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Annual report 2023

Annual financial statements and
combined management report of
Vossloh AG for the 2023 fiscal year

Combined management report

of the Vossloh Group and Vossloh AG as of December 31, 2023

4 Business and market environment

6 Economic report

6 Macroeconomic and industry-specific conditions

7 Company acquisitions

7 Results of operations

11 Financial position and investing activities

14 Asset and capital structure

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

16 Business performance Core Components

18 Business performance Customized Modules

19 Business performance Lifecycle Solutions

20 Vossloh AG – Analysis of the separate financial statements

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

26 Workforce

27 Research and development

32 Risk and opportunity report

40 Internal control system

43 Outlook

46 Nonfinancial Group statement

Business and market environment

Segmentation and competitive position

Vossloh is active in rail infrastructure markets worldwide. The Group provides a wide range of rail track-related services under one roof: rail fastening systems, concrete ties, switch systems and crossings as well as innovative and increasingly digital-based services for the entire lifecycle of rails and switches. Vossloh's customers are public and private local, freight and long-distance transport operators who make capital expenditures after predominantly long-term decision-making processes and as part of long-term financing. Vossloh accompanies its customers as a partner over many years. Together with them, the company plans and develops solutions for their individual product and service requirements. This usually leads to delivery and project periods of several months to several years, with long-term framework agreements often being agreed with customers. Vossloh is committed to sustainable governance and climate protection and plays an important role in sustainable passenger and freight mobility with its products and services. Its business activities are organized into three divisions – Core Components, Customized Modules and Lifecycle Solutions. The Core Components division is made up of two business units, Vossloh Fastening Systems and Vossloh Tie Technologies. The other two divisions comprise one business unit each: Vossloh Switch Systems is part of Customized Modules and Vossloh Rail Services is part of Lifecycle Solutions. You can find detailed descriptions of the individual divisions on page 16 et seq.

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

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

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 rail fastening systems produced by the Fastening Systems business unit are located in Germany, China, Poland and the USA. 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, Luxembourg, Poland, Australia, India, Finland, Portugal, the UK, the Netherlands, Serbia, Malaysia and China. The majority of rail services in the Lifecycle Solutions division are provided in Western and Northern Europe, 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 and
– 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, EBIT (earnings before interest and taxes) and EBIT margin (EBIT/sales revenues). While the company uses sales, EBIT 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 has a focus on value added. Value added is the key earnings indicator for the divisions and business units within the framework of external reporting.

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

Cost of equity is largely composed of a risk-free interest rate plus a market risk premium. The interest rate factor is adjusted according to the result before taxes. Cost of debt is calculated on the basis of the Group's average financing terms. The ratio of equity to interest-bearing debt, which is used to determine the weighted cost of capital, is not derived from balance sheet data since it is not only predicated on a benchmark for the funding structure but also because equity is based on target market values in this case and not the carrying amounts recognized on the balance sheet. A weighted average cost of capital before taxes (WACC) of 8.5 % was used as the yield expected by investors and lenders for the purposes of intragroup controlling in the 2023 fiscal year (previous year: 7.0 %).

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

Management uses nonfinancial performance indicators for the purpose of managing the company and making long-term strategic decisions. However, nonfinancial performance indicators do not play a central role in the management of the company. Instead, they provide information about the situation within the Group and are used as a basis for decisions. Accordingly, the Vossloh Group does not use nonfinancial performance indicators in the sense of Section 289c (3) sentence 5 HGB. Nonfinancial performance indicators that are not primarily relevant for management purposes are provided in the nonfinancial Group statement, which begins on page 46.

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

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 overwhelming 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 2023 was 89.9 % according to the statistical office of the European Union (Eurostat). This was the most recent figure available when this annual report was prepared. At the same time in the previous year, it was 92.2 %. At the end of September 2023, the debt ratio for the entire EU was 82.6 % compared to 84.6 % in the previous year. The decline in debt ratios was driven by GDP rising at a faster rate than government debt.

From a global perspective, the rail technology market has been growing steadily for many years. This is the result of rising demand around the world for environmentally friendly, safer and more economical mobility for both people and goods. The driving forces for this development include megatrends such as population growth, urbanization and, most significantly, increasing environmental awareness. No other means of mass transportation has a better eco-balance than rail. Both passengers and freight need to be shifted onto the rail network if the aim is to increase their mobility while also reducing their environmental footprint in the interest of combating climate change. There are investment programs around the world to promote rail as a mode of transport. The programs mentioned above play an important role for Vossloh as they affect markets in which Vossloh holds a strong competitive position with at least one business unit. In its "Green Deal" climate protection program, the European Union has set itself the goal of reducing transport-related CO_2 emissions by 90 % by 2050 (already by 55 % by 2030). To achieve this, the European Commission wants passenger rail traffic in the high-speed sector to double by 2030 and triple by 2050. Rail freight transport is set to increase by 50 % by 2030 and double by 2050. The objectives of the European Green Deal will have a positive impact on the rail industry in the coming years and decades. Other examples of investment programs include the "Strong Rail" program adopted in Germany in 2020. The government and Deutsche Bahn have agreed to jointly invest a record sum of €86 billion in the maintenance and modernization of the existing rail network by 2030. In addition, over €30 billion is currently set to be invested in rail infrastructure over the next few years despite the difficult budget situation. In 2021, Congress in the USA passed an investment program that earmarks USD 66 billion for the rail industry. The "Egypt Vision 2030" infrastructure investment plan envisages Egypt investing almost €50 billion in the expansion of the rail network by then, including a 1,800-kilometre high-speed line. Indian Railways wants to be climate-neutral by the end of 2030. The Indian state railroad is therefore investing heavily in the expansion of the huge rail network on the subcontinent, in the modernization of rolling stock and in wind and solar parks to electrify the lines. The railway industry is also undergoing a profound transformation beyond this. Digitalization and automation, artificial intelligence and the standardization and liberalization of rail transport are changing the framework conditions significantly. Innovations are becoming increasingly important.

A number of studies regularly analyze developments in the global rail technology market. The most important publication is the „World Rail Market Study", published by the European rail industry association UNIFE. The study is updated every two years. The findings from the most recent study were published in September 2022 at InnoTrans, the world's largest trade fair for transport technology held in Berlin. According to UNIFE, the current global volume of the rail market is around €177 billion per year. UNIFE currently considers about 61 % of the total volume of the rail market – some €107 billion – to be accessible. In this case, accessible means that this market is, in principle, open to European suppliers and market demand is not exclusively met by domestic manufacturers.

Vossloh focuses on rail infrastructure products and services. The market segments of infrastructure and infrastructure services are therefore of particular importance for Vossloh. According to UNIFE data, €22.8 billion of the infrastructure market is accessible each year. UNIFE estimates that around €6.1 billion of the market for infrastructure services is currently accessible.

Company acquisitions

With effect from September 1, 2023, Vossloh RailWatch GmbH, which was previously acquired as a shelf company and then renamed, acquired a business operation. The acquisition significantly expands the digital monitoring portfolio in terms of camera-based technology by using optical and acoustic sensors to record information on wheel damage and brake blocks, among other things. This provides crucial insights into wheel-rail contact, which has a significant influence on the condition of the rail track over time. The company is not assigned to any business unit.

Results of operations

Vossloh divisions – Orders received and order backlog

	Orders received		Order backlog	
€ mill.	2023	2022	2023	2022
Core Components	542.7	554.4	262.1	285.4
Customized Modules	524.1	563.3	461.3	488.1
Lifecycle Solutions	175.5	162.3	40.8	37.5
Consolidation	(24.9)	(33.0)	(3.0)	(11.4)
Group	**1,217.4**	**1,247.0**	**761.2**	**799.6**

Orders received again at a high level

In the 2023 fiscal year, Vossloh once again achieved a very high level of orders received and order backlog. Orders received were only 2.4 % below the previous year's record figure, marking the second-highest figure in the infrastructure business in Vossloh's history. Orders received in the Core Components division fell slightly by 2.1 % compared to the previous year. This was mainly due to the Fastening Systems business unit (–9.1 %), which, following major orders in Egypt and China in the previous year, now recorded a decline in these two regions in particular. In contrast, Vossloh Tie Technologies, the second business unit in the Core Components division, exceeded the previous year's figure by 20.1 % due to a significant increase resulting from a major order in Mexico. The 6.9 % decline in the Customized Modules division was due in particular to lower orders received in the Middle East, Italy, India and Egypt. On a positive note, there was a pleasing increase in the important markets of France and Germany. The Lifecycle Solutions division achieved a noticeable increase of 8.1 %, mainly due to continued high demand in Germany. The book-to-bill ratio at group level, i.e. the ratio of orders received to sales revenues, was 1.00 (previous year: 1.19).

The Vossloh Group's order backlog as at December 31, 2023 reached the second-highest level in the company's history at the end of a year. Only at the end of 2022 was a higher figure achieved.
Due to the high number of framework agreements, the order backlog performance indicator is only of limited significance, as the order volume from acquired framework agreements is usually only recorded in orders received at the time of the respective requests.

Sales revenues significantly higher than expected at around €1.2 billion

The Vossloh Group achieved a significant increase in sales revenues in the 2023 fiscal year. After €1,046.1 million in the previous year, sales revenues rose by 16.1 % to €1,214.3 million. This was well above the originally expected forecast range of €1.05 billion to €1.15 billion and at the upper end of the forecast range of €1.175 billion to €1.225 billion, which was raised at the end of 2023. All divisions achieved strong sales growth.

Vossloh Group – Sales by region

	€ mill.	%	€ mill.	%
	2023		2022	
Germany	141.8	11.7	101.7	9.7
France	95.1	7.8	89.7	8.6
Rest of Western Europe	101.6	8.4	87.7	8.4
Northern Europe	139.9	11.5	130.1	12.4
Southern Europe	116.5	9.6	101.9	9.8
Eastern Europe	88.4	7.3	78.9	7.5
Total for Europe	**683.3**	**56.3**	**590.0**	**56.4**
Americas	189.5	15.6	122.6	11.7
Asia	215.1	17.7	204.6	19.6
Africa	14.7	1.2	22.3	2.1
Australia	111.7	9.2	106.6	10.2
Total	**1,214.3**	**100.0**	**1,046.1**	**100.0**

Significant increase in sales revenues in Europe; Germany up almost 40 % on the previous year

Compared to the previous year, sales revenues in Europe increased by 15.8 % in the year under review. The Lifecycle Solutions division achieved higher sales revenues, particularly in Germany. The Customized Modules division and the Fastening Systems business unit also contributed to the increase in sales. Sales revenues in Northern Europe exceeded the previous year's level by 7.5 %, in particular due to higher sales in the Customized Modules division. This division was also largely responsible for the 13.1 % sales growth in Southern Europe and 12.1 % in Eastern Europe, with a significant increase in sales in Italy and a new construction project in Serbia.

Sales revenues in the Americas up by more than half

In the Americas, sales revenues increased by 54.6 % year on year in 2023. The increase was largely due to higher sales revenues in the Core Components and Customized Modules divisions in connection with a new construction project in Mexico. Sales revenues in the USA also exceeded the previous year's figure thanks to the performance of the Tie Technologies business unit.

Sales in Asia slightly higher year on year

In Asia, the group's sales revenues were 5.1 % higher than in the previous year. This was largely due to higher sales revenues in the Customized Modules division in the Middle East region.

Sales in Australia up slightly

Group sales in Australia exceeded the previous year's already high level by 4.8 %. The slight increase in sales resulted in particular from higher sales revenues in the Customized Modules division.

Sales in Africa below previous year's level

In Africa, the Vossloh Group recorded 34.3 % lower sales revenues. The decline was mainly due to lower sales revenues in the Customized Modules division and the Fastening Systems business unit in Egypt.

The Vossloh Group's cost of sales amounted to €898.3 million in the year under review and was thus significantly higher than in the previous year (€809.3 million), in line with the sales trend. The cost of sales as a percentage of sales revenues amounted to 74.0 %, primarily due to a lower cost of materials ratio as a result of an overall improved project mix compared to the previous year (77.4 %). The Vossloh Group's selling and administrative expenses increased from €163.7 million to €214.4 million.

This increase was mainly due to higher logistics costs as a result of higher freight prices. In addition, higher consulting costs due to the implementation of group projects and increased personnel expenses also contributed to this, as a result of which the share of these expenses in sales revenues rose to 17.7 % compared to the previous year's figure of 15.6 %. The other operating result – the balance of other operating income of €17.7 million (previous year: €20.9 million) and other operating expenses of €10.9 million (previous year: €11.3 million) – amounted to €6.8 million. This figure was lower than the previous year's figure of €9.6 million.

Vossloh Group – Sales revenues and earnings

	€ mill.	%	€ mill.	%
	2023		2022	
Sales revenues	1,214.3	100.0	1,046.1	100.0
EBITDA/EBITDA margin	158.0	13.0	131.2	12.5
EBIT/EBIT margin	98.5	8.1	78.1	7.5
Net income	55.3	4.6	56.0	5.4
Earnings per share (in €)	2.21		2.38	

EBIT 26.2 % higher than in the previous year

In the 2023 fiscal year, Vossloh achieved a significant increase in earnings before interest and taxes (EBIT) compared to the previous year. EBIT improved by 26.2 %. This increase was primarily attributable to the Core Components division. The Customized Modules division also made a significant contribution to the increase. The improvement in group EBIT is all the more remarkable given that holding costs in 2023 were extraordinarily high, particularly as a result of higher costs for individual group projects and increased personnel costs. EBIT was well above the original guidance range of €79 million to €88 million and at the upper end of the range of €94 million to €100 million, which was raised at the end of 2023. The EBIT margin also exceeded the original forecast of 7.2 % to 8.0 % and was in the middle of the most recently adjusted range of 7.8 % to 8.3 %.

Net interest income in the 2023 fiscal year fell to €(16) million compared to the previous year's figure of €(10.6) million. This was mainly due to higher financing costs from financial liabilities as a result of the general interest rate trend. Earnings before income taxes increased to €82.5 million in the reporting year (previous year: €67.5 million).

Income taxes in the Vossloh Group amounted to €28.2 million in the year under review (previous year: €12.5 million). The absolute increase was mainly due to the higher operating result and was also influenced by higher non-tax-deductible costs. In addition, the tax rate in the previous year was unusually low, as deferred tax assets were recognized in the domestic tax group, particularly as a result of a corporate restructuring.

Earnings per share 2023 at €2.21

Net income for 2023 was roughly on a par with the previous year, mainly due to the higher tax rate. Net income attributable to hybrid capital investors amounted to €6.0 million (previous year: €6.0 million), while €10.6 million was attributable to other shareholders (previous year: €8.3 million). Net income attributable to the shareholders of Vossloh AG amounted to €38.7 million, slightly below the previous year's figure of €41.7 million. With an unchanged average number of shares outstanding of 17,564,180, this resulted in slightly lower earnings per share of €2.21 compared to the previous year (previous year: €2.38).

Dividend of €1.05 per share planned for 2023

The Executive Board and Supervisory Board of Vossloh AG are committed to ensuring that its shareholders benefit from the economic performance of the Group. The Executive Board and Supervisory Board will, therefore, propose an increased dividend of €1.05 (previous year: €1.00) for the 2023 fiscal year at the Annual General Meeting scheduled for May 15, 2024.

Vossloh Group – Value management

€ mill.	2023	2022
Average capital employed	937.2	950.6
ROCE (in %)	10.5	8.2
Value added	18.9	11.5

Value added significantly increased in 2023

ROCE was significantly higher than in the previous year due to the operational improvement. The WACC used for internal management purposes – the weighted cost of capital of equity and debt providers – was raised to 8.5 % for the 2023 fiscal year (previous year: 7.0 %) as a result of the general interest rate trend. Nevertheless, value added significantly exceeded the previous year's figure as a result of the strong EBIT development.

The following table presents a reconciliation of the ROCE and value added performance indicators to the EBIT shown in the income statement:

Reconciliation of value added and ROCE to EBIT

€ mill.	2023	2022
Premium in % (ROCE – WACC)	2.0	1.2
Average capital employed	937.2	950.6
Value added	**18.9**	**11.5**
Cost of capital on the average capital employed	79.6	66.6
EBIT	**98.5**	**78.1**

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 thanks to significantly improved free cash flow

The net financial debt of the Vossloh Group (calculated as financial liabilities minus cash and cash equivalents and short-term securities) excluding lease liabilities decreased from €197.6 million at the end of 2022 to €182.9 million at the end of the 2023 fiscal year. The decrease was mainly due to a significant improvement in free cash flow. Net financial debt, including lease liabilities in the amount of €36.6 million (previous year: €39.9 million), came to €219.5 million (previous year: €237.5 million) at the end of 2023.

Financial liabilities amounted to €320.0 million at the end of the year under review and were therefore slightly higher than the previous year's figure of €316.6 million. €90 million of the financial liabilities were attributable to a Schuldschein loan placed in the 2017 fiscal year with a term of seven years (until July 2024) and a fixed interest rate of 1.763 %. In July 2023, two further Schuldschein loans of €30 million each were issued with terms until July 2028 and July 2030 with variable interest rates above the 6-month Euribor. At the end of November 2023, both Schuldschein loans were hedged with two payer interest rate swaps. A Schuldschein loan in the amount of €25 million with a term of seven years (until December 2028) and a fixed interest rate of 0.8 % had already been placed at the end of 2021. Further around €52 million of the financial liabilities at the end of 2023 were attributable to drawings on the syndicated loan concluded in November 2017 with a current volume of €230 million and a term until November 2024. The interest rate at the end of the year was 4.5 % and was based on the respective reference interest rate (Euribor or €STR) and a margin agreed in the loan agreement, which is based on the ratio of net financial debt to EBITDA. A maximum amount is set for this ratio (covenant), which, if exceeded, gives the lending banks the option of early termination. Compliance with the covenant must be demonstrated every six months; this was the case at the end of the first half and at the end of 2023. Furthermore, at the end of 2023 – unchanged from the previous year – Vossloh AG had a loan of €20 million with DZ-Bank with a term until July 2024 and a margin of 0.75 % above the 3-month Euribor. Due to the reclassification of this loan and the Schuldschein loan also maturing in July 2024 and drawings on the syndicated loan, the share of current financial liabilities increased from €49.2 million in the previous year to €198.4 million. The syndicated loan was refinanced ahead of schedule in February 2024. The new loan agreement has a term of five years until February 2029. When added together, the sum total of cash and cash equivalents and short-term securities came to €100.5 million at the end of the fiscal year under review (previous year: €79.1 million).

The group's contingent liabilities decreased from €51.7 million at the end of 2022 to €29.0 million. The majority of this, €23.7 million, was attributable to the former Locomotives business unit. For the outstanding contingent liabilities, Vossloh AG received an irrevocable and unconditional guarantee at first request from a first-class bank.

As of the end of the year, the Group had committed but unutilized credit facilities of €244.4 million (previous year: €219.6 million).

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

Vossloh Group – Development of cash flows

€ mill.	2023	2022
Cash flow from operating activities	137.3	71.6
Cash flow from investing activities	(65.4)	(44.9)
Cash flow from financing activities	(39.4)	(29.3)
Net cash inflow/outflow	32.5	(2.6)
Cash and cash equivalents at the beginning of the period	28.9	29.6
Cash and cash equivalents at the end of the period	62.4	28.9
Free cash flow	70.9	27.9

Significant increase in free cash flow

Cash flow from operating activities significantly exceeded the previous year's figure. This was due in particular to a higher gross cash flow (calculated as the sum of EBIT from continuing and discontinued operations, depreciation/amortization/impairment of non-current assets [netted with write-ups] and changes in non-current provisions), that was above the previous year's level due to the increased EBIT. Positive effects such as a lower increase in working capital compared to the previous year also had an impact. Free cash flow (defined as cash flow from operating activities less investments in intangible assets and property, plant and equipment as well as investments in companies accounted for using the equity method and plus proceeds from profit distributions or the sale of companies accounted for using the equity method) increased significantly compared to the previous year despite significantly higher cash outflows from investments in intangible assets and property, plant and equipment. Cash flow from financing activities was lower than in the previous year, partly due to the repayment of drawdowns under the syndicated loan in the amount of €40.0 million. Cash and cash equivalents at the end of 2023 increased significantly compared to the previous year due to a positive net cash inflow.

Vossloh Group – Capital expenditure and depreciation/amortization

€ mill.	2023		2022	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Core Components	24.8	25.5	18.9	24.6
Customized Modules	25.3	19.2	16.3	15.1
Lifecycle Solutions	19.5	14.2	16.7	12.7
Vossloh AG/Consolidation	4.9	0.6	6.3	0.7
Total	**74.5**	**59.5**	**58.2**	**53.1**

Capital expenditure in 2023 significantly exceeded the previous year's level. In the Core Components division, capital expenditure increased noticeably. The largest single item of capital expenditure related to the establishment of series production for composite ties at the Fastening Systems business unit's Polish production site. Capital expenditure in the Customized Modules division increased significantly. Material capital expenditure was made, among other things, in connection with the strategically important project for digital-based switch monitoring in Sweden and for the acquisition of a flash butt welding system at the Polish site. Capital expenditure on the new plant in Australia also contributed to the increase. Capital expenditure in the Lifecycle Solutions division was also noticeably higher than in the previous year. Investments were made for technical revisions to individual milling machines, among other things. The capital expenditure shown in the table above reflects additions in the fiscal year and also includes capital expenditure in assets financed by a lease agreement. Capital expenditure is included in the cash flow statement if it has already resulted in cash outflows. The values therefore differ. Depreciation and amortization at Group level, which is added back to EBIT in the cash flow statement, includes impairments/reversals of impairment losses and were at the same level as in the previous year.

Capital expenditure commitments for the acquisition of intangible assets and property, plant and equipment totaled €6.8 million as of December 31, 2023 (previous year: €23.2 million). As a result of the progress made in the establishment of series production for composite ties in the Fastening Systems business unit, investment obligations fell sharply compared to the previous year.

Asset and capital structure

Vossloh Group – Asset and capital structure

		2023 12/31/2023	2022 12/31/2022
Total assets	€ mill.	1,392.7	1,368.8
Equity	€ mill.	638.5	625.1
Equity ratio	%	45.8	45.7
Closing working capital[1]	€ mill.	193.1	191.6
Average working capital	€ mill.	209.4	218.1
Average working capital intensity	%	17.2	20.8
Fixed assets[2]	€ mill.	746.1	731.6
Closing capital employed[3]	€ mill.	939.2	923.2

[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 non-current financial instruments

[3] Capital employed = working capital plus fixed assets

Equity ratio remains above 45 %

The Vossloh Group's equity at the end of 2023 increased slightly compared to the previous year. This was due to the positive net income in 2023. The equity ratio remained almost unchanged compared to the previous year due to the increase in total assets.

Working capital intensity significantly lower

Despite the significant increase in sales, working capital as at December 31, 2023 was at the previous year's level. Average working capital in 2023 had even decreased slightly compared to the previous year, resulting in an average working capital intensity that was 3.6 percentage points lower. A key driver of this positive development was the Cash4Growth project launched in the second quarter of 2023, which aims to achieve a sustainable reduction in working capital.

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

The 2023 fiscal year was characterized by numerous crises such as the ongoing war in Ukraine, the escalation of violence in the Middle East and the persistently high inflation rates accompanied by large interest rate increases. The Vossloh Group once again demonstrated its above-average level of resilience and was able to continue its growth trajectory for the third year in a row. Sales revenues in the infrastructure business reached an all-time high, increasing by 16.1 % year on year to €1,214.3 million. This was well above the original guidance range of €1.05 billion to €1.15 billion and at the upper end of the raised forecast of €1.175 billion to €1.225 billion at the end of 2023. EBIT also increased significantly by 26.2 % to €98.5 million. This significantly exceeded the original guidance range of €79 million to €88 million and was also at the upper end of the last forecast range of €94 million to €100 million. The EBIT margin of 8.1 % in the 2023 fiscal year also rose more strongly than originally expected (between 7.2 % and 8.0 %), but was within the forecast of 7.8 % to 8.3 % that was raised at the end of the year. The positive development of value added was also pleasing, rising noticeably despite an increase in the WACC from 7.0 % to 8.5 %. It amounted to €18.9 million (previous year: €11.5 million) and was therefore significantly higher than the range of €0 to €10 million originally forecast by the company.

Orders received also developed positively and were only slightly below the record level of the previous year. This marks the second-highest figure in the infrastructure business in Vossloh's corporate history. The order backlog also remains well above the historical average in the infrastructure business.

In view of the general conditions, the net assets and financial position are also positive. Equity increased to €638.5 million (previous year: €625.1 million). At 45.8 %, the equity ratio remained almost unchanged at the previous year's high level. Of particular note is the free cash flow of €70.9 million, which significantly exceeded the previous year's figure of €27.9 million. Overall, this led to a decrease in net financial debt from €237.5 million at the end of 2022 to €219.5 million at the end of 2023.

The 2023 fiscal year was also successful from a strategic perspective. Among other things, Vossloh acquired RailWatch's innovative technology in 2023, enabling Vossloh to expand its monitoring portfolio and extend its digital expertise to include wheel-rail contact, which has a significant influence on the condition of the track over time. In addition, significant progress was made in the year under review in setting up series production for innovative and sustainable composite ties at the Fastening Systems business unit's Polish production site. The innovative composite tie is a more environmentally friendly alternative to wooden ties that is fully recyclable and has significantly lower lifecycle costs. Series production is set to begin in the course of 2024.

From an operational and strategic perspective, 2023 was an extremely successful fiscal year overall for the Vossloh Group.

Business performance of Core Components

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

Core Components

		2023	2022
Orders received	€ mill.	542.7	554.4
Order backlog	€ mill.	262.1	285.4
Sales revenues[1]	€ mill.	546.7	482.1
EBITDA	€ mill.	95.3	68.4
EBITDA margin	%	17.4	14.2
EBIT	€ mill.	69.8	43.7
EBIT margin	%	12.8	9.1
Average working capital	€ mill.	101.1	125.1
Average working capital intensity	%	18.5	26.0
Average capital employed	€ mill.	329.5	367.6
ROCE	%	21.2	11.9
Value added	€ mill.	41.8	18.0

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

Orders received slightly below the previous year's high level

Orders received by the Core Components division in the 2023 fiscal year were only slightly below the previous year's high figure (–2.1 %). Lower order volumes in the Fastening Systems business unit were almost completely offset by Vossloh Tie Technologies. The order backlog at the end of 2023 was €23.3 million or 8.2 % below the previous year's figure.

Sales revenues again up significantly by 13.4 %

The Core Components division increased its sales revenues by 13.4 % in the year under review. While the Fastening Systems business unit recorded slight sales growth of 2.4 %, the Tie Technologies business unit contributed to the positive development with a considerable increase of 43.3 %.

The volume of sales revenues between the business units in the Core Components division increased by €11.3 million in 2023 compared to the previous year. This is due to higher demand from Vossloh Tie Technologies for rail fastening systems for an order won in Mexico at the beginning of 2023 and from the Class I companies in the USA.

EBIT and EBIT margin significantly improved compared to 2022

EBIT in the Core Components division was €26.1 million higher than in the previous year. This is primarily due to the additional sales revenues and a higher-margin order mix. In the previous year, the sharp rise in material and energy prices had a significant negative impact on profitability. Higher profitability in China also had a positive effect in 2023. The EBIT margin improved significantly from 9.1 % in the previous year to 12.8 % in the 2023 fiscal year.

The higher EBIT with a simultaneous decrease in average capital employed is also reflected in the return on capital employed (ROCE), which increased by 9.3 percentage points in the 2023 fiscal year. The average working capital intensity fell considerably compared to 2022 with significantly higher sales revenues, primarily due to further optimized receivables management. The value added by the Core Components division also more than doubled despite the higher weighted average cost of capital to be applied.

Vossloh Fastening Systems

Orders received by Vossloh Fastening Systems in the 2023 fiscal year totaled €356.1 million, compared with €391.8 million in the previous year. In addition to very high orders received in China, an order for the supply of rail fastening systems for the construction of a new high-speed line in northern Egypt in particular led to the very high prior-year figure. In 2023, an increase in orders was recorded, primarily from Mexico, Romania and Greece. The order backlog at the end of 2023 decreased slightly by €9.9 million to €189.2 million compared to the previous year's reporting date.

Orders received down due to major project in previous year

Sales revenues at Vossloh Fastening Systems in 2023 amounted to €349.4 million after €341.3 million in the previous year. The previous year's figure was exceeded primarily in Mexico and the German market. Sales growth was also recorded in Italy and the Netherlands in particular. This more than compensated for lower revenue in Australia, Eastern Europe, Egypt, Turkey and Finland.

Sales revenues up slightly once again

The value added for Vossloh Fastening Systems more than doubled to €43.8 million (previous year: €18.5 million).

High positive value added once again

Vossloh Tie Technologies

Orders received in the Tie Technologies business unit reached an all-time high in the year under review. They amounted to €213.9 million, up €35.9 million on the previous year's figure of €178.0 million. The main driver here was an order won in Mexico at the beginning of 2023. In Australia, the high order volumes from framework agreements from the previous year were not achieved. New orders in the US and in Canada were slightly below the previous year's level. The order backlog at the end of 2023 amounted to €76.7 million (previous year: €89.5 million).

High order intake in Mexico in 2023

Sales revenues also reached a record level in the Tie Technologies business unit, totaling €224.1 million. This was significantly higher than the previous year's figure of €156.3 million. Sales in Mexico increased significantly due to the processing of the order won at the beginning of the year under review. Sales revenues in the USA also increased thanks to higher call-off orders from the Class I companies. In the Australian market, the level of sales was also increased again compared to 2022.

Sales revenues reach record level

Value added by Vossloh Tie Technologies of €(1.5) million was slightly below the previous year's level (€(0.2) million) due to the higher weighted average cost of capital.

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

		2023	2022
Orders received	€ mill.	524.1	563.3
Order backlog	€ mill.	461.3	488.1
Sales revenues[1]	€ mill.	537.4	456.1
EBITDA	€ mill.	61.8	52.3
EBITDA margin	%	11.5	11.5
EBIT	€ mill.	42.7	37.1
EBIT margin	%	7.9	8.1
Average working capital	€ mill.	79.0	73.1
Average working capital intensity	%	14.7	16.0
Average capital employed	€ mill.	379.7	376.2
ROCE	%	11.2	9.9
Value added	€ mill.	10.4	10.8

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

Orders received remain at record level after previous year's good level

Orders received in the Customized Modules division were 6.9 % below the previous year's historically highest figure. In the Middle East, Italy, India and Egypt in particular, new orders were down on the previous year, while France, Germany and Switzerland recorded increases in orders received.

Sales revenues at record level

Sales revenues in the division exceeded the 2022 figure by €81.3 million and reached a new all-time high. Growth was recorded in Italy, Serbia and Germany in particular, which more than compensated for declines in Turkey and Egypt in particular.

Positive earnings trend continues

The division's EBIT in 2023 was 14.8 % higher than in the previous year. This was mainly due to higher earnings contributions from the locations in Luxembourg, Poland and France. The EBIT margin was only slightly below the 2022 level despite the impairment of an investment and project-related follow-up costs.

In line with this overall positive development, ROCE was up on the previous year with only a slight change in average capital employed. Value added hardly changed despite the positive EBIT development due to the offsetting negative impact of the higher cost of capital.

Working capital intensity in turn improved

Average working capital increased in particular due to higher inventories. However, the percentage increase was lower than the growth in sales. As a result, the average working capital intensity fell by 1.3 percentage points compared to 2022.

Business performance of Lifecycle Solutions

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

Lifecycle Solutions

		2023	2022
Orders received	€ mill.	175.5	162.3
Order backlog	€ mill.	40.8	37.5
Sales revenues[1]	€ mill.	163.5	136.0
EBITDA	€ mill.	25.8	24.2
EBITDA margin	%	15.8	17.8
EBIT	€ mill.	11.6	11.5
EBIT margin	%	7.1	8.4
Average working capital	€ mill.	34.0	24.2
Average capital intensity	%	20.8	17.8
Average capital employed	€ mill.	220.2	205.0
ROCE	%	5.3	5.6
Value added	€ mill.	(7.1)	(2.9)

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

Orders received noticeably above the previous year

In the 2023 fiscal year, the Lifecycle Solutions division recorded significantly higher orders received compared to the previous year, which were mainly generated in Germany in the Track Supply division and in the Netherlands. The order backlog at the end of 2023 was slightly higher than in the previous year.

Sales revenues up by 20.3 %

The Lifecycle Solutions division generated 20.3 % higher sales revenues than in the previous year, the highest figure in the company's history. The increase was due in particular to higher sales revenues in Germany and the Netherlands. In Germany, sales growth of around 34 %, which was due in particular to the framework agreement for preventive rail maintenance (high-speed grinding) signed with Deutsche Bahn in the previous year and to the Track Supply division. The degree of internationalization of the Lifecycle Solutions division – measured in terms of sales revenues generated outside Germany – fell to 49.2 % in the 2023 fiscal year (previous year: 54.4 %) due to the strong increase in sales in Germany.

The division's EBIT was almost unchanged from the previous year. While EBIT from preventive and corrective maintenance services (high-speed grinding and milling) in particular increased noticeably, especially earnings contributions from machine sales were down on the previous year.

In the reporting year, ROCE in the division was lower due to the higher average capital employed. Average working capital was higher than in the previous year due to higher inventories.

Vossloh AG – Analysis of the separate financial statements

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

Vossloh AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The following notes refer to the separate financial statements and present the key determinants of the net assets, financial position and results of operations and thus additionally required disclosures for Vossloh AG's separate 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

The sales revenues of €15.5 million reported by Vossloh AG for the 2023 fiscal year (previous year: €11.7 million) resulted 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, in addition to services related to digitalization and international sales). The first two companies using the new ERP system were invoiced for their share of the costs.

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 €20.3 million, administrative expenses in 2023 were slightly higher than in the previous year (€19.0 million). Personnel expenses of €14.3 million increased slightly compared to the previous year (€13.7 million), which was due to higher salaries and higher variable remuneration due to the result. While trade fair costs, which are significant in the years in which the industry trade fair InnoTrans takes place, fell significantly compared to the previous year, consulting costs, particularly for IT in light of the SAP S/4 project currently underway, increased considerably.

At €2.2 million, other operating expenses increased slightly in the year under review compared to the previous year (€1.7 million); they exclusively include losses from foreign currency valuations. Other operating income amounted to €1.3 million (previous year: €2.6 million). While income was realized in the year under review from subsequent effects of an M&A transaction, the previous year was characterized by the reversal of a provision.

The net financial result for 2023 increased very significantly from €(46.3) million in the previous year to €115.7 million in the reporting year. The main drivers were significant income from investments (€40.1 million; previous year: €20.0 million), profit transfer agreements (€42.7 million; previous year: €17.1 million) and from write-ups on financial assets (€29.6 million). In the previous year, loss transfers in the amount of €6.1 million and, in particular, write-downs on investments in the amount of €74.7 million contributed to the negative financial result. Due to the improved business prospects, particularly in the long term, the fair value of an investment increased substantially despite a further slight increase in the risk-free interest rate.

In addition, interest income more than doubled to €16.9 million (previous year: €8.0 million) – mainly from the on-lending of short-term loans or longer-term loans to Group companies – while interest expenses increased by just over 26 % year-on-year to €15.0 million (previous year: €11.9 million). As in the previous year, income taxes of €0.5 million (previous year: €0.0 million) were only incurred in a very small amount due to the minimum taxation regulations. In the year under review, Vossloh AG's net income amounted to €93.9 million (previous year: net loss of €64.3 million).

Total assets rose from €855.0 million in the previous year to €938.3 million. The increase of €83.3 million was triggered in particular by the aforementioned write-ups in financial assets and higher receivables from affiliated companies (an increase of €49.6 million). Intangible fixed assets decreased significantly in the year under review from €9.7 million in the previous year to €1.2 million. The expenses for the conversion of the ERP software in the Group, which were previously recognized in fixed assets at Vossloh AG and are attributable to the Group companies and charged to them in the respective go-lives, were reclassified to current assets in the year under review. In line with the progress of the project, €12.4 million is now reported as work in progress under inventories following the reclassification and taking into account the expenses incurred in the year under review.

At €247.3 million, liabilities to banks on the liabilities side of the balance sheet increased only slightly as at the reporting date compared to the previous year (€238.0 million). Liabilities to affiliated companies continued to fall in the year under review by €4.6 million to €13.2 million (previous year: €17.8 million). At €31.7 million, provisions remained at almost the same level as in the previous year (€31.6 million). Here, the increase in the provision for variable remuneration due to the good annual result was almost offset by a reduction in the pension provision due to the contribution to a reinsurance policy. Equity increased again significantly from €408.4 million to €484.7 million due to the significantly higher net profit for the year compared to the dividend payment. The equity ratio rose accordingly from 47.8 % in the previous year to 51.7 %. Overall, the Executive Board considers Vossloh AG's net assets and financial position to be positive in view of the balance sheet structure and the increased equity ratio at the end of the financial year. Following the write-up on financial assets and the positive net interest result in the period under review, the earnings situation can be classified as very satisfactory.

Dependency report

The Executive Board of Vossloh AG considers Vossloh AG to be dependent in accordance with Section 17 of the German Stock Corporation Act as Mrs. Nadia Thiele respectively Mr. Robin Brühmüller, as executor of the estate of the deceased Heinz Hermann Thiele, continue to indirectly hold 50.09 % of its share capital on December 31, 2023. 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 Mrs. Thiele or Mr. Brühmüller, or companies affiliated with the aforementioned persons. This assessment is based on the facts and circumstances known by us at the time such reportable transactions were conducted." The report was audited by the auditor and was issued with an unqualified auditor's opinion.

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

The provisions of Sections 289a and 315a HGB require that the following takeover-related disclosures be made as of December 31, 2023.

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.

Shareholding in excess of 10 % 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 % of the voting rights. KB Holding GmbH, Grünwald, Germany, holds 50.09 % of the voting rights in Vossloh AG. Based on the notifications of voting rights pursuant to Section 34 (1) of the German Securities Trading Act, these voting rights are attributable to TIB Vermögens- und Beteiligungsholding GmbH, Grünwald, Germany, Stella Vermögensverwaltung GmbH, Grünwald, Germany, Mrs. Nadia Thiele, Munich, Germany and Mr. Robin Brühmüller (executor of the estate of the late Heinz Hermann Thiele), Munich, Germany. According to the voting rights notification published by the company on April 13, 2023, the Heinz Hermann Thiele Family Foundation has a claim arising from a legacy, as a result of the fulfillment of which the voting rights in the company held by KB Holding GmbH are attributable to it. To the company's knowledge, the bequest claim has not yet been fulfilled.

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

According to Section 179 (1) AktG, the Articles of Incorporation may be amended by a resolution of the Annual General Meeting. Pursuant to Article 21 (2) of the Articles of Incorporation but subject to overriding statutory provisions to the contrary, the Annual General Meeting may pass its resolutions with the simple majority of votes cast. Where the law prescribes a capital majority in addition to a voting majority, the simple majority of the capital stock represented at the vote shall suffice unless the provisions of the law or Vossloh AG's Articles of Incorporation prescribe otherwise. Article 27 of the Articles of Incorporation authorizes the Supervisory Board to resolve on amendments to the Articles of Incorporation 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 % 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 % of the share capital, either at the time this authorization becomes effective or at the time this authorization is exercised. The above-mentioned 10 % 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, 2023, the company did not hold any treasury shares.

Agreements upon of a change of control
There are ten material company agreements that are subject to a change of control clause.

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

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

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

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

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

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

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

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

- Two Schuldschein loans arranged by Bayerische Landesbank and Landesbank Baden-Württemberg: 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.

In one other agreement, a change of control essentially means the purchase of more than 30 % of the voting rights by one or several trading individuals. In relation to the descendants, spouses, heirs, foundations or other beneficiaries in the last will of Mr. Heinz Hermann Thiele, a change of control occurs if 50 % 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 compensation agreements have been made with any members of the Executive Board or employees of the company in the event of a takeover bid.

Workforce

As of December 31, 2023, the Vossloh Group had 4,017 employees[1] worldwide working towards the company's goals. This was 135 employees more than in the previous year (3,882 employees), which corresponds to an increase of 3.5 %.

Workforce-related performance indicators

€ thousand	2023	2022
Personnel expenses per employee	63.8	59.8
Sales revenues per employee	303.6	275.7

The average number of employees in the past fiscal year was 3,999 compared to 3,794 in the 2022 fiscal year. The increase of 5.4 % is attributable to all divisions and the holding company. The Core Components division in particular – especially the companies in Mexico and Australia in the Tie Technologies business unit – contributed to the increase. In addition, the employees of Vossloh RailWatch GmbH were included in the Group figures for the first time.

Of the average total number of employees, 73.1 % (previous year: 73.6 %) were employed at the European locations. Of the remaining 26.9 %, 49.3 % (previous year: 51.7 %) worked in Asia, 27.9 % (previous year: 26.4 %) in the Americas and 22.8 % (previous year: 21.9 %) in Australia.

Personnel expenses

€ mill.	2023	2022
Wages and salaries	206.4	182.3
Social security expenses and charges	42.6	38.5
Pension expenses	6.2	6.0
Total	**255.2**	**226.8**

Divisions

The average number of employees was distributed across the divisions as follows; in addition, sales revenues per employee increased in all divisions during the reporting period:

Division	Number Ø employees		Personnel expenses per employee in € thousand		Sales revenues per employee in € thousand	
	2023	2022	2023	2022	2023	2022
Core Components	1,017	937	69.3	65.8	537.5	514.6
Customized Modules	2,290	2,241	54.7	50.4	234.7	203.5
Lifecycle Solutions	609	549	73.4	71.1	268.7	247.7

In addition, Vossloh AG employed an average of 83 people[2] (previous year: 67).

For additional information, please refer to the "Occupational health and safety" and „Human resources and leadership" sections of the nonfinancial Group statement.

[1] The number of employees is stated in this section on the basis of full-time equivalents.

[2] This also includes 4 employees of Vossloh RailWatch GmbH, which has been included in the scope of consolidation since September 1, 2023, and whose employees were therefore not included in the average calculation for the entire year.

Research and development

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

To satisfy the specific expectations of customers in individual market regions over the long term and reinforce its own competitive position, Vossloh adopts a structured approach to managing innovation by continuously investing in the development and optimization of its products and services. Principles and procedures are defined in the Group-wide Innovation Playbook adopted in 2021, the implementation of which is ensured by a Group Innovation Committee. Vossloh intends to increase collaboration across business units to develop new products, services and business models and ensure that customers and suppliers – with their specific expertise – are involved more closely in research and development processes. After reviewing its production processes over recent years, the company is now implementing a range of measures which will provide ongoing efficiency gains, including 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 collect data about load levels and track condition and, since 2023, data on the condition of rail vehicles. Among other things, this data can be used to gain knowledge about the degree of wear and damage to track components. With this knowledge, statements can be made about which maintenance strategies should be applied and when. This can reduce the risk of component failure – and thus the unavailability of routes and infrastructure – during ongoing operations. Artificial intelligence also plays an important role in detecting wear patterns to predict the failure of track components and prevent these failures by planning maintenance measures ahead of time. Vossloh uses its in-depth knowledge of rail structure to meet its customers' main requirement "increasing track availability" and develop comprehensive solutions in partnership with all business units. Under the guiding principle of "enabling green mobility", these ensure that the rail infrastructure is more robust and resilient and that route availability is increased, even though the demands on the rail network are constantly increasing.

At the same time, sustainability criteria such as low material usage and energy consumption, the use of secondary raw materials and recycling or the avoidance of emissions play an important role in Vossloh's research and development activities. Based on life cycle analyses, all business units are working on solutions that reduce the ecological footprint of Vossloh products and services.

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

In 2023, expenses for research and development – including capitalized internally generated assets – came to a total of €12.0 million (previous year: €11.8 million). This represents a share of approximately 1.0 % of Group sales (previous year: 1.1 %). At €4.0 million (previous year: €4.1 million), R&D expenses in the Core Components division was largely attributable to the Fastening Systems business unit. R&D expenses in the Customized Modules division amounted to €4.6 million (previous year: €3.7 million). €3.0 million (previous year: €3.6 million) was attributable to the Lifecycle Solutions division, while €0.4 million (previous year: 0.7 million) were attributable to Vossloh AG.

Newly capitalized assets that were generated internally or as a result of third-party deliveries or service performance in the 2023 fiscal year came to €1.6 million (previous year: €3.5 million) and were largely attributable to the Lifecycle Solutions division.

Vossloh Group – Research and development costs

€ mill.	2023	2022
Research and development costs	12.0	11.8
of which capitalized	1.6	3.5
Research and development expenses (income statement)	**10.4**	**8.3**
Amortization (of capitalized development costs)	0.6	0.4

Maximizing track availability and reducing lifecycle costs

Vossloh's research and development efforts in 2023 focused on creating new products and services that provide solutions to the major challenges currently facing the rail sector. This includes increasing the availability of rail tracks and developing solutions to deal with the consequences resulting from the increased load on tracks, such as wear and noise emissions. Vossloh also conducts research with a focus on extending the service life of infrastructure and infrastructure components in order to reduce lifecycle costs. Vossloh possesses comprehensive expertise on rail as a complex mode of transportation. The company is able to leverage this expertise to significantly improve the efficiency of rail network maintenance processes. Digitalization plays a key role in this. The focus is on intelligent rail systems and digital track monitoring. Vossloh's solutions minimize disruption and lay the groundwork for increasing the amount of traffic on rail networks.Vossloh is therefore helping create more efficient rail infrastructure, which is essential for the environmentally friendly mobility of people and goods.

With the launch of the cloud-based Vossloh connect platform in October 2023, Vossloh once again lived up to its pioneering role in digitized applications in the rail infrastructure business. As a one-stop-shop platform for customers across the rail industry, Vossloh connect offers a range of state-of-the-art solutions that optimize the management and maintenance of rail infrastructure, contributing to higher safety, lower lifecycle costs and improved overall performance. All digital solutions – mainly in-house developments from Vossloh, with additional complementary products from selected external partners – are integrated into a user-friendly system. The platform provides a convenient, holistic overview of the rail infrastructure and operation. In addition, the platform includes advanced analysis and warning systems that reduce the risk of accidents and malfunctions. This is crucial for railbound traffic safety and helps to reduce the cost of emergency repairs and extend the service life of railroad systems.

Via Vossloh connect, customers have real-time access to the condition data of their rail infrastructure. In a protected area, they can view all measurement data, analyses, evaluations and recommendations for action for their lines. With this digital service, Vossloh enables its customers to significantly deepen their knowledge of their infrastructure and improve its availability through targeted, also preventive maintenance. Visualization in Vossloh applications makes this data intuitively usable and translates it into tailored recommendations for action. Highly developed algorithms for predictive maintenance enable rail operators to plan maintenance work more efficiently and thus reduce downtimes and costs.

Condition data as a basis for predictive maintenance

The information about the condition of the rail infrastructure comes, among other things, from configurable IoT sensors directly in the track, which measure vibration conditions near switches to identify atypical track behavior. In addition, Vossloh's rail processing machines, which are equipped with a range of sensors such as laser or eddy current, serve as diagnostic vehicles. They measure the condition of the rails while the timetable is running. The collected data is transferred to an asset management system, for example the in-house developed applications mapl-e or MR.Pro. In doing so, mapl-e can not only visualize the condition, but also evaluate it and derive maintenance measures from it as well as carry out an economic assessment of the necessary work. On this basis, the asset manager can create a plan and determine a budget for maintenance.

The condition of the track over time is also significantly influenced by the so-called wheel-rail contact. With the acquisition of RailWatch technology in 2023, Vossloh has expanded its monitoring portfolio in this area and extended its digital expertise. The technology developed by RailWatch uses optical and acoustic sensors to identify the technical condition of freight and passenger wagons, multiple units and locomotives as they pass by. A supplementary measuring system, which is installed in the track, enables further data to be recorded, including various parameters of the wheel profile, weight information and the distribution of axle loads. This collected information is also processed in the cloud using artificial intelligence. This means that wear or damage can be detected at an early stage and maintenance measures can be planned and implemented with pinpoint accuracy.

Switches are the most critical elements of the rail track, and also the components which require the most maintenance. Switch disruptions are one of the main reasons for track unavailability and unplanned maintenance. Switches are also the ideal starting point for the continuous collection of condition data with sensors. In addition to tracks, a number of signaling and control systems cross each other at switches; as a result, the data collected at switches is particularly useful. A number of digital solutions are now available for switch management purposes. In urban regional transportation, for example, Vossloh's compact electro-hydraulic Easydrive point machine can be equipped with smart sensor technology for remote monitoring. The PM-DiagBox can be added to conventional analog point machines to make them smart. Vossloh offers the innovative Easyswitch MIM-H point machine for mainline routes – a modular plug-and-play solution with excellent reliability. The in-house development SMV is already being used to avoid switch failures and to anticipate necessary tamping work on the ballast in the switch area and check its effectiveness.

Digitalization accelerates development work

Digitalization also offers direct opportunities for Vossloh's R&D activities. Research and development work in all divisions is increasingly based on data-processing technologies – a trend that continued in 2023. The most recent example of successful development using digital means is Vossloh's new M-generation of tension clamps: A team of employees with specialist knowledge from various areas was able to successfully complete the development of the new generation of tension clamps in just around twelve months – with many benefits for customers.

Working towards "quiet rails"

All of Vossloh's innovations also focus on quiet rails as noise and vibrations are a major inconvenience, particularly for people in dense urban areas. With dampening rail fasteners, whisper switches and acoustic rail grinding, Vossloh is playing its part in reducing noise emissions. A number of solutions in this area were improved in 2023. The company also provides maintenance measures that are proven to reduce noise emissions. By using sensor technology to monitor noise levels, Vossloh can target specific areas for grinding to guarantee long-term reductions in the amount of noise created by rail infrastructure. This is another example of how the company is using digitalization to improve the quality of life for people in urban areas by reducing noise.

Cooperations and partnerships

Vossloh has long relied on the specific expertise of external specialists for some of its development work. The Group has access to an extensive network of experts. The company works closely with renowned universities and research institutions from all around the world – such as those in Germany, France, Sweden, China, Australia and the USA – as part of long-term partnerships on a variety of levels and in various forms. Vossloh focuses on partnerships with technology companies and startups working in digitalization and big data analysis. The joint venture established with Rhomberg Sersa represents a crucial partnership that offers a wide range of monitoring and maintenance services for switches and rails. The MR.pro software provides the joint venture with a set of open-system digital tools for evaluating and visualizing the condition and material of track infrastructure. In 2023, Vossloh entered into a strategic partnership with the Swedish digitalization specialist Predge. Predge's extensive expertise in data analysis and artificial intelligence will be used to jointly develop a predictive model that provides precise fault forecasts and valuable insights into imminent failures, especially of point machines. In addition to Vossloh, several selected partners also offer innovative digital solutions on the Vossloh connect platform. The Swedish company Strainlabs, for example, is contributing its expertise in the field of intelligent screws. The Israel-based company Cervello specializes in cyber security solutions for the rail industry. The Vossloh RailWatch system monitors the condition and performance of rolling stock.

R&D by divisions

In 2023, the R&D experts in the Fastening Systems business unit of the Core Components division focused, among other things, on further developing the tension clamps of the new M generation. One of the requirements was to increase the service life of the components in heavily used tracks. The potential of rail fastening systems with M clamps in ballasted track was also validated in complex measurement campaigns. As part of the new and further development of the plastic components, the focus was on sustainability aspects. Series production of the composite sleeper Engineered Polymer Sleeper (EPS), which was developed in-house, was optimized. Following successful approval for switches and bridge applications, EPS was used in the first orders for switches and in a pilot project for a bridge. The business unit Tie Technologies again focused its R&D activities in the reporting year on material and energy-saving changes to the composition of concrete for railroad sleepers. A product whose innovative cement mixture leads to a significantly improved CO_2 balance sheet while retaining the same properties was installed in various tracks for test purposes.

In 2023, the Customized Modules division worked together with the Lifecycle Solutions division to develop models for inspecting switches in the track that incorporate the ultrasonic testing of cast manganese steel frogs developed in the previous year. Designed for a very long service life, the Flexidrive-4M point machines for metro and mainline railroads went into test operation in Finland. Two product lines required special attention: After several years of successful testing, Vossloh customers worldwide can now be offered switches whose frogs and switch blades are made of the extremely hard rolled steel CogX and/or whose slide chairs are coated with COGISLIDE, which is why their switch rails can be moved friction-free and with low energy consumption even without lubrication. With Vossloh Open Gateway (VOG), the division's R&D experts have added another high-quality monitoring tool to the existing V-MON architecture. In combination with PM-DiagBox and the V-MON server, it becomes a complete solution for switch monitoring with data collection, transmission and analysis. An approach was developed for the V-Drone inspection tool to inspect the condition of rails on railroad bridges from the air at low cost and without interrupting train traffic.

In the Lifecycle Solutions division, (further) development work focuses on machines for rail processing on the one hand, and onboard measuring systems for even more comprehensive condition monitoring of rail lines and software for evaluating and displaying the overall data (keyword "smart maintenance") on the other. In 2023, control systems, sensors and measurement technology of various grinding and milling vehicles were also adapted to meet additional customer requirements. The VTM-performance rail milling machine for mainline railroads is now ready for operation. In terms of software, the division now has a revised version of the LRS (Laser Rail Scanning) system for measuring track and rail geometries, which was already used to measure transverse and longitudinal profiles on around 16,000 grinding kilometers in 2023. A stationary system was also derived from LRS, which measures and documents the quality of processed new rails in the welding plant. Major progress was made in the development of the RailTainer for efficient rail transport to construction sites on container wagons with a modular support plate.

Optimizing production and administration

Streamlined processes and digital data flows along the entire value chain are becoming an increasingly important part of Vossloh's internal processes. The cross-divisional exchange of knowledge as part of international development projects using modern communication and collaboration solutions is increasing. Accordingly, the IT structure was further expanded and standardized in 2023. One of the company's largest projects is "one.ERP". The Group-wide standardized enterprise resource planning (ERP) system provides a tool for limitless cooperation between all employees. The solution chosen by the Group 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). The project proceeded according to plan during the reporting period. Two Vossloh Switch Systems companies in Finland and Sweden were the first units to celebrate their go-live in November 2023.

Risk and opportunity report

Principles and organizational structure

Risks and opportunities for the company's net assets, financial position and results of operations are systematically identified, analyzed, evaluated, monitored, managed and reported to the relevant bodies at all levels within the Vossloh Group. For Vossloh, proper management of risks and opportunities is part of responsible corporate governance. 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. Vossloh AG's risk and reward situation is discussed separately at the end of the chapter. Acquired and newly established companies are immediately integrated into the system.

The risk and opportunity management system is a component of the business, planning and control processes. The organization of structures and processes is documented in a Group-wide policy, which was adapted in the 2023 financial year in light of the introduction of risk management software. The update mainly focused on procedural changes as a result of the system implementation. The review of the reported individual risks for interdependencies and the aggregation into an overall risk position (net view), which is then compared to the Group's risk-bearing capacity, will continue unchanged. The Group's risk-bearing capacity is systematically determined on the basis of key earnings and liquidity figures and reviewed on an ongoing basis by Group Controlling and the Executive Board. In addition, risks with a very high loss value and a very low probability of occurrence (less than 5 %, so-called tail events) are systematically recorded in the reporting system if relevant.

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

Vossloh evaluates risks and opportunities in regard to their potential impact on the company's net assets, earnings and financial position. The possible impact of a risk is primarily calculated using the EBIT as a financial performance indicator. In addition, its influence on the liquidity situation is recorded. Interest and income tax risks as well as risks from discontinued operations are assessed with regard to their impact 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 % is required for these. Additionally, an evaluation of the probability of occurrence is carried out. Tail events are reported separately. Besides, nonfinancial risks and opportunities are incorporated into risk reporting. These are assessed to determine their impact on nonfinancial issues, such as environmental and employee concerns.

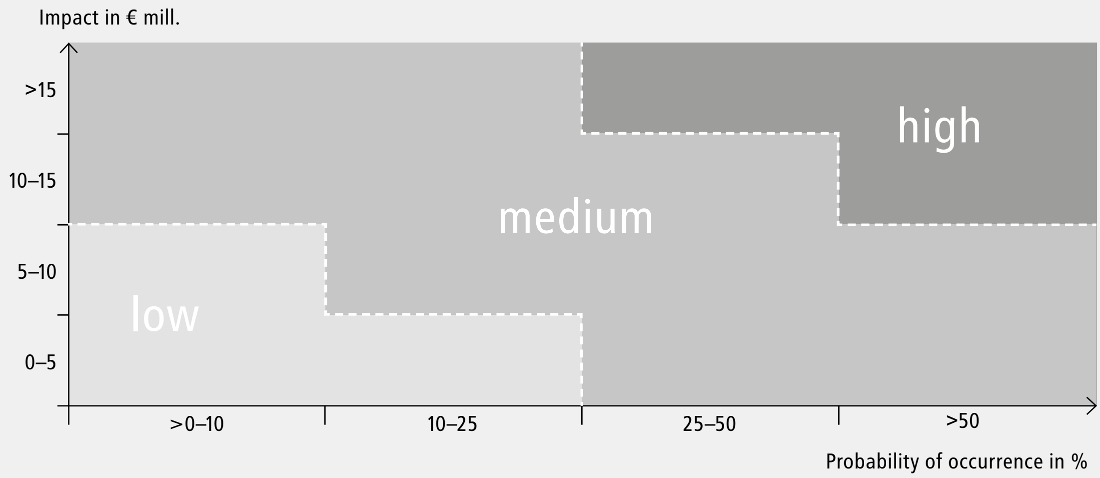
Vossloh records and documents risks and opportunities in standardized reports utilising the software used throughout the Group. They contain detailed information on risks and opportunities, the assessment parameters, possible measures to manage risks or exploit opportunities and the respective potential loss amounts before (gross) and after (net) measures. The risks and opportunities report is issued on a quarterly basis. It complements the current annual outlook and also includes predictable and adequately specific risks and opportunities for the following three years. Risks that are predominantly likely to occur are included in the current annual forecast. Ad hoc reports round out the regular reports and provide the means to assess the current situation at any time. The risk reports are addressing 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 business units, Corporate Controlling and the Executive Board discuss the current risk situation on a regular basis. The tight-knit personnel structure enables information to flow quickly and reactions to be invoked at short notice.

The Executive Board has adopted suitable measures in order to promptly identify developments that may jeopardize the Group's standing as a going concern. In addition to the reporting system, Vossloh also uses the internal control system (ICS) to uncover and prevent risks in existing processes in order to avoid possible deficits. Internal Audit regularly checks whether the risk and opportunity management system is adequate and functional and whether it is in compliance with statutory requirements. In 2023, the introduction of the risk management software was audited by an external auditing company. In addition, the auditor regularly conducts an audit of the risk early warning system (RFS audit).

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

This is shown in the figure below:



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

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

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

Regulatory measures, the state of deregulation of rail transport in the respective country and the financial scope of public budgets have a particular influence on Vossloh. The latter has a major impact on the investment capacity of public clients. Reduced availability of public funding can have a negative impact on the future business performance of Vossloh. Increased availability can conversely have a positive impact. To combat the significant rise in inflation rates in 2022 and over the course of the reporting year, both the US and European central banks have raised key interest rates further. This may burden the costs of refinancing public budgets and thus restrict available financing. The restrictive financial conditions will continue to weigh on economic growth in 2024. Particularly in China, a significant slowdown is expected in 2024 compared to the growth rates of previous years. The development of the geopolitical conflicts in Ukraine and the Middle East is adding to the uncertainty. However, these factors are increasingly being countered by the 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. Numerous regions around the world have set up rail subsidy schemes as part of climate action initiatives. Many countries have announced economic recovery programs which are also aimed at additional investment in rail infrastructure. The first projects from these programs have already been implemented and have contributed to the Group's growth over the past three years.

In the 2023 reporting year, Vossloh was active in the rail infrastructure markets worldwide. In this area, the Group is one of the leading suppliers in selected markets. Vossloh generates more than 85 % of its sales revenues in Europe, the Americas and Asia.

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

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

Vossloh continues to classify the macroeconomic risk and the industry risk for the forecast financial targets as low overall compared to the previous year. However, a slight increase in uncertainty due to the number of geopolitical conflicts can be assumed for 2024.

Operating risks and opportunities

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

Vossloh continuously monitors changes in material, energy and freight prices. Should the development of prices, the materials used, the energy sources required for the production process and the freight costs for the delivery of products deviate from the assumptions made, risks or opportunities for the forecast earnings may arise from higher or lower procurement prices, particularly in the Core Components division. As a result of the dynamic but now extenuated inflation trend, collective agreements may lead to higher or lower earnings than forecast.

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

Within the value creation process, the operating units are generally exposed to the risk of business interruptions, quality problems in production as well as occupational safety and environmental risks. These risks can increase if significant investments at a location have an impact on production processes. Vossloh avoids or reduces the resulting risks through comprehensive guidelines and procedural instructions on project and quality management, production and occupational safety and environmental protection. Certification in accordance with international quality, environmental and social standards such as ISO 9001, ISO 14001, ISO 50001 or ISO 45001 is well advanced in the Vossloh Group. If newly acquired units do not hold equivalent certifications, they are brought into compliance with these standards as quickly as possible.

Vossloh may be exposed to risks arising from the complexity of projects when handling orders, especially when a significant amount of factory capacity is used or if the products involved are particularly technically sophisticated. These scenarios can be caused by unexpected technical difficulties, unforeseeable developments at project sites, problems with partners or subcontractors and logistical challenges, as well as delays in approvals, acceptance and billing. This can lead to significant additional expenditure or contractual penalties in certain cases. These risks can be limited, but not fully eliminated, by formulating contracts appropriately and ensuring that capacity, project and quality management are thorough. On the other hand, there may be isolated indirect opportunities if the recognized risk provisions do not need to be fully utilized.

Risks may also materialize after acquisitions where it becomes necessary to impair goodwill if the medium and long-term operating performance of the respective units is weaker than expected and/or the valuation parameters (e.g. the general interest rate level) change significantly. In accordance with IFRS 3 in conjunction with IAS 36, goodwill arising on aquisitions is not subject to amortization. Instead, goodwill is tested for impairment annually on the balance sheet date (impairment test). In the event of extraordinary events, an impairment test is also carried out during the year.

The respective carrying amount of a group of cash-generating units (CGUs) to which goodwill from company acquisitions is allocated is offset against the value in use.

Vossloh has recognized risk provisions for existing operating risks in accordance with the relevant IFRS regulations. Despite the provisions for known risks with a predominant probability of occurrence, further burdens on earnings cannot be completely ruled out and may have a negative impact on the achievement of the forecast financial targets. The absolute level of risk arising from the execution of projects depends on the volume and level of development work on the respective order and the quality of the products produced.

Vossloh continues to assess the risk from the value-added process and the execution of projects as well as the risk from changes in material prices as medium. As in the previous year, the risk of any impairment of goodwill is classified as medium. The other operating risks are still considered to be low overall.

Financial risks and opportunities

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

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

Liquidity risks
Liquidity risks would arise if Vossloh was 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. Financial balancing measures within the Group – including cash pooling systems in individual countries and intercompany loans – facilitate the use of the excess liquidity of individual Group companies in order to cover the financing requirements of others.

Financing and the provision of liquidity typically take place centrally through Vossloh AG as the Group holding company. In February 2021, Vossloh AG issued a hybrid note of €150 million. The note has an indefinite term and can be called and repaid by Vossloh for the first time in February 2026. In addition, there are still loans of €90 million maturing in July 2024 from a Schuldschein loan issued in July 2017. In December 2021, a Schuldschein loan of €25 million maturing in December 2028 was also issued. In July 2023, two further Schuldschein loans were placed, each in the amount of €30 million and maturing in July 2028 and 2030. 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. The early refinancing of this syndicated loan took place in February 2024. In July 2021, a variable-interest loan agreement for €20 million with a term until July 2024 was concluded with another bank and utilized. At the end of 2023, the Group had unutilized credit lines of €244.4 million at its disposal in addition to cash and cash equivalents.

There are no financing or liquidity shortages. Overall, Vossloh considers the liquidity risk to be low.

Interest rate risks
Changes to the future interest rate may cause cash flow volatility where asset and debt positions are subject to variable interest rates. Vossloh hedges this risk as appropriate with the use of interest rate swaps and caps. The company regularly performs analyses to determine how changes to interest rates affect cash flows. For the purposes of active risk management, the variable-rate interest cash flows from a long-term loan concluded in 2018 were replaced with an interest rate swap for fixed cash flows at the same time. In August 2022, two forward payer interest rate swaps were also concluded in order to refinance the Schuldschein loans maturing in mid-2024. This fixed the reference interest rate for 2/3 of the maturing volume for the new maturities over five and seven years. At the end of November 2023, the two Schuldschein loans issued in July 2023 with variable interest rates were also hedged with two payer interest rate swaps. The positive or negative effects of a potential change in the ECB base rate on cash flows are therefore considered to be low. In contrast to the previous year, this risk is again classified as low overall.

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 its 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 2023, of the financial investments and derivative financial instruments with positive market values, 62 % were with contract partners with a rating of AA+ to AA-, 22 % were with contract partners with a rating of A+ to A-, 15 % were with contract partners with a rating of BBB+ to BBB- and 1 % were with contract partners with a rating of BB or no available rating. The Group also distributes its financial assets across a number of credit institutions, thus broadly diversifying its risk exposure. There were and are no dependencies on individual banks.

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

Legal risks and opportunities

Legal risks arise for Vossloh in particular on the basis of complaints, warranty claims, compensation claims and litigation. Identifiable risks are covered where possible and economically feasible by insurance and – if the relevant requirements are met – reflected in the balance sheet through provisions. However, it is impossible to eliminate the possibility that losses may arise that are not (adequately) insured or exceed the provisions made. 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 Services Deutschland GmbH (previously 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. The claims were rejected by the court of first instance in 2022. For any outstanding entitlements, Vossloh Rail Services Deutschland GmbH has a right of recourse that is partially secured with bank guarantees. Various customers have also asserted compensation claims in relation to ongoing or concluded competition law procedures concerning rail switches. Provisions for compensation claims are recognized where the assertion of individual customer claims is deemed to be very likely and a reliable estimate of potential compensation amounts seems possible. This is a significant individual risk or opportunity.

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

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

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

Nonfinancial risks and opportunities[1]

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

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

[1] Part of the nonfinancial Group statement audit for providing limited assurance carried out by Deloitte GmbH Wirtschaftsprüfungs-gesellschaft – see page 78 et seq.

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 crucial as the digitalization trend continues. Vossloh monitors the ever-growing threats to cyber security worldwide and optimizes its IT infrastructure on an ongoing basis. Through the use of technical and organization precautions in particular, Vossloh minimizes risks related to the reliability, availability and confidentiality of the data stored in its information systems. A global IT security team consisting of internal and external experts secures Vossloh's infrastructure with modern applications and systems. Regular audits and employee training programs ensure a high standard of security.

Other risks had no significant impact on net income in 2023. Overall, the risk is classified as low, unchanged from the previous year.

Risks and opportunities of Vossloh AG

Vossloh AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. The following comments relate to opportunities and risks in Vossloh AG's separate financial statements for the net income under German commercial law, which is mainly influenced by administrative expenses and the net financial result.

As an operational management holding company, the net financial result of Vossloh AG is largely subject to the same opportunities and risks as those which apply to the Group. Opportunities and risks can have an effect in the form of changes to dividend payments, higher or lower amounts from profit transfers or losses absorbed, in addition to affecting the value of financial assets.

Changes in interest rates expose the net income figure to fluctuation in pension-related expenses recognized as administrative expenses. Higher interest rates can likewise have a negative impact on the value of financial assets included in the net financial result. Deviations in the utilization of risk provisions for divestment projects recognized by Vossloh AG can have a positive or a negative impact on net income.

Summarized assessment of the risk and opportunity situation

All of the described risks and opportunities that the Vossloh Group and Vossloh AG are exposed to are continuously monitored and managed in terms of their effects on the net assets, financial position and results of operations of the Group. The relevant IFRS risk provisions have been recognized for risks that are currently known and considered probable overall. Other current risks and opportunities are – if adequately specified – accounted for in the current annual outlooks. As in the previous year, Vossloh does not anticipate any significant deviations from its targets for the 2024 fiscal year on this basis at the time this annual report was prepared. Based on current information, there is no risk to the Vossloh Group as a going concern in terms of substance or liquidity based on individual risks or all of the currently known risks collectively. The available Group equity is adequate to cover potential risks. The risk and opportunity situation within the Vossloh Group is therefore considered satisfactory overall.

Internal control system

The internal control system is the entire system of defined controls and monitoring activities designed to ensure the security and efficiency of business processes, the reliability of financial reporting and the compliance of all activities with laws and guidelines. In terms of the accounting process, 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.

An effective and efficient internal control system has a crucial role to play in the successful management of risks in business processes. The risk of fraudulent actions can be reduced by segregating duties appropriately and applying the double-check principle. The compliance management system also helps to mitigate potential risks by providing an organizational and procedural structure within which all employees are made aware of possible violations of laws and guidelines and are given a variety of opportunities to draw attention to them.

Vossloh's internal control system is designed to cover all material business processes and extends beyond simply implementing controls in the accounting process. A number of monitoring measures and controls are implemented as part of the accounting process to ensure, for example, that the consolidated financial statements are prepared in accordance with regulations. Group-wide guidelines and policies are in place for monthly reporting, capital expenditure, offer submissions, compliance and risk management, for instance. The companies and business units of the Vossloh Group are also required to establish decentralized guidelines for key areas.

Vossloh regularly performs system backups for relevant IT systems to minimize data loss and system failures. The security concept includes customized authorizations, access restrictions and similar measures. Vossloh continuously adapts the requirements for the internal control system and makes adjustments to the control landscape to reflect changes to processes.

To ensure that risks are systematically identified early throughout the Group, an early-warning monitoring system for risks that may jeopardize the Vossloh Group as a going concern has been established in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). In addition, a suitable and efficient internal control system and a risk management system have been established in accordance with Section 91 (3) AktG. These systems serve to quickly identify, manage and monitor risks that jeopardize the Group as a going concern as well as other risks. The Group auditor assesses the functional capacity of the early-warning risk control system in accordance with Section 317 (4) HGB.

At a business unit level, the respective management companies are responsible for implementing the internal control system on the basis of a large number of coordinated regulations and guidelines. At Group level, this is mainly the responsibility of the Controlling, Accounting, Treasury and Legal departments, as well as Internal Audit. 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 department also ensures that monitoring is integrated into processes.

The Supervisory Board, in particular the Audit Committee, Vossloh AG's Internal Audit and Legal departments and the locally appointed employees at the level of the management companies of the business units, are responsible for process-independent audits. The (Group) auditor also performs process-independent auditing activities.

Information technology

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

With a small number of exceptions, Group companies use a standardized accounting system from SAP. This IT system enables central access and centrally initiated controls in regard to the accounting process. The system is currently used within Vossloh AG and the overwhelming majority of companies in all divisions. A new SAP S/4 system is being introduced as part of a Group-wide process to standardize the ERP systems. This system was implemented in the first two companies in the 2023 fiscal year.

Vossloh attaches great importance to IT security and countering cyber risks. The measures put in place for this purpose are described on page 39.

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, in addition to detailed formal requirements for the consolidated financial statements. The formal requirements include the binding application of a standardized and complete set of forms.

The "Group Accounting Manual" is regularly revised and updated; the most recent update was carried out in fall 2023. New or revised versions are made available directly to anyone involved in the Group accounting process via the Group intranet.

Accounting transactions within the Group companies are recorded locally but the monthly and annual financial statements are reviewed by the managing company of the relevant business unit. Checks are carried out at random but are also triggered, most notably, by major or unusual transactions.

At the level of Vossloh AG, further plausibility checks are performed by the Accounting, Legal and Controlling departments using suitable validation rules to ensure correct compliance with the applicable IFRS and HGB regulations.

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

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

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

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

Adequacy and effectiveness of the risk management system and the internal control system[1]
The internal control system and RMS are audited on a regular basis by Internal Audit. These audits are carried out either as part of the risk-based annual audit plan or as part of audits performed during the year. Critical vulnerabilities in the control system are reported to Vossloh AG's Executive Board and the Audit Committee of the Supervisory Board. Risks are also reported on a regular basis to the Audit Committee. The Executive Board is not aware of any circumstances based on its involvement with the internal control system and risk management system or from reports that would suggest that the internal control system or risk management system were not adequate or effective as of December 31, 2023, in their respective entirety.

Reference to the Declaration on Corporate Governance pursuant to Section 289f and Section 315d HGB
The Declaration on Corporate Governance is permanently available on Vossloh AG's website (see www.vossloh.com > Investor Relations > Corporate Governance).

[1] Statements in this section are not subject of the audit.

Outlook

This outlook contains forward-looking statements that are based on the expectations of Vossloh management in relation to the future development of the Group. These expectations are based on estimates made by management using all available information. Assumptions regarding the future development of the international rail technology market and the specific business expectations of Vossloh Group divisions in particular have been taken into account. The statements made are subject to opportunities and risks that Vossloh cannot entirely control or manage. For more information on this, please refer to the statements made regarding the Group's risk and opportunity report (starting on page 32). Actual results and developments may differ from these forecasts if the assumptions underlying the outlook prove to be inaccurate or the aforementioned risks or opportunities materialize. The Vossloh Group assumes no liability for updating the statements made in this outlook beyond statutory publication requirements.

Macroeconomic developments and outlook for the rail technology market

Global economic fluctuations only have a limited impact on Vossloh's short-term performance. Investments in rail infrastructure around the world are generally made on the basis of long-term decision-making processes. Current economic trends are therefore only reflected in the markets relevant to Vossloh to a limited degree. However over the long term, increased levels of debt in various countries, particularly in our home market in Europe, may negatively impact Vossloh's business activities. The vast majority of Vossloh's customers are publicly funded. Some countries may well implement cost-cutting measures in markets that are relevant to Vossloh if they are heavily indebted. However, there is a global trend towards sustainability, resulting in the increasing attractiveness of rail as a mode of transport and rail subsidy schemes, which is expected to lead to increased investment in the rail infrastructure products and services provided by Vossloh.

The Association of the European Rail Industry UNIFE publishes an extensive biannual analysis of developments in the global rail technology market in its "World Rail Market Study". UNIFE uses this analysis to make well-founded predictions for the coming years. The most recent study was published in September 2022. The annual global volume of the entire rail technology market is expected to grow from an average of €176 billion between 2019 and 2021 to an average of around €211 billion between 2025 and 2027 – an average growth rate of 3.0 % per year. UNIFE estimates the market accessible to European providers, such as Vossloh, to be worth approximately €127 billion between 2025 and 2027. "Accessible markets" refers to the markets that are available to European suppliers and non-European markets where demand is not exclusively met by domestic capacity. For markets that can only be addressed by European suppliers via joint venture structures, only half of the market volume is classified as accessible. For comparison, a market volume of around €107 billion per year on average was considered accessible for the 2019–2021 period. The expected increase to €127 billion represents a growth of 2.9 % per year.

The UNIFE study found that projected market growth varies significantly from region to region. The largest accessible rail technology market has been and continues to be Western Europe, with an annual volume of around €41 billion in the 2019–2021 period. Market growth of 3.9 % per year to approximately €52 billion is anticipated between 2025 and 2027. This is followed by the NAFTA region with a current annual market volume of approximately €26 billion and future annual market volume of around €31 billion (+3.2 %) and the Asia-Pacific region with a volume of just under €19 billion, expected to rise to around €21 billion (+2.1 %). 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: Africa/Middle East 7.7 %, Eastern Europe 6.7 %, Latin America 4.9 % and CIS (23.4) %.

The European Rail Industry Association breaks the rail technology market down into the following segments: infrastructure, rolling stock, rail control, services and turnkey projects. In view of its Core Components, Customized Modules and Lifecycle Solutions divisions, Vossloh therefore operates in the infrastructure segment as well as the infrastructure services sub-segment of the services segment. The volume of the globally accessible infrastructure market has been quantified by UNIFE at an average of €23 billion per year in the period between 2019 and 2021. An annual growth rate of 3.8 % is currently forecast for the 2025–2027 period. This will provide an annual market volume of approximately €29 billion. The growth forecast for the infrastructure services sub-segment until the 2025–2027 period is 1.8 %, meaning accessible market volume is expected to increase from the current €6.1 billion per year to €6.8 billion. In total, the accessible market relevant to Vossloh between 2019 and 2021 came to around €29 billion per year. We expect it to grow to roughly €35 billion by the 2025–2027 period (+3.4 %).

Outlook for 2024

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

Outlook for management-related performance indicators

		2023	2024 forecast
Sales revenues	€ mill.	1,214.3	1,160 to 1,260
EBIT	€ mill.	98.5	100 to 115
EBIT margin[1]	%	8.1	8.3 to 9.5
Value added[2]	€ mill.	18.9	7.5 to 22.5

[1] The range for the EBIT margin relates to the midpoint of the sales revenue forecasts.

[2] Based on a weighted average cost of capital (WACC) of 8.5 % in 2023 and 9.5 % in 2024.

Sales expected to remain at a high level in 2024

For the 2024 fiscal year, the company forecasts sales revenues in the range of €1.160 billion to €1.260 billion (2023: €1.214 billion). Despite the completion of some major new construction projects, particularly in Mexico and Serbia, which contributed significantly to the exceptionally strong sales growth in 2023, Vossloh expects sales revenues to remain at around the previous year's level based on the midpoint of the corridor due to overall positive market demand. While a decline is expected in the Core Components division due to significantly lower overall sales in Mexico and China, among others, Vossloh is forecasting rising sales for the other two divisions. Slight increases in sales are expected in the Customized Modules division. The Lifecycle Solutions division should continue to record strong revenue growth, particularly in Germany.

The Vossloh Group expects a further increase in absolute EBIT for the 2024 fiscal year. From today's perspective, EBIT is forecast to be in the range of €100 million to €115 million (2023: €98.5 million). Based on the midpoint of this sales revenue forecast, this results in an EBIT margin of between 8.3 % and 9.5 % (2023: 8.1 %). While a lower EBIT and a reduced EBIT margin are expected in the Core Components division due to the sales trend and a change in the project mix, the other two divisions expect significantly higher EBIT and a considerably higher EBIT margin compared to 2023.

EBIT forecast to exceed €100 million

Average capital employed is expected to be slightly higher than the previous year in the 2024 fiscal year. The weighted average cost of capital before taxes (WACC) relevant for internal management purposes will be raised to 9.5 % in the 2024 fiscal year (previous year: 8.5 %) in line with changes in interest rates. Despite the increase in WACC, value added is expected to be between €7.5 million and €22.5 million in the 2024 fiscal year.

Value added between €7.5 million and €22.5 million expected

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. As expected, the administrative expenses of Vossloh AG will increase slightly again in the 2024 fiscal year. This will be driven by anticipated higher wages in particular along with an increase in the size of the workforce. Vossloh expects the financial result to be significantly lower than in the previous year, as the 2023 fiscal year benefited significantly from a write-up on an investment. Overall, earnings after taxes for 2024 are therefore not expected to match the high figure from the 2023 fiscal year.

Vossloh is focused on continuing to implement its corporate strategy over the coming years. In addition to organic growth with increasing profitability, the focus is on forming specific partnerships and making specific acquisitions in order to strategically develop Vossloh's core business and sustainably increase the company's value. The forecasts presented for the 2024 fiscal year only reflect targeted organic growth.

Nonfinancial Group statement[1]

The Group nonfinancial statement of Vossloh in accordance with Sections 315b and 315c HGB for 2023 is submitted to meet the requirements of commercial law. In preparing this statement, Vossloh used the standards of the GRI (Global Reporting Initiative) to select the nonfinancial performance indicators and was guided by the principles of the United Nations (UN) Global Compact. Vossloh is committed to sustainable corporate governance and climate action; sustainability is one of the company's five core values. The Executive Board's sustainability commitment is published on the www.vossloh.com corporate website („Investor Relations" > „Sustainability" > „Sustainability strategy and management").

Vossloh's commitment to sustainability

enabling green mobility – for a sustainable future

Vossloh's corporate vision means "sustainable, safe and user-friendly rail mobility for a better world". As a globally successful supplier of integrated rail infrastructure solutions with a history stretching 140 years and a unique portfolio covering all aspects of rail transport, Vossloh is a major contributor to the mobility of people and transport of commodities. Rail is the safest, most efficient and most environmentally friendly mode of transport for both local and long-distance transit. Increasing rail transport is, therefore, a key prerequisite for achieving ambitious climate goals. In this context, the digital transformation happening in the rail industry opens up considerable new opportunities for rail as a mode of transport leveraging its ecological benefits further with the aim of finding a sustainable solution to the global challenges in the transport sector.

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

Sustainability strategy and management

Importance of sustainability for the Vossloh business model

Vossloh offers products and services that keep rail routes performing at a high level and facilitate more widespread rail use. The aim is to increase the availability of existing tracks, facilitate efficient and trouble-free operation, and reduce infrastructure lifecycle costs. For further information on the business model, please refer to page 4 et seq.

Group-wide sustainability strategy

In keeping with its guiding principle "enabling green mobility", Vossloh is a driving force behind customer-focused, innovative and sustainable products and services for rail transport. This motto is also reflected in Vossloh's sustainability strategy. Since the 2021 fiscal year, Vossloh has pursued a revised group-wide sustainability strategy in order to centrally align and focus sustainability activities within the Group, to further improve Vossloh's positive impact on the environment and society, and to improve the transparency of the Group's sustainability performance. It is intended to make Vossloh a reference in the area of sustainability in the rail infrastructure business. Vossloh AG's Executive Board adopted the sustainability strategy and the guideline supporting it in 2021. Vossloh's sustainability commitment, with which the Executive Board underlined and reaffirmed Vossloh's motto and focus, was published on the company's website.

[1] Not part of the financial statement audit, but part of an audit to obtain limited assurance. The independent auditor's report can be found on page 78 et seq.

Group-wide sustainability program

The sustainability guideline provides the Group-wide organizational framework and sets out the principles for all Vossloh's sustainability measures and initiatives. The guideline defines in particular the scope of action, as well as organization, responsibility and processes. The direction and focus of sustainability measures were set by a materiality analysis in order to determine the sustainability topics relevant to Vossloh. They are adapted to changing conditions and requirements with the help of regular reviews by the Executive Board. Specific sustainability goals have been defined for the sustainability topics classified as material. These goals are pursued through sustainability initiatives and the integration of environmental and social aspects into the company's business and decision-making processes. Vossloh is using internal and external communication to make its sustainability performance transparent and also to further strengthen the commitment of its employees on the way to becoming a sustainable company.

Vossloh has divided its sustainability activities into eight areas of action, which enable the topics identified as material to be pursued in a targeted and efficient manner:

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

The overarching area, "Sustainability strategy and management", provides the framework for the seven other areas as well as for the Group's future approach.

Sustainability organization

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

EU taxonomy and external ratings

100 % of sales revenues taxonomy-eligible, 63 % taxonomy-aligned

Vossloh has implemented the EU Taxonomy Regulation reporting obligations since the 2021 fiscal year. The EU taxonomy provides a standardized classification system for defining environmentally sustainable economic activities. As in the previous year, 100 % of the sales revenues in the reporting year 2023 are classified as taxonomy-eligible. The share of environmentally sustainable and thus taxonomy-aligned sales revenues – the majority of which relate to electrified routes – amounted to 63 % (previous year: 64 %). Both of these figures are once again excellent and underline Vossloh's sustainable business model. Detailed information on the requirements of the EU taxonomy, a comprehensive and detailed description of the implementation of these requirements at Vossloh as well as the required key figures according to Annex II to the Commission Delegated Regulation can be found on page 68 et seq. of the annual report.

Ratings underline Vossloh's sustainability performance

For many years, rating agencies have assessed and recognized Vossloh's sustainability performance on a regular basis. Among other things, the company currently has a "prime status" according to Institutional Shareholder Services (ISS) ESG, which places Vossloh in the top 10 % of its sector. EcoVadis continues to list Vossloh with a Silver status; however, according to the improved score received in 2023, Vossloh is now among the top seven percent of all companies rated by EcoVadis. MSCI ESG Research continued to rank Vossloh at the second-best AA rating level (on a scale from AAA to CCC) in the 2023 reporting year. Such ratings play a special role for Vossloh: the Group was one of the first companies in Germany to place a sustainability-linked hybrid note at the beginning of 2021. The redemption amount of the note is linked to the company's sustainability performance as measured by ISS ESG and MSCI ESG Research ratings.

Another criterion for assessing Vossloh's sustainability performance is certification in accordance with internationally recognized norms and standards. Most Vossloh units are certified according to at least one of the international quality, environmental, energy efficiency or occupational health and safety standards such as ISO 9001, ISO 14001, ISO 50001, ISO 45001 or a comparable national standard and have corresponding management systems in place. As of December 31, 2023, 98 % of Vossloh employees were employed at a location with one or more of these certifications, as in the previous year. The proportion of operating companies with at least one of these certifications is 97 %.

The Vossloh Group received great public recognition for its commitment to green mobility in 2023 with its nomination as one of three finalists in the competition for the prestigious German Sustainability Award in the field of mobility and logistics. Europe's most important award for ecological and social commitment honors companies that have made an outstanding contribution to spreading the transformation towards greater sustainability.

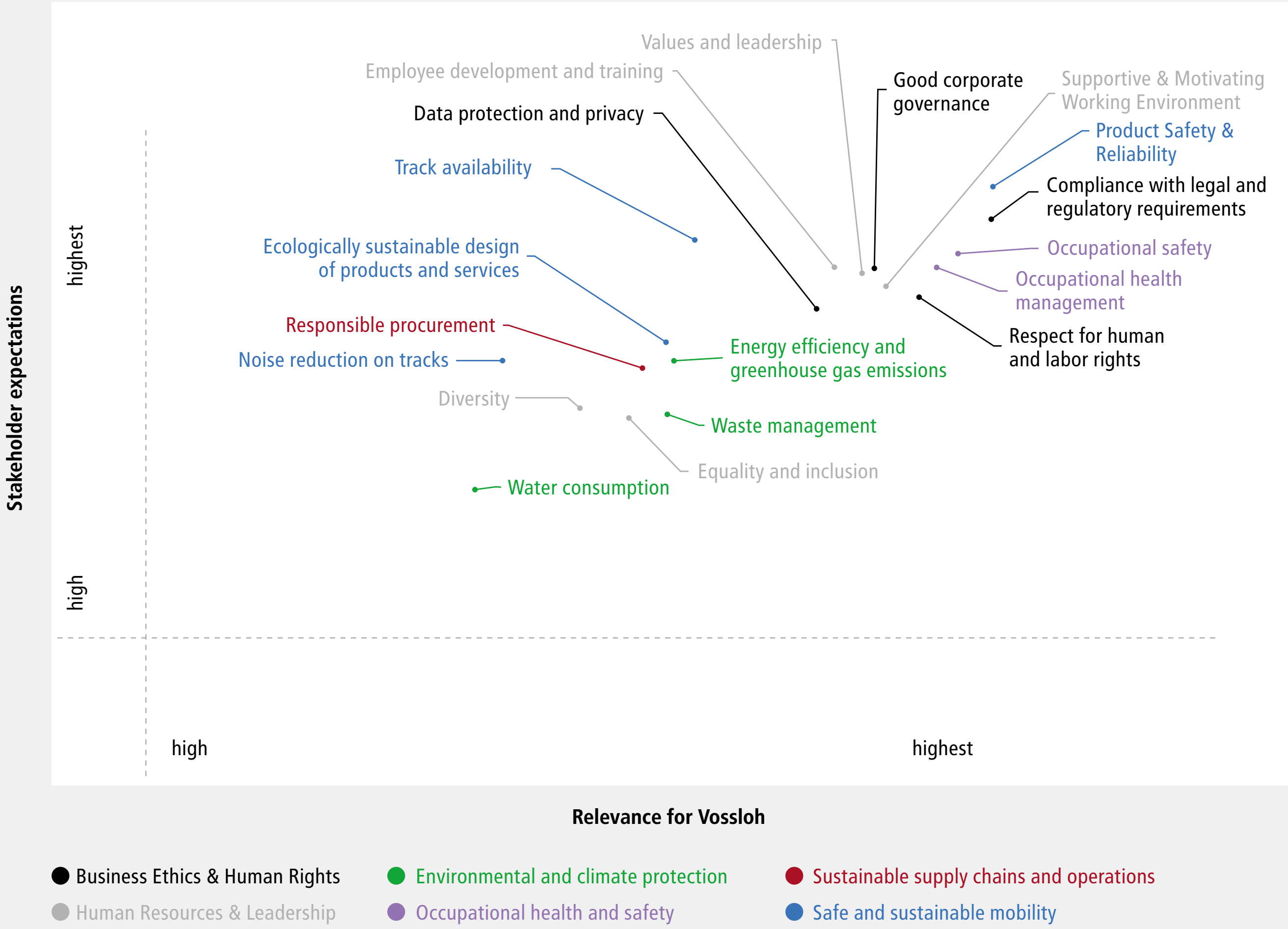
Sustainability topics, goals and initiatives

Reporting on nonfinancial Topics

In order to identify the sustainability topics, Vossloh conducted a materiality analysis in 2021 with the participation of representative external and internal stakeholders as well as the Group Sustainability Committee and the Executive Board. To this end, a total of 38 potentially relevant sustainability topics were divided into seven areas of action. As part of the materiality analysis, 198 representative stakeholders were surveyed, including 53 external participants. The ranking and prioritization of the sustainability topics were determined by linking stakeholders' expectations to the relevance for Vossloh in each focus area.

As part of its annual review, the Executive Board critically evaluated the sustainability issues identified as material. The previously relevant topics of "Operational noise, vibration and dust pollution", "Partnerships with customers and suppliers", "Occupational health and safety certifications" and "Social commitment" were no longer classified as material within the meaning of Section 289c HGB. For this reason, the report below covers 19 material individual topics.

Sustainability areas of action



The nonfinancial statement covers Vossloh's global activities. The companies considered correspond to the scope of consolidation of the consolidated financial statements (see Vossloh annual report, "Consolidation" section, page 126 et seq.). The management report contains supplementary and/or more detailed information regarding a number of the nonfinancial topics and these are cross-referenced accordingly. The company's risk reporting covers all major risks associated with Vossloh's business activities. It also includes the major nonfinancial risks to which Vossloh may be exposed (see "Nonfinancial risks and opportunities" on page 38).

Group-wide sustainability goals and initiatives

The table below indicates six areas of action with the relevant Group-wide sustainability goals assigned to sustainability factors in accordance with Section 289c HGB:

	Sustainability aspects	Areas of action	Group-wide goals
Sustainability strategy and management	Environmental matters	Environmental and climate protection	- CO_{2e} neutrality by 2030 (Scope 1 and Scope 2)
	Employee matters	Occupational health and safety Human resources and leadership	- 20 % annual reduction in the frequency of workplace accidents - Introduction and implementation of the new value-based Vossloh leadership principles - Implementation of a Group-wide diversity, equality and inclusion policy
	Social matters	Safe and sustainable mobility	- Reducing the ecological footprint of Vossloh's products and services along the entire value chain
	Respect for human rights Combating corruption and bribery	Business ethics and human rights Sustainable supply chains and operations	- 90 % sustainable strategic sourcing volume by 2025

Key performance indicators are defined for all of the above goals, which can be used to measure the degree to which they have been achieved. At the end of 2021, the company also launched a Group-wide sustainability initiative for each goal. These initiatives were continued in 2023; the degree of target achievement is reported in the respective chapters. The Group Sustainability Committee and the Executive Board received regular updates on all activities.

In addition to the areas of action and sustainability goals, which apply to the entire Group, a wide range of other sustainability initiatives are being implemented in the various business units and at the company's sites. As of December 31, 2023, there were a total of 52 ongoing sustainability initiatives.

Environmental and climate protection

The Vossloh Group takes care to make efficient use of resources and minimize its environmental impact. The continuous optimization of the use of energy, materials and personnel as well as the constant improvement of processes are an integral part of day-to-day business for business management reasons alone. This applies to the manufacture of rail infrastructure products and components as well the provision of rail track services. In addition, environmental officers have been appointed to tackle relevant issues at the Group companies' sites and corresponding reporting systems have been installed. As of December 31, 2023, 84 % of employees were employed by an ISO 14001-certified unit, as in the previous year. The proportion of operating companies with corresponding certification was 68 % (previous year: 65 %).

In terms of "Environmental and climate protection", Vossloh identified three topics as relevant as part of the materiality analysis:
- Energy efficiency and greenhouse gas emissions
- Water consumption
- Waste management

They are presented in more detail below. The Group-wide sustainability target defined for this area relates to the individual topic of "Energy efficiency and greenhouse gas emissions"; all related measures and progress are covered in that section

Energy efficiency and greenhouse gas emissions

Vossloh is particularly focused on CO_{2e} (CO_2 equivalents) emissions due to their impact on climate change. The company has set itself the goal of achieving CO_{2e} neutrality (Scope 1 and Scope 2) in stages by 2030. The extent to which this aim is achieved is measured using the indicators for CO_{2e} emissions, CO_{2e} intensity (CO_{2e} tons /sales revenues in € million) and energy intensity (energy consumption in MWh/sales revenues in € million). Energy intensity and CO_{2e} intensity are the key indicators used by Vossloh to measure its progress in terms of energy efficiency and minimizing CO_{2e} emissions, while also taking the company's growth targets into account.

As part of the group-wide "Carbon Neutrality 2030 (Scope 1 & 2)" initiative, a cross-divisional team led by the Head of Corporate Sustainability drew up an action plan to reduce energy consumption and CO_{2e} emissions. The implementation, which began in 2022 and will continue in 2023, focused in particular on the most energy-intensive processes and plants as well as the most CO_{2e}-intensive energy sources. The project team first compiled data on the initial situation in all units, described the targets and defined the measurement tools. Subsequently, training courses were held in all business units. As at December 31, 2023, the relevant Vossloh employees had completed the respective training courses.

At the same time, packages of measures were developed at the level of the individual Group companies and sites for the years up to 2026, with the help of which a gradual reduction in CO_{2e} intensity of around 11 % per year is to be achieved. In the 2022 fiscal year, CO_{2e} intensity was already significantly reduced by 14.9 %. In 2023, it fell again by an impressive 18.7 %. Among the measures implemented in 2023 were photovoltaic systems on Vossloh Fastening Systems factory buildings in Germany, Poland and China (capacity: up to 6,300 MWh/year) and the conversion of all Vossloh locations in France to electricity from renewable sources. Based on the action plans, Vossloh intends to further reduce direct and indirect CO_{2e} emissions in relation to the Vossloh Group's sales revenues in subsequent years.

The following tables present the consumption of significant energy sources within the Vossloh Group for the year under review and the comparative figures from 2022:

MWh (Vossloh Group)	2023	2022
Gas consumption	82,703.5	80,391.6
Electricity consumption	77,626.4	74,454.5
District heating consumption	4,298.7	3,887.7
Heating oil consumption	954.7	1,077.4
Fuel consumption	22,831.3	18,463.9
Energy consumption (total)	**188,414.6**	**178,275.0**

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)	2023	2022
Gas consumption	15,130.6	14,676.2
Heating oil consumption	228.8	258.2
Fuel consumption	5,325.9	4,384.4
Scope 1	**20,685.3**	**19,318.8**

t CO_2 equivalents Scope 2 (Vossloh Group)	2023	2022
Electricity consumption	20,220.0	24,281.6
District heating consumption	1,426.8	1,252.2
Scope 2	**21,646.8**	**25,533.8**

The following table shows the energy and CO_{2e} intensity, each in relation to the Vossloh Group's total sales revenues:

Energy and CO_2-equivalent intensity (Vossloh Group)	2023	2022
Energy intensity (MWh/€ million)	155.2	170.4
CO_{2e} intensity (tons CO_{2e}/million €)	34.9	42.9

In the 2023 fiscal year, the Vossloh Group slightly reduced its overall CO_{2e} emissions (Scope 1 and 2) compared to the previous year despite a significant increase in sales of 16.1 %. This reduction was mainly achieved through noticeable savings in indirect emissions (Scope 2). The significant reduction of 18.7 % in CO_{2e} intensity, which represents CO_{2e} emissions in tons per million euros in sales revenues, is particularly pleasing. This positive development is mainly due to efficiency improvements in production and a steadily increasing proportion of green or low-CO_2 electricity. All divisions contributed significantly to this pleasing reduction.

Vossloh has not yet had sufficient data to determine greenhouse gas emissions relating to upstream and downstream areas (Scope 3). However, reporting on the entire value chain in accordance with the GHG Protocol is currently in preparation. Scope 3 emissions for the entire Group are to be reported for the first time in the 2024 fiscal year.

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 suppliers. The company is committed to using 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 shows water consumption in the Vossloh Group as determined by meters:

(Vossloh Group)	2023	2022
Water consumption (m^3)	182,987.9	177,797.6
Water intensity (water consumption in m^3 /million €)	150.7	170.0

Despite the significant increase in sales in 2023, the Vossloh Group's total water consumption rose by only 2.9 %. As a result, the Group's water intensity, calculated as water consumption in cubic meters per million in sales revenues, fell by 11.3 %. This positive development is the result of improved use of water resources and the introduction of processes to reduce water consumption in various divisions.

Waste management

As part of the sustainability strategy, all Vossloh companies have set themselves the goal of using natural resources responsibly and sparingly. Material consumption and disposal volumes are recorded and monitored in the individual units. The Vossloh units use separate, safe disposal channels for each type of waste. The selected disposal companies are regularly audited. Where technically possible and sensible, closed cycles and reprocessing plants reduce the consumption of valuable new raw materials to a minimum.

Recycling can reduce the need for raw materials and the amount of waste produced. Economically viable recycling programs and processes ensure that the amount of waste ultimately sent to landfill sites at Vossloh is steadily on the decline. Steel scrap and plastic are recycled at all sites. At several sites, Vossloh Fastening Systems is using reusable transport containers. Vossloh Tie Technologies recycles process water on a large scale. Customized Modules in France processes the packaging material from the raw materials delivered.

Downcycling, i.e. the reprocessing of materials without preserving their original quality, is another way to extend the lifecycle of a material. At Vossloh Rail Services, for example, nonreprocessable residue from grinding stones are used as an additive in slag production. This creates new raw materials for a wide range of applications.

Safe and sustainable mobility

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

In the area of "Safe and sustainable mobility", Vossloh's materiality analysis identified the following four topics as part of the materiality analysis:
- Track availability
- Product safety
- Noise reduction on the tracks
- Ecologically sustainable design of products and services

They are presented in more detail below. The Group-wide sustainability target defined for this area relates to the individual topic of "Ecologically sustainable design of products and services"; all related measures and progress are covered in that section.

Track availability

In light of the limited amount of funds available for investment and in view of lengthy planning and approval times for the construction of new rail lines, more efficient use of existing rail lines is becoming increasingly important – through greater utilization, higher travel speeds or longer trains. However, the higher the load the longer the service life of the rail infrastructure, the greater the wear and tear and the more important its permanent monitoring and maintenance become in order to avoid breakdowns. Vossloh makes two contributions to increasing the availability of the rail track: On the one hand, by developing and manufacturing increasingly durable and low-maintenance products and, on the other, by maintaining the rail network more efficiently. Vossloh covers the entire range of requirements for corrective milling and preventive grinding in switches and rail maintenance. With High Speed Grinding (HSG), VTM performance, VTM compact and the Flexis system, the company offers tailor-made solutions for every type of railroad line to extend the service life and usability of the rail infrastructure. Vossloh also offers welding services and logistics expertise ranging from rail and switch replacement to the complete renewal of track sections.

The Group combines the use of its innovative maintenance machines with the diagnosis of the condition of the infrastructure. In this area in particular, Vossloh's understanding of systems in conjunction with digitalization opens up considerable potential, especially for condition-based and, in the future, predictive maintenance. Trackside condition data from tracks and switches is supplemented by the diagnostic data provided by the grinding machines equipped with measuring technology. In this way, the mapl-e application combines measurement, analysis and maintenance in order to suggest suitable measures to prevent or rectify damage. The advantage is obvious: Smart maintenance is based on actual maintenance requirements instead of following fixed intervals as was previously the case. At the same time, Vossloh's grinding machines are designed to be incorporated into scheduled traffic. This means that routes no longer have to be closed for maintenance.

By acquiring the monitoring technology of Bonn-based RailWatch GmbH in 2023, the Vossloh Group expanded its portfolio and built up its expertise in the areas of sensor technology, computer vision and cloud computing. Vossloh also put the cloud-based platform Vossloh connect into service. The tools available there enable real-time monitoring, providing immediate insights into the performance of the rail network and the condition of the assets as well as relevant information for predictive maintenance. The platform also includes analysis and warning systems to reduce the risk of accidents and disruptions. Some of the solutions developed by Vossloh itself, such as Smart Turnout or Smart Point Machine will focus on switches, one of the most technically complex and error-prone elements of the rail system, with the aim of preventing point machine failures. The new strategic partnership agreed in 2023 with Swedish digitalization specialist Predge, which focuses on the development of a predictive model for point machines, also serves this purpose.

Vossloh connect is also open to selected partners who offer complementary products and solutions. Strainlabs, for example, contributes its expertise in the field of smart screws, and Cervello specializes in cybersecurity solutions for the rail industry.

Product safety

Rail infrastructure is highly relevant to safety. Vossloh's products and services are therefore subject to detailed technical specifications and standards that must be complied with. All major production sites have a quality management system in accordance with ISO 9001 or a comparable national standard such as the US AAR M1003. As of the reporting date December 31, 2023, 96 % of Vossloh employees were employed by a unit certified in this way, unchanged from the previous year. The proportion of operating companies with corresponding certification was 94 % as in the previous year.

The products and services generally undergo thorough testing that often lasts for years before they are applied to the tracks. This is performed on the company's own test benches and in its own testing laboratories, with test usage by the customers and as part of the complex approval process of certified testing organizations. All of Vossloh's business units have their own Research and Development departments, which are staffed by highly specialized professionals (see the "Research & Development" section on page 27 et seq.).

Vossloh sometimes maintains business relationships with customers that last for decades. Satisfied customers are a prerequisite for such partnership-based cooperation, which is why the Vossloh units attach great importance to structured feedback – also in order to learn from any mistakes. In 2024, a tool from the standardized customer relationship management (CRM) software, which has now been rolled out across the Group, will be used for the first time for this purpose.

To minimize possible issues jeopardizing the safety of its products and services, Vossloh is very careful in its choice of suppliers. All of Vossloh's partners are repeatedly assessed on the basis of fixed aspects, in particular concerning quality. Contracts are only awarded to companies on the list of approved suppliers. Vossloh suppliers must generally be able to guarantee at all times that their goods and services meet the applicable regulatory and statutory requirements.

Noise reduction on tracks

As in previous years, Vossloh's research and development work in 2023 focused on reducing noise in railbound traffic and improving rail acoustics (see also the "Research & development" chapter on page 27 et seq.). Because tackling noise at its source is a particularly effective approach, Vossloh is taking steps to optimize the contact between wheel and rail. 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, the so-called whisper switches and rail machining technologies (grinding, milling) for restoring a smooth and, therefore, quiet surface. The rail and switch maintenance machinery can achieve noise reduction of up to 10 dB(A) by precisely removing material. The machines themselves also operate extremely quietly. For example, the milling machine VTM compact, generates noise measuring less than 78 dB(A) during operation, so that residents are not disturbed even during a night shift. For comparison, on a quiet residential street, the noise level is roughly 40 dB(A); a car going 50 km/h reaches a volume of around 70 dB(A).

Ecologically sustainable design of products and services

For economic reasons alone, all Vossloh units strive to use resources as sparingly as possible. Sustainability criteria have been incorporated into the development and design of new products and services for years. Since 2021, a Group-wide innovation guideline (Innovation Playbook) has been in use, which harmonizes all innovation processes across business units and aligns the existing approaches and criteria for the sustainable design of products and services in the business units and links them to concrete recommendations for action. In particular, the sustainability aspects of low energy consumption (and emissions) or the non-use of problematic raw materials are of central importance. The entire life cycle of a product, including recycling and/or disposal, is also considered from the outset. The same applies to the long-term impact of a service in the form of life cycle assessments in accordance with international standards such as ISO 14040 or 14044.

The current Group-wide sustainability initiative aims to reduce the environmental footprint of products and services along the entire value chain. To this end, life cycle assessments (LCAs) are carried out for products and services in all three divisions, following the "cradle to grave" approach. The findings are integrated into the innovation and development process for products and services as EcoDesign principles in order to minimize their impact on the environment. In December 2023, Vossloh adopted a guideline for the ecological design of products and services. The regulations formulated therein supplement the existing environmental and sustainability-related standards as well as the innovation guideline. They are applied, for example, to research, development and innovation processes. The focus of the guideline is on the design and construction phase, as these have the greatest influence on the ecological footprint of a product. Initial findings from the life cycle analyses indicate that the following ecological design principles have the greatest impact on the ecological footprint of Vossloh's portfolio: Use of renewable and/or recycled materials, efficient use of materials, energy efficiency and efficient logistics/packaging. Special attention is therefore paid to these four principles. The views of customers and suppliers and their needs with regard to sustainability aspects are also incorporated into the development process at an early stage in order to achieve a high product-market fit.

In the previous LCA processes, for example for the HSG-city railgrinder, the W14 rail fastening system and products made from the synthetic rubber EPDM (ethylene propylene diene monomer), the focus was on the CO_2 emissions caused. In 2023, the results were used to calculate the factors where the greatest reduction in CO_2 emissions can be expected as a result of changes. Among other things, the materials used, transportation routes and energy consumption in the manufacture and use of the product or service were examined. This has already resulted in proposals for the further development of the EcoDesign principles. At the same time, Vossloh Fastening Systems began testing the modified principles in practice: In the development of the tension clamp and the intermediate layer for the M7 fastening system, attention is already being paid to minimizing the CO_2 footprint of the products.

Occupational health and safety

People are Vossloh's most valuable resource. They provide essential services for the company and are the basis for Vossloh's future success. For this reason, occupational health and safety is a high priority at Vossloh, alongside the duty of care and applies to all employees and all persons on the company premises. The corporate policy on occupational health and safety sets out Vossloh's commitment to continuous improvement in this area, the company's zero-accident target, the guiding principles and other binding requirements. In terms of a structured and sustainable management system for occupational health and safety, the company strives to ensure that as many areas as possible comply with the internationally recognized standard ISO 45001, which replaces the previously more common standard OHSAS 18001 (Occupational Health and Safety Management System and Safety Assessment Series). At the end of 2023, the proportion of operating companies with corresponding certification remained unchanged at 81%. These units employed around 89 % of Vossloh's workforce (previous year: 89 %). In principle, Vossloh pursues the goal of certifying new units that join the Group in accordance with ISO 45001 as quickly as possible.

The introduction of an ISO 45001 management system and its certification provide the company with suitable tools and measures to integrate occupational health and safety into its processes. The prescribed audits by independent external auditors ensure that the legal obligations and requirements are being complied with. For the managers of the operating units, attainment of the defined occupational safety performance indicators is an integral part of their pay-related target agreements. Since 2021, an occupational health and safety training module has been available to all employees via the Vossloh Learning Platform (VLP).

Vossloh's materiality analysis identified the following two issues of relevance in connection with "occupational health and safety":
- Occupational safety
- Company health management

They are explained in more detail below. The Group-wide sustainability target defined for this area relates to the individual topic of "occupational safety"; all related measures and progress are covered in that section.

The Covid-19 pandemic continued to have an impact in the past fiscal year. In order to protect the health of employees and prevent infection with the virus in the workplace, employees in production were instructed to stay at home and get tested if they suspected they were infected. Working time models with varying degrees of home office are in place for employees in the administrative areas. These are intended to contribute to a better work-life balance and create a motivating working environment.

Occupational safety

There has been a permanent Group-wide occupational safety body within Vossloh since 2012 in the form of the Work Safety Committee (WSC). Together with the WSC, which is headed by the Head of Corporate Sustainability, important steps have been taken in recent years to improve and harmonize occupational safety conditions in the various divisions. For example, a uniform occupational health and safety policy has been developed that is binding for all companies worldwide. This policy defines the vision of a zero accident strategy. The Work Safety Committee also played a key role in the development of the Group's own accident prevention app SAFE+.

One of the aims of the current Group-wide sustainability initiative is to reduce the frequency of workplace accidents by 20 % each year. Relevant key figures for goal achievement are the internationally used key figures Lost Time Accidents (LTA), Lost Time Accidents Frequency Rate (LTAFR) and Lost Time Accidents Severity Rate (LTASR) as well as the number of potential accident risks reported and minimized via the SAFE+ app.

The WSC, which works in close coordination with the Group Works Council, plays a central role in implementing the initiative. In addition to various measures and programs to improve occupational safety at Vossloh, the WSC focused on further raising employee awareness, prevention and communication in the 2023 fiscal year. To this end, the campaign "See something. Say something."was developed, a 45-minute interactive training consisting of ten activities to raise employees' risk awareness, to illustrate the link between risks and accidents and to explain why the more safety risks are reported and mitigated, the fewer accidents there are. Live exercises will also enable training participants to carry out constructive safety interactions and learn to accept feedback. It will be rolled out across the Group in 2024 in all languages spoken in the Group.

Workplace accidents have been documented at Vossloh on the basis of uniform criteria, over and above what is required by law. Accidents resulting in lost time due to an employee's ill health are reported directly to the Executive Board. The Executive Board as a whole discusses current developments in the area of occupational safety, the frequency, severity and causes of accidents at work as well as preventive and corrective measures taken with the heads of the business units on a quarterly basis.

Workplace accidents (Vossloh Group)	2023	2022
Lost Time Accidents (LTA)[1]	129	107
Lost Time Accidents Frequency Rate (LTAFR)[2]	14.9	13.6
Lost Time Accidents Severity Rate (LTASR)[3]	2.4	1.6

[1] Accidents resulting in injury-related absence of employees or temporary staff involving lost time of at least 1 hour.
[2] Frequency of accidents resulting in injury-related absence of employees or temporary staff involving 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 working hours.
[3] Severity of accidents resulting in injury-related absence of employees or temporary staff involving 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 working hours.

Following a significant improvement in occupational safety figures in the previous year, the trend in 2023 fell short of expectations. As a result, the target of reducing the frequency of accidents at work by 20 % per year was not achieved. Both the frequency and severity of accidents increased compared to the previous year. Nevertheless, they represent the second-best level in the last five years. All divisions have taken measures to achieve an improvement again in 2024.

As in previous years, there were no work-related fatalities in the Vossloh Group in 2023.

Both accidents with and without lost time and near accidents are analyzed at Vossloh in order to learn from them for the future and reduce the number of accidents at all the company's sites. Prevention is a matter of importance to the company in order to stop workplace accidents from happening in the first place. This includes regular behaviour-oriented safety inspections to raise employees' safety awareness, regular safety briefings and training for all employees, online training on safety-related topics, the provision of comprehensive protective equipment, safety signs at workstations and awareness campaigns. Impressive videos or safety flashes (anonymized summaries) of accidents are also frequently used. Many Vossloh locations celebrated World Day for Safety and Health at Work with specific campaigns.

The SAFE+ app plays an important role in minimizing potential risks and consequently achieving the goal of reducing the frequency of workplace accidents by 20 % annually across the Group. It was further improved in 2023; the new version was available in English, French, German, Dutch, Swedish, Serbian and Polish at the end of the year. Vossloh employees can and should use the app to report safety risks identified in their day-to-day work in order to systematically reduce hazards at all sites and in all areas. Over the course of 2023, employees reported a total of 2,184 potential accident risks, 1,433 of which were immediately eliminated or minimized.

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.

Occupational health management

Vossloh's occupational health management aims to provide all employees with opportunities to prevent and promote health. This includes the aforementioned occupational safety measures, ergonomics in the workplace, driver safety training and company medical care, as well as a daily fruit offer, nutritional advice, company sports (including running and cycling groups, table tennis, badminton, various ball sports, yoga), support to quit smoking and preventive offers (including bowel cancer screening, flu vaccinations, vitality screenings, tips for staying healthy).

Human resources and leadership

A committed and inspired workforce is the bedrock of the company's long-term success. Vossloh, therefore, attaches great importance to fair labor conditions. Key topics in this regard are equal opportunity, continuing professional development opportunities in all areas, fair remuneration, additional company benefits (above and beyond the statutory and/or tariff-based arrangements), and a motivating working environment. Observance of local statutory regulations and standards forms part of the compliance obligation (see "Compliance with legal and regulatory requirements" on page 64 et seq.).

In terms of "Human resources and leadership", Vossloh's materiality analysis identified the following five topics as relevant to Vossloh:
- Values and leadership
- Employee development and training
- Motivating working environment
- Equality and inclusion
- Diversity

They are presented in more detail below. Two Group-wide sustainability goals have been defined for this focus topic. One goal relates to "Values and leadership", while the other relates to "Diversity". Information on measures and progress can be found in the relevant sections.

Values and leadership principles

The "One Vossloh" guiding principle is gathering steam: After focusing on the rail track and incorporating the topic of sustainability into the corporate values and corporate strategy, Vossloh is working on a new self-image for internal and external communication. Three management principles were established at the end of 2021: "We create value for Vossloh", "We promote continuous improvement" and "We are close to people". These value-based guidelines apply not only to management, but to all employees at Vossloh. Defined indicators can be used to transparently check whether decisions are in line with these management principles. The Group-wide training on this topic, which began in the previous year, was systematically continued in 2023, so that by the end of the year all members of the top three management levels had received training on the leadership principles.

The training sessions for the top 100 managers in the Group on the new Group-wide standardized talent and succession process were also completed. Roundtables were held in all units in which the members of the top two management levels carried out evaluations of the workforce in accordance with the new requirements. A total of 93 managers were trained over the course of 2023.

Managers and employees are supported by a blended learning approach consisting of e-learning, training and case studies as part of an exchange of experiences. Annual follow-ups using the People Review Process (PRP) and roundtables are used to check whether both topics are having the intended effect. In the course of 2023, a total of 277 managers were trained on the PRP in a total of 138.5 hours.

The general "rules of the game" for working at Vossloh are summarized in a Code of Conduct, which each individual employee acknowledges by signing it upon joining the company. The principles of conduct set out in the Code of Conduct are a binding guideline and benchmark for the daily work of all company employees (see "Compliance with legal and regulatory requirements" on page 64 et seq.).

Employee development and training

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

As part of the People Review Process for managers and non-tariff employees, not only individual targets and development measures are agreed, i.e. what, but also how these measures and targets are to be achieved in line with the corporate values and management principles. In the course of 2023, 91.0 % of all managers and non-tariff employees went through this process (previous year: 90.5 %).

The wide range of training measures for Vossloh employees in all areas of expertise includes external and internal training measures, such as workshops, participation in projects and coaching, and increasingly digital learning opportunities. Vossloh also promotes its own employee qualification initiatives, such as part-time studies. In addition, there are cross-divisional development programs that prepare high-potential employees and technical experts for more advanced tasks.

The Vossloh Learning Platform (VLP) is the digital environment for continuous learning ("Learn"), sharing ("Share") and growing ("Grow") within the company. The platform is designed to create an inspiring and motivating learning culture that all employees can contribute to and benefit from. The VLP is an example of how learning takes place every day and in many different ways. The learning opportunities are divided into the areas of "onsite", "tailor-made" and "digital learning", so that a suitable solution can be found quickly depending on learning needs. The VLP is available to all employees worldwide in German, English and French.

In 2023, a total of 2,585 employees took part in training events. The number of participants increased by 20.6 % compared to the previous year.

Motivating working environment

Ageing societies in industrialized countries, a shortage of skilled workers in many parts of the world, increasingly digital working environments, global competition for well-trained engineers, changing expectations of employers among the younger generation: These are just some of the challenges in the area of human resources that Vossloh has to face. The company therefore attaches great importance to offer employees a motivating working environment. Being a sustainably oriented company in a crisis-proof industry is an important component of employer branding activities

Modern IT equipment, daily fruit offerings, free mineral water, surprise gifts on special occasions (such as Christmas, Easter, in the USA also Thanksgiving), sports groups or joint activities for the workforce are natural incentives for employees at many Vossloh locations.

Vossloh practices a life-phase-oriented HR policy. The issue of work-life balance is discussed constructively between employee representatives and management. For example, all French companies in the Vossloh Group have a so-called social pact for a better balance between professional and private concerns, including privileges for parents and employees who care for their relatives at home. The German Vossloh companies are certified in accordance with the "Work and Family" audit. In 2023, Vossloh Germany received the "Top Employer" award from the renowned Top Employers Institute.

Topics that further strengthen Vossloh's sustainability approach are also incorporated into the company's bonus system. The uniform Group-wide Fit 4 Future ideas program has been in place since 2021. All employees can submit ideas via an app available in many languages and support their implementation across all business areas. In total, employees from all business units submitted over 900 new ideas in the 2023 reporting year. Over 400 ideas were implemented in 2023. The express aim is to reduce the use of materials, energy, manpower and working time in all areas of the company. The best projects resulting from the proposals submitted take part in an annual competition. Three projects selected by a jury are awarded the Eduard Vossloh Prize. The finalists present their ideas at the annual Leaders Lounge management meeting. The first prize of €15,000 in 2023 was awarded to a team from Vossloh Fastening Systems in Germany.

Vossloh Group companies assess employee satisfaction by means of regular surveys regarding various focal issues. The results are used to derive measures that contribute to the further development of the company. The last survey at the end of 2023 focused on the perception of Vossloh as a brand both inside and outside the organization. In addition to customers worldwide, 475 employees were also surveyed. 84 % of them stated that they can identify with Vossloh as an employer and that they work in a supportive, professional and experienced environment on an equal footing. In addition, 84 % of the survey participants rated the products and solutions as high quality and valued the experience (86 %), expertise (78 %) and reliability (71%) of the company they work for. 74 % emphasized the secure jobs and long-term prospects that the employer offers them. 69 % praised the responsibility shown in terms of sustainability and environmental awareness, and the same number of employees said they were proud to work for Vossloh. In addition, surveys were conducted among employees at Vossloh Fastening Systems in China (on working conditions) and in Poland (on the training courses organized) as well as at Vossloh Tie Technologies (on the health program). In the Customized Modules division, Vossloh Nordic Switch Systems is a pioneer in employee surveys and focuses on work motivation. The approach is to be adopted by the division's other units from 2024.

Equality and inclusion Vossloh pays fundamental attention to gender equality. The Diversity, Equality and Inclusion Policy forms the Group-wide framework for various initiatives in this area, such as raising awareness among managers, selecting employees for high-potential programs, filling vacancies or as part of the life-phase-oriented HR policy. The "All on track" initiative launched in 2019 is having an impact in the Customized Modules division. The initiative was promoted by the fact that in France, companies with more than 50 employees are obliged to publish annual key figures relating to professional equality between men and women. In this Penicaud Index, Vossloh Cogifer SA, the lead company of the Customized Modules division, scored 86 out of a possible 100 points in 2023. Vossloh Cogifer is also a partner of the French organization Elles bougent, which encourages women to choose scientific and technical courses of study and to pursue a career in this field. In Germany, the Rail Services business unit is a corporate sponsor of protechnicale e.V., an association that specifically promotes young women in the technical field.

Diversity Diversity officers have been appointed for each business unit since 2022. They not only act as a point of contact, but are also tasked with initiating or implementing corresponding projects such as training measures in their respective business units.

In 2023, Vossloh employed women and men from 51 countries with a wide range of qualification levels, education levels, vocational training paths, career experience and service years within all of its hierarchical levels. The diversity guideline does not stipulate any quotas. Applicants are always selected who are best suited to the advertised positions. Factors such as skin color, gender, religion or origin do not play a role.

The Vossloh locations in France are participating in the nationwide initiative TREMPLIN (translated: stepping stone; abbreviation for TRansport EMPLoi INnovation). It aims to reduce the shortage of skilled workers in the transport and logistics industry by encouraging and supporting people with disabilities to apply for jobs. Vossloh Rail Services offers internships and apprenticeships for socially disadvantaged young people as part of a young talent campus. There are also several refugees among the business unit's trainees.

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

Vossloh Group workforce structure[1] (as of 12/31)	2023	2022
Proportion of women in the total workforce (in %)	**15.6**	**15.2**
Age structure of employees (in %)		
< 31 years	15.9	16.1
31–50 years	54.4	54.0
> 50 years	29.7	29.9
Length of service of employees (in %)		
0–10 years	62.3	60.8
11–20 years	19.2	21.0
> 20 years	18.5	18.2
Employees by region (in %)		
Germany	23.9	20.7
France	19.3	19.6
Rest of Europe	31.8	32.5
Asia	12.8	13.2
Americas	6.3	7.7
Australia	5.9	6.3

[1] Number of employees based on actual headcount.

Sustainable supply chains and operations

Sustainable management also means looking beyond one's own factory gate. It concerns managing the environmental, social and economic impacts of products and services throughout their entire life cycle – from the procurement of raw materials, through processing and manufacturing processes, and the use of products and services, through to their disposal or recycling.

Vossloh has made a voluntary commitment to responsible sourcing as part of its sustainability initiatives. The Executive Board of Vossloh AG is committed to the basic principle of the highest environmental, social and governance standards in procurement decisions and published the Responsible Sourcing Commitment on the website www.vossloh.com in December 2022 (see "Investor Relations" > "Sustainability" > "Sustainable Supply Chains and Operations").

As part of the comprehensive materiality analysis 2021, the area of "Sustainable Supply Chains and Operations" was identified as one of seven focus topics. The goal was defined as expanding sustainability in the supply chain and increasing the proportion of sustainably purchased strategic procurement volume to 90 % by 2025.

Responsible procurement

The Vossloh Group set up a corresponding management system in 2022 to manage sustainable procurement. In preparation for this, an ESG (environment, social, governance) criteria-based risk assessment of suppliers was carried out in 15 Vossloh units in cooperation with an independent auditing company. The Responsible Sourcing Management System implemented in 2023 is intended to ensure that sustainability criteria are given significant consideration when commissioning and working with strategic suppliers. Since 2023, Vossloh has been requesting information from the strategic suppliers addressed about their measures and processes for ensuring environmental, social and governance standards. The purchasing departments create sustainability profiles for these suppliers based on this self-disclosure and the corresponding evidence. A tool is available throughout the Group for this assessment process, which is used to query and document key measures relating to ESG criteria at suppliers. To this end, the employees responsible for strategic suppliers in the purchasing departments were trained in the past fiscal year.

Vossloh expects its suppliers to give sustainability a high priority in their activities and to establish internal measures to ensure it. Furthermore, Vossloh's suppliers must meet a minimum level of sustainability. In its cooperation with suppliers, Vossloh also works towards the continuous improvement of environmental and social conditions, in particular labor standards, as well as good corporate governance.
Strategic suppliers are required to recognize the Vossloh Code of Conduct for Business Partners, which has been available in a revised form since 2023 and also includes key obligations to protect human and employee rights. It defines essential and binding rules for sustainable action for Vossloh's business partners, to which the company itself is also aligned: Compliance with applicable laws, in particular respect for globally applicable human and employee rights, prohibition of child and forced labor, health and safety standards, environmental protection, transparency in the supply chain and responsible procurement of minerals as well as prohibition of corruption and bribery and compliance with laws to ensure fair competition.

One focus of sustainable procurement is the ban on the purchase of so-called conflict minerals (3TG, after the English names tin, tantalum, tungsten and gold). The company published a statement to this effect on its website www.vossloh.com in 2022 (see "Investor Relations" > "Sustainability" > "Sustainable supply chains and operations"). Vossloh itself does not knowingly use any 3TG minerals from conflict-affected and high-risk areas (CAHRAs) in the manufacture of its products or the provision of its services, the acquisition of which may directly or indirectly finance or otherwise facilitate armed conflicts. Ensuring that the procurement of such raw materials is prohibited is part of Vossloh's supplier selection process and part of the obligations of suppliers in the Code of Conduct for Business Partners.

Vossloh reviews compliance with obligations recognized by suppliers as part of regular audits on the basis of a risk profile that takes ESG criteria into account. In the future, country-specific risks of the supplying production site will be given increasingly greater weighting in the selection of suppliers to be audited. If a business partner does not meet the expectations placed on it, Vossloh intends to work towards improvements. In the event of serious violations of the obligations under the Vossloh Code of Conduct for Business Partners or repeated unwillingness to demonstrate appropriate remedial measures, the business relationship may be terminated.

Employees, business partners and third parties can report possible violations of the Code of Conduct for Business Partners to the responsible internal departments at Vossloh or (anonymously if desired) to the Compliance Ombudspersons (for further details on the whistleblower hotline, see below, page 66).

Business ethics and human rights

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

As a global enterprise with a 140-year history, Vossloh has a social responsibility toward its customers, employees, partners, investors and the public. From this responsibility, Vossloh derives the requirement that the company and its employees adhere to the laws as applicable, respect basic ethical values and act in an exemplary fashion at all times and in all scenarios. This requirement is set out in writing in the Vossloh Code of Conduct. The Code of Conduct, which all employees sign when they join the company, is designed to help them living up to this responsibility.

Good Corporate Governance

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

Compliance with legal and regulatory requirements

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

To implement and monitor compliance regulations, the Executive Board has set up a compliance organization and defined its structure, the responsibilities and tasks of the individual compliance functions and their reporting channels in "Rules of Procedure for Compliance". The Vossloh Compliance organization consists of the Chief Compliance Officer (supported by a Compliance Office) and the Group Compliance Committee at Vossloh AG level, Compliance Officers and Compliance Committees in the business units as well as Local Compliance Officers in the operating companies. Vossloh's compliance management system is designed to identify risks arising from compliance violations and to minimize these risks through appropriate measures in order to prevent damage to Vossloh and its employees. The prevention of corruption and strict compliance with competition law regulations are a particular focus.

Since 2007, Vossloh's Compliance Management System has been based on the Vossloh Code of Conduct, which specifies the value of integrity and is binding for the entire Group and all company employees. It is currently available in 15 languages. There are also guidelines on the prevention of corruption, conduct in compliance with antitrust law and the involvement of intermediaries as well as a Data Protection Policy, an Export Control Policy and an Insider Trading Policy (for more information on compliance at Vossloh, see www.vossloh.com > "Investor Relations" > "Corporate Governance" > "Compliance").

Compliance as part of business activities constitutes part of regular classroom training held at all Vossloh companies. The teaching requirements and the participants are identified and selected by the Compliance Officers within the business units and the Local Compliance Officers on the basis of the Vossloh Compliance Training Concept. The Compliance Office headed by the Chief Compliance Officer keeps a record of the classroom training sessions held. In 2022, Vossloh conducted compliance training around the world with a total of 653 participants (2022: 1,283).

Compliance training is also given in the form of e-Learning, which was revised from the ground up in 2021. The "Code of Conduct – Compliance Basics" module is aimed at all employees who work at a computer workstation. In addition, there are two modules for all managerial staff and employees with external contact that focus on competition law and anticorruption measures. These are also the target audience of the " refresher" module on anticorruption, competition law and foreign trade law. All new employees are gradually taken through the e-Learning program. The Local Compliance Officers systematically record the employees' attendance and send them reminders to attend, if need be. The training rate was 97.1 % as of December 31, 2023 (2022: 96.3 %).

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 audits are carried out on both an ad hoc and scheduled basis. In 2023, including a date planned for 2022 and made up for in 2023, four compliance audits were carried out regardless of cause. Compliance issues are also audited as part of the internal audit process. The company also has its Compliance Management System regularly reviewed by external experts and receives recommendations for further development and improvement. The last comprehensive effectiveness review to date took place in 2017; the audit report is published on the website www.vossloh.com > "Investor Relations" > "Corporate Governance" > "Compliance". Where findings and recommendations for compliance work were made, they have been and will be implemented as part of the continuous development and improvement of the Compliance Management System. A review of compliance risks carried out in the 2023 financial year with external support, including a survey on the effectiveness and acceptance of the Compliance Management System with 128 representatively selected managers and employees, primarily from management, sales and purchasing, once again confirmed the previous risk assessment and the high effectiveness and acceptance of the Compliance Management System. The subject of this risk inventory was the Group-wide determination of the Vossloh Group's compliance risks in the areas of antitrust law, anti-corruption and export control, taking into account existing compliance rules and measures (see also the section on "Legal risks and opportunities" on page 38). The appropriateness and high level of acceptance of the existing Compliance Management System continued to be confirmed overall.

The Compliance Office and Corporate Controlling also conduct annual risk dialogs with selected Vossloh Group companies to review the effectiveness of the Compliance Management System with a view to identifying material risks. One risk dialogue was held in 2023 (2022: two dialogues).

Vossloh has set up a whistle-blower hotline together with an international law firm. In addition to the option of contacting the Compliance Office directly, this allows company employees and external whistle-blowers to report possible misconduct to an independent external contact (ombudsperson) in their native language. The whistleblower hotline has so far been set up for 24 countries. As such, the main regions and the languages spoken within the Vossloh Group are essentially covered. The ombudspersons were contacted once in 2023 (2022: twice). 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."

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

Vossloh has maintained a Group-wide register of associations as part of its Compliance Management System, in which all company and private memberships in industry associations are recorded. Vossloh AG's primary association memberships are as follows:
- The Railway Industry in Germany (VDB)
- Association of the European Rail Industry (UNIFE)
- Deutsches Verkehrsforum (DVF)
- Institut fur Bahntechnik GmbH (IfB)
- Pro-Rail Alliance
- Association of German Transport Companies (VDV)

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

Respect for human and labor rights

The Vossloh Group endeavors to respect internationally recognized human rights in its business activities and has codified this in the Vossloh Code of Conduct under point 10 ("Protection of human and employee rights"), which is binding for all employees. The Code of Conduct is publicly available on the website www.vossloh.com > "Investor Relations" > "Corporate Governance" > "Compliance".

To minimize the risk of child labor, Vossloh, as a rule, does not employ anyone under the age of 14 or 15 (depending on the legal provisions in the different countries). In addition, the majority of Vossloh's production facilities are located in Europe. Employees under the age of 18 are usually apprentices. The instructors responsible for them are duty-bound to observe all the relevant labor law and occupational safety rules and provisions. A whistle-blower hotline is available in order for possible misconduct to be reported. No human rights violations were reported in the 2023 fiscal year (2022: also no reports).

More recent major partnership contracts such as joint venture agreements generally already include the Vossloh Code of Conduct and, therefore, also its human rights aspects as mandatory conduct rules. The same applies to contracts with intermediaries (e.g. commercial agents and distributors). Strategic suppliers are required to recognize the Vossloh Code of Conduct for Business Partners, which has been available in revised form since 2023 and also includes significant obligations to protect human and employee rights.

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. This result was confirmed in 2022 in a risk assessment of the supplier portfolio in 15 Vossloh units supervised by an independent auditing firm.

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.

Data protection and privacy

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

Good Corporate Citizenship

Vossloh is aware of its corporate responsibility and at the same time sees itself as a "good citizen". Both are expressed in the social commitment that the subsidiaries at the various locations make to the local community. A good example of this is the corporate volunteering program "Stronger Together – Responsible. Caring. Generous." During the reporting period, the concept was further developed together with the internationally renowned business school ESCP Berlin in order to promote volunteering locally. Once the joint preparations have been completed, the program will be introduced in the divisions. Vossloh supports the voluntary work of the respective employees with up to one paid working day per year.

As part of its annual materiality review, Vossloh has classified the topic of "social commitment" as no longer material within the meaning of Section 289c HGB. This decision reflects the limited impact and potential of this area compared to other sustainability topics and aspects of corporate activity. In addition, activities in this area have not yet been centrally coordinated and systematically recorded.

UN Global Compact

Vossloh has been an active participant in the United Nations (UN) Global Compact since 2020 and is making its contribution to achieving the global Sustainable Development Goals (SDGs). Since mid-2000, this United Nations initiative has been working to make globalization more socially and ecologically sustainable. Participants voluntarily commit to responsible business practices in the areas of human rights, labor standards, environmental protection and corruption. The Group's commitment focuses on 6 of the 17 SDGs. These include:

- 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

EU taxonomy and its implementation at Vossloh

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

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

According to the EU taxonomy, economic activities are environmentally sustainable if they
- make a significant contribution to achieving one or more of the six environmental objectives listed (Substantial Contribution),
- do no significant harm (DNSH) to the achievement of the five other EU environmental objectives, and
- Comply with minimum requirements for occupational safety and human rights (minimum safeguards).

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

In accordance with the EU Taxonomy Regulation, Vossloh reports below on the share of sales revenues, capital expenditure (CapEx) and operating expenses (OpEx) of taxonomy-eligible and non-taxonomy-eligible economic activities.

Reporting for the 2023 financial year is carried out in accordance with the Taxonomy Regulation in the version dated June 18, 2020, the technical assessment criteria of the delegated act on the Taxonomy Regulation of June 4, 2021 for environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation) and the delegated act of June 27, 2023. The latter adds further sectors and economic activities to the taxonomy that contribute significantly to environmental objectives 3 (sustainable use and protection of water and marine resources), 4 (transition to a circular economy), 5 (pollution prevention and control) and 6 (protection and restoration of biodiversity and ecosystems). When analyzing the activities, Vossloh focused primarily on their material contribution to the environmental goal of “climate protection”. No activities were identified that have a significant impact on environmental goals 2 to 6.

The analysis of all activities of the Core Components, Customized Modules and Lifecycle Solutions divisions revealed that all of Vossloh’s business activities can be assigned to category “6.14 Rail infrastructure” of the Delegated Regulation. According to the regulation, this category includes the construction, modernization, operation and maintenance of railroad lines as well as the manufacture and installation of track material.

For economic activities to be classified as environmentally sustainable, they must meet the technical assessment criteria for taxonomy conformity. The taxonomy-eligible activities were analyzed and the shares of taxonomy-aligned sales revenues, CapEx and OpEx were determined as follows:

- Substantial contribution: Compliance with the technical evaluation criteria was checked individually for the activities of each business unit.
- Do no significant harm (DNSH): The DNSH criteria mainly relate to compliance with legal requirements and, in the case of the “transition to a circular economy” objective, to fundamental aspects of business activity. Against this background, an assessment of DNSH compliance at business unit level was regularly appropriate.
- Minimum safeguards: A Group-wide approach to ensuring compliance with the minimum safeguards was implemented here, which enables these requirements to be tracked properly and seamlessly.

Vossloh’s business activities are generally considered to make a substantial contribution to climate protection if they meet the technical assessment criteria set out in the “rail transport infrastructure” category. According to the regulation, Vossloh’s activities are only considered to make a substantial contribution to climate protection if they are carried out on electrified rail lines or on lines for which there is a plan for electrification – even if the electrification of the rail infrastructure is not within Vossloh’s sphere of influence. This does not include rail lines that are only intended for the transportation of fossil fuels.

Next, the activities classified as climate change mitigation had to be assessed to determine whether they had a significant negative impact on one or more of the above-mentioned environmental objectives (DNSH criteria). With regard to the DNSH criteria for the EU environmental objective “adaptation to climate change”, there is no evidence that the physical impacts of climate change have a significant adverse effect on Vossloh’s economic activities.

The criteria for the EU environmental goal “Sustainable use and protection of water and marine resources” essentially refer to legal and official requirements that Vossloh is obliged to comply with. Many of Vossloh’s business activities do not use water as a resource at all, for example the milling of rails and switches, welding services, logistics activities or assembly work. Otherwise, the resource is used in Vossloh’s factories primarily for the surface treatment of products, as a coolant in manufacturing processes and for the production of concrete ties. Contaminated wastewater is treated in the company’s own wastewater treatment plants so that it at least meets the discharge standards of the public water supply (see also the explanations on page 52 et seq.).

With regard to the environmental goal of “transitioning to a circular economy”, Vossloh products meet the requirements for durability and longevity, as most components are designed for a very long service life and are recyclable and recoverable at the end of their useful life. In addition, the service portfolio of the Lifecycle Solutions division contributes to extending the service life of rails and switches.

Vossloh also meets the requirements relating to the EU environmental goal of “preventing and reducing pollution”. A large number of Vossloh products and services contribute to the reduction of noise and vibrations on the track (see also the “Track-related noise and vibrations” section on page 55).

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

Information on compliance with the minimum requirements regarding occupational safety and human rights can be found on pages 56 et seq. and 64 et seq. of this report.

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

	2023			2022		
	Absolute (in € million)	Taxonomy-eligible (in € million / as a %)	Taxonomy-aligned (in € million / as a %)	Absolute (in € million)	Taxonomy-eligible (in € million / as a %)	Taxonomy-aligned (in € million / as a %)
Sales revenues	1,214.3	1,214.3/100	762.8/63	1,046.1	1,046.1/100	672.3/64
CapEx	74.5	58.2/78	40.2/54	58.2	45.6/78	31.2/54
OpEx	68.2	65.9/97	43.9/65	50.1	48.1/96	32.8/65

Sales revenues from taxonomy-aligned business activities exceeded the previous year’s figure by 13.5 %. The increase is primarily attributable to the Switch Systems business unit. In addition, the Tie Technologies and Rail Services business units were also able to significantly increase their sales revenues.
The share of taxonomy-aligned sales revenues fell marginally by 1 percentage point.

Capital expenditure (CapEx) for taxonomy-aligned activities was 28.8 % higher than in the previous year. The increase is primarily attributable to the Fastening Systems, Switch Systems and Rail Services business units. The share of taxonomy-aligned capital expenditure remained unchanged at 54 %.

Operating expenses (OpEx) for taxonomy-aligned activities increased by 33.8 % compared to the previous year. The increase is due in particular to higher maintenance and repair expenses. At 65 %, the share of taxonomy-aligned operating expenses remained at the previous year’s level.

Further information on sales revenues, CapEx and OpEx

Sales revenues are defined as net sales revenues in accordance with IFRS, as reported in the income statement, and therefore only relate to fully consolidated subsidiaries. The share of environmentally sustainable sales revenues is calculated by dividing the taxonomy-aligned net sales revenues by the total Group sales revenues. Further information on sales revenues can be found on page 129 et seq. of the annual report.

Breakdown of the sales revenues numerator

€ mill.	2023	2022
Sales revenues from contracts with customers	762.8	672.3
Total	**762.8**	**672.3**

Capital expenditure (CapEx) comprises investments in non-current intangible or tangible assets, including goods acquired as part of asset or share deals, as shown in the consolidated balance sheet. Capital expenditure (CapEx) is calculated on a gross basis, i.e. without taking into account revaluations or scheduled and unscheduled depreciation/amortization. Further information on CapEx can be found on pages 139 et seq. of the annual report.

The numerator used to determine the taxonomy-aligned CapEx is calculated as follows:

Breakdown of the CapEx numerator

€ mill.	2023	2022
Additions to property, plant and equipment	35.1	1.6
Additions to intangible assets	2.0	24.4
Additions to investment property	0.0	0.0
Additions to rights of use	3.1	5.2
Additions to assets acquired in business combinations	0.0	0.0
Total	**40.2**	**31.2**

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

The numerator used to determine the taxonomy-aligned OpEx is calculated as follows:

Breakdown of the OpEx numerator

€ mill.	2023	2022
Research and development	7.8	6.1
Maintenance and repair expenses	32.8	23.9
Lease expenses	2.3	2.0
Training expenses	1.0	0.8
Total	**43.9**	**32.8**

EU taxonomy indicators according to Annex II to the Commission Delegated Regulation

Sales revenues

Economic activities	Code(s)	Absolute sales revenues	Proportion of sales revenues	Substantial contribution criteria: Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	
		in € mill.	%	%	%	%	%	%	%	
A.Taxonomy-eligible activities										
A.1. Environmentally sustainable activities (Taxonomy-aligned)										
6.14. Infrastructure for rail transport	6.14	762.8	63	63						
Sales revenues from environmentally sustainable activities (taxonomy-aligned) (A.1)		762.8	63	63						
Of which enabling			63	63						
Of which transitional										
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
6.14. Infrastructure for rail transport	6.14	451.5	37							
Sales revenues of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		451.5	37							
Total (A.1 + A.2)		1,214.3	100							
B. Taxonomy-non-eligible activities										
Sales revenues of Taxonomy-non-eligible (B)		0.0	0							
Total (A + B)		1,214.3	100							

*Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

	DNSH criteria ("Does Not Significantly Harm")										
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of sales revenues, 2023	Taxonomy-aligned proportion of sales revenues, 2022	Category enabling activity	Category transitional activity
	Y/N	Y/N*	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
		Y	Y	Y	Y	Y	Y	63	64	E	/
								63	64		
		Y	Y	Y	Y	Y	Y	63	64	E	
											/
								63	64		

CapEx

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		in € mill.	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
6.14. Infrastructure for rail transport	6.14	39.0	52	52					
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.6	1	1					
7.3 Installation, maintenance and repair of energy-efficient appliances	7.3	0.4	1	1					
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking lots belonging to buildings)	7.4	0.0	0	0					
7.5 Installation, maintenance and repair of devices for measuring, regulating and controlling the overall energy efficiency of buildings	7.5	0.2	0	0					
7.6 Installation, maintenance and repair of renewable energy technologies	7.6	0.0	0	0					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		40.2	54	54					
Of which enabling			54	54					
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
6.14 Infrastructure for rail transport	6.14	16.3	22						
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	1.7	2						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)		18.0	24						
Total (A.1 + A.2)		58.2	78						
B. Taxonomy-non-eligible activities									
CapEx of Taxonomy-non-eligible activities (B)		16.3	22						
Total (A + B)		74.5	100						

	DNSH criteria ("Does Not Significantly Harm")										
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of CapEx, 2023	Taxonomy-aligned proportion of CapEx, 2022	Category enabling activity	Category transitional activity
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
		Y	Y	Y	Y	Y	J	52	54	E	/
		Y	Y	Y	Y	Y	Y	1	/	/	/
		Y	Y	Y	Y	Y	Y	1	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
								54	54		
		Y	Y	Y	Y	Y	Y	54	54	E	
											/
								54	54		

OpEx

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria					
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		in € mill.	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
6.14. Infrastructure for rail transport	6.14	43.8	65	65					
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.0	0	0					
7.3 Installation, maintenance and repair of energy-efficient appliances	7.3	0.1	0	0					
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking lots belonging to buildings)	7.4	0.0	0	0					
7.5 Installation, maintenance and repair of devices for measuring, regulating and controlling the overall energy efficiency of buildings	7.5	0.0	0	0					
7.6 Installation, maintenance and repair of renewable energy technologies	7.6	0.0	0	0					
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		43.9	65	65					
Of which enabling			65	65					
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
6.14 Infrastructure for rail transport	6.14	21.9	32						
6.5 Transportation with motorcycles, passenger cars and light commercial vehicles	6.5	0.1	0						
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		22.0	32						
Total (A.1 + A.2)		65.9	97						
B. Taxonomy-non-eligible activities									
OpEx of Taxonomy-non-eligible activities (B)		2.3	3						
Total (A + B)		68.2	100						

	DNSH criteria("Does Not Significantly Harm")										
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of OpEx, 2023	Taxonomy-aligned proportion of OpEx, 2022	Category enabling activity	Category transitional activity
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
		Y	Y	Y	Y	Y	Y	65	65	E	/
		Y	Y	Y	Y	Y	Y	0	/	/	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
		Y	Y	Y	Y	Y	Y	0	/	E	/
								65	65		
		Y	Y	Y	Y	Y	Y	65	65	E	
											/
								65	65		

Limited assurance report of the Independent Practitioner regarding the consolidated non-financial statement for the financial year from 1 January to 31 December 2023

To Vossloh Aktiengesellschaft, Werdohl/Germany

Our Engagement

We have performed a limited assurance engagement on the consolidated nonfinancial statement, which is included in the combined management report for the parent and the group, of Vossloh Aktiengesellschaft, Werdohl/Germany, (hereafter referred to as "the Company") for the financial year from 1 January to 31 December 2023 (hereafter referred to as "consolidated nonfinancial statement").

Our assurance engagement does not cover the references to external sources of documentation and websites mentioned in the consolidated nonfinancial statement.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the consolidated nonfinancial statement in accordance with the requirements of Section 315c in conjunction with Sections 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy and external ratings" of the consolidated nonfinancial statement.

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

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy and external ratings" of the consolidated nonfinancial statement. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the consolidated nonfinancial statement is subject to inherent existing limitations associated with the manner in which the data was collected and calculated as well as assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) and the IDW Quality Management Standards promulgated by the Institut der Wirtschaftsprüfer (IDW), and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

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

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the consolidated nonfinancial statement, other than the included references to external sources of documentation and websites including their contents, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy and external ratings" of the consolidated nonfinancial statement.

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

Within the scope of our limited assurance engagement, which we performed between December 2023 and March 2024, we notably performed the following assurance procedures and other activities:

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

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret indefinite legal terms. Due to the immanent risk that indefinite legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated nonfinancial statement for the financial year from 1 January to 31 December 2023 has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB, Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as with the interpretation by the executive directors as disclosed in section "EU Taxonomy and external ratings" of the consolidated nonfinancial statement.

We do not express a conclusion on the references to external sources of documentation and websites including their contents included in the consolidated nonfinancial statement.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 of the Institute of Public Auditors in Germany (IDW)). We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it.

We are liable solely to the Company. We do not accept or assume liability to any third parties.
Our conclusion was not modified in this respect.

Werdohl/Germany, 7 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Sebastian Dingel	Eike Bernhard Hellmann
Partner	Senior Manager

Financial statements of Vossloh AG as of December 31, 2023

84 Income statement

85 Balance sheet

87 Notes

Income statement

€ mill.	2023	2022
Sales revenues	15.5	11.7
Cost of sales	(15.6)	(11.6)
Gross profit	**(0.1)**	**0.1**
General administrative expenses	(20.3)	(19.0)
Other operating income	1.3	2.6
Other operating expense	(2.2)	(1.7)
Operating result	**(21.3)**	**(18.0)**
Income from investments	40.1	20.0
thereof from affiliated companies: €40.0 million (previous year: €20.0 million)		
Income from profit transfer agreements	42.7	17.1
thereof from affiliated companies: €42.7 million (previous year: €17.1 million)		
Income from other securities and loans	1.4	1.3
thereof from affiliated companies: €1.4 million (previous year: €1.3 million)		
Other interest and similar income	16.9	8.0
thereof from affiliated companies: €16.8 million (previous year: €7.8 million)		
Write-ups on financial assets	29.6	0.0
Write-downs of financial assets	0.0	(74.7)
Expenses from losses absorbed	0.0	(6.1)
thereof to affiliated companies: €0.0 million (previous year: €6.1 million)		
Interest and similar expenses	(15.0)	(11.9)
thereof to affiliated companies: €0.3 million (previous year: €0.1 million)		
thereof to hybrid capital investors: €6.0 million (previous year: €6.0 million)		
Net financial result	**115.7**	**(46.3)**
Income taxes	(0.5)	0.0
Result after taxes/net loss (income) for the year	**93.9**	**(64.3)**

Balance sheet

Assets in € mill.	12/31/2023	12/31/2022
Purchased concessions, industrial and similar rights and assets including licenses to such rights and assets	1.2	9.7
Intangible assets	**1.2**	**9.7**
Other plant, factory and office equipment	0.3	0.3
Property, plant and equipment	**0.3**	**0.3**
Shares in affiliated companies	458.9	429.2
Loans to affiliated companies	81.0	81.0
Investments	0.1	0.1
Long-term securities	0.1	0.1
Financial assets	**540.1**	**510.4**
Fixed assets	**541.6**	**520.4**
Work in progress	12.4	0.0
Inventories	**12.4**	**0.0**
Receivables from affiliated companies	379.2	329.6
Other assets	3.9	4.2
Receivables and other assets	**383.1**	**333.8**
Cash on hand and in the bank	0.1	0.0
Current assets	**395.6**	**333.8**
Prepaid expenses	**1.1**	**0.8**
	938.3	**855.0**

Equity and liabilities in € mill.	12/31/2023	12/31/2022
Capital stock	49.9	49.9
Additional paid-in capital	201.4	201.4
Retained earnings		
Other retained earnings	110.7	110.7
Unappropriated surplus	122.7	46.4
Equity	**484.7**	**408.4**
Provisions for pensions and similar obligations	16.6	18.5
Tax provisions	0.4	–
Other provisions	14.7	13.1
Provisions	**31.7**	**31.6**
Bonds	150.0	150.0
Liabilities to banks	247.3	238.0
Trade payables	3.6	2.0
Liabilities to affiliated companies	13.2	17.8
Other liabilities	7.8	7.2
thereof taxes: €0.2 million (previous year: €0.2 million)		
thereof relating to social security and similar obligations: €0.0 million (previous year: €0.0 million)		
Liabilities	**421.9**	**415.0**
	938.3	**855.0**

Development of fixed assets (appendix to the notes)

€ mill.	Historic cost				Accumulated amortization/depreciation/write-downs					Carrying amounts	
	As of 1/1/ 2023	Additions	Disposals	As of 12/31/ 2023	As of 1/1/ 2023	Depreciation/ amortization in the fiscal year	Write-ups in the fiscal year	Disposals	As of 12/31/ 2023	As of 12/31/ 2023	As of 12/31/ 2022
Intangible assets											
Internally generated industrial and similar rights and assets	0.4	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.4	0.0	0.0
Purchased concessions, industrial and similar rights and assets including licenses to such rights and assets	17.7	0.6	(8.7)	9.6	8.0	0.4	0.0	0.0	8.4	1.2	9.7
	18.1	**0.6**	**(8.7)**	**10.0**	**8.4**	**0.4**	**0.0**	**0.0**	**8.8**	**1.2**	**9.7**
Property, plant and equipment											
Land, leasehold rights and buildings including buildings on nonowned land	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Other plant, factory and office equipment	1.3	0.1	0.0	1.4	1.0	0.1	0.0	0.0	1.1	0.3	0.3
	1.4	**0.1**	**0.0**	**1.5**	**1.1**	**0.1**	**0.0**	**0.0**	**1.2**	**0.3**	**0.3**
Financial assets											
Shares in affiliated companies	550.9	0.1	0.0	551.0	121.7	0.0	–29.6	0.0	92.1	458.9	429.2
Loans to affiliated companies	81.0	0.0	0.0	81.0	0.0	0.0	0.0	0.0	0.0	81.0	81.0
Investments	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Long-term securities	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
	632.1	**0.1**	**0.0**	**632.2**	**121.7**	**0.0**	**(29.6)**	**0.0**	**92.1**	**540.1**	**510.4**
Total	**651.6**	**0.8**	**(8.7)**	**643.7**	**131.2**	**0.5**	**(29.6)**	**0.0**	**102.1**	**541.6**	**520.4**

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) Sentence 2 of the German Commercial Code (HGB) in conjunction with Section 264d HGB.

The annual financial statements of Vossloh AG for the 2023 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, unless there are further explanations.

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 the declining balance or straight-line depreciation method. Internally generated intangible fixed assets for which the accounting option pursuant to Section 248 (2) HGB is exercised are measured at cost. Impairment losses are recognized if the fair value is permanently less than the amortized/depreciated 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.

Shares in affiliated companies and investments along with long-term securities are recognized at cost or the lower fair value in the event that a permanent impairment is probable. 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 commercial annual financial statements" in conjunction with IDW S 1, as amended in 2008, "Principles for the Performance of Business 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 2.75 % and the market risk premium is 7.00 %. Taking into account country-specific risk factors and growth factors, the present value determined in this way is compared with the net carrying amount. If there is a permanent impairment, the asset is written down to the fair value.

Loans to affiliated companies are recognized at their nominal value.

Inventories are recognized at cost, receivables and other assets as well as cash and cash equivalents are recognized at nominal value 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 and liabilities are hedged, the mean spot rate valid at the time of issue 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 of "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 32.10 %. Vossloh AG does not exercise the option under Section 274 (1) Sentence 2 HGB to recognize deferred tax assets.

Performance obligations on pension plans and similar obligations are measured using the projected unit credit method. The IDW accounting practice note "Valuation of provisions for retirement benefit obligations from reinsured direct commitments under commercial law (IDW RH FAB 1.021)" was applied for the first time, measuring pension provisions at the value of the reinsurance policy. This resulted in the obligation increasing by €501 thousand. The mortality tables 2018 G (RT2018G) of Prof. Dr. Klaus Heubeck are used as the calculation basis. According to the German Regulation on the Discounting of Provisions, the discount rate published by the Deutsche Bundesbank as of December 31, 2023, for obligations with a 15-year average remaining term in the amount of 1.83 % is applied as the actuarial interest rate, with the average market interest rate with matching maturities being 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 %, an expected increase in pension payments of 2.20 % and an average fluctuation rate of 6.00 % are applied. Due to the current high rate of inflation, the additions which were made to the provisions in the previous year were still recognized. In individual cases, these were based on the timing of the most recent pension adjustment.

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

Thus, the provisions for pensions were reduced by €10.8 million (previous year: €9.8 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 risks or obligations in the personnel area, for example, vacation claims, provisions are recognized according to principles of commercial law at the necessary settlement amount. Tax provisions and other provisions are recognized at 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) Sentence 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 transaction are not recognized. The result from exchange contracts concluded to hedge currencies is first recognized upon maturity. To the extent that a hedge is ineffective, the total remaining loss is immediately recognized in the income statement. A total remaining gain, however, is not considered.

Notes to the balance sheet

Movements of fixed assets are detailed in the development of fixed assets on page 86.

Purchased concessions, industrial and similar rights and assets including licenses to such rights and assets consist mainly of the acquisition costs and incidental acquisition costs for the SAP S/4HANA software (€0.7 million). As the software is still being adapted to meet the requirements of the Vossloh Group and is therefore not yet ready to go live, no amortization was recognized in the year under review.

The additions to intangible assets in the amount of €0.6 million include expenses for the ongoing adaptation of the ERP software and include both external consulting costs and internal expenses for SAP S/4HANA (€0.3 million). The disposals in the amount of €8.7 million relate to a reclassification to inventories. The reason for this is the charging on of licenses for SAP S/4HANA at the time the respective subsidiaries began using them. A decision on the charging on of licenses was made in the 2023 year.

In accordance with Section 268 (8) HGB, the capitalization of internally generated intangible assets did not result in any amounts not eligible for distribution (previous year: €0.0 million).

The change in shares in affiliated companies resulted from a write-up on the investment in Vossloh Fastening Systems GmbH in the amount of €29.6 million. This was due to improved business prospects, which substantially increased the fair value of this investment despite a further slight increase in the risk-free interest rate. In the previous year, the shares in Vossloh International GmbH in the amount of €32.2 million and in Vossloh Fastening Systems GmbH in the amount of €42.5 million were written down.

List of shareholdings

€ mill.		Footnote	Shareholding in %	at	Consoli-dation[1]	Equity[2]	Result after taxes[2]
(1)	**Vossloh Aktiengesellschaft, Werdohl**				(k)		
(2)	Vossloh International GmbH, Werdohl		100.00	(1)	(k)	110.1	4.8
(3)	Vossloh US Holdings, Inc., Wilmington, USA		100.00	(2)	(k)	84.7	(7.2)
(4)	Vossloh Australia Pty. Ltd., Sydney, Australia		100.00	(1)	(k)	30.7	4.1
	Core Components division						
	Fastening Systems business unit						
(5)	Vossloh Fastening Systems GmbH, Werdohl	3,7	100.00	(1)	(k)	30.7	0.5
(6)	Vossloh Tehnica Feroviara SRL, Bucharest, Romania		100.00	(5)	(n)	0.2	0.0
(7)	Vossloh Drazni Technika s.r.o., Prague, Czech Republic		100.00	(5)	(k)	2.3	0.7
(8)	Vossloh Sistemi S.r.l., Cesena, Italy		100.00	(5)	(k)	20.2	2.7
(9)	Vossloh Skamo Sp.z o.o., Nowe Skalmierzyce, Poland		100.00	(5)	(k)	2.9	(3.4)
(10)	FÉDER-7 Rugógyártó Kft., Sárkeresztes, Hungary		100.00	(5)	(n)	0.4	0.0
(11)	Vossloh Fastening Systems America Corporation, McGregor, USA		100.00	(3)	(k)	4.3	0.0
(12)	Vossloh Fastening Systems (China) Co., Ltd., Kunshan, China		68.00	(5)	(k)	40.5	23.8
(13)	Vossloh-Werke International GmbH, Werdohl		100.00	(5)	(k)	30.6	0.6
(14)	Beijing China-Railway Vossloh Technology Co., Ltd., Beijing, China		49.00	(5)	(n)	2.4	0.8
(15)	Vossloh Fastening Systems Southern Africa Proprietary Ltd., Cape Town, South Africa	6	100.00	(74)	(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)	1.1	0.0
(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)	(k)	1.6	0.1
(20)	OOO Vossloh Bahn- und Verkehrstechnik, Moscow, Russia		99.00/1.00	(2)/(1)	(k)	0.1	(1.4)
(21)	Vossloh Maschinenfabrik Deutschland GmbH, Werdohl		100.00	(5)	(n)	(1.5)	(0.1)
(22)	Vossloh Fastening Systems India Private Ltd., New Delhi, India	5	99.99/0.01	(5)/(13)	(k)	0.8	0.1
(23)	Vossloh (Anyang) Track Material Co., Ltd., Anyang, China		51.00	(13)	(k)	30.8	3.6
(24)	Kunshan Vossloh Railway Materials Trading Co., Ltd., Kunshan, China		100.00	(13)	(k)	1.2	0.4
	Tie Technologies business unit						
(25)	Rocla International Holdings, Inc., Wilmington, USA		100.00	(3)	(k)	4.2	(1.8)
(26)	Rocla Concrete Tie, Inc., Lakewood, USA		100.00	(25)	(k)	94.8	6.2
(27)	RCTI de Mexico, S. de R. L. de C. V., Mexico City, Mexico		99.998/0.002	(26)/(3)	(k)	27.7	1.7
(28)	RocBra Participacoes e Empreendimentos Ltda., São Paulo, Brazil	6	100.00	(25)	(n)	5.5	(0.5)
(29)	Cavan Rocbra Industria E Comercio De Pre Moldados De Concreto S/A, São Paulo, Brazil	6	20.00	(28)	(n)	26.6	2.9
(30)	Austrak Pty. Ltd., Brisbane, Australia		100.00	(4)	(k)	35.9	0.7
(31)	Vossloh Tie Technologies Canada ULC, Vancouver, Canada		100.00	(26)	(k)	(6.3)	0.3
	Customized Modules division						
	Switch Systems business unit						
(32)	Vossloh France SAS, Rueil-Malmaison, France		100.00	(1)	(k)	133.0	17.7
(33)	Vossloh Cogifer SA, Rueil-Malmaison, France		100.00	(32)	(k)	157.8	26.9
(34)	Jacquemard AVR SA, St. Jean Bonnefonds, France		100.00	(33)	(k)	1.3	0.0
(35)	Vossloh Cogifer Finland Oy, Salo, Finland		100.00	(36)	(k)	4.6	2.0
(36)	Vossloh Nordic Switch Systems AB, Ystad, Sweden		100.00	(33)	(k)	15.8	3.9
(37)	Vossloh Cogifer KIHN SA, Rumelange, Luxembourg		89.21	(33)	(k)	19.9	6.4
(38)	Vossloh Laeis GmbH, Trier		100.00	(37)	(k)	(13.4)	(2.0)
(39)	Futrifer-Indústrias Ferroviárias SA, Lisbon, Portugal		61.00	(33)	(k)	13.6	1.3
(40)	Amurrio Ferrocarril y Equipos SA, Amurrio, Spain		50.00	(33)	(e)	35.4	7.0
(41)	Montajes Ferroviarios S. L., Amurrio, Spain		100.00	(40)	(n)	0.6	0.4
(42)	Burbiola SA, Amurrio, Spain		50.00	(40)	(n)	1.8	0.1
(43)	Vossloh Cogifer UK Ltd., Scunthorpe, United Kingdom		100.00	(33)	(k)	3.8	1.8
(44)	Vossloh Cogifer Italia S.r.l., Milan, Italy		100.00	(33)	(k)	2.9	1.2
(45)	Vossloh Cogifer Polska Sp.z o.o., Bydgoszcz, Poland		97.01	(33)	(k)	9.2	1.3

€ mill.		Footnote	Shareholding in %	at	Consoli-dation[1]	Equity[2]	Result after taxes[2]
(46)	ATO-Asia Turnouts Ltd., Bangkok, Thailand		51.00	(33)	(e)	0.9	(0.4)
(47)	Vossloh Cogifer Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia		100.00	(33)	(k)	(0.9)	1.1
(48)	VOSSLOH MIN SKRETNICE DOO ZA Proizvodnjui Montazu Skretnica i Opreme Nis, Niš, Serbia		100.00	(33)	(k)	7.7	2.9
(49)	Vossloh Beekay Castings Ltd., New Delhi, India	5	58.48	(33)	(k)	10.7	0.5
(50)	Vossloh Cogifer Turnouts India Private Ltd., Hyderabad, India	5	100.00	(33)	(k)	3.5	(0.1)
(51)	Vossloh Cogifer Signalling India Private Ltd., Bangalore, India	5	100.00	(33)	(k)	0.8	(0.3)
(52)	Vossloh Cogifer Australia Pty. Ltd., Castlemaine, Australia		100.00	(4)	(k)	19.1	3.4
(53)	Vossloh Cogifer Kloos BV, Nieuw-Lekkerland, the Netherlands		100.00	(33)	(k)	0.6	0.2
(54)	Wuhu China Railway Cogifer Track Co., Ltd., Wuhu, China		50.00	(33)	(e)	32.3	5.1
(55)	Vossloh Cogifer Southern Africa Proprietary Ltd., Cape Town, South Africa		100.00	(74)	(n)	0.0	0.0
(56)	Ibrafer-Internacional Brasileira De Aparelhos Feroviarios Participacoes Ltda., Sorocaba, Brazil		19.00	(33)	(n)	3.5	0.0
(57)	Ibrafer MBM Ltda., Sorocaba, Brazil		97.38	(56)	(n)	3.6	0.0
(58)	Vossloh Infrastructure Systems LLC, Moscow, Russia		90.00/10.00	(37)/(48)	(n)	0.0	(0.1)
	Lifecycle Solutions division						
	Rail Services business unit						
(59)	Vossloh Rail Services GmbH, Hamburg	3,7	100.00	(1)	(k)	22.9	0.2
(60)	Vossloh Rail Services Deutschland GmbH, Hamburg	3,7	100.00	(59)	(k)	35.8	(0.9)
(61)	Vossloh Rail Inspection GmbH, Leipzig	3,7	100.00	(59)	(k)	0.1	0.0
(62)	VOSSLOH Turkey Demiryolu Sistemleri Ltd. Şti., Istanbul, Turkey		100.00	(63)	(k)	0.4	0.3
(63)	Vossloh Rail Services International GmbH, Hamburg	3,7	100.00	(59)	(k)	4.7	0.1
(64)	Vossloh Rail Services Scandinavia AB, Örebro, Sweden		100.00	(63)	(k)	3.8	0.0
(65)	Vossloh Rail Services North America Corporation, Denver, USA		100.00	(3)	(k)	0.0	0.0
(66)	Beijing CRM-Vossloh Track Maintenance Technology Co., Ltd., Beijing, China		47.00	(63)	(e)	26.7	3.1
(67)	Vossloh Rail Services Kunshan Co., Ltd., Kunshan, China		100.00	(63)	(k)	3.4	0.8
(68)	Vossloh Rail Services Finland Oy, Kouvola, Finland		100.00	(63)	(k)	5.4	0.4
(69)	Rhomberg Sersa Vossloh GmbH, Föhren		50.00	(59)	(e)	2.3	0.6
(70)	Vossloh Services France SAS, Rueil-Malmaison, France		49.90/50.10	(33)/(63)	(k)	0.9	0.4
(71)	Vossloh Rail Services Italia S.r.l., Cesena, Italy		100.00	(63)	(k)	0.1	0.1
(72)	Vossloh ETS BV, Purmerend, the Netherlands		100.00	(63)	(k)	15.0	0.8
(73)	Vossloh Rail Services Espana S.L., Madrid, Spain		100.00	(63)	(n)	0.0	0.0
(74)	Vossloh Rail Services Australia Pty. Ltd., Sydney, Australia		100.00	(4)	(n)	0.0	0.0
	Other companies						
(75)	Vossloh Southern Africa Holdings Proprietary Ltd., Johannesburg, South Africa		100.00	(2)	(n)	(0.1)	0.0
(76)	Vossloh RailWatch GmbH, Hamburg	4	100.00	(1)	(k)	(0.5)	(0.5)

[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 current rate (average exchange rate as of the balance sheet date) and results after tax are translated at the annual average exchange 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.

[7] IFRS result after profit and loss transfer agreement

Inventories Inventories include both the reclassified costs for SAP S/4HANA from fixed assets and increases in inventories for the 2023 fiscal year in the amount of €6,753 thousand. The decrease in inventories of €3,092 thousand relates to the charging on of licenses for SAP S/4HANA to two Group companies.

Receivables and other assets As in the previous year, receivables and other assets are due in full within one year. None of the receivables from affiliated companies consist of trade receivables.

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, authorized capital of up to €24,928,841.11 was created with the option to exclude shareholders' subscription rights ("Authorized Capital 2020"). 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.

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

Other retained earnings recognized under retained earnings totaled €110,671,697.46 (previous year: €110,671,697.46).

Provisions In the 2023 fiscal year, the amount required to settle pension obligations came to €27,387 thousand (previous year: €28,353 thousand). The fair value of the cover assets offset against this settlement amounted to €10,819 thousand (previous year: €9,812 thousand).

Pension provisions would have been €291 thousand (previous year: €1,319 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 subject to a restriction on distribution in accordance with Section 253 (6) Sentence 2 HGB.

The fair value of cover assets corresponds to the budgeted unearned premium reserve from the employer's pension liability insurance contract, plus the credit balance from refundable premiums (irrevocably creditable capital bonus). This value also equals the asset value for tax purposes. Amortized cost totaled €4,641 thousand (previous year: €3,972 thousand).

The amount subject to a restriction on distribution in accordance with Section 268 (8) HGB is €6,178 thousand (previous year: €5,840 thousand) and results entirely from the difference between the fair value and the amortized cost of the cover assets.

In the income statement, expenses of €237 thousand (previous year: €2,035 thousand) were netted against income from cover assets of €338 thousand (previous year: €372 thousand) in the net financial result.

The tax provisions of €391 thousand (previous year: €0 thousand) reported for the first time again include provisions for municipal trade tax of €377 thousand (previous year: €0 thousand) and provisions for corporate income tax of €15 thousand (previous year: €0 thousand).

The other provisions of €14,687 thousand (previous year: €13,066 thousand) include €7,541 thousand (previous year: €6,340 thousand) for the personnel area and €2,900 thousand (previous year: €2,900 thousand) for the disposal of shares of subsidiaries and related expected consultance expenses.

Liabilities and contingent liabilities

A €150 million subordinated perpetual note (hybrid note) 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 %.

Liabilities to banks recognized on the balance sheet amount to €247,336 thousand (previous year: €238,029 thousand); thereof €162,336 thousand (previous year: €15,000 thousand) fall due within one year and €85,000 thousand (previous year: €223,029 thousand) after more than one year. Of this total, €30,000 thousand (previous year: €25,000 thousand) had maturities of more than five years. As in the previous year, all other liabilities have maturities of up to one year.

At the end of 2023, a total of €175 million of the liabilities to banks was accounted for by Schuldschein loans. A partial amount of €90 million was issued in July 2017 with a term of seven years (until July 2024) and a fixed interest rate of 1.763 %. The remaining €25 million with a term of seven years (until December 2028) and a fixed interest rate of 0.8 % per year was placed at the end of 2021. In July 2023, two further Schuldschein loans of €30 million each were issued with terms of 5 years (until July 2028) and 7 years (until July 2030) with variable interest rates above the 6-month Euribor. All Schuldschein loans are held by banks.

At the end of November 2017, a syndicated loan of €150 million was concluded with eight banks. The financing agreement now has a term until November 2024 after exercising the option to extend it by one year respectively in November 2018 and 2019. In April 2019, the volume of the loan was increased by €80 million to €230 million. If necessary, it can be increased by up to a further €70 million during the term of the loan. The funds are available to the Company in the form of a revolving line of credit that can be flexibly accessed. Compliance with a covenant in the form of the ratio of net financial debt to EBITDA was agreed here. The breach of the threshold of this key figure 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 margin (basis points above Euribor or €STR). This was currently 0.65 %. As of the balance sheet date, the credit line had been utilized in the amount of €52.3 million (previous year: €88.0 million) by way of cash loans and €11.8 million (previous year: €3.6 million) by way of guarantees and utilizing credit lines granted to subsidiaries. Vossloh AG assumes joint liability for the tranches drawn by 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.

Furthermore, in July 2021, Vossloh AG took out a loan of €20 million with DZ Bank AG with a term until July 2024 and a margin of 0.75 % above the 3-month Euribor. A floor of 0.0 % is applicable for the reference value. In addition, two Schuldschein loans of €30 million each were issued in July 2023 with terms until 2028 and 2030 respectively. The interest rate is based on the 6M Euribor with an additional margin of 125 and 145 basis points respectively. Payer interest rate swaps were concluded for these two instruments in November 2023, whereby the variable 6M Euribor interest rates were converted into fixed interest rates.

The short-term loan of €15 million drawn down on the previous year's reporting date under a non-binding loan commitment from Bayerische Landesbank was repaid in July 2023.

All trade payables had a term of up to one year in the year under review as well as in the previous year.

In the reporting year, as in the previous year, liabilities to affiliated companies comprised entirely other liabilities and were due in full within one year in both years.

The maximum liability guarantees total €312,977 thousand (previous year: €333,575 thousand). In 12 cases, the total guarantees were unlimited and included in the contingent liabilities under guarantees at the end of the year at a value of €36.3 million. The contingent liabilities under guarantees of €182,368 thousand (previous year: €198,889 thousand) were incurred in the amount €158,405 thousand (previous year: €152,373 thousand) for liabilities due to affiliated companies and investees. The obligations can be met by the companies concerned in all cases. The risk of a claim is considered unlikely for all of the listed contingent liabilities.

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

There are no apparent reasons for an overwhelming likely claim under the liability obligation. Vossloh comes to this conclusion based on the lack of claims under long-standing commitments. 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 €70 thousand (previous year: €82 thousand). Of these other financial obligations, €41 thousand (previous year: €45 thousand) is due within one year and €22 thousand (previous year: €37 thousand) in the period between one and five years. The remaining €7 thousand (previous year: €0.0 thousand) are due after five years.

Notes to the income statement

Sales revenues in 2023 primarily related to service charges of €15,452 thousand (previous year: €11,737 thousand), including €15,449 thousand to affiliated companies (previous year: €11,736 thousand). The rise was due to an increase in allocations, particularly for IT services and the first-time invoicing of pro rata costs for the ERP system at two Group companies.

With the following exceptions, all sales revenues were generated in Germany: Sales revenues in France amounted to €5,444 thousand (previous year: €4,945 thousand), in Sweden to €2,832 thousand (previous year: €0 thousand), in the USA to €1,061 thousand (previous year: €920 thousand), in China to €262 thousand (previous year: €275 thousand) as well as in Finland to €260 thousand (previous year: €0 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.

The personnel expenses of Vossloh AG are included in general administrative expenses. Personnel expenses amounted to €14,320 thousand in the reporting year (previous year: €13,743 thousand). Of this amount, €13,070 thousand (previous year: €11,886 thousand) is allocable to wages and salaries, another €1,250 thousand (previous year: €1,856 thousand) to social security, pension expense and related employee benefits. Pension expenses amounted to €101 thousand (previous year: €917 thousand).

In addition, administrative expenses include expenses for legal and management consulting of €953 thousand (previous year: €525 thousand). Other operating income amounted to €1,303 thousand (previous year: €2,611 thousand) and is primarily made up of subsequent effects from earlier disposals of business units in the amount of €1,000 thousand (previous year: €1,000 thousand), income from the reversal of provisions not relating to the accounting period in the amount of €204 thousand (previous year: €2,205 thousand) and income from foreign exchange gains in the amount of €70 thousand (previous year: €319 thousand).

Research and development costs came to €0.0 million in the year under review (previous year: €0.3 million) and were entirely attributable to internally generated intangible assets under development in the previous year.

As in the previous year, other operating expenses of €2,200 thousand (previous year: €1,674 thousand) in the current year consist exclusively of exchange rate losses.

The net financial result of €115,662 thousand (previous year: €(46,299) thousand) includes the dividends from Vossloh France SAS, Rueil-Malmaison, France, in the amount of €40,019 thousand (previous year: €20.000 thousand), from OOO Vossloh Bahn- und Verkehrstechnik in the amount of €11 thousand (previous year: €12 thousand) and income from profit transfer agreements from Vossloh Fastening Systems GmbH in the amount of €35,792 thousand (previous year: €17,108 thousand) and from Vossloh Rail Services GmbH in the amount of €6,875 thousand (previous year: expenses from the assumption of the loss of €6,129 thousand). The net financial result also includes write-ups on shares in affiliated companies in the amount of €29,600 thousand (previous year: €0 thousand). In the previous year, impairment losses on shares in affiliated companies amounting to €74,710 thousand were included in the net financial result, which were not incurred in the reporting year. The interest portion amounting to €(101) thousand (previous year: €1,663 thousand) for the change in pension provisions was recognized under "interest and similar expenses". This figure includes the interest expense from the compounding of pension provisions totalling €496 thousand (previous year: €515 thousand).

The income tax expense of €486 thousand mainly comprises municipal trade tax of €377 thousand (previous year: €0 thousand).

Other disclosures

Vossloh AG employed an average of 82 salaried employees (previous year: 70) ; of these, 72 were in full-time and 10 in part-time employment.

The employee stock option program 2023 offered employees of German Vossloh companies the option of acquiring either three Vossloh AG shares at no cost or twelve shares at a discount of 50 % of the issue price of €38.75 per share, determined using the market price as of the share transfer date. In the reporting year, Vossloh AG employees were granted a total of 309 shares (previous year: 237) free of charge under this program. The expense for granting shares was €12 thousand (previous year: €9 thousand).

Remuneration of Executive Board members (excluding pension expenses) for the 2023 fiscal year totaled 5,151 thousand (previous year: €3,952 thousand) , including €1,312 thousand (previous year: €1,250 thousand) of fixed and €3,789 thousand (previous year: €2,652 thousand) of variable compensation plus €50 thousand (previous year: €50 thousand) for payments in kind.

Former Executive Board members received a total of €1,139 thousand in the reporting year (previous year: €1,184 thousand). Pension obligations to former Executive Board and management members and their surviving dependents amounted to €24,245 thousand (previous year: €25,203 thousand). Employer pension liability insurance policies totaling €10,819 thousand (previous year: €9,812 thousand), are pledged in each beneficiary's favor and recognized as cover assets.

The total remuneration of the Supervisory Board for the reporting year came to €692 thousand (previous year: €420 thousand) and related exclusively to fixed components.

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 foreign currency loans extended to subsidiaries.

All hedged underlying transactions are initially valued and revalued 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 to 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.	2023		2022	
	Fair value	Nominal volume	Fair value	Nominal volume
Hedging transactions				
Interest rate swap	0.3	120.0	4.0	60.0
Foreign currency forwards	1.9	107.7	1.2	108.8
	2.2	**227.7**	**5.2**	**168.8**

The method of determining fair values to value derivatives depends on the type of instrument. 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.

Two of the four existing interest rate swaps are forward payer swaps with a start date of July 12, 2024. The first swap with a nominal volume of €40 million has a term of 5 years. The other swap of €20 million has a term of 7 years. Both swaps feature a mandatory break clause effective as of July 12, 2024, i.e. they will be terminated on that date and settled at the market value applicable at that time.

The two other interest rate swaps are forward payer swaps with a start date of January 26, 2024 and a nominal volume of €30 million each. One interest rate swap has a term of 4.5 years, the other interest rate swap has a term of 6.5 years.

An amount of €92.7 million of the foreign currency forwards relate to the hedging of recognized receivables, with €3.4 million allocated to the hedging of recognized liabilities. A total of €5.8 million of the foreign currency forwards were concluded for subsidiaries and concluded with the corresponding subsidiaries using mirrored foreign currency forwards in the same amount.

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 transaction into valuation units. The resulting cash flows therefore balance each other out. The existing foreign currency forwards totaled €102.3 million and had a remaining term of up to one year, while a further €5.4 million of foreign currency forwards had a remaining term of 1.5 years.

If a valuation unit cannot be formed, 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 2023, all derivative financial instruments were combined as hedging instruments with the related underlying transactions. These are exclusively micro-hedges whose future effectiveness is assessed based on matching maturities and volumes (critical term match) and which are fully effective.

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 foreign currency loans. The contracted cash flow is hedged by buying or selling foreign currency forwards, thus also closing the foreign currency positions of subsidiaries for their account. As of December 31, 2023, foreign currency positions in the currencies Australian dollar (AUD), Swiss francs (CHF) and US dollars (USD) were hedged.

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

Related party transactions

In November 2023, 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.

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

The German Securities Trading Act (WpHG) obligates investors whose voting interests in listed corporations cross certain thresholds to notify the issuer accordingly. The following voting rights notifications were sent to Vossloh AG in accordance with Section 33 WpHG insofar as they are relevant for the 2023 fiscal year. In addition, the following notifications of voting rights from 2021 are listed here for the sake of completeness:

Notifications pursuant to the German Securities Trading Act

Notifying party	Date of notification	Date of change	Affected threshold	New voting interests		Thereof attributable	
				in %	Absolute	in %	Absolute
Mrs. Nadia Thiele, Germany	3/25/2021	3/25/2021	Above 50 %	50.09	8,797,090	50.09	8,797,090
Mr. Robin Brühmüller, Germany	5/18/2021	5/18/2021	Above 50 %	50.09	8,797,090	50.09	8,797,090
Franklin Mutual Advisers, LLC, United States of Americas	6/23/2023	6/16/2023	Below 3 %	2.93	514,005	2.93	514,005

KB Holding GmbH, Grünwald, Germany, holds 50.09 % of the voting rights in Vossloh AG. Pursuant to Section 34 (1) Sentence 1 No. 1 WpHG, these voting rights are attributable to TIB Vermögens- und Beteiligungsholding GmbH.

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

The voting rights of KB Holding GmbH, TIB Vermögens- und Beteiligungsholding GmbH and Stella Vermögensverwaltungs GmbH are attributable to Mrs. Nadia Thiele pursuant to Section 34 (1) Sentence 1 No. 1 WpHG and to Mr. Robin Brühmüller (as executor of the estate of the deceased Heinz Hermann Thiele) pursuant to Section 34 (1) Sentence 1 No. 6 WpHG.

In a letter dated April 20, 2021, Mrs. Nadia Thiele informed us of the following with reference to the notification of voting rights pursuant to Sections 33, 34 WpHG dated March 25, 2021:

"I. Purposes of the acquisition of voting rights (Section 43 (1) Sentences 1 and 3 WpHG)

1. The notifying party's indirect interest in Vossloh AG is attributed to the notifying party as a result of the acquisition of the deceased Heinz Hermann Thiele's shares in Stella Vermögensverwaltungs GmbH by way of inheritance. The indirect acquisition of the voting rights in Vossloh AG by the notifying party therefore serves neither the implementation of strategic objectives nor the achievement of trading profits.

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

3. The notifying party does not seek to exert influence on the staffing of the Vossloh AG executive, management or supervisory boards.

4. The notifying party does not aspire to any significant change in the capital structure of Vossloh AG, particularly regarding leverage (debt-equity ratio) and dividend policy.

II. Origin of funds used to acquire voting rights (Section 43 (1) Sentence 4 WpHG)

Neither debt nor equity was used to acquire the voting rights. The (indirect) acquisition was by way of inheritance.“

In a letter dated May 28, 2021, Mr. Robin Brühmüller informed us of the following with reference to the notification of voting rights pursuant to Sections 33, 34 WpHG dated May 18, 2021:

„I. Purposes of the acquisition of voting rights (Section 43 (1) Sentences 1 and 3 WpHG)

1. The notifying party’s indirect interest in Vossloh AG is attributable to the notifying party as a result of the acceptance of the office of executor over the shares of the deceased Heinz Hermann Thiele in Stella Vermögensverwaltungs GmbH. The indirect acquisition of the voting rights in Vossloh AG by the notifying party therefore serves neither the implementation of strategic objectives nor the achievement of trading profits.

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

3. The notifying party currently does not seek to exert any influence on the appointment of members to the Vossloh AG executive, management or supervisory boards beyond exercising voting rights in any resolutions of the Annual General Meeting concerning the election of Supervisory Board members.

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

II. Origin of funds used to acquire voting rights (Section 43 (1) Sentence 4 WpHG):

Neither debt nor equity was used to acquire the voting rights. The (indirect) acquisition took place within the scope of the execution of the will over the estate of the deceased Heinz Hermann Thiele.“

Auditor fees

The services rendered by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, in the 2023 fiscal year consisted mainly of services relating to the audit of the financial statements. The interim financial statements were also subjected to auditor’s review. Additional attestation services were provided to a limited extent in the area of sustainability reporting, the ascertainment of subsequent effects from company acquisitions and board remuneration. The total fee calculated for the auditors for the fiscal year is not disclosed with reference to the Group clause.

Executive Board of Vossloh AG

Oliver Schuster, born 1964, Düsseldorf
Chief Executive Officer (CEO since 10/1/2019)
First appointment: 3/1/2014, appointed until: 2/28/2025
Group mandates:
- Vossloh Cogifer SA: Deputy Chairman of the Supervisory Board
- Vossloh Fastening Systems (China) Co., Ltd.: Chairman of the Administrative Board and legal representative of the company

Dr. Thomas Triska, born 1975, Balve
Chief Financial Officer (CFO)
First appointment: 11/1/2020, appointed until: 10/31/2028
External mandates:
- Wohnungsgesellschaft Werdohl GmbH: Member of the Supervisory Board

Group mandates:
- Vossloh Cogifer SA: Chairman of the Supervisory Board
- Vossloh International GmbH: Managing Director
- Vossloh France SAS: President

Jan Furnivall, born 1976, Meerbusch
Chief Operating Officer (COO)
First appointment: 11/1/2020, appointed until: 10/31/2028
Group mandates:
- Vossloh International GmbH: Managing Director
- Vossloh US Holdings, Inc.: Vice President

Supervisory Board of Vossloh AG

Prof. Dr. Rüdiger Grube[2,4], Chairman, Hamburg,
Managing Partner of Rüdiger Grube International Business Leadership GmbH and former Chairman of the Executive Board 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 Deufol SE, Hofheim (Wallau)
- Chairman of the Supervisory Board of ALSTOM Transportation Germany GmbH, Berlin
- Member of the Supervisory Board of AVW Immobilien AG, Hamburg
- Member of the Supervisory Board of Meta Wolf AG, Kranichfeld
- Chairman of the Supervisory Board of Vodafone GmbH, Düsseldorf

Ulrich M. Harnacke[2,3,4], Vice Chairman, Mönchengladbach, Independent Accountant, Tax Advisor and Business 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 of Thüga Aktiengesellschaft, Munich, and Member of the Supervisory Board of CONTIGAS Deutsche Energie-AG, Munich
- Member of the Supervisory Board and Chairman of the Audit Committee of Brenntag SE, Essen
- Member of the Advisory Board of Zentis GmbH & Co. KG, Aachen[5]

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

Martin Klaes[1], Werdohl, Fitter, Chairman of the Works Council of Vossloh Fastening Systems GmbH and Vossloh AG (Member of the Supervisory Board since 5/24/2023)

Marcel Knüpfer[1,2,3], Zwenkau, Technical Administration Specialist and shift supervisor, Chairman of the General Works Council of Vossloh Rail Services Deutschland GmbH and Member of the Group Works Council (Member of the Supervisory Board since 6/1/2020)

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

Andreas Kretschmann[1,2,3], Neuenrade, Certified Social Security Professional, Chairman of the Group Works Council and Member of the Works Council of Vossloh Fastening Systems GmbH (Member of the Supervisory Board from 8/30/2017 to 5/24/2023)

[1] Employee representative
[2] Member of the Personnel Committee
[3] Member of the Audit Committee
[4] Member of the Nomination Committee
[5] Optional committee

Events after the balance sheet date

The syndicated loan from 2017, most recently amounting to €230 million with a term until November 2024, was refinanced early in February 2024 with the conclusion of a new syndicated loan for €240 million. The new financing agreement was concluded with a total of eight banks as part of a club deal with a minimum term of five years. It contains a sustainability component for the first time: The amount of the margin is linked to the compliance rate of sales revenues in accordance with the EU Taxonomy Regulation as part of a bonus-malus regulation.

Proposed dividend

The financial statements under commercial law for the 2023 fiscal year show a net profit for the year of €93,850,213.80. After including the profit carryforward of €28,854,606.53, net profit retained came to €122,704,820.33.

The Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of €1.05 per share be paid out on the dividend-bearing capital stock of €49,857,682.23 and that the remaining amount of €104,262,431.33 be carried forward to new account. The total dividend amount is €18,442,389.00.

Proposed dividend

€	
Profit carried forward as of January 1, 2023	46,418,786.53
2023 dividend payment	(17,564,180.00)
Net profit 2023	93,850,213.80
Withdrawal from other retained earnings	0.00
Unappropriated surplus as of December 31, 2023	**122,704,820.33**
Proposed dividend	
Appropriation	(18,442,389.00)
Carryforward to new account	**104,262,431.33**

Werdohl, Germany, March 7, 2024

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 7, 2024

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 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023, 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 parent and the group of Vossloh Aktiengesellschaft, Werdohl/Germany, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB), including the further reporting on corporate governance included therein, which is referred to in the combined management report, nor the content of the consolidated nonfinancial statement pursuant to Section 315b HGB, which is included in the combined management report. In addition, we have not audited the content of the disclosures included in section “Adequacy and effectiveness of the risk management system and the internal control system” of the management report that were marked unaudited.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 statements referred to above as well as of the section “Adequacy and effectiveness of the risk management system and the internal control system”.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the 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 2023. 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 goodwill

a) The annual financial statements of Vossloh Aktiengesellschaft as at 31 December 2023 disclose shares in affiliated companies of mEUR 458.9. These thus count for a share of 48.9 % 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 companies agreed upon with the executive board of Vossloh Aktiengesellschaft and cover the three years following the balance sheet date. They are updated with assumed long-term growth rates. 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 (proportional) 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. If the reasons for the permanent impairment cease to exist, the write-down is reversed to the fair value of the assets which must not exceed the acquisition cost.

In the financial year 2023, the Company made a write-up of mEUR 29.6 on the shares in Vossloh Fastening Systems GmbH, Werdohl/Germany.

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 2024, which has been approved by the supervisory board, and with the group planning for the years 2025 and 2026, 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.

Other Information

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

- the corporate governance statement pursuant to Sections 289f HGB and 315d HGB, including the further reporting on corporate governance included therein, which is referred to in the combined management report,
- the consolidated nonfinancial statement pursuant to Section 315b HGB, which is included in the combined management report,
- the disclosures included in section "Adequacy and effectiveness of the risk management system and the internal control system" of the combined management report marked as unaudited, and
- the executive board's confirmation regarding the annual financial statements and the combined management report pursuant to Sections 264 (2) sentence 3 and 289 (1) sentence 5 HGB.

The executive board and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement and which is referred to in the combined management report. Otherwise 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 identified above and, in doing so, 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Annual Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the annual financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA 256 value 995fca036aad605dab48f9ede574cafa6b84d3a0e5938e8e80ca5e71b63c5786 meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the annual financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion
We conducted our audit of the electronic reproductions of the annual financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

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

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

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

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

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the general meeting on 24 May 2023. We were engaged by the supervisory board on 29 August 2023. 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 (longform audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as with the audited ESEF documents. The annual financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Siepe.

Düsseldorf/Germany, 7 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

vossloh.com

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