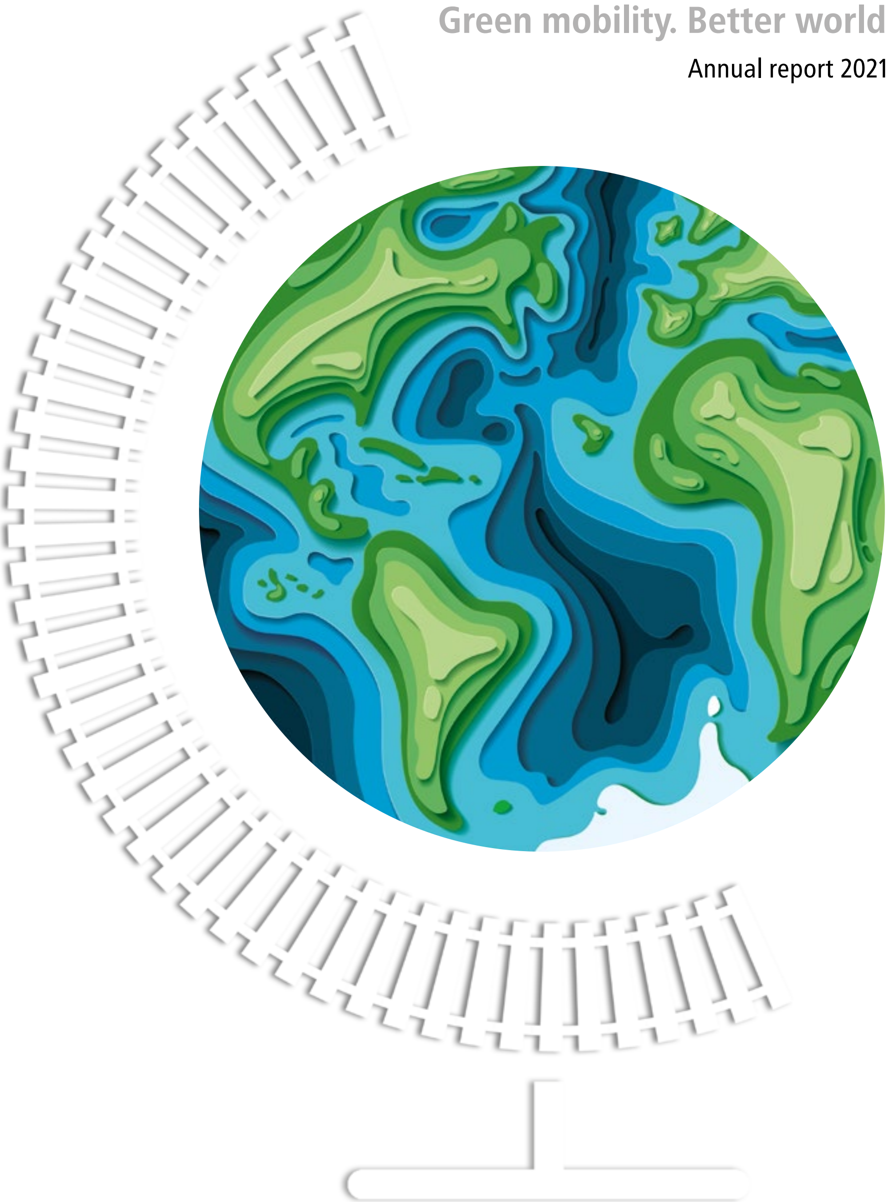
vossloh

enabling green mobility

Green mobility. Better world.

Annual report 2021



Key Group figures		2021	2020
Orders received	€ mill.	947.6	915.5
Order backlog	€ mill.	611.4	594.5
Income statement data			
Sales revenues	€ mill.	942.8	869.7
Core Components	€ mill.	429.1	375.3
Customized Modules	€ mill.	418.7	401.8
Lifecycle Solutions	€ mill.	115.5	103.8
EBITDA	€ mill.	124.2	123.1
EBITDA margin	%	13.2	14.2
EBIT	€ mill.	72.3	73.1
EBIT margin	%	7.7	8.4
Net interest result	€ mill.	(7.5)	(14.4)
EBT	€ mill.	64.8	58.7
Net income	€ mill.	35.9	20.8
Earnings per share	€	1.31	0.98
Return on capital employed[1,3]	%	8.1	8.4
Value added[1,3]	€ mill.	9.5	12.5
Balance sheet data			
Fixed assets[2,3]	€ mill.	726.0	694.1
Capital expenditure	€ mill.	51.3	68.7
Depreciation/amortization	€ mill.	51.9	50.0
Closing working capital	€ mill.	175.6	155.3
Closing capital employed[3]	€ mill.	901.6	849.4
Equity[3]	€ mill.	587.9	412.4
Noncontrolling interests	€ mill.	28.6	15.9
Hybrid capital	€ mill.	148.3	–
Net financial debt	€ mill.	174.0	307.4
Net financial debt (including lease liabilities)	€ mill.	215.6	351.3
Total assets[3]	€ mill.	1,289.4	1,214.4
Equity ratio[3]	%	45.6	34.0
Cash flow statement data			
Gross cash flow	€ mill.	125.1	112.9
Cash flow from operating activities	€ mill.	81.3	56.1
Cash flow from investing activities	€ mill.	(57.9)	(3.0)
Cash flow from financing activities	€ mill.	(30.8)	(67.4)
Free cash flow	€ mill.	30.6	4.0
Workforce data			
Annual average headcount	No.	3,612	3.482
Core Components	No.	879	938
Customized Modules	No.	2,150	1,987
Lifecycle Solutions	No.	520	498
Vossloh AG	No.	63	59
Personnel expenses	€ mill.	211.8	205.1
Share data			
Year-end closing price	€	45.15	41.35
Closing market capitalization as of December 31	€ mill.	793.0	726.3

[1] Based on average capital employed
[2] Fixed assets = intangible assets plus property, plant and equipment plus investment properties plus investments in companies accounted for using the equity method plus other noncurrent financial instruments
[3] Comparative information adjusted retrospectively in accordance with IAS 8; see explanations on page 133

"We live our guiding principle 'enabling green mobility' and contribute to a more sustainable future with our expertise."

Oliver Schuster CEO

Letter from the CEO

Dear shareholders,
ladies and gentlemen,

The last fiscal year was an uneven one for Vossloh, perhaps more so than any other in the company's history. Rarely have we seen such a combination of challenging conditions and disappointing reports on the one side and positive developments on the other in such a condensed manner. After the painful cuts in all areas of life in the wake of the pandemic, both on our personal and professional lives in 2020, we were looking forward to 2021. As we all know, the reality of the situation showed that this hope was misplaced. The challenges related to the COVID-19 pandemic remained in place. Supply chain disruption and increasing material prices have even intensified in some sectors.

2021 was also the year in which Heinz Hermann Thiele – a highly esteemed human being and one of Vossloh's most important supporters – left us far too soon. His unexpected death last year was a big shock to all of us. We will always appreciate his unique contribution to the process of stabilizing and realigning our company. In addition to leaving an unfillable hole, Heinz Hermann Thiele left us with a vision – a vision of a sustainably and profitably growing Vossloh Group, with the unique expertise and ambition to be the global leader in track-related products and services. This vision is what drives us forward. As the Executive Board, we remain committed to making this vision a reality.

In view of the economic performance we took a big step forward towards this goal in the year under review. Despite all the challenges facing the company in the 2021 fiscal year, we remained on track for sustainable and profitable growth together with our roughly 3,600 employees. Sales revenues went up to €942.8 million, a year-on-year improvement of 8.4 percent. Operating EBIT rose from €57.5 million to €72.3 million, while the operating EBIT margin improved by 1.1 percentage points to 7.7 percent. This was an outstanding performance in light of the significant impact that price increases of materials, logistics and energy had on earnings.

We are also highly satisfied with the order situation. Orders received went up by 3.5 percent year on year, with the year-end order backlog 2.8 percent higher than at the end of 2020. We are beginning to see renewed demand for our products and services in many countries. This will more than offset the temporary downturn in demand we have seen in some countries due to the pandemic. The book-to-bill ratio was 1.01 in 2021. It is important to note that this indicator does not include some significant sales successes. Only a small part of the framework agreements won in 2021 totaling well in excess of €200 million are represented in the orders received figure, as only the orders made under these agreements are recognized as orders received. These include framework agreements for the delivery of switch components and systems for state-owned railroad operators in Australia (ARTC), the Netherlands (ProRail), Norway (Bane NOR) and Brussels Intercommunal Transport Company (STIB), as well as the delivery of concrete ties to Queensland Rail in Australia.

Ladies and gentlemen, I am extremely confident that the good order situation will continue in the current fiscal year. We received a €90 million order in early February 2022 - one of the largest in the company's history. This will be included in the orders received over time as individual lots are ordered. Over the next few years, we will supply around 1.3 million concrete ties to state-owned rail operator ARTC through our Australian subsidiary Austrak. We secured another major order in China for rail fastening systems in February 2022, worth nearly €40 million. This means that the planned sales revenues in the Chinese high-speed segment for 2022 are already secured on the basis of the current delivery plans for the orders we have been awarded. We have also been awarded a future-oriented order for three maintenance machines for the Shenzhen metro in China. These can be operated completely emission-free for the first time. All of these factors give us confidence for the future and provide a solid foundation for future organic growth.

Our business model is not only sustainable, it is also benefiting from the increased political will to invest in rail networks. This includes the European Commission's Green Deal, which also declared 2021 the "European Year of Rail". We are convinced that shifting traffic from roads to rail networks has a key role to play in combating climate change, and we are not alone in that opinion. We believe that we have a duty to contribute to that process and are taking responsibility in this area.

All our production facilities in Germany switched to using exclusively green power some time ago. We have also implemented a number of extensive measures to reduce the amount of CO_2 emissions generated in connection with the products and services that we provide and have already received excellent ratings from renowned ESG agencies. In 2021, we introduced a Group-wide sustainability guideline which provides the principles and organizational framework for all of Vossloh's sustainability activities and initiatives. The EU Taxonomy Regulation – a standardized system for classifying ecologically sustainable economic activities – came into effect for the first time for the 2021 fiscal year. An outstanding 100 percent of our sales revenues in the 2021 fiscal year are considered taxonomy-eligible. In order to be classified as taxonomy-aligned, Vossloh's sales revenues need to be related to electrified rail lines – this is ultimately not something that we can control. With regard to our sales revenues in 2021, the value that is taxonomy-aligned on this basis is a significant 62 percent. Independent of the criterion regarding electrification, it is beyond doubt that the use of non-electrified rail lines to transport people and goods is a far more environmentally friendly method than any other mode of transport.

In the past fiscal year we completed our multiyear "factory of the future" project at our company headquarters in Werdohl. All of the production facilities are complete, and the automated and interlinked manufacturing with a greatly increased level of vertical integration hast started successfully. The factory is now running at full capacity and has significantly boosted our competitiveness. Opening the factory was one of the factors which helped us to take back the market leadership in the German rail fastening systems market.

I and my colleagues on the Executive Board are particularly excited about the valuable ideas developed by our employees and submitted through the "Fit4Future" idea management program, which was rolled out across the Group in 2021. Since then, over 700 ideas have been submitted by more than 500 participants. The response has been overwhelming. We have already implemented just under 200 suggestions, with many more to follow. I would like to take this opportunity to thank all our employees for the commitment, endurance and loyalty they showed last year. Without all of their efforts, Vossloh would not be where it is today.

We are aiming for continued growth. In February 2021, we became one of the first companies in Germany to place a hybrid note linked to sustainability ratings. This €150 million note gave us the additional financial flexibility that we need for organic and inorganic growth. In January 2022, we issued a Schuldschein loan with a volume of €25 million, a seven-year term and a fixed interest rate of 0.8 percent as part of a refinancing. These extremely attractive terms underline the confidence that the capital market has in our company.

As planned, we have already used some of this additional financial flexibility to expand our range of products and services, to strengthen our position in specific growth markets and for targeted innovations. Our acquisition of Dutch company ETS Spoor BV at the end of July 2021 was another step towards strengthening our position in the rail infrastructure market. The acquired company has a wide range of complementary products and services. It has a strong market position in the particularly innovative Dutch market, which is already a pioneer for future-oriented business models.

Jan Furnivall (COO)

Oliver Schuster (CEO)

Dr. Thomas Triska (CFO)

Dear shareholders, Vossloh has everything it needs for sustainable success. We look forward with great confidence. We are forecasting sales revenues of between €925 million and €1 billion in 2022, with an EBIT margin of between 7.5 percent and 8.5 percent. Vossloh, therefore, expects EBIT to go up once again in 2022. Due to our excellent overall performance and our confidence about the future, the Executive Board and Supervisory Board of Vossloh AG will propose a dividend of €1.00 at the upcoming Annual General Meeting.

Ladies and gentlemen, transparency breeds trust. On behalf of everybody on the Executive Board, I would like to thank you for the trust that you have shown us this last fiscal year. We hope that you will stay with us as we remain on course for profitable and sustainable growth. Together, we can play our part in advancing green mobility in the interest of both the economy and environment.

Yours sincerely,

Oliver Schuster
Chief Executive Officer, Vossloh AG

Overview of the year 2021

Q1 2021

- Vossloh receives the **largest order in the company's history** to date for the delivery of switch systems with a volume of around €50 million **to Australia**. The Inland Rail project will be equipped over a period of five years. The 1,700-km freight line will connect the eastern Australian cities of Melbourne and Brisbane; 600 km of this will be newly built and the rest will be modernized.

- Vossloh concludes a comprehensive framework contract for **the supply of switches in the Netherlands.** The framework agreement with ProRail BV, the state-owned operator of the roughly 7,000-km rail network, includes options for the period to 2028. In addition to technical and economic parameters, ProRail specifically included the topic of sustainability in its decision to award the tender.

- Vossloh chooses innovative financial paths and becomes one of the first companies in Germany to place a **sustainability-oriented hybrid note**. The repayment amount is linked to Vossloh's sustainability performance, which will be evaluated by means of independent sustainability ratings. The greater financial flexibility will be used to expand the current portfolio of products, to strengthen the company's position in certain growth markets, and for targeted innovations.

- Remembering **Heinz Hermann Thiele**: The 79-year-old principal shareholder and former Chairman of Vossloh AG's Supervisory Board passes away in Munich. Through his enormous financial commitment and especially his personal dedication, he had a significant impact on the company and led it safely through the complex restructuring and realignment process over several years.

- The **Thiele family** will remain committed to the Company as a **main shareholder of Vossloh**. In the future, their investment in Vossloh, which is held through holding companies, will be transferred to a family trust as specified in Heinz Hermann Thiele's will.

- Joint venture Rhomberg Sersa Vossloh is awarded a contract from InfraLeuna for **digitalization of the rail infrastructure** at the Leuna site in order to optimize management of the track system over the long term. This means that one of Germany's largest chemical parks now relies on our MR.pro asset management software.

2021

Q2 2021

/ Vossloh signs a long-term framework contract for the delivery of **tram switches**. The Brussels-based transport company Société des Transports Intercommunaux de Bruxelles (STIB) will thereby cover all its needs for tram switches and spare parts for the next ten years. The contract has an overall value of nearly €40 million.

/ All agenda items suggested by the Executive and Supervisory Boards at the **Annual General Meeting** are approved by a large majority. This includes a proposed dividend of €1.00 per share. Around 74 percent of the overall share capital is represented.

/ The sales revenues and operational profitability of the Vossloh Group grow significantly in the first three months of 2021 compared to the same period of the previous year. It is **the best operating performance in a first quarter for a decade.**

/ Vossloh develops a milling tool specifically for the complete processing of grooved rails, which is successfully introduced in the spring by Düsseldorfer Rheinbahn AG. Through a combination of the HSG-city, which has been managed independently for more than five years, and rail milling service contracts as needed, the Düsseldorf-based network operator possesses adequate instruments for **noise-reducing rail maintenance.**

Q3 2021

/ Vossloh **increases the sales forecast** for 2021; the EBIT margin forecast is confirmed despite significant rises in material prices.

/ The **establishment of Vossloh Rail Services Italia S.r.l.** is both the result of the positive development of the market and also part of Vossloh's consistent orientation as an **asset management specialist**. Soon afterwards, a smart HSG-city is deployed in Milan. This ensures customized maintenance through diagnostics and grinding services.

/ Vossloh acquires the **Dutch company ETS Spoor BV** (ETS). ETS is an established and leading **"one-stop shop"** with a broad range of products and services. With the acquisition of its long-time business partner, the Vossloh Group strengthens its strategically important position in the Dutch rail infrastructure market, which offers outstanding growth prospects. In 2020, ETS achieved sales revenues of approximately €20 million and is now part of the Lifecycle Solutions division.

/ Bane NOR, the **Norwegian** state-owned infrastructure operator, concludes a large framework contract with Vossloh. The agreement primarily includes the delivery of **switches and crossings for conventional rail lines** as well as the development of a new switch series for heavy-haul lines. The value of the contract over the entire term including options exceeds €80 million. Sustainability criteria played a key role in winning the contract.

Q4 2021

/ Vossloh signs an important framework contract in **Australia**. Over the next three years, Vossloh will deliver **concrete ties** produced at its plant in Rockhampton (Queensland) to the state-owned rail company Queensland Rail (QR).

/ The Kalyon Group, a leading Turkish construction group specializing in infrastructure projects, awards Vossloh with a large order for 147 switches in various shapes, including spare parts and additional track components. The line connecting the cities of Bandirma, Bursa and Osmaneli in northwestern Turkey will be equipped. This involves the construction of a two-track high-speed line that considerably reduces travel times for people and goods. Vossloh had already equipped several **high-speed routes in Turkey** in previous years.

/ Vossloh is once again awarded a contract for the delivery of rail fastening systems for the construction of a **high-speed route in South China**. The systems will mostly be delivered in 2022. The contract has a volume of over €30 million and is proof of our consistently strong position in one of the world's most important rail markets. The Chinese high-speed network currently extends over 40,000 km and is growing rapidly.

/ Deutsche Bahn successfully completes the comprehensive modernization of several routes with an overall length of 193 km on the **Berlin-Hamburg high-speed line**. Vossloh delivered prefabricated long-rails with a total length of around 400 km from its welding plants just in-time, and was solely responsible for the rail logistics.

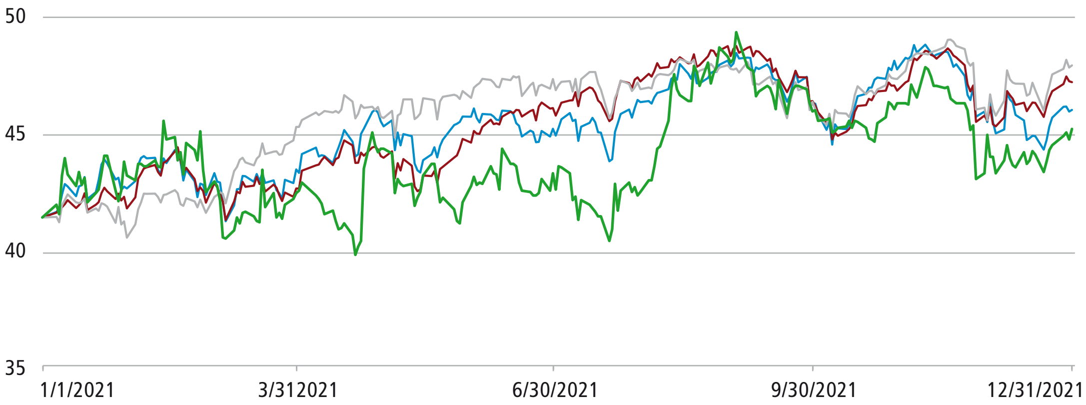
Vossloh stock

Stock markets ultimately saw significant gain in the 2021 fiscal year despite a consistently high level of volatility. The DAX ended the year at 15,885 points, up 16 percent compared to the end of 2020. The MDAX and SDAX also closed the year up an impressive 14 percent and 11 percent respectively. The performance of the indexes over the course of the year was mainly affected by the continuation of the COVID-19 pandemic and its impact on the economy. The DAX saw significant gains in the first half of 2021 as infection rates went down and the economy recovered. The index climbed above the 15,000 mark for the first time at the end of March. The ongoing commitment of the European Central Bank to low interest rates and the U.S.' $1.9tn stimulus package had a positive effect on the stock market.

The DAX remained between 15,000 and 16,000 points for the majority of the second half of the year. The share price fell significantly at several points due largely to rising inflation that was partly spurred by the high price of energy and raw materials. Stock markets were negatively affected by supply bottlenecks, rising infection rates and the emergence of the Omicron variant in November. In the last two trading weeks of the year, the DAX once again recorded significant gains. The MDAX and SDAX closed the year at record highs of 35,123 and 16,414 points respectively.

Vossloh AG stock also performed extremely well and increased by 9 percent over the course of the 2021 fiscal year. Investors who reinvested the dividends paid out in 2021 would have enjoyed a 12 percent increase, comparable to the development of the indexes. Vossloh stock started the year at €41.50 on January 4, 2021. The shares performed extremely well up to the end of February in a volatile environment before some significant downturns in March and April. The Vossloh stock price reached its low point for the year of €39.35 on April 21.

Stock price trend from January 1, 2021 to December 31, 2021



Vossloh share:
WKN 766710
ISIN DE0007667107
Reuters VOSG.DE
Bloomberg VOS:GR

Vossloh stock indicators		2021	2020
Earnings per share	€	1.31	0.98
Dividend per share[1]	€	1.00	1.00
Annual average number of shares outstanding	thousand shares	17,564	17,564
Number of shares outstanding at year-end	thousand shares	17,564	17,564
Closing share price	€	45.15	41.35
Price high/low	€	49.45/39.35	42.50/23.60
Closing market capitalization	€ mill.	793.0	726.3
Trading volume	thousand shares	3,041	3,854
Average daily trading volume	thousand shares	11.9	15.2

[1]Proposed dividend for the 2021 fiscal year, subject to the approval of the Annual General Meeting

Over the course of the next few months, Vossloh shares revived their strong start to the year, posting a notable 13 percent increase in August. It reached its year-high of €49.45 on September 3 and closed the year at €45.15. This corresponds to a market capitalization of €793.0 million at year-end.

The Deutsche Börse announced some significant changes to the SDAX index on September 3, 2021, including the fact that Vossloh AG stock would be removed from the index on September 20, 2021.

Dividend

The Executive Board and Supervisory Board of Vossloh AG will propose a dividend of €1 per share for the 2021 fiscal year at the Annual General Meeting scheduled for May 18 (previous year: €1). This equates to a dividend payout of approximately €17.6 million.

Shareholder structure

Nadia Thiele and Robin Brühmüller who is the executor of the estate of the late Heinz Hermann Thiele hold 50.09 percent of the shares in Vossloh AG based on their most recent voting interest notifications, making them the largest shareholders. Another shareholder of Vossloh AG with voting rights exceeding the legal reporting threshold of 3 percent is Franklin Mutual Advisers, LLC, Wilmington, Delaware, USA, which holds 4.99 percent of capital stock. In line with the definition provided by Deutsche Börse AG, any shareholdings below 5 percent are included in free float market capitalization. As a result, the free float of Vossloh AG's share capital was 49.91 percent on December 31, 2021. According to this definition, the market capitalization of freely available shares totaled around €386 million using a volume-weighted average price over the previous 20 trading days up to the reporting date of December 30, 2021.

Analysts' ratings

From late February 2022, the Vossloh AG share was being tracked by seven financial analysts, who issue reports and assessments at regular intervals. Six of them recommended buying Vossloh stock while one recommended holding. The average price target for Vossloh shares was €55 based on the analysts' ratings made available up to the end of February 2022. The lowest price target was €53 and the highest was €58.

Sustainability

Vossloh AG's sustainability measures have been assessed by a number of international rating agencies for several years. Such ratings play a particular role for Vossloh. In early 2021, the Group was one of the first companies in Germany to place a sustainability-oriented hybrid note. The repayment amount of the bond is linked to Vossloh's sustainability performance as measured by ISS ESG and MSCI ESG Research ratings. ISS ESG has awarded Vossloh Prime status, which means that Vossloh AG is in the top ten percent in its industry. MSCI ESG Research has given the Company a rating of A (on a scale from AAA to CCC) for its sustainability efforts. EcoVadis also provides regular assessments of Vossloh from a sustainability standpoint. Vossloh's sustainability performance currently has Silver status, placing it in the top ten percent of all companies assessed by EcoVadis. For more information about sustainability at Vossloh, please refer to page 79 et seq. of the nonfinancial Group statement.

Capital market dialog

The Executive Board and the Investor Relations team of Vossloh AG were in regular contact with institutional and private investors in the 2021 fiscal year. The exchange of information with the capital market was intensified significantly in 2021. Vossloh took part in several capital market conferences and organized its own events with investors and analysts in the reporting year. In addition, Vossloh representatives have used regular conference calls as a way to maintain links with the capital market for a number of years.

The Executive Board and the Investor Relations Team of Vossloh AG is glad to be at your disposal for any inquiries submitted in writing or in person. Additional information about the company and Vossloh AG stock is available at www.vossloh.com. In addition to up-to-date financial reports, presentations and press releases, the website also provides information about creditor relations. You can send an email to investor.relations@vossloh.com or call us at (02392) 52609.

RESPONSIBILITY FOR GREEN MOBILITY

Global megatrends like population growth, urbanization and globalization are pushing traditional mobility concepts to their limits. Rail-based passenger transport is the obvious and logical alternative to cars, particularly in large urban areas. More and more goods are being transported around the world due to the division of labor and products being manufactured and consumed in different regions. Providing an efficient and sustainable way to handle this increasing demand for both passenger and goods transport capacity is without a doubt one of the biggest challenges we face in the 21st century.

Sustainability is a well-established pillar of doing business responsibly and is long past being just a trend. Both economy and society at large need to change, and they will. The 195 signatories to the Paris Climate Accords are committed to combating climate change and limiting global warming compared to pre-industrial levels. We have an obligation to future generations to act and do business sustainably.

Green mobility is the future

The transport sector accounts for around a quarter of the world's CO_2 emissions. Decarbonizing the mobility system has a vital role to play when it comes to protecting our climate over the long term. In light of the increasing demand for mobility, the only way to reduce emissions from motorized transport is to make greater use of the greenest mode of transport available: rail. Rail handles 11.3 percent of freight and 6.8 percent of passenger transport in the European Union, while accounting for just 0.5 percent of the greenhouse gases emitted by the transport sector as a whole. There's also a welcome side-effect for those who choose to invest in rail transport. External costs – related to accidental damage and noise, for example – are much lower for rail than other methods of transport. Rail also requires far less space.

A domestic flight ***generates 42 times*** *the greenhouse gas emissions per passenger and kilometer of a* ***high-speed train (254 grams compared to 6 grams). A car*** *driven by a single person* ***generates 171 grams*** *on average.*

Greater levels of rail traffic on the political agenda worldwide

The European Green Deal calls for a 100 percent increase in high-speed transport volumes by 2030, as well as a 100 percent rise in freight transport by 2050. The German rail network will see 86 billion euros from the German government over the next 10 years under the service and financing agreement signed in 2020. Italy plans to invest 23 billion euros in rail, the majority of which will go towards expanding the high-speed network. Investments in excess of 10 billion euros are planned in Eastern Europe. Some of these funds will go towards Rail Baltica, a planned rail link from Warsaw to Tallinn via Kaunas and Riga, with an onward connection to Helsinki. The USA plans to invest 66 billion dollars in long-distance passenger transport networks, with an additional 90 billion dollars earmarked for passenger rail networks in and around major cities. Australia has announced that it will invest more than 15 billion euros in rail infrastructure projects.

Availability remains the key

Over the short to medium term, extending rail networks will only facilitate a relatively small increase in rail traffic, particularly in Europe. Existing routes will be required to take on a higher level of traffic in order to meet the targets that have been set, leading to greatly increased traffic density.

This has a number of very positive implications for Vossloh. Increased use of existing networks will inevitably lead to greater wear and tear. This will lead to greater demand for our cutting-edge, reliable, and safe products and solutions. This has been our core competence for over 135 years.

Another important consideration is that the amount of time available for maintenance will go down as traffic density goes up. Maintenance needs to be far more efficient by becoming condition-based and predictive. With a uniquely comprehensive range of products, Vossloh has in-depth knowledge of the physics of all track components, in addition to how they interact in a system. This expertise plays a vital role in our ability to offer our customers tailored maintenance solutions.

Vossloh intends to be climate-neutral by 2030.

RESPONSIBILITY FOR THE PLANET

As a leading global rail technology company focused on rail infrastructure, Vossloh's vision is to make the world a better place by clearing the track for reliable, safe and convenient mobility, combined with zero emissions. We are making this vision a reality by providing innovative products, services and tailored solutions for reliable and resilient rail infrastructure. Our brand promise – "enabling green mobility" – demonstrates our commitment to sustainable governance and combating climate change. Sustainability isn't just a buzzword for us – it's at the heart of who we are.

100 percent green energy
at all German production facilities.

We have a key role to play in helping the transport sector meet its climate change and environmental targets. It's not enough for us that rail is already a green mode of transport. It's the how that's important. Vossloh has added sustainability to its strategy as a central pillar and incorporated it into its Company values. We are convinced that successful companies have to include economic, social and ecological factors in their decisions and behavior. Conserving resources and keeping our emissions as low as possible are the guiding principles for our products, services, manufacturing processes and all of our other business processes.

Committed to sustainability

Long-term success for a company involves contributing to society as a whole and protecting the livelihoods and opportunities of future generations. That's why Vossloh's Executive Board issued a sustainability commitment in October 2021 in light of the need to act sustainably. Vossloh also has a sustainability policy which ensures that the Group's structures and processes are organized in such a way that Vossloh can live up to this commitment. It creates an organizational framework with responsibilities and procedures, roles and areas of authority, in addition defining a process for identifying key focus areas for Vossloh. Sustainability therefore plays a vital role in every area of our Company.

Green Factory of the future

Linear production processes, a high level of automation and increased vertical integration are the main characteristics of the factory of the future in Werdohl, which began operating in 2021. The ability to manufacture additional components of our rail fastening system in-house significantly reduces transport times. We have reduced our CO_2 emissions by 30 percent since 2017 (in the comparable part of our production processes), in line with our internal objectives. We are also planning to install a solar power system to cover a portion of our energy requirements.

Next generation tension clamps

In addition to providing clear advantages for our customers, Vossloh's new generation of tension clamps are also good for the environment in a number of different ways. With visibly different geometry, they offer properties optimized to meet the increasingly demanding requirements of rail operators. The new tension clamps also have a smaller carbon footprint than the previous generation. Reduced weight and space requirements also help improve the tension clamps' green credentials. Vossloh's *protect* premium coating provides long-lasting corrosion protection for bolts and tension clamps, even under extreme environmental conditions. The manufacturing and application processes do not use any chemicals that are harmful to the environment.

Improved environmental credentials for rail ties

Vossloh Tie Technologies is about to launch a pilot project in the USA which will incorporate CO_2 in the manufacturing process for concrete ties. The project captures CO_2 emitted previously, thereby reducing our carbon footprint. Injecting CO_2 into the concrete slightly reduces the cement content, further reducing the greenhouse gases produced by the manufacturing process.

Vossloh's composite tie is made from the innovative material amalentic, which is mainly derived from industrial-grade recycled material. The tie itself is completely recyclable after a service life of up to 50 years. Due to their weight, versatility and service life, composite ties are a particularly good replacement for wooden ties which are impregnated with chemicals that are extremely hazardous to the environment.

Switch construction on track to carbon neutrality

The Customized Modules division is reviewing all of its business processes, as well as every step in manufacturing and all of the materials and components used in switches, in order to find new ways to achieve carbon neutrality by 2030. Ongoing projects include electrifying Company vehicles and production equipment, buying green energy, installing photovoltaic systems on buildings, LED lighting and recycling packaging. The division is documenting every phase of the product life cycle to analyze and optimize the impact of development and project management, purchasing and transport, manufacturing, shipping, operation and disposing of products.

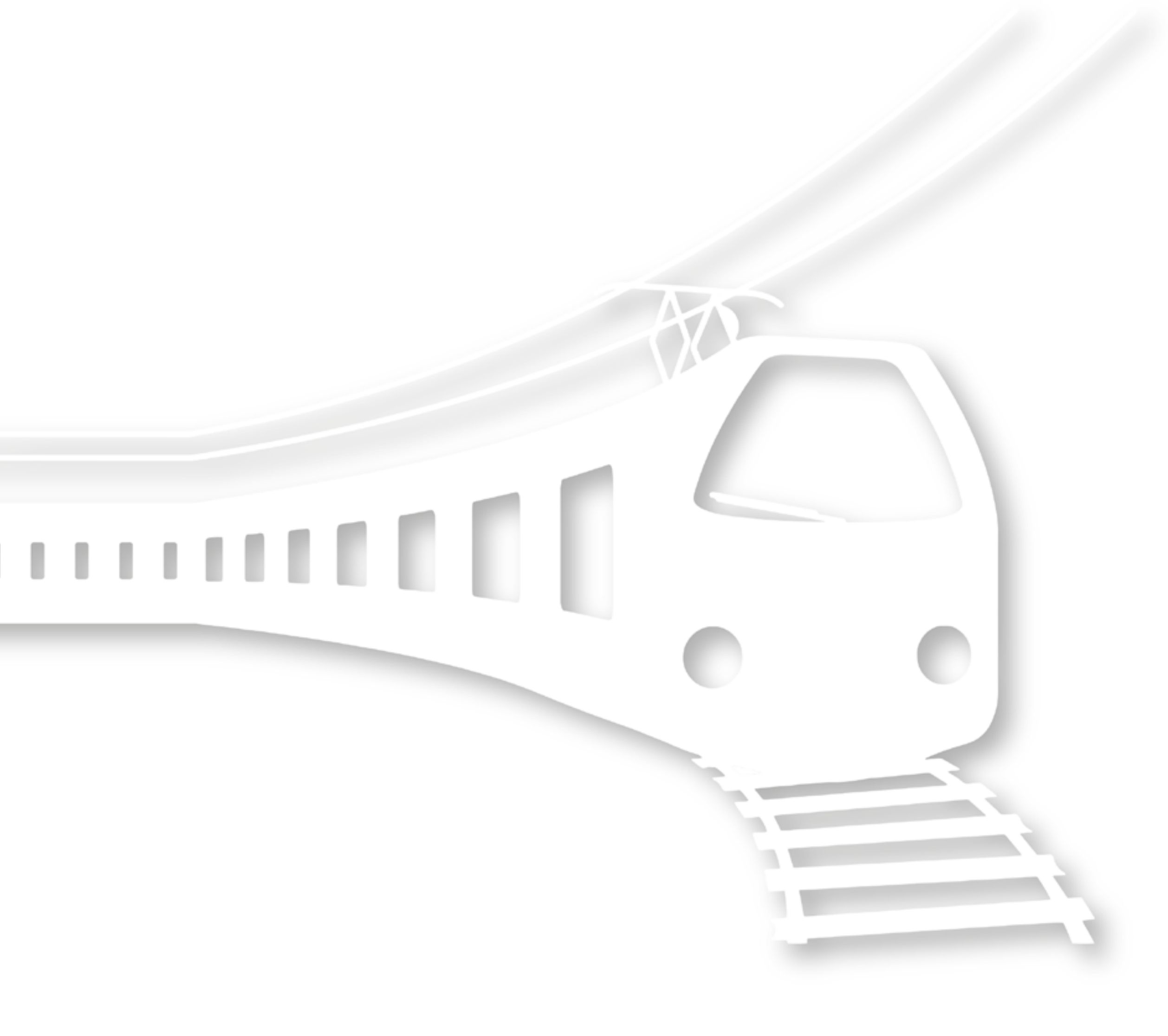
Electrification of rail processing machines

We delivered the first completely emission-free high-speed rail grinder to a customer in China at the beginning of 2022. The electricity needed for suction, hydraulics, the compressor and small-scale consumers can be supplied directly from the traction vehicle thanks to an external power connection near the coupling.

__Global warming__ is already underway and will put additional strain on rail infrastructure, already under pressure from ever-increasing transport volumes. The temperature of a track is __around 20 degrees (Celsius) higher__ than the air temperature when exposed to direct sunlight. However, Vossloh's rail fastening systems provide __a combination of flexibility and stability__. This ensures that loads are distributed evenly, maintaining the __service life__ of the track even in extremely high temperatures. Vossloh's composite rail ties are also designed to handle __extreme temperatures.__

RESPONSIBILITY TO OUR STAKEHOLDERS

Sustainability means so much more than looking after the environment. The wellbeing of the people who work with us and for us, the financial interests of our investors and our customers' need for efficient infrastructure: we have a responsibility to society to meet all of these needs.



Culture of collaboration

Vossloh has established a system of values in recent years which guides how we treat each other, both internally and how we interact with our external partners and stakeholders. We recently put this system of values into words after focusing the Group on rail infrastructure and drawing up our Group strategy. We added sustainability as a fifth value to our core values of passion, excellence, entrepreneurship, and trust and respect. This topic has become a vitally important area for the workforce, in line with the expectations of our customers, investors, employees, young talent and suppliers.

Values come to life when people embody them in their interactions. That's why Vossloh has established clear guidelines on how it expects employees to behave: We create value for Vossloh, drive constant improvement and we are close to our people. These principles guide how we work together within our system of values and form the basis of how we act as a company.

Long-term success amid global competition is only possible if we conduct our business in a responsible manner. This includes both the Company and its employees adhering to applicable laws, respecting basic ethical values and acting in an exemplary fashion at all times and in all scenarios. Vossloh is committed to the guiding principles of sustainable development and recognizes its growing global significance for the environment, economy and society.

*It is our **shared ideas and values** which guide us and make us a team. Our slogan **“enabling green mobility”** makes it clear that we are committed to sustainable, safe and convenient mobility.*

All staff members follow the ***VIP principles*** *no matter who they are dealing with: We create Value for Vossloh, drive constant Improvement and we are close to our People.*

Sustainable financing

Global investors have found that companies who have integrated sustainability into their day-to-day business tend to have more stable performance over the long term, and therefore represent a less risky proposition for investors. In line with our commitment to sustainability, we are convinced that doing business in a sustainable way protects against risk. The placement of our innovative hybrid note made us one of the first German companies to take an approach to financing geared to sustainability. The redemption amount of the hybrid note is tied to our sustainability performance, as determined using independent ratings from ISS ESG and MSCI ESG. Vossloh is transparent about its performance in this area. Vossloh's groundbreaking hybrid note means that its ability to access additional capital will largely depend on its sustainability performance in the near future. This will be a significant growth driver in future, just like digitalization.

The first-time application of the EU taxonomy in the 2021 fiscal year clearly underscores our commitment to sustainability. Given that Vossloh's business supports to rail-based transport, which is environmentally sustainable, 100 percent of Group sales in 2021 are taxonomy-eligible. Furthermore, a major share of Group sales of 62 percent is taxonomy-aligned. In accordance with currently applicable EU regulations, products and services for non-electrified routes are not included here. Additional information on the derivation and calculation of values can be found in the nonfinancial Group statement.

Vossloh has the tools to improve efficiency

Network operators – some of our most important customers – make a significant contribution to green mobility by ensuring that rail networks can handle as much traffic as possible without disruption. Maximizing route availability lowers both energy consumption and emissions because trains can keep moving without stopping and starting. A smooth-running network with punctual trains encourages people to take the train out of convenience and shipping companies to use trains to ensure reliable transport links.

Vossloh supplies customers with the tools they need to maximize the efficiency of rail networks. By collecting and interpreting track condition data, we can supply tailored and highly efficient maintenance services that provide genuine added value for our customers. Let's take Sweden as an example: Vossloh is running a landmark project using sensors to monitor 1,000 strategically important switches in the Swedish network. Switches account for around 40 percent of all network disruption. Sensor boxes developed in accordance with Vossloh specifications record acceleration forces as well as environmental and other system parameters. A traffic light system is used to flag deviations from pre-defined thresholds. These deviations are interpreted using additional criteria such as the age of the switch, product models, weather and the intensity with which the route is being used. We can then provide maintenance recommendations based on the real-world strain experienced by the switch. Vossloh can also provide all of the relevant maintenance services – from spare parts through to grinding, milling and high-speed switch replacements.

GREEN MOBILITY.
BETTER WORLD.

If mobility remains as vitally important as it currently is, the transport sector needs to reduce its carbon footprint significantly. There's no way for this to happen without increasing our use of rail – our most environmentally friendly means of mass transport – over the coming decades. The political will to decarbonize the transport sector has materialized in a variety of investment programs for rail networks around the world. The European Commission, for example, has set itself the target of reducing greenhouse gas emissions from the transport sector by 90 percent by the year 2050.

We are playing our part in driving green mobility forward in order to make the world a better place for all. Green mobility is attractive and predictable for users because it's socially responsible, makes efficient uses of resources and is designed to offer maximum availability.

We look after the planet by taking responsibility for and minimizing the negative impact our products, services and business processes have on the environment. We are convinced that this is the right way for us to be successful and achieve our financial objectives. It's also part of our DNA.

We take responsibility for the people who work with and for us. It's people that make the difference in a rapidly-changing world.

We help our customers and play our part in making sure that the trains run on time. Vossloh provides a range of well-established and continuously optimized sustainable products and tools for maximizing the efficiency of rail networks. In conjunction with our commitment to sustainable governance, we are building a path to a better world.

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Supervisory Board of Vossloh AG

Prof. Dr. Rüdiger Grube, *Chairman, managing partner of Rüdiger Grube International Business Leadership GmbH and former CEO of Deutsche Bahn AG, Hamburg*

Ulrich M. Harnacke, *Deputy Chairman, independent auditor, tax advisor and management consultant, Mönchengladbach*

Dr. Roland Bosch, *Managing Director of WOLFF & MÜLLER Holding GmbH & Co. KG, Königstein im Taunus*

Marcel Knüpfer, *Technical Manager and Shift Leader, Zwenkau*

Andreas Kretschmann, *social security employee, Chairman of the Works Council of Vossloh Fastening Systems GmbH and Chairman of the Group Works Council, Neuenrade*

Dr. Bettina Volkens, *independent advisor and member of numerous Supervisory Boards, Königstein im Taunus*

Report of the Supervisory Board

Dear shareholders,

Once again in the last fiscal year, the Supervisory Board discharged the duties incumbent upon it pursuant to the law and the Articles of Incorporation with due care, continually monitored the work of the Executive Board and advised the Executive Board on the Company's management. The Executive Board met its information obligations and regularly informed the Supervisory Board of all the issues relevant to Vossloh AG and the Group with regard to corporate strategy, planning, business development, the ever-changing risk situation, and compliance on a comprehensive and prompt basis, in written and in verbal form. This also included information about deviations in the actual development from the previously reported targets and deviations in business performance from the plans.

The Supervisory Board discussed the Executive Board's reports in detail. In addition, it discussed and verified the plausibility of the economic situation depicted in these reports as well as the development prospects of the Group, the individual divisions/units and the key investees in Germany and abroad together with the Executive Board. The Supervisory Board was involved in all decisions of significance to the Company and was therefore assured at all times of the legality, appropriateness and regularity of the work of the Executive Board. At all times, the Supervisory Board members had sufficient opportunity to critically examine and comment on the reports and draft resolutions presented by the Executive Board. Insofar as the approval of management decisions or measures was required pursuant to statutory regulations, the Articles of Incorporation or the Rules of Procedure, the members of the Supervisory Board examined the draft resolutions and granted the necessary approval.

The Executive Board also informed the Supervisory Board of significant events between meetings. In addition, there was a regular exchange of information between the Chairman of the Supervisory Board and the CEO outside of meetings. In this way, the Supervisory Board was always informed of the intended business policies, the business plans including financial, investment and staff planning, profitability, the business situation, the corporate strategy and the overall situation of the Company and the Group.

Focus of the meetings

Seven meetings were held in the 2021 fiscal year. The Supervisory Board convened for four ordinary meetings on March 17, May 18, September 9 and November 25, 2021. Extraordinary meetings were held on February 12, July 14 and September 9, 2021. All the Supervisory Board meetings were attended by all of the members of the Supervisory Board. Attendance was therefore 100 percent during the year under review. The members of the Supervisory Board were also in regular contact for the purpose of discussing and preparing for meetings. The members of the Executive Board took part in the meetings of the Supervisory Board whenever the Supervisory Board believed it was necessary. The Supervisory Board also met to discuss individual agenda items without the members of the Executive Board. The Supervisory Board also heard from relevant experts and individuals on specific topics, such as the auditor at the balance sheet meeting.

In the last fiscal year, the Supervisory Board and Executive Board discussed the further development of the Vossloh Group at every meeting. In addition, the Executive Board reported on the business situation in all the meetings and provided detailed information regarding the development of sales revenues and earnings in the individual business units, on business development opportunities and risks, and on key managing measures. The Supervisory Board also continually addressed the status of the regulatory and civil proceedings relating to earlier anticompetitive agreements, compliance issues and the ongoing development of the Vossloh Compliance-Management-System. The ongoing COVID-19 pandemic and its impact on operations were addressed on a regular basis from the beginning of the pandemic onwards. The Supervisory Board also focused on the following issues in the individual meetings:

The extraordinary meeting on February 12, 2021 addressed the issue of the hybrid note, which the Supervisory Board approved after careful consideration. The placement of this sustainability-oriented hybrid note will bolster Vossloh's growth strategy.

The balance sheet meeting on March 17, 2021, considered in particular the auditing of the separate and consolidated financial statements for 2020 as well as the format, agenda and the draft proposals for the Annual General Meeting on May 19, 2021. The Supervisory Board also used this meeting as an opportunity to discuss preparations for the Annual General Meeting, remuneration for members of the Executive Board and staffing topics.

The meeting on May 18, 2021 dealt with standard reporting topics as well as the transformation of the Customized Modules division. The Supervisory Board also used this meeting to prepare for the virtual Annual General Meeting in 2021. In addition, the Supervisory Board looked at the topic of leadership excellence, talent development and succession planning, The meeting also addressed making changes to the Rules of Procedure of the Supervisory Board.

At the extraordinary meeting on July 14, 2021, the Supervisory Board discussed the planned acquisition of ETS Spoor BV and approved the project after discussing it in detail with the Executive Board. The acquisition of ETS Spoor BV is another step in the implementation of the corporate strategy and strengthens the competitive position of Vossloh in the important Dutch market – a reference market for future-oriented business models in the rail infrastructure sector.

In addition to standard reporting topics, the meeting on September 9, 2021 (which was held at the Hamburg site of the Lifecycle Solutions division) discussed the Lifecycle Solutions division, staffing topics and the position of the Company in the capital market. The Supervisory Board held an extraordinary meeting on the same day to discuss the alignment of the Group and the corporate strategy. The Supervisory Board and Executive Board discussed the corporate strategy which had been developed in 2020, in addition to reviewing the extent to which the strategy had been implemented and making any necessary changes.

At its final ordinary meeting of the year on November 25, 2021, the Supervisory Board focused standard reporting topics, business development in the fiscal year under review as well as planning for the years 2022 through 2024. The Supervisory Board approved the budget for 2022 following an in-depth examination and discussion with the Executive Board. In autumn 2021, the Supervisory Board performed an extensive efficiency review with external assistance and discussed the positive outcomes of the self-assessment in detail. The agenda also included setting targets for the number of women on the Supervisory Board and Executive Board. The Supervisory Board took the opportunity to amend the requirements and targets for its composition. The meeting also addressed Vossloh's sustainability strategy. Together with the Executive Board, the Supervisory Board approved the Declaration of Conformity with the German Corporate Governance Code (GCGC) and set the performance targets which will affect remuneration for Executive Board members in the 2022 fiscal year.

The Supervisory Board and the Company are committed to providing support for new members and continuous training for existing Supervisory Board members. The Company provides the members of the Supervisory Board with an appropriate level of support in this regard. The September meeting of the Supervisory Board was held at the headquarters of the Lifecycle Solutions division in Hamburg. The members of the Supervisory Board inspected the rail profiling machine manufacturing site, deepened their knowledge of the division and met with the division's local and international management. In November, the meeting included a presentation on corporate governance, provided by external parties.

Supervisory Board committees

The Supervisory Board has formed three committees in order to execute its duties efficiently: the Personnel Committee, the Audit Committee and the Nomination Committee. These committees focus on the issues assigned to them and prepare decisions for plenary meetings where necessary. Insofar as is permissible by law and considered appropriate by the Supervisory Board, the Supervisory Board has also transferred its decision-making authority to the committees in certain cases. The committee chairs report on relevant issues and the results of discussions in the plenary Supervisory Board meeting following each committee meeting. The minutes of the meetings of the Audit Committee are made available to the Chairman of the Supervisory Board.

As in the previous year, the Audit Committee convened on six occasions in the fiscal year under review. All Audit Committee meetings were attended by all of the committee members. The Executive Board is present in full at these meetings if the Audit Committee believes that the participation of the Executive Board is required. Almost every meeting was attended by representatives of the auditor and the individuals responsible for Accounting and Legal Affairs & Compliance at Vossloh AG. The Heads of relevant central divisions are also available for reports and to answer questions. Other experts were asked to attend in order to provide input about specific agenda items.

Among other things, the Audit Committee focuses its activities in particular on auditing the Company's accounts, the separate and consolidated financial statements prepared by the Executive Board, the combined management report, the dependent company report (Section 312 AktG), the proposal for the appropriation of net earnings and related party transactions which the Supervisory Board has charged the Audit Committee to monitor.

Following an extensive discussion in the presence of the auditor based on the auditor's reports for the audit of the annual financial statements of Vossloh AG and the Vossloh Group and of the combined management report, the Audit Committee decided to recommend the approval of the consolidated financial statements, the financial statements of Vossloh AG and the combined management report for the 2020 fiscal year to the Supervisory Board during its meeting on March 17, 2021. At its meetings on April 28, July 27 and October 27, 2021, the Audit Committee discussed the half-year report and the quarterly statements with the Executive Board before their publication.

The Company's relationship with the auditor also falls within the responsibility of the Audit Committee. The committee submitted a proposal to the full Supervisory Board on March 17, 2021, to appoint an auditor, and subsequently awarded auditing responsibility to the auditor elected by the Annual General Meeting as part of the meeting on September 9, 2021 and agreed the focal points of the audit and the remuneration with the auditor. The committee also monitored the auditor's independence and assessed the quality of the audit. The auditor may only be contracted to perform nonaudit services subject to the mandatory approval of the Audit Committee.

In all of its meetings, the Audit Committee also dealt with the key risks and legal and compliance issues. The Audit Committee discussed the main risks identified within the Group in detail with the Executive Board, as well as the necessity and adequacy of the risk provisioning, in particular also for risks due to legal disputes relating to earlier anticompetitive agreements. The Audit Committee also considered compliance issues continuously and in depth, and received comprehensive information about related issues, how they were being handled and the ongoing monitoring and improvement of Vossloh's Compliance Management System. In addition, the Audit Committee dealt extensively with the Company's internal control system. The Audit Committee also deals with environmental and social concerns, as well as any related opportunities and risks for the Group. The Audit Committee focused on compliance topics and issues related to CSR reporting. Internal Audit provided the Audit Committee with information about its activities during the 2021 fiscal year at the meeting on November 25, 2021.

The Nomination Committee and Personnel Committee did not meet in the year under review as there were no changes in the members of the Supervisory Board and Executive Board.

Corporate Governance and Declaration of Conformity

The Supervisory Board is committed to ensuring effective corporate governance. At its meeting on November 25, 2021, the Supervisory Board considered the recommendations of the GCGC and, together with the Executive Board, issued a Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). This was made permanently accessible on the Company website (see page 33 of the annual report). With two exceptions, Vossloh AG has been in compliance with all of the recommendations laid out in the December 16, 2019 version of the GCGC since submitting its most recent declaration of conformity in November 2020 and will remain in compliance in future. Details of the Supervisory Board's corporate governance report can be found in the Declaration on Corporate Governance (starting on page 30 of the annual report).

Separate and consolidated financial statements for 2021

The annual financial statements of Vossloh AG in accordance with German accounting standards, the consolidated financial statements in accordance with the International Financial

Reporting Standards (IFRS) applicable in the EU and the combined management report for Vossloh AG and the Group for the 2021 fiscal year, including the accounting, were examined by the auditor duly appointed by the Annual General Meeting on May 19, 2021, Deloitte GmbH Wirtschaftsprüfungsgesellschaft based in Munich (Düsseldorf office), and were each issued with an unqualified audit opinion. In its audit opinion, the auditor concluded that the Executive Board had taken the necessary steps to put in place an appropriate risk identification system as required by Section 91 (2) AktG and that the system was suitable for identifying going concern risks early on.

The auditor also examined the dependent company report prepared by the Executive Board (Section 312 AktG) in accordance with Section 313 AktG and issued the following audit opinion: "After due and proper examination and assessment, we hereby confirm, first of all, that the information contained in the report is correct and second, that payment made by the Company for the legal transactions stated in the report was not inappropriately high."

The financial statements including the nonfinancial Group statement (Section 315b HGB) and the auditor's reports were distributed to the members of the Supervisory Board in good time prior to the meeting held on March 16, 2022, to approve the financial statements. During the meeting, the auditor reported on the key findings of their audit and provided additional information. The Supervisory Board comprehensively discussed all the issues that arose in relation to these documents following the Audit Committee's preparations and in the presence of the auditor. The auditor also reported on the Vossloh Group's early risk detection system. The auditor additionally heard, read and acknowledged other information including the Declaration of Conformity in accordance with Section 161 AktG, the Declaration on Corporate Governance and the nonfinancial statement of the Group (Section 315b HGB) and found nothing that suggested this information constituted a material misrepresentation. The Supervisory Board also contracted Deloitte GmbH Wirtschaftsprüfungsgesellschaft to perform a voluntary audit of its nonfinancial Group statement (Section 315b HGB) in accordance with ISAE 3000 (Revised) to achieve a certain degree of assurance therefor, as well as the remuneration report in accordance with Section 162(1) AktG. These did not result in any objections.

The Supervisory Board likewise reviewed the annual financial statements submitted by the Executive Board, the consolidated financial statements and the combined management report for Vossloh AG and the Vossloh Group for the 2021 fiscal year including the nonfinancial Group statement (Section 315b HGB), the dependent company report including the Executive Board's closing statement, the remuneration report in accordance with Section 162(1) AktG and the proposal for the appropriation of net earnings. According to the final result of its own review, the Supervisory Board raised no objections. The Supervisory Board approved the annual financial statements and consolidated financial statements on December 31, 2021. The annual financial statements were thus adopted on December 31, 2021. The Supervisory Board concurred with the combined management report, in particular the statements on the Company's continued development and the disclosures pursuant to Sections 289a and 315a of the German Commercial Code (HGB), the dependent company report and the remuneration report in accordance with Section 162(1) of the German Stock Corporation Act (AktG). The Supervisory Board approved the Executive Board's proposal for the appropriation of the 2021 net earnings, which recommended the payment of a dividend in the amount of €1.00 per dividend-bearing share.

The Supervisory Board would like to thank the Executive Board and all employees of the Vossloh Group for their dedication in the successful 2021 fiscal year. Despite the wide range of challenges facing the Company, including the impact of the ongoing pandemic and pricing and supply issues in international material and logistics markets, Vossloh performed superbly in the past fiscal year.

Werdohl, Germany, March 16, 2022

The Supervisory Board
Prof. Dr. Rüdiger Grube
Chairman

Declaration on Corporate Governance/ Corporate Governance Report

The following Declaration on Corporate Governance in accordance with Sections 289f (1) and 315d of the German Commercial Code is the central element of the corporate governance reporting process (Principle 22 of the German Corporate Governance Code (GCGC) as per December 16, 2019). The Executive Board and Supervisory Board issue the Declaration on Corporate Governance together and are each responsible for the relevant sections of the Declaration.

Management and control structure

Vossloh AG is subject to the provisions of Germany's Stock Corporation Act (AktG), capital market legislation and codetermination laws as well as its own Articles of Incorporation. As with all German stock corporations, Vossloh AG has a dual management and monitoring structure as reflected in the two bodies, the Executive Board and the Supervisory Board. The Annual General Meeting is responsible for important fundamental decisions made by the Company. All three bodies are obligated to act in the best interests of the Company and its shareholders.

Executive Board

The three members of the Executive Board are responsible for jointly running the Company. As CEO, Mr. Oliver Schuster is responsible for coordinating the work of the Executive Board in the areas of Strategy and M&A, Media Relations, Legal Affairs and Compliance, IT and Digital Business, Innovation and Research & Development, Human Resources and Internal Audit. As Chief Financial Officer, Dr. Thomas Triska is responsible for Accounting and Taxes, Controlling, Treasury and Investor Relations. As Chief Operating Officer, Mr. Jan Furnivall is responsible for Sales, Technology, EHS/Sustainability and Marketing Communication. Divisions are also allocated to individual members of the Executive Board. Mr. Oliver Schuster is responsible for the Core Components division, Dr. Thomas Triska for the Customized Modules division and Mr. Jan Furnivall for the Lifecycle Solutions division. More information on the members of the Executive Board of Vossloh AG can be found on page 170 of this annual report.

The work of the Executive Board is regulated by the Executive Board's Rules of Procedure. The work of the Executive Board is regulated by the Executive Board's Rules of Procedure. The members of the Executive Board work cooperatively and inform one another on an ongoing basis about important measures and events within their respective areas of responsibility. The entire Executive Board makes decisions regarding all significant issues. Potential conflicts of interest are immediately made known to the Supervisory Board and the other Executive Board members. Secondary employment requires the prior approval of the Supervisory Board.

The Supervisory Board is responsible for the appointment and dismissal of the Executive Board members. In this regard, the Supervisory Board observes specific target figures stipulated by the German Act on Equal Participation of Men and Women in Executive Positions in the Public and Private Sectors and also the age limit stipulated for members of the Supervisory Board in the Rules of Procedure (i.e. the statutory retirement age). The Supervisory Board discusses the issue of long-term succession planning on a regular basis (at least once per fiscal year) in order to identify and develop suitable female and male candidates and so that vacancies can be filled as quickly as possible with the most suitable candidate.

Vossloh AG has concluded D&O insurance policies against economic loss for Executive Board and Supervisory Board members with a deductible amounting to 10 percent of the loss up to one-and-a-half times the fixed annual remuneration of the board member in question.

Supervisory Board

The Supervisory Board, which comprises six members in accordance with Article 10 (1) sentence 1 of the Articles of Incorporation, is composed subject to the provisions of Germany's One-Third Participation Act (DrittelbG) and the Stock Corporation Act (AktG). Two thirds of its members are shareholder representatives and one third is made up of employee representatives. In accordance with the recommendations of the German Corporate Governance Code, the shareholder representatives were elected individually. The terms in office of all the current Supervisory Board members end on conclusion of the Annual General Meeting in 2023, at which a resolution will be passed to formally approve the actions of the Supervisory Board members in the 2022 fiscal year. More information on the members of the Supervisory Board of Vossloh AG, including how long they have been on the Board, can be found on page 171 of this annual report.

The Supervisory Board oversees and advises the Executive Board on its management of business and discusses business development, planning, the strategy and its implementation, risk management and compliance issues with the Executive Board at regular intervals. It approves the annual plan, adopts the annual financial statements of Vossloh AG and approves the consolidated financial statements, in addition to deciding whether or not to approve related party transactions in accordance with Section

111b of the German Stock Corporation Act. Certain material transactions and measures regulated by the Executive Board's Corporate Governance Rules of Procedure are subject to the approval of the Supervisory Board. The work methods of the Supervisory Board are regulated by the Rules of Procedure, which are published on the company's website.

The Supervisory Board most recently stipulated concrete targets for its composition at its meeting on November 25, 2021, and developed a competency profile for the body as a whole. The "Requirements and Objectives for the Composition of the Vossloh Aktiengesellschaft Supervisory Board" are published on the Company's website and also include the diversity concept. With regard to diversity, the Supervisory Board is setting its sights on a composition within the parameters of the Company-specific situation that takes into account a varied career and international experience and, in particular, the appropriate involvement of all genders. The Supervisory Board has set itself a target of at least 16.67 percent women (one female member of the Supervisory Board) for the target period between December 15, 2021 and December 14, 2026. This target is currently being met.

The Supervisory Board's other requirements and objectives regarding its composition relate, in addition to other factors, to the full board's expertise, the independence of its members, potential conflicts of interest, availability, an age limit (usually 70) and the duration of board tenures (usually no longer than three terms). The Supervisory Board meets these requirements and objectives with its current composition. Specifically, the Supervisory Board members have the necessary professional and personal qualifications. Regarding independence, the Supervisory Board has determined that more than half the shareholder representatives should be independent from the company and the Executive Board in accordance with Recommendation C.7 of the GCGC while taking Vossloh's shareholder structure into consideration. The Supervisory Board concludes that as of December 31, 2021, all shareholder representatives on the Supervisory Board were deemed independent within the meaning of Recommendations C.6 and C.7 of the GCGC and furthermore are considered to be independent from the majority shareholder of Vossloh AG in the sense of Recommendation C.9. The election proposals put to the Annual General Meeting by the Supervisory Board are to accommodate the "Requirements and Objectives for the Composition of the Vossloh Aktiengesellschaft Supervisory Board" as adopted by the Supervisory Board.

The Supervisory Board performs its duties both as a plenary body and through its three current committees, which it established to improve the efficiency of its activities. The committee chairs report on relevant issues and the results of discussions in the plenary Supervisory Board meeting following each committee meeting.

The Personnel Committee currently has four members: Prof. Dr. Rüdiger Grube, Dr. Bettina Volkens, Mr. Ulrich M. Harnacke and Mr. Andreas Kretschmann. The Personnel Committee is mainly responsible for Executive Board matters. It prepares personnel decisions, resolutions and the reviews of the full Supervisory Board regarding the remuneration system and the total remuneration of the individual Executive Board members. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee.

The Audit Committee is first and foremost responsible for monitoring accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the financial statement audits and compliance. Its members are Mr. Ulrich M. Harnacke, Dr. Roland Bosch and Mr. Andreas Kretschmann. The Audit Committee prepares the Supervisory Board's auditing of the annual and consolidated financial statements, the combined management report and the audit reports of Vossloh AG and the Vossloh Group. The quarterly statements and half-year report are discussed jointly by the Audit Committee and the Executive Board prior to publication. The Audit Committee recommends auditors to the Supervisory Board and commissions audits for the annual financial statements and consolidated financial statements and reviews of interim reports. It also works with the auditor to define which areas their audit will focus on, and assesses the quality of audits based on a range of criteria. The Audit Committee also obtains regular reports directly from the Internal Audit department and the Chief Compliance Officer. The members of the Audit Committee also exercise their right of access in accordance with Section 107(4)(4) of the German Stock Corporation Act. The Audit Committee also reviews related party transactions in accordance with Sections 111a(2)(1) and (2). The Chairman of the Audit Committee remains in contact with the auditor on a regular basis outside of the meetings of the Audit Committee. The Chairman of the Audit Committee is Mr. Ulrich M. Harnacke. Mr. Harnacke is a tax adviser and auditor and the former managing director of Deloitte & Touche GmbH. As a financial expert with expertise in the area of auditing and accounting, he meets the requirements stipulated in Section 100 (5) AktG. He is also considered independent (Recommendations C.10 and D.4 of the GCGC). Dr. Roland Bosch is a managing director of WOLFF & MÜLLER Holding GmbH & Co. KG and the former CEO of Deutsche Bahn Cargo AG. His expertise lies in a number of areas, including accounting (Section 100 (5) AktG)).

The Nomination Committee is responsible for long-term succession planning for the Supervisory Board and for preparing candidate proposals for employee representatives on the Supervisory Board. Its four members are Dr. Rüdiger Grube, Dr. Bettina Volkens, Dr. Roland Bosch and Mr. Ulrich M. Harnacke. The Supervisory Board then selects the election proposals that will be presented to the Annual General Meeting for an appointment decision. The Chairman of the Nomination Committee is Prof. Dr. Rüdiger Grube.

The Supervisory Board assesses the efficiency of its activities and its committees on a regular basis. The Supervisory Board does this by alternating between using external assistance and performing internal evaluations. The performance of the Supervisory Board and its committees was last reviewed between September and November 2021 with independent external support. The review was extremely encouraging. It focused on the basic understanding of the Supervisory Board, committee work, the issues covered in meetings, the composition of the Supervisory Board, reporting by and communication with the auditor and the composition and work of the committees.

Every Supervisory Board member is obligated to act in the Company's best interests. Potential conflicts of interest must be reported to the Chairman of the Supervisory Board immediately. Members of the Supervisory Board are required to recuse themselves from any decision made by the Supervisory Board regarding them individually or related parties or companies. No member of the Supervisory Board received remuneration or benefits for personally rendered services in addition to their emoluments for their Supervisory Board activities. There are no former members of the Executive Board on the Supervisory Board of Vossloh AG.

Compliance

Vossloh considers compliance to be conduct in line with all the applicable laws and internal guidelines. As a global enterprise with an approximately 135-year history, Vossloh has a social responsibility toward its customers, partners, employees, investors and the public. This social responsibility involves Vossloh and all its employees adhering to the applicable laws, respecting basic ethical values and acting in an exemplary fashion at all times and in all situations in the course of their work.

The Executive Board of Vossloh AG has unequivocally summed up these principles in its Compliance Commitment, which states: *"Compliance with the law has absolute priority over closing a deal or achieving internal targets. We would rather forgo a business opportunity than violate the law. We will not tolerate any violation of the law or of our internal guidelines and policies and will sanction any such behavior (zero tolerance policy)."* The Compliance Commitment is also published on the Company's website. The Executive Board of Vossloh AG has put a Compliance-Management-System in place for the Vossloh Group. The Vossloh Compliance-Management-System is designed to identify compliance violation risks and to minimize these risks in order to prevent Vossloh and its employees from incurring damage. Anticorruption and the strict observance of antitrust regulations play a particularly important role.

Since 2007, the Vossloh Compliance-Management-System has been based on the Vossloh Code of Conduct, which stipulates and precisely defines the values of integrity and upstanding business conduct and is mandatory for the entire Group and all employees. The Code of Conduct was comprehensively revised and enhanced in 2016. The latest version is available on the Company's website. With this and the compliance guidelines, which apply equally throughout the Group and were likewise revised in 2016, all the employees have a canon of rules that serves as a yardstick for their daily work and helps them make good and lawful decisions. The compliance rules are available in the Group's main languages and have been distributed to all Vossloh Group employees around the world. Based on a compliance training concept, all the employees receive regular training on compliance issues that is tailored to the target group in question. Vossloh has also established a compliance e-learning program for all employees with a computer workstation.

To implement and monitor compliance, the Executive Board established the Compliance Organization, stipulating its structure, the responsibilities and tasks of the individual compliance positions, and their reporting channels in the "Rules of Procedure of the Compliance Organization". The Vossloh Compliance Organization comprises the Chief Compliance Officer (supported by a Compliance Office), the Group Compliance Committee at Vossloh AG, Compliance Officers and Compliance Committees within the business units and Local Compliance Officers within the operating companies. The Chief Compliance Officer regularly reports to the Executive Board and Supervisory Board.

Vossloh set up a whistleblower hotline in partnership with an international law firm in order to uncover potential compliance violations. The whistle-blower hotline allows company employees and external whistle-blowers to report possible misconduct to an independent external contact (ombudsperson). The whistleblower hotline has so far been set up for 24 countries. As such, the main regions and the languages spoken within the Vossloh Group are essentially covered. The Chief Compliance Officer follows up all reports and implements appropriate measures where necessary. The same applies for reports which employees can make internally. Employees can contact the Compliance Office directly.

The Chief Compliance Officer and the Group Compliance Committee continually review the effectiveness throughout the Group of the Compliance Management System. In the 2017 fiscal year, the Vossloh Group's compliance management system was subjected to a comprehensive audit in accordance with Assurance Standard 980 of the Institute of Public Auditors in Germany (IDW) (IDW AsS 980) by KPMG AG Wirtschaftsprüfungsgesellschaft regarding the subsections of antitrust law and anticorruption. The audit was performed as an effectiveness assessment and was concluded in February 2018. KPMG confirmed that the Vossloh Group's Compliance Management System is implemented appropriately and was effective in the period under review. Vossloh has published the audit report on the Company website under "Corporate Governance" > "Compliance" in the "Investor Relations" section.

The Group Compliance Committee additionally performs regular general audits, usually with the assistance of external auditors, in order to check the effectiveness of the Compliance Management System within the Group companies and to identify new or changed risks and any scope for improvement.

Risk and control management

The principles of good corporate governance include responsible business risk management. The Vossloh AG Executive Board and the management teams of Vossloh Group companies have Group-wide and company-specific reporting and control systems at their disposal that ensure that such risks are recorded, assessed and managed. The systems are continually checked for their effectiveness, adapted to changing parameters if applicable and examined by the auditor as part of the statutory auditing requirements. As described above, the Supervisory Board and Audit Committee are regularly briefed on and involved in the risk management process. Details of risk management within the Vossloh Group can be found in the risk report section (from page 65 of this annual report). This also includes the report on the accounting-related internal control and risk management system.

Declaration of conformity

Once again in 2021, the Executive Board and Supervisory Board of Vossloh AG dealt extensively with the recommendations of the German Corporate Governance Code. Vossloh's corporate governance practices are regularly reviewed accordingly.

The Executive Board and Supervisory Board issued the following Declaration of Conformity in November 2021:

Declaration of Conformity with the German Corporate Governance Code by the Executive Board and the Supervisory Board of Vossloh Aktiengesellschaft

Since the submission of the most recent Declaration of Conformity in November 2020, Vossloh Aktiengesellschaft has complied with all of the recommendations of the German Corporate Governance Code as amended on December 16, 2019 (GCGC) published in the Federal Gazette by the Federal Ministry of Justice on March 20, 2020, with the exceptions listed below. It will remain in compliance in future, with the exceptions listed below.

Recommendation C.4: "A Supervisory Board member who is not a member of any Executive Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as Chairman of the Supervisory Board being counted twice."

Explanation: It should remain possible to assess whether the number of mandates of a Supervisory Board member is appropriate, based, among other factors, on the amount of time required for each mandate. The Chairman of the Supervisory Board of the Company Dr. Grube has accepted Supervisory Board mandates at two other listed companies (Vantage Towers AG, Hamburger Hafen- und Logistik AG and RIB Software SE), and is the Chairman of the Supervisory Board at two. Dr. Grube has four other mandates at companies which are not listed (see disclosure on the Company's website). These could be considered comparable functions in the sense of GCGC Recommendation C.4. In the opinion of the Executive Board and Supervisory Board, Dr. Grube significantly enriches the company due to his outstanding expertise and many years of experience in the industry. This is not impaired by his aforementioned mandates. In particular, Dr. Grube has sufficient time to diligently fulfill his role as the Chairman of the Company's Supervisory Board.

Recommendation G.10: "Taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Executive Board members only after a period of four years."

Explanation: A share price-based component currently accounts for around 1/3 of the variable remuneration for Executive Board members. The Supervisory Board considers this to be sufficient. In the opinion of the Supervisory Board, increasing the weighting of the share-based components could reduce the focus on consistently achieving significant operational indicators. In addition, the Supervisory Board takes into account the fact that for share price-based remuneration components, changes in the share price depend not only on the performance of the Executive Board members, but also on external factors over which the company and its bodies do not have any influence. The Supervisory Board takes the view that using a four-year assessment period for the long-term variable remuneration of Executive Board members (or a payout block of an additional year directly after the three year period) is not appropriate, particularly in light of the fact that the GCGC recommends that the first-time appointment of Management Board members should be for a period of not more than three years – a recommendation which the Company puts into practice on a regular basis.

This declaration of conformity and others from previous years are available on the Vossloh AG website.

Shareholders and Annual General Meeting

The shareholders of Vossloh AG exercise their rights at the Annual General Meeting, including their voting rights. The Chairman of the Supervisory Board usually presides over the Annual General Meeting. The Annual General Meeting makes binding decisions in all of the matters assigned to it by law, in particular regarding the appropriation of net earnings, formal approval of the actions of the Executive Board and Supervisory Board and the election of the auditor, as well as Intercompany agreements, corporate action and other amendments to the Articles of Incorporation. Each Vossloh share entitles the holder to one vote at the Annual General Meeting. The shareholders may exercise their voting rights themselves at the Annual General Meeting or have them exercised by an authorized representative of their choosing or by a Company-nominated proxy acting on their instructions. The voting results can be found on the Company website immediately after the Annual General Meeting.

Investor Relations

Vossloh ensures that its shareholders and other capital market participants all receive the same information in a swift and efficient manner. All the information published by Vossloh regarding the Company is immediately made accessible on the Company website www.vossloh.com in English and German. This applies in particular to the annual report, the half-year report, the interim quarterly statements and the invitation to the Annual General Meeting. The scheduled dates of major recurring events and publications, specifically the Annual General Meeting, annual reports and interim reports and statements, are listed in a financial calendar that is published in good time on the Vossloh AG website. The consolidated financial statements are published within 90 days of the end of the fiscal year, and the half-year report and interim statements are made public at the latest within 45 days of the end of the reporting period. If circumstances arise at Vossloh outside of the regular reporting that directly affect Vossloh and have the potential to significantly influence the stock market price of the Vossloh share, these are immediately made known by means of ad hoc disclosures in accordance with Article 17 of the Market Abuse Regulation. In addition, the website www.vossloh.com provides extensive and up-to-date information on the Vossloh Group and the Vossloh share.

Accounting and auditing

Vossloh Group accounting is based on the International Financial Reporting Standards (IFRS) as applicable in the EU. The annual financial statements of Vossloh AG, on the other hand, are prepared in accordance with the German Commercial Code (HGB) as stipulated by law. Both the consolidated financial statements in accordance with IFRS and the separate financial statements pursuant to German accounting regulations were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in accordance with the German regulations and taking into account the generally accepted German auditing principles promulgated by the Institute of Public Auditors in Germany (IDW), this audit firm having been elected by the 2021 Annual General Meeting at the Supervisory Board's proposal. The audit work was contracted by the Supervisory Board's Audit Committee in accordance with the recommendations of the German Corporate Governance Code following verification beyond doubt of the auditor's independence. An agreement was reached with the auditor that the auditor would notify the Supervisory Board without delay of any findings or events of significance to the Supervisory Board's duties that came to light in the course of its audit and would notify the Supervisory Board of any facts identified that would make its declaration of conformity with the German Corporate Governance Code incorrect. No indications of any such facts were identified in the course of the audit. The condensed interim consolidated financial statements and the interim Group management report as of June 30, 2021, were subjected to an auditor's review.

Involvement of women and men in executive positions

The Supervisory Board and Executive Board set the targets outlined below for Vossloh AG in accordance with the relevant legislation (for information on the targets for the Supervisory Board, see the "Supervisory Board" section above).

On November 25, 2021, the Supervisory Board set a target of 0 percent for the Executive Board of Vossloh AG, which currently comprises three male members, for the next target period up to December 14, 2026. The Supervisory Board justified this target as follows:

"The Supervisory Board of Vossloh AG is well aware of the legal requirements related to increasing the number of women in leadership positions and its responsibilities when it comes to achieving gender equality. The Supervisory Board has set a target of 16.67 percent of places being occupied by women (equivalent to one women in the body as a whole, which is made up of six people and four shareholder representatives). Vossloh AG is not legally required to appoint a woman to the Executive Board. After carefully considering the circumstances, the Supervisory Board believes that it would currently be difficult to apply a long-term voluntary target in excess of "zero".

The Supervisory Board discusses the issue of long-term succession planning on a regular basis (at least once per fiscal year) in order to identify and develop suitable female and male candidates and so that vacancies can be filled as quickly as possible with the most suitable candidate. The Supervisory Board is committed to ensuring that the Executive Board actively promotes suitable female talent. Mainly because of the small size of Vossloh AG's Executive Board, a general diversity concept is not in place for the Executive Board. Instead, the Supervisory Board makes every effort to find the most suitable candidates for vacant spots on the Executive Board on a case-by-case basis. Executive Board members are selected on the basis of a systematic search, which focuses in particular on expertise and personality, and numerous other features, including the diversity of the Executive Board.

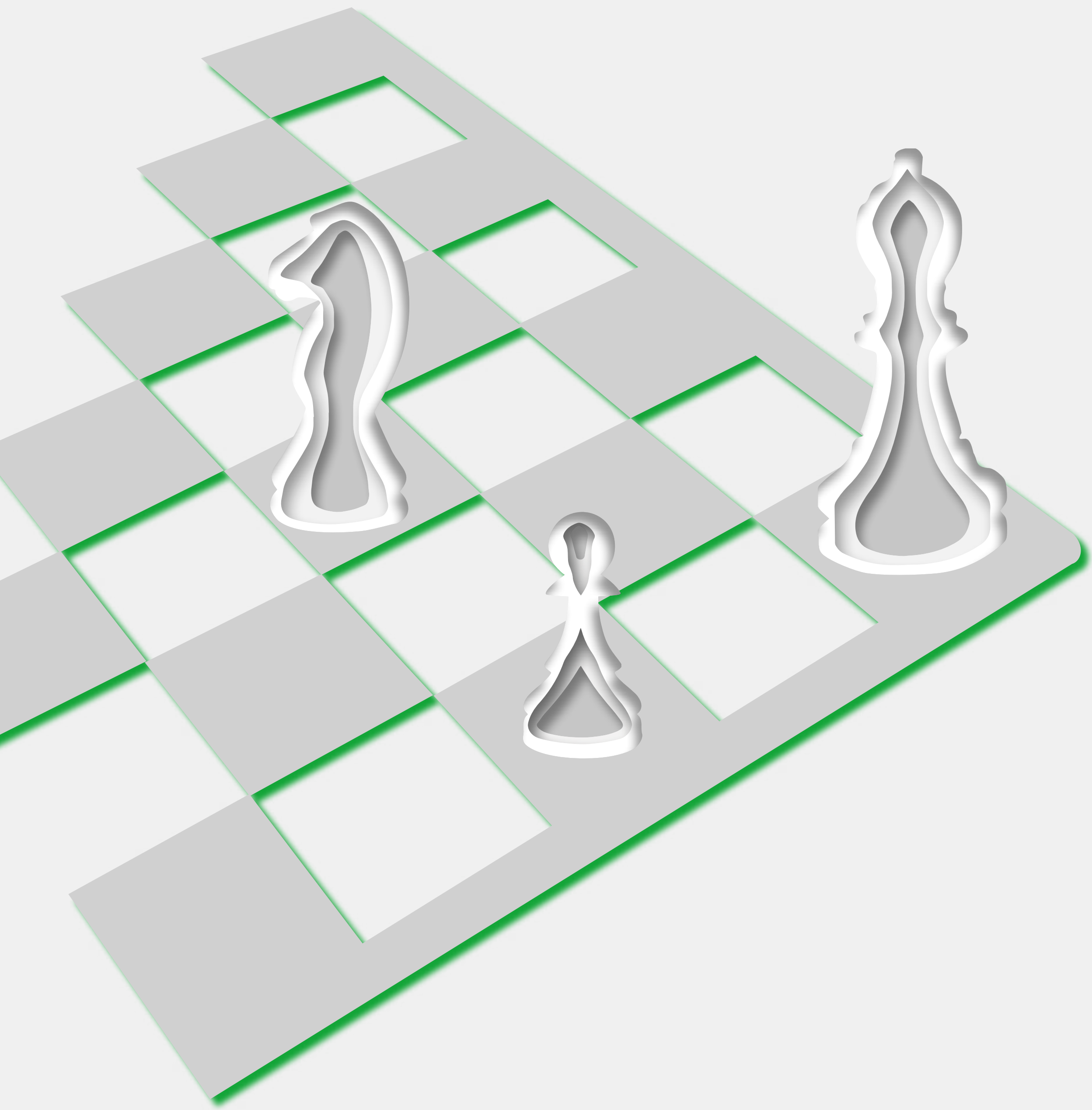
The Executive Board consists of highly qualified senior executives who have worked for Vossloh AG for a significant amount of time and have a considerable amount of expertise in the area which they are responsible for. The Supervisory Board wishes to retain the freedom to appoint members of the relatively small Executive Board of Vossloh AG on the basis of merit as specified above. The number of women who work in the rail industry and adjacent industries is relatively small, with even fewer having relevant management experience. Vossloh AG has experienced this regrettable situation a number of times when recruiting for (leadership) positions below the level of the Executive Board, as women are generally under-represented in the pool of applicants. Because of this situation, the Supervisory Board believes that obliging ourselves to put a minimum number of women in these positions is not compatible with the principles of selecting candidates based on merit, particularly in light of the small size of the Executive Board".

There are currently no plans for Executive Board changes or expansions. Female candidates were considered as part of the selection process when preparing for the changes to the Executive Board in November 2020.

On November 25, 2021, the Executive Board set a target for women to be in 25 percent of positions in both the first and second management levels below the Executive Board, to be achieved by December 14, 2026. Vossloh fell short of this target for the first management level (20 percent) at the end of the 2021 fiscal year. Women made up 33 percent of the second management level at the end of the 2021 fiscal year, exceeding the target.

Executive Board and Supervisory Board remuneration

The current remuneration system for the members of the Executive Board pursuant to Section 87(a)(1) and (2) of the German Stock Corporation Act (approved by the Annual General Meeting on May 19, 2021) and the remuneration system for the members of the Supervisory Board (approved by the Annual General Meeting on the same date pursuant to Section 113(3) of the German Stock Corporation Act) are available at www.vossloh.com/de/investor-relations/corporate-governance/verguetung. The remuneration report (for the members of the Executive Board and Supervisory Board) and the auditor's opinion in accordance with Section 162 of the German Stock Corporation Act are available from the same page. The remuneration system of Executive Board members makes a significant contribution to promoting and implementing the corporate strategy of the Vossloh Group, 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.



Combined management report

of the Vossloh Group and Vossloh AG as of December 31, 2021

Business and market environment

Segmentation and competitive position

Vossloh is active in rail infrastructure markets worldwide. The Company provides a wide range of services under one roof: rail fastening systems, concrete ties, switch systems and crossings as well as innovative and increasingly digital-based services for the entire lifecycle of rails and switches. Vossloh is committed to sustainable governance and climate protection and plays an important role in sustainable passenger and freight mobility with its products and services.

Its business activities are organized into three divisions – Core Components, Customized Modules and Lifecycle Solutions. The Core Components division is made up of two business units, Vossloh Fastening Systems and Vossloh Tie Technologies. The other two divisions comprise one business unit each: Vossloh Switch Systems is part of Customized Modules and Vossloh Rail Services is part of Lifecycle Solutions. You can find detailed descriptions of the individual divisions on page 50 ff.

Vossloh holds the following competitive positions in the rail infrastructure sector:

- Vossloh is a leading global supplier and technological leader in rail fastening systems.
- Vossloh is one of the global market and technology leaders in the switches and crossings segment.
- Vossloh is a leading supplier of innovative technologies and services for the entire lifecycle of rails and switches.
- In North America and Australia, Vossloh is a leading manufacturer of concrete ties.

Organization

The Vossloh Group is active around the world. Local presence and customer proximity are integral elements of our business activities. Important production sites for the Fastening Systems business unit are located in Germany, China, Poland, the USA and Russia. The Tie Technologies business unit manufactures concrete ties in the USA, Mexico, Canada and Australia. The switch systems and crossings in the Customized Modules division are manufactured primarily in France, Sweden, Australia, Luxembourg, Poland, Finland, the United Kingdom, India and China. The majority of rail services in the Lifecycle Solutions division are provided in Western and Northern Europe, in addition to China and the USA.

Vossloh operates globally via sales companies and branches. The Company enters into joint ventures and cooperation agreements with expert local partners on a case-by-case basis. Key Group companies and management companies are:

- Vossloh Fastening Systems GmbH, Werdohl, Germany, and Rocla Concrete Tie, Inc., Lakewood, Colorado, USA, for the Core Components division
- Vossloh Cogifer SA, Rueil-Malmaison, France, for the Customized Modules division as well as
- Vossloh Rail Services GmbH, Hamburg, Germany, for the Lifecycle Solutions division

Controlling system

The most significant financial performance indicators for the Vossloh Group are value added, sales revenues, EBITDA margin and EBIT margin. While the Company uses sales revenues, EBITDA margin and EBIT margin as key performance indicators for short-term planning, the long-term management of the business units within the framework of the value-oriented growth strategy is focused on value added. Value added is the key earnings indicator for the divisions and business units within the framework of external reporting.

Positive value added is generated when a premium is earned on top of the return claimed by investors and lenders (cost of capital). This premium is the difference between the return on capital employed (ROCE, calculated as EBIT/Capital employed) and the cost of capital, which is calculated as the weighted average cost of equity and debt. Multiplying the premium by average capital employed gives the value added over a period in absolute terms. For internal controlling purposes, ROCE and value added are calculated before taxes.

Cost of equity is composed of a risk-free interest rate plus a market risk premium. The interest rate factor is adjusted according to the result before taxes. Cost of debt is calculated on the basis of the Group's average financing terms. The ratio of equity to interest-bearing debt, which is used to determine the weighted cost of capital, is not derived from balance sheet data since it is not only predicated on a benchmark for the funding structure but also because equity is based on target market values in this case and not the carrying amounts recognized on the balance sheet. A weighted average cost of capital before taxes (WACC) of 7.0 percent was used as the yield expected by investors and lenders for the purposes of intragroup controlling in the 2021 fiscal year, as it was in the previous year.

There are two ways of increasing value added: increasing EBIT and optimizing capital employed. ROCE is derived from both values. Vossloh seeks to improve the parameters it can influence to optimize this performance indicator. As a result, the Company also focuses on working capital, working capital intensity (average working capital/annual revenue) and free cash flow.

Management uses nonfinancial performance indicators for the purpose of managing the company and making long-term strategic decisions. However, nonfinancial performance indicators do not play a central role in the management of the company. Instead, they provide information about the situation within the Group and are used as a basis for decisions. The Vossloh Group has no nonfinancial performance indicators of significance for the activities of the company. Nonfinancial performance indicators which do not play a central role in management are provided in the nonfinancial Group statement, which begins on page 79.

The management of Vossloh AG considers monthly financial reporting to be a central element for the ongoing analysis and control of the divisions, business units and the Group itself. To this end, the financial statements and key performance indicators prepared by the Group companies are consolidated and analyzed in the same way as the annual forecast updated each month. Deviations are investigated in relation to their effects on the financial targets. The monthly updates to annual projections are supplemented by risk reports that aim to identify any potential reductions or increases in assets. The effectiveness of measures aimed at ensuring targets are met is continuously analyzed. The figures of the operating units are intensively discussed by their respective management and the Group Executive Board with the involvement of the relevant central departments of Vossloh AG.

Economic report

Macroeconomic and industry-specific conditions

Investments in rail infrastructure around the world are generally made on the basis of long-term decision-making processes. For this reason, short-term economic developments are only reflected in the sales markets for rail technology to a limited extent. More significant is the development of debt levels in Vossloh's sales markets, as the majority of the Group's clients are public-sector customers. The debt ratio (the ratio of public debt to GDP) of the euro countries at the end of the third quarter of 2021 was 97.7 percent according to the statistical office of the European Union. This was the most recent figure available when this annual report was prepared. The debt ratio was 96.6 percent at the end of the third quarter of 2020. At the end of September 2021, the debt ratio of the entire EU was 90.1 percent, compared to 89.2 percent in the previous year. The higher debt ratios are primarily attributable to the substantial increases in sovereign debt resulting from the financing of government measures to contain the COVID-19 pandemic. In the year under review, there was no significant impact on Vossloh's business activities from the increase in sovereign debt.

From a global perspective, the rail technology market has shown a steady upward trend for many years. This is the result of rising demand around the world for environmentally friendly, safer and more economical mobility for both people and goods. The driving forces for this development include megatrends such as population growth, urbanization, the increase of international trade flows and, most significantly, increasing environmental awareness. Both passengers and freight need to be shifted onto the rail network if the aim is to increase their mobility while also reducing their environmental footprint in the interest of combating climate change. The European Union had designated 2021 as the "European Year of Rail" to promote the climate targets for the transport sector defined in the European Green Deal. Moreover, the rail sector is undergoing a profound transformation due to digitalization, automation and artificial intelligence, but also due to the standardization and liberalization of rail transport.

A number of studies regularly analyze developments in the global rail technology market. The most important of these is the World Rail Market Study, published by the European rail industry association UNIFE. The study is updated every two years; the most recent results were published in October 2020.

According to UNIFE, the current global volume of the rail market is around €177 billion per year. The Association of the European Rail Industry considers about 62 percent of the total volume – some €110 billion – to be an accessible market share. Accessible means that this market is, in principle, open to European suppliers and market demand is not exclusively met by domestic manufacturers.

Vossloh focuses on rail infrastructure products and services. The market segments of infrastructure and infrastructure services are therefore of particular importance for Vossloh. Based on UNIFE data, the accessible share of the infrastructure market (excluding electrification) was worth around €18 billion per year between 2017 and 2019. Roughly 35 percent of market volume is accounted for by Western Europe and approximately 30 percent by NAFTA countries (USA, Canada and Mexico) according to UNIFE data. These are followed by the Asia Pacific region with roughly 14 percent, Eastern Europe with 8 percent and Africa/Middle East with 6 percent. Markets in the Commonwealth of Independent States (CIS) and Latin America represent smaller portions of the accessible market volume at approximately 4 percent and 3 percent respectively. The total volume of the accessible infrastructure services market is currently worth around €6 billion based on UNIFE data, equivalent to approximately 40 percent of the total infrastructure services market.

Business acquisitions

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 acquirer is Vossloh Rail Services International GmbH, Hamburg. Both companies do business in the Dutch rail market and distribute the products and services of companies from several segments. The main goal of the acquisition is to tap into additional market potential for services relating to the maintenance of rails and switches. ETS International BV, which up to now was only active in international projects, will be merged into Vossloh ETS BV during the 2022 fiscal year.

Results of operations

Vossloh divisions – Orders received and order backlog

	Orders received		Order backlog	
€ mill.	2021	2020	2021	2020
Core Components	398.4	349.6	211.8	247.0
Customized Modules	452.5	472.6	391.4	338.4
Lifecycle Solutions	122.2	103.5	14.9	10.2
Vossloh AG/consolidation	(25.5)	(10.2)	(6.7)	(1.1)
Group	**947.6**	**915.5**	**611.4**	**594.5**

Orders received significantly higher than previous year

In the 2021 fiscal year, the Vossloh Group was able to significantly increase orders received, exceeding the previous year's figure by €32.1 million. The positive trend was attributable in particular to the Core Components division. Here again, the increase could be traced back to the Fastening Systems business unit, which had higher orders received in China, India and Australia in particular. By contrast, the Tie Technologies business unit had lower orders received than a year earlier. While orders received increased in Australia, this number remained well below the previous year's level in the United States. The Lifecycle Solutions division reported noticeably higher orders received. The increase was in particular due to a positive development of the order situation in China as well as in the Netherlands – following the acquisition of ETS Spoor – and in Germany. By contrast, the Customized Modules division did not match the previous year's figure but again achieved a high level in 2021. This was mainly due to a major order from Turkey. The book-to-bill ratio of the Vossloh Group, i.e. the ratio of orders received to sales, amounted to 1.01 in the fiscal year (previous year: 1.05). The order backlog increased by €16.9 million at the end of 2021. Due to the high number of framework agreements, the order backlog indicator is only of limited significance. Order volumes from new framework agreements are generally not recognized in orders received until the point in time at which the orders are actually called off.

Sales revenues of €942.8 million were significantly higher than originally expected

In the 2021 fiscal year, the Vossloh Group generated significantly higher sales revenues than in the previous year. Sales revenues increased by 8.4 percent from €869.7 million in 2020 to €942.8 million. This was significantly above the originally forecast sales corridor of €850 million to €925 million and also at the upper end of the forecast that was raised in mid-2021 from €900 million to €950 million. The increase in sales revenues was mainly attributable to the Core Components division and here to the Fastening Systems business unit. The Customized Modules and Lifecycle Solutions divisions also contributed to the increase.

Vossloh Group – Sales by region

	€ mill.	%	€ mill.	%
	2021		2020	
Germany	94.6	10.0	74.2	8.5
France	73.1	7.8	89.1	10.2
Rest of Western Europe	71.2	7.6	67.4	7.8
Northern Europe	114.9	12.2	115.5	13.3
Southern Europe	81.3	8.6	64.4	7.4
Eastern Europe	67.4	7.1	65.4	7.5
Total of Europe	**502.5**	**53.3**	**476.0**	**54.7**
The Americas	89.8	9.5	127.3	14.7
Asia	218.9	23.2	151.4	17.4
Africa	28.3	3.0	15.8	1.8
Australia	103.3	11.0	99.2	11.4
Total	**942.8**	**100.0**	**869.7**	**100.0**

Noticeable increase in sales revenues in Europe, especially in Germany and Southern Europe

Compared to the previous year, sales revenues in Europe increased by 5.6 percent in the year under review. With growth of 27.6 percent, the sales trend in Germany, in particular, contributed to the increase. This was primarily due to higher sales revenues in the Fastening Systems business unit. By contrast, the Group recorded a downturn in sales revenues from France. The Customized Modules division saw a sharp drop in sales there. In Northern Europe, sales revenues remained at the level of the previous year. In Southern Europe, Vossloh generated sales that were 26.2 percent higher than in the previous year. This was mainly due to higher sales revenue contributions from the Fastening Systems business unit in Italy. In Eastern Europe, sales revenues were slightly above the previous year's level. In particular, higher sales revenues in the Fastening Systems business unit in Hungary and Romania were able to more than offset lower sales revenues from the Customized Modules division in Serbia.

Sales revenues in the Americas down significantly compared to the previous year

In the Americas, sales revenues in 2021 were 29.5 percent below the previous year's level. The decline was mainly due to lower sales revenues in the Tie Technologies business unit in the United States. In addition, a portion of the decline in sales revenues in the Americas region is attributable to companies that have since been divested.

Significant increase in sales revenues in Asia

In Asia, the Vossloh Group achieved a significant increase in sales revenues compared to the previous year: Sales revenues increased by 44.6 percent. The primary driver of this development was increased sales revenues in the Fastening Systems business unit in China. Higher sales revenues in the Lifecycle Solutions division in China also contributed to the increase.

Sales revenues in Australia slightly above the high level of the previous year

In Australia, Group sales already exceeded the high level of the previous year by 4.1 percent. The slight increase can be explained by higher sales at the Fastening Systems business unit and the Customized Modules division.

Significant increase in sales revenues in Africa

The Vossloh Group generated sales revenues in Africa that were 78.7 percent higher. The higher sales revenues of the Customized Modules division in Egypt made a major contribution to the growth.

The Vossloh Group's cost of sales totaled €724.8 million in the year under review and, in line with the trend in sales revenues, was significantly higher than in the previous year (€672.8 million). Despite an increase in the cost-of-materials ratio due to a significant rise in material prices, the cost of sales as a percentage of sales revenues was 76.9 percent in the year under review, slightly down from the previous year's figure of 77.4 percent. The Vossloh Group's selling and administrative expenses rose from €148.1 million to €160.8 million. The share of these expenses in sales revenues was nearly unchanged from the previous year at 17.1 percent (previous year: 17.0 percent). The operating result, the balance of other operating income of €18.7 million (previous year: €21.3 million) and other operating expenses of €7.8 million (previous year: €10.0 million) – at €10.9 million, remained nearly unchanged relative to the previous year's value of €11.3 million.

Vossloh Group – Sales revenues and earnings

	€ mill.	%	€ mill.	%
	2021		2020	
Sales revenues	942.8	100.0	869.7	100.0
EBITDA/EBITDA margin	124.2	13.2	123.1	14.2
EBIT/EBIT margin	72.3	7.7	73.1	8.4
Net income	35.9	3.8	20.8	2.4
Earnings per share (in €)	1.31		0.98	

Significant increase in earnings and profitability on an operating basis, previous year was boosted by €15.6 million book effect

Excluding the €15.6 million book value adjustment recognized in profit or loss as part of the transitional consolidation of a Chinese company in the Fastening Systems business unit in the previous year, Vossloh achieved a significant year-on-year increase in EBITDA and EBIT figures in the 2021 fiscal year. Non-operational one-time effects related to a carrying amount adjustment recognized in profit and loss following the transitional consolidation of two subsidiaries in the Customized Modules division, and through the recognition of a provision for further restructuring measures in France, offset each other in the reporting year. On an operational basis, EBITDA increased as a result by 15.6 percent and EBIT by 25.7 percent. These increases were achieved despite the substantial impact of material price increases, which particularly affected profitability in the second half of the year. Operating profitability also improved noticeably after factoring out the book effect in the previous year. The EBIT margin increased from 6.6 percent in the previous year to 7.7 percent at operating level and was thus within the expected corridor of 7 percent to 8 percent. The EBITDA margin also increased noticeably from 12.4 percent in the previous year to 13.2 percent at operating level and was thus also within the forecast corridor of 13 percent to 14 percent.

Net interest result in the 2021 fiscal year improved significantly to €(7.5) million compared with the previous year's figure of €(14.4) million. This was primarily attributable to lower currency conversion losses from secured Group-internal loans in foreign currencies. In addition, financing costs from financial liabilities also decreased significantly, which was a consequence of the improved balance sheet structure attributable to the hybrid note placed in February 2021. Earnings before taxes increased to €64.8 million in the year under review (previous year: €58.7 million).

Earnings per share significantly higher than in the previous year

Income taxes in the Vossloh Group amounted to €28.6 million in the year under review. The significant increase compared with the previous year's figure of €11.7 million was due not only to the higher operating result but also to impairments on deferred tax assets in Germany. Earnings from discontinued operations improved significantly from €(26.2) million in the previous year to €(0.3) million due to the elimination of losses from the sale of the former Locomotives business unit completed at the end of May 2020. Net income increased significantly by 72.8 percent compared to 2020.

€5.1 million of the net income was attributable to hybrid capital investors, while €7.7 million was attributable to other shareholders (previous year: €3.6 million). Net income attributable to Vossloh AG shareholders of €23.1 million was significantly above the previous year's figure of €17.2 million. Earnings per share improved significantly year on year based on an unchanged average number of shares outstanding of 17,564,180.

Dividend of €1.00 per share planned for 2021

The Executive Board and Supervisory Board of Vossloh AG are committed to ensuring that its shareholders benefit from the economic performance of the Group. The Executive Board and Supervisory Board will, therefore, propose a dividend of €1.00 (previous year: €1.00) for the fiscal year 2021 at the Annual General Meeting scheduled for May 18, 2022, which will once again be held virtually due to the coronavirus pandemic.

Vossloh Group – Value management

€ mill.	2021	2020
Average capital employed[1]	896.9	865.8
ROCE[1]	8.1	8.4
Value added[1]	9.5	12.5

[1]Comparative information adjusted retrospectively in accordance with IAS 8; see explanations on page 133.

ROCE and value added on an operational basis higher than in the previous year

ROCE and value added in the previous year benefited significantly from the above-mentioned book effect (EBIT effect: €15.6 million). On an operational basis, ROCE and value added increased noticeably in 2021. The increase was exclusively attributable to higher operating EBIT. The increase in average capital employed was mainly a result of fixed assets that were higher on a yearly average. In addition, higher average working capital as a result of the significant growth in sales also contributed to the increase. Value added also improved on an operating basis and was within the expected corridor of €0 million to €15 million. The weighted average cost of capital before taxes (WACC) was unchanged at 7.0 percent in the 2021 fiscal year.

Financial position and investing activities

As the Group's management holding company, Vossloh AG is responsible for managing the Group's finances and funding. Corporate Treasury Management is responsible for the central management of cash flows and for ensuring the financing of all Group companies as well as for hedging and managing financial risks. These not only include liquidity risks, but particularly risks from interest and exchange rate fluctuations. Derivatives and other financial instruments are used for hedging. The Group companies' funding level is largely ensured by Vossloh AG providing the necessary cash resources. Only in isolated cases where funding outside Germany is either economically preferable or required by law do individual Group companies obtain original local financing.

Net financial debt significantly reduced compared to the previous year as a result of the hybrid note

The net financial debt of the Vossloh Group (calculated as financial liabilities minus cash and cash equivalents and short-term securities) excluding lease liabilities fell significantly from €307.4 million at the end of 2020 to €174.0 million at the end of the 2021 fiscal year. The significant decrease was mainly due to inflows from the hybrid note placed in February 2021 of roughly €150 million and a positive free cash flow in 2021. This was offset in particular by dividend, lease and interest payments and by the payments totaling €10.6 million for the acquisition of ETS Spoor in 2021. At the end of 2021, net financial debt including lease liabilities of €41.6 million (previous year: €43.9 million) amounted to €215.6 million (previous year: €351.3 million).

Financial liabilities amounted to €291.6 million at the end of the year under review, a considerable decrease compared to the previous year's figure of €419.5 million. This was largely due to the hybrid note, which is allocated to equity in accordance with IFRS. Current financial liabilities fell year on year from €175.0 million to €69.2 million. The figure for the previous year included the Schuldschein loan of €135 million that came due in July 2021.

At the end of 2020, €250 million of the financial liabilities were attributed to Schuldschein loans placed in the 2017 fiscal year with terms of four years (until July 2021) totaling €135 million and seven years (until July 2024) totaling €115 million. The interest rate was fixed at 0.988 percent for the four-year maturities for an amount of €85 million and variable at an amount of €50 million with a margin of 85 basis points above Euribor. For the seven-year maturities, a partial amount of €90 million had a fixed interest rate of 1.763 percent and the remaining amount of €25 million, 120 basis points above Euribor. In the year under review, Vossloh used the funds from the hybrid note to fully redeem the Schuldschein loans with four-year terms. In addition, 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 placed at the end of 2021. In January 2022, Vossloh used these funds to prematurely redeem the floating-rate Schuldschein loan in the same amount maturing in July 2024.

An additional €35.7 million in financial liabilities relates to drawdowns from the syndicated loan agreed in November 2017, totaling €230 million and with a term that runs until November 2024. The interest rate is based on the amount of an indicator stipulated in the credit agreement (net financial debt relative to EBITDA), as well as the extent of the drawdowns on the line of credit, and was 0.9 percent at the end of the year under review. A limit is set for this indicator (covenant). If exceeded, the lending banks are permitted to terminate the agreement ahead of time. Compliance with the covenant is verified every six months; such compliance was affirmed as of the half-year and as of the end of 2021. When added together, the sum total of cash and cash equivalents and short-term securities came to €76.0 million at the end of 2021 (previous year: €68.1 million).

The Group's contingent liabilities decreased from €109.0 million in the previous year to €58.0 million. The majority of this, €50.0 million, was attributable to the former Locomotives business unit. For the outstanding contingent liabilities, Vossloh AG received an irrevocable and unconditional guarantee at first request by a first-class bank.

As of the end of the year, the Group had committed and unutilized credit facilities of €279.0 million (previous year: €223.7 million) at its disposal.

The hybrid note issued in February 2021 of €150 million with an indefinite term can be called and repaid by the Company for the first time after five years. The interest rate over the next five years is 4.0 percent. In addition, depending on the sustainability performance measured by ISS ESG and MSCI ESG Research ratings, the redemption amount may increase. The structure of the note means that it is treated as equity in the consolidated financial statements. The resulting increase in the equity ratio and the associated strengthening of the balance sheet structure leads to significantly greater financial flexibility, which positively bolsters the implementation of the corporate strategy.

Vossloh Group – Development of cash flows

€ mill.	2021	2020
Cash flow from operating activities	81.3	56.1
Cash flow from investing activities	(57.9)	(3.0)
Cash flow from financing activities	(30.8)	(67.4)
Net cash inflow/outflow	(7.4)	(14.3)
Free cash flow	30.6	4.0

Free cash flow significantly higher than in the previous year

Cash flow from operating activities was significantly higher in the year under review than in the previous year. This was partly due to the higher gross cash flow (calculated as the sum of EBIT from continuing and discontinued operations, depreciation/amortization/impairment losses [less write-ups] of noncurrent assets and changes in noncurrent provisions) as a result of the elimination of losses from the Transportation division, which has now been sold. The figure for the previous year was also impacted by high negative effects from an increase in working capital in the divested Transportation division. With cash outflows from capital expenditure in intangible assets and property, plant and equipment largely unchanged, there was also a significant increase over the previous year in free cash flow – defined as cash flow from operating activities less capital expenditures in intangible assets and property, plant and equipment as well as capital expenditures in companies accounted for using the equity method plus cash inflows from profit distributions or the sale of companies accounted for using the equity method. Cash flow from investing activities was significantly lower than in the previous year, mainly due to the proceeds from the sale of the Transportation division in the previous year and outflows from the acquisition of ETS Spoor in the year under review. Cash flow from financing activities includes the proceeds from the hybrid note, which were largely used for repayment of a Schuldschein loan and the reduction of medium- and long-term loans, which are also included. The improved balance sheet structure attributable to the hybrid note led to a significant decrease in interest paid. In contrast, disbursements to shareholders and noncontrolling interests were significantly higher in 2021, since dividend payments were suspended in 2020 in the context of the uncertainty surrounding the pandemic.

Vossloh Group – Capital expenditure and depreciation/amortization

€ mill.	2021		2020	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Core Components	23.6	24.3	31.1	22.6
Customized Modules	14.2	13.7	18.0	14.6
Lifecycle Solutions	11.4	12.3	16.5	12.2
Vossloh AG/consolidation	2.1	1.6	3.1	0.6
Total	**51.3**	**51.9**	**68.7**	**50.0**

In recent years, Group figures have been driven primarily by two major individual capital expenditure items: construction of a state-of-the-art production facility for rail fastening systems at the Werdohl headquarters ("Factory of the Future") and modernization of the production site for manganese frogs in Outreau (northern France). The volume of capital expenditure for these two projects amounted to some €40 million each. Both capital expenditures were completed in 2021 and can also be cited as major drivers in the decline in capital expenditure compared with the previous year. Accordingly, capital expenditures in the Core Components division were noticeably below the previous year's level. In the Fastening Systems business unit, the major portion of capital expenditures in 2021 continued to be attributable to the "Factory of the Future", although to a much lesser extent than in the previous year. Among other things, the Tie Technologies business unit continued to invest in optimizing the production process in the new plant built in Canada in 2019. The greatest individual capital expenditure in the Customized Modules division went towards modernization of the production facility in Australia. In the Lifecycle Solutions division, investments continued to be made in the development of a high-performance milling machine, which went into operation at the end of 2021. The capital expenditure shown in the table above reflects additions in the fiscal year and also include capital expenditure in assets financed by a lease agreement. Capital expenditure is reported in the cash flow statement (including capital expenditure from the Transportation division, which was sold in the 2020 fiscal year) insofar as it has already led to payments. The values therefore differ. Depreciation and amortization in the cash flow statement of the previous year includes effects from the divested Transportation division. Depreciation and amortization at a Group level includes impairments/reversals of impairment losses and puts them at the same level as in the previous year.

Capital expenditure commitments for the acquisition of intangible assets and property, plant and equipment totaled €12.7 million as of December 31, 2021 (previous year: €19.0 million). They resulted first from the Australian company in the Tie Technologies business unit and second mainly from orders for the "Factory of the Future" in Werdohl and the modernization of the production site in Outreau.

Asset and capital structure

Vossloh Group – Asset and capital structure

		12/31/2021	12/31/2020
Total assets[1]	€ mill.	1,289.4	1,214.4
Equity[1]	€ mill.	587.9	412.4
Equity ratio[1]	%	45.6	34.0
Closing working capital[2]	€ mill.	175.6	155.3
Fixed assets[1,3]	€ mill.	726.0	694.1
Closing capital employed[1,4]	€ mill.	901.6	849.4

[1] Comparative information adjusted retrospectively in accordance with IAS 8; see explanations on page 133.
[2] Working capital = trade receivables (including contract assets) plus inventories minus trade payables (including contract liabilities) minus prepayments received minus other current provisions (adjusted for matters not attributable to the operating business)
[3] Fixed assets = intangible assets plus property, plant and equipment plus investment properties plus investments in companies accounted for using the equity method plus other noncurrent financial instruments
[4] Capital employed = working capital plus fixed assets

Equity ratio increases by 11.6 percentage points

The Vossloh Group's equity at the end of 2021 was significantly above the previous year's figure. The main drivers of this development were the hybrid note recognized in equity and the positive net income in 2021. This resulted in an equity ratio that was 11.6 percentage points higher.

Working capital intensity improved again

The working capital as of December 31, 2021 reporting date increased as a result of the significant growth in sales compared to the previous year. Average working capital totaled €194.7 million in the year under review (previous year: €186.4 million). By contrast, the average working capital intensity – the ratio of average working capital to sales revenues – fell from 21.4 percent to 20.6 percent. The Customized Modules and Lifecycle Solutions divisions contributed to this positive trend.

General statement on the business performance and economic situation of the Vossloh Group

During the past fiscal year, the Vossloh Group made significant progress both operationally and strategically. The Company achieved or exceeded all forecasts for the key performance indicators for the 2021 fiscal year. Vossloh had initially forecast a sales corridor of €850 million to €925 million for the 2021 fiscal year. Following a strong business development in the first half of 2021, Vossloh raised its sales forecast to €900 million to €950 million. Sales revenues ultimately rose by 8.4 percent to €942.8 million and thus were at the upper end of the raised forecast. In terms of profitability, Vossloh raised its EBIT and EBITDA margin from operating 6.6 percent respectively 12.4 percent in the previous year to 7.7 percent respectively 13.2 percent in the year under review putting both figures within the forecast range. EBIT increased from operating €57.5 million in the previous year to €72.3 million. This improvement must be seen as extremely positive, particularly against the backdrop of a significant negative impact arising from material price increases. Value added amounted to €9.5 million, so that it also met the forecast of the company.

The level of reported orders received also trended significantly upward. Vossloh achieved appreciably higher orders received compared with the previous year and a book-to-bill ratio slightly exceeding 1, with sales revenues significantly up. In addition, the Group announced that it had entered into numerous framework agreements in the 2021 fiscal year. The comprehensive order volume from these framework agreements is only included to a limited extent in the orders received. Only the call-offs under these framework agreements are generally reported as orders received.

The Group's financial position also improved significantly. A hybrid note in the amount of €150 million was successfully placed in February 2021. The notes's equity capitalization led to a substantial strengthening of the balance sheet structure and increased financial flexibility considerably. Net financial debt, excluding lease liabilities, was reduced from €307.4 million at the end of 2020 to €174.0 million at the end of 2021. The equity ratio went up to 45.6 percent (previous year: 34.0 percent). The hybrid note is linked to sustainability criteria, thus underscoring the great importance of sustainability within the Group. In addition, Vossloh raised its free cash flow from €4.0 million to €30.6 million.

The 2021 fiscal year was also very successful from a strategic perspective. With the acquisition of the Dutch ETS Spoor in July 2021, Vossloh substantially strengthened its competitive position in an important reference market for forward-looking business models and improved access to strategically important customers. The acquisition also helps to complete the product portfolio in the rail infrastructure sector. At its Werdohl headquarters, Vossloh successfully completed the multi-year major project to build a state-of-the-art production facility for rail fastening systems. In addition, 2021 was also very successful in terms of strategically important preventive and corrective maintenance services. In 2021, Vossloh sold the most maintenance machines it has ever sold within one year. The Company also adopted a Group-wide sustainability program in 2021 and firmly incorporated sustainability in its corporate values.

From an operational and strategic perspective, 2021 was an extremely successful fiscal year overall for the Vossloh Group.

Business performance of Core Components

In the Core Components division, Vossloh has combined its range of industrially manufactured series products, which are required in large quantities for rail infrastructure projects. This includes the rail fastening systems developed, produced and marketed in the Fastening Systems business unit for all areas of application worldwide – from heavy-haul to high-speed rail lines and urban transport. The Tie Technologies business unit is the leading manufacturer of concrete ties in North America and Australia. In addition to concrete rail ties, the business unit also manufactures switch ties, concrete low-vibration blocks for slab track and crossing panels.

Core Components

		2021	2020
Orders received	€ mill.	398.4	349.6
Order backlog	€ mill.	211.8	247.0
Sales revenues[1]	€ mill.	429.1	375.3
EBITDA	€ mill.	71.0	74.2
EBITDA margin	%	16.5	19.8
EBIT	€ mill.	46.7	51.6
EBIT margin	%	10.9	13.7
Average working capital	€ mill.	117.5	99.9
Average working capital intensity	%	27.4	26.6
Average capital employed	€ mill.	346.5	320.3
ROCE	%	13.5	16.1
Value added	€ mill.	22.4	29.1

[1] Sales revenues include external sales revenues and sales to other divisions.

Orders received substantially increased in comparison with previous year

In the Core Components division, orders received in the year under review were up by €48.8 million and thus significantly higher than in the previous year. The Fastening Systems business unit had a higher level of orders received in China, including the major order which was awarded in December 2021. In addition, business in the Australian tie market improved significantly year on year, while orders in the North American tie market were down on the previous year. The order backlog at the end of 2021 was €35.2 million lower than in the previous year.

Significant 14.3 percent increase in sales revenues

Sales revenues in the Core Components division went up by 14.3 percent in the year under review. This increase was due to a significant rise in sales revenues for the Fastening Systems division, while the sales revenues of the Tie Technologies business unit were down on the previous year as expected.

EBIT and EBIT margin significantly higher on operational basis despite negative impact of material price increases

The EBIT achieved by the Core Components division was €4.9 million lower than the previous year's figure of €51.6 million. The figure for the previous year was positively influenced by a €15.6 million carrying amount adjustment recognized in profit and loss. This transpired in the course of a transitional consolidation of a joint venture in China in the Fastening Systems business unit. The division improved its EBIT and EBIT margin significantly on an operational basis. The considerable operational improvement was driven by deliveries rescheduled to 2021 due to the pandemic, which were partially compensated for by changes in material prices.

Return on capital employed (ROCE) for the Core Components division was lower than in the previous year due to the carrying amount adjustment recognized in profit or loss in fiscal year 2020. Average capital employed was higher than in 2020, largely as a result of the year-on-year increase in average working capital. Average working capital intensity was just 0.8 percentage points higher than in the previous year. Value added in the 2021 fiscal year was significantly lower than in the previous year.

Vossloh Fastening Systems

At €269.5 million, orders received at Vossloh Fastening Systems in 2021 were much higher than the previous year's figure of €211.0 million. In addition to a higher order volume in China, the contract to supply rail fastening systems for a metro route in India and sales success in Australia, this was due to increased orders under framework agreements with tie factories in Germany. This more than compensated for lower project-related orders received, particularly in the Americas, Mongolia and Egypt. At €150.0 million, the order backlog at the end of 2021 was down on the previous year (€177.1 million).

Orders received significantly higher than in previous year

Sales revenues for Vossloh Fastening Systems in 2021 amounted to €292.4 million (previous year: €216.3 million). This development was largely driven by deliveries for major projects in the Chinese high-speed segment that had been rescheduled from 2020 to the first half of 2021 due to the COVID-19 pandemic. Sales were also higher in Italy and Germany.

Significant increase in sales revenues

The value added for Vossloh Fastening Systems remained high at €23.3 million, despite the downturn from the previous year's figure of €30.2 million. It should be noted that the previous year's figure included a positive book effect related to the transitional consolidation of a Chinese joint venture.

High positive value added once again

Vossloh Tie Technologies

The Tie Technologies business unit recorded orders received of €132.3 million in the year under review, which represents a decrease of €19.4 million from the previous year's figure of €151.7 million. The downturn was mainly caused by a lower number of new orders in the US market. Orders received were higher in Australia, Mexico and Canada. The order backlog amounted to €65.1 million at the end of 2021 (previous year: €75.5 million).

Orders received below previous year due to fewer orders in the USA

The sales revenues in the Tie Technologies business unit totaled €142.3 million, down from the previous year's high figure of €169.1 million. This was mainly due to the sluggish demand from Class I customers in the USA and an expected downturn in sales revenues in Australia. Sales revenues were up in Canada and Mexico.

Sales revenues down from the previous year's high figure

The value added of Vossloh Tie Technologies, at €(0.8) million, was slightly higher than the previous year's figure of €(1.1) million.

Business performance of Customized Modules

All of the Group's services for the manufacture, installation and maintenance of individualized infrastructure modules for the rail industry are bundled in the Customized Modules division. The division includes the Switch Systems business unit, one of the largest providers of switch systems worldwide. The product portfolio covers a very wide range of applications, extending from light-rail to high-speed applications.

Customized Modules

		2021	2020
Orders received	€ mill.	452.5	472.6
Order backlog	€ mill.	391.4	338.4
Sales revenues[1]	€ mill.	418.7	401.8
EBITDA	€ mill.	47.6	44.6
EBITDA margin	%	11.4	11.1
EBIT	€ mill.	34.0	30.0
EBIT margin	%	8.1	7.5
Average working capital	€ mill.	69.5	76.0
Average working capital intensity	%	16.6	18.9
Average capital employed[2]	€ mill.	366.6	367.1
ROCE[2]	%	9.3	8.2
Value added[2]	€ mill.	8.3	4.3

[1] Sales revenues include external sales revenues and sales to other divisions.
[2] Comparative information adjusted retrospectively in accordance with IAS 8; see explanation on page 133.

Order backlog significantly above previous year's level

Orders received in the Customized Modules division were 4.3 percent lower than the previous year's high figure. New orders were down year on year in several markets, particularly in France, Poland and Egypt. Part of this downturn was offset by major orders in Turkey, Mexico and Australia. The order backlog was significantly above the previous year's level as a result of and due to the full consolidation of two companies in India and Portugal.

Slight increase in sales revenues

The division's sales revenues increased by €16.9 million compared to 2020. The upwards trend was particularly significant in Egypt, Australia and India and was able to more than offset the downturns in certain areas, particularly France. Sales contributions from companies fully consolidated for the first time totaling €11.5 million in the year under review were offset by sales revenues from activities that have since been sold in North and South America totaling €11.7 million in the previous year.

EBIT significantly above the previous year's result

The division's EBIT in 2021 was 13.2 percent higher than in the previous year, a significant amount thanks to operational efficiency gains in France and elsewhere. Material price increases had a negative impact on earnings in the year under review. Non-operational one-time effects related to a carrying amount adjustment recognized in profit and loss following the transitional consolidation of two subsidiaries in the Customized Modules division offset each other in the reporting year through the recognition of a provision for further restructuring measures in France.

Due to the overall improvement, ROCE was significantly higher than in the previous year. Value added also improved significantly. Average capital employed remained largely on the level of the previous year.

Working capital intensity noticeably improved

Further operational improvements led to a considerable year-on-year downturn in average working capital intensity. Working capital intensity improved by 2.3 percentage points compared with 2020.

Business performance of Lifecycle Solutions

Through its Rail Services business unit, the Lifecycle Solutions division concentrates on specialist services for the maintenance of rails and switches. Its innovative technologies promote the safety of rail lines and contribute to extension of the service life of rails and switches as well as improved track availability. The service portfolio mainly includes maintenance, grinding and milling for the corrective and preventive care of rails and switches, welding services and rail and switch logistics. Lifecycle Solutions' extensive range of services complements the product portfolios of Core Components and Customized Modules.

Lifecycle Solutions

		2021	2020
Orders received	€ mill.	122.2	103.5
Order backlog	€ mill.	14.9	10.2
Sales revenues[1]	€ mill.	115.5	103.8
EBITDA	€ mill.	21.6	20.9
EBITDA margin	%	18.7	20.2
EBIT	€ mill.	9.3	8.8
EBIT margin	%	8.0	8.4
Average working capital	€ mill.	13.0	13.1
Average working capital intensity	%	11.2	12.6
Average capital employed[2]	€ mill.	184.3	177.4
ROCE[2]	%	5.0	4.9
Value added[2]	€ mill.	(3.6)	(3.7)

[1] Sales revenues include external sales revenues and sales to other divisions.
[2] Comparative information adjusted retrospectively in accordance with IAS 8, see explanation on page 133.

Orders received significantly higher than in previous year

In the 2021 fiscal year, the Lifecycle Solutions division recorded orders received that were much higher than in the previous year. The increase in orders received was largely driven by the machinery sales subsegment in China, as well as additional orders due to the acquisition of ETS Spoor in the Netherlands. The order backlog was significantly higher at the end of 2021 than in the previous year.

11.4 percent increase in sales revenues

The Lifecycle Solutions division recorded an 11.4 percent increase in sales revenues compared to the previous year. The increase was mainly due to higher sales revenues from machine sales in China. The first contributions from the company ETS Spoor, which was acquired in 2021, also played a small role in the increase in sales revenues. In contrast, sales revenues from rail and switch grinding were down from the previous year. The Lifecycle Solutions division's degree of internationalization, measured on the basis of sales revenues earned outside of Germany, rose from 46.9 percent in the 2021 fiscal year to 48.4 percent.

EBIT increases once again

The division's EBIT increased by €0.5 million compared with the previous year, despite ancillary acquisition costs incurred for ETS Spoor. Machine sales played a particularly significant role in the improvement in earnings.

The value added was at the previous year's level. Working capital intensity improved by 1.4 percentage points compared with the previous year.

Vossloh AG – Analysis of the separate financial statements

As an operational management and financial holding company, Vossloh AG serves as the parent of the Vossloh Group and controls and oversees all major operations and activities within the Group. In addition to determining corporate strategy and controlling corporate development, Vossloh AG allocates the financial resources, particularly for capital expenditures and acquisitions, and is responsible for corporate accounting and controlling, Group-wide treasury management, risk and opportunity management and internal auditing as well as for innovation and development, EHS/sustainability, IT, legal affairs and compliance, investor relations and corporate communications among others. The Company oversees sales activities, including marketing communications. In addition to HR policy, it is also responsible for personnel development and supporting the Group's senior management. Business unit representatives report on the events and developments in their area of responsibility on a regular basis. The Executive Board exerts a direct influence on the operational management of the business units in this context, alongside its management responsibility for different functions. A comprehensive catalog of approval requirements also ensures that the Executive Board is closely involved in significant operational decisions.

Vossloh AG prepares its annual financial statements in accordance with the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The explanations below refer to the annual financial statements. In isolated cases, certain transactions are handled differently in the consolidated financial statements according to IFRS. The relevant provisions of the German Commercial Code (HGB) have not changed significantly in the fiscal year.

Analysis of the separate financial statements

For the 2021 fiscal year, Vossloh AG reported sales revenues of €7.6 million (previous year: €7.5 million), resulting primarily from intercompany allocations with Group companies that obtain a wide range of services via Vossloh AG (mainly in the areas of IT and marketing). Operating expenses were mainly incurred in connection with the Company's management and financing functions. The business performance and economic development of Vossloh AG follow the activities of its subsidiaries and investees. The most significant performance indicators for Vossloh AG are the general administrative expenses, the net financial result and the result after tax/net income.

Administrative expenses totaled €18.5 million for 2021, a decrease compared to the previous year (€19.8 million). The reasons for this decrease included higher consulting costs of €3.6 million in the previous year due to the strategy project carried out at that time, which decreased to €2.1 million in the year under review. Despite the expansion of the Executive Board, personnel expenses of €12.0 million increased only slightly compared with the previous year (€11.6 million). In addition, trade fair costs also remained relatively on par with the previous year, as the InnoTrans industry trade fair was again unable to take place in the year under review due to the COVID-19 pandemic.

The considerable decrease in other operating expenses in the reporting year from €3.5 million in the previous year to €1.6 million was due to lower exchange rate losses from the hedging of intragroup receivables from Group companies in countries that use foreign currencies. Other operating income of €0.5 million was again at the expected level after having been significantly higher in the previous year at €12.3 million due to a subsequent purchase price component from the sale of Vossloh Kiepe GmbH and the sale of Vossloh Locomotives GmbH.

The financial result for 2021 improved significantly compared with the previous year and amounted to €27.0 million, compared with €(42.0) million in the previous year. Significant income from investments (€17.6 million) and from profit transfer agreements (€12.5 million) was offset by a negative net interest result of €6.1 million. In the previous year, assumption of losses in the amount of €28.6 million as well as depreciation and amortization on investments due to permanent impairment in the amount of €47.0 million had a significant impact on the financial result.

The negative net interest result was largely due to the interest expense of €5.1 million on the hybrid note. Interest expenses totaled €12.8 million (previous year: 8.9 million), while interest income of €6.7 million (previous year: €9.6 million) was realized primarily from passing through of these funds in the form of short-term loans or extended-term loans to Group companies. Loss carryforwards kept income taxes low at €0.1 million (previous year: €0.0 million). Vossloh AG's net income in the year under review amounted to €7.7 million (previous year: net loss for the year of €53.0 million), which confirmed the expectation expressed in the outlook of the 2020 Annual Report.

Year on year, total assets increased slightly from €895.8 million to €918.6 million. Financial assets decreased by €37.9 million, while receivables from affiliated companies increased by €60.8 million. The Group's financing was therefore restructured in terms of maturity. At the same time, the Group's financing of the US activities was partly converted from debt to equity in order to improve the cost of currency hedging.

Financial assets decreased by a total of €37.9 million to €565.1 million. Current assets increased by €59.8 million to €348.4 million, largely as a result of the aforementioned €60.8 million increase in receivables from affiliated companies. There were no significant changes in other assets.

At €360.7 million, liabilities to banks on the balance sheet increased significantly as of the reporting date compared with the previous year's figure of €332.8 million. Liabilities to affiliated companies increased from €25.7 million to €30.4 million. Provisions totaled €28.8 million, slightly above the previous year's level of €25.7 million. Despite the net income for the financial year, equity decreased from €500.1 million to €490.3 million due to the dividend payment. The equity ratio fell from 55.8 percent in the previous year to 53.4 percent.

Overall, the development of Vossloh AG's earnings, net assets and financial position in the 2021 fiscal year can be viewed as positive, despite a slight decrease in equity, as a result of reduced administrative expenses and the positive net income.

Dependency report

The Executive Board of Vossloh AG considers Vossloh AG to be dependent in accordance with Section 17 of the German Stock Corporation Act due to Mrs. Nadia Thiele and Mr. Robin Brühmüller, as executor of the will of the deceased Heinz Hermann Thiele, indirectly holding 50.09 percent of its share capital on December 31, 2021. In accordance with Section 312 AktG, the Company prepared a report on its relationships with affiliated companies containing the following declaration: "In respect of the legal transactions listed in the report on relationships with affiliated companies, the Company, according to the circumstances known at the time when the legal transactions were made, received an appropriate consideration for each legal transaction. No measures were enacted that put the Company at a disadvantage at the request or in the interest of Mr. Heinz Hermann Thiele, or subsequently his heiress Mrs. Thiele or Mr. Brühmüller, or companies affiliated with the aforementioned persons. This assessment is based on the facts and circumstances known by us at the time such reportable transactions were conducted." The report was audited by the auditor and was issued with an unqualified auditor's opinion.

Statuary takeover-related disclosures pursuant to Section 289a and Section 315a HGB

The provisions of Sections 289a and 315a HGB require that the following takeover-related disclosures be made as of December 31, 2021.

Composition of the subscribed capital
The subscribed capital (share capital) of the Company amounts to €49,857,682.23. It is distributed across 17,564,180 no-par-value ordinary shares.

Restrictions on voting rights and share transferability
All shares carry the same rights. Each share grants one vote at the Annual General Meeting. The Executive Board of the Company is not aware of any restrictions on voting rights or share transferability.

Shareholdings in excess of 10 percent of the voting rights
On the basis of the notifications of voting rights submitted to the Company in accordance with the provisions of the German Securities Trading Act (WpHG), the Company holds an interest in the Company's capital that exceeds 10 percent of the voting rights. KB Holding GmbH, Grünwald, Germany, holds 50.09 percent of the voting rights in Vossloh AG. Based on the notifications of voting rights pursuant to Section 34 (1) of the German Securities Trading Act, these voting rights are attributable to TIB Vermögens- und Beteiligungsholding GmbH, Grünwald, Germany, Stella Vermögensverwaltung GmbH, Grünwald, Germany, Ms. Nadia Thiele, Munich, Germany and Mr. Robin Brühmüller (executor of the estate of the late Heinz Hermann Thiele), Munich, Germany.

Shares with special rights or rights of control
There are no shares with special rights or rights of control.

Voting control of employee shareholdings
Employees who are shareholders in the Company exercise their control rights like any other shareholder, directly in accordance with statutory requirements and the Articles of Incorporation.

Appointment/dismissal of Executive Board members; amendments to the Articles of Incorporation
Vossloh AG's Executive Board members are appointed or dismissed in accordance with the provisions of Sections 84, 85 AktG in conjunction with Article 7 of the Articles of Incorporation. Pursuant to Section 84 (1) AktG, Executive Board members are appointed by the Supervisory Board. They are appointed for a maximum term of five years, whereby their reappointment or the renewal of their term of office is permitted. The appointment of an Executive Board member may be revoked in the cases set out in Section 84 (4) AktG.

According to Section 179 (1) AktG, the Articles of Incorporation may be amended by a resolution of the Annual General Meeting. Pursuant to Article 21 (2) of the Articles of Incorporation but subject to overriding statutory provisions to the contrary, the Annual General Meeting may pass its resolutions with the simple majority of votes cast. Where the law prescribes a capital majority in addition to a voting majority, the simple majority of the capital stock represented at the vote shall suffice unless the provisions of the law or Vossloh AG's Articles of Incorporation prescribe otherwise. Article 27 of the Articles of Incorporation authorizes the Supervisory Board to resolve on amendments to the Articles of Association that only affect the wording. Article 4 (4) of the Articles of Incorporation further entitles the Supervisory Board to update the Articles of Incorporation accordingly after the capital stock has been increased by utilizing authorized or contingent capital.

Authority of the Executive Board to issue and buy back shares
The Executive Board's authority to issue shares is defined in Article 4 of the Articles of Incorporation.

Authorized capital

The Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital until May 26, 2025, by up to a total of €24,928,841.11 through one or more issuances of new, no-par-value shares against contributions in cash and/or in kind (Authorized Capital 2020).

The shareholders are entitled to subscription rights. The shares may also be taken over by one or more credit institutions with the obligation to offer them to the shareholders for subscription.

The Executive Board is authorized, however, subject to consent of the Supervisory Board, to exclude the subscription rights of shareholders in the following instances:

(i) To exclude fractional amounts resulting from the subscription ratio from the subscription right;

(ii) To grant the holders – or, in the case of registered securities, the creditors – of conversion and/or option rights in circulation at the time when the Authorized Capital 2020 is utilized, or of a conversion obligation from convertible bonds and/or bonds with warrants to be issued by the Company or one of its wholly-owned Group companies in the future, a subscription right for new shares to the extent to which they would be entitled after exercising their conversion and/or option rights or after fulfillment of a conversion obligation as shareholders;

(iii) In the case of capital increases against cash contributions, if the issue price of the new shares is not significantly lower than the stock exchange price of the already listed shares of the same class at the time the issue price is finally fixed and the total number of shares issued does not exceed 10 percent of the share capital neither at the time this authorization becomes effective nor at the time it is exercised. Counting toward this capital limit are: (1.) The sale of treasury shares, insofar as they are sold during the term of this authorization under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG; (2.) Those shares issued or to be issued to service bonds with conversion and/or option rights or a conversion obligation, if the bonds are issued during the term of this authorization under exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG; and (3.) Those shares that were issued during the term of this authorization on the basis of other capital measures under exclusion of shareholder subscription rights pursuant to or in analogous application of Section 186 (3) sentence 4 AktG.

(iv) In the case of capital increases against contributions in kind.

The authorizations contained in the above paragraphs (i) to (iv) to exclude subscription rights in the case of capital increases against cash and/or contributions in kind are limited to an amount not exceeding 10 percent of the share capital, either at the time this authorization becomes effective or at the time this authorization is exercised. The above-mentioned 10 percent limit must also take into account: (1.) Own shares that are sold during the term of this authorization under exclusion of subscription rights; (2.) Those shares that are issued to service bonds if the bonds were issued during the term of this authorization under exclusion of shareholder subscription rights; and (3.) Those shares that were issued during the term of this authorization on the basis of other capital measures under exclusion of shareholder subscription rights.

The Executive Board is authorized, subject to the consent of the Supervisory Board, to determine the further details of capital increases as well as the conditions for the share issue.

Further details of the authorization can be found in Article 4 of the Articles of Incorporation.

Purchase of treasury shares
There is currently no authorization for the Company to purchase treasury shares.
As of December 31, 2021, the Company did not hold any treasury shares.

Agreements upon a change of control
There are nine material Company agreements that are subject to a change of control clause.

In the case of eight of these agreements, a change of control means that a person or a group of persons acting in concert – with the exception of descendants, spouses, heirs, foundations or other beneficiaries in the last will of Mr. Heinz Hermann Thiele – directly or indirectly obtains more than 50 percent of the shares or voting rights in the Company.

- Two Schuldschein loans arranged by Landesbank Hessen-Thüringen Girozentrale and BNP Paribas: In the event of a change of control, the loan agreements contain the right of the loan issuers to demand payment of the outstanding balance, including accrued interest, within 30 days after becoming aware of the change of control;

- A syndicated loan agreement with Bayerische Landesbank, BNP Paribas' German branch, Commerzbank AG, Deutsche Bank AG's German branch, HSBC Trinkaus & Burkhardt AG, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale and Skandinaviska Enskilda Banken AB's (publ) Frankfurt branch, including the sub-credit line agreements concluded on this basis: If there is a change of control, each individual bank has the right to cancel the loan contract for the amount of the loan attributable to it within 30 days after the announcement has been made. In the event of a cancellation, the outstanding balance, including accrued interest, are due and payable within a period of at least 15 days;

- A guarantee facility agreement with Skandinaviska Enskilda Banken AB's (publ) Frankfurt branch: If there is a change of control, the bank is entitled to an extraordinary cancellation right. In the event of a cancellation, the outstanding balance, including accrued interest, is immediately due and payable;

- A guarantee insurance policy with Tryg Deutschland, a branch of Tryg Forsikring A/S: If there is a change of control, the insurer has the right to cancel the policy without notice within 30 days after becoming aware of the change. If the policy is canceled, the insurer is entitled to demand collateral for outstanding guarantees in the form of a cash deposit;

- A hybrid note arranged by M.M. Warburg & Co. and Jefferies GmbH: In the event of a change of control, the bond grants the issuer the right to cancel the bond and demand payment of the outstanding balance, including accrued interest, by a date to be decided later. If the issuer does not exercise this right, the interest rate used to calculate the accrued interest is increased by 500 basis points.

- A loan agreement with DZ Bank AG: In the event of a change of control, the Parties must reach a mutually agreeable arrangement regarding how the loan should be continued, with different terms if necessary. If an agreement cannot be reached within one month, the bank is entitled to terminate the loan and any accrued interest without notice;

- A Schuldschein loan arranged by Landesbank Hessen-Thüringen Girozentrale: In the event of a change of control, the loan agreement contains the right of the loan issuers to demand payment of the outstanding balance, including accrued interest, within 30 days after becoming aware of the change of control.

In one other agreement, a change of control essentially means the purchase of more than 30 percent of the voting rights by one or several trading individuals. In relation to the descendants, spouses, heirs, foundations or other beneficiaries in the last will of Mr. Heinz Hermann Thiele, a change of control occurs if 50 percent of capital stock is exceeded:

- A guarantee facility agreement with Deutsche Bank AG: In the event of a change of control, negotiations to continue the framework loan are foreseen under amended terms and conditions, if applicable. After a change of control, the bank is not obliged to fund further utilizations.

Compensation agreements upon change of control
No arrangements have been made with Executive Board members or Vossloh employees regarding post-takeover indemnification or other compensation upon a change of control.

Workforce

As at December 31, 2021, there were 3,687 employees[1] within the Vossloh Group contributing to achieving the Group's goals. This represents an increase of 220 employees or 6.3 percent compared to the previous year (3,467 employees).

Workforce-related performance indicators

€ thousand	2021	2020
Personnel expenses per employee	58.6	58.9
Sales revenues per employee	261.0	249.8

The average number of employees was 3,612 in the reporting year compared to 3,482 in the 2020 fiscal year. The increase of 3.7 percent is mainly due to the first-time full consolidation of the Indian company Vossloh Beekay Castings Ltd. in the Customized Modules division.

Out of the overall average number of employees, 72.9 percent (previous year: 73.9 percent) were employed at locations in Europe. Of the remaining 27.1 percent, 54.1 percent (previous year: 32.7 percent) were employed in Asia, 25.2 percent (previous year: 44.0 percent) in the Americas and 20.7 percent (previous year: 23.3 percent) in Australia.

Personnel expenses

€ mill.	2021	2020
Wages and salaries	169.5	162.9
Social security expenses and charges	36.8	36.8
Pension expenses	5.5	5.4
Total	**211.8**	**205.1**

Divisions

The average number of employees is distributed as follows across the divisions. The following revenue was generated on the basis of the associated personnel expenses:

	Number Ø employees		Personnel expenses per employee in € thousand		Sales revenues per employee in € thousand	
Division	2021	2020	2021	2020	2021	2020
Core Components	879	938	64.7	60.5	488.3	400.2
Customized Modules	2,150	1,987	49.5	52.2	194.7	202.2
Lifecycle Solutions	520	498	69.8	66.0	222.0	208.2

In addition, an average of 63 employees (previous year: 59) were employed by Vossloh AG.

For additional information, please refer to the "Employee aspects" section of the nonfinancial Group statement.

[1]This section presents the number of employees based on Full Time Equivalents.

Research and development

Vossloh is a technological leader in the rail infrastructure segments in which it operates. Innovation plays a decisive role in ensuring that the Company remains competitive from a technological standpoint. In the interest of safety, Vossloh's products and services are subject to detailed technical specifications and standards that must be met. Before products and services for rail infrastructure are ready for market, they usually undergo (further) development and testing for several years, as well as complex approval procedures by independent testing institutions. Research and development projects at Vossloh are therefore usually scheduled to run for several years.

To satisfy the specific expectations of customers in individual market regions and reinforce its own competitive position, Vossloh adopts a structured approach to managing innovation by continuously investing in the development and optimization of its products and services. In 2021, a Group-wide innovation playbook was drawn up and approved, and a Group Innovation Committee was also set up. Vossloh intends to increase collaboration across business units to develop new products, services and business models, make decision-making processes more efficient and structured, and ensure that customers and suppliers – with their specific expertise – are involved more closely in research and development processes. After reviewing its production processes over recent years, the Company is now implementing a range of measures which will provide ongoing efficiency gains, including new construction, modernization, increased automation and specialization.

One focus of innovation at Vossloh is digitalization as the link between hardware and services. The Company uses specialized sensor systems to create intelligent infrastructure components which monitor load levels and track condition. This data provides an indication of how worn these components are, making it easier to identify which maintenance strategies will be most effective, and when they should be used. This can reduce the risk of component failure – and thus partial infrastructure failure – during ongoing operations. In the future it will be able by using artificial intelligence to detect wear patterns, predict the failure of track components and prevent these failures by planning maintenance measures ahead of time. Vossloh uses its in-depth knowledge of the rail track as a system to address its customers' main requirement "track availability" and develop comprehensive solutions in partnership with all of Vossloh's business units.

A significant proportion of Vossloh's research and development efforts relate to specific customer contracts. Accordingly, these expenses are reported under cost of sales in the income statement and not under research and development (R&D). Expenses for the development of market-ready products are only capitalized if they satisfy the relevant criteria defined in IAS 38. Development costs that cannot be capitalized are shown as research and development costs if they are not reported under cost of sales.

In 2021, expenses for research and development – including capitalized internally generated assets – came to a total of €12.2 million (previous year: €13.5 million). This represents a share of approximately 1.3 percent of Group sales (previous year: 1.6 percent). €4.2 million (previous year: €4.0 million) of R&D expenses were attributable to the Core Components division and almost entirely to the Fastening Systems business unit. R&D expenses in the Customized Modules division came to €4.8 million (previous year: €4.2 million). €2.5 million (previous year: €5.3 million) were attributable to the Lifecycle Solutions division. €0.7 million (previous year: €0.0 million) were attributed to Vossloh AG.

€3.2 million of the newly capitalized assets that were generated internally or as a result of third-party deliveries or service performance in the 2021 fiscal year (previous year: €4.6 million) concerned the Customized Modules division.

Vossloh Konzern – Research and development costs

€ mill.	2021	2020
Research and development costs	12.2	13.5
of which capitalized	3.2	4.6
Research and development expenses (income statement)	**9.0**	**8.9**
Amortization (of capitalized development costs)	0.8	0.3

Maximizing track availability and reducing lifecycle costs

Vossloh's research and development efforts in 2021 focused on creating new products and services that provide solutions to the major challenges currently facing the rail sector. This includes increasing the availability of rail tracks and developing solutions to deal with the consequences resulting from the increased load on tracks, such as wear and noise emissions. Vossloh also conducts research with a focus on extending the service life of infrastructure and infrastructure components in order to reduce lifecycle costs. Vossloh possesses comprehensive expertise on rail as a complex mode of transportation. The Company is able to leverage this expertise to significantly improve the efficiency of rail network maintenance processes. Digitalization plays a key role in this. The focus is on intelligent rail systems and digital track monitoring. Vossloh's solutions minimize disruption and lay the groundwork for increasing the amount of traffic on rail networks. Vossloh is therefore helping create more efficient rail infrastructure, which is essential for the environmentally-friendly mobility of people and goods ("enabling green mobility").

Predictive maintenance based on track condition data

The digitalization of rail infrastructure opens up new opportunities for Vossloh to create value with its products and services. Apps released by Vossloh bring measurement and track condition data together, provide a quick overview of which routes require action, and suggest suitable measures for repairing damage. Vossloh uses configurable IoT sensors to measure vibrations and provide data from different parts of the track (rail ties, frogs, point machines, etc.). This data is validated and compressed, and then sent to the Vossloh Analytics Platform using a mobile phone network for analysis. The platform compiles data from measurement instruments and sensors in various infrastructure components with data from Vossloh railgrinders to provide an overall picture of the condition of the track.

Vossloh's rail profiling machines are also used to diagnose track issues. They record data about the condition of the track without disrupting rail schedules, and then send this data to an asset management system, such as mapl-e or MR.pro, both of which were developed in-house by Vossloh. In addition to visualizing the condition of the track, mapl-e can also identify appropriate maintenance measures and assess the economic viability of such measures. This enables asset managers to plan and budget for maintenance. Vossloh's customers are able to access measurement data, analyses, assessments and recommendations from a secure area on the analysis platform. This digital service allows Vossloh customers to better understand their infrastructure and increase availability with targeted and preventive maintenance.

Vossloh's "Digital Twin" application enhances maintenance measures for point machines by combining augmented reality with virtual reality. The "digital twin" provides a virtual copy of a physical object or system, which includes comprehensive product and function data as well as a real-time visual overlay. Vossloh also uses drones to generate digital three-dimensional models of busy routes. These 3D models can be used to optimize track layouts, switch designs and overhead lines to increase speeds and capacity on routes whilst also reducing the need for maintenance.

Switch disruptions are one of the main reasons for track unavailability and unplanned maintenance. In switch management in particular, digitalization has already created a number of solutions. In urban regional transportation, for example, Vossloh's compact electro-hydraulic Easydrive point machine can be equipped with smart sensor technology for remote monitoring. The Easyswitch MIM-H for mainline routes is the latest generation of this Vossloh point machine, which is highly regarded as a modular plug-and-play solution that offers excellent reliability.

Digitalization also offers opportunities for Vossloh's R&D activities: The research and development activities of every division are increasingly focused on data-processing technology – a trend which continued in 2021. This makes it possible for multidimensional simulations, such as the finite element or multibody simulation methods, to be devised more quickly and at lower cost than with conventional methods. The innovative DYNADeV platform developed by Vossloh simulates wheel-to-rail contact to predict the mechanical behavior of a switch. The simulation tool removes the need for expensive track measurements and lengthy laboratory testing. In addition to accelerating the development and certification process for switches, the virtual process also provides an indication of which trains damage the rail infrastructure, due to deformed wheels and other factors.

Working towards "quiet rails"

All of Vossloh's innovations also focus on "quiet rails" as noise and vibrations are a major inconvenience, particularly for people in dense urban areas. Vossloh is helping to reduce noise emissions with dampening rail fasteners, "whisper switches" and acoustic rail grinding. All of our solutions in this area were further improved in 2021. The Company also provides maintenance measures that are proven to reduce noise emissions. By using sensor technology to monitor noise levels, Vossloh can target specific areas for grinding to guarantee long-term reductions in the amount of noise created by rail infrastructure. This is another example of how the Company is using digitalization to improve the quality of life for people in urban areas

Cooperation and partnerships

Vossloh has long relied on the specific expertise of external specialists for some of its development work. The Group has access to an extensive network of experts. The Company works closely with renowned universities and research institutions from all around the world – such as those in Germany, France, Sweden, China, Australia and the USA – as part of long-term partnerships on a variety of levels and in various forms. Vossloh focuses on partnerships with technology companies and startups working in digitalization and big data analysis. One example is Vossloh's partnership with Deutsche Bahn AG subsidiary DB Systemtechnik GmbH in data-driven switch monitoring. The joint venture established with Rhomberg Sersa represents a crucial partnership that offers a wide range of monitoring and maintenance services for switches and rails. The MR.pro software provides the joint venture with a set of open-system digital tools for evaluating and visualizing the condition and material of track infrastructure.

R&D by division

In 2021, the R&D experts in the Core Components division continued to work on new solutions for improved noise and vibration protection. These projects focused on the 336V rail fastening system installed on local transport routes, which is currently being trialed by the Melbourne metro system. This system uses cellentic intermediate layers. cellentic is a highly flexible elastomer. Components made from this material help optimize the elasticity of the track. This reduces vibrations, dampens structure-borne noise and protects the superstructure, particularly when installed in combination with the EPS (engineered polymer sleeper) composite tie developed by Vossloh. The composite tie is now available for a variety of applications and completed a number of real-world tests in 2021 in Russia, Bulgaria, Italy, Germany and elsewhere. Vossloh's experts began investigating new thermoplastic materials for the Company's own synthetic components and developing new tension clamps. The team also intends to improve the service life of specialized tension clamps in stretches of track which are used particularly heavily. Vossloh launched a project in partnership with a major rail company with the aim of increasing the service life of a clamp to 2.5 billion metric tons of load.

In 2021, R&D engineers in the Customized Modules division continued to test the new, ultra-resilient rolled steel CogX. The heat-treated laminated steel for frogs and switch points was tested in additional switch systems for trams and heavy-duty traffic. The material provides a higher level of resistance to wear and impact compared to existing solutions, and extends service lives by up to 30 percent. The Company also continued practical tests of an energy-efficient and fully hydraulic point machine and the digitally controlled MIM-H point machine on high-speed routes. The COGISLIDE coating developed by the division went into production after many years of successful trials. Slide chairs in switches coated with this material can be moved smoothly and easily without lubrication. Work began on developing an energy-efficient heating system with improved performance that can be tailored to both high-speed and also conventional routes. Customized Modules has a strong and reliable partner in France's national state-owned rail company (SNCF) for all of its switch development projects.

The Lifecycle Solutions division focused its R&D activities on milling machines, onboard rail condition measuring systems and software for evaluating and visualizing even more condition data – all with the aim of enhancing smart maintenance. New units were developed for high-speed railgrinders in 2021, including units that increase the amount that can be removed in high-speed grinding or provide an indication of grinding quality (section and longitudinal profile and absence of cracks). The control and sensor systems of mobile, VTM performance milling and VTM compact milling units were adapted to meet new requirements. Changes to the compressors and suction unit made it possible to collect more of the metal chips produced during milling. The division is systematically investigating alternatives to diesel and petrol-powered locomotives due to increasing customer demand. Vossloh is trialing the use of battery-powered electric motors and overhead lines. At the beginning of 2022, Vossloh was awarded the contract to deliver the world's first emission-free high-speed railgrinders for use in the Shenzhen subway network. These railgrinders combine a HSG-city with an electric traction unit.

Optimizing production and administration

In addition to enhancing its range of products and services, Vossloh is also making consistent improvements to its production processes. The Company wants its factories to be smart and highly efficient. Vossloh's "factory of the future" at its Werdohl site produces tension clamps using a digitally-managed and highly-automated process. It began operations at the beginning of 2021. Now that Vossloh has completed its "OT 2020" project, the Company has an optimized frog production facility and a competence center for foundry technology in Outreau. The Group's two major switch plants have specialized in specific stages along the value chain (metal milling in Reichshoffen, final assembly and shipping in Fère-en-Tardenois), which has brought significant improvements in efficiency. Vossloh is also increasing its commitment to global collaboration and speeding up the exchange of knowledge between business units as part of international development projects. The Company is using cutting-edge communication and collaboration solutions for these projects.

Vossloh's internal business processes will be shaped by streamlined processes and digital data streams. The preliminary study on a Group-wide uniform ERP system was started in the fall of 2020. The chosen solution can be adapted to the business models of different Vossloh units and can interface with other platforms, such as Customer Relationship Management (CRM) and Product Lifecycle Management (PLM).

Risk and opportunity management

Organization

Risks and opportunities for the Company's net assets, financial position and results of operations are systematically identified, analyzed, evaluated, reported, monitored and managed at all levels within the Vossloh Group. Vossloh has established a Group-wide risk and opportunity management system for this purpose. This system serves to prevent or mitigate negative effects resulting from changes while also identifying and harnessing opportunities that arise. The risk and opportunity management system encompasses not only Vossloh AG itself but also all domestic and overseas subsidiaries in which Vossloh AG has a direct or indirect shareholding, irrespective of whether these are consolidated in the Group's financial statements. In addition to specific topics related to the evaluation of investments and Group financing, the business development of Vossloh AG is subject to the majority of the risks and opportunities which also apply to the business of the Group. Acquired companies are promptly integrated into the system.

The risk and opportunity management system is a component of the business, planning and control process. The organization of structures and processes is documented in a Group-wide policy. This policy was updated and incorporated into the reporting system in the 2021 fiscal year to reflect the additional requirements in the amended version of the assurance standard IDW PS 340. The majority of the update relates to the assessment of mutual dependencies between reported individual risks and how they are aggregated into an overall risk position (net view) which is then compared to the risk-bearing capacity of the Group. The risk-bearing capacity of the Group has been redefined in light of the additional requirements in the amended version of the assurance standard IDW PS 340. It was systematically determined using earnings and liquidity ratios and will be reviewed on an ongoing basis by Corporate Controlling and the Executive Board. All relevant risks with a very low probability of occurrence (less than 5 percent – so-called tail events) are systematically included in the reporting process.

The structure of the risk and opportunity management system is based on the structure of the operating processes of each of the organizational units. There are appointed Risk Managers, Risk Officers and Risk Controllers at all levels of the Group. A permanent inventory identifies risks and opportunities on an ongoing basis and ensures that relevant risks and opportunities are recorded effectively, promptly and systematically.

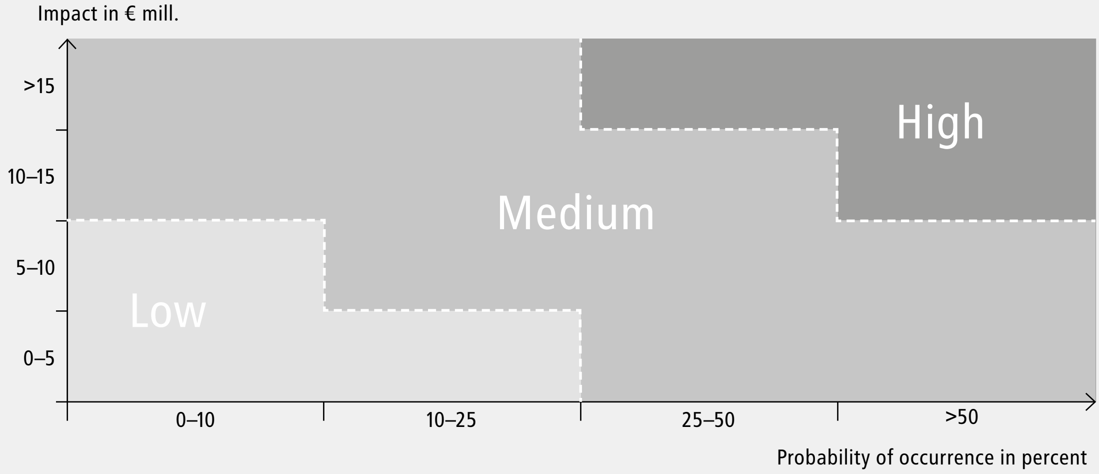
Vossloh evaluates risks and opportunities in regard to their potential impact on earnings and the Company's financial position. The possible impact of a risk is primarily calculated using the EBIT financial performance indicator. Its influence on the liquidity situation is also recorded. Interest and income tax risks and risks from discontinued operations are assessed in light of the impact of the risk on net income. This evaluation determines not only the most likely outcome but also the worst-case and best-case scenarios. In line with the value-at-risk method, a minimum probability of 5 percent is required for these. Additionally, an evaluation of the probability of occurrence is carried out. Tail events are reported separately. Besides, nonfinancial risks and opportunities are incorporated into risk reporting. These are assessed to determine their impact on nonfinancial issues, such as environmental and labor concerns.

Vossloh documents and presents risks and opportunities in standardized reports. They contain detailed information on risks and opportunities, the parameters by which they are evaluated, and potential measures to manage these risks or harness these opportunities. The risks and opportunities report is issued on a quarterly basis. It supplements the current annual outlook and also addresses predictable and adequately specific risks and opportunities for the following three years. Ad hoc reports round out the regular reports and provide the means to assess the current situation at any time. The risk reports are intended to be read by the Executive Board of Vossloh AG as well as the management of the Group companies and business units. These are responsible for managing and monitoring risks and opportunities. The management of the business units, Corporate Controlling and the Executive Board discuss the current risk situation on a regular basis.

The tight-knit personnel structure enables information to flow quickly and reactions to be invoked at short notice. The Executive Board has adopted suitable measures in order to promptly identify developments that may jeopardize the Group's standing as a going concern. Internal Audit checks whether the risk and opportunity management system is adequate and functional and whether it is in compliance with statutory requirements on an annual basis. The changes made in light of the additional requirements in the amended version of the assurance standard IDW PS 340 were reviewed in 2021. The early warning risk control system is audited on a regular basis.

The significance that individual risk categories hold for the Vossloh Group is evaluated, where possible, based on their potential negative and positive impact on the forecast financial earnings indicators and on the probability of occurrence for the given risk category. The risk situation is analyzed following the implementation of risk mitigation measures (net effect) based on a worst-case assessment. Risks are categorized as high, moderate or low based on their possible negative impact and probability of occurrence.

This is shown in the figure below.



The following statements illustrate the risks and opportunities within the identified risk categories that were relevant as of the reporting date and are significant to the development of the Vossloh Group. Significant individual risks and opportunities are highlighted separately if they have a worst case or best case of more than €2 million (net view) taking into account a minimum probability of occurrence.

General economic risks and opportunities as well as industry-specific risks and opportunities

General economic risks and opportunities arise as a result of economic fluctuations, social and political events, changes in exchange rates and interest rates, and changes to legislation and taxation. Industry-specific risks and opportunities arise from the competitive situation and the characteristics of the target markets as well as global megatrends such as population growth, urbanization, globalization, sustainability and digitalization.

Production shutdowns due to the COVID-19 pandemic had a lesser impact on the Vossloh Group in the 2021 fiscal year. Short-term production shutdowns due to infections among employees or official requirements as well as customers and suppliers being affected by worker shortages only affected operations in some areas. Compared to other sectors, the impact of the pandemic on rail infrastructure and therefore also on Vossloh was significantly lower.

The ongoing global pandemic and its consequences will have a significant impact on the global economy in 2022. Uncertainty will remain high. Despite its impact classified as relatively low, this issue is considered a material risk for the Vossloh Group. Still, the risk is not considered to be very high due to the Group's resistance to crises.

Regulatory activities, the state of rail deregulation in different countries and government budgets also have an influence on Vossloh. The latter has a major impact on the ability of public clients to make investments. Reduced availability of public funding can have a negative impact on the future business performance of Vossloh. Increased availability can conversely have a positive impact. In the infrastructure maintenance markets, which are highly critical to the Group, there has been an increased trend toward cost-cutting in recent years due to the continuing strain on public clients' budgets. This trend may intensify sporadically as a consequence of the pandemic. However, there currently seems to be far more political will to shift a considerable amount of passengers and cargo onto the rail network, the most environmentally friendly means of transport, in order to reach climate targets. The EU Commission has designated 2021 as the "European Year of Rail". Numerous regions around the world have set up rail subsidy schemes as part of climate action initiatives. Many countries have announced economic stimulus programs which include measures to boost investment in rail infrastructure.

Vossloh was active in rail infrastructure markets around the world in 2021. In this field, the Group is one of the leading providers in its core business. Vossloh generates more than 85 percent of its sales revenues in Europe, the Americas and Asia.

The political and economic factors that have an impact on European rail infrastructure markets are largely stable. North American markets are significantly more volatile in terms of demand, as most of the rail and network operators there, especially in the freight sector, do not benefit from state funding. Vossloh's performance in Asia is characterized by projects related to the continued rapid growth of the Chinese high-speed network. Activities in these and other markets – particularly in the rest of Asia, Australia and Africa – present opportunities for Vossloh as well as additional risks. In these markets, risks may arise in particular as a result of political and social instability, protectionist tendencies, oil price changes or exchange rate volatility – mainly translation risks – and as a result of legal uncertainty.

In isolated cases, there are also risks that products may be substituted by new technical developments and that new competitors may enter the market. The intensity of competition in the field of rail infrastructure has grown noticeably and sustainably in recent years. Vossloh counters these risks by continuously enhancing its products and services and consistently focusing its activities on the needs of its customers and comprehensive cost reduction measures. Digitalization and the new business models resulting from it are playing an increasingly important role in Vossloh's ambitions to focus on the customer.

Vossloh classifies the overall economic risk as medium due to the COVID-19 pandemic. As in the previous year, the industry risk for the forecast financial targets is also assessed as low.

Operating risks and opportunities

Operating risks and opportunities can originate from various operational activities, particularly in procurement, production and order performance. In the procurement process, Vossloh seeks to limit price risks by means of long-term contractual agreements or sliding scale pricing clauses with suppliers and customers. However, sliding scale pricing clauses are frequently only possible to implement with a delay, and occasionally not possible at all. Vossloh primarily limits exchange rate risks in relation to procurement through the use of foreign currency forwards. The price changes assumed in medium-term planning for materials and components are largely based on information from suppliers and market analyses.

Vossloh monitors changes in material and energy prices on an ongoing basis. If the prices of the materials used and the energy sources required for the production process do not follow the expected trend due to the pandemic or other factors, risks or opportunities for forecast income may arise from procurement prices being higher or lower, particularly in the Core Components division. This is a significant individual risk or opportunity.

Risks can also emerge in the course of the procurement process as a result of the loss of suppliers, a shortage of raw materials, quality problems affecting materials or delays in the supply process. Vossloh minimizes these risks by prioritizing arrangements with well-established partners and improving its vertical integration in selected areas. Even though suppliers are carefully selected, regularly contacted and alternative procurement sources are established, future risks relating to the procurement process can be limited, but never entirely eliminated.

Within the value chain, the operating units are generally exposed to the risk of operational shutdowns and quality problems affecting production as well as health, safety and environmental risks. These risks can accumulate if significant investment at a site has an impact on production processes or if individual sites are in a restructuring process. A number of French manufacturing sites in the Customized Modules division are currently undergoing restructuring. These are significant individual risks or opportunities. Vossloh avoids or reduces the ensuing risks by means of extensive policies and directives on product and quality management, safe manufacturing practices, occupational health and safety and environmental protection. The Vossloh Group is certified in accordance with a wide range of international quality, environmental and social standards, such as ISO 9001, ISO 14001, ISO 50001 or OHSAS 18001 respectively ISO 45001. If newly acquired units do not hold equivalent certifications, they are brought into compliance with these standards as quickly as possible.

In the context of order performance, risks for Vossloh may arise from the complexity of projects. These can be caused by unexpected technical difficulties, unforeseeable developments at project sites, problems with partners or subcontractors and logistical challenges, as well as delays in approvals, acceptance and billing. This can lead to significant additional expenditure or contractual penalties. These risks can be limited, but not fully eliminated, by formulating contracts appropriately and ensuring that project and quality management are thorough. On the other hand, there may be isolated indirect opportunities if the recognized risk provisions do not need to be fully utilized.

Risks may also materialize after acquisitions where it becomes necessary to impair goodwill if the medium-term operational performance of the units in question is significantly weaker than expected and/or if the general interest level increases. The goodwill of acquired companies is not amortized in accordance with IFRS 3 in conjunction with IAS 36. Instead, this goodwill undergoes impairment testing each year as of the balance sheet date. Vossloh also carries out impairment testing during the year if exceptional events occur. This testing involves a comparison of the relevant carrying amount of a group of cash-generating units (CGUs) in relation to the goodwill of acquired companies against the value in use.

Vossloh has recognized the relevant IFRS regulations for risk provisions for existing operational risks. Despite the provisions for known risks with a very high probability of occurrence, the risk of net profit reductions arising from the restructuring of individual sites cannot be fully eliminated and may have negative effects on the achievement of forecast financial targets. The absolute risk value arising from the completion of projects is dependent on the volume and value of development services connected to the relevant order and on the quality of the products.

Vossloh believes that the amount of risk arising from the value chain and the completion of projects is still moderate. As in the previous year, the risk of possible impairment of goodwill is also classified as moderate. The risk from changes in the price of materials is still classified as moderate. Overall, the other operating risks are still deemed to be low.

Financial risks and opportunities

Corporate Treasury monitors and limits financial risk within the Vossloh Group and optimizes Group financing on an ongoing basis. Targets, principles, duties and expertise are consistent with corresponding policies. The prime objective is to preserve the Company's status as a going concern by ensuring solvency and liquidity at all times. Synergies and economies of scale are also harnessed within the Group where it seems appropriate to do so.

Vossloh only uses derivative financial instruments to hedge specific risks from existing or expected future underlying transactions. These economic hedges are normally also reported as hedge relationships in the balance sheet. These only make use of previously approved, market-standard financial instruments. The trade, performance and controlling functions are organizationally separated. Group Treasury continuously ensures and monitors the effectiveness of risk hedging. It manages the following specific financial risks: liquidity risks, interest rate risks (cash flow risks), price risks and credit risks.

Liquidity risks
Liquidity risks can arise if Vossloh is unable to settle liabilities in a timely and complete fashion. For this reason, the Group conducts ongoing liquidity management that incorporates reserves for potential special needs and the scope required to implement the Company's strategy. Revenue sharing measures within the Group – including cash pooling systems in individual countries and intercompany loans – facilitate the use of the excess liquidity of individual Group companies in order to cover the financing requirements of others.

Financing and the provision of liquidity typically take place centrally through Vossloh AG as the Group holding company. In February 2021, Vossloh AG issued a hybrid note of €150 million. The note has an indefinite term and can be called and repaid by Vossloh for the first time in February 2026. The funds from the hybrid note were used to repay the Schuldschein loans of €135 million due in July 2021. The proceeds from a Schuldschein loan of €25 million with a term until December 2028 which was issued at the end of December 2021 were used in January 2022 to pay off a €25 million Schuldschein loan with a variable interest rate which was due to expire in July 2024. Of the Schuldschein loan issued in July 2017, only €90 million in loans remain. These will come due in July 2024. A syndicated loan concluded with eight banks for €150 million with a term until November 2024 has been in effect since November 2017. 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. In July 2021, a €20 million loan with a variable interest rate was agreed with another bank and used. The term of the loan will run until July 2024. As of the end of the year, the Group had unutilized credit facilities of €279.0 million at its disposal – in addition to cash.

There are presently no financing or liquidity shortages. Vossloh still considers the liquidity risk as a whole to be low.

Interest rate risks
Changes to the future interest rate may cause cash flow volatility where asset and debt positions are subject to variable interest rates. Vossloh hedges this risk as appropriate with the use of interest rate swaps and caps. The Company regularly performs analyses to determine how changes to interest rates affect cash flows. For the purposes of active risk management, the variable-rate interest cash flows from a long-term loan concluded in 2018 were replaced with an interest rate swap for fixed cash flows at the same time. The positive or negative impact of a potential change in the ECB base rate on cash flows is deemed to be low. The risk is therefore also still deemed to be low.

Price risks
Price risks result from the value of a financial instrument changing due to increases or decreases in market interest rates or exchange rates. At Vossloh, existing and expected future liabilities and debts denominated in foreign currencies are usually hedged with foreign currency forwards as of the time the order is issued. Translation risks – arising from the translation of financial statements denominated in foreign currencies – are continuously monitored. Due to the high level of hedging of price risks, this risk is still deemed to be low overall.

Credit risks
Credit risks arise whenever a contract partner does not comply with his obligations in relation to a transaction (or only does so in a delayed fashion), thus causing Vossloh to incur financial losses. The Group minimizes credit risks by ensuring that contract partners mostly have good or excellent credit ratings. These ratings – where available – are mainly based on the statements of international rating agencies. As of the end of 2021, of the financial investments and derivative financial instruments with positive market values, 61 percent were with contract partners with a rating of AA+ to AA–, 22 percent were with contract partners with a rating of A+ to A–, 11 percent were with contract partners with a rating of BBB+ to BBB–, while 6 percent were with contract partners with a rating of BB or no available rating. The Group also distributes its financial assets across a number of credit institutions, thus broadly diversifying its risk exposure. There were and are no dependencies on individual banks.

Credit risk is considered low due to the fact that the majority of Vossloh’s customers are in the public sector. However, outstanding amounts owed are continuously monitored by Group companies. Some are also insured by means of credit insurance policies. Despite the precautionary measures taken, it is impossible to entirely eliminate the risk of financial losses from nonpayment of receivables. In the export business, orders are usually concluded with letters of credit to limit the credit risk. All contract partners must have good or excellent credit ratings. As a result, credit risk is still deemed to be low.

Legal risks and opportunities

Legal risks arise for Vossloh in particular on the basis of complaints, warranty claims, compensation claims and litigation. Identifiable risks are covered where possible and economically feasible by insurance and – if the relevant requirements are met – reflected in the balance sheet through provisions. However, it is impossible to eliminate the possibility that losses may arise that are not (adequately) insured or exceed the established provisions. On the other hand, there may be indirect opportunities if risk provisions are not utilized entirely.

Group companies of Deutsche Bahn AG have asserted compensation claims against the Group company Vossloh Rail Center GmbH, Hamburg. Even though the damages directly attributable to the Company were settled in 2016 by a partial settlement with Deutsche Bahn AG, there remains a risk of joint and several liability for as yet unsettled damages. For any outstanding entitlements, Vossloh Rail Center GmbH, Hamburg, has a right of recourse that is partially secured with bank guarantees. Various customers have also asserted compensation claims in relation to ongoing or concluded competition law procedures concerning rail switches. Provisions for compensation claims are recognized where the assertion of individual customer claims is deemed to be very likely and a reliable estimate of potential compensation amounts seems possible. This is a significant individual risk or opportunity.

Resulting from the divestments in recent years, the purchasers were granted certain guarantee rights and rights of recourse in the purchase agreements. Risk provisions have been recognized for these claims, where utilization of the guarantees and rights of recourse is deemed to be very likely. Opportunities may arise indirectly if the recognized risk provisions do not need to be fully utilized. These are significant individual risks and opportunities.

For the existing legal risks, risk provisions have been recognized in accordance with IFRS.

It is impossible to exclude the possibility of the forecast financial targets for Vossloh being reduced due to legal risks, and these risks are still deemed to be moderate.

Nonfinancial risks and opportunities[1]

According to the HGB, it is necessary to report on the nonfinancial risks that are associated with the Company's own business activities, business relationships, products and services, where these risks have had or are very likely to have severe negative repercussions on the reportable aspects relating to the environment, employment, social welfare, human rights, anti-corruption and anti-bribery activities.
The nonfinancial risks are reflected in the Vossloh Group's risk reporting.

There are presently no material risks that meet the criteria described. Vossloh therefore still deems the risk situation in connection with nonfinancial matters to be low.

[1] Part of the nonfinancial Group statement audit for providing limited assurance carried out by Deloitte GmbH Wirtschaftsprüfungsgesellschaft – see page 108.

Other risks and opportunities

Other risks consist primarily of personnel and information technology risks.

Inadequate human resources, such as due to a lack of managers and specialist personnel, can negatively influence the economic situation of the Group. Personnel risks may also relate to high turnover figures of highly specialized personnel and inadequate training, as well as errors made or theft committed by employees. Vossloh applies a variety of measures to counteract these risks, including in particular the positioning of the Company as an attractive employer to enable it to successfully compete for highly qualified specialist personnel. A range of training activities are used to improve the expertise of employees, while attractive pay structures increase the likelihood of retaining personnel within the Company in the long term.

Complex and powerful information technology has a decisive effect on the management of operational and strategic business processes. Having high-performance information technology at your disposal is becoming increasingly important as the digitalization trend continues. Vossloh monitors the ever-growing threats to cyber security worldwide and optimizes its IT infrastructure on an ongoing basis. Through the use of technical and organization precautions in particular, Vossloh minimizes risks related to the reliability, availability and confidentiality of the data stored in its information systems. Vossloh AG is monitored by internal and external security experts on a permanent basis. The Company uses cutting edge systems to analyze and prevent potential attacks. In addition to making continuous improvements to the already high security standards within the Group, which comprise measures like hardening our infrastructure and using multifactor authentication, relevant training is provided for employees.

Other risks had no significant impact on net income in 2021. Overall, the risk is classified as low (previous year: moderate personnel risks due to the performance program).

Assessment of the risk and opportunities situation

All of the described risks and opportunities that the Vossloh Group (and thus also Vossloh AG) is exposed to are continuously monitored and managed in terms of their effects on the net assets, financial position and results of operations of the Group. The relevant IFRS risk provisions have been recognized for risks that are currently known. Other current risks and opportunities are – if adequately specified – accounted for in the current annual outlooks. As in the previous year, Vossloh does not anticipate any significant deviations from its targets for the 2022 fiscal year on this basis at the time this annual report was prepared. Based on current information, there is no risk to the Vossloh Group as a going concern in terms of substance or liquidity based on individual risks or all of the currently known risks collectively. The available Group equity is adequate to cover potential risks. The risk and opportunity situation within the Vossloh Group is therefore considered satisfactory overall.

Description of the essential features of the internal control and risk management system in relation to the financial reporting process/consolidated financial reporting process (Section 289 (4) and Section 315 (4) of the HGB [„Handelsgesetzbuch“: German Commercial Code])

To ensure that risks are systematically identified early throughout the Group, an early-warning monitoring system for risks that may jeopardize the Vossloh Group as a going concern has been established in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). In addition, a suitable and efficient internal control system and a risk management system have been established in accordance with Section 91 (3) AktG. These systems serve to quickly identify, manage and monitor risks that jeopardize the Group as a going concern as well as other risks. The risk management system was completely overhauled in fiscal year 2021 in light of the new auditing standard (PS 340 n.F.) issued by the IDW [„Institut der Wirtschaftsprüfer“: Institute of Public Auditors in Germany]. The Group auditor assesses the functional capacity of the early-warning risk control system in accordance with Section 317 (4) of the HGB. The internal control system encompasses all principles, processes and activities of the Vossloh Group that aim to ensure the effectiveness, cost-efficiency and legitimacy of the accounting system, and to ensure compliance with relevant legal requirements.

The Internal Audit department is largely responsible for the internal control system at Group level, as are the Group Controlling, Accounting, Treasury and Legal departments. An internal monitoring system encompasses monitoring activities that are both integrated into and independent from processes. Alongside manual process controls (such as peer reviews), IT processes are also a key element of the process-integrated activities. The Legal division also ensures that monitoring is integrated into processes.

The Supervisory Board, in particular the Audit Committee, Vossloh AG’s Internal Audit division and the locally appointed employees at the level of the management companies of the business units, are tasked with performing process-independent audits. The (Group) auditor also performs process-independent auditing activities. Both the audit of the consolidated financial statements and subject-specific audits as part of the pre-audit are considered essential process-independent monitoring activities in relation to the (Group) accounting process.

Information technology
Accounting transactions are recorded locally in the respective accounting systems of the Group companies. When preparing the consolidated financial statements of Vossloh AG, the subsidiaries add additional information to the individual financial statements, which are prepared on the basis of standardized Group accounting methods, to form standardized reporting packages. These packages are then incorporated into the Group reporting and consolidation system used by all of the companies included in the consolidated financial statements. This system, Cognos Controller from IBM (current version in use: 10.4.0), is used to both consolidate and provide additional management information.

With a small number of exceptions, Group companies use a standardized accounting system from SAP. This IT system enables central access and centrally initiated controls in regard to the accounting process. The system is currently used within Vossloh AG and the overwhelming majority of companies in the Core Components, Customized Modules and Lifecycle Solutions divisions.

(Group) accounting risks
The preparation of the financial statements requires a range of assumptions and estimates. Such estimates affect the values recognized for reported assets and liabilities, as well as contingent liabilities as of the balance sheet date. They also affect how income and expenses are reported in the reporting period. The misuse of reasonable discretion can lead to (Group) accounting risks.

Key activities to ensure that (Group) accounting is performed in a legally compliant and reliable manner

The Vossloh Group's "Group Accounting Manual" governs the standardized accounting, measurement and valuation principles applicable to the companies included in Vossloh's consolidated financial statements on the basis of the accounting rules laid out in the International Financial Reporting Standards as adopted by the European Union. In addition to general accounting principles and methods, it also contains provisions on specific balance sheet items, the income statement and the statement of comprehensive income, as well as information to be published in the notes in accordance with legislation applicable in the EU. The manual also governs specific formal requirements imposed on the consolidated financial statements. It establishes not only how the group of consolidated companies is defined but also lays out the components of the reporting packages to be prepared by the Group companies in detail. The formal requirements include the binding application of a standardized and complete set of forms.

The "Group Accounting Manual" is regularly revised and updated; the most recent update was carried out in December 2020. New and revised editions are made available directly to anyone involved in the Group accounting process via the Group intranet. The Group Accounting Manual is currently being revised and will be put online to make it more efficient and user-friendly. Any revisions or additions will then be available immediately. MS Teams will make it easier for everyone involved in the Group Accounting process to communicate.

Accounting transactions within the Group companies are recorded locally but the monthly and annual financial statements are reviewed by the managing company of the relevant business unit. Checks are carried out at random but are also triggered, most notably, by major or unusual transactions. Group-wide guidelines and policies are in place for monthly reporting, capital expenditure, offer submissions, compliance and risk management, for instance. The companies and business units of the Vossloh Group are also required to establish policies for local key divisions.

Thereafter, Vossloh AG conducts general plausibility checks on the reporting packages provided by the individual companies. They include not only the financial statements of the individual Group companies as adapted to the unified Group accounting standards, but also additional information required for the notes to the consolidated financial statements. The plausibility checks are performed by both the Controlling and Accounting departments. The financial statements are then consolidated. The correct offsetting of intercompany receivables/liabilities, income/expenses, ownership interrelationships and interim profits from deliveries or services within the Group are regularly checked in accordance with the peer review rule as well as with the application of suitable validation rules in appropriate control files.

Further data is also prepared and aggregated at Group level for use in the notes and management report (including major events after the reporting period).

Based on the organizational, control and monitoring structures established within the Vossloh Group, the internal control and risk management system helps ensure that all of the Company's transactions are recorded, processed and validated, and that they are presented correctly in the Group's accounting system.

Poor discretionary judgments, the circumvention of controls, criminal activities and other circumstances cannot be fully eliminated by their very nature, meaning that even Group-wide application of the utilized systems does not constitute an absolute guarantee that the consolidated financial statements are free of errors.

Qualifying statements

The statements made relate solely to Vossloh AG and to the companies that are included in the consolidated financial statements of Vossloh AG whose financial and business policies can be directly or indirectly influenced by Vossloh AG.

Reference to the Declaration on Corporate Governance pursuant to Section 289f and Section 315d of the HGB

The Declaration on Corporate Governance is printed in the annual report, which is permanently available on the Vossloh AG website (see www.vossloh.com/en/ > Investor Relations > News and publications > Financial Publications; www.vossloh.com/en/investor-relations/financial/financial-publications/).

Outlook

This outlook contains forward-looking statements that are based on the expectations of Vossloh management in relation to the future development of the Group. These expectations are based on estimates made by management using all available information. Assumptions regarding the future development of the international rail technology market and the specific business expectations of Vossloh Group divisions in particular have been taken into account. The statements made are subject to opportunities and risks that Vossloh cannot entirely control or manage. For more information on this, please refer to the statements made regarding the Group's risk and opportunity management (starting on page 65). Actual results and developments may differ from these forecasts if the assumptions underlying the outlook prove to be inaccurate or the aforementioned risks or opportunities materialize. The Vossloh Group assumes no liability for updating the statements made in this outlook beyond statutory publication requirements.

Macroeconomic developments and outlook for the rail technology market

Global economic fluctuations only have a limited impact on Vossloh's short-term performance. Investments in rail infrastructure around the world are generally made on the basis of long-term decision-making processes. Current economic trends are therefore only reflected in the markets relevant to Vossloh to a limited degree. However over the long term, increased levels of debt in various countries, particularly in our home market in Europe, may negatively impact Vossloh's business activities. The vast majority of Vossloh's customers are publicly funded. Some countries may well implement cost-cutting measures in markets that are relevant to Vossloh if they are heavily indebted. The level of sovereign debt in European countries rose significantly in the 2020 fiscal year due to the COVID-19 pandemic and remained at this high level in 2021. Significant increases in the price of materials may have a significant impact on Vossloh's cost structure and profitability in 2022 – another indirect consequence of the pandemic. However, this will be counteracted by the global trend towards sustainability, rail becoming an increasingly attractive method of transport and rail subsidy schemes, which will result in increased investment in the rail infrastructure products and services provided by Vossloh.

The Association of the European Rail Industry UNIFE publishes an extensive biannual analysis of developments in the global rail technology market in its World Rail Market Study. UNIFE uses this analysis to make well-founded predictions for the coming years. The most recent study was published in October 2020. Its relevance is limited, however, due to the fact that the impact of the COVID-19 pandemic was difficult to predict accurately at the time. In order to reflect the uncertainty surrounding the long-term impact of COVID-19 on the rail industry, the study includes two scenario analyses; one based on a V-shaped pattern of future market development and the other based on a U-shaped pattern. In the V-shaped pattern, the market is expected to recover quickly, while in the U-shaped pattern, a longer recovery phase is assumed. The study believes the V-shaped pattern to be the most likely scenario. The reasons cited for this include the large number of economic stimulus packages and public aid for the rail sector as well as findings from a survey of UNIFE members. Therefore, the V-shaped pattern is discussed in more detail below. It includes all known COVID-19-related issues, such as a reduction in volume in the service market and project postponements and cancellations that have already been implemented. The annual global volume of the entire rail technology market is expected to grow from an average of €177 billion between 2017 and 2019 to an average of around €204 billion between 2023 and 2025 – an average growth rate of 2.3 percent per year. UNIFE estimates the market accessible to European providers, such as Vossloh, to be worth approximately €126 billion between 2023 and 2025. Accessible markets refers to the markets that are available to European suppliers and non-European markets where demand is not exclusively met by domestic capacity. For markets that can only be addressed by European suppliers via joint venture structures, only half of the market volume is classified as accessible. For comparison, a market volume of around €110 billion per year on average was considered accessible for the 2017–2019 period. The expected increase to €126 billion also represents growth of 2.3 percent per year.

The UNIFE study found that projected market growth varies significantly from region to region. The largest rail technology market accessible to Vossloh has been and continues to be Western Europe, with an annual volume of around €40 billion in the 2017–2019 period. Market growth of 2.1 percent per year to approximately €46 billion is anticipated between 2023 and 2025. This is followed by the NAFTA region with a current annual market volume of approximately €27 billion and future annual market volume of around €31 billion (+2.6 percent) and the Asia-Pacific region with a volume of just under €20 billion, expected to rise to around €21 billion (+1.3 percent). These three regions account for more than three quarters of the total accessible rail technology market. For the remaining regions, UNIFE expects the following growth rates in the coming years: Latin America 4.9 percent, Eastern Europe 3.6 percent, Africa/Middle East 2.5 percent and CIS 1.9 percent.

The European Rail Industry Association breaks the rail technology market down into the following segments: infrastructure, rolling stock, rail control, services and turnkey projects. In view of its Core Components, Customized Modules and Lifecycle Solutions divisions, Vossloh therefore operates in the infrastructure segment as well as the infrastructure services sub-segment of the services segment. UNIFE estimated the volume of the globally accessible infrastructure market (excluding electrification) to be roughly €18 billion per year on average for the period between 2017 and 2019. An annual growth rate of 2.4 percent is currently forecast for the 2023–2025 period. This will provide an annual market volume of approximately €21 billion. The growth forecast for the infrastructure services sub-segment until the 2023–2025 period is 1.8 percent, meaning accessible market volume is expected to increase from the current €6.0 billion per year to €6.7 billion. In total, the accessible market relevant to Vossloh between 2017 and 2019 came to around €24 billion per year. We expect it to grow to roughly €28 billion by the 2023–2025 period (+2.2 percent).

Outlook for 2022

The forecast for the Vossloh Group is based on the expected development of the three divisions Core Components, Customized Modules and Lifecycle Solutions, as well as of Vossloh AG. Vossloh's revenue planning is primarily based on assumptions specific to business units. These relate, for example, to product perspectives, the anticipated behavior of competitors, project probabilities as well as market opportunities and risks in individual regions. Vossloh's customers are publicly and privately-owned regional, long-distance and freight transport operators whose investments are based on long-term decision-making processes within the framework of longer-term funding. Vossloh supports its customers as partners for many years, working with them closely to plan and develop solutions for individual product and service needs. This usually involves delivery and project lead times of several months and sometimes even several years.

Outlook for management-related performance indicators

		2021	2022 forecast
Sales	€ mill.	942.8	925 to 1,000
EBITDA margin	%	13.2	13 to 14
EBIT margin	%	7.7	7.5 to 8.5
Value added	€ mill.	9.5	5 to 20

Sales of up to €1 billion anticipated

Vossloh anticipates sales revenues of between €925 million and €1 billion for the 2022 fiscal year (2021: €942.8 million). Vossloh expects sales revenues for the Core Components division to be on a par with the previous year. The Fastening Systems business unit expects slightly higher sales overall. Lower sales, in particular in China (deliveries there being rescheduled due to the pandemic had a positive impact on sales in 2021), are expected to be more than offset mainly by higher sales contributions in Eastern Europe.
The Company expects the sales performance of the Tie Technologies business unit to return to normal in Australia after two extraordinarily strong years. Vossloh expects this sales downturn to be largely balanced out by an increase in sales in the USA. Vossloh is anticipating a slight sales increase for the Customized Modules division, largely due to an expected rise in sales in Mexico, Portugal and Turkey. The Lifecycle Solutions division expects to see a considerable increase in sales, mainly due to the acquisition of ETS Spoor.

EBITDA margin of between 13 and 14 percent and EBIT margin of between 7.5 and 8.5 percent expected

The Vossloh Group forecasts an EBITDA margin of between 13 and 14 percent for the 2022 fiscal year (2021: 13.2 percent) and an EBIT margin between 7.5 and 8.5 percent (2021: 7.7 percent). The Customized Modules and Lifecycle Solutions divisions are once again forecasting an increase in profitability, while the Core Components division expects overall stable to slightly declining profitability. Overall, Vossloh expects a further increase in EBIT for the year 2022.

Value added expected to be positive again in 2022

Average capital employed is expected to be slightly higher than in the 2022 fiscal year. Value added in the 2022 fiscal year is expected to be within the range of €5 to 20 million. The weighted average cost of capital before taxes (WACC) relevant for internal management purposes will again be set at 7.0 percent in the 2022 fiscal year.

Risks for the business performance of Vossloh arise mainly from changing material prices. Vossloh expects increased material costs to continue to have a negative impact as they can only be partially offset by passing price increases on to customers. Energy costs may also pose a risk if higher than planned. In particular, the recent geopolitical developments involve additional uncertainty and will probably also have an influence on energy prices. Rescheduling deliveries for larger projects may have a positive or negative impact on business, particularly in China. Earnings may also be impacted negatively by legal risks and factors arising from the value chain, such as materials being affected by supply bottlenecks. Please refer to the statements made in the risk report (starting on page 65 ff.) for additional information about risks that may affect the stated planning.

Vossloh AG prepares its annual financial statements in accordance with the regulations of the German Commercial Code and the German Stock Corporation Act. The statements below refer to the separate financial statements. The net profit of Vossloh AG as an operational management holding company is largely dictated by administration costs and the net financial result. The administrative expenses of Vossloh AG in the 2022 fiscal year are expected to remain at approximately the same level as the previous year. The net financial result is dependent not only on interest expense but also heavily on the income from dividends and profit transfer agreements, as well as expenses from the assumption of losses and impairment losses recognized on financial investments. Vossloh does not expect any significant change in this area compared to 2021. The planned merger of a number of German companies in the Lifecycle Solutions division may also have a negative effect. The merger is expected to lead to a stable year-on-year development in profit after tax in fiscal year 2022, provided that it goes ahead.

Vossloh is focused on continuing to implement its corporate strategy over the coming years. In addition to organic growth with increasing profitability, the focus is on forming specific partnerships and making specific acquisitions in order to strategically develop Vossloh's core business and sustainably increase the company's value. The forecasts presented for the 2022 fiscal year only reflect targeted organic growth.

Nonfinancial Group statement[1]

The Group nonfinancial statement of Vossloh in accordance with Sections 315b and 315c HGB for 2021 is submitted to meet the requirements of commercial law. In preparing this statement, Vossloh used the standards of the Global Reporting Initiative (GRI, "Core" option) to select the nonfinancial performance indicators and was guided by the principles of the United Nations (UN) Global Compact. Vossloh is committed to sustainable corporate governance and climate action; sustainability is one of the Company's five core values. The Executive Board's sustainability pledge is published on the www.vossloh.com corporate website ("Investor relations" > "Sustainability" > "Sustainability management at Vossloh" section).

Vossloh's sustainability claim

enabling green mobility – for a sustainable future

Vossloh's corporate vision is "sustainable, safe and convenient rail mobility to make the world a better place". As a globally successful supplier of integrated rail infrastructure solutions with a history stretching over 135 years and a unique portfolio covering all aspects of rail transport, Vossloh is a major contributor to the mobility of people and transport of commodities. Rail is the safest, most efficient and most environmentally friendly mode of transport for both local and long-distance transit. Increasing rail transport is, therefore, a key prerequisite for achieving climate goals. In this context, the digital transformation happening in the rail industry opens up considerable new opportunities for rail as a mode of transport leveraging its ecological benefits further with the aim of finding a sustainable solutions to the global challenges in the transport sector.

However, the Company's responsibility is not limited to paving the way for sustainable mobility. Vossloh is convinced that successful companies have to include economic, social and ecological factors in their decisions and behavior. Long-term success requires contributing to the well-being of society and ensuring a safe future for next generations. The Company has therefore consciously chosen sustainability as one of its corporate values: "We take responsibility and care for the world around us."

Sustainability strategy and management

Significance of sustainability for the Vossloh business model

Vossloh offers products and services that enable better and more widespread rail use. The aim is to increase the availability of existing tracks, facilitate efficient and trouble-free operation, and reduce infrastructure lifecycle costs. For further information on the business model, please refer to pages 38 et seq.

Development of a Group-wide sustainability strategy

In keeping with its guiding principle "enabling green mobility", Vossloh is a driving force behind customer-focused, innovative and sustainable products and services for rail transport. This claim is also reflected in Vossloh's sustainability strategy. In the 2021 fiscal year, Vossloh further developed its sustainability strategy to centrally align and focus sustainability activities within the Group, to further improve Vossloh's positive impact on the environment and society, and to improve the transparency of Vossloh's sustainability performance. The sustainability strategy and the guideline supporting it were adopted by the Executive Board of Vossloh AG on September 20, 2021.

At the same time, the Vossloh AG Executive Board has underlined and reaffirmed the Company's claim and focus with its commitment to sustainability published on the Company's website.

[1] Not part of the financial statement audit, but part of an audit to obtain limited assurance. The independent auditor's report can be found on page 108.

Group-wide sustainability program

The new sustainability guideline provides the Group-wide organizational framework and set out the principles for all Vossloh's sustainability measures and initiatives. The guideline defines in particular the scope of action, as well as organization, responsibility and processes. The direction and focus of sustainability measures are set by a materiality analysis in order to determine the sustainability issues relevant to Vossloh. Specific sustainability goals are then set in relation to these key issues. These goals are pursued through sustainability initiatives and the integration of environmental and social aspects into the Company's business and decision-making processes. Another focus of the guidelines is on internal and external communication in order to make Vossloh's sustainability performance transparent and also to further strengthen the commitment of its employees on the road to becoming a green company.

As part of its development, Vossloh has structured its sustainability management into eight areas of action, which enable a more targeted and efficient pursuit of the material issues identified in the materiality analysis. The overarching area, "Sustainability strategy and management", provides the framework for the other seven areas as well as for the Group's future approach.

- Sustainability strategy and management
- Environment and climate protection
- Safe and sustainable mobility
- Occupational health and safety
- Human resources and leadership
- Good corporate citizenship
- Sustainable supply chain and operations
- Business ethics and human rights

Vossloh's sustainability organization

The Group's Executive Board bears the overall responsibility for all sustainability issues and ensures that Vossloh lives up to its ecological, economic and social responsibilities and makes a positive contribution to the environment and society. In operational management, sustainability is the responsibility of the Chief Operating Officer (COO). In addition, Vossloh AG has a Corporate Sustainability department. Created in 2020, the new role of Head of Corporate Sustainability, who reports directly to the Executive Board, is responsible for the development and implementation of the sustainability strategy as well as for the management of Group-wide sustainability initiatives. In addition, the Executive Board has established a Group Sustainability Committee to centrally manage all sustainability measures within the Group. The committee is run by the Head of Corporate Sustainability. Its members include the heads of key central offices at Vossloh AG as well as the managing directors and sustainability officers of the business units. In addition, each business unit has appointed a sustainability, health and safety officer.

EU Taxonomy and external ratings

100 percent of sales revenues are taxonomy-eligible; 62 percent are taxonomy-aligned

The EU Taxonomy Regulation reporting obligations were to be implemented for the first time for the 2021 fiscal year. This is a standardized classification system for defining ecologically sustainable economic activities. Please see a brief summary of the results below. Detailed information on EU Taxonomy requirements as well as a comprehensive and detailed description of the implementation at Vossloh can be found on pages 104 et seq. As all business activities can be classified under infrastructure for rail transport (Section 6.14. of the Delegated Act on the Taxonomy Regulation of June 4, 2021), 100 percent of the sales revenues are deemed taxonomy-eligible for the year under review. The taxonomy-aligned sales revenues, which were already determined by Vossloh before the official reporting requirement and which concern sales related to electrified lines, accounted for 62 percent of the Vossloh Group's total sales in 2021.

Sustainability ratings underpin Vossloh's sustainability performance

For many years, rating agencies have assessed and recognized Vossloh's sustainability performance on a regular basis. Among other things, the Company currently has a "prime status" according to ISS ESG, which places Vossloh in the top 10 percent of its sector. EcoVadis has also awarded Vossloh silver status, and the score obtained means the Company ranks among the top ten percent of all companies assessed. MSCI ESG Research has awarded Vossloh an A rating (on a scale from AAA to CCC) for its sustainability efforts. Such rankings play a special role for Vossloh: The Company was one of the first companies in Germany to place a sustainability-oriented hybrid note at the beginning of 2021. The redemption amount of the note is linked to the Company's sustainability performance as measured by ISS ESG and MSCI ESG Research ratings.

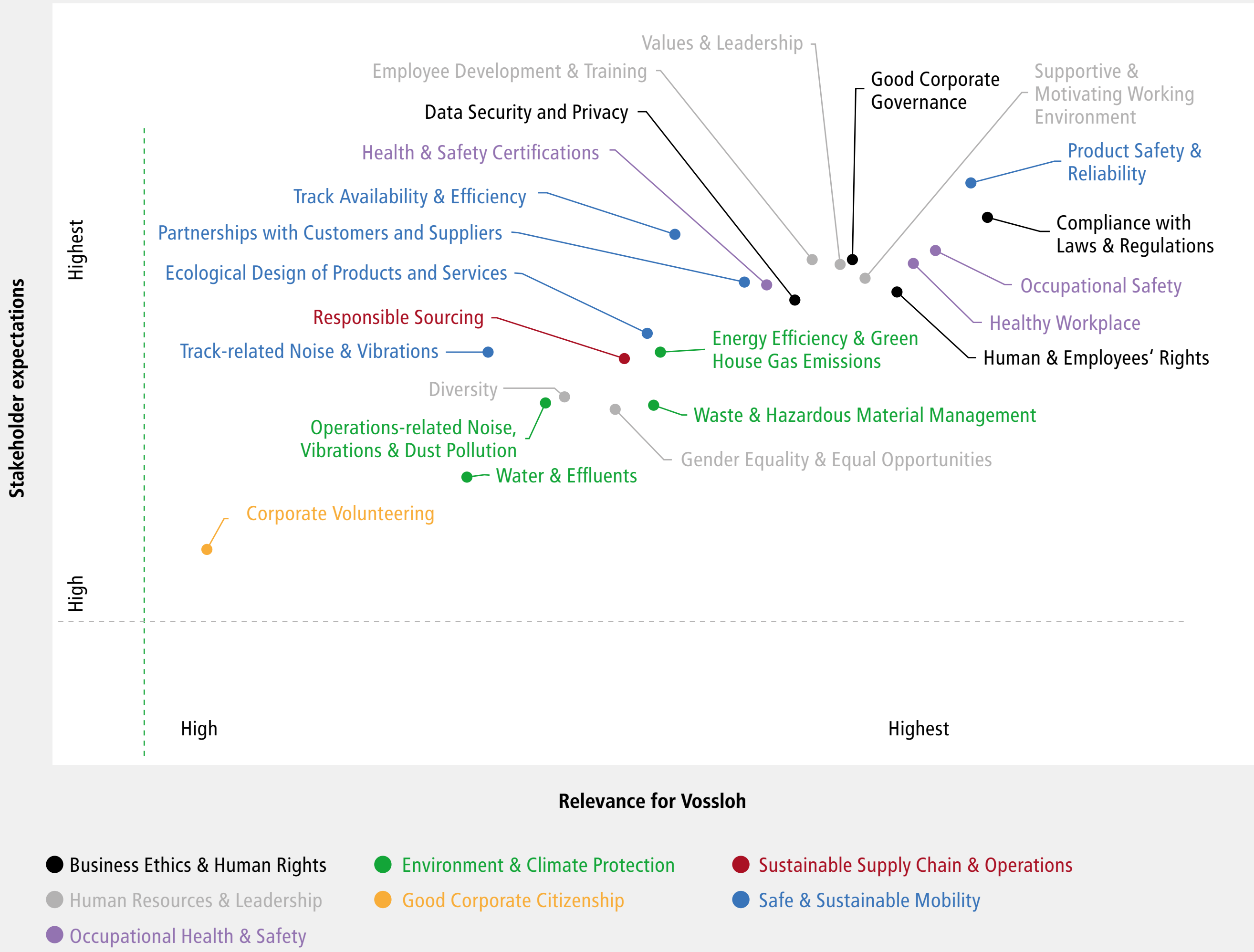
Another criterion for the assessment of Vossloh's sustainability performance is certification in accordance with internationally recognized norms and standards. The great majority of Vossloh units have certifications in at least one of the international quality, environmental, energy efficiency or occupational health and safety standards such as ISO 9001, ISO 14001, ISO 50001, ISO 45001 or its predecessor standard OHSAS 18001, or a comparable national standard, and have corresponding management systems in place. As in the previous year, 98 percent of the Vossloh workforce was employed at a unit bearing this certification as of December 31, 2021.

Materiality analysis and stakeholder engagement

Reporting on nonfinancial issues

As part of the review of its Group-wide sustainability strategy in 2021, Vossloh conducted a materiality analysis to identify key sustainability topics. To this end, a total of 38 potentially relevant sustainability topics were divided into seven areas of action. As part of the materiality analysis, 198 representative stakeholders were surveyed, including 53 external participants. First, this survey asked stakeholders about what they expect from Vossloh regarding nonfinancial issues. They also assessed the relevance for Vossloh based on (i) the influence of Vossloh's activities on these focus areas and (ii) the impact on the Company's future business development. The ranking and prioritization of the sustainability topics were determined by linking stakeholders' expectations to the relevance for Vossloh in each focus area. The result was subjected to a critical review by the Group Sustainability Committee and the Executive Board, including the management perspective, activities already underway, and Vossloh's strategic alignment. Vossloh now reports on 23 material nonfinancial issues.

Sustainability areas of activity



In addition it is reported on how the Group implements the ten principles of the UN Global Compact.

The nonfinancial statement covers Vossloh's global activities; the companies considered correspond to the scope of consolidation of the consolidated financial statements (see "Consolidation" section, page 120 et seq). The management report contains supplementary and/or more detailed information regarding a number of the nonfinancial issues, and these are cross-referenced accordingly. The Company's risk reporting covers all major risks associated with Vossloh's business activities. It also includes the major nonfinancial risks to which Vossloh may be exposed (see "Nonfinancial risks and opportunities" section on page 71).

New global sustainability goals and initiatives

At the end of 2021 and based on the materiality analysis conducted and the 23 topics identified as significant, Vossloh pinpointed seven key focus areas for the further sustainability efforts. These key focus areas were each assigned concrete sustainability goals. At the same time, Vossloh launched a Group-wide sustainability initiative for each goal in order to achieve the fixed company objectives.

Vossloh's seven sustainability goals are:
- CO_2 neutrality by 2030 (Scope 1 and Scope 2),
- 90 percent sustainable strategic sourcing volume by 2025,
- reduction of workplace accidents by 20 percent annually,
- introduction of the new value-based Vossloh leadership principles,
- reduction of the ecological footprint of Vossloh's products and services along the entire value chain,
- implementation of a Group-wide diversity, equality and inclusion policy in 2022; and
- implementation of a corporate volunteering program to enhance social commitment.

Key performance indicators are defined for all of the above goals, which can be used to measure the degree to which they have been achieved. The materiality analysis and the selection of key focus areas are reviewed annually and added to as necessary.

In addition to these focus areas and goals, which apply to the entire Group, there is a wide range of other sustainability initiatives being implemented in the various business units and at the Group's sites. Company-wide, a total of 40 sustainability initiatives had been rolled out by the end of 2021 at Vossloh. In the future, a Group-wide register will ensure an overview of all initiatives and the corresponding performance measurement.

Environment and climate protection

The primary focus of the Vossloh Group is generally geared towards making efficient use of resources and minimizing environmental impact. The continuous optimization of the use of materials, energy and personnel as well as the ongoing enhancing of processes are an integral part of day-to-day business for business management reasons alone. This applies to the manufacture of rail infrastructure products as well as the provision of rail track services. In addition, environmental officers have been appointed to tackle relevant issues at the Group companies' sites and corresponding reporting systems have been installed. As of December 31, 2021, 83 percent (previous year: 72 percent) of the Vossloh workforce was employed at a unit bearing ISO 14001 certification.

In terms of "Environment & climate protection", Vossloh identified the five issues as relevant in the 2021 materiality analysis. In addition, a Group-wide sustainability initiative has been defined with the aim of gradually achieving climate neutrality (Scope 1 and Scope 2) by 2030. Achieving this aim is measured using the indicators CO_{2e} emissions (CO_2 equivalent), CO_{2e} intensity (CO_{2e}/sales revenues) and energy intensity (energy consumption/sales revenues). To this end, a detailed determination of energy consumption in accordance with uniform Group-wide specifications was initiated, and work began on a detailed plan of measures for reducing CO_{2e} emissions year by year. Measures are focused on concretely reducing direct and indirect CO_{2e} emissions. In addition, Vossloh is looking at a compensation program in the coming years to offset any remaining, unavoidable emissions within the Vossloh Group.

Energy efficiency and greenhouse gas emissions

With regard to the impact on climate change, Vossloh is focused on CO_2 emissions and CO_2 equivalents. All the divisions have been making investments to reduce energy consumption and boost energy efficiency for years. Exemplary measures are the conversion of lighting to LED technology or the use of lost heat from production at several sites. In addition, energy consumption is an essential decision-making criterion for investment choices and process optimization, also in view of rising energy prices.

The following tables present the consumption of significant energy sources within the Vossloh Group for the year under review and the comparative figures from 2020:

MWh (Vossloh Group)	2021	2020
Gas consumption	90,854.2	72,268.5
Electricity consumption	71,529.5	64,175.1
District heating consumption	4,586.4	4,384.2

Liters (Vossloh Group)	2021	2020
Heating oil consumption	244,403.1	228,862.0
Fuel consumption[1]	969,009.0	828,094.1

[1] This includes the fuel consumption of Vossloh's vehicle fleet.

The amount of Vossloh's carbon and greenhouse gas (GHG) emissions was determined, as in previous years, on the basis of the Greenhouse Gas Protocol in the categories of scope 1 and scope 2. The results were as follows:

t CO_2 equivalents, scope 1 (Vossloh Group)	2021	2020
Gas consumption	16,643.5	13,289.4
Heating oil consumption	620.8	581.4
Fuel consumption	2,390.8	2,064.8
Scope 1	**19,655.1**	**15,935.6**

t CO_2 equivalents, scope 2 (Vossloh Group)	2021	2020
Electricity consumption	26,496.0	27,622.6
District heating consumption	1,333.4	1,315.3
Scope 2	**27,829.4**	**28,937.9**

The following table shows the energy and CO_{2e} intensity, each in relation to the Vossloh Group's sales revenues. For Vossloh, energy and CO_{2e} intensity are the key control indicators for energy efficiency and the minimization of CO_{2e} emissions, also in view of the company's growth targets.

Energy and CO_2 equivalent intensity (Vossloh Group)	2021	2020
Energy intensity (MWh/€ million)	190.7	174.8
CO_{2e} intensity (CO_{2e} tons/€ million)	50.4	51.6

CO_{2e} intensity reduced to 50.4 CO_{2e} tons/€ million

The increase in energy intensity is mainly due to the consolidation of an Indian production site – a foundry for frogs – within the Customized Modules division. In contrast, despite the overall higher energy consumption, the CO_{2e} intensity measured in CO_{2e} emissions in tons per €1 million sales revenues was noticeably reduced overall despite consolidation of the emissions-intensive Indian production site. This was due to significant efficiency improvements and savings, as well as the increased conversion of the sites to green power.

Vossloh does not as yet have sufficient data to determine the greenhouse gas emissions relating to the upstream and downstream areas (Scope 3).

The Company's operating units are working on further reducing CO_2 emissions through a wide range of measures. When it comes to energy-efficient production, the Werdohl Vossloh Fastening Systems "factory of the future" is considered a "beacon" throughout the Group. The shortest possible distances through the linear design of the individual stations, a change in the energy source of heat generation, highly efficient insulation of the heat treatment plant and the use of a high-efficiency burner, as well as modernization of the washing plant with smaller and lower-temperature baths: These are just some of the measures that have significantly reduced energy consumption per 1,000 bent rail clamps at the Werdohl site. Following the conversion, for example, the washing station operates with 25 percent greater energy efficiency than before.

The Customized Modules division completed the redesign of value flows in the frog segment in France in 2021. Certain specialized manufacturing steps taken by individual sites enable a more efficient production process with shorter throughput times, which is also reflected in lower CO_2 emissions. In 2021, the division pursued several projects to equip suitable factory buildings with solar roofs. At the Outreau foundry, for example, up to 15 percent of the energy demand is to be generated in a climate-friendly way in the future. For the Reichshoffen technology center, plans to heat water via solar collectors were put forward over the course of 2021. The solar generation facility for India's Bangalore plant was completed in 2021 and is already up and running. Several sites belonging to the Customized Modules division have wallboxes where employees can charge their e-cars for free. At the same time, the division provides financial support for employees to purchase an e-bike for their commute to work. At the Indian sites in New Delhi and Hyderabad, over 75 percent of the workforce now come to the Vossloh plant on company-sponsored e-bikes, avoiding CO_2emissions on their commute to work. This is not only good for the environment – especially in comparison with the widespread use of motor scooters – but also a healthier way to travel to work. In 2021, several units in the division switched from traditional suppliers to green electricity providers.

After Leipzig switched in 2021, all German sites started using green electricity in the Lifecycle Solutions division. Since many of the Vossloh Rail Services machines only run on diesel fuel, the business unit switched in 2021 to a fuel tariff that offsets CO_2 emissions by investing a surcharge in climate action projects. Since then, this compensation program has also been used for all of the Group's company cars in Germany.

In the Tie Technologies business unit, an internal group of experts drew up various proposals in 2021 to reduce energy consumption in the production of concrete ties at the Colorado plant. Among other things, the time that machines lay idle was reduced. In close coordination with suppliers and customers, systematic analyses and tests also began to determine how material- and energy-saving changes in the composition of the concrete and in the curing processes affect the quality of the rail ties. At the same time, a project was also set up with the aim of taking over the CarbonCure technology. In this manufacturing process, processed CO_2 from industrial waste gas streams is added to the fresh concrete; the carbon dioxide binds as a nano-mineral. This process improves the environmental impact of concrete without compromising its performance.

Operations-related noise, vibrations and dust pollution

In the manufacture of its products and in the provision of its services, the Company endeavors to keep noise and dust emissions at the relevant sites as well as the exposure of employees to oscillations and vibrations as low as possible. Vossloh Fastening Systems achieved further improvements in this area in 2021 by installing dust-preventing filters at the Anyang plant, for example. At Vossloh Skamo, the hardening plant venting was modernized while the press venting was fitted with hoods, and a wire-cutting machine was covered. At the Werdohl plant, a new manufacturing process where the tension clamps were separated further reduced the noise level. The extension of the soundproof booth to include the bending unit also had this effect.

Water and effluents

In Vossloh factories, water is mainly used for surface treatment of products, as a coolant in various production processes and for the production of concrete ties. Vossloh units obtain the water from the respective local public water supply systems. The Company intends to use this basic resource as efficiently as possible. As such, used water is reprocessed in our own plants and returned to the operating process, particularly in production areas that require a substantial amount of water. In some cases, the production units work with closed water circuits. At all of its sites, Vossloh disposes of wastewater via the respective public sewage systems. Process water that is heavily contaminated during production is first treated in our own wastewater treatment plants in such a way that it (at least) meets the discharge standards of the public systems.

The following table illustrates the Vossloh Group’s water consumption as determined by the water meters:

m^3 (Vossloh Group)	2021	2020
Water consumption	178,173.3	177,553.1

Water consumption was roughly at the previous year’s level despite the significantly higher sales revenues and the full consolidation of the Indian production site in the Customized Modules division. This is mainly due to a lower output volume in the Tie Technologies business unit.

In the year under review, Vossloh Fastening Systems commissioned a new neutralization plant in Werdohl. With more effective pickling technology and smaller active baths, less wastewater is now produced there than in the previous plant. The wastewater treatment plant in Poland was also modernized. At Vossloh Rail Services, the Nuremberg welding plant’s torch system has been operating with a closed cooling circuit since April 2021 and saving water in the process.

Waste and hazardous material management

As part of their sustainability strategy, management within Vossloh companies has set a goal of using natural resources responsibly and sparingly. Material consumption and disposal quantities are recorded and monitored in the individual units. Vossloh units use safe disposal methods that are separated according to waste types. The selected waste management companies are then reviewed regularly. Where it is technically possible and practical, closed material life cycles and reprocessing plans reduce the consumption of valuable new raw materials to a minimum.

Recycling can reduce the need for raw materials and the amount of waste produced. Economically viable recycling programs and processes ensure that the amount of waste ultimately sent to landfill sites at Vossloh is steadily on the decline. For example, the Kunshan plant collects rail clamps discarded during quality control and returns them to the steel mills, which feed the material back into production. At several sites, Vossloh Fastening Systems is now using reusable transport containers. Vossloh Tie Technologies recycles steel scrap and process water on a large scale. Customized Modules further processes the packaging of the delivered raw materials in Fère-en-Tardenois. The division also launched a project in 2021 to further increase the percentage of recycled steel used in the casting of frogs from the current level of around 60 percent. Downcycling can also be a way to extend the lifecycle of the material. At Vossloh Rail Services, for example, nonreprocessable residue from grinding stones is used as an additive in slag production.

Safe and sustainable mobility

The importance of rail as a mode of transport is growing enormously, especially against a backdrop of ambitious climate protection goals. Greater levels of rail traffic are a core part of sustainable, environmentally and climate-friendly mobility.

In terms of safe and sustainable mobility, Vossloh identified the following five issues as relevant in the 2021 materiality analysis. A Group-wide initiative aims to reduce the environmental footprint of products and services along the entire value chain. To this end, the entire footprint will be calculated by 2023 using one example from each of the four business units and the results will be integrated into the innovation and development process for products and services as EcoDesign principles in order to minimize their impact on the environment.

Track availability and efficiency

Given the current concern about land consumption and in view of lengthy planning and approval times for the construction of new rail lines, more efficient use of existing rail lines is becoming increasingly important – through greater utilization, higher travel speeds or longer (and heavier) trains. However, the higher the load on the rail infrastructure, the more important its ongoing monitoring and maintenance becomes in order to avoid failures. In this regard, Vossloh has logistics expertise ranging from rail and switch replacement to the complete overhaul of rail lines. On the other hand, when it comes to switch and rail maintenance, Vossloh covers the entire range of requirements for corrective milling and preventive grinding: In mainline and mass transit networks alike, the Company’s high speed grinding (HSG), high performance milling (VTM performance), multipurpose milling (VTM compact) and Flexis system offer solutions for every type of rail line that extend the service life and usability of rail infrastructure.

In doing so, the Group can combine the use of its innovative grinding and milling technologies with a diagnosis of the condition of the infrastructure. It is precisely in this area that digitization opens up considerable potential, especially for condition-based and, in the future, predictive maintenance. Rail and switch condition data from track-based systems are supplemented by the diagnostic data provided by the grinding machines equipped with measuring technology. Applications such as mapl-e and MR.pro will merge the collected data into the cloud-based Vossloh Analytics platform, provide a quick overview of the need for action for line (sections) and suggest appropriate measures for damage prevention or repair. The benefit is self-evident: Smart maintenance is based on the actual need for action instead of servicing at fixed intervals as in the past. At the same time, Vossloh’s grinding machines are designed to be incorporated into scheduled traffic. This means that rail lines no longer have to be closed for maintenance.

Product safety and reliability

Vossloh's products and services are subject to detailed technical specifications and standards that must be met. All the main production plants have quality management in accordance with ISO 9001 or a comparable national standard like the AAR's M1003 standard in the USA. As of the reporting date, December 31, 2021, 97 percent (previous year: 97 percent) of the Vossloh workforce was employed at a unit bearing this certification.

The products and services generally undergo thorough testing that often lasts for years before they are applied to the tracks. This is performed on the Company's own test benches and in its own testing laboratories, with test usage by the customers and as part of the complex approval process of certified testing organizations. All of Vossloh's business units have their own Research and Development departments, which are staffed by highly specialized professionals (see the "Research & Development" chapter from page 61).

Through the use of tailored instructions, briefings, consulting, training and seminars both before and after delivery, Vossloh ensures that its customers' employees can handle the Company's products appropriately. Sales and Technology specialists are available to handle customer questions.

To minimize possible issues jeopardizing the safety of its products and services, Vossloh is very careful in its choice of suppliers. These are chosen by the individual operating units with their specific expertise. These subject potential suppliers to a comprehensive assessment before they are commissioned for the first time, based on a self-assessment by the supplier. A key aspect is a supplier's unfailing ability to meet the quality standards stipulated by Vossloh. The keywords here include product quality, service and delivery reliability. All of Vossloh's partners are repeatedly assessed on the basis of fixed aspects, in particular concerning quality. Contracts are only awarded to companies on the list of approved suppliers. Vossloh suppliers must generally be able to guarantee at all times that their goods and services meet the applicable regulatory and statutory requirements.

Track-related noise and vibrations

Reducing the noise caused by rail traffic and improving track acoustics have been a focus of Vossloh's research and development work for years (see also "Research & Development" on page 61). An essential factor in effective noise reduction is combating it at the source, by optimizing the wheel-rail contact on the track, which Vossloh has prioritized. The Company offers suitable products and services in all divisions that can reduce rail noise on a sustainable basis. Examples are the cellentic components and rail fastening systems with a high plastic content that dampen structure-borne noise, called whisper switches, and rail machining technologies (grinding, milling) for restoring a smooth and, therefore, "quiet" surface. The rail and switch processing machinery can achieve noise reduction of up to 10 dB(A) by precisely removing material. The machines themselves also operate quietly. For example, the milling machine VTM compact, generates noise measuring less than 78 dB(A) during operation, so that residents are not disturbed even during a night shift. For comparison, on a quiet residential street, the noise level is roughly 40 dB(A); a car going 50 km/h reaches a volume of 70 dB(A).

In 2021, Vossloh Rail Services developed a new milling tool with which grooved rails can now also be fully deployed without prior construction works when the milling machine is in service. The use of this milling wheel facilitated a sustained noise reduction on particularly congested sections of Düsseldorf's Rheinbahn route (see also "Research & Development" chapter on page 61). The business unit's logistics unit completed the equipping of its own freight cars with whisper brakes in 2021. This is intended to reduce noise levels by up to 10 dB(A) when transporting switches and rails to construction sites.

Ecological design of products and services

For economic reasons alone, all Vossloh units have set a goal of using resources as sparingly as possible. Accordingly, sustainability criteria are already being incorporated into the development or design of new products and services in many areas within the Company. The aim now is to systematically link these approaches and harmonize them across the business units to create Group-wide operational principles that can be followed by all divisions. The first step along this path in the year under review was the development of Group-wide innovation guidelines (Innovation Playbook). It describes how development projects will be set up and implemented at Vossloh in the future, and defines the criteria and indicators to be used in the various phases of a project to assess whether it is successful or not and decide whether to continue with it. Sustainability aspects such as low energy consumption or the nonuse of problematic raw materials play a central role here. Likewise, the entire life cycle of a product, including recycling and/or disposal, is included from the outset, as are the long-term effects of a service in the form of life cycle assessments in accordance with international standards such as ISO 14040 or 14044.

In 2021, work began on identifying one suitable example from each of the four business units. In contrast to the previous development process, the focus is less on product or order-related work and more on holistic solutions to which experience from all business units contributes – so that new business models can be created at the same time. The viewpoint of the customer(s) and suppliers is also incorporated into the development process at an early stage in order to achieve a high level of compatibility at the interfaces.

Partnerships with customers and suppliers

For a long time now, customers have also repeatedly partnered up with Vossloh, in part due to long-standing business relationships, especially in the development and market launch of new products, services or business models. For example, the Core Components and Customized Modules divisions frequently carry out test installations on selected customer tracks. In the recent past, for example, the novel composite tie Engineered Polymer Sleeper (EPS) has been tested in the USA, Sweden, Romania, Finland and Germany, among other countries. The new MIM-H digitally controllable point machine was subjected to similarly thorough field tests at Track operators in several countries. Vossloh Fastening Systems currently has partnerships in place for the development of a new rail fastening system for slab tracks in cities and a customized fastening system for a rail-bound automated means of transport (people mover), among others. The grinding and milling trains belonging to the Lifecycle Solutions division also demonstrated their initial market readiness in test applications at customers. The cooperation with DB Systemtechnik GmbH, a subsidiary of Deutsche Bahn AG, forms the basis for data-based monitoring of the rail infrastructure.
The multi-year framework agreement with Trafikverket for condition monitoring of a total of 1,000 switches in Sweden can be seen as an example of another form of customer partnership. Here, the strategies for an efficient and targeted approach are developed jointly and decisions on concrete measures are made after close consultation.

The prerequisite for such close cooperation is satisfied customers, which is why the Vossloh units attach great importance to structured feedback – also in order to learn from any mistakes. The uniform Customer Relationship Management (CRM) software rolled out across the Group includes not only a tool for assessing customer satisfaction using specific questions linked to focus groups, which result in an overall score, but also a marketing tool that can be used for direct customer surveys and analyses to ensure the objectivity of this assessment. This is based on various segmentation criteria (regions, customer categories, customer classifications, service segments) and the division into buying center functions. In parallel, the net promoting score (NPS) developed at Customized Modules is used. This key indicator measures the extent to which a customer would recommend a product or service to others.

In 2021, several business units gathered customer feedback in different ways. In Germany, for instance, Vossloh Fastening Systems asked a small group of loyal customers for a review and conducted broader surveys in China and Poland. In Vossloh Switch Systems, all units were made aware of the Net Promoting Score system. Vossloh Rail Services focused its survey on the customers served by one operating unit. The results consistently showed a high level of satisfaction with Vossloh's products and services. Isolated points of criticism led to prompt improvements being implemented.

Vossloh also enters into partnerships with suppliers to ensure that their products exactly meet Vossloh's requirements. One example is CogX: The heat-treated laminated steel for frogs and point blades was developed by Vossloh Cogifer together with Arcelor Mittal. For the construction of the SF03 W-FFS rail milling train, which incorporates the highly complex technology for the complete reprofiling of rail lines in just one operation, Vossloh Rail Services is relying on its proven cooperation with Linsinger. All sensors for monitoring the switches in Sweden are supplied by a partner who, together with Vossloh, has adapted the products to the conditions prevailing there.

Occupational health and safety

Workplace safety and protecting employees' health are at the heart of Vossloh's care obligations as an employer. The Company aims to have as many units as possible certified in accordance with the internationally recognized ISO 45001 standard (see also "Health and Safety Certifications" on page 92). The standard provides the Company with suitable tools and measures to integrate occupational safety and health protection into its processes. For the top managers of the operating units, achievement of the defined occupational safety performance indicators is an integral part of their pay-related target agreements. Since 2021, an occupational health and safety training module has been available to all employees via the Vossloh Learning Platform (VLP).

In occupational health and safety, Vossloh identified the following three issues as material in the 2021 materiality analysis. A Group-wide initiative has been defined for this area, with the aim of reducing the frequency and severity of occupational accidents by 20 percent per year. Relevant key figures for goal achievement are the internationally used variables such as lost time accident frequency rate (LTAFR) and lost time accident severity rate (LTASR), as well as the number of potential accident risks reported and minimized via the SAFE+ app.

In the past year, the COVID-19 pandemic again presented Vossloh with special challenges in protecting the health of its employees and preventing the spread of the virus in the workplace. Coordinated via the COVID-19 crisis team, comprising the Chief Operating Officer, the heads of the Corporate Sustainability, Corporate Human Resources and Corporate Controlling departments, and the HSE managers of the business units, the comprehensive protective and precautionary measures introduced in the previous year were maintained and readjusted as necessary. The Group Works Council, local employee representatives and the Work Safety Committee were involved in the decisions. At all sites, Vossloh's employees were informed about the impact of vaccination against the virus. In some cases, units even conducted on-site vaccinations.

Because employees working in production were instructed to stay home and be tested at the slightest suspicion of infection, there were brief interruptions in production at several sites throughout the year.
In our administrative divisions, employees worked remotely in the main. We prioritized online contact with our customers, suppliers and service providers. In 2021, 377 cases of COVID-19 were reported by Vossloh employees throughout the Group.

Occupational safety

There has been a permanent Group-wide occupational safety body within Vossloh since 2012 in the form of the Work Safety Committee. This has led to important steps being initiated to harmonize the occupational safety conditions across the various divisions in recent years. For example, a standard occupational safety policy has been developed, which is mandatory for all companies around the world. In this policy, the zero-accident strategy vision is defined. The Work Safety Committee also played a key role in the development of the Group's own SAFE+ accident prevention app.

Workplace accidents have been documented at Vossloh on the basis of uniform criteria, over and above what is required by law. The most important key figures here are the frequency and severity of accidents resulting in lost work time due to injury. Accidents resulting in lost time due to an employee's ill health are immediately reported directly to the Executive Board. The Work Safety Committee, the Group Works Council and the Corporate Sustainability Department cooperate closely in order to further reduce workplace accidents and further develop the culture of safety.

Workplace accidents (Vossloh Group)	2021	2020
Lost time accidents (LTA)[1]	118	102
Lost time accident frequency rate (LTAFR)[2]	16.4	16.2
Lost time accident severity rate (LTASR)[3]	2.8	2.6

[1] Accidents involving injury-related lost time of at least 1 hour.
[2] Frequency of accidents involving injury-related lost time of at least 1 hour, measured in the number of workplace accidents in relation to the cumulative actual work time, based on 1 million hours worked.
[3] Severity of accidents involving injury-related lost time of at least 1 hour, measured in the duration of lost time in relation to the cumulative actual work time, based on 1,000 hours worked.

As in the previous year, there were no work-related fatalities in the Vossloh Group in 2021.

Both accidents with and without lost time and near accidents are analyzed at Vossloh in order to learn from them for the future and reduce the number of accidents at all the Company's sites. Prevention is a matter of importance to the Company in order to stop workplace accidents from happening in the first place. This includes regular conduct-based safety inspections designed to raise safety awareness among the employees, regular safety instruction and training for all the staff, online training sessions on safety-relevant subjects, the provision of comprehensive protective equipment, safety markings at the various workstations, and awareness campaigns. Impressive videos or safety flashes (anonymized summaries) of accidents are also frequently used. The "Four seconds for safety" campaign is regularly discussed at the start of a working day or a get-together within the wide, with brief reference being made to a specific safety aspect, and not just in the production area.

Hand protection was the focus of the 2021 safety campaign at Vossloh Tie Technologies: The topic came up in various forms every week at one of the daily safety talks in order to raise awareness among all employees. At Vossloh Switch Systems, training sessions on how to avoid falls were held at the Reichshoffen and Fère-en-Tardenois sites. Two so-called cobots were installed at the Outreau foundry. These "collaborative robots" relieve their human colleagues of tiring, repetitive (and potentially hazardous) tasks such as machine loading or unloading.

An important role in minimizing potential risks – and in achieving the goal of reducing the number of occupational accidents by 20 percent annually throughout the Group – is played by the SAFE+ app, which was launched in 2020 in close cooperation with Corporate Sustainability, the Work Safety Committee and the Group Works Council, and with the support of Vossloh IT. Initially available in just German, English and French, the app is currently being rolled out to include all languages spoken within the Group. In 2021, more than 1,000 employees throughout the Group received instruction in the use of the app. In the future, all Vossloh employees will participate in the program. Following training, employees should report safety risks identified within the Company or on the tracks via the app. The aim is to systematically reduce hazardous situations at all sites and in all divisions.

If employees have to travel internationally for their work for Vossloh, they can make use of the Group's travel safety management system. They will then receive comprehensive support with regard to medical and safety aspects of their trip, as well as precautions for possible emergencies. The Company's Travel Security Managers and worldwide Assistance Centers, in addition to a service provider's assistance app, are available for this purpose.

Healthy workplace

Vossloh's occupational health management aims to offer all employees preventive healthcare. This includes the occupational safety measures already mentioned, workplace ergonomics, driver safety training and company medical care, as well as making fruit available on a daily basis, nutritional counseling, company sports (including running groups and yoga courses), help quitting smoking, and preventive measures (including colorectal cancer screening, flu vaccinations, health screening and health tips).

In 2021, Vossloh Fastening Systems used a master's thesis prepared within the Company to find out which health protection measures employees consider particularly important. A number of key topics emerged, including musculoskeletal, as well as cardiovascular diseases, stress management and nutrition. In the Customized Modules division, employees have been receiving psychological support as required, thanks to a 24/7 telephone hotline since mid-2021. In 2021, Vossloh Rail Services tested medical exoskeletons in the welding plants to see if the back muscles of employees could be relieved.

Health and safety certifications

Vossloh attaches great importance to workplace safety and protecting its employees' health. The introduction of a corresponding management system and certification integrates current requirements into the ongoing processes of a company. The mandatory audits by independent external auditors ensure that legal obligations and requirements are met. Internationally recognized in this field is the ISO 45001 standard; it has replaced the formerly more common OHSAS 18001 (Occupational Health and Safety Assessment Series) standard. At Vossloh, almost all major production locations worldwide are certified to the ISO 45001 standard or to a lesser extent the OHSAS 18001 standard. At the end of 2021, these units employed around 88 percent (previous year: 76 percent) of Vossloh's workforce. Since November 2021, the Customized Modules division has been preparing for certification of the Bydgoszcz site to the ISO 45001 standard, with another unit in Malaysia to follow. The units that joined the Group in the year under review are to be certified to the ISO 45001 standard as quickly as possible, as are the Tie Technologies sites in North America.

Human resources and leadership

A committed and inspired workforce is the bedrock of the Company's long-term success. Vossloh, therefore, attaches great importance to fair labor conditions. Key issues in this regard are equal opportunity, continuing professional development opportunities in all areas, fair remuneration, additional company benefits (above and beyond the statutory and/or tariff-based arrangements), and a motivating working environment. Observance of local statutory regulations and standards forms part of the compliance obligation (see "Compliance" section on page 99). The topics of values and leadership principles were addressed with particular focus throughout the Group last year.

In the area of human resources and leadership Vossloh identified the following five issues as relevant in the 2021 materiality analysis. Two Group-wide initiatives have been defined in this area. Firstly, from 2022 onwards, the Group will introduce new, value-based leadership principles and implement them in the Company. A key element in reviewing the goals set is the People Review Process (PRP) introduced in 2020. Secondly, Vossloh intends to further roll out the Group-wide Diversity, Equality and Inclusion Policy in the 2022 fiscal year. Diversity officers, who not only act as a point of contact but also initiate and implement projects in their own business areas, have been appointed for each business unit.

Values and leadership

From centrally coordinated but flexible and independently operating units to "One Vossloh" – as a company, Vossloh has undergone fundamental changes in recent years. Following a successful restructuring, a focus on the rail track, and inclusion of sustainability in corporate values and as a key initiative in the revised corporate strategy, a new conception of the Group for internal and external communication was required: What is Vossloh's vision and mission? What are the core values that shape the Company's corporate and leadership culture?

In a structured process moderated by Corporate HR, the corporate values, mission and vision, and leadership principles were revised or redrafted together with the Executive Board, business unit management teams and the global HR Community. Among other things, the four existing corporate values – "passion," "excellence," "trust and respect" and "entrepreneurship" – will be preserved while a fifth corporate value "sustainability" will be added. In addition, three leadership principles have been established which, however, apply as guidelines not only to management but to all Vossloh employees: "We create value for Vossloh," "drive constant improvement" and "we are close to our people." Likewise, defined indicators can be used to check whether decisions are in line with these management principles in a transparent manner. The leadership principles were a central theme of the annual Leaders' Lounge in December 2021, which was attended virtually by around 100 of the Group's senior executives from around the world.

A unified talent and follow-up process was developed in 2021 and will be rolled out worldwide in 2022. Between October and November, top management worldwide received training on the vision/mission, values and leadership principles. In December, the entire workforce was informed of this training via video messages. The same process was also conducted in consultation with the representatives of the Group Works Council and presented to the Supervisory Board. Global training sessions will be held in 2022, flanked by a communications campaign.

The general rules for working at Vossloh are summarized in a Code of Conduct that each and every employee is required to sign upon joining the Company. The principles of conduct set out in the Code of Conduct form a binding yardstick and benchmark for the day-to-day activities of all employees (see the "Compliance" section on page 99).

Employee development and training

One of Vossloh's major advantages in terms of its attractiveness as an employer is the comprehensive array of development measures it offers its employees. The Company specifically promotes talent by striving to offer attractive opportunities, including offering all junior staff the possibility of working in digital project-based international roles. In annual review meetings, various measures are agreed upon to provide employees with customized training while taking operational needs into account. Proper implementation of these measures is closely monitored and evaluated by HR departments. In addition, managers and employees sit down for six-monthly reviews to discuss the progress of the agreed goals and development operations.

Starting in 2022, the People Review Process (PRP) for managers and nontariff employees will not only include individual goals and development measures, i.e. WHAT, but also HOW these measures and goals can be achieved in line with the company values and leadership guidelines. In the past fiscal year, more than 80.7 percent of all managers and nontariff employees went through this process.

The large number of professional development measures for Vossloh employees covering all areas of expertise comprises external and internal training, workshops, project involvement (within or outside of a business unit) and coaching as well as increasingly digital learning opportunities. In connection with commissioning the "Factory of the Future" in Werdohl, for example, around 100 Vossloh Fastening Systems employees underwent a certified program comprising some 85 measures during the year under review. A training robot was also used in the process. As a result of the COVID-19 pandemic, however, there was a strong focus on training in online and blended learning formats in 2021 too. A total of 2,013 employees took part in 7,829 events – a decline of 10.2 percent compared to the previous year. Since not all classroom training content could be immediately digitally implemented, unfortunately, not all employee training requests could be fulfilled in 2021 either.

Vossloh also supports employees gaining qualifications on their own initiative, such as by studying alongside working. For example, since 2021, Vossloh Fastening Systems has granted employees in China undergoing further training an additional day off before exams, so they are better prepared. In addition, there is a cross-division LEAD! Program, which prepares high-potential employees for more advanced duties. In 2021, the entire program was revised and aligned with the newly developed values and leadership principles. Over a seven-day period, participants learned about the links between Vossloh's leadership principles and their implementation in practice through lectures, exercises and outdoor activities.

The Vossloh Learning Platform (VLP) is a digital environment for continuous learning ("Learn"), sharing ("Share"), and growth ("Grow") in the Company. The platform creates an inspiring and motivating culture of learning that every employee can contribute to and benefit from. The VLP is an example that learning takes place every day and in numerous ways. Learning options are divided into on-site, tailor-made and digital learning, so a suitable solution can be found quickly depending on the learning need. The VLP is available to all employees worldwide in German, English and French.

Early vocational training of young people at Vossloh in Germany in the industrial-technical and commercial sectors, also takes the form of dual offers, i.e. a combination of hands-on training and study. Despite the COVID-19 pandemic, all current training was maintained in 2021 and new training relationships were also started. Commercial apprentices were included in home office arrangements, and industrial/technical apprentices were able to complete digital learning units from home.

Supportive and motivating working

Aging societies in developed countries, a shortage of skilled workers in many parts of the world, increasingly digitalized workplaces, global competition for well-qualified engineers and the younger generation's expectations of employers – these are just some of the challenges faced by Vossloh in the area of human resources. The Company, therefore, attaches great importance to providing its employees with a motivating working environment. Being a green company in a crisis-proof industry is a vital component of employer branding.

Modern IT facilities, fresh fruit, free mineral water, surprise gifts on special occasions, i.e. Christmas, Easter – and Thanksgiving (U.S. only), sports groups and team building are all clear incentives for employees at Vossloh. The COVID-19 pandemic has further increased flexible mobile working, particularly in administrative areas. It is flanked by new communication and event formats such as virtual coffee breaks, online yoga groups and digital Christmas parties. A Group-wide agreement on mobile working has been in force since 2020, based on the Company's home office experience.

Vossloh practices a life phase-oriented HR policy. The issue of work-life balance is discussed between employee representatives and management in a constructive manner. For employees of the German arm of Vossloh, the "Career and Family" audit represented a key milestone. The instruments listed range from flexible working hours, flextime, part-time and parental leave models to mobile working, personal sabbaticals, childcare and care support services, as well as the conversion of bonus payments into free time for the family. Arrangements are in place at Vossloh's companies in France to ensure the employees do not have to be available for work during their leisure time. The Customized Modules division is currently working on a "Balance Work Private Life" arrangement.

Issues that further strengthen Vossloh's sustainability approach are also incorporated into the Company's bonus system. The continuous improvement process (CIP) already in place in some business units was also transformed into the Group-wide Fit4Future ideas program in 2021 in close cooperation with employee representatives and the Executive Board. All employees can submit ideas via an app available in several languages and support their implementation across all business units. The express aim is to reduce the use of materials and energy as well as manpower and time in all areas of the Company, thereby cutting costs. The best projects resulting from the submitted proposals are entered in an annual competition. Three projects selected by a jury will each receive the newly created Eduard Vossloh Award at the Leaders' Lounge. In 2021, projects from China, France and Germany were up for selection as finalists. Participants of the virtual Leaders Lounge were asked to choose the winner.

In the year under review, employees or teams from all business units submitted a total of over 650 ideas, of which more than 180 were implemented in 2021. 15 proposals were nominated for the prize named after the Company's founder – consisting of a cash sum as well as training and team building opportunities. A team from Vossloh Rail Services in Hamburg received the €15,000 first prize. The idea of visual remote maintenance of track processing machines with the help of data glasses was particularly attractive because of the scalability of the solution for the entire Group. The runner-up with a €10,000 prize was a team from the Vossloh Switch Systems Chinese joint venture WCRCT in Wuhu. The project resulted in the fact that for the production of several types of switch blade blanks, only the third of three molds now needs to be manufactured and replaced. Third prize, which stood at €5,000, went to a team from Switch Systems in Fère-en-Tardenois for an idea that eliminates the need to rework holes in switch backing plates.

Vossloh Group companies assess employee satisfaction by means of regular surveys regarding various focal issues. The results serve as the basis for improvement measures and changes. In 2021, employee surveys were conducted, among others, at Vossloh Fastening Systems' sites regarding health protection in Germany (see "Healthy workplace" section on page 92) and in Poland. In addition, all trainees in the business unit were asked to rate the quality of their training. The excellent result led to the Company being awarded the "Training Company 2021" seal of approval. From the administrative staff, survey Vossloh Rail Services received valuable information on potential improvements that could be made in mobile working, such as shared desks or virtual coffee breaks, but also on deficits, for example, in remote management.

Gender equality and equal opportunities

As a matter of principle, Vossloh promotes equal opportunities for men and women. The Diversity and Inclusion Policy provides the Group-wide framework for various initiatives in this area, i.e. in raising awareness among managers, selecting employees for high-potential programs, filling vacant positions or as part of the life-phase-oriented HR policy. In the Customized Modules division, the "All on track" initiative launched in 2019 is having an impact despite the constraints imposed by the COVID-19 pandemic. The initiative was given a boost by the fact that, in France, companies with more than 50 employees are obliged to publish annual figures relating to professional equality between men and women. In this Penicaud index, Vossloh Cogifer SA, management company of the division Customized Modules, achieved 84 out of a possible 100 points in 2021. In Germany, the Rail Services business unit became a corporate sponsor of proTechnicale e.V., an association that specifically promotes young women working in technology.

Diversity

As a globally acting Group, Vossloh actively promotes diversity within its workforce. In 2021, the Company employed men and women from over 46 countries and with a wide range of qualification levels, education levels, vocational training paths, career experience and service years within all of its hierarchical levels. The French Vossloh sites participate in the nationwide TREMPLIN initiative (translated: springboard; abbreviation for TRansport EMPLoi INnovation). It aims to reduce the shortage of skilled workers in the transport and logistics industry by encouraging and promoting applications from people with disabilities. Vossloh Rail Services offers internships and apprenticeships for socially disadvantaged young people as part of the NachwuchsCampus traineeship initiative. The trainees in this business unit also include several refugees. The Diversity and Inclusion Policy implemented as planned over the course of the current year will underlay the Group-wide framework for such initiatives in the future.

The following table shows some key HR indicators, which should be viewed in the context of Vossloh's status as a global industrial manufacturing Group:

Vossloh Group workforce structure[1] (as of 12/31)	2021	2020
Proportion of women in total workforce as a %	**14.9**	**14.9**
Age structure of employees as a %		
< 31 years	16.5	17.1
31 - 50 years	53.3	54.3
> 50 years	30.2	28.6
Length of service of employees as a %		
0 - 10 years	59.2	60.2
11 - 20 years	22.2	22.9
> 20 years	18.6	16.9
Employees by region as a %		
Germany	22.1	22.1
France	21.1	23.6
Rest of Europe	30.9	29.5
Asia	14.0	8.4
Americas	6.6	10.2
Australia	5.3	6.2

[1] Number of employees based on actual headcount.

Good corporate citizenship

Vossloh prides itself on its status as a "good citizen". As such, the Company is involved in social and charitable initiatives in the communities where it is established.

As part of its role as a good corporate citizen, Vossloh is focusing on promoting social commitment on the basis of the 2021 materiality analysis. A Group-wide corporate volunteering program is to be established in the course of 2022.

Corporate volunteering

Social issues at Vossloh have so far been the responsibility of the various operational units; accordingly, there has been no Group-wide concept so far. In addition, the contributions made to the community by the individual corporate entities at the various sites are not systematically recorded. Now, as a first step, a corporate volunteering program is to be developed and introduced in 2022. This is intended to support Vossloh's vision and values by encouraging employees to take responsibility for their communities and social environment.

Individual companies traditionally support civic society at their respective locations in a variety of ways. For example, associations, social and cultural institutions, and organizations that support disadvantaged people receive donations in cash and in kind. A number of Vossloh units release employees for voluntary work in the public interest, such as firefighting, sitting on local councils and charity work. The Lifecycle Solutions division uses funds that can be awarded to charitable organizations to promote increased participation in social, athletic, cultural or environmental areas by its employees. At Austrak, employees have a paid absence day which they can use to work for a charity organization of their own choice. At its home base, Futrifer is a key partner to schools when it comes to training young people in readiness for the job market. In 2021, around 30 Vossloh Fastening Systems employees in China organized a waste collection campaign in the neighboring town for the first time and presented local waste collection officials with gifts.

Sustainable supply chain and operations

Sustainable business means looking beyond one's own factory gate. It concerns managing the environmental, social and economic impacts of products and services throughout their entire life cycle – from the procurement of raw materials, through processing and manufacturing processes, and the use of products and services, to their disposal or recycling. Vossloh will be devoting even greater attention to these aspects in the future.

As part of the comprehensive Sustainability Materiality Analysis 2021, "Sustainable supply chain and operations" was identified as one of seven key focus areas. The goal was set to expand sustainability in the supply chain and to increase the share of sustainably purchased procurement volume to 90 percent by 2025. As part of a responsible sourcing management system, sustainability criteria are defined and implemented in procurement, a criteria-based risk assessment of suppliers is conducted and suppliers are bound by a Group-wide Code of Conduct.

Responsible sourcing

The Group already attaches great importance to the responsible use of resources and environmental protection in its service provision and procurement activities. Vossloh units check suppliers on the basis of self-disclosure as a standard procedure before placing an order. For ongoing contracts, a performance evaluation is carried out on a regular basis. Several business units also developed their own codes of conduct for partners based on their experience in 2021. This includes committing strategic suppliers to key principles, including sustainability issues that Vossloh itself is also concerned about.

Business ethics and human rights

The nonfinancial aspects of corporate governance, particularly combating corruption and bribery, compliance with antitrust law and respect for human rights are outlined below. All of the above points have responsibility and risk minimization in common.

As a global enterprise with a more than 135-year history, Vossloh has a social responsibility toward its customers, employees, partners, investors and the public. From this responsibility, Vossloh derives the requirement that the Company and its employees adhere to the laws as applicable, respect basic ethical values and act in an exemplary fashion at all times and in all scenarios. This requirement is set out in writing in the Vossloh Code of Conduct. The Code of Conduct, which all employees sign when they join the Company, is designed to help them live up to this responsibility.

Good corporate governance

As a German stock corporation, Vossloh AG has a dual management and monitoring structure as reflected in the two bodies the Executive Board and the Supervisory Board. Both bodies have an obligation toward the Company's well-being and the interests of the shareholders. The Annual General Meeting, as the third body, is responsible for the Company's key fundamental decisions (see Corporate Governance Report on pages 30 et seq.).

Compliance with laws and regulations

Preventing violations of the law of any kind, in particular corruption and anticompetitive behavior, is a key concern of the Vossloh Executive Board for the entire Group. The Executive Board has also unequivocally summed this up in its Compliance Commitment, which states: *"Compliance with the law has absolute priority over closing a deal or achieving internal goals. We would rather forgo a business opportunity than violate the law. We do not tolerate any violation of the law or of our internal guidelines and policies and will sanction any such behavior (zero tolerance policy)"* (see www.vossloh.com > "Investor Relations" > "Corporate Governance" > "Compliance"). The area of Compliance is overseen within the Executive Board by the Chief Executive Officer (CEO).

The Executive Board of the Vossloh Group has established a Compliance Management System. The Vossloh Group's Rules of Procedure of the Compliance Organization govern the Compliance Organization, the assignment of responsibilities to officeholders and the reporting duties of all the different company levels. The Compliance Organization comprises the Chief Compliance Officer (supported by a Compliance Office), the Group Compliance Committee at Vossloh AG, compliance officers and compliance committees within the business units and local compliance officers within the operating companies.

The Compliance-Management-System is designed to identify compliance violation risks and to minimize them in order to prevent Vossloh and its employees from incurring damage and liability risks. Bribery in business transactions and breaches of competition law were identified as key compliance risks in a risk inventory conducted with external support in 2016 and last updated in 2021. This relates in particular to sales and all the sales-promoting activities, including intermediaries. The Compliance-Management-System addresses these risks and minimizes them with the help of suitable processes and measures.

Since 2007, Vossloh's Compliance-Management-System has been based on the Vossloh Code of Conduct. The Code of Conduct stipulates and precisely defines the values of integrity and upstanding business conduct, and interprets them as clear and straightforward rules and principles. It is currently available in 15 languages and is mandatory for all Company employees. It was most recently completely revised and further developed in 2016. There are also guidelines on the prevention of corruption, antitrust law-compliant conduct and the introduction of intermediaries as well as data protection, export control and insider guidelines (for more information on Compliance at Vossloh, see: www.vossloh.com >"Investor Relations" > "Corporate Governance" >"Compliance").

Compliance as part of business activities constitutes part of regular classroom training held at all Vossloh companies. The teaching requirements and the participants are identified and selected by the Compliance Officers within the business units and the Local Compliance Officers on the basis of the Vossloh Compliance Training Concept. The Compliance Office headed by the Chief Compliance Officer keeps a record of the classroom training sessions held. In 2021, Vossloh conducted compliance training around the world for a total of 723 participants (2020: 309).

Compliance training is also provided in the form of e-learning, which was rolled out again in a fundamentally updated form in early 2021. The "Code of Conduct – Compliance Basics" module is aimed at all employees who work at a computer workstation. In addition, there are two modules for all managerial staff and employees with external contact that focus on competition law and anticorruption measures. These are also the target audience of the "refresher" module on anticorruption, competition law and foreign trade law. All new employees are gradually taken through the e-Learning program. The Local Compliance Officers systematically record the employees' attendance and send them reminders to attend, if need be. As of December 31, 2021, the training rate stood at 95.0 percent (2020: 96.4 percent).

Compliance audits are performed – usually with the assistance of external audit firms – in order to verify that the Compliance-Management-System rules are being adhered to within the individual operating units. These are performed both ad hoc and without there being any specific suspicions. In 2021, three compliance audits were performed. Further, compliance issues were also audited as part of the internal audit process. Additionally, the Company regularly has its Compliance-Management-System reviewed by external experts and has them make recommendations regarding its further development and improvement. The most recent review took place in 2017; the audit report has been published on www.vossloh.com under "Corporate Governance" > "Compliance" in the "Investor Relations" section. Insofar as findings and recommendations were stated regarding compliance work, these have been and will be implemented in the course of the ongoing development and improvement of the Compliance-Management-System. Vossloh also performed a stocktaking and survey of 215 managers and other employees of the Vossloh Group in 2018 which confirmed the effectiveness of the established Compliance-Management-System as well as high levels of awareness and acceptance of compliance within the Vossloh Group. In the fiscal year 2021, another Group-wide compliance risk assessment was carried out with the support of an auditing firm. The purpose of this risk assessment was to determine the Vossloh Group's compliance risks in the areas of antitrust law, anti-corruption, and export control, taking into account existing compliance rules and measures. The appropriateness of the existing Compliance-Management-System was further validated overall.

Together with an international law firm, Vossloh set up a whistle-blower hotline. In addition to the option of contacting the Compliance Office directly, this allows company employees and external whistle-blowers to report possible misconduct to an independent external contact (ombudsperson) in their native language. The whistleblower hotline has so far been set up for 24 countries. As such, the main regions and the languages spoken within the Vossloh Group are essentially covered. The ombudspersons were contacted on three occasions in 2021 (2020: five occasions). All resulting investigations into possible compliance violations were concluded.

Vossloh has also taken special precautions to ensure compliance with foreign trade regulations, notably export control and embargo legislation. Beyond the obvious need to comply with applicable legal provisions, Vossloh shares the security objectives pursued by foreign trade legislation, especially the strengthening of international peace efforts and the non-proliferation of weapons of mass destruction. An export control policy for the entire Group and which is based on applicable law creates a binding framework for the entire Vossloh Group and all its employees to ensure compliance with the respective legal requirements. The framework requirements of this policy are supplemented by more extensive regulations in the form of work and organizational instructions, process descriptions, etc. The policy states that each operational unit must appoint an Export Officer and a Trade Compliance Officer (TCO). In cooperation with the respective HR departments, they develop training concepts and ensure that all employees working in areas relevant to foreign trade receive the appropriate training. Vossloh's central compliance e-learning tool also includes the module "Foreign trade law."

The Vossloh Group also expects its suppliers and service providers to act in accordance with the rules and demonstrate lawful conduct. This is verified and controlled in specific cases as well as on an ad hoc basis. Group-wide "Guidelines on the Involvement of Intermediaries" apply to business dealings with commercial agents, agencies, distributors and consultants in the sales area. Their purpose is to prevent the risk of unfair practices on the part of contracted third parties and to minimize the risks for the Company and its employees.

Vossloh has maintained a Group-wide register of associations as part of its Compliance-Management-System, in which all company and private memberships in industry associations are recorded. Vossloh AG's primary association memberships are as follows:

- The Railway Industry in Germany (VDB)
- Association of the European Rail Industry (UNIFE)
- Deutsches Verkehrsforum (DVF)
- Institut für Bahntechnik GmbH (IfB)
- Pro-Rail Alliance
- Association of German Transport Companies (VDV)

Vossloh does not make donations to political parties or similar institutions.

Human and employees' rights

Vossloh respects internationally recognized human rights in its business activities, and these are codified as binding rules for all the employees in Section 10 of the Vossloh Code of Conduct ("Protection of human and labor rights"). The Code of Conduct can be found under www.vossloh.com > „Investor Relations" > „Corporate Governance" > „Compliance". Risks that may result from the violation of human rights are recorded under "Nonfinancial risks and opportunities" on page 71.

To minimize the risk of child labor, Vossloh, as a rule, does not employ anyone under the age of 14 or 15 (depending on the legal provisions in the different countries). In addition, the majority of Vossloh's production facilities are located in Europe. Employees under the age of 18 are usually apprentices. The instructors responsible for them are duty-bound to observe all the relevant labor law and occupational safety rules and provisions. A whistle-blower hotline is available in order for possible misconduct to be reported. No human rights violations were reported in the 2021 fiscal year (2020: also no reports).

More recent major partnership contracts such as joint venture agreements generally already include the Vossloh Code of Conduct and, therefore, also its human rights aspects as mandatory conduct rules. The same applies to contracts with intermediaries (e.g. commercial agents and distributors).

The various Vossloh companies subject their suppliers and intermediaries to intensive preliminary checks before concluding a contract with them. Here the Company has so far not had cause to check compliance with human rights.

Adherence to local laws and standards (for example, minimum wage or fundamental labor law conditions) is an integral part of Vossloh's compliance obligations. The European Works Council, the Group Works Council, the Executive Board and Corporate Human Resources regularly communicate at Vossloh in order to guarantee the flow of information, discuss the scope for improvements, address new issues together and tackle these in projects.

Data security and privacy

The protection of personal data is a matter of importance to Vossloh. The Company revised its data protection management system to comply with the European General Data Protection Regulation (GDPR) and adjusted the organization in accordance with the new legal requirements. It is binding for all Vossloh companies and all staff worldwide, even outside the European Union. Compliance with the Vossloh Data Protection Policy is monitored by appointed data protection officers and data protection coordinators, as well as a data protection committee at the Vossloh AG level that meets regularly.

UN Global Compact and implementing its ten principles

Vossloh is a member of the United Nations (UN) Global Compact. By supporting the principles of the UN Global Compact, the Company is once again outlining its contribution to achieving the global Sustainable Development Goals (SDGs) by 2030. The Group focuses its commitment on the six of the total 17 SDGs:

- SDG 5: Achieve gender equality and empower all women and girls
- SDG 6: Ensure availability and sustainable management of water and sanitation for all
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- SDG 12: Ensure sustainable consumption and production patterns
- SDG 13: Take urgent action to combat climate change and its impacts

The following table provides an overview of voluntary commitments, mission statements and management systems that help the Company integrate the principles of the UN Global Compact into its business processes:

Principle	Vossloh's statements, guidelines and management systems	Section of the nonfinancial Group statement
Human rights		
1. Companies should ensure that international human rights are supported and protected. 2. Companies should ensure that they are not complicit in human rights abuses.	- Vossloh Code of Conduct - Group-wide occupational safety policy - Group-wide travel security management - Occupational health management at Vossloh companies - Group-wide privacy policy as per GDPR	- Values and leadership - Occupational health and safety - Upholding of human rights and labor rights - Compliance with legal and regulatory requirements
Labor standards		
3. Companies should respect the freedom of association and the effective recognition of the right to collective bargaining. 4. Companies should work to eliminate all forms of forced labor. 5. Companies should advocate the abolition of child labor. 6. Companies should advocate the elimination of discrimination in employment and at work.	- Vossloh Code of Conduct - Corporate Compliance Commitment - Group-wide Compliance-Management-System - Group-wide diversity and inclusion policy - "All on Track" initiative in the Customized Modules division	- Values and leadership - Compliance with legal and regulatory requirements - Upholding of human rights and labor rights - Equality and inclusion - Diversity
Environmental protection		
7. Companies should follow the precautionary principle when dealing with environmental problems. 8. Companies should take initiatives to promote greater environmental awareness. 9. Companies should accelerate the development and dissemination of environmentally friendly technologies.	- Vossloh Code of Conduct - Group-wide environmental management system - Waste and hazardous materials management at Vossloh companies - Quality management at Vossloh companies	- Environmental and climate action - Ecological design of products and services - Fully responsible procurement
Preventing corruption		
10. Companies should work to avoid all forms of corruption, including extortion and bribery.	- Vossloh Code of Conduct - Corporate Compliance Commitment - Group-wide Compliance-Management-System - Group-wide embargo and export control policy - Group-wide policy on the use of intermediaries	- Values and leadership - Compliance with legal and regulatory requirements

EU Taxonomy and its Implementation at Vossloh

As part of the European Green Deal, the EU Commission aims to achieve the transition to a modern, resource-efficient and competitive economy and climate neutrality by 2050. A central component of this is the EU Taxonomy Regulation, a classification system for defining environmentally sustainable economic activities. The regulation, which went into effect July 12, 2020, defines six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

According to EU taxonomy guidelines, economic activities are "environmentally sustainable" if they

- make a substantial contribution to the achievement of one or more of the six environmental objectives referred to (substantial contribution),
- do no significant harm (DNSH) to the achievement of the five other EU environmental objectives, and
- comply with minimum regulations for occupational health and safety and human rights (minimum safeguards).

Technical screening criteria are used to determine whether an economic activity meets the first two points. These are currently only available for the first two EU environmental objectives. As a result, these two objectives alone need to be disclosed for the 2021 fiscal year.

The regulations differentiate between "taxonomy-eligible" and "taxonomy-aligned" activities. If activities can be assigned to the taxonomy criteria, they are taxonomy-eligible, regardless of whether the technical screening criteria are met. Activities are taxonomy-aligned if the taxonomy-eligible activities also meet the criteria.

In accordance with the EU Taxonomy Regulation, Vossloh reported for the first time on the share of sales revenues, capital expenditures (CapEx) and operating expenses (OpEx) of taxonomy-eligible and non-taxonomy-eligible economic activities, respectively.

In the 2021 fiscal year, Vossloh launched a project to implement the taxonomy requirements in relation to the EU environmental objectives "climate change mitigation" and "climate change adaptation." The project team comprised the CFO of Vossloh AG and experts from the corporate departments Accounting, Sustainability, Controlling and Investor Relations. Procedures and interim results were reported to the full Executive Board on a regular basis.

Vossloh's business activities were initially assigned to the relevant taxonomy criteria in predefined sorting. Interviews and workshops were then held with relevant contacts and experts from the business units and key Group companies. The aim of these talks was to analyze business activities and to check whether the corresponding taxonomy criteria for the business activities are actually met (alignment test).

The analysis of all activities of the Core Components, Customized Modules, and Lifecycle Solutions divisions revealed that all of Vossloh's business activities can be assigned to the category "Infrastructure for rail transport" (Section 6.14. of the Delegated Act on the Taxonomy Regulation of June 4, 2021). According to the regulation, this category includes, among others, the construction, modernization, operation and maintenance of railroad lines. The lion's share of Vossloh's business involves the manufacture and supply of major rail infrastructure components and systems. In addition, Vossloh offers comprehensive rail-related services, a major part of which involves the maintenance of rails and switches.

Accordingly, the Vossloh Group's shares of taxonomy-eligible sales revenues, CapEx, and OpEx are as follows.

	Absolute (in € mill.)	Taxonomy-eligible (in %)	Taxonomy-eligible (in € mill.)	Not taxonomy-eligible (in %)	Not taxonomy-eligible (in %)
Sales revenues	942.8	100	942.8	0	0.0
CapEx	66.2	87	57.6	13	8.6
OpEx	45.2	96	43.4	4	1.8

Sales revenues are defined as net sales revenues in accordance with the IFRS as reported in the comprehensive income statement and therefore relate only to fully consolidated subsidiaries. Further information on sales revenues can be found on page 125 of the annual report.

CapEx comprises capital expenditure in non-current intangible or tangible assets, including those acquired through asset or share deals, as shown in the consolidated balance sheet. Capital expenditure (CapEx) is calculated on a gross basis, i.e. without taking into account revaluations or scheduled, respectively unscheduled amortization. For further information on CapEx, please refer to pages 135 et seq. of the annual report.

Operating expenses (OpEx) take into account non-capitalizable expenses recognized in the comprehensive income statement such as research and development, building renovation measures, short-term leasing, maintenance and repair and all other direct expenses from the maintenance of property, plant and equipment to ensure that the taxonomy-eligible assets are ready for operation.

In addition, Vossloh also voluntarily provides an initial indication of taxonomy-aligned sales revenues, CapEx and OpEx. The taxonomy alignment analysis was performed as follows:

- Substantial contribution: Compliance with the technical screening criteria was checked individually for each business unit.
- Do no significant harm (DNSH): The DNSH criteria mainly relate to compliance with legal requirements or, in the case of the "Transition to a circular economy" objective, to key aspects of business activity. In this regard, an assessment of DNSH compliance at business unit level was appropriate, and performed regularly. DNSH compliance with the EU environmental goal 2 "Climate change adaptation" is assessed at Group level.
- Minimum safeguards: A Group-wide approach was adopted to ensure compliance with the minimum safeguards requirements, which enables these criteria to be tracked precisely and consistently.

Vossloh's business activities contribute to an accessible and efficient rail network which is a basic prerequisite for the environmentally desirable modal shift to rail (see the comments on page 87 of this annual report). No other mode of transport is more climate-friendly than rail. For the purposes of the Taxonomy Regulation, Vossloh's business activities as a whole are to be regarded as an enabling activity for climate-friendly mobility. Therefore, Vossloh's business activities can generally be assumed to make a substantial contribution to climate change mitigation if they meet the technical screening criteria set out in the rail infrastructure category. According to the Taxonomy Regulation, Vossloh's activities are presumed to make a significant contribution to climate change mitigation only if they are performed on electrified rail lines or on lines for which an electrification plan exists. Rail lines intended only for the transportation of fossil fuels are exempt.

The electrification of rail infrastructure is not Vossloh's responsibility, and, in some cases, the locations where the products are used are not known. In analyzing whether the criteria for electrification are actually met, Vossloh followed a three-stage process. Initially, the Company assumed that all activities that took place on high-speed lines and in rail-bound urban traffic would make a significant contribution to climate change mitigation, as these lines are generally fully electrified. Secondly, Vossloh analyzed the key individual projects in terms of the electrification of the rail lines. Thirdly, the electrification rate of the relevant country was used for analyzing the remaining projects. The data come from publicly available research and information from official statistical authorities, rail companies and associations. In addition, all activities of the Core Components, Customized Modules and Lifecycle Solutions divisions globally were examined with regard to existing rail lines designed for the transport of fossil fuels. It emerged that no Vossloh activities could be associated with rail lines of this kind.

In analyzing its activities, Vossloh has focused mainly on how its operations contribute to the "climate change mitigation" environmental objective. Activities with a significant contribution to the "climate change adaptation" environmental objective were not identified.

Next, activities classified as mitigating climate change were to be assessed to determine whether they led to a significant degradation of one or more of the above environmental objectives (DNSH criteria). The criteria for the EU water quality environmental objective essentially refers to statutory and regulatory requirements with which Vossloh is obliged to comply. Many of Vossloh's business activities do not require at all the use of water as a resource, such as the milling and grinding of rails and switches, welding services, logistics or assembly work. Otherwise, the resource is mainly used in Vossloh factories for the surface treatment of products, as a coolant in manufacturing processes and for the production of concrete ties. Contaminated wastewater is treated in the Company's own wastewater treatment plants in such a way that it meets the discharge standards of the public water supply at a minimum (see also the comments on page 86).

With regard to the "transition to a circular economy" environmental goal, Vossloh products meet long durability and longevity requirements, as most components are designed for a particularly long service life and can be recycled and reused at the end of their useful life. In addition, the Lifecycle Solution division's service portfolio extends the service life of rails and switches.

Vossloh also complies with the EU environmental goal of "preventing and reducing environmental pollution." In addition, a large number of Vossloh products and services contribute to the reduction of track noise and vibrations (see also the "Track-related noise and vibrations" section on page 88).

Regarding the EU "Protect and restore biodiversity and ecosystems" environmental objective, environmental impact assessments (EIA) and comparable reviews are conducted by Vossloh where such a requirement exists. Vossloh is generally not subject to the EIA obligation when manufacturing products. Finally, by boosting track availability and enabling greater traffic through this land use, Vossloh is helping to minimize the land required for the construction of rail infrastructure, thereby contributing to the preservation of biodiversity.

Information on compliance with the minimum requirements regarding occupational safety and human rights can be found on pages 90 et seq. and 98 et seq. in this report.

Based on this approach and the above assumptions and estimates, the Vossloh Group's taxonomy-aligned sales revenues, CapEx, and OpEx are as follows:

	Absolute (in € mill.)	Taxonomy-aligned (in %)	Taxonomy-aligned (in € mill.)
Sales revenues	942.8	62	584.5
CapEx	66.2	60	39.6
OpEx	45.2	64	29.1

Limited assurance report of the independent practitioner regarding the nonfinancial statement

To Vossloh Aktiengesellschaft, Werdohl/Germany

Our Engagement
We have performed a limited assurance engagement on the consolidated nonfinancial statement, which is included in the combined management report for the parent and the group, of Vossloh Aktiengesellschaft, Werdohl/Germany, (hereafter referred to as "the Company") for the financial year from 1 January to 31 December 2021 (hereafter referred to as "nonfinancial statement").

Responsibilities of the Executive Directors
The executive directors of the Company are responsible for the preparation of the nonfinancial statement in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU Taxonomy and its Implementation at Vossloh" of the nonfinancial statement.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the nonfinancial statement and the use of assumptions and estimates for individual nonfinancial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a nonfinancial statement that is free from material misstatement due to fraudulent behaviour (manipulation of the nonfinancial statement) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section "EU Taxonomy and its Implementation at Vossloh" of the nonfinancial statement. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the nonfinancial statement is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm
We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Practitioner
Our responsibility is to express a conclusion on the nonfinancial statement based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the nonfinancial statement of the Company, with the exception of the external sources of documentation or expert opinions referenced therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy and its Implementation at Vossloh" of the nonfinancial statement.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which we performed primarily during the months from January to February 2022, we performed, among others, the following procedures and other work:

- Obtaining an understanding of the structure of the Group's sustainability organisation and of the stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved about the process of preparation, about the system of internal control relating to this process, as well as about the disclosures contained in the nonfinancial statement,
- Identification of probable risks of material misstatements in the nonfinancial statement,
- Analytical evaluation of selected disclosures contained in the nonfinancial statement,
- Cross validation of selected disclosures and the corresponding data in the consolidated financial statements as well as in the group management report,
- Evaluation of the presentation of the nonfinancial statement,
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the nonfinancial statement.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated nonfinancial statement of the Company for the financial year from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy and its Implementation at Vossloh" of the nonfinancial statement.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable sole to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Düsseldorf/Germany, 28 February 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
René Kadlubowski	Dr. Matthias Schmidt
Wirtschaftsprüfer	
(German Public Auditor)	

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.

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

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**

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

		Measurement categories pursuant to IFRS 9			
€ mill.	IFRS 9 carrying amounts according to balance sheet 12/31/2021	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

		Measurement categories pursuant to IFRS 9			
€ mill.	IFRS 9 carrying amounts according to balance sheet 12/31/2020	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	
	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	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 to former Executive Board members of Vossloh AG and their surviving dependents

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.

Auditor fees

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.

German Corporate Governance Code

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).

Events after the reporting period

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.

Group companies and investees

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

List of shareholding

	€ mill.	Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh Aktiengesellschaft, Werdohl**						
(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	Consoli-dation[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

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

Financial calendar 2022/2023

Financial calendar 2022

Annual General Meeting	May 18, 2022
Publication of interim report/interim financial statements	
as of March 31	April 28, 2022
as of June 30	August 3, 2022
as of September 30	October 27, 2022
For further dates, go to www.vossloh.com	

Financial calendar 2023

Publication of 2022 financial data	March 2023
Press conference	March 2023
Investor and analyst conference	March 2023
Annual General Meeting	May 2023

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Information on the Vossloh share

ISIN	DE0007667107
Trading locations	Xetra, Tradegate, Frankfurt, Düsseldorf, Berlin, Hanover, Hamburg, Stuttgart, Munich
Index	SDAX
Number of shares outstanding as of 12/31/2021	17,564,180
Annual average number of shares outstanding	17,564,180
Share price on 12/31/2021	€45.15
High/low price 2021	€49.45/€39.35
Reuters code	VOSG.DE
Bloomberg code	VOS:GR
Proposed dividend	€1,00

Glossary

Capital employed	Working capital plus fixed assets
Cash pooling	Balance transfer procedure for pooling liquidity
Credit line	Credit agreement between two or more parties
Derivative financial instruments	Contracts whose fair values are derived from basis values (e.g., stocks or currencies)
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/sales revenues
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA margin	EBITDA/sales revenues
EBT	Earnings before taxes
Employee bonus program	Program for granting shares to employees free of charge or at reduced prices
Equity ratio	Equity/balance sheet total
Financial liabilities	Schuldschein loans, bank debts, notes payable and liabilities from finance leases
Guarantee	Assumption of guarantees and surety bonds
IAS/IFRS	International Accounting Standards/ International Financial Reporting Standards
Interest rate cap	Option deal that hedges buyers against increasing interest rates through an interest rate ceiling
Interest rate swap	Contractual agreement on the exchange of fixed and variable interest payment flows based on an underlying nominal value
Net financial debt	Financial liabilities minus cash and cash equivalents and short-term securities
Personnel expenses per employee	Personnel expenses/annual average headcount
Return on capital	See return on capital employed
Return on capital employed	EBIT/average capital employed
Treasury	Finance management
Value added	EBIT minus weighted average cost of capital (WACC) x average capital employed
Working capital	Trade receivables (including contract assets) plus inventories minus trade payables (including contract liabilities) minus prepayments received minus other current provisions (adjusted for matters not attributable to the operating business)
Working capital intensity	Average working capital/sales

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Illustration:
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Adobe Stock

Final corrections:
pro verbis, Bochum

Production:
Staudt Lithographie GmbH, Bochum

Editorial deadline: March 2022

This Annual Report has also been published in German and is available at www.vossloh.com.

Ten-year overview*

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Income statement data											
Sales revenues	€ mill.	942.8	869.7	916.4	865.0	918.3	822.5	952.9	1,100.8	1,300.7	1,243.0
EBIT	€ mill.	72.3	73.1	55.7	54.2	70.3	57.5	42.3	(183.4)	52.7	97.5
Net interest result	€ mill.	(7.5)	(14.4)	(18.5)	(13.4)	(12.5)	(10.6)	(11.1)	(24.2)	(21.4)	(21.4)
EBT	€ mill.	64.8	58.7	(56.1)	40.8	57.8	46.9	31.2	(207.6)	31.3	76.1
Net income	€ mill.	35.9	20.8	(136.8)	22.7	0.3	10.1	77.8	(205.7)	23.6	64.8
Earnings per share	€	1.31	0.98	(8.32)	1.14	(0.50)	0.22	5.42	(16.46)	1.25	4.94
Return on capital employed	%	8.1	8.4	(4.2)	6.8	8.9	8.8	5.8	(21.7)	5.9	11.5
Value added	€ mill.	9.5	12.5	(105.4)	(5.8)	11.1	(1.5)	(31.1)	(267.8)	(22.8)	13.0
Balance sheet data											
Fixed assets	€ mill.	726.0	694.1	659.2	646.1	568.7	467.8	486.7	548.8	714.5	662.7
Investments[1]	€ mill.	51.3	68.7	59.8	60.5	39.5	30.3	34.2	50.7	64.4	61.1
Depreciation/amortization[1]	€ mill.	51.9	50.0	86.4	35.5	33.6	31.5	35.7	123.2	40.7	41.4
Closing working capital	€ mill.	175.6	155.3	180.3	216.0	190.0	159.2	213.8	226.5	94.5	166.0
Closing capital employed	€ mill.	901.6	849.4	839.5	862.0	758.7	627.0	700.5	775.3	809.0	828.7
Equity	€ mill.	587.9	412.4	403.6	523.3	532.4	550.8	428.7	349.6	481.1	505.7
thereof: Noncontrolling interests	€ mill.	28.6	15.9	9.4	10.8	15.0	18.0	17.0	19.7	18.6	15.9
Net financial debt[2]	€ mill.	215.6	351.3	370.4	307.3	207.7	85.0	218.6	283.0	204.1	200.8
Total assets	€ mill.	1,289.4	1,214.4	1,331.4	1,266.9	1,252.9	1,367.2	1,389.9	1,604.4	1,562.4	1,500.0
Equity ratio	%	45.6	34.0	30.3	41.3	42.5	40.3	30.8	21.8	30.8	33.7
Cash flow statement data											
Cash flow from operating activities	€ mill.	81.3	56.1	12.3	37.6	24.5	65.8	107.8	(42.2)	130.5	162.6
Cash flow from investing activities	€ mill.	(57.9)	(3.0)	(15.5)	(95.0)	(124.2)	(43.2)	(11.6)	(58.3)	(75.4)	(72.9)
Cash flow from financing activities	€ mill.	(30.8)	(67.4)	28.1	(14.1)	20.7	79.3	(77.0)	103.7	(63.1)	(109.9)
Net cash inflow/outflow	€ mill.	(7.4)	(14.3)	24.9	(71.5)	79.0	101.9	19.2	3.2	(8.0)	(20.2)
Employees											
Annual average headcount	No.	3,612	3,482	3,774	3,720	3,934	3,682	4,069	4,883	5,247	5,078
thereof: In Germany	No.	748	720	871	866	854	840	1,244	1,853	1,759	1,756
Abroad	No.	2,864	2,762	2,903	2,854	3,080	2,842	2,825	3,030	3,487	3,322
Personnel expenses	€ mill.	211.8	205.1	260.1	214.9	214.8	197.1	218.1	283.0	284.0	271.0
Personnel expenses per employee	€ thous.	58.6	58.9	68.9	57.0	54.6	53.5	53.6	58.0	54.1	53.4

Ten-year overview of Vossloh AG

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Capital stock	€ mill.	49.9	49.9	49.9	45.3	45.3	45.3	37.8	37.8	37.8	37.8
Dividends per share[3]	€	1.00	1.00	0.00	1.00	1.00	0.00	0.00	0.00	0.50	2.00
Share price as of December 31	€	45.15	41.35	37.00	42.45	46.80	59.61	57.74	53.50	72.50	74.47
Market capitalization as of December 31	€ mill.	793.0	726.3	649.9	677.8	747.3	951.8	793.1	712.9	870.3	893.5

*2017 and 2016 with Locomotives and Electrical Systems business units reported under discontinued operations;
2015 with Rail Vehicles and Electrical Systems reported under discontinued operations;
2014 and earlier years as described previously.

[1] Excluding noncurrent financial instruments, depreciation/amortization plus impairment losses/reversals of impairment losses

[2] In brackets: net financial assets

[3] Subject to the approval of the Annual General Meeting

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