Net carrying amounts	**7.4**	**4.4**
Cost		
As of January 1	7.7	4.0
Additions	1.9	3.9
Disposals	0.0	0.0
Transfers	1.0	0.0
Currency translation differences	0.9	(0.2)
As of December 31	**11.5**	**7.7**
Accumulated depreciation and impairment losses		
As of January 1	3.3	2.2
Depreciation of the fiscal year	0.5	1.2
Disposals	0.0	0.0
Transfers	0.0	0.0
Currency translation differences	0.3	(0.1)
As of December 31	**4.1**	**3.3**

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 €1.0 million (previous year: €0.4 million). Expenses (including depreciation, maintenance and repairs and incidental costs) incurred for properties leased out totaled €0.6 million (previous year: €0.5 million); as in the previous year, there were no nonleased properties. As in the previous year, expenses for leased properties do not include any impairment losses. The fair value of property owned for investment purposes, including buildings under construction, totals €8.0 million (previous year: €4.8 million). Fair value is determined by accredited experts.

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

Information on investments in companies accounted for using the equity method

€ mill.	2021	2020
Result from continuing operations	4.5	3.9
Result from discontinued operations	0.0	0.1
Income and expenses recognized directly in equity	2.1	(0.9)
Total comprehensive income	**6.6**	**3.1**

Significant financial information for Wuhu China Railway Cogifer Track Co., Ltd., Wuhu, China, and Amurrio Ferrocarril y Equipos SA, Amurrio, Spain, which are accounted for using the equity method

€ mill.	2021		2020	
	Wuhu	Amurrio	Wuhu	Amurrio
Noncurrent assets	13.8	10.9	14.2	11.4
Current assets	27.2	29.6	19.8	29.9
thereof cash and cash equivalents	3.1	0.1	2.7	0.7
Noncurrent liabilities	0.0	1.4	0.0	2.0
thereof noncurrent financial liabilities	0.0	1.0	0.0	1.3
Current liabilities	14.9	10.7	12.8	11.0
thereof current financial liabilities	3.6	1.6	2.9	0.2
Sales revenues	21.0	35.8	19.5	35.0
Result from continuing operations	2.6	0.8	3.0	0.2
Depreciation/amortization	2.0	1.4	1.8	1.5
Interest income	0.5	0.2	0.1	0.0
Interest expenses	0.3	0.3	0.3	0.1
Tax expense	0.0	0.0	0.0	0.0
Total comprehensive income	**4.9**	**0.6**	**2.6**	**0.3**

Reconciliation of financial information to the at-equity carrying amount

€ mill.	2021		2020	
	Wuhu	Amurrio	Wuhu	Amurrio
Net assets 1/1	21.2	28.2	18.6	28.6
Profit or loss	2.6	0.8	3.0	0.2
Income and expenses recognized directly in equity	2.3	(0.2)	(0.4)	0.1
Dividends	–	(0.4)	–	(0.7)
Net assets 12/31	26.1	28.4	21.2	28.2
Proportional equity	13.1	14.2	10.6	14.1
Consolidation	0.1	0.0	0.2	(0.1)
Carrying amount	13.2	14.2	10.8	14.0

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 six (previous year: nine) 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 companies Vossloh Beekay Castings in India and Futrifer-Indústrias Ferroviárias in Portugal were fully consolidated as a result of a change of control by way of transitional consolidation. One joint venture in the Rail Services business unit, whose liquidation had already been largely completed, was liquidated in the course of the fiscal year. Detailed information about the scope of consolidation is provided in the notes on page 120 et seq. of this annual report.

(14) Other noncurrent financial instruments

Breakdown of other noncurrent financial instruments

€ mill.	2021	2020
Other investments	3.3	3.1
Shares in unconsolidated affiliated companies	0.5	2.3
Loans	0.2	0.3
Securities	0.1	0.1
Derivative financial instruments from hedging relationships	0.0	0.1
Other noncurrent financial assets	0.3	0.1
Other noncurrent financial instruments	**4.4**	**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 revenues, 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 measurement categories, see "Additional information on financial instruments" on pages 153 et seq.

(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.	2021		2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets and property, plant and equipment	2.2	24.1	2.0	21.5
Inventories	2.7	0.0	2.8	0.0
Receivables	1.1	1.8	1.0	2.0
Other assets	0.0	0.0	0.0	0.0
Pension provisions	7.7	0.0	7.9	0.0
Other provisions	7.2	0.0	5.9	0.4
Liabilities	4.4	1.1	4.7	0.5
Other liabilities	1.9	3.8	3.8	4.5
Loss and interest carryforwards	3.7	–	13.5	–
Total	**30.9**	**30.8**	**41.6**	**28.9**
Netting	(18.6)	(18.6)	(21.2)	(21.2)
Deferred taxes according to the balance sheet	**12.3**	**12.2**	**20.4**	**7.7**

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, 2021, tax loss carryforwards of €403.0 million (previous year: €389.1 million) existed in Germany for corporate income tax purposes and of €388.2 million for trade tax purposes (previous year: €376.4 million). No deferred taxes were recognized for corporate income tax losses of €398.8 million (previous year: €361.8 million), and no deferred taxes were recognized for trade tax losses of €384.1 million (previous year: €342.6 million). For the determination of deferred tax assets on loss or 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 that realized tax losses in at least the last three years have not recognized deferred tax assets on loss or interest carryforwards.

In addition, non-German companies reported tax loss carryforwards relating to comparable income taxes totaling €111.8 million (previous year: €80.1 million), of which €9.1 million (previous year: €9.9 million) resulted in deferred tax assets. In the year under review, deferred tax assets in the amount of €14.2 million (previous year: €17.4 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 €1.9 million (previous year: €20.2 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 €35.4 million for non-German income taxes (previous year: €21.9 million) will expire in the future, of which €33.7 million (previous year: €20.3 million) expire after more than five years.

(17) Inventories

Breakdown of inventories

€ mill.	2021	2020
Raw materials and supplies	92.5	83.3
Work in process	35.2	36.4
Merchandise	23.1	10.7
Finished products	39.2	31.4
Advance payments	5.0	1.6
Total	**195.0**	**163.4**

Inventories are stated at the lower of cost or net realizable value. 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 €18.7 million as of the balance sheet date (previous year: €19.9 million), which primarily resulted from excessive inventories. €(0.4) million of this was recognized in profit or loss in the year under review (previous year: €0.9 million). The carrying amount of inventories stated at net realizable value totaled €20.8 million (previous year: €2.5 million).

As the reasons for previous write-downs no longer existed, inventories were written up in 2021 by €0.2 million (previous year: €0.5 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. Possible changes in credit risk are taken into account at each reporting date by analyzing the risk on the basis of the entire term of the receivables 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 business units. 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:

Risk class	2021 Gross carrying amounts (€ mill.)	2021 Net carrying amounts (after factoring in individual risks without refundable VAT) (€ mill.)	2021 Impairment loss (€ mill.)	2021 Average Vossloh Group loss rate (in %)	2020 Gross carrying amounts (€ mill.)	2020 Net carrying amounts (after factoring in individual risks without refundable VAT) (€ mill.)	2020 Impairment loss (€ mill.)	2020 Average Vossloh Group loss rate (in %)
Assets not due	165.4	137.5	0.1	0.11	163.5	136.3	0.1	0.09
Overdue by 1 to 30 days	15.4	13.7	0.0	0.28	21.7	19.6	0.1	0.26
Overdue by 31 to 90 days	20.5	18.2	0.1	0.42	14.3	12.9	0.1	0.79
Overdue by 91 to 180 days	9.4	8.4	0.1	0.94	5.4	4.8	0.1	3.12
Overdue by 181 to 360 days	4.8	4.3	0.1	2.30	5.5	4.8	0.2	4.70
Overdue by more than 360 days	1.3	1.1	0.2	17.06	5.0	4.4	0.8	18.31
Overdue by more than 360 days with individual value adjustment	4.3	3.9	0.2	4.30	2.3	2.1	0.1	4.17
	221.1	**187.1**	**0.8**		**217.7**	**184.9**	**1.5**	

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 towards 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:

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

€ mill.	2021	2020
Balance as of January 1	**13.4**	**20.3**
Addition from company acquisitions/transitional consolidation	0.2	0.0
Additions	0.3	2.1
Releases	(2.6)	(3.5)
Utilizations	(0.4)	(4.9)
Currency translation differences	0.0	(0.6)
Balance as of December 31	**10.9**	**13.4**

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 contract 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.	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Contract costs	6.4	0.8	18.4	0.8
Proportional profit	0.4	0.2	0.9	0.2
Proportional losses	(0.2)	0.0	(1.3)	0.0
Total progress under construction contracts	6.6	1.0	18.0	1.0
Advance payments received	0.0	0.0	0.0	0.0
Partial billings	(3.7)	(1.0)	(13.7)	(1.0)
Balance sheet presentation	**2.9**	**0.0**	**4.3**	**0.0**

(19) Income tax assets

Tax refund claims include €0.4 million of income taxes (previous year: €0.2 million) reimbursable to companies of the Fastening Systems business unit, €5.7 million (previous year: €2.4 million) to Vossloh Switch Systems, €0.6 million (previous year: €0.5 million) to the companies of the Rail Services business unit, €0.2 million (previous year: €0.0 million) to the Tie Technologies business unit and €0.1 million (previous year: €0.2 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.	2021	2020
Receivables from reimbursements	8.8	6.1
Other financial receivables	6.0	8.3
Security and similar deposits	1.3	1.3
Receivables from affiliated companies	0.6	2.2
Creditors with debit balances	0.4	0.3
Receivables from employees	0.3	0.2
Derivative financial instruments	0.2	2.0
Interest receivables	0.1	0.0
Receivables from investees	0.0	1.4
Loans	0.0	0.0
Other current financial instruments	**17.7**	**21.8**
Other tax receivables (excluding income taxes)	15.9	12.2
Sundry current assets	12.2	7.5
Deferred income	5.4	4.4
Other current assets	**33.5**	**24.1**

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 €4.1 million (previous year: €5.4 million) and in the Rail Services business unit amounting to €0.9 million (previous year: €1.9 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.

The balances and development of allowances are presented below:

Development of allowances

€ mill.	2021	2020
Balance as of January 1	**1.4**	**3.9**
Additions	0.0	0.0
Releases	0.0	0.0
Utilizations	(1.4)	(2.5)
Currency translation differences	0.0	0.0
Balance as of December 31	**0.0**	**1.4**

For the reconciliation of the IFRS 9 measurement categories, see pages 153 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 measurement categories, see "Additional information on financial instruments" on page 153 et seq.

(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 115. 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

As in the previous year, Vossloh AG's capital stock amounts to €49,857,682.23 and is also divided into 17,564,180 no-par-value shares, unchanged from 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.

(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.

Employee bonus program

The employee bonus program 2021 offered employees of German Vossloh companies the option of acquiring either three Vossloh AG shares at no cost or twelve shares at a discount of 50 percent of the issue price of €47.10 determined as the market price as of the share transfer date. In the reporting year, Vossloh Group employees were granted a total of 2,397 shares free of charge under this program from both implementation alternatives. The expense to the Group for granting shares was €110.1 thousand and was determined on the basis of the price of €45.95 per share on the final day of the participating period.

The shares granted are each subject to a three-year holding period. The shares granted were acquired via the capital market; there are no other obligations from the program. In the previous year, the implementation was suspended due to uncertainties arising from 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. In the year under review, a dividend of €1.00 per share (previous year: €0 per share) was distributed.

(23.4) Hybrid capital

A hybrid note with an issue volume of €150 million was placed in February 2021. Due to the terms of the note, this financial instrument is classified as equity in accordance with IAS 32 and presented accordingly. This note can only be canceled by Vossloh AG, and not before February 23, 2026. The transaction costs incurred in connection with the issuance were recognized directly as a reduction in equity. The hybrid note has an interest rate of 4.0 percent. Interest payments may be suspended and delayed into the future in certain circumstances as decided by the Company.

Change in other comprehensive income

€ mill.	Reserves for currency translation	Reserve for hedging transactions (cash flow hedges)	Reserve for the remeasurement of defined benefit plans	Other comprehensive income not including noncontrolling interests	Non-controlling interests	Other comprehensive income
	2021					
Reclassification of actuarial gains and losses from defined benefit plans to retained earnings			(0.2)	**(0.2)**		**(0.2)**
Foreign subsidiaries – Currency translation differences	9.9			**9.9**	2.8	**12.7**
Cash flow hedges		0.0		**0.0**		**0.0**
Actuarial gains and losses from defined benefit plans			1.2	**1.2**		**1.2**
Effects from deconsolidation and transitional consolidation	1.4		0.0	**1.4**		**1.4**
Other effects	0.1	0.3		**0.4**		**0.4**
Total	**11.4**	**0.3**	**1.0**	**12.7**	**2.8**	**15.5**
€ mill.	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)**

(23.5) 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 fiscal year. During the year under review, actuarial losses of €0.2 million (previous year: €2.6 gains) were reclassified from the reserve for the remeasurement of defined benefit plans to retained earnings.

(23.6) Noncontrolling interests

€20.9 million (previous year: €15.0 million) of noncontrolling interests relate to minority shareholders of the Fastening Systems business unit; another €7.7 million (previous year: €0.9 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 1/1/2020	**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**
Changes from first-time consolidation	0.9	(0.3)	0.6
Service cost	1.1		1.1
Net interest expense/income	0.4	(0.1)	0.3
Remeasurements			
Return on plan assets excluding the portion included in net interest expense		(0.3)	(0.3)
Gains/losses on changes in actuarial assumptions	(1.4)		(1.4)
Experience-related assumptions	(0.3)		(0.3)
Benefits paid	(1.7)	0.6	(1.1)
Settlement of obligations	0.0		0.0
Other changes	0.1	(0.1)	0.0
Currency translation differences	0.1		0.1
As of 12/31/2021	**45.6**	**(11.1)**	**34.5**

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

Vossloh AG and some subsidiaries have entered into pension obligations to former as well as 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:

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

€ mill.	2021		2020	
	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	15.6	9.8	16.9	5.8
Fair value of plan assets	(10.0)	(1.1)	(10.2)	(0.9)
Provision for pension benefits covered by plan assets	**5.6**	**8.7**	**6.7**	**4.9**
Present value of pension commitments not covered by plan assets	19.0	1.2	20.4	3.5
Provision for pension benefits not covered by plan assets	**19.0**	**1.2**	**20.4**	**3.5**
Recognized provision	**24.6**	**9.9**	**27.1**	**8.4**

The current service cost represents a portion of the personnel expense that is included in the functional costs. Interest expense is shown in the other interest expense. The actual return on plan assets amounted to 3.90 percent in the reporting period (previous year: 3.50 percent).

A discount rate of 1.07 percent (previous year: 0.78 percent) was predominantly 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 €1.3 million (previous year: €1.7 million) or decreased the provision by €1.2 million (previous year: €1.7 million). The average duration of the defined benefit pension plans is 15.5 years (previous year: 15.3 years). Other parameters include the anticipated staff turnover (6.00 percent), income trend (3.00 percent), pension trend (1.80 percent) and the anticipated increase in the contribution measurement threshold (2.50 percent) (all values are per annum and unchanged from 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 €8.1 million in the fiscal year (previous year: €7.9 million).

The pension provisions include provisions for nonrecurring payments which are a legal requirement for a number of Group companies 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.

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 a negative 0.39 to a positive 1.03 percent (previous year: 0.59 percent) and an expected increase of wage and salary payments of 2.0 or 4.0 percent (previous year: 2.00 percent) was assumed.

(25) Other provisions

Breakdown of other provisions

€ mill.	2021	2020
Personnel-related provisions	1.7	1.5
Warranty obligations and follow-up costs	2.1	1.5
Litigation risks and impending losses	4.7	2.9
Risks from M&A transactions	2.4	1.2
Sundry provisions	5.6	5.3
Other noncurrent provisions	**16.5**	**12.4**
Personnel-related provisions	0.0	0.0
Warranty obligations and follow-up costs	14.3	11.7
Litigation risks and impending losses	7.4	7.6
Risks from M&A transactions	7.8	8.6
Sundry provisions	26.8	28.5
Other current provisions	**56.3**	**56.4**
Other provisions	**72.8**	**68.8**

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 balances as of 1/1/2021	Adition from first-time consolidation	Utilization	Release	Addition	Interest effects	Currency translation differences	Closing balances as of 12/31/2021
Personnel-related provisions	1.5	0.0	(0.1)	(0.1)	0.4	0.0	0.0	1.7
Warranty obligations and follow-up costs	13.2	0.2	(1.3)	(1.9)	6.1	0.0	0.1	16.4
Litigation risks and impending losses	10.5	0.6	(1.7)	(2.2)	4.3	0.0	0.6	12.1
Risks from M&A transactions	9.8	0.0	(0.3)	(1.9)	2.4	0.0	0.2	10.2
Sundry provisions	33.8	0.3	(11.9)	(2.4)	12.5	0.0	0.1	32.4
Other provisions	**68.8**	**1.1**	**(15.3)**	**(8.5)**	**25.7**	**0.0**	**1.0**	**72.8**

The warranty obligations include both provisions for specific warranty cases and the general warranty costs empirically derived from past sales revenues. 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 €8.8 million (previous year: €5.3 million). The sundry provisions include provisions for restoration obligations, restructuring and possible claims for damages.

Liabilities

Liabilities according to remaining terms

€ mill.	2021	2020	2021	2020	2021	2020	2021	2020
Remaining term	≤ 1 year		1–5 years		> 5 years		Total	
Financial liabilities	69.2	175.0	189.9	234.4	32.5	10.1	291.6	419.5
Trade payables	149.2	152.3	0.8	0.0	0.2	0.0	150.2	152.3
Liabilities from construction contracts	0.0	0.0	0.0	–	0.0	–	0.0	0.0
Income tax liabilities	6.8	6.8	0.0	–	0.0	–	6.8	6.8
Other liabilities	130.2	105.6	3.2	2.8	0.0	–	133.4	108.4
Total	**355.4**	**439.7**	**193.9**	**237.2**	**32.7**	**10.1**	**582.0**	**687.0**

(26.1) Financial liabilities

Breakdown of financial liabilities

€ mill.	2021	2020
Other noncurrent liabilities to banks	164.3	177.3
Noncurrent liabilities from leases	32.4	34.4
Bank overdrafts	25.7	32.8
Noncurrent financial liabilities	**222.4**	**244.5**
Current liabilities to banks	34.2	157.0
Interest payable	1.0	1.5
Interest payable to hybrid capital investors	5.1	–
Current notes payable	0.0	0.0
Current liabilities for outstanding dividend payments	0.0	4.2
Current liabilities from leases	9.2	9.5
Bank overdrafts	19.7	2.8
Current financial liabilities	**69.2**	**175.0**
Financial liabilities	**291.6**	**419.5**

Financial liabilities are principally measured at amortized cost. Current and noncurrent lease liabilities arise from leases which are recognized in accordance with IFRS 16. See the explanatory notes to section (11) on page 136 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.

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. In the reporting year, the four-year Schuldschein loans were repaid as scheduled with the inflow of funds from the hybrid note. The agreed interest rate is fixed at 1.763 percent for the seven-year maturities for an amount of €90 million, and variable at an amount of €25 million with a margin of 120 basis points above Euribor. A floor of 0.0 percent is applicable to the reference value. At the end of 2021, a Schuldschein loan in the amount of €25 million with a term of seven years (until December 2028) and a fixed interest rate of 0.8 percent per year was issued. In January 2022, Vossloh AG used these funds to prematurely repay the variable-rate Schuldschein loan in the same amount with an original term until July 2024.

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 0.90 percent. As of the balance sheet date, the credit line had been utilized in the amount of €42.0 million via cash, lines of credit available to subsidiaries, and guarantees (previous year: €85.9 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.

Furthermore, in July 2021, Vossloh AG took out a loan of €20 million with DZ Bank AG with a term until July 2024 and a margin of 0.75 percent above the 3-month-Euribor. A floor of 0.0 percent is applicable to the reference value.

For the reconciliation of the IFRS 9 measurement categories, see pages 153 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.	2021	2020
Noncurrent deferred income	2.6	2.8
Personnel-related liabilities	0.1	0.0
Other	0.2	0.0
Noncurrent nonfinancial liabilities	**2.9**	**2.8**
Other noncurrent liabilities	**2.9**	**2.8**
Freestanding derivatives	3.9	6.0
Debtors with credit balances	0.7	1.1
Derivatives from cash flow hedges	0.3	0.2
Other liabilities to affiliated companies	0.0	0.8
Liabilities due to insurance companies	0.0	0.0
Current financial liabilities	**4.9**	**8.1**
Advance payments received	57.3	41.8
Personnel-related liabilities	30.3	26.8
Deferred income	11.7	0.9
VAT payable	6.7	6.9
Other nonincome taxes	4.8	5.3
Social security and health insurance contributions	3.9	6.9
Liabilities to employees	2.6	2.3
Other	8.3	6.6
Current nonfinancial liabilities	**125.6**	**97.5**
Other current liabilities	**130.5**	**105.6**

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. It is measured at fair value through profit or loss, and had a positive fair value on December 31, 2021.

The prepayments received, recognized at €57.3 million (previous year: €41.8 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 structures, which differentiates between the products and services offered by the Vossloh Group's business units. In accordance with IFRS 8, segment reporting to the Executive Board and Supervisory Board encompasses not only the divisions but also separately presents their business units.

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 with the Locomotives business unit was separated from the Group and sold with the closing of the purchase agreement on May 31, 2020.

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 regional transportation 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, 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. The disclosures in the segment reporting are only relevant for the previous year.

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 at arm's length basis.

Segment information is presented for each division and business unit on page 116 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 pretax WACC of 7.0 percent (previous year: 7.0 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.	2021	2020
Value added*	9.5	12.5
Cost of capital employed (WACC 2021: 7.0 percent; 2020: 7.0 percent)	62.8	60.6
EBIT	**72.3**	**73.1**

*Previous year's figure adjusted retrospectively pursuant to IAS 8, see the explanations on page 133.

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 42 of the combined management report.

Segment information by region

€ mill.	2021	2020	2021	2020
	External sales revenues		Noncurrent assets[1]	
Germany	94.6	74.2	211.6	203.2
France	73.1	89.1	186.0	184.7*
Rest of Western Europe	71.2	67.4	41.9	29.7
Northern Europe	114.9	115.5	18.8	21.5
Southern Europe	81.3	64.4	12.2	1.1
Eastern Europe	62.7	61.1	11.9	11.9
Total of Europe	**497.8**	**471.7**	**482.4**	**452.1***
Americas	89.8	127.3	98.9	97.8
Asia	218.9	151.3	54.9	43.3
Africa	28.3	15.8	0.0	0.0
Australia	103.3	99.2	42.3	43.1
Total	**938.1**	**865.3**	**678.5**	**636.3***

[1] Without financial instruments and deferred tax assets.
*Previous year's figure adjusted retrospectively pursuant to IAS 8, see the explanations on page 133.

Additional information on financial instruments

The recognition and measurement of financial instruments are based on the following measurement categories of IFRS 9:

- 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 through other comprehensive income (FVOCI)

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

Nonderivative financial instruments

On the asset side, 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. They 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 amounts previously recognized in equity are either recycled to the income statement or offset against the cost of purchased assets. A hedging relationship previously classified as effective was closed in the previous year due to an amendment to the terms of a contract. The derivative that was originally designated as a hedging instrument has since been measured at fair value through profit or loss.

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

€ mill.	Currency	2021	2020
USA	USD	84.0	118.3
Australia	AUD	14.4	17.2
China	CNY	2.7	–
Poland	PLN	1.3	2.2
United Kingdom	GBP	0.8	–
		103.2	**137.7**

The significant decrease in derivatives denominated in USD resulted from a refinancing of US activities. 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 instruments			Fair value	Nominal value	Fair value	Nominal value
€ mill.			2021		2020	
Interest rate swaps	Maturity	up to 1 year	–	–	–	–
		up to 5 years	(0.1)	5.8	–	–
		over 5 years	–	–	(0.1)	7.1
			(0.1)	**5.8**	**(0.1)**	**7.1**
Foreign currency forwards	Maturity	up to 1 year	(3.9)	102.9	(4.1)	137.7
		up to 5 years	0.0	0.3	–	–
		over 5 years	–	–	–	–
			(3.9)	**103.2**	**(4.1)**	**137.7**
Total			**(4.0)**	**109.0**	**(4.2)**	**144.8**

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, 2021

€ mill.	IFRS 9 carrying amounts according to balance sheet 12/31/2021	Measurement categories pursuant to IFRS 9 Amortized cost	Fair value through OCI (FVOCI)	Fair value through profit or loss (FVTPL)	Fair values 12/31/2021
Trade receivables	214.5	214.5	–	–	214.5
Securities	1.0	0.2	–	0.8	1.0
Other financial instruments and other assets	21.7	18.0	0.6	3.1	21.7
Cash and cash equivalents	75.0	74.9	–	0.1	75.0
Total financial assets	**312.2**	**307.6**	**0.6**	**4.0**	**312.2**
Financial liabilities	250.0	250.0	–	–	250.0
Trade payables	150.2	150.2	–	–	150.2
Other liabilities	101.1	96.9	0.3	3.9	101.1
Total financial liabilities	**501.3**	**497.1**	**0.3**	**3.9**	**501.3**

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	Fair value through OCI (FVOCI)	Fair value through profit or loss (FVTPL)	Fair values 12/31/2020
Trade receivables	209.5	209.5	–	–	209.5
Securities	0.3	–	–	0.3	0.3
Other financial instruments and other assets	25.6	20.3	0.6*	4.7*	25.6
Cash and cash equivalents	67.8	67.5	–	0.3	67.8
Total financial assets	**303.2**	**297.3**	**0.6**	**5.3**	**303.2**
Financial liabilities	375.5	375.5	–	–	375.5
Trade payables	152.3	152.3	–	–	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**

*Previous year's figures adjusted

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 market prices (Level 2)		Measurement not based on market prices (Level 3)	
€ mill.	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial assets measured at fair value			4.6	5.9*		
Financial liabilities measured at fair value			4.2	6.2		
Total	**0.0**	**0.0**	**8.8**	**12.1**	**0.0**	**0.0**

*Previous year's figures adjusted

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.	2021	2020
Financial assets		
Recognized gross amounts of financial assets	0.2	1.9
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet figures of financial assets	**0.2**	**1.9**
Offsettable on the basis of framework agreements	(0.2)	(1.7)
Total net value of financial assets	**0.0**	**0.2**
Financial liabilities		
Recognized gross amounts of financial liabilities	(4.2)	(5.7)
Financial instruments that qualify for offsetting	0.0	0.0
Net balance sheet figures of financial liabilities	**(4.2)**	**(5.7)**
Offsettable on the basis of framework agreements	0.2	1.7
Total net value of financial liabilities	**(4.0)**	**(4.0)**

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	2021	2020
Net gains/losses from:						
Income from investments			0.1		0.1	1.0
Interest	0.0	0.3		(4.8)	(4.5)	(7.1)
Subsequent measurement						
from addition to valuation allowances	0.0				0.0	(0.8)
from reversal of valuation allowances	2.3				2.3	2.7
from currency translation differences	0.4				0.4	0.2
at fair value		0.0			0.0	(0.4)
Total	**2.7**	**0.3**	**0.1**	**(4.8)**	**(1.7)**	**(4.4)**

Interest is accounted for here within the net interest result, while the net gains and losses on disposal and currency translation are disclosed within other operating income or other operating expenses. Gains from the subsequent measurement to fair value of securities held for trading and the write-down of financial instruments available for sale are included in the 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. As of the end of the reporting period, cash, cash equivalents and readily salable securities of €76.0 million were at the Group's disposal, besides additional, unutilized credit facilities of €279.0 million to satisfy any future cash requirements. €188.0 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 €91.0 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.	2021		2020		2021		2020		2021		2020	
	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest
Nonderivative financial liabilities	(49.5)	(8.5)	(168.0)	(5.5)	(164.2)	(4.1)	(201.6)	(6.3)	(32.4)	(0.4)	(10.1)	0.0
Derivative financial liabilities	(4.2)	0.0	(6.2)	0.0	0.0	(0.1)	0.0	(0.1)	0.0		0.0	0.0
Derivative financial assets	0.2		2.0									

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 designated currency derivatives in the amount of €7.7 million in cash flow hedges; 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 balance sheet item "Accumulated other comprehensive income" (see "Currency translation" on page 124). 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 191).

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 €5.8 million as of the reporting date and has a term until the middle of 2026.

The dollar offset method is used for assessing the effectiveness of the hedge. This interest rate hedge was already no longer effective in 2020. 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 153 et seq. Taking into account the existing interest rate derivatives, 56 percent of the financial liabilities were taken up with fixed interest rates as of the reporting date, with 44 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 or 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 basis points related to the financial liabilities and receivables identified with variable rates as of December 31, 2021, would have reduced the financial expense by €0.2 million due to the increased interest income. 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 €0.1 million higher 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 foreign currency loans on other net interest result and equity. A positive value reflects an increase in earnings and equity.

Sensitivity analysis of key foreign currency derivatives

	USD			
€ mill.	12/31/2021		12/31/2020	
	+ 10 %	– 10 %	+ 10 %	– 10 %
Net interest result	(0.2)	0.3	(0.5)	0.6
Equity	(0.1)	0.2	(0.4)	0.4

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 of receivables
Trade receivables				
2021	158.1	56.9	11.0	226.0
2020	153.2	57.2	12.4	222.8
Others				
2021	51.2	0.0	0.0	51.2
2020	45.9	1.5	0.0	47.4

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						
2021	15.6	20.7	9.7	5.0	5.9	**56.9**
2020	21.8	15.4	5.6	6.0	8.4	**57.2**
Others						
2021	0.0	0.0	0.0	0.0	0.0	**0.0**
2020	0.0	0.0	0.0	0.0	1.5	**1.5**

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 overview on page 155).

IBOR reform

A fundamental reform of key reference interest rates is underway around the world. This process includes a transition away from some Interbank Offered Rates (IBORs) and towards alternative risk-free rates (referred to as "IBOR reform"). Financial instruments of the Vossloh Group are subject to IBORs that will be replaced or reformed as part of these market-wide initiatives. As of December 31, 2021, there were only contracts with a link to Euribor or EONIA. The calculation method of the Euribor had already changed in the course of 2019. In July 2019, the Belgian Financial Services and Markets Authority granted approval for Euribor in accordance with the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts, and the Vossloh Group expects Euribor to remain as the reference interest rate for the foreseeable future. By December 31, 2021, the contractual terms previously referencing EONIA were switched to the new reference interest rate Euro short-term rate (€STR). The €STR is determined by the European Central Bank and is based on transactions in the unsecured money markets. Since October 2, 2019, the reference interest rate EONIA has already been calculated using €STR plus 8.5 basis points.

In 2021, the Vossloh Group entered into a new credit agreement with a link to USD-LIBOR, already including the agreements on the replacement of the reference interest rate. The alternative reference rate for USD-LIBOR is the Secured Overnight Financing Rate (SOFR), but certain USD-LIBORs will not be discontinued until after June 2023. This agreement automatically switches the instrument from USD-LIBOR to SOFR as soon as the respective USD-LIBOR is discontinued.

The central Treasury department continues to track developments in this area and assess agreements which are affected. It is also responsible for managing the transition to alternative rates and making the necessary amendments to agreements. There are currently no other agreements to be converted due to the IBOR reform.

Other disclosures

Contingent liabilities

Contingent liabilities decreased by €51.0 million compared to December 31, 2020, from €109.0 million to €58.0 million. €50.0 million thereof is attributable to contingent liabilities for the former Locomotives business unit sold as of May 31, 2020, while €0.3 million is attributable to contingent liabilities for the former 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 Group has incurred contingent liabilities under guarantees of €24.0 million (previous year: €26.0 million). Of this amount, €21.3 million relates to former business units and €2.7 million (previous year: €1.7 million) to nonconsolidated affiliated companies. €34.0 million (previous year: €83.0 million) of the contingent liabilities are attributable to letters of comfort. €29.0 million thereof was related to the former business units and €5.0 million (previous year: €6.2 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 €12.7 million (previous year: €19.0 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 relates 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 as financial liabilities. The option granted under IFRS 16.4 in regard of 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 the net interest result.

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.

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€ mill.	2021	2020
Interest expense from the compounding of lease liabilities	1.1	1.0
Expenses from short-term leases	3.9	3.4
Expenses from the renting of low-value assets	0.4	0.4
Expenses from variable lease payments	0.2	0.2
Total lease payments	17.3	21.2
Rental income from subletting	0.0	0.0

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

Liabilities according to remaining terms

€ mill.	2021	2020	2021	2020	2021	2020	2021	2020
Remaining term	≤ 1 year		1 to 5 years		> 5 years		Total	
Liabilities from leases	9.2	9.5	26.9	25.4	5.5	9.0	41.6	43,9

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. 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
4. Vossloh Beekay Castings Ltd., New Delhi, India
5. Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal

Re 1: 32 percent of the shares of capital of this company are held by shareholders with a noncontrolling interest.

In the year under review, €7.6 million (previous year: €3.8 million) of the company's net income was attributable to these shareholders. As of December 31, 2021, the share of equity attributable to shareholders with a noncontrolling interest was €15.0 million (previous year: €10.2 million).

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

€ mill.	2021	2020
Noncurrent assets	11.9	10.3
Current assets	72.3	89.0
Noncurrent liabilities	8.4	4.2
Current liabilities	28.9	63.1
Sales revenues	104.3	58.8
Value added	27.7	13.2
Total comprehensive income	27.6	10.8
Cash flow	(0.4)	(0.3)
Dividends to shareholders	12.6	12.9

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, €(0.1) million (previous year: €(0.6) million) of the company's net income was attributable to these shareholders. As of December 31, 2021, the share of equity attributable to shareholders with a noncontrolling interest was €7.5 million (previous year: €6.3 million).

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

€ mill.	2021	2020
Noncurrent assets	37.6	34.5
Current assets	14.8	8.6
Noncurrent liabilities	6.5	6.9
Current liabilities	18.6	11.4
Sales revenues	28.0	12.8
Value added	(2.4)	(3.0)
Total comprehensive income	2.4	(1.7)
Cash flow	(0.1)	(0.1)
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: €0.2 million) of the company's net income was attributable to these shareholders. As of December 31, 2021, the share of equity attributable to shareholders with a noncontrolling interest was €1.9 million (previous year: €1.8 million).

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

€ mill.	2021	2020
Noncurrent assets	14.7	15.4
Current assets	25.2	15.0
Noncurrent liabilities	0.3	0.4
Current liabilities	23.7	15.0
Sales revenues	36.7	34.3
Value added	1.9	0.7
Total comprehensive income	1.5	1.9
Cash flow	1.0	(0.6)
Dividends to shareholders	0.6	0.0

Re 4: 41.52 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 of the company's net income was attributable to these shareholders. As of December 31, 2021, the share of equity attributable to shareholders with a noncontrolling interest was €3.8 million. The company was fully consolidated as a result of a change of control by way of a transitional consolidation.

Significant financial information for Vossloh Beekay Castings Ltd., New Delhi/India

€ mill.	2021	2020
Noncurrent assets	7.5	2.3
Current assets	10.4	9.0
Noncurrent liabilities	0.4	0.2
Current liabilities	5.7	4.3
Sales revenues	10.4	10.6
Value added	(0.2)	0.6
Total comprehensive income	2.4	0.0
Cash flow	0.2	(0.1)
Dividends to shareholders	0.2	0.0

Re 5: 39 percent of the shares of capital of this company are held by shareholders with a noncontrolling interest.

In the year under review, €0.0 million of the company's net income was attributable to these shareholders. As of December 31, 2021, the share of equity attributable to shareholders with a noncontrolling interest was €2.1 million. The company was fully consolidated as a result of a change of control by way of a transitional consolidation.

Significant financial information for Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal

€ mill.	2021	2020
Noncurrent assets	11.3	0.5
Current assets	8.4	6.2
Noncurrent liabilities	0.5	0.0
Current liabilities	5.1	3.7
Sales revenues	3.5	9.1
Value added	(0.2)	1.2
Total comprehensive income	(0.1)	1.0
Cash flow	0.1	1.3
Dividends to shareholders	0.0	(0.2)

Where shareholders of other Group companies hold noncontrolling interests, these interests were 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 168 et seq.

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

Up to the time of his decease on February 23, 2021, Mr. Heinz Hermann Thiele was in a position to exert a significant influence on the Vossloh AG through KB Holding GmbH which held majority stake. Since then, his heir Mrs. Nadia Thiele and executor Mr. Robin Brühmüller have a significant influence on Vossloh AG via majority shareholder KB Holding GmbH. They also control the companies of the Knorr-Bremse Group indirectly. These companies are accordingly treated as related parties. Transactions with companies of the Knorr-Bremse Group in the fiscal year resulted in material purchases in the amount of €0.1 million (previous year: €0.0 million), sales revenues in the amount of €0.0 million (previous year: €0.0 million) as well as open receivables and advance payments as of December 31, 2021, in the amount of €0.0 million (previous year: €0.0 million) and trade payables of €0.0 million (previous year: €0.0 million).

The table below breaks down the 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.	2021	2020
Sale or purchase of goods		
Sales revenues from the sale of finished goods and WIP	13.2	14.5
Cost of materials from the purchase of finished goods and WIP	19.1	20.5
Trade receivables	5.4	5.2
Trade payables	4.3	4.2
Expenses for irrecoverable/doubtful accounts	0.0	0.0
Sale or purchase of other assets		
Income from the sale of other assets	0.0	0.1
Receivables from the sale of other assets	0.5	0.5
Liabilities from the purchase of other assets	0.0	0.8
Services rendered or received		
Income from services rendered	0.5	1.4
Expenses for services received	0.3	0.5
Licenses		
License income	0.2	0.1
License expenses	1.6	0.7
Funding		
Interest income from financial loans granted	0.3	0.1
Receivables on financial loans granted	0.9	4.1
Provision of guarantees and collateral		
Provision of guarantees	2.7	1.7
Provision of other collateral	0.0	0.0

Payments to related parties

	Short-term benefits due		Pension entitlements (service cost)		Other noncurrent benefits		Benefits due to employment contracts coming to an end		Total	
€	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Board of Vossloh AG	2,835,865	1,993,619	313,555	339,511	1,724,604	677,878	–	1,087,203	4,874,024	4,098,211
Supervisory Board of Vossloh AG	420,000	456,666	–	–	–	–	–	–	420,000	456,666

The short-term benefits due for the Executive Board comprised the fixed and annual variable remuneration. Provisions for pensions for the CEO come to €2.5 million (previous year: €2.3 million). An individual breakdown of the components and further details of the remuneration system can be found in the remuneration report on pages 181 et. seq. of this annual report and at www.vossloh.com/en/investor-relations/corporate-governance/remuneration/.

Remuneration in the form of pension payments to former members of the Executive Board and management as well as their surviving dependents totaled €1,183,658 (previous year: €2,731,814). In the reporting year, this related entirely to pension payments. In the previous year, this item also included benefits of €1,548,156 paid to members of the Executive Board who left the company in the respective fiscal year. Current pension payments are subject to adjustment in relation to the collective pay trend in the metal and electrical industries of North Rhine-Westphalia. Pension obligations to former members of the Executive Board and management, as well as their surviving dependents amounted to €26,661,450 (previous year: €28,680,372). Employer pension liability insurance policies totaling €9,983,006 (previous year: €10,155,725) are pledged in each beneficiary's favor. The remaining amount of these pension obligations is covered by provisions.

Remuneration to former Executive Board members of Vossloh AG and their surviving dependents

The fees for the services provided by the auditor of the consolidated financial statements in the year under review totaled €0.8 million, of which €0.1 million relates to the previous fiscal year. At €0.7 million, these relate mainly to attestation services, and include fees for the audit of the consolidated financial statements, the financial statements of Vossloh AG and its German subsidiaries, and audits in connection with interim financial statements. Other attestation services of €0.1 million were provided in the area of sustainability reporting and the remuneration report.

Auditor fees

In November 2021, 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).

German Corporate Governance Code

The recent political events in Eastern Europe may have an impact on the Group's net assets, financial position and results of operations. More precise projections in this context are not yet possible.

Events after the reporting period

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

Group companies and investees

List of shareholding

	€ mill.	Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh Aktiengesellschaft, Werdohl**						
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(k)		
(3)	Vossloh US Holdings, Inc., Wilmington, 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)	0.2	0.0
(7)	Vossloh Drazni Technika s.r.o., Prague, Czech Republic		100.00	(5)	(n)	2.1	1.2
(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., McGregor, 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)	2.1	1.2
(15)	Vossloh Fastening Systems Southern Africa Proprietary Ltd., Cape Town, South Africa	6	100.00	(79)	(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	4	100.00	(4)	(k)		
(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)	(1.7)	(0.1)
(22)	Vossloh Fastening Systems India Private Ltd., New Delhi, India		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, USA		100.00	(3)	(k)		
(26)	Rocla Concrete Tie, Inc., Lakewood, 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)	3.9	0.5
(29)	Cavan Rocbra Industria E Comercio De Pre Moldados De Concreto S/A, São Paulo, Brazil	6	20.00	(28)	(n)	17.9	2.3
(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, Salo, 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)	(k)		
(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	0.0
(42)	Burbiola SA, Amurrio, Spain		50.00	(40)	(n)	1.8	0.2
(43)	Vossloh Cogifer UK Ltd., 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		96.99	(33)	(k)		

€ mill.		Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(46)	ATO-Asia Turnouts Ltd., Bangkok, Thailand		51.00	(33)	(e)		
(47)	Vossloh Cogifer Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(33)	(k)		
(48)	VOSSLOH MIN SKRETNICE DOO ZA Proizvodnjui Montazu Skretnica i Opreme Nis, Niš, Serbia		100.00	(33)	(k)		
(49)	Vossloh Beekay Castings Ltd., New Delhi, India	5	58.48	(33)	(k)		
(50)	Vossloh Cogifer Turnouts India Private Ltd., Hyderabad, India	5	100.00	(33)	(k)		
(51)	Vossloh Cogifer Signalling India Private Ltd., Bangalore, India	5	100.00	(33)	(k)		
(52)	Vossloh Cogifer Australia Pty. Ltd., Castlemaine, Australia		100.00	(4)	(k)		
(53)	Vossloh Cogifer Kloos BV, Nieuw-Lekkerland, the Netherlands		100.00	(33)	(k)		
(54)	Wuhu China Railway Cogifer Track Co., Ltd., Wuhu, China		50.00	(33)	(e)		
(55)	Vossloh Cogifer Southern Africa Proprietary Ltd., Cape Town, South Africa	6	100.00	(79)	(n)	0.0	(0.1)
(56)	Vossloh Cogifer do Brasil Administracao de Bens e Participacoes Ltda., Sorocaba, Brazil		19.00	(33)	(n)	0.0	0.0
(57)	Vossloh Cogifer do Brasil Metalúrgica MBM SA, Sorocaba, Brazil		100.00	(56)	(n)	1.1	0.0
(58)	Vossloh Infrastructure Systems LLC, Moscow, Russia		90.00/10.00	(37)/(48)	(n)	0.0	0.0
	Lifecycle Solutions division						
	Rail Services business unit						
(59)	Vossloh Rail Services GmbH, Hamburg	3	100.00	(1)	(k)		
(60)	Vossloh Rail Center GmbH, Hamburg	3	100.00	(59)	(k)		
(61)	Vossloh Rail Inspection GmbH, Leipzig	3	100.00	(60)	(k)		
(62)	Alpha Rail Team GmbH & Co. KG, Berlin	3	100.00	(60)	(k)		
(63)	Alpha Rail Team Verwaltungs GmbH, Berlin		100.00	(60)	(k)		
(64)	Vossloh Logistics GmbH, Hanover	3	100.00	(59)	(k)		
(65)	VOSSLOH Turkey Demiryolu Sistemleri Ltd. Şti., Istanbul, Turkey		100.00	(68)	(k)		
(66)	Vossloh Rail Maintenance GmbH, Hamburg	3	100.00	(59)	(k)		
(67)	Vossloh Mobile Rail Services GmbH, Leipzig	3	100.00	(60)	(k)		
(68)	Vossloh Rail Services International GmbH, Hamburg	3	100.00	(59)	(k)		
(69)	Vossloh Rail Services Scandinavia AB, Örebro, Sweden		100.00	(68)	(k)		
(70)	Vossloh Rail Services North America Corporation, Denver, USA	4	100.00	(3)	(k)		
(71)	Beijing CRM-Vossloh Track Maintenance Technology Co., Ltd., Beijing, China		47.00	(68)	(e)		
(72)	Vossloh Rail Services Kunshan Co., Ltd., Kunshan, China		100.00	(68)	(k)		
(73)	Vossloh Rail Services Finland Oy, Kouvola, Finland		100.00	(68)	(k)		
(74)	Rhomberg Sersa Vossloh GmbH, Föhren		50.00	(59)	(e)		
(75)	Vossloh Services France SAS, Rueil-Malmaison, France		49.90/50.10	(33)/(68)	(k)		
(76)	Vossloh Rail Services Italia Srl, Cesena, Italy	4	100.00	(68)	(k)		
(77)	Vossloh ETS BV, Purmerend, the Netherlands	4	100.00	(68)	(k)		
(78)	ETS International BV, Purmerend, the Netherlands	4	100.00	(68)	(k)		
	Other companies						
(79)	Vossloh Southern Africa Holdings Proprietary Ltd., Johannesburg, South Africa	6	100.00	(2)	(n)	0.0	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, Düsseldorf
Chairman of the Executive Board (since 10/1/2019)
First appointment: 3/1/2014, appointed until: 2/28/2025
Group mandates:
- Vossloh Cogifer SA: Deputy Chairman of the Supervisory Board
- Vossloh France SAS: President (until 5/31/2021)
- Vossloh Fastening Systems (China) Co., Ltd.: Chairman of the Administrative Board and legal representative of the company

Dr. Thomas Triska, born 1975, Balve
Chief Financial Officer (CFO)
First appointment: 11/1/2020, appointed until: 10/31/2023
External mandates:
- Wohnungsgesellschaft Werdohl GmbH: Member of the Supervisory Board
Group mandates:
- Vossloh Cogifer SA: Chairman of the Supervisory Board
- Vossloh International GmbH: Managing Director
- Vossloh France SAS: President (since May 31, 2021)

Jan Furnivall, born 1976, Meerbusch
Chief Operating Officer (COO)
First appointment: 11/1/2020, appointed until: 10/31/2023
Group mandates:
- Vossloh International GmbH: Managing Director
- Vossloh US Holdings, Inc.: Vice President

Supervisory Board of Vossloh AG

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
- 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
- Member of the Supervisory Board of AVW Immobilien AG, Hamburg

Ulrich M. Harnacke[2,3,4], Former 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 SE, Essen
- Member of the Advisory Board of Zentis GmbH & Co. KG, Aachen

Dr. Roland Bosch[3,4], Königstein im Taunus, Managing Director of WOLFF & MÜLLER Holding GmbH & Co. KG (Member of the Supervisory Board since 5/27/2020)
- Chairman of the Supervisory Board of Danzer Holding AG, Dornbirn/Austria
- Chairman of the Supervisory Board of Erbud S.A., Warsaw (Poland)

Dr. Bettina Volkens[2,4], Königstein im Taunus, Independent Consultant and Member of various Supervisory Boards (Member of the Supervisory Board since 5/27/2020)
- Member of the Supervisory Board of CompuGroup Medical SE & Co. KGaA, Koblenz
- Member of the Supervisory Board of Bilfinger SE, Mannheim

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, Chairman of the Works Council of Vossloh Fastening Systems GmbH and Chairman of the Group Works Council
(Member of the Supervisory Board since 8/30/2017)

[1]Employee representative
[2]Member of the Personnel 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 2021 fiscal year show a net income of €7,766,125.97 and, after including the profit carryforward of €60,552,737.59, net profit retained of €68,318,863.56.

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 €50,754,683.56 be carried forward. The total dividend amount is €17,564,180.00.

Werdohl, Germany, February 28, 2022
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, February 28, 2022

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 2021, 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 2021, 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 2021. 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), including the further reporting on corporate governance included therein, which is referred to in the combined management report, nor the content of the consolidated nonfinancial statement pursuant to Section 315b, Section 315c 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 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, 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, including the reporting on corporate governance included therein, and of the consolidated nonfinancial 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 combined 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 2021. 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 297.4 under the intangible assets balance sheet item, accounting for 23.1 percent 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 macroeconomic 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, including the further reporting on corporate governance included therein, which is referred to in the combined management report,
- the consolidated nonfinancial 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 HGB and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the combined management report,
- the remuneration report pursuant to Section 162 German Stock Corporation Act (AktG), 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 are responsible for the statement according to Section 161 AktG concerning the German Corporate Governance Code, which is part of the corporate governance statement and which is referred to in the combined management report, as well as for the remuneration report. Otherwise 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 identified above and, in doing so, 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 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 for 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 Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion
We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value 6990BC937600462BEB2406A1A04DBE435581280DC860 1F5E7F14B1635FB48256, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for 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 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion
We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Board and the Supervisory Board for the ESEF Documents
The executive board of the parent is responsible for the preparation of the ESEF documents 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 controls that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

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

Group Auditor's Responsibilities for the Audit of the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the general meeting on 19 May 2021. We were engaged by the supervisory board on 9 September 2021. 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).

OTHER MATTER – USE OF THE AUDITOR'S REPORT
Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Düsseldorf/Germany, 28 February 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Remuneration report

This report describes the principles of remuneration for Executive Board members and Supervisory Board members of Vossloh AG. It also provides information about the remuneration owed to and paid to all current and past Executive Board and Supervisory Board members in the 2021 fiscal year in accordance with Section 162 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code of December 16, 2019 (GCGC).

Executive Board remuneration

Remuneration system and principles of remuneration

The current remuneration system for the members of the Executive Board of Vossloh AG has been in effect since January 1, 2021. It was approved by the Annual General Meeting on May 19, 2021, with a majority of 84.97 percent. The remuneration system was included in the employment contracts of the Executive Board members newly appointed as of November 2020. The remuneration system does not apply to the employment contract of the CEO, which was concluded in 2019. However, certain components of the remuneration system apply to the employment relationship between the Company and the CEO. The remuneration system was applied to the remuneration of all applicable Executive Board members in the 2021 fiscal year without exception.

The objective of the remuneration system is to ensure that the Executive Board members are appropriately remunerated in accordance with their area of activity and responsibility, in line with the statutory requirements and taking into account the recommendations of the GCGC, in order to make a significant contribution to promoting and implementing the corporate strategy of Vossloh AG, namely strengthening the production business and further expanding the conventional and digital service business with the aim of sustainably increasing the value of the company.

Criteria for the appropriate remuneration of Executive Board members are based on each member's function and individual performance, Vossloh AG's economic situation, success and sustainable future prospects in addition to customary remuneration polices in view of the Company's comparative environment (horizontal comparison), remuneration structure (vertical comparison) and their development over time.

The Supervisory Board uses an appropriate group of companies (peer group) for the purpose of the horizontal comparison with regard to the market position, sector and location of Vossloh AG. The majority of the peer group consists of national and international manufacturing companies listed on the MDAX and SDAX. The aim of the Supervisory Board is to ensure that the remuneration provided for members of the Executive Board is attractive and in line with market conditions at all times. For the purpose of the vertical comparison, the Supervisory Board focuses primarily on the absolute remuneration provided for senior executives and the relevant workforce within the company, as well as changes in this remuneration over time. The Supervisory Board defined senior executives as follows in this context: The Heads of the Company's divisions and the Managing Directors of each business unit. The relevant workforce consists of all employees within the Group, including temporary staff.

Executive Board remuneration system

The remuneration for Executive Board members of Vossloh AG consists of fixed and variable components. The fixed, non-performance-rated component consists of the basic remuneration, fringe benefits and – for the current CEO only – retirement benefit commitments. The performance-related component includes short-term variable remuneration ("annual bonus") and long-term variable remuneration ("multiyear bonus").

Based on a relative comparison between fixed remuneration components and variable remuneration components, variable remuneration accounts for approximately 58.8 percent of the total target remuneration for the incumbent CEO (while taking the pension expense of approximately 47 percent into consideration), and approximately 61.9 percent of the total target remuneration for the other members of the Executive Board, assuming in both cases that all targets were achieved in full. The non-performance-related remuneration component therefore accounts for approximately 41.2 percent of the total target remuneration for the incumbent CEO (while taking the pension expense of approximately 53 percent into consideration) and approximately 38.1 percent of the total target remuneration for the other members of the Executive Board.

Basic remuneration

The basic remuneration consists of annual fixed remuneration paid in twelve equal monthly installments and fringe benefits, particularly the provision of a company car and allowances for health insurance and accident and baggage insurance. The remuneration system does not include any other components in the basic remuneration, and notably does not include a company pension scheme. However, the old contract for the current CEO includes an entitlement to receive pension payments upon reaching the age of 63 as part of the basic remuneration.

Variable remuneration

Annual bonus. The annual bonus is contingent upon short-term performance targets being achieved which are objectively measurable and of relevance for the economic performance of the Vossloh Group. The Supervisory Board is responsible for agreeing the specific short-term performance targets and how they are weighted with each Executive Board member in their employment contract. The Supervisory Board sets the specific targets for each individual short-term performance target annually on the basis of the latest planning before the beginning of the remuneration year. The extent to which the targets have been achieved is determined using the audited consolidated financial statements of Vossloh AG after the end of the fiscal year. Any subsequent change of the target values is excluded. However, the Supervisory Board is entitled to reduce the bonus for achieving the target by up to 20 percent or increase it by up to 30 percent at its discretion in the event of extraordinary developments.

In the 2021 fiscal year, the short-term performance targets were Group EBIT, Group sales and the average working capital. These had been set in the employment contracts of the members of the Executive Board.

Multiyear bonus. Under the remuneration system, the multiyear bonus is contingent on multiyear performance targets being achieved over an assessment period of three years. A two-year assessment period applies for the current CEO due to his old contract. The multiyear performance targets are usually three objectively measurable criteria with roughly equivalent weightings. In accordance with the remuneration system, the specific targets are either agreed in the relevant employment contract or prior to the assessment period in question. The extent to which targets have been achieved is determined after the assessment period in question.

As stipulated in the employment contract, the performance targets for the multiyear bonus for the 2021 fiscal year are the return on capital employed (ROCE) and the absolute and the relative performance of the Vossloh share. The relative performance of the Vossloh share is assessed by comparing it to the weighted average performance of the DAX, MDAX and SDAX.

Extra bonuses. In addition, the Supervisory Board may use its discretion to set an extra bonus for extraordinary performance in the respective period under review. In the remuneration system, the amount of these possible extra bonuses is limited to the target amount of the annual bonus.

No extra bonuses were granted or pledged to Executive Board members in the 2021 fiscal year.

Malus and clawback provisions. The remuneration system includes malus and clawback provisions which allow the Supervisory Board to reduce or claw back variable components of remuneration in part or in full if justified, particularly in the event of specific material violations of contract or if it transpires that consolidated financial statements are incorrect.

The Supervisory Board had no need to make use of the provision in the 2021 fiscal year.

Maximum remuneration. The remuneration of the individual Executive Board members is capped in accordance with the remuneration system. The maximum remuneration specified by the Supervisory Board is €2,923,000 gross per annum for the CEO and €1,812,800 gross per annum for the other members of the Executive Board. In line with the remuneration system, the maximum compensation is agreed in the employment contracts of the members of the Executive Board signed within the scope of the remuneration system as the upper limit of their annual total remuneration. This ensures that the maximum remuneration is not exceeded.

Executive Board remuneration in the 2021 fiscal year

The table below is based on the Draft Guidelines on the Standardized Presentation of the Remuneration Report and provides information about the benefits owed and granted to the members of the Executive Board in the 2021 fiscal year within the meaning of Section 162 (1) Sentence 1 of the German Stock Corporation Act (AktG).

The "benefits granted" includes components which were actually paid to the members of the Executive Board by means of the basic remuneration in the 2021 fiscal year, as well as variable components for periods in which the activity underlying the remuneration was completed, in line with how the company defines the term. The "benefits owed" only includes entitlements to remuneration which came due in the previous fiscal year but have not been fulfilled. As a result, the performance period for the remuneration shown as granted and owed in the "Annual bonus" and "Multiyear bonus" columns was for the 2021 fiscal year because the underlying activity of the Executive Board member in question had been completed by the end of the reporting period on December 31, 2021. The assessment period for the multiyear bonus is two years for the incumbent CEO (due to the old contract which was agreed before the current remuneration system came into effect) and three years for the other members of the Executive Board. The assessment period for any multiyear bonus recorded for a particular fiscal year therefore includes the subsequent year(s). The figures in the "Multiyear bonus" column are therefore preliminary figures, which could change based on the extent to which targets are achieved by the end of the assessment period in question. Provisions for pension benefits are shown separately as no additions were made and none came due.

€		Fixed remuneration	Fringe benefits	**Total basic remuneration**	Annual bonus[1]	Multiyear bonus	**Total variable remuneration**	**Total remuneration**	In relation to total remuneration	
Benefits granted and owed									Proportion basic remuneration	Proportion variable remuneration
Oliver Schuster CEO since 10/1/19, member of the Executive Board since 3/1/2014	2020	550,000	23,139	**573,139**	711,377	589,508	**1,300,885**	**1,874,024**	31 %	69 %
	2021	550,000	26,149	**576,149**	638,314	649,404	**1,287,718**	**1,863,867**	31 %	69 %
Dr. Thomas Triska member of the Executive Board since 1/1/2020	2020	58,333	3,076	**61,409**	65,494	–	**65,494**	**126,903**	48 %	52 %
	2021	350,000	19,490	**369,490**	446,820	537,600	**984,420**	**1,353,910**	27 %	73 %
Jan Furnivall member of the Executive Board since 11/1/2020	2020	58,333	1,568	**59,901**	65,494	–	**65,494**	**125,395**	48 %	52 %
	2021	350,000	8,272	**358,272**	446,820	537,600	**984,420**	**1,342,692**	27 %	73 %

[1]The Supervisory Board increased the annual variable remuneration by 10 percent due to extraordinary developments.

The table below is based on the “Benefits granted” table of the German Corporate Governance Code as amended in 2017 (2017 GCGC) and provides information about the “benefits granted” to the Executive Board members in the 2021 fiscal year in the sense of the 2017 GCGC. In order to avoid repetition, the table only includes the components of the multiyear bonus; the basic remuneration and annual bonus is provided in the table above. Benefits granted within the meaning of the 2017 GCGC include all remuneration components which have been at least pledged to an Executive Board member in the 2021 fiscal year, the (future) amount of which can be at the very least estimated, regardless of when paid or due. It is therefore not defined as “remuneration owed” within the meaning of Section 162 (1) Sentence 1 of the German Stock Corporation Act (AktG). Instead, the overview below shows the amounts attributed to the maturity ranges of the multiyear bonus which were paid in the year under review and the previous year in order to voluntarily improve the transparency and comparability of the disclosures with the remuneration system in a way that goes beyond the requirements of Section 162 of the German Stock Corporation Act (AktG). Amounts related to the multiyear bonus for assessment periods which have not yet finished have been estimated based on the latest information.

€		Multiyear bonus				Total
Paid multiyear variable benefits		2019 & 2020	2020 & 2021	2021 & 2022	2021 to 2023[1]	
Oliver Schuster CEO since 10/1/19, member of the Executive Board since 3/1/2014	2020	(47,123)	677,878	–	–	**630,755**
	2021	–	(88,370)	649,404	–	**561,034**
Dr. Thomas Triska member of the Executive Board since 11/1/2020	2020	–	–	–	–	–
	2021	–	–	–	537,600	**537,600**
Jan Furnivall member of the Executive Board since 11/1/2020	2020	–	–	–	–	–
	2021	–	–	–	537,600	**537,600**

[1]The basic amount of the multiyear variable remuneration for the assessment period of 2021 to 2023 was increased by 2/12 for Dr. Thomas Triska and Jan Furnivall in order to take the months of November and December of 2020 into consideration.

The remuneration of the Executive Board in the table above meets the aims of the remuneration system. The remuneration promotes the long-term development of the company by providing incentive for long-term and sustainable growth. The members of the Executive Board participate in the success of the company through the use of appropriate performance criteria and ambitious targets. The multiyear bonus makes up the majority of the variable remuneration if targets are achieved in full. The majority of the performance criteria for the multiyear bonus are tied to the performance of the Vossloh share, ensuring that the interests of Vossloh AG’s shareholders are represented. The performance targets, their weightings and the target values for the share price-oriented performance targets of the multiyear bonus are agreed in the employment contract of each Executive Board member. The other values for the performance targets of the annual bonus and the multiyear bonus for the 2021 fiscal year were defined before the beginning of the fiscal year. Please refer to the overview below for details:

		Applied performance criteria and type of remuneration required	Relative weighting of performance criteria in %	Thresholds for targets being achieved: 0 % target achievement, target missed by (in %)	Thresholds for targets being achieved: 170 % target achievement, target exceeded by (in %)	Determined or expected performance	Extent to which target has been achieved in %
Performance criteria incl. target corridor for variable remuneration 2021							
Oliver Schuster	Annual bonus	Group EBIT (€ million)	65 %	(30.3)	+ 10.3	72.3	134
		Group sales (€ million)	20 %	(10.2)	+4.9	942.8	182
		Average working capital (€ million)	15 %	+ 10.7	(6.5)	194.7	145
	Multiyear bonus	Average return on capital employed (%)	48 %	(22.3)	+ 13.4	8.2	120
		Individual performance of the Vossloh share (€)	26 %	(6.9)	+4.7	49.8	283
		Relative performance of the Vossloh share (€)	26 %	(5.5)	+6.6	49.8	89
Dr. Thomas Triska	Annual bonus	Group EBIT (€ million)	65 %	(30.3)	+ 10.3	72.3	134
		Group sales (€ million)	20 %	(10.2)	+4.9	942.8	182
		Average working capital (€ million)	15 %	+ 10.7	(6.5)	194.7	145
	Multiyear bonus	Average return on capital employed (%)	31 %	(22.4)	+ 14.5	8.3	112
		Individual performance of the Vossloh share (€)	34 %	(10.1)	+7.1	53.9	229
		Relative performance of the Vossloh share (€)	34 %	(7.2)	+8.9	53.9	89
Jan Furnivall	Annual bonus	Group EBIT (€ million)	65 %	(30.3)	+ 10.3	72.3	134
		Group sales (€ million)	20 %	(10.2)	+4.9	942.8	182
		Average working capital (€ million)	15 %	+ 10.7	(6.5)	194.7	145
	Multiyear bonus	Average return on capital employed (%)	31 %	(22.4)	+ 14.5	8.3	112
		Individual performance of the Vossloh share (€)	34 %	(10.1)	+7.1	53.9	229
		Relative performance of the Vossloh share (€)	34 %	(7.2)	+8.9	53.9	89

The target achievement values for the components of the 2021 multiyear bonus in the table above include the actual performance in the 2021 fiscal year and a preliminary assessment for the remainder of the assessment period.

Former members of the Executive Board

Former member of the Executive Board of Vossloh AG Mr. Werner Andree received remuneration granted and owed in the 2021 fiscal year and in the previous year in accordance with Section 162 (1) Sentence 1 of the German Stock Corporation Act (AktG) in the form of pension in the amount of €258,135. In accordance with Section 162 (5) of the German Stock Corporation Act (AktG), disclosures are not included for any former member who left the Executive Board prior to December 31, 2011.

Retirement benefits

The old contract for the current CEO includes an entitlement to receive pension payments upon reaching the age of 63. Depending on the years of service on the Executive Board, annual pension benefits after a minimum three-year Executive Board membership amount to 1 percent, or in the case of a first-time contract renewal 2 percent, up to a maximum of 40 percent of the pensionable annual basic remuneration. Upon the death of an active or former member of the Executive Board, the pension entitlement or the most recent pension paid to the surviving spouse is reduced to 60 percent.

The present value of the pension entitlement and the addition in accordance with the requirements of German commercial law and the pension expense in accordance with IFRS are provided in the following table:

€		Pension entitlements in accordance with the requirements of German commercial law: Amount paid in for the fiscal year	Pension entitlements in accordance with the requirements of German commercial law: Present value of pension obligation	Pension expense in accordance with IFRS
Entitlements to defined retirement benefits				
Oliver Schuster CEO since 10/1/2019	2020	370,147	1,643,783	339,511
	2021	419,735	2,063,518	313,555

Commitments in the event of premature termination of duties

In the event of an agreed premature termination of the employment contract, the Executive Board contracts contain commitments to pay out their expected remuneration for the regular remaining term of the contract, unless the termination is based on a unilateral resignation by the Executive Board member without good cause or on a revocation of the appointment for a reason that also constitutes good cause for the termination of the employment relationship. However, the commitments are in any case limited to a maximum of two years' remuneration (severance payment cap). Variable remuneration already earned is paid out under the remuneration system in accordance with the originally agreed targets and comparison parameters and according to the due dates specified in the contract. No payment obligations are made in the event of an early termination of Executive Board duties due to a change of control.

Loans to Executive Board members

No advances or loans were granted to any Executive Board members of Vossloh AG in the 2021 fiscal year.

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2021

The remuneration of members of the Supervisory Board is to be determined by the Annual General Meeting and governed by Section 17 of the Company's Articles of Incorporation. The remuneration system for the members of the Supervisory Board takes into account the responsibilities and scope of activities of the Supervisory Board members and complies with recommendation G.18 of the GCGC, in that the exclusively fixed remuneration ensures that the Supervisory Board performs its supervisory activities independently and effectively. The remuneration system for the Supervisory Board members developed by the Executive Board and Supervisory Board was approved by the Annual General Meeting on May 19, 2021, with a majority of 99.87 percent.

In addition to reimbursement for their expenses, Supervisory Board members receive a fixed annual remuneration for duties performed of €40,000 (gross) to be paid after the conclusion of the fiscal year. The Supervisory Board Chairman receives three times and the vice-chairman one-and-a-half times the above fee. Membership in a committee is compensated by a premium of one quarter of the aforementioned remuneration amounts. The Audit Committee Chairman receives three times the additional Audit Committee membership fee. If the Supervisory Board Chairman is also a committee member, no additional fee is to be paid for his activities on the committee. Supervisory Board members who are members of the Supervisory Board or a committee for only part of the fiscal year receive pro rata remuneration.

The table below provides information about the remuneration owed and granted to the members of the Supervisory Board in the 2021 fiscal year within the meaning of Section 162 of the German Stock Corporation Act (AktG).

	2021					2020				
	Fixed remuneration		Remuneration for activities on committees		Total	Fixed remuneration		Remuneration for activities on committees		Total
	€	%	€	%	€	€	%	€	%	€
Prof. Dr. Rüdiger Grube (Chairman since 2/9/2020)	120,000	100 %	0	0 %	120,000	110,000	100 %	0	0 %	110,000
Ulrich M. Harnacke (Chairman between 4/2/2019 and 2/9/2020; Deputy Chairman since 5/27/2020)	60,000	60 %	40,000	40 %	100,000	66,667	62 %	41,666	38 %	108,333
Dr. Roland Bosch (since 5/27/2020)	40,000	80 %	10,000	20 %	50,000	26,667	67 %	13,333	33 %	40,000
Dr. Bettina Volkens (since 5/27/2020)	40,000	80 %	10,000	20 %	50,000	26,667	67 %	13,333	33 %	40,000
Andreas Kretschmann	40,000	67 %	20,000	33 %	60,000	40,000	77 %	11,667	23 %	51,667
Marcel Knüpfer (since 6/1/2020)	40,000	100 %		0 %	40,000	23,333	100 %		0 %	23,333
Dr. Sigrid Evelyn Nikutta (until 5/27/2020; Deputy Chairwoman between 5/22/2019 and 5/27/2020)						25,000	75 %	8,333	25 %	33,333
Prof. Dr. Anne Christine d'Arcy (until 5/27/2020)						16,667	67 %	8,333	33 %	25,000
Michael Ulrich (until 5/31/2020)						16,667	67 %	8,333	33 %	25,000
Total	**340,000**		**80,000**		**420,000**	**351,668**		**104,998**		**456,666**

Consulting

No consulting agreements with Supervisory Board members existed in the 2021 fiscal year.

Loans to Supervisory Board members

In the 2021 fiscal year, no advances or loans were granted to any Supervisory Board members.

Comparative view of changes in board compensation, the results of operations and remuneration for employees

The table below provides a comparison between the change in the remuneration provided for the members of the Executive Board and Supervisory Board, and the change in the results of operations of Vossloh AG or the Vossloh Group and the average remuneration for employees.

%	2018 compared to 2017	2019 compared to 2018	2020 compared to 2019	2021 compared to 2020
Executive Board remuneration[1]				
Oliver Schuster (CEO)	(28) %	61 %	47 %	(1) %
Dr. Thomas Triska (CFO)				78 %
Jan Furnivall (COO)				79 %
Supervisory Board remuneration[2]				
Prof. Dr. Rüdiger Grube, Chairman of the Supervisory Board				0 %
Ulrich M. Harnacke, Deputy Chairman of the Supervisory Board	10 %	7 %	(8 %)	(8) %
Dr. Roland Bosch				(17) %
Marcel Knüpfer				0 %
Andreas Kretschmann	0 %	0 %	29 %	16 %
Dr. Bettina Volkens				(17) %
Earnings development				
Net income/net loss for the financial year in accordance with the German Commercial Code (Vossloh AG)	(131) %	(1.689) %	17 %	115 %
EBIT in accordance with IFRS (Vossloh Group)[3]	(23) %	3 %	31 %	(1) %
Average remuneration for employees on an FTE basis				
Remuneration for employees[4]	4 %	26 %	(16) %	(1)%

[1] Determined on a pro rata basis.
[2] Determined on a pro rata basis.
[3] Includes adjusted figure for 2019. If the adjusted EBIT had been used, the change between 2019 and 2018 would have been (170 %) and 294 % when comparing 2020 to 2019.
[4] Wages and salaries in accordance with IFRS (excluding discontinued operations); number of employees on FTE basis excluding the members of the Vossloh AG Executive Board.

The remuneration specified for the members of the Executive Board and Supervisory Board is equivalent to the remuneration granted and owed in the 2021 fiscal year within the meaning of Section 162 of the German Stock Corporation Act (AktG). The figures for the members of the Executive Board include basic remuneration, the annual variable remuneration granted for the fiscal year in question and the multiyear remuneration for the assessment period ending in that fiscal year. The results of operations is based on the company's net income disclosed in the separate financial statements of Vossloh AG in accordance with Section 275 (2) No. 17 of the German Commercial Code and the EBIT of the Vossloh Group. Remuneration for employees is based on the average remuneration excluding incidentals for all employees of the Vossloh Group on an FTE basis, including manager/executives within the meaning of Section 5 (3) of the Works Constitution Act and temporary staff. The bonus is included in the fiscal year in which the activity underlying the remuneration was completed in order to reflect the annual bonus for the members of the Executive Board. Any remuneration received by an employee who is also a member of the Supervisory Board of Vossloh AG is not included. In order to ensure the comparability of disclosures related to the earnings development and remuneration for employees, all employees working for a subsidiary reported as a discontinued operation in the consolidated financial statements for the relevant fiscal year are excluded.

Werdohl, Germany, February 28, 2022

Vossloh AG

The Executive Board
Oliver Schuster, Dr. Thomas Triska, Jan Furnivall

The Supervisory Board
Prof. Dr. Rüdiger Grube

Auditor's report

To Vossloh Aktiengesellschaft, Werdohl/Germany

We have audited the accompanying remuneration report of Vossloh Aktiengesellschaft, Werdohl/Germany, ("the Company") for the financial year from 1 January to 31 December 2021, including the related disclosures, which has been prepared to comply with Section 162 German Stock Corporation Act (AktG).

Responsibilities of the Executive Directors and of the Supervisory Board
The executive directors and the supervisory board of Vossloh Aktiengesellschaft, Werdohl/Germany, are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities
Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). These Standards require that we fulfil the professional responsibilities and that we plan and perform the audit so that we obtain reasonable assurance as to whether the remuneration report, including the related disclosures, is free from material misstatements.

An audit involves performing audit procedures in order to obtain audit evidence for the amounts stated in the remuneration report, including the related disclosures. The choice of the audit procedures is subject to the auditor's professional judgement. This includes assessing the risk of material misstatements, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the system of internal control, which is relevant to preparing the remuneration report, including the related disclosures. Our objective is to plan and perform audit procedures that are appropriate in the circumstances, but not to express an audit opinion on the effectiveness of the Company's system of internal control. An audit also comprises an evaluation of the accounting policies used, of the reasonableness of accounting estimates made by the executive directors and the supervisory board as well as an evaluation of the overall presentation of the remuneration report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from 1 January to 31 December 2021, including the related disclosures, complies, in all material respects, with the accounting principles of Section 162 AktG.

Other Matter – Formal Audit of the Remuneration Report
The content audit of the remuneration report described in this auditor's report comprises the formal audit required under Section 162 (3) AktG including the issuance of an auditor's report on this audit. Since our audit opinion on the content audit is unmodified, this audit opinion includes that the disclosures required under Section 162 (1) and (2) AktG are contained, in all material respects, in the remuneration report.

Intended Use of the Auditor's Report
We issue this auditor's report as stipulated in the engagement letter agreed with the Company. The audit has been performed for the purposes of the Company and the auditor's report is solely intended to inform the Company about the result of the audit.

Liability
This auditor's report is not intended to be used by third parties as a basis for any (asset) decision. We are liable solely to Vossloh Aktiengesellschaft, Werdohl/Germany, and our liability is also governed by the engagement letter dated 10 December 2021 agreed with the Company as well as the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" promulgated by the Institut der Wirtschaftsprüfer (IDW) in the version dated 1 January 2017 (IDW-AAB). However, we do not accept or assume liability to third parties.

Düsseldorf/Germany, 28 February 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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