

NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows the changes in cash and cash equivalents in the year under review, and was prepared in accordance with IAS 7 (Cash Flow Statements). The indirect method has been used for showing cash flow from operating activities.

Interest income and interest payments, dividend income as well as tax payments are stated under operating activities.

Cash and cash equivalents include the cash and cash equivalents stated in the balance sheet with a residual maturity of up to three months (cash in hand, cash at banks as well as security investments). As of December 31, 2020, of the total figure stated for cash and cash equivalents, € 981 million (as of December 31, 2019: € 748 million) was subject to restrictions mainly as a result of provisions of the rail franchises in the United Kingdom as well as country-specific and contractual restrictions particularly in international logistics business.

Since December 31, 2020, current receivables due from banks (as of December 31, 2020: € 271 million; as of December 31, 2019: € 211 million), resulting in connection with financial futures, have no longer been shown under cash and cash equivalents; instead, they have been shown under current other receivables and assets. Because it is becoming increasingly difficult to predict the development in the value of the financial futures, it can only be assumed to a limited extent that such hedges represent current liquidity.

Cash flow from operating activities

The cash flow from operating activities is calculated by adjusting the net profit/loss for the period before taxes by items which are not cash-effective (in particular additions to and reversals of other provisions) and by adding other changes in current assets, in liabilities (excluding financial debt) and provisions. The cash flow from operating activities is then established after due consideration is given to interest and tax payments.

In accordance with IFRS 16, outflows related to leases are recognized in cash flow from financing activities if they are payments of principal, and are recognized in cash flow from operating activities if they are payments of interest. The cash flow from operating activities has declined considerably in the year under review. In addition to a considerably reduced net profit, adjusted by higher depreciation on property, plant and equipment and intangible assets (mainly due to the complete write-down of the goodwill of € 1,411 million previously recognized by DB Arriva), this was due mainly to higher trade liabilities as well as higher non-cash-effective expenses.

Also, non-cash-effective expenses and income have increased (€ +998 million); mainly included in particular considerably higher expenses relating to additions to other provisions as well as significantly lower income from the reversal of other provisions.

Cash flow from investing activities

The cash flow from investing activities is calculated as the cash flow provided by the disposal of property, plant and equipment and intangible assets as well as by investment grants, and the cash outflow for capital expenditures in property, plant and equipment and intangible assets as well as for non-current financial assets.

Payments received from investment grants are shown under investing activities due to the close connection between investment grants received and the payments made for capital expenditures in property, plant and equipment assets.

The significant increase in outflows of cash from investing activities was mainly attributable to higher outflows for investments in property, plant and equipment (€ +1,623 million; +13.9%). On the other hand, net inflows of cash from investment grants increased (€ +1,095 million; +14.9%). The outflows for the acquisition of shares in consolidated companies (year under review: € 40 million; previous year: € 23 million) have increased appreciably compared with the previous year and were attributable to the acquisitions and also to subsequent purchase price payments for VT-ARRIVA Személyszállító és Szolgáltató Kft., Székesfehérvár/Hungary, and Redhead Holdings Limited, Bradford/United Kingdom.

When changes take place in the scope of consolidation as a result of the acquisition or sale of companies, the acquisition price which is paid (excluding any liabilities which are transferred) less the acquired or sold financial resources are stated as cash flow from investing activities.

Cash flow from financing activities

The cash flow from financing activities is due to additions to capital, the net inflows and outflows attributable to issued senior bonds, changes in bank borrowings and other loans as well as outflows for the redemption of finance lease liabilities and interest-free loans.

The increase in inflows of cash from financing activities (€ +1,713 million) was mainly attributable to higher inflows from the issuing of senior bonds as well as higher net inflows from the raising and repayment of funds, in particular from the raising and repayment of bank borrowings. The repayments of principal for leasing agreements have increased slightly, and the distribution of profit to the government remained unchanged.

Information regarding the changes in financial liabilities (IAS 7)

(€ million)	As of Jan 1, 2020	Cash-effective changes (inflow (+) / outflow (-))	Non-cash-effective changes				Compounding ¹⁾	As of Dec 31, 2020
			Acquisition (+) / sale (-) of companies	Currency effects	Addition (+) / disposal (-) of leasing liabilities and financial receivables			
Financial receivables and earmarked bank deposits	- 393	- 511	7	- 10	51	-	- 856	
LIABILITIES FROM FINANCING								
Interest-free loans	707	- 155	-	-	-	28	580	
Senior bonds	20,966	3,249	-	- 209	-	15	24,021	
Commercial paper	890	- 890	-	-	-	-	-	
Bank borrowings	626	2,678	3	- 3	-	-	3,304	
EUROFIMA loan	200	-	-	-	-	-	200	
Leasing liabilities ¹⁾	5,015	- 995	-	- 60	972	- 1	4,931	
Liabilities from transport concessions	77	114	-	-	-	-	191	
Other financial liabilities	212	- 105	10	- 2	- 18	-	97	
Liabilities from financing	28,693	3,896	13	- 274	954	42	33,324	
Total	28,300	3,385	20	- 284	1,005	42	32,468	

¹⁾ The outflows for leasing liabilities incl. interest paid amount to € 1,076 million as of December 31, 2020. This interest element is netted under compounding.

(€ million)	As of Jan 1, 2019	Cash-effective changes (inflow (+) / outflow (-))	Non-cash-effective changes				Compounding ¹⁾	As of Dec 31, 2019
			Acquisition (+) / sale (-) of companies	Currency effects	Addition (+) / disposal (-) of leasing liabilities and financial receivables			
Financial receivables and earmarked bank deposits	- 174	- 164	-	0	- 55	-	- 393	
LIABILITIES FROM FINANCING								
Interest-free loans	851	- 178	-	-	-	34	707	
Senior bonds	20,712	82	-	158	-	14	20,966	
Commercial paper	-	890	-	-	-	-	890	
Bank borrowings	646	- 19	-	- 1	-	-	626	
EUROFIMA loan	200	-	-	-	-	-	200	
Leasing liabilities ¹⁾	4,831	- 958	-	- 25	1,154	13	5,015	
Liabilities from transport concessions	45	32	-	-	-	-	77	
Other financial liabilities	228	- 16	-	-	-	-	212	
Liabilities from financing	27,513	- 167	-	132	1,154	61	28,693	
Total	27,339	- 331	-	132	1,099	61	28,300	

¹⁾ The outflows for leasing liabilities incl. interest paid amount to € 1,039 million as of December 31, 2019. This interest element is netted under compounding.