Vossloh

ANNUAL REPORT 2020

Enabling green mobility

Annual financial statements and combined management report of Vossloh AG for the 2020 fiscal year

Combined management report

Business and market environment

Segmentation and competitive position

Vossloh is active in rail infrastructure markets worldwide. 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, Fastening Systems and Tie Technologies. The two other divisions encompass one business unit each: Vossloh Switch Systems belongs to Customized Modules, and Vossloh Rail Services belongs to Lifecycle Solutions. You can find detailed descriptions of the individual divisions on page 16 et seq. Vossloh Locomotives was the last business unit in the Transportation division and was part of the Group until the end of May 2020. The legal representatives of Vossloh AG signed a contract on August 26, 2019, for the sale of this business unit to CRRC Zhuzhou Locomotive Co., Ltd., Zhuzhou, China (CRRC ZELC), a subsidiary of CRRC Corporation Ltd. The transaction was completed on May 31, 2020 after it was approved by the relevant authorities.

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 a global market and technology leader in the switches and crossings segment.
- In Germany, 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.

Strategic decisions

In mid-2020, Vossloh completed the transformation of the Group and transitioned into a company focused on its core business of rail infrastructure. Vossloh's unique selling point is its comprehensive range of track-related products and services. Vossloh manufactures all significant track components. The associated knowledge of the technical and physical properties of the rail track forms the basis for understanding the systemic interaction of all components.

Improving track availability will play a significant role in transporting more people and goods by environmentally friendly rail. Vossloh contributes to this in two different areas: The company is continuing to enhance its rail infrastructure products to make them more durable, easier to maintain and more reliable. Vossloh is also playing its part in making the process of maintaining rail networks more efficient. Digitalization will be at the heart of this, as it enables the processing and evaluation of ever larger amounts of data. Vossloh brings its comprehensive and systemic understanding of rail infrastructure to bear to derive relevant information and maintenance recommendations from the collected data. This is the foundation for meeting the specific needs of publicly and privately owned regional, freight and long-distance transport operators and offering them tailored condition-based maintenance solutions.

Vossloh's existing business with products and conventional services forms the basis for the development and expansion of the digital service business. The conventional hardware business and the constantly growing service business form an inseparable unit. The new possibilities afforded by digitalization and, most importantly, the efficient processing and analysis of large amounts of data serve as the link that joins the business models.

Vossloh aligned itself to clearly defined strategic cornerstones in 2020 as part of an extensive internal project, while also defining its role in the international rail infrastructure market. The strategy newly devised and pursued by Vossloh is divided into three sub-areas:

- The existing business with products pertaining to rail infrastructure will be expanded and further strengthened with a view to their profitability. In this context, the focus is on sustainable reduction of production costs, increased sales concentration on selected markets, and also acquisitive expansion of the product portfolio with complementary products as well as an entire series of selective innovations.
- The existing service business will be further internationalized and expanded to include further service offerings. The focus of smart maintenance is on the collection of condition data, both directly on the track and through Vossloh's own fleet of maintenance vehicles and using artificial intelligence to draw up condition-based, predictive maintenance programs. This provides customers with an outstanding opportunity to improve their efficiency levels.
- The new strategy also focuses on accelerating the development of digital expertise, including through relevant partnerships, and emphasizes the importance of sustainable management more strongly than before. At the same time, a Group-wide system for continuously increasing efficiency in every division has been designed.

Strategic measures were implemented and reviewed on a regular basis. The new strategy will contribute significantly towards achieving an average annual sales growth rate of between 4 and 5 percent over the medium term. This improvement would be well above the rate currently forecast for the market in a number of studies. Vossloh also expects all of its divisions to achieve double-digit EBIT margins over the medium term. Vossloh intends for the Group as a whole to achieve an EBIT margin of at least 10 percent over the long term. A double-digit EBIT margin for the Vossloh Group equates to an EBITDA margin of at least 16 percent.

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. In the year under review, a further production facility for certain rail fastening system components was added in China through the full consolidation of the company Vossloh (Anyang) Track Material. The Tie Technologies business unit manufactures concrete ties in the USA, Mexico, Canada and Australia. The switch systems 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 from Germany, in addition to China.

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
- 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[1]. 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 management-relevant 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 produces the value added over a period in absolute terms. For internal controlling purposes, ROCE and value added are determined before taxes.

Cost of equity is composed of a risk-free interest rate plus a market risk premium. The interest rate factor is adjusted accordingly on the basis of the input tax consideration. Cost of debt is calculated on the basis of the Group's average financing terms. The ratio of equity to interest-bearing debt of two-thirds to one-third, which is used to determine WACC, is not derived from the balance sheet 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 in the balance sheet. A weighted average cost of capital before taxes (WACC) of 7.0 percent was based on the yield expected by investors and lenders for the purposes of intragroup controlling in the 2020 fiscal year (previous year: 7.5 percent).

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 additionally 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. Further nonfinancial performance indicators which do not play a central role in management are provided in the nonfinancial Group statement, which begins on page 50.

To the management of Vossloh AG, the monthly financial reporting represents 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 consolidated Group companies are consolidated and analyzed in the same way as the monthly annual forecast. Deviations are investigated in relation to their effects on the financial targets. The monthly and annual projections are supplemented by a risk report to identify potential reductions and increases in assets. The effectiveness of measures aimed at ensuring targets are reached 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.

[1] Adjusted figures will be reported for the EBITDA margin and EBIT margin for the 2019 fiscal year due to the negative one-time effects on earnings caused by the performance program.

Economic report

Macroeconomic and industry-specific conditions

Investments in rail infrastructure are generally made around the world 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 2020 was 97.3 percent according to the statistics office of the European Union (Eurostat). This was the most recent figure available when this annual report was prepared. The debt ratio was 85.8 percent at the end of the third quarter of 2019. At the end of September 2020, the debt ratio of the entire EU was 89.8 percent, compared to 79.2 percent in the previous year. The higher debt ratios result from substantial increases in sovereign debt (mainly due to the financing requirements for the government measures to contain the COVID-19 pandemic) on the one hand and declining GDP on the other. 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 steadily growing trend for years. This is the result of rising demand around the world for environmentally friendly, safer and more economical mobility for 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. Passengers and freight needs to be shifted onto the rail network if we want to increase their mobility while also reducing their environmental footprint in the interest of combating climate change. The European Union has designated the year 2021 as the "European Year of Rail" to promote the climate targets for the transport sector defined in the European Green Deal. In addition, 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. At the same time, competitive pressure has been rising, also as a result of new players on the market.

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 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 accessible in principle to European suppliers and market demand is not exclusively met through domestic manufacturers.

Since the completed sale of the Locomotives business unit, Vossloh has focused exclusively on products and services for rail infrastructure. 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 on average between 2017 and 2019. Roughly 35 percent of market volume is currently 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.

Preliminary remarks on the net assets, financial position and results of operations

The COVID-19 pandemic had an impact on the net assets, financial position and results of operations of the Vossloh Group in the 2020 fiscal year. However, the crisis has had less of an impact on Vossloh and the rail infrastructure industry as a whole than it has had on other sectors. The transport of goods and people is particularly crucial in times of crisis. For this reason, the rail industry is only being affected by official measures to a relatively limited extent in most countries. The majority of the customers are in the public sector and are therefore relatively unaffected by economic developments. In addition, the majority of the business is related to the necessary maintenance of existing rail networks, which cannot be completely avoided even in times of limited financing. As a result, there were no significant order cancellations in the 2020 fiscal year, and orders received exceeded sales. However, the pandemic still had some negative impact on the operations of the Vossloh Group. Sales revenues and EBIT were negatively affected by customers rescheduling projects and the loss of efficiency caused by temporary production shutdowns.

In the 2019 fiscal year, the Vossloh Group implemented a performance program aimed at sustainably improving its profitability and self-financing power. The program primarily encompassed a reduction of the number of employees and the separation of unprofitable or disadvantageous activities. EBIT was adjusted for the effects of the performance program in the previous year. The adjustment encompassed negative one-time effects on earnings arising from the performance program and related exclusively to the EBIT and EBIT margin for the 2019 fiscal year. Unless stated otherwise, none of the figures for the 2020 fiscal year have been adjusted.

Results of operations

Vossloh divisions – Orders received and order backlog

	Orders received		Order backlog	
€ mill.	2020	2019	2020	2019
Core Components	349.6	382.0	247.0	267.6
Customized Modules[1]	472.6	468.2	338.4	273.0
Lifecycle Solutions	103.5	103.5	10.2	10.5
Vossloh AG / consolidation	(10.2)	(15.5)	(1.1)	(1.9)
Group[1]	**915.5**	**938.2**	**594.5**	**549.2**

[1]The orders received figure of the previous year includes €71.5 million from the US switch business which was sold at the end of 2019.

Book-to-Bill ratio of 1.05 despite COVID-19; order backlog up 8.2 percent

Orders received went up in the 2020 fiscal year. The total year on year increase was 5.6 percent on a comparable basis, i.e. excluding orders received attributed to the US switch business which were sold at the end of the 2019 fiscal year. This was largely due to a significant improvement in the Customized Modules division. On a comparable basis, the figure for this division was 19.2 percent higher than in the previous year. This rise was due to significant orders, particularly in Egypt, the United Kingdom and Australia. Orders received in the Core Components division were down compared to the previous year's high level due to project-related factors. In the Tie Technologies business unit in particular, the 2019 fiscal year was characterized by very high figures for new orders in Australia. Orders received in the Lifecycle Solutions division remained stable and on a par with the previous year. The book-to-bill ratio of the Vossloh Group, i.e. the ratio of orders received to sales, amounted to 1.05 in the fiscal year (previous year: 1.02). The order backlog was up by a significant 8.2 percent at the end of the year under review.

EBIT margin 8.4 percent higher than expected

The pandemic had a material negative impact on the sales performance of the Vossloh Group in the 2020 fiscal year. Portfolio changes also make comparisons to the previous year more challenging. The previous year's figures included €54.9 million in sales attributed to the US switch business, which was sold at the end of 2019. When adjusted for the sold companies, Group sales went up from €861.5 million in 2019 (reported: €916.4 million) to €869.7 million, as most recently forecast. COVID-19 was the main factor that prevented further sales growth. Sales revenues of around €90 million were deferred to subsequent years. These effects also caused sales to fall slightly below the original forecast of between €900 million and €1 billion. The operating result went up noticeably in the fiscal year. EBIT came to €73.1 million (previous year [adjusted]: €55.7 million) despite negative effects related to COVID-19 totaling approximately €25 million. The EBIT margin of 8.4 percent (previous year [adjusted]: 6.1 percent) was well above the original forecast of between 7 and 8 percent. The EBITDA margin was 14.2 percent (previous year [adjusted]: 11.5 percent), higher than the forecast of between 12 and 13 percent. Earnings were boosted by a €15.6 million carrying amount adjustment recognized in profit and loss. This transpired in the course of the transitional consolidation of a company in China which had been established in the previous year. Excluding this effect, the EBITDA margin and EBIT margin in the 2020 fiscal year were 12.4 percent and 6.6 percent respectively.

Vossloh Group – Sales by region

	€ mill.	%	€ mill.	%
	2020		2019	
Germany	74.2	8.5	81.8	8.9
France	89.1	10.2	103.8	11.3
Rest of Western Europe	67.4	7.8	68.1	7.4
Northern Europe	115.5	13.3	105.2	11.5
Southern Europe	64.4	7.4	74.0	8.1
Eastern Europe	65.4	7.5	71.3	7.8
Total of Europe	**476.0**	**54.7**	**504.2**	**55.0**
Americas	127.3	14.7	187.6	20.5
Asia	151.4	17.4	149.7	16.3
Africa	15.8	1.8	15.0	1.7
Australia	99.2	11.4	59.9	6.5
Total	**869.7**	**100.0**	**916.4**	**100.0**

Sales down year on year in Europe, mainly due to COVID-19

The Vossloh Group’s sales in Europe for the year under review were 5.6 percent lower than in the previous year due to the pandemic. Sales saw a particularly steep decline in France and Germany. In France, the Customized Modules division was particularly affected, while in Germany the Fastening Systems business unit and the Lifecycle Solutions division were equally affected. Production had to be temporarily shut down at several sites in France in the first half of 2020. Sales in Southern Europe were 12.9 percent lower than in the previous year, mainly due to the Fastening Systems business unit generating a lower level of sales in Turkey. The 8.2 percent downturn in sales in Eastern Europe was mainly driven by the Fastening Systems business unit generating a lower level of sales in Russia. Sales went up by 9.7 percent in Northern Europe. Vossloh’s Customized Modules division and Fastening Systems business unit significantly increased their sales volumes in Finland.

Sales in the Americas down significantly compared to the previous year due to portfolio changes

In the Americas, sales were significantly lower year on year due to the portfolio, but excluding the previous-year sales of the US switch business sold at the end of 2019, they were at the level of the previous year. The sales generated by the Fastening Systems business unit in Mexico went down due to project-related factors. However, the entirety of this decline was compensated for by sales growth in the Tie Technologies business unit.

Sales in Asia stable compared to the previous year

Sales in Asia closed the gap with the previous year thanks to strong sales in the second half of the year. Vossloh’s sales in this region were roughly equivalent to the previous year in the 2020 fiscal year. Sales remained down on the previous year in China due to the pandemic. The Lifecycle Solutions division posted a particularly significant decrease in sales. The Fastening Systems business unit saw particularly strong sales growth in Mongolia and the United Arab Emirates, while the Customized Modules division improved its sales in Israel.

Significant increase in sales in Australia

Group sales in Australia went up by 65.6 percent in the 2020 fiscal year. This positive performance is almost entirely attributable to the Australian company in the Tie Technologies business unit. The sales growth was mainly driven by deliveries for projects which were won in the previous year. The Australian switch business of the Customized Modules division posted a small year on year increase in sales.

Sales in Africa in line with the previous year

In Africa, sales were similar to the previous year. The Fastening Systems business unit and Customized Modules division improved their sales in Tanzania and Egypt respectively. This more than made up for a downturn in sales in Algeria.

The Vossloh Group's cost of sales came to €672.8 million in the year under review, far lower than the previous year's €745.6 million. This was partly due to savings which came out of the 2019 performance program. Lower sales volumes also played a role. One-time expenses related to the performance program had a negative impact on the cost of sales in the previous year. The cost of sales accounted for 77.4 percent of sales in the year under review, a decrease on the previous year's figure of 81.4 percent. The performance program was also the driving factor in the Vossloh Group's general administrative and selling expenses falling from €169.4 million to €148.1 million. As a result, these expenses as a percentage of sales revenues decreased from 18.5 percent to 17.0 percent. The operating result, the balance of other operating income of €21.3 million (previous year: €26.0 million) and other operating expenses of €10.0 million (previous year: €48.3 million) therefore increased from €(22.3) million to €11.3 million. The improvement was again largely attributable to the absence of expenses from the performance program in the previous year and, to a lesser extent, to income from the sale of land in the Customized Modules division in the year under review amounting to €2.6 million.

Vossloh Group – Sales and earnings

	€ mill.	%	€ mill.	%
	2020		2019	
Sales	869.7	100.0	916.4	100.0
EBITDA / EBITDA margin (2019 adjusted)	123.1	14.2	105.5	11.5
EBIT / EBIT margin (2019 adjusted)	73.1	8.4	55.7	6.1
Net income	20.8	2.4	(136.8)	–
Earnings per share (in €)	0.98		(8.32)	

Clear increase in profitability despite impact of COVID-19

Both EBITDA and EBIT improved significantly year on year. EBIT in 2020 was significantly higher than the corresponding figure for the previous year after adjusting for the effects of the performance program (unadjusted EBIT for 2019: €(37.6) million). In the year under review, EBIT included a €15.6 million carrying amount adjustment recognized in profit and loss as a result of the transitional consolidation of a Chinese company in the Fastening Systems business unit that had been accounted for using the equity method in the previous year. When adjusted for this effect, EBIT came to €57.5 million, corresponding to an EBIT margin of 6.6 percent. Profitability increased significantly despite negative effects related to COVID-19 totaling €25 million. This improvement was driven by the performance program implemented 2019.

The net interest result came to €(14.4) million in the 2020 fiscal year, a clear improvement compared to the previous year's figure of €(18.5) million. Financing costs fell significantly due to the sale of Vossloh's US switch activities at the end of 2019 and other factors. Earnings before tax came to €58.7 million in the year under review. The previous year's figure of €(56.1) million was impacted by one-time effects related to the performance program.

Earnings per share clearly positive despite impact of COVID-19 and discontinued operations

The Vossloh Group's income taxes in the year under review came to €11.7 million, slightly above the previous year's figure of €10.3 million. Because the effect of the transitional consolidation has no tax impact, the tax rate is lower than the rate that would have resulted based on the statutory tax rate of Vossloh AG. The result from discontinued operations was €(26.2) million (previous year: €(70.4) million). The sale of the locomotive business also had a significant negative impact on net income this past fiscal year. No significant losses are expected from the Locomotives business unit now that its sale has been completed. Vossloh's net income was positive in the year under review after the previous year's figure was well in the negative range due to the negative effects related to the performance program and discontinued operations. Net income attributable to Vossloh AG shareholders of €17.2 million was up substantially compared to the previous year's figure of €(139.7) million. Based on the average number of shares outstanding of 17,564,180 (previous year: 16,798,618), earnings per share went up considerably year on year. The earnings per share attributable to continuing operations in the year under review came to €2.47 (previous year: €(4.13)).

Dividend of €1.00 per share planned for 2020

The Executive Board and Supervisory Board of Vossloh AG are committed to ensuring that its shareholders benefit from the economic performance of the Group. No dividends were paid in the previous year due to the significant uncertainty surrounding the COVID-19 pandemic in spring 2020. The Executive Board and Supervisory Board will propose a dividend of €1.00 for the 2020 fiscal year at the Annual General Meeting scheduled for May 19, 2021 due to the Group's improved profitability in its core business and better financial position.

Vossloh Group – Value management

€ mill.	2020	2019
Average capital employed	867.9	904.1
ROCE	8.4	(4.2)
Value added	12.4	(105.4)

Value added once again positive in the 2020 fiscal year

ROCE went up in the year under review due to the higher EBIT figure and the considerable year on year decrease in average capital employed. The downturn in average capital employed was primarily due to the sales of Vossloh's US switch business, which significantly outweighed the increase due to the first-time full consolidation of the Chinese company in the Fastening Systems business unit. Value added improved significantly and was therefore within the originally expected range of €0 million to €15 million. The previous year's figure was impacted by negative one-time effects related to the performance program. The weighted average cost of capital before taxes (WACC) was 7.0 percent in the 2020 fiscal year (previous year: 7.5 percent).

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 down compared to the previous year despite COVID-19

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 slightly from €321.3 million at the end of 2019 to €307.4 million at the end of the 2020 fiscal year despite COVID-19. This was mainly due to a significantly positive free cash flow from continuing operations. Running counter to this were free cash flow from discontinued operations and lease and interest payments. The proceeds from the sale of the Locomotives business unit failed to fully cover the negative free cash flow from discontinued operations of €54.1 million. Net financial debt, including lease liabilities of €43.9 million (previous year: €49.1 million), came to €351.3 million (previous year: €370.4 million) at the end of 2020.

Financial liabilities amounted to €419.5 million at the end of the year under review, a slight decrease compared to the previous year's figure of €427.1 million. Current financial liabilities went up considerably year on year, from €41.3 million to €175.0 million. This increase was mainly due to €135 million in Schuldschein loans, whose term ends in July 2021, being reclassified as current financial liabilities. Noncurrent financial liabilities went down accordingly.

Excluding lease liabilities, €250 million of the total financial liabilities at the end of 2020 were attributed to Schuldschein loans placed in the 2017 fiscal year with terms of four years (until July 2021) totaling €135 million and terms of seven years (until July 2024) totaling €115 million. The agreed interest rate is fixed at 0.988 percent for the four-year maturities for an amount of €85 million, and variable at an amount of €50 million with a margin of 85 basis points above Euribor. For the seven-year maturities, a partial amount of €90 million has a fixed interest rate of 1.763 percent and the remaining amount of €25 million, 120 basis points above Euribor. A floor of 0.0 percent is respectively applicable to the reference value. The Schuldschein loans are unsecured and have not been arranged with any covenants. An additional €83 million relates to drawdowns from the syndicated loan agreed in November 2017 with a current volume of €230 million and a term which runs until November 2024. Interest is applied to drawdowns based on 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 1.50 percent at the end of the fiscal year. 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 and was affirmed as of the half-year and as of the end of 2020. When added together, the sum total of cash and cash equivalents and short-term securities came to €68.1 million at the end of 2020 (previous year: €56.7 million).

The Group's contingent liabilities increased from €21.0 million in the previous year to €109 million. The majority of this, €100.8 million, was attributable to the former Locomotives business unit. For the outstanding contingent liabilities, Vossloh AG has received irrevocable and unconditional guarantees at first request by first-class banks.

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

Events after the reporting period

In February 2021, a hybrid note of €150 million with an indefinite term was issued that can be called and repaid by the Company for the first time after five years. The structure of the bond means that it is treated as equity in the consolidated financial statements. The funds from the hybrid note will support the implementation of the strategy revised in the 2020 fiscal year and will be used in the short term to repay the Schuldschein loans maturing in July in particular. The resulting strengthening of the balance sheet structure leads to significantly greater financial flexibility.

Vossloh Group – Development of cash flows

€ mill.	2020	2019
Cash flow from operating activities	56.1	12.3
Cash flow from investing activities	(3.0)	(15.5)
Cash flow from financing activities	(67.4)	28.1
Net cash inflow/outflow	(14.3)	24.9
Free Cashflow	4.0	(42.4)

Free cash flow from continuing operations significantly higher at €58.1 million (previous year: €2.4 million)

Cash flow from operating activities was significantly higher in the year under review than in the previous year. This was due to a considerable increase in gross cash flow (calculated as the sum total of EBIT of discontinued and continuing operations, amortization/depreciation/impairment losses [less write-ups] of noncurrent assets and changes in noncurrent provisions) due to improved results. In contrast, high negative effects resulted from the increase in working capital in the Transportation division, which has since been sold. With comparable cash outflows from investments, 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 and plus cash inflows from profit distributions or the sale of companies accounted for using the equity method – was also significantly higher than in the previous year. Free cash flow from discontinued operations amounted to €(54.1) million (previous year: €(44.8) million). Free cash flow from continuing operations increased significantly from €2.4 million in the previous year to €58.1 million. Cash flow from investing activities was higher than the previous year, mainly due to proceeds from the sale of the Transportation division. Cash flow from financing activities was significantly lower year on year. This was due on the one hand to the net inflows from the capital increase in the previous year. On the other hand, this was mainly due to higher repayments of short, medium and long-term loans.

Vossloh Group – capital expenditure and depreciation/amortization

€ mill.	2020		2019	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Core Components	31.1	22.6	30.4	20.1
Customized Modules	18.0	14.6	15.8	44.3
Lifecycle Solutions	16.5	12.2	13.3	21.1
Vossloh AG/Consolidation	3.1	0.6	0.3	0.9
Total	**68.7**	**50.0**	**59.8**	**86.4**

Capital expenditure at a Group level went up by a significant 14.9 percent compared to the previous year's figure. Capital expenditure in the Core Components division was in line with the previous year. Capital expenditure went up significantly in the Fastening Systems business unit due to the construction of a cutting-edge manufacturing facility for rail fasteners in Werdohl ("factory of the future"). Capital expenditure in the Tie Technologies business unit fell in 2020. A considerable amount of capital expenditure in 2019 went towards a new plant in Canada and upgrades to a site in Australia. The biggest individual investment in the Customized Modules division went towards the modernization of the manufacturing facility for manganese frogs in Outreau. A significant proportion of the Lifecycle Solutions division's capital expenditure went towards enhancements to milling technology. The investments shown in the table above reflect additions in the fiscal year and also include investments in assets financed by a lease agreement. The Group's figures reported here therefore do not match the figures in the cash flow statement, which only includes cash expenditure and the capital expenditure of the Transportation division which was sold in the 2020 fiscal year. Depreciation and amortization in the cash flow statement includes effects from the sold Transportation division. Depreciation and amortization at a Group level include impairments/reversals of impairment losses and are significantly lower than in the previous year. The previous year saw a significant level of impairment due to the performance program.

Capital expenditure commitments for the acquisition of intangible assets and property, plant and equipment totaled €19.0 million as of December 31, 2020 (previous year: €22.2 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

		12/31/2020	12/31/2019
Total assets	€ mill.	1,216.5	1,331.4
Equity	€ mill.	414.5	403.6
Equity ratio	%	34.1	30.3
Closing working capital[1]	€ mill.	155.3	180.3
Fixed assets[2]	€ mill.	696.2	659.2
Closing capital employed[3]	€ mill.	851.5	839.5

[1] 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).
[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] Capital Employed = working capital plus fixed assets.

Equity ratio significantly higher

The Vossloh Group's equity ratio went up 2.7 percent year on year. The positive net income far outweighed negative effects related to the translation of financial statements. Total assets went down considerably due to the sale of the Transportation division, resulting in a notable 3.8 percent rise in Vossloh's equity ratio.

Working capital as of end of 2020 well under previous year's figure

The working capital as of December 31, 2020 reporting date was 13.9 percent lower than the corresponding figure from the previous year. This was driven by improvements to working capital management as a result of the 2019 performance program, in which the reduction of working capital was a key component. The Customized Modules and Lifecycle Solutions divisions needed much less working capital to finance their operations. Average working capital totaled €186.4 million in the year under review (previous year: €227.2 million). Average working capital intensity fell as a result from 24.8 percent to 21.4 percent. Capital employed went up in 2020, mainly as a result of the Chinese joint venture in the Fastening Systems business unit being fully consolidated for the first time.

General statement on the economic situation

The 2020 fiscal year was dominated by the COVID-19 pandemic and a resulting global economic crisis of historic proportions. Vossloh could not escape the effects of the pandemic. However, it was far less affected than companies in other sectors due to the relatively crisis-resistant nature of its business. The sale of the Transportation division was another major event in the 2020 fiscal year. It marked the end of the Vossloh Group's lengthy and extensive process of strategic realignment.

Vossloh is resilient in a crisis due to a number of factors. The need to keep the transport network going is particularly pressing in times of crisis. The majority of Vossloh's customers are in the public sector and less susceptible to economic trends. Replacements and maintenance are an integral part of operating rail networks, and cannot be delayed indefinitely. The pandemic-related sales and earnings effects are therefore mainly temporary shifts that should largely be made up for in the coming years.

In a year dominated by COVID-19, sales went up when adjusted for the US switch business which was sold at the end of 2019. The EBIT margin far exceeded the previous year and the original forecast for 2020, and was at the upper end of the most recent EBIT margin forecast of between 7.5 percent and 8.5 percent.
It was buoyed by a carrying amount adjustment recognized in profit and loss as a result of the transitional consolidation of a Chinese joint venture. Sales and earnings were more than satisfactory given the general economic situation.

The order situation was also extremely robust. When adjusted for the US switch business, which was sold, orders received went up by 5.6 percent. The book-to-bill ratio of the Group was 1.05. The order backlog grew by 8.2 percent compared to the previous year's figure. The Vossloh Group's order situation was therefore highly satisfactory in the 2020 fiscal year.

The Group's financial position also improved significantly. The equity ratio went up to just above 34 percent. Net financial debt fell year on year, mainly as a result of a considerable improvement in free cash flow from continuing operations. This was another area in which the Vossloh Group performed well.

The 2020 fiscal year was also highly successful from a strategic perspective. The sale of the Locomotives business unit was completed at the end of May. Negative effects related to this business unit (such as its free cash flow of €(54 .1) million and earnings per share of €(1.49)) will not be incurred in future. Vossloh published an revised corporate strategy containing medium and long-term financial ambitions (see page 4 Business and Market Environment) at the end of 2020. Vossloh will expand its existing business with products and services, and use this as a foundation for establishing and expanding digital-based business models, which include maintenance services. Vossloh took some important steps forward in this regard at the end of 2020: Vossloh was awarded a contract for data-based condition monitoring of switches in Sweden and signed long-term service contracts for condition-based maintenance of tram networks in France.

2020 was an extremely successful year overall for the Vossloh Group from an operational and strategic perspective, despite the impact of the COVID-19 pandemic.

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

		2020	2019
Orders received	€ mill.	349.6	382.0
Order backlog	€ mill.	247.0	267.6
Sales revenues[1]	€ mill.	375.3	351.7
EBITDA (2019 adjusted)	€ mill.	74.2	58.7
EBITDA margin (2019 adjusted)	%	19.8	16.7
EBIT (2019 adjusted)	€ mill.	51.6	39.3
EBIT margin (2019 adjusted)	%	13.7	11.2
Average working capital	€ mill.	99.9	90.9
Average working capital intensity	%	26.6	25.9
Average capital employed	€ mill.	320.3	282.4
ROCE	%	16.1	12.4
Value added	€ mill.	29.1	13.7

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

Orders received down after major orders in previous year

In the Core Components division, orders received in the year under review were €32.4 million lower than in the previous year. The previous year was characterized by a high figure for orders received, particularly in the Australian tie market. The book-to-bill ratio for 2020 was 0.93 (previous year: 1.09). The order backlog at the end of 2020 was 7.7 percent lower than in the previous year.

Sales higher than previous year despite COVID-19

In the year under review, sales revenues in the Core Components division rose by 6.7 percent despite the COVID-19 pandemic. The increase was due to significantly higher sales in the Tie Technologies business unit. In contrast, sales in the Fastening Systems business unit were down year on year due to the pandemic.

Profitability once again in the double-digit range

EBIT in the Core Components division was significantly higher than the adjusted previous-year figure. The increase amounted to €12.3 million and was due to a €15.6 million carrying amount adjustment recognized in profit and loss. This transpired in the course of the business combination achieved in stages of a joint venture in China, which had been established in the previous year in the Fastening Systems business unit. The very positive business performance in the Australian tie market was offset by pandemic-related effects in Europe and Asia. Excluding the one-time effect of the transitional consolidation, EBIT in the Core Components division would be €36.0 million and profitability 9.6 percent.

Nonadjusted EBIT in the previous year was €34.9 million and included a financial burden of €4.4 million from the performance program included.

Return on capital employed (ROCE) in the Core Components division in 2020 was significantly higher than in the previous year due to the very positive EBIT development. Average capital employed increased as a result of the full consolidation of the Chinese joint venture Anyang. Value added in the 2020 fiscal year was significantly higher year on year. Average working capital intensity was just 0.7 percent higher than in the previous year.

Vossloh Fastening Systems

At €211.0 million, orders received at Vossloh Fastening Systems in 2020 were slightly below the previous year's figure of €220.4 million. In China, slightly fewer new orders were recorded than in the previous year. The order backlog at the end of 2020 stood at €177.1 million, the same level as the previous year (€177.2 million).

Orders received slightly down compared to previous year

Sales revenues for Vossloh Fastening Systems in 2020 amounted to €216.3 million (previous year: €234.2 million). Declines were recorded in particular in North America and Turkey. In addition, business suffered from pandemic-related postponements of some projects, particularly in China. Nevertheless, Vossloh achieved sales in China at the prior-year level after a good fourth quarter.

The book-to-bill ratio of Vossloh Fastening Systems stood at 0.98 (previous year: 0.94).

At €30.2 million, the value added for Vossloh Fastening Systems was significantly higher than the prior year's level (€21.6 million).

High positive value added once again

Vossloh Tie Technologies

The Tie Technologies business unit recorded orders received of €151.7 million in the year under review, which represents a decrease of €16.4 million from the previous year's figure of €168.1 million. The decline was due to the Australian company Austrak, which was handed a major order by Rio Tinto during the previous year. In contrast, orders received were up slightly in North America. The order backlog amounted to €75.5 million at the end of 2020 (previous year: €92.9 million).

Orders received down compared to strong previous year

The sales revenue in the Tie Technologies business unit totaled €169.1 million, significantly exceeding the previous year's figure of €125.7 million. This was mainly due to processing orders in the Australian tie market. In addition, higher sales were also generated in the USA.

Sales revenues significantly higher than in previous year

The book-to-bill ratio decreased significantly to 0.90 (previous year: 1.34).

At €(1.1) million, the value added for Vossloh Tie Technologies was significantly higher than the previous year's level of €(7.8) million as a result of the substantially improved earnings.

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

		2020	2019
Orders received[1]	€ mill.	472.6	468.2
Order backlog	€ mill.	338.4	273.0
Sales revenues[2]	€ mill.	401.8	473.2
EBITDA (2019 adjusted)	€ mill.	44.6	40.8
EBITDA margin (2019 adjusted)	%	11.1	8.6
EBIT (2019 adjusted)	€ mill.	30.0	23.7
EBIT margin (2019 adjusted)	%	7.5	5.0
Average working capital	€ mill.	76.0	123.2
Average working capital intensity	%	18.9	26.0
Average capital employed	€ mill.	365.1	436.8
ROCE	%	8.2	(12.4)
Value added	€ mill.	4.4	(87.1)

[1] The orders received for 2019 include a total of €71.5 million from the US switch business sold at the end of 2019.
[2] Sales revenues include external sales revenues and sales with other divisions. Sales in 2019 include €54.9 million from the US switch business sold at the end of 2019.

Significant increase in orders received on a comparable basis

Orders received in the Customized Modules division exceeded the previous year's level by €4.4 million even though the previous year's figure still included orders received of €71.5 million from the sold US switch business. This was surpassed largely due to significantly higher order levels in Europe – particularly in the UK, Poland, Finland and Sweden – and in Australia. The book-to-bill ratio was 1.18 (previous year: 0.99). Accordingly, the order backlog at the end of 2020 was 24.0 percent higher than in the previous year.

Sales after divestments and temporary shutdowns below previous year's level

The previous year's figure included a total of €54.9 million in sales revenues from the sold US activities. Excluding these, sales revenues were only slightly below the previous year's level despite COVID-19. The temporary shutdowns of several production sites due to the pandemic were particularly noticeable in France. The division achieved higher sales in Israel, Poland and Croatia, among others.

EBIT significantly above previous year's result.

The division's EBIT in 2020 was €6.3 million above the adjusted figure from the previous year – a significant increase. The main reason for the earnings improvements was the positive effects from the performance program. This positive earnings performance was supported in Poland, Italy, Sweden, Finland and the United Kingdom. The EBIT performance was slightly boosted by a land sale in Germany. The pandemic-related production shutdowns in the spring prevented an even better performance compared to 2019.

Nonadjusted EBIT in the previous year was €(54.3) million and included a financial burden of €78.0 million from the performance program.

Following this positive performance and after the one-time effects from the performance program were eliminated, ROCE was clearly in positive territory. Value added also improved significantly and was positive again in the year under review. Average capital employed was significantly lower than a year earlier due to the divestments of the US switch business.

Average working capital again fell significantly below the previous year's figure, mainly as a consequence of the performance program. Working capital intensity improved significantly by 7.1 percent compared with 2019.

Working capital intensity decreased by 7.1 percent

Business performance of Lifecycle Solutions

Through its Rail Services business unit, the Lifecycle Solutions division concentrates on specialist services for the maintenance of tracks and switches. Its innovative technologies promote the safety of rail lines, contribute to extending the service life of rails and switches and improve 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

		2020	2019
Orders received	€ mill.	103.5	103.5
Order backlog	€ mill.	10.2	10.5
Sales revenues[1]	€ mill.	103.8	106.0
EBITDA (2019 adjusted)	€ mill.	20.9	18.2
EBITDA margin (2019 adjusted)	%	20.2	17.2
EBIT (2019 adjusted)	€ mill.	8.8	6.2
EBIT margin (2019 adjusted)	%	8.4	5.9
Average working capital	€ mill.	13.1	14.6
Average working capital intensity	%	12.6	13.8
Average capital employed	€ mill.	181.5	183.7
ROCE	%	4.8	(3.5)
Value added	€ mill.	(3.9)	(20.3)

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

Orders received at the previous year's level

In the 2020 fiscal year, the Lifecycle Solutions division recorded orders received at the same level as the previous year. Orders received in the stationary welding and logistics segment were higher than in the previous year, particularly in Germany. In the Netherlands, orders received in the milling segment were also higher. Orders received were lower above all in vehicle sales. The order backlog at the end of 2020 was virtually unchanged from the previous year.

Sales once again above €100 million

Sales revenues in the Lifecycle Solutions division again exceeded the €100 million mark in the 2020 fiscal year and just reached the previous year's level. Lower sales contributions from the sale of maintenance machines, mainly due to the pandemic, were largely offset by higher sales in the stationary welding and logistics areas.

The Lifecycle Solutions division's degree of internationalization, measured on the basis of sales revenues earned outside of Germany, rose from 45.4 percent in the 2019 fiscal year to 46.9 percent.

EBIT significantly higher than in previous year

The division's EBIT increased by €2.6 million compared with the adjusted EBIT of the previous year. This performance resulted mainly from increased business activity in the stationary welding and logistics areas. In addition, operating improvements resulting from the performance program contributed to the EBIT increase.

Nonadjusted EBIT in the previous year was €(6.5) million and included a financial burden of €12.7 million from the performance program.

Value added increased significantly by €16.4 million compared with the previous year, in line with the positive EBIT trend and following the absence of one-time expenses from the performance program. Working capital intensity improved by 1.2 percent compared with the previous year.

Vossloh AG

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 2020 fiscal year, Vossloh AG reported sales revenues of €7.5 million (previous year: €5.2 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.

At €19.8 million, the administrative expenses in 2020 were slightly higher than in the previous year (€18.7 million), although a decrease had been expected in the previous year. This increase was due, among other things, to higher consulting costs, which at €3.6 million were significantly higher than in the previous year (€2.1 million) as a result of the strategic project carried out in the year under review. Personnel expenses came to €11.6 million (previous year: €13.4 million). The significant decrease was caused by the performance program that was implemented in the previous year. Trade fair costs remained roughly on a par with the previous year due to the InnoTrans industry trade fair not taking place in the year under review due to the COVID-19 pandemic.

The considerable decrease in other operating expenses from €7.2 million in the previous year to €3.5 million was due to lower exchange rate losses from the hedging of intragroup receivables from Group companies in countries which use foreign currencies. Other operating income saw a sharp rise to €12.3 million (previous year: €5.0 million) due to a subsequent purchase price component from the sale of Vossloh Kiepe GmbH and the sale of Vossloh Locomotives GmbH. The previous year's figure was dominated by the release of provisions and price gains.

The net financial result improved slightly year on year by €0.9 million and totaled €(42.0) million in 2020. This was largely due to write-downs on investments due to a permanent impairment of €47.0 million (previous year: €26.3 million). Income from profit transfer agreements went down to €13.1 million in the year under review (previous year: €18.8 million), while expenses from losses absorbed saw a considerable downturn from €60.5 million in the previous year to €28.6 million in the year under review. It is important to note that a loss transfer agreement with Vossloh Locomotive GmbH was only in place between January and May 2020 due to the sale of the shares in this company being finalized on May 31, 2020.

Interest expenses totaling €8.9 million (previous year: €9.1 million) for the year under review stood opposite interest income of €9.6 million (previous year: €14.2 million), primarily from passing on these funds in the form of short and long-term loans to Group companies. Loss carryforwards kept income taxes low at €0.0 million (previous year: €0.1 million). Vossloh AG's net loss in the reporting year was €53.0 million (previous year: €63.5 million). The forecast in the 2019 annual report expected a significant improvement in the result after taxes. At end of 2019, there was another unexpected delay to the finalization of the sale of Vossloh Locomotives. This and the aforementioned write-down on an investment significantly counteracted the improvement in earnings compared to the 2019 fiscal year, which had been heavily impacted by negative one-time effects related to the performance program.

Total assets came to €895.8 million, a decrease from the previous year's figure of €953.9 million. The main reason for this was the decrease in Group financing in the form of loans and short-term receivables from affiliated companies.

Financial investments went down by €3.7 million to €603.0 million. An increase of €47 million in shares in affiliated companies due to a refinancing of the US business and the aforementioned impairment of the carrying amount of the investment offset each other. The disposal of Vossloh Locomotives GmbH only had a minor impact due to the investment being written down in the previous year. Current assets decreased by €57.4 million to €288.6 million, largely as a result of a decrease of €50.1 million in short-term receivables from affiliated companies. There were no significant changes in other assets.

On the liabilities side of the balance sheet, liabilities to banks were slightly lower at €332.8 million (previous year: €348.0 million). Liabilities to affiliated companies went up slightly from €21.1 million to €25.7 million. Provisions totaled €25.7 million, roughly equivalent to the previous year's figure of €25.4 million. Equity fell from €553.1 million to €500.1 million due to the net loss. The equity ratio went down year on year from 58.0 percent to 55.8 percent due to equity falling at a sharper rate than total assets.

Overall, the development of Vossloh AG's earnings, net assets and financial position in the 2020 fiscal year can be viewed as positive.

Dependency report

The Executive Board of Vossloh AG considers Vossloh AG to be dependent in the sense of Section 17 of the German Stock Corporation Act due to Mr. Heinz Hermann Thiele indirectly holding 50.09 percent of its share capital on December 31, 2020. 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 companies affiliated with him. 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.

Remuneration report

Principles of remuneration for Executive Board members

This report describes the principles of remuneration for Executive Board members of Vossloh AG and explains the amount and structure of the remuneration of the individual Executive Board members in the 2020 fiscal year. In addition, the report describes the principles and amount of Supervisory Board remuneration.

Purpose. The objective of the remuneration system for the Executive Board 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 German Corporate Governance Code, in order to make a significant contribution to promoting and implementing the corporate strategy of Vossloh AG, namely strengthening the product 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, remuneration structure and their development over time.

Executive Board remuneration system. In connection with the personnel changes and the expansion of the Executive Board from two to three members, the remuneration system for the Executive Board was revised in the fall of 2020 and, in particular, supplemented with a quantified maximum remuneration as well as malus and clawback provisions. The adjustments serve in particular to implement the new requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and take into account the new recommendations of the German Corporate Governance Code as amended on December 16, 2019. The Vossloh AG compensation system for Executive Board members as adopted by the Supervisory Board is available on the Company's website and applies in principle from January 1, 2021. The new system has already been incorporated in the employment contracts with the Executive Board members appointed as of November 1, 2020, but contains certain opening clauses for the incumbent CEO's old contract. The remuneration system is composed of fixed non-performance-related components and variable performance-related components, the sum of which constitutes the total compensation for Executive Board members.

Basic remuneration is a fixed annual sum, based on the responsibilities of each Executive Board member and is to be paid in twelve equal monthly installments. It also includes fringe benefits in the form of payments in kind which mainly consist of private use of a company car and allowances for health insurance and accident and baggage insurance. No separate remuneration was provided for services performed on behalf of subsidiaries. The adjusted remuneration system does not include a company pension plan. An exception in this respect still applies to the incumbent CEO, whose existing contract includes a commitment for pension payments upon reaching an age limit of 63.

The basic remuneration in each case amounts to around 40 percent (around 53 percent with the pension expense in the case of the incumbent CEO) of the target total remuneration, i.e., the total remuneration assuming 100 percent target achievement of the variable remuneration components.

The **variable remuneration components** include the **annual bonus and the multiyear bonus**. The predefined performance targets are based on financial performance indicators that can be measured objectively and are considered a relevant indicator of the Vossloh Group's economic performance and strategy implementation, in addition to the performance of the Vossloh share. All performance targets are forward-looking and are (with the exception of the share price-based remuneration component) set by the Supervisory Board with target values before the beginning of each assessment period by means of target agreements with the members of the Executive Board. Targets for the share price-based variable remuneration component are derived directly from the relevant employment contracts. A subsequent change of the target values is generally excluded. If 100 percent of the targets are met, the variable remuneration components will contribute around 60 percent (around 47 percent in the case of the incumbent CEO including the pension expense) to the total target remuneration of the Executive Board members.

The components of the variable remuneration are regulated in detail as follows:

The **annual bonus** is determined on the basis of annual performance targets. If all of these targets are 100 percent achieved, the annual bonus amounts to slightly less than half of the total variable target remuneration. The performance targets for the annual bonus are Group EBIT, Group sales and the average capital employed of the Vossloh Group. The specific weighting of the performance targets and the associated target values are determined before the beginning of the assessment period. The Supervisory Board can reduce the bonus for 100 percent target achievement by up to 20 percent or increase it by up to 30 percent at its discretion in the event of extraordinary developments.

The **multiyear bonus** amounts to slightly more than 50 percent of total variable target remuneration if all multiyear performance targets are 100 percent achieved. ROCE (return on capital employed) accounts for 48 percent (for the CEO) and around 31 percent (for the other Executive Board members) of the performance targets for the multiyear bonus. The remainder is split evenly between the absolute and the relative performance of the Vossloh share. The relative performance of the Vossloh share is measured and assessed by comparing it to the average performance of the DAX, MDAX and SDAX. The multiyear bonus still had a two-year assessment period in the 2020 reporting year and has been measured over three years since January 1, 2021 in the adjusted remuneration system. The three-year assessment period is already included in the employment contracts of the Executive Board members newly appointed as of November 2020.

The achievement of targets for the annual bonus and the financial performance targets for the multiyear bonus are determined annually by the Supervisory Board on the basis of the audited consolidated financial statements. The component of the multiyear bonus related to the performance of the Vossloh share is assessed on the basis of volume-weighted XETRA average share prices or the average closing prices of the relevant indexes as published by Deutsche Börse AG. Both of these are taken from the 40 days immediately before or after the assessment period. The target bonus is granted if the target is fully realized. The bonus increases or decreases in relation to the target bonus depending on the achievement of the defined target values. The annual bonus and the multiyear bonus are limited to a maximum of 170 percent of the respective target bonus.

However, the Supervisory Board may use its discretion to set an extra bonus allocation for extraordinary performance in the period under review. In the adjusted compensation, the amount of these possible extra bonuses is limited to the target amount of the annual bonus.

Malus and clawback provisions. The new remuneration system also contains malus and clawback provisions which allow the Supervisory Board to withhold or reclaim variable compensation components in full or in part in justified cases.

Maximum remuneration. The remuneration of the individual Executive Board members is capped in accordance with the new remuneration system. The maximum remuneration set by the Supervisory Board is €2,923,000 gross p.a. for the CEO (including pension expense) and €1,812,800 gross p.a. for each of the other Executive Board members.

Review and approval of Executive Board remuneration

In the fall of 2020, the Supervisory Board conducted a review of the Executive Board remuneration based on the criteria of the German Corporate Governance Code as amended on December 16, 2019. Based on a horizontal comparison (with comparable companies in a peer group) and a vertical comparison (with the compensation of senior executives and the workforce as a whole), the Supervisory Board determined that the remuneration of the Executive Board was appropriate and in line with market practice. The peer group used for this purpose was already formed in 2017 with external support as part of the systematic review of the Executive Board's remuneration at that time and was last confirmed by the Supervisory Board in November 2020. It mainly comprises manufacturing companies from the MDAX and SDAX. Compared to the peer group, the remuneration granted to the Executive Board members is consistently below the average and median, which is also due to the fact that Vossloh has slipped two places down the rankings within the peer group in terms of revenue and employees respectively since 2017 following the realignment and restructuring undertaken. In a vertical comparison with the remuneration of senior executives and also with the workforce as a whole, Executive Board remuneration has developed below average since 2017.

The remuneration system for the members of the Executive Board as adopted by the Supervisory Board and applicable since January 1, 2021 will be submitted to the 2021 Annual General Meeting for approval in accordance with Section 120a (1) German Stock Corporation Act (AktG).

Executive Board remuneration in the 2020 fiscal year

In the following table, the remuneration of the Executive Board is listed by name and – as the provision of Section 162 AktG does not yet apply – prepared in accordance with the recommendations of the German Corporate Governance Code as amended in 2017. The benefits granted also include accrued amounts for variable remuneration components that will not be paid out until 2021 or 2022. The payments in kind include the private use of company cars in the amount of the taxable values and allowances for health insurance and accident and baggage insurance. Dr.-Ing. Karl Martin Runge left the Executive Board on October 31, 2020. This table includes his remuneration for the period in which he was still an Executive Board member. Benefits due to employment contracts coming to an end have been listed separately.

€		Fixed remuneration	Payments in kind	**Total fixed remuneration**	Annual variable remuneration*	Multiyear variable remuneration**			**Total variable remuneration**	**Total payments**	Service costs
Benefits granted						2018 & 2019	2019 & 2020	2020 & 2021			according to IFRS
Oliver Schuster CEO since 10/1/19, member of the Executive Board since 3/1/2014	2019	475,000	21,242	**496,242**	470,133	(64,641)	360,286	–	**765,778**	**1,262,020**	324,919
	2020	550,000	23,139	**573,139**	711,377	–	(47,123)	677,878	**1,342,132**	**1,915,271**	339,511
	2020 min.	550,000	23,139	**573,139**	0	–	–	–	**0**	**573,139**	339,511
	2020 max.	550,000	23,139	**573,139**	1,034,000	–	–	714,000	**1,748,000**	**2,321,139**	339,511
Dr. Thomas Triska member of the Executive Board since 11/1/2020	2019	–	–	**0**	–	–	–	–	**0**	**0**	–
	2020	58,333	3,076	**61,409**	65,494	–	–	–	**65,494**	**126,903**	–
	2020 min.	58,333	3,076	**61,409**	0	–	–	–	**0**	**61,409**	–
	2020 max.	58,333	3,076	**61,409**	149,800	–	–	–	**149,800**	**211,209**	–
Jan Furnivall member of the Executive Board since 11/1/2020	2019	–	–	**0**	–	–	–	–	**0**	**0**	–
	2020	58,333	1,568	**59,901**	65,494	–	–	–	**65,494**	**125,395**	–
	2020 min.	58,333	1,568	**59,901**	0	–	–	–	**0**	**59,901**	–
	2020 max.	58,333	1,568	**59,901**	149,800	–	–	–	**149,800**	**209,701**	–
Dr.-Ing. Karl Martin Runge[1] former member of the Executive Board between 10/1/2019 and 10/31/2020	2019	87,500	3,859	**91,359**	106,533	–	–	–	**106,533**	**197,892**	–
	2020	291,667	13,639	**305,306**	151,499	–	–	29,760	**181,259**	**486,565**	–
	2020 min.	291,667	13,639	**305,306**	–	–	–	–	**0**	**305,306**	–
	2020 max.	291,667	13,639	**305,306**	515,667	–	–	566,667	**1,082,334**	**1,387,640**	–

[1] All values for Dr.-Ing. Runge are based on the termination agreements concluded; the employment contracts expires on September 30, 2022.

*The annual variable remuneration includes extra bonus allocations for extraordinary performance. These amounted to €150,000 for Oliver Schuster in the reporting year and €120,000 for Oliver Schuster and €19,000 for Dr.-Ing. Karl Martin Runge in the previous year.

** The granting of multiyear variable remuneration is dependent on the achievement of performance targets for the period in question. Target fulfillment is measured after the expiry of the multiyear period as defined in the contract. The benefits were calculated on the basis of the most likely value and recognized as a provision, provided the contract was still valid.

The table below shows the receipt of remuneration in the reporting year and the previous year in accordance with the recommendations of the German Corporate Governance Code as amended in 2017. The paid amounts for the variable remuneration were allocated to the years in which they were received by the respective Executive Board member.

€		Fixed remun-eration	Payments in kind	**Total fixed remun-eration**	Annual variable remuneration	Multiyear variable remuneration		**Total variable remuneration**	**Total remuneration**
Receipt						2017 & 2018	2018 & 2019		
Oliver Schuster CEO since 10/1/19, member of the Executive Board since 3/1/2014	2019	475,000	21,242	**496,242**	165,070	245,632	–	**410,702**	**906,944**
	2020	550,000	23,139	**573,139**	470,133	–	157,017	**627,150**	**1,200,289**
Dr. Thomas Triska member of the Executive Board since 11/1/2020	2019	–	–	**–**	–	–	–	**–**	**–**
	2020	58,333	3,076	**61,409**	–	–	–	**–**	**61,409**
Jan Furnivall member of the Executive Board since 11/1/2020	2019	–	–	**–**	–	–	–	**–**	**–**
	2020	58,333	1,568	**59,901**	–	–	–	**–**	**59,901**
Dr.–Ing. Karl Martin Runge[1] member of the Executive Board between 10/1/2019 and 10/31/2020	2019	87,500	3,859	**91,359**	–	–	–	**–**	**91,359**
	2020	291,667	13,639	**305,306**	106,533	–	–	**106,533**	**411,839**

[1] Employment contract expired on September 30, 2022.

Entitlements in accordance with provisions from the German Commercial Code are as follows:

€		Amount deferred for the fiscal year	Present value of pension obligation
Entitlements to defined retirement benefits			
Oliver Schuster CEO since 10/1/2019	2019	517,265	1,273,636
	2020	370,147	1,643,783

Retirement benefits

In principle, the remuneration system does not provide a company pension plan for Executive Board members. An exception exists for the current CEO Oliver Schuster, whose existing contract includes a commitment for pension payments upon reaching an age limit 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. The addition to the provision made in the 2020 fiscal year for members of the Executive Board in accordance with the requirements of German commercial law amounted to €370,147 (previous year: €517,265). 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.

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 adjusted 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.

The benefits in the following table have been pledged or made to the Executive Board members who left during the reporting year and in the previous year due to their employment contracts coming to an end. The fixed remuneration components were received in the year of departure. The variable remuneration of Dr.-Ing. Runge, who left the Company by mutual agreement on October 31, 2020, was paid in 2020.

Benefits due to employment contracts coming to an end

€	Fixed remuneration	Payments in kind	**Total fixed remun-eration**	Annual variable remuneration	Multiyear variable remuneration	**Total variable remuneration**	**Total**
Dr.-Ing. Karl Martin Runge[1]	670,833	11,973	**682,806**	348,447	55,950	**404,397**	**1,087,203**

[1] Employment contract expired on September 30, 2022

No advances or loans were granted to any Executive Board members of Vossloh AG in the 2020 fiscal year.

Loans to Executive Board members

Remuneration in the form of pension payments to former members of the Executive Board and management as well as their surviving dependents totaled €2,731,814 (previous year: €3,683,409). These were pension payments of €1,183,658, unchanged from the previous year, and benefits totaling €1,548,156 to the Executive Board members who left during the respective fiscal year (previous year: €2,499,751). 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 €23,389,389 (previous year: €22,809,518). Employer pension liability insurance policies totaling €10,155,725 (previous year: €10,297,220) are pledged in each beneficiary's favor. The remaining amount of these pension obligations is covered by provisions.

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

The 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 complies with the statutory provisions, takes into account the responsibilities and scope of activities of the Supervisory Board members and complies with recommendation G.18 of the German Corporate Governance Code as amended on December 16, 2019, in that the exclusively fixed remuneration ensures that the Supervisory Board performs its supervisory activities independently and effectively. The Executive Board and Supervisory Board have prepared a remuneration system for the Supervisory Board members based on existing and unchanged provisions of the Articles of Incorporation, which is available on the Company's website. The 2021 Annual General Meeting should pass a resolution on the confirmation of this remuneration system in accordance with Section 113 (3) AktG. 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.

Remuneration of the Supervisory Board

For the 2020 fiscal year, Supervisory Board members received a net remuneration of €456,666 (previous year: €429,167).

The table below depicts the amounts paid to each Supervisory Board member:

€	2020	2019
Prof. Dr. Rüdiger Grube (Chairman since 2/9/2020)	110,000	–
Ulrich Harnacke (Chairman between 4/2/2019 and 2/9/2020; Deputy Chairman since 5/27/2020)	108,333	117,500
Dr. Sigrid Evelyn Nikutta (until 5/27/2020; Deputy Chairwoman between 5/22/2019 and 5/27/2020)	33,333	46,667
Prof. Dr. Anne Christine d'Arcy (until 5/27/2020)	25,000	60,000
Dr. Roland Bosch (since 5/27/2020)	40,000	–
Dr. Bettina Volkens (since 5/27/2020)	40,000	–
Andreas Kretschmann	51,667	40,000
Marcel Knüpfer (since 6/1/2020)	23,333	–
Michael Ulrich (until 5/31/2020)	25,000	60,000
Dr-Ing. Volker Kefer (Chairman until 3/4/2019)	–	30,000
Dr. Bernhard Düttmann (until 12/31/2019)	–	75,000
Total	**456,666**	**429,167**

Consulting

No consulting agreements with Supervisory Board members existed in the 2020 fiscal year.

Loans to Supervisory Board members

In the 2020 fiscal year, no advances or loans were granted to any Supervisory Board members.

Statutory takeover-related disclosures pursuant to Section 289a (1) and Section 315a (1) HGB

The provisions of Sections 289a (1) and 315a (1) HGB require that the following takeover-related disclosures be made as of December 31, 2020.

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. These voting rights are to be attributed to the TIB Vermögens- und Beteiligungsholding GmbH, Grünwald, Germany, Stella Vermögensverwaltung GmbH, Grünwald, Germany, and Mr. Heinz Hermann Thiele, Munich, Germany, pursuant to Section 34 (1) WpHG.

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 (3) 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, 2020, the Company did not hold any treasury shares.

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

In the case of seven of these agreements, a change of control means that a person or a group of persons acting in concert – with the exception of Mr. Heinz Hermann Thiele – directly or indirectly obtains more than 50 percent of the shares or voting rights in the Company.

- Four 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 S. A.'s 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.

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 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, 2020, there were 3,467 employees within the Vossloh Group contributing to achieving the Group's goals. This represents a decrease of 64 employees or 1.8 percent compared to the previous year (3,531 employees). The headline figure included 126 employees at the end of 2019 who were working until the end of their notice periods after downsizing measures.

Workforce-related performance indicators

€ thousand	2020	2019
Personnel expenses per employee	58.9	68.9
Sales revenues per employee	249.8	242.8

The average number of employees[1] was 3,482 in the reporting year compared to 3,774 in the 2019 fiscal year. The 7.7 percent downturn is largely due to the 2019 performance program and the resulting divestments. Employees were added in the year under review due to the Chinese joint venture Anyang in the Fastening Systems business unit being fully consolidated for the first time.

Out of the overall average number of employees, 73.9 percent (previous year: 72.8 percent) were employed at locations in Europe. Of the remaining 26.1 percent, 34.7 percent (previous year: 50.4 percent) were primarily active in the North American region and 32.7 percent (previous year: 27.0 percent) in Asia.

Personnel expenses

€ mill.	2020	2019
Wages and salaries	162.9	210.8
Social security expenses and charges	36.8	43.5
Pensions expenses	5.4	5.8
Total	**205.1**	**260.1**

The downturn in personnel expenses is largely due to the absence of one-time expenses related to the previous year's performance program and the resulting cost savings.

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:

Division	Number of Ø employees		Personnel expenses per employee in € thousand		Sales revenues per employee in € thousand	
	2020	2019	2020	2019	2020	2019
Core Components	938	879	60.5	64.1	400.2	400.1
Customized Modules	1,987	2,286	52.2	68.1	202.2	207.0
Lifecycle Solutions	498	546	66.0	64.6	208.2	194.0

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

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

[1] The average number of employees is calculated on the basis of quarterly figures. Reported figures in the previous year were calculated on the basis of monthly figures. For comparability purposes, the prior-year figures have been adjusted accordingly.

Research and development

Vossloh ranks among the technological leaders in its fields of activity in rail infrastructure. Innovation plays a decisive role in ensuring that the Company remains competitive from a technological position. In the interest of locomotive 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 several years of (further) development and testing, 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 over the long term and reinforce its own competitive position, Vossloh uses a structured innovation management approach to continuously invest in the enhancement and optimization of its products and services. After reviewing its production processes, 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 smart infrastructure components which monitor load levels and the condition of the track. 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 deployed. This can reduce the risk of component failure – and thus partial infrastructure failure – during ongoing operations. Vossloh draws on the expertise of the Company's business units to develop comprehensive solutions and uses its strengths as "rail track experts" to help customers manage their infrastructure.

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 a market-ready product are capitalized if they satisfy the criteria related to this 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 2020, expenses for research and development – including capitalized internally generated assets – came to a total of €13.5 million (previous year: €12.6 million). This represents a share of approximately 1.6 percent of Group sales (previous year: 1.4 percent). €4.0 million (previous year: €4.0 million) of R&D expenses were attributable to the Core Components division and almost completely to the Fastening Systems business unit. R&D expenses in the Customized Modules division came to €4.2 million (previous year: €4.2 million). €5.3 million (previous year: €4.2 million) were attributable to the Lifecycle Solutions division.

€4.6 million of the newly capitalized assets that were generated internally or as a result of third-party deliveries or service performance in the 2020 fiscal year (previous year: €1.9 million) concerned the Lifecycle Solutions division.

Vossloh-Konzern – Research and development costs

€ mill.	2020	2019
Research and development expenses	13.5	12.6
thereof capitalized	4.6	1.9
Research and development expenses (income statement)	**8.9**	**10.7**
Amortization (of capitalized development costs)	0.3	2.8

Maximizing track availability and reducing lifecycle costs

Vossloh's research and development efforts in 2020 focused on creating new products and services that provide a solution to the significant challenges currently facing the rail sector. This includes increasing the availability of rail tracks and developing solutions to deal with the consequences of the resulting 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 and reducing their lifecycle costs. Vossloh possesses comprehensive expertise regarding rail as a complex mode of transportation. The Company uses this expertise to significantly improve the efficiency of rail network maintenance processes. Digitalization plays a key role in this. The focus is on intelligent railway systems and digital track monitoring. Vossloh's solutions minimize disruption and lay the groundwork for increasing the amount of traffic on the rail network. In this way, Vossloh is contributing to an efficient rail infrastructure, which is a necessary prerequisite for the environmentally friendly mobility of people and the transport of 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 combine measurements and track condition data, 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 machine 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. This makes it possible to prepare efficient forecasts for the predictive maintenance of the rail network.

Vossloh's rail profiling machines are also used to diagnose issues with the track. 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 their economic viability. This enables asset managers to plan and budget for maintenance. In future, Vossloh's customers will be able to access measurement data, analyses, assessments and recommendations from a secure area of the analysis platform. With this digital service, Vossloh wants to give its customers the opportunity to significantly deepen their knowledge of their infrastructure and increase its availability through targeted 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 depiction 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 while reducing the need for maintenance.

Switch disruptions are one of the main reasons for routes being unavailable and unplanned maintenance. In switch management in particular, digitalization has now created solutions to problems. In urban regional transportation, for example, Vossloh's compact electro-hydraulic Easydrive point machine can be equipped with smart sensor technology for remote monitoring. With the Easyswitch MIM-H for mainline routes, Vossloh has developed a new version of this point machine that distinguishes itself as a modular plug-and-play solution with a high degree of reliability.

Digitalization also offers opportunities directly for the R&D activities of Vossloh: The research and development activities of every division are increasingly focused on data-processing technology – a trend which continued in 2020. This makes it possible for multidimensional simulations such as the finite element or multi-body simulation methods to be implemented more quickly and more economically than with conventional methods. The innovative DYNADeV platform developed by Vossloh simulates wheel-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 the impact that different trains have on the rail infrastructure.

Working towards "quiet rails"

All of Vossloh's innovations also focus on "quiet rails". Noise and vibrations are a particular inconvenience for people in dense urban areas. With dampening rail fasteners, "whisper switches" and acoustic rail grinding, Vossloh helps to reduce noise emissions. All solutions in this area were further improved in 2020. The Company also provides maintenance services that keep noise levels low. 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 the rail infrastructure – yet another example of how Vossloh is using digitalization to improve the quality of life 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 throughout the world under the framework of longstanding partnerships. Vossloh focuses on partnerships with technology companies and start-ups in the area of digitalization and big data analysis. One example is Vossloh's close partnership with Deutsche Bahn AG subsidiary DB Systemtechnik GmbH in the area of data-based 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 substance of track infrastructure.

R&D by division

In 2020, the R&D experts in the Core Components division continued to work on new solutions for increased noise and vibration protection. This included looking at ways to increase the elasticity of the 336V and 300 UTS rail fastening systems used on local transport routes. Both systems use *cellentic* intermediate layers. *cellentic* is a highly flexible elastomer. Components made from this material optimize the elasticity of the track. This reduces vibrations and protects the superstructure. Vossloh's researchers also focused on under-sleeper pads, which provide a vibration-reducing base for concrete ties. Vossloh has also been researching the interaction between concrete ties and dowels as part of its efforts to make rails quieter. In 2020, the German Federal Railway Authority granted Vossloh's application for its EPS project to enter operational testing. This project focuses on developing innovative composite ties for different applications. Vossloh's experts have performed some basic research for a new generation of tension clamps and conducted experiments to investigate the relationship between the lateral rigidity of tension clamps and reducing track wear.

In 2020, the R&D engineers of the Customized Modules division also 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 completely hydraulic point machine and the digitally controlled MIM-H point machine on high-speed routes. The COGISLIDE coating, developed by the Customized Modules division, was integrated into the production process. This makes it possible for coated switch rail chairs to be moved without lubrication. In 2020, the division entered into a strategically important partnership agreement with France's national state-owned railway 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 condition data, all with the aim of enhancing smart maintenance. New units were developed for high-speed railgrinders in 2020. These include units that increase the amount that can be removed per pass, and others that provide an immediate indication of grinding quality. The control system for high-performance milling was adapted to meet the requirements of a rail operator. Vossloh made changes to the sensor system used for multi-purpose milling so that these milling systems can also be deployed for switch points and stock rails. The division's Logistics wing outfitted its fleet of freight cars with composite brake shoes (LL brake shoes). This braking system keeps the running surface of the wheels smooth, making them quieter than cars using standard cast iron brake shoes.

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. That's why Vossloh is building a "factory of the future" at its Werdohl site. This factory will produce tension clamps using a digitally managed and highly automated process. 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 specialize in specific stages along the value chain: Reichshoffen focuses on metalworking, while the site in Fère-en-Tardenois focuses on final assembly and shipping. Vossloh is also increasingly involved in international development projects which facilitate global partnerships and rapid communication. The Company uses 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 Group completed a preliminary study for its enterprise resource planning system in 2020. The solution which was chosen 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, communicated, 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. The majority of the risks and opportunities which apply to the business of the Group also apply to the business development of Vossloh AG. Acquired companies are promptly integrated into the system.

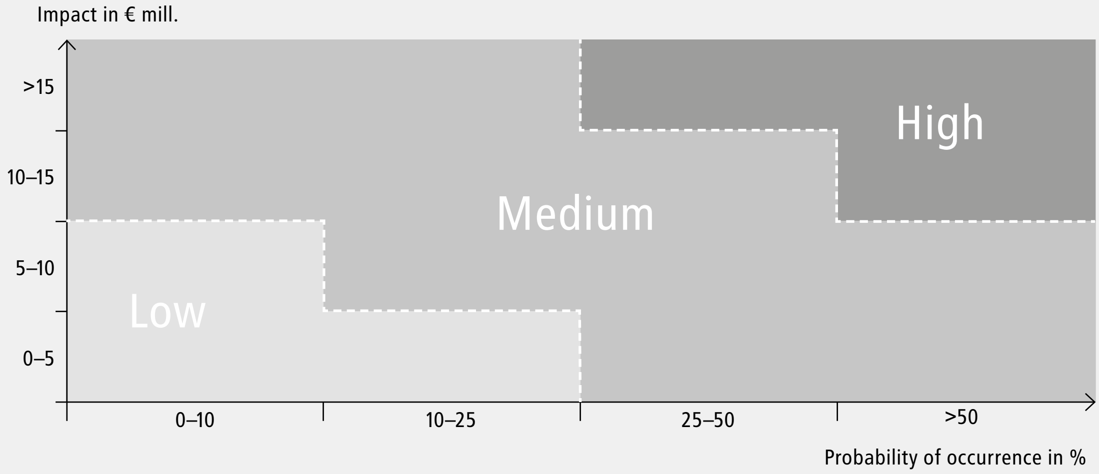
The risk and opportunity management system is a component of the business, planning and control process. The organization of structures and processes is documented in a Group-wide policy. The Group is preparing to adapt the policy in the 2021 fiscal year due to the additional requirements in the amended version of the assurance standard IDW PS 340. The structure of the 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 are recorded effectively, promptly and systematically.

Vossloh evaluates risks and opportunities in regard to their potential impact on the results of operations. The possible impact is primarily identified on the basis of EBIT, the financial performance indicator. 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. 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 communicates 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 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, Controlling and the Vossloh 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 early warning risk control system is audited on a regular basis by the group auditor.

The significance that individual risk categories hold for the Vossloh Group is evaluated, where possible, on the basis of the potential negative impact on the forecast financial targets and on the probability of occurrence of the given risk category. The risk situation is assessed 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 at the reporting date (December 31, 2020) and are significant to the development of the Vossloh Group. Significant individual risks and opportunities are highlighted separately if they have a worst 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 develop based on the competitive situation as well as global megatrends such as population growth, urbanization, globalization, sustainability and digitalization.

The Vossloh Group could not escape the effects of the pandemic in the 2020 fiscal year. Production facilities were closed and projects delayed due to state-ordered lockdowns, which had a negative impact on business. There were no significant cancellations of orders. Compared to other sectors, the impact of the pandemic on rail infrastructure and therefore also on Vossloh was significantly lower. The rail industry is considered part of the critical infrastructure as people and goods still need to be transported in a crisis. Rail network maintenance, which accounts for most of Vossloh's business, can be delayed, but not indefinitely. There are also a number of initiatives and long-term plans in place for investing in rail infrastructure. Many of Vossloh's customers are in the public sector, making them less susceptible to economic developments. As a result, the general economic situation only has a limited impact on the performance of the Group.

The ongoing global pandemic and its consequences will have a significant impact on the global economy in 2021. Uncertainty will remain high. Despite the comparatively minor impact described above, this is also a significant individual risk for the Vossloh Group. Impacts such as those in the past 2020 fiscal year (or further negative consequences) that have not already been taken into account in the planning cannot be ruled out entirely, but are considered to be less likely in view of the good resistance to crises described above.

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. In the infrastructure maintenance market, which is 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 2020. In selected markets, the Group is one of the leading providers in its core business. Vossloh generates more than 85 percent of its sales in Europe, America 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 do not benefit from state funding. Vossloh's performance in Asia is characterized by projects related to the 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 continuing uncertainties resulting from the pandemic. Like in the previous year, the industry risk for the forecast financial targets is 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. 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 prices on an ongoing basis. If the prices of the materials which are used do not follow the expected trend due to the pandemic or other factors, risks or opportunities for forecast income may arise from 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, quality problems affecting materials or delays in the supply process. Vossloh minimizes these risks by prioritizing arrangements with well-established partners and increasing its vertical integration in selected areas. Even though suppliers are carefully selected and 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, quality problems affecting production, and 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 manufacturing sites in the Customized Modules division are currently going through 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 on 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, OHSAS 18001 and 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. Finalizing the sale of the Transportation division significantly reduced the risks related to order handling. However, increased risks can occur during the start-up phase and implementation of major projects with correspondingly high development costs or in cases of first-time collaboration with new partners or subcontractors, leading 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 arise 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 or if the general interest level increases substantially. 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. An impairment test was performed during the year as a result of the COVID-19 pandemic, in addition to an impairment test on the balance sheet date. No impairment losses were recognized in either case.

Divestment projects may also result in risks or opportunities if the actual or expected purchase price of an acquirer does not completely cover the existing carrying amounts or if the purchase price exceeds the existing carrying amounts. Losses in the mid double-digit million euro range were incurred in 2019 as a result of the sale of the American activities in the Customized Modules division as part of the performance program. Some additional effects had an insignificant impact in 2020.

Vossloh has recognized risk provisions for existing operational risks, in accordance with IFRS requirements. Despite the risk 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 of a medium nature. The risk of possible impairment of goodwill also continues to be classified as moderate. The risk arising from changes in material prices was raised from low to moderate. The risks from divestments were reduced from moderate to low. The other operating risks are all 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 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. The Group focused on monitoring liquidity in the 2020 fiscal year to ensure that it had adequate reserves to handle the potential impact of the COVID-19 pandemic. Revenue sharing measures within the Group with the help of 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 July 2017, Schuldschein loans were granted amounting to €135 million (maturity: July 2021) and €115 million (maturity: 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. As at the end of the year, the Group had unutilized credit facilities of €223.7 million at its disposal.

In February 2021, Vossloh AG issued a hybrid note of €150 million. The funds from the hybrid note will be used in particular to repay the Schuldschein loans of €135 million due in July 2021.

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. The probability of the interest rate changing at short notice and the positive and negative impact of this 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 their 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 2020, of the financial investments and derivative financial instruments with positive market values, 59 percent were with contract partners with a rating of AA+ to AA–, 28 percent were with contract partners with a rating of A+ to A–, 12 percent were with contract partners with a rating of BBB+ to BBB–, while 1 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 and income statement 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 affirmation 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.

Since the end of 2014, the Transportation division no longer belongs to the core business of the Vossloh Group. Vossloh sold the Rail Vehicles business unit in 2015, followed by the Electrical Systems business unit at the beginning of 2017. The sale of Vossloh Locomotives, the Transportation division's last remaining business unit, was finalized on May 31, 2020. A number of American companies were sold in the Customized Modules division as part of the performance program. The purchasers were granted certain guarantee rights and rights of recourse in the purchase agreements. Risk provisions have been recognized for any claims asserted on the basis of these rights, 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 risks to be low.

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. This trend has accelerated due to the pandemic in the 2020 fiscal year. Through the use of technical and organization precautions, Vossloh minimizes risks related to the reliability, availability and confidentiality of the data stored in its information systems. They also ensure that data is processed efficiently. A data protection policy was also adopted in 2018 for all Vossloh companies.

Vossloh was listed on the SDAX index of the Deutsche Börse on the balance sheet date after being removed in June 2019. The main criteria for inclusion in the index are the available market capitalization and the volumes traded on the Frankfurt Stock Exchange. Due to relatively low trading volumes in particular, there is a risk of the Company being removed from the SDAX in the 2021 fiscal year. The financing opportunities for larger acquisitions – for example by means of capital increases – would possibly be worse if the Company were to be excluded from the SDAX again. Following the successful placement of the hybrid note, Vossloh considers the risks arising from this to be low from today's perspective, even in the event of a withdrawal from the SDAX.

Other risks had no significant impact on the net income in 2020. Overall, the risk is classified as low (previous year: moderate personnel risks due to the performance program).

---

[1] Part of the nonfinancial Group statement audit for providing limited assurance provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft – see page 69.

Assessment of the risk and opportunities situation

All of the described risks and opportunities that the Vossloh Group 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. For risks that are currently known, risk provisions have been recognized in accordance with IFRS. Other current risks and opportunities are – if adequately specified – accounted for in the current annual outlooks. On this basis and at the time this annual report was prepared, Vossloh does not anticipate any significant deviations from its targets for the 2021 fiscal year. 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 systems in relation to the financial reporting process/consolidated financial reporting process (Section 289 (4) and Section 315 (4) HGB)

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). It serves to quickly identify, manage and monitor risks that jeopardize the Group as a going concern as well as other risks beyond the original, legally stipulated scope. The Group auditor assesses the functional capacity of the early-warning risk control system in accordance with Section 317 (4) 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 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. The audit of the consolidated financial statements and subject-specific audits in connection with the pre-audit of financial statements are considered particularly essential process-independent monitoring activities in relation to the (Group) accounting process.

Information technology
Accounting transactions are recorded locally in the local accounting systems of the Group companies. For the preparation of 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, the accounting of Group companies is carried out with a standardized system from the manufacturer 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 for contingent liabilities as of the balance sheet date. They also affect how income and expenses in the reporting period are reported. The misuse of necessary discretionary scope 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. These contain not only general accounting principles and methods but also 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 upon 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" undergoes regular revision and updates; the most recent update was made in December 2020. New or revised editions are made available directly to all those involved in the Group accounting process via the Group intranet.

In addition to the localized registration of accounting transactions within the Group companies, the monthly and annual financial statements are also reviewed by the managing company of the relevant business unit. Checks are triggered by random selection or in particular by major or unusual transactions. Group-wide guidelines and policies are in place, for instance for monthly reporting, investments, submissions of offers, compliance and risk management. The companies and business units of the Vossloh Group are also required to govern local key divisions by means of policies.

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 more extensive necessary information for the notes to the consolidated financial statements. The plausibility checks are performed both by Controlling and by Accounting. 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 to provide the information contained 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 contributes to the comprehensive registration, processing and validation of Company transactions and their correct representation 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 with the Group-wide application of the utilized systems, this cannot 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 HGB and Section 315d 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 available information. Assumptions regarding the future development of the international rail engineering market and the specific business expectations of the divisions of the Vossloh Group have been taken into particular 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 37). If the assumptions underlying the outlook prove to be inaccurate or the described risks or opportunities occur, the actual results and developments may differ from these forecasts. The Vossloh Group accepts no liability for updating the statements made in this outlook beyond statutory publication requirements.

Macroeconomic developments and outlook for the rail engineering market

The short- and medium-term fluctuations of the global economy are generally of minor importance to Vossloh. Investments in rail infrastructure are generally made around the world on the basis of long-term decision-making processes. The current economic trends are therefore only reflected in rail markets to a limited degree. Therefore, Vossloh was only slightly affected by the COVID-19 pandemic comparatively in the 2020 fiscal year. Nevertheless, further unexpected effects in the 2021 fiscal year cannot be completely ruled out. Of greater importance for Vossloh is the increasing demand for improved sustainability and the increasing stature of rail as a means of transport and associated subsidy programs. This trend is expected to result in an increased level of investment in rail infrastructure. On the other hand, an increase in the debt of individual countries, particularly in the home market of Europe, may have a negative impact on Vossloh's business activities. Due to the COVID-19 pandemic, the debts of European countries increased significantly in the 2020 fiscal year. Sovereign debt in the eurozone and the European Union in 2021 is generally expected to remain at the high level of 2020.

With its World Rail Market Study, the Association of the European Rail Industry UNIFE publishes an extensive biannual analysis of developments in the global rail technology market, and makes justified predictions for the coming years on this basis. The most recent study was presented in October 2020. Due to the uncertainty of COVID-19's long-term impact on the rail industry, the study includes a scenario analysis that is alternatively based on a V-shaped and U-shaped pattern of future market development. In the V-shaped pattern, the market is expected to recover quickly, while in the U-shaped pattern, a longer recovery phase is assumed. In the study, the V-shaped pattern is assumed to be the most likely scenario to occur. The reasons cited for this include the large number of economic stimulus packages and public aid for the rail sector as well as 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 already-known project postponements and cancellations. Looking at 2020, the study expects a significant decline in market volume of 8 percent. Despite the decline in this submarket, the annual global volume for the overall 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. The market accessible to European providers such as Vossloh in the future is estimated by UNIFE 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, 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 shows strong differences in the forecast growth of the market 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 around €46 billion is anticipated between 2023 and 2025. This is followed by the NAFTA region with a current annual market volume of around €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 Association of the European Rail Industry breaks the rail technology market down into the segments of infrastructure, rolling stock, rail control, services and turnkey projects. With its divisions of Core Components, Customized Modules and Lifecycle Solutions, Vossloh operates in the infrastructure segment and the infrastructural services sub-segment of the services segment. The volume of the globally accessible infrastructure market (excluding electrification) has been quantified by UNIFE at an average of roughly €18 billion per year in 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 infrastructural services sub-segment until the 2023–2025 period is 1.8 percent, meaning that an increase in the accessible market volume is expected from the current €6.0 billion per year to €6.7 billion. In total, the accessible market that is relevant to Vossloh between 2017 and 2019 came to around €24 billion per year. We expect annual growth to be roughly €28 billion by the 2023–2025 period (+2.2 percent).

Outlook for 2021

The forecast for the Vossloh Group is based on the expected development of the three divisions of Core Components, Customized Modules and Lifecycle Solutions, as well as that of Vossloh AG. Vossloh's sales revenue planning is primarily based on division-specific assumptions. 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 context of longer-term funding sources. Vossloh supports its customers as a partner over the long term. Together with them the Company plans and develops 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

		2020	2021 forecast
Sales	€ mill.	869.7	850 to 925
EBITDA margin[1]	%	12.4	13 to 14
EBIT margin[1]	%	6.6	7 to 8
Value added	€ mill.	12.4	0 to 15

[1] Key figures for the 2020 fiscal year presented without the one-time effect of the transitional consolidation of a Chinese company in the amount of €15.6 million; corresponds to an EBIT and EBITDA margin of approximately 1.8 percent.

Sales expected at previous year's level or slightly above

Vossloh expects a generally stable to slightly growing sales level for the 2021 fiscal year. Based on current knowledge, Vossloh assumes that it will be able to generate sales between €850 million and €925 million in 2021.

In the Core Components division, Vossloh expects slightly higher sales overall. A significant increase in expected sales from China from higher shipments of rail fasteners in the high-speed segment in the Fastening Systems business unit is offset by a noticeable decline in sales in the Tie Technologies business unit following the expiration of several projects in Australia. Stable sales developments are expected in each of the Customized Modules and Lifecycle Solutions divisions. In the Customized Modules division, lower sales due to the divestment of smaller units in America are to be offset by positive sales developments in other regions. In the Lifecycle Solutions division, project-related lower sales in the switch grinding segment will be offset by higher sales of maintenance machines and increased services in the urban transport sector.

The Vossloh Group forecasts an EBITDA margin of between 13 and 14 percent for the 2021 fiscal year. The EBIT margin is expected to be between 7 and 8 percent. In operational terms, this means a significant increase in profitability with sales tending to be stable to slightly higher. Excluding the one-time effect of €15.6 million from the transitional consolidation of a joint venture in China in the 2020 fiscal year, the EBITDA margin and EBIT margin in the past fiscal year were 12.4 percent and 6.6 percent respectively. All divisions plan to increase their margin ratios compared with the 2020 fiscal year. The outlook for the 2021 fiscal year is not subject to any material new unplanned impacts related to the COVID-19 pandemic.

EBITDA margin of between 13 and 14 percent and EBIT margin of between 7 and 8 percent expected

Average capital employed will probably increase slightly year on year in the 2021 fiscal year. Value added in the 2021 fiscal year is expected to be roughly at the same level as in 2020 due to the higher expected operational profitability and is therefore expected to be positive again. Adjusted for the EBIT-relevant one-time effect in the 2020 fiscal year, a noticeable increase is also expected here. The weighted average cost of capital before taxes (WACC) relevant for internal management purposes will again be set at 7.0 percent in the 2021 fiscal year.

Positive value added forecast again for 2021

Risks for Vossloh's business development arise from the COVID-19 pandemic among other things. Largely temporary plant shutdowns, as in the second quarter of 2020, and further project postponements could have a negative impact on sales and earnings. In addition, earnings may be adversely affected by legal risks and the value chain, as well as by higher material input prices. Please refer to the statements made in the risk report (starting on page 37) 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 2021 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-sharing agreements, as well as expenses from the assumption of losses and impairment losses recognized on financial investments. Vossloh is expecting a tangible improvement in this area compared to 2020. The assumption of losses for the Transportation division had a significant negative impact on the net financial result in 2020. On the whole, result after tax is expected to improve significantly in 2021.

For the coming years, the focus at Vossloh will be on implementing the strategy that was fundamentally revised and made more concrete in the 2020 fiscal year. In addition to organic growth with increasing profitability, the focus is on the implementation of specific partnerships and acquisitions in order to strategically develop the core business and sustainably increase the value of the company. The planning presented for the 2021 fiscal year only reflects the targeted organic growth and additions and removals in the scope of consolidation. Changes in sales due to consolidation are expected to largely offset each other.

Nonfinancial Group statement[1]

Vossloh's 2020 nonfinancial Group statement in accordance with Sections 315b and 315c HGB 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 the guiding principles of sustainable development; a corresponding declaration by the Executive Board is published on the company website www.vossloh.com in the "Investor relations" section under the keyword "Sustainability" (and there under "Sustainability management at Vossloh").

Significance of sustainability for the Vossloh business model

Vossloh is active in rail infrastructure markets worldwide (for more information, please refer to the section "Business and market environment" on page 4 et seq.). With its products and services for rail infrastructure, Vossloh makes an important contribution to people's mobility and the transport of goods. For both local and long-distance traffic, rail is one of the most sustainable and also safest means of transport. Shifting more traffic from road to rail is one of the key prerequisites for achieving climate targets. In addition, the digital revolution in the rail industry is currently opening up new opportunities for rail transport to make even greater use of its ecological and economic advantages and contribute even more to the sustainable solution for transport problems worldwide.

Under the motto "enabling green mobility," Vossloh offers products and services that support additional utilization of environmentally friendly rail transport. Specifically, the goal is to increase the availability of existing rail lines and enable disruption-free operation while reducing lifecycle costs for the infrastructure. The Group supplies long-lasting components for rail infrastructure and constantly develops these components further by using innovative materials and designs. Vossloh's rail track maintenance services, both damage repair and damage prevention, allow rail operators to increase transport capacity. At the same time, the digital services offered by Vossloh to continuously monitor the condition of rail infrastructure with sensors enable a significant increase in the efficiency of track maintenance. Another focus at Vossloh is on solutions for reducing vibration and noise caused by rail traffic.

In addition to its activities that promote sustainability in the rail infrastructure market, Vossloh has a general commitment to fulfilling its social responsibility in its business activities. This includes the expectation that both the Company and its employees adhere to the applicable laws, respect basic ethical values and act in an exemplary fashion at all times and in all scenarios. The Group therefore has an audited Compliance-Management-System (CMS) that provides regular training on compliance issues. All employees accept and sign the Vossloh Code of Conduct upon joining the company.

About nonfinancial issue reporting

Vossloh included the nonfinancial statement in its reporting in 2017 and has since been systematically establishing and expanding a corresponding reporting structure. The initial preparation of the statement was preceded by a multi-stage materiality analysis. Based on a broad-based Group-wide survey of managers and experts with close contact to various Vossloh stakeholders, the nonfinancial aspects that are necessary to understand the economic situation of the company and the impacts of its business activities were identified. They are reviewed annually to ensure that they are up to date and supplemented if necessary. The following materiality matrix depicts the significance of the current total of 14 nonfinancial aspects.

[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 69.

Vossloh is reporting on the following aspects and issues in the Group nonfinancial declaration for 2020:
- Environmental issues, in particular climate-related emissions and noise emissions as well as water consumption
- Employee issues, in particular occupational health and safety, vocational and further training and development, labor conditions and employer attractiveness
- Corporate governance, compliance, combating corruption and bribery, compliance with antitrust law and the respect for human rights, all grouped under the term corporate responsibility
- Customer and product issues, in particular product safety and customer satisfaction

Social aspects are also addressed in accordance with the statutory requirements.

Reporting covers the Group's global activities; the companies considered correspond to the scope of consolidation of the consolidated financial statements (see page 112 et seq. of the annual report, Keyword "Consolidation"). The management report contains supplementary and/or more detailed information regarding a number of the nonfinancial aspects and issues, and these are cross-referenced accordingly. All of the material risks related to Vossloh's business activities are part of the Company's risk reporting. It also covers any significant nonfinancial risks that may exist for Vossloh (see "Nonfinancial risks and opportunities" on page 43).

For reporting purposes, Vossloh collects and validates energy and water consumption for all locations worldwide and data on employee matters such as workplace safety and developments in the area of Human Resources (HR) centrally using Cognos consolidation software. In addition, comparable Group-wide data from the HR Business Information tool is used. Selected indicators for the area of compliance are also available for the entire Group. For some nonfinancial issues, no uniform quantitative information is available for the entire Group to date; if information relates to individual Vossloh units, a corresponding note is included.

Development of a Group-wide sustainability strategy

The Group Executive Board regularly deals with nonfinancial matters used by Vossloh to meet its environmental, economic, and social responsibility. In operational management, sustainability is the responsibility of the Chief Operation Officer (COO). In the year under review, Vossloh completed a multi-year phase of restructuring and focusing on rail infrastructure. At the end of 2020, the Executive Board and Supervisory Board of Vossloh AG adopted a revised corporate strategy in which sustainability is one of the central initiatives. The high priority given to this issue is reflected in the accelerated development of a Group-wide sustainability strategy among other things. For this purpose, the new central area of Sustainability, Health & Safety was created at Vossloh AG as of July 1, 2020. The head of this area, who was appointed on November 1, 2020, reports directly to the Executive Board. The Sustainability, Health & Safety Committee was also newly created. This is made up of the heads of certain Vossloh AG departments together with the HSE (Health/Safety/Environment) officers of the business units. Employees responsible for sustainability, health & safety were appointed in each business unit; previously, the topic had been located in the Group-wide sustainability working group. At present, Group-wide working, reporting, managing and decision-making structures for sustainability are being revised. This will put more focus on sustainability, both strategically and operationally, and refine responsibilities and processes.

The new structure will systematically bring together the company's existing approaches to managing the environment, energy and occupational health and safety, standardize them in an integrated management system and develop them into a Group-wide sustainability strategy. It will include mandatory, measurable targets for all divisions, also defined in terms of scope and time frame, for matters deemed to be material. On this basis, measures and activities can then be developed to achieve the desired goals. Vossloh aims to achieve climate neutrality in Europe by 2030 in the categories of scope 1 (direct emissions from the combustion of fossil fuels for heating and mobility) and scope 2 (indirect emissions caused by purchased electricity).

Vossloh's sustainability performance has been assessed for many years by various rating agencies, which provide recommendations for investment decisions. Among other things, Vossloh currently has Prime status according to ISS ESG for meeting demanding requirements, and has been awarded an AA by MSCI, which is the second-best rating. One criterion for such ratings is certification in accordance with internationally recognized norms and standards. In recent years, more and more Vossloh units have been awarded certification in at least one of the international quality, environmental, energy efficiency or social standards such as ISO 9001, ISO 14001, ISO 50001, OHSAS 18001 or its successor standard ISO 45001 or a comparable national standard and have corresponding management systems in place. At the reporting date December 31, 2020, more than 98 percent of the Vossloh workforce was employed at a unit with such certification.

UN Global Compact and implementation of its principles at Vossloh

Since January 23, 2020, Vossloh has been a member of the United Nations Global Compact. By supporting the principles of the UN Global Compact, Vossloh 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 that are particularly relevant to Vossloh's business activities (ordered according to the goal numbers, not according to their significance for the company):

- 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 Vossloh integrate the principles of the UN Global Compact into its business processes:

Principle	Vossloh's statements, guidelines and management systems	Section of the nonfinancial 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	- Labor conditions - Occupational health and safety - Respect for human rights - Compliance/combating corruption/compliance with antitrust law
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 in development - "All on Track" initiative in the Customized Modules division	- Labor conditions - Compliance/combating corruption/compliance with antitrust law - Respect for human rights
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 - Environmental management at Vossloh companies - Waste and hazardous materials management at Vossloh companies - Quality management at Vossloh companies	- Environmental matters - Product safety
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	- Labor conditions - Compliance/combating corruption/compliance with antitrust law

Environmental matters

The primary focus of environmental management within the Vossloh Group is generally geared towards making efficient use of resources and minimizing environmental impact. To achieve this, the company strives to constantly optimize the relevant processes and structures. This applies to the manufacture of rail infrastructure products as well as the provision of rail track services. Environmental officers have been appointed in the Group companies and a corresponding report system has been put in place. At the reporting date December 31, 2020, approximately 72 percent of the Vossloh workforce was employed at a unit with ISO 14001 certification.

All Vossloh companies have set a goal for themselves 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 such as fresh water to a minimum. Recycling is becoming increasingly important in a greater number of production areas. Economically viable recycling programs and processes ensure that the amount of waste ultimately sent to landfill sites is steadily on the decline. Vossloh Tie Technologies, for example, recycles steel scrap and process water on a large scale. 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.

In its materiality analysis, Vossloh identified climate-relevant carbon emissions, noise emissions and additionally water consumption as relevant nonfinancial performance indicators relating to the environment. In all three areas, Vossloh has been striving for years to steadily reduce emissions and consumption. The definition of concrete targets for fixed periods is one of the responsibilities of the new central Sustainability, Health & Safety area. In 2020, temporary factory shutdowns and production cutbacks at various sites as well as working from home offices due to the COVID-19 pandemic reduced the company's CO_2-related energy consumption and water consumption.

CO_2-emissions

With regard to the impact on climate change, carbon emissions and carbon equivalents are relevant to Vossloh. These are generated by the energy consumption of the company itself or in the upstream or downstream areas. All the Vossloh divisions have been making targeted investments to reduce energy consumption and boost energy efficiency for years, such as by switching to LED technology for its lighting. A number of production sites use waste heat from production. The "Factory of the Future" at Vossloh Fastening Systems in Werdohl and the new "OT 2020" foundry at Vossloh Cogifer in Outreau are regarded throughout the Group as flagship projects in terms of energy-efficient production.

The following tables present the consumption of significant energy sources within the Vossloh Group for the year under review and the comparative figures from 2019:

MWh (Vossloh Group)	2020	2019
Gas consumption	72,268.5	105,957.6
Electricity consumption	64,175.1	68,678.0
District heating consumption	4,384.2	4,376.2

Liters (Vossloh Group)	2020	2019
Heating oil consumption	228,862.0	292,695.1
Fuel consumption[1]	828,094.1	1,073,495.8

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

Gas consumption with the Vossloh Group fell significantly in a year on year comparison. The decrease is mainly attributable to the Customized Modules division. This was mainly due to the US switch business sold at the end of 2019 and was also a major reason for the lower power consumption. The lower fuel consumption is directly attributable to reduced mobility as a result of the COVID-19 pandemic.

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)	2020	2019
Gas consumption	13,289.4	19,482.4
Heating oil consumption	581.4	743.6
Fuel consumption	2,064.8	2,725.9
Scope 1	**15,935.6**	**22,952.0**

t CO_2 equivalents, scope 2 (Vossloh Group)	2020	2019
Electricity consumption	27,622.6	28,697.5
District heating consumption	1,315.3	1,684.7
Scope 2	**28,937.9**	**30,382.2**

Vossloh does not as yet have sufficient data with which to ascertain 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 with a wide range of measures. These also include small changes such as orienting the fleet on low-carbon vehicles. Employees of the German Vossloh companies are encouraged to use the train for business trips; frequent travelers can receive a business rail card ("Bahncard Business"). Due to the COVID-19 pandemic, travel in the Group decreased by a total of about 65 percent in 2020.

At Vossloh Fastening Systems, the lighting in both the production spaces and the administration building at the site in Poland was converted to energy-saving LEDs in 2020. The new compressor in the cooling system and the new control cabinets also require less energy than the previous models. The plant in Anyang, China, now uses excess steam from neighboring companies instead of producing it itself in natural gas-fired boilers. At Vossloh Tie Technologies, the conversion of lighting to LED and the replacement of compressors in ventilation systems also reduced energy consumption. Customized Modules is gradually equipping its sites with charging stations for electric cars to promote the use of these vehicles. The Vossloh Switch Systems technology center in Reichshoffen now covers its hot water needs with the help of solar collectors on the roof. Lifecycle Solutions converted the last of its welding plants, Nuremberg, to green power in 2020. The conversion to LED lighting was also continued there. The mobile service business of Vossloh Rail Services involves a lot of unavoidable employee business travel. However, the company does encourage its employees to make their travel activities energy-efficient, for example to ensure that they drive in a fuel-efficient manner when using their cars.

In 2020, the example of a call for tenders for the supply of switches in the Netherlands showed how much attention customers are now paying to ensuring that rail infrastructure products they install have the smallest possible environmental footprint. The Environmental Cost Indicator (ECI) of the switches offered played a decisive role in the award decision. The ECI includes energy consumption and CO_2 emissions during production as well as the results of a life cycle analysis (LCA). The Vossloh switches performed best in the ECI evaluation, which is why the company was able to secure a multi-year framework agreement.

Noise emissions

When manufacturing its products and providing its services, Vossloh aspires to comply with the legal requirements applicable at the respective locations with regard to noise emissions. The products and services of Vossloh, however, serve the purposes of creating and maintaining rail infrastructure. For rail routes of all types, noise protection is a key subject of public perception and currently counts among the most pressing challenges of rail transport. Noise hampers the urgently needed expansion of routes, can cause sickness among people living near rail routes and results in high costs for the transport operators and consumers. An essential factor in effective noise reduction is combating it at the source, by optimizing the wheel-rail contact on the track. 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 and development" on page 33). 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. The Multi Purpose Milling (MPM) compact milling machine, for example, 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).

Water consumption

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 requirements as determined by the water meters:

m^3 (Vossloh Group)	2020	2019
Water consumption	177,553.1	145,145.6

The increase in water consumption is almost entirely attributable to the Core Components division. In the Tie Technologies business unit in particular, water consumption increased in line with the significant rise in business activity. However, water consumption in the Fastening Systems business unit was also above the previous year's level due to a significant increase in vertical integration at the largest production facility for rail fastening systems in Werdohl.

Employee matters

The key nonfinancial issues identified by Vossloh in its materiality analysis in relation to employee aspects were occupational safety and health, vocational and further training and development, labor conditions and employer attractiveness. The concepts developed and implemented in these areas by the HR departments (Human Resources) at the various levels within the Group and the objectives pursued with these concepts are explained below. There are currently no significant risks in regard to employee aspects (see also: "Nonfinancial risks and opportunities" in the chapter "Risk and Opportunity Management" on page 43).

Occupational health and safety

Workplace safety and maintaining the employees' health are at the heart of Vossloh's care obligations as an employer. Nearly all major production plants worldwide are certified under the internationally-recognized standard OHSAS 18001 (Occupational Health and Safety Assessment Series) or the successor standard ISO 45001, and undergo the prescribed audits by independent external auditors. As of the end of 2020, over 76 percent of Vossloh employees were employed at units certified in accordance with OHSAS 18001 or ISO 45001. 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.

There has been a permanent Group-wide occupational safety body since 2012 in the form of the Work Safety Committee. This has initiated important steps 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. In 2020, the Work Safety Committee was intensively involved in the development of the Group's own SAFE+ app for reporting safety risks and mitigating moments of danger. It was also permanently involved in the planning and management of measures to deal with the COVID-19 pandemic from March onwards.

The COVID-19 pandemic also presented Vossloh with special challenges in the past year with regard to protecting the health of its employees. The Company's COVID-19 crisis team, consisting of the Chief Operating Officer, the Head of Corporate Human Resources, the Head of Corporate Controlling and the HSE managers of all business units, received all information from the Vossloh units on suspected and confirmed COVID-19 cases. Together with the Groups Works Council, local employee representatives and the Work Safety Committee, it developed comprehensive protection and precautionary measures for the workforce. Measures were promptly readjusted as needed. A newsletter regularly informed employees and repeatedly raised awareness of appropriate pandemic behavior.

China was the first country to be affected by the COVID-19 pandemic. The management of the Vossloh plants there took extensive measures to protect employees before resuming operations at the beginning of February 2020. After the pandemic spread to Europe, on March 2, 2020, all Vossloh employees were instructed to observe distancing and hygiene rules and to avoid travel and in-person meetings. As of March 17, up to 70 percent of employees in administrative areas were working from home offices. They were able to access psychological care if needed and were given in-depth information about the dangers posed by hacking activities. For communicating and working with each other, Vossloh IT rolled out the MS Teams tool. Contact with customers, suppliers and service providers was also preferably kept online.

When problems in the procurement of masks and infrared thermometers occurred at several European sites at the beginning of the pandemic, Chinese Vossloh employees ensured that these supplies were delivered by ship. Following government lockdown orders, a total of 12 Vossloh factories worldwide had to be shut down for an average of about two and a half weeks in spring 2020. This meant that throughout the Group, Vossloh plants stopped for a total of more than 160 work days due to the COVID-19 pandemic. The lockdowns ordered in the fall of 2020 did not result in any plant shutdowns or production cutbacks. For the administrative staff, Vossloh switfly extended the home office phase until March 31, 2021. As of December 31, 2020, 195 COVID-19 cases were reported in the Group worldwide; all affected individuals have recovered. There was no indication in follow-ups that an employee had become infected in the company.

At Vossloh, workplace accidents throughout the Group have been documented every month on the basis of uniform criteria, over and above what is required by law. The most important key performance indicators here are the globally used metrics of lost time accident frequency rate (LTAFR) and lost time accident severity rate (LTASR). 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 new Sustainability, Health & Safety area cooperate closely in order to further reduce workplace accidents and further develop the culture of safety.

Workplace accidents (Vossloh Group)	2020	2019
Lost time accidents (LTA)[1]	102.0	112.0
Lost time accident frequency rate (LTAFR)[2]	16.2	16.0
Lost time accident severity rate (LTASR)[3]	2.6	2.9

[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.

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. The definition of concrete targets for specific time frames in the area of occupational safety is likewise one of the responsibilities of the new Sustainability, Health & Safety area.

Prevention is a matter of importance to Vossloh 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 Vossloh Group, with brief reference being made to a specific safety aspect, and not just in the production area.

Raising even greater awareness of safety issues among all employees and minimizing potential risks are the goals of the SAFE+ app, which was launched in 2020 in close cooperation with the new Sustainability and Health & Safety area, the Work Safety Committee and the Group Works Council, as well as with the support of Vossloh IT. The app technology, which is commonly used around the world, is designed to ensure that the new tool is easy to use and that the workforce can therefore participate on a wide scale. Currently, employees from several operating units are putting the app through its paces. Their suggestions for improvement will be incorporated into the next version, which will be available in German, English and French. Once it is rolled out in all languages spoken in the Group and accessible to all employees after appropriate training, in the final stage each Vossloh employee will identify at least three potential safety risks in the Company per year.

Preventing possible accidents was the focus of activities by Vossloh Fastening Systems at the two Chinese production sites in 2020. In Kunshan, the loading station for forklift trucks was separated from the production area to minimize the risk of fire. In addition, storage facilities with liquefied gas tanks and cylinders were structurally improved and the area surrounding a boiler heater with liquefied natural gas was upgraded in terms of safety. The plant in Anyang has only been part of the Group since August 2019. The approach to safety standards that is customary to Vossloh was introduced there in 2020 following the preparation of a corresponding report by independent experts. Among other things, the accident prevention regulations were updated and implemented in training courses for employees. Vossloh Tie Technologies also revised and standardized all safety regulations. In addition, more training sessions were held at the plants in Australia, which have been part of the Group since late 2018. At Vossloh Switch Systems, the forge in Rumelange, Luxembourg was the focus in 2020. In a four-week intensive workshop, employees dealt with various aspects of operational safety and identified starting points for improvement. In 2020, Vossloh Rail Services continued the five-point program which had been initiated the previous year to reduce the frequency of accidents. In addition to the measures implemented throughout the Group, it includes the introduction of new safety footwear with ankle protection to prevent sprains in the foot area, the continuation of group bonuses for accident-free work and a doubling of bonuses for improvements in occupational safety implemented as part of the Company suggestion system.

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. In the Duty of Care Award competition, which recognizes initiatives for safer travel by Company employees, Vossloh was shortlisted in 2019 for the best-practice examples for this service.

Vossloh's occupational health management pursues the goal of offering all its 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 jogging groups and yoga courses), help quitting smoking, and preventive measures (including colorectal cancer screening, flu vaccinations, health screening and health tips).

Vocational and further training and development

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 changing expectations of employers – these are just some of the challenges faced by Vossloh in the area of human resources. 2020 was also marked by the COVID-19 pandemic, which significantly accelerated digitalization, particularly in the area of training and education.

One of the Company's major advantages in terms of its attractiveness as an employer is the comprehensive array of development measures it offers its employees. In an annual meeting between the manager and employee, various measures are agreed upon to individually train the employee while taking operational needs into account. Proper implementation of these measures is closely monitored and evaluated by the HR departments. As a key management tool, the yearly performance reviews entail not only such development measures, but also mutual feedback from the manager and the employee regarding working together and agreement on goals for a defined period of time. For nontariff employees, Vossloh has the People Review Process (PRP) where goals are discussed. In the past fiscal year, more than 70 percent of nontariff employees went through this process. The process, which was previously exclusively paper based, was digitalized in 2020. The digital PRP was used in the pilot phase in the management area and is now being further developed based on experiences for the next expansion stage.

The range 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. As a result of the COVID-19 pandemic, there was a strong focus on training in online and blended learning formats in 2020. Overall, online and blended learning training has nearly doubled compared to 2019. However, since not all classroom training content could be immediately digitally implemented, not all employee training requests could be fulfilled in 2020. Vossloh also supports employees gaining qualifi-cations on their own initiative, such as by studying alongside working. In addition, there is a cross-business unit LEAD! Program, which prepares high-potential employees for more advanced duties. The measures planned for 2020 had to be postponed to 2021 due to the COVID-19 pandemic. However, a virtual Alumni Conference organized by former LEAD! participants encouraged the exchange of experiences. The annual Leaders Lounge was also held virtually in 2020 with around 100 of the Group's top managers from all over the world, where everything revolved around the adjusted corporate strategy.

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 demonstrates 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 new design of the VLP, which was released in the spring, also contributes to this, making the platform even more intuitive to use. Learning options were particularly expanded in the area of digital learning in 2020 – for instance, with courses on the home office tool MS Teams. The VLP is available to all employees worldwide in German, English and French.

In the area of initial vocational training for young people, there is great demand at Vossloh in Germany for existing dual training opportunities, in other words the combination of company-based training and studies, in both the industrial/technical and commercial fields. Despite the COVID-19 pandemic, all current training was maintained in 2020 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.

The Vossloh Rail Services division has held a stake in the established training provider BahnWege-Seminare since 2019 via the Rhomberg-Sersa-Vossloh GmbH joint venture. The company's wide-ranging program of training courses in all aspects of rail infrastructure maintenance can also be used by Vossloh employees. Due to the COVID-19 pandemic, various training courses were offered in an online format on a trial basis in 2020.

Labor conditions

Committed employees are 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, fair remuneration, additional company benefits (above and beyond the statutory and/or tariff-based arrangements), and a safe work environment. 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 scope for improvements, address new issues together and tackle these in projects. In 2020, the Group Works Council and Corporate HR Learning & Development developed a diversity and inclusion policy for Vossloh. The working group was part of a joint initiative from Human Resources and the Groups Work Council in connection with the "Work and Family" certification, which Vossloh successfully completed in 2019. In addition, in the wake of the COVID-19 pandemic and based on extensive experience with working from home, a Group company agreement on mobile working was drawn up and adopted in 2020.

Vossloh practices a life phase-oriented HR policy. The "Work and Family" audit represents an important milestone in further improving the work-life balance for employees of the German Vossloh companies. The instruments 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 (un)availability of employees for work during their leisure time. The Customized Modules division is also involved in the French "All on track" initiative for promoting diversity in the Company. Vossloh Fastening Systems has been testing flexible schedules around a core working time in a 40-hour week at the management level at its Chinese sites since July 2020.

Issues that further strengthen Vossloh's sustainability orientation are also incorporated into the Company's incentive system. A continuous improvement process (CIP), which is not yet centralized, is in place in a number of business units. Vossloh employees participate financially from the savings that result from the implementation of their ideas. The suggestions for improvement relate in part to product, process and service quality and in part to occupational health and safety as well as environmental protection (with a focus on resource conservation and energy saving). In the production of *cellentic* intermediate plates and layers, for example, two improvements at once have resulted in more efficient utilization of the high-quality starting material EPDM (ethylene propylene diene monomer rubber). Around 3 to 5 percent of the blanks coming out of the converter do not meet the specified standards. Previously, they had been transported back to the supplier of the starting material and recycled there. In the first step, Vossloh employees found a way to rework these blanks themselves and feed them back into the forming process. In the second step, a machine was converted in such a way that this recirculation no longer has to be carried out manually, but rather takes place automatically.

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 Code of Conduct stipulates and precisely defines the values of integrity and upstanding business conduct. The principles of conduct that this prescribes are a binding yardstick and benchmark for the day-to-day activities of all the employees (see also the detailed coverage of the topic of compliance on page 27 of the annual report).

Vossloh expects its business partners, be they companies or individuals, “to apply similar standards to the ones we have established for ourselves,” as the Company’s Code of Conduct stipulates. Therefore suppliers, service providers and subcontractors who are new to working with Vossloh are required to provide comprehensive information on themselves by means of checklists. The issues of safety, health and the environment are likewise increasingly being considered in these evaluations as Vossloh itself is required to present its own customers with evidence in these areas (see the “Customer and product aspects” chapter on page 67).

Employer attractiveness

Vossloh’s corporate culture is founded on the four basic values of “passion,” “excellence,” “trust and respect,” and “entrepreneurship.” Its specific corporate culture is an important argument for Vossloh in terms of both competing for qualified professionals and retaining skilled employees in the long term. At the same time, Vossloh offers a transnational, project-based and digital culture, with the objective of creating attractive workplaces for young talent and maintaining the Company’s competitiveness.

Vossloh continuously boosts its appeal as an employer with an array of measures such as:

- Equal opportunity
- Systematic support of talented individuals and junior employees
- Development of a Vossloh management culture, currently supplemented by the topic of digital leadership
- Group-wide succession planning to facilitate international careers within the Group
- Employer branding as a green company in a crisis-proof industry
- Occupational health management (see “Occupational health and safety” on page 57)
- Employees as ambassadors for the Company (through the “Employees Recruiting Employees” program and other initiatives)
- Joint development by employee representatives and management of topics relevant to success (e.g. collaboration between Work Safety Committee and Group Works Council/European Works Council as well as on the topic of “Career and family”)
- In Germany: family support services
- In Germany: attractive initial training opportunities in industrial/technical and commercial areas and dual training options
- In Germany: “Smart Azubi” provides a free company car (three months) for the best apprentices each year in the commercial or industrial/technical professions
- Harmonized HR processes and tools

Vossloh Group companies assess employee satisfaction by means of regular surveys regarding various focal issues. The surveys are conducted and evaluated using scientific methods, and the results serve as the basis for improvement measures and changes. In 2020, the focus was on dealing with the COVID-19 pandemic and on experiences working from home. At Vossloh Fastening Systems, the overall mood was positive, with around 60 percent of employees in production and administration taking part. Many of the respondents would like to integrate home office even more into their normal workday. In digital leadership workshops held in parallel, the need for support in digital leadership and the desire for binding and uniform home office regulations became clear. A survey on home office experiences at Vossloh Rail Services yielded similar results.

An initial survey at Vossloh Switch Systems on this topic covered all French sites. Based on the results, employee representatives and management are currently negotiating a home working agreement. In September 2020, a second survey was conducted in the entire business unit to find out how employees use digital communication tools and what their expectations of these tools are. The analysis showed, among other things, that employees want an easily accessible information platform with news primarily about their working environment, provided in their native language if possible. As a thank you for their commitment under COVID-19 conditions, there were carefully selected gifts, surprises and activities for the employees during the 2020 christmas season.

Vossloh Fastening Systems surveyed its employees in China on various aspects of job satisfaction at the end of 2019. In line with the wishes expressed in the process, a learning offering to improve self-presentation for the entire workforce and e-learning to improve communication skills were launched in 2020. At Tie Technologies, there was a survey of Austrak company employees about health/wellness and diversity in April 2020. Based on the results, the preventative care/nutrition/sports offerings were expanded. With regard to diversity, a strategy has been developed to make the workforce more "colorful" at all sites. Vossloh Rail Services systematically introduced the exit interview tool in 2020 with the aim of learning from employees who leave the Company.

Vossloh's flat hierarchies generally promote open dialog within the workforce. The annual performance review is firmly institutionalized throughout the Group as an opportunity for feedback to flow between employees and managers; in addition, regular discussions between employees and managers are encouraged. In order to encourage people to look at the bigger picture, upstream and downstream process steps are presented and explained in a transparent way. On the other hand, employees are systematically given insights into other areas and new areas.

Social matters/CSR

Stakeholder engagement

Vossloh maintains an ongoing dialog with its internal and external stakeholders. In doing so, it is important for the Company to address the individual groups directly and take their interests into account. The following table provides an overview of the issues involved in the stakeholder dialog along with the dialog formats Vossloh uses:

Stakeholder	Topics	Dialog formats
Customers	- (New) Vossloh products and services - Product and service quality - Customized solutions for the respective task - Quick response to inquiries, as well as order handling and logistics	- Regular customer talks - Publications (printed and digital) - Participation in trade fairs - Events for/with customers - Integration of customers into the system by means of EDI (Electronic Data Interchange)
Capital market participants	- Development of the Company's value - Current business development - Strategic alignment of the Company - Corporate governance as per the relevant rules - Commitment to sustainability	- Financial reporting - Annual General Meeting - Investor conferences - Conference calls - Roadshows - Capital markets days - Website
Employees	- Employment contract regulations - Company agreements - Internal communication - Dialog with the executive level - Opportunity for further training - Promotion of junior employees	- Regular performance reviews - Employee magazine "in*motion*" - Employee surveys - Exchange forums and project teams reaching across national borders, hierarchies and divisions - Vossloh Learning Platform - LEAD! development program
Suppliers	- New/alternative materials - Framework conditions for supplier agreements - Communication of scope of supply specifications	- Regular supplier meetings - Participation in trade fairs
Media / trade press	- External portrayal of the Company - Reports on industry-specific topics - Information about interesting projects	- Press releases - Website - Social media presence - Publications in journals - Participation in trade fairs
Science	• Dialog between scientific institutions and the industry • Reports on research work	- Collaboration to solve specific tasks - Expert involvement in research projects - Publications in journals - Promotion of science (awards, supporting work for dissertations, etc.)
Associations	- Active participation in industry-wide dialog - Involvement in the work of associations - Information about the underlying conditions and regulations in markets	- Involvement in the designing of events, conferences, etc. of associations - Involvement in association bodies - Participation in trade fairs - Involvement in standardization committees - Involvement in market studies

On-site commitment

Social issues at Vossloh are the responsibility of the operating units, and therefore there is no Group-wide concept. Contributions made to the community by the individual corporate entities at the various sites are also not systematically recorded.

Individual companies traditionally support civic society at their respective locations in a variety of ways, including by making donations of cash and in kind – for example, to associations or hospitals. They also release employees for voluntary work in the public interest (for example, in fire departments or local councils, or for work in associations). Numerous Vossloh employees also volunteer in their local communities in their spare time. The Lifecycle Solutions division uses funds that can be donated to charitable organizations to promote increased participation in social, athletic, cultural or environmental areas by its employees. At Austrak in Australia, employees have a paid absence day which they can use to work for a charity organization of their choice.

Additionally, Vossloh's research and development departments in particular collaborate with a number of universities and research institutes at varying levels and in various constellations, including in Germany, France, Sweden, China, Australia and the USA.

Corporate responsibility

The nonfinancial aspects of corporate governance, particularly combating corruption and bribery, compliance with antitrust law and the 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 workers live up to this responsibility.

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. As a third body, the Annual General Meeting is responsible for important fundamental decisions made by the Company.

Compliance/combating corruption and bribery/compliance with antitrust law

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 targets. 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 these risks in order to prevent Vossloh and its employees from incurring damage and liability risks. In a risk stocktaking update conducted in 2016 with external assistance, bribery in business dealings and violations of competition law were identified as the central compliance risks. 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, conduct compliant with antitrust law and the bringing in of intermediaries as well as data protection guidelines, export control guidelines and insider guidelines. (More information 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 2020, Vossloh conducted compliance training around the world for a total of 309 participants (2019: 1,063 participants). The significant decrease in training compared to the previous year can be explained by the fact that on-site classroom training was practically not or hardly possible due to the COVID-19 pandemic. This was partially compensated for with virtual training courses which, however, cannot reach all employees; experience also tells us that virtual training is not as effective or instructive. Vossloh will resume classroom training to a greater extent as soon as possible.

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. 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, 2020, the training rate stood at 96.4 percent (2019: 95.9 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 2020, no physical compliance audits (2019: three) were conducted Group-wide due to the COVID-19 pandemic and the associated travel restrictions. Instead, the three compliance audits that were decided and planned for 2020 were postponed to 2021. However, compliance issues were also audited as part of the internal audit process. Additionally, Vossloh regularly has its Compliance-Management-System reviewed by external experts and asks them to 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, they have been 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. An update of the risk inventory that was also decided and planned for 2020 had to be postponed due to the COVID-19 pandemic.

Vossloh set up a whistleblower hotline together with an international law firm. In addition to the option of contacting the Compliance Officer directly, this allows company employees and external persons the opportunity 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. Vossloh systematically looks into every report of conduct that is potentially illegal or against the rules. The ombudspersons were contacted on five occasions in 2020 (2019: six occasions). All resulting investigations into possible compliance violations were completed.

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."

Vossloh 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. Binding 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 Vossloh and its employees.

Since early 2017, 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:
- Verband der Bahnindustrie in Deutschland (VDB) e. V., German Railway Industry Association
- Union des Industries Ferroviaires Européennes (UNIFE), Association of the European Rail Industry
- Deutsches Verkehrsforum (DVF)
- Institut für Bahntechnik GmbH (IfB)
- Allianz pro Schiene e. V.
- Verband Deutscher Verkehrsunternehmen e. V. (VDV), Association of German Transport Companies

Details of material nonfinancial risks regarding ongoing legal proceedings and legal disputes can be found in the section entitled "Risk and opportunity management" on page 37.

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

The protection of personal data is a matter of importance to Vossloh. Vossloh revised its data protection management system in 2018 to comply with the European General Data Protection Regulation (GDPR) and adjusted the organization in accordance with the new legal requirements. The new data protection policy came into effect in May 2018. 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.

Respect for human rights

Vossloh respects internationally recognized human rights in its business activities, and these are codified as binding rules for all employees in Section 10 of the Vossloh Code of Conduct ("Protection of human and labor rights"). The Code of Conduct can be found under "Corporate Governance" > "Compliance" in the "Investor Relations" section of the corporate website www.vossloh.com. Risks that may result from the violation of human rights are recorded under "Nonfinancial risks and opportunities" on page 43.

As a globally acting Group, Vossloh actively promotes diversity within its workforce. In 2020, the Company employed men and women from over 45 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. Vossloh is fundamentally committed to promoting equal opportunities in the workplace, such as in the selection of employees for high-potential programs or recruitment for open positions, as well as part of its HR policy focusing on life phases. In the Customized Modules division, the "All on track" initiative that was launched in 2019 is having an impact, but was only able to implement part of its planned activities due to the COVID-19 pandemic. The network for more diversity and especially more women in the workforce is now actively supported by 35 people in six countries. The initiative was given a boost by the fact that French companies with more than 50 employees are obliged to publish annual figures on equality between men and women in the workplace. In this Penicaud index, Vossloh Cogifer SA achieved 85 out of a possible 100 points in 2020. The French Vossloh sites also 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.

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 whistleblower hotline is available in order for possible misconduct to be reported. No human rights violations were reported in the 2020 fiscal year (2019: also no reports).

There are no Company-wide specifications in place at Vossloh regarding the aspect of human rights when drawing up contracts and there is therefore no monitoring of this. 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).

To date, neither Vossloh's own sites nor its suppliers have been subject to checks of their compliance with the human rights clauses, and corresponding monitoring and assessment processes have not been established. 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.

Customer and product aspects

The rail infrastructure markets in which Vossloh operates have a number of particular characteristics. These are the result of the historic development of rail as a means of transportation, among other things. In the majority of these markets, the rail infrastructure and numerous rail transport operators are still state-owned. Vossloh's potential customers are therefore companies the investment scope of which can also be influenced by political specifications. Building and maintaining rail routes and purchasing and maintaining the rail vehicles are costly as rail transport operators are required to comply with extensive technical, logistical and legal provisions. The number of potential Vossloh customers is therefore limited. Furthermore, safety is elementary when it comes to the (mass) transportation of people and goods. Rail performs well in this respect compared to other modes of transport. The safety of its products and services and customer satisfaction are therefore key nonfinancial performance indicators for Vossloh. The material nonfinancial risks that the Company faces because of the underlying industry conditions or the markets it develops are covered in the section entitled "Nonfinancial risks and opportunities" on page 43.

Product safety Vossloh makes considerable contributions to the safety of rail services, meeting the most stringent of standards itself in the process. 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. At the reporting date December 31, 2020, around 97 percent of the Vossloh workforce was employed at a unit with such a 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 installations/test usage by the customers and as part of the complex approval process of certified testing organizations. In 2020, for example, the Core Components division also tested the innovative EPS composite tie in regular operation on selected routes. The Customized Modules division tested further products made from its extremely hard rolled steel CogX. The Lifecycle Solutions division continued with the HavenZuG project – together with some renowned partners. The focus of this project is on investigating how the permanent monitoring and analysis of the condition of port railway tracks can be incorporated into daily shunting operations. The stringent requirements result in lengthy development times. 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 33).

Through the use of tailored instructions, briefings, consulting, training and seminars both before and after delivery, Vossloh ensures that customers' employees can handle the Company's products appropriately. Specialists from Sales and Engineering 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. The extensive evaluations and audits of both potential and existing suppliers are based on numerous criteria. 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 regularly 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 be generally able to guarantee at all times that their goods and services meet the applicable regulatory and statutory requirements.

Customer satisfaction Vossloh has customers in over 80 countries worldwide, and the Company has its own sales offices in 25 countries. Since February 2018, a uniform CRM (customer relationship management) software program has been rolled out across the Group. This software makes all information on all Vossloh customers available to all operating units centrally, in a secure environment, and at the same time records all rail infrastructure projects worldwide. In 2020, enhancements were developed for CRM, primarily to make it even more user friendly and optimize offer processing. The current version of CRM (Business Release II) went online in January 2021. The most important new feature is the request that sales employees assess customer satisfaction using a 5-star scale. Business Release III will be launched during 2021. This version surveys customer satisfaction using specific questions associated with customer groups, resulting in an overall score. To objectify this assessment, direct customer surveys and analyses will be conducted regularly in the future by means of the marketing tool that was also added to CRM in 2020. This is based on various segmentation criteria (regions, customer categories, customer classifications, service segments) and the division into buying center functions.

Vossloh Fastening Systems is a pioneer in the permanent registration of customer satisfaction. Starting in 2020, five relevant questions had to be answered for each customer visit report, either together with the customer or as an assessment by the sales employee. In parallel, Vossloh Switch Systems developed a Net Promoting Score (NPS) in 2020, a metric that measures the extent to which a customer would recommend a product or service to others.

Limited Assurance Report of the Independent Practitioner[1]

To Vossloh AG, Werdohl/Germany

Engagement
We have performed a limited assurance engagement on the consolidated non-financial statement pursuant to Section 315b German Commercial Code (HGB), which is included in the combined management report, of Vossloh AG, Werdohl/Germany, ("the Company") for the period from 1 January to 31 December 2020.

Responsibilities of the Executive Board
The executive board of Vossloh AG is responsible for the preparation of the consolidated non-financial statement in accordance with the requirements of Sections 315b, 315c in conjunction with Sections 289c to 289e HGB.

In preparing the consolidated non-financial statement, the executive board used the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) stated under the "Core" option and indicated these in the consolidated non-financial statement.

These responsibilities of the executive board of the Company include the selection and application of appropriate methods to prepare the consolidated non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. In addition, the executive board is responsible for such internal control as it has determined necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

The accuracy and completeness of environmental data in the consolidated non-financial statement is subject to inherent boundaries, which result from the nature and type of data collection, data calculation and respective necessary assumptions.

Responsibilities of the Independent Practitioner
Our responsibility is to express a conclusion on the consolidated non-financial statement based on our work performed within our limited assurance engagement.

We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the German national legal requirements and the German professional pronouncements on quality control, in particular the Professional Charter for German Public Auditors and German Sworn Auditors (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW), which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), issued by the IAASB. This standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance that no matters have come to our attention to

---

[1] We have performed a limited assurance engagement on the German version of the consolidated non-financial statement and issued an independent practitioner's assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

cause us to believe that the consolidated non-financial statement has not been prepared, in all material respects, in accordance with the requirements of Sections 315b, 315c HGB. The procedures performed in a limited assurance engagement are less in extent than for 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 judgement.

Within the scope of our limited assurance engagement, which we performed between December 2020 and March 2021, we notably performed the following work and other activities:

- Gaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement
- Examining the processes for collecting, analysing and aggregating selected information
- Inquiries of relevant personnel that participated in the preparation of the consolidated non-financial statement about the preparation process, about the measures and arrangements (system) in place for the preparation of the consolidated non-financial statement as well as about the disclosures contained therein
- Identification of risks of material misstatements in the consolidated non-financial statement
- Analytical evaluation of disclosures contained in the consolidated non-financial statement
- Comparison of the disclosures contained in the consolidated non-financial statement with the corresponding data in the annual financial statements, the consolidated financial statements and the combined management report
- Assessment of the presentation of the disclosures

Practitioner's Conclusion

Based on the assurance work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of Vossloh AG for the period from 1 January to 31 December 2020 has not been prepared, in all material respects, in accordance with the requirements of Sections 315b, 315c in conjunction with 289c to 289e HGB.

Purpose of the Assurance Report

We issue this report as stipulated in the engagement letter agreed with Vossloh AG. The limited assurance engagement has been performed for the purposes of Vossloh AG and the report is solely intended to inform Vossloh AG about the result of the assurance engagement.

Liability

This report is not intended to be used by third parties as a basis for making (financial) decisions. We are liable solely to Vossloh AG and our liability is also governed by the engagement letter dated 4 January 2021 / 21 January 2021 agreed with Vossloh 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). We assume no responsibility with regard to any third parties. By reading and using the information contained in this report, each recipient confirms notice of the provisions of the General Engagement Terms (notably the limitation of our liability for negligence to mEUR 4 as stipulated in no. 9 of the IDW-AAB) and agrees and acknowledges the General Engagement Terms towards us.

Düsseldorf/Germany, 1 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Financial statements of Vossloh AG as of December 31, 2020

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

€ mill.	2020	2019
Sales revenues	7.5	5.2
Cost of sales	(7.5)	(4.8)
Gross profit	**0.0**	**0.4**
General administrative expenses	(19.8)	(18.7)
Other operating income	12.3	5.0
Other operating expenses	(3.5)	(7.2)
Operating result	**(11.0)**	**(20.5)**
Income from investments	15.0	15.0
thereof from affiliated companies: €15.0 million (previous year: €15.0 million)		
Income from profit transfer agreements	13.1	18.8
thereof from affiliated companies: €13.1 million (previous year: €18.8 million)		
Income from other securities and loans	4.8	5.0
thereof from affiliated companies: €4.7 million (previous year: €5.0 million)		
Other interest and similar income	9.6	14.2
thereof from affiliated companies: €8.7 million (previous year: €14.1 million)		
Write-downs of financial assets and securities classified as current assets	(47.0)	(26.3)
Expenses from losses absorbed	(28.6)	(60.5)
thereof to affiliated companies: €28.6 million (previous year: €60.5 million)		
Interest and similar expenses	(8.9)	(9.1)
thereof to affiliated companies: €0.1 million (previous year: €0.1 million)		
Net financial result	**(42.0)**	**(42.9)**
Income taxes	0.0	(0.1)
Result after taxes / net loss for the year	**(53.0)**	**(63.5)**

Balance sheet

Assets in € mill.	12/31/2020	12/31/2019
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	0.7	0.5
Advance payments and construction in process on int. assets	2.5	
Intangible assets	**3.2**	**0.5**
Other equipment, factory and office equipment	0.3	0.2
Property, plant and equipment	**0.3**	**0.2**
Shares in affiliated companies	470.3	474.0
Loans to affiliated companies	132.5	132.5
Investments	0.1	0.1
Long-term securities	0.1	0.1
Financial assets	**603.0**	**606.7**
Fixed assets	**606.5**	**607.4**
Receivables from affiliated companies	283.7	333.8
Other assets	4.9	4.5
Receivables and other assets	**288.6**	**338.3**
Cash on hand and in the bank	0.0	7.7
Current assets	**288.6**	**346.0**
Prepaid expenses	**0.7**	**0.5**
	895.8	**953.9**

Equity and liabilities in € mill.	12/31/2020	12/31/2019
Capital stock	49.9	49.9
Additional paid-in capital	201.4	201.4
Retained earnings		
Other revenue reserves	170.7	220.7
Unappropriated surplus	78.1	81.1
Equity	**500.1**	**553.1**
Provisions for pensions and similar obligations	15.9	15.0
Other provisions	9.8	10.4
Provisions	**25.7**	**25.4**
Due to banks	332.8	348.0
Trade payables	3.6	0.7
Liabilities to affiliated companies	25.7	21.1
Other liabilities	7.9	5.6
thereof taxes: €0.8 million (previous year: €0.3 million)		
thereof relating to social security and similar obligations: €0.0 million (previous year: –)		
Liabilities	**370.0**	**375.4**
	895.8	**953.9**

Schedule of changes in fixed assets (appendix to the notes)

€ mill.	Historic cost				Accumulated amortization/ depreciation/write-downs				Carrying amounts	
	As of 1/1/ 2020	Additions	Disposals	As of 12/31/ 2020	As of 1/1/ 2020	Depreciation in the fiscal year	Disposals	As of 12/31/ 2020	As of 12/31/ 2020	As of 12/31/ 2019
Intangible assets										
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	7.6	0.5	–	8.1	7.1	0.3	–	7.4	0.7	0.5
Advance payments and construction in process on int. assets	–	2.5	–	2.5	–	–	–	–	2.5	–
	7.6	**3.0**	**–**	**10.6**	**7.1**	**0.3**	**–**	**7.4**	**3.2**	**0.5**
Property, plant and equipment										
Land, leasehold rights and buildings including buildings on nonowned land	0.1	–	–	0.2	0.1	0.0	–	0.1	0.1	0.0
Other equipment, factory and office equipment	1.0	0.1	0.0	1.1	0.8	0.0	0.0	0.8	0.3	0.2
	1.1	**0.1**	**0.0**	**1.3**	**0.9**	**0.0**	**0.0**	**0.9**	**0.4**	**0.2**
Financial assets										
Shares in affiliated companies	523.6	72.1	(78.4)	517.3	49.6	47.0	(49.6)	47.0	470.3	474.0
Loans to affiliated companies	132.5	–	–	132.5	–	–	–	–	132.5	132.5
Investments	0.1	–	–	0.1	–	–	–	–	0.1	0.1
Long-term securities	0.1	–	–	0.1	–	–	–	–	0.1	0.1
Other loans	–	–	–	–	–	–	–	–	–	–
	656.3	**72.1**	**(78.4)**	**650.0**	**49.6**	**47.0**	**(49.6)**	**47.0**	**603.0**	**606.7**
Total	**665.0**	**75.2**	**(78.4)**	**661.9**	**57.6**	**47.3**	**(49.6)**	**55.3**	**606.6**	**607.4**

Notes

General information

Vossloh Aktiengesellschaft, Vosslohstraße 4, 58791 Werdohl, Germany, entered under registry number HRB 5292 at the Iserlohn district court, is a large stock corporation within the meaning of Section 267 (3) Sent. 2 of the German Commercial Code (HGB) in conjunction with Section 264d HGB.

The annual financial statements of Vossloh AG for the 2020 fiscal year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The income statement has been prepared using the cost-of-sales method according to Section 275 (3) HGB. Accounting policies were unchanged from the previous year, insofar as there are no further notes.

Recognition and measurement principles

The recognition and measurement are based on the following principles: purchased intangible assets and property, plant and equipment are measured at cost. Amortizable/depreciable assets are amortized/depreciated by applying declining-balance or straight-line depreciation. Since 2001, new additions to depreciable/amortizable fixed assets have solely been recognized as reduced by straight-line depreciation. Impairment losses are recognized if the fair value is permanently less than the amortized cost. Intangible assets are amortized over useful lives of one to five years. In the case of buildings, the useful life is five to fifty years, while for factory and office equipment the useful life is one to twenty years.

For all independently usable movable assets whose cost is over €250 but not more than €1,000, an annual compound item is recognized and depreciated over five years. All independently usable movable assets with a cost of up to €250 are immediately recognized as expense in the year of addition.

Financial assets are carried at the lower of cost or fair value. In order to determine the fair value of the investments, a valuation method based on IDW RS HFA 10 “Application of the principles of IDW S 1 in the valuation of shareholdings and other company shares for the purpose of a commercial annual financial statement” in connection with IDW S 1 of 2008 “Principles for carrying out company valuations” of the Institut für Wirtschaftsprüfer in Deutschland e.V., Düsseldorf, is applied according to the version valid as of the reporting date, provided that no current market prices are available. Future free cash flows, derived from the respective current planning with a time horizon of three years, are calculated and discounted with the weighted average cost of capital. The risk-free base rate is (0.15) percent. The market premium is 7.00 percent. Taking into account country-specific risk factors and growth factors, the present value thus determined is compared with the net carrying amount. If there is a permanent impairment, the asset is written down to the fair value.

Receivables and other assets, as well as cash and cash equivalents are recognized at nominal value, or if applicable, at cost or the lower fair value.

Receivables and liabilities denominated in a foreign currency are translated and recognized at the mean spot rate at the date of initial entry or at the less favorable exchange rate at the balance sheet date. In the case of a remaining term of one year or less, the translation is principally made at the mean spot rate as of the balance sheet date, if no hedging exists. If the receivables or liabilities are hedged, the hedged rate is applied.

Deferred taxes are recognized for the differing carrying amounts for commercial and tax purposes of assets, liabilities, accruals and deferrals, which will result in future taxable charges or credits, as well as for loss carryforwards and interest carryforwards, which are expected to be utilized in the next five years. Deferred tax assets and liabilities are netted for the balance sheet presentation. Based on differences between the commercial and tax values in the positions “pension provisions” and “other provisions” as well as deferred taxes on loss and interest carryforwards, a net deferred tax asset results by applying a tax rate of 31.98 percent. Vossloh AG does not exercise the accounting option under Section 274 (1) Sent. 2 HGB to recognize deferred tax assets.

Performance obligations on pension plans and similar obligations are measured using the projected unit credit method. The mortality tables 2018 G (RT2018G) of Prof. Dr. Klaus Heubeck are used as a basis for this. According to the German Regulation on the Discounting of Provisions, the discount rate published by the Deutsche Bundesbank as of December 31, 2020, for obligations with a 15-year average remaining term in the amount of 2.30 percent is applied as actuarial interest, whereby the average market interest rate with matching maturities is determined on the basis of the last ten fiscal years, as in the previous year. As additional calculation parameters, a wage and salary increase of 3.00 percent, an expected increase in pension payments of 1.80 percent and an average fluctuation rate of 6.00 percent are applied.

Assets that are protected from creditors and serve solely to fulfill the pension liabilities (covered funds) are measured at fair value and are netted against these obligations.

Thereby, the provisions for pensions were reduced by €10.2 million (previous year: €10.3 million). Income and expenses from these assets are offset against the interest expense from the discounting of the respective obligation and shown in the financial result.

For further risk or obligations in the personnel area, for example, vacation claims, provisions are recognized according to principles of commercial law. Tax provisions and other provisions are recognized in the settlement amount that is required under the principles of prudent commercial judgment. Expected price and cost increases are considered. Provisions with a remaining term of more than one year are principally discounted with the average market interest rate over the last seven years as determined and published by the Deutsche Bundesbank, corresponding to their term, provided the provisions are not attributable to the pension obligations. In the case of anniversary provisions, a flat remaining term of 15 years is assumed in exercising the option pursuant to Section 253 (2) Sent. 2 HGB. Interest rates corresponding to the respective term are used for provisions for pre-retirement part-time employment.

Liabilities are recognized at the settlement amount.

Derivative financial transactions are utilized solely for hedging purposes; if the conditions are met, they are combined with the underlying transaction to form a valuation unit. To the extent that the hedging relationship of the respective valuation unit is effective, the compensating changes in value of the underlying and hedging instrument are not recognized. The result from exchange contracts entered into to hedge currencies is first recognized upon maturity. To the extent that a hedge is ineffective, the total remaining loss is immediately recognized in profit or loss. A total remaining gain, however, is not considered.

Notes to the balance sheet

Classification and movements of fixed assets are detailed in the schedule of changes in fixed assets on page 76.

The additions to intangible assets mainly resulted from the acquisition of licenses for SAP S4 Hana (€1.9 million).

The additions of shares in affiliated companies resulted primarily from capital increases for Vossloh International GmbH (€47.1 million) and Vossloh Locomotives GmbH (€25.0 million).

The disposals of shares in affiliated companies comprise the capital reduction (€5.2 million) and the sale of Vossloh Locomotives GmbH (€73.2 million).

In the 2020 fiscal year, an impairment loss of €47.0 million was recognized on the investment carrying amount of Vossloh International GmbH. In addition, the sale of Vossloh Locomotives GmbH reduces accumulated depreciation on financial assets by €49.6 million.

List of shareholding

	€ mill.	Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh Aktiengesellschaft, Werdohl**				(k)		
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(k)	100.3	(0.9)
(3)	Vossloh US Holdings, Inc., Wilmington, Delaware, USA		100.00	(2)	(k)	72.6	(18.4)
(4)	Vossloh Australia Pty. Ltd., Sydney, Australia		100.00	(1)	(k)	20.5	(0.4)
	Core Components division						
	Fastening Systems business unit						
(5)	Vossloh Fastening Systems GmbH, Werdohl	3	100.00	(1)	(k)	31.5	0.5
(6)	Vossloh Tehnica Feroviara SRL, Bucharest, Romania		100.00	(5)	(n)	0.0	0.0
(7)	Vossloh Drazni Technika s.r.o., Prague, Czech Republic		100.00	(5)	(n)	1.9	1.1
(8)	Vossloh Sistemi S.r.l., Cesena, Italy		100.00	(5)	(k)	16.8	1.5
(9)	Vossloh Skamo Sp.z o.o., Nowe Skalmierzyce, Poland		100.00	(5)	(k)	6.5	0.7
(10)	FÉDER-7 Rugógyártó Kft., Sárkeresztes, Hungary		100.00	(5)	(n)	0.4	0.0
(11)	Vossloh Fastening Systems America Corp., Chicago, Illinois, USA		100.00	(3)	(k)	1.8	(0.6)
(12)	Vossloh Fastening Systems (China) Co. Ltd., Kunshan, China		68.00	(5)	(k)	31.9	11.8
(13)	Vossloh-Werke International GmbH, Werdohl		100.00	(5)	(k)	28.0	15.8
(14)	Beijing China-Railway Vossloh Technology Co. Ltd., Beijing, China		49.00	(5)	(n)	1.6	0.0
(15)	Vossloh Fastening Systems Southern Africa Proprietary Limited, Cape Town, South Africa	6	100.00	(80)	(n)	0.0	0.0
(16)	TOO Vossloh Fastening Systems (Kazakhstan), Kapshagay, Kazakhstan		50.00	(13)	(e)	0.0	0.0
(17)	Suzhou Vossloh Track Systems Co. Ltd., Suzhou, China		100.00	(13)	(k)	3.0	0.9
(18)	AO Vossloh Fastening Systems RUS, Engels, Russia		50.00	(5)	(e)	0.0	0.0
(19)	Vossloh Fastening Systems Australia Pty. Ltd., Sydney, Australia		100.00	(4)	(n)	1.0	0.1
(20)	OOO Vossloh Bahn- und Verkehrstechnik, Moscow, Russia		99.00/1.00	(2)/(1)	(k)	2.3	0.2
(21)	Vossloh Maschinenfabrik Deutschland GmbH, Werdohl		100.00	(5)	(n)	1.6	(0.1)
(22)	Vossloh Fastening Systems India Private Ltd., New Delhi, India	4	99.99/0.01	(5)/(13)	(k)	0.1	0.0
(23)	Vossloh (Anyang) Track Material Co., Ltd., Anyang, China		51.00	(13)	(k)	24.9	(1.1)
(24)	Kunshan Vossloh Railway Materials Trading Co. Ltd., Kunshan, China		100.00	(13)	(k)	0.9	0.7
	Tie Technologies business unit						
(25)	Rocla International Holdings, Inc., Wilmington, Delaware, USA		100.00	(3)	(k)	5.4	0.3
(26)	Rocla Concrete Tie, Inc., Lakewood, Colorado, USA		100.00	(25)	(k)	82.3	13.5
(27)	RCTI de Mexico, S. de R. L. de C. V., Mexico City, Mexico		99.998/0.002	(26)/(3)	(k)	21.3	1.8
(28)	RocBra Participacoes e Empreendimentos Ltda., São Paulo, Brazil	6	100.00	(25)	(n)	3.5	0.0
(29)	Cavan Rocbra Industria E Comercio De Pre Moldados De Concreto S/A, São Paulo, Brazil	6	20.00	(28)	(n)	18.0	6.9
(30)	Austrak Pty. Ltd., Brisbane, Australia		100.00	(4)	(k)	35.5	4.5
(31)	Vossloh Tie Technologies Canada ULC, Vancouver, Canada		100.00	(26)	(k)	(3.3)	(3.6)
	Customized Modules division						
	Switch Systems business unit						
(32)	Vossloh France SAS, Rueil-Malmaison, France		100.00	(1)	(k)	154.0	15.4
(33)	Vossloh Cogifer SA, Rueil-Malmaison, France		100.00	(32)	(k)	127.2	14.4
(34)	Jacquemard AVR SA, St. Jean Bonnefonds, France		100.00	(33)	(k)	(0.5)	(1.7)
(35)	Vossloh Cogifer Finland Oy, Teijo, Finland		100.00	(36)	(k)	7.4	1.8
(36)	Vossloh Nordic Switch Systems AB, Ystad, Sweden		100.00	(33)	(k)	13.5	8.4
(37)	Vossloh Cogifer KIHN SA, Rumelange, Luxembourg		89.21	(33)	(k)	14.3	1.9
(38)	Vossloh Laeis GmbH, Trier		100.00	(37)	(k)	(10.4)	0.4
(39)	Futrifer-Indústrias Ferroviárias, SA, Lisbon, Portugal		61.00	(33)	(e)	3.0	1.0
(40)	Amurrio Ferrocarril y Equipos SA, Amurrio, Spain		50.00	(33)	(e)	28.2	0.2
(41)	Montajes Ferroviarios, S. L., Amurrio, Spain	6	100.00	(40)	(n)	0.2	(0.1)
(42)	Burbiola SA, Amurrio, Spain		50.00	(40)	(n)	1.6	0.1
(43)	Vossloh Cogifer UK Limited, Scunthorpe, United Kingdom		100.00	(33)	(k)	3.5	2.0
(44)	Vossloh Cogifer Italia S.r.l., Milan, Italy		100.00	(33)	(k)	2.5	2.3
(45)	Vossloh Cogifer Polska Sp.z o.o., Bydgoszcz, Poland		96.95	(33)	(k)	11.3	3.1

€ mill		Footnote	Shareholding in %	at	Consolidation[1]	Equity[2]	Result after taxes[2]
(46)	ATO-Asia Turnouts Limited, Bangkok, Thailand		51.00	(33)	(e)	1.9	(0.6)
(47)	Vossloh Cogifer Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(33)	(k)	(1.5)	(0.6)
(48)	Siema Applications SAS, Villeurbanne, France		100.00	(33)	(k)	4.6	0.3
(49)	VOSSLOH MIN SKRETNICE DOO ZA Proizvodnjui Montazu Skretnica i Opreme Nis, Niš, Serbia		100.00	(33)	(k)	6.6	1.2
(50)	Vossloh Beekay Castings Ltd., New Delhi, India	5	58.48	(33)	(e)	6.4	0.7
(51)	Vossloh Cogifer Turnouts India Private Limited, Hyderabad, India	5	100.00	(33)	(k)	2.8	0.0
(52)	Vossloh Cogifer Signalling India Private Limited, Bangalore, India	5	100.00	(33)	(k)	0.9	0.1
(53)	Vossloh Track Material, Inc., Wilmington, Delaware, USA		100.00	(3)	(k)	0.0	(5.4)
(54)	Vossloh Cogifer Australia Pty. Ltd., Castlemaine, Australia		100.00	(4)	(k)	14.4	1.0
(55)	Vossloh Cogifer Kloos BV, Nieuw-Lekkerland, the Netherlands		100.00	(33)	(k)	(0.3)	0.3
(56)	Wuhu China Railway Cogifer Track Co. Ltd., Wuhu, China		50.00	(33)	(e)	21.2	3.0
(57)	Vossloh Cogifer Southern Africa Proprietary Limited, Cape Town, South Africa	6	100.00	(80)	(n)	0.0	0.0
(58)	Vossloh Cogifer do Brasil Administracao de Bens e Participacoes Ltda., Sorocaba, Brazil		99.99/0.01	(33)/(34)	(k)	(1.0)	(0.2)
(59)	Vossloh Cogifer do Brasil Metalúrgica MBM SA, Sorocaba, Brazil		100.00	(58)	(k)	(0.9)	(0.2)
(60)	Outreau Technologies SAS, Outreau, France		100.00	(33)	(k)	15.5	(7.3)
(61)	Vossloh Infrastructure Systems LLC, Moscow, Russia		90.00/10.00	(37)/(49)	(n)	0.0	0.0
	Lifecycle Solutions division						
	Rail Services business unit						
(62)	Vossloh Rail Services GmbH, Hamburg	3	100.00	(1)	(k)	23.1	0.0
(63)	Vossloh Rail Center GmbH, Hamburg	3	100.00	(62)	(k)	18.5	0.0
(64)	Vossloh Rail Inspection GmbH, Leipzig (formerly: GTS Gesellschaft für Gleistechnik Süd mbH)	3	100.00	(63)	(k)	0.1	0.0
(65)	Alpha Rail Team GmbH & Co. KG, Berlin	3	100.00	(63)	(k)	17.6	0.4
(66)	Alpha Rail Team Verwaltungs GmbH, Berlin		100.00	(63)	(k)	0.0	0.0
(67)	Vossloh Logistics GmbH, Hanover	3	100.00	(62)	(k)	7.5	0.6
(68)	VOSSLOH Turkey Demiryolu Sistemleri Ltd. Sti., Istanbul, Turkey		100.00	(71)	(k)	2.4	1.4
(69)	Vossloh Rail Maintenance GmbH, Hamburg (formerly: Vossloh High Speed Grinding GmbH)	3	100.00	(62)	(k)	(2.2)	(0.3)
(70)	Vossloh Mobile Rail Services GmbH, Leipzig	3	100.00	(63)	(k)	1.1	0.0
(71)	Vossloh Rail Services International GmbH, Hamburg	3	100.00	(62)	(k)	1.6	1.0
(72)	Vossloh MFL Rail Milling GmbH, Liezen, Austria		50.00	(71)	(e)	(1.8)	0.0
(73)	Vossloh Rail Services Scandinavia AB, Örebro, Sweden		100.00	(71)	(k)	4.9	1.1
(74)	Vossloh Rail Services North America Corporation, Denver, Colorado, USA		100.00	(3)	(n)	(0.1)	(0.8)
(75)	Beijing CRM-Vossloh Track Maintenance Technology Co.,Ltd., Beijing, China		47.00	(71)	(e)	19.0	2.3
(76)	Vossloh Rail Services Kunshan Co. Ltd., Kunshan, China		100.00	(71)	(k)	2.6	0.5
(77)	Vossloh Rail Services Finland Oy, Kouvola, Finland		100.00	(71)	(k)	7.1	0.9
(78)	Rhomberg Sersa Vossloh GmbH, Föhren		50.00	(62)	(e)	1.4	0.2
(79)	Vossloh Services France SAS, Rueil-Malmaison, France		49.90/51.10	(33)/(71)	(k)	0.2	(0.2)
	Other companies						
(80)	Vossloh Southern Africa Holdings Proprietary Ltd., Johannesburg, South Africa	6	100.00	(2)	(n)	0.4	0.0

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

Receivables and other assets

Receivables and other assets are due in full within one year, both in the current and in the previous year. All receivables are due from affiliated and associated companies.

Capital stock

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

Authorized capital

By resolution of the Annual General Meeting on May 27, 2020, the partially utilized Authorized Capital 2017 was canceled in full and new authorized capital of up to €24,928,841.11 ("Authorized Capital 2020") was resolved. The authorization to increase the capital stock on the basis of Authorized Capital 2020 is limited until May 26, 2025.

Conditional capital

The Company has no conditional capital.

Additional paid-in capital

The additional paid-in capital of €201,443,508.42 (previous year: €201,443,508.42) includes the premiums from issuing Vossloh AG stock.

Other revenue reserves recognized under retained earnings totaled €170,671,697.46 (previous year: €220,671,697.46).

Provisions

In the 2020 fiscal year, the amount required to settle pension obligations came to €26,102 thousand (previous year: €25,325 thousand). The fair value of the covered funds offset against this settlement amounted to €10,156 thousand (previous year: €10,297 thousand).

Pension provisions would have been €2,539 thousand (previous year: €2,575 thousand) higher if the market interest rate with matching maturities had been based on the past seven fiscal years rather than the past ten fiscal years. The same amount is undistributable in accordance with Section 253 (6) Sent. 2 HGB.

The fair value of covered funds corresponds to the budgeted unearned premium reserve from the employer's pension liability insurance contract, plus the credit balance from premiums refundable (irrevocably creditable capital bonus). This value, moreover, equals the asset value for tax purposes. Amortized cost totaled €5,446 thousand.

The amount undistributable in accordance with Section 268 (8) HGB was €4,710 thousand and resulted entirely from the difference between the fair value and the amortized cost of the covered funds.

In the income statement, expenses of €2,018 thousand (previous year: €2,320 thousand) were netted against income of €402 thousand (previous year: €376 thousand) in the net financial result.

The other provisions of €9,775 thousand (previous year: €10,351 thousand) include €3,238 thousand for personnel (previous year: €5,053 thousand) and €4,947 thousand (previous year: €4,180 thousand) for selling the shares of subsidiaries and associated consultancy expenses.

Liabilities and contingent liabilities

Liabilities to banks recognized on the balance sheet amount to €332,751 thousand (previous year: €347,999 thousand), thereof €135,000 thousand (previous year: €10,600 thousand) falls due within one year and €197,751 thousand (previous year: €337,399 thousand) after one but within five years. As in the previous year, all other liabilities have maturities of up to one year.

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

At the end of November 2017, a syndicated loan of €150 million was concluded with eight banks. After exercising the two options to extend in November 2018 and November 2019, the financing agreement now has a term until November 2024. 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 was currently 1.5 percent. As of the balance sheet date, the credit line had been utilized in the amount of €82.8 million (previous year: €87.4 million) by way of cash loans and €3.1 million (previous year: €14.9 million) by way of guarantees and utilizing credit lines granted to subsidiaries. Compliance with the covenant is verified every six months and was affirmed as of the half-year and as of the end of the year.

Liabilities to affiliated companies solely comprise other liabilities, both in the reporting year and in the previous year, and are due in full within one year in both years.

All trade accounts payable have a term of up to one year in the current year as well as in the previous year.

The contingent liabilities under guarantees of €255,070 thousand (previous year: €280,884 thousand) were incurred in the amount of €154,009 thousand for liabilities due to affiliated and associated companies (previous year: €271,896 thousand). The risk of a claim is considered unlikely for all of the listed contingent liabilities.

The maximum liability guarantees total €292,579 thousand (previous year: €331,115 thousand). In 31 cases, the guarantees do not have a stipulated ceiling.

Since the affiliated and associated companies are believed to be able to settle the liabilities covered by such guarantees, no liabilities were recognized.

No evidence exists that would suggest that a guarantee might be enforced, a conclusion we have arrived at primarily given the many years in which not a single guarantee has been called upon. The circumstances prevailing at the balance sheet date and the situation up to financial statement preparation do not indicate any such enforcement, either.

Furthermore, there are other financial obligations of €107 thousand (previous year: €177 thousand) exclusively to third parties. Of these other financial obligations, €83 thousand (previous year: €98 thousand) is due within one year and €24 thousand (previous year: €79 thousand) in the period between one and five years.

Notes to the income statement

Sales revenues in 2020 primarily related to service charges of €7,542 thousand (previous year: €5,262 thousand), including €7,541 thousand to affiliated companies (previous year: €5,256 thousand).

Sales revenues were generated entirely in Germany with the following exceptions: Sales revenues in France of €2,800 thousand (previous year: €1,622 thousand), in the USA of €692 thousand (previous year: €251 thousand) and in China of €200 thousand (previous year: €173 thousand).

The functional expenses break down into cost of sales and general administrative expenses. Cost of sales primarily includes internal and external expenses for the provision of management services.

Vossloh AG's personnel expenses are reported under general administrative expenses and, in the year under review, they amounted to €11,640 thousand (previous year: €13,398 thousand). €10,634 thousand of this (previous year: €12,280 thousand) is allocable to wages and salaries, another €1,007 thousand (previous year: €1,119 thousand) to social security, pension expense and related employee benefits. Pension expenses amounted to €230 thousand (previous year: €342 thousand).

In addition, administrative expenses cover expenses for legal and management consulting. Other operating income totaled €12,349 thousand (previous year: €4,962 thousand). In addition to the income from the subsequent purchase price component, the sale of Vossloh Kiepe GmbH in the amount of €5,999 thousand and the income from the disposal of financial assets from the sale of Vossloh Locomotives GmbH in the amount of €5,699 thousand, this item also includes income relating to other periods from the release of provisions amounting to €378 thousand (previous year: €3,174 thousand) and income from exchange rate gains of €272 thousand (previous year: €1,787 thousand).

Other operating expenses of €3,560 thousand (previous year: €7,202 thousand) in the current year consist exclusively of exchange losses (previous year: €7,146 thousand).

The net financial result of €(42,034) thousand (previous year: €(42,910) thousand) includes €15,000 thousand (previous year: €15,000 thousand) as a result of the dividends paid by Vossloh France SAS, Rueil-Malmaison, France, as well as expenses from the assumption of losses for Vossloh Rail Services GmbH and Vossloh Locomotives GmbH totaling €28,659 thousand (previous year: €60,530 thousand). The €1,616 thousand interest portion (previous year: €1,944 thousand) for the change in pension provisions was recognized as "Interest and similar expenses".

Other disclosures

Vossloh AG employed an average of 60 salaried employees (previous year: 63), thereof 51 in full-time and 9 in part-time employment.

As in 2019, the employee bonus program was suspended in the reporting year, now due to existing uncertainties arising from the COVID-19 pandemic.

Remuneration of Executive Board members (excluding pension expenses) for the 2020 fiscal year totaled €2,168 thousand (previous year: €1,460 thousand), including €667 thousand (previous year: €563 thousand) of fixed and €1,473 thousand (previous year: €872 thousand) of variable compensation plus €28 thousand (previous year: €25 thousand) for payments in kind.

Former Executive Board members received a total of €2,732 thousand in the reporting year (previous year: €3,683 thousand). Pension obligations to former Executive Board and management members and their surviving dependents amounted to €23,389 thousand. Employer pension liability insurance policies totaling €10,156 thousand are pledged in each beneficiary's favor.

Total Supervisory Board fees for the reporting year came to €457 thousand and were exclusively fixed components.

For further details required under the terms of Section 285 Sent. 1 No. 9 HGB, please refer to the remuneration report, which is an integral part of the combined management report.

Vossloh AG's business operations are exposed to exchange and interest rate risks that are contained or eliminated by contracting derivative financial instruments. Vossloh AG's Treasury Management controls and manages exchange and interest rate risks across the Group.

Vossloh AG enters into foreign currency forwards with banks to cover currency risks from the operations of subsidiaries and to hedge currency loans extended to subsidiaries.

All hedged underlying transactions are initially measured and remeasured at the mean spot rate valid at the time of issue. The difference between the spot exchange rate on the day of issue and the hedged forward rate, multiplied by the nominal volume of the receivable, is accounted for under other liabilities. This corresponds in total to a pro rata write-up or write-down of the euro-denominated carrying amount of the foreign currency receivable from the spot rate when issued until the hedged forward rate. Since the net hedge presentation method is used, compensating changes in value of the underlying and hedging transactions arising from the hedged risk are not recognized.

The nominal volumes and fair values of these hedges are listed below:

Derivative financial instruments

€ mill.	2020		2019	
	Fair value	Nominal volume	Fair value	Nominal volume
Currency hedging transactions				
Interest rate swap	–	–	–	–
Foreign currency forwards	(4.3)	129.4	(9.8)	180.3
	(4.3)	**129.4**	**(9.8)**	**180.3**

The method of determining fair values to measure derivatives depends on the type of instrument. Foreign currency forwards of €123.6 million relate to the hedging of recognized receivables and the hedging of recognized liabilities of €5.8 million. The fair values of interest rate hedges are based on bank valuations.

The fair values of foreign currency forwards are calculated on the basis of the mean spot rate applicable on the balance sheet date, taking into account forward premiums and discounts for the respective remaining term of the contract compared to the contracted forward rate, and were determined on the basis of the hedging rate at the reporting date.

Valuation units to hedge the foreign exchange risk and the interest rate risk

Derivative financial instruments are concluded to hedge cash flow risks and, where the criteria are met, are combined with the underlying into valuation units. The resulting cash flows therefore balance each other out. All existing foreign currency forwards had maturities of up to one year.

If the formation of a valuation unit is not possible, negative fair values are recognized as provisions for impending losses from underlying transactions under other provisions, while income from fair values exceeding cost are not recognized. In 2020, all derivative financial instruments were combined as hedging instruments with the related underlying transactions to form micro-hedges, whose future effectiveness is assessed and which were fully effective in terms of matching maturities and volumes, i.e. on the basis of a critical term match.

Due to the match of the designated value-critical parameters of the underlying and hedging transactions, Vossloh AG's foreign exchange hedging is entirely effective.

Underlying transactions include firmly contracted purchase orders or shipments at fixed dates, as well as currency loans. The contracted cash flow is hedged by buying or selling foreign currency forwards, thus also closing the currency positions of subsidiaries for their account. As of December 31, 2020, foreign currency positions in the Australian dollar (AUD), Polish zloty (PLN) and US dollar (USD) were hedged.

Related party transactions

To the extent that related party transactions were carried out, the contracts were concluded on at arm's length basis.

Declaration of conformity pursuant to Section 161 AktG (German Stock Corporation Act)

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

Notifications pursuant to the German Securities Trading Act

The German Securities Trading Act (WpHG) obligates investors whose voting interests in listed corporations cross certain thresholds to notify the issuer accordingly. Vossloh AG received the following voting-interest notifications relevant in the 2020 fiscal year under the terms of Section 33 WpHG, with the most recent voting-interest notifications of the main shareholder, Mr. Heinz Hermann Thiele, Germany, who passed away on February 23, 2021, from 2019 also being included for reasons of completeness:

Notifying party	Date of notification	Date of change	Affected threshold	New voting interests		thereof attributable	
				in %	Absolute	in %	absolut
KB Holding GmbH, Grünwald, Germany	6/25/2019	6/24/2019	Above 50 %	50.09	8,797,090	–	–
TIB Vermögens- und Beteiligungsholding GmbH, Grünwald, Germany	6/25/2019	6/24/2019	Above 50 %	50.09	8,797,090	50.09	8,797,090
Stella Vermögensverwaltung GmbH, Grünwald, Germany	6/25/2019	6/24/2019	Above 50 %	50.09	8,797,090	50.09	8,797,090
Mr. Heinz Hermann Thiele, Germany	6/25/2019	6/24/2019	Above 50 %	50.09	8,797,090	50.09	8,797,090

As Mr. Heinz Hermann Thiele passed away, the following statements apply with the proviso that instead of being attributed to Mr. Thiele, his heirs take his place.

Pursuant to Section 34 (1) Sent. 1 No. 1 WpHG, voting rights held by KB Holding GmbH, Grünwald, Germany, are attributable to TIB Vermögens- und Beteiligungsholding GmbH.

Pursuant to Section 34 (1) Sent. 1 No. 1 WpHG, voting rights held by KB Holding GmbH and TIB Vermögens- und Beteiligungsholding GmbH are attributable to Stella Vermögensverwaltungs GmbH.

Pursuant to Section 34 (1) Sent. 1 No. 1 WpHG, voting rights held by KB Holding GmbH, TIB Vermögens- und Beteiligungsholding GmbH and Stella Vermögensverwaltungs GmbH as companies controlled by Mr. Heinz Hermann Thiele are attributable to Mr. Thiele.

By letter dated June 24, 2019, TIB Vermögens- und Beteiligungsholding GmbH communicated the following connection with the voting-interest change of June 24, 2019, pursuant to Section 43 (1) WpHG:

"I. Acquisition purposes

1. With their stakes, the notifying party aims at a long-term strategic investment in Vossloh Aktiengesellschaft.

2. Within the next twelve months, the notifying party does not intend to purchase or otherwise acquire further voting interests in Vossloh Aktiengesellschaft.

3. The notifying party seeks to exert influence on the staffing of the Company's executive, management or supervisory boards.

4. The notifying party does not currently aspire to any significant change in the issuer's capital structure particularly regarding leverage (debt-equity ratio) and dividend policy.

II. The acquisition of the voting interests was exclusively funded through internal resources."

In 2020, the following voting rights notification was submitted.

Notifying party	Date of notification	Date of change	Affected threshold	New voting interests in %	New voting interests Absolute	thereof attributable in %	thereof attributable Absolute
Franklin Mutual Funds/US	9/18/2020	9/15/2020	Below 5 %	4.99	876,795	4.99	876,795

Auditor fees

The services rendered by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, in the 2020 fiscal year consisted mainly of services relating to the audit of the financial statements. The auditor also reviewed interim financial statements and provided a small number of other services and certifications. The total fee calculated for the auditor for the fiscal year is not disclosed with reference to the Group clause.

Executive Board of Vossloh AG

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Events after the reporting period

A €150 million subordinated perpetual bond was issued in February 2021. This bond can only be canceled by Vossloh AG, and not before February 23, 2026. The interest rate of the bond is 4.0 percent.

The financial statements for the 2020 fiscal year report a net loss of €53,054,222.91 and, after including the profit carryforward of €81,171,140.50 and withdrawals from retained earnings of €50,000,000.00, net profit retained of €78,116,917.59.

Proposed profit appropriation

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 share capital bearing capital stock of €49,857,682.23 and that the remaining amount of €60,552,737.59 be carried forward. The total dividend amount is €17,564,180.00.

Proposed profit appropriation

€	
Profit carried forward as of January 1, 2020	81,171,140.50
Net loss 2020	(53,054,222.91)
Withdrawal from other revenue reserves	50,000,000.00
Unappropriated surplus as of December 31, 2020	**78,116,917.59**
Proposed profit appropriation	
Appropriation	(17,564,180.00)
Carryforward to new account	**60,552,737.59**

Werdohl, Germany, March 1, 2021

Vossloh AG
The Executive Board

Oliver Schuster, Dr. Thomas Triska, Jan Furnivall

Responsibility statement

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

Werdohl, Germany, March 1, 2021

Vossloh AG
The Executive Board

Oliver Schuster, Dr. Thomas Triska, Jan Furnivall

Independent Auditor’s report

To Vossloh Aktiengesellschaft, Werdohl/Germany

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

Audit Opinions

We have audited the annual financial statements of Vossloh Aktiengesellschaft, Werdohl/Germany, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report for the Company and the group of Vossloh Aktiengesellschaft, Werdohl/Germany, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f and Section 315d German Commercial Code (HGB), which is referred to in the combined management report, nor the content of the consolidated non-financial statement pursuant to Section 315b HGB, which is included in the combined management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company’s position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement and of the consolidated non-financial statement referred to above.

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

Basis for the Audit Opinions

We conducted our audit of the annual 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 Annual Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the Company 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 annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual 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 the shares in affiliated companies, 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 annual financial statements)
b) auditor’s response

Recoverability of the shares in affiliated companies

a) The annual financial statements of Vossloh Aktiengesellschaft as at 31 December 2020 disclose shares in affiliated companies of mEUR 470.3. These thus count for a share of 52.5% of the balance sheet total. The shares in affiliated companies thus materially affect the assets and liabilities of the Company.

   Long-term financial assets are measured at acquisition cost or, in case of a presumably permanent impairment in value, at lower fair value. The executive board checks the recoverability of the shares’ book values recognised within the annual financial statements using a discounted cash flow valuation method. The cash flows used within the valuation model are based on internal cash flow plannings by the executive directors of the individual companies agreed upon with the executive board of Vossloh Aktiengesellschaft and cover the three (in exceptional cases: five) years following the balance sheet date. They are updated with assumed long-term growth rates. For the purposes of measuring the equity investment valuation of Vossloh International GmbH, Werdohl/Germany, and Vossloh Fastening Systems GmbH, Werdohl/Germany, the detailed planning horizon was extended by two years. At the same time, developments that occurred during the period after the planning had been adopted were taken into account at the level of Vossloh International GmbH, Werdohl/Germany. The fair value is determined by discounting the plan cash flows by means of the weighted cost of capital. The corporate value (equity value) that arises from this computation after deduction of the net debt is compared with the book value of the shares as at the balance sheet date under consideration of the equity investment. In case the equity value is lower than the book value, it is checked by means of qualitative and quantitative criteria if the impairment is presumably of permanent nature. A write-down to the lower fair value of the shares is made in case of a permanent impairment in value.

   In the financial year 2020, the Company made write-downs of mEUR 47.0 on the shares in Vossloh International GmbH, Werdohl/Germany. On 27 February 2020, the executive board had resolved to increase equity at Vossloh International GmbH, Werdohl/Germany, by mEUR 47.1. The Company holds shares via Vossloh US Holding Inc., Wilmington/USA, in different North American operating companies in the business fields Tie Technologies, Fastening Systems and Rail Services.

   The assumptions made when measuring the shares in affiliated companies are highly dependent on the estimates and assessments made by the executive board and are thus subject to significant estimation uncertainties. This particularly applies to the adequate assessment of the future cash flows and growth rates, the adequate determination of risk-equivalent weighted cost of capital rates as well as the assessment of the permanence of the impairment. Already minor changes of the applied discount rate may significantly affect the amount of the determined equity value. Against this background, this issue was classified as key audit matter within the scope of our audit.

   The Company’s disclosures on the shares in affiliated companies are included in the chapters “Accounting and valuation methods” as well as “Notes to the balance sheet” of the notes to the financial statements.

b) In auditing the fair value of the shares in affiliated companies, we also consulted our valuation experts and have, amongst others, understood the systematic approach of the valuation made by the executive board, assessed whether the valuation model correctly presents the conceptional requirements of the relevant valuation standards, and evaluated the determination of the weighted cost of capital. We have furthermore assessed, whether the cash flow plans underlying the valuations are based on adequate and justifiable assumptions and whether they are in line with the group planning for the year 2021, which has been approved by the supervisory board, and with the group planning for the years 2020 and 2023, which has been approvingly acknowledged by the supervisory board. Our assessment of the outcome of the evaluation was based, amongst others, on a comparison with general and industry-specific market expectations and we convinced ourselves of the material assumptions of the planning by means of interviews of the executive board. We have furthermore checked the parameters used in determining the applied discount rate, including the weighted cost of capital, and assessed the appropriateness of the computation scheme.

   In auditing the valuation of the shares in Vossloh International GmbH, Werdohl/Germany, and in Vossloh Fastening Systems GmbH, Werdohl/Germany, we have also evaluated whether updated cash flow plannings exceeding the original planning, if any, were based on adequate and justifiable assumptions and convinced ourselves of the material assumptions of the additional planning by interviewing the executive board.

Other Information

The executive board is responsible for the other information. The other information comprises:

- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB, which is referred to in the combined management report,
- the consolidated non-financial statement in accordance with Section 315b HGB, which is included in the combined management report, and
- the executive board's confirmation pursuant to Section 264 (2) sentence 3 HGB and Section 289 (1) sentence 5 HGB, respectively, regarding the annual financial statements and the combined management report.

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

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

In connection with our audit, our responsibility is to read the other information stated above and, in so doing, to consider whether the other information
- is materially inconsistent with the annual 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 Annual Financial Statements and the Combined Management Report

The executive board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive board is responsible for such internal control as it, in accordance with German Legally Required Accounting Principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive board is responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

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

Our objectives are to obtain reasonable assurance about whether the annual 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 Company's position and, in all material respects, is consistent with the annual 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 annual 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 annual 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 annual 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 annual 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 of the Company.
- 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 Company'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 annual 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 Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Audit Opinion
In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the annual financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value EFFAE1AB9AF58537E401F7D862B488A5F29AE9146CBBB27A1445D9C81FE89548, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the annual financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

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

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

Responsibilities of the Executive Board and the Supervisory Board for the ESEF Files
The executive board of the Company is responsible for the preparation of the ESEF files based on the electronic files of the annual financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB.

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

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

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

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

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

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the general meeting on 27 May 2020. We were engaged by the supervisory board on 26 October 2020. We have been the auditor of Vossloh Aktiengesellschaft, Werdohl/Germany, without interruption since the financial year 2019.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Düsseldorf/Germany, 1 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

vossloh.com

Vossloh Aktiengesellschaft · Vosslohstraße 4 · 58791 Werdohl, Germany · PO Box 1860 · 58778 Werdohl, Germany · Phone +49 2392 52-0 · Fax +49 2392 52-219