Growing Together

Annual Report 2013 of VTG Aktiengesellschaft

VTG Group at a Glance

in € m	1/1–12/31/2012	**1/1–12/31/2013**	Change in %
Revenue	767.0	783.7	2.2
EBITDA	173.8	183.8	5.7
EBIT	68.8	77.7	12.9
EBT	16.4*	27.4	66.8
Group profit	10.3	17.2	66.3
Depreciation	105.0	106.0	1.0
Total investments	220.5	166.0	−24.7
Operating cash flow	136.0	149.8	10.2
Earnings per share in €	0.41	0.71	73.2

in € m	12/31/2012	**12/31/2013**	Change in %
Balance sheet total	1,527.9	1,550.8	1.5
Non-current assets	1,309.4	1,332.2	1.7
Current assets	218.5	218.6	0.1
Shareholders' equity	311.7	321.3	3.1
Liabilities	1,216.2	1,229.5	1.1
Equity ratio in %	20.4	20.7	
Number of employees	1,188	1,191	0.3
in Germany	838	846	1.0
in other countries	350	345	−1.4

* Restated as a result of IAS 19 R.

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	740
Wagons	52,700
Geographical presence	Widespread network of VTG operational centers and sales offices throughout Europe and beyond
Revenue € million	332.9

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	177
Leased wagons	approx. 4,800
Geographical presence	Focus on Europe with VTG operational centers
Revenue € million	298.4

Tank Container Logistics

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

Employees	125
Tank containers	10,600
Geographical presence	Global presence with VTG operational centers and sales offices
Revenue € million	152.3

Growing together

VTG is entering the next phase of expansion. This process of growth will have a strong collaborative dimension. For one, there will be greater networking of our internal processes and optimization of joint working approaches across divisions. For another, we will be strengthening and expanding our business in eastern Europe through our merger with the rail logistics operations of Kühne + Nagel. We will be continuing to work closely with our customers, improving our wagons and logistics solutions by tailoring them to our customers' needs.

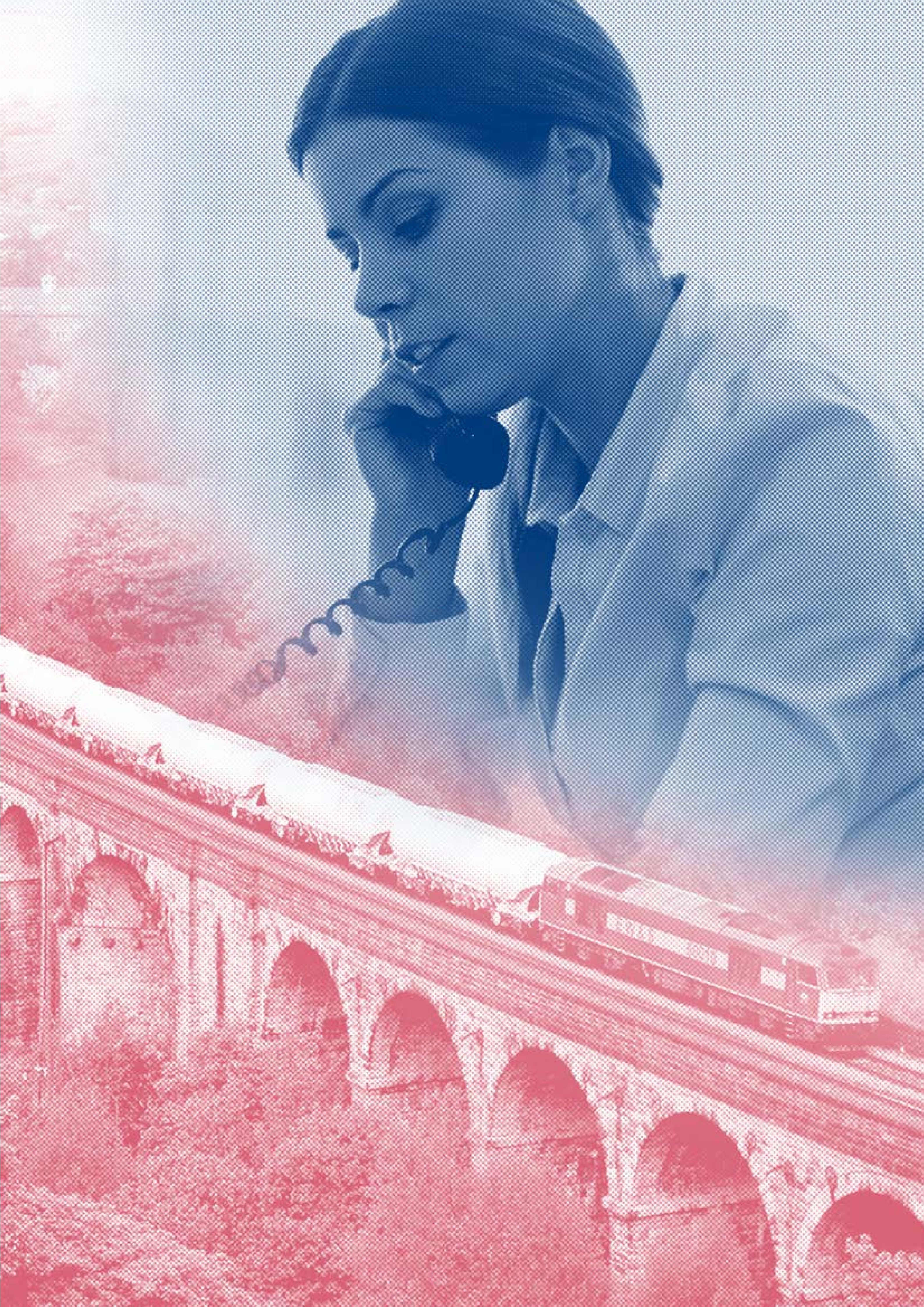
VTG Aktiengesellschaft is a leading international wagon hire and rail logistics company. The Group owns the largest private wagon fleet in Europe and has a global fleet comprising some 52,700 rail freight wagons. In addition to the hire of rail freight wagons, the Group offers a comprehensive range of multimodal logistics services.

01

Growing together ...

with the same objectives.

The Railcar division and the logistics divisions share the same objective: customer satisfaction. We aim to surpass our customers' expectations and be ready with the answer before the question is even asked. In achieving this, we can benefit from each other with knowledge transfer between the divisions. This means we can grow together and get even better every day.



01

Growing together …

with smart solutions.

With intelligent solutions, we are able to gain the confidence of our customers in both our wagons and our logistics services. Our strength in this regard lies in our tailored solutions. In both Railcar and Logistics, we are developing perfectly adapted solutions for specific transport assignments. This also means that we will be able to accommodate our customers' needs even better in the future.

01

Growing together ...

with new ideas.

With our three interlinked operational divisions, Railcar, Rail Logistics, and Tank Container Logistics, we already provide a highly effective platform for international freight transport. It is this very interconnection, along with our many years’ experience and our specialist knowledge, that forms the solid foundation for us to build on – with new ideas that strengthen us for the future.

01

Growing together ...

with clear structures.

We are making our internal workflows transparent through regular personal exchange and sophisticated software solutions. This means we can make processes more tightly interconnected as well as more efficient. This creates added value that benefits us all: customers, employees and shareholders.


TANKTAINER

02 Management

Foreword by the Executive Board

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

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

Dear Shareholders, Business Partners and Employees,

Overall, we can look back on an eventful but ultimately very satisfactory 2013. Despite the fact that the European economy remained in recession for a good part of the financial year, we once again proved the strength of our stable business model. With revenue of EUR 783.7 million and EBITDA of EUR 183.8 million, we once again surpassed the levels of the previous year. In a changing environment, this however proved very demanding.

The Railcar division once again proved an anchor of stability. This was seen particularly in the stable level of capacity utilization for our fleet, which stood at 89.8 percent at the end of the year. We also continued to invest in expanding and modernizing the fleet in 2013, and leased out some 1,300 newly built wagons, largely in Europe. The progressive diversification of the fleet is also paying off, with customers in the key VTG industries increasingly recognizing the advantages of leased wagons.

In our other markets of North America and Russia, we were able to further rejuvenate and strengthen our fleets. In North America, we pushed on with strategic growth with the purchase of 350 bulk freight wagons for animal feed, while, in Russia, the first newly built wagons were put into service.

Our logistics divisions had to battle with difficult market conditions in 2013, particularly the Rail Logistics division. Although it was able to perform well in the petrochemicals and industrial goods market segments, it was affected by the weakness of the market in the agricultural goods segment. To respond to this, we began restructuring the division very early in the year. This enabled us to gain new groups of customers and reduce excess transport capacity. Additionally, the successful merger of VTG's rail logistics operations with the conventional rail forwarding operations of Kühne + Nagel represents a huge step towards reshaping Rail Logistics for the challenges of the future. We are pleased that we were able to announce the finalization of the merger at the end of the year and that the operations of the new VTG Rail Logistics were launched on January 1, 2014. This means we will be able to offer our customers completely new transport solutions.

The trend in Tank Container Logistics was affected throughout the year by the weak growth in the chemical industry. Continuing overcapacity and the accompanying pressure on the achievable margins had a negative impact on business. Another negative factor was the weak US dollar. We only partially succeeded in overcoming these adverse conditions. By investing in state-of-the-art transport equipment and expanding our services, we aim to draw an even firmer line between our services and standard transport provision. As a partner in a new industry network that will take charge of transport flows for a key product area of the chemical company Bayer in spring of 2014, we have embraced the trend towards collaboration within a networked, all-inclusive framework.

For 2014, we anticipate that there will be continued good opportunities for growth. We will therefore be investing once again in the expansion of the wagon fleet. After a difficult year for our logistics divisions, we expect improved results again in 2014.

02 Management

Foreword by the Executive Board

We have set the course for this. Based on the expected brightening of the economic outlook and the resulting estimates regarding the performance of the individual divisions, we anticipate a generally pleasing trend in VTG's business in 2014. Driven by investment in the fleet, expanded Rail Logistics services, and active measures to improve the margins, we expect a significant increase in the level of revenue for the Group by the end of the year, within the range of EUR 850 – 950 million. We also expect to generate an EBITDA (earnings before interest, taxes, depreciation, and amortization) of between EUR 188 and 200 million.

But we want even more than this: VTG has grown significantly in recent years and has expanded its operations considerably. New regional markets, new products and services and many new employees have been added. The Group has also become much more international in nature. VTG has now reached a point that requires us to set a strategic course for the next phase of growth. This will involve us pushing ahead and continually improving our internal organizational and workflow structures and accommodating our customers' needs even better. Furthermore, we will have to examine critically the increased cost structures. The aim of these measures is to network individual operations more tightly and reduce costs in order to ensure our long-term competitiveness.

The trend in the dividend shows clearly that our path of long-term growth also benefits our shareholders. We will be proposing to the Annual General Meeting the payment of a dividend of EUR 0.42 per share. This represents an increase of 14 percent on the previous year. We have repeatedly increased the dividend since 2009, establishing VTG as a reliable issuer.

Another, indeed the primary, reason for our company's good performance is the great commitment of our employees. I wish to take this opportunity to extend our particular thanks to them. We also, however, wish to thank you, our shareholders, for the faith you have placed in us in recent years. We are all working together to ensure that you will continue to gain much satisfaction from your investment in VTG and receive an attractive return.

Dr. Heiko Fischer

Dr. Kai Kleeberg

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

Ongoing consultation with and supervision of the Executive Board

In the year under review, there were five ordinary meetings of the Supervisory Board. Additionally, as required, resolutions 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.

In February 2013 the Supervisory Board adopted two resolutions by written procedure. Subject matter of the first resolution was the joint declaration of the Executive Board and Supervisory Board on compliance with the recommendations of the German Corporate Governance Code. The second resolution concerned approval of the company entering into a consultancy agreement in an individual matter with a bank whose managing partner is a member of the Supervisory Board.

At the accounts review meeting of March 19, 2013, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2012 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 2012. The meeting also included the examination and approval of the 2012 Dependent Company Report and approval of the agenda and proposed resolutions for the 2013 Annual General Meeting. Furthermore, the Executive Board reported to us on the risk management of the VTG Group in this meeting.

Another meeting of the Supervisory Board was held on April 26, 2013. Apart from the Executive Board's report on current business developments this meeting focused on information and discussion with regard to the status of negotiations with Kühne + Nagel about the planned merger of the conventional rail logistics activities of both groups.

In May 2013, the Supervisory Board approved the resignation of Mrs. Femke Scholten from the Executive Board in a further resolution adopted by written procedure.

At the meeting of the Supervisory Board on May 23, 2013, 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. Following the Annual General Meeting, the Supervisory Board has approved the appointment of the auditor elected by the shareholders by resolution adopted by written procedure.

Dr. Wilhelm Scheider, Chairman of the Supervisory Board

Like in previous years, a closed-door session was held prior to the next meeting of September 12, 2013, during which the Executive Board explained to us the medium- and long-term strategic orientation of the company and the measures required to implement this strategy. These measures were discussed and agreed upon with us in detail and at length. At the meeting itself, the Executive Board presented and discussed with us its forecast for the development of the business and financial situation over the remainder of the financial year, based on the results and trends of the first six months. Furthermore, the Supervisory Board approved in this meeting, the merger of the conventional rail logistics activities of the VTG Group and the Kühne + Nagel Group under the brand VTG Rail Logistics.

At the meeting of November 27, 2013, the Executive Board explained to the Supervisory Board the annual budget including the financial and investment plans for the financial year 2014. We approved these after detailed discussion.

The Executive Committee held a total of three meetings in the year under review. The subjects covered included matters relating to the Executive Board, the remuneration system for the Executive Board and the long-term planning for the Executive Board successors and executive management staff. Additionally, approval was given for the taking up of positions requiring the consent of the Supervisory Board in accordance with § 88 of the German Stock Corporation Act. The Executive Committee did not have to address any conflicts of interest of members of the Executive Board or the Supervisory Board in the year under review.

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 2013. 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 2013 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the risk management system set up by the Executive Board complies with the legal requirements. The auditor has assured the Supervisory Board that no business, financial, personal or other relationships exist between, on the one hand, the auditor and its executive bodies and head auditors, and, on the other hand, the company and the members of its executive bodies that could call its independence into question. The Supervisory Board has agreed with the auditor that the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or conflicts of interest arising during the audit, unless such grounds are eliminated immediately.

The Supervisory Board itself also checked the annual financial statements of the company and the Group, the management report and Group management report. The audit reports were submitted in good time to all members of the Supervisory Board and were discussed in depth at today's meeting with the Executive

Board and the auditors, who were also present. The Supervisory Board endorsed the findings of the audit by PwC of the annual financial statements, the consolidated financial statements and the management reports. The annual financial statements and consolidated financial statements for the financial year 2013 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 € 0.42 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 12, 2014, 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 13, 2013 and has largely complied with these in the past financial year, whereby until publication of the amended Code in the Federal Gazette on June 10, 2013 the previous version of the Code as of May 15, 2012 was applied.

Composition of Supervisory Board and Executive Board

There were no changes regarding the composition of the Supervisory Board in the year under review.

Mrs. Femke Scholten resigned from the Executive Board effective May 15, 2013.

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 2013.

Hamburg, March 19, 2014

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 CEO of VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg
Deputy Chairman

Dr. jur. Bernd Malmström, Berlin
Solicitor

Dr. sc. pol. Jost A. Massenberg, Duisburg
CEO of Benteler Distribution International GmbH, Düsseldorf

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

Gunnar Uldall, Hamburg
Management Consultant, Senator (retired)

Members of the Executive Board

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

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

Femke Scholten, Hamburg (until May 29, 2013)
MSc Chemistry, MSc Chem. Eng.
Chief Officer, Logistics and Safety

Corporate Governance Report

Corporate governance at VTG AG

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

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

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

Wording of the current Declaration of Conformity

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

Declaration of Conformity 2014

On February 12, 2014, 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 13, 2013 and has largely complied with these since the issue of the last declaration of conformity on February 11, 2013, whereby until publication of the amended Code in the Federal Gazette on June 10, 2013 the previous version of the Code as of May 15, 2012 was applied. The following recommendations have not been or are not being implemented:

1. Section 3.8 paragraph 3 of the Code

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

2. Section 4.2.2 paragraph 2 sentence 3 of the Code

It is not intended to implement the recommendations regarding the vertical remuneration comparison contained in section 4.2.2 paragraph 2 sentence 3 of the Code, which are in effect since the publication of the amended Code in the Federal Gazette on June 10, 2013. The Supervisory Board, in accordance with § 87 (1) sentence 1 of the German Stock Corporation Act, already by law must ensure that the total remuneration of each member of the Executive Board is in proportion to the duties and performance of the Executive Board member and the situation of the company and does not exceed the normal level of remuneration unless there are special reasons. In doing so, the Supervisory Board also takes into account the remuneration of the subordinate levels of management. The determinations required by the Code for the vertical remuneration comparison involve substantial problems of distinction. Against this background, the currently existing flexible concept of the Supervisory Board without such determinations, which takes into account the specific situation of the individual case, is considered preferable.

3. Section 4.2.3 paragraph 2 sentence 6 of the Code

The contracts of the Executive Board members currently in office contain a fixed maximum amount only with regard to the fixed and variable components of the remuneration, but not with regard to the "total remuneration". The recommendations contained in section 4.2.3 paragraph 2 sentence 6 of the Code therefore since June 10, 2013 were not fully complied with. In the view of the Supervisory Board is the capping of the Executive Board remuneration aimed by the Code already sufficiently ensured by the existing arrangements. For this reason it is not intended to implement this part of the recommendation of the Code.

4. Section 4.2.3 paragraph 2 sentence 6 of the Code
The Supervisory Board does not consider it essential for an appropriate pension scheme to define the intended level of pension benefits and therefore reserves the right to make pension commitments without such definition. Due to specified plans and assumptions the Supervisory Board nevertheless is in a position to a sufficiently accurate picture of the annual and long-term expenditure for the company.

5. Section 4.2.3 paragraph 4 of the Code
The existing executive board contracts do not include a "severance payment cap". In future too, the Supervisory Board cannot rule out concluding executive board contracts with provisions that in this respect do not accord with the code. The Supervisory Board is of the opinion that, in the interest of finding the optimal candidates for membership of the Executive Board, the existing freedom in the formulation of such contracts should not be restricted in advance in terms of individual elements thereof.

6. 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.

7. 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.

8. 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.

9. 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.

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

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

Composition of the Supervisory Board

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

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

International character

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

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

Potential conflicts of interest

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

Number of independent Supervisory Board members

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

Age limit

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

Diversity

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

Implementation status

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

Remuneration of the Executive Board and Supervisory Board

Note: Further information on the remuneration of the Executive Board and Supervisory Board can be found in the relevant passage in the Management Report pages 47 to 48.

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).

Markets and Strategy

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

The internationalization of flows of goods, the expansion of the European Union and progressive globalization are generally bringing strong growth in levels of freight traffic. The European Commission expects freight traffic volume to increase by approximately 57 % between 2010 and 2050. Experts from the traffic and transport consultancy ProgTrans (which provides forecasts and consulting on traffic and transport) also expect growth. They anticipate that the division of labor will continue to increase, albeit less sharply than was the case a few years ago. Based on a study, they expect freight traffic volume to increase by 40 % by 2025.

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

The railway as a carrier offers clear environmental advantages

Rising energy costs and the development of the German goods vehicle toll are factors that favor the use of the railway. Additionally, the environmental advantages of the railway are increasingly influencing the logistics decisions being made by companies. According to the most recent figures from the German Federal Environment Agency, the railway's environmental advantages are increasing compared with other carriers. Expanded use of the rails will also be required to meet the German government's energy and climate targets. The EU Commission has also placed the general principle of sustainable mobility at the center of common traffic policy. Its aim is to reduce CO_2 emissions in the transport sector by 20 % by 2030 (based on 2008 levels). Rail freight traffic makes an important contribution to a system of freight mobility that meets economic, ecological and social requirements. In the EU, the transport sector currently generates around 20 % of all CO_2 emissions. A third of these are generated by road traffic alone. Furthermore, more than 70 % of all traffic is reliant on the availability of mineral oil products. However, for rail freight traffic, the use of traction current from renewable sources of energy has already begun on electrified sections of track. Thus greater use of the railway as a carrier is needed to achieve the ambitious environmental and climate protection targets set out in national and European policy.

Combined transport for long distances becoming more important

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

Objectives and strategy

Four-pronged strategy focusing on sustainable, profitable growth

The VTG Group, with its three operating divisions, embarked on a successful path of growth in recent years that was the result of many closely linked factors. Essentially, these factors are rooted in VTG's strategic objectives, measures and corporate principles. The company's strategic approach is based on long-term, forward-looking investment and finance policies in line with its business model. The foundation for further growth was laid in May 2011, with a solid combination of long-term core financing and medium-term growth financing. In 2013, VTG primarily focused on completing orders for the construction of new wagons and expanding the cooperative arrangement between VTG and Kühne + Nagel. To ensure long-term success in all three operating divisions, VTG, working closely with the Executive Board and the Supervisory Board, is pursuing a four-pronged strategy focused on sustainable, profitable growth.

Growth of wagon fleet in existing markets

In its European core market, VTG is working to further consolidate its position as the leading provider of tank cars and freight cars for transporting liquids and industrial goods by rail. In the process, it intends to make judicious use of its available financial flexibility in order to continue expanding its market position in Europe while expanding its customer base by diversifying into new segments. On the one hand, this will entail acquiring used fleets. On the other hand, the European fleet will be modernized and further expanded by building new wagons. Thus, around 1,300 new wagons were delivered to customers of VTG in 2013. Along with expanding and diversifying the wagon fleet, another focus is expansion of the portfolio of services. VTG's maintenance workshops and its own platform for innovation, the Graaff wagon construction plant, provide support in achieving this strategic aim. One example of this is the design and production of fittings at the Graaff plant not only for VTG's own use but also for external customers.

Growth of wagon fleet in new regions

Outside of its core European market, VTG is concentrating mainly on two other attractive regions. Here, the long-term focus is on continually expanding business in the markets of North America and the Russian Federation and its neighbors. North America in particular, as the world's largest rail freight market, offers VTG attractive opportunities for growth. Having successfully gained a foothold in North America, VTG is now systematically expanding its wagon fleet in that market. By acquiring approximately 350 bulk goods wagons for livestock feed in December 2013, it further diversified and reduced the age of its US fleet. VTG will also be watching the North American market carefully and seizing opportunities to push its US fleet into five figures from the current level of more than 4,100 wagons.

In addition, the broad-gauge rail network of Russia and its neighbors also offers good prospects for growth. The long distances and the abundance of raw materials in the region also favor the railway, and indeed it is the world's second-largest rail freight market. Following the successful integration of the Railcraft Group, VTG managed to add 150 new Russian-built mineral oil wagons to its fleet in this market in 2013; all of these have been hired out.

Moreover, VTG is carefully scrutinizing new regions in which it is not yet operational and which offer promising opportunities for growth.

Expansion and reinforcement of logistics divisions

In addition to expanding its Railcar division, VTG also plans to further expand and reinforce both of its logistics divisions. Rail Logistics is currently in the process of realigning its business model. In financial year 2013, the division's strategic focus was on expanding the cooperative arrangement between VTG and Kühne + Nagel. After receiving approval from the anti-trust authorities, the new company began operating on January 1, 2014. On the one hand, the combined Rail Logistics businesses will significantly strengthen the industrial goods segment. Further, it will give Rail Logistics a Europe-wide network of locations, enabling it to offer truly intermodal transport solutions from Northern Europe to the Bosporus and from Western Europe to Russia.
In addition, the company worked on new transport concepts and solutions in all market segments during financial year 2013 to ensure that in the future it will be able to exploit the full potential offered by the structural growth in cross-border rail freight traffic. The adjustments to the business model for the agricultural products market segment that were started in 2012 continued in 2013. In 2013, the Tank Container Logistics division continued to pursue its strategy of expanding cooperation with select strategic customers. Here, maintaining margins was more important than simply expanding transport volume. In addition, the division continued in 2013 to focus on the requirements of its constantly changing markets in order to adjust to volatile flows of goods and ever more complex global market structures. During 2013, a particular focus of VTG's strategic work was on collaborating to develop a new branch network that will assume control of transport streams for a core product division of the Bayer Chemical Group in the spring of 2014.

Further work on developing the organization and optimizing processes

The fourth part of VTG's strategy focuses on continual organizational development and optimization of processes. The acquisitions of recent years and the combination of the Rail Logistics businesses of VTG and Kühne + Nagel represent major progress for VTG on its path toward growth. For VTG, though, this development simultaneously means that demands for process quality and efficiency have increased, placing greater focus on the strategic goal of further developing the organization and optimizing processes. VTG is continuing existing projects and initiating new projects designed to accomplish this goal. For example, further work was done on the Wamos! IT landscape in financial year 2013. This operating software, which was developed in-house, is being rolled out gradually in the Railcar division in Europe and ultimately will replace its predecessor. In addition, in 2013, a project was initiated that, on the one hand, will enable the divisions to collaborate even more closely with one another, and on the other hand will bring the Group closer together, creating a more integrated VTG. The goal here is to further develop VTG's business while enhancing the performance of the VTG Group on a sustainable basis.

VTG in the capital markets: VTG's share and Investor Relations

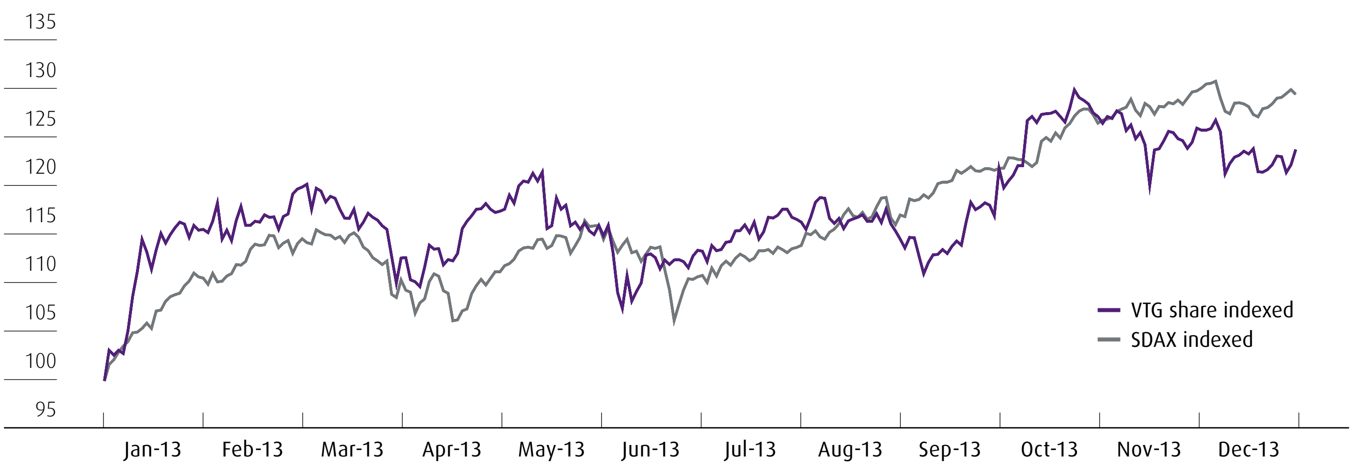
New record highs for share prices worldwide

Share prices reached record highs on stock exchanges around the world in 2013, helped by central banks' expansionary monetary policies, steady improvements in economic data and the end of the recession in the eurozone. The German share index, DAX, reached 9,589 at the end of December – the highest point in its 25-year history. The US Dow Jones index also reached a new record level of 16,577 at year-end. The increase was spurred on by the US Federal Reserve's announcement that it would continue its bond-buying program. Overall, the 2013 performance of the two indices was quite positive, with the DAX posting an increase of around 25 % and the Dow an increase of around 27 %.

VTG's share performs well in 2013

Thanks to the positive capital markets environment, VTG's share also recorded a substantial increase in value in 2013. From its lowest daily closing price (€ 12.44), recorded right at the beginning of the year, the share price rose continuously. However, this trend was held back by the repeated flaring up of economic concerns and uncertainty on the stock markets. On October 21, 2013, VTG's share reached its highest daily closing price of € 15.73. It lost further ground from that point on, closing at € 14.99 on the last trading day of the year. Compared to the year-end 2012 closing price, this represented an increase of around 24 %. The SDAX benchmark index performed slightly better during this period (around 29 %). VTG's market capitalization stood at € 320.6 million at the end of the reporting period.

Share price VTG share (from January 1 to December 31, 2013)



03 Strategy and Share

VTG in the capital markets

Share data

WKN	VTG999
ISIN	DE000VTG9999
Stock exchange abbreviation	VT9
Index	SDAX, CDAX, HASPAX
Share type	No-par-value bearer share
No. of shares (12/31)	21,388,889
Market capitalization (12/31)	€ 320.6 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end-rate *	€ 14.99
Annual high *	€ 15.73
Annual low *	€ 12.44
Average daily turnover	20,468 shares

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

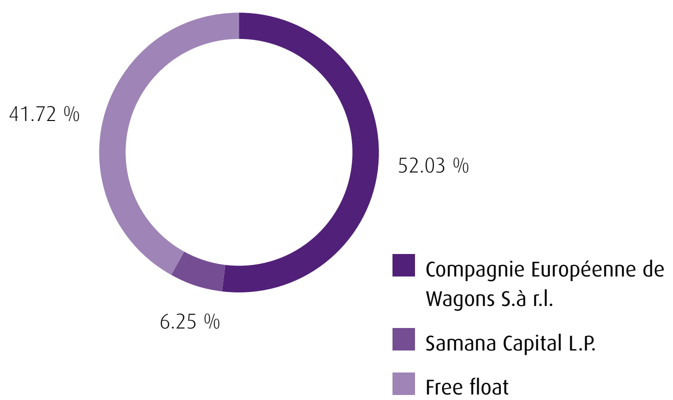
Trading volume in VTG's share increased slightly

VTG's share is traded primarily on Xetra, Deutsche Börse's electronic trading system. The share is also traded on the trading floors of the Frankfurt Stock Exchange and on all the regional stock exchanges in Germany. In 2013, the average number of VTG shares traded daily was 20,468 (previous year: 18,547 shares), an increase of about 10 % over the previous year.

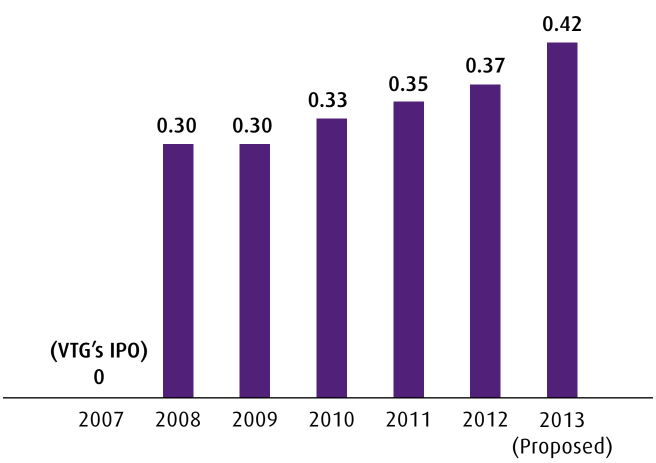
Stable shareholder structure

According to its registration for the Annual General Meeting in May 2013, Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the share capital of VTG Aktiengesellschaft and continues to be VTG AG's biggest shareholder. Moreover, Samana Capital L.P., Greenwich, Connecticut/USA, continues to hold 6.25 % of VTG's shares, so based on the latest information on voting rights, 41.72 % of the shares were in free float.

Shareholder structure in %



Trend of VTG's dividend per share in €



Positioned as a reliable, long-term payer of dividends; dividend increase planned

It is VTG's aim to enable its shareholders to share regularly in the company's success, and thereby to position itself as a reliable issuer of dividends. VTG does not make the amount of the dividend dependent on a specific ratio; rather, it is VTG's goal to make regular dividend payments that are either constant or increasing in size. On May 23, 2013, the Annual General Meeting approved the proposal of the Executive Board and the Supervisory Board to issue a dividend for the fifth consecutive year, distributing to shareholders a payment of € 0.37 per share for financial year 2012. The Executive Board of VTG intends to propose to the 2014 Annual General Meeting the payment of a dividend of € 0.42 per share for financial year 2013. This would represent a dividend increase of around 14 % on the previous year.

Investor Relations work recognized with several awards

In 2013, VTG continued its dialog with the capital markets. It relied on transparent, constant and clear communication to accomplish this. VTG's active Investor Relations work once again received numerous domestic and international awards in 2013. For example, the IR team again placed first among SDAX listed companies with the German Investor Relations Prize. The IR team was also recognized with top-ten rankings in the individual categories. The German Investor Relations Prize is awarded annually by Thomson Reuters Extel Surveys, the business magazine Wirtschaftswoche and the German Investor Relations Association (DIRK). VTG's 2012 Annual Report, entitled "Trusted by Industry", also received several awards. At the 2012 Vision Awards of the LACP (League of American Communications Professionals), the annual report won three awards: in addition to a Gold Award, it was also chosen as one of the "Top 50 EMEA Regional Annual Reports of 2012" and one of the "Top 50 German Annual Reports of 2012". VTG's 2012 Annual Report also won a Bronze Award in the "Traditional Annual Report" category.

Research coverage on a good level

As of the end of financial year 2013, 14 financial analysts representing different domestic and international brokers were providing research coverage on VTG. They follow VTG regularly, publishing commentaries on VTG's business performance. On the balance sheet date, the majority of them issued a buy recommendation for VTG's shares. Compared to the SDAX, research coverage of VTG was at an above-average level.

Reports of analysts on the VTG share as of December 31, 2013*

Institution	Analyst	Recommendation	Target Price (€)
Baader Bank	Christian Weiz	Buy	16.20
Bankhaus Lampe	Sebastian Hein	Buy	16.00
Berenberg Bank	Stanislaus v. Thurn und Taxis	Hold	15.50
Commerzbank	Johannes Braun	Add	17.00
Deutsche Bank	Felicitas von Bismarck	Buy	15.50
Goldman Sachs	Jaap Pannevis	N/A	N/A
Hamburger Sparkasse	Ingo Schmidt	Buy	15.00
Hauck & Aufhäuser	Henning Breiter	Buy	18.00
HSBC	Jörg-André Finke	Overweight	17.00
Montega	Alexander Drews	Buy	17.00
NORD/LB	Wolfgang Donie	Buy	18.30
SRH Alsterresearch	Oliver Drebing	Buy	18.00
UBS	Dominic Edridge	Buy	15.90
Warburg Research	Frank Laser	Buy	19.00

* 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.

Group Management Report

BASIC PRINCIPLES OF THE GROUP

Business model of the Group

Operations

VTG is a listed company with its headquarters in Hamburg. It leases wagons for rail freight transport and also provides logistics services with a focus on the railway as a carrier as well as arranging and executing tank container transports worldwide. The VTG Group, which can look back on a company history of more than 60 years, owns Europe's largest private wagon fleet, and is one of Europe's leading wagon hire and rail logistics companies. VTG has a global fleet of more than 52,700 wagons, comprising mainly tank wagons as well as modern high-capacity and flat wagons. VTG hires out these wagons to companies from nearly every branch of industry.

Segments and services

With its three interwoven divisions, Railcar, Rail Logistics and Tank Container Logistics, VTG provides its customers with a high-performance platform for transporting their goods internationally. At the same time, these divisions form the operating segments for the purposes of segment reporting in accordance with the International Financial Reporting Standards (IFRS).

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

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

Structure, organization and operational centers of the Group

The VTG Group comprises three operational divisions: Railcar, Rail Logistics and Tank Container Logistics. VTG has its headquarters in Hamburg and is represented via subsidiaries and associated companies primarily in Europe, North America, Russia and Asia. In addition to VTG AG, a total of 59 companies belong to the VTG Group. As of December 31, 2013, the VTG Group had 45 fully consolidated companies in addition to VTG AG. Of these, 19 are in Germany and 26 in other countries. Additionally, two foreign companies were consolidated using the equity method. Thus, compared with the previous year, the number of fully consolidated subsidiaries increased by four, thereof three in Germany and one abroad.

Major shareholder with stable shareholding

In accordance with its registration for the Annual General Meeting in May 2013, Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the share capital of VTG Aktiengesellschaft, directly and indirectly. This major shareholder has the backing of a major US investor with a long-term investment strategy. The major shareholder is pursuing the same goals as the management of VTG: responsible growth and strategic development. The stable nature of this shareholding gives VTG both the greatest possible room for maneuver and a secure foundation for developing the company.

Control parameters

Key control parameters

Key control parameters: revenue and EBITDA

For the Group and all three divisions, revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) are the key control parameters. For VTG, revenue is a key control parameter because it reflects the profitability of the fleet, particularly regarding the core business of wagon hire. VTG finances investments largely through cash flows from operating activities. Due to the fact that its wagon hire contracts are generally long-term in nature, the Railcar division generates a stable cash flow. As a value similar to cash flow, EBITDA is therefore another key control parameter.

Auxiliary control parameters

In addition to the key control parameters of revenue and EBITDA, the Executive Board also utlilizes auxiliary control parameters. These include, at divisional level, the EBITDA margin, and, in Railcar, capacity utilization. At Group level, EBIT (earnings before interest and taxes) and EBT (earnings before taxes) are looked at along with the debt-to-equity ratio and the return on capital.

Auxiliary control parameters at Group level: margins

In all three operational divisions, the EBITDA margin serves as an auxiliary control parameter. In Railcar, the ratio of revenue to EBITDA is examined. By contrast, in Rail Logistics and Tank Container Logistics, the margin is calculated using gross profit, as this is more suitable for the logistics business. Revenue in the logistics divisions includes recharged freight costs that must be subtracted when determining the margin for the individual division. This gross profit is used as the basis for calculating the margin and is viewed in relation to EBITDA.

Railcar Division: monitoring capacity utilization

In Railcar, the capacity utilization of the wagon fleet serves as an important auxiliary control parameter. It is calculated by placing the number of hired wagons in relation to the entire fleet and provides an indication of how efficiently the fleet is being used at any given time of review. A high level of capacity utilization thus has a positive impact on the earnings of the Group.

Auxiliary control parameters at Group level: EBIT and EBT

At Group level, EBIT is also used to judge the profitability of operations after internal financing. Another auxiliary control parameter is EBT, which is used to determine the profitability of VTG after taking into account all financing costs.

Monitoring net financial debt

VTG relies to a large extent on debt capital to finance its wagon fleet. VTG ensures that it keeps its borrowing at a level that is both reasonable for its business model and typical for the market. This level is measured using the ratio of net financial debt to EBITDA, whereby net financial debt is calculated as financial liabilities plus pension provisions less cash and cash equivalents.

Monitoring ROCE and WACC

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

Monthly reporting as a tool

The Executive Board of VTG has a comprehensive system of monthly reporting at its disposal. Both key and auxiliary control parameters are used in reporting. In the reports issued, the differences between targets and performance in relation to these parameters are analyzed and their causes determined. VTG then uses these analyses to draw up and implement corrective measures.

Research and development

As part of its business strategy, VTG estimates the future demand for wagons and types of wagon in its markets according to long-term criteria. It then plans the development of the fleet and bases its research, development and procurement policies on these projections. Moreover, the development of a new wagon or individual components such as fittings can be the result of an actual customer request, which is followed up with technical inspections and feasibility studies. The engineers from Railcar's newbuild team and experts from Waggonbau Graaff (Graaff) work hand in hand to design and develop these wagons or components. Graaff boasts almost 100 years of technical expertise, quality and reliability in the construction of rail freight wagons and has belonged to the VTG Group since mid-2008. With the aid of Graaff as a platform for innovation, VTG manufactures wagons for special purposes, particularly high-quality chemical tank wagons and powder wagons. This covers a part of VTG's annual requirement for newly manufactured wagons. However, beyond direct specific requests from customers regarding the development of new products, VTG also operates its own innovation management system to ensure long-term success in the market. With this system, VTG is working on concepts, new types of processes and innovative products and services that will endure even decades from now. To achieve this, VTG works closely with industry, universities and railway companies. This collaboration has led, for example, to the publication of the 2030 White Paper on Innovative Rail Freight Wagons (Weißbuch innovativer Eisenbahngüterwagen 2030), which depicts the rail freight wagon of the future.

Further expansion of Graaff innovation platform

In the year under review, Graaff planned a new production line, with the aim of having it in place and in operation in 2014. This will enable the plant to expand its product range considerably and streamline existing production. Furthermore, Graaff is working on the development of additional components for wagons transporting dangerous goods and also on new types of tank wagon. Graaff plans to produce three to four new types of wagon in 2014.

At the transport logistic exhibition in Munich in June of 2013, Graaff was also able to present many innovative new products, living up to its slogan "360° Logistics – Masterfully Innovative". Graaff exhibited its newest development, a buffer override protection system, which ensures greater wagon safety and can be fitted to both newly built and older wagons. Graaff also exhibited a chemical tank wagon with a new kind of bogie with unilateral rather than bilateral wheel braking. The customer also benefits from the savings in materials and the reduced weight: with the lower tare weight of the wagon, the load capacity increases and thereby also quantity of goods that can be transported.

Expansion of the valve and fittings manufacturing business

With the manufacture of valves and fittings, which has now reached serial stage, Graaff enjoys a niche position. Thus, in the year under review, both all new wagons built at Graaff and also all mineral oil wagons commissioned by VTG to be manufactured by third parties could be equipped with self-produced valves and fittings. A considerable number of fittings are also being supplied to third parties. Graaff now has tank fittings for almost every type of application.

04 Financial Information

VTG Group Management Report for the period from January 1 to December 31, 2013

Employees

Number of employees remains constant

As of December 31, 2013, the number of people employed by the VTG Group stood at 1,191, almost equaling the level of the previous year (1,188). Of these, 846 were employed in Germany (previous year: 838) and 345 in other countries (previous year: 350). The number of blue-collar workers stood at 341 (previous year: 339), almost all of whom were employed in the repair and manufacturing facilities. The number of white-collar workers was 801 (previous year: 800). Additionally, VTG employed 49 trainees in the year under review (previous year: 49).

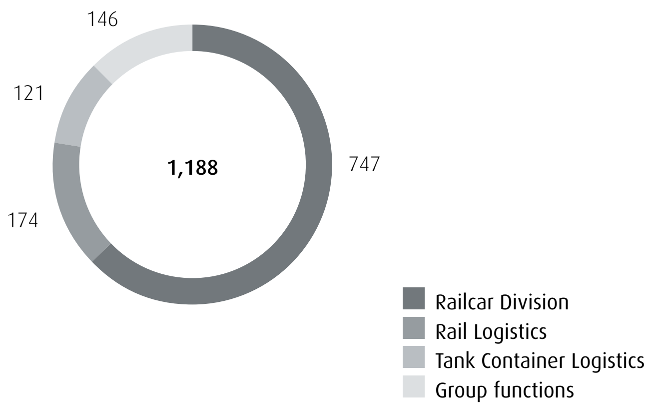
VTG maintains reputation as attractive employer

Due to demographic and economic trends, the labor market situation did not ease for employers in the year under review: rather, the trend was more acute. Despite this, VTG was able to meet its personnel requirements promptly with well-qualified candidates. Nevertheless, the search and selection process proved increasingly costly and time-consuming, particularly in squeezed segments where demand for candidates is high. All in all, however, VTG continued to benefit from its reputation and brand strength in the rail and international logistics markets.

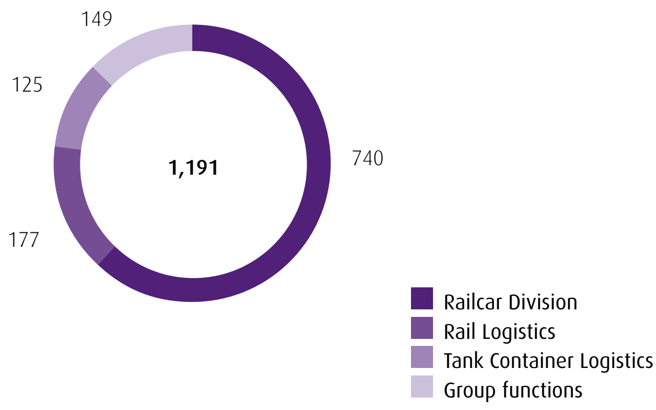
Preparing for expansion in Rail Logistics

The rail logistics operations of VTG and Kühne + Nagel merged on January 1, 2014. As a result, the final quarter of the year under review was a period of intensive preparation. The aim was to achieve professional and sustainable integration of around 100 employees of Kühne + Nagel Rail – spread across eight European countries – who would be joining the Group. To this end, VTG has drawn up a comprehensive integration strategy, which it is currently implementing.

Employees by divisions



2012



2013

VTG traineeships remain popular

VTG continues to place importance on fostering the talents of young people. It therefore offers a range of traditional traineeships to qualify for such occupations as construction mechanic, forwarding agent, industrial sales manager or IT specialist. VTG also collaborates with two universities, educating and training new employees via work-and-study programs in economics, industrial engineering, business informatics and design engineering. VTG also maintains contact with other universities, with VTG staff giving lectures on their areas of expertise, participating in university careers fairs and overseeing master's theses and student placements. Overall, in the year under review, VTG continued to show the high level of commitment to training it had shown in 2012.

Thinking ahead in HR development

For VTG's Human Resources department, a strategic approach to the development of employees and managers is key. In particular, this must ensure VTG remains competitive in the face of an increasing shortage of skilled workers. This is to be achieved with targeted career development measures that are appropriate in terms of type and level of qualification and appointment of staff in accordance with requirements. To this end, VTG uses appropriate tools to evaluate performance and identify and nurture the existing potential of specialist and management staff. After evaluation, the findings are used to draw up individually tailored measures to foster and develop this potential. These measures can be both in-house – in the form of project assignments, additional responsibilities, and assignments abroad – and external, in the form of training seminars, e-learning or coaching. Furthermore, in the year under review, VTG put in place a strategic succession plan.

Pre-emptive rights

As previously, there are no pre-emptive rights or stock options for either directors or members of staff.

Safety and the environment

Certification of integrated quality, safety, and maintenance management system

Building on the successful certification of Railcar in accordance with the increased requirements of EU Regulation 445/2011, in 2013, VTG brought together quality, safety, and maintenance in an integrated management system. This was approved in a common, Europe-wide audit, whereby an authorized certification body checks for compliance with all relevant standards and directives. This ensures that the findings of the audits are transferred effectively to operational processes. Furthermore, this ensures continual improvement of quality and maintenance at a European level, thereby increasing safety in rail freight traffic. In 2014, VTG plans to extend the scope of this and apply the systematic approach being used in the Railcar division to the repair workshops in Brühl and Joigny and to Waggonbau Graaff. This will create a closed process cycle and uniform standards of quality and safety. In the Rail Logistics division, safety and quality have also been brought together in one integrated management system. Until now, certification of the groups of areas covered by quality and safety together has not been possible in Rail Logistics due to different bases for approval and certification. The Europe-wide standardization of process and safety standards has been an important prerequisite for integrating the rail logistics operations of Kühne + Nagel into VTG Rail Logistics. This integration will take place in 2014. Within Tank Container Logistics, the quality and safety management system has also been continually developed: for instance, in the year under review, preparations were made for certification in accordance with GMP+ B4. This certification guarantees full compliance with the strict requirements for the transport of animal feed. Official certification of the new quality and document management system was completed at the beginning of 2014.

Successful audits confirm high standard of quality and safety management systems

During the reporting period, the VTG Group had audits carried out systematically in all divisions. These were performed by the authorized certification bodies in accordance with ISO 9001:2008 and EU 445/2011. The objective of these audits is to monitor the very high quality and safety of the equipment in use and the accompanying services and keep developing these. Furthermore, customers of VTG again performed Europe-wide audits in all three divisions, addressing in particular the areas of hazardous goods, safety and process conformity. VTG successfully passed these audits, once again confirming the high standard of its quality and safety management systems.

Working in partnership with suppliers

In 2013, as one of various supplier management measures, employees of the VTG Group again performed numerous audits at the premises of suppliers and partners. The aim of these was to verify quality and safety and to continue improving these.

Practical training in safety, technology and hazardous goods

Demand for practical training in the areas of safety, technology and hazardous goods increased once again in 2013. VTG has responded to this demand and, providing training in these areas to more than 1,000 employees of VTG customers as well as fire service and rescue workers. The high level of uptake indicates clearly that there has been a significant increase in awareness of transport safety. Preparations are already under way for more training seminars in 2014, so that, together with its partners, VTG can make rail transport even safer.

Further measures for health and safety at work

VTG has firmly established standards which its applies in its safety inspections and workplace and hazard analyses for maintaining and increasing the levels of health protection and safety at work for employees. In addition to these, in 2013, VTG introduced even more far-reaching safety measures: in all VTG repair and manufacturing facilities, agreements were reached whereby prizes are awarded for behavior that prevents accidents and for work being carried out without the occurrence of accidents. With this approach, VTG is systematically continuing to pursue its goal of "zero accidents" and is actively involving employees so that it can prevent future accidents even more systematically and effectively.

Spotlight on the environment

In the reporting period, VTG continually monitored and maintained the standards for compliance with the current permits and authorizations granted to the two wagon repair workshops and Waggonbau Graaff. It also began identifying areas of potential for improved utilization of energy, with the aim of using both facilities currently in operation and supplementary sources of energy and heat as well as renewable sources of energy (e.g. solar power).

REPORT ON THE ECONOMIC POSITION

General environment

Macroeconomic environment

Global economy gains momentum

After only slight expansion at the beginning of the reporting period, there was noticeable revival of the global economy over the remainder of the year. The factors that had inhibited growth in the last two years continued to shrink in importance. In the developed economies, the economic situation brightened overall, with the US economy recovering gradually and the eurozone coming out of recession in mid-2013. In the developing and emerging economies, there was only a modest increase in economic momentum in the reporting period. In addition to the lack of stimulus due to low demand from the developed economies, these countries were affected by their own internal economic problems. For the global economy, the Kiel Institute for the World Economy (Institut für Weltwirtschaft) expects an overall rise in GDP of 2.9 % in 2013.

Economic trends in the eurozone and Germany

In the eurozone, the economy escaped recession in mid-2013. Nevertheless, the structural adjustments introduced affected demand: this meant that economic revival was very modest and no real momentum was gained. In Germany too, the economic situation improved steadily over the year. This improvement was driven primarily by investment in plant and equipment, while foreign trade tended to be weak. Low financing costs also had a stimulating effect. Nevertheless, the economic trend did not manage to pick up as much as expected, with no upswing yet materializing. For 2013, the Kiel Institute for the World Economy expects GDP in the eurozone (excluding Germany) to have gone down by 0.8 % compared with the previous year. Meanwhile, for Germany, the Kiel Institute predicts a slight rise in GDP of 0.4 % for 2013.

Economic trend in selected non-European countries

In the US, the economy recovered gradually in the course of the year under review. The Kiel Institute for the World Economy views this trend as perfectly typical for recovery after financial and property crises. For 2013, experts anticipate an increase in GDP of 1.6 % on the previous year. In China, the trend of moderate economic expansion continued in 2013. In the first half of the year, there were growing fears that there could be an economic slump but these were allayed again with the increase in economic activity in the third quarter. For 2013, the Kiel Institute expects an increase in Chinese GDP of 7.5 %. In Russia, there was only moderate growth in GDP in the reporting period compared with the previous year, with, for instance, only very weak industrial production up until the end of the year. For 2013, the Kiel Institute predicts a slight rise in GDP of 1.5 % on the previous year.

Sector-specific environment

In an environment of moderate economic growth, the freight transport market in Germany picked up momentum only slowly in 2013. According to Germany's Federal Statistical Office, transport volume increased by 0.8 %, thereby exceeding general economic growth by 0.4 %. This trend was also seen in rail transport, with the quantity of freight transported by rail showing a moderate increase of 0.8 %, reaching 369 million tonnes in 2013. However, in sectors that are key for VTG's business, there was no significant growth, with, for example, only a slight rise in production in the German chemical industry. Furthermore, although the western European automotive industry reported an increase in demand for new vehicles in the second half of 2013 compared with the same period of 2012, demand for the year as a whole fell on the previous year.

04 Financial Information

VTG Group Management Report for the period from January 1 to December 31, 2013

Business development and situation

Significant events and transactions

VTG continues to expand wagon fleet in US

In December of 2013, VTG acquired 350 used wagons for the transport of animal feed. These wagons, acquired in the US, expand the fleet of VTG's North American business. Further details of the acquisition can be found under "Results of operations: Railcar division" in the section "Business development and situation".

Strengthening of partnership between VTG and Kühne + Nagel opens up new opportunities

On September 27, 2013, VTG and Kühne + Nagel signed the agreement to merge some of their rail logistics operations, thereby cementing their existing partnership. Further details of this can be found under "Results of operations: Rail Logistics division" in the section "Business development and situation" and under "Material events after the balance sheet date".

Chief Logistics and Safety Officer leaves VTG

On May 29, 2013, Femke Scholten, the Executive Board member and Chief Logistics and Safety Officer, left VTG. CEO Dr. Heiko Fischer and CFO Dr. Kai Kleeberg have stepped in provisionally, taking over what were previously Ms. Scholten's executive duties. The Rail Logistics division and the area of safety will be headed by Dr. Fischer until a successor is found. Dr. Kleeberg has taken charge of the Tank Container Logistics division, which he had already headed for many years before Ms. Scholten's appointment.

Results of operations

Consolidated results of operations

Group revenue increases by 2.2 % to € 783.7 million, within forecast range

Revenue for the VTG Group increased in the financial year 2013 by € 16.7 million, or 2.2 %, to € 783.7 million (previous year: € 767.0 million). This increase was essentially driven by the positive trend in business in the Railcar division. The difficult trends in business in the logistics divisions, particularly in the Rail Logistics division, however had a dampening effect on growth in revenue. Overall, however, VTG achieved results in line with its forecast – issued at the start of 2013 and then re-affirmed in August – which predicted revenue for the Group in 2013 of between € 780 and 830 million.

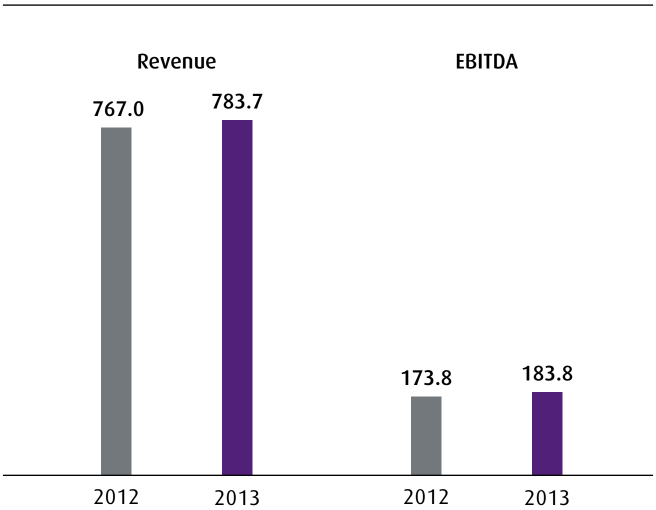
In the financial year 2013, the Railcar division managed to push up revenue by € 18.3 million, or 5.8 %, to € 332.9 million (previous year: € 314.6 million). This confirms the forecast for the division that it would see an upward trend in business in the year under review. A key factor in this was the wagons delivered to VTG customers in 2012 and 2013. However, the fact that there was only moderate growth in the economy was reflected in a slightly downward trend in demand for wagons, with capacity utilization amounting to 89.8 % at the end of the year (previous year: 90.4 %).

In the reporting period, the Rail logistics division recorded a slight rise in revenue, with an increase of € 1.6 million, or 0.5 %, to € 298.4 million (previous year: 296.8 million). The petrochemicals and industrial goods market segments made a key contribution to this positive trend. The trend in business in the agricultural tranports market segment proved more difficult, however, leading to a downturn in revenue. Overall, however, the division's results were in line with the forecast issued for 2013, which had predicted only a slight upward trend in business.

In the Tank Container Logistics division, revenue shrank by € 3.2 million, or 2.0 %, to € 152.3 million (previous year: € 155.5 million), reflecting the slight drop in transport volume in the division. The division was unable to fully meet the projected targets issued in the forecast at the beginning of 2013. This was due essentially to the highly competitive environment already mentioned in the quarters preceding the reporting period, with this environment impacting business in Tank Container Logistics more strongly than expected.

Of total revenue for the Group, € 343.0 million came from customers based in Germany (previous year: € 336.8 million). This represents a share of 43.8 %, almost equal to that for 2012 (43.9 %). Accordingly, business from customers abroad generated revenue of € 440.7 million (previous year: € 430.2 million), giving a share of 56.2 % (previous year: 56.1 %).

Revenue and EBITDA development in € m



EBITDA up 5.7 % to € 183.8 million, meeting forecast target
In the reporting period, EBITDA (earnings before interest, taxes, depreciation and amortization) increased, by € 10.0 million, or 5.7 %, to € 183.8 million (previous year: € 173.8 million). This increase was driven by the positive trend in Railcar. This affirms VTG's forecast both as made initially at the beginning of 2013 and in more detail in August, which predicted EBITDA for the Group at the lower end of the range € 180 – 190 million.

EBIT climbs 12.9 %; EBT and net profit for the Group rise significantly compared to previous year
In the financial year 2013, the VTG Group also managed to push up EBIT (earnings before interest and taxes) by no less than € 8.9 million, or 12.9 %, to € 77.7 million (previous year: € 68.8 million). For the reporting period, EBT (earnings before taxes) amounted to € 27.4 million. Compared with the previous year (€ 16.4 million), this represented an increase of € 11.0 million, or 66.8 %. Meanwhile, net profit for the Group reached € 17.2 million, exceeding the level of the previous year (€ 10.3 million) by an impressive € 6.9 million, or 66.3 %. Earnings per share increased accordingly, to € 0.71 (previous year: € 0.41).

Results of operations: Railcar division

The Railcar division hires out its 52.700 rail freight wagons in its core market of Europe, in the U.S. and in the Russian broad-gauge market. Consequently, VTG owns the largest private wagon fleet in Europe. The fleet has nearly every type of freight car, from tank cars to modern high-capacity wagons all the way to flat cars. This versatility means that VTG can provide solutions for customers from almost every branch of industry. The business model of the Railcar division is very stable due to the fact that its wagons form an integral part of the customer's industrial infrastructure.

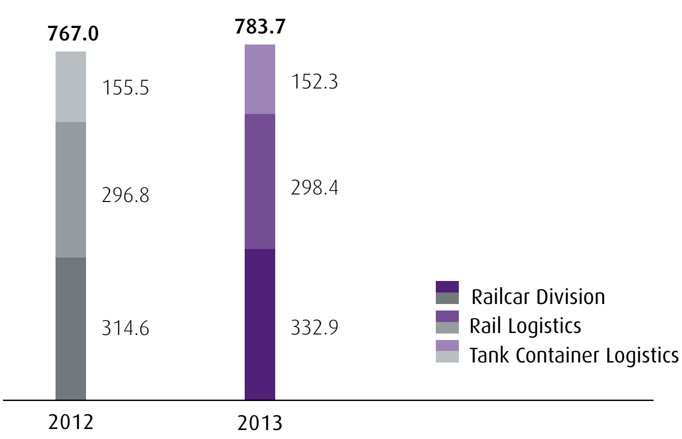
Investment in newbuild wagons drives growth

In the year under review, the Railcar division saw a positive trend in business, with revenue increasing by € 18.3 million, or 5.8 %, to € 332.9 million (previous year: € 314.6 million). This positive trend was driven in particular by the delivery of newly built wagons in both 2012 and in the financial year 2013. Furthermore, by adjusting leasing rates, the division managed to pass certain cost increases – which had arisen from regulatory requirements – on to the market. The division thus also managed to increase EBITDA in the year under review. This grew by € 13.8 million, or 8.2 %, to € 181.1 million (previous year: € 167.4 million). Consequently, the EBITDA margin related to revenue increased compared with 2012 (53.2 %), reaching 54.4 %.

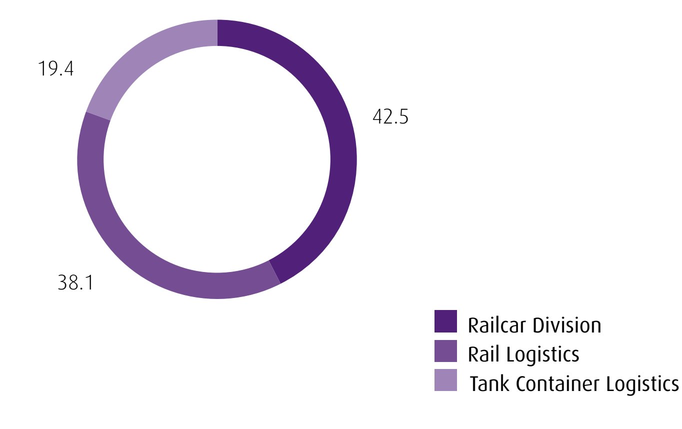
In the financial year 2013, the focus of operations in the Railcar division was on the completion and delivery of newbuild wagons on order. As a result, some 1,300 newbuild wagons were delivered to VTG customers. These included around 150 wagons that were also the first to be built for the Russian market. Additionally, in the US, VTG acquired some 350 used bulk freight wagons for animal feed in December 2013. This takes VTG one step further along the road to rejuvenating and diversifying its US fleet significantly. Moreover, for VTG, the acquisition opens up access to another promising transport market.

Additionally, in the year under review, VTG implemented targeted fleet management measures. In anticipation of sideways movement in the economy, the division assessed older wagons in particular for suitability for lease over the medium term, with unsuitable wagons being withdrawn from service. This led to additional withdrawals over and above those withdrawn as part of standard procedure. Thus some 2,700 wagons were withdrawn from the fleet in the year under review. Furthermore, in the Baltic states and elsewhere, the contracts for some wagons leased to third parties were terminated. Altogether, this led to a net reduction in the fleet of 1,700 wagons, from approx. 54,400 wagons at the end of 2012 to some 52,700 wagons as of the end of the financial year 2013.

Breakdown of revenue by business division in € m



Breakdown of revenue by business division in %



In the reporting period, the trend in capacity utilization was initially slightly downward: after reaching 90.4 % at the end of the last financial year, (Q1 2013: 89.9 %, Q2 2013: 89.7 %), it went on to fall to its lowest point of 89.4 % at the end of the third quarter of 2013. This expected decline was a reflection not only of the modest economic trend but also of the fact that a number of wagons in the Baltic states had to be temporarily withdrawn from service because of regulatory restrictions. In the fourth quarter of 2013, capacity utilization rose again slightly to 89.8 %, as the wagons that had been temporarily out of service wagons could be leased again. However, it must also be taken into account that the increased number of withdrawals of wagons from the fleet in Europe in the financial year 2013 pushed up capacity utilization somewhat (approx. 1.7 percentage points).

Results of operations: Rail Logistics

In the Rail Logistics division, VTG organizes the transport of goods by rail throughout Europe, in the form of both block train and single-wagon transports. The division operates independently and leases wagons from the Railcar division as well as from third parties. The industry focus is on Europe-wide transports of mineral oil and chemical products, liquid gases, and both industrial and agricultural goods. With its provision of cross-border transport operations and its particular expertise in the transport of sensitive goods, VTG's Rail Logistics is one of the leading providers in Europe. The division can also provide additional services and individual solutions tailored to the customer's specific requirements.

Mixed performance in 2013, with trend affected by difficult market for agrciultural transports

In the reporting period, revenue in the Rail Logistics division amounted to € 298.4 million, representing a slight increase of € 1.6 million, or 0.5 %, compared with the previous year (€ 296.8 million). This trend was largely driven by the petrochemicals and industrial goods market segments. Despite this slight increase in revenue, EBITDA in the financial year 2013 lagged significantly behind the previous year, at € 3.8 million. Compared with the financial year 2012 (€ 7.7 million) it shrank by € 3.9 million, or 50.3 %. In addition to the difficulties with demand in the agricultural products market segment, this drop is also due to special, one-time items, particularly in relation to the strategic re-orientation of the agricultural segment, that had a negative impact on EBITDA. The margin on gross profit thus also shrank significantly, from 30.3 % in 2012 to 16.8 % in the year under review.

In 2013, the overall picture in Rail Logistics was a mixed one, with, as expected, a positive trend in business in the petrochemicals segment. VTG continued to develop its industrial goods segment in the reporting period, and this made a positive contribution to business in Rail Logistics. The agricultural transports market segment continued to prove difficult in the reporting period and hampered growth in the entire division. VTG thus continued to push ahead with its strategic re-orientation of this segment. This involved the development of new markets in southeastern and southern Europe, the building up of customer relationships, and, in particular, the return of leased wagons. Furthermore, two competency centers were established, for the western European and southeastern/southern European markets, to manage the wagon fleet more efficiently and also ensure direct contact with customers and service providers.

Partnership with Kühne + Nagel cements position as Europe's largest private rail logistics provider

At the end of September, VTG and Kühne + Nagel signed an agreement to merge certain rail logistics operations. The move cements their partnership and will create a rail logistics company boasting a Europe-wide network of centers and combining the expertise of two strong logistics providers. Customers will be able to benefit from the development of new transport concepts that show the way to the future. These will operate multimodally from northern Europe to the Bosphorus and from western Europe to Russia. The collaboration of the two companies will strengthen the industrial goods segment in particular, which should lead to a marked rise in the volume of business. As major shareholder with a shareholding of no less than 70 %, VTG will assume operational control of the new company. As with the joint venture with the VTG subsidiary Transpetrol of more than 20 years' standing, Kühne + Nagel will continue to collaborate closely with VTG as a partner. Following the approval of the anti-trust authorities, the new company commenced operations on January 1, 2014.

Results of operations: Tank Container Logistics

The Tank Container Logistics division offers transport and logistics services for tank containers, which it also leases. Tank containers are primarily used for the safe carriage of liquid and temperature sensitive products in the chemical, mineral oil, and compressed gas industries. The containers can be used in combined traffic and transported by rail, truck or ship. The products remain in the tank container during transshipment. This enables safe transport in door-to-door traffic. VTG is one the world's largest providers of logistics services for liquid chemical products. The Company's fleet comprises around 10,600 tank containers.

Tough competition reflected in EBITDA margin

In the financial year 2013, the Tank Container Logistics division generated revenue of € 152.3 million. This represented a slight drop of € 3.2 million, or 2.0 %, on the previous year (€ 155.5 million). This mirrors the slight fall in transport volume in the division. While transports within Europe improved marginally compared with the previous year despite only moderate economic growth, the volume of Asian transports was below that of the previous year. Moreover, the weaker performance of the US dollar against the euro had some impact on the financial figures of the Tank Container Logistics division, meaning that EBITDA shrank by € 2.7 million, or 23.0 %, to € 9.2 million (previous year: € 11.9 million). The high pressure of competition continued to be reflected in weaker margins. Thus, at 38.1 %, the EBITDA margin on gross profit was lower than in the previous year (46.8 %).

Overall, in the financial year 2013, Tank Container Logistics operated a strict selection policy regarding the acceptance of new orders, as the main focus was on reducing imbalances in international flows of transport and securing the division's margins. Moreover, Tank Container Logistics systematically continued to build up partnerships with strategic customers. The division also invested in the transport equipment required to meet customer demand for a higher level of service than that provided with standard transports alone. Another key strategic move was the division's involvement in building up a new network of centers to take charge of the transport flows for a key product area of the chemicals group Bayer in the spring of 2014.

Financial position

Financial management of the VTG Group

Due to the capital-intensive nature of its business model, particular importance is attached to the VTG Group's system of financial management. The key elements of this are the management of the capital structure of the Group and the management of the Group's liquidity. On the whole, VTG's system of financial management is based on current and expected market data, taking into account various scenarios. VTG's head office in Hamburg oversees the financial management of all companies in the Group. It is also responsible for group-wide management of financial market risks. For further information on management of the financial risks to which the company is exposed and the extent of these risks, please refer to the section "Reporting of financial instruments" in the notes to the consolidated financial statements.

Capital structure management

With the refinancing of the Group in May 2011, VTG created a solid financial foundation for future operations of the Group. The core source of finance is a US private placement bond issue (USPP). This comprises amounts of € 450 million and US$ 40 million with terms of 7, 10, 12 and 15 years, with the term of the last tranche running until 2026. VTG also has access to a syndicated loan that runs until 2016. This comprises an amortized loan (originally € 100 million) and a revolving credit line (€ 350 million) with a guarantee of € 60 million. As of December 31, 2013, VTG had drawn down € 145 million cash from the revolving credit line. With this financing, VTG now has an open funding platform, enabling it to combine various financing instruments. Furthermore, the different maturities and different tranches significantly reduce the future refinancing risk.

The financing arrangements of the VTG Group expose the company to a certain interest rate risk. While there is no interest rate risk from the bond placed on the US market due to its fixed interest coupons, there is a certain interest rate risk from syndicated loan, whose variable interest can change depending on the market interest rate. The interest rate hedges (interest rate derivatives) entered into in connection with the old syndicated loan cover the risk of increases in the interest rate of the new syndicated loan. However, of these interest rate hedges, which run until mid-2015, a portion is recognized in the income statement due to the lack of a hedging relationship. Here, the interest rate hedges are measured at market value, with the portion no longer hedged being recognized in the income statement and the effective portion recognized in equity. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT and net profit for the Group. Since the interest hedges were entered into in 2008, the interest rate level has fallen sharply. In 2013, the interest rate level fell only slightly further, stabilizing at the end of the year at a low level. Thus, as of the end of 2013, the market value of the interest rate derivatives remained almost unchanged and had almost no impact on the financial result.

Management of financing agreements

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

Liquidity management

The Group's liquidity requirements are managed through liquidity planning. The companies in the Group report their liquidity requirement or surplus to the Group's head office daily and liquidity requirements are then planned on the basis of these reports. The companies in the Group cover their requirements for funds for operations through automatic cash pooling arrangements, intercompany loans, funds from VTG through bank loans, and shareholders' equity.

As of December 31, 2013, cash and cash equivalents recorded in the balance sheet for the VTG Group amounted to € 61.5 million (previous year: € 57.0 million). Moreover, the stable cash flow from operating activities continues to provide a good basis for investment financing. By means of the flexible credit lines available to the Group, the ability of VTG AG and its subsidiaries to meet their payment obligations can also be ensured at all times.

Ready for SEPA

As part of the creation of the Single Euro Payments Area (SEPA), from February 2014, the national credit transfer and direct debit procedures are to be replaced with standard, pan-European payment instruments. In the year under review, VTG has prepared itself for the challenges this brings by successfully adapting payment systems and procedures throughout the Group.

Analysis of the cash flow statement

In 2013, cash flows from operating activities increased by € 13.8 million, or 10.2 %, rising from € 136.0 million to € 149.8 million. This rise was due in particular to the increase in net profit for the Group as well as the improved trend in working capital.

In the last financial year, cash flows used in investing activities amounted to € 140.7 million, a fall of € 31.5 million on the previous year (€ 172.2 million). These funds were used largely for the construction of new wagons.

In the year under review, cash flows used in financing activities amounted to € 3.6 million (previous year: € 5.8 million). This item comprises the use of lines of credit and also takes account of interest payments, repayments of bank loans and the dividend payment for the financial year 2012.

Capital expenditure

In the financial year 2013, the investment activities of the VTG Group were focused mainly on the completion and delivery to VTG customers of orders for newbuild wagons. At the beginning of the year, the number of wagons on order and still awaiting delivery stood at some 1,600. In the course of the year, this number fell as expected to approx. 1,100 wagons as of September 30, 2013. However, at the end of the reporting period, higher demand for wagons led to the order book filling up again, with the number rising to around 1,600 wagons as of December 31, 2013. These are to be delivered to VTG customers in 2014 and 2015.

As of the end of the year under review, capital expenditure amounted to € 166.0 million. This represents a drop of € 54.5 million compared with the previous year (€ 220.5 million). This significant fall in expenditure is due to VTG's decision to postpone investment in the construction of new wagons, with investment now to take place in the next few years. This is in line with the management's expectation that, in the near future, there will be no thorough and enduring recovery of the economy in the eurozone. VTG would also only feel the impact of recovery after a period of delay. The major part of these funds, that is € 163.9 million, was invested in fixed assets (previous year: € 211.3 million including financial assets). € 2.2 million was financed off-balance through operating lease agreements (previous year: € 9.2 million). Moreover, in the year under review, from the funds invested in the previous year, wagons with a value of € 20.1 million were sold to leasing companies and leased back. Of the funds invested in the financial year 2013, 93.7 % (previous year: 96.3 %) was allocated to the Railcar division, with investment mainly in the construction of new wagons. The two logistics divisions and the holding company thus accounted for 6.3 % (previous year: 3.7 %) of total expenditure, with most of this invested in the tank container fleet.

Net assets

Balance sheet structure

As of December 31, 2013, total assets for the VTG Group amounted to € 1,550.8 million. This represents an increase of € 22.9 million, or 1.5 %, on the previous year (€1.527.9 million). The share of fixed assets remained almost unchanged compared to 2012, at 84.0 % of total assets (previous year: 83.5 %). Accordingly, there was only a minor change in the share of current assets. The balance sheet structure remained basically unchanged.

As of the end of the financial year 2013, equity stood at € 321.3 million. Compared to the previous year (€ 311.7 million), this represents an increase of € 9.6 million, or 3.1 %. This rise is due in particular to the profit for the Group and the positive effects of the revaluation of pension provisions and the changes in the cash flow hedge reserve. On the other side, there was, in particular, the dividend payment for the financial year 2012 along with the negative effects of currency translation. As of December 31, 2013, the equity ratio was 20.7 % (previous year: 20.4 %). This slight increase reflects the fact that there has been a sharper proportionate rise in equity than in total assets.

Unrecognized assets

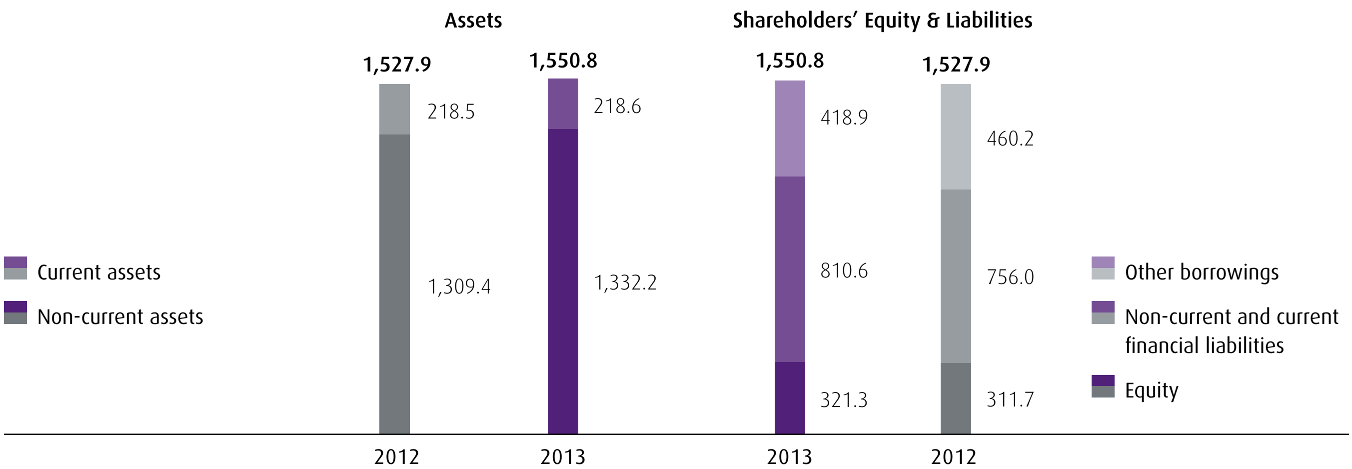
To finance its wagons, in addition to funding requiring balance sheet recognition VTG also takes advantage of off-balance sheet financing strategies, for example by means of operate-lease agreements.

Overall assessment of the economic situation by the Executive Board

The Executive Board of the VTG Group can look back on a satisfactory financial year 2013. At group level, there was a positive trend in revenue and EBITDA with revenue being pushed up by 2.2 % and EBITDA by 5.7 %. Overall, these increases were driven by the positive trend in the Railcar division. The division successfully continued on its path of growth, further modernizing the wagon fleet with the delivery of newly built wagons to VTG customers. Due to only moderate economic growth, capacity utilization fell slightly, to 89.8 % (previous year: 90.4 %).

In 2013, VTG's logistics divisions found themselves in a more difficult environment. In Rail Logistics, particular obstacles to more positive development were the unsatisfactory demand situation in the agricultural products market segment along with the effect of special, one-time items. In Tank Container Logistics, the key factors impacting performance were the partial decline in the

Balance sheet structure in € m



division's transport volume and the tougher competition. Overall, the logistics divisions showed positive developments too, however. For example, the merger of rail logistics operations of VTG and Kühne + Nagel are opening up new opportunities for Rail Logistics to develop its business. Meanwhile, the Tank Container Logistics division's involvement in building up a new network of sales and service centers is an important strategic step.

The financial position and assets of the VTG Group remains solid. Due to its consistently strong operating cash flow, its long-term financing agreements including its lines of credit, and the quality and creditworthiness of its diverse customer base, the VTG Group is in a very good position to push ahead successfully with its corporate strategy. As of the reporting date, the overall balance sheet structure remained almost unchanged.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE (SUPPLEMENTAL REPORT)

On January 1, 2014, the Group acquired some of the rail logistics operations of Kühne + Nagel Management AG. VTG has a 70 % shareholding in the new company, which will operate under the name VTG Rail Logistics, and will also assume operational control of the company. Kühne + Nagel will hold the remaining 30 % share. This merger will create a rail logistics company boasting a Europe-wide network of centers and combining the expertise of two strong logistics providers.

There were no other events of special significance after the end of the financial year 2013.

CAPITAL MARKETS, SHARES, AND DIVIDEND POLICY

The share prices on the global stock exchanges reached new heights in 2013. This trend was driven in particular by the expansionary monetary policy of the central banks, a continual improvement in the economic data and the ending of the recession in the eurozone. At the end of December, Germany's DAX share index reached 9,589 points, an all-time high in its 25-year history. The US Dow Jones index also reached a new record high at the end of December of 16,577 points.

VTG's share price also performed well in this environment. Initially, right at the start of the year, it stood at its lowest daily closing price of € 12.44. In the months that followed, it climbed steadily, although this trend was intermittently interrupted by the resurfacing of worries about the economy and uncertainty on the stock exchanges. This then led initially to a sideways trend. The share reached its highest daily closing price on October 21, 2013, standing at € 15.73. It then went on to lose ground again, closing at a price of €14.99 on the last day of trading in the reporting period. Measured against the closing price at the end of 2012, this represents an increase of some 24 % in 2013. During the period, there was a slightly stronger improvement in the SDAX benchmark index (+29 %). At the end of 2013, VTG's market capitalization was € 320.6 million.

In accordance with its registration for the Annual General Meeting in May 2013, as major shareholder of VTG AG, Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the share capital of VTG Aktiengesellschaft. Based on the latest information on voting rights, Samana Capital L.P., Greenwich, Connecticut, US, continues to hold a share of 6.25 % in VTG. This thus gives a free float of 41.72 % as of the end of the reporting period.

On May 23, 2013, the Annual General Meeting approved the proposal of the Executive Board and the Supervisory Board to issue a dividend for the fifth consecutive year and issue to shareholders a payment of € 0.37 per share for the financial year 2012. For the financial year 2013, the Executive Board intends to propose to the 2014 Annual General Meeting the payment of a dividend of € 0.42 per share. This would represent an increase in the dividend of some 14 % compared with the previous year. In respect of future dividend payments, VTG is continuing to pursue its long-term policy of regularly issuing dividends.

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, 2013, VTG was aware of the following shareholdings with a share of more than 10 % of the voting rights: Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds 52.03 % of the shares. According to the information on voting rights received by VTG AG on May 24, 2013, CEW Germany GmbH, a 100 % subsidiary of Compagnie Européenne de Wagons S.à r.l., Luxembourg, has a direct shareholding of 24.999 %. With respect to the indirect shareholding relationships, please refer to the notes to the financial statements of VTG AG as of December 31, 2013.
- There are no shares with special rights that confer powers of control.
- The Executive Board of VTG AG does not know how any employees sharing in the capital of VTG AG intend to exercise their voting rights.
- The provisions on the nomination, dismissal and composition of the Executive Board are based on § 84 (1) of the German Stock Corporation Act and § 6 of the Articles of Association of VTG AG as well as § 9 of the Rules of Procedure of the Supervisory Board. Where there are no mandatory legal provisions to the contrary, resolutions on changing the Articles of Association are passed by a simple majority of the votes cast and, where the law requires a capital majority beyond a majority vote (§ 179 (2) German Stock Corporation Act), by a simple majority of the share capital represented at the time of the passing of the resolution.
- With its resolution of June 17, 2011, the Annual General Meeting authorized the Executive Board of VTG AG to increase, with the approval of the Supervisory Board, the share capital of VTG AG for the period up to June 17, 2016 once or multiple times up to a total amount of € 10,694,444.00 (authorized capital) by issuing new no-par value bearer shares against contributions in cash and/or kind. Shareholders are generally to be granted subscription rights. Subscription rights can also be granted indirectly, in that shares are taken over by one or more credit institutions appointed by the Executive Board or entities under § 53 (1) sentence 1 or § 53 b (1) sentence 1 or § 53 b (7) of the German Banking Act with the obligation of offering these to shareholders for subscription (indirect subscription right). The Executive Board is however authorized, with the consent of the Supervisory Board, to exclude subscription rights of shareholders in the following cases: (i) capital increases in exchange for a non-cash contribution granting shares for the purpose of acquiring companies, parts of companies, shareholdings in companies or other assets or within the context of business combinations or for the purpose of issuing shares to employees of VTG AG or affiliated companies in accordance with the legal provisions, (ii) to the extent necessary to grant subscription rights for new shares to holders of the warrants and convertible bonds issued by VTG AG or its subsidiaries to the extent to which they would be entitled after exercising the option or conversion rights or after fulfillment of the option or conversion obligations, (iii) to exclude any fractional amounts from subscription rights, and (iv) in the case of capital increases in return for cash contributions, if the issue price of the new shares is not substantially lower, within the meaning of § 203 (1) and (2) and § 186 (3) sentence 4 of the German Stock Corporation Act, than that of already listed shares of the same class and with the same terms at the time the final issue price is determined by the Executive Board and if the proportion of the share capital represented by the new shares for which subscriptions rights are excluded does not exceed 10 % of the share capital at the time of the adoption of the resolution by the Annual General Meeting or – if this figure is lower – of the share capital at the time of the exercise

of this authorization. Shares that are sold during the term of the authorized capital with the exclusion of shareholders' subscription rights in accordance with § 71 (1) no. 8 sentence 5 and §186 (3) sentence 4 of the German Stock Corporation Act as well as shares that are issued to service warrants or convertible bonds with option or conversion rights (provided that the bonds are issued during the term of the authorized capital with the exclusion of subscription rights in accordance with. § 221 (4) and § 186 (3) sentence 4 of the German Stock Corporation Act) are counted towards the maximum limit of 10 % of share capital. The Executive Board is authorized, with the approval of the Supervisory Board, to specify the further particulars of the capital increase and its execution, including the rights accruing to the shares and the terms of issue. Further details can be found in § 4 (5) of the Articles of Association. VTG has as yet not exercised these powers.

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

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

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

Remuneration report

Executive Board

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

The Rules of Procedure of the Supervisory Board have been adjusted accordingly. The non-performance-related remuneration element consists of a fixed amount and various additional benefits.

The additional benefits include the expenses incurred by Executive Board members in connection with their work as well as health and long-term care insurance benefits equivalent to the employer's contribution to statutory health and long-term care insurance. Furthermore, the company bears the cost of insurance for the event of death or invalidity of members of the Executive Board, in addition to travel insurance and directors' and officers' liability insurance.

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 that takes into account, among other things, certain performance-related factors that are agreed upon each year. All contracts with members of the Executive Board stipulate a system of variable remuneration, which contains short- and long-term components determined on the basis of several years and oriented towards sustainable company performance. Furthermore, the performance-related remuneration component is confined to a fixed proportion of the fixed amount, even in the event of extraordinary developments.

Additionally, in individual cases, an exceptional bonus can be paid for special requirements or projects. In this event, objectives and content are specified before the commencement of the project and a maximum bonus amount decided.

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 December 31, 2013, 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, 2013.

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, 2013.

Corporate governance statement pursuant to § 289a of the German Commercial Code

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

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

REPORT ON OPPORTUNITIES AND RISKS

Definitions of terms and elements of the VTG Group's internal control and risk management system

Internal control system

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

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

The Supervisory Board, the Internal Audit department (Group Audit) and the Compliance Committee of VTG AG, 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. The system is subject to the input of external auditors on request.

Specific risks related to Group accounting

Specific risks related to Group accounting can arise if, for instance, 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, the Group's Internal Auditing department and, as required, external 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.

By means of appropriate organizational measures, company-wide and Group-wide restructuring measures and changes in the business activities of specific divisions are recorded promptly and correctly in the Group accounting system. 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 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.

Risk management system

Objectives and strategies

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 limit their impact as much as possible. 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:

Process-dependent elements

- the 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, these managers are responsible for managing risks
- the Compliance Committee.

Process-independent elements

- the Group's Internal Auditing department
- external auditors

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.

Structures and processes

Risks are identified by means of a standard procedure that applies uniformly throughout the Group. Risks are identified and analyzed at regular intervals from a bottom-up perspective by both the operational divisions and central departments and the individual companies. The Group's risk management system is overseen by Group Controlling, which ensures close connection with planning, budgetary and forecasting processes. The relevant areas of risk are defined in the implementation regulations.

The risk assessment includes classification of the known risks by the various managers, with the risks grouped by degree and probability. The probability is categorized as "low" (<33 %), "medium" (33- 66 %) or "high" (>66 %). The risks are quantified after any counter-measures that have already been taken (net risk) in the categories "less than € 1 million", "less than € 5 million" and "more than € 5 million". If individual risks exceed the specified thresholds, the Group's risk management center is notified. The risk managers of both the operational and central divisions and the companies in the Group are responsible for risk-limiting measures. Both the risk manager of VTG AG and the Risk Committee then examine the individual risks and the agreed measures to limit risk for completeness and effectiveness. The operational and central divisions and the individual companies are also responsible for managing and monitoring the measures introduced.

In the VTG Group, the following risk definition applies: A major risk is a risk with an estimated impact on earnings amounting to more than € 5 million and that has a high probability rating.

Risks are reported on a quarterly basis to all members of the Executive Board and Supervisory Board in a risk report. Moreover, the chief financial officer is also actively involved in the system of risk management via the Risk Committee. In addition to these quarterly reports, VTG's risk manager and the Risk Committee are notified immediately if risks are identified at other times. This system ensures full and prompt analysis of the risk situation at all times.

With its risk management system, VTG monitors the various risks and limits their potential impact with appropriate measures as required. VTG does not have an active system of opportunity management in place beyond the one in place in ordinary operations.

Specific opportunities and risks

Opportunities and risks that arise for the VTG Group from its business operations are discussed below.

Opportunities and risks related to capacity utilization

The core operational division of VTG is the Railcar division, which hires out wagons over the medium to long term. Particularly in periods of economic weakness, there is a risk of a decline in capacity utilization. A change in capacity utilization directly impacts the level of rental income.

VTG's customers integrate the wagons into their logistics processes to secure the flow of materials between various sites of production. The wagons thus represent a fundamental element in supporting the production process. VTG's customers include a large number of well-known companies from many different branches of industry and different countries. This range of customers thus enables VTG to avoid risk concentration. Because of their mobility, the wagons can also be used in various industries and countries. This flexibility means that the impact of economic fluctuations is generally delayed for VTG and also milder. This can be seen in the capacity utilization levels of recent years, which have remained within a certain range even during periods of economic cooling. Since the wagon fleet is highly diversified and VTG has access to a broad range of customer groups, the VTG Group considers the capacity utilization risk to be controllable. Experience has also shown that, in periods of economic upturn, demand for wagons increases and thus also the level of capacity utilization. This would have a direct, positive impact on consolidated earnings. As of the balance sheet date, there was no known capacity utilization risk that was major and quantifiable within the meaning of VTG's risk definition.

Default risk

VTG controls and minimizes its default risk with a well-developed accounts receivable management system covering all companies in the Group. However, although the Group's customer base comprises mainly established industrial clients with a high credit rating, there is still a risk in terms of actual payment practices and the ability to pay. In logistics, both divisions often pay customers' freight costs in advance. Consequently, they make use of all the available methods for securing payment of receivables, for example bank guarantees and advance payment. Furthermore, recognized default risks relating to individual receivables and general credit and collection risks are covered by appropriate specific reserves and global write-downs based on experience. In addition, the VTG Group has concluded credit risk insurance contracts. As of the reporting date, there were no major, quantifiable risks from debtor default within the meaning of VTG's risk definition.

Financial risks related to financial covenants

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

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

Depending on the wording of the covenant, these ratios must not be exceeded or fallen short of. Failure to comply with these covenants can have far-reaching consequences for VTG, going as far as termination of specific loan agreements. For this reason, VTG monitors these financial covenants pro-actively, continuously and with the utmost care to ensure that measures can be taken early to ensure compliance. At no time during the past financial year was there a risk of non-compliance. Thus, as of the balance sheet date, there were no major, quantifiable risks in this respect within the meaning of VTG's risk definition.

Opportunities and risks relating to foreign currencies

Due to the international nature of its business activities, the VTG Group has to deal with exchange rate fluctuations on the currency markets. The companies in the Group have an excess of trade receivables over trade payables in US dollars and thus have a net loss in this currency. This applies in particular to the Tank Container Logistics division. In line with its hedging policy, the VTG Group largely secures both its planned net cash flows and additional surpluses of foreign currencies anticipated over the financial year with forward currency contracts. The VTG Group also hedges the increasing risks of currency fluctuations arising from the growth of the business in Russia with foreign currency hedges. With these measures, the risk of currency fluctuations was successfully contained in the last financial year for all foreign currencies. As of the end of the financial year, there were no known major, quantifiable risks arising from currency changes within the meaning of VTG's risk definition that could have a significant, negative impact on earnings for the VTG Group. Currency risks from planned operations are also to be hedged in future through appropriate forward transactions prior to receipt of payments. For further information on the foreign currency risk, please refer to the section "Currency risk" under "Reporting on financial instruments" in the consolidated financial statements.

General liability risks

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

The specific traffic, operational and environmental liability risks arising from operating activities are countered by the risk management system, which also includes the coverage of risks through insurance. As of the balance sheet date, there were no known major, quantifiable liability risks within the meaning of VTG's risk definition.

Information technology risks

Information systems are becoming ever more closely interconnected and must be permanently accessible. Information technology is also becoming increasingly important in executing business processes. As an international company, VTG requires access to information that is up to date, complete and accurate. VTG applies security measures that are standard in the industry to counter risks to the confidentiality, availability and reliability of data and systems. These measures include firewalls, virus scanners and the backup provided by a second data center. To further reduce risk and keep business processes efficient and secure, VTG also regularly checks and continually develops its IT systems. No major, quantifiable information technology risks within the meaning of VTG's risk definition could be ascertained at the end of the year under review.

Investment risk from new wagon orders

The Railcar division, with a current fleet of some 52,700 rail freight wagons, is VTG's core operational division. To stay competitive and successful in the market over the long term, VTG invests large sums in maintaining, expanding and renewing its wagon fleet. At the end of 2013, the number of wagons VTG had on order with its suppliers was 1,600, with these to be delivered to customers in 2014 and 2015. The risks involved for VTG include the possibility that the suppliers do not fulfil their obligations and either fail to deliver the wagons or do so late or that customers are no longer able to accept the wagons. VTG has many long-term partnerships with its customers and suppliers. It pays great attention to strengthening these relationships and ensuring close cooperation. It has therefore been able to limit this risk to manageable time delays. Moreover, VTG pursues a policy of ordering wagon construction only once most of the order has been secured in the form of customer contracts. As of the balance sheet date and within the meaning of VTG's risk definition, there were no known major, quantifiable investment risks arising from new wagon orders.

In early 2013 VTG had an order book of around 1,600 new wagons, of which some 1,100 came off the production lines in the course of the year under review, being directly delivered to customers. This demonstrates VTG's ability to plan marketable new construction projects in a forward looking manner and to implement them for the customer in an appropriately timely manner. It is in particular Waggonbau Graaff (Graaff) that ensures the provision of key production capacity for building special wagons. Additionally, within the VTG Group Graaff serves as a design and innovation platform to ensure that valuable design know-how for railcar development remains in the VTG Group, thus ensuring an innovation advantage for VTG.

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 for the short, medium and long term in terms of cash outflows and inflows. These requirements are mainly covered by, on the one hand, operating cash flow and, on the other, guaranteed, available lines of credit secured largely through the refinancing of the Group in 2011. Due to successful cash flow management, there was no major, quantifiable liquidity risk within the meaning of VTG's risk definition at any time during the reporting period.

Market opportunities and risks

The operational focus of VTG's Railcar and Rail Logistics divisions is Europe. European Union regulations are both promoting and requiring further liberalization of rail freight traffic in the region. The aim is to enable new companies to enter the market and thereby intensify competition on the railway. Also, by strengthening the railway as a carrier, the intention is to ensure that the EU can meet its environmental protection targets, particularly the reduction of CO_2 emissions. However, due to the high organizational demands of this, progress in liberalizing the market is halting, particularly in the newer member states. Moreover, to some extent, regulations and other requirements, such as those relating to safety and noise control, and their implementation, have proved counterproductive, creating an obstacle to further growth in rail freight traffic. One clear example of this is the controversial and enduring debate about the advantages and disadvantages of separating rail network and operator. To counter this risk generally, VTG has members of staff working in many national and European bodies, associations and working groups to ensure that regulations are implemented in a moderate and practicable manner. Work has already begun on urgently needed revisions: however, it is clear that the transition from the old world of state-owned railways to a liberalized railway market will take longer than was originally thought. As of the end of 2013, no risks could be ascertained from the worsening of the regulatory framework. On the other hand, increasing environmental awareness, greater safety requirements for freight transports and a rising volume of transport could positively impact demand for rail transports. In these respects, the railway has clear advantages over other carriers. An improved market environment could therefore have a positive effect on demand and thus on the growth of the VTG Group.

Railcar market

In recent years, VTG has invested continually in the construction of new wagons. It has also expanded its existing fleet by acquiring fleets of used wagons. With regard to the evaluation of potential acquisitions, in all markets, VTG is always concerned with ensuring that acquisition prices are in line with the return VTG expects. VTG also ensures that the underlying cash flows are hedged by long term leasing agreements.

In Europe, VTG sees continued good prospects for growth in Railcar. Accordingly, one area of focus for the division was the expansion and modernization of the existing fleet with newbuild wagons. By penetrating new customer segments in the industrial goods sector, the division also succeeded in broadening its customer base, reducing its dependence on individual customers. Overall, in the view of the VTG Group and within the meaning of its risk definition, there is therefore at present no major, quantifiable market risk for Railcar in Europe.

In North America, VTG is aiming for continued growth and expansion of its operations to include a fleet of wagons running into five digit figures. However, the rate of expansion has recently slowed due to the subdued market environment in North America. The risk to the VTG Group as a whole in North America can be considered to be minor due to the current size of the fleet in this market. As of the balance sheet date, there were no major, quantifiable risks within the meaning of VTG's risk definition.

In 2011, VTG successfully commenced operations in the rail freight market of the Russian Federation and its neighboring countries. VTG should have good opportunities both to expand existing operations here and develop new ones. This is due to increasing levels of industrial production, the accompanying demand for high quality transport capacity, and the growing need for future replacements of wagons. Due to the small size of the fleet of just over 700 wagons, the risk to the VTG Group in the markets of the Russian Federation and its neighboring countries can also be regarded as minor. Accordingly, as of the balance sheet date, there were no known major, quantifiable risks.

The Railcar division is well equipped to take up new activities in existing markets in the future. In addition, VTG is also exploring new industries and new geographic markets with attractive growth prospects. Prior to any expansion of business operations, the market is always monitored and examined thoroughly and the relevant features of the market appraised carefully. For the reasons stated above, the VTG Group generally considers the market risks to be controllable.

Rail Logistics market

In 2013, VTG and the logistics company Kühne + Nagel entered into an agreement to merge rail logistics operations. The antitrust authorities approved the merger in December 2013, and the joint venture subsequently commenced operations on January 1, 2014. This gives Rail Logistics the opportunity of making full use of the new network of centers to provide pioneering, multimodal transport services from northern Europe to the Bosphorus and from western Europe to Russia. With a workforce that will total around 300, the aim is to continue with the previous growth strategy of VTG Rail Logistics and further consolidate its market position. The merger will also enable VTG to expand services in the product segments of industrial, agricultural, and petrochemical goods.

The Rail Logistics division's path of growth could, however, be affected by an economic downturn, market instability, or a lack of availability of locomotives or wagons. The division is attempting to minimize this risk by means of its new strategic orientation in conjunction with an expansion of its range of services as well as by its Europe-wide presence. A further risk consists in a potential downturn of individual car traffic due to the shrinking offering from the government railroads and/or a further rate increase. Rail Logistics was able to limit the effects of this risk by means of e.g. the development of individual wagon networks with private rail companies. As of the balance sheet date, there were no major, quantifiable market risks within the meaning of VTG's risk definition for Rail Logistics.

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

Tank Container Logistics division

The uncertainty regarding economic conditions could possibly continue to affect customer demand in 2014 and thus also demand for transport capacity in Tank Container Logistics. Potential fleet overcapacity could place pressure on the achievable margins. Moreover, with higher transport costs arising from higher costs of freight – e.g. sea freight – there is a risk that it will not be possible to pass these on to the customer in full.

Tank Container Logistics is tackling these issues by regularly investigating possible ways of using tank container fleet flexibly and according to opportunities in the market – with the aim of taking swift, corrective action in the event of overcapacity. Such action could entail, for example, returning leased tank containers. Despite the introduction of measures including prompt transfer of capacity to regions with more acute demand, one outcome of this risk was a shrinking margin for the division in the reporting period.

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

The division is moving in a fast market environment. Tank Container Logistics is facing the partially strongly fluctuating traffic streams and ever more complex and global market structures by continuously analyzing its processes in order to improve the division's efficiency sustainably. Moreover, strategic partnerships with transport service providers offer the option to secure transport capacities and stabilize revenues. Overall, there was no known major, quantifiable market risk for Tank Container Logistics within the meaning of VTG's risk definition.

Opportunities and risks relating to personnel

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

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

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

Generally, the VTG Group expects competition for highly qualified staff to become even tougher. The measures described above also had an impact in the reporting period, ensuring access to qualified staff. With additional measures, the VTG Group could become more attractive to well-qualified candidates, further improving its access to key expertise. As of the reporting date, there were no known major, quantifiable personnel risks within the meaning of VTG's risk definition.

Opportunities and risks related to price changes

The VTG Group faces a general price change risk. However, in the past few years, which have had some difficult periods for the economy as a whole, prices have either remained stable or risen. This has particularly been the case in the core operational division, Railcar. In the Railcar division, fluctuations in demand are not generally reflected in price reduction but in returns of wagons when the contractual term of hire expires. VTG not only provides high-quality wagons but also offers customers advisory and maintenance services. VTG is striving to continually increase prices to absorb the impact of, for instance, rising maintenance costs. These cost increases are largely the result of additional regulatory requirements. VTG also pays great attention to nurturing and fostering its relationships with customers and monitors the markets very closely. Consequently, it regards this risk as controllable. As of the balance sheet date, there were no known major, quantifiable risks within the meaning of VTG's risk definition.

Due to its streamlined cost structure, the earnings level in the Railcar division is more dependent on the level of inflation and thus of revenue. If inflation rises significantly in future in the eurozone, this could have a positive impact on earnings for this division and thus for the VTG Group as a whole. Such a development would, however, be less beneficial for VTG's logistics divisions, since they have a higher proportion of variable costs.

Regulatory and technological risks

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

Although the authorities have not specified binding requirements, VTG is continuously developing its maintenance management system for rail freight cars in order to minimize technological risks. For instance, VTG has systematically implemented its program, launched in late 2009, to fit a large part of the fleet with stronger wheel sets. Meanwhile, all new rail freight cars are being fitted exclusively with these stronger wheel sets. These measures not only increase axle and wheelset 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. The VTG Group intends to continue to build upon its already strong safety record in the operation of rail freight cars.

Noise control is one of the key environmental issues in European rail freight traffic. To adapt VTG's European wagon fleet appropriately, new wagons have been fitted with the noise-reducing composite (K) brake block since 2005. 20 percent of the wagons in this part of the VTG fleet have so far been fitted with these quiet brake blocks. Policymakers regularly discuss refitting existing freight wagons with quieter brake blocks (so-called LL brake blocks) without any binding regulation having yet come into force. Should any such binding regulation be approved by legislators, with the additional costs of refitting older wagons with LL brake blocks to be borne by wagon keepers alone, this would have a negative impact on the companies involved and thus also on VTG. However, as of the balance sheet date, it cannot be reliably estimated whether and in which form such legislation would be passed, or the level of additional cost wagon keepers would have to bear.

Consequently, as of the end of the reporting period, and within the meaning of VTG's risk definition, no known major, quantifiable risks could be determined that arose from changes to regulatory or technical requirements.

Opportunities and risks relating to interest rates

In May 2011, VTG replaced its previous loan agreement with a new syndicated loan and a US private placement. Due to the variable interest liabilities to banks resulting from the new syndicated loan, VTG is exposed to an interest rate risk that can change depending on the market interest rate. Interest rate hedges (interest rate derivatives) had been put in place for the original (previous) loan agreement. These cover the risk of increases in interest for the new syndicated loan. A portion of these will continue running until 2015. However, a portion of these interest rate hedges is now recognized in profit or loss due to the lack of a hedging relationship. The interest rate hedges are measured at market value, with the portion no longer in a hedging relationship being recognized in profit or loss and the effective portion recognized in equity. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT, net profit for the Group and VTG's equity. There was a general downward trend in the interest rate over 2013. This in turn led to a negative market evaluation of the interest rate derivatives and thus higher financing expenses. The US private placement bond has a fixed interest rate, meaning there is no interest rate risk arising from this credit relationship.

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 2013 were each changed by 100 basis points. An increase in the interest rate of 100 basis points would reduce after-tax profit for the Group by € 1.0 million (previous year: € 0.4 million increase) and increase the revaluation reserve by € 1.2 million (previous year: € 2.6 million). A reduction in the interest rate of 100 basis points would increase after-tax profit for the Group by € 0.3 million (previous year: € 0.4 million reduction) and reduce the revaluation reserve by € 0.7 million (previous year: € 2.6 million). This measurement takes account of the new interest rate derivatives.

As of the reporting date, the key rate in the eurozone was 0.25 %. According to the forecasts of the Kiel Institute for the World Economy, it is not to be expected that this rate will change significantly in 2014. Accordingly, as of the end of 2013, and within the meaning of VTG's risk definition, there were no discernible major, quantifiable risks arising from changes to the benchmark interest rate.

Overview of opportunities and risks

In 2013, VTG was once again served well by its long-term business model. Despite an uncertain economic climate, it proved both stable and robust. The effects of brief periods of economic clouding on the development of VTG's business were either minimal or transient. Only if such a situation developed into a longer-term, deeper economic crisis would it have a more marked impact on earnings. VTG is prepared for such an event with targeted measures for stabilizing the earnings situation if required. Independently of the economic trend, VTG is continually and actively managing its fleet and continually optimizing costs and processes to ensure increased efficiency.

VTG is also in a very good position with regard to liquidity. This is due to its consistently strong operating cash flow, its long-term financing agreements including its lines of credit, and the quality and creditworthiness of its diverse customer base.

As of the balance sheet date, there were no known major, quantifiable risks within the meaning of VTG's risk definition, 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.

OUTLOOK

VTG's business model is fundamentally robust, based on three solid elements: its core operational division, Railcar, and its two complementary logistics divisions, Rail Logistics and Tank Container Logistics. VTG has around 1,000 different wagon types, providing the necessary underpinning for the production processes of a number of different industries. Customers generally integrate the leased wagons into their basic production processes or use them for transport between production sites. The wagons thus constitute an important part of the production infrastructure and, accordingly, are leased on a medium to long term basis. The length of the lease contracts and the fundamental customer demand keep VTG's business model stable and solid even during more unsettled economic periods. VTG also has an extremely diverse customer base, with customers from almost every branch of industry, making it less susceptible to economic fluctuations than other companies specializing in particular sectors. By means of its pan-European network, VTG is also able to hire out returned wagons again in different countries and so respond flexibly to shifts in demand.

Expansion in global economy picks up speed

The outlook for growth in the global economy improved at the end of the year. The structural measures introduced in the eurozone were beginning to have an impact and there had been a recent gain in momentum in key emerging economies. Overall, experts anticipate that economic activity in the eurozone will remain relatively weak initially but gain momentum as the year progresses. For 2014, the Kiel Institute for the World Economy thus expects GDP in the eurozone (excluding Germany) to rise again, by 0.6 % on the previous year. According to the experts, there should be a slightly higher increase in Germany's GDP in 2014, which should rise to 1.7 %. In the US, the economic stimulus measures should have an ever greater impact, with the Kiel Institute predicting an increase in GDP of 2.3 % for 2014. In China, the Kiel Institute expects the trend in GDP in 2104 to be the same as for 2013 (+7.5 %). For Russia, the Kiel Institute sees GDP rising only slightly in 2014, to a level of 2.0 %. Despite the evident brightening of the outlook, there are risks that threaten the expansion of the global economy. For example, there has as yet been no final resolution of the public debt crisis in the eurozone and, with leading central banks gradually moving away from massive expansion of liquidity, it is difficult to judge whether this can be done without endangering economic expansion.

VTG expects positive business trend in 2014

VTG managed to achieve positive results despite a weakened economic climate in Europe in 2013, and the Executive Board expects further improvement in revenue and EBITDA in the coming year. As in the past few years, the trend in EBITDA in particular was largely influenced by the performance of the Railcar division. This division contributes the largest share by far of EBITDA, at around 90 %. Due to the promising investment opportunities – and thus also opportunities for growth – in Europe, VTG has invested continually in expanding and modernizing its wagon fleet. VTG intends to continue to pursue this strategy in 2014. Thus the wagons put into service in the course of 2013 will only be able to make their full contribution in the financial year 2014. VTG's strategy of growth has also recently led to the number of orders increasing again. The order book contains newbuild wagons on order but not yet delivered. As of December 31, 2013, VTG had 1,600 firm orders. These wagons are to be delivered to customers in 2014 and 2015, primarily from the mineral oil and chemical industries as well as from the steel and agricultural sectors. Overall, in the financial year 2014, VTG expects revenue and EBITDA to rise again slightly on the previous year.

With gradual improvement in the economic outlook, the level of fleet capacity utilization should remain around the same as that of the end of 2013, with slight fluctuation. Any upturn in the economy would be reflected in capacity utilization only after a period of delay of one to two quarters, as is typical for VTG's business.

Rail Logistics will be the biggest driver of revenue in the VTG Group in 2014. Due to its recent incorporation into the new joint venture merging rail logistics operations of VTG and Kühne + Nagel, revenue will rise sharply in 2014 compared with the previous year. At the end of 2013, the anti-trust authorities approved the merger, meaning that operations could be commenced on January 1, 2014. As there will be a focus on integration in the financial year 2014 and this process will create costs, it will not be until the next few years that the merger makes a positive contribution to EBITDA. Despite this, after a difficult financial year in 2013, there should be a slight improvement in EBITDA in 2014. The restructuring of the agricultural goods market segment – which was still affecting EBITDA in 2013 – should make a key contribution to this. The continued expansion of the industrial goods and petrochemicals market segments should also have a positive impact.

In the last financial year, overcapacities in the market and the accompanying pressure on the margins also affected performance in the Tank Container Logistics division. This situation will not change significantly in 2014, with the division continuing to operate in a difficult environment. However, in the chemical industry – one of Tank Container Logistic's key customer sectors – there was cautious optimism at the beginning of 2014. According to experts, both revenue and production volumes should rise in this sector in anticipation of economic recovery. In particular, this should mean an upturn in European business, as expected by industry representatives. Overall, VTG therefore expects a slight improvement in revenue and EBITDA in the Tank Container Logistics division.

Due to strong growth in recent years, particularly in the Railcar division, the VTG Group's operations have expanded significantly. The company has been accommodating this trend by continually improving its organizational and workflow structures and will continue with this in the financial year 2014. Part of this optimization will be the integration process relating to the rail logistics operations of Kühne + Nagel. It will thus not be until the next few years that these optimization measures yield benefits in terms of earnings.

Overall assessment by the Executive Board

Revenue and EBITDA expected to rise

Based on current economic expectations and the resulting estimates regarding the performance of the individual operational divisions, the Executive Board of the VTG Group anticipates a generally positive trend in business in 2014. Boosted by the merger of rail logistics operations of VTG and Kühne + Nagel, at the end of 2014, revenue should have increased significantly, to between € 850 and 950 million. Largely because of planned investment, but also due to slightly improved performance in the logistics divisions, earnings before interest, taxes, depreciation, and amortization (EBITDA) are expected to be in the range € 188 – 200 million. This is based on the assumption that the economic environment will brighten slightly and transport volumes will rise generally in the logistics sector.

Planned dividend increase of some 14 %

The Executive Board of VTG intends to propose to the Annual General Meeting, to be held in June 2014, the payment of a dividend of € 0.42 per share for the financial year 2013. This would increase the dividend again, this time by some 14 % compared with the previous year. VTG is thus continuing to pursue its policy of reliably issuing dividends, thereby enabling shareholders to share in the company's success.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT
for the period January 1 to December 31, 2013

€ ‘000	Notes	1/1/ to 12/31/2013	1/1/ to 12/31/2012 restated
Revenue	(1)	783,671	766,961
Changes in inventories	(2)	379	1,680
Other operating income	(3)	27,342	35,367
Total revenue and income		**811,392**	**804,008**
Cost of materials	(4)	436,737	432,589
Personnel expenses	(5)	75,168	73,125
Impairment, amortization and depreciation	(6)	106,043	104,963
Other operating expenses	(7)	116,796	125,810
Total expenses		**734,744**	**736,487**
Income from associates		**1,061**	**1,294**
Financing income		1,172	1,339
Financing expenses		−51,461	−53,719*
Financial loss (net)	(8)	**−50,289**	**−52,380***
Profit before taxes on income		**27,420**	**16,435***
Taxes on income and earnings	(9)	−10,238	−6,105*
Group net profit		**17,182**	**10,330***
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		15,218	8,681*
Non-controlling interests		1,964	1,649
		17,182	**10,330***
Earnings per share (in €) (undiluted and diluted)	(10)	0.71	0.41

* Restated as a result of IAS 19 R.

The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000	Notes	1/1/ to 12/31/2013	1/1/ to 12/31/2012 restated
Group net profit		**17,182**	**10,330***
Changes in items that will not be reclassified to profit or loss in future periods:			
Revaluation of pension provisions	(25)	1,725	−8,187*
thereof deferred taxes:		−452	3,713*
Changes in items that will possibly be reclassified to profit or loss in future periods:			
Currency translation		−2,889	709
thereof from the sale of non-current assets held for sale and liabilities recorded as income		0	10
Changes in cash flow hedge reserve		4,995	254
thereof deferred taxes:		−2,460	−125
Other comprehensive income		**3,831**	**−7,224***
Comprehensive income		**21,013**	**3,106**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		19,059	1,446
Non-controlling interests		1,954	1,660
		21,013	**3,106**

* Restated as a result of IAS 19 R.

Explanations of equity are given under Notes (20) to (24).

The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

€ '000	Notes	12/31/2013	12/31/2012
Goodwill	(11)	156,211	158,263
Other intangible assets	(12)	52,728	56,102
Tangible fixed assets	(13)	1,069,830	1,037,194
Investments in associates		17,083	17,082
Other investments	(14)	6,752	6,710
Fixed assets		**1,302,604**	**1,275,351**
Derivative financial instruments	(17)	803	0
Other financial assets	(17)	4,802	5,466
Other assets	(17)	1,168	2,400
Deferred income tax assets	(18)	22,843	26,213
Non-current receivables		**29,616**	**34,079**
Non-current assets		**1,332,220**	**1,309,430**
Inventories	(15)	**18,259**	**21,277**
Trade receivables	(16)	93,333	103,272
Derivative financial instruments	(17)	230	194
Other financial assets	(17)	12,177	14,076
Other assets	(17)	27,588	18,486
Current income tax assets	(18)	5,487	4,191
Current receivables		**138,815**	**140,219**
Cash and cash equivalents	(19)	**61,548**	**57,004**
Current assets		**218,622**	**218,500**
		1,550,842	**1,527,930**

The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000	Notes	**12/31/2013**	12/31/2012
Subscribed capital	(20)	21,389	21,389
Additional paid-in capital	(21)	193,743	193,743
Retained earnings	(22)	110,669	104,519
Revaluation reserve	(23)	−6,756	−11,751
Equity attributable to shareholders of VTG Aktiengesellschaft		**319,045**	**307,900**
Non-controlling interests	**(24)**	**2,297**	**3,817**
Equity		**321,342**	**311,717**
Provisions for pensions and similar obligations	(25)	51,903	55,186
Deferred income tax liabilities	(26)	129,639	132,825
Other provisions	(27)	13,615	17,104
Non-current provisions		**195,157**	**205,115**
Financial liabilities	(28)	792,248	734,314
Derivative financial instruments	(28)	3,054	10,347
Other liabilities	(28)	0	243
Non-current liabilities		**795,302**	**744,904**
Non-current liabilities		**990,459**	**950,019**
Provisions for pensions and similar obligations	(25)	3,453	3,304
Current income tax liabilities	(26)	30,467	28,678
Other provisions	(27)	41,690	40,859
Current provisions		**75,610**	**72,841**
Financial liabilities	(28)	18,381	21,679
Trade payables	(28)	110,901	134,800
Derivative financial instruments	(28)	15,146	20,591
Other financial liabilities	(28)	13,268	8,972
Other liabilities	(28)	5,735	7,311
Current liabilities		**163,431**	**193,353**
Current liabilities		**239,041**	**266,194**
		1,550,842	**1,527,930**

The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ '000	Subscribed capital	Additional paid-in capital	Retained earnings	(thereof differences from currency translation)	Revaluation reserve*	Equity attributable to shareholders of VTG Aktien-gesellschaft	Non-controlling interests	**Total**
Notes	(20)	(21)	(22)		(23)		(24)	
As of 12/31/2011	**21,389**	**193,743**	**110,813**	**(3,924)**	**−12,005**	**313,940**	**3,535**	**317,475**
Group net profit			8,681**			8.681**	1.649	10,330**
Revaluation of pension provisions			−8,154**			−8.154**	−33	−8,187**
Currency translation			665	(665)		665	44	709
Changes in cash flow hedge reserve					254	254		254
Comprehensive income	**0**	**0**	**1,192**	**(665)**	**254**	**1,446**	**1,660**	**3,106**
Dividend payment by VTG Aktiengesellschaft			−7,486			−7,486		−7,486
Payments to non-controlling interests						0	−1,396	−1,396
Miscellaneous changes						0	18	18
Total changes	**0**	**0**	**−6,294**	**(665)**	**254**	**−6,040**	**282**	**−5,758**
As of 12/31/2012	**21,389**	**193,743**	**104,519**	**(4,589)**	**−11,751**	**307,900**	**3,817**	**311,717**
Group net profit			15,218			15,218	1,964	17,182
Revaluation of pension provisions			1,729			1,729	−4	1,725
Currency translation			−2,883	(−2,883)		−2,883	−6	−2,889
Changes in cash flow hedge reserve					4,995	4,995		4,995
Comprehensive income	**0**	**0**	**14,064**	**(−2,883)**	**4,995**	**19,059**	**1,954**	**21,013**
Dividend payment by VTG Aktiengesellschaft			−7,914			−7,914		−7,914
Payments to non-controlling interests						0	−2,048	−2,048
Compensation obligation for non-controlling interests						0	−1,374	−1,374
Miscellaneous changes						0	−52	−52
Total changes	**0**	**0**	**6,150**	**(−2,883)**	**4,995**	**11,145**	**−1,520**	**9,625**
As of 12/31/2013	**21,389**	**193,743**	**110,669**	**(1,706)**	**−6,756**	**319,045**	**2,297**	**321,342**

* The revaluation reserve includes the reserve for cash flow hedges.
** Restated as a result of IAS 19 R.

Explanations of equity are given under Notes (20) to (24).

The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

€ '000	Notes	1/1/ to 12/31/2013	1/1/ to 12/31/2012 restated
Operating activities			
Group net profit		17,182	10,330*
Impairment, amortization and depreciation		106,043	104,963
Financing income		−1,172	−1,339
Financing expenses		51,461	53,719*
Taxes on income and earnings		10,238	6,105*
SUBTOTAL		**183,752**	**173,778**
Other non-cash expenses and income		−356	−793
Dividends received from at-equity investments		1,000	1,021
Income taxes paid		−11,347	−13,332
Income taxes received		3,000	1,035
Profit/loss on disposals of fixed asset items		−6,719	−8,237
Changes in:			
Inventories		2,848	−3,104
Trade receivables		10,404	−17,861
Trade payables		−16,582	13,249
Other assets and liabilities		−16,152	−9,733
Cash flows from operating activities		**149,848**	**136,023**
Investing activities			
Payments for investments in intangible and tangible fixed assets		−173,964	−209,422
Proceeds from disposal of intangible and tangible fixed assets		32,271	30,737
Proceeds from sale of assets held for sale		0	2,715
Payments for investments in financial assets		−181	−170
Proceeds from disposal of financial assets		119	59
Financial receivables (in-payments)		794	3,009
Financial receivables (pay-offs)		−394	−50
Receipts from interest		652	971
Cash flows used in investing activities		**−140,703**	**−172,151**
Financing activities			
Payments of dividends of VTG Aktiengesellschaft		−7,914	−7,486
Payments to non-controlling interests		−2,048	−1,396
Receipts from the taking up of (financial) loans		75,000	70,000
Repayments of bank loans and other financial liabilities		−16,225	−16,791
Interest payments		−52,436	−50,168
Cash outflow from financing activities		**−3,623**	**−5,841**
Change in cash and cash equivalents		**5,522**	**−41,969**
Effect of changes in exchange rates		−1,180	−159
Changes due to scope of consolidation		202	768
Balance at beginning of period	(19)	57,004	98,364
Balance of cash and cash equivalents at end of period	(19)	**61,548**	**57,004**
of which freely available funds		**58,785**	**54,254**

* Restated as a result of IAS 19 R.

For an explanation of the consolidated cash flow statement, please refer to the section Other Disclosures.
The explanatory notes on pages 70 to 124 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanation of accounting principles and methods used in the consolidated financial statements

1. General Information

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

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

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

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

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

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on February 21, 2014.

2. Principles of accounting

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

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

Principles of consolidation

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

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

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

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, 2013, two companies are accounted for under the at-equity method. The complete list of equity investments is presented on pages 116 to 117.

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

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

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

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

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

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

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

Currency translation

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

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

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

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

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

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

The following exchange rates have been used for currency translation:

	Rate at balance sheet date		Average rate	
1 euro =	12/31/2013	12/31/2012	2013	2012
British Pound	0.8331	0.8154	0.8492	0.8111
Chinese Yuan Renminbi	8.3314	8.2117	8.1655	8.1119
Polish Zloty	4.1472	4.0882	4.1967	4.1836
Russian Ruble	45.2582	40.1982	42.3335	39.9236
Swiss Franc	1.2267	1.2072	1.2308	1.2052
Czech Koruna	27.4032	25.1169	25.9708	25.1354
US Dollar	1.3767	1.3183	1.3281	1.2857

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

Measurement of fair value

On the first level, fair value is measured using prices quoted in an active market for identical assets or debts. If market prices are unavailable, on the second level, fair value is measured on the basis of market prices for comparable assets or debts. If these are also unavailable, on the third level, appropriate internal measurement procedures are used.

Recognition of revenue

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

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

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

Balance sheet structure

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

Unplanned impairment losses

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

Goodwill

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

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

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

Overall, the management expects moderate growth within the terminal value. The capitalization interest rate plus a growth surplus of 1.0 % per year has been applied. 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 the fair value less cost of disposal, risk-oriented interest rates appropriate to the market were applied. The post-tax interest rates (WACC) are between 4.9 % and 5.6 %, while in the previous year they were between 5.4 % and 5.5 %.

Other intangible assets

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

Due to their indefinite useful life, brand values are not amortized; rather they are subject to an annual impairment test based on the cash-generating units, in which the carrying amount of the brands is compared with the fair value.

As for the goodwill impairment test described above, the recoverable amount is calculated as fair value less costs of disposal, which are in turn calculated on the basis of the discounted forecast cash flows.

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

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

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

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

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

Research costs are not capitalized but are expensed as incurred.

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

Tangible fixed assets

Tangible fixed assets are generally measured at acquisition or manufacturing cost less scheduled depreciation on a straight-line basis to reflect use and, in individual cases, impairment. Land is not subject to depreciation or amortization.

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

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

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

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

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

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

Lease agreements

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

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

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 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.

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

a. **Financial assets measured at fair value through profit or loss**
   There are no assets in the VTG Group that fall into this category except for derivative financial instruments.

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

c. **Financial assets held to maturity**
   There are no assets in the VTG Group that fall into this category.

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

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

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

Derivative financial instruments

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

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

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

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

The effective portion of market value changes of derivative financial instruments, which is deemed cash flow hedge, is recorded after accounting for deferred taxes 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 financial result in the financial years in which the underlying transaction affects the income statement or if the forecast transaction is no longer expected to occur.

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

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

Inventories

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

Provisions for pensions and similar obligations

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

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

For defined benefit pension commitments, whereby the company guarantees employees a specific level of payment, the company creates provisions. These provisions cover payment commitments for retirement, disability and survivors. Under IAS 19, these obligations are determined by an independent actuary using the projected unit credit method, taking into account the discount rate, the expected future development of salaries and pensions and additional actuarial assumptions. They are entered in the balance sheet after the deduction of the fair value of plan assets. The revaluation of pension provisions is recognized in other comprehensive income without affecting income and results in a change in the present value of the pension obligations without affecting income as well as the fair value of plan assets. The net interest approach has been introduced. For the return on plan assets, the interest rate is adopted that applies to the net pension obligations. Expenses from increases in pension obligations that reflect the passage of time (unwinding of the discount) are shown as net interest under the financial result after offsetting income from the interest yielded by plan assets. Both the current and the past service cost are shown under personnel expenses.

There are various pension arrangements in Germany, based on both collective and individual rights under the law. The vast majority of these provision arrangements are defined benefit pension plans. For the majority of employees that are currently still active, provision is within a range based on final salary with fixed increments for each year of service for each pension group. Additionally, there are employees who have active entitlement, with income-dependent pension components for each year of service and those with active entitlement with other pension plans that are partially dependent on final salary. Besides the actual pension plans, there are also accident pensions and provisions for retirees upon payment of an additional contribution to a private health insurer. These provisions are subject to longevity risk and inflation due to the statutory obligation to review current pension payments with regard to adjustment.

With pension commitments and plan assets outside Germany, provision is largely made in the form typical for each country. Plan assets are invested in insurance policies and are not traded on an active market. The insurance companies bear sole responsibility for the proper structuring and management of the portfolios itemized as plan assets.

The top-up contributions for future obligations relating to part-time employment for older members of staff are introduced in gradual steps until the end of the active stage. For 2012, only pension commitments for older members of staff in part-time employment were in the release phase.

The discount rate is intended to reflect, as of the balance sheet date, the market-specific effective interest rate for high-value corporate bonds whose term corresponds to that of the pension commitment. The discount rate was, in line with the previous year, based on the “iBoxx Corporate € AA 10+”, taking into account any changes in ratings effective as of the reporting date. We matched the maturity of the obligation by extrapolating along the German Central Bank’s government bond curve.

Application of IAS 19 R is mandatory as of 2013. Further details can be found under Note (25).

Taxes on income

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

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

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

Deferred tax assets are recognized to the extent that it is probable that a taxable profit will be available against which the temporary differences can be used. Deferred tax assets and liabilities are generally netted within the same national tax authority jurisdiction as long as the running periods correspond.

Other provisions

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

Government grants

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

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

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

There were no material government grants in the financial year 2013.

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

Management uses internal analyses and forecasts to project the earnings trend and external information sources for the other parameters used. In accordance with the requirements of DRS 20, the company is publishing a one-year forecast of its business figures. Since multiple-year scenarios are being discussed internally, there are differences between the internal and external information sources.

The third-level method for measuring fair value is to be used for the above forecast.

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

With regard to the cash-generating unit Railcar, with attributed goodwill of € 150.5 million, unforeseeable changes to key planning assumptions could lead to impairment of goodwill.

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

The goodwill attributed to the Railcar segment would remain unimpaired in the case of a fall in future EBITs of up to 10.8 % or a decrease in ROCE regarding the terminal value of up to 1.37 percentage points or an increase in WACC after tax of up to 1.07 percentage points compared with the parameters currently used.

In the cash-generating unit VTG Rail, Inc. (in the Railcar segment), there was an overall impairment loss on goodwill of € 2.0 million. This was incurred in connection with the acquisition of the company in 2008. A fair value less disposal costs of € 27.8 million was calculated for the cash-generating unit. Due to the subdued market conditions in North America, the fleet cannot be expanded at the speed originally planned. This means that increases in revenue and earnings will not be recorded until future periods. Additionally, WACC rose slightly on the previous year.

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

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

The level of defined benefit pension provision is calculated on the basis of actuarial assumptions. The assumed discount rate has a major impact on the level of obligation. If the discount rate rises by 25 basis points, the level drops by € 1.5 million. If the discount rate falls by 25 basis points, the level increases by € 1.5 million. If the pension trend increases by 25 basis points, the pension obligation increases by € 1.2 million. Due to symmetrical development, the obligation is also reduced by 25 basis points. If the assumed life expectancy of each person with pension entitlement increases, the obligation increases by € 2.0 million. In the sensitivity analysis above, the parameters are treated separately from other developments. This isolated development is in reality improbable. There were no changes made to the methods or assumptions in performing the sensitivity analyses.

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

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

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

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

3. New financial reporting standards

For financial years beginning on and after January 1, 2013, the application of some new standards and amendments to existing standards and interpretations is mandatory, with application prior to this deadline also permitted. Overall, these reforms have had no effect or only a minimal effect on the financial accounting of the VTG Group.

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 adjustments to **IAS 19 "Employee Benefits"** result in a change in the accounting and measurement of the cost of defined benefit plans and of termination benefits. These also increase disclosure requirements regarding employee benefits. The introduction of the net interest expense concept means a slight increase in the interest expense for the VTG Group. For further details on IAS 19, please see Note (25).

The changes to **IAS 36 "Impairment of Assets"** contain further specifications regarding the disclosure of information when an asset is impaired and the recoverable amount has been determined on the basis of its fair value less costs of disposal. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The Group has already applied the standard voluntarily, with effect from January 1, 2013.

The amendments in **IFRS 7 "Financial Instruments: Disclosures"** contain newly added disclosure requirements regarding certain netting agreements. These are intended to make comparison easier between financial statements prepared in accordance with IFRS and US GAAP.

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.

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.

"Improvements to IFRS 2009 – 2011" 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.

The adjustments to **IAS 19 „Employee Benefits"** have resulted in changes to how employee contributions are taken into account with regard to defined benefit pension commitments. The new provisions permit a practical expedient if the amount of the employee contributions is independent of the number of years of service. In this case, regardless of the plan's formula, the service cost for the period in which the corresponding service is rendered can be reduced.

Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

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

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

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

The changes to **IAS 39 "Financial Instruments: Recognition and Measurement"** provides relief from the requirement to discontinue hedge accounting when the novation of a hedging instrument to a central counterparty meets specified criteria. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014. The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

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

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The new standard replaces the formerly applicable consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014, and will have no effect on the consolidated financial statements of VTG.

IFRS 11 "Joint Arrangements" establishes principles for financial reporting where a company exercises joint control regarding a joint venture or joint operation. The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", which were previously applicable for financial reporting with regard to joint ventures. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014, and will have no effect on the consolidated financial statements of VTG.

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

IFRIC 21 "Levies" clarifies how to recognize a liability for a levy that is imposed by a government and which does not fall within the scope of another IFRS. In particular, it also clarifies when such liabilities are to be accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Application of these new regulations is mandatory for financial years beginning on and after January 1, 2014 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

"Improvements to IFRS 2010 – 2012" and "Improvements to IFRS 2011 – 2013" are collective standards for amending different IFRS. It includes amendments to various IFRS affecting the recognition, measurement and disclosure of business transactions in addition to terminological and editorial corrections.

Application of these new regulations is mandatory for financial years beginning on and after July 01, 2014 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements is currently being investigated.

4. Scope of consolidation in the financial year 2013

In addition to VTG AG, a total of 19 (previous year: 16) domestic and 26 (prior year 25) foreign subsidiaries are included in the consolidated financial statements for the financial year 2013.

The consolidation group as of December 31, 2013 comprised the following companies:

No.	Name and registered office of company	Shareholding in %
	Fully consolidated companies	
1	VTG Aktiengesellschaft, Hamburg	
2	Alstertor Rail UK Limited, Birmingham	100.0
3	Ateliers de Joigny S.A.S., Joigny	100.0
4	Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim	100.0*
5	Bräunert Verwaltungs GmbH, Albisheim	100.0*
6	CAIB Benelux BVBA, Berchem/Antwerp	100.0
7	CAIB Rail Holdings Limited, Birmingham	100.0
8	CAIB UK Limited, Birmingham	100.0
9	Deichtor Rail GmbH, Garlstorf	100.0
10	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg (EVA KG)	98.6
11	Etablissements Henri Loyez S.A.S., Libercourt	100.0
12	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
13	EVA Holdings Deutschland GmbH, Hamburg	100.0
14	Ferdinandstor Rail GmbH, Garlstorf	100.0
15	Jasper Moritz OÜ, Tallin	100.0
16	Klostertor Rail GmbH, Garlstorf	100.0
17	OOO Railcraft Service, Moscow	100.0
18	OOO VTG, Moscow	100.0
19	Railcraft Eesti OÜ, Tallin	100.0
20	Railcraft Oy, Helsinki	100.0
21	Railcraft Service Oy, Helsinki	100.0
22	Transpetrol Austria GmbH, Vienna	100.0*
23	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg (Transpetrol GmbH)	74.9
24	Transpetrol Sp.z o.o., Chorzów	100.0*
25	Vostok Beteiligungs GmbH, Hamburg	100.0
26	VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	100.0
27	VTG Austria Ges.m.b.H., Vienna	100.0
28	VTG Benelux B.V., Rotterdam	100.0

No.	Name and registered office of company	Shareholding in %
29	VTG Deutschland GmbH, Hamburg	100.0
30	VTG France S.A.S., Paris	100.0
31	VTG ITALIA S.r.l., Milan	100.0
32	VTG North America, Inc., Hinsdale, Illinois	100.0
33	VTG RAIL ESPAÑA S.L., Madrid	100.0
34	VTG Rail, Inc., Edwardsville, Illinois	100.0
35	VTG Rail Logistics Benelux N.V., Gent	100.0
36	VTG Rail Logistics Deutschland GmbH, Hamburg	100.0
37	VTG Rail Logistics France S.A.S., Paris	100.0
38	VTG Rail Logistics GmbH, Hamburg	100.0
39	VTG Rail Logistics s.r.o., Prague	100.0
40	VTG Rail UK Limited, Birmingham	100.0
41	VTG Schweiz GmbH, Basel	100.0
42	VTG Tanktainer Assets GmbH, Hamburg	100.0
43	VTG Tanktainer Logistics GmbH, Hamburg	100.0
44	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
45	Waggonbau Graaff GmbH, Elze	100.0
46	Waggonwerk Brühl GmbH, Wesseling	100.0**
	Associates	
47	Waggon Holding AG, Zug	50.0
48	Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai	50.0

* Owned by Transpetrol GmbH
** Owned by EVA KG

Compared with December 31, 2012, three domestic and one foreign company have been added for the first time to the scope of consolidation.

From January 1, 2013, OOO VTG, Moscow and Vostok Beteiligungs GmbH, Hamburg were included in the consolidated financial statements for the first time, as the Executive Board expects these companies to grow in importance in the future. The VTG Group acquired assets amounting to € 0.4 million, which were mainly apportioned to the items fixed assets (€ 0.1 million) and receivables and other assets (€ 0.3 million). The liabilities assumed comprise mainly other provisions as well as trade payables and other liabilities (€ 0.2 million). The first-time consolidation of this company in the current financial year contributes income of € 45,000.

From January 1, 2013, Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim and Bräunert Verwaltungs GmbH, Albisheim were included in the consolidated financial statements for the first time, as the Executive Board expects these companies to grow in importance in the future. The VTG Group acquired assets amounting to € 0.5 million, which were mainly apportioned to the items trade receivables (€ 0.3 million) and cash and cash equivalents (€ 0.2 million). The liabilities assumed mainly comprise trade payables (€ 0.5 million). The first-time consolidation of this company in the current financial year contributes income of € 26,000. This is predominantly from the companies' retained earnings.

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, 2013:

	Waggon Holding		Shanghai Tanktainer	
€ '000	**12/31/2013**	12/31/2012	**12/31/2013**	12/31/2012
Assets	2,843	3,115	5,119	4,705
Liabilities	15	14	2,205	2,062
Income	1,859	2,159	8,748	10,167
Net profit for the year	1,808	2,109	314	479

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	**2013**	2012
Balance as of January 1	17,082	16,813
Currency adjustment*	–60	–4
Share of net profit for the year	1,061	1,294
Elimination of dividend	–1,000	–1,021
As of December 31	**17,083**	**17,082**

* Recognized in other comprehensive income under retained earnings.

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. The Group's wagon construction plant also manufactures tank wagons – a key focus of its operations – for internal and external customers.

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 operations of VTG Deutschland GmbH (VTG Deutschland) and VTG ITALIA S.r.l. (VTG Italia) are assigned to several segments.

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

Explanations of the segment data

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

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

Key figures by segment

Based on internal reporting, the figures for the segments for the financial year ended December 31, 2013 are as follows:

€ '000	Railcar Division	Rail Logistics	Tank Container Logistics	Reconciliation	**Group**
External revenue	332,913	298,425	152,333	0	783,671
Internal revenue	23,584	806	300	−24,690	0
Changes in inventories	379	0	0	0	379
Segment revenue	**356,876**	**299,231**	**152,633**	**−24,690**	**784,050**
Segment cost of materials*	−50,610	−276,506	−128,460	26,133	−429,443
Segment gross profit	**306,266**	**22,725**	**24,173**	**1,443**	**354,607**
Other segment income and expenditure	−125,133	−18,898	−14,973	−11,851	−170,855
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**181,133**	**3,827**	**9,200**	**−10,408**	**183,752**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−99,749	−1,478	−4,211	−605	−106,043
thereof impairments	−3,657	0	0	0	−3,657
Segment earnings before interest and taxes (EBIT)	**81,384**	**2,349**	**4,989**	**−11,013**	**77,709**
thereof earnings from associates	904	0	157	0	1,061
Financial result	−47,902	−303	−936	−1,148	−50,289
Earnings before taxes (EBT)	**33,482**	**2,046**	**4,053**	**−12,161**	**27,420**
Income tax expenses					−10,238
Group net profit					**17,182**

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

In accordance with management reporting, in addition to eliminations not affecting income of expenses and income between the segments, the reconciliation column contains expenses of € 12.2 million not allocated to the segments. The subsequent measurement of interest rate derivatives that were formerly in a hedging relationship resulted in further expenses of € 35 thousand that affected the financial result.

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

€ '000	Railcar Division restated	Rail Logistics restated	Tank Container Logistics	Reconciliation	**Group restated**
External revenue	314,636	296,821	155,504	0	766,961
Internal revenue	19,843	1,280	268	−21,391	0
Changes in inventories	1,680	0	0	0	1,680
Segment revenue	**336,159**	**298,101**	**155,772**	**−21,391**	**768,641**
Segment cost of materials*	−39,383	−272,681	−130,235	21,238	−421,061
Segment gross profit	**296,776**	**25,420**	**25,537**	**−153**	**347,580**
Other segment income and expenditure	−129,394	−17,723	−13,589	−13,096	−173,802
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**167,382**	**7,697**	**11,948**	**−13,249**	**173,778**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−98,734	−1,729	−3,877	−623	−104,963
thereof impairments	−3,140	0	0	0	−3,140
Segment earnings before interest and taxes (EBIT)	**68,648**	**5,968**	**8,071**	**−13,872**	**68,815**
thereof earnings from associates	1,054	0	240	0	1,294
Financial result	−46,585**	−377**	−569	−4,849	−52,380**
Earnings before taxes (EBT)	**22,063****	**5,591****	**7,502**	**−18,721**	**16,435****
Income tax expenses					−6,105**
Group net profit					**10,330****

* To a minor extent, income has been offset against the cost of materials of the segments.
** Restated as a result of IAS 19 R.

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

Capital expenditure for each segment as of the 2013 and 2012 reporting dates is shown in the following table:

€ '000		Railcar Division	Rail Logistics	Tank Container Logistics	Reconciliation	**Group**
Investments in intangible assets						
	12/31/2013	2,328	826	105	68	3,327
	12/31/2012	3,290	395	65	155	3,905
Investments in tangible fixed assets						
	12/31/2013	151,006	152	8,466	729	160,353
	12/31/2012	199,626	449	6,767	414	207,256
Changes to scope of consolidation						
	12/31/2013	115	1	0	0	116
	12/31/2012	0	37	0	0	37

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				
	12/31/2013	3,254	73	3,327
	12/31/2012	3,877	28	3,905
Investments in tangible fixed assets				
	12/31/2013	124,125	36,228	160,353
	12/31/2012	163,236	44,020	207,256
Changes to scope of consolidation				
	12/31/2013	1	115	116
	12/31/2012	0	37	37
External revenue by location of companies				
	12/31/2013	506,469	277,202	783,671
	12/31/2012	502,373	264,588	766,961

Notes to the Consolidated Income Statement

(1) Revenue

€ '000	2013	2012
Railcar Division	332,913	314,636
Rail Logistics	298,425	296,821
Tank Container Logistics	152,333	155,504
Total	**783,671**	**766,961**

The business of the VTG Group is affected to only a minor degree by seasonal fluctuations. The slight overall increase in revenue mainly is the result of an increase in the Railcar Division.

Of the revenue in the financial year 2013 and in 2012 shown under the Railcar segment, less than 5 % was from the sale of goods.

Foreign currency gains of € 2.0 million are included under revenue (€ previous year: € 2.7 million).

(2) Changes in inventories

€ '000	2013	2012
Changes in inventories	**379**	**1.680**

The changes in inventories are attributable to the wagon repair workshops and wagon construction plant.

(3) Other operating income

€ '000	2013	2012
Exchange gains	7,493	8,261
Book profit from the sale of fixed assets	7,458	7,653
Recharged services	3,413	2,857
Income from investments	1,428	1,394
Income from sales of materials	1,096	5,025
Income from disposal of non-current assets held for sale	0	1,434
Other income	6,454	8,743
Total	**27,342**	**35,367**

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	2013	2012
Raw materials, consumables and supplies	20,803	12,241
Cost of purchased services	415,934	420,348
Total	**436,737**	**432,589**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 19.5 million (previous year: € 20.0 million)

Cost of purchased services includes exchange rate losses amounting to € 2.1 million (previous year: € 2.9 million).

(5) Personnel expenses

€ '000	2013	2012
Wages and salaries	58,117	56,314
Social security, post-employment and other employee benefit costs	17,051	16,811
thereof for pensions	(10,044)	(8,095)
Total	**75,168**	**73,125**

The costs for pensions include current contributions to defined contribution plans amounting to € 7.2 million (previous year: € 7.4 million). This amount includes payments to the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder).

The costs for pensions also include defined benefit commitments. There is a detailed presentation of defined benefit commitments under Note (25).

(6) Impairment, amortization and depreciation

€ ’000	2013	2012
Impairment, amortization of intangible and depreciation of tangible fixed assets	**106,043**	**104,963**
thereof impairments	3,657	3,140

The level of impairments, amortization and depreciation has increased primarily as the result of investments in the wagon and tank container fleet.

(7) Other operating expenses

€ ’000	2013	2012
Repairs and working capital requirements	59,203	65,793
Selling expenses	10,355	9,373
Exchange rate losses	7,595	8,838
Rents/lease	6,224	6,172
Other costs of materials and personnel expenses	4,493	4,531
IT costs	4,355	4,861
Insurance	2,934	2,747
Travel costs	2,394	2,676
Donations and contributions	2,178	1,890
Charges, fees, consultancy costs	1,994	3,474
Other taxes	1,622	1,640
Advertising	1,433	1,439
Administrative expenses	1,296	1,453
Audit fees	999	1,328
Other expenses	9,721	9,595
Total	**116,796**	**125,810**

(8) Financial loss (net)

€ ’000	2013	2012 restated
Income from other investment securities and long-term loan receivables	238	320
Interest and similar income	934	1,019
thereof from affiliated companies	(13)	(34)
Interest and similar expenses	−51,461	−53,719*
thereof to affiliated companies	(−13)	(−13)
thereof to pensions	(−1,667)	(−2,295)*
Gesamt	**−50,289**	**−52,380**

* Restated as a result of IAS 19 R.

Compared with 2012, the financial result improved in the financial year 2013, as a reduction in the interest expense for project financing and interest rate derivatives and lower commitment interest overcompensated for the additional interest costs incurred by the higher credit volume.

Interest and similar expenses includes expenses relating to derivative financial instruments amounting to € 8.1 million (previous year: € 8.9 million). Of this amount, € 7.8 million is the interest expense (through reclassification from equity) for the portion of derivative financial instruments in a hedging relationship (previous year: € 5.6 million). Similar income amounting to € 0.4 million and similar expenses amounting to € 0.3 million (previous year: expenses of € 3.3 million) result from the subsequent measurement of the portion fomerly in a hedging relationship.

(9) Taxes on income

€ ’000	2013	2012 restated
Current taxes	12,371	10,912
thereof relating to other periods	(185)	(−29)
Deferred tax income	−2,133	−4,807*
Total	**10,238**	**6,105***

* Restated as a result of IAS 19 R.

The actual tax result of € 10.2 million differs by € 1.2 million from the expected expense for taxes on income of € 9.0 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	2013	2012 restated
Net group profit before taxes on income	**27,420**	**16,435***
Income tax rate of VTG AG	33 %	33 %
Expected income tax expense (tax rate of VTG AG)	9,049	5,424*
Tax effect of non-deductible expenses and tax-free income	4,749	3,897
Tax effect on tax-free investment income	–466	–516
Tax effect from the adjustment of tax assets to tax loss carryforwards	–110	13
Tax effect on taxable loss carryforwards	–1,113	–633
Tax income and expense relating to other periods	185	–29
Tax effect due to changes in the income tax rate on effects of the prior year	–965	–455
Tax effect due to deviations from the expected tax rate	–1,373	–1,700
Other deviations	282	104
Actual income tax expense	**10,238**	**6,105***
Tax charge	**37.3 %**	**37.1 %**

* Restated as a result of IAS 19 R.

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

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

in %	12/31/2013	12/31/2012
Expected future corporate tax rate	15.17	15.17
Solidarity surcharge	0.83	0.83
Expected future trade tax rate	17.00	17.00
Expected future Group tax rate	**33.00**	**33.00**

Taxes on income represent an expense in the period under review and equal 37.3% of the result before tax. In the previous year the tax charge amounted to 37.1% of the result before taxes on income.

Further explanations of taxes on income can be found under Note (26).

(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/-12/31/2013	1/1/-12/31/2012 restated
Group net income attributable to VTG AG shareholders (€ '000)	15,218	8,681*
Weighted average number of shares	21,388,889	21,388,889
Earnings per share (in €)	**0.71**	**0.41**

* Restated as a result of IAS 19 R.

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 2013 was € 0.37 (previous year: € 0.35).

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 120 to 123.

(11) Goodwill

€ '000	12/31/2013	12/31/2012
Railcar Division segment	150,472	152,524
Rail Logistics segment	3,992	3,992
Tank Container Logistics segment	1,747	1,747
Total	**156,211**	**158,263**

The change in goodwill in the Railcar Division segment was due to impairment.

(12) Other intangible assets

€ '000	12/31/2013	12/31/2012
"VTG" brand (Railcar Division)	9,538	9,538
"Transpetrol" brand (Rail Logistics)	421	421
"Railtrans" brand (Railcar Division)	100	100
Customer relationships, Railcar Division	25,096	29,339
Customer relationships, Rail Logistics	5,728	6,313
Concessions, industrial trademarks and licenses	6,997	7,439
Capitalized development costs	959	1,157
Payments on account	3,889	1,795
Total	**52,728**	**56,102**

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

Due to impairment of the item customer relationships in the Railcar division, the carrying amount of customer relationships was reduced to its recoverable amount. Impairments of intangible assets amounting to € 1.0 million were recognized in the income statement under the item Impairment, amortization and depreciation.

(13) Tangible fixed assets

The increase in tangible fixed assets was due mainly to investment in the construction of new rail freight wagons.

In respect of finance leases, as of the balance sheet date, fixed assets with a carrying amount of € 10.2 million (previous year: € 18.1 million) were recognized and primarily shown under wagon fleet.

For more detailed information on finance leases, see Note (28).

(14) Other financial assets

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

(15) Inventories

€ '000	12/31/2013	12/31/2012
Raw materials, consumables and supplies	14,151	17,501
Unfinished and finished products and services	3,905	3,526
Advance payments made	203	250
Total	**18,259**	**21,277**

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	Carrying amount as of 12/31/2013	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	90,797	58,423	16,022	7,357	8,060	935
Due from affiliated, non-consolidated companies	756	736	20	0	0	0
Due from companies in which an investment is held	1,070	1,070	0	0	0	0
Due from companies measured at equity	710	710	0	0	0	0
Total	**93,333**	**60,939**	**16,042**	**7,357**	**8,060**	**935**

The trade receivables overdue after more than 90 days were mainly settled in the middle of February 2014.

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

€ '000	Carrying amount as of 12/31/2012	Of which neither impaired nor overdue at the year-end date	Of which not impaired at the year-end date and overdue in the following time bands: Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	99,743	68,059	18,749	3,197	6,638	3,100
Due from affiliated, non-consolidated companies	1,598	1,598	0	0	0	0
Due from companies in which an investment is held	1,217	1,178	39	0	0	0
Due from companies measured at equity	714	714	0	0	0	0
Total	**103,272**	**71,549**	**18,788**	**3,197**	**6,638**	**3,100**

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

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

€ '000		Opening balance 1/1	Currency difference	Utilization	Reversals	Addition	Reclassifications	Closing balance 12/31
Allowances	**2013**	**6,864**	**−10**	**75**	**550**	**1,270**	**1**	**7,500**
Allowances	2012	4,160	6	71	621	3,376	14	6,864

The total amount of additions, amounting to € 1.3 million (previous year: € 3.4 million) comprise the increase to specific allowances amounting to € 1.2 million (previous year: € 3.2 million) and allowances on a portfolio basis amounting to € 0.1 million (previous year: € 0.2 million). Specific allowance reversals amounted to € 0.4 million (previous year: € 0.1 million) and allowances on a portfolio basis amounted to € 0.2 million (previous year: € 0.5 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	**2013**	2012
Expense for the full write-off of receivables	186	125
Income from receipts relating to receivables written off	358	20

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

(17) Other financial assets and other assets

€ '000	**12/31/2013 Total**	**12/31/2013 Residual term more than 1 year**	12/31/2012 Total	12/31/2012 Residual term more than 1 year
Financial receivables	5,369	2,869	6,109	3,320
thereof due to third parties	5,141	2,869	5,585	3,320
thereof from affiliated, non-consolidated companies	228	0	524	0
Other financial receivables	11,610	1,933	13,433	2,146
thereof due to third parties	10,312	1,933	12,463	2,146
thereof from affiliated, non-consolidated companies	4	0	0	0
thereof due from companies in which an investment is held	1,294	0	970	0
Other financial assets	**16,979**	**4,802**	**19,542**	**5,466**
Derivative financial instruments in conjunction with hedging relationships				
Foreign currency derivatives	1,033	803	194	0
Derivative financial instruments	**1,033**	**803**	**194**	**0**
Other assets	**28,756**	**1,168**	**20,886**	**2,400**
thereof relating to taxes	10,951	0	10,162	0
thereof prepaid expenses	2,624	1,046	4,200	2,282
Total	**46,768**	**6,773**	**40,622**	**7,866**

As of the reporting date, none of the financial receivables amounting to € 5.4 million (previous year: € 6.1 million) were impaired or overdue. They contain interest-bearing receivables.

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

(18) Income tax assets

€ '000	12/31/2013	12/31/2012
Deferred income tax assets	22,843	26,213
Current income tax assets	5,487	4,191
Total	**28,330**	**30,404**

Further explanations of deferred taxes can be found under Note (26).

(19) Cash and cash equivalents

€ '000	12/31/2013	12/31/2012
Bank balances	61,524	56,869
Cash on hand	24	135
Total	**61,548**	**57,004**

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

The bank balances sum includes an amount of € 2.8 million that is not freely accessible (previous year: € 2.8 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 subscribed capital attributable to each share equals € 1.0. As of December 31, 2013, the subscribed capital amounted to € 21.4 million. The capital is divided into 21,388,889 shares and is fully paid up.

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

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

(21) Additional paid-in capital

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

(22) Retained earnings

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

(23) Revaluation reserve

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

In the financial year, income from the revaluation of the hedging relationship of € 5.0 million (previous year: € 0.3 million) was recognized in equity without affecting income and taking into account deferred tax effects.

(24) Non-controlling interests

In 2013, the VTG subsidiary Transpetrol GmbH and VTG Rail Logistics GmbH, Hamburg (VTG Rail Logistics) entered into a profit and loss transfer agreement. In this agreement, VTG Rail Logistics undertook to make a compensatory payment to the non-controlling shareholders (those with a 25.1 % share) of Transpetrol GmbH. This payment amounts to at least € 1.3 million, or 25.1 %, of the net profit for the year. As of the closing date, a compensatory payment of € 1.4 million had been made. After the new arrangements within the company as of January 1, 2014 (see the section "Material events after the balance sheet date (Supplemental Report)", VTG Rail Logistics will hold 100 % of the shares of Transpetrol GmbH.

(25) Provisions for pensions and similar obligations

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

% p.a.	2013	2012
Discount rate	3.25 %	3.0 %
Salary trend	2.5 %	2.5 %
Pension trend	2.0 % or 1.0 % confirmed	2.0 % or 1.0 % confirmed
Fluctuation rate	2.0 %	2.0 %
Mortality etc.	Heubeck RT 2005G	Heubeck RT 2005G

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

	2013			
% p.a.	Belgium	France	Austria	Switzerland
Discount rate	1.5	3.0	3.0	2.2
Salary trend	3.0	2.5 and 3	5.0	2.5

	2012			
% p.a.	Belgium	France	Austria	Switzerland
Discount rate	1.5	3.1	3.25	1.75
Salary trend	3.0	5.0 and 5.5	5.0	2.5

Plan assets exist solely to finance defined benefit obligations from retirement and severance obligations in European countries other than Germany, amounting to € 1.7 million (previous year: € 2.1 million).

Retrospective application of IAS 19 R results in an increase of € 28,000 in the net interest expense for the financial year 2012. There is an increase of the same amount in the revaluation of pension provisions in other comprehensive income before taxes within the consolidated statement of comprehensive income. Within retained earnings, this causes a reduction in the final total and an increase in revaluation of pension provisions in other comprehensive income.

If the plan assets for 2013 had been calculated according to the rules of the old IAS 19, this would have shown an increase in interest income of € 29,000.

If the calculation for the new part-time contracts for older employees had been made on the basis of the old IAS 19, this would have shown increased expenses of € 238,000.

Pension provisions can be broken down as follows:

€ '000	2013	2012
Present value of funded benefit obligations	3,438	3,782
Fair value of the plan assets	−2,047	−2,066
Provision for funded benefit obligations	**1,391**	**1,716**
Present value of unfunded benefit obligations	53,965	56,774
Total provision	**55,356**	**58,490**

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

€ '000	2013	2012
Germany	52,121	54,857
Rest of Europe	3,235	3,633
Total	**55,356**	**58,490**

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

€ '000	2013	2012 restated
Balance at beginning of period	58,490	46,306
Additions	2,425	3,008*
Pension payments made	−3,294	−3,376
Contributions to the plan	−76	−86
Revaluations	−2,182	11,912*
Reclassifications	0	723
Currency effect	−7	3
Recognized net pension obligations at end of period	**55,356**	**58,490**

* Restated as a result of IAS 19 R.

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

€ '000	2013	2012
Defined benefit obligation at beginning of period	**60,556**	**47,038**
Current service cost	758	466
Past service cost	0	247
Interest expense	1,699	2,338
Pension payments made	−3,587	−3,510
Employee contributions	41	56
Revaluations	−2,045	11,929
Actuarial gains/losses from changes in demographic assumptions	−37	0
Actuarial gains/losses from changes in financial assumptions	−1,504	11,842
Actuarial gains/losses from experience adjustments	−504	87
Reclassifications	0	1,984
Currency effect	−19	8
Defined benefit obligation at end of period	**57,403**	**60,556**

€ '000	2013	2012 restated
Fair value of plan asset at beginning of period	**2,066**	**732**
Interest income	32	43*
Employer contributions	76	86
Employee contributions	41	56
Pension payments from plan asset	−293	−134
Revaluations	137	17*
Reclassifications	0	1,261
Currency effect	−12	5
Fair value of plan asset at end of period	**2,047**	**2,066**

* Restated as a result of IAS 19 R.

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

As of December 31, 2013, the average term of the obligation for the German companies is 12 years.

Sensitivity analyses are covered under Principles of Accounting – Estimates and discretionary judgements.

(26) Income tax liabilities

€ '000	12/31/2013	12/31/2012
Current income tax liabilities	30,467	28,678
Deferred income tax liabilities	129,639	132,825
Total	**160,106**	**161,503**

Current income tax liabilities developed as follows:

€ '000	Opening balance 1/1/2013	Changes to scope of consolidation	Currency difference	Utilization	Reversals	Additions	**Closing balance 12/31/2013**
Current income tax liabilities	28,678	1	−13	5,908	20	7,729	**30,467**

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

The deferred taxes were determined on the basis of the tax rates for the specific countries (33 % for Germany; 19.00 % to 35.79 % for other countries).

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

The amount from temporary differences relating to shares in subsidiaries and associates, for which, in accordance with IAS 12.39, no deferred tax liabilities were recognized in the year under review, amounted to € 5.4 million (previous year: € 5.0 million). In accordance with IAS 12.81 (f), the resulting non-recognized tax liabilities amounted to € 1.8 million (previous year: € 1.7 million).

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

	12/31/2013		12/31/2012	
€ '000	**Assets**	**Liabilities**	Assets	Liabilities
Intangible assets	61	13,192	0	14,323
Tangible fixed assets	2,688	131,457	169	135,786
Financial assets	6	428	8	945
Receivables and other assets	1,191	1,357	1,293	651
Special item with reserve component	0	24	0	33
Provisions for pensions	7,008	216	7,204	0
Miscellaneous provisions	4,614	1,223	6,104	1,777
Liabilities	14,258	167	19,375	105
Tax loss carryforwards	11,442	0	12,855	0
Subtotal	**41,268**	**148,064**	**47,008**	**153,620**
Offsetting	−18,425	−18,425	−20,795	−20,795
Total	**22,843**	**129,639**	**26,213**	**132,825**
thereof with a term of up to 1 year	11,917	3,085	12,835	3,067
thereof with a term of more than 1 year	10,926	126,554	13,378	129,758

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.

Tax savings of € 6.8 million were not capitalized (previous year: € 8.2 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:

			Forfeitability of the non-capitalized deferred tax savings			
€ '000	Loss carryforward	Related 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	11,637	1,862	0	0	0	1,862
Trade tax loss carryforwards, German companies	10,310	1,753	0	0	0	1,753
Tax loss carryforwards of foreign entities	10,359	2,656	0	0	1,075	1,581
Total	**32,306**	**6,271**	**0**	**0**	**1,075**	**5,196**
Previous year	42,779	8,150	0	0	1,012	7,138

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.

(27) Other provisions

€ '000	**Opening balance 1/1/2013**	Changes to scope of consolidation	Currency difference	Utilization	Reversals	Additions	**Closing balance 12/31/2013**
Provisions for personnel expenses	16,138	4	−13	10,667	1,145	11,597	15,914
Provisions for typical operational risks	10,148	0	−24	1,235	1,686	2,660	9,863
Miscellanious provisions	31,677	20	−26	7,469	4,375	9,701	29,528
Other provisions	**57,963**	**24**	**−63**	**19,371**	**7,206**	**23,958**	**55,305**

The additions include the interest rate effect of € 0.4 million for the other non-current provisions and the non-current provisions for typical operational risks. This sum is recognized under financial loss in the income statement.

The maturities of the other provisions are as follows:

	12/31/2013			12/31/2012		
		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	15,914	11,255	4,659	16,138	10,994	5,144
Provisions for typical operational risks	9,863	6,442	3,421	10,148	4,547	5,601
Miscellaneous provisions	29,528	23,993	5,535	31,677	25,318	6,359
Other provisions	**55,305**	**41,690**	**13,615**	**57,963**	**40,859**	**17,104**

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

The provisions for personnel expenses mainly comprise obligations for contributions for the restructuring of VBL (€ 2.5 million; previous year: € 2.4 million), for outstanding vacations (€ 2.4 million; previous year: € 2.1 million), for anniversaries (€ 1.3 million, previous year: € 1.1 million), for long-term service (€ 0.2 million; previous year: € 0.2 million), as well as for social plans (€ 0.1 million; previous year: € 0.2 million).

The provisions for typical operational risks relate primarily to repair obligations for leased tank containers (€ 3.4 million; previous year: € 3.6 million) and anticipated losses from uncompleted transactions from operating lease contracts (€ 0.4 million; previous year: € 0.6 million).

The miscellaneous provisions comprise mainly provisions relating to the wagon fleet (€ 7.3 million; previous year: € 12.0 million), provisions for damage (€ 4.7 million; previous year: € 5.3 million) and provisions for interest rate risks (€ 4.6 million; previous year: € 4.6 million).

(28) Liabilities

€ '000	12/31/2013 Carrying amount	12/31/2013 Residual term more than 1 year	12/31/2013 Residual term more than 5 years	12/31/2012 Carrying amount	12/31/2012 Residual term more than 1 year	12/31/2012 Residual term more than 5 years
Financial liabilities						
US private placement	480,073	476,246	477,688	481,004	477,167	478,633
Syndicated loan	229,676	225,105	0	160,232	155,344	0
Project financing	92,896	85,363	54,428	101,960	94,391	62,633
Liabilities from financial leases	7,298	5,521	0	11,771	7,388	0
Other financial liabilities						
due to third parties	200	13	0	492	24	0
from affiliated, non-consolidated companies	486	0	0	534	0	0
Financial liabilities	**810,629**	**792,248**	**532,116**	**755,993**	**734,314**	**541,266**
Trade payables						
due to third parties	109,765	0	0	133,408	0	0
from affiliated, non-consolidated companies	479	0	0	921	0	0
from equity investments	657	0	0	471	0	0
Trade payables	**110,901**	**0**	**0**	**134,800**	**0**	**0**
Derivative financial instruments						
in conjunction with hedging relationships	10,867	3,054	0	18,207	10,347	0
without hedging relationships	7,333	0	0	12,731	0	0
Derivative financial instruments	**18,200**	**3,054**	**0**	**30,938**	**10,347**	**0**
Other financial liabilities	**13,268**	**0**	**0**	**8,972**	**0**	**0**
Other liabilities	**5,735**	**0**	**0**	**7,554**	**243**	**0**
thereof relating to taxes	3,696	0	0	2,281	0	0
thereof relating to social security	1,485	0	0	1,561	0	0
thereof from deferred income	18	0	0	407	0	0
Total	**958,733**	**795,302**	**532,116**	**938,257**	**744,904**	**541,266**

Financial liabilities

As of December 31, 2013, the VTG Group's primary sources of finance were a US private placement, a syndicated loan and project financing.

US private placement and syndicated loan

US private placement	Original amount in currency of issue		As of 12/31/2013 in € '000	As of 12/31/2012 in € '000
Tranche 1	170,000	€ '000	170,000	170,000
Tranche 2	150,000	€ '000	150,000	150,000
Tranche 3	130,000	€ '000	130,000	130,000
Tranche 4	40,000	US$ '000	29,055	30,342
Total			**479,055**	**480,342**

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

Syndicated loan	Original amount in currency of issue		As of 12/31/2013 in € '000	As of 12/31/2012 in € '000
Tranche A1	20,000	GBP '000	20,406	22,075
Tranche A2	77,570	€ '000	65,935	69,813
Tranche B	350,000	€ '000	205,000*	130,000*
Total			**291,341**	**221,888**

* Thereof €60 million as guarantee.

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

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

Project financing

As of December 31, 2013, the financial liabilities from project financing were as follows:

Project financing € '000	Original amount	As of 12/31/2013	As of 12/31/2012
Deichtor	39,153	28,661	30,573
Ferdinandstor	44,965	40,141	42,553
Klostertor	46,000	24,310	29,110
Total		**93,112**	**102,236**

The above amounts are reconciled to the balance sheets for December 31, 2013 and December 31, 2012 as follows:

Reconciliation € '000	12/31/2013	12/31/2012
US private placement	479,055	480,342
Syndicated loan	231,341	161,888
Project financing	93,112	102,236
Accrued interest	4,841	4,912
Deduction of transaction costs	−5,703	−6,182
Balance sheet amount	**802,646**	**743,196**

Liabilities from financial leases

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

€ '000	Total	Residual term: due within 1 year	Residual term: between 1and 5 years	Residual term: over 5 years
Future lease payments	8,049	2,075	5,974	0
Interest portion	−751	−298	−453	0
Liabilities from finance leases as of 12/31/2013	**7,298**	**1,777**	**5,521**	**0**

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

€ '000	Total	Residual term due within 1 year	between 1 and 5 years	over 5 years
Future lease payments	12,929	4,793	8,136	0
Interest portion	−1,158	−410	−748	0
Liabilities from finance leases as of 12/31/2012	**11,771**	**4,383**	**7,388**	**0**

The leases have an average term of 18 years. The interest rates for these are between 3.6 % and 7.0 %. The leased assets comprise rail freight cars 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".

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 currency derivatives and interest rate derivatives.

Measurement of fair value

The following table shows financial instruments measured at fair value, analyzed according to the measurement method:

€ '000	**12/31/2013** Quoted prices (Level 1)	Other relevant observable inputs (Level 2)	Other relevant inputs (Level 3)	12/31/2012 Quoted prices (Level 1)	Other relevant observable inputs (Level 2)	Other relevant inputs (Level 3)
Recurring measurement						
Receivables from derivative financial Instruments						
Interest rate derivatives	0	0	0	0	0	0
Currency derivatives	0	1,033	0	0	194	0
Liabilities from derivative financial instruments						
Interest rate derivatives	0	17,472	0	0	30,335	0
Currency derivatives	0	728	0	0	603	0

There were no transfers between level 1 and level 2 in the year under review.

Interest rate derivatives include interest rate swaps that are valued on the basis of observable yield curves. Forward exchange contracts and cross currency swaps are used within currency derivatives. Forward exchange contracts are valued using forward rates that are traded in active markets. Cross currency swaps are valued on the basis of observable yield curves.

By taking into account the counterparty risk in valuing the derivative financial instruments, the fair value as of December 31, 2013 was € 0.4 million lower.

Offsetting financial assets and financial liabilities

The financial assets and financial liabilities shown below are subject to an agreement which enables one party in the case of termination or the counterparty in the event of insolvency to settle all amounts on a net basis.

€ '000	12/31/2013					
				Related amounts that are not offset		
	Gross amount	Offsetting	Balance sheet amount	Financial liabilities	Financial securities	Net amount
Assets from derivative financial Instruments	1,033	0	1,033	−728	0	305
Liabilities from derivative financial instruments	18,200	0	18,200	−728	0	17,472

For 2012, the following financial assets and financial liabilities were subject to this agreement:

€ '000	12/31/2012					
				Related amounts that are not offset		
	Gross amount	Offsetting	Balance sheet amount	Financial liabilities	Financial securities	Net amount
Assets from derivative financial Instruments	194	0	194	−194	0	0
Liabilities from derivative financial instruments	30,938	0	30,938	−194	0	30,744

Fair values and carrying amounts 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 carrying amounts for the individual balance sheet items under financial assets and financial liabilities for the financial year 2013 and for the previous year.

Balance sheet item € '000	Valuation category in accordance with IAS 39	**Carrying amount as of 12/31/2013**	Measured in accordance with IAS 39: Amortized cost	Measured in accordance with IAS 39: Fair value not affecting income	Measured in accordance with IAS 39: Fair value affecting income	Balance sheet measurement in accordance with IAS 17	Fair value 12/31/2013
Assets							
Other investments	AfsFA	6,752	6,752	–	–	–	–
Trade receivables	LaR	93,333	93,333	–	–	–	93,333
Other financial assets	LaR	16,979	16,979	–	–	–	17,141
Receivables from derivative financial instruments							
in conjunction with hedging relationships	n.a.	1,033	–	1,033	–	–	1,033
Cash and cash equivalents	LaR	61,548	61,548	–	–	–	61,548
Shareholders' Equity and Liabilities							
Financial liabilities, thereof		810,629					
US private placement	Flmaac	480,073	480,073	–	–	–	519,207
Syndicated loan	Flmaac	229,676	229,676	–	–	–	231,437
Project financing	Flmaac	92,896	92,896	–	–	–	94,430
Liabilities from finance leases	n.a.	7,298	–	–	–	7,298	7,799
Other financial liabilities	Flmaac	686	686	–	–	–	686
Trade payables	Flmaac	110,901	110,901	–	–	–	110,901
LIabilities from derivative financial instruments, thereof		18,200					
in conjunction with hedging relationships	n.a.	10,867	–	10,867	–	–	10,867
without hedging relationships	Hft	7,333	–	–	7,333	–	7,333
Other financial liabilities	Flmaac	13,268	13,268	–	–	–	13,268
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		171,860	171,860	–	–	–	172,022
Avaiable-for-sale financial assets (AfSFA)		6,752	6,752	–	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		927,500	927,500	–	–	–	969,929
Financial assets and liabilities held for trading (Hft)		7,333	0	–	7,333	–	7,333

n.a.: balance sheet items are not allocable to any measurement category

Balance sheet item € '000	Valuation category in accordance with IAS 39	**Carrying amount as of 12/31/2012**	Measured in accordance with IAS 39 Amortized cost	Fair value not affecting income	Fair value affecting income	Balance sheet measurement in accordance with IAS 17	Fair value 12/31/2012
Assets							
Other investments	AfsFA	6,710	6,710	–	–	–	–
Trade receivables	LaR	103,272	103,272	–	–	–	103,272
Other financial assets	LaR	19,542	19,542	–	–	–	19,810
Receivables from derivative financial instruments		194					
in conjunction with hedging relationships	n.a.	194	–	194	–	–	194
Cash and cash equivalents	LaR	57,004	57,004	–	–	–	57,004
Shareholders' Equity and Liabilities							
Financial liabilities, thereof		755,993					
US private placement	Flmaac	481,004	481,004	–	–	–	531,424
Syndicated loan	Flmaac	160,232	160,232	–	–	–	166,070
Project financing	Flmaac	101,960	101,960	–	–	–	112,487
Liabilities from finance leases	n.a.	11,771		–	–	11,771	12,318
Other financial liabilities	Flmaac	1,026	1,026	–	–	–	1,026
Trade payables	Flmaac	134,800	134,800	–	–	–	134,800
LIabilities from derivative financial instruments, thereof		30,938					
in conjunction with hedging relationships	n.a.	18,207	–	18,207	–	–	18,207
without hedging relationships	Hft	12,731	–	–	12,731	–	12,731
Other financial liabilities	Flmaac	8,972	8,972	–	–	–	8,972
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		179,818	179,818	–	–	–	180,086
Avaiable-for-sale financial assets (AfSFA)		6,710	6,710	–	–	–	–
Financial liabilities measured at amortized cost (Flmaac)		887,994	887,994	–	–	–	954,779
Financial assets and liabilities held for trading (Hft)		12,731	–	–	12,731	–	12,731

n.a.: balance sheet items are not allocable to any measurement 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.

The fair values of the above financial instruments are based on discounted cash flows determined using discount rates in line with the market. Level 2 input factors were used for measuring the fair values.

Net result by valuation category

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

As of December 31, 2013, the net result by valuation category was as follows:

€ '000	Interest	Valuation	Other items	2013
from				
Loans and receivables	656	−1,151	171	−324
Available-for-sale financial assets	0	0	1,428	1,428
Financial liabilities measured at amortized cost	−40,907	−85	0	−40,992
Financial assets and liabilities held for trading	0	35	0	35
Total	**−40,251**	**−1,201**	**1,599**	**−39,853**

For loans and receivables, the valuation item includes impairment costs of € 1.3 million.

The net result for the previous year was as follows:

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

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

Hedging strategy and risk management

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

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

Default risk

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

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

The maximum default risk corresponds to the carrying amount of the financial receivables and assets.

In order to cover payments on account in connection with investment activities, suppliers obtain bank guarantees from financial institutions with top credit ratings. In order to secure payments on account the Group has accepted bank guarantees from suppliers amounting to € 12.8 million (previous year: € 17.0 million). As of December 31, 2013, 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 (28).

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 derivative financial liabilities. It also shows payments from derivative financial assets. The "Balance" column contains the amount for financial liabilities without accrued interest. The fair value is shown for derivative financial instruments. Due to the short-term nature of trade payables and other financial liabilities, the resulting cash flows have not been shown. The cash flows are approximately equal to the amounts shown under "residual terms" under Note (28).

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, 2013 and for which payments were already contractually agreed. Forecast figures for new liabilities are not included. The variable interest payments from financial instruments were calculated on the basis of the yield curves determined on December 31, 2013.

Liquidity analysis

€ '000	Balance 12/31/2013	Cash flows 2014 Fixed interest	Cash flows 2014 Variable interest	Cash flows 2014 Repayment	Cash flows 2015 Fixed interest	Cash flows 2015 Variable interest	Cash flows 2015 Repayment
Financial liabilities							
US private placement	479,055	27,426	0	0	27,426	0	0
Syndicated loan	231,341	0	6,235	5,079	0	6,115	5,079
Project financing	93,112	1,905	1,508	9,977	1,706	1,414	7,422
Liabilities from finance leases	7,298	297	0	1,777	228	0	1,188
Other financial liabilities	686	1	0	684	0	0	2
Derivative financial liabilities and assets							
Liabilities from derivative financial instruments	18,200	12,431	0	728	5,428	0	0
Assets from derivative financial Instruments	1,033	−423	0	248	−18	0	775

€ '000	Balance 12/31/2012	Cash flows 2013 Fixed interest	Cash flows 2013 Variable interest	Cash flows 2013 Repayment	Cash flows 2014 Fixed interest	Cash flows 2014 Variable interest	Cash flows 2014 Repayment
Financial liabilities							
US private placement	480,342	27,489	0	0	27,489	0	0
Syndicated loan	161,888	0	4,189	5,102	0	4,219	5,105
Project financing	102,236	2,126	1,610	7,280	1,905	1,604	8,027
Liabilities from finance leases	11,771	408	0	4,383	298	0	1,897
Other financial liabilities	1,026	0	0	1,026	0	0	0
Derivative financial liabilities and assets							
Liabilities from derivative financial instruments	30,938	12,532	0	603	12,532	0	0
Assets from derivative financial Instruments	194	0	0	194	0	0	0

€ '000	Cash flows 2016-2018 Fixed interest	Variable interest	Repay-ment	Cash flows 2019-2021 Fixed interest	Variable interest	Repay-ment	Cash flows 2022 ff. Fixed interest	Variable interest	Repay-ment
Financial liabilities									
US private placement	81,568	0	29,055	73,141	0	170,000	47,134	0	280,000
Syndicated loan	0	2,248	221,183	0	0	0	0	0	0
Project financing	2,824	4,723	46,028	0	4,463	29,685	0	0	0
Liabilities from finance leases	225	0	4,333	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Liabilities from derivative financial instruments	0	0	0	0	0	0	0	0	0
Assets from derivative financial Instruments	0	0	0	0	0	0	0	0	0

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

Financial market risk

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

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

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

Interest rate risk

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

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

In order to assess the risk of changes in interest rates for financial liabilities, a change in the market interest rate of 100 basis points was simulated. For this purpose, the actual interest rates for the financial year 2013 were each changed by 100 basis points. An increase in the interest rate of 100 basis points would decrease the group profit after taxes by € 1.0 million (previous year: increase of € 0.4 million) and increase the revaluation reserve by € 1.2 million (previous year: € 2.6 million). A decrease in the interest rate of 100 basis points would increase the group profit after taxes by € 0.3 million (previous year: decrease by € 0.4 million) and decrease the revaluation reserve by € 0.7 million (previous year: € 2.6 million). This measurement takes account of the interest rate derivatives.

As of the reporting date, interest rate risks from variable-interest-bearing financial resources apply to cash deposited with banks over the short term.

To assess the interest rate risk arising from variable-interest-bearing financial resources, the average interest as of the reporting date was changed by 100 basis points. An increase of 100 basis points in the interest level would push after-tax profit for the Group by € 0.1 million (previous year: € 0.2 million). A reduction in the interest rate of 100 basis points would reduce after-tax profit for the Group by € 16,000 (previous year: € 44,000).

Currency risk

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

The change in the market value of the forward exchange contracts classified as cash flow hedges is included under other items of equity. As of December 31, 2013, derivative financial instruments with a maximum term of 11 months (previous year: 12 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, the Swiss franc and for the first time, because of its increased importance, the Polish zloty were identified as relevant risk variables in the VTG Group.

The foreign currency sensitivity analysis below is based on an appreciation/depreciation of 10 % in the currencies concerned as of December 31, 2013.

Appreciation € '000	12/31/2013 Affecting income	 Not affecting income	12/31/2012 Affecting income	 Not affecting income
USD	+667	−81	+623	−69
GBP	+109	0	+35	0
CHF	−842	0	−462	0
PLN	−78	0	−48	0

Depreciation € '000	12/31/2013 Affecting income	 Not affecting income	12/31/2012 Affecting income	 Not affecting income
USD	−667	+66	−623	+71
GBP	−109	0	−35	0
CHF	+842	0	+462	0
PLN	+78	0	+48	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 debts, cash and cash equivalents, and equity attributable to shareholders of the parent company. Equity comprises shares issued, additional paid-in capital and retained earnings.

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

Net financial debt is defined as the balance of cash and cash equivalents, investment securities and financial receivables less financial debt. Moreover, there is no deduction of transaction costs within the meaning of IAS 39 in determining net financial debt (see also Note 28 under "Financial liabilities").

The (adjusted) financial debt is determined as follows:

€ '000	12/31/2013	12/31/2012
Cash and cash equivalents	61,548	57,004
Investment securities	354	428
Financial receivables	5,369	6,109
Financial liabilities	−810,629	−755,993
Correction, deduction of transaction costs	−5,703	−6,182
Net financial debt	**−749,061**	**−698,634**
Provisions for pensions	−55,356	−58,490
Adjusted net financial debt	**−804,417**	**−757,124**

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

€ '000	12/31/2013	12/31/2012
Adjusted net financial debt	804,417	757,124
EBITDA	183,752	173,778
Ratio of adjusted net financial debt/EBITDA	**4.4**	**4.4**

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 2013 and for the previous year.

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

The repayments of bank loans and other financial liabilities, amounting to € 16.2 million, mainly comprise the scheduled repayments of project financing and repayment of the syndicated loan.

Other disclosures

Collaterals

As of the reporting date, nine companies in the VTG Group had provided guarantees of payments amounting to € 280.3 million (previous year: € 211.8 million) in relation to the syndicated loan.

As of the reporting date, nine companies in the VTG Group had provided guarantees of payments amounting to € 479.1 million (previous year: € 480.3 million) in relation to the US private placement.

As part of the Group's financing 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 € 727.2 million (previous year: € 639.4 million). Eight companies have assigned as collateral their rights relating to rail freight cars.

In addition to the above guarantees, in order to secure their project financing, three companies in the Group have pledged bank accounts and rail freight cars with carrying amounts of € 2.8 million (previous year: € 2.8 million) and € 120.3 million (previous year: € 126.9 million) respectively.

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

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

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

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2013 and the previous year:

€ '000	Due within 1 year	Between 1 and 5 years	Over 5 years	12/31/2013 Total
Obligations from rental, leasehold and leasing agreements	35,742	73,272	46,459	155,473
Purchase commitments	94,196	14,579	0	108,775
Total	**129,938**	**87,851**	**46,459**	**264,248**

€ '000	Due within 1 year	Between 1 and 5 years	Over 5 years	12/31/2012 Total
Obligations from rental, leasehold and leasing agreements	40,447	75,727	50,810	166,984
Purchase commitments	65,258	21,552	0	86,810
Total	**105,705**	**97,279**	**50,810**	**253,794**

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 that correspond to the fair value.

Purchase commitments relate exclusively to investments in tangible fixed assets.

The total rental, leasehold and leasing expense for the financial year 2013 was € 66.0 million (previous year: € 71.0 million).

Auditors' fees

In the financial year 2013, 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	2013	2012
Fees for auditing the annual report and consolidated financial statements	469	449
Tax consulting services	7	0
Fees for other services related to the audit opinion	51	79
Other services	196	78

Average number of employees

€ '000	2013	2012
Salaried employees	799	800
Wage-earning staff	343	357
Trainees	45	40
Total	**1,187**	**1,197**
thereof abroad	349	370

Material events after the balance sheet date (Supplemental Report)

On January 1, 2014, VTG has acquired some of the rail logistics operations of Kühne + Nagel Management AG. VTG will have a 70 % shareholding in the new company, which will operate under the name VTG Rail Logistics. VTG will also assume operational control of the company. Kühne + Nagel will have the remaining 30 % share. This merger will create a rail logistics company boasting a Europe-wide network of centers and combining the expertise of two strong logistics providers.

The net assets acquired and goodwill are provisionally determined as follows:

	€ '000
Granting of shares of VTG Rail Logistics	8,295
Compensatory payment present value pension provisions	–1,191
	7,104
Valuation, non-controlling interests in VTG Rail Logistics	2,657
	9,761
Fair value of acquired assets	590
Goodwill	**9,171**

The resulting goodwill is based on a significant future rise in business volume and possibility of developing new customer and product segments with the newly combined sales structure.

In relation to the merger of rail logistics operations, expenses of € 1.4 million were recorded under other operating expenses. The provisionally calculated amount for acquired assets comprises the following items:

€ '000	Fair value
Tangible fixed assets	10
Customer relationships	2,555
Provisions for pensions	–1,191
Deferred taxes	–784
Fair value of acquired assets	**590**

Related party disclosures

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

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

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

€ '000	2013	2012
Income and expenses from affiliated, non-consolidated companies		
Revenue and other operating income	3,659	4,182
Expenses	5,785	7,233
Interest income	13	34
Interest expense	13	13
Income and expenses from associates and other equity investments		
Revenue and other operating income	3,386	4,820
Expenses	2,627	749

€ '000	12/31/2013	12/31/2012
Receivables from affiliated, non-consolidated companies		
trade payables	756	1,598
other receivables	232	524
Receivables from associates and other companies in which an investment is held		
trade payables	1,780	1,931
other receivables	4,824	5,130
Liabilities to affiliated, non-consolidated companies		
trade payables	479	921
financial liabilities	486	534
Liabilities to associates and other companies in which an investment is held		
trade payables	657	471
from finance leases	4,426	8,018

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	2013	2012
Short-term employee benefits	4,158	4,743
thereof Executive Board	(1,796)	(2,430)
thereof Supervisory Board	(250)	(250)
Post-employment benefits	292	180
thereof Executive Board	(193)	(111)
Total	**4,450**	**4,923**

Pension provisions 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 € 0.7 million on the balance sheet date.

There are provisions totaling € 5.8 million for obligations to former members of the Executive Board and their survivors. The remunerations paid to former members of the Executive Board and their survivors amounted to € 1.8 million.

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

Other information

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

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

List of equity investments

Name and registered office of company	Currency	Share capital in % Direct	Share capital in % Indirect	Equity capital in '000 currency units	Result capital in '000 currency units
A. Consolidated affiliated companies					
Alstertor Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	5,802	0
Ateliers de Joigny S.A.S., Joigny/France	EUR		100.00	1,833	372
Bräunert Eisenbahnverkehr GmbH und Co KG, Albisheim	EUR		100.00[1]	43	21
Bräunert Verwaltungs GmbH, Albisheim	EUR		100.00[1]	31	1
CAIB Benelux BVBA, Antwerp-Berchem/Belgium	EUR		100.00	2,339	1,248
CAIB Rail Holdings Limited, Birmingham/United Kingdom	GBP		100.00	−7,962	0
CAIB UK Limited, Birmingham/United Kingdom	GBP		100.00	18,330	0
Deichtor Rail GmbH, Garlstorf	EUR	100.00		948	−72
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	EUR		98.57	32,470	0[3]
Etablissements Henri Loyez S.A.S., Libercourt/France	EUR		100.00	−1,792	−147
EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	EUR		100.00	38,632	0[3)4)]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0[3)4)]
Ferdinandstor Rail GmbH, Garlstorf	EUR		100.00	3,832	−80
Jasper Moritz OÜ, Tallin/Estonia	EUR		100.00	1,590	−666
Klostertor Rail GmbH, Garlstorf	EUR	100.00		264	−863
OOO Railcraft Service, Moscow/Russia	RUB		100.00	264,920	10,555
OOO VTG, Moscow/Russia	RUB		100.00	19,075	2,834
Railcraft Eesti OÜ, Tallin/Estonia	EUR		100.00	569	−138
Railcraft Oy, Helsinki/Finland	EUR	100.00		5,986	−840
Railcraft Service Oy, Helsinki/Finland	EUR		100.00	5,077	−16
Transpetrol Austria GmbH, Vienna/Austria	EUR		100.00[1]	325	35
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	1,000	0[3]
Transpetrol Sp.z o.o., Chorzów/Poland	PLN		100.00[1]	10,755	8,617
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	−389	−30
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	14,310	1,644
VTG Austria Ges.m.b.H, Vienna/Austria	EUR		100.00	20,483	979
VTG Benelux B.V., Rotterdam/Netherlands	EUR		100.00	854	170
VTG Deutschland GmbH, Hamburg	EUR		100.00	138,041	0[3)4)]
VTG France S.A.S., Paris/France	EUR		100.00	30,418	2,608
VTG ITALIA S.r.l., Milan/Italy	EUR		100.00	2,556	561
VTG North America, Inc., Hinsdale, Illinois/USA	USD	100.00		32,988	1,079
VTG RAIL ESPAÑA S.L., Madrid/Spain	EUR		100.00	1,609	−211
VTG Rail, Inc.,Edwardsville, Illinois/USA	USD		100.00	4,791	633
VTG Rail Logistics Benelux N.V., Gent/Belgium	EUR		100.00	145	−118

1) held by Transpetrol GmbH
2) held by EVA KG
3) Profit and loss transfer agreement with the parent company
4) Companies partailly 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 capital in % Direct	Share capital in % Indirect	Equity capital in '000 currency units	Result capital in '000 currency units
VTG Rail Logistics Deutschland GmbH, Hamburg	EUR		100.00	–722	–232
VTG Rail Logistics France S.A.S., Paris/France	EUR		100.00	4,889	–2,976
VTG Rail Logistics GmbH, Hamburg	EUR	100.00		58,909	8,674
VTG Rail Logistics s.r.o., Prague/Czech Republic	CZK	100.00		38,361	9,494
VTG Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	23,039	3,175
VTG Schweiz GmbH, Basel/Switzerland	CHF		100.00	18,172	2,302
VTG Tanktainer Assets GmbH, Hamburg	EUR		100.00	4,028	0 [3]
VTG Tanktainer Logistics GmbH, Hamburg	EUR		100.00	17,020	0 [3]
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 [3)4]
Waggonbau Graaff GmbH, Elze	EUR	100.00		2,458	253
Waggonwerk Brühl GmbH, Wesseling	EUR		100.00 [2]	902	944
B. At equity consolidated companies					
Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai/China	RMB		50.00	24,277	2,510
Waggon Holding AG, Zug/Switzerland	CHF	50.00		3,469	2,225
C. Affiliated, non-consolidated companies					
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		96	45
LLC VTG Rail Logistics Ukraine, Kiew/Ukraine	UAH		100.00		[5]
Millerntor Rail GmbH, Garlstorf	EUR		100.00	25	0 [3]
PROVISTA Neunhundertneunte Verwaltungsgesellschaft mbH, Hamburg	EUR		100.00		[5]
Tankspan Leasing Ltd., Godalming, Surrey/United Kingdom	USD	100.00		4,637	414
VOTG Finland Oy, Tuusula/Finland	EUR		100.00	218	57 [6]
VOTG North America, Inc., West Chester, Pennsylvania/USA	USD		100.00	351	155 [6]
VOTG Tanktainer Asia Pte Ltd., Singapore/Singapore	USD		100.00	237	143 [6]
VTG Rail Assets GmbH, Hamburg	EUR		100.00	25	0 [3]
VTG Rail Logistics Hellas EPE, Thessaloniki/Greece	EUR		100.00		[5]
VTG Rail Logistics Hungaria Kft., Budapest/Hungary	HUF		100.00		[5]
VTG Rail Logistics LLC, Moscow/Russia	RUB		100.00		[5]
D. Other companies					
E.V.S. SA, Puteaux/France	EUR		34.00	187	–191 [6]
GRANEL RAIL, A. I. E., Madrid/Spain	EUR		50.00	27	0 [6]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [3)6]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	–5,193	3,823 [6]
Steeltrack S.A., Saint Denis/France	EUR		33.30	393	118 [6]

[1] held by Transpetrol GmbH
[2] held by EVA KG
[3] Profit and loss transfer agreement with the parent company
[4] Companies partailly make use of the exemption from drawing up annual financial statements according to §264 (3) of the German Commercial Code
[5] Established in 2013. Financial statement not yet available.
[6] Information as of 12/31/2012

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
CEO of Benteler Distribution International GmbH, Düsseldorf

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

Gunnar Uldall, Hamburg
Management Consultant, Senator (retired)

Appointments of the Supervisory Board*

Dr. rer. pol. Wilhelm Scheider, Basel

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

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

a) Flughafen Hamburg GmbH [1)]

Dr. jur. Bernd Malmström, Berlin

a) K + S AG
Lehnkering GmbH [2)]

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

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

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

Dr. jur. Christian Olearius, Hamburg

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

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

Gunnar Uldall, Hamburg

a) BDO Deutsche Warentreuhand Aktiengesellschaft
HanseMerkur Holding AG
HanseMerkur Krankenversicherung auf Gegenseitigkeit

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

* All information relating to appointments applies as of December 31, 2013.
a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of business enterprises in Germany and abroad.
1) Chairman
2) Deputy Chairman

Members of the Executive Board

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

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

Femke Scholten, Hamburg (until May 29, 2013)
MSc Chemistry, MSc Chem. Eng.
Chief Officer, Logistics and Safety

Appointments of the Executive Board*

Dr. rer. pol. Heiko Fischer, Hamburg

b) "Brückenhaus" Grundstücksgesellschaft m.b.h.
Kommanditgesellschaft "Brückenhaus" Grundstücksgesellschaft m.b.H. & Co.
Navigator Holdings Ltd., Marshall Islands
TRANSWAGGON AG, Switzerland
TRANSWAGGON Group, Switzerland [2)]
Waggon Holding AG, Switzerland

Dr. rer. pol. Kai Kleeberg, Hamburg

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

* All information relating to appointments applies as of December 31, 2013.
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 January 1 to December 31, 2013

€ '000	Acquisition/manufacturing costs Balance at 1/1/2013	Changes to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifi-cations	Balance at 12/31/2013
Intangible assets							
Concessions, industrial trademarks and similar rights and assets as well as licences in such rights and assets	14,316	1	1	657	281	464	15,158
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	65,005	0	0	421	0	0	65,426
Goodwill	158,263	0	−87	0	0	0	158,176
Capitalized development costs	1,391	0	0	0	0	0	1,391
Payments on account	1,796	0	−2	2,249	0	−154	3,889
	250,830	**1**	**−88**	**3,327**	**281**	**310**	**254,099**
Tangible fixed asstes							
Wagon fleet	1,371,440	95	−6,474	115,703	38,167	59,402	1,501,999
Containers and Chassis	48,907	0	0	8,426	67	0	57,266
Land and buildings including on third party land	10,800	0	0	153	6	423	11,370
Technical plant and machinery	11,204	0	−1	2,544	518	284	13,513
Other equipment, operating and office equipment	11,059	20	−19	1,126	819	22	11,389
Payments on account, assets under construction	64,856	0	−50	32,401	22,933	−60,271	14,003
	1,518,266	**115**	**−6,544**	**160,353**	**62,510**	**−140**	**1,609,540**
Fixed assets	**1,769,096**	**116**	**−6,632**	**163,680**	**62,791**	**170**	**1,863,639**

Impairment, amortization and depreciation							Carrying amounts	
Balance at 1/1/2013	Currency adjustment	Depreciation/ amortisation for financial year	Impairment	Disposals	Reclassifi-cations	Balance at 12/31/2013	**12/31/2013**	12/31/2012
6,877	0	1,507	54	277	0	8,161	6,997	7,439
0	0	0	0	0	0	0	10,059	10,059
29,355	−1	4,203	1,045	0	0	34,602	30,824	35,650
0	−71	0	2,036	0	0	1,965	156,211	158,263
233	0	199	0	0	0	432	959	1,158
0	0	0	0	0	0	0	3,889	1,796
36,465	**−72**	**5,909**	**3,135**	**277**	**0**	**45,160**	**208,939**	**214,365**
442,213	−1,402	89,230	522	35,389	328	495,502	1,006,497	929,227
24,715	0	4,105	0	61	0	28,759	28,507	24,192
3,305	0	432	0	6	0	3,731	7,639	7,495
4,035	−1	1,039	0	516	0	4,557	8,956	7,169
6,405	−10	1,442	0	773	0	7,064	4,325	4,654
399	0	229	0	203	−328	97	13,906	64,457
481,072	**−1,413**	**96,477**	**522**	**36,948**	**0**	**539,710**	**1,069,830**	**1,037,194**
517,537	**−1,485**	**102,386**	**3,657**	**37,225**	**0**	**584,870**	**1,278,769**	**1,251,559**

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

	Acquisition/manufacturing costs						
€ '000	Balance at 1/1/2012	Changes to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifi-cations	Balance at 12/31/2012
Intangible assets							
Concessions, industrial trademarks and similar rights and assets as well as licences in such rights and assets	10,047	0	1	2,829	13	1,452	14,316
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	65,005	0	0	0	0	0	65,005
Goodwill	158,302	0	−39	0	0	0	158,263
Capitalized development costs	1,391	0	0	0	0	0	1,391
Payments on account	2,168	0	0	1,076	0	−1,448	1,796
	246,972	**0**	**−38**	**3,905**	**13**	**4**	**250,830**
Tangible fixed asstes							
Wagon fleet	1,219,038	0	1,489	139,199	29,680	41,394	1,371,440
Containers and Chassis	42,927	0	0	6,701	721	0	48,907
Land and buildings including on third party land	8,882	0	0	409	291	1,800	10,800
Technical plant and machinery	10,863	0	6	482	213	66	11,204
Other equipment, operating and office equipment	9,325	47	11	2,163	685	198	11,059
Payments on account, assets under construction	67,513	0	86	58,302	17,468	−43,577	64,856
	1,358,548	**47**	**1,592**	**207,256**	**49,058**	**−119**	**1,518,266**
Fixed assets	**1,605,520**	**47**	**1,554**	**211,161**	**49,071**	**−115**	**1,769,096**

Impairment, amortization and depreciation								Carrying amounts	
Balance at 1/1/2012	Changes to scope of consolidation	Currency adjustment	Depreciation/ amortisation for financial year	Impairment	Disposals	Reclassifi-cations	Balance at 12/31/2012	**12/31/2012**	12/31/2011
5,066	0	1	1,823	0	13	0	6,877	7,439	4,981
0	0	0	0	0	0	0	0	10,059	10,059
24,041	0	0	4,209	1,105	0	0	29,355	35,650	40,964
0	0	0	0	0	0	0	0	158,263	158,302
35	0	0	198	0	0	0	233	1,158	1,356
0	0	0	0	0	0	0	0	1,796	2,168
29,142	**0**	**1**	**6,230**	**1,105**	**13**	**0**	**36,465**	**214,365**	**217,830**
375,097	0	372	87,738	2,035	23,498	469	442,213	929,227	843,941
21,121	0	0	3,776	0	182	0	24,715	24,192	21,806
3,117	0	0	383	0	196	1	3,305	7,495	5,765
3,169	0	5	1,049	0	192	4	4,035	7,169	7,694
5,452	10	7	1,520	0	627	43	6,405	4,654	3,873
168	0	0	1,127	0	427	−469	399	64,457	67,345
408,124	**10**	**384**	**95,593**	**2,035**	**25,122**	**48**	**481,072**	**1,037,194**	**950,424**
437,266	**10**	**385**	**101,823**	**3,140**	**25,135**	**48**	**517,537**	**1,251,559**	**1,168,254**

Declaration on the Corporate Governance Code

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

Hamburg, February 21, 2014

The Executive Board

Dr. Heiko Fischer Dr. Kai Kleeberg

Responsibility Statement

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

Hamburg, February 21, 2014

The Executive Board

Dr. Heiko Fischer Dr. Kai Kleeberg

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, 2013. 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 21th, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

05 Further Information

Glossary

Flat wagon
Open rail freight wagon with different types of special equipment for transporting large-scale agricultural machinery, commercial vehicles, forest products, and large-volume individual items.

High-capacity freight wagon
Covered rail freight wagon with high load capacity for transporting a wide range of goods, particularly break bulk goods.

Tank wagon
Freight wagon fitted with a tank for rail-borne transport of liquids (particularly hazardous goods).

Liberalization of rail-borne freight traffic
Comprehensive set of regulations, at European and national level, with the aim of gradually opening up the railway markets for competition.

Bulk freight wagon
Freight wagon fitted with a container with discharge chutes. Bulk freight wagons are used for rail transport of powdered and finely granulated goods.

Tank container
Container in a wide range of designs with a tank for door-to-door transport of liquids by road, railway, inland waterway and sea.

Financial calendar 2014 and Share data

Financial calendar 2014

February 19	Preliminary results for 2013
March 25	Publication of the results 2013
March 25	Financial Statements Press Conference, Hamburg
March 25	Analyst Conference
May 15	Interim Report for the 1st Quarter 2014
June 5	Annual General Meeting, Hamburg
August 21	Half-yearly Finaincial Report 2014
November 13	Interim Report for the 3rd Quarter 2014

Share Data

WKN	VTG999
ISIN	DE000VTG999
Stock exchange abbreviation	VT9
Index	SDAX, CDAX, HASPAX
Share type	No-par-value bearer share
No. of shares (12/31)	21,388,889
Market capitalization (12/31)	€ 320.6 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Share price (12/31)	€ 14.99

5-year overview for the group

in € m	2009	2010	2011	2012	**2013**
Revenue	**581.5**	**629.4**	**750.0**	**767.0**	**783.7**
Railcar Division	289.0	283.6	303.9	314.6	332.9
Rail logistics	179.4	201.4	294.3	296.8	298.4
Tank container logistics	113.1	144.5	151.8	155.5	152.3
Group EBITDA	**149.4**	**154.4**	**168.7**	**173.8**	**183.8**
Railcar Division	146.3	145.4	156.5	167.4	181.1
Rail logistics	6.7	8.4	12.1	7.7	3.8
Tank container logistics	7.3	11.2	13.1	11.9	9.2
EBIT	66.9	63.0	72.3	68.8	77.7
Group net profit (comparable)	22.5	20.6	17.9*	10.3	17.2
Depreciation	82.5	91.4	96.4	105.0	106.0
Total investments	153.5	168.8	182.8	220.5	166.0
Operating cash flow	144.8	137.8	125.6	136.0	149.8
Earning per share (comparable) in €	1.01	0.91	0.75*	0.41	0.71
Dividend per share in €	0.30	0.33	0.35	0.37	0.42**
Balance sheet total	1,277.2	1,355.2	1,461.9	1,527.9	1,550.8
Non-current assets	1,124.9	1,174.8	1,225.3	1,309.4	1,332.2
Current assets	152.3	180.4	236.7	218.5	218.6
Equity	296.7	313.0	317.5	311.7	321.3
Liabilities	980.4	1,042.2	1,144.5	1,216.2	1,229.5
Number of employees	963	999	1,170	1,188	1,191
in Germany	678	709	778	838	846
in other countries	285	290	392	350	345

* These items are adjusted with regard to the extraordinary expenses from the refinancing of the Group in 2011.
** Intended proposal to Annual General Meeting (AGM)

Contact and Imprint

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Concept and Design
Berichtsmanufaktur GmbH, Hamburg

Photos
VTG
Photo of the Executive Board Members:
Günther Schwering, Hamburg
Cover editing: Detlef Overmann, Hamburg

Reservation regarding statements relating to the future

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

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