2012

Annual Report

VTG AKTIENGESELLSCHAFT

Trusted By Industry

VTG

Milestones

JANUARY 2012

Rail Logistics expands product range

The Rail Logistics division accesses new customer groups with an expanded range of products. In addition to liquids such as mineral oil and chemical products, VTG aims to bring agricultural products and industrial goods such as steel to the railway.

JUNE 2012

VTG wins award for best investor relations in SDAX

Every year, Thomson Reuters Extel, the business magazine WirtschaftsWoche and the German Investor Relations Association ask analysts to appraise the IR work of listed companies. In 2012, experts from more than 11,000 buy-side and 2,500 sell-side companies took part. VTG came out top in the SDAX.

JUNE 2012

Dividend up 6 percent

VTG continues to pursue its policy of recent years of reliably issuing dividends. At the Annual General Meeting, shareholders approve the proposal of the Executive Board to issue a higher dividend, with an increase of 6 percent. Thus 0.35 euro per share is paid out for the year 2011.

JULY 2012

VTG hires locomotives for longer-term logistics contract

For the first time, VTG hires locomotives for a Rail Logistics transport contract in the new segment of industrial goods, which extends over several years. The special terms of this contract required a solution tailored exactly to the customer. With this contract, VTG once again demonstrates its ability to accommodate individual requirements flexibly.

AUGUST 2012

VTG delivers the first 50 wagons in major order

The Railcar division secures a major, long-term contract with the international Glencore Group. The commodity trading company is to use a total of 300 VTG tank wagons to transport liquids. These are specially equipped to transport pure vegetable oil.

SEPTEMBER 2012

VTG meets European requirements

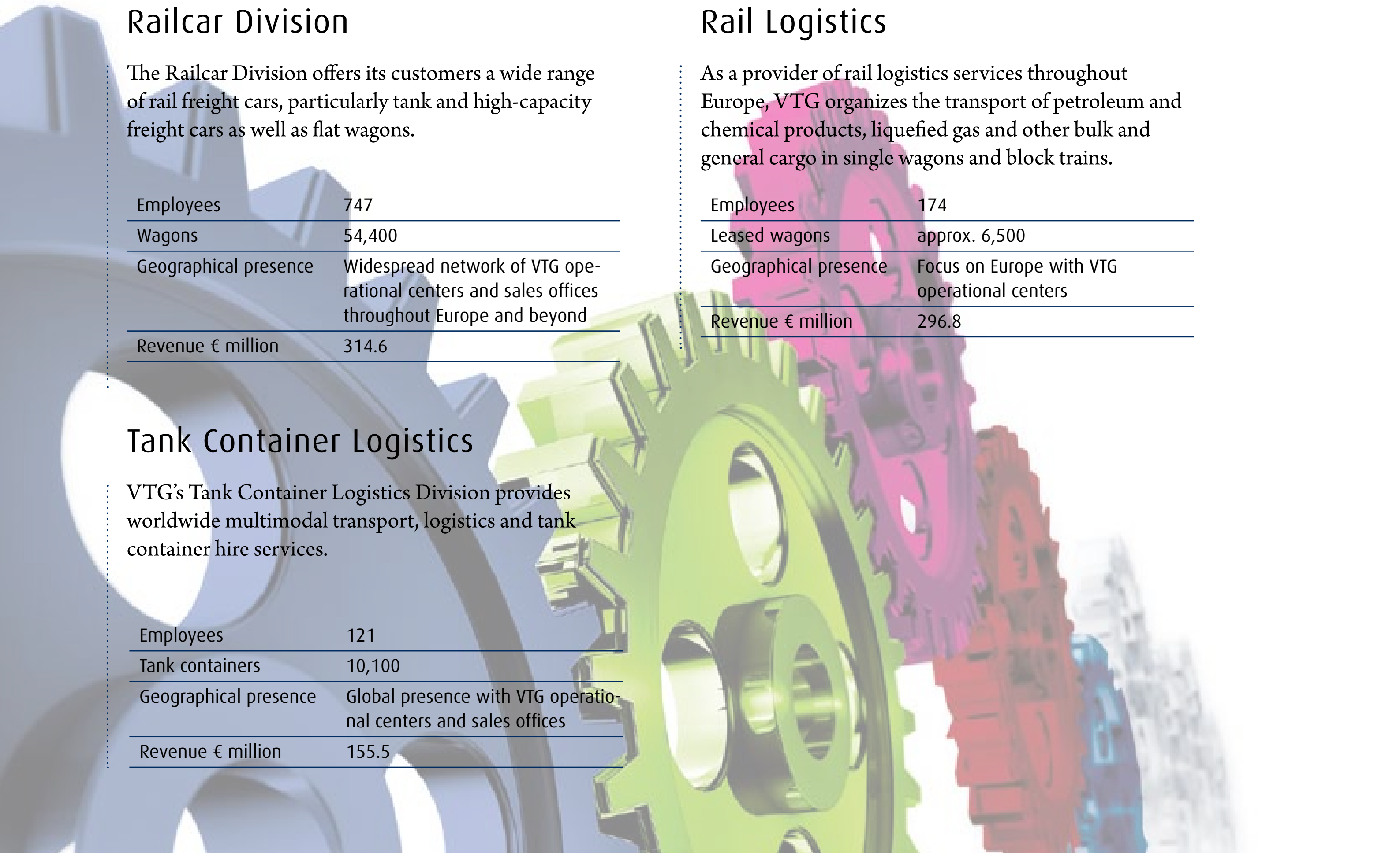
VTG's system of maintenance management meets the requirements under European law and the company is awarded European certification as an Entity in Charge of Maintenance – ECM. The certificate is awarded unreservedly, with no additional conditions.

VTG Group at a Glance

in € m	1.1. – 31.12.2011	**1.1. – 31.12.2012**	Change in %
Revenue	750.0	767.0	2.3
EBITDA	168.7	173.8	3.0
EBIT	72.3	68.8	– 4.8
EBT*	28.4	16.5	– 42.1
Group profit*	17.9	10.3	– 42.2
Depreciation	96.4	105.0	8.8
Total Investments	182.8	220.5	20.7
Operating cash flow	125.6	136.0	8.3
Earnings per share in €*	0.75	0.41	– 45.3

in € m	31.12.2011	**31.12.2012**	Change in %
Balance sheet total	1,461.9	1,527.9	4.5
Non-current assets	1,225.3	1,309.4	6.9
Current assets	236.6	218.5	– 7.7
Shareholder's equity	317.5	311.7	– 1.8
Liabilities	1,144.4	1,216.2	6.3
Equity ratio in %	21.7	20.4	
Number of Employees	1,170	1,188	1.5
in Germany	778	838	7.7
in other countries	392	350	– 10.7

* These items are adjusted with regard to the one-time extraordinary expenses from the refinancing of the Group in 2011.



Railcar Division

The Railcar Division offers its customers a wide range of rail freight cars, particularly tank and high-capacity freight cars as well as flat wagons.

Employees	747
Wagons	54,400
Geographical presence	Widespread network of VTG operational centers and sales offices throughout Europe and beyond
Revenue € million	314.6

Rail Logistics

As a provider of rail logistics services throughout Europe, VTG organizes the transport of petroleum and chemical products, liquefied gas and other bulk and general cargo in single wagons and block trains.

Employees	174
Leased wagons	approx. 6,500
Geographical presence	Focus on Europe with VTG operational centers
Revenue € million	296.8

Tank Container Logistics

VTG's Tank Container Logistics Division provides worldwide multimodal transport, logistics and tank container hire services.

Employees	121
Tank containers	10,100
Geographical presence	Global presence with VTG operational centers and sales offices
Revenue € million	155.5

Trusted By Industry

VTG Aktiengesellschaft is a leading international wagon hire and rail logistics company. The Group owns the largest private wagon fleet in Europe and has a global fleet comprising some 54,400 rail freight wagons. In addition to the hire of rail freight wagons, the Group offers a comprehensive range of multimodal logistics services.

Our clientele comprises a large number of well-known companies from almost every branch of industry. These companies hire our wagons and make use of our logistics expertise, either individually or in combination. With our three interlinked operational divisions of Railcar, Rail Logistics and Tank Container Logistics, we provide our customers with the secure underpinning they require for their production flows. Whether for standard transport operations, for a large number of transports or for specialized, complex operations, industry places its trust in us and our wagons.

01 Management

Foreword by the Executive Board

Dear Shareholders,
Business Partners
and Employees,

While the financial year 2011 mostly involved acquisitions, in the financial year 2012, VTG concentrated mainly on integrating and consolidating what had already been achieved. Consequently, the focus was on organic growth. With some structural changes and new services, we once again held our own in a difficult market environment. Contrary to original expectations, there was an increasing downturn in the economy over the year. Nevertheless, the second half of the year in particular went better for us than we had anticipated when issuing our more detailed forecast in August 2012. With revenue up by a good 2 percent and an increase in EBITDA of 3 percent, reaching almost € 174 million, we are generally satisfied in light of the weak economic environment.

We in fact chalked up a whole string of successes in 2012, which was devoted first and foremost to expanding our fleet. Having begun the year with orders for the construction of 2,500 new wagons, by the end of the year we had successfully completed 1,700 of these, hiring them out directly to customers. Since these wagons left the construction plants at different times during the year, the full extent of revenue and income generated by these completed orders is of course not reflected in the accounts for the financial year 2012. Additionally, the level of capacity utilization improved towards the end of the year. After seeing slight drops in the first three quarters, it went on to rise in the fourth quarter, reaching 90.4 percent. Due to our broad and diverse customer base and our established network of partners in Europe, we were able to hire out returned wagons again promptly. Moreover, our growing operations in North America and Russia proved increasingly fruitful. We were able not only to successfully integrate new acquisitions into the Group but also to gain new business and further hone our strategic approaches. Revenue for the Wagon Hire division was up 3.5 percent on the previous year, amounting to € 314.6 million. Meanwhile, EBITDA increased by 7.0 percent, reaching € 167.4 million.

The picture was, however, somewhat different in the Rail Logistics division. Despite some good beginnings, the division did not perform as well as expected in all regions and product markets. Changes in market conditions had a marked impact on business. However, we did have success in the industrial goods segment of the market – a still new area for us – and were able to secure contracts for transports running over the longer term. In the petrochemicals segment, however, in which we generally enjoy a similar level of success, the insolvency of a

Femke Scholten,
Chief Officer Logistics and Safety,
with the company since January 1, 2012

Dr. Heiko Fischer, CEO since 2004,
with the company since 1995

Dr. Kai Kleeberg, CFO since 2004,
with the company since 1995

01 Management

Foreword by the Executive Board

customer had a negative impact on business. Moreover, in the agricultural sector, transport volumes decreased and we could also only reduce some of the fixed operating costs during the period. Additionally, the pre-operating costs for the strategic repositioning of the Rail Logistics division impacted profit. With these new growth initiatives, we are aiming to access new customer groups and regions and also further expand and strengthen our network of branches and offices. Due to the factors listed above, we were unable in 2012 to achieve our planned increase in revenue. At € 296.8 million, revenue was only slightly higher than in 2011. EBITDA shrank by 36.2 percent to € 7.7 million. However, direct year-on-year comparison of the figures would distort the picture significantly, as nearly half of the drop in 2012 is the result of the elimination of one-time items that applied in 2011. Nevertheless, even after taking account of this, the adjusted drop in EBITDA remains considerable, at 20.8 percent. However, we have initiatives under way to effect recovery in the agricultural segment and have also successfully re-allocated wagons in the petrochemicals segment after the insolvency of a refinery. Moreover, we are working intensively on accessing new customer groups. All of these factors make us hopeful and show that we are essentially on the right path.

In view of the situation in the chemical industry globally, we are satisfied with developments in the Tank Container Logistics division. Compared with the previous year, Tank Container Logistics pushed up its revenue by 2.5 percent to € 155.5 million. EBITDA, however, shrank by 8.7 percent to € 11.9 million. In a highly competitive market, higher costs of transport and unforeseeable changes to traffic flows affected the achievable margins. To reduce the negative impact of these factors on the margins, in 2012 we continued to concentrate our efforts on growth in terms of specific groups of customers and very specialized, complex operations. We have the edge in the market as experts in executing such operations. These complex operations also provide us with greater opportunity to demonstrate our strengths of flexibility and reliability. Tank Container Logistics also used the past year to expand its range of services. Examples of this are the fact that, in 2012, we performed our first transports of products for the food industry such as palm oil and glycerin and also offered new transport routes.

Despite all difficulties, VTG successfully continued on its overall path of growth in the financial year 2012, although at a somewhat slower pace. Industry knows that we are a partner it can trust and therefore makes use of our wagons and services to support its production flows. Due to the stable foundation this provides for our business, we believe we will remain in a good position in 2013. We will continue to develop our fleet both quantitatively and qualitatively. Indeed, a further 1,200 newly constructed wagons are to be completed and delivered to customers in the course of the financial year 2013. In Rail Logistics, we will both further expand our customer base and add new transport regions. We will also push ahead with expanding and strengthening our new market segment of industrial goods. In the Tank Container Logistics division, our primary concern will be the reduction of costs by optimizing flows of transport. We also see our future in niche markets relating to sustainable production and are investing regularly in tank containers that meet the specific demands of this. Due to increasing safety and environmental requirements, we anticipate good opportunities for our business.

As is customary, we wish at this point to issue a preliminary forecast for the current financial year. For the Group, we expect the trend in business to be upward. The Executive Board anticipates that revenue for the Group in 2013 will reach a level of between € 780 and 830 million and EBITDA a level of between € 180 and 190 million.

It is our intention to propose to the Annual General Meeting the payment of a dividend of € 0.37 for the financial year 2012. This represents an increase of almost 6 percent. With this proposal, VTG Aktiengesellschaft is increasing its dividend for the third consecutive year and thereby also continuing with its policy of reliably issuing payments.

When expressed in the matter-of-fact guise of numbers, years of consolidation and integration often come across as drab and undynamic. Yet, from the point of view of those actually involved, the picture can often be quite different. It can mean bucking economic trends, restructuring while also generating new business and responding to the continual flood of regulation without going over budget. All of this requires great effort and complete commitment. Indeed, this is exactly the effort and commitment that VTG once again saw from its members of staff, at all levels, in 2012. We wish to thank our members of staff for their exemplary efforts and daily commitment to VTG's continued success. On behalf of the Supervisory Board, we also wish to thank our customers, business partners and shareholders for their trust and commitment to working in solid partnership with us. Together with you all, we are looking with confidence to the tasks before us in the financial year 2013.

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

01 Management

Report of the Supervisory Board 2012

In the financial year 2012, the Supervisory Board of VTG Aktiengesellschaft again fulfilled the responsibilities placed on it by the law, the Articles of Association and the Rules of Procedure. On the basis of detailed verbal and written reports provided to us promptly by the Executive Board, we regularly monitored its work and provided continuous support. Additionally, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Executive Board. Through this contact, the Chairman of the Supervisory Board was kept continuously informed about the situation of the company and the Group.

Regular subjects of reporting were the current situation of the Group, the development of the business in the individual segments, corporate planning and strategy, the profitability of the company, the risk situation, risk management and compliance management. The Executive Board informed us about and discussed with us important business transactions in the company's divisions. Deviations in the course of business from the agreed plans and targets were explained to us in detail.

The Supervisory Board was also included in all decisions of importance for the company. The Executive Board consulted with and gained our agreement on the strategic orientation of the company. Before passing resolutions, we discussed in-depth all measures requiring the approval of the Supervisory Board under the Rules of Procedure for the Executive Board decided by the Supervisory Board.

Ongoing consultation with and supervision of the Executive Board

In the year under review, there were five ordinary meetings of the Supervisory Board. No member of the Supervisory Board attended less than half of the meetings. The issues addressed in all meetings included corporate strategy and the performance of the divisions.

In the meeting of February 18, 2012, the Executive Board informed us about the status of the preparation of the annual financial statements for the year 2011 and provided additional explanations regarding the budget for 2012. The meeting also considered the report of the Executive Board on the activities of the internal auditing department in the financial year 2012, a report about the risk management of the VTG Group and the joint declaration of the Executive Board and Supervisory Board on compliance with the recommendations of the German Corporate Governance Code.

At the accounts review meeting of March 20, 2012, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2011 in the company, the VTG Group and the joint ventures. Subsequently, after detailed discussion with the Executive Board and the auditor, we approved the annual and consolidated financial statements and management reports for 2011. The meeting also included the examination and approval of the 2011 Dependent Company Report, discussion and approval of the 2011 Corporate Governance Report and approval of the agenda and proposed resolutions for the 2012 Annual General Meeting.

Dr. Wilhelm Scheider, Chairman of the Supervisory Board

At the meeting of the Supervisory Board on June 8, 2012, directly prior to the Annual General Meeting, the Executive Board informed us about the course of business in the first months of the year under review.

Like in previous years, a closed-door session was held prior to the next meeting of September 9, 2012, during which the Executive Board explained to us the medium- and long-term strategic orientation of the company and the measures required to implement this strategy. These measures were discussed and agreed upon with us in detail and at length. At the meeting itself, the Executive Board presented and discussed with us its forecast for the development of the business and financial situation over the remainder of the financial year, based on the results and trends of the first six months.

At the meeting of November 22, 2012, the Executive Board explained to the Supervisory Board the annual budget including the financial and investment plans for the financial year 2012. We approved these after detailed discussion. Another subject of the meeting was the annual report of the Executive Board on compliance activities in the VTG Group.

The Executive Committee held a total of four meetings in the year under review. The subjects covered included matters relating to the Executive Board, the remuneration system for the Executive Board and the long-term planning for the Executive Board successors and executive management staff. Additionally, approval was given for the taking up of positions requiring the consent of the Supervisory Board in accordance with § 88 of the German Stock Corporation Act. The Executive Committee did not have to address any conflicts of interest of members of the Executive Board or the Supervisory Board in the year under review. A member of the Supervisory Board and the Executive Committee is managing shareholder of a bank which advised the company in an individual matter. The Supervisory Board approved the mandating of the bank.

Audit of annual financial statements and dependent company report

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, (PwC) was appointed by the Annual General Meeting as auditor for the year 2012. PwC examined and gave an unqualified opinion on the annual financial statements of VTG Aktiengesellschaft drawn up in accordance with the principles of the German Commercial Code and on the consolidated financial statements for the financial year 2012 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the risk management system set up by the Executive Board complies with the legal requirements. The auditor has assured the Supervisory Board that no business, financial, personal or other relationships exist between, on the one hand, the auditor and its executive bodies and head auditors, and, on the other hand, the company and the members of its executive bodies that could call its independence into question. The Supervisory Board has agreed with the auditor that the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or conflicts of interest arising during the audit, unless such grounds are eliminated immediately.

The Supervisory Board itself also checked the annual financial statements of the company and the Group, the management report and Group management report. The audit reports were submitted in good time to all members of the Supervisory Board and were discussed in-depth at today's meeting with the Executive Board and the auditors, who were also present. The Supervisory Board endorsed the findings of the audit by PwC of the annual financial statements, the consolidated financial statements and the management reports. The annual financial statements and consolidated financial statements for the financial year 2012 were approved at today's meeting after in-depth discussion with the Executive Board and the auditor's representatives. After completing its investigations of the annual financial statements, the consolidated financial statements and management reports, the Supervisory Board has no objections. We endorse the proposal by the Executive Board for the appropriation of net profit with payment of a dividend of € 0.37 per share and the remainder to be carried forward.

The auditor also examined the report drawn up by the Executive Board in accordance with § 312 of the German Stock Corporation Act on relations with affiliated companies (Dependent Company Report) and issued the following opinion:

"On completion of our examination and evaluation in accordance with our professional standards, we confirm that:

1. The factual information given in the report is correct,
2. Payments made by the company for the legal transactions stated in the report were not unreasonably high."

The Supervisory Board examined the Dependent Company Report for completeness and correctness. The findings of the Supervisory Board have led to its conclusion that the Executive Board exercised due care in identifying the affiliated companies. It has taken the necessary precautions in recording legal transactions and other measures the company undertook or refrained from undertaking in the last financial year with the majority shareholder or with its affiliated companies. According to the findings of the audit, there are no indications that legal transactions or measures have not been recorded completely. The Supervisory Board therefore concurs with the auditor's findings. There are no objections to the declaration of the Executive Board at the end of the report.

Code recommendations largely met

On February 11, 2013, the Executive Board and Supervisory Board issued a Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act and published it on the company's website. VTG Aktiengesellschaft complies to a great extent with the recommendations of the Commission of the German Corporate Governance Code as amended on May 15, 2012, and has largely complied with these in the past financial year.

Composition of Supervisory Board and Executive Board

At the close of the Annual General Meeting of June 8, 2012, the term of the members of the Supervisory Board ended. All members of the former Supervisory Board were re-elected by the Annual General Meeting for the new Supervisory Board. In the constituent meeting of the new Supervisory Board on June 8, 2012, I was confirmed as Chairman and Dr. Klaus-Jürgen Juhnke was confirmed as Deputy Chairman of the Supervisory Board. Furthermore the members of the Executive Committee were re-elected. The committee consists of me as Chairman of the Executive Board and Dr. Klaus-Jürgen Juhnke and Dr. Christian Olearius as further members.

Mrs. Femke Scholten by decision of the Supervisory Board of October 19, 2012, was appointed member of the Executive Board for a term of 3 years commencing January 1, 2012, and took office as of this date.

We wish to thank the Executive Board and all employees of the Group for their commitment and the success achieved through their efforts in the financial year 2012.

Hamburg, March 19, 2013

The Supervisory Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

Members of the supervisory and the executive board

Members of the Supervisory Board

Dr. rer. pol. Wilhelm Scheider, Basel
Consultant
Chairman

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former Managing Director of
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg
Deputy Chairman

Dr. jur. Bernd Malmström, Berlin
Solicitor

Dr. sc. pol. Jost A. Massenberg, Duisburg
Former member of Executive Board of ThyssenKrupp Steel Europe AG

Dr. jur. Christian Olearius, Hamburg
Banker
M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg

Gunnar Uldall, Hamburg
Management consultant, Senator (retired)

Members of the Executive Board

Dr. rer. pol. Heiko Fischer, Hamburg
MBA
Chairman

Dr. rer. pol. Kai Kleeberg, Hamburg
Dipl.-Kaufmann (Degree in Business Administration)
Chief Financial Officer

Femke Scholten, Hamburg
MSc Chemistry, MSc Chem. Eng.
Chief Officer Logistics and Safety

Corporate Governance Report

Corporate governance at VTG AG

The actions of VTG are oriented toward long-term success. Accordingly, VTG places great value on responsible and transparent management of the company. Corporate governance is the very foundation on which shareholders, employees and business partners can work together in complete trust. VTG largely complies with the recommendations of the German Corporate Governance Code.

Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG)

The current and all previous declarations of conformity with the German Corporate Governance Code are permanently accessible on its website www.vtg.de (These announcements can be found under Company – Investor Relations – Corporate Governance – Declaration of Conformity).

Wording of the current Declaration of Conformity

In accordance with § 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of VTG AG state:

Declaration of Conformity 2013

On February 11, 2013, the Executive and Supervisory Boards of VTG AG issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act. VTG AG complies to a large extent with the recommendations of the Commission of the German Corporate Governance Code as amended on May 15, 2012, and has largely complied with these since the issue of the last declaration of conformity on February 16, 2012. The following recommendations have not been or are not being implemented:

1. Section 3.8 paragraph 3 of the Code

The directors' and officers' liability insurance taken out by the company for the members of the Supervisory Board does not provide for any deductible for the members of the Supervisory Board since such deductible in the view of the company is not necessary to increase the feeling of responsibility and motivation of the members of the Supervisory Board in the performance of their duties.

2. Section 4.2.3 paragraph 4 of the Code

The existing executive board contracts do not include a "severance payment cap". In future too, the Supervisory Board cannot rule out concluding executive board contracts with provisions that in this respect do not accord with the code. The Supervisory Board is of the opinion that, in the interest of finding the optimal candidates for membership of the Executive Board, the existing freedom in the formulation of such contracts should not be restricted in advance in terms of individual elements thereof.

3. Section 4.2.4 of the Code

As a result of a resolution to this effect of the Annual General Meeting of June 18, 2010, the company has not published individual reports on the remuneration of the members of the Executive Board. In accordance with this decision the compensation of the Executive Board will not be individually disclosed also in the annual financial statements and in the consolidated financial statements of the company for the financial years through and including 2014.

4. Section 5.3.2 of the Code

The company has decided, instead of setting up an audit committee, to entrust the Supervisory Board with all monitoring activities, since this is a central task of the Supervisory Board. Moreover, the company is of the opinion that the setting up of an audit committee with at least three members would hardly relieve the existing Supervisory Board of any work, as it has only 6 members.

5. Section 5.3.3 of the Code
In view of the small size of the Supervisory Board, the company has refrained from setting up its own nomination committee. The tasks of the nomination committee as provided for in the Code have been assigned to the Executive Committee, which, as with the Supervisory Board, comprises only representatives of the shareholders.

6. Section 5.4.1 paragraph 2 of the Code
The objectives, which the Supervisory Board specified for its composition, do not provide for any age limit and do not contain concrete objectives regarding diversity. The Supervisory Board is of the opinion that age is not a suitable criterion for selecting qualified female or male candidates. Regarding its composition the Supervisory Board attaches importance to diversity and is open for the objectives insofar pursued by the Code, including the objective of an appropriate degree of female representation. In the opinion of the Supervisory Board concrete objectives in terms of quota systems are however problematic; a practicable and adequately flexible selection of its members will thus be complicated.

After the latest change of the Code in May 2012 the Supervisory Board initially had not defined concrete objectives regarding the number of independent Supervisory Board members. On February 11, 2013, the Supervisory Board amended its objectives by including the number of independent Supervisory Board members. This recommendation of the Code is therefore now complied with.

7. Section 7.1.2 sentence 2 of the Code
The company's Supervisory Board is of the opinion that, due to the continuous reporting received by the Supervisory Board on all important events and due to the constant development of the business, a discussion of the half-year and quarterly reports with the Supervisory Board prior to publication is not absolutely necessary in order to enable the Supervisory Board to properly exercise its function of monitoring and control.

8. Section 7.1.2 sentence 4 of the Code
The legal requirements are being observed. The company intends to come closer to meeting the deadlines set out in the Code in order to meet this recommendation as soon as possible.

Composition of the Supervisory Board

According to Section 5.4.1 of the German Corporate Governance Code, the Supervisory Board shall establish specific objectives for its composition, which considering the business situation, take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit for the members of the Supervisory Board and diversity.

Making reference to this provision of the Code, on February 10, 2011, the Supervisory Board adopted objectives for its future composition and amended this decision with regard to the revised version of Section 5.4.1 of the Code on February 11, 2013, by including a statement regarding the number of independent Supervisory Board members as defined in Section 5.4.2 of the Code:

01

Management

Corporate Governance Report

International character

VTG Aktiengesellschaft is one of Europe's leading wagon hire and rail logistics companies. In addition to leasing rail freight cars, the Group provides comprehensive international multimodal logistics services, specializing in rail transport and international tank container transports. VTG is represented in many European countries, in North America and in Asia by its subsidiaries and associated companies. The VTG Group's customers and employees are just as international as the business. The Supervisory Board considers for its composition these international activities.

Therefore, at least two of the Supervisory Board members must have several years of international experience.

Potential conflicts of interest

The Supervisory Board has adopted internal Rules of Procedure for itself which also contain a provision that includes the recommendations and suggestions stipulated in Section 5.5 of the German Corporate Governance Code, relating to conflicts of interest, with which every member of the Supervisory Board is obliged to comply for the duration of his/her term of office. Moreover, each year, before the annual Declaration of Conformity is issued, every Supervisory Board member must declare to the Supervisory Board Chairman that he has not been involved in any conflict of interest during the past year.

Number of independent Supervisory Board members

Furthermore, the Supervisory Board shall include at least three members who are independent as defined in Section 5.4.2 of the German Corporate Governance Code, in particular have no personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests.

Age limit

The Supervisory Board stands by its belief, as expressed in previous years in the Declaration of Conformity pursuant to Article 161 of the German Stock Corporation Act, that age is not a suitable criterion for selecting qualified female or male candidates.

Diversity

Regarding its composition, the Supervisory Board attaches importance to diversity and is open for the objectives insofar pursued by the Code, including the objective of an appropriate degree of female representation. In the opinion of the Supervisory Board, concrete objectives in terms of quota systems are, however, problematic; a practicable and adequately flexible selection of its members will thus be complicated.

Implementation status
The Supervisory Board includes more than two members with many years of international experience as well as more than three independent members as defined in Section 5.4.2 of the Code.

Remuneration of the Executive Board and Supervisory Board

Note: Further information on the remuneration of the Executive Board and Supervisory Board can be found in the relevant passage in the Management Report pages 61 to 62.

Share ownership of the Executive Board and Supervisory Board

In accordance with § 15a of the German Securities Trading Act, VTG AG is obliged to publish promptly all purchases and sales of shares by board members or by persons with whom they associate closely and to report this publication to the Federal Financial Supervisory Authority (BaFin). Accordingly, VTG publishes the announcements of these so-called directors' dealings on its website www.vtg.de (These announcements can be found under Company – Investor Relations – Corporate Governance – Directors' Dealings).

02
Trusted By Industry

… every day …

The system unflaggingly pumps the products from the tank wagons into the tank farm. Every day, 33,000 tonnes of mineral oil products are created in the refinery. These are then placed in interim storage in huge tank farms. Rented VTG wagons act as a "mobile pipeline", covering the long distances between the refinery and the tank farms.


sasol
VTG
sasol

02

Trusted By Industry

… again and again …

In the EU, some 17.5 million tonnes of wheat were exported in 2012. Grains are sensitive to weather conditions and the VTG wagons specially licensed for grain transport provide optimal protection in this respect. The grain therefore reaches its destination intact, even over long distances. Grains are used not only in the food and animal feed industries but also increasingly in the production of bioethanol.

02
Trusted By Industry

… for specific applications …


VTG

Today, it's time once again to deliver the propylene to the customer, where it will be processed further and shaped into interior fittings components used in vehicle construction.

In this instance, the Railcar and Rail Logistics divisions collaborate closely, with VTG not only supplying the wagons but also performing the entire logistics operation.

02

Trusted By Industry

… as a valuable partner …

A piece of continuously cast copper can weigh up to 30,000 kg – too heavy for road transport. For this reason, these pieces are transported by rail to the premises of the customer for further processing.

They are then processed to create products such as copper foil, sheet and pipes. The copper is ultimately used in such industries as mechanical engineering, power engineering, automotive engineering and aviation.

02
Trusted By Industry

… around the globe

It is used for packaging, labeling, printing, filtering and much more: paper. Indeed, the Germans alone consume some 20 million tonnes of it every year. Hydrogen peroxide is a colorless liquid used for bleaching paper, and, every year, more than 40,000 tonnes of this product will leave a single chemical company by tank container. The liquid compound of oxygen and hydrogen is transported safely by rail to its destination, where it is used for chlorine-free bleaching of paper.

03 The VTG share

VTG in the capital market: The share and investor relations

A changeable year on the stock exchange

Activity on the stock exchange in 2012 was overshadowed by the unsolved national debt crisis in Europe, increasing worries about the global economic trend and fears of increasing inflation. Due to the uncertain global economic situation, the picture on the financial markets was also volatile. Although the mood on the equity markets was still quite friendly at the start of the year, from April onward, the capital markets were increasingly affected by greater uncertainty about the public debt crisis.

From June, there was recovery on the stock exchanges again as a result of the positive trend in corporate earnings. In December, prices picked up once again, although prices fell towards the end of the year amid fears of a sharp slump in the Chinese economy. Overall, the trend in the German share indexes was very positive. While the leading German index, the DAX, ended the year of trading with an increase of around 29 %, the small-cap SDAX, in which VTG is listed, ended the year with an increase of around 19 % on the previous year.

Share data

WKN	VTG999
ISIN	DE000VTG9999
Stock exchange abbreviation	VT9
Index	SDAX, CDAX, HASPAX
Share type	No-par-value bearer share
No. of shares (31.12.)	21,388,889
Market capitalization (31.12.)	€ 259.2 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end-rate *	€ 12.12
Annual high *	€ 15.94
Annual low *	€ 11.15
Average daily turnover	18,547 shares

* All share price information are based on XETRA daily closing prices.

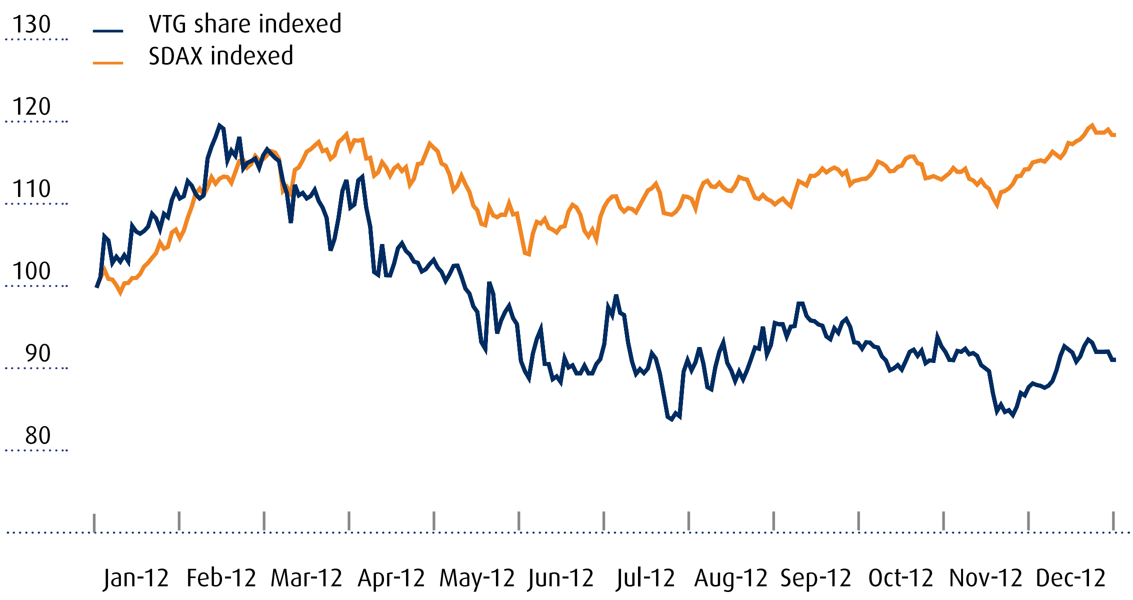
Unsatisfactory growth in VTG share price

Due to the uncertain economic environment, the VTG share was unable to live up to expectations. The share began its year of trading in an initially friendly environment, reaching € 15.94, its highest price for the year, on February 13. Subsequently, in line with the general trend in the equity markets, the share went on to lose ground, eventually reaching its lowest point of the year of € 11.15 on July 25. The share price then generally remained around this low level, with slight fluctuations. After recovering towards the end of the year, it finally closed at € 12.12. Compared with the closing price for 2011 of € 13.30, this amounts to a drop of 8.9 % in 2012. The share thus fell significantly below the average of the SDAX benchmark index. As of the end of the reporting period, VTG's market capitalization was € 259.2 million (end of 2011: € 284.5 million).

Drop in trading volume compared with 2011

The VTG share is predominantly traded on Xetra, the electronic trading system of Deutsche Börse AG. It is also traded on the trading floors in Frankfurt and on all other regional stock exchanges in Germany. In 2012, the average number of shares traded daily in 2012 was just 18,547, while, in 2011, 31,472 shares were traded daily. Thus, both in terms of the number of shares traded and expressed in euros, the average trading volume for the VTG share decreased in line with the trend in the capital markets.

Share price VTG share (1st January to 31st December 2012)



[1] All share price information and changes are based on XETRA daily closing prices.

03 The VTG share

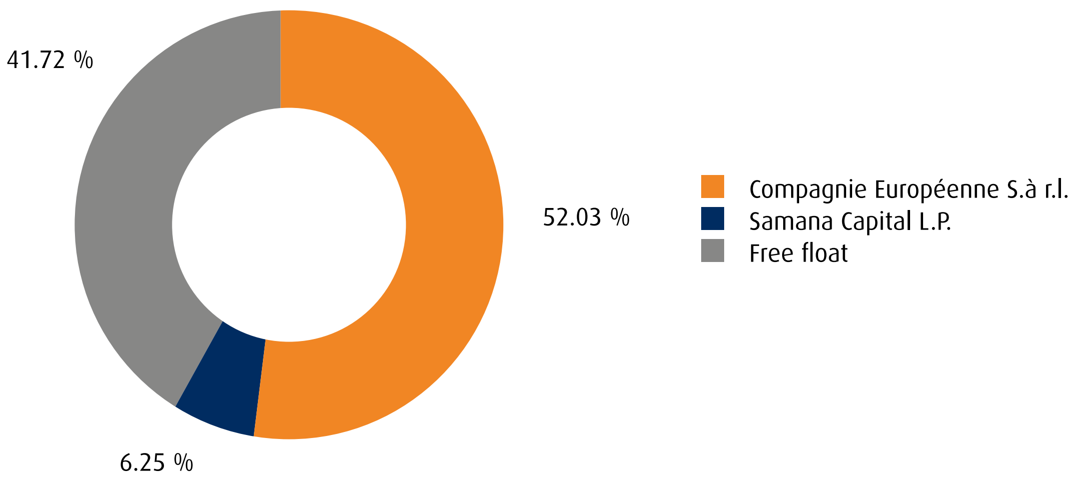
Slight change in shareholder structure

In the financial year ending December 31, 2012, there was a minor change to the shareholder structure. In accordance with its registration for the Annual General Meeting in June 2012, Compagnie Européene de Wagons S.à r.l., Luxembourg (CEW), is major shareholder, with 52.03 % of the share capital of VTG AG. The slight decrease in this shareholding from the 2011 level of 54.57 % is due to the implementation as planned of the management share ownership scheme, which was created as part of the sale of VTG to CEW in 2005 and thus before the IPO in 2007. Furthermore, based on the latest information on voting rights, Samana Capital L.P., Greenwich, Connecticut/USA holds 6.25 % of the share capital of VTG AG. This thus gives a free float of 41.72 %.

Planned increase in dividend, establishing VTG as reliable issuer

For the fourth consecutive year since its IPO in 2007, VTG is to issue a dividend to its shareholders. VTG does not make the issue of a dividend dependent on a specific level of profit and it is VTG's aim to establish itself as a reliable issuer of dividends. Thus VTG is committed to a policy of continued issue of dividends over the long term, each time at the same or a higher level. Consequently, the Executive Board and Supervisory Board of VTG AG intend to propose to the 2013 Annual General Meeting the issue of a dividend of € 0.37 per share for the financial year 2012. This would represent an increase of some 5.7 % on the previous year.

Shareholder structure



Investor relations team honored for continued hard work

In the financial year 2012, VTG continued with its intensive investor relations work. The quality of this work has once again been recognized by a large number of investors and analysts. This includes acknowledgement at the award of the 2012 German Investor Relations Prize, a prize awarded jointly by Thomson Reuters Extel Surveys, the business news magazine WirtschaftsWoche and the German Investor Relations Association (DIRK). After already achieving good rankings in previous years, the IR team this year gained first place among all the companies listed in the SDAX. Moreover, VTG's IR team also scored highly in the individual categories, with rankings of second and sixth. Additionally, VTG's 2011 annual report, under the heading "Keeping Industry Moving" also received no less than four international awards. At the 2011 Vision Awards of the LACP (League of American Communications Professionals), the VTG annual report won a Gold Award and a ranking among the "Top 50 German Annual Reports" of 2011. At the ARC International Award, VTG's 2011 annual report gained two further honors, securing bronze in the categories "Overall Annual Report" and "Printing & Production".

Solid research coverage

In 2012, the number of financial analysts following VTG and regularly publishing analyses and commentaries on the development of VTG's business remained at a level much higher than the SDAX average. VTG achieved this despite the keen competition between the banks' research departments and a significant trend of consolidation. At the end of 2012, 16 financial analysts were following VTG, all of whom recommended the purchase of VTG shares.

Reports of analysts on the VTG share as of December 31, 2012*

Institution	Analyst	Recommendation	Price target (€)
SRH Alsterresearch	Oliver Drebing	Buy	19.00
Viscardi	Robert Willis	Buy	14.00
Bankhaus Lampe	Sebastian Hein	Buy	16.00
Berenberg Bank	Felix Wienen	Buy	16.00
Baader Bank	Christian Weiz	Buy	16.20
Deutsche Bank	Felicitas von Bismarck	Buy	14.00
Hauck & Aufhäuser	Henning Breiter	Buy	17.00
Montega	H. Emrich. A. Drews	Buy	16.50
NORD/LB	Wolfgang Donie	Buy	17.30
Silvia Quandt	Dr. Stefan Kick	Buy	17.00
Warburg Research	Frank Laser	Buy	19.00
Commerzbank	Johannes Braun	Add	14.70
Goldman Sachs	Oliver Neal	Buy	14.00
HSBC	Jörg-André Finke	Overweight	18.00
Hamburger Sparkasse	Ingo Schmidt	Buy	18.00
UBS	Dominic Edridge	Buy	17.90

* To the best of our knowledge, this list contains the key sell-side analyses available to us on the VTG share. VTG accepts no liability for the completeness of this information. The opinions of the analysts, with their prognoses, estimates and predictions about the performance of the VTG share only reflect the views of these analysts and do not represent the views, prognoses, estimates or predictions of VTG or of the Executive Board of VTG. This list is for information purposes only and does not constitute an invitation or solicitation to buy, hold or sell securities.

Group Management Report

BUSINESS MODEL AND MANAGEMENT
Operations

VTG is an international provider of infrastructure and logistics services

VTG hires out wagons for rail freight transport and in addition provides rail logistics services and global transports using tank containers. VTG Aktiengesellschaft is one of Europe's leading wagon hire and rail logistics companies. The Group owns the largest private wagon fleet in Europe. Globally, the fleet numbers some 54,400 rail freight wagons, comprising mainly tank wagons and modern high-capacity and flat wagons. VTG hires out these wagons to almost every branch of industry. With its three interwoven divisions, Railcar, Rail Logistics and Tank Container Logistics, VTG provides its customers with a high-performance platform for transporting their goods internationally. VTG has its headquarters in Hamburg and is represented via subsidiaries and associated companies primarily in Europe, North America, Russia and Asia.

Business model: Three interlinked operational divisions combining long-life assets and services

Wagon hire operations represent the core business of VTG, with the Railcar division offering rail freight wagon hire through its own sales network and via pooling systems. VTG not only manages and maintains its own wagons but also third-party fleets. In recent years, VTG has steadily expanded its fleet. The fact that it offers around 1,000 different types of wagon means it is able to accommodate a diverse range of customer needs. Additionally, VTG has its own wagon construction plant and two repair workshops, enabling it to provide customized, exactly tailored solutions. At the construction plant and workshops, new wagons are built and existing ones are maintained or converted to meet special requirements. With these tailor-made wagons, customers are able to transport large volumes of goods over long distances. They can, for instance, transport their products from one production site to another and thereby integrate the wagons into their production flows as a "mobile pipeline". VTG wagons can also be used in a wide range of industries. These include the mineral oil, chemical, automotive and paper industries as well as agriculture. Because of their fundamental importance in production flows, customers tend to hire the wagons for periods extending over the medium to long term.

In addition to wagon hire services, VTG provides logistics expertise through its Rail Logistics and Tank Container Logistics divisions. The Rail Logistics division organizes rail freight transports across Europe as a forwarder. The company is experienced in both single-wagon and block train transports. To ensure the smooth flow of goods, VTG collaborates with an extensive network of national and international haulage partners. The Tank Container Logistics division organizes transports of goods worldwide using tank containers. Using these containers, goods can be forwarded multimodally by rail, road or sea, without the need to transfer the liquid goods themselves. It is the tank containers that are transferred from one carrier to another. This saves on both time and costs for transfer. Moreover, transport without having to transfer liquid goods is much safer.

Structure of the Group: Three operational divisions with 55 companies in 17 countries

VTG Aktiengesellschaft is a listed corporation with its headquarters in Hamburg. The company is divided into three operational divisions: Railcar, Rail Logistics and Tank Container Logistics. These divisions also form the operating segments for the purposes of segment reporting in accordance with the International Financial Reporting Standards (IFRS). The group has a holding structure comprising German, European and non-European subsidiaries and associated companies. With the inclusion of VTG AG, a total of 55 companies belong to the VTG Group. As of December 31, 2012, the Group had 41 fully consolidated companies in addition to VTG AG. Of these, 16 are in Germany and 25 in other countries. Additionally, two foreign companies were consolidated using the equity method.

Major shareholder with stable shareholding

Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the share capital of VTG Aktiengesellschaft. This major shareholder has the backing of a major US investor with a long-term investment strategy. The primary areas of focus of this major shareholder are responsible growth and strategic development. The stability of this shareholding through this major investor affords VTG the greatest possible room for maneuver as well as providing VTG with a secure foundation for planning ahead.

Management and control

Control parameters individually tailored to each division

In accordance with the business model, the VTG Group is managed via three operational divisions and in turn according to their specific characteristics. Thus the control parameters for the Railcar division focus in particular on the fact that this division is very capital-intensive and makes a large contribution to profit for the Group. Meanwhile, Rail Logistics and Tank Container Logistics are managed using other control parameters in accordance with the special requirements of their logistics operations.

EBITDA and cash flow as key controls

For the Group and all three divisions, EBITDA (earnings before interest, taxes, depreciation and amortization) is the key control parameter. With its capital-intensive business model, Railcar regularly invests large sums in maintaining, expanding and developing the fleet, thereby continually increasing its value. VTG finances these investments through cash flows from operating activities as well as various lines of credit. Due to the fact that its wagon hire contracts are generally long-term in nature, the Railcar division generates a stable cash flow. EBITDA is therefore a central control parameter as a value similar to cash flow.

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VTG Group Management Report for the period from January 1 to December 31, 2012

Gross profit and gross profit margin as additional control parameters

Sales in the Rail Logistics and Tank Container Logistics divisions include a high proportion of variable costs, particularly freight costs. Due to the transitory nature of these costs, they are excluded when determining the margin for the division. The resulting gross profit is placed in relation to EBITDA as a ratio, giving the gross profit margin, an important additional control parameter for the logistics divisions.

Ratio of net financial debt to EBITDA as a control parameter for the Group

VTG's business model, with its focus on integration into the industrial infrastructure, requires borrowing that is typical for the market in order to finance the wagon fleet. VTG endeavors to keep its borrowing at an appropriate and reasonable level for this business model. This level is measured using the ratio of net financial debt to EBITDA, which is thus an important control parameter for the Group. Net financial debt is calculated as financial liabilities plus pension provisions less cash and cash equivalents.

ROCE and WACC

Companies such as VTG have to generate at least the cost of the capital employed. This means that the ROCE (return on capital employed) must be higher than the WACC (weighted average cost of capital). In determining the return on investment, earnings before interest and taxes (EBIT) adjusted for special effects is placed in relation to the average capital employed. The cost of capital is calculated at VTG as the weighted average cost of equity capital and external capital. Thus, for VTG, the costs of equity capital result from risk-free interest and a market risk premium, while the costs of external capital are set at the average amount over the long term. A long-term analysis of the relationship between ROCE and WACC is required to provide a reliable indication of the profitability of the business. A short-term analysis based on a period of one year does not do justice to VTG's long-term business model, particularly during and after strong periods of growth.

Monthly reporting for management at Group level

The VTG Group is managed using a comprehensive system of monthly reporting from the Finance, Controlling, Quality Assurance, Sales, and Technology departments. With the aid of these reports, VTG ensures that differences between targets and performance are analyzed and their causes determined. Appropriate measures are then drawn up and implemented.

MARKETS AND STRATEGY

Volume of freight traffic continues to grow, railway set to gain market shares

The internationalization of flows of goods, the expansion of the European Union and progressive globalization are generally bringing strong growth in levels of freight traffic. The European Commission expects the volume of freight traffic to increase by some 30 % by 2030. Experts from the traffic and transport consultancy ProgTrans also expect growth. They anticipate that the division of labor will continue to increase, albeit less sharply than was the case five years ago. Based on the findings of a recent study, they expect the volume of freight traffic to increase by 40 % by 2025.

Rail freight traffic is also benefiting from this growth trend. Various studies predict continued opportunities for growth for the railway, particularly in cross-border traffic involving increasingly longer distances. For Germany, the German Pro-Rail Alliance considers a prediction of a market share for rail freight traffic of at least 25 % by 2020 to be realistic. Indeed, ProgTrans expects transports by rail to grow more strongly than road transports. To date, transports by road have shown the strongest growth. As the measures contained in the EU railway packages take greater effect, the railway ought to chalk up significant gains in the market, according to the experts from ProgTrans. This prediction is also supported by the increasing importance of long-distance and container transports and the fact that the railway is ideal for these.

The railway as a carrier offers clear environmental advantages

Rising energy costs and the German goods vehicle toll are factors that favor the use of the railway. Additionally, the environmental advantages of the railway are increasingly influencing the logistics decisions being made by companies. According to the most recent figures of the German Federal Environment Agency, the railway's environmental advantages are increasing compared with other carriers. An increase is also required to meet the German government's energy and climate targets. And the EU Commission has also placed the general principle of sustainable mobility at the center of common traffic policy. Its aim is to reduce CO_2 emissions in the transport sector by 20 % by 2030 and indeed by 60 % by 2050 (each starting from 1990 levels). Rail freight traffic makes an important contribution to a system of freight mobility that meets economic, ecological and social requirements. In the EU, the transport sector currently generates around 20 % of all CO_2 emissions. A third of these are generated by road traffic alone. Furthermore, more than 70 % of all traffic is reliant on the availability of mineral oil products. However, for rail freight traffic, the use of traction current on electrified sections of track from renewable sources of energy has already begun. Thus greater use of the railway as a carrier is needed to achieve the ambitious environmental and climate protection targets set out in national and European policy.

Combined transport for long distances becoming more important

In a globally networked market, goods often have to be transported over long distances. This is leading to greater importance being placed on combined transport using containers. These containers can be transferred quickly and cheaply from one carrier to another. This type of transport combines the strengths of the different carriers, with long distances being covered by ship or train, while trucks are used for fine distribution of the goods over shorter distances. With the global expansion of flows of goods, the experts from ProgTrans expect increased future demand for container transports. Additionally, environmental experts see the combination of various carriers as providing the solution for creating a system of freight transport.

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VTG Group Management Report for the period from January 1 to December 31, 2012

Objectives and strategy

Four-pronged strategy focusing on sustainable, profitable growth

The VTG Group, with its three operational divisions, is on a successful path of growth. This is the result of many closely interwoven elements anchored in VTG's strategic objectives, measures and corporate principles. The company's strategic approach is based on long-term, forward-looking investment and finance policies in line with its business model. The foundation for further growth was laid in May 2011, with a solid combination of long-term core finance and medium-term growth finance. Whereas, in the years previously, VTG had focused on growth, the main focus in 2012 was on integrating and consolidating the businesses acquired in the previous years along with further completion of orders for the construction of new wagons. To ensure long-term success in all three operational divisions, VTG is pursuing a strategy based on four key elements, involving close collaboration between the Executive Board and Supervisory Board. The focus of this strategy is sustainable, profitable growth.

Growth of Railcar operations in existing markets

It is VTG's aim to consolidate its leading position in its core market of Europe in the transport of liquid and sensitive goods by rail. Moreover, it intends to continue to make judicious use of the financial resources available to maintain and strengthen its market lead in Europe and to keep diversifying into new segments. This involves both the acquisition of used fleets and the strengthening and expansion of the European fleet through the construction of new wagons. At the end of 2011, VTG had ordered the construction of some 2,500 new wagons, a large proportion of which were completed and delivered directly to customers in 2012. Along with expanding and diversifying the wagon fleet, another focus is the expansion of the portfolio of services. VTG's repair workshops and its own platform for innovation, the Graaff wagon construction plant, provide support in achieving this strategic aim. One example of this is the design and production of fittings at the Graaff plant not only for VTG's own use but also for external customers.

Growth of Railcar operations in new regions

Beyond its core business in Europe, VTG is concentrating mainly on two other attractive rail freight traffic markets. Here, the long-term focus is on continual expansion of activities in the markets of North America and the Russian Federation and its neighbors. North America in particular, as the world's largest rail freight market, offers VTG attractive opportunities for growth. In this respect, the year 2012 was particularly important for VTG. During the year, the focus was on integrating the business operations of SC Rail Leasing America – acquired at the end of 2011 – into the existing structures of the VTG Group. VTG will also be watching the North American market carefully and seizing opportunities to push its US fleet into five figures from the current level of more than 4,200 wagons. In addition, the broad-gauge rail network of Russia and its neighbors also offers good prospects for growth. The long distances and the richness of the region in raw materials also favor the railway, and indeed it is the world's second-largest rail freight market. In 2012, VTG continued to integrate the Railcraft group of companies, which it had acquired the year previously, into the Group. It also planned and made its first investments aimed at expansion. Moreover, VTG is carefully scrutinizing new regions in which it is not yet operational and which offer promising opportunities for growth.

Strengthening the logistics divisions

In addition to expanding the operations of the Railcar division, VTG also aims to further strengthen its two logistics divisions. In 2012, the Rail Logistics division continued to expand and strengthen up its Europe-wide network. The aim is to be able, in future, to fully exploit the potential of cross-border rail freight traffic, which is growing as a result of a regulatory framework promoting structural integration. In this area, Rail Logistics provides transport solutions for the product segments liquids, mineral oil and chemical products as well as agricultural products. Since 2012, it has also increasingly being offering solutions for industrial goods such as metal products. To re-orient the business towards these new market segments and successfully meet the future challenges this presents, VTG has made organizational changes. The Tank Container Logistics division is pushing ahead on its path of growth by strengthening relationships with a target group of customers and focusing on particular, specialized areas of business. Furthermore, in 2012, Tank Container Logistics revised its strategy for Asia in order to open up this market much more. Due to the expected rise in transport volumes not only within Asia itself but also between the region and Europe and North America, the indications are of good long-term prospects of growth. Additionally, the division has now aligned its strategy more strongly with the requirements of changing markets, taking into account the challenges posed by volatile flows of traffic and the ever more complex, more globalized market structures. Thus, for example, European and international transports are now being coordinated from one central point in Hamburg. Furthermore, Tank Container Logistics has increased its flexibility by adding a strategic fleet planning unit to its fleet management system.

Optimized organizational structure and processes

The fourth element of VTG's strategy is that of continual organizational development and optimization of processes. With the business acquisitions made in recent years, VTG has pushed on successfully with internationalization. However, requirements also increased regarding quality and the efficiency of processes. Thus the strategic aim of process optimization was particularly important to VTG in 2012. In addition to integration of the new operations in Russia and the US, Release 2 of the Wamos! IT landscape was launched. This operating software was developed in-house and is being rolled out gradually in the Railcar division in Europe and is to ultimately replace its predecessor. Beyond this, the division continued to work on the performance and profitability of its production and maintenance network in Europe.

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VTG Group Management Report for the period from January 1 to December 31, 2012

MARKET TRENDS
Economic conditions

Weak economic phase, with growth at VTG somewhat subdued

After a brief upturn in global economic activity at the start of 2012, the global economy slowed down and continued to lose momentum over the course of the year. As a result, the advanced economies showed only a very minor increase in GDP, while the eurozone in fact slid into recession. The main reasons for this were the debt situation in some countries and uncertainty among consumers and investors. This suppressed demand and, in turn, economic growth. In the developing and emerging economies, there was also a noticeable slowdown of activity. This was due not only to the economic weakness in the developed economies but also to internal problems. VTG tends to feel the effect of economic trends only after a period of delay and with less pronounced fluctuation. This was once again the case, with the impact of the weak economic phase on VTG's business felt in softened form. Demand for wagons and services from VTG customers in 2012 was more subdued than in the previous year. This was primarily due to the weak, uncertain economic environment.

Economic trends in the eurozone and Germany

In 2012, the national debt crisis in Europe affected the economy in the eurozone, which slid into recession. One factor affecting economic growth was declining domestic demand and lower levels of investment. The economic picture varied greatly within the eurozone itself. While production fell in the countries in crisis, total production continued to increase in most of the other countries in the eurozone. Germany, for example, did see a slight upturn in the economy despite being in a basically weak phase, mainly as a result of the European national debt crisis. The weak situation elsewhere also suppressed economic growth. For 2012, the Kiel Institute for the World Economy expects GDP to fall by 0.9 % in the eurozone (excluding Germany). For Germany, it expects to see a slight rise in GDP of 0.7 % compared with 2011.

Economic trends outside Europe

The economic trend in the US in 2012 was upward but generally restrained. The Kiel Institute for the World Economy views this as typical for recovery after financial and property crises and expects an increase for 2012 of 2.2 % on the previous year. In the newly industrialized countries, there was a noticeable economic cooling as 2012 progressed, with one factor for this being the weak economic situation in the advanced economies. In China, the economy as a whole expanded over the year, although at a slower rate than in 2011, as the government was anxious to avoiding huge overcapacities. Thus, for 2012, experts expect China's GDP to have risen by 7.8 %. In Russia, the rate of expansion slowed down noticeably over 2012 as a result of weakening fiscal impetus. The Kiel Institute thus expects a rise in GDP for 2012 of 3.5 % on the previous year.

Market and industry trends

The economic weakness that affected Europe in 2012 had a dampening effect on the freight industry in general, also impacting the rail sector. While transport volumes decreased slightly in Germany at the beginning of the year, this trend distinctly increased in the course of the year. Accordingly, 2012 recorded a decline in the volume of goods shipped by rail that is expected to be of 2.7 % by comparison to the previous year. The same economic weakness also affected business trends for the industry sectors of importance to VTG in 2012. While German chemical companies still benefited from relatively solid economic trends, those in the Eurozone had to manage harsher conditions. A similar picture applies to the automobile industry, in which German automobile manufacturers recorded a more robust performance than their competitors in Western Europe.

Overall, the increases in worldwide transport volumes to be expected over the medium and long term nonetheless bode well for rail as a carrier, even if rail freight recorded a decline in 2012 as a result of the world economic situation. The ongoing improvement of quality and efficiency in rail freight traffic has consistently increased the attractiveness of rail as a carrier in the last few years. Moreover, as an environmentally friendly and reliable carrier, rail has gained favor, so that its future long-term prospects can be evaluated as being positive.

BUSINESS TRENDS
Revenue and EBITDA development

Increase in Group income in all three divisions

The VTG Group looks back on a satisfactory financial year 2012. After a subdued first six months, in the second half of the year VTG caught up and recorded improved business trends even though the economic situation continued to deteriorate. However, a number of individual factors somewhat slowed down VTG's further growth.

Overall, business could be expanded in all three Divisions, so that at Group level, sales increased by 2.3 %, to € 767.0 million (previous year: € 750.0 million).

The Railcar Division raised sales by 3.5 % to € 314.6 million in the year under review (previous year: € 303.9 million). The subdued economic trends in Europe also impacted capacity, which at first declined but then recovered in the fourth quarter to reach 90.4 % by the end of the year. Business trends were also affected by a customer's insolvency in the first half of 2012. The wagons laid idle by these events could be re-leased over the course of the year.

04 Financial Information

VTG Group Management Report for the period from January 1 to December 31, 2012

Sales in the Rail Logistics Division amounted to € 296.8 million and were thus slightly above the level of the previous year (€ 294.3 million). On the one hand we succeeded in generating new traffic and, for the first time, to act as a haulage company. On the other hand, in this case, too, our customer's insolvency and in particular the low freight volumes in the agricultural business affected our business trends in the past financial year.

In 2012, Tank Container Logistics saw revenue rise by 2.5 % to reach € 155.5 million (previous year: € 151.8 million). In addition, Tank Container Logistics succeeded in transporting some new products, although the competitive environment remained intense. Overall, the business developed in a satisfactory manner.

Sales to customers based in Germany amounted to € 336.8 million (previous year: € 340.0 million). This represents a share of 43.9 % (previous year: 45.3 %) of total sales. Business from customers abroad generated revenue of € 430.2 million (previous year: € 410.0 million), representing a share of 56.1 % (previous year: 54.7 %).

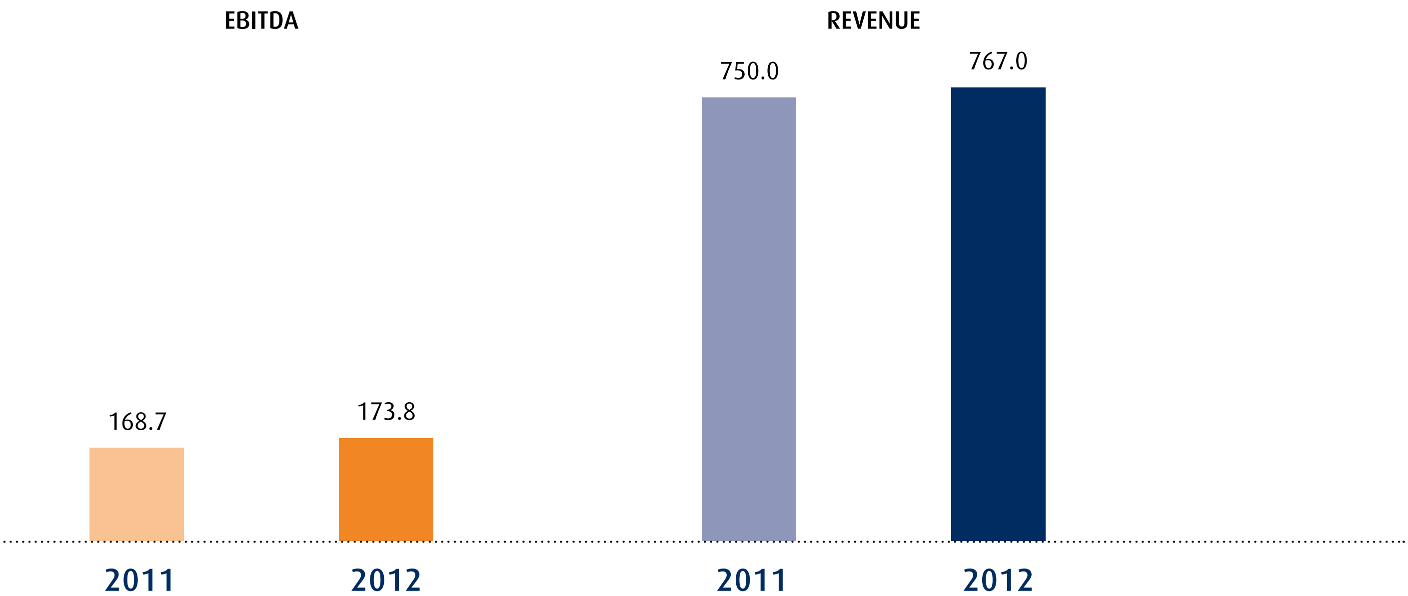
EBITDA increases by 3.0 % to reach € 173.8 million, confirming forecast

In 2012, EBITDA (earnings before interest, taxes, depreciation, and amortization) increased by 3.0 % to € 173.8 million, exceeding the previous year performance (€ 168.7 million). This result affirms the forecast both as made initially in February, 2012 and as restated in August.

Earnings before interest and taxes (EBIT) amounted to € 68.8 million and thus fell 4.8 % short of the previous year's figure of € 72.3 million. This was largely due to the impact of higher levels of depreciation of the fleet acquired in previous years. However, the overall increase in the wagon fleet also contributed to this

Revenue and EBITDA development

in € m



result. In 2012 alone, some 1,700 newly built wagons were delivered to customers, so that the wagon fleet less planned scrapping increased to some 54,400 wagons by year end 2012 (year end 2011: 53,800 wagons).

Expansion of VTG's financing latitude reflected in EBT

In the year under review, earnings before taxes (EBT) amounted to € 16.5 million, thus exceeding the previous year's figure of € 5.8 million. However, 2011 also contained extraordinary effects resulting from the 2011 refinancing, so that the EBT adjusted for these effects was € 28.4 million in the previous year. Group profits amounted to € 10.3 million in 2012. This was therefore a decline as compared to the adjusted previous year (€ 17.9 million). In the year under review, earnings per share were € 0.41 and also decreased as compared to the adjusted previous year (€ 0.75 per share). Overall, a comparison to the previous year reveals the higher interest burden, essentially due to the additional financial funding, the increased scope of financing, and a negative market valuation of interest hedges stemming from previous years.

Operational divisions

Railcar Division

The Railcar Division hires out its overall 54,400 freight wagons in its European core market, the USA, and the Russian broad gauge market. VTG owns the largest private wagon fleet in Europe, comprising a total of more than 1,000 different wagon types. It offers almost all types of freight cars, from tank cars via flat cars all the way to the modern high-capacity wagons, a versatility that enables solutions to be designed for customers from almost all industries. Producers integrate the leased wagons as supporting pillars into their manufacturing processes. In addition to leasing, VTG also offers its customers technical services. The foundation for these services are the Group's own maintenance facilities and the construction plant. These facilities repair, overhaul, inspect tanks, and clean wagons in an environmentally friendly manner. The construction plant, Waggonbau Graaff, is the VTG Group's platform for innovation and design. They constantly continue to develop the fleet while building special wagons to individual specifications.

Rise in capacity utilization towards year end

In 2012 the Railcar Division recorded sales of € 314.6 million. This represents an increase of € 10.7 million, or 3.5 %, on the previous year (€ 303.9 million). EBITDA rose by € 10.9 million, or 7.0 %, to € 167.4 million (previous year: € 156.5 million). The EBITDA margin therefore also increased to 53.2 % (previous year: 51.5 %).

Overall, in 2012 the Railcar Division demonstrated a highly satisfactory business development in which the subdued economic situation only slightly impacted the utilization of the wagon fleet. Although at first it declined slightly over the first three quarters of the year, from 91.5 % to 90.0 %, it fortunately recovered in spite of the continuing overall economic weakness to attain 90.4 % at

04 Financial Information

VTG Group Management Report for the period from January 1 to December 31, 2012

the end of the year. This economic downturn became apparent primarily in relation to flat cars for the automobile industry, resulting in lengthy idle times. In addition, the insolvency of a customer in the mineral oil industry also contributed to the decline in utilization, because a large number of wagons stood idle during the transitional period until they were successfully re-hired. In summary, the business development was distinctly better than could had been expected even halfway through the year.

Rail Logistics Division

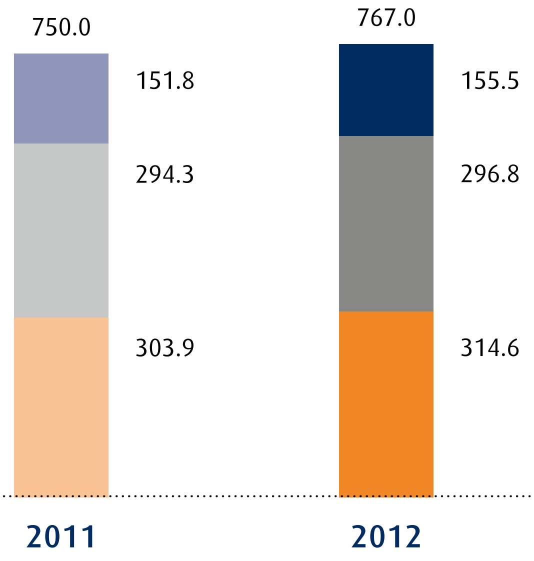
In the Rail Logistics Division, VTG organizes Europe-wide rail goods transports, both as block trains and as individual car traffic. For this purpose, in addition to its own cars it also rents third party wagons from the Railcar Division. The industry focus is on Europe-wide transports of mineral oil and chemical products, liquid gases, and both industrial and agricultural goods. With its comprehensive service offering, ranging from sophisticated cross-border traffic to special expertise in the transport of sensitive goods, VTG is one of the leading providers in Europe. Additional services can supplement the offering to meet customer requirements.

Difficult market environment negatively affects business trends in Rail Logistics

Sales in the Rail Logistics Division amounted to € 296.8 million and were thus slightly above the level of the previous year (€ 294.3 million). EBITDA saw a decline, falling by € 4.4 million, or 36.2 %, to € 7.7 million (previous year: € 12.1 million). The EBITDA margin on gross profit was 30.3 % (previous year: 47.3 %). Because of a positive effect of special accounting effects in 2011, the drop in earnings from operations was much smaller than shown in the year-on-year comparison. Once adjusted accordingly, in the previous year EBITDA was € 9.7 million, and the EBITDA margin on gross profit for the previous year was 38.1 %.

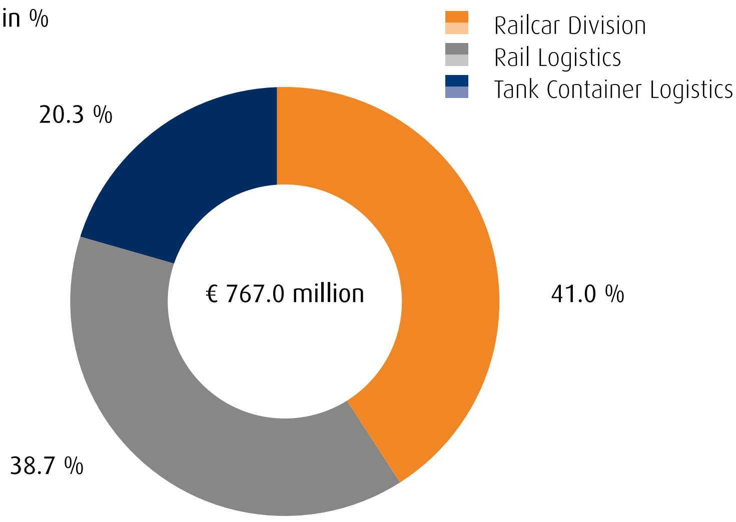
Breakdown of revenue by business division

in € m



Breakdown of revenue by business division

in %



In the year under review, Rail Logistics faced a difficult market environment. Thus the Division set a positive trend in its still young and developing market segment, namely industrial goods. Significant customer contacts could be developed and longer term transport orders could be won in which VTG performed the entire rail transport as a haulage company for the first time. On the other hand, the positive trend in the Petrochemicals segment was negatively affected by e.g. the insolvency of a customer. In the Agricultural Goods business, it was in particular the changed market conditions that had a negative effect on the Rail Logistics business, leading to distinctly lower transport volumes. Only part of the fixed operating costs could be reduced at the same time. To this extent, Rail Logistics could not fully meet the expectations for the past financial year.

Tank Container Logistics Division

The Tank Container Logistics Division offers transport and logistics services for tank containers, which it also leases. Tank containers are, in particular, used for the safe carriage of liquid and temperature sensitive products in the chemical, mineral oil, and pressurized gas industry. The containers can be used in combined traffic, as they can be transported by rail, by road or by ship. The products remain in the tank container during the transshipment process, which enables safe transport in door-to-door traffic. VTG is one the world's largest providers of logistics services for liquid chemical products. The Company's fleet comprises around 10,100 tank containers.

Satisfactory business performance in a highly competitive environment

In 2012, revenue for the Tank Container Logistics Division increased by 2.5 %, or € 3.7 million, to € 155.5 million (previous year: € 151.8 million). On the other hand, EBITDA declined by € 1.1 million, or 8.7 %, to € 11.9 million (previous year: € 13.1 million). At 46.8 % the EBITDA margin on gross profit was lower than in the previous year (51.2 %).

In 2012 the Tank Container Logistics Division recorded satisfactory performance, which was nonetheless a little more subdued than in the previous year. In the year under review, the Division expanded its product range, and for the first time shipped products for the food industry, such as palm oil and glycerin. Thus it was able to consolidate its position both for traffic within Europe and for exports from the region. In particular the development of the Russia traffic recorded satisfactory growth. In addition, the volumes within Asia could also be increased in spite of significant pressure on margins. Moreover, Tank Container Logistics for the first time transported loaded containers by rail from Shanghai via Vladivostok to Germany as an alternative route to sea freight. American traffic did not reach the same levels as in the previous year. Overall, in 2012 the Division was exposed to an intensely competitive environment, characterized by constant insecurity. In addition to the transport capacities available on the market, higher transport costs due to higher sea and rail freight volumes, increasing imbalances, and unforeseeable changes in traffic streams also impacted the achievable margins. Tank Container Logistics was partially able to counteract these developments by consistently pursuing its strategy of growth with selected customers and in special business segments also in 2012. In this endeavor, the Division was able to rely on its high problem solving competence as well as on its flexibility and reliability.

04 Financial Information

VTG Group Management Report for the period from January 1 to December 31, 2012

Financial position

Financial management of the VTG Group

Financial management has a very important place within the VTG Group due to the capital intensive nature of its business model. The Group headquarters in Hamburg is responsible for the financial management of all Group companies. This comprises primarily the treasury and cash management, the management of the capital structure, and the active control of financial ratios, including also the requirements resulting from the funding agreements, namely the financial covenants. Current and expected market data are taken into account to support a forecasting scenario. Moreover, the Group headquarters also takes responsibility for the Group-wide management of financial market risks.

Liquidity control

In the VTG Group, liquidity requirements are managed through liquidity planning. The Group companies report their liquidity requirement or excess on a daily basis to the Group headquarters to enable the liquidity planning to be developed. VTG covers its financing requirements for the operations of companies in the Group by means of its participation in an automatic cash pool system, intercompany and bank loans as well a through shareholders' equity.

On December 31, 2012, cash and cash equivalents for the VTG Group amounted to € 57.0 million (previous year: € 98.4 million). This decline was largely due to the financing of the construction of new wagons. The stable operating cash flow continues to provide a good basis for investment financing. By means of the flexible credit lines available to the Group, the ability of VTG AG and its subsidiaries to meet their payment obligations can also be ensured at all times.

Capital structure management

The financing strategy of the VTG Group takes a long term approach. VTG laid the cornerstone for this policy with the restructuring of the Group financing system in May 2011. The long term underlying financing is a bond privately placed in the US. It comprises amounts of € 450 million and $ 40 million with terms of 7, 10, 12, and 15 years. In addition, VTG has access to a syndicated facility comprising a loan (€ 100 million) and a revolving credit line (€ 350 million). The syndicated loan expires in 2016. Of these loans, as of December 31, 2012, VTG had drawn down € 70.0 million cash from the revolving credit line. With this financing, VTG now has an open funding platform enabling it to combine various different instruments. The different maturities as well as the different tranches significantly reduce the future refinancing risk. As of the end of the year under review, the equity ratio was 20.4 % and thus within the scope aimed at by management.

Management of loan agreements

The VTG Group has entered into a number of credit agreements containing obligations and requirements in relation to specific financial ratios (financial covenants). To ensure constant compliance with these conditions, the Executive Board continually monitors these financial covenants in a forward-thinking manner, subjecting them to careful scrutiny.

Management of currency and interest rate risks

Within the scope of its global business, the VTG Group is exposed to certain foreign currency exchange risks, which are particularly brought about by fluctuations in the exchange rates of the US dollar, the British pound, the Swiss franc, the Russian ruble, and the Polish zloty. VTG fundamentally meets this risk by means of the appropriate foreign currency hedge contracts.

In addition, the VTG Group's financing is subject to a certain degree of interest rate risk. Although no interest rate risk arises out of the bond placed on the US markets due to its fixed interest coupons, because of the variable-interest syndicated loan, VTG is exposed to an interest rate risk that can change depending on the market interest rate. The derivative interest rate hedges entered into in connection with the old syndicated loan cover the risk of interest rate increases for the new syndicated loan. However, a portion of these interest rate hedges running until mid-2015 is recognized in the income statement as they are not backed by a hedging relationship. The interest rate hedges are measured at market value, with the portion no longer hedged being recognized in the income statement and the effective portion recognized in equity. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT and net profit for the Group. The lower trending interest rates in 2012 result in a negative market valuation for the interest rate derivatives and thus in additional expense of € 3.3 million.

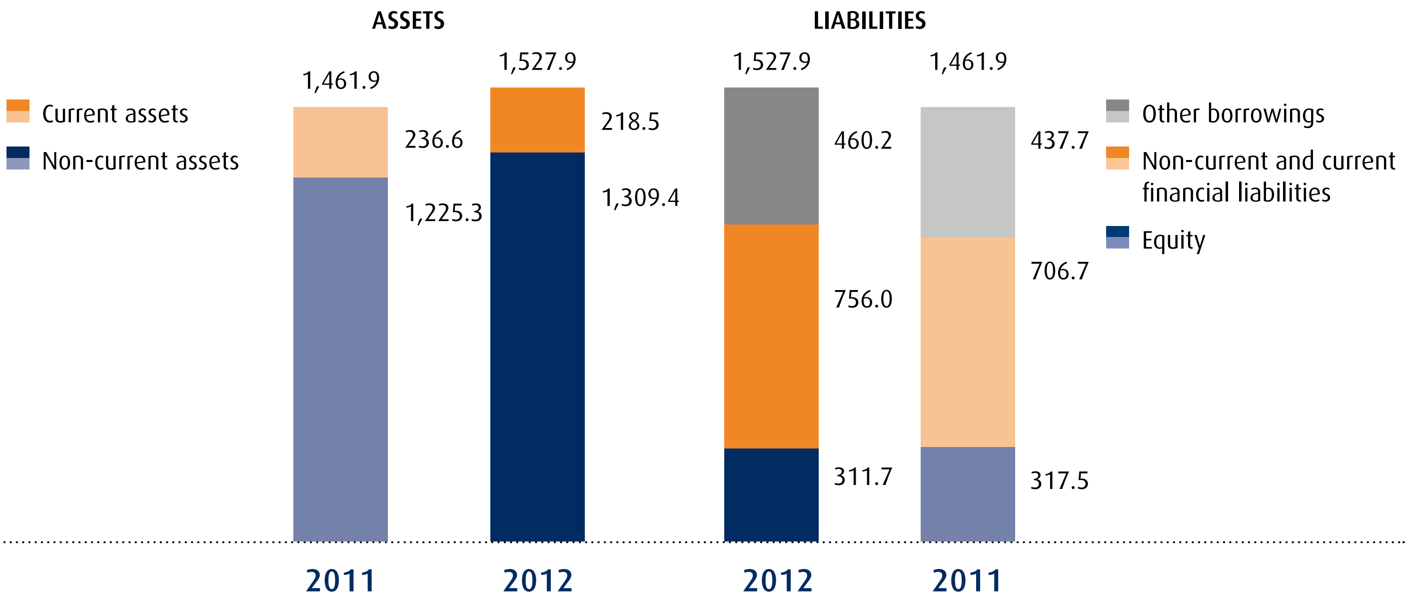
Assets and capital structure

As of December 31, 2012, total assets for the VTG Group increased to € 1,527.9 million. This represents an increase of € 66.0 million, or 4.5 %, compared with the same period of the previous year (€ 1,461.9 million). The share of fixed assets increased slightly to 83.5 % of total assets (previous year: 81.6 %), with the share of current assets reducing accordingly.

Equity capital amounted to € 311.7 million, as of December 31, 2012. Compared to the previous year (€ 317.5 million), this represents a decrease of € 5.8 million, or 1.8 %. This slight decline is primarily due to effects related to provisions for pensions and to the dividend payment for the financial year 2011, which exceeded Group profits for 2012. As of the cutoff date, the equity ratio was 20.4 % (previous year: 21.7 %). This weaker figure reflects both

Balance sheet structure

in € m



the slight reduction in the equity capital and the higher balance sheet amount, which are in turn due to the higher level of tangible fixed assets.

To finance its wagons, in addition to funding requiring balance sheet recognition VTG also takes advantage of off-balance sheet financing strategies, for example by means of operate-lease agreements.

Capital expenditure

The focus in financial year 2012 was primarily on the delivery of new construction wagons to VTG customers. Thus VTG started the year under review with an order book of approximately 2,500 wagons. In the course of the year the order book, i.e. the number of new construction wagons ordered but not yet delivered, decreased continuously. Overall, in 2012 around 1,700 wagons were delivered to VTG customers. These deliveries were however already accompanied by new customer orders, so that the order book at the end of 2012 contained some 1,600 wagons. Delivery of these wagons is planned to take place in 2013 and 2014.

Because of the high level of deliveries of new construction wagons in 2012, investments as of the end of the year under review had increased as expected, amounting to € 220.5 million (previous year: € 182.8 million). Of this sum, € 211.3 million (previous year: € 158.7 million including financial assets and acquisitions), i.e. the most significant portion, were invested in fixed assets, and € 9.2 million (previous year: € 24.1 million), off-balance sheet by means of operating lease agreements. Moreover, another € 19.4 million from the previous year's investments were sold to leasing companies. From the investments made in the year under review, 96.3 % (previous year: 96.0 %) related to wagon hire, primarily allocated to the procurement of new wagons, the expansion and modernization of the fleet, and the replacement of wagons to be taken out of service. Therefore, 3.7 % of the investments (previous year: 4.0 %) were attributable to the logistics areas.

Cash flow statement

In the financial year 2012, cash flows from operating activities increased by € 10.4 million from € 125.6 million to € 136.0 million. This rise was due, on the one hand, to higher profits, and, on the other hand, to better development in working capital.

In the year under review, the cash flows used for investing activities amounted to € 172.2 million, thereby exceeding the level of the previous year (€ 133.3 million) by € 38.9 million. These funds were used mainly for the construction of new wagons.

In the reporting period, the cash outflow from financing activities amounted to € 5.8 million (previous year: cash inflow of € 55.9 million). These outflows consisted primarily in the balance of interest payments, repayments of bank loans, and the dividend payment for the financial year 2011 as well as in drawdowns on credit facilities.

Capital markets, shares, and dividend policy

The stock exchange landscape of 2012 was characterized by the fear of rising inflation, the continuing debt crisis, and rising concerns about global economic trends. The stock markets reacted nervously to the turbulences dominating the global economy: after a swift start, an equally remarkable slump followed in March. This trend continued until early June. Thereafter the stock markets recovered, driven by the rising trends in corporate earnings. The concerns about a hard landing of the Chinese economy led to further drops in prices toward the end of the year, before the stock markets once more distinctly rallied in December.

In this troubled environment, VTG stock was not alone in not recording a satisfactory trend. It started 2012 with an opening share price of € 13.47. Thereafter, it trended highly positively until mid-February. On February 13, it reached its highest price for the year at € 15.94. Along with the general developments at the capital markets, the price of VTG stock also trended lower until the summer. On July 25, it fell to its lowest point for the year at € 11.15. By the end of the year, the VTG stock had recovered, finishing the year with a closing price of € 12.12. As of the end of the year under review, VTG's market capitalization was € 259.2 million (year end 2011: € 284.5 million).

The shareholder structure has slightly changed between the end of 2011 and the balance sheet date in 2012. In accordance with its registration for the Annual General Meeting in June 2012, Compagnie Européenne de Wagons S.à.r.l., Luxembourg (CEW), is a major shareholder, with 52.03 % of the authorized capital of VTG AG. In the previous year, this major stockholder still held equity of 54.57 %. This slight decrease in this shareholding is due to the implementation as planned of the management stock ownership scheme, which was created as part of the sale of VTG to CEW in 2005 and thus before the IPO in 2007. Furthermore, based on the most recently submitted voting rights notifications, Samana Capital L.P., Greenwich, Connecticut, USA holds 6.25 % of the authorized capital of VTG AG. The balance of 41.72 % is made up of free float.

The General Shareholders Meeting took place in Hamburg on June 8, 2012. It passed a resolution to increase the dividend for the financial year 2011 by some 6 % and pay a dividend of € 0.35 per share. The Executive Board of VTG intends to propose to the Annual General Meeting 2013 the payment of a dividend of € 0.37 per share for the financial year 2012. This meets VTG's goal of a long-term stable dividend payment policy.

EMPLOYES, PERFORMANCE AND RESPONSIBILITY
Employees

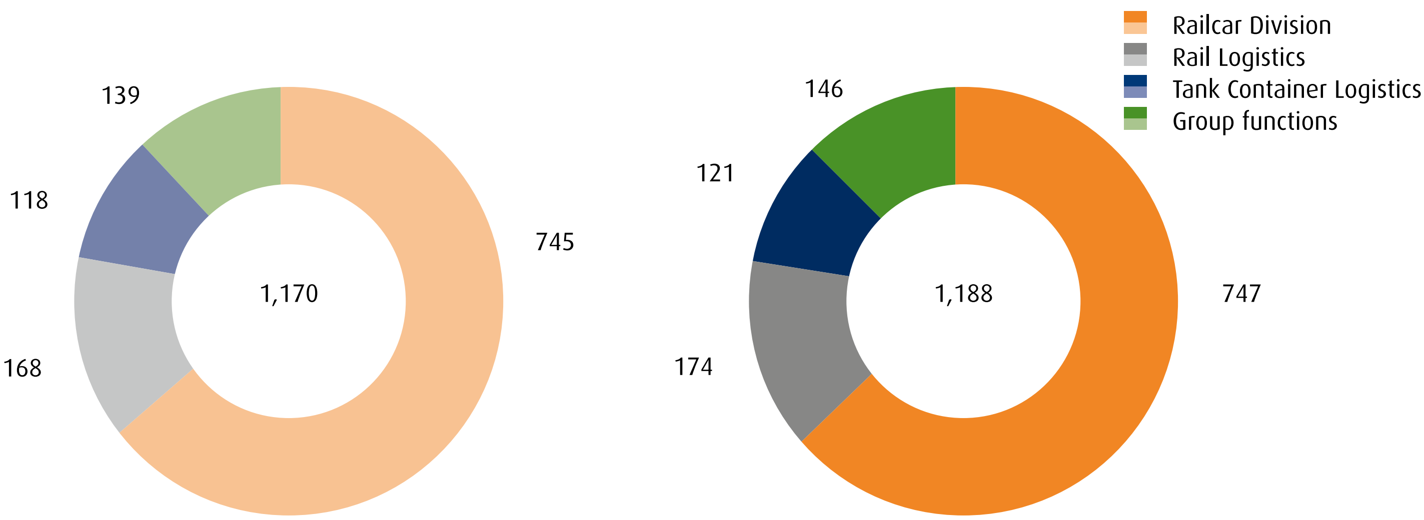
Slight increase in employee numbers

In the year under review, the number of employees in the VTG Group slightly increased by 1.5 %. As of December 31, 2012, the VTG Group employed a total of 1,188 members of staff (previous year: 1,170. Of these, 838 were employed in Germany (previous year: 778). This increase is essentially due to a restructuring of employment agreements for outsourced workers into permanent employment status at the Waggonreparaturwerk Brühl wagon repair facility. Abroad, the number of employees declined somewhat, particularly as a result of the takeover and restructuring of the acquired companies, from 392 in the previous year to 350 as of December 31, 2012. Of these employees, a total of 339 worked in the operating area (previous year: 347), mostly in the workshop facilities. A total of 800 workers were permanent employees (previous year: 787). In addition, VTG employed 49 trainees (previous year: 36).

Good performance in a difficult human resources market

Because of its excellent reputation, VTG was able to fill all vacancies in the year under review, even though the situation on the employment market was tense particularly in Germany, owing on the one hand to unfavorable demographic trends and, on the other hand, to the overall good economic situation. To this extent, it became increasingly more complex to hire qualified employees in special segments of the labor market. In strong demand applicant markets this became apparent in particular in a distinctly extended search and selection process.

Employees by divisions



2011 2012

Large selection of occupations affording training

As a training employer, VTG places high value on the sponsorship of young people and offers them a number of occupations in which they can obtain training. In this way, applicants can start training in standard trades such as construction mechanic, forwarding agent, or industrial clerk. There is also the option to start a dual curriculum at a technical college in economics, industrial engineering, IT for economics, and construction design. VTG assured the contact to international high potentials by providing scholarships. The Company also works together with the universities: this work includes VTG staff delivering lectures on their areas of expertise, participation in exhibitions, and the facilitation of master's thesis subjects and internships to students. In the year under review, VTG continued to show a high level of commitment to professional development, employing 49 trainees as of December 31, 2012 (previous year: 36).

Counteracting the skilled staff shortage with attractive jobs and career development options

In order to remain competitive and free for successful action in the future, it is of crucial importance for VTG to be able to hire qualified employees for the right positions. As a result, VTG's human resource management concentrates on counteracting the impending lack of skilled employees in a targeted manner. VTG is committed to offering its employees attractive, long-term positions that meet the increasingly higher requirements of applicants. This will ensure that it can continue to fill its posts successfully, and it has therefore expanded its human resources activities significantly.

The foundation for the human resource development activities at VTG is the competence model that has been introduced on a Group wide basis. On this basis, in 2012 VTG continued to sponsor, promote, and qualify its middle management in regard to the leadership tasks awaiting them within the scope of the international management development program "Leadership Excellence", so that these employees can meet the rising demands and also fulfill their mission in the international arena. Moreover, the needs for personal and professional development of both management and staff are identified in regular, structured employee dialogues, known as Performance & Development Dialogues (PDD). In 2012 VTG rolled out these PDDs in all foreign divisions, so that a standardized feedback process has now been implemented. The development requirements derived from these dialogues were individually processed, for example in the form of different in-house and external training courses, seminars, coaching events, special projects, and even international assignments.

Pre-emptive rights

There are no pre-emptive rights or stock options for either directors or members of staff.

Research and development

As the largest European wagon hire company, VTG has long term relationships to European manufacturers. With all new construction wagons, the VTG engineers are involved in the design, specification, production, and sales processes. Moreover, VTG is also an important partner in the development of the wagons and their safety systems and equipment.

Successful development at Waggonbau Graaff

In the Group owned Waggonbau Graaff (Graaff) facility, the VTG Group manufactures specialized wagon types, in particular high quality chemical tank cars, thus securing part of its annual requirements. In 2012, Graaff manufactured a total of 320 wagons, generating sales of € 37 million, and making a positive contribution to the Group's results. Moreover, Graaff also has a series of new construction orders from VTG and third parties, so that capacity utilization for 2013 is already guaranteed.

Innovation platform developed

In the year under review, Graaff started up a second manufacturing line for the serial production of tanks for hydrochloric acid. They also installed the latest measuring technology in order to further improve product quality and, above all, also product safety. Graaff develops components for hazardous goods wagons as well as new tank car types. It is expected that the production of two new types will be started in 2013.

Expansion of the valves and fittings manufacturing business

With the manufacture of valves and fittings, which has now reached serial stage, Graaff enjoys a niche position. Thus, in the year under review, both all new wagons built at Graaff and also all mineral oil wagons commissioned by VTG to be manufactured by third parties could be equipped with self-produced valves and fittings. In the meantime, Graaff has tank car valves and fittings for almost all approved and thus serial-ready applications.

Safety and the environment

Consistent pursuance of the Entity in Charge of Maintenance (ECM) certification

After successful certification as an ECM on the basis of the MoU (Memorandum of Understanding) of a number of different countries in 2011, in 2012 the VTG Group was one of the first wagon keepers to be able to successfully complete the certification under the enhanced requirements of the European Directive 445/2011. This was confirmed by an independent certification body accredited for this area. Thus the VTG Group has fully implemented the enhanced requirements of the European safety directives 2004/49/EC and 2008/114/EC in conjunction with EU Regulation 445/2011. These increased requirements refer to independent responsibility for maintenance and certification of the entity in charge of maintenance (ECM) of rail freight cars in international rail traffic.

For the future, VTG intends more strongly to link the two management systems (quality and maintenance as well as safety management) and have them jointly certified. By merging these two systems into an integrated management system, the VTG Group ensures that the conclusions derived from joint audits can be implemented better in the operative processes in order to continuously improve both quality and maintenance so as to further to increase safety in rail traffic.

High level of quality and safety management systems demonstrated by successful audits of all Divisions

In order to monitor and continually further develop the extremely high quality of the materials used and the related services, in 2012 VTG had audits according to ISO 9001:2008 performed in all Divisions by the certification body Germanischer Lloyd. In addition, VTG customers also performed audits in all three Divisions, focusing in particular on safety and process optimization. VTG successfully passed these audits, so that customers can, more than ever, be sure of the high standards of the quality and safety management systems.

Testing and further development of supplier and partner quality and safety performance

In 2012, the employees of the VTG Group performed numerous audits within the scope of supplier management at partner and supplier facilities. The goal was to verify quality and safety and to continue improving in both areas.

Customer involvement in safety, technology, and hazardous goods

Moreover, in the reporting period VTG trained more than 1,000 of its customers' employees in the topics of safety, rail car technology, and hazardous goods. The high customer side acceptance emphasizes the importance of these topics for a consistently perfect implementation of hazardous goods transports. VTG also invited its customers to visit the Waggonbauwerk Graaff facility in Elze. Some 80 customers accepted this invitation and at this event had the opportunity to convince themselves of VTG's high quality claims in regard to its products and services.

Ongoing development of health and safety protection at work

Health and safety protection at work rank highly at VTG, because all three of its Divisions deal with hazardous and/or sensitive goods requiring special handling. Within the scope of its management systems, VTG has clear and unambiguous standards as to how safety inspections, workplace and hazard analyses are to be performed. This enables accidents to be prevented even more systematically and effectively.

REQUIRED DISCLOSURES

Required disclosures pursuant to § 315 (4) of the German Commercial Code

The required disclosures pursuant to § 315 (4) of the German Commercial Code are listed and detailed below:

- The share capital of VTG AG amounts to € 21,388,889 and comprises 21,388,889 no-par-value bearer shares. Every share carries a voting right.
- There are no known restrictions affecting voting rights or the transfer of shares.
- As of December 31, 2012, VTG was aware of the following shareholdings with a share of more than 10 % of the voting rights: According to the latest information received by VTG AG, Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the shares. With respect to the indirect shareholding relationships, please refer to the notes to the financial statements of VTG AG as of December 31, 2012.
- There are no shares with special rights that confer powers of control.
- The Executive Board of VTG AG does not know how any employees sharing in the capital of VTG AG intend to exercise their voting rights.
- The provisions on the nomination, dismissal and composition of the Executive Board are based on § 84 (1) of the German Stock Corporation Act and § 6 of the Articles of Association of VTG AG as well as § 9 of the Rules of Procedure of the Supervisory Board. Where there are no mandatory legal provisions to the contrary, resolutions on changing the Articles of Association are passed by a simple majority of the votes cast and, where the law requires a capital majority beyond a majority vote (§ 179 (2) German Stock Corporation Act), by a simple majority of the share capital represented at the time of the passing of the resolution.
- With its resolution of June 17, 2011, the Annual General Meeting authorized the Executive Board of VTG AG to increase, with the approval of the Supervisory Board, the share capital of VTG AG for the period up to June 17, 2016, once or multiple times up to a total amount of € 10,694,444.00 (authorized capital) by issuing new no-par value bearer shares against contributions in cash and/or kind. Shareholders are generally to be granted subscription rights. Subscription rights can also be granted indirectly, in that shares are taken over by one or more credit institutions appointed by the Executive Board or entities under § 53 (1) sentence 1 or § 53 b (1) sentence 1 or § 53 b (7) of the German Banking Act with the obligation of offering these to shareholders for subscription (indirect subscription right). The Executive Board is however authorized, with the consent of the Supervisory Board, to exclude subscription rights of shareholders in the following cases: (i) capital increases in exchange for a non-cash contribution granting shares for the purpose of acquiring companies, parts of companies, shareholdings in companies or other assets or within the context of business combinations or for the purpose of issuing shares to employees of VTG AG or affiliated companies in accordance with the legal provisions, (ii) to the extent necessary to grant subscription rights for new shares to holders of the warrants and convertible bonds issued by VTG AG or its subsidiaries to the extent to which they would be entitled after exercising the option or conversion rights or after fulfillment of the option or conversion obligations, (iii) to exclude any fractional amounts from subscription rights, and (iv) in the case of capital increases in return for cash contributions, if the issue price of the new shares is not substantially lower, within the meaning of § 203 (1) and (2) and § 186 (3) sentence 4 of the German Stock Corporation Act, than that of already listed shares of the same class and with the same terms at the time the final issue price is determined by the Executive Board and if the proportion of the share capital represented by the new shares for which subscriptions rights are excluded does not exceed 10 % of the share capital at the time of the adoption of the resolution by the Annual General Meeting or – if this figure is lower – of the share capital at the time of the exercise of this authorization. Shares that are sold during the term of the authorized capital with the exclusion of shareholders' subscription rights in accordance with § 71 (1) no. 8 sentence 5 and §186 (3)

sentence 4 of the German Stock Corporation Act as well as shares that are issued to service warrants or convertible bonds with option or conversion rights (provided that the bonds are issued during the term of the authorized capital with the exclusion of subscription rights in accordance with. § 221 (4) and § 186 (3) sentence 4 of the German Stock Corporation Act) are counted towards the maximum limit of 10 % of share capital. The Executive Board is authorized, with the approval of the Supervisory Board, to specify the further particulars of the capital increase and its execution, including the rights accruing to the shares and the terms of issue. Further details can be found in § 4 (5) of the Articles of Association. VTG has as yet not exercised these powers.

- Furthermore, in accordance with § 71 (1) no. 8 of the German Stock Corporation Act and with the approval of the Supervisory Board, the Annual General Meeting of June 18, 2010 authorized the Executive Board of VTG AG to acquire treasury shares equaling up to 10 % of share capital during the period up to June 17, 2015. These can be acquired via the stock exchange or by means of a public offer to buy to all shareholders or a public invitation to all shareholders to submit offers for sale, whereby the price paid by the company must be close to the listed price (upward or downward deviations from the relevant average market price of the share of VTG AG should – depending on the type of purchase – amount to a maximum of between 5-10 %). The Executive Board is authorized to do the following with the treasury shares acquired in this way, in each case with the approval of the Supervisory Board: (i) sell these via the stock exchange or by means of a an offer to all shareholders (ii) sell these in another way, provided that the shares are sold for cash and at a price that is not substantially lower than the stock market price of shares of the company offering the same conditions at the time of sale and the proportion of the share capital represented by these shares does not exceed 10 % (whereby with the 10 % limit shares with conversion or option rights or obligations from bonds with warrants or convertible bonds are to be taken into account), (iii) offer or assign these to third parties for the purpose of direct or indirect acquisition of companies, parts of companies, or shareholdings in companies and within the context of business combinations or (iv) call in these shares. Where the Executive Board uses the treasury shares, based on the above powers, as set out in (ii) or (iii), the subscription rights of the shareholders to treasury shares shall be excluded. VTG has as yet not exercised these powers to acquire treasury shares.
- Additionally, the Annual General Meeting of June 18, 2010, has authorized the Executive Board, with the approval of the Supervisory Board, in the period up until June 17, 2015, to issue on one or more occasions bonds with warrants and/or convertible bonds in registered or bearer form (together referred to as "bonds") with a total nominal value of up to € 300,000,000 with or without a limited term and to grant or impose on the holders and/or creditors option or conversion rights or obligations in respect of no-par-value shares of VTG Aktiengesellschaft representing a maximum amount of € 10,694,444.00 of the share capital. The bonds can also be issued by a subsidiary company of the VTG Group. In such a case, the Executive Board is authorized, with the consent of the Supervisory Board, to guarantee the bonds on behalf of VTG AG. The bonds are, as a general rule, to be offered to shareholders for subscription. The Executive Board is however authorized, with the approval of the Supervisory Board, to exclude from the subscription rights of shareholders fractional amounts resulting from the subscription ratio. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to completely exclude the subscription rights of shareholders if the bonds with option or conversion rights or obligations are issued for cash at a price that is not substantially lower than the market value of these bonds and such bonds do not exceed 10 % as a proportion of the share capital (whereby with the 10 % limit treasury shares that are sold with the exclusion of subscription rights and shares issued from authorized capital without subscription rights are also to be taken into account). The option or conversion price to be set in each case for a no-par value share of VTG Aktiengesellschaft must as a rule amount to at least 80 % of the volume-weighted average price of the

no-par value shares of VTG AG that are in the electronic trading system of the Frankfurt Stock Exchange in the last 10 days of trading prior to the day on which the Executive Board passes the resolution on the issue of the bond. If subscription rights are granted, the price must amount to at least 80 % of the volume-weighted average price of the shares of VTG AG in the electronic trading system of the Frankfurt Stock Exchange during the subscription period (with the exception of the days of the subscription period that are required for the option or conversion price to be announced in time in accordance with § 186 (2) sentence 2 of the German Stock Corporation Act). The Executive Board is authorized, with the approval of the Supervisory Board, to specify all further details of the issue and terms of the bonds. VTG AG has as yet not exercised these powers.

- Furthermore, on June 18, 2010, the Annual General Meeting approved an increase in share capital by up to € 10,694,444.00 through the issue of up to 10,694,444 new, no-par bearer shares (conditional capital). The conditional capital increase serves the purpose of granting no-par bearer shares in the exercise of conversion or option rights. Further details can be found in § 4 (4) of the Articles of Association. VTG AG has as yet not exercised these powers.
- In April 2011, VTG AG agreed a syndicated loan with a consortium of banks and the issue of a US bond with a group of institutional investors. Both agreements grant each lender a right of early termination of these financing agreements under certain conditions in the event of a change in control at VTG AG. According to these new financing agreements, a change of control means the acquisition of more than 50 % of the voting rights of VTG AG by a person other than the majority shareholder to date and the companies affiliated with this majority shareholder or by a group of persons forming a unit by agreement. The US bond agreement has additional conditions attached to this. It deems a change of control to have taken place only once the existing majority shareholder of VTG AG and affiliated persons, as a consequence of such a change in the voting rights majority, directly or indirectly holds less than 5 % of the voting rights of VTG AG and moreover is no longer represented in the governing body of the party taking over. In the case of the US bond issue, which is designed for the long term, this is meant to prevent a mere restructuring by the majority shareholder from representing an official change of control. Another precondition for a change of control in terms of the US bond agreement is that the bond issue either receives no further investment grade rating within 90 days from the change in the voting rights majority, or VTG AG, VTG Deutschland GmbH or another company in the VTG Group acting as guarantor under the US bond agreement has to pay back at least € 20 million of credit before repayment is due because of the change in the voting rights majority.
- No compensation agreements have been concluded with the members of the Executive Board or with employees covering the eventuality of a takeover bid.

Remuneration report

Executive Board

the appropriate level of remuneration of the members of the Executive Board is determined by the Supervisory Board at the proposal of the Executive Committee on the basis of a performance assessment. Overall, the remuneration of the Executive Board comprises several components: a non-performance-related element, a performance-related bonus and pension and additional benefits.

The non-performance-related remuneration element consists of a fixed amount and various additional benefits.

The additional benefits include the expenses incurred by members of the Executive Board in connection with their work as well as health and long-term care insurance benefits equivalent to the employer's contribution to statutory health and long-term care insurance. Furthermore, the company bears the cost of insurance for the event of death or invalidity of members of the Executive Board, in addition to travel baggage insurance and directors' and officers' liability insurance. In each case, a deductible is included in the directors' and officers' liability insurance in accordance with the stipulations of § 93 (2) sentence 3 of the German Stock Corporation Act.

Each member of the Executive Board also receives a company car as a benefit in kind, with private use also allowed. Furthermore, the company also assumes the costs of measures for averting risks arising from the exposed economic and social position of the members of the Executive Board.

The performance-related remuneration component is determined in accordance with the personal and economic goals laid down by the Supervisory Board. This is calculated for all Executive Board members on the basis of a target matrix which takes into account, among other things, certain performance-related factors which are agreed upon each year. All contracts with members of the Executive Board stipulate a system of variable remuneration, which contains short and long-term components determined on the basis of several years and oriented towards sustainable company performance. Furthermore, the performance-related remuneration component is confined to a fixed proportion of the fixed amount, even in the event of extraordinary developments.

The company has granted all members of the Executive Board vested pension rights. As a result of this pension commitment, each member of the Executive Board is entitled to the payment of certain pension benefits when certain pension situations arise. These situations include not only reaching the upper age limit of 65, but also cases of incapacity or death (pensions for widows and orphans) and where the employment contract of the CEO is terminated by the company before he reaches the age of 65. As of the balance sheet date of December 31, 2012, the company had set up provisions for post-employment benefits for members of the Executive Board amounting to € 3.4 million. Beyond the employment contracts, there are no further service agreements between the company, its subsidiaries and the respective members of the Executive Board under which any member of the Executive Board is eligible for benefits from the company or its subsidiaries in the event of the termination of his service.

As a general rule, the German Commercial Code and the German Corporate Governance Code stipulate that the remuneration of Executive Board members be published with a separate entry for each member, broken down into fixed and performance-related components as well as into components with a long-term incentive effect. According to both German commercial law and the German Corporate Governance Code, the required disclosures can be dispensed with if the Annual General Meeting passes a resolution to this effect by a three-quarters majority of the share capital represented at the passing of the resolution. Accordingly, on June 18, 2010, the Annual General Meeting of VTG AG, repealing the resolution of May 22, 2007, decided with 90.638 % of the votes present and entitled to be exercised that the required disclosures as set out in § 285 (9) (a) sentence 5 to 8 and § 315a (1) and § 314 (1) number 6 a sentence 5 to 8 of the German Commercial Code are not to be published in the consolidated annual financial statements of the company for the financial years 2010 to 2014 inclusive.

The total costs of remuneration of the Executive Board are given in the notes to the consolidated financial statements of VTG AG as of December 31, 2012.

Supervisory Board

The remuneration of the Supervisory Board consists of a fixed amount only. In addition, the members of the Supervisory Board are reimbursed for expenses incurred in the course of their work.

In accordance with a resolution of the Annual General Meeting of the company, held on June 18, 2010, the Chairman of the Supervisory Board receives a fixed amount of annual remuneration, payable after the end of each financial year, of € 60,000 while the Deputy Chairman receives € 45,000 and the other members of the Supervisory Board each receive € 30,000. Additionally, chairs of committees receive € 6,000 for each committee chaired for each full financial year. Deputy chairs of committees receive € 4,500 for each committee for which they act as deputy chair and ordinary committee members receive € 3,000 for each committee of which they are a member. Only one committee has been formed, which functions as both the Executive Committee and the Nomination Committee. The Chairman of the Supervisory Board, Dr. Scheider, the Deputy Chairman of the Supervisory Board, Dr. Juhnke, and Dr. Olearius, who is also a member of the Supervisory Board, are on this committee.

The total costs of remuneration of the Supervisory Board are given in the notes to the consolidated financial statements of VTG AG as of December 31, 2012.

CORPORATE GOVERNANCE STATEMENT
pursuant to § 289a of the German Commercial Code

According to § 289a of the German Commercial Code, companies listed on the stock exchange are obliged to make a public statement on corporate governance either in their management report or on the company website. The statement on corporate governance must provide a declaration of conformity in accordance with § 161 of the German Stock Corporation Act and contain relevant information in corporate governance practices and a description of the modus operandi of the Executive Board and Supervisory Board and the composition and modus operandi of its committees.

The company has published the declaration on its website: www.vtg.de (under Company – Investor Relations – Corporate Governance – Declaration of Conformity).

REPORT ON OPPORTUNITIES AND RISKS
Definitions of terms and elements of the VTG Group's internal control and risk management system

Internal control system

The VTG Group's internal control system encompasses all of the principles, processes, and measures for ensuring the accuracy, reliability and cost-effectiveness of business processes. In the VTG Group, the internal control system comprises both process-integrated and process-independent monitoring measures.

The process-integrated monitoring measures include manual process controls (e.g. the two-man rule) and IT-based process controls. In addition, special committees (such as the Risk Committee) and bodies of staff are charged with the specific task of process-integrated monitoring within the Group. Moreover, Group guidelines, directives, and accounting rules provide the basis for a uniform approach in the VTG Group.

The Supervisory Board, the Internal Audit department (Group Audit) and the Compliance Committee of VTG AG, as well as the Group auditors and other auditing bodies (e.g., tax auditors) carry out process-independent auditing activities and as such constitute a part of the VTG Group's internal monitoring system.

Risk management system

The nature of the VTG Group's operations exposes it to numerous risks that could negatively impact the company's performance. The aim is to detect these risks as early as possible and then successfully control them. The VTG Group's risk management policy is also aimed at achieving sustainable growth and increasing VTG's enterprise value. This policy underpins the

Group-wide risk management system and is determined by the Executive Board. It comprises the following process-dependent and process-independent elements:

- VTG group guidelines and advanced standard operating procedures (SOPs)
- the VTG Group Code of Conduct, which sets out conduct guidelines for all governing bodies, managers and employees of the companies in the VTG Group
- The Risk Committee, which identifies, analyzes and monitors potential risks and reports regularly to managers on the ascertained risks and counter-measures. Within the risk management system control loop, the following are responsible for managing risks
- the Compliance Committee
- the Group's Internal Auditing department
- the auditors of the annual financial statements

The risk management system is being continually and systematically improved. This means that risks can be properly ascertained and monitored and counter-measures introduced in good time. The objective of the system is to minimize, avoid, transfer, or accept risks as appropriate. Any quantifiable risk remaining (residual risk) is reflected in the accounting system. In this manner, VTG ensures that it can present a true and accurate picture at all times of the situation of the VTG Group.

During the period under review, there were no discernible risks that endangered the Group as a going concern or that could be expected to have any significant negative impact on its net assets, financial position, or results of operations.

The risk management system's functional reliability and adequacy are regularly investigated and assessed by internal and external auditors who have no involvement in the risk management process.

The key risks related to financial reporting for the VTG group are set out below.

Specific risks related to Group accounting

Specific risks related to Group accounting can arise, for instance if the Group enters into unusual or complex transactions, especially at the end of the financial year. Furthermore, business transactions that are not routinely processed are exposed to a potential risk. The powers of discretion that have to be granted to employees for recognizing and valuing assets and liabilities can result in additional accounting-related risks. These risks are countered by working very closely, at an early stage, with Group Controlling, Finance & Accounting, and the Group's Internal Auditing department as well as the auditors of the financial statements and, if necessary, additional auditors.

Key control and monitoring activities for ensuring accuracy and reliability of Group accounting

The VTG Group's control and monitoring activities are designed to ensure the accuracy and reliability of accounting. An essential element of this is the systematic separation of different functions in the accounting processes, for instance the administrative, fulfillment, invoicing and approval functions. Furthermore, all available resources are used to carry out inventories according to the standards customarily applied. The same applies to the proper recognition, valuation and disclosure of assets and liabilities in the consolidated financial statements. The control and monitoring activities are also aimed at providing reliable, transparent and traceable information that is based on the accounting records.

Organizational efforts are directed at promptly and accurately recording in the Group accounting system company-wide or Group-wide restructuring measures or changes in specific divisions' business activities. The internal control system also ensures that changes in the VTG Group's economic or legal situation are reflected and that new or amended legal requirements concerning Group accounting are applied.

At the Group level, specific monitoring activities designed to ensure the accuracy and reliability of Group accounting include analyzing and, if necessary, correcting the separate financial statements submitted by the individual Group companies. For this purpose, automatic monitoring mechanisms and plausibility checks have already been put in place in the reporting tools and the consolidation system.

Discussion of major specific risks

The VTG Group is exposed to various risks as a result of its business activities. The key risks involved are discussed below.

Capacity utilization risk

The core operational division of VTG is the Railcar division. In this area, particularly in periods of recession, there is a risk of declining capacity utilization. However, VTG hires out its wagons over the medium to long term. VTG's customers integrate the wagons into their logistics processes to secure the flow of materials between various sites of production. The wagons thus represent a fundamental element in supporting the production process. VTG's customers include a large number of well-known companies from many different branches of industry and different countries. This range of customers thus enables VTG to avoid risk concentration. Because of their mobility, the wagons can also be used in various industries and countries. This flexibility means that the impact of economic fluctuations is generally delayed for VTG and also milder. This point is proved by the capacity utilization levels of recent years, which have remained within a certain range even during periods of economic cooling. During the last economic crisis, capacity utilization fell to its lowest point of 87.0 % at the end of the first quarter of 2010. It then went on to rise, reaching a level of 91.5 % at the end of 2011. At the end of the year under review, it was at a stable point between these figures, at 90.4 %. A change in capacity utilization directly impacts the level of rental income.

Default risk

VTG controls and minimizes its default risk with a well-developed accounts receivable management system covering all companies in the Group. However, although the Group's customer base comprises mainly established industrial clients with a high credit rating, there is still a risk in terms of actual payment practices and the ability to pay. In logistics, both divisions often pay customers' freight costs in advance. Consequently, they make use of all the available methods for securing payment of receivables, for example bank guarantees and advance payment. Furthermore, recognized default risks relating to individual receivables and general credit and collection risks are covered by appropriate specific reserves and global write-downs based on experience. In addition, the VTG Group has concluded credit risk insurance contracts.

Financial risks related to financial covenants

In 2011, VTG agreed both a private placement with a US investor and a syndicated loan. The contractual agreements relating to these contain specific conditions of credit known as financial covenants. The main conditions are:

- a certain consolidated net financial liabilities to consolidated EBITDA ratio,
- a certain ratio of consolidated EBITDA to consolidated net interest income
- a certain ratio of consolidated, secured net financial liabilities to the value of the actual tangible fixed assets provided as security

Depending on the wording of the covenant, these ratios must not be exceeded or fallen short of. Failure to comply with these covenants can have far-reaching consequences for VTG, going as far as termination of specific loan agreements. For this reason, VTG monitors these financial covenants pro-actively, continuously and with the utmost care to ensure that measures can be taken early to ensure compliance.

Foreign currency risk

Due to the international nature of its business activities, the VTG Group has to deal with exchange rate fluctuations on the currency markets. The companies in the Group have an excess of trade receivables over trade payables in US dollars and thus have a net loss in this currency. In line with its hedging policy, the VTG Group largely secures both its planned net cash flows and additional surpluses of foreign currencies anticipated over the financial year with forward currency contracts. Currency risks from planned operations are also to be hedged in future through appropriate forward transactions prior to receipt of payments. For further information on the foreign currency risk, please refer to the section “Currency risk” under “Reporting on financial instruments” in the Consolidated Financial Statements, p. 124 f.

General liability risks

The main type of risk affecting all divisions is liability claims, particularly those concerning culpable violation of maintenance obligations, serial loss with resulting loss of capacity and the steadily increasing number of environmental requirements to be met. These regulations apply in particular to the storage and transportation of hazardous materials, the recycling, treatment and disposal of waste and occupational safety.

The specific traffic, operational and environmental liability risks arising from operating activities are countered by the risk management system, which also includes the coverage of risks through insurance.

Information technology risks

Information systems are becoming ever more closely interconnected and must be permanently accessible. Information technology is also becoming increasingly important in executing business processes. As an international company, VTG requires access to information that is up to date, complete and accurate. VTG applies security measures that are standard in the industry to counter risks to the confidentiality, availability and reliability of data and systems. These measures include firewalls, virus scanners and the backup provided by a second data center. To further reduce risk and keep business processes efficient and secure, VTG also regularly checks and continually develops its IT systems.

Investment risk from newly ordered wagons

The Railcar division, with a current fleet of some 54,400 rail freight wagons, is VTG's core operational division. To stay competitive and successful in the market over the long term, VTG thus invests large sums in maintaining, expanding and renewing its wagons. This ensures the wagons in the fleet are kept up to current standards for their age and capacity and that quality is continually improved. At the end of 2012, the number of wagons VTG had on order with its suppliers was 1,600, with these to be delivered to customers in 2013 and 2014. The risks involved for VTG include the possibility that the suppliers do not fulfil their their obligations and either fail to deliver the wagons or do so late or that customers are no longer able to accept the wagons. VTG has many long-term partnerships with its customers and suppliers. It pays great attention to strengthening these relationships and ensuring close cooperation. It has therefore been able to limit this risk to manageable time delays. Moreover, VTG pursues a policy of ordering wagon construction only once most of the order has been secured in the form of customer contracts. In 2012, VTG accepted delivery of some 1,700 newly built wagons, which it then passed on directly to customers. Thus, on balance, and for the above reasons, the VTG Group views this risk as controllable.

Liquidity risk

The liquidity risk is the risk that there are not enough funds to meet financial obligations in full or by a due date. VTG manages this risk by planning all liquidity requirements in terms of cash outflows and inflows. These requirements are mainly covered by, on the one hand, operating cash flow and, on the other, guaranteed, available lines of credit secured largely through the refinancing of the Group in 2011.

Market risk

European Union regulations are both promoting and requiring further liberalization of rail freight traffic in Europe. The aim is to enable new companies to enter the market and thereby intensify competition on the railway. Also, by strengthening the railway as a carrier, the intention in to ensure that the EU can meet its climate protection targets particularly the reduction of CO_2 emissions. However, the periods of economic downturn of recent years along with considerable political pressure from some member states has slowed down the liberalization of the market. Moreover, to some extent, regulations and other requirements, such as those relating to safety and noise control, and their implementation, have proved counterproductive, creating an obstacle to further growth in rail freight traffic. One clear example of this is the controversial and enduring debate about the advantages and disadvantages of separating rail network and operator. To counter this risk generally, VTG has members of staff working in many national and European bodies, associations and working groups to ensure that regulations are implemented in a moderate and practicable manner. Work has already begun on urgently needed revisions: however, it is clear that the transition from the old world of state-owned railways to a liberalized railway market will take longer than was originally thought.

Personnel risks

A highly qualified workforce is a key element in the success of VTG's business. The company operates in an industry with an ever-increasing number of regulations and technical requirements. This makes both experience and expertise very important. Additionally, detailed, specialist knowledge is required, particularly when it comes to the transport of hazardous goods. To date, most employees of the Group have remained with VTG for a long time. An extended average period of employment with the Group remains VTG's objective.

VTG also has to compete with other companies for new, highly qualified members of staff. VTG has applied a range of measures to ensure it will continue to attract qualified applicants and keep existing members of staff. These measures include various educational and professional advancement programs as well as a socially equitable policy of salary development. The personnel development programs are based on the VTG competency model, which defines the key competencies for personnel development. Within these areas of competency, VTG enables members of staff to develop their professional skills via a broad range of training opportunities. VTG has also developed a special program for managers, potential managers and staff with special skills, called Leadership Excellence.

In addition to personnel development, succession planning is important, ensuring cover for absent and replacement of departing members of staff. The objective of this is to avoid gaps in knowledge or decision-making that could negatively impact VTG's business when top performers or members of staff who perform key functions are absent or are leaving the company. Thus, for the purposes of succession planning, candidates from throughout the Group are to be assessed regularly for potential and performance.

Generally, the VTG Group expects competition for highly qualified staff to become even tougher.

Price change risk

The VTG Group faces a general price change risk, which is of particular significance for the core business division, Railcar. In the past few years, which have had some difficult periods for the economy as a whole, prices have either remained stable or risen. In the Railcar division, fluctuations in demand are not generally reflected in price reduction but in returns of wagons when the contractual term of hire expires. VTG not only provides high-quality wagons but also offers customers advisory and maintenance services. VTG is striving to continually increase prices to absorb the impact of, for instance, rising maintenance costs. These cost increases are largely the result of additional regulatory requirements. VTG also pays great attention to nurturing and fostering its relationships with customers and monitors the markets very closely. Consequently, it regards this risk as controllable.

Regulatory and technological risks

The VTG Group's operations are focused on the rail freight traffic sector, which is subject to numerous sets of rules (laws, regulations, standards, etc). This means that the VTG Group is obliged to respond to changes or new requirements imposed by legislators and safety and regulatory bodies. Implementing these requirements can entail substantial costs in terms of investment or maintenance. Such requirements can affect the plant and workshops in particular. They can also affect wagons and tank containers, either as a whole or in terms of components only. VTG counters this risk through its engagement in various working groups. In these groups, members of staff work towards drawing up technically and commercially viable solutions that can be implemented in practice.

Although the authorities have not specified binding requirements, VTG is continuously developing its maintenance management system for rail freight cars in order to minimize technological risks. For instance, VTG has systematically implemented its program, launched in late 2009, to fit a large part of the fleet with stronger wheel sets. Meanwhile, all new rail freight cars are being fitted exclusively with these stronger wheel sets. These measures not only increase axle and wheel set safety in general, they also lower the risk of disc breakage considerably. Moreover, VTG was part of an international task force led by the European Railway Agency that was set up to develop uniform standards for maintaining wheel sets. The measures pinpointed from the findings of this task force are currently being implemented. In addition to the use of stronger wheel sets already mentioned, these measures will also contribute to enhanced safety.

The VTG Group intends to continue to build upon its already strong safety record in the operation of rail freight cars.

Interest rate risk

In May 2011, VTG replaced its previous loan agreement with a new syndicated loan and a US private placement. Due to the variable-interest financial liabilities to banks resulting from the new syndicated loan, VTG is exposed to an interest rate risk that can change depending on the market interest rate. Interest rate hedges (interest rate derivatives) had been put in place for the original (previous) loan agreement. These cover the risk of increases in interest for the new syndicated loan and ran/will run until mid-2012/2015. However, a portion of these interest rate hedges is now recognized in profit or loss due to the lack of a hedging relationship. The interest rate hedges are measured at market value, with the portion no longer in a hedging relationship being recognized in profit or loss and the effective portion recognized in equity. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT, net profit for the Group and VTG's equity. There was a general downward trend in the interest rate over 2012. This in turn led to a negative market evaluation of the interest rate derivatives and thus higher financing expenses. The US private placement bond has a fixed interest rate, meaning there is no interest rate risk arising from this credit relationship.

For further information on the interest rate risk, please refer to the section "Interest rate risk" under "Reporting on financial instruments" in the Consolidated Financial Statements, p. 124.

Future business opportunities and risks

In 2012, VTG was once again served well by its long-term business model. Despite an uncertain economic climate, it proved both stable and robust. The effects of brief periods of economic clouding were either minimal or transient. Only if such a situation developed into a longer-term, deeper economic crisis would it have a more marked impact on the financial result. VTG is prepared for such an event with targeted measures for stabilizing the earnings situation if required. Furthermore, VTG pursues a general policy of efficient fleet management, active cost management and continuous process optimization. VTG is also in a very good position with regard to liquidity. This is due to its consistently strong operating cash flow, its long-term financing agreements including its lines of credit, and the quality and creditworthiness of its diverse customer base.

The long-term outlook for rail freight traffic remains good, giving VTG the opportunity to continue to grow in the market. The key factors contributing to this promising outlook are the increase in transports as a result of globalization, rising levels of international trade, harmonization of technical standards for the railway and the expansion of the European Union. Moreover, the railway has an edge as an environmentally friendly, energy-saving carrier and has particular appeal in the face of already high and rising energy prices. Additionally, the Tank Container Logistics division, which operates internationally with transports by rail, road and sea, offers good opportunities for growth in the multimodal traffic market. VTG has positioned each of its three operational divisions Railcar, Rail Logistics and Tank Container Logistics as leading providers with room for continual growth in their respective markets.

Railcar Division

The Railcar Division is the VTG Group's most profitable and stable operational division. However, the subdued economic situation in 2012 also affected business trends in the wagon hire segment. Thus, capacity utilization declined slightly in 2012, but as of December 31, 2012, still attained an entirely positive value of 90.4 % (previous year: 91.5 %).

In the year under review, Railcar concentrated in particular on working down the new wagon order book in Europe while ordering only very few new cars, as well as on integrating the business segments acquired in the USA and in Russia in 2011.

Thus, in early 2012 VTG had an order book of around 2,500 new wagons, of which some 1,700 came off the production lines in the course of the year under review, being directly delivered to customers. Then, by the end of 2012 the order book comprised only 1,600 wagons. This demonstrates VTG's ability to plan marketable new construction projects in a forward looking manner and to implement them for the customer in an appropriately timely manner. It is in particular Waggonbau Graaff (Graaff) that ensures the provision of key production capacity for building special wagons. Additionally, within the VTG Group Graaff serves as a design and innovation platform to ensure that valuable design know-how for railcar development remains in the VTG Group, thus ensuring an innovation advantage for VTG.

In the past years, VTG has continuously increased the number of its railcars in North America to around 4,200 as of the end of 2012. As concerns the evaluation of potential acquisition assets, in all markets VTG is always concerned with ensuring that the acquisition prices correspond to its return expectations. VTG also ensures that the underlying cash flows are hedged by long term leasing agreements. In North America, VTG has set itself the goal to continue growing and expanding its existing commitment to a five-figure fleet. The risk to the VTG Group as a whole in North America can be considered to be minor due to the current size of the fleet in this market.

VTG succeeded in commencing operations in the rail freight market of the Russian Federation and its neighbor states in 2011. Because of a rising trend in industrial production as well as the related demand for high quality transport space and the future growing wagon replacement need, VTG will experience good possibilities to develop and/or create new business activities. VTG's risk in the markets of the Russian Federation and its neighbor states can also be evaluated as being low because of the small fleet involved, which comprises only some 800 wagons.

The Railcar Division is well equipped to take up new activities in existing markets in the future. In addition, VTG is also exploring new industries and new geographic markets with attractive growth prospects. Any expansion of business activities is always preceded by thorough market observation accompanied by careful evaluation of the pertinent market characteristics.

Overall, economic experts assume that economic trends will once again stabilize in Europe in 2013, to be followed by slight growth in the following year. Against this background and based on the delivery of numerous new wagons, the Railcar Division expects a positive business development in 2013 and 2014. The level of capacity utilization should, allowing for slight fluctuations, remain high.

Rail Logistics

Rail Logistics looks back on an overall mixed business environment in 2012: the agricultural products market segment faced challenging performance in 2012, with falling transport volumes but fixed costs, which could only partially be reduced at the same time. This was due in particular to external factors such as the strong volatility of grain prices on the world markets and regional changes in worldwide harvest quantities. Rail Logistics reacted to these developments with an adjustment of its business model as well as with a geographic expansion in core markets of interest to the Division. The overall successful business development in the Petrochemicals market segment could only partially set off the charges from the agricultural business, as the trends in this segment were impacted by a customer's insolvency. In the newly developed and still relatively small Industrial Goods market segment the Division acquired new, significant customers, for whom a series of transports were successfully carried out in the second half of 2012. In 2013 these customers are expected to make a positive contribution to the development of Rail Logistics. Rail Logistics also carried out trial transports for potential industrial customers, which may generate new business in 2013.

The new strategic orientation was also accompanied by organizational changes such as the optimization of the wagon fleet and of the division's internal processes, which should in future enhance its competitiveness in the areas of quality, performance, and flexibility.

In 2012, Rail Logistics has also further expanded its service portfolio by providing the full transport service including haulage for a new customer. In this way, the Division has laid an important foundation that will enable it to continue developing on a positive trend in this field.

Customers from all industries, in particular from the mineral oil industry, award their contracts as part of annual transport tenders. The competition with other transport companies for these partially high volume contracts involves both risks and opportunities.

The Rail Logistics Division's trajectory of growth could, of course, be affected by a downturn in the economy or by the availability of the appropriate locomotives and/or rail cars. The Division is attempting to minimize this risk by means of its new strategic orientation in conjunction with an expansion of its range of services as well as by its Europe-wide presence.

A further risk consists in a potential downturn of individual car traffic due to the shrinking offering from the government railroads and/or a further rate increase. Rail Logistics is trying to limit the effects of this risk by means of e.g. the development of individual wagon networks with private rail companies.

On the basis of only moderate economic trends and against the background of the restructuring measures in the agricultural market segment, Rail Logistics expects only slight growth in 2013, which a continuing improvement in 2014.

Tank Container Logistics

Trends in Tank Container Logistics were essentially satisfactory in 2012, even if more subdued than in the previous year. This was essentially due to an intensely competitive environment, characterized by constant insecurity. Business trends were additionally burdened by increasing imbalances in international traffic streams.

The uncertainty about the economic framework conditions could possibly also affect customer ordering behavior and thus the demand for transport space within Tank Container Logistics in 2013. Potential fleet overcapacity could exercise downward pressure on demand and on the achievable margins. Moreover, there is a risk that it will not be possible to pass on to the customer higher transport costs due to rising costs such as sea freight to their full extent.

Tank Container Logistics is facing these developments by regularly investigating the various possibilities for using the tank container fleet flexibly according to opportunities in the market in order to be able to take swift, corrective action in cases of overcapacity. This could take place, for example, by returning leased tank containers.

Tank Container Logistics is also utilizing its established market position in Europe, America, and Asia, and its detailed knowledge of these markets to optimize transport structures. One particular aim is to push ahead with expanding operations in the growth regions of eastern Europe and Asia. Similarly, the fact that Tank Container Logistics offers such high quality service and tailors the transport process to individual customer requirements means that it has the opportunity to both strengthen the sustainable loyalty of existing customers and gain new customers. The customers' high and rising safety consciousness is another factor that favors the use of tank containers.

The Division is moving in a fast market environment. Tank Container Logistics is facing the partially strongly fluctuating traffic streams and ever more complex and global market structures by continuously analyzing its processes in order sustainably to improve the Division's efficiency. Moreover, strategic partnerships with transport service providers offer the option to secure transport capacities and stabilize revenues.

Tank Container Logistics bills a large part of its business services in US dollars, so that foreign currency exchange fluctuations could negatively affect its results. VTG is primarily facing this risk by entering into the appropriate forward currency contracts.

For 2013, Tank Container Logistics expects to be able to maintain its margins in spite of a continuing intensively competitive environment. Moreover, the Division assumes that it will successfully be able to take advantage of market changes in order to establish new and sustainable transport streams and to record positive trends not only in 2013 but also for the following financial year.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

There were no events of special significance after the end of the financial year.

OUTLOOK

Trusted by industry

Fundamentally, VTG's business model is decisively robust. With its Railcar Division, supplemented by the Rail Logistics and Tank Container Logistics Divisions, VTG's business rests on three strong pillars. VTG's around 1,000 different wagon types offer the necessary foundation for the production processes in a number of different industries. Customers usually integrate the leased wagons into their essential production processes or use them for facility-to-facility traffic. In this way, the wagons constitute an important part of the production infrastructure and are therefore leased on a medium to long term basis. The contractual terms and the fundamental customer demand keep VTG's business model stable and solid even in tumultuous times. VTG also has an extremely diverse customer base, with more than 1,000 customers from almost every branch of industry, which renders it more independent from economic fluctuations than its industry specialist competitors. By means of its pan-European network, VTG is also able to hire out returned wagons again in different countries and so respond flexibly to shifts in demand. The Railcar Division is the core of the business, and contributes around 90 % to Group's EBITDA, which is its primary key ratio.

The world economy slowly returns to its path of expansion

The trough of the economic downturn seems to have been overcome as of the transition from 2012 to 2013. This is primarily due to the now improved mood in the emerging countries. Nonetheless, the world economy continues to be burdened by a number of uncertainties overshadowed by the European debt crisis and the imponderables in connection with the future course of European financial policies. Overall, the experts assume that the world economy will slowly record an upward trend again in 2013, even if somewhat sluggishly. The economic recovery should therefore only see a slow discovery in the advanced economies. For the Eurozone it is to be expected that the economic situation will slightly recover starting in the spring of 2013, always provided that the government debt crisis will continue to lessen in the course of the year. Therefore, the Institut für Weltwirtschaft (IfW) in Kiel expects that the gross domestic product (GDP) in the Eurozone (without Germany) will stabilize in 2013 (– 0.3 % as compared to the previous year). An increase of 0.7 % is expected to be attainable for 2014. For Germany, in 2013 the IfW counts with a slight increase in GDP of 0.3 % and with a rise of 1.5 % as compared to the previous year in 2014. In the USA the future economic development is substantially influenced by the country's financial policy. Essentially, however, experts assume rising economic trends in the two coming years, where the IfW reckons with an increase in GDP of 1.5 % for 2013 and of 2.5 % for 2014 as compared to the previous year. In China, the government is doing its best to prevent the development of massive overcapacity. Accordingly, the IfW expects GDP growth of 8.0 % for 2013 and an increase of 7.5 % for 2014. For Russia, the IfW assumes an increase in GDP of around 4 % for both 2013 and 2014. Against the background of the predominating uncertainties and the related economic expectations, key industries in which VTG's customers operate, such as the chemical industry, also expect to return to moderate growth in 2013.

For 2013, VTG expects growing business in a challenging market environment for the Logistics Divisions

The financial year 2012 proved to be a challenging one for VTG. Uncertain economic framework conditions, dragging economies and various individual effects caused a slight slowdown in VTG's growth. Nonetheless, the Group's business model once again proved to be highly stable. With its ability to develop market innovations and successfully to implement large new construction projects for customers, VTG was able overall to maintain its growth pattern to date.

The Railcar Division performed well in 2012 and was able successfully to absorb the insolvency of a customer in the mineral oil industry in the course of the year as a result of its Europe-wide network and its strong customer base. This occasionally led to a slight drop in capacity utilization, which was additionally influenced by the subdued economic trends. Towards the end of the year, Railcar was nonetheless able to return its utilization rate to a good 90.4 %. In 2013, the level of capacity utilization should, taking into account slight fluctuations, remain at a satisfactory level. Overall, in addition to the integration of the businesses acquired in past years, in 2012 Railcar concentrated on the delivery of new construction wagons in order to continue to develop the fleet on a quantitative and qualitative basis. Thus, over the course of the year, 1,700 new construction wagons were delivered to customers. The order book as of year end comprised approximately 1,600 wagons ordered but not yet delivered, of which some 1,200 are planned to be delivered in 2013. The resulting full year effect on the business trend will however only be fully perceived in 2014. The Railcar Division is also working on a continuous improvement of leasing rates in order to be able to compensate for the rising maintenance costs essentially brought about by higher regulatory requirements. Overall, Railcar expects rising business trends for 2013 and 2014, last but not least due to the full year effect of the new construction wagons delivered in 2012 and those still to be delivered.

Rail Logistics faces a continuing challenging market environment in the new financial year. In particular in the agricultural segment, the restructuring measures initiated in the year under review will have to be continued in 2013. In addition, the customer base will continue to be expanded and the contractual framework conditions will be adapted; there will also be a geographic expansion of the transport regions. In the liquids segment, the Division can assume stable and positive volume trends. Furthermore, Rail Logistics intends to continue the further development of the still young Industrial Goods segments. The copper and aluminum transports first performed in 2012 for a number of different customers are the foundation for the development of this market segment. Overall, the Division feels comfortable in regard to its new strategic orientation, but because of the continuing restructuring measures in the agricultural market segment it expects only slight growth in 2013, which would continue to improve in 2014.

In the Tank Container Logistics Division it must be assumed that the market conditions will not substantially change in 2013, and that the pressure on margins will continue. Tank Container Logistics is counteracting this trend – among other measures – by systematically reducing the unproductive fleet costs by optimizing traffic streams. In all other respects, the Division continues to implement active cost management, so that Tank Container Logistics is confident that it is in a position to respond flexibly and appropriately to change in this uncertain market environment.
At the same time, Tank Container Logistics is taking advantage of the option to increase its market share in the sustainable niche segments by means of regular investments in tank containers that meet its customers' demands. Overall, the Division expects successfully to take advantage of market opportunities resulting from changes in transport streams and rising safety and environmental demands. In this way, Tank Container Logistics aims at returning to more positive business trends than those recorded in the year under review in the years 2013 and 2014.

On the basis of the economic estimates and the expectations concerning the growth of the VTG Divisions, the Board of VTG AG assumes that on Group level it will be able to record

- Sales of between € 780 and 830 million, and
- EBITDA of between € 180 and 190 million.

In this forecast, the Board assumes that the new wagons delivered in 2012 will contribute their full sales and profit impact in 2013. In addition, the new construction wagons delivered in 2013 will also make a prorata contribution. Moreover, the VTG Board expects that an increase in leasing rates will also have a positive effect and that the logistics divisions will, depending on the market environment, make a contribution to the Company's growth that will be at least comparable to that of the previous year.

For the financial year 2014, the Board of VTG AG forecasts continuing growth in the business of the VTG Group. Overall, the Board assumes in its forecasts that economic trends will, in particular in Europe, remain generally stable.

VTG continues to issue dividends reliably, with proposed payment of € 0.37 for financial year 2012

The Executive Board of VTG intends to propose to the 2013 Annual General Meeting the payment of a dividend of € 0.37 per share for the financial year 2012. This would once again represent an increase of 6 % on the previous year. VTG is thus continuing to pursue its policy of reliably issuing dividends, thereby enabling shareholders to share in the company's success.

Consolidated Financial Statements

04 Financial Information

Consolidated Financial Statements of VTG AG as of 31st December 2012

CONSOLIDATED INCOME STATEMENT

for the period January 1 to December 31, 2012

€ '000	Notes	**1.1. to 31.12.2012**	1.1. to 31.12.2011
Revenue	(1)	766,961	750,005
Changes in inventories	(2)	1,680	–719
Other operating income	(3)	35,367	34,619
Total revenue and income		**804,008**	**783,905**
Cost of materials	(4)	432,589	430,325
Personnel expenses	(5)	73,125	65,866
Impairment, amortization and depreciation	(6)	104,963	96,446
Other operating expenses	(7)	125,810	120,002
Total expenses		**736,487**	**712,639**
Income from associates		**1,294**	**1,016**
Financing income		1,339	2,808
Interest expenses		–53,691	–69,250
Financial loss (net)	(8)	**–52,352**	**–66,442**
Profit before taxes on income		**16,463**	**5,840**
Taxes on income and earnings	(9)	–6,114	–2,155
Group net profit		**10,349**	**3,685**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		8,700	1,737
Non-controlling interests		1,649	1,948
		10,349	**3,685**
Earnings per share (in €)			
(undiluted and diluted)	(10)	0.41	0.08

The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

€ '000	Notes	**1.1. to 31.12.2012**	1.1. to 31.12.2011
Group net profit		**10,349**	**3,685**
Currency translation		709	2,016
thereof from the sale of non-current assets held for sale and liabilities recorded as income		10	0
Changes in cash flow hedge reserve		254	−402
Transfer of the ineffective portion of the interest hedges to income statement		0	6,790
Actuarial gains and losses from pension provisions	(24)	−8,206	554
Other comprehensive income		**−7,243**	**8,958**
Comprehensive income		**3,106**	**12,643**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		1,446	10,747
Non-controlling interests		1,660	1,896
		3,106	**12,643**
Thereof deferred taxes:			
Changes in cash flow hedge reserve		−125	198
Transfer of the ineffective portion of the interest hedges to income statement		0	−3,344
Actuarial gains and losses		3,722	−311
		3,597	**−3,457**

Explanations of equity are given under Notes (20) to (23).

The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

€ '000	Notes	**31.12.2012**	31.12.2011
Goodwill	(11)	158,263	158,302
Other intangible assets	(12)	56,102	59,528
Tangible fixed assets	(13)	1,037,194	950,424
Investments in associates		17,082	16,813
Other investments	(14)	6,710	7,564
Fixed assets		**1,275,351**	**1,192,631**
Other financial assets	(17)	5,466	6,898
Other assets	(17)	2,400	4,135
Deferred income tax assets	(18)	26,213	21,633
Non-current receivables		**34,079**	**32,666**
Non-current assets		**1,309,430**	**1,225,297**
Inventories	(15)	**21,277**	**18,010**
Trade receivables	(16)	103,272	83,871
Other financial assets	(17)	14,270	16,203
Other assets	(17)	18,486	15,101
Current income tax assets	(18)	4,191	4,192
Current receivables		**140,219**	**119,367**
Cash and cash equivalents	(19)	**57,004**	**98,019**
Current assets		**218,500**	**235,396**
Non-current assets held for sale	(28)	**0**	**1,255**
		1,527,930	**1,461,948**

The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000	Notes	31.12.2012	31.12.2011
Subscribed capital	(20)	21,389	21,389
Additional paid-in capital	(21)	193,743	193,743
Retained earnings	(22)	104,519	110,813
Revaluation reserve	(23)	−11,751	−12,005
Equity attributable to shareholders of VTG Aktiengesellschaft		**307,900**	**313,940**
Non-controlling interests		**3,817**	**3,535**
Equity		**311,717**	**317,475**
Provisions for pensions and similar obligations	(24)	55,186	42,823
Deferred income tax liabilities	(25)	132,825	136,490
Other provisions	(26)	17,104	20,929
Non-current provisions		**205,115**	**200,242**
Financial liabilities	(27)	734,314	681,356
Derivative financial instruments	(27)	10,347	15,616
Other liabilities	(27)	243	708
Non-current liabilities		**744,904**	**697,680**
Non-current liabilities		**950,019**	**897,922**
Provisions for pensions and similar obligations	(24)	3,304	3,483
Current income tax liabilities	(25)	28,678	33,710
Other provisions	(26)	40,859	38,316
Current provisions		**72,841**	**75,509**
Financial liabilities	(27)	21,679	25,370
Trade payables	(27)	134,800	115,663
Derivative financial instruments	(27)	20,591	16,339
Other financial liabilities	(27)	8,972	9,691
Other liabilities	(27)	7,311	3,908
Current liabilities		**193,353**	**170,971**
Current liabilities		**266,194**	**246,480**
Liabilities related to non-current assets held for sale	(28)	**0**	**71**
		1,527,930	**1,461,948**

The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ '000	Subscribed capital	Additional paid-in capital	Retained earnings	(thereof differences from currency translation)	Revaluation reserve*	Equity attributable to shareholders of VTG Aktiengesellschaft	Non-controlling interest	**Total**
Notes	(20)	(21)	(22)		(23)			
As of 31.12.2010	**21,389**	**193,743**	**113,512**	**(1,849)**	**−18,393**	**310,251**	**2,748**	**312,999**
Group net profit			1,737			1,737	1,948	3,685
Currency translation			2,075	(2,075)		2,075	−59	2,016
Changes in cashflow hedge reserve					−402	−402		−402
Transfer of the ineffective portion of the interest hedges to income statement					6,790	6,790		6,790
Actuarial gains and losses from pension provisions			547			547	7	554
Comprehensive income	0	0	**4,359**	**(2,075)**	**6,388**	**10,747**	**1,896**	**12,643**
Dividend payment by VTG Aktiengesellschaft			−7,058			−7,058		−7,058
Payments to non-controlling interests						0	−1,081	−1,081
Miscellaneous changes						0	−28	−28
Total changes	**0**	**0**	**−2,699**	**(2,075)**	**6,388**	**3,689**	**787**	**4,476**
As of 31.12.2011	**21,389**	**193,743**	**110,813**	**(3,924)**	**−12,005**	**313,940**	**3,535**	**317,475**
Group net profit			8,700			8,700	1,649	10,349
Currency translation			665	(665)		665	44	709
Changes in cashflow hedge reserve					254	254		254
Actuarial gains and losses from pension provisions			−8,173			−8,173	−33	−8,206
Comprehensive income	0	0	**1,192**	**(665)**	**254**	**1,446**	**1,660**	**3,106**
Dividend payment by VTG Aktiengesellschaft			−7,486			−7,486		−7,486
Payments to non-controlling interests						0	−1,396	−1,396
Miscellaneous changes						0	18	18
Total changes	**0**	**0**	**−6,294**	**(665)**	**254**	**−6,040**	**282**	**−5,758**
As of 31.12.2012	**21,389**	**193,743**	**104,519**	**(4,589)**	**−11,751**	**307,900**	**3,817**	**311,717**

*The revaluation reserve includes the provision for cash flow hedges.

Explanations of equity are given under Notes (20) to (23).

The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

€ ’000	Notes	**1.1. to 31.12.2012**	1.1. to 31.12.2011
Operating activities			
Group profit		10,349	3,685
Impairment, amortization and depreciation		104,963	96,446
Financing income		−1,339	−2,808
Interest expenses		53,691	69,250
Taxes on income and earnings		6,114	2,155
SUBTOTAL		**173,778**	**168,728**
Other non-cash expenses and income		−793	−591
Dividends received from at-equity investments		1,021	1,498
Income taxes paid		−13,332	−6,461
Income taxes received		1,035	50
Profit/loss on disposals of fixed asset items		−8,237	−7,590
Changes in:			
Inventories		−3,104	−3,493
Trade receivables		−17,861	3,390
Trade payables		13,249	−13,504
other assets and liabilities		−9,733	−16,426
Cash flows from operating activities		**136,023**	**125,601**
Investing activities			
Payments for investments in intangible and tangible fixed assets		−209,422	−134,408
Proceeds from disposal of intangible and tangible fixed assets		30,737	32,250
Proceeds from sale of assets held for sale		2,715	0
Payments for investments in financial assets and company acquisitions (less cash and cash equivalents received)		−170	−25,038
Proceeds from disposal of financial assets		59	46
Loan disbursements		0	−5,024
Financial receivables (in-payments)		3,009	68
Financial receivables (pay-offs)		−50	−2,384
Receipts from interest		971	1,226
Cash flows used in investing activities		**−172,151**	**−133,264**
Financing activities			
Payments of dividends of VTG Aktiengesellschaft		−7,486	−7,058
Payments to non-controlling interests		−1,396	−1,081
Receipts from the taking up of (financial) loans		70,000	617,743
Borrowing costs		0	−12,093
Repayments of bank loans and other financial liabilities		−16,791	−504,560
Interest payments		−50,168	−37,078
Cash flow used in /from financing activities		**−5,841**	**55,873**
Change in cash and cash equivalents		**−41,969**	**48,210**
Effect of changes in exchange rates		−159	−103
Changes due to scope of consolidation		768	1,547
Balance at beginning of period	(19)	98,364	48,710
Balance of cash and cash equivalents at end of period	(19)	**57,004**	**98,364**
of which freely available funds		**54,254**	**96,605**

For an explanation of the consolidated cash flow statement, please refer to the section Other Disclosures.
The explanatory notes on pages 84 to 138 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Explanation of accounting principles and methods used in the consolidated financial statements

1. General information

VTG Aktiengesellschaft (VTG AG), registered in Hamburg, Nagelsweg 34, is the parent company of the VTG Group. The company is registered in the commercial register of the Local Court of Hamburg (HRB 98591). VTG AG and its subsidiaries operate in the business divisions of Railcar, Rail Logistics and Tank Container Logistics.

The financial year of VTG AG and its consolidated subsidiaries corresponds to the calendar year.

VTG AG prepares its consolidated financial statements in accordance with IFRS pursuant to § 315 (a) (1) of the German Commercial Code. The consolidated financial statements and group management report are published in the electronic Federal Gazette.

The consolidated financial statements comprise the consolidated income statement, the consolidated statements of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements.

For better presentation, all amounts are given in thousands or millions of euros (€ '000 or € million).

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on February 21, 2013.

2. Principles of accounting

The consolidated financial statements of VTG AG were prepared in accordance with the International Financial Reporting Standards (IFRS) effective at the balance sheet date and as applicable in the EU and in accordance with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The commercial law regulations under § 315 (a) (1) of the German Commercial Code were also observed.

The consolidated financial statements were prepared based on the historical cost convention, with the exception of the financial assets available for sale and financial assets and financial liabilities (including derivative financial instruments) carried at fair value through profit or loss.

Principles of consolidation

The consolidated financial statements include all entities over which VTG AG can exercise control by determining their financial and business policy such that the companies of the VTG Group benefit from the activity of these entities (subsidiaries). These entities are included in the consolidated financial statements from the date on which the VTG Group gains such potential for control. If this potential for control ceases, the companies in question withdraw from the group of consolidated companies.

All consolidated subsidiaries are included with their individual financial statements prepared for use in the consolidated financial statements of VTG AG. These were prepared using uniform accounting, measurement and consolidation methods.

Subsidiaries not included in the consolidated financial statements are insignificant for the presentation of the net assets, financial position and results of operations due to dormant operations or a low level of operations. Non-consolidated companies are generally recognized in the consolidated balance sheet at acquisition cost.

Investments in companies where the VTG Group is able to exercise significant influence over business policy (associates) are accounted for at equity. Entities with an ownership percentage of between 20 % and 50 % are, as a general rule, accounted for at equity. The first and last date of at-equity accounting is determined in line with the principles that apply for subsidiaries. The most recent financial statements of these entities serve as the basis for consolidation under the equity method. As of December 31, 2012, two companies are accounted for under the at-equity method. The complete list of equity investments is presented on pages 130 to 131.

Subsidiaries acquired are accounted for in accordance with the acquisition method. The acquisition costs equal the fair value of the assets acquired, the equity instruments issued and the liabilities arising or assumed as of the date of exchange. In addition, the consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value on the acquisition date of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If these acquisition costs are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is amortized exclusively in accordance with the impairment-only approach, under which it is subject to an impairment test at least once a year and is subsequently measured at its original acquisition cost less any accumulated impairment losses.

Intra-group receivables and payables and provisions as well as contingent liabilities between the consolidated companies are eliminated.

Intra-group revenue and other intra-group income, as well as the corresponding expenses, are eliminated. Interim profits resulting from intra-group transactions are eliminated in full, including their impact on deferred taxes, except for insignificant transactions. Intra-group transactions are normally arm's-length transactions.

Transactions involving non-controlling interests are treated as transactions with owners of equity of the Group. If there is a difference between the payment made to acquire non-controlling interests and the relevant proportion of the carrying amount of the net assets of the minority interests, this is recognized in equity. Gains and losses arising from the sale of a shareholding of non-controlling interests are also recognized in equity.

Currency translation

The items included in the financial statements of any Group company are measured in the currency that represents the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, which represent the functional and reporting currency of VTG AG.

The annual financial statements of the foreign subsidiaries with a functional currency other than the euro are translated into euros as follows:

- Assets and liabilities are translated at the middle rate as of the balance sheet date.
- The items in the income statement are translated at the weighted average rate for the year using the modified closing rate method (unless use of the average rate does not lead to reasonable proximity to the accumulated effects which would have resulted from translation at the rates valid at the time of the transactions, in these cases the income and expenses are translated at their transaction rates).

All differences from the translation of single-entity financial statements of foreign subsidiaries and foreign companies recognized at equity are treated without effect on income and shown separately within equity as differences arising from currency translation. In the year of the de-consolidation of foreign subsidiaries, the currency differences are released to income.

For the translation into euros of financial statements of foreign companies recognized at equity, the same principles are used as for consolidated companies.

Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses which result from the fulfillment of such transactions, as well as from the translation of monetary assets and liabilities maintained at the closing date, are recorded in the income statement, unless they are to be accounted for in equity as cash flow hedges.

The following exchange rates have been used for currency translation:

1 euro =	Rate at balance sheet date 31.12.2012	31.12.2011	Average rate 2012	2011
British Pound	0.8154	0.8372	0.8111	0.8678
Chinese Yuan Renminbi	8.2117	8.1485	8.1119	9.0006
Polish Zloty	4.0882	4.4553	4.1836	4.1187
Russian Ruble	40.1982	41.7428	39.9236	40.8798
Swiss Franc	1.2072	1.2162	1.2052	1.2339
Czech Koruna	25.1169	25.8129	25.1354	24.5820
US Dollar	1.3183	1.2938	1.2857	1.3922

There were no transactions performed in or with high-inflation countries during the financial year.

Recognition of revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services within ordinary activities. Furthermore, revenue includes the currency differences from foreign currency receivables that have arisen from normal trading. Revenue is recorded without value added tax, discounts or price reductions and after the elimination of intragroup sales.

Revenue from services is not realized until the service has been fully rendered. There is no recognition in accordance with stage of completion due to the nature of the business. Income from the sale of goods is recognized if these have been delivered and the risk has been transferred.

Dividends are recorded as income when the claim is legally effective. Interest expenses and interest income are recognized proportionally, applying the effective interest method. Expenses and income from compensation for use are allocated to periods and recorded according to the economic substance of the relevant agreements.

Balance sheet structure

Assets and liabilities are shown in the balance sheet as non-current assets where the residual term is more than a year. Residual terms of less than a year are thus shown as current assets and liabilities. Liabilities are generally deemed non-current as long as there is no unqualified right to avoid performance in the next year. Deferred tax assets and liabilities are generally shown as non-current assets and liabilities. Conversely, current income tax assets and liabilities are shown as current assets and liabilities. If the assets and liabilities have non-current and current components, these are shown in accordance with the balance street structure as current/non-current assets and liabilities.

Unplanned impairment losses

Assets that have an indefinite useful life are not subject to scheduled depreciation or amortization. They are subject to an annual impairment test. Assets that are subject to scheduled amortization or depreciation are subject to an impairment test when relevant events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recorded in the amount of the difference between the carrying value and recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the impairment test, assets are combined at the lowest level for which cash flows can be identified separately (cash-generating units). The cash-generating units are set out under Note (11) Goodwill. With the exception of goodwill, non-monetary assets that have been subject to an impairment adjustment in the past are reviewed at each balance sheet date to determine if a reversal of impairment is required. If the reasons for impairment losses recognized in previous years cease to apply, corresponding impairment reversals are made, with the exception of goodwill.

Goodwill

Goodwill is the amount by which the acquisition costs of the enterprise exceed the fair value of the shares held by the Group in the net assets of the acquired enterprise at the time of acquisition. Goodwill arising on acquisition of an enterprise is classified under intangible assets. Capitalized goodwill is not subject to scheduled amortization, but is instead subject to an impairment test at least once a year on the basis of the cash-generating unit to which it is allocated.

As part of the impairment test, it is tested whether the recoverable amounts exceed the carrying values of the units tested, including the goodwill allocated. The fair value less costs to sell corresponds to the present value of the estimated future cash flows.

Segmental goodwill is tested for impairment regularly as part of the annual budgeting process. The fair values less costs to sell are determined using the discounted cash flow method (DCF method), whereby forecast cash flows derived from the multi-year plan approved by management are discounted with a market-specific capital cost rate. This plan extends over a period of up to five years, followed by the terminal value.

Overall, the management expects moderate growth. The capitalization interest rate plus a growth surplus of 1.0 % per year has been applied for the subsequent period. The calculation of cash flows is based on the empirical values from past financial years and takes account of future developments. Other significant planning assumptions and the opportunities and risks of future development can be found in the relevant sections of the Group Management Report. In order to determine useful lives, risk-oriented interest rates appropriate to the market were applied. The post-tax interest rates (WACC) are between 5.4 % and 5.5 %, while in the previous year they were between 4.9 % and 5.2 %.

Other intangible assets

Other intangible assets comprise brand values and customer relationships as well as purchased intangible assets as well as internally generated capitalized development costs.

Due to their indefinite useful life, brand values are not amortized, rather they are subject to an annual impairment test in which the book value of the brands is compared with the fair value. The fair values are calculated as for the goodwill impairment test as described, on the basis of the discounted forecast cash flows.

Customer relationships are initially recognized at fair value measured on the basis of residual profit and are normally amortized on a straight-line basis in the subsequent periods up to 20 years.

Development costs which are directly attributable to the development and review of identifiable, individual designs for rail freight cars controlled by the Group are recognized as intangible assets if they meet the following criteria:

- Completion is technically feasible
- The management intends to complete the asset and to use or sell it
- There is an ability to use or sell the asset
- It can be demonstrated that the asset is likely to yield future economic benefits
- Adequate technical, financial and other resources are available to complete the development process and use or sell the asset
- The expenditure attributable to the asset during its development can be measured reliably

The costs directly attributable to the asset, in addition to external costs, mainly comprise personnel costs for the employees involved in development and an appropriate share of the relevant overheads.

Capitalized development costs for designs are subject to scheduled straight-line depreciation over their estimated useful lives of up to seven years.

Research costs are not capitalized but are expensed as incurred.

Other intangible assets with finite useful lives acquired against payment are generally stated at acquisition cost and for the most part amortized on a straight-line basis over three years.

Tangible fixed assets

Tangible fixed assets are generally measured at acquisition or manufacturing cost less scheduled depreciation on a straight-line basis to reflect use and, in individual cases, impairment.

Acquisition costs comprise all consideration given to purchase an asset and to bring it to an operational state. Manufacturing costs are determined on the basis of direct costs as well as directly allocable overheads and depreciation. Finance costs for the purchase and for the period of manufacture are capitalized if qualifying assets are present.

Assets with a limited useful life are depreciated on a straight-line basis. This is based on a recoverable residual value that takes regional differences into account. Compound items are created for low-value assets (acquisition cost between € 150 and € 1,000), which are depreciated over five years.

Tangible fixed assets are subject to scheduled depreciation over their expected useful lives, as follows:

Tangible fixed assets	Useful life
Buildings	up to 50 years
Technical plant and machinery	up to 15 years
Containers	up to 12 years
Rail freight cars *	
Grain silo wagons	up to 42 years
Compressed gas tank wagons	up to 35 years
Mineral oil wagons, bulk goods wagons and similar.	up to 32 years
Chemical wagons	up to 28 years
Operating and office equipment	up to 13 years

* Some wagon types in the US have longer useful lives than those stated above.

Costs for maintenance and repair of items within tangible fixed assets are recorded as expenses. Expenses for renewal are capitalized as subsequent manufacturing costs if they result in a substantial extension of the useful life, a significant improvement or a meaningful change in the use of the asset. The costs of overhaul of the rail freight cars are capitalized as a separate component and depreciated over the term of the overhaul intervals. The term of the overhaul intervals is four to six years. Where replacement parts or maintenance equipment can be used only in relation to a tangible fixed asset, these are included under tangible fixed assets.

Lease agreements

Leased assets for which the entities of the VTG Group bear all significant risks and rewards (finance leases) are capitalized in accordance with IAS 17. These assets are capitalized at the fair value of the asset or the present value of the minimum lease payments, whichever is lower. Depreciation is recorded normally over the economic life or, if shorter, the term of the lease, using the depreciation method that applies for comparable purchased or manufactured fixed assets. The payment obligations that arise for future lease installments are recorded as liabilities, disregarding the interest component. The interest portion of the lease installment is recorded as an expense in the consolidated income statement.

In the case of operating leases, the lease/hire payments are recorded on a straight-line basis over the period of the lease in the income statement.

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Financial instruments

IAS 32 defines a financial instrument as a contractually agreed right or obligation which gives rise to the inflow or outflow of financial assets or the issue of equity rights. Financial instruments include primary financial instruments such as trade receivables and payables, financial receivables and liabilities and derivative financial instruments, which are used to hedge against interest rate and currency risks. Financial instruments are entered in the balance sheet where an obligation has been undertaken (trading date) to buy or sell an asset.

Primary financial instruments

Financial assets are divided into the following categories: (a) at fair value through profit or loss, (b) loans and receivables, (c) held to maturity and (d) available for sale. Initial classification into these categories affects how they are subsequently measured. Itemization as current or non-current has no influence on measurement but is itself influenced by classification within one of these categories. Financial assets are derecognized where the rights to payments from the financial asset have expired or the Group has essentially transferred all risks and opportunities associated with the asset. At each balance sheet date, a review is undertaken as to whether there are any objective indications in respect of impairment of a financial asset or of a group of financial assets.

a. Financial assets measured at fair value through profit or loss

There are no assets in the VTG Group that fall into this category except for derivative financial instruments.

b. Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed definable payments and are not quoted on an active market. They arise where the Group provides money or services directly to a debtor without the intention of trading with this receivable. They qualify as current assets as long as they are not due twelve months or more after the balance sheet date. All other loans and receivables are shown as non-current assets. Loans and receivables are included in the balance sheet under other financial assets (loans), trade receivables and other receivables and assets. Loans and receivables are recognized at fair value less transaction costs when incurred and recognized in the balance sheet at amortized cost. With these items, account is taken of all identifiable specific risks and the general risk of default based on experience using appropriate provisions.

c. Financial assets held to maturity

There are no assets in the VTG Group that fall into this category.

d. Financial assets available for sale

Financial assets available for sale have been either directly classified under this category or could not be classified under one of the other three given categories. The financial assets presented in the VTG Group are mainly investments in affiliated companies, which have not been consolidated because of their minor importance, and investments. They are classified as non-current assets, provided that management does not intend to sell them within twelve months of the balance sheet date. Financial assets held for sale are initially recognized at their fair value plus transaction costs (acquisition costs) and are recognized on subsequent balance sheet dates at their fair values to the extent that their market value can be determined reliably. In this case, the unrealized gains and losses arising from the change in the fair value are recognized in the revaluation reserve after accounting for tax effects. If the assets that are classified as available for sale are sold or have been subject to impairment, then the cumulative changes to fair value previously recognized in equity (revaluation reserve) are recognized through profit and loss. The shareholdings and investments are not traded and there are no market prices listed on an active market. These shares and other investments are recognized at amortized cost since it is not possible to determine their fair values reliably. VTG does not intend to sell the assets that are classified as available for sale.

Liabilities for primary financial instruments can be measured either at amortized cost or at fair value through profit or loss. As a rule, the VTG Group measures financial liabilities at amortized cost. Financial liabilities are stated at their fair value on initial recognition, net of transaction costs. Transaction costs arising from the refinancing of the Group for the setting up of as-yet-unused lines of credit are capitalized and distributed over the term of the credit agreement using the effective interest method. Differences between the disbursement amount and repayment amount are charged like transaction costs to income over the term of the borrowing, applying the effective interest method. Loan liabilities are classified as current if the Group does not have an unconditional right to repay the liability at a time later than twelve months after the balance sheet date. In the balance sheet current account overdrafts, credits used are shown as current financial liabilities. Financial liabilities are derecognized once the contractual obligations have been fully met, have been removed or have expired.

Foreign currency receivables and payables are recognized at the exchange rate applicable on the balance sheet date. Exchange differences arising from translation of foreign currency receivables are included in revenue as long as they are generated by normal operating activities. The exchange differences from foreign currency liabilities are shown in cost of materials. Exchange differences arising from other matters are included in other operating expenses and income.

Derivative financial instruments

Derivative financial instruments are recognized initially at their fair values, which are allocated on the day the contract is concluded. Subsequent valuation is also at the relevant fair value at each balance sheet date. To the extent that derivative financial instruments are not part of a hedging relationship (hedge accounting), these have to be classified as held for trading in accordance with IAS 39. The method for recording profits and losses depends on whether the derivative financial instrument was classified as a hedging instrument and, if so, on the nature of the hedged item. The Group classifies derivative financial instruments either as hedges for the fair value of assets or liabilities (fair value hedge) or as hedges against the risks of fluctuating cash flows from future transactions with a high probability of occurring (cash flow hedge).

Derivative financial instruments are only concluded by the Group's head office within the framework of the valid guidelines and provisions. If a company independently concludes derivative financial instruments within the valid guidelines and provisions, this is done only with the prior approval of the Group's head office.

On concluding a transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the objective of risk management and the underlying strategy when entering into hedging transactions. The effectiveness of the hedging relationship is examined at the outset and on each balance sheet date.

The fair value of the derivative financial instrument designed as a hedging instrument is presented as a non-current asset or non-current liability to the extent that the residual term of the underlying transaction covered by the hedge is longer than 12 months after the balance sheet date or as a current asset or current liability if the residual term is shorter. Derivative financial instruments held for trading purposes are disclosed as current assets or liabilities. The fair values of (derivative) financial instruments, which are not traded in an active market, are determined by applying risk-adjusted valuation models. The Group uses varying valuation models and makes assumptions on the basis of the market circumstances at the balance sheet date.

The effective portion of market value changes of derivative financial instruments, which is deemed cash flow hedge, is recorded after accounting for deferred taxes in other comprehensive income without affecting income. The non-effective portion is recorded to the income statement. The amounts recorded to equity are reclassified to the financial result in the financial years in which the underlying transaction affects the income statement or if the forecast transaction is no longer expected to occur.

The market value changes of financial derivatives not in a hedging relationship are recognized through profit of loss in the income statement within the financial result.

Derivative financial instruments are used within the framework of managing interest rate and currency risks.

Inventories

Inventories are recognized at the lower of acquisition/manufacturing costs and net realizable value. The net realizable value is defined as the estimated ordinary selling price less necessary variable selling expenses. Similar items of inventory are measured applying the average method. The measurement of raw materials, supplies and consumables is at acquisition cost. The costs of work in progress comprise the costs for raw materials, supplies and consumables, direct personnel expenses, other direct costs and overheads attributable to production. For qualifying assets, borrowing costs are included in the manufacturing costs.

Provisions for pensions and similar obligations

There are both defined contribution plans and defined benefit plans in place for employee retirement benefit. The structuring depends on the legal, tax and economic conditions in the country concerned and are generally related to the service period and level of remuneration of the employees.

Under the defined contribution plans, the company pays contributions to state pension schemes and private pension bodies on the basis of statutory or contractual regulations. Once the contributions have been paid, the company does not have any further obligations to provide benefits.

For defined benefit pension commitments, whereby the company guarantees employees a specific level of payment, the company creates provisions. These provisions cover payment commitments for retirement, disability and survivors. Under IAS 19, these obligations are determined using the projected unit credit method, taking into account the discount rate, the expected future development of salaries and pensions and additional actuarial assumptions. They are entered in the balance sheet after the deduction of the fair value of plan assets.

The actuarial gains and losses are recognized in other comprehensive income without affecting income and result in a change in the present value of the pension obligations without affecting income as well as the fair value of plan assets. Expenses from increases in pension obligations that reflect the passage of time (unwinding of the discount) are shown under interest expenses after offsetting income from the interest yielded by plan assets. The discount rate is intended to reflect, as of the balance sheet date, the market-specific effective interest rate for high-value corporate bonds whose term corresponds to that of the pension commitment. The discount rate was, in line with the previous year, based on the "iBoxx Corporate € AA 10+", taking into account any changes in ratings effective as of the reporting date. We matched the maturity of the obligation by extrapolating along the German Central Bank's government bond curve.

Taxes on income

The tax expense for the period is made up of both current and deferred taxes. Taxes are recognized in the income statement unless they relate to items that have been recognized directly in equity or in other comprehensive income. In this event, the taxes are also recognized in equity or in other comprehensive income.

The current tax expense is calculated using the tax regulations applicable on the balance sheet date (or shortly to be applicable) for the countries in which the company and its subsidiaries operate and generate taxable income.

Deferred taxes are recognized for all temporary differences between the tax base of assets and liabilities and their carrying values under the applicable IFRS. However if, as part of a transaction which does not represent a business combination, deferred tax arises on the first-time recognition of an asset or a liability which, at the time of the transaction, has neither an effect on the balance sheet nor on the tax profit or loss, then there is no deferred tax either on initial recognition or later. Deferred taxes are measured by applying tax rates (and tax laws) that are valid at the balance sheet date or which have been substantially enacted and are expected to apply to the period when the tax asset is realized or the liability settled. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will be available against which the temporary differences can be used.

Other provisions

Other provisions are set up for uncertain legal and constructive obligations to third parties, the occurrence of which will probably lead to an outflow of funds. They are formed taking into consideration all identifiable risks at the probable settlement amount and are not offset against any claims of recourse. Measurement is at the best estimate of the current obligation at the balance sheet date, discounting long-term obligations.

Government grants

Government grants are measured at fair value where it can be assumed with great certainty that the grant will be made and the Group meets the necessary requirements for receipt of the grant.

Government grants for costs are recognized as income over the period in which the costs to be covered by the grants are incurred.

Government grants related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset. The grant is recognized as income over the life of depreciable asset by way of a reduced depreciation charge.

There were no material government grants in the financial year 2012.

Non-current assets held for sale

Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale if their book value will be essentially realized through a sale and a sale is highly probable. These are measured at book value or fair value less the cost of sale, whichever is lower. They are not to be depreciated or amortized until final sale.

Estimates and discretionary judgements

In the preparation of the consolidated financial statements, assumptions have been made and estimates applied that have an impact on the level and the disclosure of the assets and liabilities, income and expenses and also on contingent liabilities. All estimates and related assumptions are revalued continually and are based on historical experience and other factors, including expectations with regard to future events that appear reasonable under the applicable circumstances. The amounts that actually materialize in the future may differ from the amounts determined on the basis of estimates and assumptions. Such differences will be taken to income when better estimates are available.

The following estimates and related assumptions may have a major affect on the consolidated financial statements.

At least once a year, the Group carries out an impairment test of capitalized goodwill and brand values with indefinite useful lives based on the cash-generating units to which they are allocated.

The key assumptions made here take account of, in particular, the estimated development of the Return on Capital Employed (ROCE) and the resulting earnings before interest and taxes (EBIT) and the assumed cost of capital (WACC). A change to these key planning parameters has a significant effect on the calculation of the net realizable value and, ultimately, on the level of any necessary impairment of goodwill or brands with indefinite useful lives.

Management uses internal analyses and forecasts to project the earnings trend and external information sources for the other parameters used.

Based on the existing models for the cash-generating units Rail Logistics and Tank Container Logistics, impairment losses are possible only in the case of scenarios that are currently improbable because they would result from changes to key assumptions.

With regard to the cash-generating unit Railcar with attributed goodwill of € 150.5 million and the cash-generating unit VTG Rail, Inc., Edwardsville, Illinois (VTG Rail, Inc.), with attributed goodwill of € 2.0 million, unforeseeable changes to key planning assumptions could lead to impairment of goodwill.

This applies in particular to the assumptions made regarding EBIT, ROCE and the estimated cost of capital (WACC), where the other parameters of the impairment test are assumed to be constant.

The goodwill attributed to the Railcar segment would remain unimpaired in the case of a fall in future EBITs of up to 8.7 % or a decrease in ROCE regarding the terminal value of up to 0.71 percentage points or an increase in WACC after tax of up to 0.49 percentage points compared with the parameters currently used. In the cash-generating unit VTG Rail, Inc., there would be no impairment of goodwill in the case of a fall in future EBITs of 2.7 % or a decrease in ROCE regarding the terminal value of up to 0.17 percentage points or an increase in WACC after tax of up to 0.15 percentage points compared with parameters currently used.

With the context of the hedging of interest rate risks through cash flow hedges, borrowing that is expected to take place in the future is also designated as a hedged item. Both the likelihood of occurrence and the amount of the expected future borrowing are decided in consultation with those responsible for corporate planning. If these events do not occur, this has an effect on the financial result. The key factor in deciding the level of this effect is the measurement of the interest derivatives used as hedging instruments (see information on interest rate risk under "Reporting of financial instruments").

The Group reviews the useful lives applied at least once a year. Should expectations deviate from estimates made until now, the required adjustments are appropriately accounted for as changes in estimates. The determination of the useful lives is made on the basis of market observations and experience values.

The level of defined benefit pension provision is calculated on the basis of actuarial assumptions. The assumed discount rate has a major impact on the level of obligation. If the discount rate rises by 25 basis points, the level drops by € 1.6 million. If the discount rate falls by 25 basis points, the level increases by € 1.6 million.

The Group has a duty to pay income taxes in various countries. For each tax subject, the expected effective income tax amount is to be determined and the temporary differences from the different treatment of certain balance sheet items in the IFRS financial statements and in the statutory tax financial statements are to be assessed. Where there are temporary differences, these lead to the capitalization or provision of deferred tax assets and liabilities. When calculating current and deferred taxation, the management has to make judgements, for example with regard to the probability of the future utilization of deferred tax assets. If the actual results differ from these assessments, then this can have an impact on the Group financial statements.

Tax estimates are made taking into account the provisions of country-specific legislation.

The Group has set up provisions for various risks. However, in accordance with the accounting and measurement methods stated, such provisions are set up only if it is probable that they will be utilized. Naturally, various scenarios exist here. The assessment with regard to probability is based on past experience and on evaluations of specific business transactions. Facts already in existence at the balance sheet date which come to light later are accounted for.

Fair values of financial instruments not traded in an active market are determined using appropriate valuation techniques which are selected from numerous methods. The assumptions applied here are predominantly based on the market conditions existing at the balance sheet date.

When applying the methods of accounting and measurement, any discretion exercised is subject to the principle of prudence.

3. New financial reporting standards

For the financial year beginning January 1, 2012, the application of some new standards and amendments to existing standards and interpretations became mandatory. Overall, the reforms have had no or only a minimal effect on the financial accounting of the VTG Group.

The amendments in **"IFRS 7 Financial Instruments: Disclosures – Transfers of financial assets"** concern additional disclosure requirements regarding derecognition of financial assets.

The following standards and interpretations to be applied in future and amendments to existing standards and interpretations do affect operations of the Group to some extent. New regulations are applied in the financial year in which they application first becomes mandatory under EU law.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" concerns the accounting and reporting of costs for mine waste removal (stripping) during the access phase of surface mining activity. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013, and will have no effect on the consolidated financial statements of VTG AG.

The amendments in **"IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"** contain newly added disclosure requirements regarding certain netting agreements. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

The new **IFRS 9 "Financial Instruments"** contains simplified accounting rules for financial instruments. Its objective is to have only two categories for measuring financial instruments – amortized cost and fair value. The more differentiated classification and measurement system of IAS 39 is to be discarded. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2015 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The new standard replaces the formerly applicable consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation–Special Purpose Entities". Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

IFRS 11 "Joint Arrangements" establishes principles for financial reporting where a company exercises joint control regarding a joint venture or joint operation. The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", which were previously applicable for financial reporting with regard to joint ventures. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

IFRS 12 "Disclosure of Interests in Other Entities" brings together the disclosure requirements of IFRS 10 (which supersedes IAS 27) IFRS 11 (which supersedes IAS 31) and IAS 28 in one revised, comprehensive standard. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

IFRS 13 "Fair Value Measurement" sets out a single framework for measuring fair value. It defines fair value and describes the applicable methods for determining fair value. IFRS 13 also expands the required disclosures relating to fair value measurement. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

The amendments to **IAS 1 "Presentation of Financial Statements"** mainly comprise changes to the presentation of income and expenses recognized directly in equity. In future, these must be grouped separately into items that might be and will not be reclassified to profit or loss in a subsequent period. Application of these new regulations is mandatory for financial years beginning on and after July 1, 2012 and will affect the consolidated statement of comprehensive income in terms of minor changes to its structure.

IAS 12 "Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets" contains rules for measuring deferred taxes in relation to investment property measured at fair value. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013 and will have no effect on the consolidated financial statements of VTG AG.

The adjustments to **IAS 19 "Employee Benefits"** result in a change in the accounting and measurement of the cost of defined benefit plans and of termination benefits. These also increase disclosure requirements regarding employee benefits. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013. As a result of the introduction of the net interest expense concept, the interest expense will increase slightly for the VTG Group.

The new version of **IAS 27, "Separate Financial Statements"**, now contains exclusively the unamended guidelines for IFRS separate financial statements. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014, and will have no effect on the consolidated financial statements of VTG.

The new version of **IAS 28, "Investments in Associates and Joint Ventures"**, sets out for the first time that, in the case of the planned partial disposal of an associate or joint venture, the portion of the investment held for sale is to be accounted for in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", provided it meets the criteria to be classified as held for sale. The remaining portion continues to be accounted for using the equity method until the time of disposal of the portion held for sale. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

The changes to **IAS 32 "Financial Instruments: Presentation"** prescribe additional rules for the offsetting of financial assets and financial liabilities. It specifies that there must be an unconditional, legally enforceable right to set-off even in the case of insolvency of one party. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

"Improvements to IFRS 2012" is a collective standard for amending different IFRS. It includes amendments to various IFRS affecting the recognition, measurement and disclosure of business transactions in addition to terminological and editorial corrections. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2013 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

4. Scope of consolidation in the financial year 2012

In addition to VTG AG, a total of 16 (previous year: 14) domestic and 25 (prior year 28) foreign subsidiaries are included in the consolidated financial statements for the financial year 2012.

The consolidation group as of 31.12.2012 comprised the following companies:

No.	Name and registered office of company	Ownership in %
	Fully consolidated companies	
1	VTG Aktiengesellschaft, Hamburg	
2	Alstertor Rail UK Limited, Birmingham	100.0
3	Ateliers de Joigny S.A.S., Joigny	100.0
4	CAIB Benelux BVBA, Berchem/Antwerp	100.0
5	CAIB Rail Holdings Limited, Birmingham	100.0
6	CAIB UK Limited, Birmingham	100.0
7	Deichtor Rail GmbH, Garlstorf	100.0
8	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	98.6
9	Etablissements Henri Loyez S.A.S., Libercourt	100.0
10	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
11	EVA Holdings Deutschland GmbH, Hamburg	100.0
12	Ferdinandstor Rail GmbH, Garlstorf	100.0
13	Jasper Moritz OÜ, Tallin	100.0
14	Klostertor Rail GmbH, Garlstorf	100.0
15	OOO Railcraft Service, Moscow	100.0
16	Railcraft Eesti OÜ, Tallin	100.0
17	Railcraft Oy, Espoo	100.0
18	Railcraft Service Oy, Espoo	100.0
19	Transpetrol Austria GmbH, Vienna	100.0
20	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
21	Transpetrol Sp.z o.o., Chorzów	100.0
22	VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	100.0
23	VTG Austria Ges.m.b.H., Vienna	100.0
24	VTG Benelux B.V., Rotterdam	100.0
25	VTG Deutschland GmbH, Hamburg	100.0
26	VTG France S.A.S., Paris	100.0
27	VTG ITALIA S.r.l., Milan	100.0
28	VTG North America, Inc., Hinsdale, Illinois	100.0
29	VTG RAIL ESPAÑA S.L., Madrid	100.0
30	VTG Rail, Inc., Edwardsville, Illinois	100.0
31	VTG Rail Logistics Benelux N.V., Gent	100.0
32	VTG Rail Logistics Deutschland GmbH, Hamburg	100.0
33	VTG Rail Logistics France S.A.S., Paris	100.0
34	VTG Rail Logistics GmbH, Hamburg	100.0
35	VTG Rail Logistics s.r.o., Prague	100.0
36	VTG Rail UK Limited, Birmingham	100.0
37	VTG Schweiz GmbH, Basel	100.0
38	VTG Tanktainer Assets GmbH, Hamburg	100.0

No.	Name and registered office of company	Ownership in %
39	VTG Tanktainer Logistics GmbH, Hamburg	100.0
40	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
41	Waggonbau Graaff GmbH, Elze	100.0
42	Waggonwerk Brühl GmbH, Wesseling	100.0
	Name and registered office of company	
43	Waggon Holding AG, Zug	50.0
44	Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai	50.0

Compared with December 31, 2011, two domestic and one foreign company have been added for the first time to the scope of consolidation. Four foreign companies left the group of consolidated companies.

As of January 1, 2012, VTG Rail Logistics s.r.o., Prague was included in the consolidated financial statements for the first time, as the Executive Board expects the company to grow in importance in the future. The VTG Group acquired assets amounting to € 2.3 million, which were mainly apportioned to the items trade receivables (€ 1.5 million) and cash and cash equivalents (€ 0.7 million). The liabilities assumed mainly comprise trade payables (€ 1.1 million). The first-time consolidation of this company contributes income of € 0.2 million in the current financial year. This is predominantly from the company's retained earnings.

On June 29, 2012, VTG France S.A.S., Paris was merged with Alstertor Rail France S.à r.l., Joigny, with the new company subsequently operating under the name VTG France S.A.S., Paris. This has no effect on the consolidated financial statements.

On August 1, 2012, VTG Tanktainer Logistics GmbH, Hamburg and VTG Tanktainer Asset GmbH, Hamburg were included in the consolidated financial statements for the first time, as these have commenced operations as part of the Group. Net assets of € 49,000 were acquired, mainly in the form of cash and cash equivalents.

On August 25, 2012, TMF-CITA (Nederland) B.V., Spijkenisse, Netherlands, was merged with and incorporated into VTG Benelux B.V., Rotterdam, Netherlands. This has no effect on the consolidated financial statements.

With effect from August 1, 2102 and July 31, 2012 respectively, the companies assigned to the Railcar segment Car Repair Property I, LLC, Carterville, Illinois and Car Repair Property II, LLC, Lima, Ohio were sold at a price of € 2.7 million, as these had been acquired in the previous year with the intention of resale. The sum was paid completely in cash.

The main categories of outgoing assets and liabilities from the sale of the companies are as follows:

€ '000	Disposal 2012
Tangible fixed assets	721
Current receivables and other assets	734
Current liabilities	249
Net assets	**1,206**

The profit from the sale of the companies is shown under other operating income.

Associates

As previously, Waggon Holding AG (Waggon Holding) and Shanghai COSCO VOTG Tanktainer Co., Ltd. (Shanghai Tanktainer) are accounted for using the equity method.

The associates Waggon Holding and Shanghai Tanktainer show the following key financial information in their financial statements as of December 31, 2012:

	Waggon Holding		Shanghai Tanktainer	
€ '000	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Assets	3,115	3,020	4,705	4,468
Liabilities	14	13	2,062	2,193
Income	2,159	1,642	10,167	12,380
Net profit for the year	2,109	1,596	479	436

This information includes both the group share and minority share of assets, liabilities and income statement items.

The development in the carrying amount of companies accounted for using the equity method is as follows:

€ '000	**2012**	2011
Balance as of January 1	16,813	16,767
Currency adjustment	–4	528
Share of net profit for the year	1,294	1,016
Elimination of dividend	–1,021	–1,498
As of December 31	**17,082**	**16,813**

Segment Reporting

Explanations of the segments

The Group is segmented on the basis of internal company control. The individual companies and company divisions are allocated to the segments solely on the basis of economic criteria, independently of their legal corporate structure. The segments apply the same accounting and measurement principles.

In addition to hiring out the freight cars in its own fleet, the **Railcar division** segment covers the management of and provision of technical support to external wagon fleets. Through its own wagon repair workshops, VTG provides the companies in the Group as well as third parties with maintenance services for rail freight cars and their components. Additionally, the Group's wagon construction plant specializes in building chemical and compressed gas tank wagons for customers within and outside the Group.

The **Rail Logistics** segment covers the rail forwarding services of the Group. In this segment, the VTG Group operates as an international provider of rail-related logistics solutions.

The **Tank Container Logistics** segment brings together tank container transport operations for products from the chemical, petroleum and compressed gas industries. It also covers the leasing of tank containers.

Due to their business operations, the companies VTG Deutschland GmbH (VTG Deutschland), VTG RAIL ESPAÑA S.L. (VTG España) and VTG ITALIA S.r.l. (VTG Italia) are assigned to several segments.

VTG AG, VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung (VTG GmbH) and the non-operational parts of VTG Deutschland are active across the entire Group and are therefore grouped together with the consolidation entries in a Group reconciliation item.

Explanations of the segment data

As a rule, expenses and income between the segments is generated according to the arm's length principle, just as is the case with transactions with external third parties.

In segment reporting, the following key performance indicators are shown: segment gross profit (segment revenue and changes in inventories less cost of materials of the segments), EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes) and EBT (earnings before taxes), since these key figures are used as a control basis for value-oriented company management.

Key figures by segment

Based on internal reporting, the figures for the segments for the financial year ended December 31, 2012 are as follows:

€ '000	Railcar division	Rail Logistics	Tank Container Logistics	Reconciliation	Group
External revenue	314,636	296,821	155,504	0	766,961
Internal revenue	19,843	1,280	268	−21,391	0
Changes in inventories	1,680	0	0	0	1,680
Segment revenue	**336,159**	**298,101**	**155,772**	**−21,391**	**768,641**
Segment cost of materials*	−39,383	−272,681	−130,235	21,238	−421,061
Segment gross profit	**296,776**	**25,420**	**25,537**	**−153**	**347,580**
Other segment income and expenditure	−129,394	−17,723	−13,589	−13,096	−173,802
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**167,382**	**7,697**	**11,948**	**−13,249**	**173,778**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−98,734	−1,729	−3,877	−623	−104,963
Segment earnings before interest and taxes (EBIT)	**68,648**	**5,968**	**8,071**	**−13,872**	**68,815**
thereof earnings from associates	1,054	0	240	0	1,294
Financial result	−46,570	−364	−569	−4,849	−52,352
Earnings before taxes (EBT)	**22,078**	**5,604**	**7,502**	**−18,721**	**16,463**
Income tax expenses					−6,114
Group net profit					**10,349**

* To a minor extent, income has been offset against the cost of materials of the segments.

In accordance with management reporting, in addition to eliminations not affecting income of expenses and income between the segments, the reconciliation column contains expenses of € 18.7 million not allocated to the segments. The negative valuation, after refinancing, of interest rate derivatives that were formerly in a hedging relationship result in expenses of € 3.3 million that affected the financial result.

The figures for the segments for the previous year are as follows:

€ '000	Railcar division	Rail Logistics	Tank Container Logistics	Reconciliation	Group
External revenue	303,936	294,302	151,767	0	750,005
Internal revenue	16,498	375	24	−16,897	0
Changes in inventories	−719	0	0	0	−719
Segment revenue	**319,715**	**294,677**	**151,791**	**−16,897**	**749,286**
Segment cost of materials*	−41,641	−269,193	−126,260	17,305	−419,789
Segment gross profit	**278,074**	**25,484**	**25,531**	**408**	**329,497**
Other segment income and expenditure	−121,596	−13,422	−12,449	−13,302	−160,769
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**156,478**	**12,062**	**13,082**	**−12,894**	**168,728**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−90,183	−1,853	−3,819	−591	−96,446
Segment earnings before interest and taxes (EBIT)	**66,295**	**10,209**	**9,263**	**−13,485**	**72,282**
thereof earnings from associates	798	0	218	0	1,016
Financial result	−43,473	−340	−537	−22,092	−66,442
Earnings before taxes (EBT)	**22,822**	**9,869**	**8,726**	**−35,577**	**5,840**
Income tax expenses					−2,155
Group net profit					**3,685**

* To a minor extent, income has been offset against the cost of materials of the segments.

In accordance with management reporting, in addition to eliminations not affecting income of expenses and income between the segments, the reconciliation column contains expenses of € 35.6 million not allocated to the segments. These include one-time expenses of € 19.1 million in connection with the refinancing of the Group, of which € 18.6 million is recognized in the financial result and € 0.5 million in other segment income and expenditure. The negative valuation, after refinancing, of interest rate derivatives that were formerly in a hedging relationship resulted in further expenses of € 3.5 million that affected the financial result.

Capital expenditure for each segment as of the 2012 and 2011 reporting dates is shown in the following table:

€ '000		Railcar division	Rail Logistics	Tank Container Logistics	Reconciliation	**Group**
Investments in intangible assets						
	31.12.2012	3,290	395	65	155	3,905
	31.12.2011	3,157	1,370	0	190	4,717
Investments in tangible fixed assets						
	31.12.2012	199,626	449	6,767	414	207,256
	31.12.2011	119,220	191	4,728	232	124,371
Additions to intangible and tangible fixed assets from business combinations/ changes to scope of consolidation						
	31.12.2012	0	37	0	0	37
	31.12.2011	52,554	81	0	0	52,635

Key figures across all segments

The following table contains key segment reporting figures by the location of the companies in the Group:

€ '000		Germany	Other countries	**Group**
Investments in intangible assets				
	31.12.2012	3,877	28	3,905
	31.12.2011	4,713	4	4,717
Investments in tangible fixed assets				
	31.12.2012	163,236	44,020	207,256
	31.12.2011	101,895	22,476	124,371
Additions to intangible and tangible fixed assets from business combinations/ changes to scope of consolidation				
	31.12.2012	0	37	37
	31.12.2011	0	52,635	52,635
External revenue by location of companies				
	31.12.2012	502,373	264,588	766,961
	31.12.2011	492,436	257,569	750,005

Notes to the Consolidated Income Statement

(1) Revenue

€ '000	2012	2011
Railcar division	314,636	303,936
Rail Logistics	296,821	294,302
Tank Container Logistics	155,504	151,767
Total	**766,961**	**750,005**

The business of the VTG Group is affected to only a minor degree by seasonal fluctuations. The slight overall increase in revenue is the result of increases in all three divisions.
Of the revenue in the financial year 2011 and in 2010 shown under the Railcar segment, less than 5 % was from the sale of goods. Foreign currency gains of € 2.7 million are included under revenue (previous year: € 2.7 million).

(2) Changes in inventories

€ '000	2012	2011
Changes in inventories	**1,680**	**–719**

The changes in inventories are attributable primarily to Waggonbau Graaff GmbH.

(3) Other operating income

€ '000	2012	2011
Exchange gains	8,261	5,184
Book profit from the sale of fixed assets	7,653	8,486
Income from sales of materials	5,025	3,423
Recharged services	2,857	3,153
Income from disposal of non-current assets held for sale	1,434	0
Income from investments	1,394	1,104
Other income	8,743	13,269
Total	**35,367**	**34,619**

Other income comprises mainly income from receivables written off in previous years and from disposals of other assets, rebates and cost reimbursements.

(4) Cost of materials

€ '000	2012	2011
Raw materials, consumables and supplies	12,241	17,756
Cost of purchased services	420,348	412,569
Total	**432,589**	**430,325**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 20.0 million (previous year: € 16.7 million).

The rise in the cost of materials was smaller in proportional terms than the rise in revenue. While the ratio of cost of materials to revenue remained almost constant in the logistics divisions, this ratio improved in the Railcar division.

Cost of purchased services includes exchange rate losses amounting to € 2.9 million (previous year: € 2.7 million).

(5) Personnel expenses

€ '000	2012	2011
Wages and salaries	56,314	50,635
Social security, post-employment and other employee benefit costs	16,811	15,231
thereof for pensions	(8,095)	(7,222)
Total	**73,125**	**65,866**

The costs for pensions include current contributions to defined contribution plans amounting to € 7.4 million (previous year: € 6.8 million). This amount includes payments to the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder).

The costs for pensions also include defined benefit commitments. There is a detailed presentation of defined benefit commitments under Note (24).

(6) Impairment, amortization and depreciation

€ '000	2012	2011
Impairment, amortization of intangible and depreciation of tangible fixed assets	**104,963**	**96,446**

The level of impairment, amortization and depreciation has increased primarily as a result of the general increased in the size of the wagon fleet.

(7) Other operating expenses

€ '000	2012	2011
Repairs and working capital requirements	65,793	64,849
Selling expenses	9,373	8,279
Exchange rate losses	8,838	4,792
Rents/lease	6,172	5,038
IT costs	4,861	5,275
Other costs of materials and personnel expenses	4,531	6,458
Charges, fees, consultancy costs	3,474	5,286
Insurance	2,747	2,578
Travel costs	2,676	2,417
Donations and contributions	1,890	2,044
Other taxes	1,640	1,811
Administrative expenses	1,453	1,401
Advertising	1,439	1,513
Audit fees	1,328	908
Other expenses	9,595	7,353
Total	**125,810**	**120,002**

(8) Financial loss (net)

€ '000	2012	2011
Income from other investment securities and long-term loan receivables	320	14
Interest and similar income	1,019	2,794
hereof from affiliated companies	(34)	(102)
Interest and similar expenses	−53,691	−69,250
thereof to affiliated companies	(−13)	(−4)
thereof to pensions	(−2,267)	(−2,200)
Total	**−52,352**	**−66,442**

Compared with 2011, the financial result improved in the financial year 2012 as a result of the elimination of additional financial expenses arising from the refinancing of the Group in May 2011. The additional expenses recognized in 2011 from the previous financing arrangements arose from the reclassification of negative market evaluations of interest rate hedges that were formerly recognized in equity without affecting profit, amounting to € 10.1 million, and the write-down of transaction costs for the previous financing arrangements amounting to € 8.3 million.

The financial result was, however, affected by higher interest expenses due to the greater scope of financing compared with the same period of 2011.

Interest and similar expenses includes expenses relating to interest rate derivatives amounting to € 8.9 million (previous year: € 9.5 million). Of this amount, € 5.6 million relates to the portion in a hedging relationship (previous year: € 6.0 million). The remaining amount of € 3.3 million (previous year: € 3.5 million) results from the subsequent measurement of the portion formerly in a hedging relationship.

(9) Taxes on income

€ '000	2012	2011
Current taxes	10,912	9,247
thereof relating to other periods	(−29)	(−115)
Deferred tax expense	−4,798	−7,092
Total	**6,114**	**2,155**

The actual tax result of € 6.1 million differs by € 0.7 million from the expected expense for taxes on income of € 5.4 million which would arise if the domestic tax rate were applied to the annual result of the Group before taxes on income. The reconciliation of the expected income tax expense to the actual income tax expense can be seen in the following table:

€ '000	**2012**	2011
Net group profit before taxes on income	**16,463**	**5,840**
Income tax rate of VTG AG	33%	33%
Expected income tax expense (tax rate of VTG AG)	5,433	1,927
Tax effect of non-deductible expenses and tax-free income	3,897	2,163
Tax effect on tax-free investment income	−516	−263
Tax effect from the adjustment of tax assets to tax loss carryforwards	13	−37
Tax effect on taxable loss carryforwards	−633	300
Tax income unrelated to accounting period	−29	−115
Tax effect due to changes in the income tax rate on effects of the prior year	−455	−398
Tax effect due to deviations from the expected tax rate	−1,700	−1,410
Other deviations	104	−12
Actual income tax expense	**6,114**	**2,155**
Tax charge	**37.1 %**	**36.9 %**

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33% was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax.

For the German companies in the VTG Group, the following tax rates were used for measuring deferred taxes:

In %	**31.12.2012**	31.12.2011
Expected future corporate tax rate	15.17	15.17
Solidarity surcharge	0.83	0.83
Expected future trade tax rate	17.00	17.00
Expected future Group tax rate	**33.00**	**33.00**

Taxes on income represent an expense in the period under review and equal 37.1% of the result before tax. In the previous year the tax charge amounted to 36.9% of the result before taxes on income.

Further explanations of taxes on income can be found under Note (25).

(10) Earnings per share

The undiluted earnings per share are calculated in accordance with IAS 33 based on the Group profit attributable to the shareholders of VTG AG divided by the weighted average number of shares in issue during the period under review.

	1.1.–31.12.2012	1.1.–31.12.2011
Group net income attributable to VTG AG shareholders (€ '000)	8,700	1,737
Weighted average number of shares	21,388,889	21,388,889
Earnings per share (in €)	**0.41**	**0.08**

Earnings per share are diluted if the average number of shares is increased by the issue of potential shares from option or conversion rights. There have been no dilution effects during the period under review.

In future, there may be dilution effects from the issue of shares in terms of the utilization of capital (contingent capital, authorized capital as decided by the Annual General Meeting).

The dividend paid for each share in the financial year 2012 was € 0.35 (previous year: € 0.33).

Notes to the Consolidated Balance Sheet

Fixed assets

Changes to the individual items in fixed assets for the period under review and for the previous year are shown in the "Development of fixed assets" statement on pages 134 to 137.

(11) Goodwill

€ '000	31.12.2012	31.12.2011
Railcar division segment	152,524	152,563
Rail Logistics segment	3,992	3,992
Tank Container Logistics segment	1,747	1,747
Total	**158,263**	**158,302**

The change in goodwill in the Wagon Hire segment was due to currency translation effects on the balance sheet date.

(12) Other intangible assets

€ '000	31.12.2012	31.12.2011
"VTG" brand (Railcar division)	9,538	9,538
"Transpetrol" brand (Rail Logistics)	421	421
"Railtrans" brand (Railcar division)	100	100
Customer relationships, Railcar division	29,339	33,785
Customer relationships, Rail Logistics	6,313	7,179
Concessions, industrial trademarks and licenses	7,439	4,981
Capitalized development costs	1,157	1,356
Payments on account	1,795	2,168
Total	**56,102**	**59,528**

The brands represent only a small part of the total book value of each cash-generating unit.

Due to impairment of the item customer relationships in the Railcar division, the carrying amount of customer relationships was reduced to its recoverable amount. Impairments of intangible assets amounting to € 1.1 million were recognized in the income statement under the item impairment, amortization and income.

(13) Tangible fixed assets

The increase in tangible fixed assets was due mainly to investment in the construction of new rail freight wagons. The carrying amount of 48 wagons set to be scrapped in future was reduced to the recoverable amount. This depreciation of tangible assets amounting to € 2.0 million was recognized in the income statement under the item impairment, amortization and income.

In respect of finance leases, as of the balance sheet date, fixed assets with a book value of € 18.1 million (previous year: € 30.0 million) were recognized. Leased assets are primarily shown under wagon fleet, at € 18.0 million (previous year: € 29.1 million) and under containers, at € 0.1 million (previous year: € 0.9 million).

For more detailed information on finance leases, see Note (27).

(14) Other financial assets

Within the Group, other financial assets involve primarily shares in affiliated, non-consolidated companies and equity investments.

(15) Inventories

€ '000	31.12.2012	31.12.2011
Raw materials, consumables and supplies	17,501	15,849
Work in progress	3,526	1,846
Advance payments made	250	315
Total	**21,277**	**18,010**

Work in progress relates to the wagon repair workshops and the wagon construction plant and includes orders begun but not yet completed as of the balance sheet date.

(16) Trade receivables

Trade receivables are all due within one year, as in the previous year.

For an analysis of the default risk of trade receivables, please refer to the due dates in the table below. The selected time bands correspond with the time bands usually generally used in the receivables management system of the VTG Group.

€ '000	Book value as of 31.12.2012	Of which neither impaired nor overdue at the year-end date	Of which not impaired at the year-end date and overdue in the following time bands: Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	99,743	68,059	18,749	3,197	6,638	3,100
Due from affiliated, non-consolidated companies	1,598	1,598	0	0	0	0
Due from companies in which an investment is held	1,217	1,178	39	0	0	0
Due from companies measured at equity	714	714	0	0	0	0
Total	**103,272**	**71,549**	**18,788**	**3,197**	**6,638**	**3,100**

The trade receivables overdue after more than 90 days were mainly settled in the middle of February 2013.

For the previous year, the aging schedule for trade receivables was as follows:

€ '000	Book value as of 31.12.2011	Of which neither impaired nor overdue at the year-end date	Of which not impaired at the year-end date and overdue in the following time bands: Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	80,003	57,037	13,443	2,818	3,040	3,665
Due from affiliated, non-consolidated companies	2,071	1,874	197	0	0	0
Due from companies in which an investment is held	1,346	1,255	91	0	0	0
Due from companies measured at equity	451	451	0	0	0	0
Total	**83,871**	**60,617**	**13,731**	**2,818**	**3,040**	**3,665**

With regard to the trade receivables that are neither impaired nor overdue, there were no indications at the balance sheet date that the debtors would not honor their payment obligations.

The allowances for trade receivables developed as follows in the period under review:

€ '000		Opening balance 1.1.	Currency difference	Utilization	Reversals	Addition	Reclassifications	Closing balance 31.12.
Allowances	**2012**	**4,160**	**6**	**71**	**621**	**3,376**	**14**	**6,864**
Allowances	2011	4,637	3	841	584	945	0	4,160

The total amount of additions, amounting to € 3.4 million (previous year: € 0.9 million) comprise the increase to specific allowances amounting to € 3.2 million (previous year: € 0.4 million) and allowances on a portfolio basis amounting to € 0.2 million (previous year: € 0.5 million). Specific allowance reversals amounted to € 0.1 million (previous year: € 0.4 million) and allowances on a portfolio basis amounted to € 0.5 million (previous year: € 0.2 million).

The following table shows expenses for the full write-off of trade receivables and income from receipts relating to trade receivables written off:

€ '000	**31.12.2012**	31.12.2011
Expense for the full write-off of receivables	125	83
Income from receipts relating to receivables written off	20	91

All expenses and receipts from the write-off of trade receivables are shown under other income and other expenses.

(17) Other financial assets and other assets

€ '000	**31.12.2012** Total	**31.12.2012** Residual term more than 1 year	31.12.2011 Total	31.12.2011 Residual term more than 1 year
Financial receivables				
due to third parties	5,585	3,320	8,591	5,051
from affiliated, non-consolidated companies	524	0	492	0
Financial receivables	**6,109**	**3,320**	**9,083**	**5,051**
Derivative financial instruments in conjunction with hedging relationships				
Foreign currency derivatives	194	0	0	0
Derivative financial instruments	**194**	**0**	**0**	**0**
Other financial receivables				
due to third parties	12,463	2,146	13,184	1,847
from equity investments	970	0	834	0
Other financial receivables	**13,433**	**2,146**	**14,018**	**1,847**
Other assets	**20,886**	**2,400**	**19,236**	**4,135**
thereof relating to taxes	10,162	0	9,439	0
thereof prepaid expenses	4,200	2,282	6,261	4,022
Total	**40,622**	**7,866**	**42,337**	**11,033**

As of the reporting date, none of the financial receivables amounting to € 6.1 million (previous year: € 9.1 million) were impaired or overdue.

With regard to the financial receivables and other financial receivables that are neither impaired nor overdue, there were no indications at the balance sheet date that the debtors would not honor their payment obligations.

(18) Income tax assets

€ '000	**31.12.2012**	31.12.2011
Deferred income tax assets	26,213	21,633
Current income tax assets	4,191	4,192
Total	**30,404**	**25,825**

Deferred income tax assets developed as follows:

€ '000	**Opening balance 1.1.2012**	Changes to scope of consolidation	Currency difference	Changes not affecting income	Change in offsetting with deferred income tax liabilities	Changes affecting income	**Closing balance 31.12.2012**
Deferred income tax assets (gross) affecting income	41,378	−78	22	0	−5,291	−493	35,538
Offsetting against deferred income tax liabilities affecting income	−27,406	0	0	0	7,064	0	−20,342
Deferred income tax assets (net) affecting income	**13,972**	**−78**	**22**	**0**	**1,773**	**−493**	**15,196**
Deferred income tax assets (gross) affecting income	7,895	0	0	3,575	0	0	11,470
Offsetting against deferred income tax liabilities affecting income	−234	0	0	0	−219	0	−453
Deferred income tax assets (net) affecting income	**7,661**	**0**	**0**	**3,575**	**−219**	**0**	**11,017**
Total	**21,633**	**−78**	**22**	**3,575**	**1,554**	**−493**	**26,213**

Further explanations of deferred taxes can be found under Note (25).

(19) Cash and cash equivalents

€ '000	**31.12.2012**	31.12.2011
Bank balances	56,869	97,993
Cash on hand	135	26
Balance sheet position	**57,004**	**98,019**
Cash and cash equivalents of disposal group	0	345
Total	57,004	98,364

Bank balances mainly relate to cash deposits accessible at short notice and which attract variable interest.

The bank balances sum includes an amount of € 2.8 million that is not freely accessible (previous year: € 1.8 million).

Equity

The development of equity is shown in the following statement of changes in equity.

The income and expenses not affecting income included in shareholders' equity are shown separately in the consolidated statement of comprehensive income. In this statement, the tax effects on the items in question are already taken account of.

(20) Subscribed capital

The subscribed capital of VTG AG consists of no-par bearer shares, each with an equal participation in the share capital. The amount of the subscribed capital attributable to each share equals € 1.0. As of 31.12.2012, the subscribed capital amounted to € 21.4 million. The capital is divided into 21,388,889 shares and is fully paid up.

On June 18, 2010, the Annual General Meeting approved an increase share capital by up to € 10.7 million through the issue of up to 10,694,444 new, no-par bearer shares (conditional capital). The conditional capital increase serves the purpose of granting no-par bearer shares in the exercise of conversion or option rights.

On June 17, 2011, the Annual General Meeting rescinded the resolution of June 22, 2007 for the creation of authorized capital and passed a new resolution for the creation of authorized capital. The Executive Board was authorized, with the approval of the Supervisory Board, to increase the share capital by up to € 10.7 million in the period up to June 17, 2016 through the issue of new, no-par bearer shares.

(21) Additional paid-in capital

The additional paid-in capital mainly comprises the premium from the placement of shares and the incorporation of the voluntary contribution of the shares of Deichtor Rail GmbH (Deichtor) and Klostertor Rail GmbH (Klostertor) at no charge by Compagnie Européenne de Wagons S.à r.l., Luxembourg.

(22) Retained earnings

These are exclusively other retained earnings. They include contributions and withdrawals related to the results for the financial year and earlier years and differences on currency translation with no income impact from the financial statements of foreign subsidiaries. Furthermore, adjustments not affecting income derived from the first-time application of new IAS or IFRS have been transferred to retained earnings or offset against them. Additionally, retained earnings also include the gains and losses accounted for with no income impact from the change in actuarial parameters in connection with the measurement of pension obligations in accordance with IAS 19.

(23) Revaluation reserve

The revaluation reserve includes measurement differences from forward exchange transactions and interest hedging transactions, net of deferred taxes, as of the closing date. These are cash flow hedges.

In the financial year, income from the revaluation of the hedging relationship of € 0.3 million (previous year: expenses of € 0.4 million) was recognized in equity without affecting income and taking into account deferred tax effects.

(24) Provisions for pensions and similar obligations

To calculate the level of obligation for defined benefit commitments, the following actuarial assumptions were applied in Germany:

% p.a.	**2012**	2011
Discount rate	3.0	5.0
Salary trend	2.5	2.5
Pension trend	2.0% or 1.0% confirmed	2.0% or 1.0% confirmed
Fluctuation rate	2.0	2.0
Mortality etc.	Heubeck RT 2005G	Heubeck RT 2005G

In the rest of Europe, mainly the following actuarial assumptions were applied:

	2012			
% p.a.	Belgium	France	Austria	Switzerland
Discount rate	1.5	3.1	3.25	1.75
Salary trend	3.0	5.0 or 5.5	5.0	2.5
Expected return on plan asset	4.0	3.1	No plan asset	2.5

	2011			
% p.a.	Belgium	France	Austria	Switzerland
Discount rate	4.5	5.0	5.0	2.25
Salary trend	3.0	5.0 or 5.5	5.0	2.5
Expected return on plan asset	4.0	5.0	No plan asset	2.5

The defined benefit amount of the pension commitments solely funded by provisions is € 56.8 million (previous year: € 46.0 million).

Plan assets exist solely to finance defined benefit obligations from retirement and severance obligations in European countries other than Germany, amounting to € 2.1 million (previous year: € 1.1 million). These obligations are covered by insurance contracts. The insurance companies bear sole responsibility for the proper structuring and management of the portfolios itemized as plan assets. As of the reporting date, there is no further information available regarding the composition of the portfolios. The expected long-term return on plan assets is based on the actual long-term results of the portfolio, the historical total market returns and a forecast of the expected returns. The actual return on the plan assets in the year under review was € 60,000 (previous year: € 12,000).

Pension provisions can be broken down as follows:

€ '000	2012	2011
Present value of funded benefit obligations	3,782	1,065
Fair value of the plan assets	–2,066	–732
Provision for funded benefit obligations	**1,716**	**333**
Present value of unfunded benefit obligations	56,774	45,973
Total provision	**58,490**	**46,306**

The pension provisions were set up primarily for German pension plans.

€ '000	2012	2011
Germany	54,857	44,883
Rest of Europe	3,633	1,423
Total	**58,490**	**46,306**

The expense for defined benefit obligations comprises the following items:

€ '000	2012	2011
Current service cost	466	425
Past service cost	247	0
Interest expense	2,338	2,217
Expected return on plan asset	–71	–17
Additions to pension provisions	**2,980**	**2,625**
Contributions to pension security fund	95	64
Total	**3,075**	**2,689**

Both the current and the past service cost are shown under personnel expenses. Interest expense and the return on plan assets are shown under "Financial loss".

The net pension commitments accounted for in the financial year were as follows:

€ '000	2012	2011
Balance at beginning of period	46,306	48,566
Additions	2,980	2,625
Pension payments made	–3,376	–3,260
Contributions to the plan	–86	–61
Transfers	0	–704
Actuarial gains/losses	11,940	–865
Reclassifications	723	0
Currency effect	3	5
Recognized present value of pension obligations at end of period	**58,490**	**46,306**

During the financial year, the plan assets and the defined benefit obligation developed as follows:

€ '000	2012	2011
Defined benefit obligation at beginning of period	**47,038**	**49,181**
Current service cost	466	425
Past service cost	247	0
Interest expense	2,338	2,217
Pension payments made	–3,510	–3,340
Employee contributions	56	100
Transfers	0	–704
Actuarial gains/losses	11,929	–863
Reclassifications	1,984	0
Currency effect	8	22
Defined benefit obligation at end of period	**60,556**	**47,038**

€ '000	**2012**	2011
Fair value of plan asset at beginning of period	**732**	**623**
Expected return on plan asset	71	17
Employer contributions	86	61
Employee contributions	56	100
Pension payments from plan asset	–134	–80
Actuarial gains/losses	–11	–6
Reclassifications	1,261	0
Currency effect	5	17
Fair value of plan asset at end of period	**2,066**	**732**

The recorded actuarial gains and losses without affecting income developed as follows:

€ '000	**2012**	2011
Balance at beginning of period	4,582	5,447
Actuarial gains and losses recorded during the financial year without affecting income	11,940	–857
Change due to asset ceiling	0	–8
Total actuarial gains and losses recorded without affecting income	**16,522**	**4,582**

Of the new actuarial losses recorded during the financial year 2012, € 0.1 million relates to changes in inventories (previous year: losses of € 45,000) and € 11.8 million to changes in valuation parameters (previous year: gains of € 0.9 million).

The following changes occurred in the present value of the benefit obligations, the fair value of the plan assets, the resulting shortfall and the actuarial gains and losses from experience adjustments to the obligation and the plan assets:

€ '000	**2012**	2011	2010	2009	2008
Present value of benefit obligations	60,556	47,038	49,181	48,747	44,895
Fair value of the plan assets	2,066	732	623	924	791
Effect of asset ceiling	0	0	–8	0	0
Balance sheet provisions for pensions	58,490	46,306	48,566	47,823	44,104
Benefit obligation experience adjustments	87	40	–513	632	–198
Plan asset experience adjustments	–11	–6	–10	–9	1

Expected payments to beneficiaries in the next period amount to € 3.7 million (previous year: € 3.4 million). In addition, contributions to the plan assets are expected to total € 0.1 million (previous year: € 0.1 million).

(25) Income tax liabilities

€ '000	**31.12.2012**	31.12.2011
Current income tax liabilities	28,678	33,710
Deferred income tax liabilities	132,825	136,490
Total	**161,503**	**170,200**

Current income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2012**	Changes to scope of consolidation	Currency difference	Utilization	Reversals	Additions	**Closing balance 31.12.2012**
Current income tax liabilities	33,710	−2	1	10,115	5	5,089	28,678

The current income tax liabilities shown are due within a year.

Deferred income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2012**	Currency difference	Changes not affecting income	Change in offsetting with deferred income tax assets	Changes affecting income	**Closing balance 31.12.2012**
Deferred income tax liabilities (gross) affecting income	163,634	94	0	−5,291	−5,291	153,146
Offsetting against deferred income tax assets affecting income	−27,406	0	0	7,064	0	−20,342
Deferred income tax liabilities (net) affecting income	**136,228**	**94**	**0**	**1,773**	**−5,291**	**132,804**
Deferred income tax liabilities (gross) not affecting income	496	0	−22	0	0	474
Offsetting against deferred income tax assets not affecting income	−234	0	0	−219	0	−453
Deferred income tax liabilities (net) not affecting income	**262**	**0**	**−22**	**−219**	**0**	**21**
Total	**136,490**	**94**	**−22**	**1,554**	**−5,291**	**132,825**

The deferred taxes were determined on the basis of the tax rates for the specific countries (33 % for Germany; 19.00 % to 35.78 % for other countries).

The changes to deferred tax assets and deferred tax liabilities not affecting income relate to actuarial gains and losses for pension provisions that are offset against equity with no impact on income and deferred taxes on derivative financial instruments not affecting income.

The amount from temporary differences relating to shares in subsidiaries and associates, for which, in accordance with IAS 12.39, no deferred tax liabilities were recognized in the year under review, amounted to € 5.0 million (previous year: € 7.2 million). In accordance with IAS 12.81 (f), the resulting non-recognized tax liabilities amounted to € 1.7 million (previous year: € 2.5 million).

Deferred tax assets are recognized on tax loss carryforwards at the amount at which it is probable that there will be future taxable profits against which the tax loss carryforwards can be offset.

The following deferred tax assets and liabilities reported in the balance sheet relate to recognition and measurement differences in the individual balance sheet items:

€ '000	31.12.2012 Assets	31.12.2012 Liabilities	31.12.2011 Assets	31.12.2011 Liabilities
Intangible assets	0	14,323	0	15,523
Tangible fixed assets	169	135,786	203	136,615
Financial assets	8	945	0	1,518
Receivables and other assets	1,293	651	1,406	33
Special item with reserve component	0	33	0	48
Provisions for pensions	7,204	0	3,544	0
Miscellaneous provisions	6,104	1,777	5,961	10,220
Liabilities	19,375	105	30,528	173
Tax loss carryforwards	12,855	0	7,631	0
Subtotal	**47,008**	**153,620**	**49,273**	**164,130**
Offsetting	−20,795	−20,795	−27,640	−27,640
Total	**26,213**	**132,825**	**21,633**	**136,490**
thereof with a term of more than 1 year	13,378	129,758	6,768	124,639

Deferred tax assets and liabilities are generally netted within the same national tax authority jurisdiction.

Tax savings of € 8.2 million were not capitalized (previous year: € 8.3 million), since the utilization of the underlying loss carryforwards is not probable.

The forfeitability of the deferred tax assets not capitalized and the level of the underlying loss carryforwards can be seen from the following table:

€ '000	Loss carryforward	Related non-capitalized deferred tax savings	Forfeitability of the non-capitalized deferred tax savings: Expiring within 1 year	Expiring between 1 and 5 years	Expiring after 5 years	Vested non-capitalized deferred tax savings
Corporate tax loss carryforwards, German companies	16,967	2,715	0	0	0	2,715
Trade tax loss carryforwards, German companies	15,447	2,626	0	0	0	2,626
Tax loss carryforwards of foreign entities	10,365	2,809	0	0	1,012	1,797
Total	**42,779**	**8,150**	**0**	**0**	**1,012**	**7,138**
Previous year	39,106	8,340	0	0	920	7,420

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33 % was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax.

(26) Other provisions

€ '000	**Opening balance 1.1.2012**	Changes to scope of consolidation	Currency difference	Reclassifica-tion	Utilization	Reversals	Additions	**Closing balance 31.12.2012**
Provisions for personnel expenses	17,194	−18	16	−674	9,868	935	10,423	16,138
Provisions for typical operational risks	9,187	0	−10	0	768	935	2,674	10,148
Miscellaneous provisions	32,864	−22	54	297	9,098	3,084	10,666	31,677
Other provisions	**59,245**	**−40**	**60**	**−377**	**19,734**	**4,954**	**23,763**	**57,963**

The additions include the effect of the unwinding of the discount with regard to the long-term provisions.

The maturities of the other provisions are as follows:

	31.12.2012			31.12.2011		
		Residual term			Residual term	
€ '000	**Total**	**Due within 1 year**	**More than 1 year**	Total	Due within 1 year	More than 1 year
Provisions for personnel expenses	16,138	10,994	5,144	17,194	13,411	3,783
Provisions for typical operational risks	10,148	4,547	5,601	9,187	1,566	7,621
Miscellaneous provisions	31,677	25,318	6,359	32,864	23,339	9,525
Other provisions	**57,963**	**40,859**	**17,104**	**59,245**	**38,316**	**20,929**

The expected cash outflows are in line with the residual terms of the provisions.

The provisions for personnel expenses mainly comprise obligations for contributions for the restructuring of VBL (€ 2.4 million; previous year: € 2.4 million), for outstanding vacations (€ 2.1 million; previous year: € 2.6 million), for anniversaries (€ 1.1 million, previous year: € 0.9 million), for social plans (€ 0.2 million; previous year: € 0.9 million), for long-term service (€ 0.2 million; previous year: € 0.3 million).

The provisions for typical operational risks relate primarily to repair obligations for leased tank containers (€ 3.6 million; previous year: € 3.5 million) and anticipated losses from uncompleted transactions from operating lease contracts (€ 0.6 million; previous year: € 0.9 million).

The miscellaneous provisions comprise mainly provisions relating to the wagon fleet (€ 12.0 million; previous year: € 7.6 million), provisions for damage (€ 5.3 million; previous year: € 6.5 million) and provisions for interest rate risks (€ 4.6 million; previous year: € 4.6 million).

(27) Liabilities

€ '000	31.12.2012 Book value	31.12.2012 Residual term more than 1 year	31.12.2012 Residual term more than 5 years	31.12.2011 Book value	31.12.2011 Residual term more than 1 year	31.12.2011 Residual term more than 5 years
Financial liabilities						
US private placement	481,004	477,167	478,633	481,205	477,402	478,964
Syndicated loan	160,232	155,344	0	95,236	90,033	0
Project financing	101,960	94,391	62,633	109,271	101,806	70,979
Liabilities from financial leases	11,771	7,388	0	19,534	12,115	3,121
Other financial liabilities						
due to third parties	492	24	0	1,039	0	0
from affiliated, non-consolidated companies	534	0	0	441	0	0
Financial liabilities	**755,993**	**734,314**	**541,266**	**706,726**	**681,356**	**553,064**
Trade payables						
due to third parties	133,408	0	0	115,068	0	0
from affiliated, non-consolidated companies	921	0	0	556	0	0
from equity investments	471	0	0	39	0	0
Trade payables	**134,800**	**0**	**0**	**115,663**	**0**	**0**
Derivative financial instruments						
in conjunction with hedging relationships	18,207	10,347	0	18,331	15,616	0
without hedging relationships	12,731	0	0	13,624	0	0
Derivative financial instruments	**30,938**	**10,347**	**0**	**31,955**	**15,616**	**0**
Other liabilities						
financial	8,972	0	0	9,691	0	0
non- financial	7,554	243	0	4,616	708	0
thereof relating to taxes	2,281	0	0	2,083	0	0
thereof relating to social security	1,561	0	0	1,570	0	0
thereof from deferred income	407	0	0	831	708	0
Other liabilities	**16,526**	**243**	**0**	**14,307**	**708**	**0**
Total	**938,257**	**744,904**	**541,266**	**868,651**	**697,680**	**553,064**

Financial liabilities

As of December 31, 2012, the VTG Group's primary sources of finance were a US private placement, a syndicated loan and project financing.

US private placement and syndicated loan

US private placement	Original amount in currency of issue		As of 31.12.2012 in € '000	As of 31.12.2011 in € '000
Tranche 1	170,000	Tsd, €	170,000	170,000
Tranche 2	150,000	Tsd, €	150,000	150,000
Tranche 3	130,000	Tsd, €	130,000	130,000
Tranche 4	40,000	Tsd, US$	30,342	30,919
Total			**480,342**	**480,919**

The tranches of the US private placement are fixed-interest.

Syndicated loan	Original amount in currency of issue		As of 31.12.2012 in € '000	As of 31.12.2011 in € '000
Tranche A1	20,000	Tsd, GBP	22,075	22,694
Tranche A2	77,570	Tsd, €	69,813	73,692
Tranche B	350,000	Tsd, €	130,000*)	60,000*)
Total			**221,888**	**156,386**

*) thereof € 60 million as guarantee

Tranche A1 was taken up by a company whose functional currency is GBP.

The syndicated loan tranches comprise variable-interest loans, confirmed credit and guarantees.

Project financing

As of December 31, 2012, the financial liabilities from project financing were as follows:

Project financing € '000	Original amount	As of 31.12.2012	As of 31.12. 2011
Deichtor	39,153	30,573	32,453
Ferdinandstor	44,965	42,553	44,965
Klostertor	46,000	29,110	32,110
Total		**102,236**	**109,528**

The above amounts are reconciled to the balance sheets for December 31, 2012, and December 31, 2011 as follows:

Reconciliation € '000	31.12.2012	31.12.2011
US private placement	480,342	480,919
Syndicated loan	161,888	96,386
Project financing	102,236	109,528
Accrued interest	4,912	5,116
Deduction of transaction costs	−6,182	−6,237
Balance sheet amount	**743,196**	**685,712**

Liabilities from financial leases

Reconciliation of the future lease payments with the liabilities from finance leases:

		Residual term		
€ '000	**Total**	due within 1 year	between 1 and 5 years	over 5 years
Future lease payments	12,929	4,793	8,136	0
Interest portion	−1,158	−410	−748	0
Liabilities from finance leases as of 31.12.2012	**11,771**	**4,383**	**7,388**	**0**

For the previous year, reconciliation of future lease payments with liabilities from finance leases is

		Residual term		
€ '000	**Total**	due within 1 year	between 1 and 5 years	over 5 years
Future lease payments	21,230	7,762	10,295	3,173
Interest portion	−1,696	−548	−1,096	−52
Liabilities from finance leases as of 31.12.2011	**19,534**	**7,214**	**9,199**	**3,121**

The leases have an average term of 16 years. The interest rates for these are between 4.7 % and 7.0 %. The leased assets comprise rail freight cars, tank containers and other operating and office equipment.

Further information on financial liabilities can be found in the section “Reporting of financial instruments”.

Derivative financial instruments

The derivative financial instruments include interest rate derivatives and foreign currency derivatives. Further information on derivative financial instruments that are in a hedging relationship can be found in the sections on interest rate risk and currency risk under “Reporting of financial instruments”.

(28) Non-current assets held for sale

The assets classified in the previous year as held for sale, along with the liabilities in connection with these, were sold as planned in 2012. Further details of this transaction can be found in the section “Scope of Consolidation”.

Non-current assets held for sale

	Fair value less the cost of sale	
€ '000	**2012**	2011
Fixed assets	0	680
Inventories	0	192
Other receivables and assets	0	38
Cash and cash equivalents	0	345
Balance sheet position	**0**	**1,255**

Liabilities in connection with non-current assets held for sale

€ '000	Fair value less the cost of sale 2012	2011
Trade payables	0	56
Other current liabilities	0	15
Balance sheet position	**0**	**71**

Cumulative income or expenses recognized directly in equity that are connected to the group of assets classified as held for sale

€ '000	2012	2011
Currency translation differences	0	–10
Total	**0**	**–10**

Reporting of Financial Instruments

Financial instruments are contractual agreements that lead to rights or obligations for the Group. These lead to outflows and inflows of financial assets. According to IAS 32 and 39, there are primary and derivative financial instruments. Primary financial instruments comprise in particular bank balances, receivables, liabilities, credits, loans and interest accrued or prepaid. The derivative financial instruments within the VTG Group are forward exchange contracts and interest rate swaps.

Fair values and book values of financial instruments by valuation category

The IFRS 7 classification was made on the basis of balance sheet items. As part of this process, homogenous items such as trade receivables from and payables to third parties, to affiliated, non-consolidated entities and to other investments were combined. The following table shows the fair values and book values for the individual balance sheet items under financial assets and financial liabilities for the financial year 2012 and for the previous year.

Balance sheet item € '000	Valuation category in accordance wth IAS 39	Book value as of 31.12.2012	Measurement in accordance with IAS 39 Amortized cost	Fair value, not affecting income	Fair value, affecting income	Balance sheet measure-ment under IAS 17	Fair Value 31.12.2012
Assets							
Other investments	AfSFA	6,710	6,710	–	–	–	–
Trade receivables	LaR	103,272	103,272	–	–	–	103,272
Other financial assets	LaR	19,542	19,542	–	–	–	19,810
Assets from derivative financial instruments		194					
in conjunction with hedging relationships	n.a.	194	–	194	–	–	194
Cash and cash equivalents	LaR	57,004	57,004	–	–	–	57,004
Shareholders' equity amd liabilities							
Financial liabilities, thereof		755,993					
US private placement	Flmaac	481,004	481,004	–	–	–	531,424
Syndicated loan	Flmaac	160,232	160,232	–	–	–	166,070
Project financing	Flmaac	101,960	101,960	–	–	–	112,487
Liabilities from finance leases	n.a.	11,771	–	–	–	11,771	12,318
Other financial liabilities	Flmaac	1,026	1,026	–	–	–	1,026
Trade payables	Flmaac	134,800	134,800	–	–	–	134,800
Liabilities from derivative financial instruments, thereof		30,938					
in conjunction with hedging relationships	n.a.	18,207	–	18,207	–	–	18,207
without hedging relationships	Hft	12,731	–	–	12,731	–	12,731
Other financial liabilities	Flmaac	8,972	8,972	–	–	–	8,972
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		179,818	179,818	–	–	–	180,086
Available-for-sale financial assets (AfSFA)		6,710	6,710	–	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		887,994	887,994	–	–	–	954,779
Financial assets and liabilities held for trading (Hft)		12,731	–	–	12,731	–	12,731

n.a.: Balance sheet items not allocable to any valuation category

Balance sheet item € ’000	Valuation category in accordance wth IAS 39	**Book value as of 31.12.2011**	Amortized cost	Fair value, not affecting income	Fair value, affecting income	Balance sheet measure-ment under IAS 17	Fair Value 31.12.2011
			Measurement in accordance with IAS 39				
Assets							
Other investments	AfSFA	7,564	7,564	–	–	–	–
Trade receivables	LaR	83,871	83,871	–	–	–	83,871
Other financial assets	LaR	23,101	23,101	–	–	–	23,406
Cash and cash equivalents	LaR	98,018	98,018	–	–	–	98,018
Shareholders’ equity amd liabilities							
Financial liabilities, thereof		706,726					
US private placement	Flmaac	481,205	481,205	–	–	–	500,059
Syndicated loan	Flmaac	95,236	95,236	–	–	–	102,474
Project financing	Flmaac	109,271	109,271	–	–	–	119,349
Liabilities from financial leases	n.a.	19,534	–	–	–	19,534	19,699
Other financial liabilities	Flmaac	1,480	1,480	–	–	–	1,480
Trade payables	Flmaac	115,663	115,663	–	–	–	115,663
Liabilities from derivative financial instruments, thereof		31,955					
in conjunction with hedging relationships	n.a.	18,331	–	18,331	–	–	18,331
without hedging relationships	Hft	13,624	–	–	13,624	–	13,624
Other financial liabilities	Flmaac	9,691	9,691	–	–	–	9,691
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		204,990	204,990	–	–	–	205,295
Available-for-sale financial assets (AfSFA)		7,564	7,564	–	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		812,546	812,546	–	–	–	848,716
Financial assets and liabilities held for trading (Hft)		13,624	–	–	13,624	–	13,624

n.a.: Balance sheet items not allocable to any valuation category

Trade receivables, other financial receivables and cash and cash equivalents generally have short residual terms. Thus their carrying amounts represent their fair values as of the closing date.

If other financial liabilities are non-current, the fair value is determined by discounting the expected future cash flows at interest rates for similar financial liabilities with comparable residual terms.

Trade payables, other financial debt and other financial liabilities generally have short terms, so that the recognized amounts represent their fair values.

The US private placement, the syndicated loan, the project financing and the liabilities from finance leases are measured at amortized cost. The fair value shown in the table was determined by discounting the expected future cash flows at interest rates for similar financial liabilities with comparable residual terms.

To measure derivative financial instruments that are not traded on an active market, the fair values are determined by discounting the expected future cash flows or through confirmations of market value by external contractual partners.

The subsequent valuation for derivative financial instruments is at fair value. Fair value is determined in the first instance through quoted prices in active markets for identical assets or liabilities. If this is not possible, the second level for determining fair values is the use of observable market transactions for comparable assets or liabilities. Finally, fair values are determined with models that use parameters for measuring assets and liabilities, whereby the parameters used are based on observable market data. Receivables as of December 31, 2012, from foreign currency derivatives amounting to € 0.2 million (previous year: € 0.0 million) come under level 2 of the fair value hierarchy. Liabilities as of December 31, 2012, from interest rate derivatives amounting to € 30.3 million (previous year: € 31.1 million) and from foreign currency derivatives amounting to € 0.6 million (previous year: € 0.8 million) come under level 2.

Net result by valuation category

The net result is subdivided into the elements interest, valuation, and other items. The valuation item comprises the results of currency translation, fair value measurement and impairment. Under other items, the main components are results from dividends and from disposal.

As of December 31, 2012, the net result by valuation category was as follows:

€ '000	Interest	Valuation	Other items	**2012**
Loans and receivables	962	−3,153	−105	−2,296
Available-for-sale financial assets	0	0	1,394	1,394
Financial liabilities measured at amortized cost	−41,841	−219	0	−42,060
Financial assets and liabilities held for trading	0	−3,262	0	−3,262
Total	**−40,879**	**−6,634**	**1,289**	**−46,224**

For loans and receivables, the valuation item includes impairment costs of € 3.4 million.

The net result for the previous year was as follows:

€ '000	Interest	Valuation	Other items	**2011**
Loans and receivables	1,264	−237	7	1,034
Available-for-sale financial assets	0	0	1,104	1,104
Financial liabilities measured at amortized cost	−42,449	−172	0	−42,621
Financial assets and liabilities held for trading	0	−6,480	0	−6,480
Total	**−41,185**	**−6,889**	**1,111**	**−46,963**

For loans and receivables, the valuation item includes impairment costs of € 0.9 million.

Hedging strategy and risk management

The nature of the VTG Group's operations exposes it to several financial risks. Specifically, these are default risks, liquidity risks and financial market risks, as described below.

For further information on the risk management system of the VTG Group, please refer to the explanations in the Report on Opportunities and Risks within the Group Management Report.

Default risk

On the one hand, the default risk involves the danger that outstanding receivables will be paid late or not at all. On the other hand, it entails the risk that suppliers fail to meet their obligations from advance payments.

The default risk is countered through an effective accounts receivable management system.

The maximum default risk corresponds to the book value of the financial receivables and assets.

In order to cover payments on account in connection with investment activities, suppliers obtain bank guarantees from financial institutions with top credit ratings. In order to secure payments on account the Group has accepted bank guarantees from suppliers amounting to € 17.0 million (previous year: € 17.2 million). As of December 31, 2012, as in previous years, no guarantees from suppliers had been utilized.

Liquidity risk

Liquidity planning is used to determine the cash requirements for the whole VTG Group. These requirements are covered first and foremost by operative cash flow and furthermore by agreed, as-yet-unused lines of credit until 2016. This ensures that VTG AG and its subsidiaries can meet their payment obligations at all times.

Regarding the due dates for financial liabilities, trade payables, derivative financial instruments and other financial liabilities, please see Note (27).

For future payment obligations from rental, leasehold and leasing agreements, please see under "Other financial commitments".

The following liquidity analysis shows the payments expected to be made over the next few years as a result of financial liabilities and financial instruments. It also shows payments from derivative assets. The balance column contains the amount for financial liabilities without accrued interest. The fair value is shown for derivative financial instruments. Due to the short-term nature of trade payables and other financial liabilities, the resulting cash flows have not been shown. The cash flows are approximately equal to the amounts shown under "residual terms" under Note (27).

In the overview, the contractually agreed non-discounted interest and capital payments of the primary financial liabilities and the derivative financial instruments are shown with positive and negative fair values. Included are all instruments that were held as of December 31, 2012 and for which payments were already contractually agreed. Forecast figures for new liabilities are not included. The variable interest payments from financial instruments were calculated on the basis of the yield curves determined on December 31, 2012.

Liquidity analysis

€ '000	Balance 31.12.2012	Cashflows 2013 Fixed interest	Cashflows 2013 Variable interest	Cashflows 2013 Repayment	Cashflows 2014 Fixed interest	Cashflows 2014 Variable interest	Cashflows 2014 Repayment
Primary financial liabilities							
US private placement	480,342	27,489	0	0	27,489	0	0
Syndicated loan	161,888	0	4,189	5,102	0	4,219	5,105
Project financing	102,236	1,126	1,610	7,280	1,905	1,604	8,027
Liabilities from financial leases	11,771	408	0	4,383	298	0	1,897
Other financial liabilities	1,026	0	0	1,026	0	0	0
Derivative financial liabilities and assets							
Liabilities from derivative financial instruments	30,938	12,532	0	603	12,532	0	0
Assets from derivative financial instruments	194	0	0	194	0	0	0

€ '000	Balance 31.12.2011	Cashflows 2012 Fixed interest	Cashflows 2012 Variable interest	Cashflows 2012 Repayment	Cashflows 2013 Fixed interest	Cashflows 2013 Variable interest	Cashflows 2013 Repayment
Primary financial liabilities							
US private placement	480,919	27,517	0	0	27,517	0	0
Syndicated loan	96,386	0	3,390	5,073	0	3,052	5,073
Project financing	109,528	2,394	2,576	7,137	2,098	1,636	7,762
Liabilities from financial leases	19,324	548	0	7,005	399	0	4,910
Other financial liabilities	1,472	0	0	1,472	0	0	0
Derivative financial liabilities and assets							
Liabilities from derivative financial instruments	31,955	8,561	0	824	8,533	0	0
Assets from derivative financial instruments	0	0	0	0	0	0	0

'000 €	Cashflows 2015–2017 Fixed interest	Variable interest	Repay-ment	Cashflows 2018–2020 Fixed interest	Variable interest	Repay-ment	Cashflows 2021 ff. Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
US private placement	82,467	0	0	78,531	0	30,342	64,291	0	450,000
Syndicated loan	0	5,749	151,681	0	0	0	0	0	0
Project financing	4,340	5,010	34,534	194	4,579	27,606	0	1,717	24,789
Liabilities from financial leases	450	0	5,491	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Liabilities from derivative financial instruments	5,433	0	0	0	0	0	0	0	0
Assets from derivative financial instruments	0	0	0	0	0	0	0	0	0

'000 €	Cashflows 2014–2016 Fixed interest	Variable interest	Repay-ment	Cashflows 2017–2019 Fixed interest	Variable interest	Repay-ment	Cashflows 2020 ff. Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
US private placement	82,552	0	0	80,284	0	30,919	94,269	0	450,000
Syndicated loan	0	7,473	86,240	0	0	0	0	0	0
Project financing	5,029	6,309	23,386	3,204	6,031	24,061	1,356	3,287	47,182
Liabilities from financial leases	696	0	4,288	52	0	3,121	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Liabilities from derivative financial instruments	12,437	0	0	0	0	0	0	0	0
Assets from derivative financial instruments	0	0	0	0	0	0	0	0	0

Financial market risk

The main financial market risks for the VTG Group are interest rate and currency risks.

For the presentation of financial market risks, IFRS 7 requires sensitivity analyses to be performed which show the effects of hypothetical changes in relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments as of the balance sheet date. It is ensured that the balance at the reporting date is representative for the year as a whole.

The following sensitivity analyses contain hypothetical information that therefore involves risk. Due to unforeseeable developments in the global financial markets, the actual developments can deviate from the hypothetical ones.

Interest rate risk

The VTG Group is exposed to an interest rate risk arising from the sensitivity of payments relating to variable-interest-bearing financial liabilities and financial assets and to the measurement of interest rate derivatives as consequence of a change in the market interest rate. The VTG Group limits risks from the sensitivity of payments relating to variable-interest financial liabilities by using interest derivatives such as interest swaps.

As of the reporting date, the major interest rate risks from financial liabilities came from the variable-interest syndicated loan and the variable-interest portion of project financing. In most cases, the fixed interest period was up to six months as of the balance sheet date. As part of the VTG Group's interest rate hedging strategy, the Group effectively hedges interest rate exposure. The contractual term of the agreed interest rate swap runs until June 2015.

In order to assess the risk of changes in interest rates for financial liabilities, a change in the market interest rate of 100 basis points was simulated. For this purpose, the actual interest rates for the financial year 2012 were each changed by 100 basis points. An increase in the interest rate of 100 basis points would improve the pre-tax financial result by € 0.6 million (previous year: € 2.5 million) and increase the revaluation reserve by € 2.6 million (previous year: € 3.9 million). A reduction in the interest rate of 100 basis points would reduce the pre-tax financial result by € 0.6 million (previous year: € 3.2 million) and reduce the revaluation reserve by € 2.6 million (previous year € 3.4 million). This measurement takes account of the new interest rate derivatives.

The amounts invested over the short term with banks are subject to interest rate fluctuations. The funds available for investment are needed for current investment plans, so there is no significant interest rate risk from these fluctuations.

Currency risk

The scope of foreign currency transactions is small within the Group. If a company concludes derivative financial instruments within the valid guidelines and provisions, this is done only with the prior approval of the Group's head office. For currency hedging, currency receipts and payments in the same currency and with the same maturity are initially offset at group level (netting). All hedging transactions are thus based on an appropriately realized or future underlying transaction. These are exclusively fixed-price, arm's length transactions with financial companies with excellent credit ratings.

The change in the market value of the forward exchange contracts classified as cash flow hedges is included under other items of equity. As of December 31, 2012 derivative financial instruments with a maximum term of 12 months (previous year 9 months) were held in order to hedge exchange risks in connection with planned transactions in foreign currency.

The ineffective portion of these forward exchange contracts classified as cash flow hedges amounted to € 0 thous. (previous year: € 11, 000).

Within the meaning of IFRS 7, currency risks arise from primary and derivative financial instruments issued in a currency other than the functional currency of a company. The US dollar, the British pound, the Swiss franc and for the first time, because of its increased importance, the Polish zloty were identified as relevant risk variables in the VTG Group.

The foreign currency sensitivity analysis below is based on an revaluation/devaluation of 10 % in the currencies concerned as of December 31, 2012.

Appreciation	31.12.2012		31.12.2011	
€ '000	affecting income	not affecting income	affecting income	not affecting income
USD	+ 623	− 69	+ 702	− 519
GBP	+ 35	0	+ 26	0
CHF	− 462	0	+ 18	0
PLN	− 48	0	− 191	0

Depreciation	31.12.2012		31.12.2011	
€ '000	affecting income	not affecting income	affecting income	not affecting income
USD	− 623	+ 71	− 702	+ 425
GBP	− 35	0	− 26	0
CHF	+ 462	0	− 18	0
PLN	+ 48	0	+ 191	0

Management of the Capital Structure

The Group manages its capital with the objective of maximizing the income of those with an investment in the company by optimizing the relationship between equity and debt and securing the long-term profitability and future of the company. This ensures that all Group companies can operate under the going-concern assumption.

The Group's capital structure consists of debt, including the borrowings stated under Note (27), cash and cash equivalents and equity attributable to shareholders of the parent company. Equity comprises shares issued, additional paid-in capital and retained earnings.

A key control parameter used in capital structure management is the ratio of adjusted net financial debt to EBITDA. Adjusted net financial debt is calculated as net financial debt plus pension provisions.

Net financial debt is defined as the balance of cash and cash equivalents, investment securities and financial receivables less financial debt. It does not include those components in financial liabilities that have been entered as part of a purchase price allocation. Moreover, there is no deduction of transaction costs within the meaning of IAS 39 in determining net financial debt (see also Note 27 under "Financial liabilities").

The (adjusted) financial debt is determined as follows:

€ '000	**31.12.2012**	31.12.2011
Cash and cash equivalents	57,004	98,364
Investment securities	428	468
Financial receivables	6,109	9,083
Financial liabilities	–755,993	–706,726
Correction, deduction of transaction costs	–6,182	–6,237
Correction, purchase price allocation	0	209
Net financial debt	**–698,634**	**–604,839**
Provisions for pensions	–58,490	–46,306
Adjusted net financial debt	**–757,124**	**–651,145**

The ratio of adjusted net financial debt to EBITDA is shown in the following table:

€ '000	**31.12.2012**	31.12.2011
Adjusted net financial debt	757,124	651,145
EBITDA	173,778	168,728
Ratio of adjusted net financial debt/EBITDA	**4.4**	**3.9**

Notes to the consolidated cash flow statement

The cash flow statement of the VTG Group shows the inflows and outflows of funds for operating, investing and financing activities for the financial year 2012 and for the previous year.

The investments in intangible assets and tangible fixed assets mainly relate to payments for the acquisition and modernization of rail freight cars.

The repayments of bank loans and other financial liabilities, amounting to € 16.8 million, mainly comprise the scheduled repayments of project financing and repayment of the syndicated loan.

Other disclosures

Collaterals

As of the reporting date, 11 companies in the VTG Group had provided guarantees of payments amounting to € 211.8 million in relation to the syndicated loan.

As of the reporting date, nine companies in the VTG Group had provided guarantees of payments amounting to € 480.3 million in relation to the US private placement.

As part of the Group's refinancing arrangements, four companies within the VTG Group have assigned as collateral their rail freight cars registered in Germany and the UK at their carrying amount of € 639.4 million. Eight companies have assigned as collateral their rights relating to rail freight cars.

In addition to the above guarantees, in order to secure their project financing, three companies in the Group have pledged bank accounts and rail freight cars with carrying amounts of € 2.8 million and € 126.9 million respectively.

The contractual agreements contain conditions of credit known as financial covenants. The main conditions are:

- a certain consolidated net financial liabilities to consolidated EBITDA ratio,
- a certain ratio of consolidated EBITDA to consolidated net interest income
- a certain consolidated net financial liabilities to the respectively secured tangible fixed assets ratio

Depending on the definition of the covenant, these ratios must not be exceeded or fallen short of. Failure to comply with these covenants can have far-reaching consequences for VTG, going as far as termination of specific loan agreements. For this reason, VTG monitors these financial covenants pro-actively, continuously and with the utmost care to ensure that measures can be taken early to ensure compliance.

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2012 and the previous year:

€ '000	due within 1 year	between 1 and 5 years	over 5 years	**31.12.2012 Total**
Obligations from rental, leasehold and leasing agreements	40,447	75,727	50,810	166,984
Purchase commitments	65,258	21,552	0	86,810
Total	**105,705**	**97,279**	**50,810**	**253,794**

€ '000	due within 1 year	between 1 and 5 years	over 5 years	**31.12.2011 Total**
Obligations from rental, leasehold and leasing agreements	45,653	85,262	48,286	179,201
Purchase commitments	146,002	11,980	0	157,982
Total	**191,655**	**97,242**	**48,286**	**337,183**

The obligations from rental, leasehold and leasing agreements relate exclusively to rental agreements where the companies of the VTG Group are not considered the economic owners of the leased assets (largely rail freight cars and tank containers). The operating leases shown under this item have an average term of 11 years and include purchase options at maturity that correspond to the fair value.

Purchase commitments relate exclusively to investments in tangible fixed assets.

The total rental, leasehold and leasing expense for the financial year 2012 was € 71.0 million (previous year: € 65.0 million).

Auditors' fees

In the financial year 2012, the following fees, recorded in other operating expenses, were incurred in relation to the auditors of the annual and consolidated financial statements (disclosure in accordance with § 314 (1) Para. 9 in conjunction with § 315a (1) of the German Commercial Code).

€ '000	2012	2011
Fees for auditing the annual report and consolidated financial statements	449	439
Fees for other services related to the audit opinion	79	93
Other services	78	77

Average number of employees

	2012	2011
Salaried employees	800	741
Wage-earning staff	357	332
Trainees	40	32
Total	**1,197**	**1,105**
thereof abroad	370	355

Material events after the balance sheet date (Supplemental Report)

There were no events of special significance after the end of the financial year.

Related party disclosures

Besides the subsidiaries included in the consolidated financial statements, VTG AG is related directly or indirectly with affiliated, non-consolidated companies and with other equity investments in the normal course of its business activities.

The following transactions were made with related parties and all were conducted on arm's length terms.

Income and expenses and receivables and payables from affiliated, non-consolidated companies, associates and other equity investments

€ '000	2012	2011
Income and expenses from affiliated, non-consolidated companies		
Revenue and other operating income	4,182	5,054
Expenses	7,233	6,674
Interest income	34	21
Interest expense	13	4
Income and expenses from associates and other equity investments		
Revenue and other operating income	4,820	4,301
Expenses	749	348
Interest expense	0	81

€ '000	31.12.2012	31.12.2011
Receivables from affiliated, non-consolidated companies		
trade payables	1,598	2,071
other receivables	524	492
Receivables from associates and other companies in which an investment is held		
trade payables	1,931	1,797
other receivables	5,130	5,834
Liabilities to affiliated, non-consolidated companies		
trade payables	921	556
financial liabilities	534	441
Liabilities to associates and other companies in which an investment is held		
trade payables	471	39
from finance leases	8,018	14,029

Remuneration of the Executive Board, Supervisory Board and persons in key management positions

The Executive Board, Supervisory Board and those in key management positions in the Group and their close family members represent related parties within the meaning of IAS 24 whose remuneration is to be disclosed separately

€ '000	2012	2011	2010
Short-term employee benefits	4,743	4,090	4,847
thereof Executive Board	(2,430)	(1,765)	(2,835)
thereof Supervisory Board	(250)	(250)	(234)
Post-employment benefits	180	201	336
thereof Executive Board	(111)	(134)	(270)
Total	**4,923**	**4,291**	**5,183**

Pension provisions for members of the Executive Board amounted to € 3.4 million as of the balance sheet date. Provisions for other key management personnel amounted to € 0.7 million on the balance sheet date.

There are provisions totaling € 6.5 million for obligations to former members of the Executive Board and their survivors. The remunerations to former members of the Executive Board and their survivors amounted to € 1.1 million.

The members of the Supervisory Board and of the Executive Board of VTG AG are listed separately.

Other information

In addition, the following companies and persons were identified in particular as related parties in accordance with IAS 24. No transactions were conducted with these parties:

Name and registered office of company
Compagnie Européenne de Wagons S.à r.l., Luxembourg (controlling company)
El Vedado, LLC, New York
Euro Wagon I, L.P., Cayman Islands
Euro Wagon II, L.P., Cayman Islands
IPE Eurowagon, L.P., Jersey
Platon MPP Verwaltungs GmbH i.L., Hamburg
Ross Expansion Associates, L.P., New York
Ross Expansion GP, LLC, New York
Wilbur L. Ross jr., New York
WLR Euro Wagon Management Ltd., New York
WLR Recovery Associates II, LLC, New York
WLR Recovery Associates III, LLC, New York
WLR Recovery Fund II, L.P., New York
WLR Recovery Fund III, L.P., New York
WL Ross Group, L.P., New York

List of Equity Investments

Name and registered office of company	Currency	Share of capital in % Direct	Share of capital in % Indirect	Equity capital in '000 currency units	Result in '000 currency units
A. Consolidated affiliated companies					
Alstertor Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	5,802	0
Ateliers de Joigny S.A.S., Joigny/France	EUR		100.00	1,461	147
CAIB Benelux BVBA, Antwerp-Berchem/Belgium	EUR		100.00	2,543	1,446
CAIB Rail Holdings Limited, Birmingham/United Kingdom	GBP		100.00	−7,962	0
CAIB UK Limited, Birmingham/United Kingdom	GBP		100.00	18,330	0
Deichtor Rail GmbH, Garlstorf	EUR	100.00		1,020	−192
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	EUR		98.57	32,470	0 [2]
Etablissements Henri Loyez S.A.S., Libercourt/France	EUR		100.00	−1,646	−144
EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	EUR		100.00	38,632	0 [2][3]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0 [2][3]
Ferdinandstor Rail GmbH, Garlstorf	EUR		100.00	3,912	−575
Jasper Moritz OÜ, Tallin/Estonia	EUR		100.00	2,255	288
Klostertor Rail GmbH, Garlstorf	EUR	100.00		1,127	−2,665
OOO Railcraft Service, Moscow/Russia	RUB		100.00	43,178	36,537
Railcraft Eesti OÜ, Tallin/Estonia	EUR		100.00	707	379
Railcraft Oy, Espoo/Finland	EUR	100.00		3,787	838
Railcraft Service Oy, Espoo/Finland	EUR		100.00	38	−4
Transpetrol Austria GmbH, Vienna/Austria	EUR		100.00	481	195
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	9,160	8,160
Transpetrol Sp.z o.o., Chorzów/Poland	PLN		100.00	8,776	6,637
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	12,665	3,580
VTG Austria Ges.m.b.H, Vienna/Austria	EUR		100.00	19,504	3,779
VTG Benelux B.V., Rotterdam/Netherlands	EUR		100.00	1,401	563
VTG Deutschland GmbH, Hamburg	EUR		100.00	138,041	0 [2][3]
VTG France S.A.S., Paris/France	EUR		100.00	27,811	2,198
VTG ITALIA S.r.l., Milan/Italy	EUR		100.00	1,995	−545
VTG North America, Inc., Hinsdale, Illinois/USA	USD	100.00		31,910	1,938
VTG RAIL ESPAÑA S.L., Madrid/Spain	EUR		100.00	1,819	−309
VTG Rail, Inc.,Edwardsville, Illinois/USA	USD		100.00	4,158	−1,123
VTG Rail Logistics Benelux N.V., Ghent/Belgium	EUR		100.00	263	−142
VTG Rail Logistics Deutschland GmbH, Hamburg	EUR		100.00	−490	−1,060
VTG Rail Logistics France S.A.S., Paris/France	EUR		100.00	7,866	−2,809
VTG Rail Logistics GmbH, Hamburg	EUR	100.00		29,085	−197

[2] Profit and loss transfer agreement with the parent company.
[3] Companies partially make use of the exemption from drawing up annual financial statements according to §264 (3) of the German Commercial Code.

Name and registered office of company	Currency	Share of capital in % Direct	Indirect	Equity capital in '000 currency units	Result in '000 currency units
VTG Rail Logistics s.r.o., Prague/Czech Republic	CZK	100.00		37,419	8,646
VTG Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	19,864	3,278
VTG Schweiz GmbH, Basel/Switzerland	CHF		100.00	17,871	1,992
VTG Tanktainer Assets GmbH, Hamburg	EUR		100.00	4,025	0 [2]
VTG Tanktainer Logistics GmbH, Hamburg	EUR		100.00	17,017	0 [2]
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 [2][3]
Waggonbau Graaff GmbH, Elze	EUR	100.00		2,205	498
Waggonwerk Brühl GmbH, Wesseling	EUR		100.00	−6,043	−2,059
B. At equity konsolidierte Unternehmen					
Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai/China	RMB		50.00	21,706	3,167
Waggon Holding AG, Zug/Switzerland	CHF	50.00		3,744	2,541
C. Affiliated, non-consolidated companies					
Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim	EUR		100.00	23	14
Bräunert Verwaltungs GmbH, Albisheim	EUR		100.00	29	1
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		125	74
Millerntor Rail GmbH, Garlstorf	EUR		100.00	25	0 [2]
OOO VTG, Moscow/Russia	RUB		100.00	14,739	−6,463 [1]
Tankspan Leasing Ltd., Godalming, Surrey/United Kingdom	USD	100.00		4,224	285
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	−360	−28
VOTG Finland Oy, Helsinki/Finland	EUR		100.00	161	31 [1]
VOTG North America, Inc., West Chester, Pennsylvania/USA	USD		100.00	528	164 [1]
VOTG Tanktainer Asia Pte Ltd., Singapore/Singapore	USD		100.00	145	37 [1]
VTG Rail Assets GmbH, Hamburg	EUR		100.00	25	0 [2]
D. Other companies					
CERERAIL A.I.E., Madrid/Spain	EUR		33.33	27	0 [1]
E.V.S. SA, Puteaux/France	EUR		34.00	−12	−307 [1]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [1][2]
PETRORAIL S.A., Madrid/Spain	EUR		50.00	82	3 [1]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	−9,047	2,395 [1]
Steeltrack S.A., Saint Denis/France	EUR		33.30	302	171 [1]

[1] Information as of 31.12.2011
[2] Profit and loss transfer agreement with the parent company.
[3] Companies partially make use of the exemption from drawing up annual financial statements according to §264 (3) of the German Commercial Code

Members of the Supervisory Board

Dr. rer. pol. Wilhelm Scheider, Basel
Consultant
Chairman

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former Managing Director of VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg
Deputy Chairman

Dr. jur. Bernd Malmström, Berlin
Solicitor

Dr. sc. pol. Jost A. Massenberg, Duisburg
Former Member of the Executive Board of ThyssenKrupp Steel Europe AG

Dr. jur. Christian Olearius, Hamburg
Banker
M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg

Gunnar Uldall, Hamburg
Management consultant, Senator (retired)

Appointments of the Supervisory Board *)

Dr. rer. pol. Wilhelm Scheider, Basel

b) Hydac Electronic GmbH
Hydac Technology GmbH [1)]

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg

a) Flughafen Hamburg GmbH [1)]

Dr. jur. Bernd Malmström, Berlin

a) HHLA - Intermodal GmbH
K + S AG
Lehnkering GmbH [2)]

b) Colada AcquiCo S.á.r.l., Luxemburg
DAL Deutsche Afrika Linien GmbH & Co. KG
IFCO-Sytems B.V., The Netherlands [1)]
time: matters GmbH [1)]

Dr. sc. pol. Jost A. Massenberg, Duisburg

b) Felix Schoeller Holding GmbH & Co. KG
Siegwerk GmbH & Co. KG

Dr. jur. Christian Olearius, Hamburg

a) Bankhaus Carl F. Plump & Co. [1)]
Bankhaus Hallbaum AG [1)]
Bankhaus Löbbecke AG [1)]
Degussa Bank GmbH [1)]
M.M. Warburg & CO Geschäftsführungs-AG [1)]
M.M. Warburg & CO Hypothekenbank AG [1)]
Marcard, Stein & CO AG [1)]

b) M.M. Warburg Bank (Schweiz) AG, Switzerland [1)]
Private Client Partners AG, Switzerland [1)]

Gunnar Uldall, Hamburg

a) BDO Deutsche Warentreuhand Aktiengesellschaft
Daimler Luft- und Raumfahrt Holding AG
HanseMerkur Holding AG
HanseMerkur Krankenversicherung auf Gegenseitigkeit

b) Bogdol Verwaltungs- und Immobilien GmbH
Deutsches Institut für Service-Qualität GmbH & Co.KG [1)]

*) All information relating to appointments applies of December 31, 2012
a) Membership of statutory supervisory boards
b) Membership of comparable controlling bodies of business enterprises in Germany and abroad.
1) Chairman
2) Deputy Chairman

Members of the Executive Board

Dr. rer. pol. Heiko Fischer, Hamburg
MBA
Chairman

Dr. rer. pol. Kai Kleeberg, Hamburg
Dipl.-Kaufmann (Degree in Business Administration)
Chief Financial Officer

Femke Scholten, Hamburg
MSc Chemistry, MSc Chem. Eng.
Chief Officer Logistics and Safety

Appoinments of the Executive Board *)

Dr. rer. pol. Heiko Fischer, Hamburg

b) „Brückenhaus“ Grundstücksgesellschaft m.b.h.
Kommanditgesellschaft „Brückenhaus“ Grundstücksgesellschaft m.b.H. & Co.
Navigator Holdings Ltd., Marshall Islands
TRANSWAGGON AG, Switzerland
TRANSWAGGON-Gruppe, Switzerland 2)
Waggon Holding AG, Switzerland

Dr. rer. pol. Kai Kleeberg, Hamburg

b) Shanghai COSCO VOTG Tanktainer Co., Ltd., China
TRANSWAGGON AG, Switzerland
Waggon Holding AG, Switzerland

Femke Scholten, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition

*) All information relating to appointments applies of December 31, 2012.
a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of business enterprises in Germany and abroad.
1) Chairman
2) Deputy Chairman

04 Financial Information

Consolidated Financial Statements of VTG AG as of 31st December 2012

Development of fixed assets from 1st January to 31st December 2012

€ '000	Balance at 1.1.2012	Changes to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifications	Balance at 31.12.2012
	Acquisition/manufacturing costs						
Intangible assets							
Concessions, industrial trademarks and similar rights and assets as well as licences in such rights and assets	10,047	0	1	2,829	13	1,452	14,316
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	65,005	0	0	0	0	0	65,005
Goodwill	158,302	0	−39	0	0	0	158,263
Capitalized development costs	1,391	0	0	0	0	0	1,391
Payments on account	2,168	0	0	1,076	0	−1,448	1,796
	246,972	**0**	**−38**	**3,905**	**13**	**4**	**250,830**
Tangible fixed asstes							
Wagon fleet	1,219,038	0	1,489	139,199	29,680	41,394	1,371,440
Containers and Chassis	42,927	0	0	6,701	721	0	48,907
Land and buildings including on third party land	8,882	0	0	409	291	1,800	10,800
Technical plant and machinery	10,863	0	6	482	213	66	11,204
Other equipment, operating and office equipment	9,325	47	11	2,163	685	198	11,059
Payments on account, assets under construction	67,513	0	86	58,302	17,468	−43,577	64,856
	1,358,548	**47**	**1,592**	**207,256**	**49,058**	**−119**	**1,518,266**
Fixed assets	**1,605,520**	**47**	**1,554**	**211,161**	**49,071**	**−115**	**1,769,096**

Impairment, amortization and depreciation								Book values	
Balance at 1.1.2012	Changes to scope of consolidation	Currency adjustment	Depreciation/ amortisation for financial year	Impairment	Disposals	Reclassifications	Balance at 31.12.2012	**31.12.2012**	31.12.2011
5,066	0	1	1,823	0	13	0	6,877	7,439	4,981
0	0	0	0	0	0	0	0	10,059	10,059
24,041	0	0	4,209	1,105	0	0	29,355	35,650	40,964
0	0	0	0	0	0	0	0	158,263	158,302
35	0	0	198	0	0	0	233	1,158	1,356
0	0	0	0	0	0	0	0	1,796	2,168
29,142	**0**	**1**	**6,230**	**1,105**	**13**	**0**	**36,465**	**214,365**	**217,830**
375,097	0	372	87,738	2,035	23,498	469	442,213	929,227	843,941
21,121	0	0	3,776	0	182	0	24,715	24,192	21,806
3,117	0	0	383	0	196	1	3,305	7,495	5,765
3,169	0	5	1,049	0	192	4	4,035	7,169	7,694
5,452	10	7	1,520	0	627	43	6,405	4,654	3,873
168	0	0	1,127	0	427	−469	399	64,457	67,345
408,124	**10**	**384**	**95,593**	**2,035**	**25,122**	**48**	**481,072**	**1,037,194**	**950,424**
437,266	**10**	**385**	**101,823**	**3,140**	**25,135**	**48**	**517,537**	**1,251,559**	**1,168,254**

Development of fixed assets from 1st January to 31st December 2011

€ '000	Acquisition or manufacturing costs Balance at 1.1.2011	Additions to intangible and tangible fixed assets from company acquisitions/ Changes to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifications	Balance at 31.12.2011
Intangible assets							
Concessions, industrial trademarks and similar rights and assets and licences in such rights and assets	5,899	29	−1	1,742	8	2,386	10,047
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	64,250	0	0	755	0	0	65,005
Goodwill	158,248	0	54	0	0	0	158,302
Capitalized development costs	0	0	0	931	0	460	1,391
Payments on account	3,035	0	0	1,289	0	−2,156	2,168
	241,491	**29**	**53**	**4,717**	**8**	**690**	**246,972**
Tangible fixed assets							
Wagon fleet	1,130,275	52,343	4,660	47,856	51,041	34,945	1,219,038
Containers and Chassis	38,894	0	0	4,654	622	1	42,927
Land and buildings including on third party land	8,122	124	0	659	23	0	8,882
Technical plant and machinery	9,113	64	−8	1,474	24	244	10,863
Other equipment, operating and office equipment	8,131	169	1	1,435	411	0	9,325
Payments on account, assets under construction	51,614	0	67	68,293	17,436	−35,025	67,513
	1,246,149	**52,700**	**4,720**	**124,371**	**69,557**	**165**	**1,358,548**
Total	**1,487,640**	**52,729**	**4,773**	**129,088**	**69,565**	**855**	**1,605,520**

Impairment, amortization and depreciation								Book values	
Balance at 1.1.2011	Changes to scope of consolidation	Currency adjustment	Impairment, amortization and depreciation in financial year	Disposals	Write-ups	Reclassifications	Balance 31.12.2011	**31.12.2011**	31.12.2010
3,455	10	−1	1,611	9	0	0	5,066	4,981	2,444
0	0	0	0	0	0	0	0	10,059	10,059
19,832	0	0	4,209	0	0	0	24,041	40,964	44,418
0	0	0	0	0	0	0	0	158,302	158,248
0	0	0	35	0	0	0	35	1,356	0
0	0	0	0	0	0	0	0	2,168	3,035
23,287	**10**	**−1**	**5,855**	**9**	**0**	**0**	**29,142**	**217,830**	**218,204**
309,764	0	1,366	83,411	19,993	36	585	375,097	843,941	820,511
17,975	0	0	3,721	575	0	0	21,121	21,806	20,919
2,805	0	0	335	23	0	0	3,117	5,765	5,317
2,056	33	−6	1,110	24	0	0	3,169	7,694	7,057
4,374	51	5	1,408	386	0	0	5,452	3,873	3,757
427	0	0	606	280	0	−585	168	67,345	51,187
337,401	**84**	**1,365**	**90,591**	**21,281**	**36**	**0**	**408,124**	**950,424**	**908,748**
360,688	**94**	**1,364**	**96,446**	**21,290**	**36**	**0**	**437,266**	**1,168,254**	**1,126,952**

Declaration on the Corporate Governance Code

The Supervisory Board and Executive Board have issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act and made it permanently accessible to shareholders on the VTG website at www.vtg.de.

Hamburg, February 21, 2013

The Executive Board

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

Responsibility Statement

According to the best of our knowledge we declare that, in accordance with the accounting principles to be applied, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and that the Group Management Report presents the business development including the business results and position of the Group such that a true and fair view of the Group is reflected and that the significant opportunities and risks of the expected development of the Group are described.

Hamburg, February 21, 2013

The Executive Board

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

Auditor's Report

We have audited the consolidated financial statements prepared by the VTG Aktiengesellschaft, Hamburg, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st to December 31st, 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 22nd, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke	ppa. Christoph Fehling
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar 2013 and share data

Financial calendar 2013

February 20	Preliminary results for 2012
March 25	Publication of the results 2012
March 25	Financial Statements Press Conference, Hamburg
May 16	Interim Report for the 1st Quarter 2013
May 16	Analyst Conference, Frankfurt
May 23	Annual General Meeting, Hamburg
August 15	Half-yearly Financial Report 2013
November 14	Interim Report for the 3rd Quarter 2013

Share data

WKN	VTG999
ISIN	DE000VTG999
Stock exchange abbreviation	VT9
Index	SDAX, CDAX, HASPAX
Share type	No-par-value bearer share
No. of shares (31.12.)	21,388,889
Market capitalization (31.12.)	€ 259.2 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Share price (31.12.)	€ 12.12

05 Further Information

5-year overview for the group

in € m	2008	2009	2010	2011	2012
Revenue	**608.7**	**581.5**	**629.4**	**750.0**	**767.0**
Railcar Division	294.1	289.0	283.6	303.9	314.6
Rail Logistics	177.7	179.4	201.4	294.3	296.8
Tank Container Logistics	136.8	113.1	144.5	151.8	155.5
Group EBITDA	**155.1**[1]	**149.4**	**154.4**	**168.7**	**173.8**
Railcar Division	152.5	146.3	145.4	156.5	167.4
Rail Logistics	6.3[1]	6.7	8.4	12.1	7.7
Tank Container Logistics	9.6	7.3	11.2	13.1	11.9
EBIT	75.6	66.9	63.0	72.3	68.8
Group net profit (comparable)	27.9	22.5	20.6	17.9[2]	10.3
Depreciation	80.8	82.5	91.4	96.4	105.0
Total investments	158.2	153.5	168.8	182.8	220.5
Operating cash flow	149.6	144.8	137.8	125.6	136.0
Earnings per share (comparable) in €	1.26	1.01	0.91	0.75[2]	0.41
Dividend per share in €	0.30	0.30	0.33	0.35	0.37[3]
Balance sheet total	1,240.5	1,277.2	1,355.2	1,461.9	1,527.9
Non-current assets	1,081.2	1,124.9	1,174.8	1,225.3	1,309.4
Current assets	159.3	152.3	180.4	236.6	218.5
Equity	288.4	296.7	313.0	317.5	311.7
Liabilities	952.1	980.4	1,042.2	1,144.4	1,216.2
Number of employees	1,004	963	999	1,170	1,188
in Germany	674	678	709	778	838
in other countries	330	285	290	392	350

[1] EBITDA adjusted for special effects.
[2] These items are adjusted with regard to the extraordinary expenses from the refinancing of the Group in 2011.
[3] Intended proposal to Annual General Meeting (AGM)

Contact and imprint

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Concept and Design
Berichtsmanufaktur GmbH, Hamburg

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Christiane Koch (p. 3, 7), Detlef Overmann (p. 27),
Lars Schriefers (p. 24), Kristina Ullerich (p. 23)

Reservation regarding statements relating to the future
This annual report contains a number of statements relating to the future development of VTG. These statements are based on assumptions and estimates. Although we are confident that these anticipatory statements are realistic, we cannot guarantee them, for our assumptions involve risks and uncertainties which may give rise to situations in which the actual results differ substantially from the expected ones. The potential reasons for such differences include market fluctuations, the development of world market commodity prices, the development of exchange rates or fundamental changes in the economic environment. VTG neither intends to nor assumes any separate obligation to update any statement concerning the future to reflect events or circumstances after the date of this report.

The English version of this document is a translation from the German original. The German version is authoritative.