2011

Annual Report

VTG AKTIENGESELLSCHAFT

Keeping industry moving

VTG

VTG GROUP AT A GLANCE

in € m	1.1. – 31.12.2010	**1.1. – 31.12.2011**	Change in %
Revenue	629.4	750.0	19.2
EBITDA	154.4	168.7	9.3
EBIT	63.0	72.3	14.8
EBT*	32.6	28.4	– 12.7
Group profit*	20.6	17.9	– 13.0
Depreciation	91.4	96.4	5.5
Total Investments	168.8	182.8	8.3
Operating cash flow	137.8	125.6	– 8.8
Earnings per share in €*	0.91	0.75	– 17.6

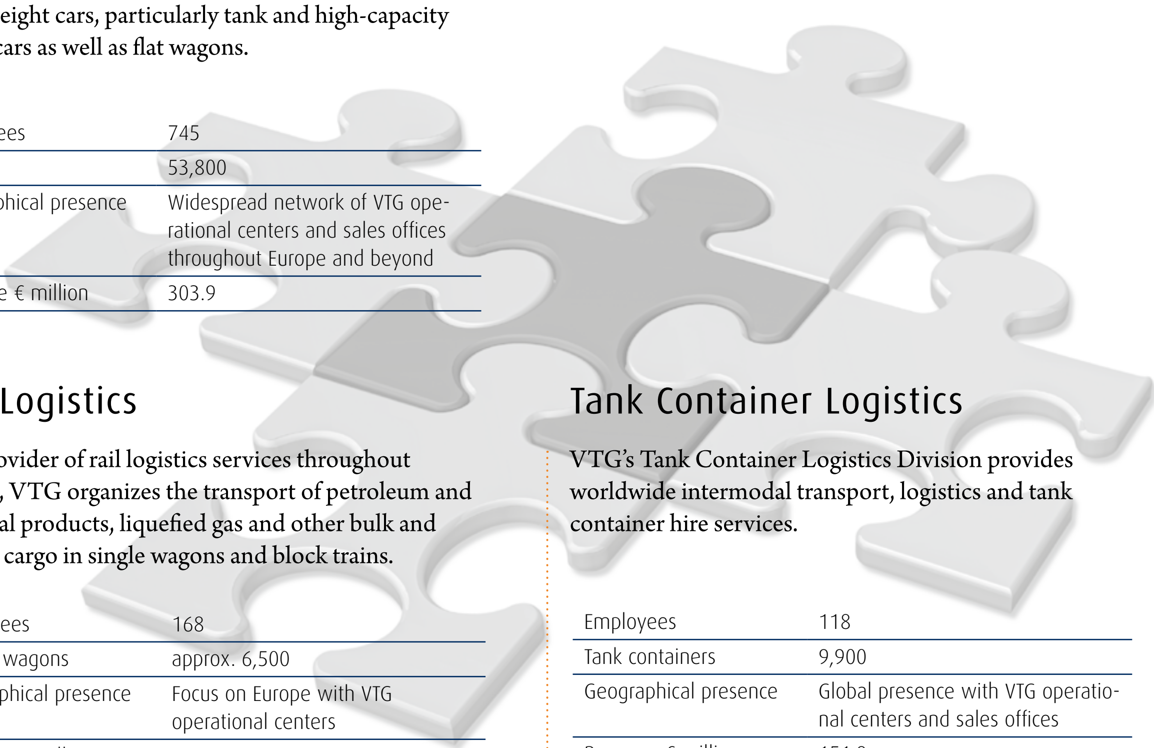
in € m	31.12.2010	**31.12.2011**	Change in %
Balance sheet total	1,355.2	1,461.9	7.9
Non-current assets	1,174.8	1,225.3	4.3
Current assets	180.4	236.6	31.2
Shareholder's equity	313.0	317.5	1.4
Liabilities	1,042.2	1,144.4	9.8
Equity ratio in %	23.1	21.7	
Number of Employees	999	1,170	17.1
in Germany	709	778	9.7
in other countries	290	392	35.2

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

Railcar Division

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

Employees	745
Wagons	53,800
Geographical presence	Widespread network of VTG operational centers and sales offices throughout Europe and beyond
Revenue € million	303.9



Rail Logistics

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

Employees	168
Leased wagons	approx. 6,500
Geographical presence	Focus on Europe with VTG operational centers
Revenue € million	294.3

Tank Container Logistics

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

Employees	118
Tank containers	9,900
Geographical presence	Global presence with VTG operational centers and sales offices
Revenue € million	151.8

Keeping industry moving

VTG Aktiengesellschaft is a leading international wagon hire and rail logistics company. The Group has the largest private fleet of rail freight wagons in Europe and some 53,800 wagons worldwide. In addition to its hire services, VTG organizes rail freight transports as well as global transports in tank containers, which can be forwarded by rail, road or ship.

With our wagons, we provide our customers with a secure underpinning for their production flows. Our wagons are used as "mobile pipelines", ensuring the supply of essential goods for industry needs. The Railcar division, supported by the logistics divisions, ensures this supply runs smoothly. This makes us the partner of choice for reliable flows of goods for industry. The fact that our services are firmly integrated into industrial workflows as part of the production infrastructure is reflected in our approach to our business. For us, solidity and stability are key principles – however, this is without compromising on the need to stay flexible. Indeed, by meeting new demands we are also growing: by investing in wagons to provide individualized transport solutions and by applying our expertise to continually improve the quality of our services. Our business embraces the interplay of both protecting investments while growing, of maintaining steady continuity while grasping new opportunities. This makes our business both stable and flexible.

MILESTONES

01/11

VTG delivers the first Volume^{112} compressed gas tank wagons to customers. This new wagon type, developed by VTG experts, has the same length as other wagons but with a much greater capacity. The new design makes transports more cost-effective for customers.

05/11

VTG successfully concludes arrangements for refinancing, creating a solid basis for continued growth.
With the takeover of the Railcraft group of companies, VTG also commences operations in the CIS and the Baltic states.

10/11

The setting up of an ethanol wagon pool provides customers with flexible transport solutions, including transports of smaller quantities and at short notice. This in turn takes transports off the road and onto the railway.
On October 30, 2011, VTG celebrated 60 years since the founding of the company.

04/11

VTG continues on its path of growth, announcing the takeover of some 300 wagons from Italian competitor Sogerent and strengthening its market position in Europe.

06/11

VTG pays a dividend for the year 2010 of € 0.33 (+10 percent).
The investor relations work of VTG and its 2010 annual report receive several national and international awards.

12/11

With the takeover of some 2,500 wagons in the US, VTG more than doubles its fleet in the world's largest rail freight market. This enables the company to access new customer groups and market segments and push steadily ahead with its strategy of growth.

01 MANAGEMENT

Foreword by the Executive Board

Dear Shareholders, Business Partners and Members of Staff,

The financial year 2011 was a very successful one for VTG. We had set the bar high and indeed managed to achieve our objectives. It was particularly pleasing for us to enjoy success in our anniversary year, demonstrating that we are still one of the front runners in the market after 60 years. Over the decades, the Group has seen a lot of change yet has always maintained a leading position. This mix of flexibility and reliability is still ensuring sustainable success for VTG today. We are always alert and ready to respond to new developments. We can thereby seize opportunities at the right moment in new sectors and markets and so lay a firm foundation for further growth.

Our strategy is one of steady, systematic growth and targeted investment along with a forward-looking policy of innovation and continual cost management. This approach paid off well in the financial year, with revenue for the Group rising by 19.2 percent to € 750 million and operating profit (EBITDA) by 9.3 percent to € 168.7 million. In 2011, we thus pushed ahead both resolutely and responsibly on our path of growth.

All three divisions contributed to the success of the Group in 2011. We strengthened the Railcar division (formerly Wagon Hire) with various acquisitions. One such acquisition was the takeover of Sogerent, through which we consolidated our market position in Italy. Additionally, the purchase of the Railcraft group of companies enabled us to enter the markets of the CIS and the Baltic states. Meanwhile, with the takeover of the wagons of Southern Illinois Railcar Leasing America, we more than doubled our fleet in North America. Along with these acquisitions, another factor supporting further growth was the increase in orders for the construction of new wagons. By the end of the year, the number of new wagons on order had risen to 2,500 wagons. Most of these are to be delivered in the second half of 2012 and in 2013. The positive economic environment in the first six months of 2011 also provided key momentum for growth in our business. In the Rail Logistics division, the strong demand for transport services ensured very satisfactory growth. The acquisition in 2010 of the French company TMF and the increase in cross-border traffic to southeastern Europe both also had a positive impact. In our third operational division, Tank Container Logistics, rising demand in Asia and Europe led to excellent growth. Indeed, we achieved a record level of deployed tank containers of very nearly 10,000.

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

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

Jürgen Hüllen, CTO from 2004 to December 31, 2011, with the company since 1980

Femke Scholten, member of the Executive Board since January 1, 2012

01 MANAGEMENT

Foreword by the Executive Board

To ensure continued, steady growth, we need stable, long-term financing that is appropriate for the long useful lives of our wagons. In May 2011, after careful preparation, we significantly expanded our financing to place it on a broader basis. Our new financing structure allows us to utilize various types of finance flexibly. Moreover, the new arrangements mean that we have significantly reduced our refinancing risk, which in turn lends additional stability to our business model.

All of this means that we are well prepared for the challenges ahead. And growth is our objective. For one, we wish to expand geographically, for example by adding to our wagon fleets in North America and the CIS through acquisitions. For another, we wish to grow in the current markets of Railcar and Rail Logistics. In these markets, we have our sights set on the agricultural sector and the value chains of the metal and metalworking industries. Since the beginning of the year, the logistics divisions have together been under the responsibility of one board member. This is a response to the growth being seen in these divisions with the aim of better implementing our plans for the future. Femke Scholten has worked for many years in our product markets and was welcomed to the Executive Board in January of this year. Central tasks for us will be the implementing of the logistics divisions' newly drawn up strategies of growth and the further expansion of our business.

Developments such as this also affect the internal organization of the Group. For this reason, it is also important to look at structures and processes. Our aim is to continue to optimize these, with greater coordination of various departments and workflows. To this end, we have already launched various internal projects. Ultimately, it is the smooth coordination of our services that ensures smooth production flows for our customers. The goods customers wish to have transported are often sensitive goods and VTG not only matches these goods with the right means of transport but also with expertise in their safe handling.

As every year, we wish at this point to issue a forecast for the still young financial year. Given the current economic uncertainty, we are conscious of our responsibility to exercise great care in issuing a forecast. Our many years of experience have proved of assistance in this. In the Railcar division, we expect capacity utilization to remain at a good level in 2012, with slight fluctuations. We also expect the delivery of new wagons to customers to support organic growth in our European fleet and strengthen the division. The effect of this growth over 2012 should however first be felt in 2013. In the logistics divisions, we generally anticipate a positive trend, with the new growth strategies gradually impacting growth. For 2012, we thus expect revenue to reach a level of between € 760 to 800 million and EBITDA to be in the range € 170 to 178 million. These forecasts are based on the assumption that, despite current uncertainties, the global economic trend remains stable. Under these conditions, we expect to continue on our path of steady growth.

It is our intention to propose to the Annual General Meeting in 2012 the payment of a dividend of € 0.35 for the financial year 2011. This would equal an increase of some 6 percent on the previous year and reflects VTG's policy of reliably continuing to issue dividends.

During the last financial year, we once again showed great commitment and actively worked together to successfully achieve our aims. We wish to take this opportunity to extend both our thanks and that of the Supervisory Board to our customers, business partners and shareholders for the confidence they have placed in us as well as their loyalty.

Moreover, we wish to thank our members of staff – who now number almost 1,200 – for their tireless efforts. It is your commitment and experience that are ensuring the continued success of our company. This gives us reason to be very confident about the challenges ahead and the financial year 2012.

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

Report of the Supervisory Board

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

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

The Supervisory Board was included in all decisions of importance for the company. The Executive Board consulted with and gained our agreement on the strategic orientation of the company. Before passing resolutions, we discussed in depth all measures requiring the approval of the Supervisory Board under the Rules of Procedure for the Executive Board decided by the Supervisory Board. In the first months of the year under review, we were very closely involved in the decision-making regarding the refinancing of the Group.

Ongoing consultation with and supervision of the Executive Board

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

The meeting of February 10, 2011 also focused on the report of the Executive Board on the status of the planned refinancing of the Group through early redemption of the existing syndicated loan and the taking up of credit required for this along with additional credit through a new syndicated loan and a US private placement. At this meeting, we also approved the acquisition of a fleet of some 300 rail freight cars from a competitor in Italy. The meeting also considered the report of the Executive Board on the activities of the internal auditing department in the financial year 2011. Further subjects of the meeting were the approval of the joint declaration of the Executive Board and Supervisory Board on compliance with the recommendations of the German Corporate Governance Code and the declaration of the Supervisory Board on objectives regarding its composition, as provided for in the Code.

In early March of 2011, the Supervisory Board approved by written procedure the initiation of marketing measures with regard to refinancing and the required authorization for the relevant banks.

On March 29, 2011, after in-depth discussion and consultation, the Executive Committee of the Supervisory Board, which was expressly authorized by the Supervisory Board for this purpose, granted the Executive Board approval for the final negotiation and execution of the agreements for the refinancing of the VTG Group.

Dr. Wilhelm Scheider, Chairman of the Supervisory Board

At the accounts review meeting of April 6, 2011, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2010 in the company, the VTG Group and the joint ventures. Subsequently, after detailed discussion with the Executive Board and the auditor, we approved the annual and consolidated financial statements and management reports for 2010. The meeting also included the examination and approval of the 2010 Dependent Company Report, discussion and approval of the 2010 Corporate Governance Report and approval of the agenda and proposed resolutions for the 2011 Annual General Meeting. Furthermore, at this meeting, we discussed and approved an increase in the investment budget proposed by the Executive Board. Other subjects of the meeting were the status of the implementation of the refinancing arrangements and the yearly reports of the Executive Board on risk management in the Group and on the type and scope of other positions held by the Executive Board.

In May 2011, the Supervisory Board approved by written procedure the acquisition of the Railcraft Group, with companies in Finland, Estonia and Russia.

At the meeting of the Supervisory Board on June 17, 2011, directly prior to the Annual General Meeting, the Executive Board informed us about the course of business in the first months of the year under review and about the signing and execution of the financing agreements. At this meeting, the Supervisory Board also approved the proposal of the Executive Committee to re-appoint Dr. Kai Kleeberg as a member of the Executive Board for a further three years from May 1, 2012 after expiry of his current term of office. It also approved the proposed conditions of the relevant contract of employment.

In a conference prior to the next meeting of September 8, 2011, the Executive Board explained to us the medium- and long-term strategic orientation of the company and the measures required to implement this strategy. These measures were discussed and agreed upon with us in detail and at length. At the meeting itself, the Executive Board presented and discussed with us its forecast for the development of the business and financial situation over the remainder of the financial year, based on the results and trends of the first six months. Additionally, at this meeting, we approved the planned acquisition of a US wagon hire company with more than 2,000 rail freight cars.

In October 2011, at the proposal of the Executive Committee, the Supervisory Board passed a resolution by written procedure to appoint Femke Scholten as a member of the Executive Board for a term of three years from January 1, 2012.

At the meeting of November 24, 2011, the Executive Board explained to us the annual schedule including the financial and investment plans for the financial year 2012. The Supervisory Board approved these after detailed discussion. Another subject of the meeting was the annual report of the Executive Board on compliance activities in the VTG Group.

The Executive Committee held a total of four meetings in the year under review. Along with the already mentioned approval of the execution of the financing agreements by the Executive Committee as authorized by the Supervisory Board, the meetings also included, in particular, the succession plans for the Executive Board and preparatory work for decision taken by the Supervisory Board regarding the member of the Executive Board in the year under review. The Executive Committee did not have to address any conflicts of interest of members of the Executive Board or the Supervisory Board decision regarding the man of the Executive Board in the year under review. Furthermore, in its capacity as Nomination Committee, the Executive Committee resolved to propose the re-election of the current members of the Supervisory Board by the 2012 Annual General Meeting.

01 MANAGEMENT

Report of the Supervisory Board

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 2011. PwC examined and gave an unqualified opinion on the annual financial statements of VTG Aktiengesellschaft drawn up in accordance with the principles of the German Commercial Code and on the consolidated financial statements for the financial year 2010 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the risk management system set up by the Executive Board complies with the legal requirements. The auditor has assured the Supervisory Board that no business, financial, personal or other relationships exist between, on the one hand, the auditor and its executive bodies and head auditors, and, on the other hand, the company and the members of its executive bodies that could call its independence into question. The Supervisory Board has agreed with the auditor that the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or conflicts of interest arising during the audit, unless such grounds are eliminated immediately.

The Supervisory Board itself also checked the annual financial statements, 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 2011 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 € 0.35 per share and the remainder to be carried forward.

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

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

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

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

Code recommendations largely met

On February 16, 2012, 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 these 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.

Jürgen Hüllen relinquished his membership of the Executive Board at the end of the year under review to enter retirement. The Supervisory Board thanks Mr. Hüllen for his years of successful work for the company. There were no further 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 2011.

Hamburg, March 20, 2012

The Supervisory Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

Members of the supervisory and the executive board

Members of the Supervisory Board

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

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

Dr. jur. Bernd Malmström, Berlin
Solicitor

Dr. sc. pol. Jost A. Massenberg, Duisburg
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), retired December 31, 2011

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

Femke Scholten, Hamburg
M.Sc., appointed from January 1, 2012

Corporate Governance-Report

Corporate governance at VTG AG

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

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

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

Wording of the current Declaration of Conformity

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

Declaration of Conformity 2012

On February 16, 2012, 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 and has largely complied with these since the issue of the last declaration of conformity on February 10, 2011. The following recommendations have not been or 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 until December 31, 2011did not provide for any deductible for one member of the Executive Board.

Under one contractual agreement concluded prior to August 5, 2009, the company until December 31, 2011 was still obliged to grant directors' and officers' liability insurance without a deductible for one member of the Executive Board. The company continued 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 until December 31, 2011. 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.

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

2. Section 4.2.3 paragraph 4 of the Code

Until December 31, 2011 two of the existing executive board contracts contained 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 was due to the circumstance that the contract was concluded prior to August 5, 2009. In the other case this was 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 was limited, to periods of more than a year. In the opinion of the Supervisory Board this was 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 June 18, 2010, the company has not published individual reports on the remuneration of the members of the Executive Board. In accordance with this decision the compensation of the Executive Board will not be individually disclosed also in the annual financial statements and in the consolidated financial statements of the company for the financial years through and including 2014.

4. Section 5.3.2 of the Code

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

5. Section 5.3.3 of the Code

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

6. Section 5.4.1 paragraph 2 of the Code

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

7. Section 5.4.6 paragraph 2 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, a discussion of the half-year and quarterly reports with the Supervisory Board prior to publication is not absolutely necessary in order to enable the Supervisory Board to properly exercise its function of monitoring and control.

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 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 multimodal logistics services, specializing in rail transport and international tank container transports. VTG is represented in many European countries, in North America and in Asia by its subsidiaries and associated companies. The VTG Group's customers and employees are just as international as the business. The Supervisory Board considers for its composition these international activities.

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

Potential conflicts of interest

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

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

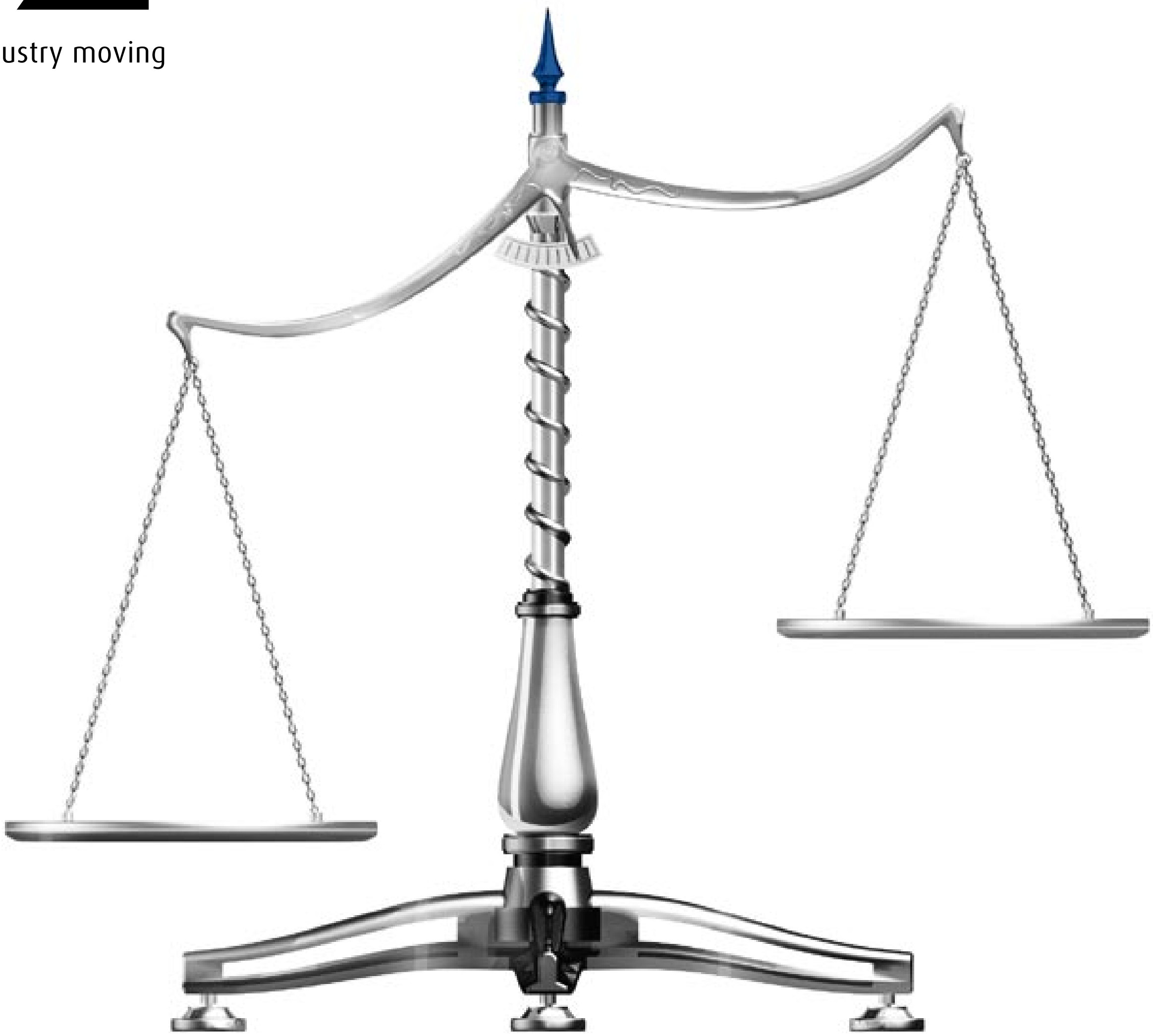
Note: Further information on the remuneration of the Executive Board and Supervisory Board can be found in the relevant passage in the Management Report pages 58 to 59.

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 period from December 12, 2011 to December 31, 2011, the total amount of shares held by all members of the Executive Board and Supervisory Board exceeded 1 % of the shares issued by the company. During this period, the shares held by the Executive Board amounted to 1.13 % (242,166 shares) and those held by the Supervisory Board amounted to 0.05 % (10,000 shares) of the shares issued.

02

Keeping industry moving



A ton weight but highly mobile

The weight of our tank containers and wagons is considerable. Depending on design, they can weigh between four and 36 metric tonnes. Their robust construction means that they can transport a wide range of goods safely, in large volumes and over long distances. Indeed, our rail logistics experts think in terms of long distances. They are adept at organizing cross-border transports and ensuring that goods reach their destination safely and on time. Our customers value this expertise and reward us with their loyalty.

02

Keeping industry moving

Built to last yet flexible

Acquiring and maintaining a wagon is a high-investment process, and we therefore see our wagons as extremely valuable assets. Depending on type, the purchase of each wagon costs us between EUR 80,000 and 180,000. This rolling stock has a life of around 40 years. When customers hire these wagons, they can integrate them flexibly into their chain of production in a form tailored to their individual needs.

02

Keeping industry moving

Individual and large-scale

We operate the largest private fleet in Europe and manage 53,800 wagons worldwide, offering around 1,000 different types of wagon. With our own wagon manufacturing plant, we are able to tailor our wagons to individual customer requirements. Thus we can provide a combination of large-scale supply and customization to individual specifications. With our diversified fleet and our specialist knowledge built up over many years, we have a strong customer base, with many partnerships stretching back decades. Our customers generally enter into contracts for the medium to long term, ensuring an extremely stable flow of income.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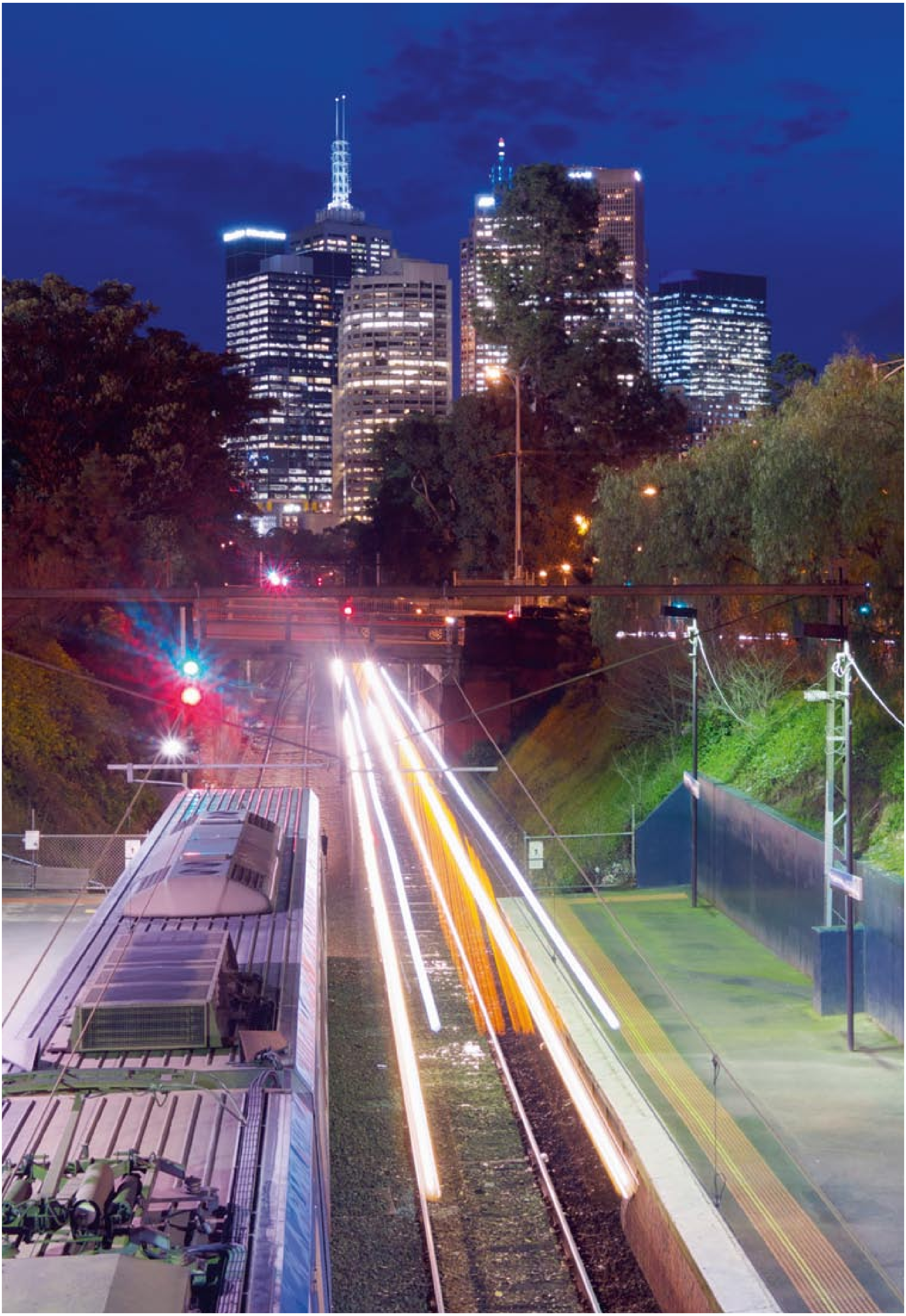
02

Keeping industry moving

A stable investment for today's needs

In addition to our experts, our fleet is a key asset for our business. We are continually developing our fleet so that it is fit for new challenges. For our shareholders, the value of their investment lies in the stability of our business. Since we provide the foundation that underpins our customers' production processes, we also generate stable income in times of economic uncertainty. This makes VTG's business model particularly attractive to shareholders, as they can expect a reliable dividend.



VTG in the capital market: The share and investor relations

A turbulent year on the stock exchange

In 2011, the worsening of the national debt crisis in Europe dominated the trend in the equity markets. At the beginning of the year, confidence about the global economic trend and positive company announcements led to rising share prices. In March, the uncertainty caused by the earthquake in Japan led to price drops in the equity markets. There then followed a period of recovery, which came to an end in early August with a slide in prices on the world's equity markets. Along with the European national debt crisis, the main triggers for this slump were the fears of a US recession and the downgrading of the US credit rating. Although the world's stock exchanges had recovered somewhat from this collapse in prices by the end of the year, there was still manifest uncertainty in the financial and capital markets, with one result of this being significant fluctuations in prices.

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.)	284.5 Mio. €
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end-rate*	13.30 €
Annual high*	19.86 €
Annual low*	11.34 €
Average daily turnover	31,472 shares

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

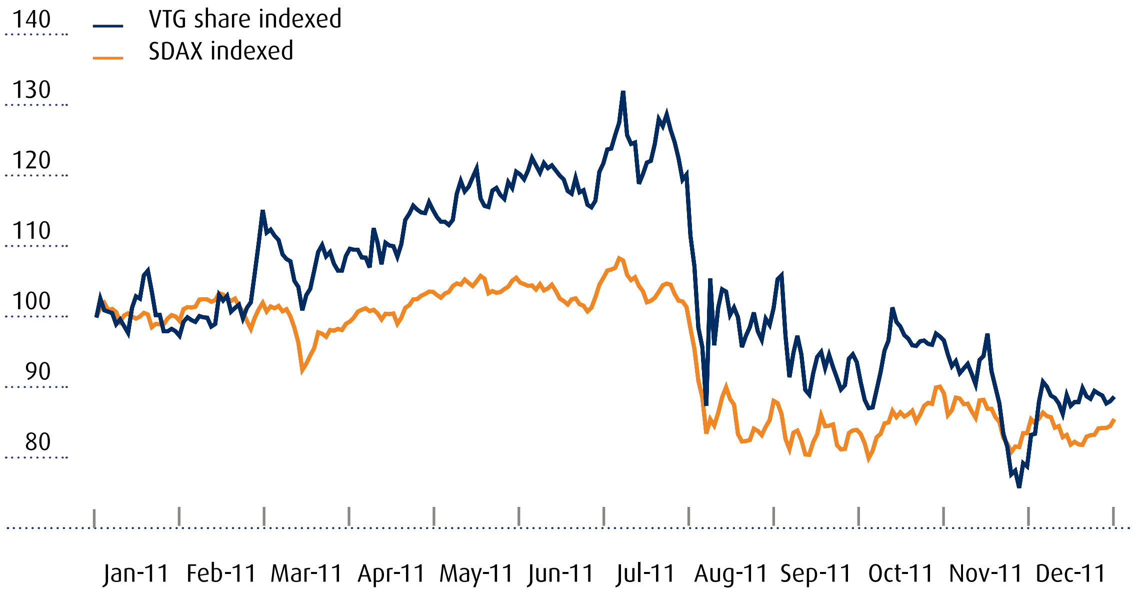
Mixed trend in VTG share price in 2011, with price slightly above SDAX average

The trend in the VTG share price in 2011 was initially very dynamic compared with the SDAX. However, as the year progressed, the VTG share was unable to escape the impact of the increased uncertainty in the capital markets. Having closed at € 15.00[1] at the end of the financial year 2010, the VTG share began 2011 well, with its price rising over the first half of the year. On July 8, 2011, it reached its highest point for the year of € 19.86. This was also it highest daily closing price since being listed on the stock exchange. Due to the turbulence on the global stock exchanges in early August, VTG's share price fell sharply, to € 13.10. Subsequently, the share saw greater fluctuations in price, going on to reach its lowest point for the year of € 11.34 on November 23, 2011. At the end of this very volatile year on the stock exchange, the VTG share closed at € 13.30. Overall, the share performed slightly better than the SDAX (VTG share: -11.3 %, SDAX: -14.5 %). As of the end of 2011, VTG's market capitalization was € 284.5 million (end of 2010: € 320.8 million).

Increase in trading volume compared with 2010

The VTG share is predominantly traded on Xetra, the electronic trading system of Deutsche Börse AG. Trading also takes place on the trading floors in Frankfurt and on all other regional stock exchanges in Germany. For the VTG share, the average trading volume increased significantly in 2011 compared with the previous year. Whereas, in 2010, the average number of shares traded daily was 22,915, this rose to 31,472 in 2011. Due to the overall rise in the VTG share price in 2011, the average trading volume measured in euros was also significantly above the level of 2010.

Share price VTG share (1st January to 31st December 2011)



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

03 THE VTG SHARE

No change in shareholder structure compared with 2010

With 54.57 % of the share capital of VTG, Compagnie Européenne S.à r.l., Luxembourg is major shareholder. A further 6.25 % is held by Samana Capital L.P., Greenwich, Connecticut, US. Based on the latest information on voting rights, this gives a free float of 39.18 %.

Financial year 2011: planned dividend increase of 6 % to € 0.35 per share reflects policy of reliability

It is VTG's policy to continue to issue solid dividends over the long term. The dividend payments for the financial years 2008 and 2009, VTG laid the initial foundation for this, and this was strengthened by the dividend increase of 10 % to € 0.33 per share for the financial year 2010. VTG is also committed to the continued issue of solid dividends over the long term. The Executive Board and Supervisory Board of VTG AG intend to propose to the Annual General Meeting in June 2012 the issue of a dividend of € 0.35 per share for the financial year 2011. This would represent a good 6 % increase on the previous year.

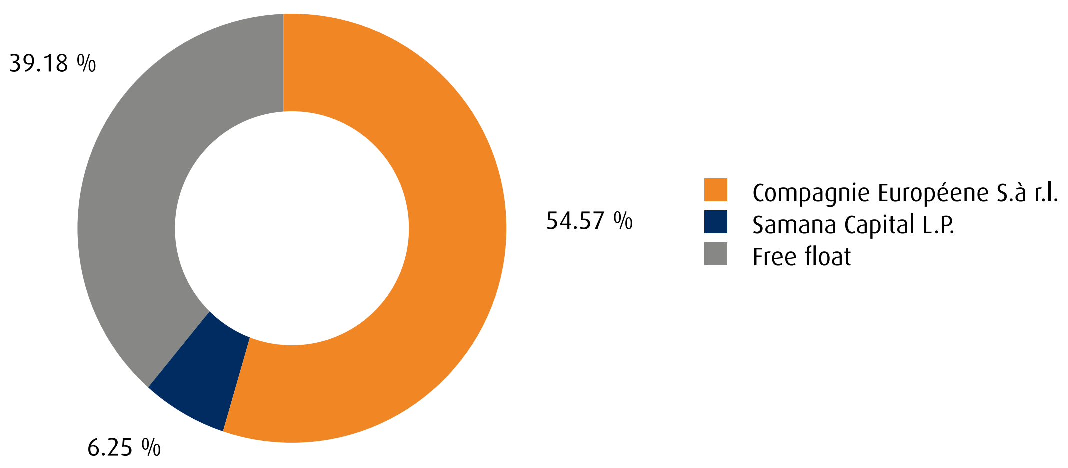
Further expansion of investor relations work

In its investor relations work, VTG places great importance on the transparency, continuity and clarity of its communications. In 2011, the IR team continued to foster existing relationships and build up new ones with both financial analysts and institutional and private investors. In addition to regular reporting, the Executive Board and the IR team have sought to conduct an open dialog with institutional investors in individual meetings at roadshows and conferences. They visited a total of 32 national and international financial centers, explaining VTG's business model and answering investors' questions in some 140 one-on-one meetings. Moreover, at the Hamburg Stock Exchange Day in November 2011, private investors and other interested parties were given the opportunity to talk directly to the Investor Relations Team and find out more about VTG.

Additionally, with a US private placement bond issue, VTG was also able to make contact with new investors in the debt capital market and persuade them of the merits of VTG's business model and corporate strategy. These new investors come mainly from the insurance and pension fund sectors.

VTG intends to continue with its approach of sound, open communication with the capital market to build on the confidence already being placed in VTG. To this end, it aims to strengthen existing contacts and continually raise VTG's profile.

Shareholder structure



Investor relations work wins national and international awards

VTG's proactive approach to investor relations was recognized in 2011 by investors and analysts. At the award of the Capital Investor Relations Prize, the business magazine Capital together with the German Association for Financial Analysis and Asset Management (DVFA) recognized the quality of VTG's investor relations work with a ranking of second place among the companies listed in the SDAX. Furthermore, at the award of the German Investor Relations Prize, the IR team achieved an overall ranking of fourth place. VTG's head of Investor Relations, was also nominated second-best IR manager in the SDAX. This prize is awarded jointly by Thomson Reuters Extel Surveys, the business news magazine WirtschaftsWoche and the German Investor Relations Association (DIRK).

With its 2010 annual report under the heading "Moving into the future", VTG also received no less than three international awards. At the ARC International Award, it gained the distinction of a Silver Award. At the 2010 Vision Awards of the LACP (League of American Communications Professionals), the VTG annual report also won silver and the distinction of a ranking among the Top 50 German Annual Reports of 2010.

High level of research coverage

As of the reporting date, 17 financial analysts were following VTG. Research coverage – the number of financial analysts regularly following VTG and publishing studies and commentaries on the current development of the company – has thus been maintained at a consistently high level. VTG's level of research coverage is also higher than the SDAX average of eight to ten analysts per company.

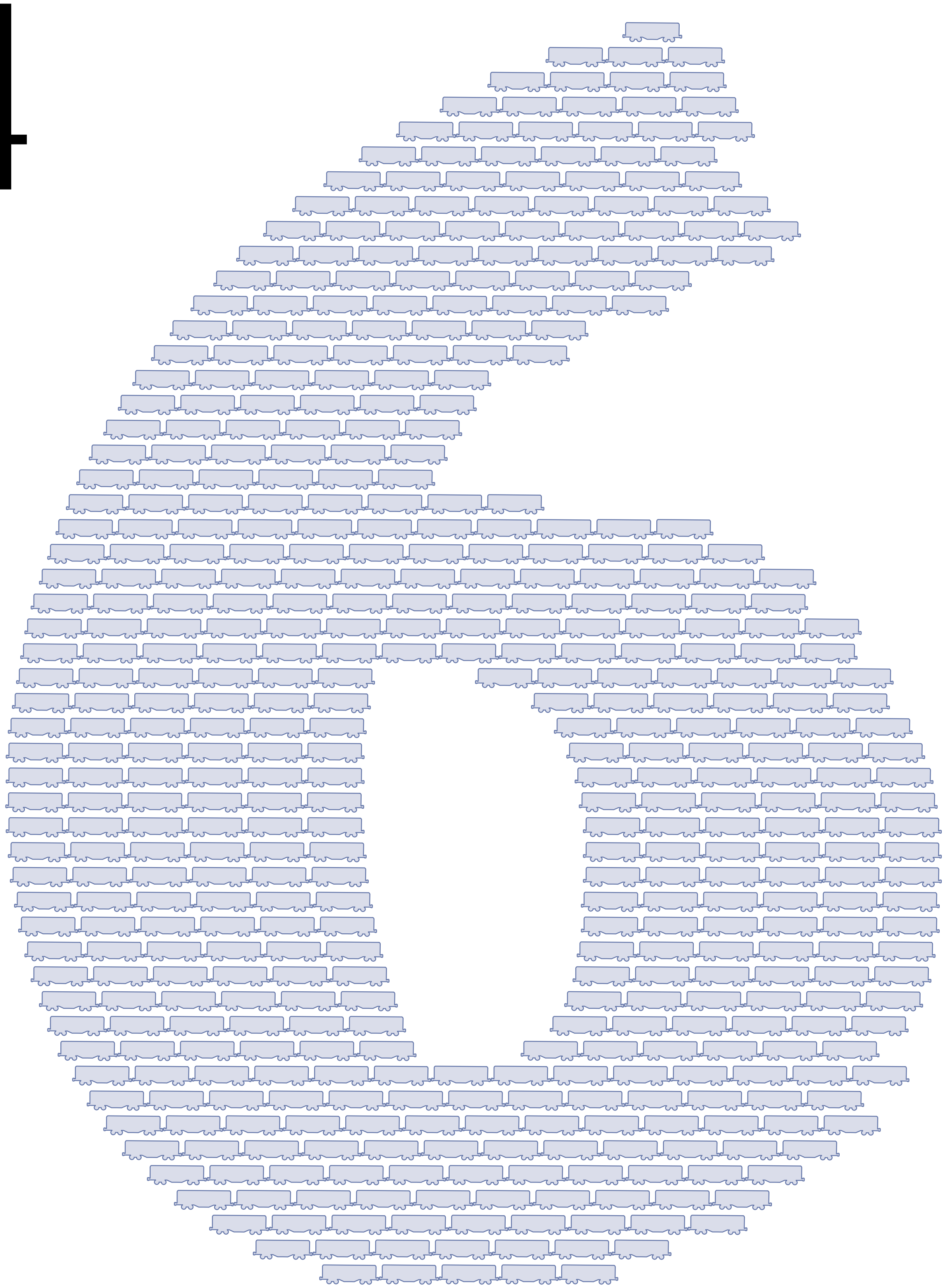
Reports of analysts on the VTG share*

Institution	Analyst	Date	Recommendation	Price target (€)
SRH Alsterresearch	Oliver Drebing	22-Feb-12	Buy	19.00
Viscardi	Robert Willis	22-Feb-12	Buy	19.00
Bankhaus Lampe	Sebastian Hein	21-Feb-12	Buy	18.00
Berenberg Bank	D. Podewils, S. Klepp	21-Feb-12	Buy	17.50
Hauck & Aufhäuser	Henning Breiter	21-Feb-12	Buy	19.00
Macquarie	Markus Hesse	21-Feb-12	Outperform	18.20
Montega	H. Emrich, A. Drews	21-Feb-12	Buy	20.00
NORD/LB	Thomas Wybierek	21-Feb-12	Buy	18.50
Silvia Quandt	Dr. Stefan Kick	21-Feb-12	Buy	19.00
Warburg Research	Frank Laser	21-Feb-12	Buy	20.00
Commerzbank	Johannes Braun	21-Feb-12	Buy	15.50
WestLB	R. Kaufeld, H. Moers	21-Feb-12	Neutral	N/A
Goldman Sachs	O. Neal, E. Baldini	26-Jan-12	Buy	19.00
HSBC Trinkaus & Burkhardt	Jörg-André Finke	25-Nov-11	Buy	25.00
Hamburger Sparkasse	Ingo Schmidt	22-Nov-11	Buy	20.00
UBS	Dominic Edridge	11-Nov-11	Buy	17.90
CA Cheuvreux	Sebastian Kauffmann	16-Aug-11	Underperform	15.00

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

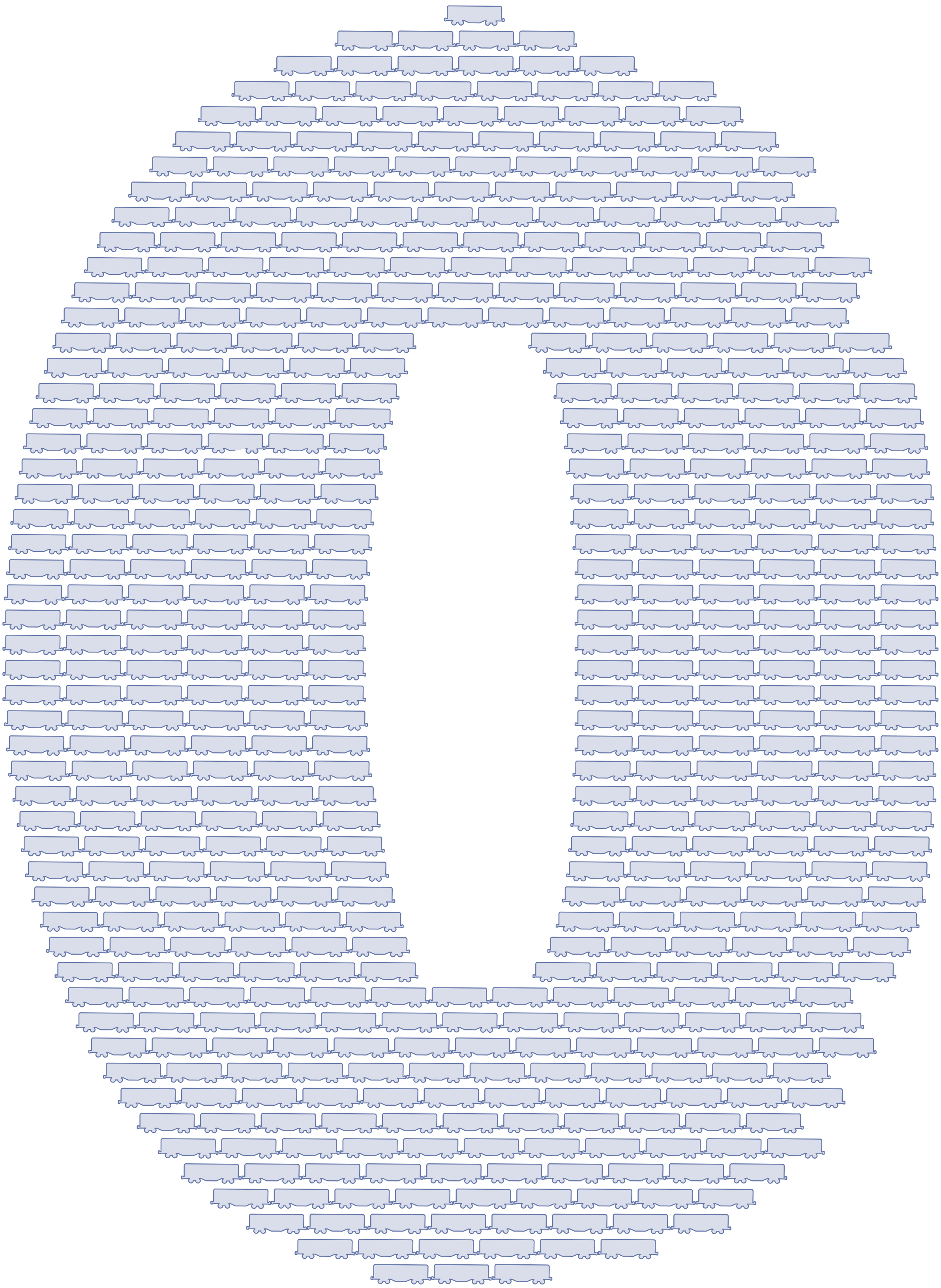
04

60 years of VTG



60 years of VTG

From a state-owned enterprise to a leading
and rail logistics provider.



international wagon hire

04

60 years of VTG

October 30, 1951

Foundation of company

The state-owned Industrieverwaltungsgesellschaft (IVG) founds VTG Vereinigte Tanklager und Transportmittel GmbH. The company initially has a fleet of 5,666 rail tank wagons, a handful of motorized tanker vessels, one tank farm and a tank wagon repair workshop.

1950s

Growth and expansion

During this period of rapid growth in the German economy, the VTG fleet grew to almost 10,000 wagons.

1980s

Strengthening our core competencies

Through the management of new tank farms in Cologne, Mainz and Stuttgart and expansion in Duisburg, Regensburg and Munich, VTG's tank farms within Germany reach a volume of 1.1 million cubic meters. With the sale of the Offshore Supply Association (OSA), VTG ceases its offshore supply operations.

June 28, 2007

VTG goes public

VTG is listed in the Prime Standard segment of the Frankfurt Stock Exchange. The US investor Wilbur Ross continues to hold more than 50 percent of the shares in the company as major shareholder.

July 1,1961

Privatization

After prolonged talks, IVG sells all shares in VTG, with a nominal value of 30 million Deutsche marks, for the sum of 110 million marks to the Preussische Bergwerks- und Hütten-Aktiengesellschaft (Preussag).

November 9, 1989

Opportunities after the fall of the Berlin Wall

The fall of the Berlin Wall opens up new market opportunities in eastern Europe for VTG. The opening up of competition between new railway companies for cross-border transports, the increasing liberalization of the market and the harmonization of the regulatory framework mean that rail freight traffic is increasingly freed from operating within the constraints of separate national state railways.

October 1, 1994

Major shareholder

At 65 percent, VTG has the majority shareholding in the shipping and transport company Lehnkering Montan Transport AG. Five years later, the logistics activities of both companies are merged into VTG-Lehnkering AG (they separate again later in 2004).

2011

Growth in a global world

In addition to its focus on operations beyond Europe, VTG continues to strengthen its position within Europe itself with the acquisition of wagons in Italy. VTG also commences operations in the markets of the CIS and the Baltic states with the takeover of the Railcraft Group. The most recent US acquisition doubles the wagon fleet in the US to more than 4,000 wagons.

1960s

Further expansion in the form of Preussag

The Group adds new areas of business and activities. In addition to Preussag's inland waterway shipping operations, VTG also acquires other shareholdings, including a share in the French tank wagon operator Algeco, and founds the company Nordsee Versorgungsschiffahrt GmbH (later the Offshore Supply Association, OSA). By the end of the 1960s, VTG has built up a private fleet of 25,000 wagons.

1970s

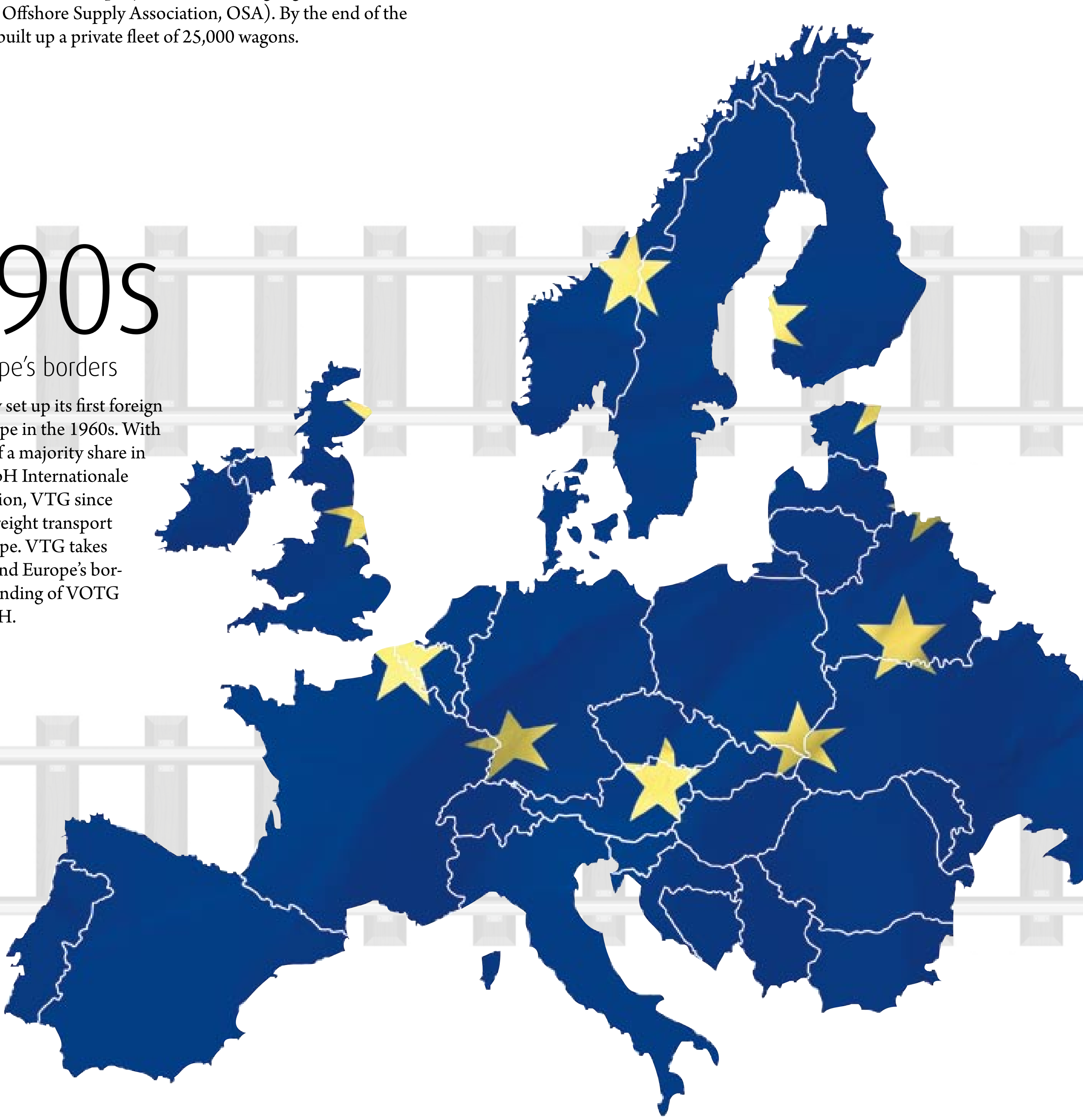
Expansion into new areas

In addition to the core business of wagon hire, the company expands in other areas, including a helicopter transport service and a research vessel service. VTG commences its tank container operations in 1979.

1990s

Beyond Europe's borders

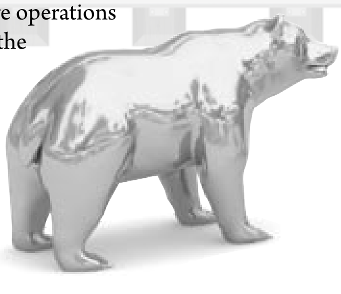
VTG had already set up its first foreign branches in Europe in the 1960s. With the acquisition of a majority share in Transpetrol GmbH Internationale Eisenbahnspedition, VTG since 1992 offers rail freight transport throughout Europe. VTG takes its first step beyond Europe's borders with the founding of VOTG Tanktainer GmbH.



2000 - 2010

Focus and expansion

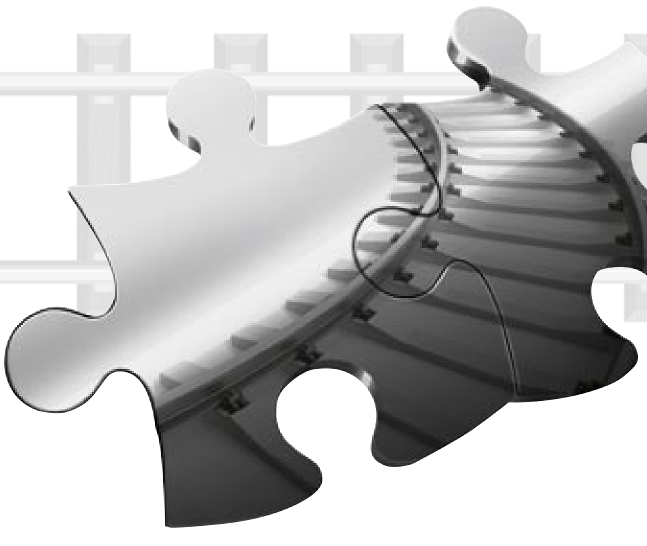
The volume of the wagon fleet grows by 23,000 to more than 47,000 in a single stroke with the takeover of the European wagon hire operations of the Australian Brambles Group. VTG concentrates on the divisions Wagon Hire, Rail Logistics and Tank Container Logistics, expanding these continually. With the acquisition of Texas Railcar Leasing Company Ltd., VTG gains a foothold in the world's largest rail market, the US. This is followed by the company's first activities in the CIS.



The future

The railway – an indispensable mode of transport

Transport flows are becoming increasingly globalized, opening up further growth potential for VTG. Additionally, the global trend towards saving energy and protecting the environment is increasingly favoring the railway as a mode of transport. The Federal Ministry of Transport, Building and Urban Development forecasts that rail freight transports will increase by 42 percent by 2025.



Group Management Report

BUSINESS MODEL AND MANAGEMENT
Operations

Flexible transport and logistics solutions integrated into global production chains

VTG combines the activities of its three divisions of Railcar (former name: Wagon Hire), Rail Logistics and Tank Container Logistics in a unique way to provide a unique service. The wagons in the fleet of the Railcar division are mobile assets with a long useful life. These assets are combined with expertise in the fields of rail freight traffic and hazardous goods along with logistics support from the two specialist logistics divisions.

The core operational division of VTG is the Railcar division. VTG hires rail freight cars to its 1,000-plus customers as well as providing comprehensive technical support and advice. Using wagons tailored to their individual needs, customers can transport large volumes of freight over long distances. Customers generally have hire contracts running over the medium to long term, providing them with security for their production processes and transport needs. These characteristics make the services of the Railcar Division an integral part of the customer's industrial infrastructure. Moreover, the mobility of the wagons means that they can be deployed flexibly in different regions according to demand. VTG also has a strong customer base with some partnerships stretching back decades. The fleet encompasses some 1,000 different types of wagon and these can be found in use in nearly every branch of industry, for instance the mineral oil, chemical, automotive, paper and agricultural industries, in addition to railway companies.

Beyond its Railcar division, VTG offers further services through its Rail Logistics and Tank Container Logistics divisions. In logistics, VTG provides a special mix of expertise and state-of-the-art rail and tank container equipment. The Rail Logistics division organizes rail freight transports across Europe as a forwarder. Particularly with cross-border traffic, customers benefit from both the division's long-term experience in single wagon and block train transport and its wide network of haulage partners. The Tank Container Logistics division offers its customers transport and logistics services using tank containers. Here, the division combines the advantages of various carriers (rail, road, ship) to create the optimal multimodal service. In global chains of transport, container handling greatly cuts down on time and costs while also increasing safety.

The VTG Group thus provides its customers with a broad range of high quality rail freight services and is one of Europe's leading providers. The VTG Group can now look back on 60 years of the company's history. It owns the largest private fleet in Europe, making it a leading provider of wagon hire services in the region. VTG has more than 53,800 wagons worldwide.

Major shareholder lends stability

Compagnie Européenne de Wagons S.à r.l., Luxembourg, owned by a private US investor with large-scale interests, is major shareholder in VTG AG. This investor supports the company in its focus on responsible, long-term growth and strategic development, affording VTG the greatest possible room for maneuver in this. This also provides VTG with a very secure foundation for planning its future.

Central management of three operational divisions, with 59 companies in 17 countries

The VTG Group, with its headquarters in Hamburg, has three operational divisions: Railcar, Rail Logistics and Tank Container Logistics. These divisions 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 59 companies including VTG AG. The number of companies in the consolidation has increased by eleven compared with 2010. In addition to VTG AG, it now comprises 42 fully consolidated companies, of which 14 are in Germany and 28 abroad. Additionally, two foreign companies were consolidated using the equity method.

Management and control

Individual management of divisions

The divisions in the VTG Group are each managed according to their special requirements in accordance with the business model for each division. The Railcar model with its focus on firm integration into customer infrastructures is very capital-intensive and makes the largest contribution to profit for the Group. As a result of this, the division is managed specifically according to these characteristics. The remaining two divisions, Rail Logistics and Tank Container Logistics, are managed using other control parameters in accordance with the special requirements of their logistics operations.

EBITDA and cash flow as key controls

For the Group and all three divisions, EBITDA (earnings before interest, taxes, depreciation and amortization) represents a key control parameter.

Operations of the Railcar division 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 also continually increasing the value of its fleet. VTG finances these investments primarily through cash flows from operating activities and various lines of credit that can be utilized as required. Due to the fact that its wagon hire contracts are generally long-term in nature, the wagon fleet generates a stable cash flow. EBITDA is therefore an important control parameter as a value similar to cash flow.

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

The financing required for the wagon fleet brings with it borrowing that is typical for the market and for business models focused on integration into the transport infrastructure. To keep borrowing within appropriate and reasonable limits for this business model, the ratio of net financial debt to EBITDA is thus an important control parameter for the VTG Group. Net financial debt is calculated as financial liabilities plus pension provisions less cash and cash equivalents.

Gross profit and gross profit margin as additional control parameters for the logistics divisions

Sales in the Rail Logistics and Tank Container Logistics divisions include a high proportion of transitory, variable costs, particularly freight costs. Due to their transitory nature, these costs are excluded when determining these values. Accordingly, the gross profit and gross profit margin – the ratio of EBITDA to gross profit – are important additional control parameters.

Analysis of ROCE and WACC

Companies such as VTG have to generate at least the cost of the capital employed. This means that the ROCE (return on capital employed) must be higher than the WACC (weighted average cost of capital). 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. In determining the return on investment, earnings before interest and taxes (EBIT) adjusted for special effects is placed in relation to the average capital employed.

However, only a long-term analysis of the relationship between ROCE and WACC can provide a reliable indication of the profitability of the business. A short-term analysis based on a period of one year does not do justice to VTG's long-term business model, particularly during and after strong periods of growth.

Reporting system supports management

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

MARKETS AND STRATEGY
Great long-term potential for the railway

As a mode of transport, the railway plays a key role in the global transport of goods. The importance of rail transport is growing not only due to increased transport volumes but also increased environmental awareness. The trend for the future looks positive. The increasingly international nature of freight traffic and the increase in transport distances as a result of globalization and EU expansion are key drivers of growth. Additionally, the increasing importance of energy efficiency in transport is contributing to the positive trend seen in the railway. In this regard, the global freight traffic and logistics industries have to utilize the strengths of each mode of transport in the right combination. The broad strategic positioning of the three divisions also means that VTG can keep operating successfully as a leading provider in the growth markets.

Rail freight traffic benefits from increased flows of transport

The rail freight traffic sector is benefiting from an upward trend in international goods traffic. Increasing volumes of freight, ever-longer transport distances and the railway's environmental advantages mean that many companies see the transport of goods by rail as an attractive strategic alternative to other carriers. A forecast by the Federal Ministry of Transport, Building and Urban Development shares this view, with the Ministry expecting rail freight traffic in Germany to increase by 42 % in the 15 years from 2010.

Course set for growth with liberalization and harmonization of rail transport

In the European Union, the railway plays a central role in transport, with the liberalization of the rail freight market in 2007 significantly increasing the potential of the railway. However, in practice, the various EU member states are at different stages in terms of the implementation of the new rules. To make rail freight traffic more competitive, it is important to push ahead with creating a railway network primarily for rail freight traffic. At the same time, the newly implemented corridor concept aims to optimize conditions for rail freight transport. Across Europe, eight cross-border rail corridors are initially to accord priority to goods over passengers as a measure to increase the performance of the railway. Likewise, a Europe-wide license for engine drivers with standardized requirements is to be introduced with the aim of increasing the potential of rail freight traffic.

Greater safety and performance with the most environmentally friendly carrier

The railway is the most environmentally friendly way to transport goods. For this reason, the increasing general demand for energy efficiency is advantageous for rail freight traffic. With its optimal use of resources and strict environmental protection regulations, the railway is becoming increasingly important for freight transport. The railway uses three times less energy than road traffic, partly due to the lower rolling resistance involved. As result, the CO_2 emissions of rail freight traffic are around a quarter of those of a truck. And in terms of transport safety too, no other carrier performs better, meaning that many hazardous goods can only be transported by rail.

Additionally, VTG is making an actively contributing to improving performance and safety on the railway with new transport concepts and innovation in wagon construction.

Noteworthy examples of projects already implemented include the Retrack project (intelligent freight trains), an ethanol wagon pooling system, and Volume 112 (a new wagon type with a higher cargo weight).

Tank Container Logistics ensures efficiency with a multimodal approach

There is a growing trend towards combined transports due to the fact that the transport of goods is taking place at an increasingly global level and is therefore involving ever-longer distances. By using tank containers in intermodal traffic, the strengths of each individual carrier can be combined to give the ideal mix. The containers themselves can be used flexibly, safely and reliably within the supply chain. They can also be used to provide an uninterrupted, door-to-door service that is monitored at all stages. The smooth running of operations within customers' logistics chains is a key factor in optimizing their processes and increasing their efficiency. In the chemical industry in particular, combined transport is proving successful, so that a positive trend over the long term can be expected in this division.

Objectives and strategy

The strategic focus of the VTG Group is on long-term growth based on the solid, long-term financial and investment policies of its business model. With the refinancing of the Group in May 2011, VTG created a secure financial foundation for the long term in line with its business model. This means that VTG now has substantial financial resources to continue to push ahead flexibly with its strategy of steady, controlled growth. The Executive Board and Supervisory Board are continuing to work together closely to implement the following three core strategies:

Growth in existing markets

In regional terms, the VTG Group's core market is Europe. All three divisions have a strong position in this market. VTG also intends to utilize the financial resources its has at its disposal to further expand and diversify the wagon fleet. VTG also has its own wagon construction plant, Waggonbau Graaff, which supports this aim as a platform for innovation. Indeed, VTG's powers of innovation are reflected in the fact that, in 2011, Graaff produced three new types of wagon. As part of its strategy of further strengthening its position in Europe, VTG has also acquired fleets of used wagons including those used in the agricultural industry. Through the above measures, the fleet is being continually diversified. Moreover, VTG's logistics divisions intend to acquire new customers and strengthen existing partnerships. Thus one aim of the Rail Logistics division is to expand its range of services systematically. The division's activities are to focus on three highly profitable groups of products with great market potential: liquids (e.g. mineral oil, chemicals), agricultural products and industrial goods (e.g. steel products, automotive parts). The Tank Container Logistics division is pushing ahead on its path of growth by strengthening relationships with a target group of customers and focusing on particular, specialized areas of business. In addition to expanding its range of services, VTG is also committed to building up the presence of all three divisions in the emerging markets of eastern and southeastern Europe and so gain a share of the growing market for transports between eastern and western Europe.

Growth in new regions

In addition to its strategy of growth in the core market of Europe, VTG is aiming for growth in other attractive rail freight traffic markets. One region VTG is focusing on in particular is North America, which is not only a growth market but also the world's largest rail freight traffic market, thus offering attractive opportunities. Thus, with the takeover of the operations of SC Rail Leasing America at the end of 2011, VTG more than doubled its fleet in North America. VTG will continue to carefully examine the potential for enlarging the fleet in North America with the aim of pushing wagon numbers in this market into five figures. With the acquisition of the Railcraft group of companies in May 2011, VTG also successfully commenced operations in the markets of Russia and its neighbors. The broad-gauge rail network in this region and the fact that Russia is the world's second-largest rail freight traffic market offer good prospects for growth along with the long transport distances involved. Another key advantage is the richness of the region in raw materials, as rail transport is ideal for such mass goods. VTG is actively committed to gaining a share of this promising market. In Asia, in partnership with Cosco Logistics, the Tank Container Logistics division is pushing ahead with strengthening existing operations and establishing new business in China. Because of the expected increase in transports both within Asia and between Asia, Europe and North America, there are good long-term prospects for growth in this market.

Optimized organizational structure and processes

VTG's third core strategy VTG is that of continued, steady development of the company's organizational structure with continual optimization of processes. The expansion of business together with organizational and process optimization increases efficiency and profitability, thus contributing to VTG's long-term growth. VTG has thus created new organizational structures in the Railcar division and Rail Logistics. The new Wamos! IT landscape for use in day-to-day operations is being gradually implemented in Wagon Hire Europe. The software maps the entire wagon life cycle, enabling faster and better tracking of customer workflows. The aim is to improve workflows in the plant and workshops and the coordination of maintenance, wagon fleet, customer and supplier processes. An organizational unit has been set up specially to introduce these measures.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

MARKET TRENDS
Economic conditions

Cooling of economic climate has only a minor effect on VTG

In the first six months of 2011, the recovery seen in the global economy in 2010 continued, although at a modest level. This was in part due to temporary factors such as the slump in production in the wake of the earthquake in March 2011 and a rise in the price of commodities. This cooling down was evident in both the industrialized countries and the developing and emerging economies. As a result, the advanced economies saw only a slight rise in total production, while in the emerging markets there was a substantial loss of economic momentum over the year. In the second half of 2011, the national debt crisis in the eurozone worsened continually, resulting in a loss of confidence that the global economic trend would improve. In the US, there was moderate growth accompanied by structural problems and a sharp rise in national debt. Meanwhile, policymakers in key emerging markets faced the challenge of ensuring economic stability while also stimulating demand. VTG felt the impact of this only in terms of weakening demand for transport capacities in its Tank Container Logistics division. After falling off slightly in the third quarter, demand then stabilized again at a good level in the final quarter.

Against this background, experts anticipate that the global economy will grow at a more moderate rate in 2012.

Economic trends in the eurozone and Germany

In the eurozone, there was a sharp upturn in economic growth at the start of 2011, however the economy was badly affected over the remainder of the year by the worsening national debt crisis. Although total production still increased in the third quarter as against the previous quarter, the eurozone economy weakened towards the end of the year. Great support was provided by the positive trend in Germany, due partly to the country's strong domestic economy and increased investment. Compared with 2010, the Kiel Institute for the World Economy expects GDP to grow in 2011 by 1.5 % in the eurozone and 2.9 % in Germany.

Economic trends outside Europe

There were various economic trends outside Europe. In the US, the trend was generally upward but with growth at an extremely moderate rate. The impact of the eurozone debt crisis on the US economy is thought to have been generally minor. Nevertheless, there are uncertainties about the future of the economy, particularly due to only moderate growth, structural problems and growing public debt in the US. According to the Kiel Institute for the World Economy, GDP should grow by 1.7 % in the US in 2011. Along with other factors, the economic uncertainty in the US and the debt crisis in the eurozone had a negative impact on the newly industrialized countries, with a general weakening of their economies. In China, there was a slight slowing of momentum over the year. For China, experts forecast an increase in GDP of 9.5 % in 2011. In Russia, the Kiel Institute expects GDP to increase by 4.0 % on 2010.

Market and industry trends

The good economic start to the year 2011 also had a positive impact on rail freight traffic. As a result, in the first months of the year, there was a clear increase in railway transport volumes in Germany, although this demand weakened in the course of the year. The total volume of goods transported by rail in 2011 increased by 5.1 % on the previous year. The good economic start to the year was also reflected in many sectors that are key for VTG's business. Thus, for example, the upward trend in the chemical industry that began in 2010 continued into early 2011. 2011 was a very successful year for the chemical industry, even despite the fact that the high rate of growth could not be maintained throughout the year and many customers reduced their stock due to the uncertain economic situation. The picture was mixed in the automotive industry, although the German automotive sector performed well given the general downturn in western Europe.

In 2011, the railway proved overall to be a high-performance carrier in the freight transport market. Due to the expected increase in global transport volumes over the medium term, the railway will play a key role in freight transport. In recent years, the quality and efficiency of rail freight traffic has increased markedly. This enhances and will continue to enhance the railway's appeal as a carrier. Greater public demand for environmental responsibility and the expected rise in energy prices over the long term also favor the railway as an environmentally friendly, energy-saving mode of transport. 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.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

BUSINESS DEVELOPMENT
Significant events and transactions

Group financing placed on a new basis to enable growth

With the refinancing of the Group, VTG has placed its financing on a new basis. In early May 2011, the former syndicated loan was cleared and replaced with a US private placement bond issue amounting to € 450 million and $ 40 million and a new syndicated loan of € 450 million. Further information on this transaction can be found in the section "Financial position" under "Financial management of the VTG Group".

Further strengthening of market position in Europe

In the first quarter of 2011, VTG further consolidated its market position in Europe with the takeover of the Italian competitor Sogerent, acquiring a fleet of some 300 wagons.

VTG commences operations in the markets of the Russian Federation and its neighbors

In May 2011, VTG commenced operations in the markets of the Russian Federation and its neighbors. With the takeover of the Railcraft Group, it now has a fleet of some 870 wagons in this region.

Improved market position in North America

In December 2011, VTG successfully expanded its presence in North America with the takeover of the operations of the US wagon hire company SC Rail Leasing America Inc., Collinsville, Illinois. This takeover brought some 2,500 wagons, more than doubling VTG's fleet in this market. VTG thereby strengthened its market position in the world's largest rail freight transport market.

Further information on the above acquisitions can be found in the section "Development of revenue and EBITDA" under "Railcar Division".

New appointment to Executive Board to strengthen logistics divisions

The Supervisory Board of VTG AG has appointed Femke Scholten to the Executive Board with effect from January 1, 2012. She holds responsibility for the Logistics and Safety division and succeeds the former member of the Executive Board Jürgen Hüllen, who retired at the end of 2011 after more than 30 years with the company. The logistics divisions have grown significantly in recent years and the appointment of Femke Scholten combines them under the leadership of one board member.

Development of revenue and EBITDA

Group revenue rises sharply, by 19.2 % to € 750.0 million

The financial year 2011 was a very successful one for VTG. The year got off to a good start economically and this also had a generally positive impact on VTG's business, with revenue for the Group increasing in 2011 by 19.2 %, to € 750.0 million (previous year: € 629.4 million).

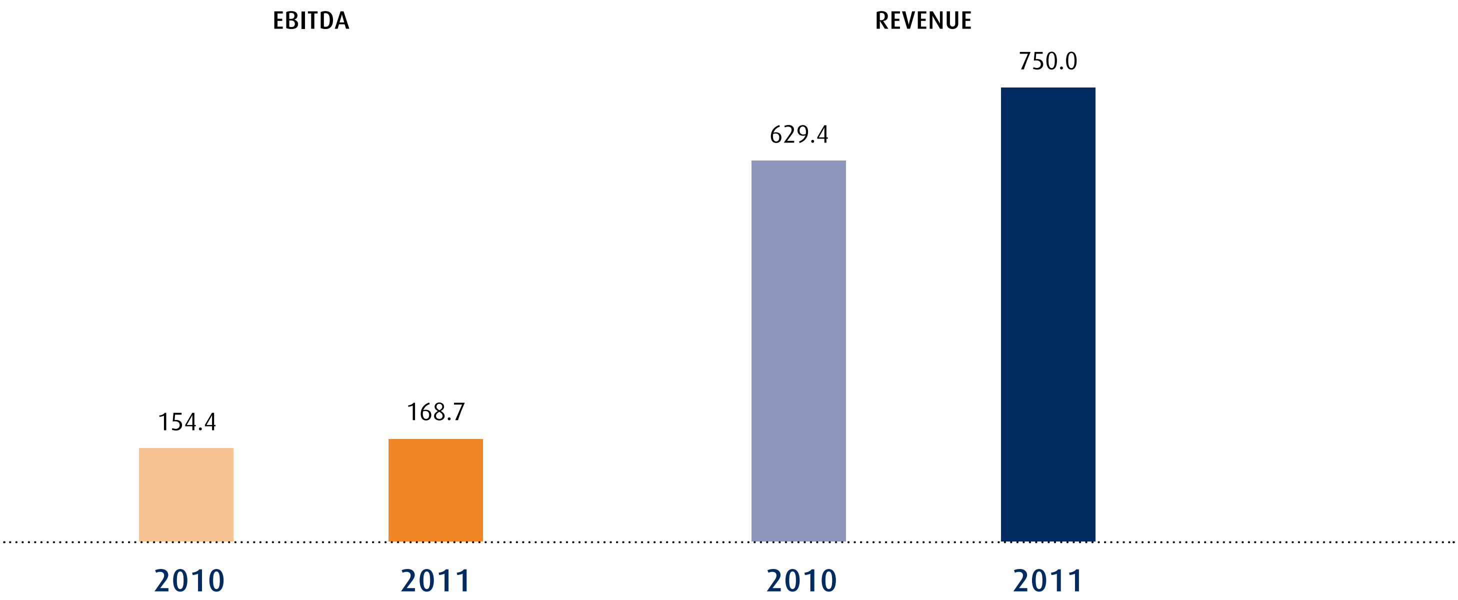
In the Railcar division, revenue increased in 2011 by 7.2 %, to € 303.9 million (previous year: € 283.6 million). At the end of 2011, the division could look back on a year in which capacity utilization increased continually, reaching its highest level for the year of 91.5 % as of December 31.

The Rail Logistics division recorded a rise in revenue for the reporting period of 46.2 %, reaching € 294.3 million (previous year: € 201.4 million). This was primarily due to the increased demand for transport services and, particularly, the acquisition of the rail logistics company TMF in 2010. The first-time consolidation of the company in Poland during the reporting period also contributed to the increase in revenue.

In 2011, Tank Container Logistics saw revenue rise by 5.1 % to reach € 151.8 million (previous year: € 144.5 million). This was mainly due to an overall increase in demand for transports in 2011, whereby, although demand fell off slightly in the third quarter, it had stabilized again at this lower level by the end of the year.

Revenue and EBITDA development

in € m



In total, revenue of € 340.0 million was generated through customers in Germany (previous year: € 292.1 million), representing a share of 45.3 % (previous year: 46.4 %). Business from customers abroad thus accounted for 54.7 % (previous year: 53.6 %) of revenue, or € 410.0 million (previous year: € 337.3 million).

EBITDA increases by 9.3 % to reach € 168.7 million, affirming forecast

EBITDA (earnings before interest, taxes, depreciation and amortization) increased in 2011 to a level of € 168.7 million, equaling a 9.3 % rise on the previous year (€ 154.4 million). This result affirms the forecast both as made initially in February and revised over the year.

In the financial year 2011, earnings before interest and taxes (EBIT) amounted to € 72.3 million, representing a 14.8 % increase on the previous year (€ 63.0 million).

Financial result impacted by refinancing in May 2011

The refinancing of the Group incurred extraordinary expenses in 2011 of € 22.6 million from the early repayment of the existing loan. This was the main factor contributing to the increased financial loss, which includes the following special items:

- Extraordinary expenses of € 10.1 million, incurred in the first quarter of 2011. These expenses arose from the reclassification of negative market evaluations of interest rate hedges from the previous financing arrangements that were formerly recognized in equity without affecting profit. Unlike with the former financing arrangements, VTG was able to secure a large portion of the new financing for the Group (in the form of a US private placement bond issue) with fixed-interest-rate agreements. Thus, since the refinancing of the Group, a portion of the interest rate hedges is no longer in a hedging relationship (“over-hedging”).
- Additional, one-time expenses of € 8.3 million from the write-down of transaction costs for the former financing arrangements. These amounted to € 4.2 million in the first quarter 2011 and € 4.1 million in the second quarter of 2011.
- Expenses of € 3.5 million from the subsequent valuation through profit or loss of the interest rate hedges no longer in a hedging relationship, with these subject to continual market evaluation since the refinancing of the Group. Depending on the current market interest rate, this market value can change at a future point for the better or worse. The downward trend in the interest rate since the refinancing of the Group in May 2011 led to higher financing expenses in the reporting period.

Adjusted EBT reflects increased scope of financing and additional financial liabilities

In 2011, EBT (earnings before taxes), adjusted to take account of refinancing expenses, amounted to € 28.4 million, representing a drop of 12.7 % compared with the previous year (€ 32.6 million). The adjusted net profit for the Group, at € 17.9 million, was down 13.0 % on the previous year (€ 20.6 million). Earnings per share, also adjusted for this special effect, amounted to € 0.75, below the level of the previous year of € 0.91. These shortfalls are mainly due to higher interest charges, largely as a result of additional financial liabilities and the increased scope provided by the new financing arrangements.

Operational divisions

Railcar Division

The Railcar division provides VTG's customers with rail transport capacity along with a comprehensive range of technical support services. VTG is one of Europe's leading rail freight wagon hire companies. VTG also hires out its wagons in the North American market and the markets of the Russian Federation and its neighbors. In its entirety, the fleet comprises some 53,800 wagons worldwide and covers almost every wagon segment, from tank cars to flat cars to modern high-capacity wagons.

Capacity utilization grows continually over the year

Revenue for the Railcar division increased in 2011 by 7.2 %, or € 20.3 million, to € 303.9 million (previous year: € 283.6 million). EBITDA amounted to € 156.5 million, representing an increase of 7.7 %, or € 11.1 million, on the figure of the previous year (€ 145.4 million). The EBITDA margin was 51.5 %, a slight increase compared with the previous year (51.2 %).

In the financial year 2011, the Railcar division enjoyed a high level of business in almost every segment. The increase in demand for wagons has a positive impact on capacity utilization, with the result that this increased steadily over the year, reaching its highest level for the year of 91.5 % on December 31, 2011 (December 31, 2010: 89.1 %).

Successfully pushing ahead with controlled growth

In 2011, VTG continued on its path of controlled growth to further strengthen its Railcar division.

Thus, in the first quarter, VTG further consolidated its market position in Europe with the takeover of the Italian rival Sogerent. This takeover brought with it a 300-strong wagon fleet, comprising mainly tank cars for mineral oil, chemical products and compressed gases. These wagons are hired out mainly in Italy, Switzerland and eastern Europe.

With the takeover of the Railcraft group of companies in May 2011, VTG was able to commence operations in the markets of the Russian Federation and its neighbors. This takeover brought with it a fleet of some 870 mineral oil wagons of standard Russian design and an experienced workforce, affording VTG the opportunity to expand its business in the world's second-largest rail freight market.

With the takeover of the operations of the US wagon hire company SC Rail Leasing America in December 2011, VTG more than doubled its fleet in North America in addition to significantly expanding its customer base. The wagons from this acquisition are largely freight cars for transporting agricultural products, coal, salt and other minerals. With this move, VTG has further expanded and strengthened its organizational structure in North America and improved its market position in this attractive growth market.

Pan-European Management Committee gets to work

An international team of managers has been formed into a Management Committee for Wagon Hire Europe. This committee has been set up to respond clearly to the process of increasing integration of the European railway market. It will thereby support VTG's objective of continually increasing the benefits it delivers to the customer through progressive standardization of processes and quality improvement.

Repair workshops and wagon construction plant provide base of technical expertise

VTG has its own wagon repair workshops and a wagon construction plant in Europe. The workshops and construction plant provide the Railcar division's base of technical expertise, with the workshops covering much of the maintenance for the VTG fleet. The range of services provided includes repairs, overhauls, tank inspections and wagon cleaning to environmental protection standards. These services cover all the different wagon types and their components and are also offered to external customers. As a platform for innovation and design, the Waggonbau Graaff construction plant enables the VTG Group to continually enhance its fleet and apply its expertise to the building of special wagons tailored to customers' individual needs.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

Rail Logistics Division

In the VTG Group, the Rail Logistics division is the expert when its comes to organizing and executing transports by rail. Particularly with complex issues involving cross-border traffic and the transport of sensitive goods, the division really comes into its own. One particular area of expertise is the transport of liquids such as mineral oil and chemical products and liquefied gases. The division has however also recently added the transport of agricultural and industrial goods to its range of services. Goods are transported in single wagons and block trains.

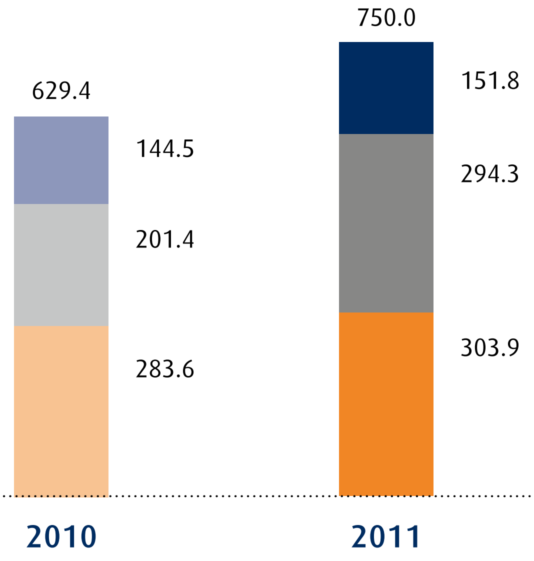
Continued high performance

In the financial year 2011, Rail Logistics pushed up its revenue by 46.2 % to € 294.3 million (previous year: € 201.4 million). EBITDA, at € 12.1 million, was 43.9 % higher than the figure for the previous year of € 8.4 million. As of the reporting date, the EBITDA margin on gross profit was 47.3 % (previous year: 49.2 %).

Overall, the Rail Logistics division could look back on 2011 as a very good year. One reason for this was the strong demand for transport services and the increase in cross-border transports to southeastern Europe. Additionally, the acquisition of the rail logistics company TMF – specializing in the agricultural sector – in 2010 has a positive impact on business. Another positive factor was the addition of the Polish Transpetrol subsidiary for the first time to the group of consolidated companies. Within the strategy for growth, the

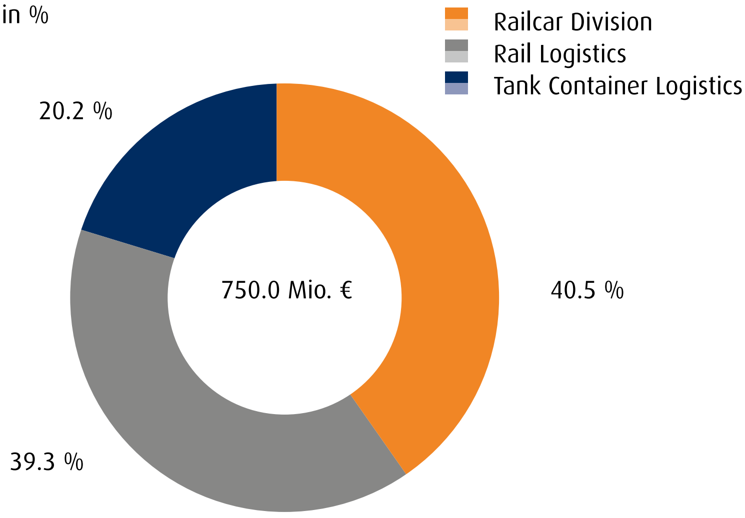
Breakdown of revenue by business division

in € m



Breakdown of revenue by business division

in %



Rail Logistics division aims to expand its range of services and gain access to new sectors and has to this end increased its number of employees.

Europe-wide network and close cooperation with Railcar Division as strategic benefits for the customer

The Rail Logistics division enjoys the benefits of both a well-integrated network of branches throughout Europe and close cooperation with the Railcar division. Direct access to the VTG fleet means that Rail Logistics can offer its customers exactly the right wagons, often without long waiting times.

Together with the Railcar division, Rail Logistics has successfully created a wagon pooling system for the transport of ethanol. This system enables the division to offer its customers a flexible transport solution for smaller quantities that would otherwise usually not be transported by rail. With innovative solutions such as this, traffic can be taken off the road and onto the railway.

New growth strategy for coming years

Rail Logistics used the year 2011 to draw up its growth strategy for the coming years. Thus the division will in future be concentrating on the three product segments of liquids (e.g. mineral oil and chemical products), agricultural products, and industrial goods (e.g. steel products and machine parts). All three groups of products are highly profitable with great market potential. The expansion of the range of products also brings with it a geographical expansion, with existing services to be offered in new countries and regions. Furthermore, Rail Logistics plans to expand the industrial goods segment. With this new focus, the division's general aim is to access new customer groups and regions throughout Europe and in doing so take more traffic off the road and onto the railway.

Tank Container Logistics Division

The Tank Container Logistics division offers its customers multimodal transport and logistics services using tank containers forwarded by rail, road and ship. This multimodal approach means a controlled, uninterrupted chain of supply between the places of production, processing and consumption and efficient, sustainable execution of door-to-door transports. In addition to the hire of tank containers, the division organizes global transports of liquid and temperature-controlled products from the mineral oil, chemical and liquefied gas industries. VTG is one the world's largest providers of logistics services for liquid chemical products and, as of December 31, 2011, had some 9,900 tank containers.

Rise in demand for transports positively impacts revenue and EBITDA

In 2011, revenue for the Tank Container Logistics division increased by 5.1 %, or € 7.3 million, to € 151.8 million (previous year: € 144.5 million). EBITDA was pushed up by 17.2 % to 13.1 million, representing an increase of € 1.9 million (previous year: € 11.2 million). At the end of the year, the EBITDA margin on gross profit, at 51.2 %, was once again up on the previous year (45.4 %).

The year 2011 began for Tank Container Logistics with a sharp increase in demand for transport services. However, demand fell off slightly in the third quarter, stabilizing at this lower level in the final quarter. This was due to emerging uncertainty about the future of important markets for the sale of chemicals. The Tank Container Logistics division performed well in 2011 in terms of transports within Europe. However, for overseas transports, the picture was a mixed one, with North American and European export transports increasing in the year while transports within Asia and exports from Asia fell slightly. All transports faced stiffer price competition, partly due additional transport capacities and a drop in ocean freight rates. The division was however able to counter the impact of this by keeping resolutely to its path of growth with a select group of customers.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

Financial position

Financial management of the VTG Group

VTG has a capital-intensive business model with a long-term focus. This model is underpinned by the operations of the Railcar Division, whereby the wagons VTG hires out are firmly integrated into the customer's industrial infrastructure. The VTG business model thus requires long-term financing that reflects the long useful life of VTG's wagons. The VTG Group's system of financial management is therefore of great importance. The key elements of this are the management of liquidity and cash, of the capital structure and financial market risks. Current and expected market data is taken into account to support a forward-looking approach. Furthermore, the system includes active management of key financial figures, taking account of the requirements (known as financial covenants) of loan agreements as well as Group-wide management of financial risk.

Management of liquidity and cash

The Group's liquidity requirements are managed through liquidity planning. The companies in the Group report their liquidity requirement or surplus daily. Liquidity requirements are then drawn up on the basis of these reports. The requirements for funds for operations of companies in the Group are covered by shareholders' equity, participation in an automatic cash pool system, intercompany loans and bank loans.

On December 31, 2011, cash and cash equivalents for the VTG Group amounted to € 98.4 million (previous year: € 48.7 million). This increase on the previous year is primarily due to the inflow of funds from the refinancing of the Group in May 2011. VTG also had flexible, as-yet-unused lines of credit, ensuring that the Group was able to honor the payment obligations of VTG AG and its subsidiaries at all times. The stable cash flow from operating activities also provided a good basis for financing.

Capital structure management – Group financing placed on new basis in May 2011

In early May 2011, VTG placed the financing of the Group on a new basis. A US private placement bond issue and a new syndicated loan have now replaced the previous syndicated loan. The bond issue comprises amounts of € 450 million and $ 40 million with terms of seven, ten, 12 and 15 years. The syndicated loan of € 450 million in total comprises a loan (€ 100 million) and a revolving credit line (€ 350 million). The syndicated loan has a term of five years. The Group's financing now has a more long-term orientation in line with long useful life of VTG's wagons. The different maturities, which include some very extended periods, also significantly reduce the future refinancing risk. With these new financing arrangements, VTG has opened up opportunities for growth: the lines of credit the Group now has at its disposal can be used flexibly to continue to expand and diversify the wagon fleet and for further strategic development in the logistics divisions.

Management of currency and interest rate risks

Due to the international nature of its operations, the VTG Group is exposed to certain foreign currency risks. These risks can arise 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. Particularly, fluctuations in exchange rates of the US dollar, the British pound, the Swiss franc, the Russian ruble and the Polish zloty pose a risk. VTG limits this risk with foreign currency hedging contracts, which apply in particular to the Tank Container Logistics Division.

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

Management of loan agreements

The loan agreements entered into in 2011 through the refinancing of the Group 2011 contain financial covenants, i.e. conditions of credit involving certain requirements of key financial figures. To ensure constant compliance with these conditions, the Executive Board of VTG continually monitors these financial covenants in a forward-thinking manner, subjecting them to careful scrutiny.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

Assets and capital structure

As of December 31, 2011, total assets for the VTG Group amounted to € 1,461.9 million, representing an increase of 7.9 %, or € 106.8 million, compared with the previous year (€ 1,355.2 million). The share of fixed assets shrank to 81.6 % of total assets (previous year: 84.9 %), with the share of current assets increasing accordingly. This is largely due to the inflow of funds from the refinancing of the Group, which in turn led to an increase in cash and cash equivalents.

As of the reporting date, equity amounted to € 317.5 million, representing an increase of € 4.5 million, or 1.4 %, on the previous year (€ 313.0 million).

Due to the fact that, proportionally, total assets increased more than equity, the equity ratio decreased to 21.7 % (previous year: 23.1 %).

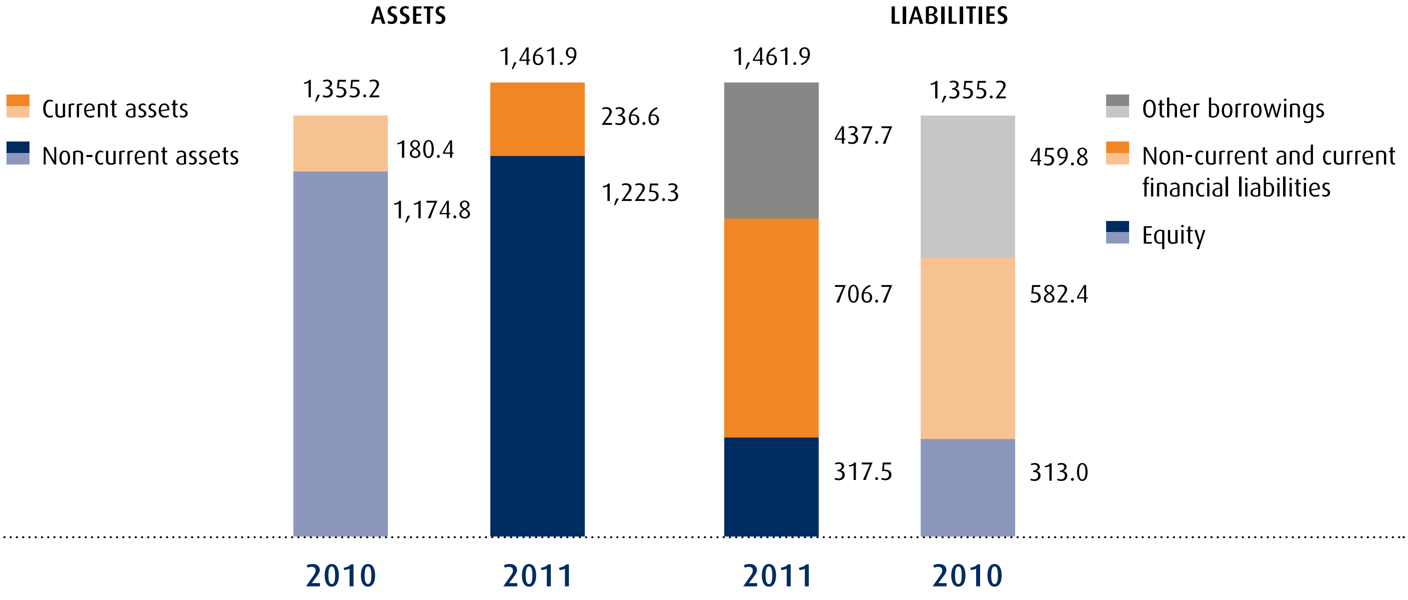
In addition to using on-balance sheet forms of financing to finance its wagons, the VTG Group also makes use of off-balance sheet financing, for example in the form of operating lease agreements.

Capital expenditure

VTG used the year 2011 to push ahead on its path of growth. In the reporting period, capital expenditure amounted to € 182.8 million (previous year: € 168.8 million), of which € 158.7 million was used to invest in fixed assets and for business acquisitions (previous year: € 163.7 million including financial assets and

Balance sheet structure

in € m



acquisitions). The remaining investments of € 24.1 million were financed off-balance through operating lease agreements and mainly involved the takeover of the operations of SCRL in the US.

The majority of investment was, as in the year before, in the Railcar division, amounting to 96.0 % (previous year: 95.7 %). These funds were used mainly to replace wagons to be taken out of service and modernize and expand the fleet. These funds were also used for the business acquisitions made in 2011. The remaining 4.0 % (previous year: 4.3 %) was largely invested in the logistics divisions.

Orders increased continually over 2011 and by December 31, 2011 the number of wagons on order amounted to some 2,500 (previous year: 300 wagons). This shows that there is increasing demand from customers for new wagons. It also underlines VTG's ability to plan and execute construction projects that are attractive to the customer. The wagons are to be delivered in 2012 and 2013.

Cash flow statement

In the financial year 2011, cash flows from operating activities amounted to € 125.6 million, representing a drop of € 12.2 million on the previous year (€ 137.8 million). This was partly due to the increase in business in the logistics divisions and the decrease in working capital.

Cash flows used in investing activities in the reporting period amounted to € 133.3 million, exceeding the level of the previous year by € 13.6 million (2010 level: € 119.7 million). This reflects in particular the increased investment in the construction of new wagons and the acquisitions made in 2011.

In the financial year 2011, cash flows from financing activities amounted to € 55.9 million (previous year: cash outflow of € 12.4 million). This was largely due to the refinancing of the Group, with the figure comprising mainly the inflow of funds from the US private placement and the new syndicated loan, of which a portion has already been utilized. This inflow stood against the outflow of funds used for the repayment of the former syndicated loan and the dividend payment for the financial year 2010.

Share, shareholder structure and dividend policy

In 2011, the capital markets were affected by many uncertainties. Along with others, the VTG share was unable to avoid completely the strong fluctuations this caused. The share began the year with an opening price of € 15.40, going on to rise in the first half of the year. On July 8, 2011, it reached € 19.86, its highest point for the year. Due to the turbulence in the world's equity markets, the VTG share also fell significantly in value from August 2011. After a brief period of recovery and subsequent stabilization, the VTG share fell to its lowest point for the year of € 11.34 on November 25, 2011. At the end of the year, the VTG share recovered again, with a closing price of € 13.30. This represents a drop of 11.3 % on the closing price of 2010 (€ 15.00). However, the VTG share performed better in 2011 than the SDAX benchmark index average (-14,5 %). As of the end of the reporting period, VTG's market capitalization was € 284.5 million (end of 2010: € 320.8 million).

As of December 31, 2011, there was no change in the shareholder structure compared with the end of 2010. Compagnie Européenne de Wagons S.à r.l., Luxembourg, continues to hold 54.57 % of the share capital of VTG AG. A further 6.25 % is held by Samana Capital L.P., Greenwich, Connecticut, USA. Based on the latest information on voting rights, this gives an unchanged free float of 39.18 %.

The Annual General Meeting, held on June 17, 2011 in Hamburg, approved a dividend payment of € 0.33 per share for the financial year 2010. The Executive Board of VTG intends to propose to the 2012 Annual General Meeting the payment of a dividend for the financial year 2011 of € 0.35 per share. This would represent a dividend increase of approximately 6 % 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

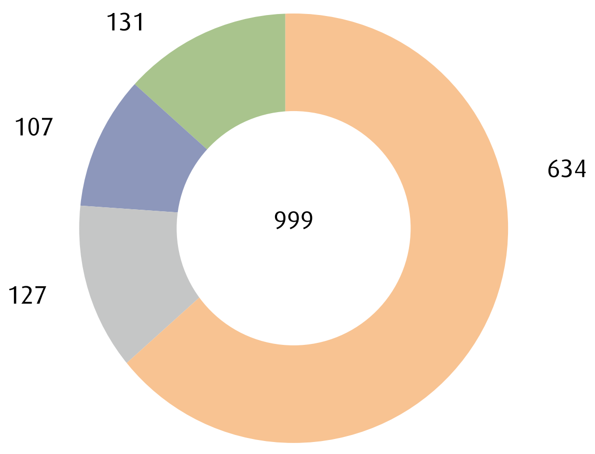
Significant rise in number of employees

As of December 31, 2011, the number of employees in the VTG Group had risen by 17.1 % to 1,170 (previous year: 999). This increase in the workforce applied to all divisions equally. Key factors in this increase were the recruitment of new staff in Germany and the acquisitions. As of the reporting date, there were 778 employees in Germany (previous year: 709), while the number of employees abroad was 392 (previous year: 290). The total number of wage-earning staff was 347 (previous year: 299), of which the great majority were employed in the plant and workshops. There were 787 salaried employees (previous year: 661).

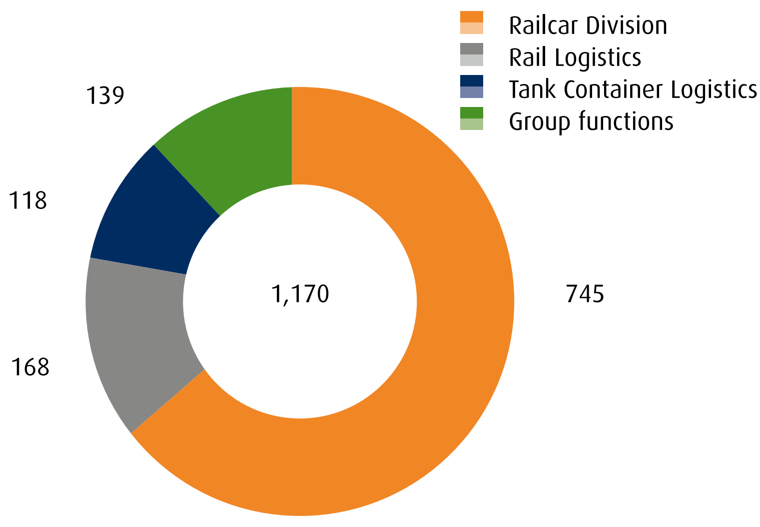
Diverse professional development opportunities

VTG considers well-structured opportunities for development within the company to be a crucial factor in attracting new talent. The company has therefore continued to demonstrate the same level of commitment to training and development as in 2010, employing 36 trainees at the end of the year (previous year: 39). At VTG, 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. Beyond this, VTG also offers on-the-job training combined with university study in business and economics, industrial engineering and business informatics. 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 to students. To attract and secure highly qualified young talent from abroad, study scholarships are also awarded.

Employees by divisions



2010



2011

Attracting well qualified staff in a sparse market

Having well qualified staff in the right posts is essential for VTG to stay competitive. VTG's human resources management departments are therefore focusing their energies on tackling the increasing problem of scarcity of well qualified applicants. Until recently, VTG was able to fill its vacancies with highly qualified staff despite falling applicant numbers. VTG is committed to offering its employees attractive, long-term positions that meet the increasingly higher requirements of applicants. This will ensure that it can continue to fill its posts successfully and it has therefore expanded its human resources activities significantly. With the new "Leadership Excellence" international management training program, VTG is strengthening its middle management so that it is well prepared for the increasing number of challenges ahead, including at an international level. Moreover, structured employee appraisal meetings are used to determine the individual needs of staff in terms of personal and professional development. These needs are then met through various measures such as projects with specific development objectives, structured training and coaching.

Recognizing social responsibilities

VTG recognizes its social responsibilities towards its employees both during and after the stage of active employment. Employees are therefore able to choose from a flexible range of working arrangements that can be agreed upon. These include part-time employment, working from home and parental leave (including leave for fathers). Furthermore, VTG offers its employees a broad range of preventive health measures, for instance vaccinations and check-ups. The attractive benefits of the company pension complete this appealing package. Through deferred compensation, employees can create a financial foundation for retirement 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

VTG has long-standing partnerships with wagon manufacturers in Europe, who collaborate with VTG engineers in the construction of all new wagons for VTG. Furthermore, VTG plays a key role in the development of new wagons and safety equipment and determines the technical specifications for the new wagons.

Waggonbau Graaff, VTG's platform for innovation and design

The Graaff wagon construction plant is part of the VTG Group. This means that VTG can realize its own innovations rapidly, accommodate the specific requirements of customers and create special designs. When a new type of wagon is being developed, this often takes place in collaboration with the customer in order to tailor the wagon exactly to his needs. A key advantage for VTG is Graaff's expertise in the construction chemical and compressed wagons. These tank wagons are used mainly for transporting sensitive goods, particularly hazardous goods, within Europe.

Innovations of 2011 increase customer benefits, protect the environment and save energy

As a platform for innovation and design, Graaff presented three new types of wagon in 2011. The Volume ^{112} provides the customer with a compressed gas tank wagon of the same length as other wagons but with a greater capacity. This means that, with many compressed gases, the cargo weight can be better utilized. Graaff also presented the prototype for a bulk goods wagon, with both side and center-of-track unloading. The relatively short length in relation to the load volume also means that the wagons can optimize cargo load when used in block trains. VTG also presented a transport solution for the British market: a triple-container flat car unit, which can be used to transport many more containers than conventional flat cars. This makes this new wagon type both efficient and environmentally friendly.

Additional production lines expand range of services

Graaff has expanded its range of services with production lines for constructing bogies and converting freight wagons. Moreover, VTG has many years of experience in designing and developing fittings. With this specialist knowledge, Graaff has set up its own production line for fittings. These fittings are used in VTG's own wagons and also supplied to third parties.

Safety and the environment

Systematic expansion of ECM certification

The European safety directives 2004/49/EC and 2008/114/EC together with EU Regulation 445/2011 are placing increasing requirements on companies in terms of responsibility for maintenance and certification of the organization responsible for ensuring all applicable maintenance (entity in charge of maintenance – ECM) of rail freight cars in international rail traffic. The VTG Group has actively implemented the required measures. All companies in the Group that perform the role of wagon keeper have undergone extremely strict internal 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 European safety directives.

Furthermore, as with its quality management system, the VTG Group has had its maintenance and safety management system certified in Germany, the UK, France, Italy, Austria and Switzerland by an auditor with special accreditation for this area. The knowledge gained from these audits is being out to use in operational workflows to improve maintenance and thereby further improve safety in rail freight traffic.

Successful audits of all divisions demonstrates effectiveness of quality and safety management

In the reporting period, audits were performed for the VTG Group in all divisions by the certification body Germanischer Lloyd in accordance with ISO 9001:2008. This has proved extremely useful in ensuring continued high quality and enhancement of equipment and services. Graaff's quality management system has now been successfully integrated into Wagon Hire Europe as a whole. Germanischer Lloyd has confirmed this with a special audit. In the future, the maintenance workshops in Wagon Hire will also be audited in order to further improve the quality of the work performed and the standing times of wagons.

Furthermore, customers of VTG also performed audits once again in all three divisions with a particular focus on safety and process optimization. The outcome of these audits was successful for VTG, demonstrating the high performance of its quality and safety management systems.

Improved environmental safety

VTG has, as planned, successfully completed the modernization of its facility for cleaning mineral oil and chemical tank cars for the Brühl workshop. VTG also intends to continue to implement environmental protection measures on an ongoing basis. One example of this commitment is evident at the workshop in Joigny in France, where, in 2010, VTG modernized much of its equipment for ensuring the handling of dangerous goods to higher environmental safety standards.

Improved health and safety in the workplace

With its three divisions, the VTG Group has focused its operations on sensitive goods, the handling of which demands great expertise. Because of this, health and safety in the workplace play an especially important role. In 2011, VTG therefore took the first steps towards implementing a management system at the Brühl workshop in accordance with BS OHSAS 18001, with the aim of improving health and safety in future. The management system should be fully in place in the course of 2012. This management system has clear objectives regarding safety walkabouts and workplace and risk analyses to ensure more systematic and effective avoidance of accidents.

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, 2011, 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 relationships, please refer to the notes to the financial statements of VTG AG as of December 31, 2011.
- There are no shares with special rights that confer powers of control.
- The Executive Board of VTG AG does not know how any employees sharing in the capital of VTG AG intend to exercise their voting rights.
- The provisions on the nomination, dismissal and composition of the Executive Board are based on § 84 (1) of the German Stock Corporation Act and § 6 of the Articles of Association of VTG AG as well as § 9 of the Rules of Procedure of the Supervisory Board. Where there are no mandatory legal provisions to the contrary, resolutions on changing the Articles of Association are passed by a simple majority of the votes cast and, where the law requires a capital majority beyond a majority vote (§ 179 (2) German Stock Corporation Act), by a simple majority of the share capital represented at the time of the passing of the resolution.
- With its resolution of June 17, 2011, the Annual General Meeting authorized the Executive Board of VTG AG to increase, with the approval of the Supervisory Board, the share capital of VTG AG for the period up to June 17, 2016 once or multiple times up to a total amount of € 10,694,444.00 (authorized capital) by issuing new no-par value bearer shares against contributions in cash and/or kind. Shareholders are generally to be granted subscription rights. Subscription rights can also be granted indirectly, in that shares are taken over by one or more credit institutions appointed by the Executive Board or entities under § 53 (1) sentence 1 or § 53 b (1) sentence 1 or § 53 b (7) of the German Banking Act with the obligation of offering these to shareholders for subscription (indirect subscription right). The Executive Board is however authorized, with the consent of the Supervisory Board, to exclude subscription rights of shareholders in the following cases: (i) capital increases in exchange for a non-cash contribution granting shares for the purpose of acquiring companies, parts of companies, shareholdings in companies or other assets or within the context of business combinations or for the purpose of issuing shares to employees of VTG AG or affiliated companies in accordance with the legal provisions, (ii) to the extent necessary to grant subscription rights for new shares to holders of the warrants and convertible bonds issued by VTG AG or its subsidiaries to the extent to which they would be entitled after exercising the option or conversion rights or after fulfillment of the option or conversion obligations, (iii) to exclude any fractional amounts from subscription rights, and (iv) in the case of capital increases in return for cash contributions, if the issue price of the new shares is not substantially lower, within the meaning of § 203 (1) and (2) and § 186 (3) sentence 4 of the German Stock Corporation Act, than that of already listed shares of the same class and with the same terms at the time the final issue price is determined by the Executive Board and if the proportion of the share capital represented by the new shares for which subscriptions rights are excluded does not exceed 10 % of the share capital at the time of the adoption of the resolution by the Annual General Meeting or – if this figure is lower – of the share capital at the time of the exercise of this authorization. Shares that are sold during the term of the authorized capital with the exclusion of shareholders' subscription rights in accordance with § 71 (1) no. 8 sentence 5 and §186 (3) sentence 4 of the German Stock Corporation Act as well as shares that are issued to service warrants or convertible bonds with option or conversion rights (provided that the bonds are issued during the term of the authorized capital with the exclusion of subscription rights in accordance with. § 221 (4) and § 186 (3) sentence 4 of the German Stock Corporation

Act) are counted towards the maximum limit of 10 % of share capital. The Executive Board is authorized, with the approval of the Supervisory Board, to specify the further particulars of the capital increase and its execution, including the rights accruing to the shares and the terms of issue. Further details can be found in § 4 (5) of the Articles of Association. VTG has as yet not exercised these powers.

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

issue of the bond. If subscription rights are granted, the price must amount to at least 80 % of the volume-weighted average price of the shares of VTG AG in the electronic trading system of the Frankfurt Stock Exchange during the subscription period (with the exception of the days of the subscription period that are required for the option or conversion price to be announced in time in accordance with § 186 (2) sentence 2 of the German Stock Corporation Act). The Executive Board is authorized, with the approval of the Supervisory Board, to specify all further details of the issue and terms of the bonds. VTG AG has as yet not exercised these powers.

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

Remuneration report

Executive Board

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 members of the Executive Board in connection with their work as well as health and long-term care insurance benefits equivalent to the employer's contribution to statutory health and long-term care insurance. Furthermore, the company bears the cost of insurance for the event of death or invalidity of members of the Executive Board, in addition to travel baggage insurance and directors' and officers' liability insurance. 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 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 first executive board contract is null and void with effect from December 31, 2011. The second contract was, with effect from January I, 2012, replaced by a contract containing a multi-year assessment within the meaning of § 87 (1) sentence 3 clause 1 of the German Stock Corporation Act.

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, 2011, the company had set up provisions for post-employment benefits for members of the Executive Board amounting to € 3.6 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, 2011.

Supervisory Board

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

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

The total costs of remuneration of the Supervisory Board are given in the notes to the consolidated financial statements of VTG AG as of December 31, 2011.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

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 its website www.vtg.de (These announcements can be found 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 process-dependent and process-independent elements:

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

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

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

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

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

Specific risks related to Group accounting

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

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

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

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

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

Discussion of major specific risks

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

Capacity utilization risk

Particularly in periods of recession, there is a risk of declining capacity utilization. However, VTG's customers generally enter into long- to medium-term contracts. The customer base extends across many different industries and includes a high number of established names with a high credit rating. Another advantage is that, due to their mobility, the wagons can be hired out both in across different countries and different sectors. VTG's wagons securely underpin customers' production processes due to the fact that they are firmly integrated into their logistics workflows, securing the flow of materials between the various production sites. This means that VTG is less susceptible to cyclical fluctuations, as is emphatically borne out by past capacity utilization levels. Even in times of recession, these levels have remained within a certain range. In the last business cycle, capacity utilization fell to its lowest point of 87.0 % at the end of the first quarter. It then went on to rise again steadily, reaching 91.5 % at the end of 2011. A change in capacity utilization directly impacts the level of rental income.

Default risk

The VTG Group has a well-developed accounts receivable management system covering all companies in the Group. However, although Group's customer base comprises mainly well-known 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, there were no substantial defaults in payment in the recent difficult economic phase. Both logistics divisions use all avenues to secure payment of receivables, for example by means of bank guarantees and advance payment, as they mostly advance funds to pay customers' freight costs. Furthermore, recognized default risks relating to individual receivables and general credit and collection risks are covered by appropriate specific reserves and global write-downs based on experience. In addition, the Group has concluded credit risk insurance contracts.

Financial risks related to financial covenants

The VTG Group entered into new financing arrangements in 2011. These new arrangements involve a US private placement bond issue and new loan agreements with various banks. The contractual agreements contain conditions of credit known as financial covenants. The main conditions are:

- a certain ratio of consolidated net financial liabilities to consolidated EBITDA,
- a certain ratio of consolidated EBITDA to consolidated net interest income and
- a certain ratio of consolidated net financial liabilities to the value of the actual collateralized tangible fixed assets.

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

Foreign currency risk

Due to the international nature of its business activities, the companies in the VTG Group are exposed to exchange rate fluctuations on the currency markets. At present, the companies in the VTG Group have an excess of trade receivables over trade payables in US dollars and thus have a net loss in this currency. In line with the hedging policy of the Group, the planned net cash flows are largely covered. Moreover, in the course of the financial year, VTG hedges additional anticipated surpluses of foreign currencies with individual forward currency contracts. In future, VTG also intends to continue to hedge currency risks from planned operations through forward transactions prior to receipt of payments. For further information on the foreign currency risk, please refer to the section "Currency risk" under "Reporting on financial instruments" in the Consolidated Financial Statements, p. 122 et seq.

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.

Information technology risks

The security of information in companies is continually threatened on a global scale. These risks could increase, potentially endangering the systems and application in use in the VTG Group. This situation could have a negative impact on the confidentiality, availability and reliability of data and systems that are needed for operations. To counteract this threat, the VTG Group takes security measures that are standard in the industry, including virus scanners, firewalls, and the backup provided by a second data center. To ensure the efficiency and security of business processes both now and in the future, VTG performs continual checks and regularly develops the company's IT systems.

Investment risk from newly ordered wagons

VTG regularly invests large sums in the maintenance, modernization and expansion of the wagon fleet, to keep the wagons up to current standards for their age and capacity and improve quality. As of December 31, 2011, the number of wagons on order for delivery in 2012 and 2013 amounted to some 2,500. The risks involved for VTG include the possibility that the suppliers cannot deliver the wagons or that the customers no longer wish to accept the wagons. VTG counters this risk by maintaining close contact with both suppliers and customers. Moreover, VTG ensures that the great majority of wagons ordered already have customer contracts attached to them at the point of the placing of the order for the new wagon. Thus, in the crisis year of 2009, more than 1,100 new wagons were built and the majority of these were delivered straight to customers.

Liquidity risk

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

Market risk

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 have been 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.

Personnel risks

As a result of demographic developments and the increasing number of regulations and technical requirements relating to both rail freight traffic and hazardous goods, the competition to secure highly qualified staff in these fields looks set to stiffen. VTG's employees are committed to ensuring the continual enhancement of VTG's products, quality standards and reliability of service. Many employees remain with the VTG Group for a long time and this loyalty is reflected in a high average period of employment.

One key to the future success of the VTG Group will be the degree to which VTG can continue to succeed in recruiting qualified staff and integrating these employees into the company so that they remain with VTG over the long term. The Group has implemented a series of measures to achieve this and, with its Competency Model, VTG has defined the key competencies for developing human resources. Within these areas of competency, enables members of staff to develop their professional skills with a broad range of training opportunities. VTG has also introduced special programs such as the Leadership Excellence program to foster the potential of current and future managers and other members of staff with special skills. Finally, this range of human resources programs is supported by a socially equitable policy of salary development that meets both the needs of employees and the economic needs of the company.

Price change risk

There is generally a price change risk and this is of particular significance for the Railcar division. Overall, prices have remained stable in recent years, with a slight upward trend, and this was also the case during the economic difficulties of 2009 and 2010. This positive trend continued in 2011. In the Railcar division, when customers' requirements for freight space declined, they generally responded by reducing the number of wagons they had on hire. The VTG Group offers its customers high quality wagons and advisory services and views the price change risk as controllable due the fact that it monitors the market extremely closely and maintains a close relationship with the customer.

Regulatory and technological risks

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

Although the authorities have not specified binding requirements, VTG is continuously developing its maintenance management system for rail freight cars in order to minimize technological risks. For example, VTG has systematically implemented its program, launched in late 2009, to equip a large proportion of its wagon fleet with stronger wheel sets, while new rail freight cars are fitted only 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 the operation of rail freight cars.

Interest rate risk

After releasing itself early from its previous loan agreement in May 2011, the VTG Group replaced this with a new syndicated loan and a US private placement. Due to the variable-interest financial liabilities to banks resulting from the new syndicated loan, VTG is exposed to an interest rate risk that can change depending on the market interest rate. The interest rate hedges (interest rate derivatives) put in place for the previous loan agreement run until the middle of 2012 and 2015 and cover the risk of increases in interest for the new syndicated loan. However, a portion of these interest rate hedges running until mid-2012 and 2015 is now recognized in profit or loss due to the lack of a hedging relationship. The interest rate hedges are measured at market value, with the portion no longer in a hedging relationship being recognized in profit or loss and the effective portion recognized in equity. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT, net profit for the Group and VTG's equity. The trend in the interest rate was downward in the second half of 2011, leading to a negative market evaluation and thus higher financing expenses. The US private placement bond has a fixed interest rate, meaning there is no interest rate risk arising from this credit relationship. For further information on the interest rate risk, please refer to the section "Interest rate risk" under "Reporting on financial instruments" in the Consolidated Financial Statements, p. 122.

Future business opportunities and risks

The VTG Group was served well in 2011 by its strategy of long-term growth, policy of targeted investment and good cost management.

The VTG business model with its focus on the long term means that any short-term clouding over of the economy barely impacts VTG's business. Only if this develops into a longer-term, deeper economic crisis could it lead falling demand for VTG's 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.

VTG is in a very good position with regard to liquidity. This is due to its consistently strong operating cash flow, the quality and creditworthiness of its diverse customer base, its new long-term financing agreements and its lines of credit. The restructuring of the financing of the Group in May 2011 means that it has substantial funds at its disposal. Moreover, the new financing arrangements have significantly reduced the refinancing and interest rate risk.

The long-term outlook for rail freight traffic is good. In particular, these include the increase in freight volume due to rising international trade, harmonization of technical standards for the railway and the increased appeal of rail freight transport through the expansion of the European Union. 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. 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 the Railcar division, Rail Logistics and Tank Container Logistics as leading providers in each of these three markets.

The Railcar Division

The Railcar division supplies a large number of companies with wagons that they hire over the medium to long term, integrating these into their logistics infrastructure. The Railcar division is the VTG Group's most profitable and stable operational division. In the last financial year, the division once again pushed up capacity utilization, which reached its highest point of 91.5 % on December 31, 2011.

The Railcar division is also well equipped for expanding its business in future within both current and new regions and industries. Factors supporting this expansion include constant monitoring of the market and VTG's strategy of continued diversification.

Within the VTG Group, the Graaff wagon construction ensures the provision of key production capacity for building special wagons to enable further diversification and modernization of the VTG fleet in future. As a platform for design and innovation, Graaff also provides valuable expertise for the enhancement of the fleet and development of new wagons. This means that, on the one hand, VTG can realize its own innovations rapidly. On the other, VTG is able to accommodate the specific requirements of customers and special designs, with any new findings remaining within the company.

In 2011, VTG increased its wagon fleet in North America to some 4,200 through the takeover of the operations of SC Rail Leasing America. This represented a more than doubling of its fleet in the region. VTG aims, over the medium term, to push its wagon numbers in North America into five figures to generate further growth. When assessing potential acquisitions, VTG pays particular attention to ensuring there is a good balance between the acquisition cost and expected returns and that the funds used are safely covered by long-term hire contracts. Due to the small size of the fleet to date in this market, the risk to the VTG Group in North America can generally be considered as minor.

In 2011, with the takeover of a fleet of some 870 wagons, VTG commenced operations in the markets of the Russian Federation and its neighbors. Due to the trend of rising production in this 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 risk to VTG in this market can be considered minor due to the small size of the fleet.

Additionally, in Europe, the Railcar division used the year 2011 to restructure its fleet management system, setting up an international management committee to oversee operations at a pan-European level.

Experts anticipate restrained growth over the next two years. For this reason, the Railcar division expects a slight upward trend in business in 2012 and 2013, with capacity utilization fluctuating slightly but remaining at a generally good level.

05 FINANCIAL INFORMATION

VTG Group Management Report for the period from January 1 to December 31, 2011

Rail Logistics

On balance, 2011 was a very good financial year for the Rail Logistics division, with significant increases in revenue and profit. In the reporting period, business in eastern and southeastern Europe was particularly good. Furthermore, Rail Logistics made use of the year to draw up a growth strategy for the coming years. This strategy should create significant significant increases in revenue in the next few years.

The division's main objective in 2012 is to implement this strategy and continue on its path of growth. To achieve this, it is to expand its range of services throughout Europe, with a focus not only on the core market of liquid goods (mineral oil and chemical products) but also on agricultural products and industrial goods (e.g. steel products and machine parts). These three groups of products are all highly profitable, with great market potential. With this strategy, the objective is to expand current shares of the market and services, with great potential in terms of chemicals and agricultural products. With this new orientation, the division intends to access new customer groups and regions and so take more traffic off the road and onto the railway.

The organizational changes involved in this re-orientation of the division are expected to bring benefits in terms of the purchase and delivery of services. This should in turn make the division more competitive in respect of quality, performance and flexibility.

Of course, the division's trajectory of growth could be affected by a downturn in the economy. Another risk is the limited availability of locomotives and wagons and an intensely competitive market, as publicly owned companies do not pass on higher costs to such a degree to the market.

The process of drawing up the division's new strategy for growth has incurred one-time pre-operating costs. However, armed with this new strategy, Rail Logistics should perform well in 2012, creating a firm foundation for further successful growth in 2013.

Tank Container Logistics

In 2011, Tank Container Logistics recorded an increase in demand for transport services compared with 2010. Demand fell off in the third quarter, stabilizing at this lower level in the final quarter. This was due to uncertainty, against the background of the global economic situation, about the future of key markets for chemical industry sales.

The modest growth in demand forecast generally for 2012 could also apply to demand for logistics services in key markets. This could bring with it increasingly stiff price competition, with prices falling even more as further transport capacity is provided.

Tank Container Logistics intends to respond to this possibility by utilizing its established market position in Europe, America and Asia and detailed knowledge of these markets to optimize transport structures. One particular aim is to push ahead with expanding operations in the growth regions of eastern Europe and Asia. These activities are to be underpinned by the division's core principles of safety, quality and reliability. The division's high quality customer service and customized transport solutions are also advantageous in maintaining the loyalty of existing customers and gaining new ones. These advantages can in turn help the division grow sustainably and profitably in future.

Tank Container Logistics is also regularly investigating the various possibilities for using the tank container fleet flexibly according to opportunities in the market as well as taking swift, corrective action in the case of overcapacity. One solution is to cancel the hire of rented equipment. These measures do not affect the division's strategy of continued growth, which it pursued systematically in 2011.

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. This risk is mostly covered by forward currency contracts.

Tank Container Logistics is confident that it is in a position to respond flexibly to change in an uncertain market environment. It expects to be able to successfully exploit market opportunities arising from changes in the nature or location of flows of transport. Although at a slower rate, the division expects to continue on its path of growth and achieve good results in 2012 and 2013.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

VTG keeps industry moving as a key partner for smooth flows of goods

With its wagons, VTG provides its customers with a secure underpinning for their production processes. Customers use the wagons as “mobile pipelines”, ensuring smooth production flows and transports between plants. The Railcar division is supported by the two logistics divisions, Rail Logistics and Tank Container Logistics, in ensuring this supply of essential goods for industry needs. With these three closely interwoven divisions, VTG has positioned and established itself as the partner of choice for ensuring the smooth flow of goods for industry.

Integration into industrial workflows means solidity and stability even in periods of economic uncertainty

The VTG Group’s has an extremely robust business model that provides great stability even periods of economic uncertainty. The Railcar division, VTG’s core operational division, generates some 93 % of EBITDA, which is one of the key control parameters in the Group. VTG’s wagons are firmly integrated into customers’ production flows as part of their industrial infrastructure, thereby ensuring the supply of essential goods for industry needs. The essential nature of this aspect of VTG’s business for industry in turn lends VTG solidity and stability. Furthermore, the fact that customer secure VTG’s wagons with hire contracts running over the medium to long term lends even greater stability. Because of the scarcity in the market of many types of wagon, customers also generally retain these wagons for long periods even in time of economic downturn or recession. Moreover, through its pan-European operational network, VTG is able to hire out returned wagons again in different countries and so respond flexibly to shifts in demand. VTG also benefits from its extremely diverse customer base, with more than 1,000 customers from almost every branch of industry. This makes the Group less dependent on the economic fortunes of individual sectors than companies specializing in a specific sector only.

New financing arrangements open up opportunities for long-term growth

In addition to ensuring stability and solidity with its robust business model, VTG considers it important to remain flexible. With the restructuring of the financing for the Group in May 2011, including a US private placement, VTG has laid the foundation for long-term growth, broadened its investor base and strengthened its already good partnerships with the banks in the European market. VTG now has an open financing platform with which various means of finance can be combined. The new financing structure covers various tranches with various terms of up to 15 years. This means that the wagons can be financed over the long period of their useful life, which in turn has greatly reduced the refinancing risk. The private placement bond as a capital market product represents a new source of finance for VTG and allows for greater future flexibility in the funding of projects.

With the new financing arrangements for the Group including the flexible lines of available credit, VTG can continue to push ahead on its path of growth, diversify the wagon fleet and continue to responsibly implement the strategy for the logistics divisions.

Experts anticipate restrained economic growth in 2012

The recovery in the global economy seen in 2010 continued into early 2011, although growth was at a restrained rate. This trend was partly due to temporary factors such as the slump in production in Japan after the earthquake and increases in the cost of raw materials. The subsequent cooling of economy in the second half of the year was in part due to the worsening of the national debt crisis in the eurozone. In addition to this still ongoing and unresolved national debt crisis, uncertainties about economic growth in the US and the weak momentum in the newly industrialized countries are dampening economic growth and clouding the outlook. Against this background, the Kiel Institute for the World Economy expects the global economy to grow at a more moderate rate in 2012 and 2013, with stronger growth in the newly industrialized countries than in the industrialized ones. Accordingly, experts in the eurozone anticipate a slight fall in GDP of 0.1 % in 2012 and a small increase of 1.2 % in 2013. In Germany, increases of 0.5 % and 1.7 % are expected for 2012 and 2013 respectively. In the newly industrialized countries, the rates of growth are expected to be 6.0 % in 2012 and 6.5 % in 2013. Additionally, in the key industries in which VTG's customers operate, for instance the chemical industry, only moderate growth is expected in the coming year due to uncertainty about the unresolved national debt crisis in the eurozone.

Despite uncertain market environment, VTG looks confidently to 2012

Having returned to its path of long-term growth in 2010, the financial year 2011 proved a successful one for VTG. Over the year, several key measures paid off for VTG. These included systematic adherence to the corporate strategy, targeted investments in both current and new markets, innovation in wagon construction and design and good cost management. In the first six months of the year in particular, the good economic climate was favorable for growth in the markets in which VTG operates. This in turn was reflected in the performance of all three divisions.

In the Railcar division, the positive impact of this was seen in the steady increase in capacity utilization. Given the more modest expectations that many customers have for their business in 2012, capacity utilization in the Railcar division should remain at a good level during the year, albeit with slight fluctuations. Furthermore, rental charges are expected to increase slightly to cover the rising costs of technical support for the wagon fleet. In addition to strategic acquisitions, VTG also pursued organic growth, with the number of new wagons on order and still awaiting delivery reaching a record level of around 2,500 at the end of 2011. For the large part, these wagons already have hire contracts attached to them. Delivery of the most of the wagons is planned for the second half of 2012 (the bulk of delivery) and in the course of 2013. The effect of this will however first be seen in the results for the years 2013 and 2014. Thus the Railcar division should see a slight upward trend in business in 2012 and 2013.

The Rail Logistics and Tank Container Logistics divisions recorded good levels of demand for transport services in the financial year 2011. Rail Logistics anticipates a positive trend in business in the years 2012 and 2013. This is because it expects its new strategy of growth, drawn up in 2011, to bring in significantly higher levels of revenue. In the financial year 2012, however, these increases in revenue will be affected by one-time pre-operating costs, so that the full positive impact of this new growth strategy will likely first be felt in 2013. In Tank Container Logistics, the expectation is that the division will be able to continue on its path of growth in 2012 and 2013, although probably at a slower rate. Nevertheless the division expects to be able to successfully exploit market opportunities arising from changes in the nature or location of flows of transport.

Based on these assumptions, the Executive Board of VTG AG expects revenue for the Group for the financial year 2012 to be in the range of € 760 – 800 million and EBITDA to be between € 170 and 178 million. For the financial year 2013, The Executive Board of VTG AG foresees no fundamental change in the development of business for the VTG Group. The Group intends to continue to pursue its path of responsible growth. The Executive Board of VTG AG has based these forecasts on the fundamental assumption that the global economic situation will remain generally stable despite the existing uncertainties.

In May 2011, VTG restructured the financing of the Group, thereby laying a secure foundation for long-term growth. Interest rate hedges from the former financing arrangements are still in place. Due to the lack of a hedging relationship, these must now be measured at market value and recognized in profit or loss until the end of their term. For the years 2012 and 2013, this means that EBT and the net profit for the Group could be affected to some degree, either positively or negatively, depending on the market interest rate. However, this effect should diminish over time through increased use of the funds made available through the refinancing. This has no effect on the dividend policy of VTG.

Intended dividend payment of € 0.35 for financial year 2011

The Executive Board of VTG intends to propose to the Annual General Meeting 2012 the payment of a dividend of € 0.35 per share for the financial year 2011. This would represent a dividend increase of 6 % on the previous year.

Consolidated Financial Statements of VTG AG as of 31st December 2011

CONSOLIDATED FINANCIAL STATEMENTS OF VTG AKTIENGESELLSCHAFT

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT
for the period January 1 to December 31, 2011

€ '000	Notes	**1.1. to 31.12.2011**	1.1. to 31.12.2010
Revenue	(1)	750,005	629,438
Changes in inventories	(2)	–719	–1,950
Other operating income	(3)	34,619	24,864
Total revenue and income		**783,905**	**652,352**
Cost of materials	(4)	430,325	337,278
Personnel expenses	(5)	65,866	52,636
Impairment, amortization and depreciation	(6)	96,446	91,424
Other operating expenses	(7)	120,002	108,948
Total expenses		**712,639**	**590,286**
Income from associates		**1,016**	**889**
Financing income		2,808	927
Interest expenses		–69,250	–31,280
Financial loss (net)	(8)	**–66,442**	**–30,353**
Profit before taxes on income		**5,840**	**32,602**
Taxes on income and earnings	(9)	–2,155	–11,979
Group net profit		**3,685**	**20,623**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		1,737	19,530
Non-controlling interests		1,948	1,093
		3,685	**20,623**
Earnings per share (in €)			
(undiluted and diluted)	(10)	0.08	0.91

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

€ '000	Notes	1.1. to 31.12.2011	1.1. to 31.12.2010
Group net profit		**3,685**	**20,623**
Currency translation		2,016	6,849
Hedge accounting and revaluation of financial instruments		−402	−2,350
Transfer of the ineffective portion of the interest hedges to income statement		6,790	0
Actuarial gains and losses from pension provisions	(24)	554	−1,191
Other measurement changes not affecting profit		0	−14
Other comprehensive income		**8,958**	**3,294**
Comprehensive income		**12,643**	**23,917**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		10,747	22,834
Non-controlling interests		1,896	1,083
		12,643	**23,917**
Thereof deferred taxes:			
Hedge accounting and revaluation of financial instruments		198	1,157
Transfer of the ineffective portion of the interest hedges to income statement		−3,344	0
Actuarial gains and losses		−311	596
Change in other measurement differences		0	5
		−3,457	**1,758**

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

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

05 FINANCIAL INFORMATION

Consolidated Financial Statements of VTG AG as of 31st December 2011

CONSOLIDATED BALANCE SHEET

ASSETS

€ '000	Notes	**31.12.2011**	31.12.2010
Goodwill	(11)	158,302	158,248
Other intangible assets	(12)	59,528	59,956
Tangible fixed assets	(13)	950,424	908,748
Investments in associates		16,813	16,767
Other financial assets	(14)	7,564	7,400
Fixed assets		**1,192,631**	**1,151,119**
Other receivables and assets	(17)	11,033	1,738
Deferred income tax assets	(18)	21,633	21,897
Non-current receivables		**32,666**	**23,635**
Non-current assets		**1,225,297**	**1,174,754**
Inventories	(15)	**18,010**	**15,146**
Trade receivables	(16)	83,871	84,374
Other receivables and assets	(17)	31,304	30,027
Current income tax assets	(18)	4,192	2,150
Current receivables		**119,367**	**116,551**
Cash and cash equivalents	(19)	**98,019**	**48,710**
Current assets		**235,396**	**180,407**
Non-current assets held for sale	(28)	**1,255**	**0**
		1,461,948	**1,355,161**

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000	NOTES	**31.12.2011**	31.12.2010
Subscribed capital	(20)	21,389	21,389
Additional paid-in capital	(21)	193,743	193,743
Retained earnings	(22)	110,813	113,512
Revaluation reserve	(23)	−12,005	−18,393
Equity attributable to shareholders of VTG Aktiengesellschaft		**313,940**	**310,251**
Non-controlling interests		**3,535**	**2,748**
Equity		**317,475**	**312,999**
Provisions for pensions and similar obligations	(24)	42,823	44,800
Deferred income tax liabilities	(25)	136,490	137,722
Other provisions	(26)	20,929	20,884
Non-current provisions		**200,242**	**203,406**
Financial liabilities	(27)	681,356	530,511
Derivative financial instruments	(27)	15,616	17,900
Other liabilities	(27)	708	1,514
Non-current liabilities		**697,680**	**549,925**
Non-current liabilities		**897,922**	**753,331**
Provisions for pensions and similar obligations	(24)	3,483	3,766
Current income tax accruals	(25)	33,710	29,542
Other provisions	(26)	38,316	44,219
Current provisions		**75,509**	**77,527**
Financial liabilities	(27)	25,370	51,917
Trade payables	(27)	115,663	131,247
Derivative financial instruments	(27)	16,339	9,570
Other liabilities	(27)	13,599	18,570
Current liabilities		**170,971**	**211,304**
Current liabilities		**246,480**	**288,831**
Liabilities related to non-current assets held for sale	(28)	**71**	**0**
		1,461,948	**1,355,161**

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ ’000	Subscribed capital	Additional paid-in capital	Retained earnings	(thereof differences from currency translation)	Revaluation reserve	Equity attributable to shareholders of VTG Aktiengesellschaft	Non-controlling interest	**Total**
Notes	(20)	(21)	(22)		(23)			
As of 31.12.2009	**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 profit			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**
Group profit			1,737			1,737	1,948	3,685
Dividend payment by VTG Aktiengesellschaft			−7,058			−7,058		−7,058
Dividend distribution						0	−1,081	−1,081
Hedge accounting and revaluation of financial instruments					−402	−402		−402
Transfer of the ineffective portion of the interest hedges to income statement					6,790	6,790		6,790
Actuarial gains and losses from pension provisions			547			547	7	554
Currency translation			2,075	(2,075)		2,075	−59	2,016
Miscellaneous changes						0	−28	−28
Total changes	**0**	**0**	**−2,699**	**(2,075)**	**6,388**	**3,689**	**787**	**4,476**
As of 31.12.2011	**21,389**	**193,743**	**110,813**	**(3,924)**	**−12,005**	**313,940**	**3,535**	**317,475**

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

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

€ '000	Notes	1.1. to 31.12.2011	1.1. to 31.12.2010
Operating activities			
Group profit		3,685	20,623
Impairment, amortization and depreciation		96,446	91,424
Financing income		−2,808	−927
Interest expenses		69,250	31,280
Income tax expenses		2,155	11,979
SUBTOTAL		**168,728**	**154,379**
Other non-cash expenses and income		−591	−440
Dividends received from at-equity investments		1,498	1,304
Income taxes paid		−6,461	−6,576
Income taxes received		50	395
Profit/loss on disposals of fixed asset items		−7,590	−4,811
Changes in:			
Inventories		−3,493	6,242
Trade receivables		3,390	−10,325
Trade payables		−13,504	7,185
other assets and liabilities		−16,426	−9,583
Cash flows from operating activities		**125,601**	**137,770**
Investing activities			
Payments for investments in intangible and tangible fixed assets		−134,408	−121,152
Proceeds from disposal of intangible and tangible fixed assets		32,250	32,721
Payments for investments in financial assets and company acquisitions (less cash and cash equivalents received)		−25,038	−31,181
Proceeds from disposal of financial assets		46	23
Loan disbursements		−5,024	−167
Changes in financial receivables		−2,316	−300
Receipts from interest		1,226	350
Cash flows used in investing activities		**−133,264**	**−119,706**
Financing activities			
Payments of dividends of VTG Aktiengesellschaft		−7,058	−6,417
Payments to non-controlling interests		−1,081	−1,097
Payments to acquire shares of non-controlling interests		0	−1,500
Receipts from the taking up of (financial) loans		617,743	55,592
Borrowing costs		−12,093	−540
Repayments of bank loans and other financial liabilities		−504,560	−31,808
Interest payments		−37,078	−26,580
Cash flows used in/ from financing activities		**55,873**	**−12,350**
Change in cash and cash equivalents		**48,210**	**5,714**
Effect of changes in exchange rates		−103	401
Changes due to scope of consolidation		1,547	0
Balance at beginning of period	(19)	48,710	42,595
Balance of cash and cash equivalents at end of period	(19)	**98,364**	**48,710**
of which freely available funds		**96,605**	**46,960**

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

The explanatory notes on pages 80 to 136 form an integral part of these consolidated financial statements.

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

1. General Information

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

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

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

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

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

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on February 23, 2012.

2. Principles of accounting

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

The consolidated financial statements were prepared 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.

Principles of consolidation

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

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

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

Investments in companies where the VTG Group is able to exercise significant influence over business policy (associates) are accounted for at equity. Entities with an ownership percentage of between 20 % and 50 % are, as a general rule, accounted for at equity. The first and last date of at-equity accounting is determined in line with the principles that apply for subsidiaries. The most recent financial statements of these entities serve as the basis for consolidation under the equity method. As of December 31, 2011, two companies are accounted for under the at-equity method. The complete list of equity investments is presented on pages 128 to 129.

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

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

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

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

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

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

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

Currency translation

The items included in the financial statements of any Group company are measured in the currency 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 =	**31.12.2011**	31.12.2010	**2011**	2010
British Pound	0.8372	0.8630	0.8678	0.8585
Chinese Yuan Renminbi	8.1485	8.7697	9.0006	8.9712
Polish Zloty	4.4553	3.9675	4.1187	3.9969
Russian Ruble	41.7428	40.5280	40.8798	40.3042
Swiss Franc	1.2162	1.2442	1.2339	1.3831
US Dollar	1.2938	1.3282	1.3922	1.3274

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

Recognition of revenue

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

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

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

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.

Balance sheet structure

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

Unplanned impairment losses

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

There was no requirement for significant impairment losses or reversals in the VTG Group in the financial year 2011 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. Other significant planning assumptions and the opportunities and risks of future development can be found in the relevant sections of the Group Management Report. In order to determine useful lives, risk-oriented interest rates appropriate to the market were applied. The pre-tax interest rates are between 7.1 % and 7.3 %, while in the previous year they were between 6.0 % and 6.7 %.

Other intangible assets

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

Due to their indefinite useful life, brand values are not amortized, rather they are subject to an annual impairment test in which the book value of the brands is compared with the fair value. The fair values are 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 normally amortized on a straight-line basis in the subsequent periods up to 20 years.

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

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

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

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

Research costs are not capitalized but are expensed as incurred.

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

Tangible fixed assets

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

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

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

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

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

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

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

Lease agreements

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

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

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

c. **Financial assets held to maturity**

   There are no assets in the VTG Group that 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. Transaction costs arising from the refinancing of the Group for the setting up of as-yet-unused lines of credit are capitalized and distributed over the term of the credit agreement using the effective interest method. Differences between the disbursement amount and repayment amount are charged like transaction costs to income over the term of the borrowing, applying the effective interest method. Loan liabilities are classified as current if the Group does not have an unconditional right to repay the liability at a time later than twelve months after the balance sheet date. In the balance sheet current account overdrafts, credits used are shown as current financial liabilities.

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

Derivative financial instruments

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

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

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

The fair value of the derivative financial instrument designated 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 or if the forecast transaction is no longer expected to occur.

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

Derivative financial instruments are used within the framework of 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 obligations

Provisions for pensions and similar obligations are determined in accordance with IAS 19 using the projected unit credit method, taking into account the expected future development of salaries, less the fair value of plan assets. Actuarial gains and losses are recognized in other comprehensive income. Expenses from the compounding of interest of pension obligations are shown under interest expense.

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 2011.

Non-current assets held for sale

Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale if their book value will be essentially realized through a sale and a sale is highly probable. These are measured at book value or fair value less the cost of sale, whichever is lower.

Estimates and discretionary judgements

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

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

At least once a year, the Group carries out an impairment test of capitalized goodwill and brand values with indefinite useful lives based on the cash-generating units to which they are allocated. The 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 or the brand values with indefinite useful lives. 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 Railcar division segment (without consideration of VTG Rail, Inc., Collinsville, Illinois, formerly Texas Railcar Leasing Company, Inc.) amounting to € 150.5 million is considered to be impaired where there is a worsening of the future EBITs by 8.9 % compared to forecast EBITs or there is an increase in the interest rate of 18.6 % compared to the interest rate applied, assuming that all other parameters affecting impairment are constant.

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

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.

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

3. New financial reporting standards

For the financial year beginning January 1, 2011 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.

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.

IFRIC 14 "Prepayments of a Minimum Funding Requirement" 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 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 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.

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

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" concerns the accounting and reporting of costs for mine waste removal (stripping) during the access phase of surface mining activity.

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

The amendments in **"IFRS 7 Financial Instruments: Disclosures"** contain newly added disclosure requirements regarding certain netting agreements.

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.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The new standard replaces the formerly applicable consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities".

IFRS 11 "Joint Arrangements" establishes principles for financial reporting where a company exercises joint control regarding a joint venture or joint operation. The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", which were previously applicable for financial reporting with regard to joint ventures.

IFRS 12 "Disclosure of Interests in Other Entities" brings together the disclosure requirements of IFRS 10 (which supersedes IAS 27) IFRS 11 (which supersedes IAS 31) and IAS 28 in one revised, comprehensive standard.

IFRS 13 "Fair Value Measurement" sets out a single framework for measuring fair value. It defines fair value and describes the applicable methods for determining fair value. IFRS 13 also expands the required disclosures relating to fair value measurement.

The amendments to **IAS 1 "Presentation of Financial Statements"** mainly comprise changes to the presentation of income and expenses recognized directly in equity. In future, these must be grouped separately into items that might be and will not be reclassified to profit or loss in a subsequent period.

IAS 12 "Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets" contains rules for measuring deferred taxes in relation to investment property measured at fair value.

The amendments to **IAS 19 "Employee Benefits"** have a significant impact on the accounting and measurement of the cost of defined benefit plans and of termination benefits. In addition the disclosure requirements regarding employee benefits will increase.

The new version of **IAS 27, "Separate Financial Statements"**, now contains exclusively the unamended guidelines for IFRS separate financial statements.

The new version of **IAS 28, "Investments in Associates and Joint Ventures"**, sets out for the first time that, in the case of the planned partial disposal of an associate or joint venture, the portion of the investment held for sale is to be accounted for in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", provided it meets the criteria to be classified as held for sale. The remaining portion continues to be accounted for using the equity method until the time of disposal of the portion held for sale.

The changes to **IAS 32 "Financial Instruments: Presentation"** prescribe additional rules for the offsetting of financial assets and financial liabilities. It specifies that there must be an unconditional, legally enforceable right to set-off even in the case of insolvency of one party.

4. Scope of consolidation in the financial year 2011

In addition to VTG AG, a total of 14 (previous year: 13) domestic and 28 (prior year 19) foreign subsidiaries are included in the consolidated financial statements for the financial year 2011.

The consolidation group as of December 31, 2011 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	Car Repair Property I, LLC, Carterville, Illinois	100.0
9	Car Repair Property II, LLC, Lima, Ohio	100.0
10	Deichtor Rail GmbH, Garlstorf	100.0
11	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	98.6
12	Etablissements Henri Loyez S.A.S., Libercourt	100.0
13	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
14	EVA Holdings Deutschland GmbH, Hamburg	100.0
15	Ferdinandstor Rail GmbH, Garlstorf	100.0
16	Jasper Moritz OÜ, Tallin	100.0
17	Klostertor Rail GmbH, Garlstorf	100.0
18	OOO Railcraft Service, Moscow	100.0
19	Railcraft Eesti OÜ, Tallin	100.0
20	Railcraft Oy, Espoo	100.0
21	Railcraft Service Oy, Espoo	100.0
22	TMF-CITA Belgium N.V., Gent	100.0
23	TMF-CITA (Nederland) B.V., Spijkenisse	100.0
24	Transpetrol Austria GmbH, Vienna	100.0
25	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
26	Transpetrol Sp.z.o.o., Chorzów	100.0
27	VTG Rail Logistics France S.A.S., Paris	100.0
28	VOTG Tanktainer GmbH, Hamburg	100.0
29	VTG Austria Ges.m.b.H., Vienna	100.0
30	VTG Benelux B.V., Rotterdam	100.0
31	VTG Deutschland GmbH, Hamburg	100.0
32	VTG France S.A.S., Paris	100.0
33	VTG ITALIA S.r.l., Milan	100.0
34	VTG North America, Inc., Hinsdale, Illinois	100.0
35	VTG RAIL ESPAÑA S.L., Madrid	100.0
36	VTG Rail, Inc., Collinsville, Illinois (formerly Texas Railcar Leasing Company, Inc., McAllen, Texas)	100.0
37	VTG Rail Logistics Deutschland GmbH, Hamburg (formerly TMF CITA GmbH, Aachen)	100.0
38	VTG Rail Logistics GmbH, Hamburg	100.0

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

Compared with December 31, 2010, one domestic and nine foreign companies have been added for the first time to the scope of consolidation.

As of January 1, 2011, Transpetrol Sp.z o.o., Chorzów was included in the consolidated financial statements for the first time, as the Executive Board expects the company to grow in importance in the future. The VTG Group acquired assets amounting to € 5.0 million, which were mainly apportioned to the items trade receivables (€ 2.6 million) and cash and cash equivalents (€ 1.5 million). The liabilities assumed mainly comprise provisions (€ 2.6 million) and trade payables (€ 1.3 million). The first-time consolidation of this company contributes income of € 0.4 million in the current financial year. This is predominantly from the company's retained earnings.

As of January 1, 2011, VTG Benelux B.V. was included in the consolidated financial statements for the first time, as the Executive Board expects the company to grow in importance in the future. The Group acquired assets amounting to € 0.1 million, which were mainly apportioned to the items tangible fixed assets, trade receivables and cash and cash equivalents. The liabilities of € 0.1 million assumed comprise mainly provisions, trade payables and other liabilities. The first-time consolidation of this company contributes income of € 0.1 million in the current financial year. This is predominantly from the company's retained earnings.

On March 22, 2011, the VTG Group acquired a 100 % shareholding in Sogerent S.r.l., Genoa (Sogerent). 236 wagons were also acquired through this shareholding. On May 22, 2011, Sogerent was merged with VTG Italia S.r.l., Milan (VTG Italia). By acquiring this company, the VTG Group is expanding the market position of its Railcar division. The full amount of the € 6.4 million purchase price, payable in cash, had been paid by December 31, 2011.

The following assets and liabilities were recognized in relation to the new acquisitions:

€ '000	Fair Value
Tangible fixed assets	8,776
Current receivables	12
Non-current liabilities	1,321
Current liabilities	1,088
Net assets	**6,379**

This represents an adjustment to the initial provisional purchase price allocation made directly on acquisition of the company. The fair value of the receivables shown corresponds with the carrying amount. In respect of the Railcraft acquisition, expenses amounting to € 0.1 million are shown in other operating expenses.

This acquisition contributed € 1.0 million to revenue and € 0.0 million to Group profit in the period from March 22 to December 31, 2011. Had the acquisition taken place on January 1, 2011, it would have contributed € 1.2 million to revenue and € 0.1 million to profit for the year.

Additionally, on May 31, 2011, a 100 % shareholding in Railcraft Oy, Finland (Railcraft Oy) was acquired. Through this acquisition, the VTG Group now has 4 further subsidiaries, in Finland, Estonia and Russia. All of these companies were added for the first time to the group of consolidated companies and allocated to the Railcar division segment. The Railcraft group has some 870 wagons in Russia and Estonia. The acquisition of the Railcraft companies has enabled the VTG Group to enter the CIS and Baltic markets. The purchase price (€ 12.1 million as of the reporting date) was paid in full in cash by the reporting date.

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

€ '000	Fair Value
Tangible fixed assets	13,579
Current receivables and other assets	2,210
Non-current liabilities	2,931
Current liabilities	744
Net assets	**12,114**

This represents an adjustment to the initial provisional purchase price allocation made directly on acquisition of the company. The fair value of the receivables shown corresponds with the carrying amount. In respect of the Railcraft acquisition, expenses amounting to € 0.2 million are recognized in other operating expenses.

This acquisition contributed € 4.0 million to revenue and € 0.3 million to profit for the Group in the seven months from May 31 to December 31, 2011. Had the acquisition taken place on January 1, 2011, it would have contributed € 6.7 million to revenue and € 0.4 million to profit for the year.

As of September 30, 2011, VTG Rail Logistics GmbH, Hamburg, was included in the consolidated financial statements for the first time. The company was acquired in January 2011 as a shell company and currently serves as an intermediate holding company in the Group.

On November 30, 2011, VTG Rail, Inc., Collinsville, Illinois (VTG Rail) took over the operations of the US wagon hire company SC Rail Leasing America Inc., Collinsville, Illinois (SCRL). Through this takeover, VTG acquired some 2,500 wagons, two repair workshops with developed land and technical plant and machinery.

By acquiring this company, the VTG Group is expanding the market position of its Railcar division in North America.

The purchase price was € 31.9 million, payable in cash. Thereof, € 7.5 million had been paid by December 31, 2011. The remainder of the purchase price liability was taken over by Fifth Third Equipment Finance Company, Chicago (Fifth Third Bank) and offset with the purchase price claim of VTG Rail against Fifth Third Bank from the subsequent sale-and-leaseback.

The following assets and liabilities were recognized in relation to new acquisitions:

€ '000	Fair Value
Tangible fixed assets	31,871
Inventories	195
Current liabilities	190
Net assets	**31,876**
thereof non-current assets held for sale	848
thereof liabilities related to non-current assets held for sale	109

Through a sale-and-leaseback, some 1,700 of the wagons acquired were sold to Fifth Third Bank and then subsequently leased back from Fifth Third Bank.

The fair value of the receivables shown corresponds with the carrying amount. In respect of the acquisition of SC Rail Leasing America, costs of € 0.8 million were included in other operating expenses.

This acquisition contributed € 0.4 million to revenue and a loss of € 0.0 million to Group profit in the period from November 30 to December 31, 2011. Had the acquisition taken place on January 1, 2011, it would have contributed € 6.4 million to revenue and € 2.5 million to profit for the year.

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, 2011:

	Waggon Holding		Shanghai Tanktainer	
€ '000	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Assets	3,020	4,346	4,468	3,346
Liabilities	13	16	2,193	1,642
Income	1,642	1,548	12,380	11,945
Net profit for the year	1,596	1,458	436	320

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	**2011**	2010
Balance as of January 1	16,767	17,102
Currency adjustment	528	79
Share of net profit for the year	1,016	889
Elimination of dividend	–1,498	–1,303
As of December 31	**16,813**	**16,767**

Segment Reporting

Explanations of the segments

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

In addition to hiring out the freight cars in its own fleet, the **Railcar division** segment covers the management 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, expenses and income between the segments is generated according to the arm's length principle, just as is the case with transactions with external third parties.

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

Key figures by segment

Based on internal reporting, the figures for the segments for the financial year ended 31.12.2011 are as follows:

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

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

The reconciliation column contains both entries for the Group and expenses not classified under the segments. These include one-time expenses of € 19.1 million in connection with the refinancing of the Group, of which € 18.6 million is recognized in the financial result and € 0.5 million in other segment income and expenditure. The negative valuation, after refinancing, of interest rate derivatives that were formerly in a hedging relationship resulted in further expenses of € 3.5 million that affected the financial result.

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

€ '000	Railcar division	Rail Logistics	Tank Container Logistics	Reconciliation	**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
Financial result	−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.

Capital expenditure for each segment as of the 2011 and 2010 reporting dates is shown in the following table:

€ '000		Railcar division	Rail Logistics	Tank Container Logistics	Reconciliation	**Group**
Investments in intangible assets						
	31.12.2011	3,157	1,370	0	190	4,717
	31.12.2010	2,211	1,671	0	184	4,066
Investments in tangible fixed assets						
	31.12.2011	119,220	191	4,728	232	124,371
	31.12.2010	122,211	87	2,112	801	125,211
Additions to intangible and tangible fixed assets from business combinations/ changes to scope of consolidation						
	31.12.2011	52,554	81	0	0	52,635
	31.12.2010	31,843	503	0	0	32,346

Key figures across all segments

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

€ '000		Germany	Other countries	**Group**
Investments in intangible assets				
	31.12.2011	4,713	4	4,717
	31.12.2010	4,063	3	4,066
Investments in tangible fixed assets				
	31.12.2011	101,895	22,476	124,371
	31.12.2010	102,332	22,879	125,211
Additions to intangible and tangible fixed assets from business combinations/changes to scope of consolidation				
	31.12.2011	0	52,635	52,635
	31.12.2010	31,883	463	32,346
External revenue by location of companies				
	31.12.2011	492,436	257,569	750,005
	31.12.2010	456,381	173,057	629,438

Notes to the Consolidated Income Statement

(1) Revenue

€ '000	2011	2010
Railcar division	303,936	283,617
Rail Logistics	294,302	201,362
Tank Container Logistics	151,767	144,459
Total	**750,005**	**629,438**

The business of the VTG Group is affected to only a minor degree by seasonal fluctuations. The increase in revenue compared to the previous year is primarily due to the companies added for the first time to the scope of consolidation and the increase in business in all three divisions.

Of the revenue in the financial year 2011 and in 2010 shown under the Railcar division segment, less than 5 % was from the sale of goods.

Foreign currency gains of € 2.7 million are included under revenue (€ previous year: € 3.2 million).

(2) Changes in inventories

€ '000	2011	2010
Changes in inventories	**–719**	**-1,950**

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

(3) Other operating income

€ '000	2011	2010
Book profit from the sale of fixed assets	8,486	5,237
Exchange gains	5,184	890
Income from sales of materials	3,423	4,453
Recharged services	3,153	2,411
Income from investments	1,104	2,088
Other income	13,269	9,785
Total	**34,619**	**24,864**

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

(4) Cost of materials

€ '000	2011	2010
Raw materials, consumables and supplies	17,756	14,511
Cost of purchased services	412,569	322,767
Total	**430,325**	**337,278**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 16.7 million (previous year: € 17.0 million).

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

Cost of purchased services includes exchange rate losses amounting to € 2.7 million (previous year: € 3.7 million).

(5) Personnel expenses

€ '000	2011	2010
Wages and salaries	50,635	39,264
Social security, post-employment and other employee benefit costs	15,231	13,372
thereof for pensions	(2,936)	(2,313)
Total	**65,866**	**52,636**

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	2011	2010
Impairment, amortization of intangible and depreciation of tangible fixed assets	**96,446**	**91,424**

(7) Other operating expenses

€ '000	2011	2010
Repairs and working capital requirements	64,849	59,263
Selling expenses	8,279	9,503
Other costs of materials and personnel expenses	6,458	6,176
Charges, fees, consultancy costs	5,286	5,409
IT costs	5,275	3,629
Rents/leases	5,038	5,050
Exchange rate losses	4,792	1,670
Insurance	2,578	2,309
Travel costs	2,417	1,868
Donations and contributions	2,044	1,897
Other taxes	1,811	1,131
Advertising	1,513	1,029
Administrative expenses	1,401	1,178
Audit fees	908	997
Other expenses	7,353	7,838
Total	**120,002**	**108,948**

(8) Financial loss (net)

€ '000	2011	2010
Income from other investment securities and long-term loan receivables	14	15
Interest and similar income	2,794	912
thereof from affiliated companies	(102)	(10)
Interest and similar expenses	–69,250	–30,977
thereof to affiliated companies	(–4)	(–1)
thereof to pensions	(–2,200)	(–2,452)
Net interest expense	**–66,442**	**–30,050**
Impairment of other financial assets	0	–303
Total	**–66,442**	**–30,353**

Compared with 2010, there was a higher financial loss in the financial year 2011 as a result of the restructuring of the financing of the Group. An amount of € 10.1 million, which has been reclassified from the revaluation reserve as a result of the termination of a hedging relationship, is itemized under financing expenses. This corresponds to the amount of the original hedge that became ineffective at the time of refinancing. Additionally, financing expenses include € 8.3 million from the amortization of transaction costs for the previous financing arrangement.

Additionally, downward valuation of interest rate derivatives formerly in a hedging relationship, amounting to € 3.5 million, along with the higher scope of financing compared with the equivalent period of the previous year resulted in a lower financial result.

Interest and similar expenses includes interest income from cash flow hedges amounting to € 6.0 million (previous year: € 10.6 million).

(9) Taxes on income

€ '000	2011	2010
Current taxes	9,247	13,141
thereof relating to other periods	(–115)	(254)
Deferred tax expense	–7,092	–1,162
Total	**2,155**	**11,979**

The actual tax result of € 2.2 million differs by € 0.3 million from the expected expense for taxes on income of € 1.9 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	2011	2010
Net group profit before taxes on income	**5,840**	**32,602**
Income tax rate of VTG AG	33 %	33 %
Expected income tax expense (tax rate of VTG AG)	1,927	10,759
Tax effect of non-deductible expenses and tax-free income	2,163	1,943
Tax effect on tax-free investment income	−263	−742
Tax effect on the income from associates	0	−430
Tax effect from the adjustment of tax assets to tax loss carryforwards	−37	402
Tax effect on taxable loss carryforwards	300	352
Tax expense/income unrelated to accounting period	−115	254
Tax effect due to changes in the income tax rate on effects of the prior year	−398	−170
Tax effect due to deviations from the expected tax rate	−1,410	−580
Other deviations	−12	191
Actual income tax expense	**2,155**	**11,979**
Tax charge	**36.9 %**	**36.7 %**

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33 % was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax. 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 %	31.12.2011	31.12.2010
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 36.9 % of the result before tax. In the previous year the tax charge amounted to 36.7 % 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.–31.12.2011	1.1.–31.12.2010
Group net income attributable to VTG AG shareholders (€ '000)	1,737	19,530
Weighted average number of shares	21,388,889	21,388,889
Undiluted earnings per share (in €)	**0.08**	**0.91**

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

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

The dividend paid for each share in the financial year 2011 was € 0.33 (previous year: € 0.30).

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 132 to 135.

(11) Goodwill

€ '000	31.12.2011	31.12.2010
Railcar division segment	152,563	152,509
Rail Logistics segment	3,992	3,992
Tank Container Logistics segment	1,747	1,747
Total	**158,302**	**158,248**

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

(12) Other intangible assets

€ '000	31.12.2011	31.12.2010
"VTG" brand (Railcar division)	9,538	9,538
"Transpetrol" brand (Rail Logistics)	421	421
"Railtrans" brand (Railcar division)	100	100
Customer relationships, Railcar division	33,785	37,129
Customer relationships, Rail Logistics	7,179	7,289
Concessions and industrial trademarks	4,981	2,444
Capitalized development costs	1,356	0
Payments on account	2,168	3,035
Total	**59,528**	**59,956**

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

(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 € 30.0 million (previous year: € 32.8 million) were recognized. Leased assets are primarily shown under wagon fleet, at € 29.1 million (previous year: € 31.1 million) and under containers, at € 0.9 million (previous year: € 1.7 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	31.12.2011	31.12.2010
Raw materials, consumables and supplies	15,849	12,536
Work in progress	1,846	2,565
Advanced payments made	315	45
Total	**18,010**	**15,146**

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

The trade receivables overdue after more than 90 days were mainly settled in the middle of February 2012.

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

€ '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**

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 eveloped as follows in the period under review:

€ '000		Balance at beginning of period 1.1.	Changes to scope of consolidation	Currency difference	Utilization	Reversals	Addition	Reclassifications	Closing balance 31.12.
Allowances	**2011**	**4,637**	**0**	**3**	**841**	**584**	**945**	**0**	**4,160**
Allowances	2010	4,772	103	36	242	692	550	110	4,637

The total amount of additions, amounting to € 0.9 million (previous year: € 0.6 million) comprise the increase to specific allowances amounting to € 0.4 million (previous year € 0.4 million) and allowances on a portfolio basis amounting to € 0.5 million (previous year: € 0.2 million). Specific allowance reversals amounted to € 0.4 million (previous year: € 42,000) and allowances on a portfolio basis amounted to € 0.2 million (previous year: € 0.7 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	**31.12.2011**	31.12.2010
Expense for the full write-off of receivables	83	130
Income from receipts relating to receivables written off	91	18

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	**31.12.2011 Total**	**31.12.2011 Residual term more than 1 year**	31.12.2010 Total	31.12.2010 Residual term more than 1 year
Financial receivables				
due to third parties	8,591	5,051	1,294	0
from affiliated, non-consolidated companies	492	0	362	0
Financial receivables	**9,083**	**5,051**	**1,656**	**0**
Derivative financial instruments in connection with hedging relationships				
Foreign currency derivatives	0	0	17	0
Derivative financial instruments	**0**	**0**	**17**	**0**
Other financial receivables				
due to third parties	13,184	1,847	13,367	1,664
from equity investments	834	0	725	0
Other financial receivables	**14,018**	**1,847**	**14,092**	**1,664**
Other assets	**19,236**	**4,135**	**16,000**	**74**
thereof relating to taxes	9,439	0	16,490	0
thereof prepaid expenses	6,261	4,022	634	0
Total	**42,337**	**11,033**	**31,765**	**1,738**

As of the reporting date, none of the financial receivables amounting to € 9.1 million (previous year: € 1.7 million) were impaired or overdue.

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

There was an increase in other non-current assets due to the inclusion of transaction costs for lines of credit not yet used.

(18) Income tax assets

€ '000	**31.12.2011**	31.12.2010
Deferred income tax assets	21,633	21,897
Current income tax assets	4,192	2,150
Total	**25,825**	**24,047**

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 1.1.2011**	Additions to consolidation	Exchange difference	Changes not affecting income	Change in offsetting with deferred income tax liabilities	Changes affecting income	**Closing balance 31.12.2011**
Deferred income tax assets (gross) affecting income	41,586	495	−22	−22	0	−659	41,378
Offsetting against deferred income tax liabilities affecting income	−30,275	0	0	0	2,869	0	−27,406
Deferred income tax assets (net) affecting income	**11,311**	**495**	**−22**	**−22**	**2,869**	**−659**	**13,972**
Deferred income tax assets (gross) affecting income	11,377	0	0	−3,482	0	0	7,895
Offsetting against deferred income tax liabilities affecting income	−791	0	0	0	557	0	−234
Deferred income tax assets (net) affecting income	**10,586**	**0**	**0**	**−3,482**	**557**	**0**	**7,661**
Total	**21,897**	**495**	**−22**	**−3,504**	**3,426**	**−659**	**21,633**

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

(19) Cash and cash equivalents

€ '000	31.12.2011	31.12.2010
Bank balances	97,993	48,688
Cash on hand	**26**	**22**
Balance	**98,019**	**48,710**
Cash and cash equivalents of disposal group	345	0
Total	98,364	48,710

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).

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 December 31, 2011, the subscribed capital amounted to € 21.4 million. The capital is divided into 21,388,889 shares and is fully paid up.

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

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

(21) Additional paid-in capital

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

(22) Retained earnings

These are exclusively other 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.

In the financial year, expenses from the revaluation of the hedging relationship of € 0.4 million (previous year: € 2.4 million) were recognized in equity without affecting income and taking into account deferred tax effects.

Additionally, as a result of the termination of a hedging relationship, a reclassification amounting to € 6.8 million led to an increase in the revaluation reserve. This reclassified amount equals the portion of the original hedge that became ineffective at the point of refinancing. The remaining amount was transferred to the variable-interest-bearing element of credit within the new financing arrangements.

(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 2011 amounted to € 2.9 million (previous year: € 2.1 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:

% p.a.	**2011**	2010
Assumed interest rate	5.0 %	4.75 %
Salary trend	2.5 %	2.5 %
Pension trend	2.0 % or 1.0 % confirmed	2.0 % or 1.0 % confirmed
Fluctuation rate	2.0 %	2.0 %
Expected return on plan asset	2.5 %	2.75 %
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 € 46.0 million (previous year: € 48.6 million).

The plan assets exist solely for the purpose of financing the defined benefit obligation for the Swiss BVG plans of € 1.1 million (previous year: € 0.6 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 (€ 0.6 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 € 12,000 (previous year: € 24,000).

Pension provisions can be broken down as follows:

€ '000	**2011**	2010
Present value of funded benefit obligations	1,065	616
Fair value of plan assets	−732	−615
Provision for funded benefit obligations	**333**	**1**
Present value of unfunded benefit obligations	45,973	48,565
Total provision	**46,306**	**48,566**

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

€ '000	**2011**	2010
Germany	44,883	47,424
Rest of Europe	1,423	1,142
Total	**46,306**	**48,566**

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

€ '000	2011	2010
Current service cost	425	414
Past service cost	0	150
Interest expense	2,217	2,486
Expected return on plan asset	−17	−34
Additions to pension provisions	**2,625**	**3,016**
Contributions to pension security fund	64	67
Total	**2,689**	**3,083**

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	2011	2010
Balance at beginning of period	48,566	47,823
Additions	2,625	3,016
Pension payments made	−3,260	−4,072
Contributions to the plan	−61	−51
Transfers	−704	0
Actuarial gains/losses	−865	1,789
Reclassifications	0	−14
Changes due to scope of consolidation	0	65
Currency effect	5	10
Recognized present value of pension obligations at end of period	**46,306**	**48,566**

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

€ '000	2011	2010
Defined benefit obligation at beginning of period	**49,181**	**48,747**
Current service cost	425	414
Past service cost	0	150
Interest expense	2,217	2,478
Pension payments made	−3,340	−4,618
Employee contributions	100	38
Transfers	−704	0
Actuarial gains/losses	−863	1,779
Reclassifications	0	−15
Changes due to scope of consolidation	0	65
Currency effect	22	143
Defined benefit obligation at end of period	**47,038**	**49,181**
Fair value of plan asset at beginning of period	**623**	**924**
Expected return on plan asset	17	34
Employer contributions	61	51
Employee contributions	100	38
Pension payments from plan asset	−80	−547
Actuarial gains/losses	−6	−10
Currency effect	17	133
Fair value of plan asset at end of period	**732**	**623**

The actuarial gains and losses are offset against other comprehensive income without affecting income and result in a change in the present value of the pension obligations without affecting income as well as the fair value of plan assets.

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

€ '000	**2011**	2010
Balance at beginning of period	5,447	3,658
Actuarial gains and losses recorded during the financial year without affecting income	–857	1,789
Change due to asset ceiling	–8	0
Total actuarial gains and losses recorded without affecting income	**4,582**	**5,447**

Of the new actuarial gains and losses recorded during the financial year 2011, € -45.000 relates to changes in the portfolio (previous year € +0.5 million) and € +0.9 million to changes in the valuation parameters (previous year: € -2.3 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	**2011**	2010	2009	2008
Present value of benefit obligations	47,038	49,181	48,747	44,895
Fair value of the plan assets	732	623	924	791
Effect of asset ceiling	0	–8	0	0
Pension provision (unfunded amount)	46,306	48,566	47,823	44,104
Benefit obligation experience adjustments	40	–513	632	–198
Plan asset experience adjustments	–6	–10	–9	1

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

(25) Income tax liabilities

€ '000	**31.12.2011**	31.12.2010
Current income tax liabilities	33,710	29,542
Deferred income tax liabilities	136,490	137,722
Total	**170,200**	**167,264**

Current income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2011**	Additions to consolidation	Currency difference	Utilization	Reversals	Additions	**Closing balance 31.12.2011**
Current income tax liabilities	29,542	309	7	863	575	5,290	33,710

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

Deferred income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2011**	Additions to consolidation	Currency difference	Changes not affecting income	Change in offsetting with deferred income tax assets	Changes affecting income	**Closing balance 31.12.2011**
Deferred income tax liabilities (gross) affecting income	168,245	2,828	312	0	0	−7,751	163,634
Offsetting against deferred income tax assets affecting income	−30,275	0	0	0	2,869	0	−27,406
Deferred income tax liabilities (net) affecting income	**137,970**	**2,828**	**312**	**0**	**2,869**	**−7,751**	**136,228**
Deferred income tax liabilities (gross) not affecting income	543	0	0	−47	0	0	496
Offsetting against deferred income tax assets not affecting income	−791	0	0	0	557	0	−234
Deferred income tax liabilities (net) not affecting income	**−248**	**0**	**0**	**−47**	**557**	**0**	**262**
Total	**137,722**	**2,828**	**312**	**−47**	**3,426**	**−7,751**	**136,490**

The deferred taxes were determined on the basis of the tax rates for the specific countries (33 % 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 € 7.2 million (previous year: € 7.7 million). In accordance with IAS 12.81 (f), the resulting non-recognized tax liabilities amounted to € 2.5 million (previous year: € 2.7 million).

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

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

€ '000	31.12.2011 Assets	31.12.2011 Liabilities	31.12.2010 Assets	31.12.2010 Liabilities
Intangible assets	0	15,523	0	16,737
Tangible fixed assets	203	136,615	3,751	139,024
Financial assets	0	1,518	0	1,892
Receivables and other assets	1,406	33	3,904	8
Special item with reserve component	0	48	0	63
Provisions for pensions	3,544	0	4,245	215
Miscellaneous provisions	5,961	10,220	7,380	10,081
Liabilities	30,528	173	27,680	769
Tax loss carryforwards	7,631	0	6,004	0
Subtotal	**49,273**	**164,130**	**52,964**	**168,789**
Offsetting	−27,640	−27,640	−31,067	−31,067
Total	**21,633**	**136,490**	**21,897**	**137,722**
thereof with a term of more than 1 year	6,768	124,639	4,590	133,313

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

Tax savings of € 8.3 million were not capitalized (previous year: € 8.0 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	13,378	2,141	0	0	0	2,141
Trade tax loss carryforwards, German companies	12,219	2,077	0	0	0	2,077
Tax loss carryforwards of foreign entities	13,509	4,122	0	0	920	3,202
Total	**39,106**	**8,340**	**0**	**0**	**920**	**7,420**
Previous year	37,294	7,964	0	0	849	7,115

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33 % was applied, comprising the corporate tax rate, the solidarity surcharge and the trade tax. 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 1.1.2011	Changes due to scope of consolidation	Currency difference	Transfers	Utilization	Reversals	Additions	Closing balance 31.12.2011
Provisions for personnel expenses	17,182	200	-13	0	8,272	778	8,875	17,194
Provisions for typical operational risks	11,294	0	0	0	1,029	1,659	581	9,187
Miscellaneous provisions	36,627	2,515	-76	5	6,174	6,981	6,948	32,864
Other provisions	**65,103**	**2,715**	**-89**	**5**	**15,475**	**9,418**	**16,404**	**59,245**

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

The maturities of the other provisions are as follows:

	31.12.2011			31.12.2010		
		Residual term			Residual term	
€ '000	**Total**	**Due within 1 year**	**More than 1 year**	Total	Due within 1 year	More than 1 year
Provisions for personnel expenses	17,194	13,411	3,783	17,182	15,535	1,647
Provisions for typical operational risks	9,187	1,566	7,621	11,294	3,431	7,863
Miscellaneous provisions	32,864	23,339	9,525	36,627	25,253	11,374
Other provisions	**59,245**	**38,316**	**20,929**	**65,103**	**44,219**	**20,884**

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 (€ 0.9 million; previous year: € 0.8 million), for contributions for the restructuring of VBL (€ 2.4 million; previous year: € 2.2 million), for outstanding vacations (€ 2.6 million; previous year: € 2.3 million), for anniversaries (€ 0.9 million, previous year: € 0.9 million), for long-term service (€ 0.3 million; previous year: € 0.5 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 (€ 7.6 million; previous year: € 10.8 million) and for provisions for interest rate risks.

(27) Liabilities

€ '000	31.12.2011 Book value	31.12.2011 Residual term more than 1 year	31.12.2011 Residual term more than 5 year	31.12.2010 Book value	31.12.2010 Residual term more than 1 year	31.12.2010 Residual term more than 5 year
Financial liabilities						
US private placement	481,205	477,402	478,964	0	0	0
Syndicated loan	95,236	90,033	0	462,215	421,786	13,853
Project financing	109,271	101,806	70,979	94,347	89,745	64,053
Liabilities from finance leases	19,534	12,115	3,121	24,896	18,981	4,529
Other financial liabilities						
due to third parties	1,039	0	0	861	0	0
from affiliated, non-consolidated companies	441	0	0	109	0	0
Financial liabilities	**706,726**	**681,356**	**553,064**	**582,428**	**530,512**	**82,435**
Trade payables						
due to third parties	115,068	0	0	130,226	0	0
from affiliated, non-consolidated companies	556	0	0	800	0	0
from equity investments	39	0	0	221	0	0
Trade payables	**115,663**	**0**	**0**	**131,247**	**0**	**0**
Derivative financial instruments						
in connection with hedging relationships	18,331	15,616	0	27,470	17,900	0
without hedging relationships	13,624	0	0	0	0	0
Derivative financial instruments	**31,955**	**15,616**	**0**	**27,470**	**17,900**	**0**
Other liabilities						
financial	9,691	0	0	11,211	0	0
non- financial	4,616	708	0	8,873	1,514	0
thereof relating to taxes	2,083	0	0	3,361	0	0
thereof relating to social security	1,570	0	0	1,478	0	0
thereof from deferred income	831	708	0	2,072	1,514	0
Other liabilities	**14,307**	**708**	**0**	**20,084**	**1,514**	**0**
Total	**868,651**	**697,680**	**553,064**	**761,229**	**549,926**	**82,435**

Financial liabilities

As of December 31, 2011, the VTG Group's primary sources of finance were a US private placement, a syndicated loan, project financing and finance leases.

US private placement and syndicated loan

With the refinancing of the Group in May 2011, the former syndicated loan was cleared and replaced with a US private placement and a new syndicated loan.

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

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

Syndicated loan	Original amount in currency of issue		31.12.2011 in € '000
Tranche A1	20,000	GBP '000	22,694
Tranche A2	77,570	€ '000	73,692
Tranche B	350,000	€ '000	60,000
Total			**156,386**

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

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

As of December 31, 2010, the syndicated loan in place at the time had the following value:

Syndicated loan	Original amount in currency of issue		31.12.2010 in € '000
Tranche A1	420,000	€ '000	358,680
Tranche A2	13,600	GBP '000	13,458
Working Capital Linie	50,000	€ '000	20,000
Capex Facility	85,000	€ '000	65,000
Capex Facility	22,025	USD '000	13,853
Guarantee Facility	50,000	€ '000	50,000
Total			**520,991**

Loans issued in a foreign currency were utilized by companies with the same functional currency as the foreign currency.

Project financing

As of December 31, 2011, the financial liabilities from project financing were as follows:

Project financing € '000	Original amount	31.12.2011
Deichtor	39,153	32,453
Ferdinandstor	44,965	44,965
Klostertor	46,000	32,110
Total		**109,528**

As of December 31, 2010, the financial liabilities from project financing were as follows:

Project financing € '000	Original amount	31.12.2010
Deichtor	39,153	33,802
Ferdinandstor	45,000	25,592
Klostertor	46,000	35,365
Total		**94,759**

The above amounts are reconciled to the balance sheets for December 31, 2011 and December 31, 2010 as follows:

Reconciliation

€ '000	31.12.2011	31.12.2010
US private placement	480,919	0
Syndicated loan	96,386	470,992
Project financing	109,528	94,759
Accrued interest	5,116	532
Deduction of transaction costs	–6,237	–9,721
Balance sheet amount	**685,712**	**556,562**

Liabilities from finance leases

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

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

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

		Restlaufzeiten		
€ '000	**Total**	due within 1 year	between 1 and 5 years	über 5 Jahre
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**

The leases have an average term of 14 years. The interest rates for these are between 4.7 % and 7.0 %. The leased assets comprise rail freight cars, tank containers and other operating and office equipment.

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

Derivative financial instruments

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

The ineffective portion from existing cash flow hedges amounted to € 11,000 in the financial year (previous year: € 0 thousand).

(28) Non-current assets held for sale

Through the takeover of the operations of SCRL in the Railcar division, in addition to wagons, other assets and liabilities relating to the operation of various services were assumed. Since VTG's strategy does not include continuing with these activities in the US, these assets and liabilities are shown as held for sale. Completion of the sale is planned for mid-2012.

The tangible fixed assets comprise developed land and technical plant and machinery.

Non-current assets held for sale

€ '000	Fair Value less cost to sell
Fixed assets	680
Inventories	192
Other receivables and assets	38
Cash and cash equivalents	345
Balance sheet position	**1,255**

Liabilities in connection with non-current assets held for sale

€ '000	Fair Value less cost to sell
Trade payables	56
Other current liabilities	15
Balance sheet position	**71**

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

€ '000	
Currency translation differences	–10
Total	**–10**

Reporting of financial instruments

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

Fair values and book values of financial instruments by valuation category

The IFRS 7 classification was made on the basis of balance sheet items. As part of this process, homogenous items such as trade receivables from and payables to third parties, to affiliated, non-consolidated entities and to other investments were combined. The following table shows the fair values and book values for the individual balance sheet items under financial assets and financial liabilities for the financial year 2011 and for the previous year.

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

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

Balance sheet item € ´000	Valuation category in accordance wth IAS 39	Book value as of 31.12.2010	Measurement in accordance with IAS 39 Amortized cost	Fair value, not affecting income	Fair value, affecting income	Balance sheet measure-ment under IAS 17	Fair Value 31.12.2010
Assets							
Other financial assets	AfSFA	7,400	7,400	–	–	–	–
Trade receivables	LaR	84,374	84,374	–	–	–	84,374
Derivative financial instruments, thereof		17					
in connection with hedging relationships	n.a.	17	–	17	–	–	17
Other financial receivables	LaR	15,748	15,748		–	–	15,748
Cash and cash equivalents	LaR	48,710	48,710	–	–	–	48,710
Liabilities							
Financial liabilities, thereof		582,428					
Syndicated loan	Flmaac	462,215	462,215	–	–	–	464,985
Project financing	Flmaac	94,347	94,347	–	–	–	108,739
Liabilities from financial leases	n.a.	24,896	–	–	–	24,896	26,125
Other financial liabilities	Flmaac	970	970	–	–	–	970
Trade payables	Flmaac	131,247	131,247	–	–	–	131,247
Derivative financial instruments, thereof		27,470					
in connection with hedging relationships	n.a.	27,470	–	27,470	–	–	27,470
Other financial liabilities	Flmaac	11,211	11,211	–	–	–	11,211
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		148,832	148,832	–	–	–	148,832
Available-for-sale financial assets (AfSFA)		7,400	7,400	–	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		699,990	699,990	–	–	–	717,152
Financial assets and liabilities held for trading (Hft)		0	–	–	0	–	0

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

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

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

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

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

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

The subsequent valuation for derivative financial instruments is at fair value. Fair value is determined in the first instance through quoted prices in active markets for identical assets or liabilities. If this is not possible, the 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. Receivables as of December 31, 2011, from foreign currency derivatives amounting to € 0 thousand (previous year: € 17,000) come under level 2 of the fair value hierarchy. Liabilities as of December 31, 2011, from interest rate derivatives amounting to € 31.1 million (previous year: € 27.4 million) and from foreign currency derivatives amounting to € 0.8 million (previous year: € 23,000) come under level 2.

Net result by valuation category

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

Net result by valuation category as of December 31, 2011

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

The net result for the previous year was as follows:

€ '000	Interest	Valuation	Other items	2010
Loans and receivables	356	−43	−2	311
Available-for-sale financial assets	0	−303	2,088	1,785
Financial liabilities measured at amortized cost	−16,484	−270	0	−16,754
Total	**−16,128**	**−616**	**2,086**	**−14,658**

The layout of the table has been changed against that of the previous year to emphasize the key elements of the net result. Previously separate elements have now been brought together under valuation.

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 € 17.2 million (previous year: € 7.6 million). As of December 31, 2011, as in previous years, no guarantees from suppliers had been utilized.

Liquidity risk

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

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

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

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

In the overview, the contractually agreed non-discounted interest and capital payments of the primary financial liabilities and the derivative financial instruments are shown with positive and negative fair values. Included are all instruments that were held as of December 31, 2011 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, 2011.

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

€ ´000	Balance 31.12.2010	Cashflows 2011 Fixed interest	Cashflows 2011 Variable interest	Cashflows 2011 Repayment	Cashflows 2012 Fixed interest	Cashflows 2012 Variable interest	Cashflows 2012 Repayment
Primary financial liabilities							
US private placement	0	0	0	0	0	0	0
Syndicated loan	470,992	0	10,534	42,223	0	9,764	21,183
Project financing	94,759	2,535	1,331	4,350	2,412	1,218	7,137
Liabilities from finance leases	24,283	1,012	0	5,443	729	0	7,332
Other financial liabilities	970	0	0	970	0	0	0
Derivative financial liabilities and assets							
Liabilities from derivative financial instruments	24,470	9,547	0	23	7,946	0	0
Assets from derivative financial instruments	18	0	0	18	0	0	0

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

€ ´000	Cashflows 2013–2015 Fixed interest	Variable interest	Repay-ment	Cashflows 2016–2018 Fixed interest	Variable interest	Repay-ment	Cashflows 2019 ff. Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
US private placement	0	0	0	0	0	0	0	0	0
Syndicated loan	0	25,995	72,990	0	20,788	61,988	0	38,672	272,608
Project financing	5,685	3,198	23,036	3,899	2,571	23,359	2,276	1,250	36,877
Liabilities from finance leases	922	0	6,979	224	0	4,529	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Liabilities from derivative financial instruments	9,954	0	0	0	0	0	0	0	0
Assets from derivative financial instruments	0	0	0	0	0	0	0	0	0

Financial market risk

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

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

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

Interest rate risk

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

As of the reporting date, the major interest rate risks from financial liabilities came from the variable-interest syndicated loan and the variable-interest portion of project financing. In most cases, the fixed interest period was up to six months as of the balance sheet date. As part of the VTG Group's interest rate hedging strategy, the Group effectively hedges interest rate exposure. The hedges also include future cash taken up within the syndicated loan.

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 2011 were each changed by 100 basis points. An increase in the interest rate of 100 basis points would increase net profit for the Group by € 2.5 million (previous year: reduction of € 1.7 million) and increase the revaluation reserve by € 3.9 million (previous year: increase of € 11.8 million). A reduction in the interest rate of 100 basis points would reduce net profit for the Group by € 3.2 million (previous year: increase of € 1.7 million) and reduce the revaluation reserve by € 3.4 million (previous year: reduction of € 11.8 million). This measurement takes account of the interest rate derivatives.

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

Currency risk

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

The change in the market value of the forward exchange contracts classified as cash flow hedges is included under other items of equity. As of 31.12.2011, derivative financial instruments with a maximum term of nine months (previous year three 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.

The foreign currency sensitivity analysis below is based on an appreciation/devaluation of 10 % in the currencies concerned as of December 31, 2011.

Appreciation	**31.12.2011**		31.12.2010	
€ ´000	**affecting income**	**not affecting income**	affecting income	not affecting income
USD	+702	−519	+685	0
GBP	+26	0	+48	0
CHF	+18	0	+34	0

Devaluation	**31.12.2011**		31.12.2010	
€ ´000	**affecting income**	**not affecting income**	affecting income	not affecting income
USD	−702	+425	−685	0
GBP	−26	0	−48	0
CHF	−18	0	−34	0

Management of the capital structure

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

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

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

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

The (adjusted) financial debt is determined as follows:

€ ´000	31.12.2011	31.12.2010
Cash and cash equivalents	98,364	48,710
Investment securities	468	508
Financial receivables	9,083	1,656
Financial liabilities	−706,726	−582,428
Correction, deduction of transaction costs	−6,237	−9,721
Correction, purchase price allocation	209	613
Net financial debt	**−604,839**	**−540,662**
Provisions for pensions	−46,306	−48,566
Adjusted net financial debt	**−651,145**	**−589,228**

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

€ ´000	31.12.2011	31.12.2010
Adjusted net financial debt	651,145	589,228
EBITDA	168,728	154,379
Ratio of adjusted net financial debt/EBITDA	**3.9**	**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 2011 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 comprised mainly the payments relating to the acquisition of Sogerent and the wagons acquired from this (€ 6.4 million) and the Railcraft group of companies (€ 12.1 million) less cash and cash equivalents received (€ 1.3 million). This item also includes payments for the acquisition of wagons and two repair workshops in North America through the takeover of the operations of the US wagon hire company SCRL. The purchase price was € 31.9 million. Thereof, € 7.5 million had been paid by December 31, 2011. The remainder of the purchase price liability was taken over by Fifth Third Bank and offset with the purchase price claim of VTG Rail against Fifth Third Bank from the subsequent sale-and-leaseback.

The receipts from the taking up of loans, amounting to € 617.7 million, are mainly attributable to the refinancing of the Group and the increase in financing for one project.

The repayments of bank loans and other financial liabilities, amounting to € 504.6 million, mainly comprise the repayment of the syndicated loan through the refinancing of the Group.

Other disclosures

Contingent liabilities

As of the reporting date, 11 companies in the VTG Group had provided guarantees of payments amounting to € 143.8 million in relation to the syndicated loan taken up in May 2011.

As of the reporting date, nine companies in the VTG Group had provided guarantees of payments amounting to € 480.9 million in relation to the US private placement.

As part of the Group's refinancing arrangements, four companies within the VTG Group have assigned as collateral their rail freight cars registered in Germany and the UK at their carrying amount of € 524.8 million. Eight companies have assigned as collateral their rights relating to rail freight cars.

In addition to the above guarantees, in order to secure their project financing, three companies in the Group have pledged bank accounts and rail freight cars with carrying amounts of € 1.8 million and € 135.6 million respectively.

The VTG Group entered into new financing arrangements in 2011. These new arrangements involve a US private placement bond issue and new loan agreements with various banks. The contractual agreements contain conditions of credit known as financial covenants. The main conditions are:

- a certain ratio of consolidated net financial liabilities to consolidated EBITDA
- a certain ratio of consolidated EBITDA to consolidated net interest income
- a certain ratio of consolidated net financial liabilities to the value of the actual collateralized tangible fixed assets

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

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2011 and the previous year:

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

€ '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**

The obligations from rental, leasehold and leasing agreements relate exclusively to rental agreements where the companies of the VTG Group are not considered the economic owners of the leased assets (largely rail freight cars and tank containers). The operating leases shown under this item have an average term of eleven 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 2011 was € 65.0 million (previous year: € 56.5 million).

Auditors' fees

In the financial year 2011, 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	2011	2010
Fees for auditing the annual report and consolidated financial statements	439	413
Fees for other services related to the audit opinion	93	85
Other services	77	58

Average number of employees

	2011	2010
Salaried employees	741	639
Wage-earning staff	332	297
Trainees	32	36
Total	**1,105**	**972**
thereof abroad	355	284

Material events after the balance sheet date (Supplemental Report)

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

Related party disclosures

Besides the subsidiaries included in the consolidated financial statements, VTG AG is related directly or indirectly with affiliated, non-consolidated companies and with other equity investments in the normal course of its business activities. 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 (controlling company)
El Vedado, LLC, New York
Euro Wagon I, L.P., Cayman Islands
Euro Wagon II, L.P., Cayman Islands
IPE Eurowagon, L.P., Jersey
Platon MPP 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, associates and other equity investments

€ '000	**2011**	2010
Income and expenses from affiliated, non-consolidated companies		
Revenue and other operating income	5,054	13,747
Expenses	6,674	8,382
Interest income	21	10
Interest expense	4	1
Income and expenses from associates and other equity investments		
Revenue and other operating income	4,301	3,731
Expenses	348	504
Interest expense	81	0

Receivables and liabilities

€ '000	**31.12.2011**	31.12.2010
Receivables from affiliated, non-consolidated companies		
trade receivables	2,071	1,669
other receivables	492	362
Receivables from associates and other companies in which an investment is held		
trade receivables	1,797	1,790
other receivables	5,834	725
Liabilities to affiliated, non-consolidated companies		
trade payables	556	800
financial liabilities	441	109
Liabilities to associates and other companies in which an investment is held		
trade payables	39	221
from finance leases	14,029	18,258

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	**2011**	**2010**
Short-term employee benefits	4,090	4,847
thereof Executive Board	(1,765)	(2,835)
thereof Supervisory Board	(250)	(234)
Post-employment benefits	201	336
thereof Executive Board	(134)	(270)
Total	**4,291**	**5,183**

Provisions for post-employment benefits for members of the Executive Board amounted to € 3.6 million as of the balance sheet date. Provisions for other key management personnel amounted to € 0.4 million on the balance sheet date.

There are pension provisions totaling € 4.3 million for obligations to former executive board members of subsidiaries of VTG AG 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.

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	13	5
Alstertor Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	5,803	0
Ateliers de Joigny S.A.S., Joigny/France	EUR		100.00	847	−199
CAIB Benelux BVBA, Antwerp-Berchem/Belgium	EUR		100.00	2,008	917
CAIB Rail Holdings Limited, Birmingham/United Kingdom	GBP		100.00	−7,962	−389
CAIB UK Limited, Birmingham/United Kingdom	GBP		100.00	18,330	0
Car Repair Property I, LLC, Carterville, Illinois/USA	USD		100.00	−115	−115
Car Repair Property II, LLC, Lima, Ohio/USA	USD		100.00	−71	−71
Deichtor Rail GmbH, Garlstorf	EUR	100.00		1,176	−1,927
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	−1,502	−81
EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	EUR		100.00	38,632	0 [2][3]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0 [2][3]
Ferdinandstor Rail GmbH, Garlstorf	EUR		100.00	4,487	−490
Jasper Moritz OÜ, Tallin/Estlonia	EUR		100.00	1,967	203
Klostertor Rail GmbH, Garlstorf	EUR	100.00		1,992	−836
OOO Railcraft Service, Moscow/Russia	RUB		100.00	6,872	431
Railcraft Eesti OÜ, Tallin/Estonia	EUR		100.00	328	−269
Railcraft Oy, Espoo/Finland	EUR	100.00		3,041	952
Railcraft Service Oy, Espoo/Finland	EUR		100.00	42	−1
TMF-CITA Belgium N.V., Gent/Belgium	EUR		100.00	403	1,460
TMF-CITA (Nederland) B.V., Spijkenisse/The Netherlands	EUR		100.00	557	114
Transpetrol Austria GmbH, Vienna/Austria	EUR		100.00	673	387
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	6,560	5,560
Transpetrol Sp.z o.o., Chorzów/Poland	PLN		100.00	9,872	7,733
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	10,335	4,100
VTG Austria Ges.m.b.H, Vienna/Austria	EUR		100.00	15,724	2,621
VTG Benelux B.V., Rotterdam/The Netherlands	EUR		100.00	420	139
VTG Deutschland GmbH, Hamburg	EUR		100.00	151,034	0 [2][3]
VTG France S.A.S., Paris/France	EUR		100.00	26,300	4,819
VTG ITALIA S.r.l., Mailand/Italy	EUR		100.00	2,540	−1,459
VTG North America, Inc., Hinsdale, Illinois/USA	USD	100.00		29,972	845
VTG RAIL ESPAÑA S.L., Madrid/Spain	EUR		100.00	2,128	−235
VTG Rail, Inc., Collinsville, Illinois/USA	USD		100.00	6,004	−137
VTG Rail Logistics Deutschland GmbH, Hamburg	EUR		100.00	570	31
VTG Rail Logistics France S.A.S., Paris/France	EUR		100.00	5,018	2,815

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

Name and registered office of company	Currency	Share of capital in % Direct	Share of capital in % Indirect	Equity capital in '000 currency units	Result in '000 currency units
VTG Rail Logistics GmbH, Hamburg	EUR	100.00		29,229	–248
VTG Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	16,587	2,602
VTG Schweiz GmbH, Basel/Switzerland	CHF		100.00	17,779	1,745
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0[2) 3)]
Waggonbau Graaff GmbH, Elze	EUR	100.00		1,707	147
Waggonwerk Brühl GmbH, Wesseling	EUR		100.00	–3,983	–889
B. Companies consolidated at equity					
Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai/China	RMB		50.00	18,539	3,595
Waggon Holding AG, Zug/Switzerland	CHF	50.00		3,658	1,969
C. Affiliated, non-consolidated companies					
Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim	EUR		100.00	3	2[1)]
Bräunert Verwaltungs GmbH, Albisheim	EUR		100.00	26	1[1)]
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR		100.00	110	59
Millerntor Rail GmbH, Garlstorf	EUR	100.00		25	0[2)]
OOO VTG, Moscow/Russia	RUB		100.00	5,588	– 8,744[1)]
Tankspan Leasing Ltd., Godalming, Surrey/United Kingdom	USD	100.00		3,838	428
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	–445	–54
VOTG Finland Oy, Helsinki/Finland	EUR		100.00	129	0[1)]
VOTG North America, Inc., West Chester, Pennsylvania/USA	USD		100.00	544	244[1)]
VOTG Tanktainer Asia Pte Ltd., Singapore/Singapore	USD		100.00	308	278[1)]
VTG Rail Logistics s.r.o., Prague/Czech Republic	CZK	100.00			[4)]
VTG Rail Assets GmbH, Hamburg	EUR		100.00	25	–3
VTG Tanktainer Logistics GmbH, Hamburg	EUR		100.00	25	–3
VTG Tanktainer Assets GmbH, Hamburg	EUR		100.00	25	–3
D. Other companies					
American Rail Heritage, Ltd., Marion, Illinois/USA	USD		16.50	84	–55[5)]
Ateliers Ferroviaires d'Artix SAS, Artix/France	EUR		24.88	381	67[1)]
CERERAIL A.I.E., Madrid/Spain	EUR		33.33	27	0[1)]
E.V.S. SA, Puteaux/France	EUR		34.00	294	–175[1)]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0[1) 2)]
PETRORAIL S.A., Madrid/Spain	EUR		50.00	9	3[1)]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	–11,482	1,971[1)]
Steeltrack S.A., Saint Denis/France	EUR		33.30	145	72[1)]

[1)] Information as of 31.12.2010.
[2)] Profit and loss transfer agreement with the parent company.
[3)] Companies partially make use of the exemption from drawing up annual financial statements according to §264 (3) of the German Commercial Code
[4)] Re-establishment in 2010. No financial statements available yet
[5)] Financial year deviating from calendar year: financial statements as of 31.03.2011

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), retired December 31, 2011

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

Femke Scholten, Hamburg
M.Sc., appointed from January 2012

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

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

*) All information relating to appointments applies of December 31, 2011.
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)]

b) Bankhaus Carl F. Plump & Co. [1)]
Degussa Bank GmbH [1)]
M.M. Warburg Bank (Schweiz) AG, Switzerland [1)]
Marcard, Stein & CO AG [1)]

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

b) TRANSWAGGON-Gruppe, Schweiz [1)]
„Brückenhaus“ Grundstücksgesellschaft m.b.h.
Kommanditgesellschaft „Brückenhaus“
Grundstücksgesellschaft m.b.H. & Co.
TRANSWAGGON AG, Switzerland
Waggon Holding AG, Switzerland
Navigator Holdings Ltd., Marshall Islands

Jürgen Hüllen, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition [2)]
TRANSWAGGON-Gruppe, Switzerland

Dr. rer. pol. Kai Kleeberg, Hamburg

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

Femke Scholten, Hamburg
no mandates

*) All information relating to appointments applies of December 31, 2011.
a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of business enterprises in Germany and abroad.
1) Chairman
2) Deputy Chairman

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

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

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

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

€ '000	Acquisition or manufacturing costs: Balance at 1.1.2010	Additions to intangible and tangible fixed assets from company acquisitions/ Changes to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifications	Balance 31.12.2010
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 fixed assets							
Wagon fleet	1,008,709	31,843	12,477	57,716	14,136	33,666	1,130,275
Containers and Chassis	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**

Impairment, amortization and depreciation						Book values	
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
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**

Declaration on the Corporate Governance Code

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

Hamburg, February 23, 2012

The Executive Board

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

Responsibility Statement

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

Hamburg, February 23, 2012

The Executive Board

Dr. Heiko Fischer

Dr. Kai Kleeberg

Femke Scholten

06 FURTHER INFORMATION

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the VTG Aktiengesellschaft, Hamburg, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st to December 31st, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit

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

Our audit has not led to any reservations.

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

Hamburg, February 24th, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

FINANCIAL CALENDAR 2012 AND SHARE DATA

Financial Calendar 2012

February 21, 2012	Preliminary results for 2011
March 28, 2012	Publication of the results 2011
March 28, 2012	Financial Statements Press Conference, Hamburg
May 22, 2012	Interim Report for the 1st Quarter 2012
May 22, 2012	Analyst Conference, Elze
June 8, 2012	Annual General Meeting, Hamburg
August 15, 2012	Half-yearly Financial Report 2012
November 15, 2012	Interim Report for the 3rd Quarter 2012

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.)	284.5 Mio. €
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Share price (31.12.)	13.30 €

06 FURTHER INFORMATION

5-YEAR OVERVIEW FOR THE GROUP

in € m	2007	2008	2009	2010	**2011**
Revenue	**541.3**	**608.7**	**581.5**	**629.4**	**750.0**
Railcar Division	260.3	294.1	289.0	283.6	303.9
Rail Logistics	153.8	177.7	179.4	201.4	294.3
Tank Container Logistics	127.2	136.8	113.1	144.5	151.8
Group EBITDA	**137.0**	**155.1** [3]	**149.4**	**154.4**	**168.7**
Railcar Division	137.1	152.5	146.3	145.4	156.5
Rail Logistics	4.4	6.3 [3]	6.7	8.4	12.1
Tank Container Logistics	8.1	9.6	7.3	11.2	13.1
EBIT	68.4	75.6	66.9	63.0	72.3
Group net profit (comparable)	19.1 [2]	27.9	22.5	20.6	17.9 [4]
Depreciation	68.6	80.8	82.5	91.4	96.4
Total investments	127.8	158.2	153.5	168.8	182.8
Operating cash flow	116.9	149.6	144.8	137.8	125.6
Earnings per share (comparable) in € [1]	0.87 [2]	1.26	1.01	0.91	0.75 [4]
Dividend per share in €	–	0.30	0.30	0.33	0.35 [5]
Balance sheet total	1,165.9	1,240.5	1,277.2	1,355.2	1,461.9
Non-current assets	990.6	1,081.2	1,124.9	1,174.8	1,225.3
Current assets	175.3	159.3	152.3	180.4	236.6
Equity	278.7	288.4	296.7	313.0	317.5
Liabilities	887.2	952.1	980.4	1,042.2	1,144.4
Number of Employees	814	1,004	963	999	1,170
in Germany	510	674	678	709	778
in other countries	304	330	285	290	392

[1] This figure relates to the shares in issue on the reporting date.
[2] Taking into account special tax effects, Group profit for the year 2007 amounted to € 49.7 million and earnings per share € 3.94.
[3] EBITDA adjusted for special effects.
[4] These items are adjusted with regard to the extraordinary expenses from the refinancing of the Group in 2011.
[5] Intended proposed to Annual General Meeting (AGM).

CONTACT AND IMPRINT

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Concept and Design
Berichtsmanufaktur GmbH, Hamburg

Photos
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