2010

Annual Report

VTG AKTIENGESELLSCHAFT

Moving into the future

VTG

The railway is our passion.

VTG Aktiengesellschaft is a leading international wagon hire and rail logistics company. The Group has the largest privately owned fleet of rail freight cars in Europe, numbering some 50,700 around the globe. In addition to pure hire services, VTG organizes the transport of freight by rail and global transports using tank containers. Tank containers are forwarded by rail, road and sea. There is a global increase in volumes of freight as well as increasing liberalization of rail freight traffic. Taken together with the much lower energy consumption of the railway compared with, for instance, road transport, this makes our services both highly attractive and sustainable.

in € m	1.1. – 31.12.2009	**1.1. – 31.12.2010**	Change in %
Revenue	581.5	629.4	8.2
EBITDA	149.4	154.4	3.4
EBIT	66.9	63.0	−5.9
EBT	35.4	32.6	−7.8
Group profit	22.5	20.6	−8.5
Depreciation	82.5	91.4	10.8
Investments	153.5	168.8	9.9
Operating cash flow	144.8	137.8	−4.8
Earnings per share in €	1.01	0.91	−9.9

in € m	31.12.2009	**31.12.2010**	Change in %
Balance sheet total	1,277.2	1,355.2	6.1
Non-current assets	1,124.9	1,174.8	4.4
Current assets	152.3	180.4	18.5
Shareholder's equity	296.7	313.0	5.5
Liabilities	980.4	1,042.2	6.3
Equity ratio in %	23.2	23.1	−0.1 pts
Number of Employees	963	999	3.7
in Germany	678	709	4.6
in other countries	285	290	1.8

MILESTONES

February

VTG confirms the stability of its business with its preliminary figures: the forecasts made in February of the previous year were met completely despite the difficult market environment.

April

VTG exploits potential for expansion: takeover of the Rexwal Group and purchase of 720 wagons. With these wagons, VTG further diversifies its fleet and strengthens its position in the core market of Europe.

June

Intensive investor relations work pays off: VTG is again awarded the Capital Investor Relations Prize. After achieving a ranking of 4th in the previous year, VTG was this year ranked number 2 among the 50 SDAX companies.

Wagon Hire

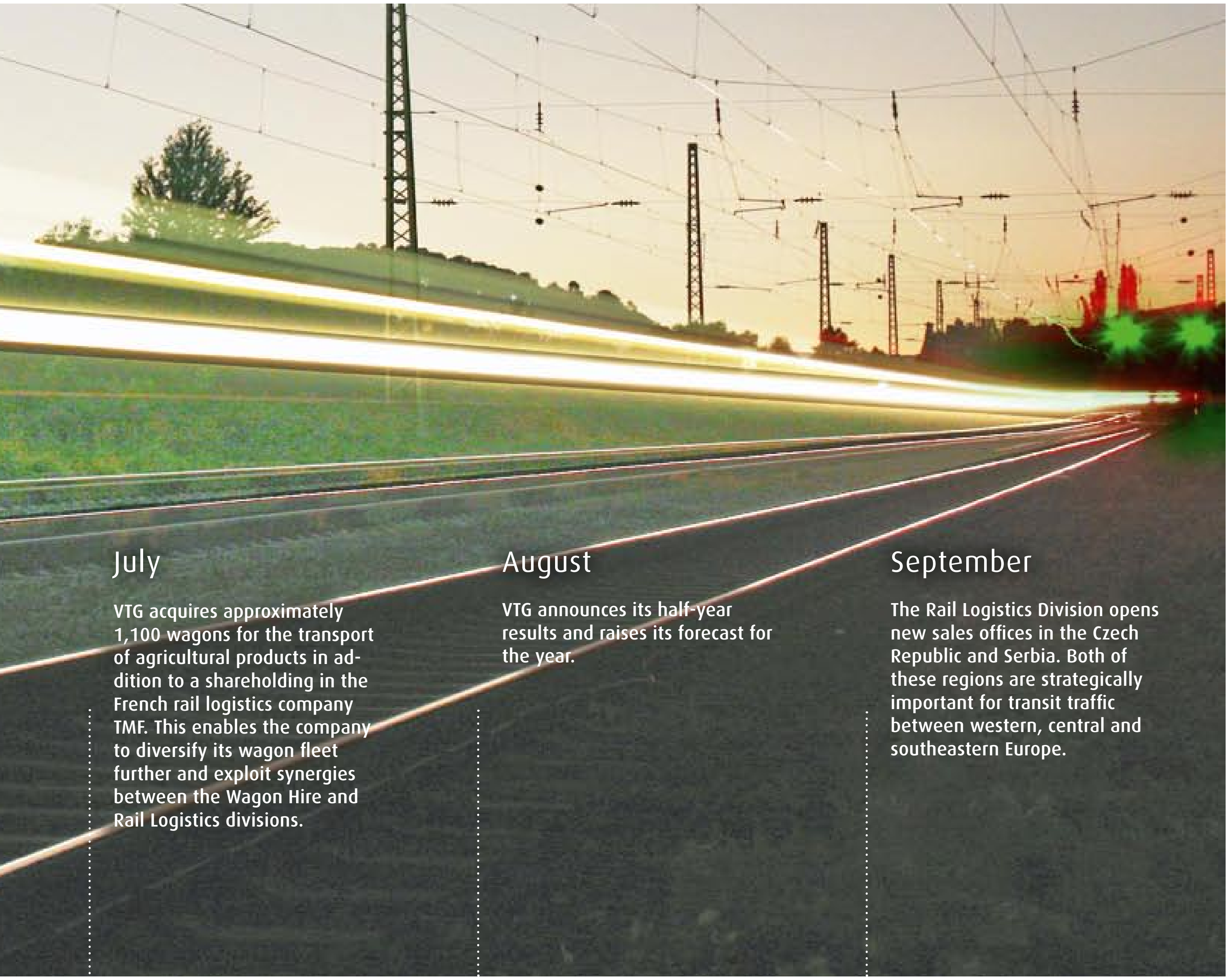
The Wagon Hire Division offers its customers a wide range of rail freight cars, particularly tank and high-capacity freight cars as well as flat wagons.

Employees	634
Wagons	50,700
Geographical presence	Widespread network of VTG operational centers and sales offices throughout Europe and beyond
Revenue € million	283.6

Rail Logistics

As a pan-European rail forwarder, VTG organizes the transport of petroleum and chemical products, liquefied gas and other bulk and general cargo in single wagons and block trains.

Employees	127
Leased wagons	approx. 6,500 hired
Geographical presence	Focus on Europe with VTG operational centers
Revenue € million	201.4



Thomas Wolf

July

VTG acquires approximately 1,100 wagons for the transport of agricultural products in addition to a shareholding in the French rail logistics company TMF. This enables the company to diversify its wagon fleet further and exploit synergies between the Wagon Hire and Rail Logistics divisions.

August

VTG announces its half-year results and raises its forecast for the year.

September

The Rail Logistics Division opens new sales offices in the Czech Republic and Serbia. Both of these regions are strategically important for transit traffic between western, central and southeastern Europe.

Tank Container Logistics

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

Employees	107
Tank containers	9,500
Geographical presence	Global presence with VTG operational centers and sales offices
Revenue € million	144.5

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Annual Report 2010

VTG – Moving into the future. Sustainably. Efficiently. Flexibly.

What does a power plant do without coal? Or a refinery without oil? How do you get 5 million liters of petroleum from Hamburg to Milan? And what if there are 300 tonnes of anilin – a raw material used in industry – in Genoa but this is needed in Boston, on the other side of the Atlantic, for jeans production?

We are more than a leading international wagon hire and rail logistics company. The services VTG provides, make our company an indispensable part of the infrastructure of industry. This is because we help ensure that the pipelines of goods and raw materials transported across land and water for industry stay in motion – both in Europe and beyond. We do this seven days a week, 24 hours a day. And all the while we are protecting the environment, avoiding traffic bottlenecks and getting goods safely and efficiently to their destinations.

We could perhaps be viewed as being in a boring, "old" branch of industry. But we still have an excellent future ahead. The economy is continuing to grow, and we are making sure that we grow with it. How are we doing this, then? One way is by managing our company with a long-term view to strengthen our **sustainability**. We are also improving our **efficiency** by developing and expanding our core areas of competency. And, along with this, we are maintaining strategic **flexibility**, by constantly reviewing where we can tap into new customer groups and markets.

01 MANAGEMENT
Foreword by the Executive Board

Dr. Kai Kleeberg, Dr. Heiko Fischer, Jürgen Hüllen

Dear Shareholders, Business Partners and Members of Staff,

With the stabilization of the market environment, the economy recovered rapidly in 2010. As our figures confirm, this also benefited our business: performance was good, particularly in the logistics divisions, and led, overall, to a clear rise in sales volume. Moreover, through new acquisitions, we diversified our wagon fleet further and began establishing ourselves in new transport markets. These acquisitions are also strengthening synergies between our Wagon Hire and Rail Logistics divisions.

2010 – a year in which we picked up speed

A lot happened in the year after the crisis, with the global economy recovering more rapidly than experts had predicted. The new strength in the economy was also seen in the rising number of transports. This benefited all three of our divisions:

After dropping in March to its lowest level during this business cycle (87.0 percent), Wagon Hire's capacity utilization rose again to reach 89.1 percent as of December 31. This increase in capacity utilization indicates two things: on the one hand, it shows that demand has recovered and, on the other, it is a clear sign of the stability of our business. Also, despite the fact that there is first a slight delay before a positive market trend impacts our business, the Wagon Hire Division succeeded in keeping revenue at almost the same level of the previous year. Moreover, the slight drop in revenue was actually because of a positive development: after a major external contract in 2009, Waggonbau Graaff went on in 2010 to produce many more wagons for VTG itself. However, only the sales from customers outside the Group are shown in the annual financial statements.

01 MANAGEMENT

Foreword by the Executive Board

There was an even stronger upward trend in our logistics divisions. For instance, in Rail Logistics, we recorded growth in revenue of 12.2 percent, while sales in Tank Container Logistics actually rose by 27.7 percent. The Rail Logistics figure was a positive consequence of the division's solid international positioning, through which we were able to further optimize the organization of cross-border with transports. With an established network of partners and transport concepts specially designed for the European region, we are ideally equipped for the challenges of both now and the future. In 2010, the Tank Container Logistics Division saw a rapid rise in demand for its tank containers, which can be deployed flexibly across the modes of rail, road, inland waterway and sea. Indeed, we achieved a record level of deployment, at 9,500 units.

Overall, these positive developments meant that we generated group-wide growth in revenue of 8.2 percent to achieve a figure of € 629.4 million. EBITDA also grew, climbing 3.4 percent to € 154.4 million. After taking a slightly restrained approach in 2009, we got back on our path of growth again in 2010: pushing ahead with full force, we opened up new markets for our business and put new internal processes in place. Moreover, in doing so, we remained true to our strategic aims even in difficult periods. For instance, in April, we took over 720 freight cars of the Rexwal Group in line with our strategy of diversification and growth. Additionally, in the second half of the year, we incorporated a further 1,100 grain silo wagons into the Wagon Hire Division through our acquisition of the French Rail Logistics Group TMF. Furthermore, not only have we been securing entry to new markets through acquisitions for our transport and hire business: through new internal processes, we have also been ensuring even better delivery of services, with shorter response times. In the last year, together with our staff, we laid the foundation for strengthening and interconnecting us better as a team. Through a new program, we aim to foster employee development further, building on the strengths of each individual even more effectively.

We also established ourselves further in the capital market. Last year, our share price saw a rise of more than 30 percent and, at the close of the year, was listed at € 15.00. We see this as proof of our good work and will continue to communicate transparently with the capital market and the public to maintain, reaffirm and increase the confidence shown in us by shareholders and stakeholders.

Moving into the future

Given these successes, we are looking to push ahead vigorously into the future. Particularly so since, with our focus on the railway, we are operating in a branch of industry that still has its best days ahead. As the economy grows, transports are also on the increase. With the progressive harmonization and liberalization of European rail freight traffic, new possibilities for collaboration are opening up. Additionally, rail freight transport offers a high level of safety and protects the environment by sparing resources, which strengthens it against the competition. Confident of the positive outlook for the railway, in this annual report we focus on the future of rail transport and keeping our horizons broad. We are also especially grateful for the exciting insights Professor ten Hompel of the Fraunhofer Institute has afforded us into the future of logistics. Whether or not some of this might seem fanciful, the essential message is clear: that we will in fact be able to pursue a path of strong growth over the next few years.

In 2011, experts expect continued moderate growth in the global economy. This also applies to the logistics sector. Based on these forecasts, we anticipate a positive trend in business in 2011. We therefore expect capacity utilization in Wagon Hire to continue to rise slightly as well as positive trends in the logistics divisions, albeit more moderate than in the previous year. The new acquisitions will also contribute to rising company figures. Accordingly, in 2011, we expect revenue to be in the range of € 720 – 760 million and EBITDA to be between € 165 and 170 million.

Following the success of the last financial year, it is our intention to propose to the Annual General Meeting the payment of a dividend of € 0.33 per share. Compared with the previous year, this represents an increase of 10 percent. It is our general policy to reliably continue to issue dividends and to do so over the long term.

In the last financial year, we again worked as a strong team and together achieved success. We wish, therefore, to extend our thanks and those of the Supervisory Board to our customers, shareholders and business partners for their loyalty and the confidence they have placed in us. We are also proud of the great commitment shown by our workforce and wish to thank and wish to thank our approximately 1,000 employees for their hard work. Knowing our employees' wealth of experience and commitment, we are looking to the future with confidence and looking forward to success in 2011.

Yours sincerely,

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

Report of the Supervisory Board

In the financial year 2010, 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. We ensured that we were informed of the current company situation and the strategic development of the VTG Group, in depth and on a continual basis. We also advised the Executive Board regularly in relation to the management of the company and provided continuous support in and monitored the execution of operations.

The Supervisory Board was included in all decisions of importance for the company and these were discussed in-depth with the Executive Board. The Executive Board provided us with regular, prompt, in-depth information, in verbal and written form. 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. Furthermore, we were informed about 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. Before approval, we also discussed in depth all measures that, in accordance with the Rules of Procedure for the Executive Board decided by the Supervisory Board, required the approval of the Supervisory Board. We paid particularly close attention to the future strategic orientation of the company and the Executive Board's measures to implement this strategy.

Additionally, throughout the year, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Executive Board and was kept continuously informed about current developments in the business, key business transactions and important upcoming decisions.

Ongoing consultation with and supervision of the Executive Board

In 2010, there were four ordinary meetings and one extraordinary meeting of the Supervisory Board. No member of the Supervisory Board attended less than half of the meetings. The issues addressed in all regular meetings included corporate strategy and the performance of the divisions.

Another subject of the meeting of March 3, 2010 was the report of the Executive Board on the structure and content of risk management. Furthermore, at this meeting, the Supervisory Board discussed the adjustments to the remuneration system for the Executive Board that are required as a result of the German Act on the Appropriateness of Management Board Compensation. In the absence of the Executive Board, the Chairman of the Supervisory Board reported to the Supervisory Board on the result of a study commissioned by the Executive Committee on the appropriateness of compensation of Executive Board members. The recommendations of advisers – also commissioned by the Executive Committee – on the restructuring of the variable components of Executive Board compensation, taking into account the stipulations of the German Act on the Appropriateness of Management Board Compensation, were also reported on and discussed in depth. Finally, at this meeting, the Supervisory Board discussed the assessment of the results of efficiency audit carried out at the end of 2009 and passed a resolution to take these results into account to further optimize its work.

At the accounts review meeting of April 14, 2010, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2009 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

Dr. Wilhelm Scheider,
Chairman of the Supervisory Board

statements and management reports for 2009. The meeting also included the examination and approval of the 2009 Dependent Company Report and discussion and approval of the 2009 Corporate Governance Report including the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act. Additionally, there was approval of the agenda and proposed resolutions for the 2010 Annual General Meeting. Furthermore, at this meeting, the Supervisory Board, at the proposal of the Executive Committee, decided to appoint Dr. Heiko Fischer for a further term of 5 years as a member of and Chairman of the Executive Board, commencing as of March 1, 2011. The Supervisory Board also approved the proposed contract of employment, the content of which had previously been discussed in depth by the Supervisory Board in the absence of the Executive Board. Another subject of the meeting was the annual report of the Executive Board on the type and scope of positions taken up.

At the beginning of May 2010, the Supervisory Board approved by the written procedure the planned acquisition of the French TMF Group.

At the subsequent meeting on September 8, 2010, the Executive Board explained and discussed in detail with us its forecast for the development of the business and financial situation for the remainder of the financial year, based on the results and experiences of the first six months. Additionally, at this meeting, we addressed the current changes to the German Corporate Governance Code. Finally, at this meeting, the Supervisory Board approved the proposal of the Executive Committee to reappoint Mr. Jürgen Hüllen as a member of the Executive Board upon the expiry of his current term of office for the period from May 1 to December 31, 2011. The Supervisory Board also approved the proposed conditions of the employment contract. At a previous allday meeting, the Supervisory Board had already discussed with the Executive Board, in detail and in depth, the continued, medium- and longterm strategic orientation of the company and the required measures to implement this strategy, including the financing options being considered.

At an extraordinary meeting of November 5, 2010, the Executive Board informed us about its concept for early repayment and refinancing of the existing Group loans and increasing the volume of funding to implement the company's growth strategy. After in-depth discussion, the Supervisory Board authorized the Executive Board, subject to final approval by the Supervisory Board, to enter into negotiations on this with potential lenders.

At the meeting of November 25, 2010, the Executive Board presented and explained to us the annual schedule including the financial and investment plans for the financial year 2011. We approved this 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 five meetings in the year under review. Among other matters, these meetings covered the assessment of the efficiency audit of the Supervisory Board carried out at the end of 2009. Another matter that was paid particular attention to was the required adjustments to the remuneration system of the Executive Board due to the stipulations of the German Act on the Appropriateness of Management Board Compensation. Additionally, at these meetings, the preparatory ground was laid for the personnel decisions actually taken by the Supervisory Board in the year under review. Another issue addressed by the Executive Committee was the succession plans for the Executive Board. 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.

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 2010. It 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 2010 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the Executive Board has set up a risk management system that 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 chair 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, 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 2010 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 € 0.33 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 completely recorded. 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 10, 2011, 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 26, 2010 and has largely complied with this in the past financial year. Further information on corporate governance in the company, including the remuneration of the Executive Board and Supervisory Board, can be found in the Corporate Governance Statement on page 10.

There were no changes to the members of the Supervisory Board or Executive Board in the year under review.

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 2010.

Hamburg, April 6, 2011
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 GmbH, Hamburg
Deputy Chairman

Dr. jur. Bernd Malmström, Berlin
Solicitor

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

Jürgen Hüllen, Hamburg
Dipl.-Kaufmann (Degree in Business Administration)

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

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 the website www.vtg.de (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 state:

Declaration of Conformity 2011

On February 10, 2011, 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 26, 2010. The company has largely complied with this and with the recommendations of the previous version of June 18, 2009 since the issue of the last declaration of conformity on April 14, 2010. The following recommendations have not been/are not being implemented:

1. Section 3.8 paragraphs 2 and 3 of the Code

The directors' and officers' liability insurance taken out by the company does not provide for any deductible for one member of the Executive Board and for all members of the Supervisory Board.

Under one contractual agreement concluded prior to August 5, 2009, the company is still obliged to grant directors' and officers' liability insurance without a deductible for one member of the Executive Board. The company shall continue to meet this obligation in accordance with § 23 of the Introductory Law to the German Stock Corporation Act (AktG) for the term of this contract. In the contracts concluded with members of the Executive Board after August 4, 2009, a deductible in accordance with § 93 (2) sentence 3 of the German Stock Corporation Act was agreed.

No deductible is planned in future for the members of the Supervisory Board. In the view of the company, no deductible is 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 paragraphs 2 and 4 of the Code

Two of the existing executive board contracts contain no multi-year assessment base in the sense of § 87 (1) sentence 3 clause 1 of the German Stock Corporation Act with regard to their variable compensation elements. In one case this is due to the circumstance that the contract was concluded prior to August 5, 2009. In the other case this is due to the fact that the contract was prolonged only for a period of less than one year which did not justify changing the assessment base for the variable compensation component, the maximum amount of which is limited, to periods of more than a year. In the opinion of the Supervisory Board this is not necessary in both cases in order to ensure a dutiful, responsible and sustainable work of the Executive Board members.

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 May 22, 2007, the company has not published individual reports on the remuneration of the members of the Executive Board. With regard to the changed provisions of § 286 (5) and § 314 (2) of the German Commercial Code, the Annual General Meeting of the company on June 18, 2010 repealed the resolution of May 22, 2007 and passed a new resolution relating to the exemption from the requirement for individual disclosure. 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 2010 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 3 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.

7. Section 5.4.6 sentence 4 of the Code

The company considers that a fixed remuneration amount for Supervisory Board members is more suitable than a performance-related type of remuneration in terms of properly exercising the control function of the Supervisory Board independently of the company's success.

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

9. 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 the newly adopted 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, 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 the following objectives for its future composition:

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 multi-modal 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 compostion 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.

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 several members with many years of international experience.

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 54 to 56.)

Share ownership of the Executive Board and Supervisory Board

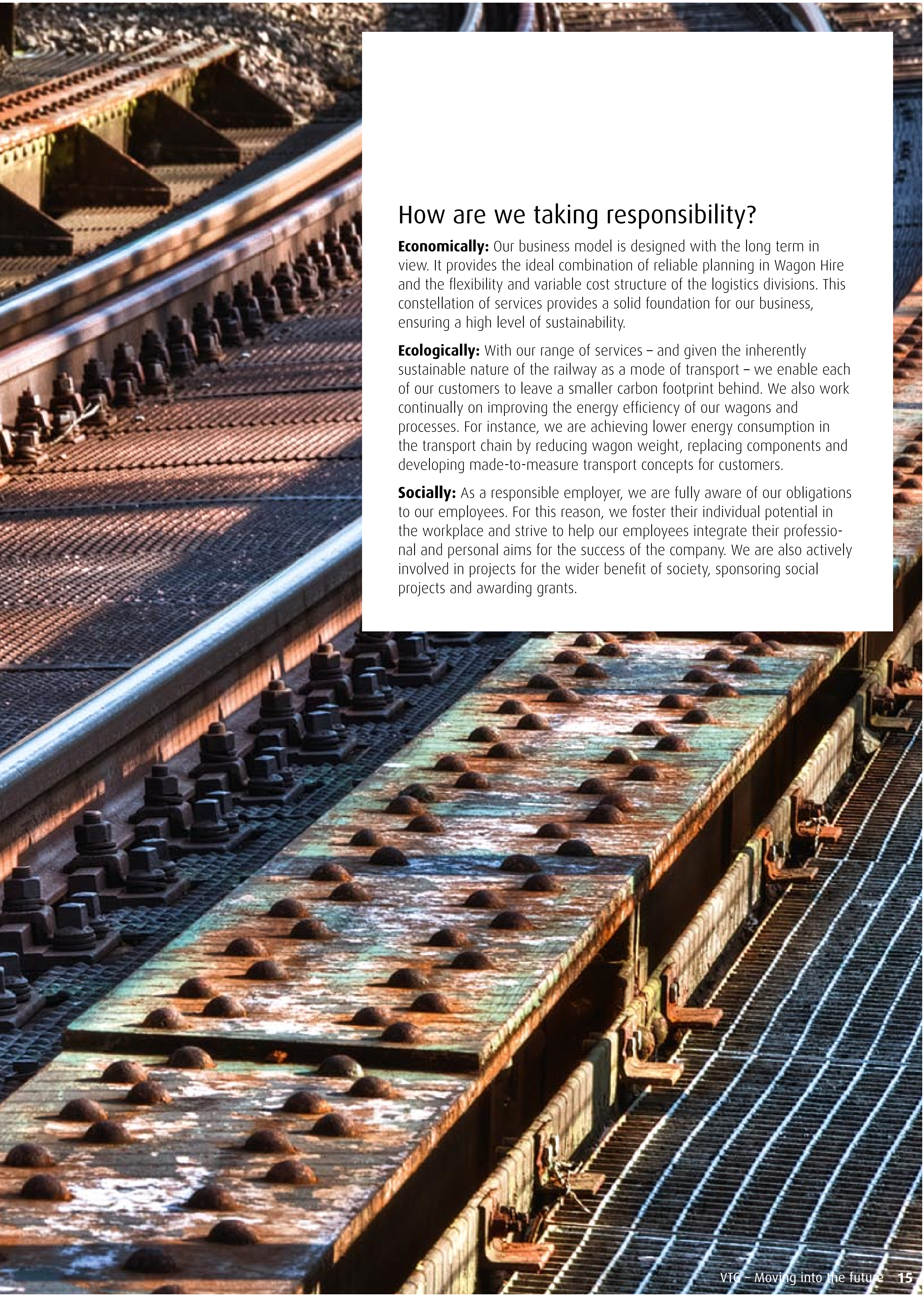
In accordance with §15a of the German Securities Trading Act, VTG AG is obliged to publish promptly all purchases and sales of shares by board members or by persons with whom they associate closely and to report this publication to the Federal Financial Supervisory Authority (BaFin). Accordingly, VTG 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). In the past financial year, no such securities transactions subject to this requirement were announced. The total amount of shares held by all members of the Executive Board and Supervisory Board does not exceed 1 % of the shares issued by the company.

02 MOVING INTO THE FUTURE

Success needs sustainability.

Acting responsibly!

Nowadays, sustainability and responsible action are in vogue and these have tended to become inflated terms. Nevertheless, it is already a fact that, without the proper application of these concepts, nothing can work. Anyone closely involved with these issues understands straight away that both are necessary for self-preservation. They also understand, then, that companies, in their actions, must respect and indeed actively take steps to safeguard the principles of balance – in economic, environmental and social terms. With regard to transportation, this includes providing more efficient transport of goods. Today, the transport industry accounts for around 15 percent of CO_2 emissions worldwide. Thus the railway continues to be the most environmentally friendly mode of transport. Nevertheless, companies in this industry are still faced with the challenge of making transports even more efficient. One idea we have had on this is that a more spacious wagon means more efficient transport and so lower levels of CO_2. And the result? A wagon of the same length but with more freight space.



How are we taking responsibility?

Economically: Our business model is designed with the long term in view. It provides the ideal combination of reliable planning in Wagon Hire and the flexibility and variable cost structure of the logistics divisions. This constellation of services provides a solid foundation for our business, ensuring a high level of sustainability.

Ecologically: With our range of services – and given the inherently sustainable nature of the railway as a mode of transport – we enable each of our customers to leave a smaller carbon footprint behind. We also work continually on improving the energy efficiency of our wagons and processes. For instance, we are achieving lower energy consumption in the transport chain by reducing wagon weight, replacing components and developing made-to-measure transport concepts for customers.

Socially: As a responsible employer, we are fully aware of our obligations to our employees. For this reason, we foster their individual potential in the workplace and strive to help our employees integrate their professional and personal aims for the success of the company. We are also actively involved in projects for the wider benefit of society, sponsoring social projects and awarding grants.

02 MOVING INTO THE FUTURE

Success needs people with ideas.

The best talent!

We are only just at the beginning of the race to secure the best staff. And any highly qualified person now entering the labor market knows this – and is choosy. The best talent is looking for more than economic success. These people place value on a healthy corporate culture and doing a job which allows them to exercise self-reliance and have their great commitment rewarded by work that is meaningful. Successful companies attract such talent by consciously providing them with the required room to develop. As a wagon hire and rail logistics company, VTG offers these people an attractive working environment. Coordinating transports is complex and demands careful attention from everyone involved. Many types of freight are sensitive goods, requiring specific expertise to ensure safe transport. Moreover, our business is very much about service, meaning we need to have not only expert knowledge but also good communication skills. Programs such as the Performance & Development Dialogue and our human resources development program ensure that we can continue to provide our customers with service from the best talent.

How are we improving our skills?

Staff development: A firm feature of our corporate culture is determining and developing the particular skills of the individual. Our Performance & Development Dialogue program ensures there is regular exchange between staff and their superiors. Through such exchange, staff are enabled to harmonize their personal goals with those of the department, division and Group.

Education and training: Because we need the best talent, we search for this right from the outset and are strengthening our base of expertise internally by fostering young talent through the PEP! program. The aim is to reinforce the team spirit and establish networks, since people build skills through exchange.

Leadership training: Through the international Leadership Excellence program (LEX), we aim to establish uniform leadership practices, develop a common understanding of what leadership is and enable executives to find their own individual style of leadership.

02 MOVING INTO THE FUTURE

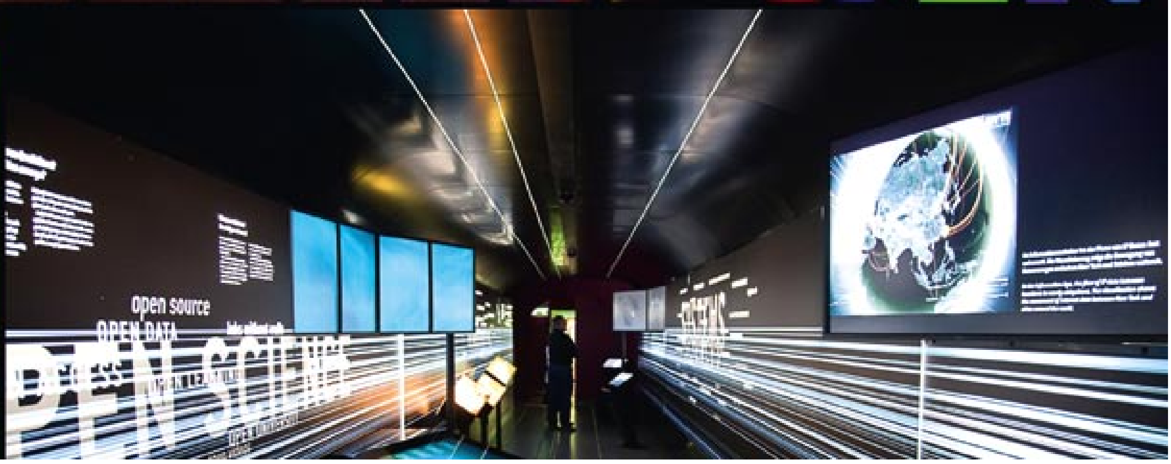
Success needs broad horizons.

Exploiting market opportunities!

How are we opening up new opportunities?

We are exploiting synergies between our divisions.
Through our Wagon Hire subsidiary in the US, for instance, we have the opportunity to expand our operations in the American rail freight traffic market. Meanwhile, through our Tank Container Division, we are already able to accommodate the needs of our customers as far away as China. Furthermore, the experience gained in various markets by the Tank Container Logistics Division is also directly benefiting the Wagon Hire Division.

We are diversifying our wagon fleet. This is giving us access to further segments of industry. For example, we are entering the market for rail transport of agricultural products through our acquisition of the French grain transport logistics group TMF. The agricultural market also shows potential, as with increasing scarcity of oil, the demand for biofuels will rise.



Success is never a coincidence, something that just happens. From the outset, there is always an idea of what is to be achieved in the future: a goal. In all companies, this goal serves as the point of reference and becomes the powerful motor behind entrepreneurial thought and action. Successful companies set ambitious but achievable targets – targets that are right for their business. All companies, or at least the vast majority, want to grow. The most important question is simply: how?

With the increasing volume of goods being transported and the deregulation of the rail markets, attractive market opportunities are arising, including opportunities for our business. As the leading wagon hire and rail logistics company in Europe, VTG is in a good position to exploit these. The main way we are doing this is not by drawing up plans for expansion in the various regions but by concentrating on our customers, meaning that we are developing our business where our customers need us. So that we can continue to attract customers, we are constantly optimizing our processes and expanding our services.

02 MOVING INTO THE FUTURE

Success needs a solid foundation.

Knowledge and experience!

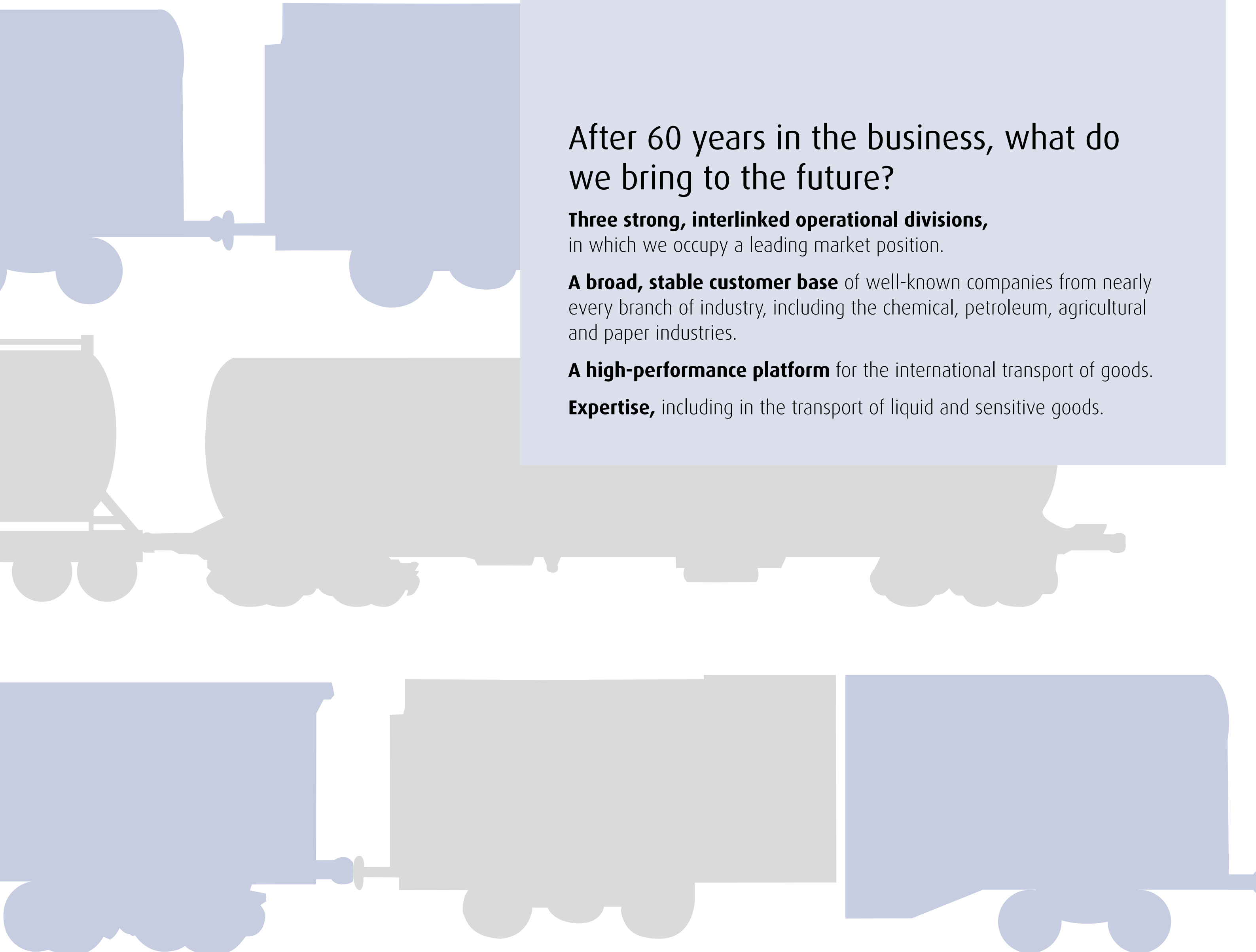
After 60 years in the business, what do we bring to the future?

Three strong, interlinked operational divisions, in which we occupy a leading market position.

A broad, stable customer base of well-known companies from nearly every branch of industry, including the chemical, petroleum, agricultural and paper industries.

A high-performance platform for the international transport of goods.

Expertise, including in the transport of liquid and sensitive goods.



If you asked 100 randomly chosen, successful companies to state in one sentence the reason for their success, there would be a high chance they would reply: “We concentrate on what we are good at.” Successful companies are specialists. They have, over time, built up specialist knowledge and have a good feel for the market. This focus allows them to use their resources efficiently and their well-developed network of experts helps them develop their business further. Safety, quality and reliability: this is VTG’s pledge to its customers and partners, as we know exactly what we are doing. Our actions are based on a foundation that has been built up over six decades. To ensure properly executed transports, the freight space must be tailored exactly to the goods to be transported. Not only this, a specified quantity must arrive at a specified destination at a specified time and to the specified quality standard. Because we are continually harmonizing our logistics processes, the proper functioning of process chains such as this is second nature to us.

02 MOVING INTO THE FUTURE

Prof. Dr. Michael ten Hompel, Fraunhofer Institute for Material Flow und Logistics, Dr. Heiko Fischer, CEO of VTG AG

Why rail logistics is a growth market

The logistics sector is Germany's third largest branch of industry and is a lifeline in keeping the global economy functioning. It ensures the flow that keeps the economy going. And the economy is growing. That has the sound of opportunity about it. Where is the journey heading? How will the world of transport develop? Professor ten Hompel from the Fraunhofer Institute for Material Flow and Logistics and Dr. Fischer, CEO of VTG Aktiengesellschaft, take a look into the future.

The logistics sector is booming. Can this keep continuing in view of global, economic, ecological and demographic development?

Prof. Dr. ten Hompel: I am certainly of that opinion. Given the growing world population and the globalized economy, the logistics sector will grow quantitatively, but it will grow qualitatively even more. The transport volume will soon again rise above the level before the financial crisis, while we are also confronted with the social issue you rightly refer to. Whether designing our flows of goods efficiently, supplying our cities or networking our production globally: it is always logistics that ensures economical and resource-saving supply. Logistics creates efficiency in all areas of economic and social life. If we talk about logistics and its future, then it is no longer the pure service in the sense of the "right goods, at the right time, in the right place" at the heart of things. Instead, we are now talking about designing networks and maintaining mobility for goods as we do for people. And mobility is not some kind of luxury but the foundation of the economy and prosperity.

How, in your opinion, will transportation change in the future, Professor ten Hompel? What factors influence its development?

Prof. Dr. ten Hompel: We must first recognize that logistics can no longer be mastered using a pocket calculator. The tasks that logistics and the sector are being faced with through the professionalization of the industry are a great deal more complex than was the case even ten years ago. In 2030, parcels will not yet be flying through the air by themselves, but they will be self-organizing. Through a lack of coordination, we are currently simply throwing money away in the truest sense of the word. In 20 years, it will be simply a matter of course that containers, wagons and trucks communicate with each other and coordinate themselves via radio and the internet.

02 MOVING INTO THE FUTURE

This "internet of things" is a very likely scenario for the future of logistics. It is being worked on around the world and, at the IML in Dortmund, we are furiously researching on how to link the internet of data with internet of things. From a logistician's point of view, this is an absolute must for organizing our world efficiently, but also, from a researcher's point of view, a fascinating vision of artificial intelligence – and logistics now has the chance to operate in this new world. If it manages to, it would also happen to be the ideal image-booster.

When you talk about the internet of things – how will this affect the transport sector in concrete terms? A concrete example relating to rail freight traffic would be welcomed.

Prof. Dr. ten Hompel: In the internet of things, the level will quite certainly rise regarding methods, IT expertise and internet technology. Nowadays, we still frequently succumb to the false notion that we can organize using human experience and intuition. We should let go of this idea as well as the idea that a mainframe can do this for us. The internet shows us how to successfully work with complexity and explosive growth. In concrete terms, we expect that the internet of things will give us a high degree of flexibility and variability. In other words, the systems will respond themselves to changed requirements and we will not have to think every day about programming or parameterizing a new piece of software for a new, special case. And even now, people talk far too rarely about requirements that do not relate to concrete things, for instance the ability to cooperate or the willingess to provide transparency, as in the example set by "Generation Google". Yet those who keep wearing themselves out by conducting ideological trench warfare between modes of transport, will have it very, very hard. The winners will be the generation of cooperative, flexible, fast service providers. Only those who are faster will survive. This sentence will prove even more true in the future.

What advantages does this development offer?

Prof. Dr. ten Hompel: We live in a decade of innovations. It's almost like 20 years ago, when business discovered the internet. With the aid of RFID, for example, the flows of material and data will become one. At first glance, it's in fact fantastic that we can avoid inappropriate allocations and leftovers with RFID. Taking a second glance, it's a quantum leap, as RFID is the enabling technology for the automatic or even autonomous control and organization of logistics networks. Or, put another way, with RFID we connect the internet with the world around us and containers, ULDs, trucks and wagons begin to talk to one another.

What do you see the time frame until this principle of self-organization is established on the market?

Prof. Dr. ten Hompel: Currently, thousands of companies around the world use RFID as the basis for the data for their internet of things. Until the pallets and containers actually organize themselves using this basis, a lot has to happen in computers and in people's minds. But, by the end of this decade, many aspects of the internet of things will already seem just as natural to us as the internet itself.

After taking a look into the future from a science perspective, let's look at real-life practice. How do you see the future for your sector, Dr. Fischer?

Dr. Fischer: The more strongly the economy grows together globally, the more important will be the mobility of goods, products and raw materials. For this reason, I see a general rise in demand for freight transport. I am also expecting that rail freight traffic will gain particular benefit from this growth in the sector. With the railway's advantage over its main competitors on the road and in the air in terms of energy efficiency, the railway is ultimately a mode of transport that is in keeping with the times. And it is also ahead in terms of traffic safety.

Experts from the German Pro-Rail Alliance forecast that, by 2020, rail freight traffic will have a 25 percent share of the market in Germany and see clear potential for Europe. Do you consider this realistic?

Dr. Fischer: I think the railway is one of the few old industries that still has a future ahead. Issue such as environmental protection and sustainability are now much more than just a trend. This is not about a temporary tendency but a necessary development. Everyone is compelled to take a responsible approach to resources. Due to its great energy efficiency, rail freight traffic has an advantage here. The fact that energy prices are continuing to rise further underpins this growth potential. And for this reason I definitely see clear growth for rail freight traffic in the coming years. Overall, however, the railway as a carrier still has a bit of homework to do to be able to support optimal, flexible use of transport routes. So that the advantages of the railway as a system can be fully exploited, the liberalization and harmonization processes in the European railway market must be pushed on with, and further investment is needed in infrastructure.

What do you say to the "hyperlinked world" scenario? To means of transport that control themselves automatically by radio or internet? Is this an attractive prospect for your company?

Dr. Fischer: The possibilities that modern technology now offers us thrill me. And the thought that flows of goods can be self-organizing is exciting. Telematics is in fact already taking a step in this direction, connecting information from telecommunications and informatics. One specialist area of telematics is digital fleet management. The software works with GPS systems and optimizes route planning. As a company in the transport sector, we are definitely interested in these developments and are watching them intently, especially as we are committed to a customer-centered service. And anyone that is as strongly focused on its customers as we are is of course interested in everything that can lighten customer's daily load. We see this as an important part of our work. In the end, this networking of things is really about connecting information so that it brings greater benefits. And we are currently doing something similar within VTG with an IT project. We are building a seamless added value system that can exchange information in real time without changing from one medium to another, meaning that all parties can be networked with one another, from customers to suppliers to plants, workshops and railways and all the way to us. Such an intelligent supply chain management system is networked with wagons and tank containers. This in turn leads to the automatic exchange of information across, for example, functions, maintenance and load statuses and position data. This networking of information therefore results in time savings for the customers. Of course, this is still a good way from the internet of things. But it is a step in the right direction.

What influence will the principle of self-organization and automation have on your business?

Dr. Fischer: In general, self-organization and automation of course provide big opportunities, but we must not forget the transport of sensitive goods when talking about the relevance of automation. People will still be indispensable in the future. And self-organization and automation also mean that the entire value chain must be networked accordingly. A seamless transport chain follows from a seamless information chain. If, then, our external process chains are networked with our internal process chains and harmonized, then all parties can exchange information with one another at any time. This in turn leads to improved process flows and provides the foundation for developing other innovative technologies for rail freight traffic.

Your company is market leader in Europe. How are you preparing your company for the future in order to remain ahead?

Dr. Fischer: Our aim is to continue to grow into new markets – both in Europe and other regions. To achieve our plans, we must however have a good internal setup. That means that we are continually working on our structures, improving our efficiency and further developing our processes. We are also of course continually testing our wagons. We get the ideas for innovations for these directly from our everyday dealings with the customer. Everything that makes daily operations easier is relevant. That can be, for example, improved technologies or devices that make loading and unloading easier. This means there is constant technical enhancement and every new wagon type is even better than the previous one. And then we want, of course, to remain true to our company philosophy: with safety, quality, reliability and a good dash of enthusiasm for what we do, we want to keep supporting our customers in the future with our experience.

03 THE VTG SHARE

VTG in the capital market: The share and investor relations

Financial markets affected by debt crisis

2010 essentially got off to a good start for the financial markets. However, the upturn did not prove as dynamic as hoped for, and this was reflected in a slight downturn in the equity markets at the beginning of February. Although share prices then went on to recover again until the middle of the year, the financial markets were repeatedly dragged down by the following factors over the rest of the year: the strained debt situation of Greece, Spain, Portugal, and Ireland, the need for public budget consolidation in the euro countries, the worries about an economic double dip in the US and the low level of dynamic growth in the markets of Asia. At the end of the year, the price trend in the German indices was positive, with the DAX showing a rise of around 16 % and the SDAX small-cap index, which includes VTG, ending the year of trading with a rise of 46 %.

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.)	320.8 Mio. €
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end-rate*	15.00 €
Annual high*	15.15 €
Annual low*	10.35 €
Average daily turnover	22,915 shares

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

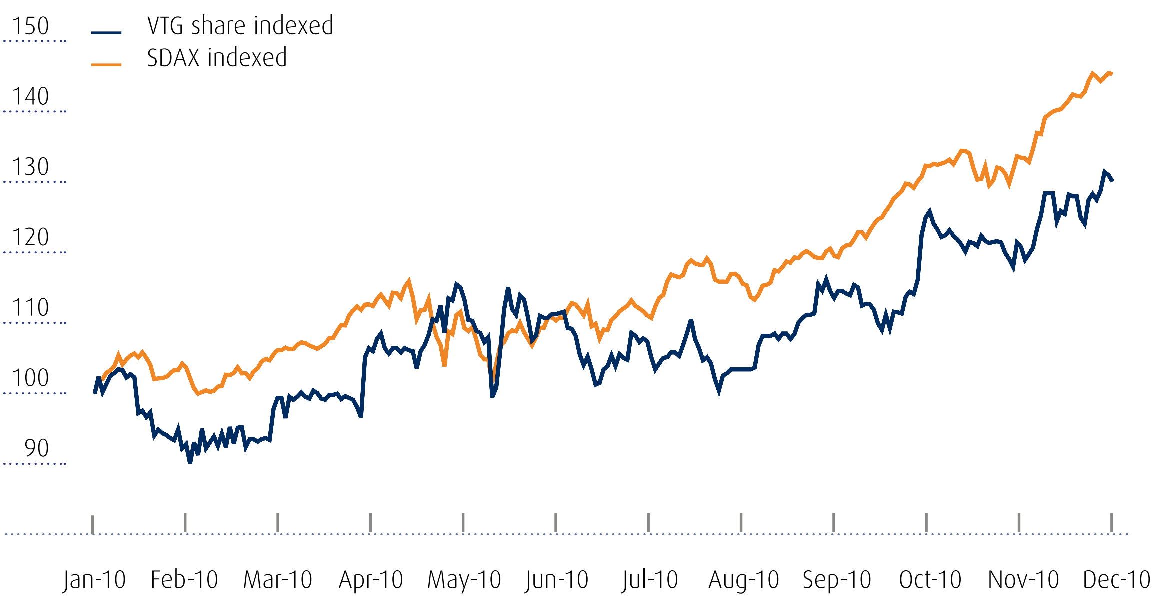
VTG share price shows upward trend in 2010

In 2010, the positive trend seen in the previous year in the VTG share price continued (2009: +53 %). The share began 2010 with an opening price of € 11.35 and ended with a closing price of € 15.00[1] . This represents an increase of 30.4 % on the price as of December 31, 2009 (€ 11.50). Despite first dropping slightly and reaching its lowest level of € 10.35 on February 4, the share price recovered over the rest of the year and went on to reach its highest value for the year (€ 15.15) on December 28. At the end of 2010, the market capitalization was € 320.8 million (December 31, 2009: € 246.0 million).

Trade volume rises slightly

The VTG share has been listed on the SDAX selection index of Deutsche Börse AG since September 22, 2008. Inclusion in the SDAX has helped raise the profile of the VTG share, both in the capital market and generally. 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 2010, the average number of shares traded daily was 22,915 (2009: 30,520). Although there was a drop in the number of shares traded daily, the average trading volume measured in euros rose slightly due to the average rise in the share price.

Share price VTG share (1st January to 31st December 2010)



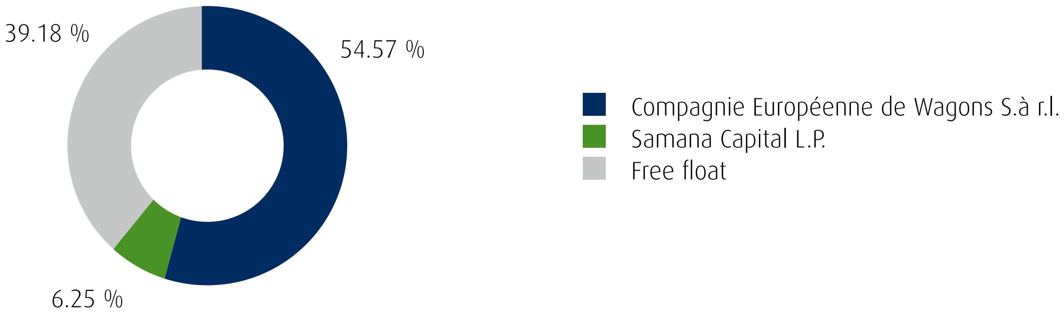
[1] All share price information and changes are based on XETRA daily closing prices.

03 THE VTG SHARE

Solid shareholder structure with minor changes

With 54.57 % of the share capital of VTG AG, Compagnie Européenne de Wagons S.à r.l., Luxembourg, is the major shareholder. The share capital consists of 21,388,889 no-par bearer shares. On February 1, 2010, ZAM Europe, L.P., Greenwich, Connecticut, USA reduced its share of 5.60 % to 0 %. On the same day, Samana Capital L.P., Greenwich, Connecticut, USA acquired 6.25 % of the share capital of VTG AG. Based on the latest information on voting rights, this gives a free float of 39.18 %.

Shareholder structure



VTG becoming a reliable issuer of steady dividends

Despite its short history to date on the stock exchange, VTG has already issued a dividend of € 0.30 per share for the financial year 2008. For the challenging financial year of 2009, shareholders also shared in the success of VTG, receiving a dividend of € 0.30 per share. VTG wants to maintain this continuity to establish itself as a reliable issuer of steady dividends. It is therefore the intention of the Executive Board of VTG to propose to this year's Annual General Meeting the payment of a dividend of € 0.33 per share. This represents a 10 % increase in the dividend compared with the previous year.

Active capital market communication acknowledged – National and international awards for investor relations work

In the financial year 2010, VTG systematically continued its open dialog with shareholders, financial analysts and others with an interest in the company. VTG applied the key principles of good investor relations – transparency, continuity and clarity not only in its reporting but also in its face-to-face meetings. The latter included regular individual meetings with institutional investors at roadshows and conferences in the key financial centers of Europe and the US. There was also contact through field trips, whereby a group of institutional investors visited the VTG headquarters in Hamburg. The Executive Board and the Investor Relations Team spoke to institutional investors about the VTG business model at some 100 meetings in 23 financial centers. Moreover, at the Hamburg Stock Exchange Day in November, as well as at other events, private investors and other interested parties were given the opportunity to talk directly to the Investor Relations Team and find out more about VTG.

In 2010, VTG's active investor relations work was recognized both nationally and internationally. In awarding the Capital Investor Relations Prize 2010, the business magazine Capital and the German Association for Financial Analysis and Asset Management ranked VTG second out of 50 companies listed in the SDAX. Furthermore, the 2009 Annual Report of VTG AG gained international recognition, winning a Gold Award in the LACP Vision Awards (League of American Communications Professionals).

VTG will continue with its approach of open, active communication with the capital market in 2011 to strengthen existing contacts, strengthen the confidence that has already been built up in VTG, and further increase VTG's visibility.

Above-average research coverage

Research coverage, i.e. the number of financial analysts following VTG and regularly publishing studies and commentaries on the current development of the company, has been increasing steadily since VTG's IPO in June of 2007. As of the reporting date, 17 financial analysts were following VTG, far more than the SDAX average of 8-10 analysts. The majority of these analysts issued a buy recommendation for the VTG share.

Reports of analysts on the VTG share*

Institution	Analyst	Date	Recommendation	Price target (€)
Viscardi	Robert Willis	1-Mar-11	Buy	20.00
Montega	Hendrik Emrich	1-Mar-11	Buy	22.00
Hamburger Sparkasse	Ingo Schmidt	28-Feb-11	Buy	N/A
Goldman Sachs	O. Neal, E. Baldini	23-Feb-11	Buy	21.60
Bankhaus Lampe	Sebastian Hein	23-Feb-11	Buy	17.50
SRH Alsterresearch	Oliver Drebing	23-Feb-11	Buy	20.00
UniCredit	Christian Weiz	23-Feb-11	Buy	17.00
Macquarie	Markus Hesse	23-Feb-11	Buy	16.00
CA Cheuvreux	Sebastian Kauffmann	23-Feb-11	Underperform	12.00
Warburg Research	Frank Laser	23-Feb-11	Buy	18.50
Hauck & Aufhäuser	Marc Osigus	23-Feb-11	Buy	18.00
Commerzbank	Johannes Braun	23-Feb-11	Buy	16.00
Berenberg Bank	S. Klepp, D. Podewils-Duerniz	23-Feb-11	Buy	19.00
UBS	Dominic Edridge	11-Feb-11	Buy	17.90
WestLB	R. Kaufeld	18-Jan-11	Neutral	15.00
Kepler Capital Markets	R. Haradau-Doeser, J.-A. Finke[1]	14-Dec-10	Buy	17.50

[1] until March 31, 2011.

* 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.

The research coverage of one financial analyst who was still following VTG as of the reporting date was discontinued in early 2011. The financial institution concerned is therefore no longer included in this list.

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

Specialists in flexible rail freight transport and logistics for industry needs

Through its three divisions of Wagon Hire, Rail Logistics and Tank Container Logistics, VTG offers its customers a large range of rail freight transport services. The focus is on sensitive, particularly dangerous goods, the handling of which demands great expertise.

The core operational division is Wagon Hire. Through this division, VTG provides its customers with rail freight space as well as comprehensive technical support services and advice. The wagons are tailored to individual requirements and customers generally hire them out over the medium to long term. This in turn assures their flows of materials between the various plants and secures their production processes. Customers integrate the wagons fully as a "mobile pipeline" into their infrastructure and, because of this mobility, can use them flexibly across Europe. VTG's customer base comprises a large number of well-known companies from nearly every branch of industry, for instance the petroleum, chemical, automotive, paper and agricultural industries, in addition to railway companies.

Furthermore, VTG's two other divisions, Rail Logistics and Tank Container Logistics, offer very specialized logistics services. The Rail Logistics Division organizes rail freight transports across Europe as a forwarder. The Tank Container Logistics Division offers multi-modal transport and logistics services with tank containers – by rail, road, and ship.

The Group thus offers its customers a wide-ranging, high-quality service covering all aspects of rail freight transport and is one of Europe's leading providers. VTG's good customer relations are strengthened in part by the long-term nature of its contracts. Indeed, VTG has worked in partnership with some customers for decades. In its core area of operations, wagon hire, VTG is Europe's market leader and has been operating in this market for almost 60 years now. The company has more than 50,700 wagons worldwide and the largest privately owned fleet in Europe.

Strong major shareholder means VTG can plan with greater security

Compagnie Européenne de Wagons S.à r.l., Luxembourg, is the main shareholder of VTG AG. The company is owned by a private US investor who has an interest in the long-term strategic development of the company and supports the company's plans for growth. This affords VTG the greatest room for maneuver while also ensuring the company a high degree of security in planning its future.

Central management of the three divisions, with 48 companies in 16 countries

The VTG Group, with its headquarters in Hamburg, is divided into three divisions: Wagon Hire, Rail Logistics, and Tank Container Logistics. These also form the segments for reporting in accordance with the International Financial Reporting Standards (IFRS). The Group has a holding structure comprising German, other European, and non-European subsidiaries and associated companies, giving a total number of 47 companies, VTG AG included. The number of companies in the consolidation has increased by five compared with 2009. In addition to VTG AG, it now comprises 32 fully consolidated companies, of which 13 are in Germany and 19 abroad. Additionally, two foreign companies were consolidated using the equity method.

Management and control

Business model with individual management of the divisions and the Group

Long-term, responsible growth is at the center of VTG's management strategy. The business model of the VTG Group with its three different operational divisions also requires individual management of both the Group and each division. The Wagon Hire Division, with its integration into the transport infrastructure, is the central focus of Group management Due to the capital-intensive nature of its operations and its high profit contribution, the Wagon Hire Division, with its integration into the transport infrastructure, is managed using mechanisms exactly tailored to its business model. The remaining two divisions Rail Logistics and Tank Container Logistics are managed in accordance with the special requirements of their logistics operations.

EBITDA and cash flow as key controls

EBITDA (earnings before interest, taxes, depreciation and amortization) plays a central role as a financial control parameter. This applies equally to the Group as a whole and all three divisions.

Wagon Hire operations are very capital-intensive, since the wagons in the fleet are high-value assets and VTG also regularly invests large sums in maintaining, expanding and developing the fleet. By investing in these mobile assets with a long useful life, VTG is continually increasing the value of its fleet. VTG finances these investments primarily through cash flows from operating activities and, to a small extent as required, through available lines of credit. Due to the fact that its wagon hire contracts are generally long-term in nature, the wagon fleet generates a constant, stable cash flow. EBITDA is therefore an important control parameter as a value similar to cash flow.

Ratio of net financial debt to EBITDA

The financing required for the wagon fleet brings with it borrowing that is typical for this business model. The ratio of net financial debt to EBITDA is thus an important control parameter for guiding the borrowing of the VTG Group responsibly and keeping it at a balanced level appropriate for the business model. Net financial debt is calculated as financial liabilities plus pension provisions less financial resources.

ROCE and WACC

Companies 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 ROCE, 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.

Gross profit and gross profit margin

Sales in the Rail Logistics and Tank Container Logistics divisions include a high proportion of transitory, variable costs, particularly freight costs. For this reason, the gross profit and gross profit margin – the ratio of EBITDA to gross profit – are important control parameters.

Reporting system supports individual management

The VTG Group is managed through detailed monthly reporting from the Finance, Controlling, Quality Assurance, Sales, and Technology departments. VTG thereby ensures that differences between targets and performance are analyzed and their causes determined. Appropriate measures are then drawn up, implemented, and followed up on.

MARKETS AND STRATEGY
Rail freight transport: a future growth market

Freight transport is growing continually. Thus the broad trends in the market remain the same despite the brief disruption caused by the financial and economic crisis. Factors favoring the good long-term prospects of rail freight traffic include the increase in freight volume due to rising international trade, harmonization of technical standards, and the increased appeal of rail freight traffic through the expansion of the European Union. This is leading to the railway gaining in importance as a mode of transport both economically and ecologically. Additionally, the intermodal Tank Container Logistics Division, with its intra-Asian, intra-European, and intercontinental transports, has a good outlook for growth. VTG was quick to recognize this potential for growth and has positioned its three operational divisions of Wagon Hire, Rail Logistics, and Tank Container Logistics as leading providers in each of these three markets.

Rising demand for transports: rail freight traffic benefits from economic globalization

A key factor in the growth of rail freight traffic is the globalization of the markets. This is because an increase in international trade is in turn reflected in a rise in transport volume. This is aided by the rapid growth taking place in the newly industrialized countries, particularly those in Asia, and the growing distances between production sites. Industry experts expect the markets that are relevant to VTG to grow over the medium to long term. SCI Verkehr, an independent, worldwide consulting firm for the transport sector, states in a study from 2010 that it expects a global increase in rail freight traffic of around 50 % by 2020.

Harmonization of rail freight traffic and EU expansion positively impact rail transport

Since January 1, 2007, there has been complete liberalization of rail freight traffic in the EU, although the extent of practical implementation of the rules still varies from country to country. Liberalization brings with it more competition in the rail market, making it possible to offer even better rail-based services. Moreover, the harmonization of technical requirements for rail freight traffic is increasingly simplifying cross-border transports and increasing the appeal of the railway as a mode of transport, particularly regarding the ever-increasing distances due to EU expansion. Indeed, primarily over long distances, the railway has the edge in terms of costs as well as speed and safety.

04 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2010

Railway as a mode of transport growing in importance both economically and ecologically

The global increase in environmental awareness is proving beneficial for the growth of the railway as a means of transport. The railway enjoys the advantage of being much better placed than other modes of transport in terms of environmental damage. According to the German Pro-Rail Alliance, road traffic generates four times more greenhouse gas than rail freight traffic and trucks emit eleven times more the amount of harmful pollutants than the railway. From an economic viewpoint, the railway also scores points over road transport in terms of safety and energy efficiency. The transport of dangerous goods by rail, then, is forty times safer than by road and results in only 0.34 accidents per billion tonne kilometers. The figures are similarly positive in terms of efficiency. To provide the same transport service, a truck requires three times more energy than the railway.

Multimodal Tank Container Logistics provides flexibility

After the collapses in Tank Container Logistics caused by the economic crisis, 2010 was a year of upturn for multimodal transport with tank containers. This was aided by, on the one hand, the sharp rise in production in the chemical industry and, on the other, the reliability and safety of the tank container as a means of transport. Furthermore, the versatility of the tank offers another advantage: by deploying the modes of road, rail, and sea, it enables transport via a predefined, complete logistics chain according to customer needs. Transport is more efficient and safer as only the container is unloaded and reloaded and not the freight itself. In the medium and long term too, it is to be expected that there will be rising demand for worldwide traffic with tank containers due to the increasingly global orientation of the chemical industry and the opening up of new markets.

Objectives and strategy

Long-term, responsible growth coupled with solid, profitable development of the company is at the heart of the VTG Group's strategic approach. The company's strategy is in harmony with the VTG business model and is powered by forward-looking financial and investment policies. The Executive Board and Supervisory Board work together closely to implement the company strategy after prior scrutiny of the opportunities and risks. VTG's corporate strategy consists of the following three pillars:

Core market Europe: strengthening VTG's leading position and expanding its portfolio of services

In Europe, VTG's core market, all three divisions have a strong market position. VTG is committed to continually strengthening its lead in this market through the acquisition of new and used wagons. In doing so, it is taking advantage of its expertise in the transport of liquid and sensitive goods and also placing emphasis on expanding its portfolio of services to incorporate branches of industry that are new for VTG. Thus, for example, VTG successfully entered the market for the transport of agricultural products in 2010: in addition to acquiring used grain silo wagons for Wagon Hire, the Rail Logistics Division also made a focused expansion of its range of services relating to the transport of agricultural products. Furthermore, VTG is pursuing the aim of expanding its regional presence in the markets of eastern and southeastern Europe in order to take part in the emerging economy and the increase in east-west transports. In this connection, the Rail Logistics and Tank Container Logistics divisions, through their individually tailored services and high level of service, are aiming at acquiring new customers and deepening and expanding existing customer ties.

Growth in internationally attractive growth markets

In addition to its strategy of growth in Europe, it is VTG's aim to take part in the growth of internationally attractive markets. Thus in North America, the world's largest rail freight transport market, the existing wagon fleet is to be continually expanded through the purchase of used wagons. With the world's largest rail network and its rich reserves of raw materials, the Commonwealth of Independent States (CIS) shows considerable potential for growth. While the Tank Container Logistics Division is already operational in Russia, the possibilities for the Wagon Hire Division entering this market with new wagons are being looked at carefully by the VTG subsidiary in Moscow. In Asia there are also good prospects of growth due to the expected rise in international transports within Asia as well as between Asia, Europe, and North America. Through its joint venture in China with Cosco Logistics, the Tank Container Logistics Division is already taking part in the growing Chinese domestic market. The aim is to push ahead with future expansion of this business.

Optimization of structures and processes and increasing performance

The third strategic approach involves the continual optimization of processes and organizational structures and the associated increase in performance. Not only expansion of the business but also efficiency and profitability contribute to long-term, sustainable growth of VTG. To equip itself for the future, VTG is taking a very close look at its processes and organizational structures. Thus VTG has, for example, with its system of innovation management, taken a path, that is helping it to translate new developments systematically into customer benefits and position them in the market. Likewise, with its HIRE21 program, VTG is bundling all projects involved in the phasing out of the operating software in Wagon Hire Europe. The objective is to implement faster, better, customer-oriented processes that map the entire wagon life cycle. This involves the networking of customers and business partners as well as railway companies, plants and workshops, resulting in greater efficiency due to interactive exchange.

04 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2010

MARKET TRENDS
Economic conditions

2010 saw a sharp upturn in the global economy, beginning very dynamically in the newly industrialized and developing countries and going on to impact the developed countries positively. A decisive factor in this recovery in the economy was the expansionary monetary and fiscal policies of many countries. Industries key to VTG's business also reported a rise in demand, leading in turn to greater use of VTG services by customers. Over the course of the year, global expansion became less dynamic, which was evident above all in international trade, which rose only marginally in the last six months of the year. Overall, the slowing of momentum in the global economy can be put down to the expiry of many economic stimulus programs. Additionally, the accompanying replenishment of stocks seems to have largely come to an end after significant depletion of these during the financial crisis. Overall, experts therefore expect a moderate rise in global production in 2011. The great uncertainties about global economic development remain, due essentially to the debt situation of some countries, the need in other countries for budget consolidation, and, in some cases, extremely expansionary monetary policy due to central banks purchasing government bonds on a huge scale.

Economic trends in the eurozone and Germany

In the eurozone, the trend in economic activity was generally upward in 2010. While in most member states of the European Union (EU) there was a tangible upswing, in the so-called peripheral nations of Spain, Ireland, and Greece the picture was more subdued. A large part of the economic upturn in the eurozone was the contribution of Germany, aided both by increased foreign trade and domestic demand. Towards the end of the year, the economic trend in Germany was still very dynamic, with experts expecting a weakening over the remainder of 2010. According to the Kiel Institute for the World Economy, in 2010, real GDP growth compared with 2009 was expected to be 1.7 % in the eurozone and 3.7 % in Germany.

Economic trends in Asia

The positive economic trend in the newly industrialized countries of Asia slowed noticeably in momentum over the course of 2010. Nevertheless, there was still great dynamic growth in countries such as China and India until the end of the year. Early economic indicators, however, point to a further weakening of momentum, due, on the one hand, to the fact that foreign demand is rising only slightly and, on the other, to tightened economic policy to avoid economic overheating. In the opinion of the Kiel Institute for the World Economy, GDP in 2010 in Asia ought to have risen by a total of 9.5 % on the previous year, while in China a rise of 10.7 % is expected and in India 9.5 %.

Market and industry trends

The global economy recovered over the course of 2010 much faster from one of its most serious crises than experts had expected. This positive trend was also seen in the year under review in rail freight traffic, which reported rising transport volumes for many types of freight. Thus the improved economic situation was reflected in a positive trend in many branches of industry important for VTG's business. Production in the European chemical industry was stepped up again substantially in the year under review after reaching a low point due to the financial and economic crisis. In addition to rising demand within Europe, this is primarily due to a strong upturn in demand from overseas. Development in the automotive market in western Europe was, as expected, rather muted in 2010. Thus the number of new vehicle registrations was below the comparatively high level of the previous year, when VTG was able to benefit from widespread programs for which a premium is paid such as the vehicle scrappage program and tax concessions.

On balance, rail freight traffic should, in the medium term, benefit from the expected rises in transport volume, despite the drop in demand for the time being in freight transport services in the wake of the financial and economic crisis. The quality and efficiency of rail freight transport has increased markedly in recent years, adding to its appeal. This appeal is also enhanced by the development of the railway as an environmentally friendly, energy-saving mode of transport for freight and the expected rise in energy prices over the long term. Due to the continually improving regulatory framework for the railway as a mode of transport, the long-term prospects for rail freight traffic are also good.

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VTG Group Management Report for the period from January 1 to December 31, 2010

BUSINESS DEVELOPMENT

Development of revenue and EBITDA

Group revenue increases by 8.2 %

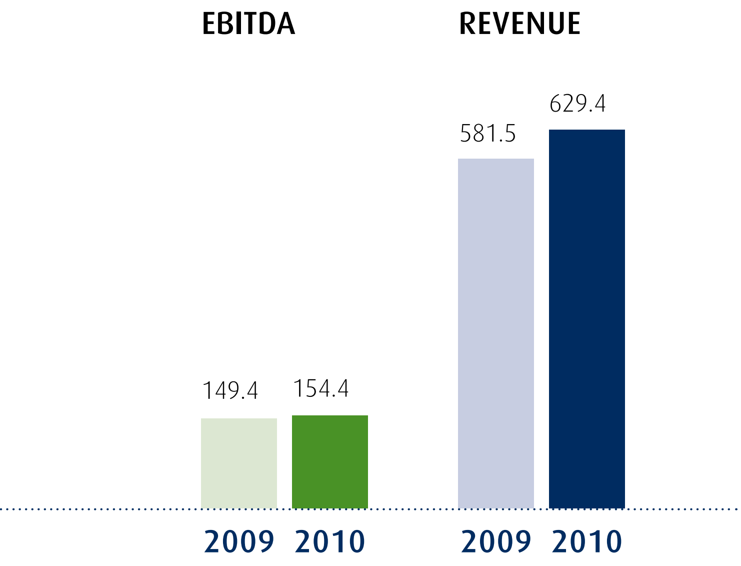
In the financial year 2010, the VTG Group benefited from the rapid recovery in the economy. This was seen in not only an increase in the level of capacity utilization in Wagon Hire but in particular in increased business activity in both logistics disvisions. Thus revenue for the Group increased significantly in the last financial year by 8.2 % to € 629.4 million (previous year: € 581.5 million).

In the year under review, the Wagon Hire Division generated revenue of € 283.6 million. This figure was marginally below that of the previous year (€ 289.0 million). This is mainly attributable to the impact of the structure of business operations of the Graaff wagon construction plant on reporting. After a major external contract in 2009, Graaff produced many more wagons in 2010 for VTG's own use, generating only intra-group sales. On the whole, however, Wagon Hire contributed to the positive overall trend in the Group with its increasingly improving level of business. This is reflected in particular in the trend in capacity utilization. After capacity utilization reached its lowest level in this business cycle of 87.0 % on March 31, 2010, it rose again over the remainder of the year to reach 89.1 % as of December 31, 2010 (previous year: 87.4 %).

Rail Logistics performed extraordinarily well in 2010, with a rise in revenue of 12.2 % to € 201.4 million (previous year: € 179.4 million). This was primarily due to the further rise in cross-border transports and the acquisition of new customers.

Revenue and EBITDA development

in € m



For the last financial year, the Tank Container Logistics Division reported excellent results and was able to increase its revenue compared with 2009 by 27.7 %, reaching € 144.5 million (previous year: € 113.1 million). This performance was underpinned by high demand for transport services in all the regions, with the result that the number of tank containers deployed climbed to a record high of 9,500.

Of VTG Group revenue, € 292.1 million was generated by customers based in Germany (previous year: € 265.1 million). This represents a share of 46.4 % (previous year: 45.6 %). Business from customers abroad thus generated revenue of € 337.3 million or 53.6 % (previous year: € 316.4 million or 54.4 %).

EBITDA rises by 3.4 %, returning to pre-crisis level of 2008

In the last financial year, EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to € 154.4 million. This represents an increase of 3.4 % on the previous year's figure of € 149.4 million. This brings the figure for 2010 back to the good, pre-crisis level of 2008.

EBIT (earnings before interest and taxes) amounted to € 63.0 million and thus fell 5.9 % short of the previous year's figure of € 66.9 million. This drop is due to higher depreciation as a result of the increase in fleet size. Group profit for the year was € 20.6 million, showing a drop of 8.5 % on the previous year (€ 22.5 million).

Operational divisions

Wagon Hire Division

The Wagon Hire Division is a leading wagon hire provider in Europe. The division also serves the North American market. The fleet, which numbers some 50,700 wagons, encompasses a broad range of rail freight cars, ranging from rail freight cars to flat wagons to modern high-capacity wagons.

Capacity utilization level rises significantly over the year

In 2010, revenue for Wagon Hire amounted to € 283.6 million and was thus 1.9 % below the previous year's figure of € 289.0 million. This slight drop is primarily due to the impact of the structure of business operations of the Graaff wagon construction plant on reporting. After a major external contract in 2009, Graaff produced many more wagons in 2010 for VTG's own use, generating only intra-group sales. EBITDA amounted to € 145.4 million (previous year: € 146.3 million). This also showed a slight drop (0.6 %) as the average capacity utilization in 2010 was lower than in 2009 and additional costs arose from the re-commissioning of stabled wagons. The EBITDA margin related to revenue, at 51.2 %, was somewhat higher than in the previous year (50.6 %). A key feature of the year 2010 was the increasing stabilization of business. Capacity utilization reached its lowest point in this business cycle of 87.0 % on March 31, 2010, after continual decline in 2009 and early 2010. In the quarters that followed, capacity utilization rose again in line with the rise in demand (June 30, 2010: 87.4 %; September 30, 2010: 88.2 %). It reached its highest level for the financial year on December 31, 2010, standing at 89.1 %. On the whole, demand has recovered again in the individual wagon segments.

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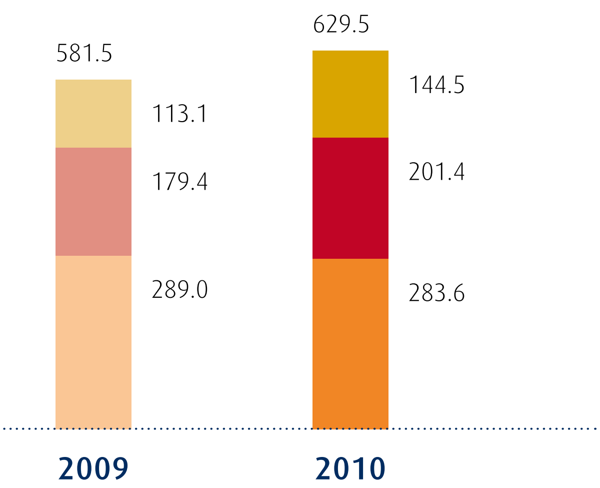
The positive trend in the last few quarters underscores the stability of the Wagon Hire business model. The impact of an economic downturn is cushioned for the VTG Group. This is mainly because, even in times of economic downturn, customers still retain their specially customized wagons for a long time. In order to safeguard their production processes, customers tend to secure the wagons via medium- to long-term contracts. In periods of recession, capacity utilization drops only very moderately and generally much less than the production or transport volumes of the relevant customer industries. When demand picks up again, customers first use as yet undeployed wagons they already have before hiring new ones again. The result is that the impact of an increase in demand is slightly delayed for VTG and then takes the form of higher capacity utilization. The diversification of the VTG customer portfolio also increases stability in that it makes the Group less dependent on the economic fortunes of individual sectors than companies specializing in a specific sector. Moreover, VTG's widespread operational network enables it to hire out returned wagons flexibly in different countries. Thus VTG can avoid the impact of economic fluctuations and also take part in any economic upturn.

The repair workshops and the wagon construction plant provide the base of technical expertise required by Wagon Hire. The repair workshops assure maintenance of the VTG fleet, covering not only tank and freight cars but also their components, for instance wheel sets. The range of services includes repairs, overhauls, tank inspections, and wagon cleaning to environmental protection standards. Furthermore, VTG's wagon construction plant specializes in the construction of chemical and compressed gas tank wagons. With this wagon construction plant, VTG has its own production capacity for special wagons and also a platform for innovation and design, ensuring continual enhancement of the VTG fleet. The services of the workshops and plant are offered to both the VTG fleet and third-party customers.

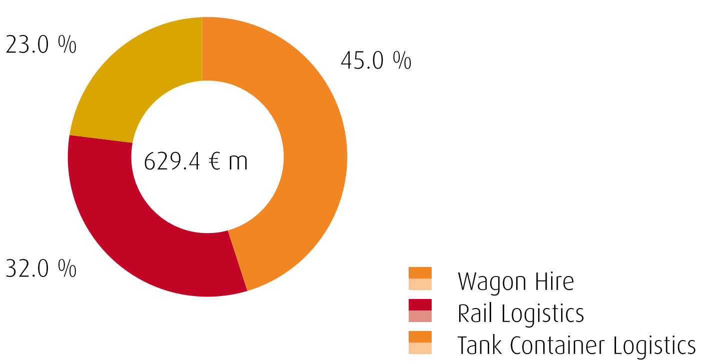
Breakdown of revenue by business division

in € m



Percentage breakdown of revenue by business divisions

in %



Continued strategy of fleet diversification in Europe

On April 1, 2010, the VTG Group took over some 720 freight cars of the Rexwal Group, a wagon hire competitor with its head office in Switzerland, which has left the market.

On September 30, 2010, approx. 1,100 grain silo wagons – acquired along with the 75 % shareholding in the French rail logistics company TMF – were incorporated into the Wagon Hire Division. With the recent acquisition of these wagons, VTG is continuing to pursue its strategy of fleet diversification. More detailed information about the transaction is provided in the Rail Logistics Division section.

Rail Logistics Division

As a leading provider of rail logistics services across Europe, the Rail Logistics Division specializes in organizing and managing transports by rail. Goods are transported across Europe in single wagons and block trains in collaboration with private and state-owned haulage companies. In addition to liquid goods such as petroleum, chemical products, and liquefied gases, Rail Logistics is also increasingly offering transport services for a wide variety of industrial goods and merchandise.

Exceptionally good performance in 2010

Revenue in the Rail Logistics Division increased in 2010 by 12.2 % to € 201.4 million (previous year: € 179.4 million). EBITDA, at € 8.4 million, was 24.8 % higher than the figure for the previous year of € 6.7 million. The EBITDA margin on gross profit rose to 49.2 % (previous year: 41.7 %). This excellent performance in 2010 is essentially due to the further increase in cross-border transports as well as the takeover last year of businesses of a competitor. Rail Logistics is benefiting from the fact that it has positioned itself to operate internationally, with cross-border transports making up 70 percent of all the division's transports. Active, intensive sales and marketing led to the acquisition of new customers and made a key contribution to the good level of performance. This meant that the shrink in demand for transports of petroleum products could be more than compensated for. In all, the factors that have contributed to the success of the business have been experience, a sharp focus on customer service, in-depth knowledge of the rail freight transport business, and the right choice of business partners at home and abroad. With its network of business partners and Europe-wide transport concepts, the division is thus ideally equipped for the future and has extended important customer contracts by a number of years.

Rail Logistics strengthens market position in Europe and expands product portfolio by entering agricultural goods transport market

The Rail Logistics Division used the year 2010 to strengthen its market position in Europe and further expand its business. At the turn of 2009/2010, the VTG subsidiary Transpetrol GmbH Internationale Eisenbahnspedition (Transpetrol) took over Bräunert Eisenbahnverkehr GmbH & Co KG and the businesses of a competitor. With these takeovers, Transpetrol expanded its range of services and its customer portfolio and is strengthening its market position as a flexible, independent provider and business partner in the rail logistics market.

In July 2010, VTG successfully entered the market for rail-based transport of agricultural products such as grain and sugar. The contracts – for the purchase of a 75 % shareholding in the French rail logistics company TMF, including its three subsidiaries – were signed in July. First-time consolidation of the company took place on September 30, 2010 after conclusion of the transaction. In December, VTG increased its share to 100 %. The acquisition of the TMF Group is strengthening the Rail Logistics Division while also further developing the potential for synergies between Wagon Hire and Rail Logistics.

In autumn 2010, the division opened an office in Serbia and set up a branch in the Czech Republic. This strengthens VTG's presence in eastern and southeastern Europe and creates another foundation for gaining additional shares of the market and further growth.

Tank Container Logistics Division

The Tank Container Logistics Division organizes worldwide transports of liquid and temperature-controlled products for the petroleum, chemical and compressed gas industries. Through multimodal transport by container by rail, road, inland waterway and sea, VTG is able to provide a complete door-to-door service. All this means a controlled, sustainable, uninterrupted chain of supply between the places of production and consumption. As of December 31, 2010, VTG operated some 9,500 tank containers and is one the world's largest providers of logistics services for chemical products.

Tank Container Logistics shows excellent performance

In 2010, revenue in Tank Container Logistics rose by 27.7 % to € 144.5 million (previous year: € 113.1 million). EBITDA also increased significantly by 53.1 % to € 11.2 million (previous year: € 7.3 million) and the EBITDA margin on gross profit also grew, amounting to 45.4 % (previous year: 41.4 %). In the last financial year, demand for transport services rose unexpectedly sharply around the world after a trend of only moderate growth being seen in the last six months of 2009. This strong spurt of growth was seen in all the regions served by Tank Container Logistics: intercontinental transports between Asia and Europe and North America and Europe, the transports within Asia and Europe and in particular those to and from Turkey and Russia. Overall, demand had stabilized at a high level in all regions by the end of the year. The strong rise in transport volumes meant that all carriers faced the difficulty of limited freight capacity, which had been reduced in response to the crisis. This led, on the one hand, to delays in the transport process and, on the other, to increased demand for containers. However, VTG was able to hire the required capacities from external providers quite easily, primarily in the first half of 2010. Due to the generally high demand, the margin could be safely kept at a higher level than the previous year, although competition was particularly intense in some markets. Given this, Tank Container Logistics has revised its strategy to ensure further sustainable, profitable growth in future. In particular, this strategy includes forward-looking, efficient management of costs and accounts receivable.

Financial position

Financial management

Financial management has a very important place within the VTG Group due to the capital-intensive nature of its business model. The Group's head office in Hamburg oversees the financial management system with a forward-looking, long-term approach. Taking current and forecast market circumstances into account, the Group's head office is responsible for the financial management of the companies in the Group and also assumes responsibility for financial risk management across the Group. The fundamental elements of financial management include management of liquidity and cash, financial market risks, and the capital structure. Active management of the requirements (known as financial covenants) of loan agreements assume special importance here.

Management of liquidity and cash

The Group's liquidity requirements are determined and managed through liquidity planning. The companies in the Group report their liquidity requirement or surplus daily, which is called up or withdrawn by the companies via an automatic cash pool system. On the basis of these reports, the Group's head office plans liquidity requirements. The requirements for funds for operations of companies in the Group are covered by shareholders' equity, participation in cash pooling arrangements, inter-company loans, and bank loans.

On December 31, 2010, cash and cash equivalents amounted to € 48.7 million (previous year: € 42.6 million). VTG also has lines of credit to ensure that the Group can honor the payment obligations of VTG AG and its subsidiaries at all times. Cash flow from operating activities was stable, amounting to € 137.8 million in the year under review (previous year: € 144.8 million). This also provided a good basis for financing.

Management of financial market risks

Due to the fact that VTG Group operates on a global scale, it is exposed to certain foreign currency risks from fluctuations in the exchange rates of the US dollar, the British pound, and the Swiss franc. This risk arises from initial payments made in foreign currencies that are not always ultimately paid out in the same currency, in the same amount, and on the same date. VTG limits this risk with foreign currency hedging contracts, which apply in particular to the Tank Container Logistics Division.

Furthermore, the VTG Group is subject to an interest-rate risk that arises exclusively from the sensitivity of variable interest-bearing financial liabilities to banks as a consequence of a change in the market interest-rate. VTG counters this risk by using interest derivatives such as interest-rate swaps. The current interest-rate hedges, with a volume of € 316.0 million, run until the middle of 2015. This secures a major part of the future interest for loans taken up with Bayerische Hypo-Vereinsbank, London.

Capital structure management
Since the IPO and the refinancing in 2007, the financing of the Group has been secured through equity capital and long-term loan capital. The loan capital comes predominantly from a financing agreement with the syndicate leader, Bayerische Hypo-Vereinsbank, which provides for agreed loans totaling € 640.0 million. Of these loans, € 471.0 million had been taken up as of December 31, 2010. The management of the VTG Group reviews the capital structure at regular intervals. The VTG Group has also concluded further loan agreements with financing partners, providing approved credit amounting to € 145.2 million, of which € 94.8 million had been used by the end of the year under review. The management of VTG monitors and reviews the capital structure at regular intervals.

Management of the covenant systems and structures of loan agreements
The VTG Group has entered into a series of loan agreements with various banks which contain contractual conditions of credit, known as financial covenants. The Executive Board of VTG takes a forward-thinking approach by continually monitoring these financial covenants, subjecting them to careful scrutiny to ensure constant compliance.

Assets and capital structure

As of December 31, 2010, total assets had risen by 6.1 %, or € 78.0 million, to € 1,355.2 million (previous year: € 1,277.2 million). There was very little change in the structure of the balance sheet of the Group compared with the previous year.

The share of fixed assets shrank slightly to 84.9 % of total assets (previous year: 86.2 %), with the share of current assets increasing accordingly. This was primarily due to the higher level of business activity in the logistics divisions in 2010, as seen in higher trade receivables.

As of December 31, 2010, the Group's equity had risen by € 16.3 million or 5.5 % to € 313.0 million (previous year: € 296.7 million). This increase was primarily due to the Group's profit for 2010 and also to the effects of currency translation, which, taken together, more than compensated for the dividend payment for the financial year 2009 and the impact of interest hedges with no effect on profit. As of the reporting date, the equity ratio stood at 23.1 %, matching the level of the previous year (23.2 %). The Group's financial liabilities as of 31 December 2010 had increased by 4.9 % against those of the previous year, largely due to the taking up of lines of credit for the financing of investments.

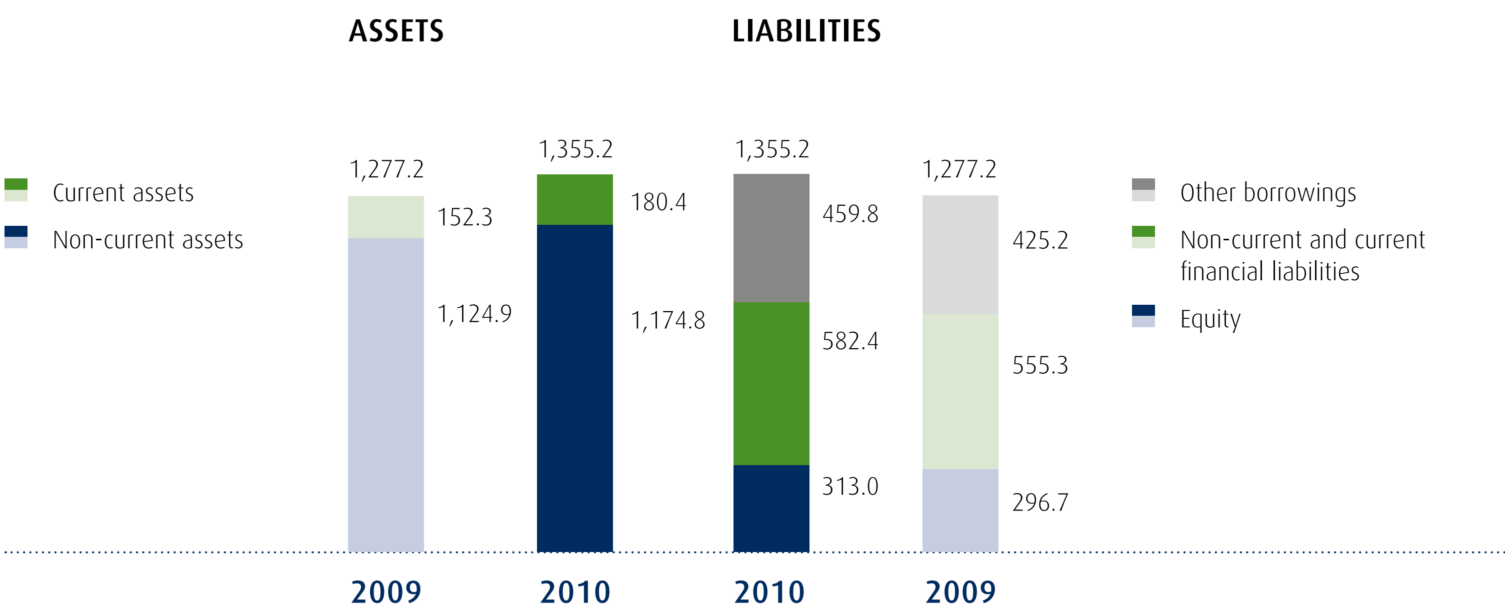
In addition to using on-balance sheet forms of financing to finance its wagons, the VTG Group also makes use of off-balance sheet financing to minor extent, in the form of operating lease agreements.

Capital expenditure

In 2010, VTG returned to its path of long-term growth and invested extensively in growth and quality. Capital expenditure thus amounted to € 168.8 million (previous year: € 153.5 million including financial assets). Of this, € 163.7 million (previous year: € 128.4 million including financial assets) was used to invest in fixed assets and for the business acquisitions made in 2010. The remaining investments of € 5.1 million (previous year: € 25.1 million) were financed off-balance through operating lease agreements.

The majority of investment was, as in the year before, in Wagon Hire, amounting to 95.7 % (previous year: 96.0 %). The funds invested were used, on the one hand, to replace wagons and, on the other, to expand the wagon fleet in order to accommodate new market segments. This expansion included the purchase of the Rexwal fleet in April 2010 and the acquisition of some 1,100 grain silo wagons as part of the takeover of the TMF Group. Moreover, the VTG Group purchased new wheel sets as part of the wheel set cascade begun in 2009. Accordingly, the remaining 4.3 % went to the two logistics divisions and the holdings (previous year: 4.0 %). Due to the acquisition of the TMF Group, a larger share was invested in the Rail Logistics Division.

Balance sheet structure
in € m



As of December 31, 2010, the number of wagons on order and still awaiting delivery was 300, matching the level of the previous year. These wagons are to be delivered in the course of 2011.

Cash flow statement

In the financial year 2010, cash flows from operating activities shrank by € 7.0 million to € 137.8 million (previous year: € 144.8 million). The main reason for this was an increase in working capital and a temporary rise in receivables for other taxes.

Cash flows used in investing activities in the year under review amounted to € 119.7 million, almost matching the level of previous year (€ 121.5 million). The majority of this was used for building new wagons and acquiring fleets of used wagons. Furthermore, in 2009, funds were invested in building new wagons, with this financed largely by operating lease agreements in 2010.

Cash flows used in financing activities amounted to € 12.4 million in the last financial year, an increase of € 3.4 million on the previous year (€ 9.0 million). This sum comprised mainly scheduled repayments of bank loans amounting to € 31.8 million, interest payments of € 26.6 million and the dividend payment for the financial year 2009 of € 6.4 million. It exceeded the level of incoming funds from the taking up of lines of credit, which amounted to € 55.6 million.

Share, shareholder structure, and dividend policy

The trend in the VTG share price was extremely positive, continuing on its upward path. The VTG share began 2010 at the opening price of € 11.35 and ended the year on the stock exchange with a closing pricing of € 15.00, representing a rise of 30.4 % on the closing price of 2009 (€ 11.50). The share price initially fell slightly in the early part of the year, reaching its lowest value on February 4 at € 10.35 but then went on to recover, reaching its highest level for the year of € 15.15 on December 28. At the end of 2010, the market capitalization was € 320.8 million (December 31, 2009: € 246.0 million).

Based on the latest available information, as of December 31, 2010, there was a slight change in the shareholder structure as against the end of 2009. Compagnie Européenne de Wagons S.à r.l., Luxembourg, continues to hold 54.57 % of the share capital of VTG AG. Additionally, ZAM Europe, L.P., Greenwich, Connecticut, USA, reduced its share of 5.60 % to 0 %. On the same day, Samana Capital L.P., Greenwich, Connecticut, USA acquired 6.25 % of the share capital of VTG AG. This gives a free float of 39.18 %.

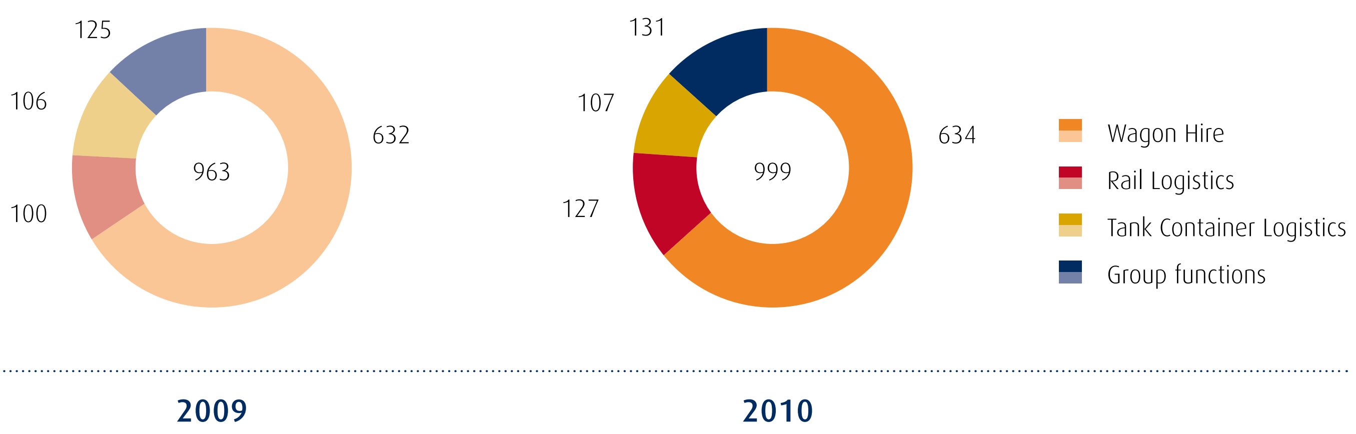
The Annual General Meeting, held on June 18, 2010 in Hamburg, approved a dividend payment of € 0.30 per share. The Executive Board of VTG intends to propose to the 2011 Annual General Meeting the payment of a dividend for the financial year 2010 of € 0.33 per share. This would represent a dividend increase of 10 % on the previous year. In terms of future dividends, VTG's objective is to reliably continue to issue payments and to do so over the long term.

EMPLOYEES, PERFORMANCE, AND RESPONSIBILITY
Employees

Slight increase in employee numbers

As of December 31, 2010, the VTG Group employed a total of 999 members of staff (previous year: 963). This increase of 36 employees represents a rise of 3.7 % and is primarily attributable to the first-time consolidation of the TMF Group as of September 30, 2010. On the reporting date, there were 709 employees (previous year: 678), in Germany, with the number of employees abroad amounting to 290 (previous year: 285). The total number of wage-earning staff was 299 (previous year: 303), of which the great majority were employed in the plant and workshops. There were 661 salaried employees (previous year: 621).

Employees by divisions



Continued high level of commitment to professional development

VTG continued to show a high level of commitment to professional development, employing 39 trainees at the end of the year (previous year: 39). On the one hand, young people are given the opportunity to train on the job in the traditional way for a career as, for instance, an industrial sales representative, forwarding agent or construction technician. On the other, VTG also offers on-the-job training combined with university study in the fields of business and economics, industrial engineering and business informatics. Furthermore, study scholarships are also awarded in order to attract and secure highly qualified young talent from abroad. VTG works together with the universities: this work includes VTG staff delivering lectures on their areas of expertise, participation in exhibitions, and the awarding of master's theses and internships.

Systematically fostering staff potential

With its range of staff development measures, the VTG Group's aim is to constantly support staff and those in leadership positions in developing their abilities and behavior. In addition to the already successful PEP! promotion program, VTG has designed the Leadership Excellence program to foster leadership talent. This also mobilizes the potential of VTG's team of leaders and systematically prepares these leaders for new challenges, both on a specialist and a personal level. This also ensures a common understanding of the nature of leadership and actions concordant with this.

Moreover, the VTG Competency Model has been shown to work. Based on the skills required for the future, the individual personal development requirements of each employee are determined. Then individual professional development measures are offered, for instance attending seminars or training programs, to foster employees' potential accordingly.

Meeting social responsibilities

In addition to its responsibilities to members of staff working at VTG, the company is also conscious of its responsibilities to employees once the stage of active employment is over. For this reason, the company offers its employees a flexible range of working hours arrangements, including part-time, home office, and parental leave (including leave for fathers). Furthermore, it offers employees a whole range of preventive health measures. The attractive benefits of the company pension complete this appealing package, since, through deferred compensation, employees can create a financial foundation for retirement with ease while still in the active stage of employment.

Pre-emptive rights

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

Research and development

Waggonbau Graaff, the experts providing a platform for innovation

With its plant Waggonbau Graaff, VTG has an expert within the Group for building chemical and compressed gas tank wagons. These are used for transporting sensitive and, in particular, dangerous goods across Europe. These are primarily tank wagons with tanks made of various stainless steels. Additionally, new wagon types are being developed, tested, and manufactured and being approved in terms of the Technical Specifications for Interoperability (TSI) in line with EU directives. VTG develops new types of wagon in collaboration with the customer, and tailors the wagon exactly to the customer's requirements. In 2010, work was commenced on the development and production of four new wagon types. Series production of two of the new wagon types is already under way, while the development phase for the other two types should be completed in the first half of 2011.

VTG has decades of experience in the development of special fittings and is currently using this expertise to manufacture its own fittings at the Graaff plant. Virtually all wagons are to be fitted with these in future.

Furthermore, the plant also upgrades and enhances freight cars in the VTG fleet. Also, additional production lines mean that bogies can be manufactured and freight cars converted, overhauled, and repaired.

VTG works closely with other wagon manufacturers to develop new wagons

In developing new wagon types and safety equipment, VTG also works closely with other wagon manufacturers. With enhancements and new concepts, VTG generally stipulates the requirements the new wagons have to meet. However, the exact technical design is drawn up by external providers, for instance wagon and fittings manufacturers.

Safety and the environment

Purposefully taking responsibility as the first in Germany to successfully gain certification as an Entity in Charge of Management (ECM)

The VTG Group has taken an active approach in meeting the increased requirements regarding responsibility for maintaining its own rail freight cars. These requirements are set out in the EU safety directives 2004/49/EC and 2008/114/EC. Additionally, all companies in the Group that perform the role of wagon keeper were subject to initial, extremely strict audits carried out by specially trained VTG employees. Following the audits, all of these wagon keepers issued a declaration that, within the system of maintenance and safety management in place, the maintenance of rail freight cars at VTG was carried out with the incorporation of planning and monitoring in compliance with the requirements of the EU safety directives.

Furthermore, as with quality management, the maintenance and safety management system was certified in Germany and in Switzerland by an independent auditor with accreditation for this area. The knowledge gained from this for improving maintenance is being put to use in operational workflows. These workflows in turn form part of quality management and help further improve safety in rail freight traffic.

Successfully completed audits with quality management at a high level

In the year under review, the VTG Group stepped up audits of its key suppliers in Rail Logistics. In the future, the maintenance workshops in Wagon Hire will also be a focus for audits in order to improve the quality of the work performed and the standing times of wagons. Customers of VTG also stepped up their audits again, with the focus especially on safety and process optimization. In all three divisions, all audits carried out by customers had a successful outcome, illustrating the high level of VTG's quality and safety management.

Improved environmental safety

At its workshop in Joigny, France, the VTG Group successfully modernized its equipment for handling dangerous goods while ensuring environmental safety. Moreover, VTG completed the planning for modernization of the facility for cleaning petroleum and chemical tank wagons for the Brühl workshop and embarked on the first stages of construction. Further to this, there are plans to begin setting up an environmental management system for the Brühl workshop in 2011.

Constant focus on health and safety in the workplace

Health and safety at work are extremely high priorities for the VTG Group. To ensure even more effective protection, VTG is currently examining the possibility of introducing a management system in accordance with BS OHSAS 18001. In addition to safety inspections and workplace and hazard assessments, this management system specifies clear, unambiguous targets. This system should mean more effective and systematic prevention of accidents in future.

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, 2010, 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 54.57 % of the shares. With respect to the indirect shareholding ratios, please refer to the notes to the financial statements of VTG AG as of December 31, 2010.
- 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 22, 2007, the Annual General Meeting authorized the Executive Board of VTG AG to increase, with the approval of the Supervisory Board, the share capital for the period up to June 22, 2012 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. Accordingly, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in the case of (i) capital increases in exchange for a non-cash contribution granting shares for the purpose of acquiring companies, parts of companies, or shareholdings in companies or for the purpose of issuing shares to employees of the company or affiliated companies, (ii) if this is required to grant subscription rights for new shares to holders of the warrants and convertible bonds issued by the company 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 than that of already listed shares 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 issue (whereby with the 10 % limit treasury shares that are sold with the exclusion of subscription rights and shares with conversion or option rights or obligations from bonds with warrants or convertible bonds, are to be taken into account). 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 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 € 300,000,000.00 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.
- There are no agreements subject to the condition of a change in control as a result of a takeover bid.
- 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

Overall, the remuneration of the Executive Board comprises several components: a non-performance-related element, a performance-related bonus and pension and additional benefits.

Until the German Act on the Appropriateness of Management Board Compensation (VorstAG) came into effect in August 2009, the Executive Committee (Praesidialausschuss) determined the appropriate level of remuneration of the members of the Executive Board on the basis of a performance assessment. Since August 2009, this has been determined by the full Supervisory Board (Plenum) at the proposal of the Executive Commitee. The Rules of Procedure of the Supervisory Board have been adjusted accordingly.

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

The additional benefits include the expenses incurred by Executive Board members 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. Where agreements have been concluded with members of the Executive Board after August 4, 2009, 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. Contracts with members of the Executive Board agreed after the entry into force of the Act on the Appropriateness of Management Board Compensation (VorstAG) generally 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. In respect of their variable remuneration components, two of the existing executive board contracts do not contain a multi-year assessment within the meaning of § 87 (1) sentence 3 clause 1 of the German Stock Corporation Act. In one case, this is due to the fact that the contract was concluded before the entry into force of the Act on the Appropriateness of Management Board Compensation on August 5, 2009. In the other, this is due to a contract extension for a period of less than a year, which was not long enough to justify calculating the variable remuneration component, whose total amount was limited, over a longer period.

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, 2010, the company had set up provisions for pensions for members of the Executive Board amounting to € 2.5 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, 2010.

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 € 60,000.00 while the deputy chairman receives € 45,000.00 and the other members of the Supervisory Board each receive € 30,000.00. Additionally, chairs of committees receive € 6,000.00 for each committee chaired for each full financial year. Deputy chairs of committees receive € 4,500.00 for each committee for which they act as deputy chair and ordinary committee members receive € 3,000.00 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, 2010.

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 must 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 declaration is published on the company's 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 aimed at ensuring the profitability, reliability and accuracy of the accounting system and ensuring compliance with the relevant legal requirements in order to convey a true and accurate picture of the VTG Group's position. In the VTG Group, the internal control system consists of an internal coordination system and an internal monitoring system.

Within the VTG Group, the monitoring system consists of both process-integrated and process-independent monitoring measures. In addition to manual process controls (e.g. the two-man rule), IT process controls are an essential part of the process-integrated steps. 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. In particular, the audit of the consolidated financial statements by the Group's auditors and the audits by their respective auditors of the financial statements of the individual companies in the Group included in the consolidated financial statements constitute the primary process-independent monitoring step performed with respect to the Group's accounting process. The Group auditors also verify that the data has been entered correctly and checks the individual steps in the consolidation process.

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 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 major specific risks to which the VTG Group is exposed through its business activities are discussed below.

Capacity utilization risk

One particular risk to which Wagon Hire is exposed is that of a decline in capacity utilization, especially in periods of recession. However, due to the long-term nature of its wagon hire contracts, and its broad customer base of well-known companies extending across many different industries, VTG's business remains stable, as was clear to see even in the crisis years of 2009 and 2010. VTG has a key advantage in that its wagons are mobile and are marketed across not only different countries but also different sectors. Moreover, customers have integrated their VTG wagons firmly into their logistics flows to secure the flows of material for their production requirements. As a result, they are much less susceptible to the business cycle. Indeed, the fact that past capacity utilization levels have fluctuated only within a certain range even in times of recession bears this out emphatically. In early 2010, capacity utilization declined gradually, reaching its lowest level during this business cycle of 87.0 % at the end of the first quarter of the year. It then went on to rise again, reaching 89.1 % at the end of the year. A change in capacity utilization directly impacts the level of rental income.

Personnel risks

Many employees tend to show long-term loyalty to the VTG Group, as expressed in a high average period of employment. It is their commitment that ensures the continual enhancement VTG's products, quality standards, and reliability of service. However, partly due to demographic developments, the competition to secure highly qualified staff will be become more intense in VTG's industry too, particularly in times of economic recovery.

The future success of the VTG Group depends in part on the degree to which VTG can succeed in recruiting qualified members of staff and integrate these employees and keep them with the company over the long term. The measures the Group is taking to counter personnel risks include a socially balanced wage development structure which ensures an optimal combination is achieved: securing the economic success of the company while also meeting the needs of individual employees. Additionally, by means of its Competency Model, VTG has defined the key competencies for shaping the future of the company. VTG promotes employee development in these individual areas of competency through many different types of training. Special programs are provided to support employees with particular special aptitudes and those already or soon to be in positions of leadership.

Information technology risks

Due to a worldwide rise in the threat to information security, VTG's systems and applications are also potentially threatened. This situation poses a danger to the confidentiality, availability, and reliability of data and systems that are needed for operations. To counteract this threat, the VTG Group relies on security measures to the standard typical in the industry, including virus scanners, firewalls, and the backup provided by a second data center. Continual checks and enhancements of the company's IT systems are key factors in ensuring the efficiency and security of business processes both now and in the future.

Default risk

The VTG Group has a well-developed accounts receivable management system covering all companies in the Group. However, even though the Group's customer base consists of mainly industrial clients with a high credit rating, there is still a risk in terms of actual payment practices and the ability to pay. Despite this, even in the recent difficult economic phase, there have been no substantial defaults in payment. Both logistics divisions mostly advance funds to pay customers' freight costs and therefore are using all avenues to secure payment of receivables, for example bank guarantees and advance payment. Furthermore, recognized default risks relating to individual receivables are covered by appropriate specific reserves and general credit and collection risks by global write-downs based on experience. In addition, the Group has concluded credit risk insurance contracts.

Financial risks related to financial covenants

The VTG Group has entered into a series of loan agreements with various banks which contain contractual conditions of credit, known as financial covenants. These include in particular:

- a certain defined cash flow to net debt servicing ratio,
- a certain consolidated net financial liabilities to consolidated EBITDA ratio,
- a certain consolidated net financial liabilities to tangible fixed assets ratio,

which must not be exceeded or fallen short of. Threshold values which decrease over the term of the agreement are stipulated for some of these ratios, reducing VTG's room for maneuver. 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 compliance at all times.

Foreign currency risk

The international business activities of the companies in the VTG Group expose them to exchange rate fluctuations on the currency markets. At present, the excess of trade receivables over trade payables in US dollars is causing a net loss to the companies in the VTG Group in this currency. In line with hedging policy, the planned cash flows are largely covered. In the course of the financial year, additional anticipated surpluses of foreign currencies arising are hedged with individual forward currency contracts. Currency risks from planned operations will continue to be hedged in the future through forward transactions prior to receipt of payments.

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 requirements in terms of meeting environmental regulations and laws, particularly regarding 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.

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 primarily covered by operating cash flow as well as by agreed, as yet unused lines of credit.

Price change risk

There is generally a price change risk and this is of particular significance for Wagon Hire. In the past, the price trend has always been stable, including during the economic difficulties of the years 2009 and 2010. When their requirements for freight space decline, the first response of Wagon Hire customers is usually to reduce the number of wagons they have on hire. The VTG Group offers customers high quality wagons and advisory services and views the price change risk as controllable due to its extremely close monitoring of the market.

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.

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 example, VTG has systematically implemented its program, begun in late 2009, to equip a large proportion of its wagon fleet with stronger wheel sets, while new rail freight cars were fitted with 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 operating rail freight cars.

Interest-rate risk

The VTG Group is subject to an interest-rate risk which arises exclusively from the sensitivity of payments with regard to variable interest-bearing financial liabilities to banks as a consequence of a change in the market interest-rate. To protect against and minimize these fluctuations in cash flow, a substantial proportion of the Group's liabilities to banks is protected against interest-rate increases by interest-rate hedges and fixed-interest agreements with established banks running until 2015.

Future business opportunities and risks

The VTG Group has come through the financial and economic crisis well and is ready for the new tasks ahead. If the currently favorable economic outlook clouds over again, this could have a negative impact on customers of the VTG Group, leading to a drop in demand for VTG wagons and services. VTG is prepared for such an event with targeted measures for stabilizing the earnings situation if required.

Moreover, the VTG Group pursues a policy of active cost management, as well as efficient fleet management and continuous process optimization.

With regard to liquidity, the VTG Group is in a good position. Its consistently strong cash flow, its balanced, long-term financing structure, and its lines of credit ensure that adequate funds are available to the Group.

The VTG Group also expects energy prices to increase over the long term. This could benefit VTG since rail freight traffic is considered an energy-saving, environmentally friendly mode of transport.

Wagon Hire

In 2010, the most profitable division in the VTG Group, Wagon Hire, pushed its capacity utilization up again to 89.1 % after reaching its lowest level during this business cycle of 87.0 % at the end of the first quarter.

Overall, the VTG Group has a robust wagon hire business model due to the its tight integration of transports into the industrial infrastructure. Particular features of this are its broad customer base and the fact that its contracts run over the medium- to long term. As a result, there is generally a delay before the effects of economic fluctuations are felt in fleet capacity utilization levels and thus in rental income – and when these effects are felt, they tend to be somewhat attenuated.

By continually monitoring the market, Wagon Hire is well equipped to act on business opportunities in existing and new regions and sectors. Furthermore, the expansion of business through the addition of new wagon types, the modernization of the wagon fleet, and the deployment of wagons in eastern and southeastern Europe also open up good opportunities for growth. VTG can see the potential for stepping up its current efforts in North America and generating more growth. When assessing the possibility of acquisitions, VTG pays particular attention to securing entry-level prices that can yield the required returns and to ensuring that the funds used are safely covered by long-term rental contracts. The risk to the VTG Group in North America can be considered minor due to the small size of the fleet to date in this market. VTG also has the opportunity to enter the rail freight traffic market of the Commonwealth of Independent States (CIS) through its subsidiary in Russia. To prepare for this, the Group is monitoring and evaluating the characteristics of this market very closely and carefully. Due to the trend of rising production in the CIS market, there is high demand for freight space and wagon replacements. This means that there could be good opportunities for developing VTG's operations in this region.

The Graaff wagon construction plant assures the VTG Group both important production capacity for building special wagons in addition to valuable expertise for wagon construction and development. This means that VTG can realize its own innovations rapidly and also accommodate the specific requirements of customers and special designs. Moreover, VTG is also in a position to further enhance its own fleet with new, ultra-modern wagon types in the coming years.

The progressive liberalization of rail freight traffic in Europe is bringing with it increasing competition between railway companies and this competition in turn enables new providers to enter the market. However, this desired effect could be delayed, since so far the incentives to enter the market have been lacking. The rules, regulations, and standards drawn up to date have been shown to still have gaps and in some cases even create barriers to rail freight transport. 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 originally thought.

Given the moderate growth being seen in the global economy, VTG also expects the business trend to be upward in the Wagon Hire Division in 2011 and 2012. This assessment is based on current economic forecasts and the assumption that there will be no downturns in the industries that are key to VTG's business.

Rail Logistics

The Rail Logistics Division used 2010 to further strengthen its market position in Europe and expand its product portfolio by adding new product segments. Additionally, Rail Logistics acquired new customers and extended key customer contracts by a number of years.

Through VTG's acquisition of the TMF Group, the Rail Logistics Division expanded its range of services relating to the transport of agricultural products. Furthermore, the division stepped up its presence in Serbia and the Czech Republic. These strategic measures and additional collaborative ventures abroad are opening up new opportunities for growth for Rail Logistics.

Through the EU project ReTrack, VTG is, together with several other companies, jointly implementing innovative concepts for rail freight transport along the axis between Rotterdam and south-eastern Europe. This could have a lasting, positive impact on business for this division.

Moreover, there could be further opportunities for growth from the focus on cross-border all-in operations, whereby VTG performs all logistics tasks for the customer. This division's well-integrated network of European branches should have a positive impact on the quality of cross-border transport concepts. Additionally, the increase in sales and marketing staff due to increased business activity will positively influence growth in Rail Logistics.

The fact that it has taken up the role of rail operator means that Rail Logistics now has the opportunity to offer its customers additional services and thereby generate more orders.

Rail Logistics is extremely careful in selecting its business partners. Despite this, where the forwarding companies used do not perform to the required standards, there can be additional costs incurred by implementing alternative solutions. Furthermore, the consolidation of the railway companies that is beginning to take place could pose a risk for the division as existing forwarders and subcontractors disappear. Business could also be affected by direct selling on the part of railway companies and, as the case may be, by their forwarding agents. Altogether, despite higher prices, the pressure on the margins remains high.

The upcoming closures of railway stations in France could also affect transports in this region.
With its performance in 2010, the Rail Logistics Division laid the foundation for further growth. If the European economy – as forecast by the Kiel Institute for the World Economy – grows slightly, then the division should perform well in both 2011 and 2012. However, this is based on the assumption that the key industries for Rail Logistics are not negatively impacted.

Tank Container Logistics

In 2010, Tank Container Logistics reported an extraordinary increase in demand for its transport services which even exceeded the pre-crisis level of 2008.

The sharp rise in demand in the chemical industry led to supply bottlenecks, showing customers in 2010 that keeping a scarcity of available transport resources can at times lead to considerable disruptions in supply chains and thus also disrupt production. This presents the Tank Container Logistics Division with the opportunity to strengthen and expand relationships with customers even more by concluding even longer contracts than has previously been the norm. Such a measure would increase the stability of business.

Moreover, 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 loyalty of existing customers and gain new customers.

The division has also drawn up a detailed strategy for growth based on its good positioning in the regions, including China and the growth markets in eastern and southeastern Europe. This strategy takes into account the highly competitive market environment and its complex requirements. Because of its special focus on tailoring services and products to customers and adapting to the particular requirements of each region, Tank Container Logistics has the opportunity to continue to grow sustainably and profitably in future.

Due to the international nature of its activities, many transactions made in Tank Container Logistics are in US dollars. As a result, fluctuations in exchange rates could have a negative impact on earnings. Forward exchange transactions are used to hedge this risk as far as possible.

Assuming there is no lasting downturn in key customer industries – particularly the chemical industry – both volumes and revenue should increase in Tank Container Logistics in 2011. Given the same conditions, VTG can also expect a positive trend in business in 2012.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

Balanced business model with solid capital structure

With its balanced business model in the three divisions of Wagon Hire, Rail Logistics, and Tank Container Logistics, VTG has created an excellent equilibrium between transport solutions that are well integrated into the industrial infrastructure and flexible logistics units requiring little labor and with a very varied cost structure.

Furthermore, the VTG Group has a solid financing structure with secured lines of credit that run until 2015 and are provided by a large consortium of banks. Additionally, even though financing is assured until 2015, the capital structure is subject to regular review by VTG with its growth objectives in mind. For a large proportion of the liabilities to banks, interest-rate are fixed until 2015 through interest-rate hedges and fixed-rate agreements. As of December 31, 2010, cash and cash equivalents amounted to € 48.7 million and, together with the relatively stable cash flow, this amount is available to cover funding obligations.

Moderate growth only for global economy in 2011

2010 saw economic recovery on a global scale which began with dynamic growth which then lost momentum over the course of the year. One reason for this loss of momentum is the fact that many economic stimulus programs implemented by various governments have come to an end. Another is that the accompanying replenishment of stocks seems to have largely come to an end after significant depletion of these during the financial crisis. Given this set of circumstances, the Kiel Institute for the World Economy expects moderate growth in the global economy in the next two years, significantly below the level of growth prior to the financial crisis. At the same time, experts anticipate only slight growth of 1.3 % in GDP in 2011 in Europe, while growth of 2.3 % is forecast for Germany. According to experts, this slower growth in the industrialized countries should also lead to some slowing down of economic growth in the newly industrialized countries, with a rise of 6.6 % expected in the year for Asia as a whole.

Of the key industries for VTG, the chemical industry is set to grow further in 2011 in both Europe as a whole and in Germany. However, this growth will be much slower than in 2010. According to the German Association of the Automotive Industry, the trend in the automotive industry should continue upwards in 2011 but also with a loss of momentum. For the logistics sector, experts anticipate slight growth in 2011.

Although the global economic outlook is positive, things still remain very uncertain. This uncertainty is mainly due to the debt situation of some countries, the requirement for budget consolidation in many countries and, to some extent, extremely expansionary monetary policy as a result of the purchase of government bonds on a huge scale.

04 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2010

Upward business trend expected for VTG in 2011

Overall, current forecasts of economic experts indicate moderate growth in the global economy in 2011. Nevertheless, there are still specific areas of uncertainty which could lead to a reappraisal of the economic situation.

Given this, the VTG Group expects the business trend to continue upward in its three divisions of Wagon Hire, Rail Logistics, and Tank Container Logistics in the financial year 2011. Based on this, the Executive Board of VTG AG expects to achieve revenue for the financial year 2011 of € 720 to 760 million and EBITDA of € 165 to 170 million. This forecast also takes account of an expanded scope of consolidation, in part due to acquisitions. It is also based on expectations that capacity utilization in Wagon Hire will continue to increase slightly and that the course of growth the logistics divisions will be more moderate than in 2010. Furthermore this forecast is based on the assumption that there will be no lasting setbacks in key VTG industries.

Based on these estimates, the Executive Board of VTG AG also expects VTG to achieve positive results in 2012. One contributory factor in this will be continued, efficient cost management. Furthermore, VTG will continue responsibly on its path of growth and continue to develop its strategy.

Moreover, the Executive Board of VTG intends to propose to the Annual General Meeting the payment of a dividend of € 0.33 per share for the financial year 2010. This would represent an increase in the dividend of 10 % on the previous year. It is VTG's policy to continue to reliably issue dividends over the long term.

Consolidated financial statement of VTG Aktiengesellschaft

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the period from January 1 to 31.12.2010

€ '000	Notes	**1.1. to 31.12.2010**	1.1. to 31.12.2009
Revenue	(1)	629,438	581,484
Changes in inventories	(2)	−1,950	1,003
Other operating income	(3)	24,864	17,888
Total revenue and income		**652,352**	**600,375**
Cost of materials	(4)	337,278	293,869
Personnel expenses	(5)	52,636	60,431
Impairment, amortization and depreciation	(6)	91,424	82,297
Other operating expenses	(7)	108,948	98,193
Total expenses		**590,286**	**534,790**
Income from associates		**889**	**1,471**
Financing income		927	1,079
Financing expenses		−31,280	−32,768
Financial loss (net)	(8)	**−30,353**	**−31,689**
Profit before taxes on income		**32,602**	**35,367**
Taxes on income	(9)	11,979	12,820
Group net profit		**20,623**	**22,547**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		19,530	21,574
Non-controlling interests		1,093	973
		20,623	**22,547**
Earnings per share (in €)			
(undiluted and diluted)	(10)	0.91	1.01

The explanatory notes on pages 76 to 144 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000	**1.1. to 31.12.2010**	1.1. to 31.12.2009
Group net profit	**20,623**	**22,547**
Currency translation	6,849	388
Hedge accounting and revaluation of financial instruments	−2,350	−4,567
Actuarial gains and losses from pension provisions	−1,191	−2,623
Other measurement changes not affecting profit	−14	−21
Comprehensive income	**23,917**	**15,724**
Thereof relating to		
Shareholders of VTG Aktiengesellschaft	22,834	14,761
Non-controlling interests	1,083	963
	23,917	**15,724**
Thereof deferred taxes:		
Hedge accounting and revaluation of financial instruments	1,157	2,250
Actuarial gains and losses	596	1,283
Change in other measurement differences	5	7
	1,758	**3,540**

Explanatories of shareholders' equity are given under Notes (20) to (23).

The explanatory notes on pages 76 to 144 form an integral part of these consolidated financial statements.

04 FINANCIAL INFORMATION

Consolidated Financial Statements of VTG AG as of 31st December 2010

CONSOLIDATED BALANCE SHEET

ASSETS

€ '000	Notes	**31.12.2010**	31.12.2009*
Goodwill	(11)	158,248	158,103
Other intangible assets	(12)	59,956	61,245
Tangible fixed assets	(13)	908,748	857,279
Investments in associates		16,767	17,102
Other financial assets	(14)	7,400	7,153
Fixed assets		**1,151,119**	**1,100,882**
Other receivables and assets	(17)	1,738	1,661
Deferred income tax assets	(18)	21,897	22,384
Non-current receivables		**23,635**	**24,045**
Non-current assets		**1,174,754**	**1,124,927**
Inventories	(15)	**15,146**	**20,866**
Trade receivables	(16)	84,374	64,347
Other receivables and assets	(17)	30,027	22,485
Current income tax assets	(18)	2,150	1,970
Current receivables		**116,551**	**88,802**
Cash and cash equivalents	(19)	**48,710**	**42,595**
Current assets		**180,407**	**152,263**
		1,355,161	**1,277,190**

* The figures for the comparable period have been adjusted.

The explanatory notes on pages 76 to 144 form an integral part of these consolidated financial statements.

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000	Notes	**31.12.2010**	31.12.2009*
Subscribed capital	(20)	21,389	21,389
Additional paid-in capital	(21)	193,743	193,993
Returned earnings	(22)	113,512	94,744
Revaluation reserves	(23)	−18,393	−16,043
Equity attributable to shareholders of VTG Aktiengesellschaft		**310,251**	**294,083**
Non-controlling interests		**2,748**	**2,666**
Equity		**312,999**	**296,749**
Provisions for pensions and similar obligations	(24)	44,800	43,755
Deferred income tax liabilities	(25)	137,722	137,959
Other provisions	(26)	20,884	18,848
Non-current provisions		**203,406**	**200,562**
Financial liabilities	(27)	530,511	524,410
Derivative financial instruments	(28)	17,900	14,206
Other liabilities	(27)	1,514	1,779
Non-current liabilities		**549,925**	**540,395**
Non-current debts		**753,331**	**740,957**
Provisions for pensions and similar obligations	(24)	3,766	4,068
Current income tax accruals	(25)	29,542	25,295
Other provisions	(26)	44,219	48,038
Current provisions		**77,527**	**77,401**
Financial liabilities	(27)	51,917	30,885
Trade payables	(27)	131,247	106,171
Derivative financial instruments	(28)	9,570	9,762
Other liabilities	(27)	18,570	15,265
Current liabilities		**211,304**	**162,083**
Current debts		**288,831**	**239,484**
		1,355,161	**1,277,190**

* The figures for the equivalent period of the previous year have been adjusted.

The explanatory notes on pages 76 to 144 form an integral part of these consolidated financial statements.

04

FINANCIAL INFORMATION

Consolidated Financial Statements of VTG AG as of 31st December 2010

CONSOLIDATED CASH FLOW STATEMENT

€ ’000	Notes	**1.1. to 31.12. 2010**	1.1. to 31.12. 2009
Operating activities			
Group profit		20,623	22,547
Impairment, amortization and depreciation		91,424	82,479
Interest income		–927	–1,079
Interest expenses		31,280	32,586
Income tax expenses		11,979	12,820
SUBTOTAL		**154,379**	**149,353**
Other non-cash expenses and income		–440	–773
Dividends received from at-equity investments		1,304	1,225
Income taxes paid		–6,576	–8,072
Income taxes received		395	1,065
Profit/loss on disposals of fixed asset items		–4,811	–2,252
Changes in:			
inventories		6,242	1,885
trade receivables		–10,325	9,094
trade payables		7,185	–3,403
other assets and liabilities		–9,583	–3,355
Cash flows from operating activities		**137,770**	**144,767**
Investing activities			
Payments for investments in intangible and tangible fixed assets		–121,152	–122,019
Proceeds from disposal of intangible and tangible fixed assets		32,721	5,786
Payments for investments in financial assets and company acquisitions (less cash and cash equivalents received)		–31,181	–5,878
Proceeds from disposal of financial assets (less cash and cash equivalents rendered)		23	0
Changes in financial receivables		–467	–31
Receipts from interest		350	595
Cash flows used in investing activities		**–119,706**	**–121,547**
Financing activities			
Payments of dividends of VTG Aktiengesellschaft		–6,417	–6,417
Payments to non-controlling interests		–1,097	–1,021
Payments to acquire shares of non-controlling interests		–1,500	0
Receipts from the taking up of (financial) loans		55,592	55,000
Borrowing costs		–540	0
Repayments of bank loans and other financial liabilities		–31,808	–28,097
Interest payments		–26,580	–28,468
Cash flow used in financing activities		**–12,350**	**–9,003**
Change in cash and cash equivalents		**5,714**	**14,217**
Effect of changes in exchange rates		401	122
Balance at beginning of period	(19)	42,595	28,256
Balance of cash and cash equivalents at end of period	(19)	**48,710**	**42,595**
of which freely available funds		**46,960**	**40,845**

For an explanation of the consolidated cash flow statement, please refer to the section Other Disclosures.

The explanatory notes on pages 76 to 144 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 Aktien-gesellschaft (VTG AG)	Non-controlling interest	**Total**
Notes	(20)	(21)	(22)		(23)			
As of 31.12.2008	**21,389**	**193,993**	**83,641**	**(−5,388)**	**−13,282**	**285,741**	**2,676**	**288,417**
Group net profit for the year			21,574			21,574	973	22,547
Dividend payment by VTG Aktiengesellschaft			−6,417			−6,417		−6,417
Dividend distribution						0	−930	−930
Hedge accounting and revaluation of financial instruments					−4,567	−4,567		−4,567
Actuarial gains and losses from pension provisions			−2,613			−2,613	−10	−2,623
Currency translation			388	(388)		388		388
Miscellaneous changes			−1,829		1,806	−23	−43	−66
Total changes	**0**	**0**	**11,103**	**(388)**	**−2,761**	**8,342**	**−10**	**8,332**
As of 31.12.2009	**21,389**	**193,993**	**94,744**	**(−5,000)**	**−16,043**	**294,083**	**2,666**	**296,749**
Changes to scope of consolidation						0	1,250	1,250
Acquisition of shares of non-controlling interests		−250				−250	−1,250	−1,500
Group net profit for the year			19,530			19,530	1,093	20,623
Dividend payment by VTG Aktiengesellschaft			−6,417			−6,417		−6,417
Dividend distribution						0	−1,007	−1,007
Hedge accounting and revaluation of financial instruments					−2,350	−2,350		−2,350
Actuarial gains and losses from pension provisions			−1,181			−1,181	−10	−1,191
Currency translation			6,849	(6,849)		6,849		6,849
Miscellaneous changes			−13			−13	6	−7
Total changes	**0**	**−250**	**18,768**	**(6,849)**	**−2,350**	**16,168**	**82**	**16,250**
As of 31.12.2010	**21,389**	**193,743**	**113,512**	**(1,849)**	**−18,393**	**310,251**	**2,748**	**312,999**

Explanatories of shareholders' equity are given under Notes (20) to (23).

The explanatory notes on pages 76 to 144 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanations 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 Wagon Hire, 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 cash flow statement, the consolidated statement of changes in equity, 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 March 2, 2011.

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 provisions of § 315 (a)(1) of the German Commercial Code were also observed.

The consolidated financial statements were prepared in accordance with 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.

In the consolidated statement of comprehensive income, the effects recognized in equity without affecting profit are now, differently from in the previous year, shown taking into account the relevant tax effects. Accordingly, the figures for the previous year have been shown taking into account the tax effect. The accounting and measurement practices remain unaffected by this change.

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 audited 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, 2010, two companies are accounted for under the at-equity method. The complete list of equity investments is presented on pages 136 to 137.

Equity consolidation is performed by eliminating the carrying amount of the parent's investment in each subsidiary which is measured at fair value at the time of acquisition or on formation of the subsidiary (acquisition method). Goodwill is amortized exclusively in accordance with the impairment-only approach, under which it is subject to an annual impairment test and is subsequently measured at its original acquisition cost less any accumulated impairment losses.

Intra-group receivables and payables and provisions 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 which 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:

	Rate at balance sheet date		Average rate	
1 euro =	**31.12.2010**	31.12.2009	**2010**	2009
British Pound	0.8630	0.8932	0.8585	0.8913
Chinese Yuan Renminbi	8.7697	9.7660	8.9712	9.5192
Swiss Franc	1.2442	1.4886	1.3831	1.5102
US Dollar	1.3282	1.4303	1.3274	1.3935

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

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 transactions 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.

Changes in inventories
Changes in inventories arise from the difference in the balance sheets measurements of the work in progress and finished goods valued at manufacturing cost at the start and end of the period under review.

Interest and investment income
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. If the reasons for unplanned impairment losses accounted for in previous years cease to apply, corresponding impairment reversals are made.

There was no requirement for significant impairment losses or reversals in the VTG Group in the financial year 2010 or the preceding year.

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 value in use is the net present value of the estimated future cash flows from the unit.

Segmental goodwill is tested for impairment regularly as part of the annual budgeting process. The calculations are based on forecast cash flows are derived from the long-term forecast approved by management. These include detailed planning for the coming years for a period of up to 10 years and the subsequent 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. In order to determine useful lives, risk-oriented interest-rates appropriate to the market were applied. The pre-tax interest-rates are between 6.0 % and 6.7 %, while in the previous year they were between 6.0 % and 7.5 %.

Other intangible assets

Other intangible assets comprise brand values and customer relationships as well as purchased intangible assets.

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 determined in accordance with the relief from royalty method, whereby notional brand license payments are discounted with a market-specific capital cost rate and a tax amortization benefit is also added. The notional brand license payments are based mainly on the brand-specific revenue forecast within the detailed budgets for the coming few years and the subsequent terminal value. The assumptions made about revenue growth are in line with those made in connection with the goodwill impairment test.

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

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.

There are no internally-generated intangible assets.

Tangible fixed assets

Tangible fixed assets are generally measured at acquisition or manufacturing cost less scheduled depreciation 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
Petroleum and open freight cars, etc.	up to 30 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 and main tenance 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.

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 asset items. 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 directly as an expense in the income statement.

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

When assets from primary financial instruments are acquired, they are subdivided into different categories. This classification influences whether the assets are recognized as non-current or current assets and therefore determines whether measurement is at amortized cost or fair value. 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 come under this category, except for derivative financial instruments.

b. **Loans and Receivables**
   Loans and receivables comprise 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 come under 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. 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.

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. In subsequent periods they are measured at amortized acquisition costs. Any difference between the disbursement amount (after transaction costs) and repayment amount is charged 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.

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 the 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, depends 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. Where a company independently concludes derivative financial instruments within the valid guidelines and provisions, this is carried out only after prior approval by 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 are deemed cash flow hedges, is recorded after accounting for deferred taxes to the other parts of equity without affecting income. The non-effective portion is recorded to the income statement. The amounts recorded to equity are reclassified to the income statement in the financial years in which the underlying transaction affects the income statement.

Derivative financial instruments are used within the framework of interest-rate and currency hedging agreements.

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 commitments

Under IAS 19, provisions for pensions and similar commitments are recognized using the projected unit credit method, taking into account the expected future development of salaries and pensions. Actuarial gains and losses are offset directly against equity. The relevant interest position of the pension obligations is shown under interest expenses.

Deferred taxes
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.

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 financial year 2010.

Estimates
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 material estimates and related assumptions may affect the consolidated financial statements.

At least once a year, the Group carries out an impairment test of capitalized goodwill based on the cash-generating units to which it is allocated. The assumptions made here, including the methods applied, can have a material effect on the determination of the value in use and, subsequently, on the amount of impairment losses on goodwill. Management uses internal analyses and forecasts to project the earnings trend and external information sources for the other parameters used. With regard to the growth parameters and interest-rates and based on the existing models, potential impairment losses can only result in relation to the growth parameters and interest applied if scenarios come into being that are from a current point of view improbable. With regard to the earnings situation, the goodwill allocated to the segments Rail Logistics and Tank Container Logistics would not be impaired even if there were a very unrealistic worsening of future earnings before interest and income taxes (EBIT) compared to budgeted EBIT.

The goodwill allocated to the Wagon Hire segment – without consideration of Texas Railcar Leasing Company, Inc. (Texas Railcar) – amounting to € 150.5 million is considered to be impaired where there is a worsening of the future EBITs by 33.5 % compared to forecast EBITs assuming that all other parameters affecting impairment are constant.

Other assumptions and estimates primarily relate to the determination of economic useful lives uniformly across the Group and the realization of receivables. 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 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.

3. New financial reporting standards

For the financial year beginning January 1, 2010 and those thereafter, the application of some new standards and amendments to existing standards and interpretations has become mandatory. Overall, the reforms have had no or only a minimal effect on the financial accounting of the VTG Group.

IFRS 3 "Business Combinations" and **IAS 27 "Consolidated and Separate Financial Statements"** bring some material changes to the way business combinations, disposals of investments and acquisitions of non-controlling interests are handled compared to their previous accounting treatment.

The revised **IAS 24 "Related Party Disclosures"** clarifies the definition of related companies and persons and frees companies which are deemed related to public bodies from making certain disclosures about business transactions with related companies and persons.

IAS 32 "Financial Instruments: Presentation" contains changes concerning the classification of subscription rights.

IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" contains information about using hedging transactions to hedge inflation risks.

IFRIC 12 "Service Concession Arrangements" governs the entry on the balance sheet of concessions that are granted by governments or other public bodies to private operators to perform public services.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" explains the IFRS requirements in cases where a company is subject to minimum funding requirements and makes prepayments to meet these minimum funding requirements.

IFRIC 11 and IFRS 2 "Group and Treasury Share Transactions" concerns issues relating to the treatment of share-based payment arrangements in which treasury shares, or shares issued by other companies in the Group, have been granted by a company or its shareholders.

IFRIC 15 "Agreements for the Construction of Real Estate" standardizes accounting practice for the recognition of revenue by real estate developers for the sale of units, such as apartments or houses "off plan" (that is, before construction is complete).

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" governs issues relating to the reporting of the hedging of foreign currency risks within a company and its foreign business operations.

IFRIC 17 "Distributions of Non-cash Assets to Owners" contains provisions relating to the reporting and measurement of distributions of non-cash assets.

IFRIC 18 "Transfers of Assets from Customers" governs the transfer of assets by customers for the purpose of the provision of goods or services.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" sets out the IFRS requirements in cases in which a company re-negotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments of the company to settle the financial liability in part or in full.

"Improvements to IFRS 2009" 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. Among other things, the standard makes clear that information on segment assets and liabilities must be reported only where these are also reported internally on a regular basis. Accordingly, segment reporting has been adapted to internal reporting structures.

The standards, interpretations of and amendments to existing standards set out below and to be applied in future do affect operations of the Group to some extent. The Group is currently examining the possible effects of implementation of the standards/ amendments on its accounting.

IAS 12 "Deferred taxes" contains rules for measuring deferred tax assets in relation to investment property measured at fair value.

The amendments in **"IFRS 7 Finanzinstrumente: Disclosures"** concern additional disclosure requirements regarding derecognition of financial assets.

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.

"Improvements to IFRS 2010" 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.

4. Scope of consolidation in the financial year 2010

In addition to VTG AG, a total of 13 (previous year: 11) domestic and 19 (prior year 16) foreign subsidiaries are included in the consolidated financial statements for the financial year 2010.

The consolidation group as of December 31, 2010 comprised the following companies:

No.	Name and registered office of company	Ownership in %
	Fully consolidated companies	
1	VTG Aktiengesellschaft, Hamburg	
2	Alstertor Rail France S.à r.l., Joigny	100.0
3	Alstertor Rail UK Limited, Birmingham	100.0
4	Ateliers de Joigny S.A.S., Joigny	100.0
5	CAIB Benelux BVBA, Berchem/Antwerp	100.0
6	CAIB Rail Holdings Limited, Birmingham	100.0
7	CAIB UK Limited, Birmingham	100.0
8	Deichtor Rail GmbH, Garlstorf	100.0
9	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	98.6
10	Etablissements Henri Loyez S.A.S., Libercourt	100.0
11	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
12	EVA Holdings Deutschland GmbH, Hamburg	100.0
13	Ferdinandstor Rail GmbH, Garlstorf	100.0
14	Klostertor Rail GmbH, Garlstorf	100.0
15	Texas Railcar Leasing Company, Inc., McAllen, Texas	100.0
16	TMF-CITA Belgium N.V., Gent	100.0
17	TMF-CITA GmbH, Aachen	100.0
18	TMF-CITA (Nederland) B.V., Spijkenisse	100.0
19	Transpetrol Austria GmbH, Vienna	100.0
20	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
21	Transports Terrestres Maritimes et Fluviaux S.A.S., Paris	100.0
22	VOTG Tanktainer GmbH, Hamburg	100.0
23	VTG Austria Ges.m.b.H., Vienna	100.0
24	VTG Deutschland GmbH, Hamburg	100.0
25	VTG France S.A.S., Paris	100.0
26	VTG ITALIA S.r.l., Milan	100.0
27	VTG North America, Inc., Hinsdale, Illinois	100.0
28	VTG RAIL ESPAÑA S.L., Madrid	100.0
29	VTG Rail UK Limited, Birmingham	100.0
30	VTG Schweiz GmbH, Basel	100.0
31	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
32	Waggonbau Graaff GmbH, Elze	100.0
33	Waggonwerk Brühl GmbH, Wesseling	100.0

No.	Name and registered office of company	Ownership in %
	Associates	
34	Waggon Holding AG, Zug	50.0
35	Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai	50.0

Compared with December 31, 2009, two domestic and three foreign companies have been added for the first time to the scope of consolidation.

As of September 30, 2010, the companies Transports Terrestres Maritimes et Fluviaux S.A.S. (TMF), TMF-CITA Belgium N.V., TMF-CITA GmbH and TMF-CITA (Nederland) B.V. were added for the first time to the scope of consolidation. The companies are allocated to the Rail Logistics segment.

The acquisition was completed on September 30, 2010, in accordance with the conditions of the contract of sale. Through the 75 % shareholding it has acquired in TMF, the VTG Group exercises control over the subsidiaries TMF-CITA Belgium N.V., TMF-CITA GmbH and TMF-CITA (Nederland) B.V. In connection with the acquisition of this shareholding, some 1,100 wagons for transporting grain were also acquired.

Through this acquisition, the VTG Group is gaining entry to the European market for rail-based transport of agricultural products.

As of September 30, 2010, a purchase price of € 33.4 million was determined. Of this amount, € 33.3 million has been paid in cash.

The following assets and liabilities were recognized in relation to the TMF acquisition:

€ '000	Fair Value 30.09.2010
Other intangible assets	404
Tangible fixed assets	31,942
Current receivables	12,577
Cash and cash equivalents	2,691
Non-current liabilities	2,400
Current liabilities	10,563
Net assets	**34,651**
Non-controlling interests	1,250
	33,401

The fair value of the receivables shown corresponds with the carrying amount.

In respect of the TMF acquisition, costs amounting to € 0.7 million are recognized in profit or loss.

With a contract of sale dated December 6, 2010, the remaining 25 % of the TMF was acquired and paid for completely in cash.

This acquisition contributed € 11.0 million to revenue and a loss of € 0.2 million to Group profit in the period from September 30 to December 31, 2010. Had the acquisition taken place on January 1, 2010, it would have contributed € 55.4 million to revenue and € 0.1 million to profit for the year before profit distribution.

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, 2010:

	Waggon Holding		Shanghai Tanktainer	
€ '000	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Assets	4,346	4,767	3,346	2,334
Liabilities	16	17	1,642	1,097
Income	1,548	2,781	11,945	6,682
Net profit for the year	1,458	2,739	320	202

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	**2010**	2009
Balance as of January 1	17,102	16,857
Currency adjustment	79	0
Share of net profit for the year	889	1,470
Elimination of dividend	–1,303	–1,225
As of December 31	**16,767**	**17,102**

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 **Wagon Hire** segment covers the management 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.

The companies VTG Deutschland GmbH (VTG Deutschland), VTG France S.A.S. (VTG France), VTG Rail España S.L. (VTG España) and VTG ITALIA S.r.l. (VTG Italia) are allocated with their business activities 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, revenue 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, 2010 are as follows:

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
External revenue	283,617	201,362	144,459	0	629,438
Internal revenue	11,223	224	50	−11,497	0
Changes in inventories	−1,950	0	0	0	−1,950
Segment revenue	**292,890**	**201,586**	**144,509**	**−11,497**	**627,488**
Segment cost of materials*	−36,575	−184,552	−119,891	11,114	−329,904
Segment gross profit	**256,315**	**17,034**	**24,618**	**−383**	**297,584**
Other segment income and expenditure	−110,963	−8,651	−13,453	−10,138	−143,205
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**145,352**	**8,383**	**11,165**	**−10,521**	**154,379**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−84,866	−2,042	−4,003	−513	−91,424
Segment earnings before interest and taxes (EBIT)	**60,486**	**6,341**	**7,162**	**−11,034**	**62,955**
thereof earnings from associates	729	0	160	0	889
Net interest expense	−28,684	104	−476	−1,297	−30,353
Earnings before taxes (EBT)	**31,802**	**6,445**	**6,686**	**−12,331**	**32,602**
Income tax expenses					−11,979
Group net profit					**20,623**

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

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

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
External revenue	288,997	179,398	113,089	0	581,484
Internal revenue	13,112	1,142	245	−14,499	0
Changes in inventories	1,003	0	0	0	1,003
Segment revenue	**303,112**	**180,540**	**113,334**	**−14,499**	**582,487**
Segment cost of materials*	−36,642	−164,432	−95,713	16,027	−280,760
Segment gross profit	**266,470**	**16,108**	**17,621**	**1,528**	**301,727**
Other segment income and expenditure	−120,171	−9,392	−10,330	−12,481	−152,374
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**146,299**	**6,716**	**7,291**	**−10,953**	**149,353**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−76,789	−1,119	−3,880	−509	−82,297
Impairment of financial assets	−165	0	−17	0	−182
Segment earnings before interest and taxes ((EBIT)	**69,345**	**5,597**	**3,394**	**−11,462**	**66,874**
thereof earnings from associates	1,370	0	101	0	1,471
Net interest expense**	−33,113	−116	−674	2,396	−31,507
Earnings before taxes (EBT)	**36,232**	**5,481**	**2,720**	**−9,066**	**35,367**
Income tax expenses					−12,820
Group net profit					**22,547**

* To a minor extent, income has been offset against the cost of materials of the segments.
** For details of the allocation of the interest result in segmental reporting to the financial result in the income statement, please refer to Note (8).

Capital expenditure for each segment as of the balance sheet dates 2010 and 2009 is shown in the following table:

€ '000		Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
Investments in intangible assets						
	31.12.2010	2,211	1,671	0	184	4,066
	31.12.2009	1,400	668	0	318	2,386
Investments in tangible fixed assets						
	31.12.2010	122,211	87	2,112	801	125,211
	31.12.2009	120,677	52	4,736	326	125,791
Additions to intangible and tangible fixed assets from business combinations						
	31.12.2010	31,843	503	0	0	32,346
	31.12.2009	0	0	0	0	0

Key figures across all segments

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

€ '000	Germany	Other countries	**Group**
Investments in intangible assets			
31.12.2010	4,063	3	4,066
31.12.2009	2,386	0	2,386
Investments in tangible fixed assets			
31.12.2010	102,332	22,879	125,211
31.12.2009	98,145	27,646	125,791
Additions to intangible and tangible fixed assets from business combinations			
31.12.2010	31,883	463	32,346
31.12.2009	0	0	0
External revenue by location of company			
31.12.2010	456,381	173,057	629,438
31.12.2009	423,442	158,042	581,484

Notes to the consolidated income statement

(1) Group revenue

€ '000	**2010**	2009
Wagon Hire	283,617	288,997
Rail Logistics	201,362	179,398
Tank Container Logistics	144,459	113,089
Total	**629,438**	**581,484**

The business of the VTG Group is affected to only a minor degree by seasonal fluctuations. Of the revenue in the financial year 2010 and in 2009 shown under the Wagon Hire segment, less than 5 % was from the sale of goods.

(2) Changes in inventories

€ '000	**2010**	2009
Changes in inventories	**–1,950**	**1,003**

The changes in inventories are attributable primarily to Waggonbau Graaff.

(3) Other operating income

€ '000	**2010**	2009
Income from sales of materials	4,453	4,198
Book profit from the sale of fixed assets	5,237	2,390
Recharged services	2,411	2,191
Income from investments	2,088	1,801
Exchange gains	890	325
Other income	9,785	6,983
Total	**24,864**	**17,888**

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

(4) Cost of materials

€ '000	2010	2009
Raw materials, consumables and supplies	14,511	19,477
Cost of purchased services	322,767	274,392
Total	**337,278**	**293,869**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 17.0 million (previous year: € 16.1 million)

Particularly in the Rail Logistics and Tank Container Logistics segments, the cost of materials rises in line with rises in sales.

(5) Personnel expenses

€ '000	2010	2009
Wages and salaries	39,264	45,907
Social security, post-employment and other employee benefit costs	13,372	14,524
thereof for pensions	(2,313)	(3,165)
Total	**52,636**	**60,431**

The costs for pensions include the expense for defined benefit obligations. The share of interest in the valuation of pension obligations is shown in the financial result. There is a detailed presentation of pension commitments under Note (24).

(6) Impairment, amortization and depreciation

€ '000	2010	2009
Impairment, amortization of intangible and depreciation of tangible fixed assets	91,424	81,633
Impairment, amortization and depreciation of other current assets	0	664
Total	**91,424**	**82,297**

(7) Other operating expenses

€ '000	2010	2009
Repairs and working capital requirements	59,263	54,754
Selling expenses	9,503	9,594
Other costs of materials and personnel expenses	6,176	3,414
Charges, fees, consultancy costs	5,409	3,293
Rents/leases	5,050	4,961
IT costs	3,629	3,899
Insurance	2,309	2,209
Donations and contributions	1,897	1,525
Money and financial transactions/exchange losses	1,878	708
Travel costs	1,868	1,916
Administrative expenses	1,178	1,169
Other taxes	1,131	1,040
Advertising	1,029	1,056
Audit fees	997	931
Other expenses	7,631	7,724
Total	**108,948**	**98,193**

(8) Financial loss (net)

€ '000	2010	2009
Income from other investment securities and long-term loan receivables	15	10
Interest and similar income	912	1,069
thereof from affiliated companies	(10)	(3)
Interest and similar expenses	–30,977	–32,586
thereof to affiliated companies	(–1)	(–4)
thereof to pensions	(–2,452)	(–2,567)
Net interest expense	**–30,050**	**–31,507**
Impairment of other financial assets	–303	–182
Total	**–30,353**	**–31,689**

The item interest and similar expenses includes interest income from cash flow hedges amounting to € 10.6 million (previous year: € 5.9 million).

(9) Taxes on income

€ '000	**2010**	2009
Current taxes	13,141	12,608
thereof relating to other periods	(254)	(–24)
Deferred tax expense	–1,162	212
Total	**11,979**	**12,820**

The actual tax result of € 12.0 million differs by € 1.1 million from the expected expense for taxes on income of € 10.8 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	**2010**	2009
Net group profit before taxes on income	**32,602**	**35,367**
Income tax rate of VTG AG	33.0 %	33.0 %
Expected income tax expense (tax rate of VTG AG)	10,759	11,671
Tax effect of non-deductible expenses and tax-free income	1,943	1,660
Tax effect on tax-free investment income	–742	–585
Tax effect on the income from associates	–430	–463
Tax effect from the adjustment of tax assets to tax loss carryforwards	402	–427
Tax effect on taxable loss carryforwards	352	826
Tax expense/income unrelated to accounting period	254	671
Tax effect due to changes in the income tax rate on effects of the prior year	–170	–39
Tax effect due to deviations from the expected tax rate	–580	–652
Other deviations	191	158
Actual income tax expense	**11,979**	**12,820**
Tax charge	**36.7 %**	**36.2 %**

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33.0 % was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax. Foreign income taxes are calculated on the basis of the laws and regulations in force in the individual countries in question.

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

in %	**31.12.2010**	31.12.2009
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 36.7 % of the result before tax. In the comparative prior year period the tax charge amounted to 36.2 % 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. - 31.12.2010	1.1. - 31.12.2009
Group net income attributable to the VTG AG shareholders (in € ’000)	19,530	21,574
Weighted average number of shares	21,388,889	21,388,889
Undiluted earnings per share (in €)	**0.91**	**1.01**

Earnings per share are diluted if the weighted 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.

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 140 to 143.

(11) Goodwill

€ ’000	**31.12.2010**	31.12.2009
Wagon Hire segment	152,509	152,364
Rail Logistics segment	3,992	3,992
Tank Container Logistics segment	1,747	1,747
Total	**158,248**	**158,103**

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	**31.12.2010**	31.12.2009
“VTG” brand	9,538	9,538
“Transpetrol” brand	421	421
“Railtrans” brand	100	100
Customer relationships, Wagon Hire	37,129	40,471
Customer relationships, Rail Logistics	7,289	6,837
Concessions and industrial trademarks	2,444	2,754
Payments on account	3,035	1,124
Total	**59,956**	**61,245**

(13) Tangible fixed assets

In respect of Finance leases, as of the balance sheet date, fixed assets with a book value before purchase price allocation of € 32.8 million (previous year: € 35.5 million) were recognized. Leased assets are primarily shown under wagon fleet, at € 31.1 million (previous year: € 33.1 million) and under containers, at € 1.7 million (previous year: € 2.4 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	**31.12.2010**	31.12.2009
Raw materials, consumables and supplies	12,536	16,350
Work in progress	2,565	4,515
Advance payments made	45	1
Total	**15,146**	**20,866**

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 31.12.2010**	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	80,917	52,002	17,580	3,086	1,984	6,265
Due from affiliated, non-consolidated companies	1,669	1,427	242	0	0	0
Due from companies in which an investment is held	1,619	1,188	262	169	0	0
Due from companies measured at equity	169	169	0	0	0	0
Total	**84,374**	**54,786**	**18,084**	**3,255**	**1,984**	**6,265**

The trade receivables overdue after more than 90 days were mainly settled in the middle of February 2011.

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

€ '000	**Book value as of 31.12.2009**	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	61,042	49,115	7,682	1,539	1,018	1,688
Due from affiliated, non-consolidated companies	1,984	1,439	354	189	2	0
Due from companies in which an investment is held	1,092	1,092	0	0	0	0
Due from companies measured at equity	229	229	0	0	0	0
Total	**64,347**	**51,875**	**8,036**	**1,728**	**1,020**	**1,688**

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		**Balance at beginning of period 01.01**	Changes to scope of consolida-tions	Currency difference	Utilization	Reversals	Addition	Reclassifica-tions	**Closing balance 31.12.**
Allowances	**2010**	**4,772**	**103**	**36**	**242**	**692**	**550**	**110**	**4,637**
Allowances	2009	3,930	0	5	874	451	2,162	0	4,772

The total amount of additions, amounting to € 0.6 million (previous year: € 2.2 million) comprise the increase to specific allowances amounting to € 0.4 million (previous year € 1.9 million) and allowances on a portfolio basis amounting to € 0.2 million (previous year: € 0.3 million). Specific allowance reversals amounted to € 42,000 (previous year: € 0.1 million) and allowances on a portfolio basis amounted to € 0.7 million (previous year: € 0.4 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	**31.12.2010**	31.12.2009
Expense for the full write-off of receivables	130	350
Income from receipts relating to receivables written off	18	57

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

(17) Other receivables and assets

€ '000	31.12.2010 Total	31.12.2010 Residual term more than 1 year	31.12.2009 Total	31.12.2009 Residual term more than 1 year
Other receivables from affiliated companies	362	0	73	0
Claims from refund of other taxes	16,490	0	11,393	0
Outstanding income invoice from management of rail freight cars	4,749	0	4,049	0
Receivables from derivative financial instruments	17	0	758	0
Other assets	9,513	1,738	7,442	1,661
Prepaid expenses	634	0	431	0
Total	**31,765**	**1,738**	**24,146**	**1,661**

The other receivables from affiliated companies relate to receivables from affiliated companies that are not consolidated.

Other assets include loans and credit granted amounting to € 1.7 million (previous year: € 1.2 million). These were all neither impaired nor overdue at the year-end date.

With regard to receivables being 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	31.12.2010	31.12.2009
Deferred income tax assets	21,897	22,384
Current income tax assets	2,150	1,970
Total	**24,047**	**24,354**

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.

Deferred income tax assets developed as follows:

€ '000	**Opening balance 1.1.2010**	Additions to consolidation	Exchange difference	Changes not affecting income	Change in offsetting with deferred income tax liabilities	Changes affecting income	**Closing balance 31.12.2010**
Deferred income tax assets (gross) affecting income	40,970	22	9	0	0	585	41,586
Offsetting against deferred income tax liabilities affecting income	−27,302	0	0	0	−2,973	0	−30,275
Deferred income tax assets (net) affecting income	**13,668**	**22**	**9**	**0**	**−2,973**	**585**	**11,311**
Deferred income tax liabilities (gross) not affecting income	9,597	0	0	1,780	0	0	11,377
Offsetting against deferred income tax liabilities not affecting income	−881	0	0	0	90	0	−791
Deferred income tax assets (net) not affecting income	**8,716**	**0**	**0**	**1,780**	**90**	**0**	**10,586**
Total	**22,384**	**22**	**9**	**1,780**	**−2,883**	**585**	**21,897**

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

(19) Cash and cash equivalents

€ '000	**31.12.2010**	31.12.2009
Bank balances	48,688	42,558
Cash, German Central Bank balances and cheques checks	22	37
Total	**48,710**	**42,595**

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

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

Shareholders' 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 31.12.2010, the subscribed capital amounted to € 21.4 million. The capital is divided into 21,388,889 shares.

The Extraordinary General Meeting of June 22, 2007 approved the creation of authorized capital. This resolution authorizes the Executive Board of VTG AG to increase the company's share capital by an amount of up to € 10.7 million through June 22, 2012, subject to the Supervisory Board's consent.

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.

(21) Additional paid-in capital
The additional paid-in capital mainly comprises the premium from the placement of shares at the issue price of € 18.00 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 revenue reserves. 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.

(24) Provisions for pensions and similar obligations
The company pension plan involves both defined contribution and defined benefit commitments. The pension plans depend on the legal, tax and economic conditions in the country concerned and are generally related to the service period and 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. The current contribution payments are recorded as an expense for the period and in 2010 amounted to € 2.1 million (previous year: € 1.9 million). This amount includes payments to the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder).

Provisions for pensions are set up on the basis of pension commitments relating to retirement, disability and survivor benefits. Provisions are set up solely for defined benefit commitments, where the company has guaranteed employees a specific pension level.

Annual actuarial computations and assumptions form the basis for the measurement of the pension obligations. The defined benefit pension commitments are determined using the projected unit credit method taking into account the future development of remuneration and pensions.

A 1 % increase or decrease in assumed healthcare cost trends will have only an extremely minor impact on the amount of the pension commitments.

Key actuarial assumptions applied:

	2010	2009
Assumed interest-rate	4.75 %	5.25 %
Salary trend	2.5 %	2.5 %
Pension trend	2.0 % or 1.0 % confirmed	2.0 %
Fluctuation rate	2.0 %	2.0 %
Expected return on plan asset	2.75 %	3.4 %
Mortality etc.	Heubeck RT 2005G	Heubeck RT 2005G

These assumptions relate to staff employed in Germany, to whom the major portion of the pension obligations relates. For staff employed outside Germany, different, country-specific assumptions are made.

The assumed interest-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 assumed interest-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.

The defined benefit obligation of the pension commitments solely funded by provisions amounts to € 48.6 million (previous year: € 47.7 million).

The plan assets exist solely for the purpose of financing the defined benefit obligation for the Swiss BVG plans of € 0.6 million (previous year: € 1.1 million). 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 on the classes of security held in the portfolio. The portfolio structure of the fund set up by SwissLife in which the plan assets are invested mainly comprises fixed interest securities (€ 0.5 million), property including mortgage receivables (€ 0.1 million) and shares and other investments (< € 0.1 million). These do not include any property used by VTG itself or any of VTG's own financial instruments. The actual return on the plan assets in the year under review was € 24,000 (previous year: € 17,000).

Pension provisions can be broken down as follows:

€ '000	**2010**	2009
Present value of funded benefit obligations	616	1,060
Fair value of the plan assets	–615	–924
Provision for funded benefit obligations	**1**	**136**
Present value of unfunded benefit obligations	48,565	47,687
Total provision	**48,566**	**47,823**

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

€ '000	**2010**	2009
Germany	47,424	46,156
Rest of Europe	1,142	1,667
Total	**48,566**	**47,823**

The expense for defined-benefit obligations comprises the following items:

€ '000	**2010**	2009
Current service cost	414	395
Past service cost	150	480
Interest expense	2,486	2,567
Expected return on plan asset	–34	–26
Additions to pension provisions	**3,016**	**3,416**
Contributions to pension security fund	67	627
Total	**3,083**	**4,043**

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".

Balance at beginning of period the net pension commitments accounted for in the financial year were as follows:

€ '000	**2010**	2009
Balance at beginning of period	47,823	44,104
Additions	3,016	3,416
Pension payments made	–4,072	–3,517
Actuarial gains/losses	1,789	3,911
Changes due to scope of consolidation	65	0
Currency effect	10	–1
Contributions to the plan	–51	–90
Reclassifications	–14	0
Recognized present value of pension obligations at end of period	**48,566**	**47,823**

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

€ '000	**2010**	2009
Defined benefit obligation at beginning of period	**48,747**	**44,895**
Current service cost	414	395
Past service cost	150	480
Interest expense	2,478	2,567
Pension payments made	–4,618	–3,554
Reclassifications	–15	0
Employee contributions	38	62
Actuarial gains/losses	1,779	3,902
Changes due to scope of consolidation	65	0
Currency effects	143	0
Defined benefit obligation at end of period	**49,181**	**48,747**
Fair value of plan asset at beginning of period	**924**	**791**
Expected return on plan asset	34	26
Employer contributions	51	54
Employee contributions	38	98
Pension payments from plan asset	–547	–37
Actuarial gains/losses	–10	–9
Currency effect	133	1
Fair value of plan assets at end of period	**623**	**924**

The actuarial gains and losses are offset against equity 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. The recorded actuarial gains and losses without affecting income developed as follows:

€ '000	**2010**	2009
Balance at beginning of period	−905	−4,816
Actuarial gains and losses recorded during the financial year without affecting income	1,789	3,911
Total actuarial gains and losses recorded without affecting income	**884**	**−905**

Of the new actuarial gains and losses recorded during the financial year 2010, € -0.5 million relate to changes in the portfolio (previous year € +0.6 million) and € +2.3 million to changes in the valuation parameters (previous year: € +3.3 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	**2010**	2009	2008
Present value of benefit obligations	49,181	48,747	44,895
Fair value of the plan assets	623	924	791
Effect of asset ceiling	−8	0	0
Pension provision (unfunded amount)	48,566	47,823	44,104
Benefit obligation experience adjustments	−513	632	−198
Plan asset experience adjustments	−10	−9	1

Expected payments to beneficiaries in the next period amount to € 3.4 million (previous year: € 4.2 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	**31.12.2010**	31.12.2009
Current income tax liabilities	29,542	25,295
Deferred income tax liabilities	137,722	137,959
Total	**167,264**	**163,254**

Current income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2010**	Currency difference	Transfers	Utilization	Reversals	Additions	**Closing balance 31.12.2010**
Current income tax liabilities	25,295	118	141	3,853	2	7,843	29,542

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

Deferred income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2010**	Additions to consolidation	Currency difference	Changes not affecting income	Change in offsetting with deferred income tax assets	Changes affecting income	**Closing balance 31.12.2010**
Deferred income tax liabilities (gross) affecting income	165,625	2,325	872	0	0	−577	168,245
Offsetting against deferred income tax assets affecting income	−27,302	0	0	0	−2,973	0	−30,275
Deferred income tax liabilities (net) affecting income	**138,323**	**2,325**	**872**	**0**	**−2,973**	**−577**	**137,970**
Deferred income tax liabilities (gross) not affecting income	517	0	4	22	0	0	543
Offsetting against deferred income tax assets not affecting income	−881	0	0	0	90	0	−791
Deferred income tax liabilities (net) not affecting income	**−364**	**0**	**4**	**22**	**90**	**0**	**−248**
Total	**137,959**	**2,325**	**876**	**22**	**−2,883**	**−577**	**137,722**

The deferred taxes were determined on the basis of the tax rates for the specific countries (33.0 % for Germany; 20.00 % to 35.90 % 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, deferred taxes on derivative financial instruments not affecting profit and deferred taxes on unrealized gains and losses arising from the change in the fair value of financial assets categorized as available for sale.

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 € 7.7 million (previous year: € 6.6 million). In accordance with IAS 12.81 (f), the resulting non-recognized tax liabilities amounted to € 2.7 million (previous year: € 2.3 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:

	31.12.2010		31.12.2009	
€ '000	**Assets**	**Liabilities**	Assets	Liabilities
Intangible assets	0	16,737	0	17,965
Tangible fixed assets	3,751	139,024	1,580	133,482
Financial assets	0	1,892	389	2,803
Receivables and other assets	3,904	8	3,986	594
Special item with reserve component	0	63	0	84
Pension provisions	4,245	215	3,771	363
Miscellaneous provisions	7,380	10,081	7,424	9,932
Liabilities	27,680	769	25,969	919
Tax loss carryforwards	6,004	0	7,448	0
Subtotal	**52,964**	**168,789**	**50,567**	**166,142**
Offsetting	−31,067	−31,067	−28,183	−28,183
Total	**21,897**	**137,722**	**22,384**	**137,959**
thereof with a term of more than 1 year	4,590	133,313	3,577	134,088

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

Tax savings of € 8.0 million were not capitalized (previous year: € 7.7 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	12,672	2,028	0	0	0	2,028
Trade tax loss carryforwards, German companies	11,613	1,974	0	0	0	1,974
Tax loss carryforwards of foreign entities	13,009	3,962	0	0	849	3,113
Total	**37,294**	**7,964**	**0**	**0**	**849**	**7,115**
Previous year	35,580	7,744	0	0	912	6,832

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33.0 % was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax. Foreign income taxes are calculated on the basis of the laws and regulations in force in the individual countries in question.

(26) Other provisions

€ '000 €	**Opening balance 1.1.2010**	Changes due to scope of consolidation	Currency difference	Transfers	Utilization	Reversals	Additions	**Closing balance 31.12.2010**
Provisions for personnel expenses	19,479	324	10	28	6,698	4,810	8,849	17,182
Provisions for typical operational risks	9,634	0	0	0	174	1,043	2,877	11,294
Miscellaneous provisions	37,773	17	33	–108	5,421	3,195	7,528	36,627
Other provisions	**66,886**	**341**	**43**	**–80**	**12,293**	**9,048**	**19,254**	**65,103**

The additions include the discounting effect of the long-term provisions.

The maturities of the other provisions are as follows:

	31.12.2010			31.12.2009		
		Residual terms			Residual terms	
€ '000	**Total**	**Up to 1 year**	**More than 1 year**	Total	Up to 1 year	More than 1 year
Provisions for personnel expenses	17,182	15,535	1,647	19,479	16,245	3,234
Provisions for typical operational risks	11,294	3,431	7,863	9,634	4,118	5,516
Miscellaneous provisions	36,627	25,253	11,374	37,773	27,675	10,098
Other provisions	**65,103**	**44,219**	**20,884**	**66,886**	**48,038**	**18,848**

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

The provisions for personnel expenses mainly comprise obligations for social plans (€ 0.8 million; previous year: € 5.4 million), for contributions for the restructuring of VBL (€ 2.2 million; previous year: € 2.5 million), for outstanding vacations (€ 2.3 million; previous year: € 2.3 million), for anniversaries (€ 0.9 million, previous year: € 0,8 million), for long-term service (€ 0.5 million; previous year: € 0.8 million).

The provisions for typical operational risks relate primarily to the threat of losses from uncompleted transactions from operating lease contracts of VTG France and to repair obligations for leased tank containers of the VOTG Tanktainer GmbH.

The miscellaneous provisions comprise mainly provisions relating to the wagon fleet (€10.8 million; previous year: € 13.4 million) and for provisions for interest-rate risks.

(27) Liabilities

€ '000	31.12.2010 Total	31.12.2010 Residual terms more than 1 year	31.12.2010 Residual terms more than 5 years	31.12.2009 Total	31.12.2009 Residual terms more than 1 year	31.12.2009 Residual terms more than 5 years
Liabilities to banks	557,423	511,531	77,906	525,151	499,601	398,780
Liabilities from finance leases	24,896	18,981	4,529	30,052	24,809	5,650
Financial liabilities to affiliated companies	109	0	0	92	0	0
Financial liabilities	**582,428**	**530,512**	**82,435**	**555,295**	**524,410**	**404,430**
Trade payables						
due to third parties	130,226	0	0	105,090	0	0
due to affiliated companies	800	0	0	854	0	0
due to companies in which an investment is held	221	0	0	227	0	0
Trade payables	**131,247**	**0**	**0**	**106,171**	**0**	**0**
Other liabilities						
Miscellaneous liabilities	18,012	0	0	15,130	0	0
thereof relating to taxes	3,361	0	0	2,944	0	0
thereof relating to social security	1,478	0	0	1,630	0	0
thereof relating to employees	661	0	0	409	0	0
thereof relating to members of the management bodies	244	0	0	168	0	0
thereof other liabilities	12,268	0	0	9,979	5	0
Deferred income	2,072	1,514	0	1,914	1,774	0
Other liabilities	**20,084**	**1,514**	**0**	**17,044**	**1,779**	**0**
Total	**733,759**	**532,026**	**82,435**	**678,510**	**526,189**	**404,430**

The **trade payables** due to affiliated companies relate to affiliated, non-consolidated companies.

Liabilities to banks

The VTG Group is financed predominantly through a financing agreement with Bayerische Hypo-Vereinsbank, London (Hypo-Vereinsbank) as syndicate leader. The financing agreement provides for committed credit lines of up to a total of € 640 million. Under these facilities, € 471.0 million (previous year: € 461.7 million) had been utilized as of the balance sheet date (excluding accrued interest).

The borrowers are VTG GmbH, VTG Deutschland, VTG Rail UK Ltd. and Texas Railcar.

The companies Klostertor and Deichtor have agreed lines of credit with DVB Bank Frankfurt (DVB Bank) and the KfW IPEX-Bank GmbH, Frankfurt, (KfW IPEX). The bank liabilities of Klostertor and Deichtor amounted to € 69.2 million (previous year: € 74.0 million) (excluding accrued interest) as of the balance sheet date.

The company Ferdinandstor Rail GmbH (Ferdinandstor) has agreed a line of credit with DVB Bank. The bank liabilities of Ferdinandstor amounted to € 25.6 million (excluding accrued interest) as of the balance sheet date.

With regard to the collateral provided for liabilities to banks, please refer to the notes on contingent liabilities.

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

€ '000	Total	Residual term: Up to 1 year	Residual term: From 1 to 5 years	Residual term: More than 5 years
Future lease payments	27,169	6,454	15,963	4,752
Interest portion	−2,273	−540	−1,510	−224
Liabilities from finance leases as of 31.12.2010	**24,896**	**5,914**	**14,453**	**4,528**

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

€ '000	Total	Residual term: Up to 1 year	Residual term: From 1 to 5 years	Residual term: More than 5 years
Future lease payments	34,080	6,229	21,562	6,289
Interest portion	−4,028	−986	−2,403	−639
Liabilities from finance leases as of 31.12.2009	**30,052**	**5,243**	**19,159**	**5,650**

The leases have an average term of 13 years. The interest-rate for these are between 4.7 % and 7.0 %. The leased assets comprise rail freight cars, tank containers and other operating and office equipment.

(28) Derivative financial instruments
Derivative financial instruments, comprising mainly cash flow hedges, were previously entered under other liabilities.

Reporting on 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 2010 and for the previous year.

Balance sheet item € '000	Valuation category in accordance with IAS 39	**Book value as of 31.12.2010**	Measurement in accordance with IAS 39 Amortized cost	 Fair value, not affecting income	Balance sheet measurement under IAS 17	Fair Value 31.12.2010
Assets						
Other financial assets	AfSFA	7,400	7,400	–	–	–
Trade receivables	LaR	84,374	84,374	–	–	84,374
Other receivables and assets, thereof	n.a.	31,765	–	–	–	–
Loan receivables	LaR	1,652	1,652	–	–	1,652
Outstanding income invoice from management of rail freight cars	LaR	4,749	4,749	–	–	4,749
Receivables from derivative financial instruments	n.a.	17	–	17	–	17
Miscellaneous receivables and assets	n.a.	25,347	–	–	–	–
Liquid funds	LaR	48,710	48,710	–	–	48,710
Liabilities						
Trade payables	FLmaac	131,247	131,247	–	–	131,247
Financial liabilities, thereof		582,428	–	–	–	–
Liabilities to banks	FLmaac	567,144	567,144	–	–	574,586
Less transaction costs	n.a.	−9,721	–	–	–	–
Disclosure in the balance sheet	n.a.	557,423	–	–	–	–
Liabilities from financial leases	n.a.	24,283	–	–	24,283	26,125
plus purchase price allocation	n.a.	613	–	–	–	–
Disclosure in the balance sheet	n.a.	24,896	–	–	–	–
Financial liabilities to affiliated companies	FLmaac	109	109	–	–	109
Derivative financial instruments	n.a.	27,470	–	27,470	–	27,470
Other liabilities, thereof	n.a.	20,084	–	–	–	–
Liabilities from dividends	FLmaac	88	88	–	–	88
Miscellaneous liabilities	n.a	19,996	–	–	–	–
Thereof aggregated in accordance with valuation categories under IAS 39						
Loans and receivables (LaR)		139,485	139,485	–	–	90,775
Available-for-sale financial assets (AfSFA)		7,400	7,400	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		698,588	698,588	–	–	706,030

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

Balance sheet item € '000	Valuation category in accordance with IAS 39	**Book value as of 31.12.2009**	Measurement in accordance with IAS 39 Amortized cost	Fair value, not affecting income	Balance sheet measurement under IAS 17	Fair Value 31.12.2009
Assets						
Other financial assets	AfSFA	7,153	7,153	–	–	–
Trade receivables	LaR	64,347	64,347	–	–	64,347
Other receivables and assets, thereof	n.a.	24,146	–	–	–	–
Loan receivables	LaR	1,185	1,185	–	–	1,185
Outstanding income invoice from management of rail freight cars	LaR	4,049	4,049	–	–	4,049
Receivables from derivative financial instruments	n.a.	758	–	758	–	758
Miscellaneous receivables and assets	n.a.	18,154	–	–	–	–
Liquid funds	LaR	42,595	42,595	–	–	42,595
Liabilities						
Trade payables	FLmaac	106,171	106,171	–	–	106,171
Financial liabilities, thereof		555,295	–	–	–	–
Liabilities to banks	FLmaac	536,360	536,360	–	–	537,367
Less transaction costs	n.a.	11,209	–	–	–	–
Disclosure in the balance sheet	n.a.	525,151	–	–	–	–
Liabilities from financial leases	n.a.	29,035	–	–	29,035	32,918
plus purchase price allocation	n.a.	1,017	–	–	–	–
Disclosure in the balance sheet	n.a.	30,052	–	–	–	–
Financial liabilities to affiliated companies	FLmaac	92	92	–	–	92
Derivative financial instruments	n.a.	23,968	–	23,968	–	23,968
Other liabilities, thereof	n.a.	17,044	–	–	–	–
Liabilities from dividends	FLmaac	159	159	–	–	159
Miscellaneous liabilities	n.a	16,885	–	–	–	–
Thereof aggregated in accordance with valuation categories under IAS 39						
Loans and receivables (LaR)		112,176	112,176	–	–	112,176
Available-for-sale financial assets (AfSFA)		7,153	7,153	–	–	-
Financial liabilities measured at amortized cost (Flmaac)		642,782	642,782	–	–	643,789

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

Trade receivables, loan receivables and the other receivables and liquid funds shown have short residual terms. Thus their carrying amounts represent their fair values as of the closing date.

Trade payables, liabilities from dividends and liabilities from affiliated, non-consolidated companies related to financial transactions usually have short terms, so that the recognized amounts represent their fair values.

Liabilities to banks and liabilities from finance leases are measured at amortized cost. The fair value of liabilities to banks and liabilities from finance leases shown in the table was determined by discounting the expected future cash flows at interest-rates for similar financial liabilities with comparable residual terms.

The majority of the financial liabilities attract variable interest. 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. For the receivables and liabilities shown, it is assumed that the nominal amount less impairments is equal to the fair value.

In order to measure financial instruments that are not traded on an active market, valuation techniques such as DCF analysis are used to determine fair values.

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 next 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. As of December 31, 2010, there were receivables from forward currency transactions totaling € 17,000 that are classified under level 2 of the fair value hierarchy. As of December 31, 2010, there were liabilities from interest-rate derivatives totaling € 27.4 million and liabilities from forward currency transactions totaling € 23,000.

Net result by valuation category
As of December 31, 2010, the net result by valuation category was as follows:

€ '000	From interest	Currency translation	Impairment	From disposal	**31.12.2010**
Loans and receivables	356	−185	142	−112	201
Avaiable-for-sale financial assets	0	0	−303	0	−303
Financial liabilities measured at amortized cost	−14,452	−270	0	0	−14,722
Total	**−14,096**	**−455**	**−161**	**−112**	**−14,824**
Other items	−15,954	0	0	0	−15,954
Total	**−30,050**	**−455**	**−161**	**−112**	**−30,778**

The net result for the previous year was as follows:

€ '000	from interest	Currency translation	Impairment	from disposal	**31.12.2009**
Loans and receivables	581	50	−1,711	−293	−1,373
Available-for-sale financial assets	0	0	−182	0	−182
Financial liabilities measured at amortized cost	−20,117	−394	0	0	−20,511
Total	**−19,536**	**−344**	**−1,893**	**−293**	**−22,066**
Other items	−11,971	0	0	0	−11,971
Total	**−31,507**	**−344**	**−1,893**	**−293**	**−34,037**

"Other items" consist of interest income and interest expenses not covered in the valuation categories above. The interest income results from the purchase price allocation and hedging. The interest expense results from pension provisions, transaction costs and finance leases.

The net gains and losses from the valuation category "Loans and receivables" comprise interest income, changes in impairment, gains and losses on the removal of receivables as well as payment receipts and revaluations of originally written off receivables. Impairment losses comprise additions and reversals of allowances on trade receivables. The net gains from currency translation result from trade receivables.

The net losses from the valuation category "Available-for-sale financial assets" result from financial asset write-downs.

The net losses in the valuation category "Financial liabilities measured at amortized cost" result from both interest expenses and the currency translation of trade payables.

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.

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 € 7.6 million (previous year: € 7.3 million). As of December 31, 2010, 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 2015. This ensures that VTG AG and its subsidiaries can meet their payment obligations at all times.

The loan amounts, including accrued interest, and the amounts due within a year are shown in the table below:

€ '000	Bank	Purpose	Original loan amount	**Loan balance as of 31.12.2010**	**thereof due within a year**
VTG GmbH	Hypo-Vereinsbank	Redemption of various loans	121,100	103,426	6,176
VTG Deutschland	Hypo-Vereinsbank	Redemption of various loans	298,900	255,447	15,244
VTG Deutschland	Hypo-Vereinsbank	Working capital line	50,000	20,000	20,000
VTG Deutschland	Hypo-Vereinsbank	Capex facility	85,000	65,000	0
VTG Rail UK Ltd.	Hypo-Vereinsbank	Purchase of rail freight cars	20,000	13,459	804
Texas Railcar	Hypo-Vereinsbank	Purchase of rail freight cars	15,000	13,853	0
Klostertor	DVB Bank	Purchase of rail freight cars	46,000	35,611	3,000
Deichtor	DVB Bank	Purchase of rail freight cars	39,153	33,803	1,350
Ferdinandstor	DVB Bank	Purchase of rail freight cars	45,000	25,678	0
Total			**720,153**	**566,277**	**46,575**

The loan amounts, purpose and amounts due within a year as of December 31, 2009 are shown in the following table:

€ '000	Bank	Purpose	Original loan amount	Loan balance as of 31.12.2009	thereof due within a year
VTG GmbH	Hypo-Vereinsbank	Redemption of various loans	121,100	109,602	6,176
VTG Deutschland	Hypo-Vereinsbank	Redemption of various loans	298,900	270,667	15,244
VTG Deutschland	Hypo-Vereinsbank	Working Capital line	50,000	0	0
VTG Deutschland	Hypo-Vereinsbank	Capex facility	85,000	55,003	0
VTG Rail UK Ltd.	Hypo-Vereinsbank	Purchase of rail freight cars	20,000	13,780	694
Texas Railcar	Hypo-Vereinsbank	Purchase of rail freight cars	15,000	12,865	0
Klostertor	DVB Bank	Purchase of rail freight cars	46,000	38,625	3,000
Deichtor	DVB Bank	Purchase of rail freight cars	39,153	35,653	1,850
Total			**675,153**	**536,195**	**26,964**

According to the balance sheet, the VTG Group shows liabilities to banks amounting to € 557,4 million. The following table shows a reconciliation of the loan amounts presented above to the liabilities to banks as disclosed under Note (27).

€ '000	**31.12.2010**	31.12.2009
Loan from Hypo-Vereinsbank	471,185	461,918
Loan from DVB Bank	95,092	74,277
Deduction of transaction costs under IAS 39	-9,721	-11,209
Current account overdrafts at various banks	867	165
Liablities to banks	**557,423**	**525,151**

For the due dates for liabilities to banks and liabilities from finance leases, please refer to Note (27). For operating leases, please refer to "Other financial commitments".

The following liquidity analysis shows the payments expected to be made over the next few years as a result of the financial liabilities covered by IFRS 7. It also shows payments from derivative assets. For the liquidity analysis for trade payables, please refer to Note (27).

€ '000	Book value 31.12.2010	Cash flows 2011			Cash flows 2012		
		Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Primary financial liabilities							
Liabilities to banks before deduction of transaction costs	567,144	2,535	11,865	47,967	2,412	10,982	28,320
Liabilities from finance leases excl. purchase price allocation	24,283	1,012	0	5,443	729	0	7,332
Financial liabilities							
from affiliated, non-consolidated companies	109	0	0	109	0	0	0
from equity investments	0	0	0	0	0	0	0
Derivative financial liabilities and assets							
Other liabilities from derivative financial instruments							
Currency derivatives in connection with cash flow hedges	23	0	0	23	0	0	0
Interest derivatives in connection with cash flow hedges	27,447	9,547	0	0	7,946	0	0
Other assets from derivative financial instruments							
Currency derivatives	18	0	0	18	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0

€ '000	Cash flows 2013–2015 Fixed interest	Variable interest	Repay-ment	Cash flows 2016–2018 Fixed interest	Variable interest	Repay-ment	Cash flows 2019 ff. Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
Liabilities to banks before deduction of transaction costs	5,685	29,193	96,026	3,899	23,359	85,347	2,276	39,922	309,484
Liabilities from finance leases excl. purchase price allocation	922	0	6,979	224	0	4,529	0	0	0
Financial liabilities									
from affiliated, non-consolidated companies	0	0	0	0	0	0	0	0	0
from equity investments	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Other liabilities from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	9,954	0	0	0	0	0	0	0	0
Other assets from derivative financial instruments									
Currency derivatives	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0

The liquidity analysis of the previous year is as follows:

€ '000	Book value 31.12.2009	Cash flows 2010 Fixed interest	Cash flows 2010 Variable interest	Cash flows 2010 Repayment	Cash flows 2011 Fixed interest	Cash flows 2011 Variable interest	Cash flows 2011 Repayment
Primary financial liabilities							
Liabilities to banks before deduction of transaction costs	536,360	2,485	10,043	27,129	2,535	9,580	27,063
Liabilities from finance leases excl. purchase price allocation	29,035	1,444	0	4,907	1,164	0	4,410
Financial liabilities							
from affiliated, non-consolidated companies	92	0	0	92	0	0	0
from equity investments	0	0	0	0	0	0	0
Derivative financial liabilities and assets							
Other liabilities from derivative financial instruments							
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	23,968	10,719	0	0	10,629	0	0
Other assets from derivative financial instruments							
Currency derivatives	758	0	0	758	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0

€ '000	Cash flows 2012–2014 Fixed interest	Variable interest	Repay-ment	Cash flows 2015–2017 Fixed interest	Variable interest	Repay-ment	Cash flows 2018 ff. Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
Liabilities to banks before deduction of transaction costs	6,410	25,733	82,315	4,500	20,721	92,650	3,362	38,758	307,203
Liabilities from finance leases excl. purchase price allocation	1,798	0	14,068	639	0	5,650	0	0	0
Financial liabilities									
from affiliated, non-consolidated companies	0	0	0	0	0	0	0	0	0
from equity investments	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Other liabilities from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	31,956	0	0	4,837	0	0	0	0	0
Other assets from derivative financial instruments									
Currency derivatives	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0

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, 2010 and for which payments were already contractually agreed. Forecast figures for new liabilities are not included. The variable interest payments from financial instruments were determined on the basis of the interest-rates last fixed prior to December 31, 2010.

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's interest-rate risk exposure arises exclusively from the sensitivity of payments relating to variable interestbearing financial liabilities to banks as a consequence of a change in the market interest-rate. The VTG Group limits such risks by using interest derivatives such as interest swaps. Since there is a short interest-rate position, the interest-rate risks that exist are mainly from an increase in interest-rates on the market.

The loans from Hypo-Vereinsbank stated under "Liquidity risk" are subject to variable interest. The loans issued to Klostertor and Deichtor by DVB and KfW IPEX have 70 % fixed and 30 % variable interest-rates. The loans made to Ferdinandstor by DVB Bank have variable interest.

The hedge also includes future borrowings under the loan agreement with Hypo-Vereinsbank. Klostertor and Deichtor have secured the great majority of their loans against interest-rate changes through 2015 with fixed interest-rate agreements.

In the financial year, expenses from the revaluation of the hedging relationship of € 2.4 million (previous year: € 4.6 million) were recognized in equity without affecting income and taking into account deferred tax effects.

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. Due to the minor importance of the other interest-bearing assets and liabilities to the Group, the risk of changes in interest-rates is not significant for the VTG Group.

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 2010 were each changed by 100 basis points. Such a change in the interest level would change Group profit for the year by € 1.7 million (previous year: € 1.5 million) and shareholders' equity by € 11.8 million (previous year: € 14.9 million). This calculation already takes account of the concluded interest-rate hedging transactions.

Currency risk

The scope of foreign currency transactions is small within the Group. 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. 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, 2010, derivative financial instruments with a maximum term of 3 months (previous year 3 months) were held in order to hedge exchange risks in connection with planned transactions in foreign currency.

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 and the Swiss franc were identified as relevant risk variables in the VTG Group. Due to the minor extent of foreign currency hedging contracts, the risk analysis is limited to primary financial instruments.

The foreign currency sensitivity analysis below is based on an increase of 10 % in the currencies concerned as of December 31, 2010.

€ '000	**31.12.2010 affecting income**	31.12.2009 affecting income
USD	+685	+515
GBP	+48	+1
CHF	+34	–366

A decrease in these currencies results in the same effect in reverse.

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 "Liquidity risk").

The (adjusted) financial debt is determined as follows:

€ '000	**31.12.2010**	31.12.2009
Cash and cash equivalents	48,710	42,595
Investment securities	508	427
Financial receivables	1,656	1,184
Financial liabilities	–582,428	–555,295
Correction, deducation of transaction costs	–9,721	–11,209
Correction, purchase price allocation	613	1,017
Net financial debt	**–540,662**	**–521,281**
Provisions for pensions	–48,566	–47,823
Adjusted net financial debt	**–589,228**	**–569,104**

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

€ '000	**31.12.2010**	31.12.2009
Adjusted net financial debt	589,228	569,104
EBITDA	154,379	149,353
Ratio of adjusted net financial debt/EBITDA	**3,8**	**3,8**

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 2010 and for the previous year.

Investments in intangible assets and tangible fixed assets as well as other assets mainly relate to payments for the acquisition and modernization of rail freight cars.

Payments for company acquisitions comprise mainly payments relating to the acquisition of the 75 % share in TMF, including the acquisition of wagons for grain transport.

At the Annual General Meeting, held on June 18, 2010, the payment of a dividend of € 0.30 per share was approved. A total of € 6.4 million was paid out to shareholders.

Furthermore, the cash flow financing activities was affected by borrowings from Hypo-Vereinsbank, amounting to € 30.0 million and DVB amounting to € 25.6 million respectively.

The repayments of € 31.8 million comprise the scheduled repayments of existing loans with Hypo-Vereinsbank, DVB and KfW IPEX (€ 27.1 million) and repayments of finance leases (€ 4.7 million).

Other disclosures

Contingent liabilities

A total of ten companies in the VTG Group have guaranteed the repayment of loans and guarantees of € 517.3 million taken up, at standard market rates, by the companies within the VTG Group to Hypo-Vereinsbank.

Four companies within the VTG Group have assigned as collateral their rail freight cars registered in Germany and in England respectively at their carrying amounts of € 570.7 million.

In addition to the above mentioned guarantees, two group companies have, in order to secure their bank liabilities to DVB and KfW Bank, pledged bank accounts with carrying value of € 1.8 million and rail freight cars with carrying value of € 90.3 million.

In order to secure its bank liabilities to DVB Bank, one company has pledged as collateral rail freight cars with a carrying value of € 28.4 million.

Should the VTG Group fail to meet its obligations under the loan agreements, the lenders are, under certain circumstances, entitled to sell the pledged collateral.

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2010 and the previous year:

€ '000	due within 1 year	between 1 and 5 years	over 5 years	**31.12.2010 Total**
Obligations from rental, leasehold and leasing agreements	50,228	72,251	36,883	159,362
Purchase commitments	9,654	0	0	9,654
Total	**59,882**	**72,251**	**36,883**	**169,016**

€ '000	due within 1 year	between 1 and 5 years	over 5 years	31.12.2009 Total
Obligations from rental, leasehold and leasing agreements	37,391	83,843	36,005	157,239
Purchase commitments	22,225	0	0	22,225
Total	**59,616**	**83,843**	**36,005**	**179,464**

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 (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 which 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 2010 was € 56.5 million (previous year: € 46.9 million).

Auditors' fees

In the financial year 2010, 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	**2010**	2009
Fees for auditing the annual report and consolidated financial statements	413	447
Fees for other services related to the audit opinion	85	80
Other services	58	65

Average number of employees

	2010	2009
Salaried employees	639	625
Wage-earning staff	297	344
Trainees	36	35
Total	**972**	**1,004**
thereof abroad	284	329

Material events after the balance sheet date (Supplemental Report)
There were no events of special significance between the balance sheet date and the time of publication.

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. In addition, the following companies and persons were identified in particular as related parties in accordance with IAS 24:

Name and registered office of company
Compagnie Européenne de Wagons S.à r.l., Luxembourg
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 Beteiligungs GmbH & Co. KG, Hamburg
Platon MPP Beteiligungs S.à r.l., Luxembourg
Platon MPP Verwaltungs GmbH, 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

The following transactions involved related parties:

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

€ '000	**2010**	2009
Income and expenses from affiliated, non-consolidated companies		
Revenue and other operating income	13,747	7,542
Expenses	8,382	5,175
Interest income	10	3
Interest expense	1	4
Income and expenses from other equity investments		
Revenue and other operating income	3,731	2,908
Expenses	504	2,474
Interest expense	0	28

Receivables and liabilities

€ '000	**31.12.2010**	31.12.2009
Receivables from affiliated, non-consolidated companies		
trade receivables	1,669	1,984
other receivables	362	73
Receivables from other equity investments		
trade receivables	1,790	1,321
other receivables	725	704
Liabilities to affiliated, non-consolidated companies		
trade payables	800	854
financial liabilities	109	92
Liabilities to other equity investments		
trade payables	221	227
from finance leases	18,258	21,960

All transactions with related parties were conducted on an arm's length basis.

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	**2010**	2009	2008
Short-term employee benefits	4,847	3,118	3,797
thereof Executive Board	(2,835)	(1,295)	(2,140)
thereof Supervisory Board	(234)	(159)	(159)
Post-employment benefits	336	383	190
thereof Executive Board	(270)	(333)	(64)
Total	**5,183**	**3,501**	**3,987**

Pension provisions for members of the Executive Board amounted to € 2.5 million as of the balance sheet date. Provisions for other key management personnel amounted to € 0.3 million on the balance sheet date.

There are pension provisions totaling € 4.5 million for obligations to former members of the Executive Board and their survivors. Pension payments to former members of the Executive Board and their survivors amounted to € 0.3 million.

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

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Consolidated Financial Statements of VTG AG as of 31st December 2010

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 France S.à r.l., Joigny, France	EUR		100.00	8	– 3
Alstertor Rail UK Limited, Birmingham, UK	GBP		100.00	5,803	– 1
Ateliers de Joigny S.A.S., Joigny, France	EUR		100.00	1,046	– 429
CAIB Benelux BVBA, Antwerpen-Berchem, Belgium	EUR		100.00	1,813	721
CAIB Rail Holdings Limited, Birmingham, UK	GBP		100.00	– 7,574	– 63
CAIB UK Limited, Birmingham, UK	GBP		100.00	18,330	0 [1]
Deichtor Rail GmbH, Garlstorf	EUR	100.00		3,103	– 759
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	EUR		98.56	32,470	0 [2]
Etablissements Henri Loyez S.A.S., Libercourt, France	EUR		100.00	– 1,421	– 537
EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	EUR		100.00	38,632	0 [2]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0 [2]
Ferdinandstor Rail GmbH, Garlstorf	EUR		100.00	2,824	– 45
Klostertor Rail GmbH, Garlstorf	EUR	100.00		2,828	– 772
Texas Railcar Leasing Company. Inc., McAllen, Texas, USA	USD		100.00	6,141	1,180
TMF-CITA Belgium N.V., Gent, Belgium	EUR		100.00	314	11
TMF-CITA GmbH, Aachen	EUR		100.00	539	114
TMF-CITA (Nederland) B.V., Spijkenisse, Netherlands	EUR		100.00	442	39
Transpetrol Austria GmbH, Vienna, Austria	EUR		100.00	538	252
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	5,305	4,305
Transports Terrestres Maritimes et Fluviaux S.A.S., Paris, France	EUR		100.00	5,206	3,486
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	6,235	2,090
VTG Austria Ges.m.b.H, Vienna, Austria	EUR		100.00	13,103	2,123
VTG Deutschland GmbH, Hamburg	EUR		100.00	151,034	0 [2]
VTG France S.A.S., Paris, France	EUR		100.00	21,480	5,162
VTG ITALIA S.r.l., Milan, Italy	EUR		100.00	1,499	– 14
VTG North America. Inc., Hinsdale,Illinois, USA	USD	100.00		29,126	100
VTG RAIL ESPAÑA S.L., Madrid, Spain	EUR		100.00	2,363	211
VTG Rail UK Limited, Birmingham, UK	GBP		100.00	13,985	1,742
VTG Schweiz GmbH, Basel, Switzerland	CHF		100.00	18,034	2,221
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 [2]
Waggonbau Graaff GmbH, Elze	EUR	100.00		1,561	301
Waggonwerk Brühl GmbH, Wesseling	EUR		100.00	– 3,094	– 1,410

[1] Information as of 31.12.2009.
[2] Profit and loss transfer agreement with the parent company.

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
B. Companies consolidated at equity					
Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai, China	RMB		50.00	14,943	2,866
Waggon Holding AG, Zug, Switzerland	CHF	50.00		5,388	2,017
C. Affiliated, non-consolidated companies					
Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim	EUR		100.00	24	– 9 [1]
Bräunert Verwaltungs GmbH, Albisheim	EUR		100.00	25	– 1 [1]
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		91	40
Millerntor Rail GmbH, Garlstorf	EUR		100.00	23	0 [2]
OOO VTG, Moscow, Russia	RUB		100.00	5,991	– 8,842
Tankspan Leasing Ltd., Godalming, Surrey, UK	USD	100.00		2,226	111 [1]
Transpetrol Sp.z o.o., Chorzów, Poland	PLN		100.00	6,057	3,918 [1]
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	212	– 23
VOTG Finland Oy, Helsinki, Finland	EUR		100.00	129	0
VOTG North America, Inc., West Chester, Pennsylvania, USA	USD		100.00	544	244
VOTG Tanktainer Asia Pte Ltd., Singapore, Singapore	USD		100.00	91	61 [1]
VTG Benelux B.V., Rotterdam, Netherlands	EUR		100.00	434	153 [1]
VTG Rail Logistics s.r.o., Praha, Czech Republic	CZK	100.00			[3]
D. Other companies					
Ateliers Ferroviaires d´Artix SAS, Artix, France	EUR		24.88	373	96 [1]
CERERAIL A.I.E., Madrid, Spain	EUR		33.33	27	0 [1]
E.V.S. SA, Puteaux, France	EUR		34.00	469	3 [1]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [1][2]
PETRORAIL S.A., Madrid, Spain	EUR		50.00	76	1 [1]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	– 13,468	3,625 [1]
Steeltrack S.A., Saint Denis, France	EUR		33.30	73	19 [1]

[1] Information as of 31.12.2009.
[2] Profit and loss transfer agreement with the parent company.
[3] Re-establishment.

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
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)

Members of the Executive Board

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

Jürgen Hüllen, Hamburg
Dipl.-Kaufmann (Degree in Business Administration)

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

Appointments of the Supervisory Board *)

Dr. rer. pol. Wilhelm Scheider, Basel

b) Hydac Technology GmbH [1]
Hydac Electronic GmbH

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

a) Flughafen Hamburg GmbH [1]

Dr. jur. Bernd Malmström, Berlin

a) Lehnkering GmbH [1]
HHLA - Intermodal GmbH
K + S AG

b) IFCO-Sytems B.V., Netherlands [1]
time: matters GmbH [1]
BLG Logistics Group AG & Co. KG
DAL Deutsche Afrika Linien GmbH & Co. KG
SBB AG, Switzerland

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

a) ThyssenKrupp Stahl-Service-Center GmbH [1]
EHW Eisen- u. Hüttenwerke AG
Hoesch Hohenlimburg GmbH
Rasselstein GmbH
ThyssenKrupp Umformtechnik GmbH

b) Acciai di Qualità, Centro Lavorazione Lamiere S.p.A., Italy [2]
Thyssen Ros Casares S.A., Spain [2]
ANSC-TKS Galvanizing Co., Ltd., China
Felix Schoeller Holding GmbH & Co. KG
Grupo ThyssenKrupp S.L., Spain
ThyssenKrupp Verkehr GmbH

*) All information relating to appointments applies of December 31, 2010.
a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of business enterprises in Germany and abroad.
1) Chairman.
2) Deputy Chairman.

Appointments of the Executive Board *)

Dr. jur. Christian Olearius, Hamburg

a) Bankhaus Hallbaum AG [1]
Bankhaus Löbbecke AG [1]
M.M. Warburg & CO Geschäftsführungs-AG [1]
M.M. Warburg & CO Hypothekenbank AG [1]
Hapag-Lloyd AG
KanAm Grund Kapitalanlagengesellschaft mbH

b) Bankhaus Carl F. Plump & Co. [1]
Degussa Bank GmbH [1]
M.M. Warburg Bank (Schweiz) AG, Switzerland [1]
Marcard, Stein & CO AG [1]
GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co KG [2]

Gunnar Uldall, Hamburg

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

b) Kühne School of Logistics and Management GmbH

Dr. rer. pol. Heiko Fischer, Hamburg

a) Hapag-Lloyd AG

b) TRANSWAGGON-Gruppe, Switzerland [1]
„Brückenhaus" Grundstücksgesellschaft m.b.h.
Kommanditgesellschaft „Brückenhaus" Grundstücksgesellschaft m.b.h. & Co.
TRANSWAGGON AG, Switzerland
Waggon Holding AG, Switzerland

Jürgen Hüllen, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition [1]
TRANSWAGGON-Gruppe, Switzerland

Dr. rer. pol. Kai Kleeberg, Hamburg

b) Shanghai COSCO VOTG Tanktainer Co., Ltd., China
Transpetrol GmbH Internationale Eisenbahnspedition

*) All information relating to appointments applies of December 31, 2010.
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 2010

Development of fixed assets from 1st January to 31st December 2010

€ '000	Balance at 1.1.2010	Additions to intangible and tangible fixed assets from company acquisitions	Currency adjustment	Additions	Disposals	Reclassifi-cations	Balance 31.12.2010
	Acquisition or manufacturing costs						
Intangible assets							
Concessions, trademarks and similar rights and values and licences in such rights and values	4,992	2	0	638	0	267	5,899
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	62,598	402	0	1,250	0	0	64,250
Goodwill	158,103	0	145	0	0	0	158,248
Payments on account	1,124	0	0	2,178	0	−267	3,035
	236,876	**404**	**145**	**4,066**	**0**	**0**	**241,491**
Tangible assets							
Wagon fleet	1,008,709	31,843	12,477	57,716	14,136	33,666	1,130,275
Containers	36,928	0	0	2,047	81	0	38,894
Land and buildings including on third party land	8,780	0	0	461	1,683	564	8,122
Technical plant and machinery	5,800	0	0	1,913	842	2,242	9,113
Other equipment, operating and office equipment	6,405	99	29	2,050	325	−127	8,131
Payments on account, assets under construction	53,123	0	22	61,024	26,213	−36,342	51,614
	1,119,745	**31,942**	**12,528**	**125,211**	**43,280**	**3**	**1,246,149**
Total	**1,356,621**	**32,346**	**12,673**	**129,277**	**43,280**	**3**	**1,487,640**

Balance at 1.1.2010	Currency adjustment	Impairment, amortization and depreciation in financial year	Disposals	Reclassifications	Balance 31.12.2010	**31.12.2010**	31.12.2009
Impairment, amortization and depreciation						**Book values**	
2,238	0	1,217	0	0	3,455	2,444	2,754
0	0	0	0	0	0	10,059	10,059
15,290	0	4,542	0	0	19,832	44,418	47,308
0	0	0	0	0	0	158,248	158,103
0	0	0	0	0	0	3,035	1,124
17,528	**0**	**5,759**	**0**	**0**	**23,287**	**218,204**	**219,348**
238,679	4,032	77,933	11,670	790	309,764	820,511	770,030
14,166	0	3,883	74	0	17,975	20,919	22,762
4,084	0	295	1,683	109	2,805	5,317	4,696
1,882	0	892	785	67	2,056	7,057	3,918
3,655	20	1,147	275	−173	4,374	3,757	2,750
0	0	1,515	298	−790	427	51,187	53,123
262,466	**4,052**	**85,665**	**14,785**	**3**	**337,401**	**908,748**	**857,279**
279,994	**4,052**	**91,424**	**14,785**	**3**	**360,688**	**1,126,952**	**1,076,627**

Development of fixed assets from 1st January to 31st December 2009

€ '000	Balance at 1.1.2009	Currency adjustment	Additions	Disposals	Reclassifications	Balance 31.12.2009
	Acquisition or manufacturing costs					
Intangible assets						
Concessions, trademarks and similar rights and values and licences in such rights and values	3,717	0	1,262	3	16	4,992
Brand values	10,059	0	0	0	0	10,059
Customer relationships	62,598	0	0	0	0	62,598
Goodwill	158,146	−43	0	0	0	158,103
Payments on account	16	0	1,124	0	−16	1,124
	234,536	**−43**	**2,386**	**3**	**0**	**236,876**
Tangible assets						
Wagon fleet	932,623	2,010	67,754	1,622	7,944	1,008,709
Containers	32,122	0	4,720	17	103	36,928
Land and buildings including on third party land	8,339	0	46	0	395	8,780
Technical plant and machinery	4,919	0	516	4	369	5,800
Other equipment, operating and office equipment	5,367	13	1,106	77	−4	6,405
Payments on account, assets under construction	13,062	−2	51,649	2,775	−8,811	53,123
	996,432	**2,021**	**125,791**	**4,495**	**−4**	**1,119,745**
Total	**1,230,968**	**1,978**	**128,177**	**4,498**	**−4**	**1,356,621**

Impairment, amortization and depreciation						Book values	
Balance at 1.1.2009	Currency adjustment	Impairment, amortization and depreciation in financial year	Disposals	Reclassifications	Balance 31.12.2009	**31.12.2009**	31.12.2008
1,335	0	903	0	0	2,238	2,754	2,382
0	0	0	0	0	0	10,059	10,059
11,377	0	3,913	0	0	15,290	47,308	51,221
0	0	0	0	0	0	158,103	158,146
0	0	0	0	0	0	1,124	16
12,712	**0**	**4,816**	**0**	**0**	**17,528**	**219,348**	**221,824**
168,274	353	71,011	899	−60	238,679	770,030	764,349
10,446	0	3,736	16	0	14,166	22,762	21,676
3,804	0	280	0	0	4,084	4,696	4,535
1,075	0	751	0	56	1,882	3,918	3,844
2,645	7	1,039	34	−2	3,655	2,750	2,722
0	0	0	0	0	0	53,123	13,062
186,244	**360**	**76,817**	**949**	**−6**	**262,466**	**857,279**	**810,187**
198,956	**360**	**81,633**	**949**	**−6**	**279,994**	**1,076,627**	**1,032,011**

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, March 2, 2011

The Executive Board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

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 re.ected and that the significant opportunities and risks of the expected development of the Group are described.

Hamburg, March 2, 2011

The Executive Board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

05 FURTHER INFORMATION

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the VTG Aktiengesellschaft, Hamburg, comprising the statement of financial position, the statement of 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 1. January to 31. December 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and 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, March 3, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke ppa.	Christoph Fehling
Auditor	Auditor

FINANCIAL CALENDAR 2011 AND SHARE DATA

Financial Calendar 2011

February 23, 2011	Preliminary results for 2010
April 13, 2011	Publication of the results 2010
April 13, 2011	Financial Statements Press Conference, Hamburg
April 14, 2011	Analyst Conference, Frankfurt
May 19, 2011	Interim Report for the 1st Quarter 2011
June 17, 2011	Annual General Meeting, Hamburg
August 23, 2011	Half-yearly Financial Report 2011
November 16, 2011	Interim Report for the 3rd Quarter 2011

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.)	320.8 Mio. €
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Share price (31.12.)*	15.00 €
Annual high*	15.15 €
Annual low*	10.35 €
Average daily turnover	22,915 shares

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

05 FURTHER INFORMATION

5-YEAR OVERVIEW FOR THE GROUP

in € m	2006	2007	2008	2009	**2010**
Revenue	**518.6**	**541.3**	**608.7**	**581.5**	**629.4**
Wagon Hire	235.1	260.3	294.1	289.0	283.6
Rail logistics	170.4	153.8	177.7	179.4	201.4
Tank container logistics	113.1	127.2	136.8	113.1	144.5
Group EBITDA	**112.9**	**137.0**	**155.1*** **	**149.4**	**154.4**
Wagon Hire	115.6	137.1	152.5	146.3	145.4
Rail logistics	4.0	4.4	6.3***	6.7	8.4
Tank container logistics	6.1	8.1	9.6	7.3	11.2
EBIT (operating profit)	53.6	68.4	75.6	66.9	63.0
Group net profit (comparable)	7.5	19.1**	27.9	22.5	20.6
Depreciation	59.3	68.6	80.8	82.5	91.4
Investments	69.0	116.7	140.9	153.5	168.8
Operating cash flow	110.9	116.9	149.6	144.8	137.8
Earnings per share (comparable) in €*	n/a	0.87**	1.26	1.01	0.91
Dividend per share in €	–	–	0.30	0.30	0.33
Balance sheet total	1,009.6	1,165.9	1,240.5	1,277.2	1,355.2
Non-current assets	859.6	990.6	1,081.2	1,124.9	1,174.8
Current assets	150.0	175.3	159.3	152.3	180.4
Shareholder's equity	63.9	278.7	288.4	296.7	313.0
Liabilities	945.8	887.2	952.1	980.4	1,042.2
Number of employees	795	814	1,004	963	999
in Germany	517	510	674	678	709
in other countries	278	304	330	285	290

* This figure relates to the shares in issue on the reporting date.
** Taking into account special tax effects, Group profit for the year 2007 amounted to € 49.7 million and earnings per share € 3.94.
*** EBITDA adjusted for special effects.

CONTACT AND IMPRINT

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Concept and Design
Berichtsmanufaktur GmbH, Hamburg

Photos
Title: GettyImages
Milestones: Thomas Wolf, Creative Commons 2.5
Executive board und employees: Christiane Koch
Professor ten Hompel: Oliver Tamgnini
Rail motif (p. 14) Matthias Redmer
Trend collage (p. 18) Faculty of Civil Engineering, TU Dresden

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