MOVING POTENTIAL TOWARDS SUCCESS

ANNUAL REPORT 2015
OF VTG AKTIENGESELLSCHAFT

VTG

⊢ VTG GROUP AT A GLANCE →

in € m	1/1–12/31/2014	1/1–12/31/2015	Change in %
Revenue	818.3	1,027.5	25.6
EBITDA	191.0	336.5	76.2
EBIT	83.5	144.1	72.7
EBT	29.8	45.9	54.1
Group profit	18.8	29.4	56.7
Depreciation	107.5	192.4	78.9
Total investments	219.2	195.8	–10.7
Operating cash flow	159.9	282.9	77.0
Earnings per share in €	0.93	0.75	–19.4

in € m	12/31/2014	12/31/2015	Change in %
Balance sheet total	1,673.4	3,047.1	82.1
Non-current assets	1,418.2	2,708.1	91.0
Current assets	255.2*	339.0	32.8
Shareholders' equity	340.5	748.2	119.7
Liabilities	1,332.9	2,298.9	72.5
Equity ratio in %	20.3	24.6	
Number of employees	1,312	1,445	10.1
in Germany	909	942	3.6
in other countries	403	503	24.8

Railcar Division	
Employees	906
Wagons	81,700
Geographical presence	Widespread network of VTG operational centers and sales offices throughout Europe and beyond
Revenue € million	537.2

Rail Logistics	
Employees	226
Leased wagons	4,900
Geographical presence	Focus on Europe with VTG operational centers
Revenue € million	324.0

Tank Container Logistics	
Employees	138
Tank containers	7,800
Geographical presence	Global presence with VTG operational centers and sales offices
Revenue € million	166.3

* incl. non-current assets held for sale

⊢ PROFILE →

VTG is Europe's largest provider of rail freight wagon hire and rail logistics services.

Wagon hire services and bespoke logistics solutions form the core of our operations – and have done so for more than 60 years. We have grown continually around this core to become Europe's leading provider of wagon hire and logistics services. We are currently Europe's sole one-stop provider for all the key wagon segments for rail freight transport. Our size is now providing a secure foundation for the next stages of development. We aim to increase our competitiveness and achieve profitable growth. We also aim to become more agile, more flexible, more customer-centered and more efficient. We have the potential: we now intend to release its power.

SIZE



VTG
Fax

SECURITY

EXPERTISE

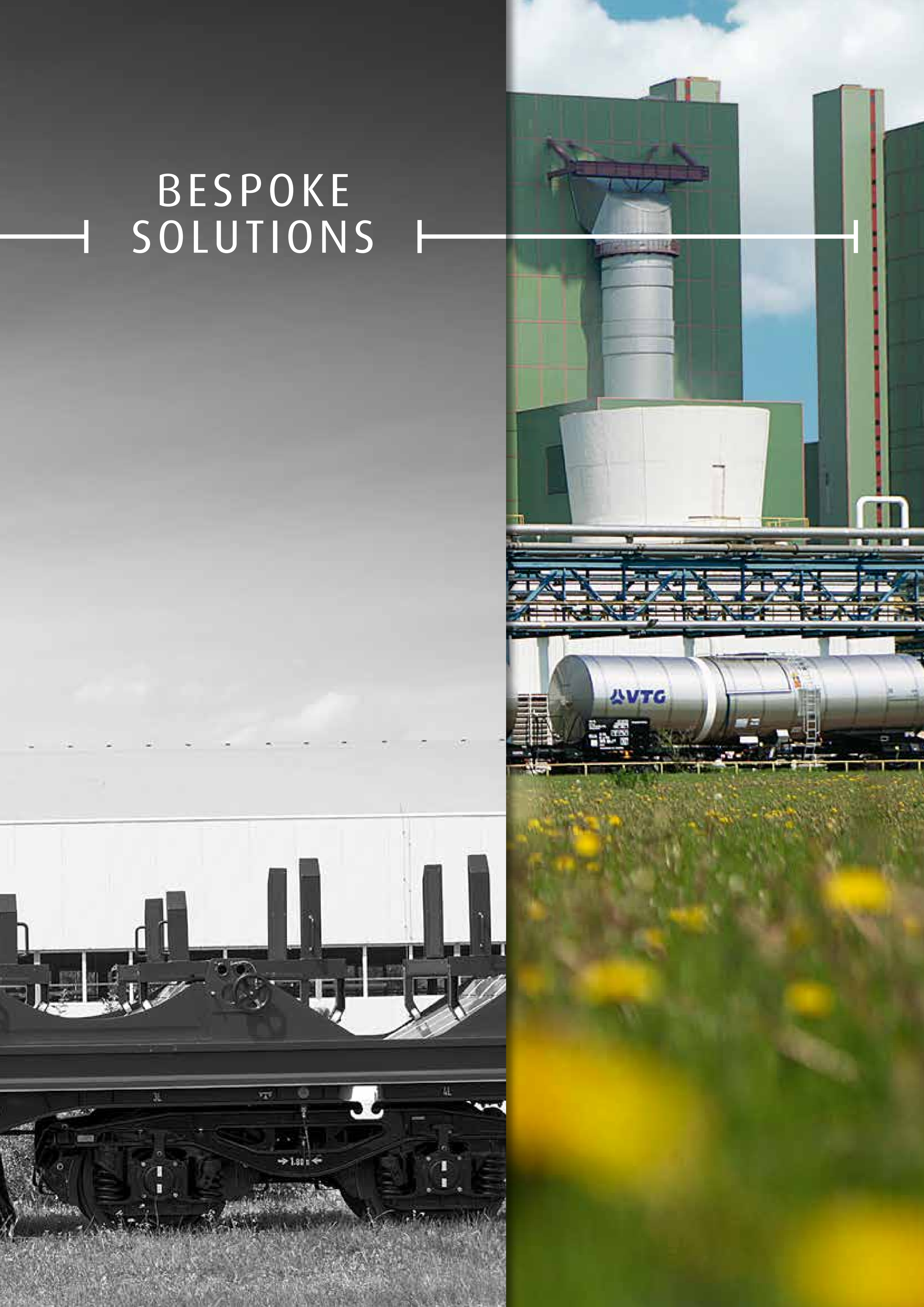
PERFORMANCE

GROWTH


PROFIT


VTG
TTU
22 200kg
KE-GP-A
MAX:58t

BESPOKE SOLUTIONS




VTG

VTG

MOBILE INFRASTRUCTURE

2015 ANNUAL REPORT

FOREWORD BY THE EXECUTIVE BOARD

FROM LEFT TO RIGHT:

MARK STEVENSON,
CHIEF INVESTMENT OFFICER (CIO)

GÜNTER-FRIEDRICH MAAS,
CHIEF OFFICER LOGISTICS AND SAFETY

DR. HEIKO FISCHER,
CHIEF EXECUTIVE OFFICER (CEO)

DR. KAI KLEEBERG,
CHIEF FINANCIAL OFFICER (CFO)

Dear Shareholders, Business Partners and Employees,

The VTG Group can look back on a successful and eventful financial year in 2015. For the first time in its history of more than six decades, the company's revenue broke the billion-euro barrier. Revenue for the Group climbed more than 26 %, reaching EUR 1,027.5 million, while operating profit (EBITDA) grew by 76 % to EUR 336.5 million. This success was due both to a positive trend in all of the company's established operations and, in particular, to the takeover of AAE at the beginning of 2015.

The performance of the Railcar division was also shaped by the integration of AAE into the VTG Group. This brought with it some 130 new employees and almost 30,000 wagons. Any process of integration on this scale always provides an opportunity to review existing structures and adapt these as required. We therefore restructured the European hire business over the past year and expect this to boost our earnings power significantly in the next few years.

Once again, the Railcar division's robust business model paid off in economic terms. Despite the persistently low level of economic growth in Europe, capacity utilization for the fleet as a whole remained above 90 %. In our tank wagon and standard freight wagon business, there is a certain time lag before the impact of economic fluctuations is felt. However, our intermodal fleet business is much more reactive to changing trade flows. In the past financial year, there were a few minor instances of this reactivity.

North America and Russia showed different trends. We enjoyed continued success in our US business but, in Russia, the impact of the severe recession and economic sanctions was felt. Although capacity utilization remained at a relatively high level, due to the slump in the ruble, the Russian business had a negative impact on the figures for the Group. At the end of the year, we completely took over AAE's stake in the Russian company Vagonpark. It will be integrated into our existing VTG Russian operations, enabling us to create the necessary synergies.

The trend in the Rail Logistics division was positive. After a slight loss in 2014, we returned to profitability again in the last financial year. Here, the recent reorganization of the division delivered the desired results. However, Rail Logistics still faces the challenges of the unstable political situation in Russia and Ukraine as well as intense competition in Europe. Over the past year, we worked on expanding the operations and increasing profitability of this division and will continue to do so in 2016. At the end of the year, VTG acquired the remaining 30 % stake in the Kühne + Nagel joint venture. This makes VTG sole shareholder in Europe's largest private rail logistics company, VTG Rail Logistics, which we will be continuing to restructure at a rapid pace.

The Tank Container Logistics division continued on its upward trend of the previous year. However, the market situation remained difficult for this division as well due to overcapacity. Nevertheless, thanks to improved processes, we successfully increased transport volume. The strong US dollar also provided good momentum, as a large proportion of revenue in Tank Container Logistics' international business operations is generated in this currency.

The ending of the financial year 2015 also saw the conclusion of the development phase known as VTG 3.0. For this phase, we had set ourselves the goals of expanding our business substantially and broadening our base through greater investment, internationalization and diversification. By the time of the acquisition of AAE, we had already fully realized these goals. The VTG fleet had formerly centered largely on tank wagons and several diversification measures had already been implemented. Now, with the addition of intermodal wagons, the right balance has been struck to compete in future markets. With more than 80,000 wagons in Europe, North America and Russia, we are now one of the industry's leading international providers. In 2015, we also placed emphasis on pushing up EBITDA significantly. In this respect, too, we achieved far more than we initially set out to.

Yet we do not see simply becoming bigger as an end in itself: rather, we see our greater size as enabling us to take advantage of economies of scale and so increase the company's profitability overall. The Executive Board and Supervisory Board have thus set out a framework for a new phase of development, VTG 4.0, in which VTG is to become more customer-centered, innovative and efficient – and thus also more competitive. Against this background, the Executive Board has specified the objective of increasing earnings per share (EPS) to 2.50 euros by 2018. The refinancing of a large proportion of the financial liabilities of VTG and AAE at the end of 2015 represents the first step towards this. In the next few years, we will benefit from interest savings of 10 million euros annually. We will also be exploiting further potential in the areas of purchasing and fleet maintenance through, for example, economies of scale and the optimization and digitalization of processes. Meanwhile, we will remain firmly on our path of growth. The reluctance of many state railways to invest also means there are still substantial opportunities for growth in Europe. Furthermore, we expect momentum from improvements to our two logistics divisions. These measures, whose impact will be felt over the next few years, will also boost earnings even further.

For the year 2016, we therefore anticipate another increase in revenue and earnings for the Group as a whole. Additional synergies arising from the integration of AAE should also contribute to this. Overall, we expect revenue for 2016 to be in the range 1.03 to 1.07 billion euros and operating profit (EBITDA) to be between 345 million and 355 million euros.

The integration of AAE together with the realignment of Rail Logistics and the tough competition in the Tank Container segment have demanded great commitment from our employees. We therefore owe our thanks to the tireless efforts of our workforce, which have made 2015 another successful year for VTG. We wish expressly to thank the AAE employees who have recently joined the VTG family, without whom a successful process of integration such as this would not have been possible. We thank our customers, business partners and shareholders for the confidence they have placed in us. Our goals for the future are clearly defined. Now it is about translating them into action – together. We are confident that we will achieve these goals together in the next few years and hope you will continue to accompany VTG in this new phase of development.

The Executive Board

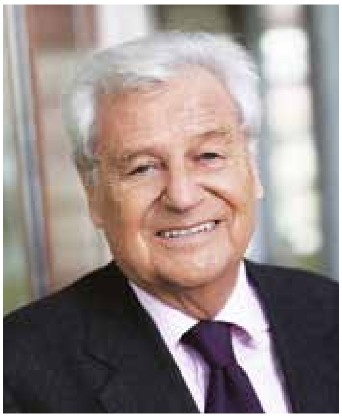
DR. HEIKO FISCHER

DR. KAI KLEEBERG

GÜNTER-FRIEDRICH MAAS

MARK STEVENSON

REPORT OF THE SUPERVISORY BOARD



DR. WILHELM SCHEIDER,
CHAIRMAN 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 and two additional meetings of the Supervisory Board. Additionally, as required, resolutions were adopted by written procedure or in conference calls. All members of the Supervisory Board attended more than half of the meetings. The issues addressed in all meetings included corporate strategy and the performance of the divisions.

In January 2015 the Supervisory Board adopted two resolutions by written procedure. Subject matter of the first resolution was the approval of the issue of a hybrid bond, which was guaranteed by the company, via a group company in Luxembourg. With the second resolution the Supervisory Board granted approval for the sale of the English tank container leasing company Tankspan Leasing Ltd.

In the first regular meeting of February 4, 2015 the Executive Board informed us about the successful start of the integration process with regard to the AAE group which had been taken over at the beginning of the year 2015. Another agenda point was the joint declaration of the Executive Board and Supervisory Board on compliance with the recommendations of the German Corporate Governance Code.

In an additional meeting held on February 27, 2015 the Executive Board presented an updated budget to the Supervisory Board which had become necessary due to the inclusion of the AAE group. Following a detailed discussion this budget was approved by us. Furthermore the Supervisory Board approved the entering into a joint-venture with the Slovakian freight railway company ZSSK during this meeting.

At the accounts review meeting of March 31, 2015, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2014 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 2014. The meeting also included the examination and approval of the 2014 Dependent Company Report and approval of the agenda and proposed resolutions for the 2015 Annual General Meeting. Furthermore, the Executive Board presented us in this meeting the compliance report for the year 2014 and also reported to us on the risk management and the activities of the internal audit department of the VTG Group. Finally in this meeting Dr. Heiko Fischer was appointed member and chairman of the Executive Board for 5 more years with effect from March 1, 2016, following his present term.

In a conference call of May 4, 2015 the Supervisory Board approved the appointment of Mr. Mark Stevenson as additional member of the Executive Board with effect from May 15, 2015 for the time until January 31, 2018.

Another meeting of the Supervisory Board was held directly prior to the Annual General Meeting on May 29, 2015. In this meeting, the Executive Board informed us about the status of the listing of the newly issued shares from the capital increase at the beginning of the year in connection with the financing of the takeover of the AAE Group. Furthermore in this meeting we approved the acquisition of a smaller wagon hire activity in Switzerland as well as the updated schedule of responsibilities for the Executive Board.

Following the Annual General Meeting the Supervisory Board approved the appointment of the auditor elected by the shareholders by resolution adopted by written procedure.

A key issue of the further meeting of September 15 and 16, which like in previous years was held in a closed-door session, was the information for the Supervisory Board about the intended repayment and refinancing of a large part of the existing group facilities including an increase in volume. Following intensive discussions the Supervisory Board authorized the Executive Board, subject to final approval by the Supervisory Board, to continue ongoing negotiations with potential lenders. In this meeting we also took note of the recent changes in the German Corporate Governance Code and approved the acquisition of the minority shares in a wagon hire activity in Russia taken over with the AAE group from the current joint-venture partners.

Another key issue of the meeting were the medium-term growth and profitability targets of the enterprise for the financial years until 2018. Following intensive discussion with the Executive Board the targets presented were expressly approved by the Supervisory Board. Another point of discussion in this meeting and an additional meeting of October 9, 2016 was the strategic development of the company also with regard to the composition of the shareholders and potential changes.

At the meeting of November 26, 2015, the Executive Board explained to the Supervisory Board the annual budget including the financial and investment plans for the financial year 2016. We approved these after detailed discussion. In this meeting the Supervisory Board also approved the execution of the meanwhile finally negotiated refinancing measures. Further approved was the acquisition of the minority shares held by the joint-venture partner in VTG Rail Logistics GmbH. Finally in this meeting the Supervisory Board discussed the results of its efficiency assessment conducted in October 2015 and agreed to take these results into account to further optimize its work.

The Executive Committee held a total of four meetings in the year under review. The subjects covered included matters relating to the Executive Board, the remuneration system for the Executive Board, the composition of 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 as well as the evaluation of the efficiency assessment of the Supervisory Board conducted in October 2015. 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.

During the discussion in the Supervisory Board about the composition of the shareholders in the meetings of September 15 and 16 and October 9, 2015 one member of the Supervisory Board had a conflict of interest due to his position as shareholder of the company. This was taken into account in the way that the concerned Supervisory Board member neither participated in respective consultations nor resolutions and in addition did not receive any information thereof.

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 under review. 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 2015 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 2015 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 € 0.50 per share and the remainder to be carried forward.

The auditor also examined the report drawn up by the Executive Board for part of the year under review 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, 2016, 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 5, 2015 and has largely complied with these in the past financial year, whereby until publication of the amended Code in the Federal Gazette on June 12, 2015 the previous version of the Code as of June 24, 2014 was applied.

Composition of Supervisory Board and Executive Board

Mr. Gunnar Uldall resigned from the Supervisory Board as of the end of the Annual General Meeting 2015. Mr. Andreas Goer was elected member of the Supervisory Board by the Annual General Meeting on May 29, 2015 for the rest of the term of Mr. Uldall. We thank Mr. Uldall for his long years of service on the Supervisory Board.

Mr. Mark Stevenson by resolution of the Supervisory Board of May 4, 2015 was appointed an additional member of the Executive Board with effect from May 15, 2015 for the time until January 31, 2018 and took office at this date.

We wish to thank the Executive Board and all employees of the Group for their commitment and the success achieved through their efforts in the financial year 2015.

Hamburg, March 24, 2016
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, Switzerland
Consultant
Chairman

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

Andreas Goer, Merlischachen, Switzerland
(since May 29, 2015)
Entrepreneur

Dr. jur. Bernd Malmström, Berlin
Solicitor

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

Dr. jur. Christian Olearius, Hamburg
Chairman of the Supervisory Board, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg

Gunnar Uldall, Hamburg
(until May 29, 2015)
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

Günter-Friedrich Maas, Hamburg
Logistics manager
Chief Officer Logistics and Safety

Mark Stevenson, Menzingen, Switzerland
(since May 15, 2015)
MA (Oxon)
Chief Officer Treasury, Finance and Tax

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 2016

On February 12, 2016, 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 5, 2015 and has largely complied with these since the issue of the last declaration of conformity on February 4, 2015, whereby until publication of the amended Code in the Federal Gazette on June 12, 2015 the previous version of the Code as of June 24, 2014 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

The recommendations regarding the vertical remuneration comparison contained in section 4.2.2 paragraph 2 sentence 3 of the Code were neither implemented nor is it intended to implement them. 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" (including a potential discretionary bonus). 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. Like in the past, the Supervisory Board will continue to use its best judgment when considering a potential discretionary bonus. 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
Some of 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 5, 2014, 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 2018.

7. Section 4.2.5 paragraph 3 of the Code
Since in accordance with the decision of the Annual General Meeting of June 5, 2014 the compensation of the Executive Board will not be individually disclosed the remuneration report does not contain an individualized description in accordance with the requirements of section 4.2.5 paragraph 3 of the Code and the model tables provided in the appendix of the Code are not applied.

8. 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.

9. 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.

10. Section 5.4.1 paragraph 2 of the Code
The objectives, which the Supervisory Board specified for its composition, do neither provide for any age limit nor any regular limit of length of membership and do not contain concrete objectives regarding diversity. The Supervisory Board is of the opinion that age or length of membership are no suitable criteria 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. In the opinion of the Supervisory Board concrete objectives are however problematic; a practicable and adequately flexible selection of its members will thus be complicated.

11. Section 7.1.2 sentence 2 of the Code
The 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.

12. Section 7.1.2 sentence 4 of the Code
The company meets its publication obligations within the deadlines set out in the law and informs its shareholders in advance, at the beginning of the year, about the dates for the publication of all financial reports to be published in the course of the business year. A further shortening of the deadlines in accordance with Section 7.1.2 of the Code is not considered reasonable by the Executive and Supervisory Boards in view of additional organizational requirements and associated expenditure.

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, whilst considering the specifics of the enterprise , take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be specified 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.

In 2015 Section 5.4.1 of the Code has been modified again and a regular limit of length of membership to be specified for the members of the Supervisory Board has been inserted into the catalogue of objectives named in Section 5.4.1 of the Code as an additional criterion. The Supervisory board did not set a regular limit of length of membership.

International character

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

Potential conflicts of interest

The Supervisory Board has adopted internal Rules of Procedure for itself which also contain a provision that includes the recommendations and suggestions stipulated in Section 5.5 of the German Corporate Governance Code, relating to conflicts of interest, with which every member of the Supervisory Board is obliged to comply for the duration of his/her term of office. Every Supervisory Board member must disclose conflicts of interest to the Supervisory Board, for the attention of the Supervisory Board Chairman. The Supervisory Board in its report to the Annual General Meeting informs about conflicts of interest that have occurred and how they were dealt with.

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 and length of membership

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. The same position is taken by the Supervisory Board with regard to the criterion of length of membership inserted by modification of Section 5.4.1 of the Code in 2015.

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.

Women's quota targets and implementation status for the Supervisory Board, the Executive Board and lower tiers of management

The Law on "Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" of April 24, 2015 modified the German Stock Corporation Act and other laws.

For VTG in particular the following obligations arise from this law:

- Setting of targets by the Supervisory Board for the share of women in the Supervisory Board of VTG AG,
- Setting of targets by the Supervisory Board for the share of women in the Executive Board of VTG AG,
- Setting of targets by the Executive Board for the share of women in the upper two management levels of VTG AG.

Following close examination of the issue the Supervisory Board by resolution of September 15, 2015 and the Executive Board by resolution of September 2, 2015 have decided as follows:

- For the Supervisory Board the target for the reference period (until June 30, 2017) is set at "0". The Supervisory Board is presently composed of men only. Changes of membership or an enlargement of the Supervisory Board are neither planned nor expected. The date for the Annual General Meeting in 2017, at the end of which the present term of the members of the Supervisory Board expires, has not been fixed yet. This date can be, but doesn't have to be, before June 30, 2017. A different setting of targets therefore is also not advisable in view of the necessary election of a new Supervisory Board in 2017.
- For the Executive Board the target for the reference period (until June 30, 2017) is set at "0". The Executive Board is also presently composed of men only. Changes of membership or an enlargement of the Executive Board are also neither planned nor expected.
- The Target for the share of women for the reference period (until June 30, 2017) in the first level of management – in accordance with the current status – is set at 8 % and for the second level of management at 30 %.

Supervisory Board and Executive Board consider the above named targets fully complied with at present.

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 62 to 63.

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).

As of December 31, 2015, the share capital amounted to 28,756,219 € with an identical number of votes. The total of shares owned by members of the Executive Board was 0.52 % of the capital and the votes, the total of shares owned by members of the Supervisory Board was 29.04 % of the capital and the votes. Of the members of the Supervisory Board only Mr. Andreas Goer held more than 1 % (namely 29 %) of the capital and the votes.

⊢ 02 →
STRATEGY AND SHARE

MARKETS AND STRATEGY

MARKETS

Relevant markets for the VTG Group

VTG AG operates mainly in the European rail freight market. The railway's share of the European market as a whole is around 18 %. With increasing distances and transport volumes, along with the transport of dangerous goods, the railway offers considerable advantages over road transport. In this market, the railway is used mainly for forwarding industrial goods (machinery, automotive parts, etc.), mineral oil products, petrochemical and chemical products, as well as steel, raw materials and containers.

As a submarket within the international market for the transport of goods, the rail transport industry is playing an active role in the growing internationalization of trade flows and progressive globalization. Given the significant environmental advantages the railway offers over other carriers, European policymakers are both demanding and promoting the expansion of rail transport. The progressive liberalization of markets that were formerly dominated by state railways is providing the impetus for further growth for private providers of hire and logistics services. This is making the railway generally more appealing as a carrier and affording VTG the opportunity to open up new market segments.

The railway as a beneficiary of increasing global trade

The world is becoming more closely interconnected. The increasing removal of protective trade tariffs and the growing significance of the developing countries in international trade are leading to a continual rise in the volume of goods to be transported. The European Commission thus expects an upsurge in freight traffic volume of some 57 % between 2010 and 2050. The railway is playing an increasingly significant role in this growth, partly as a result of increasing transport distances. One clear and notable example of this is the establishment of a regular rail link between China and Germany. With huge investment, China in particular is working on reviving the legendary Silk Road. What may sound like a distant dream is already becoming a reality. From China via Kazakhstan all the way to eastern Europe, new infrastructure projects are springing up that aim to speed up even further the exchange of goods between Asia and Europe.

There are growth opportunities for conventional rail freight transports within Europe too, for instance through the growing volume of intra-European operations arising from the progressive integration of the European national economies. However, the greatest growth potential lies in the intermodal transport sector, in which goods are transported directly to the customer in containers via ship, train and truck. This type of transport combines the strengths of the different carriers, with long distances being covered by ship or train, while trucks are used for fine distribution of the goods over shorter distances. According to various research bodies, intermodal transports should grow by 3–4 % p. a. in the next few years, around twice the rate of conventional transports.

Growing importance of sustainable transport solutions

The EU has set itself the objective of cutting greenhouse gas emissions by 40 % by 2030, compared with 1990 levels. As one of the most environmentally friendly ways of transporting freight, the railway makes a key contribution to this: even when using conventional fuels, the railway generates only a quarter of the CO_2 emissions of road traffic. Additionally, while most freight traffic operations rely on fuels based on mineral oil, good headway has been made already in the use of electricity from renewable sources for rail transports. Greater use of the railway as a carrier is therefore both necessary and desired by policymakers to achieve the ambitious environmental and climate protection targets set out in national and European policy. Furthermore, the private sector is increasingly making sustainable transport a priority issue. Many companies are already providing information on their energy footprints and are considering their CO_2 emission levels when designing new logistics solutions.

Liberalization brings shifts in market shares

The liberalization and harmonization of the European rail freight transport market are key factors for VTG for ensuring sustainable growth. With the emergence of a unified, open European rail system, former monopolies are being dismantled and rail freight transport solutions are becoming generally more appealing. This process of radical change is giving VTG the opportunity to expand into new market segments and further consolidate what is already an extremely good market position. One initiative in this respect has been the gradual expansion and diversification of the original tank wagon fleet with the addition of both standard and sliding wall wagons. With the takeover of AAE at the beginning of 2015, VTG has also grown to become the largest provider of intermodal wagons. Suitable growth opportunities will also arise in the future in this market.

Of Europe's 700,000 freight wagons, more than 400,000 are still owned by state railways. Given the advanced age of many fleets, there is a great need for renewal. However, according to experts, a lack of capital and the prioritization of passenger transports means that many state railways show little willingness to invest. This should prove advantageous for the growth of private wagon providers (such as VTG) in the next few years.

OBJECTIVES AND STRATEGY

With the ending of the financial year, VTG also concluded its phase of development known as VTG 3.0 (2010–2015). During this phase, the Railcar division underwent greater internationalization, with expansion into the US and Russia. The European wagon fleet was also diversified and EBITDA pushed up significantly. In September 2015, the Executive Board and the Supervisory Board approved a new evolutionary phase, VTG 4.0. This phase will involve innovation and the simplification of processes and structures, as well as digitalization and the exploitation of synergies arising from the acquisition of AAE. These measures are intended to increase VTG's competitiveness and profitability significantly. This should lead to earnings per share climbing to € 2.50 by 2018, almost triple that of 2014. These medium-term goals are based on a long-term strategy for the Group as a whole, as set out below.

Ensuring future investment and growth

The Railcar division's business model is capital-intensive. The expansion and maintenance of the wagon fleet is financed both through VTG's strong operating cash flow and debt capital.
To ensure that the Group can invest more and grow more in the future, it is very important to have growth in profitability. It is therefore a key strategic aim to continually improve the profitability of the Group and thereby increase its room for maneuver in implementing its growth strategy.

One VTG – three interlinked operational divisions

With its three divisions, Railcar, Rail Logistics and Tank Container Logistics, VTG is positioned broadly in the market and provides a diverse range of services to various customer groups. The Railcar division hires out rolling stock for the transport of freight, predominantly with long-term hire contracts. Meanwhile, the two logistics divisions provide support to ensure the smooth operation of their customers' chains of transport. The divisions thereby operate at different levels of value creation yet have much in common. This is because customers often have increasingly complex logistics chains and therefore have a greater requirement for specialized services. As a one-stop provider of wagon hire and logistics services, VTG helps customers reduce complexity and harmonize processes optimally. It is therefore VTG's stated aim to link the individual divisions more closely and exploit cross-divisional synergies for the benefit of the customer. This applies in particular to VTG's current markets. With a stronger, unified market presence, VTG can also open up attractive new markets.

Profitable growth in existing markets – exploiting potential

The Railcar, Rail Logistics and Tank Logistics divisions are each pursuing their own specific market cultivation strategies. However, when combined with those of the other divisions in the Group, these have an even greater impact. In its core market of Europe, the Railcar division is striving to further consolidate its leading position as a provider of both freight wagons for rail transport of liquid and industrial goods and intermodal transport while also aiming to broaden its customer base by diversifying into new segments. This includes, on the one hand, acquiring used fleets. On the other, the European fleet is being modernized and continually expanded by building new wagons. There is also an emphasis on broadening the range of services. In achieving these strategic aims, VTG is also able to rely on the support provided by its very own maintenance workshops and its internal platform for innovation, the Graaff wagon construction plant.

The Railcar division's gaze is also fixed on two other regions. The first of these is North America, which, as the world's largest rail freight market, offers VTG attractive opportunities for growth. The aim is to continually expand the fleet in this region. The second region is that of the Russian Federation and its neighbors, where the broad-gauge rail network also offers good long-term prospects for growth. Moreover, VTG is carefully scrutinizing new regions in which it is not yet operational and which offer promising opportunities for growth.

In addition to growing the Railcar business, VTG also aims to further expand and strengthen its two logistics divisions. In 2015, the Rail Logistics division focused on realigning itself to accommodate new market conditions. In addition to the core business of liquid goods, industrial goods and agricultural products, the aim is to open up further segments in the future. The expansion of logistics projects – to develop bespoke transport solutions for major industrial projects – will also play an increasingly important role in achieving this.

In 2015, the Tank Container Logistics division continued to pursue its strategy of strengthening partnerships with a select group of strategic customers. It plans to consolidate its position as a specialist in the transport of chemical products. Along with greater market penetration as a specialist provider, the division also aims to expand its activities in various operational regions. The key growth markets for this expansion are North America, the Middle East and China. In these regions, priority will be placed on maintaining margins over merely increasing transport volume. At the same time, the division aims to fully exploit the potential of growing markets by continually improving its internal structures.

Optimized organizational structure and business processes

VTG is currently in a process of ongoing change. The takeover of the Swiss company AAE is moving VTG much further forward on its path of growth. At the same time, however, the complexity of business operations is increasing. This has led to greater emphasis on the company's strategic aim of further developing the company's organizational structure and optimizing processes. VTG has therefore rolled out a large number of development programs with the aim of exploiting synergies and strengthening organizational performance in a sustained way. One of the most important – and, from the outside, most visible - projects involves the legal and operational realignment of the Railcar division in Europe. This brings together most of the separate regional companies under the new VTG Rail Europe GmbH, which will be the central provider for European customers from 2016 on. Moreover, within the Railcar division, operations such as purchasing, maintenance and sales are being brought together in individual centers of competence and thereby organized more efficiently.

A person-centered approach

In recent years, VTG has pursued a systematic path of growth. Coupled with the rapid changes in the economic and technological environment, this has led to a steady increase in the demands placed on staff. Meanwhile, due to demographic change, VTG is also facing increasingly tough competition when it comes to recruiting qualified staff. For the Group, it is therefore crucial to attract and retain highly qualified staff over the long term. This is because the challenges of the future can be overcome only with a motivated and well-qualified workforce. VTG is therefore investing even more heavily in staff development and is attaching particular importance to the issue of leadership. The aim is to position VTG firmly and sustainably as an attractive employer.

Safety and the environment

The railway is one of the safest and cleanest modes of transport. Statistically, for example, in the transport of hazardous goods, there are more than 95 % fewer accidents on the railway per tonne-kilometer than on the road. The railway also generates only a quarter of the CO_2 of the road. To ensure that the railway remains a safe and reliable carrier in the future, VTG has a particular responsibility in terms of staff training and workflow organization. This applies equally to wagon repair, maintenance and development. VTG aims to further increase and strengthen the railway's high approval rating. Its employees are therefore working intensively on improving VTG's already high standards of safety. VTG sees itself as leading the way here in terms of quality and innovation. It is thus applying its expertise, gained over many years, to developing new and improved technology to create innovative, environmentally friendly products and transport solutions. With these measures, VTG aims to make the railway the preferred mode of transport in the growing transport market.

VALUES

As part of the process of setting the Group's strategic goals with the aim of enhancing the organizational structure and optimizing business processes, the VTG workforce drew up its own list of values. These corporate values form the basis of our actions in terms of how we interact with both customers and other members of staff. They provide a point of reference for our everyday activities and are included in all decision-making processes.

Core values

VTG's employees are an asset in terms of the experience and abundance of ideas they offer. With its extensive fleet of wagons and containers, VTG aims to build on this asset to make the railway the backbone of operations when it comes to intelligent, sustainable transport and logistics solutions. Through dialogue with its partners, it is developing innovative products and bespoke solutions in Europe and around the world. In addition to safety, quality and reliability, particular emphasis is being placed on agility and entrepreneurial thought and action. VTG places importance on the cultivation of interactions based on trust, respect and openness – both within the company itself and in dealings with customers, suppliers and investors.

VTG IN THE CAPITAL MARKET: THE SHARE AND INVESTOR RELATIONS

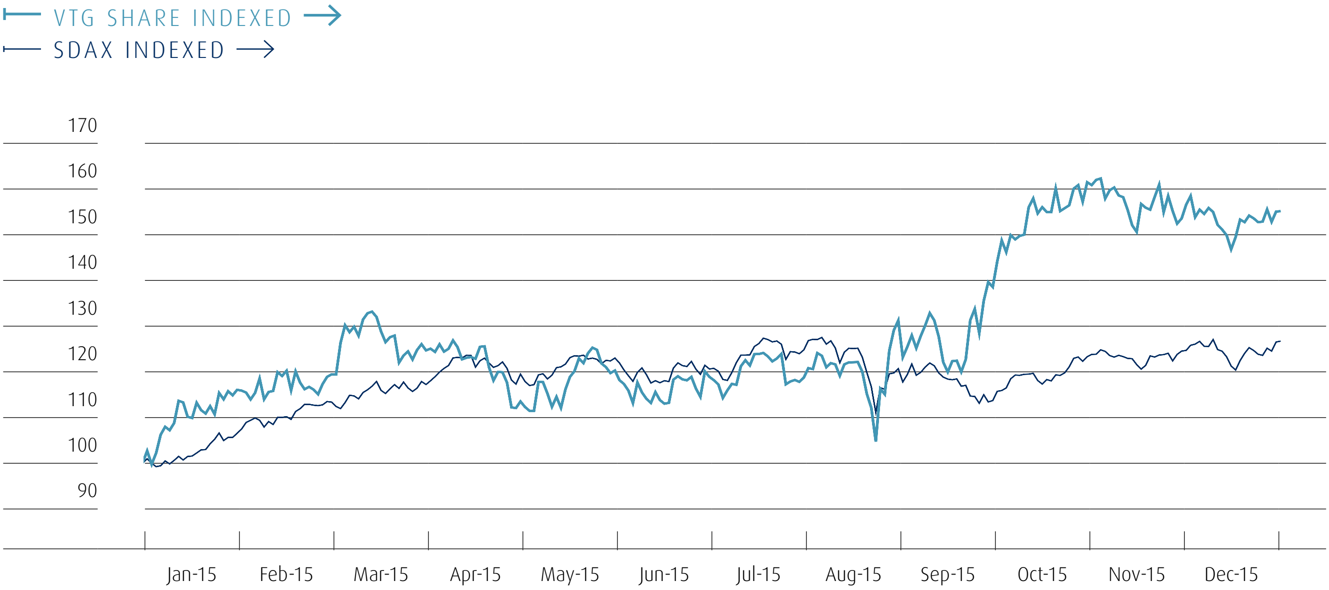
ECB brings about sharp price increases at beginning of year

The decision of the ECB at the beginning of the year to launch a bond-buying program to further reduce the level of interest in the eurozone led to sharp price increases on the stock exchanges. In the first quarter of 2015, the DAX saw an increase of 22 %. In mid-April, it reached a new all-time high of some 12,400 points. Concerns about the eurozone triggered by the Greek crisis led, however, to the dissipation of previous gains in the second quarter. This negative trend also persisted in the months that followed. After a short-lived high in July, the price collapse on the Chinese stock exchanges also affected Europe, triggering sharp drops in prices there too. The uncovering of the emissions scandal at Volkswagen ultimately ensured that the DAX forfeited all price gains made since the beginning of the year and in fact ended the third quarter below its 2015 opening price. Then, in October, a reversal of this trend began, with growth of 12 %, the DAX's best performance in any month of 2015. At the end of the year, the US central bank introduced a modest increase in interest rates. This was the first increase in the base rate in almost 10 years. This move, which had been anticipated by many investors, made no significant waves on the global stock exchanges. The DAX closed on December 31 at 10,743 points, ending the financial year with a gain of 9.6 %.

VTG share sees significant gains in 2015

Boosted by the acquisition of AAE on January 6, the VTG share managed to make exceptional gains in what was generally a very friendly market environment, recording a brief high of 24.42 euros in March. However, the mood on the stock exchanges worsened from April, leading to price corrections. This also affected the VTG share, which followed a sideways trend from May. In August, the price collapse on the Chinese and European stock exchanges also led to significant price drops

Share price VTG share
(from January 1 to December 31, 2015)



for VTG. With the announcement of its half-year figures at the end of August and the release of its medium-term growth and profit targets at the end of September, however, the VTG share was able to disengage itself from the general trend on the stock exchanges. In October and November, the share even broke through the 30-euro barrier at times in the course of a day. At the end of the year, the VTG share closed at 28.44 euros, representing an increase of 58.1 % in 2015 (including the dividend). The share thus performed significantly better than both the DAX (+9.6 %) and the SDAX (+26.6 %).

Trading volume up again in 2015

The trend was also positive in terms of trading volume. This grew again, with the average number of shares traded daily reaching 50,611 (previous year: 42,331). Taken together with its market capitalization at the end of the year of over 800 million euros (268 million euros free float market capitalization), this ensures VTG a firm place in the SDAX.

Shareholder structure

As of December 31, 2015, the company was aware of two major shareholders with stakes exceeding 25 % and 30 % of the voting rights in VTG AG. In accordance with its registration for the Annual General Meeting of May 29, 2015, Compagnie Européenne de Wagons S.à r.l. held 38.2 % of the voting rights. The former owner of AAE, Andreas Goer, Switzerland, held 29.0 % of the voting rights.

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)	28,756,219
Market capitalization (12/31)	€ 817.8 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end-rate*	€ 28.44
Annual high*	€ 29.75
Annual low*	€ 18.30
Average daily turnover	50,611 shares

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

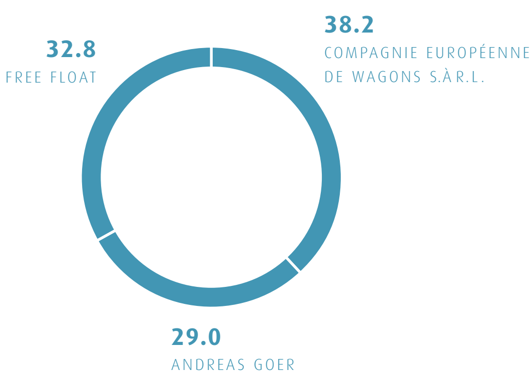
Proposed dividend

It is VTG's aim to enable its shareholders to share regularly in the company's success and thereby position itself as a reliable issuer of dividends. VTG does not make the amount of the dividend dependent on a specific level of profit but is committed to continual issue of dividend payments of equal or higher amounts. On May 29, 2015, the Annual General Meeting approved the proposal of the Executive Board and the Supervisory Board to issue a dividend for the seventh consecutive year and issue to shareholders a payment of € 0.45 per share for the financial year 2014. The Executive Board of VTG intends to propose to the Annual General Meeting 2016 the payment of a dividend of € 0.50 per share for the financial year 2015. This would correspond to a dividend increase of some 11 % compared with the previous year.

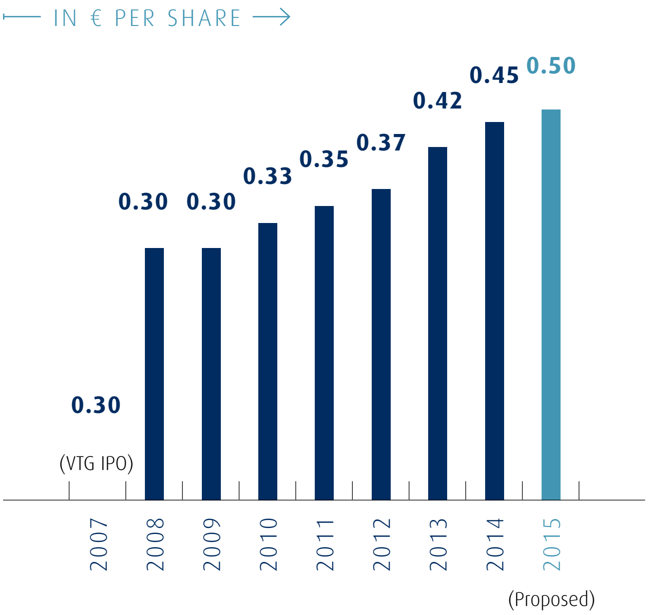
Award-winning investor relations work

VTG places emphasis on transparency, continuity and clarity in its communications with the capital market. The members of the Executive Board and the investor relations team therefore continued to maintain contact with shareholders, analysts and the financial press in 2015 by attending many conferences and roadshows, as well as holding face-to-face meetings. In 2015, VTG's proactive approach to investor relations was once again recognized with several awards. The distinctions awarded included an LACP Gold Award for our annual report and a ranking of third for our investor relations team in the SDAX in the annual Thomson Reuters survey.

Shareholder structure as of 12/31/2015



Trend in VTG dividend payments

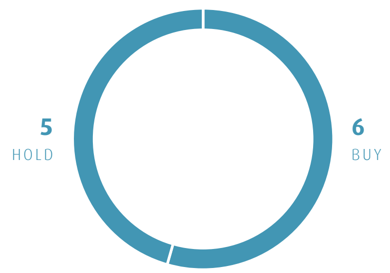


Research coverage remains at high level

The close contact VTG maintains with the capital market is reflected in the comparatively large number of financial analysts following VTG who continuously publish commentaries on its performance and make trading recommendations. At the end of the financial year 2015, 11 financial analysts representing a range of domestic and international brokers were providing research coverage on VTG. The majority of these issued a buy recommendation for VTG shares. At the beginning of January 2016, the Metzler Bank also began covering VTG, and also issued a buy recommendation.

Institution
Baader Bank
Berenberg
Commerzbank
Hamburger Sparkasse
Hauck & Aufhäuser
HSBC
M.M.Warburg
Montega
Nord/LB
quirin bank
SRH AlsterResearch AG

Recommendation of analysts on the VTG share as of December 31, 2015



⟼ 03 →
GROUP MANAGEMENT REPORT

BASIC PRINCIPLES OF THE GROUP

BUSINESS MODEL OF THE GROUP

Operations

VTG Aktiengesellschaft is one of Europe's leading wagon hire and rail logistics companies. The company has a fleet of more than 80,000 rail freight wagons, consisting mainly of tank wagons, intermodal wagons, standard freight wagons and sliding wall wagons. In addition to leasing rail freight wagons, the Group provides a comprehensive range of multimodal logistics services, focusing on rail transport and global tank container transports.

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 make up the core business of VTG, with the company offering rail freight wagons for hire via its own sales network and pooling systems. VTG manages and maintains not only 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 various 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 by tank wagon or standard freight wagon from one production site to another, thereby integrating these wagons into their production flows as a "mobile pipeline". Additionally, by transporting containers onward into the country from the major seaports and back again, intermodal wagons ensure that the global flow of goods runs smoothly. VTG wagons are also used in a whole range of sectors. These include the chemical, mineral oil and automotive industries as well as uptake by logistics providers and railway companies. Because of their fundamental importance in trade and 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 throughout Europe. The Tank Container Logistics division organizes tank container transports of goods worldwide. Using these containers, goods can be forwarded multimodally by rail, road or sea, without the need to transfer the 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, the transport chain is much safer without having to transfer liquids.

Structure, organization and operational centers of the Group

The VTG Group comprises three operational divisions: Railcar, Rail Logistics and Tank Container Logistics. VTG is represented via subsidiaries and associated companies primarily in Europe, North America, Russia and Asia. Excluding VTG AG, a total of 82 companies belong to the VTG Group. As of December 31, 2015, in addition to VTG AG, the VTG Group had 70 fully consolidated companies. Of these, 20 were in Germany and 50 in other countries. Additionally, four foreign companies were consolidated using the equity method. At the end of the period, the number of fully consolidated companies had therefore increased by 20 since December 31, 2014. This increase is due largely to the takeover of AAE.

CONTROL PARAMETERS

Key control parameters

Key control parameters: revenue and EBITDA

The key parameters to which the Executive Board refers for operational management of the Group are revenue and EBITDA (earnings before interest, taxes, depreciation and amortization). These key control parameters are used both at Group level and in all three operational divisions. Revenue is of central importance because, particularly with respect to Railcar – the core operational division – it reflects the profitability of the fleet. Moreover, due to its similarity to operating cash flow, EBITDA is a key parameter for the management of the Group. This parameter is especially important because VTG finances its investments largely through its operating cash flow.

Auxiliary control parameters

In addition to the key control parameters of revenue and EBITDA, the Executive Board also utilizes auxiliary control parameters. These include, at divisional level, the EBITDA margin and, in Railcar, fleet capacity utilization. At Group level, EBIT (earnings before interest and taxes), EBT (earnings before taxes) and EPS (earnings per share) are considered along with leverage and the return on capital.

Auxiliary control parameters at divisional 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, EBT and EPS

At Group level, EBIT is also used to judge the profitability of operations after investment in fleet maintenance. Another auxiliary control parameter is EBT, which is used to determine the profitability of VTG after accounting for financing costs. Furthermore, earnings per share (EPS) is also considered, as a measurement of how profitable VTG is on a shareholder basis alone. Unlike the key control parameters, revenue and EBITDA, these indicators are not used for operational management of the Group. As a result, no forecasts are drawn up for these indicators.

Monitoring leverage

VTG relies to a large extent on debt capital to finance its wagon fleet. VTG Board ensures that it keeps the Group's leverage at a level that is both reasonable for its business model and typical for the market. This is measured as 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 to take account of one-time items 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. Additionally, 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

Principles of research and development

VTG's system of strategic planning includes the estimation of future demand for wagons and wagon types in its markets based on long-term criteria. It then plans the development of the fleet and bases its research, development and procurement policies on these projections. To achieve the Group's overarching aim of making the railway even safer and more competitive compared with other carriers, VTG is focusing its research and development on the following areas: noise reduction, increased safety, modular wagon solutions, reduced logistics costs and the costs of the entire product life cycle (e.g the cutting of operating costs through the use of telematics). Moreover, the development of a new wagon or individual components such as fittings can also be initiated by a specific customer request, which is followed up with technical inspections and market and feasibility studies.

VTG's platform for innovation

Innovation is playing an increasingly important role at VTG, with development taking place via the company's own "innovation platform". This platform has three components: VTG's own Technical Innovations Team, the Newbuild division and the engineers at the VTG-owned Graaff wagon construction plant. Members of staff from other divisions are also involved in these projects. The Graaff plant, which has belonged to the VTG Group since 2008, is a fundamental element of the innovation platform. The company develops and manufactures special-purpose wagons for VTG, in particular high quality chemical tank wagons and powder and compressed gas wagons. Batch production of fittings also commenced a few years ago. The entire Group benefits from the high level of technical expertise, quality and reliability Graaff offers in the construction of rail freight wagons. With this platform, ideas can be tested out and brought to market with very short lead times. At the same time, VTG works closely with industry, universities and railway companies.

New expertise through AAE takeover

With the takeover of AAE, VTG has been able to gain new expertise in the area of intermodal wagons. Equally important is the company's breadth of experience regarding the issues of noise on the railway and noise reduction. AAE is one of the few companies in the world that has actual experience of using disc brakes in freight transports: one feature of these is that they are much quieter than conventional train brakes. While this brake technology is now standard in passenger traffic, it is still in the early stages when it comes to freight traffic.

R&D highlights of 2015

In early 2015, the wagon for liquefied natural gas (LNG) developed by VTG and Chart Ferox, a specialist in the construction of tanks for transporting supercooled products, was showcased at the transport logistic exhibition. This tank wagon, the first for transporting LNG in Europe, is almost 25 meters long and can also store the environmentally friendly gas for up to six weeks without the need for additional cooling. Given the EU's efforts to diversify the natural gas supply and the fact that LNG export terminals are also currently being built in countries such as the United States and Qatar, demand for this type of tank wagon should rise significantly in the coming years.

Waggonbau Graaff has developed a whole range of new fittings. Due to the high quality of its products, the company is now a preferred supplier for other wagon construction and hire companies. New capacity has been created in the two maintenance workshops in Germany and France and mobile maintenance teams deployed. Strong growth in demand is forecast for mobile maintenance. Many repairs can be carried out directly at the site (as with a breakdown service) without having to tow the faulty wagon to the workshop. This saves the customer considerable time and expense.

EMPLOYEES

Number of employees rises again

As of December 31, 2015, the VTG Group had 1,445 employees (previous year: 1,312). This increase was due largely to the takeover of AAE. In total, 942 were employed in Germany (previous year: 909) and 503 in other countries (previous year: 403). The number of blue-collar workers stood at 378 (previous year: 360), almost all of whom were employed in the repair and manufacturing facilities. The number of white-collar workers was 1,018 (previous year: 899). Additionally, VTG employed 49 trainees in the year under review (previous year: 53).

VTG proves an attractive employer

Due to demographic and economic trends, the labor market situation did not ease for employers by comparison with 2014, with the trend instead becoming more acute. Despite this, in 2015, VTG once again succeeded in covering its personnel requirements promptly with well-qualified candidates. Nevertheless, in terms of time and expense, the search and selection process remained just as costly, particularly in 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.

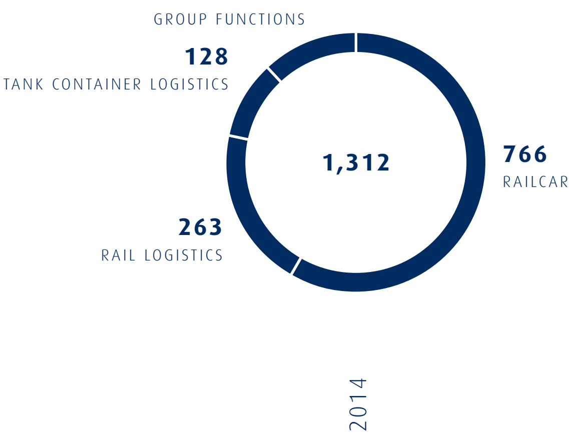
VTG remains committed to training

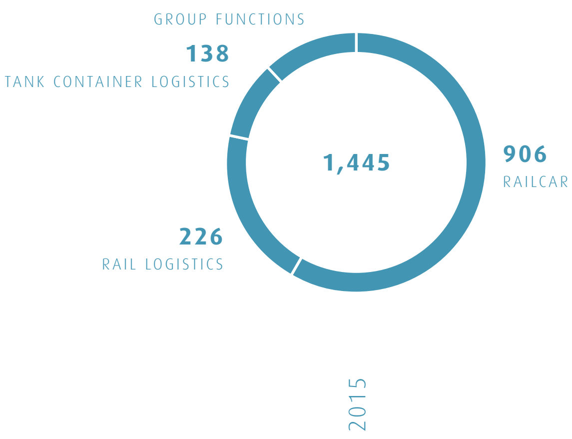
VTG continues to place importance on fostering the talents of young people. It therefore offers a range of traditional traineeships to qualify for such occupations as construction mechanic, forwarding agent, industrial sales manager or IT specialist. VTG also collaborates with two universities, educating 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, participating in university careers fairs and overseeing bachelor and master's theses as well as student placements. Graduates enter either via trainee programs in sales or technology or via the traditional direct entry route. During the year under review, VTG maintained its high level of commitment to training.

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 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.

Employees by divisions





Furthermore, in the year under review, VTG put in place a strategic succession plan. Another area of emphasis in 2015 was the ongoing development of a positive corporate culture. This was achieved by establishing the corporate values both within and across teams and implementing common leadership principles.

Professional integration of new employees

In the year under review, VTG had the task of integrating some 135 employees of AAE, acquired in January 2015, into the Railcar division. An office specifically for the purpose of specifying, drawing up and overseeing the various integration measures was set up in Wagon Hire Europe. A major milestone in this integration process was the successful implementation of a new common organizational structure finished by the middle of the year. This included induction measures and placement of specialist and managerial staff of VTG and AAE in their roles, some of which were newly created.

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

Standard of certified quality and safety management systems raised further

After the takeover of AAE at the beginning of 2015, one of VTG's key tasks regarding safety and the environment was to incorporate the operations of AAE into the Railcar division's existing management system for maintenance, safety and quality. This was achieved successfully in the course of the financial year. This ensures that all services relating to the European wagon fleet meet uniform standards of quality and safety, incorporating all aspects of the increased requirements of EU Regulation 445/2011.

In the Rail Logistics division, there was complete organizational realignment, with the restructuring of Europe-wide areas of responsibility. As a further step, these Europe-wide processes are to be standardized and firmly anchored in 2016.

The high level of quality and safety management in Tank Container Logistics also increased continually through recertification (ISO 9001 and GMP+ B4). These certifications confirm that the very strict requirements to be complied with when transporting hazardous goods and animal feed are being met and implemented in full.

Restructuring of the Quality Management division

The divisions of Quality, Occupational Health and Safety, Hazardous Goods, Energy and Safety & Environment (QSHE) were restructured in 2015. All of these activities are now centralized exclusively at the Group's headquarters in Hamburg.

The centralization of QSHE activities at one site in the Group ensures that standards can be implemented rapidly and uniformly throughout the Group and optimized from a group-wide perspective.

The bringing together of employees from the various divisions in one central division ensures the concentration of expertise and exploits synergies. Thus employees can support all divisions in a flexible yet targeted manner, and can also be called upon to implement further systems.

Audits as a way to improvement

In the last financial year, the Group had audits and assessments carried out systematically in all divisions. These were performed by the authorized certification bodies in accordance with a range of specifications, for example ISO 9001:2008, EU 445/2011, GMP+ B4, SQAS CDI-IMPCAS and CTPAT. The findings again confirm the very high quality and safety of the equipment in use and the accompanying services.

Through systematic application of these systems of management and implementation of strict quality and safety policies within

VTG, it is being ensured that the findings of the audits are being implemented effectively in the organization.

Additionally, customers of VTG once again performed Europe-wide audits in all three divisions. These audits focused in particular on the application of the rules governing hazardous goods, compliance with safety requirements and the implementation of operational processes. VTG once again passed these audits successfully, confirming the high standard of its quality and safety management systems.

Successful rollout of management cockpit

The management cockpit, developed in 2014, has established itself as a central and important management tool for monthly reporting at Group level on general progression and the reaching of targets in the areas of occupational health and safety, quality, safety and the environment. In the divisions, it also serves as a control instrument for measuring the quality of service processes as well as customer satisfaction.

Working in partnership with suppliers

In the year under review, within VTG's systems of supplier management and hazardous goods organization, employees of the VTG Group again performed numerous audits and monitoring operations at the premises of suppliers and partners. The aim of these was to verify quality and safety and to continue improving these jointly.

Hands-on practice in safety, technology and hazardous goods

Demand was high again in 2015 for the practical training offered by VTG in the areas of hazardous goods, safety and technology. In the reporting period, more than 1,500 employees of VTG customers received training in these areas, along with fire service and rescue staff. This shows once again that VTG is not only using its expertise to address the right issues but is also imparting urgently needed practical knowledge and skills to ensure even safer transport of goods on all modes of transport.

Spotlight on health and safety at work

During the reporting period, in order to keep pushing ahead with its goal of "zero accidents at work", VTG once again introduced various measures to increase health protection and safety at work. The new training solutions developed in 2014 are showing the first signs of success. There were improvements in all divisions, in terms of both the number and severity of accidents. Additionally, the system for recording the number of "near misses" was further expanded. Scheduled on-site inspections are also being supplemented by spot checks.

Environment and energy

Very high priority is given to safe, requirements-based operation of the existing environmental equipment, along with continual monitoring and maintenance of the standards for compliance with the current permits and authorizations. This is being supplemented by the development and certification of an energy management system under ISO 50001. The aim is to take an energy inventory in order to identify and measure all energy sources and their consumption. The findings are being used to specify and implement targeted measures. The effectiveness of these measures is being monitored regularly by means of an energy assessment. This leads to more efficient use of energy and fuel, which in turn lessens the impact on both the equipment and the environment. Additionally, VTG is working on identifying potential for better utilization of the energy used.

REPORT ON THE ECONOMIC POSITION

GENERAL ENVIRONMENT

Macroeconomic environment

Slowing of growth in global economy

Contrary to initial expectations, there was a slowing of growth in world economy in the past year. After seeing gains of 3.4 % in each of the previous two years, global economic output grew by just 3.1 % in 2015. The reason for this was the weakness of the developing countries, which in 2015 were facing their fifth consecutive year of declining growth. In the western industrial nations, however, the economic recovery of recent years continued, albeit at a slow pace of growth.

Moderate economic recovery in Europe

The structural reforms that took place in many countries in Europe, the weak euro and the expansionary monetary policy of the ECB all had an impact in 2015. Thus, for example, the Italian economy grew again slightly in 2015 after several years of recession, with a gain of 0.8 %. Meanwhile, the pace of economic recovery picked up in Spain and France. Increased competitiveness led to current account surpluses in most countries in southern Europe. Accordingly, export was a key factor in supporting the modest upswing. By contrast with southern Europe, Germany saw solid economic growth of 1.5 %, driven mainly by consumer spending. Meanwhile, compared with previous years, foreign trade made only a minor contribution. High levels of employment and consumers' unwillingness to save had an impact. Total economic growth in the eurozone was 1.5 %, compared with 0.9 % in the previous year.

Different trends in the US and Asia

The recovery of the property market and consumer spending in the US led to continued revival of the economy in 2015. Accordingly, at the end of the year, the Federal Reserve ushered in the official end of its crisis-era policy with its first increase in the base rate in almost ten years. There were entirely different trends in China and Russia. China failed to reach its own target of 7 % economic growth. Imports and exports were even down on the previous year. Meanwhile, Russia slipped into a recession in 2015. International trade sanctions as well as the collapse in the oil price had an extremely adverse effect on the economy and the Russian ruble. After a brief period of recovery in the summer, the latter declined in value again.

Sector-specific environment

The continued positive economic trend in Germany led to a rise of 1.1 % in the volume of transported goods (2014: 2.9 %). Thus, according to Germany's Federal Statistical Office, more goods were transported in Germany then ever before. However, this increase came from the transport of freight by road, while drops were recorded in freight transports by sea, inland waterway and rail. One factor that led to the 1.0 % drop in the volume of goods transported by rail (measured in tonnes) was the strikes that took place once again at Deutsche Bahn (2014: drop of 2.4 %). At the same time, however, the transport distance covered (measured in tonne-km) in German rail freight traffic increased by 1.4 %. Thus, although fewer goods were transported, these were in fact transported over a longer distance on the railway.

BUSINESS DEVELOPMENT AND SITUATION

Significant events and transactions

VTG takes over Ahaus Alstätter Eisenbahn Holding AG

On January 6, 2015, VTG completed its takeover of the wagon hire company AAE Ahaus Alstätter Eisenbahn Holding AG. After approval by all of the relevant competition authorities – in Germany, Austria, Poland and Russia – the merger was finalized on this date in Hamburg. With this merger, VTG acquired all shares in AAE and expanded its own fleet of wagons from more than 50,000 to more than 80,000. Both companies issued announcements on the planned merger on September 29, 2014. The sale price of some € 380 million was met with a cash component of € 15 million, a vendor loan note of just under € 230 million and a capital increase. The capital increase involved the issuance of some 7.4 million new shares to the former owner of AAE, Andreas Goer.

VTG issues hybrid bond of € 250 million

On January 26, 2015, VTG placed its first ever hybrid bond on the capital market. The bond has a volume of € 250 million and was used to redeem the vendor loan note issued by the seller of AAE as part of the AAE takeover. The bond has been admitted to trading on the unregulated market of the Luxembourg Stock Exchange. The quasi-equity, subordinated bond ranks after other financial liabilities and can be called by VTG only after a period of five years.

New chief of Treasury, Finance and Tax (CIO)

On May 15, 2015, the Supervisory Board of VTG AG appointed Mark Stevenson to the Executive Board. As Chief Investment Officer, he is responsible for the Treasury, Finance and Tax divisions. Prior to this appointment, Mr. Stevenson was CFO and, most recently, CEO of AAE, which he successfully grew into one of Europe's leading wagon hire companies.

VTG concludes refinancing with much better terms

In December 2015, VTG refinanced a large proportion of its existing bank loans. The company entered into new financing agreements for some 1.2 billion euros with an international consortium of banks headed by KfW IPEX-Bank and UniCredit. This represents around two-thirds of VTG's total financial liabilities. Moreover, with the agreement of a new guaranteed line of credit of 300 million euros within this financing arrangement, the company increased its flexibility for further investment in growth.

RESULTS OF OPERATIONS

Consolidated results of operations

VTG breaks billion-euro barrier with revenue

In the last financial year, the VTG Group pushed up revenue by 25.6 %, to € 1,027.5 million (2014: € 818.3 million). This was the first time in its history of more than six decades that it had passed the billion-euro mark. The Railcar division made the largest contribution to this result by increasing its revenue significantly through the takeover of AAE. The Rail Logistics and Tank Container Logistics divisions also managed to expand their operations in the last financial year.

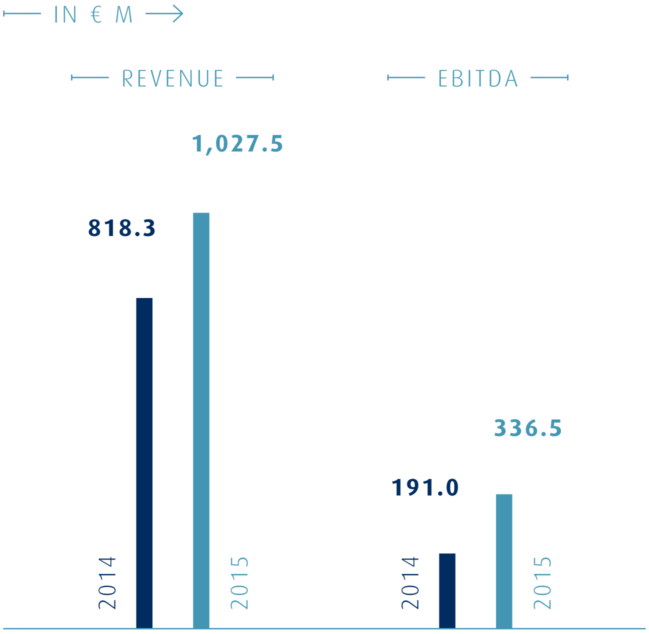
VTG thus successfully reached its target of between € 1.0 billion and € 1.1 billion, as set out in its forecast at the beginning of the year. Of total revenue for the Group, € 413.8 million came from customers based in Germany (previous year: € 349.4 million).

This represents a share of 40.3 % (equivalent period of 2014: 42.7 %). Accordingly, business from customers abroad generated revenue of € 613.7 million (previous year: € 468.8 million), giving a share of 59.7 % (previous year: 57.3 %).

Significant increase in EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) showed a marked improvement in the last financial year, increasing by 76.2 % to € 336.5 million (2014: € 191.0 million). As with the trend in revenue, the sharp rise was largely driven by the takeover of AAE. In the first year of integration, AAE contributed € 133.5 million to EBITDA. There was also a sharp improvement in the Rail Logistics division, while Tank Container Logistics also showed an upward trend. VTG thus met the target set out in the forecast drawn up at the beginning of 2015 of achieving EBITDA of between € 325 and 350 million in the year under review.

Revenue and EBITDA development



In connection with the integration of AAE as well as the refinancing of the Group at the end of 2015, EBITDA for the financial year 2015 was affected by one-time expenses of around € 6.7 million. This was offset by extraordinary income from the sale of wagons to an investor along with income from the sale of an associated company, which slightly exceeded these one-time expenses. Overall, there was a positive impact on EBITDA amounting to € 1.2 million.

Marked improvement in EBIT, EBT and net profit for the Group

EBIT (earnings before interest and taxes) increased significantly in the year under review, with a rise of 72.7 % to € 144.1 million (2014: € 83.5 million). EBT (earnings before taxes) amounted to € 45.9 million (2014: € 29.8 million), thereby rising by 54.1 % in the same period. Along with the costs of integration of AAE mentioned earlier, this figure includes the negative impact of additional one-time items from the new refinancing arrangements and currency changes. After taking account of minor positive one-time items, these negative one-time items reduced pre-tax earnings by a total of € 15.5 million. Despite these one-time expenses, after the subtraction of the non-controlling interests and the hybrid interest, net profit for the Group amounted to € 21.6 million, representing an increase of around 9 % on the previous year (€ 19.8 million). Due to the higher number of shares issued for the takeover of AAE, earnings per share amounted to € 0.75 (2014: € 0.93). Without these one-time items, earnings per share would have been € 1.02.

Results of operations: Railcar division

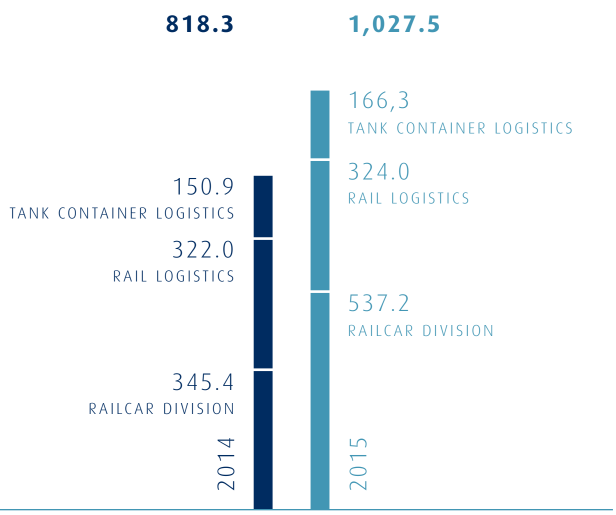
The Railcar division hires out its rail freight wagons in its core market of Europe, in the US and in the Russian broad-gauge market. VTG owns the largest private wagon fleet in Europe. The fleet has nearly every type of freight wagon, from tank wagons to modern high-capacity wagons all the way to intermodal wagons. 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.

Significant increase in net profit through AAE takeover

In the financial year 2015, the Railcar division generated revenue of € 537.2 million (2014: € 345.4 million). This represents an increase of 55.5 % and was largely attributable to the takeover of AAE at the beginning of January 2015, which generated revenue of € 193.9 million. There was an exceptional rise in EBITDA, which climbed 72.5 % to € 335.4 million (2014: € 194.4 million). Accordingly, the EBITDA margin related to revenue rose to 62.4 % (2014: 56.3 %). This increase in the margin was due mainly to the takeover of AAE: however, the existing wagon hire operations in Europe and the US also boosted profitability. The division thus achieved significant increases in revenue and EBITDA as anticipated in its forecast issued at the beginning of 2015.

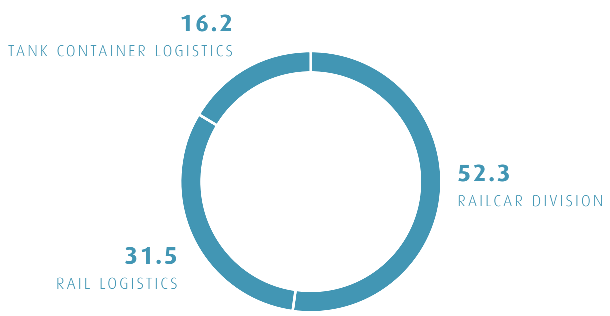
Breakdown of revenue by business division

IN € M



Breakdown of revenue by business division

IN %



Through the takeover of AAE at the beginning of the financial year, VTG added some 29,300 wagons to its fleet. Around 2,000 of these were initially acquired through a majority stake in an AAE joint venture in Russia. By the end of the financial year, VTG had also acquired the remaining shareholding. The aim is to integrate the former AAE subsidiary into VTG's Russian operations and thereby exploit potential synergies.

Of the 29,300 wagons acquired through the AAE takeover, around 15,400 are intermodal wagons, while the remainder comprises standard and sliding wall wagons. Over the year, for the newly structured Group as a whole, some 1,600 newbuild wagons were delivered to customers (in Europe exclusively). As part of the process of merging VTG and AAE, the structure of the fleet was optimized. This included in particular the assessment of older wagons for profitability, with unsuitable wagons being withdrawn from service. This led to additional withdrawals over and above those withdrawn as part of standard procedure. Thus some 2,100 wagons were withdrawn from the fleet in the year under review. Additionally, contracts for 200 wagons leased from third parties were terminated. By the reporting date, as a result of acquisitions, the VTG fleet had grown in size to 81,700 wagons (2014: 53,100).

By comparison with the previous years, the takeover of AAE led to a slightly more volatile trend in the capacity utilization of the global wagon fleet. Over the year, capacity utilization fell from 90.9 % in Q1 to 89.6 % in Q3, before rising again by one percentage point to reach 90.6 % in Q4 (December 31, 2014: 91.0 %).

Results of operations: Rail Logistics

In the Rail Logistics division, VTG primarily organizes the transport of goods by rail throughout Europe, in the form of block train, single-wagon and wagon group transports. The division operates independently and leases wagons from the Railcar division as well as from third parties. It also carries out its own transport operations. The industry focus is on transports of mineral oil and chemical products, liquid gases, and 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 also offers additional services tailored to customer requirements.

Rail Logistics achieves turnaround

VTG Rail Logistics managed to achieve a modest increase in its revenue compared with the previous year, pushing it up by € 2.0 million to € 324.0 million (2014: € 322.0 million). This represents an increase of 0.6 %. EBITDA rose significantly, reaching € 3.4 million after suffering a slight loss of € 0.2 million in the previous year. The EBITDA margin on gross profit stood at 12.2 % (2014: –0.9 %). Thus, in line with the forecast issued at the beginning of the year, the division achieved a modest increase in revenue and a return to profitability for EBITDA.

In the past year, the ongoing political tensions between Russia and Ukraine also led to a very low volume of traffic in these regions. Despite this, the Rail Logistics division managed to generate new business, particularly in other countries. In the domestic market in Germany, particularly in the liquid goods segment, however, competition remained very intense. The division met these challenges by thoroughly reorganizing its business processes and reducing fixed costs. Furthermore, the division overhauled the structure of its range of offerings. At the end of the year, the remaining 30 percent of the joint venture was taken over from Kühne + Nagel. This makes VTG the sole shareholder in Europe's largest private rail logistics company, VTG Rail Logistics, which remains in a process of rapid reorganization.

Results of operations: Tank Container Logistics

The Tank Container Logistics division offers transport and logistics services for tank containers. 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 transport operations 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 of the world's largest providers of logistics services for liquid chemical products. The company's fleet comprises some 7,800 tank containers.

Tank Container Logistics continues upward trend

In the financial year 2015, the Tank Container Logistics division generated an increase in revenue of 10.2 %, pushing it up to € 166.3 million (2014: € 150.9 million). There was also an improvement in EBITDA, which climbed 6.5 % to € 13.6 million (2014: € 12.8 million). The EBITDA margin on gross profit shrank slightly in the reporting period, to 47.4 % (2014, adjusted: 49.3 %). However, in 2014 and in the first quarter of 2015, EBITDA was positively impacted by one-time income. After adjustment to take account of this factor, there was still an improvement in the margin compared with the previous year. The division thus continued its upward trend. It even exceeded the forecast issued at the beginning of 2015, which anticipated a stable trend in revenue and EBITDA.

In the year under review, the continuing overcapacity in the market, declining transport volumes and the low oil price led to price pressure in various regions. A major loss at the key Chinese seaport of Tianjin has led to restrictions in transport processes. The regulations relating to safety and hazardous goods in China were subsequently tightened drastically and have had a negative impact on the flow of both exports and imports. VTG Tank Container Logistics has been spared most of the negative effects of these difficult market conditions. In intra-European transports, the division increased its transport volume, while maintaining the same level in its overseas transports. This was also due to the progress made in productivity as a result of improved business processes. Currency effects also contributed to the growth in revenue and earnings, as a large proportion of revenue was generated in the currently strong US dollar.

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 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.

Management of the capital structure

The VTG Group agreed new financing arrangements in December 2015 amounting to € 1.2 billion. These arrangements replace the former short- and long term loans of € 900 million. The new syndicated loan consists of a tranche of € 400 million payable on the maturity date with a term of three years including the option of extension by a further two years, an amortizing loan of € 500 million with a term of seven years, a guaranteed line of credit of € 80 million with a term of five years and a three-year revolving credit line of € 200 million. To ensure liquidity, the VTG Group also has a revolving credit line running over the medium term amounting to € 75 million.

Private placement bonds serve as the main source of long-term finance for the VTG Group. In May 2011, a US private placement (USPP) bond was issued comprising € 450 million and US$ 40 million and with terms of 7, 10, 12 and 15 years, with the last tranche thus running until 2026. Another bond of € 180 million was issued in November 2012, with terms of 6 and 10 years.

Additionally, there is a shareholder loan of € 70 million with final maturity in 2020.

VTG thus has an open funding platform, enabling it to combine various financing instruments. As part of the refinancing process in 2015, VTG consolidated and further extended the maturity profile of its finance, which, given the long maturities, had a positive effect on the 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 bonds due to their fixed interest coupons, there is an interest rate risk mainly from the syndicated loan, whose variable interest can change depending on the market interest rate. The interest rate hedges (interest rate derivatives) taken over in connection with the AAE transaction cover the risk of increases in the interest rate of the new syndicated loan. However, these are recognized in the income statement due to the lack of a hedging relationship. The interest rate hedges are measured at market value and this is recognized in the income statement. Depending on the current interest rate, market values can change and accordingly have a positive or negative impact on EBT and net profit for the Group. The level of interest rates fell once again over the course of 2015. This in turn led to a negative market evaluation of the interest rate derivatives and thus slightly higher financing expenses.

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, 2015, cash and cash equivalents recorded in the balance sheet for the VTG Group amounted to € 97.8 million (previous year: € 80.4 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.

Analysis of the cash flow statement

In the financial year 2015, cash flows from operating activities increased by € 123.0 million, rising from € 159.9 million to € 282.9 million. The increase was due mainly to the takeover of the AAE Group.

In the year under review, cash flows used in investing activities amounted to € 81.5 million (previous year: € 171.1 million). This improvement came largely from cash received from the sale of a wagon portfolio to an investor and reduced investment in tangible fixed assets.

In the year under review, cash flows used in financing activities amounted to € 186.2 million (2014: cash inflow of € 28.4 million). This outflow of cash was due to the settlement of the vendor loan note, the repayment of bank loans and other financial liabilities as well as higher interest payments.

Capital expenditure

In addition to acquiring AAE, VTG invested a total of € 195.8 million during the financial year 2015 (2014: € 219.2 million). Of this sum, € 185.2 million was spent on fixed assets (2014: € 204.6 million). € 10.6 million was financed off-balance through operating lease agreements (2014: € 14.6 million). By far the largest share of the funds invested went to the Railcar division (97.0 %). These were used in particular for renewing and expanding the global wagon fleet. The remaining 3 % was invested in the two logistics divisions and the holding company (2014: 3.9 %). In both the Railcar and Rail Logistics divisions, the remaining stakes of non-controlling interests were bought.

At the end of the reporting period, some 2,300 wagons were on order and awaiting delivery (2014: 2,300). Around 1,300 of these are destined for the European market, with delivery scheduled for 2016 and 2017. The remaining 1,000 wagons are destined for the US market. While these were ordered back in 2014, due to the long lead times, the first deliveries are to take place from 2017.

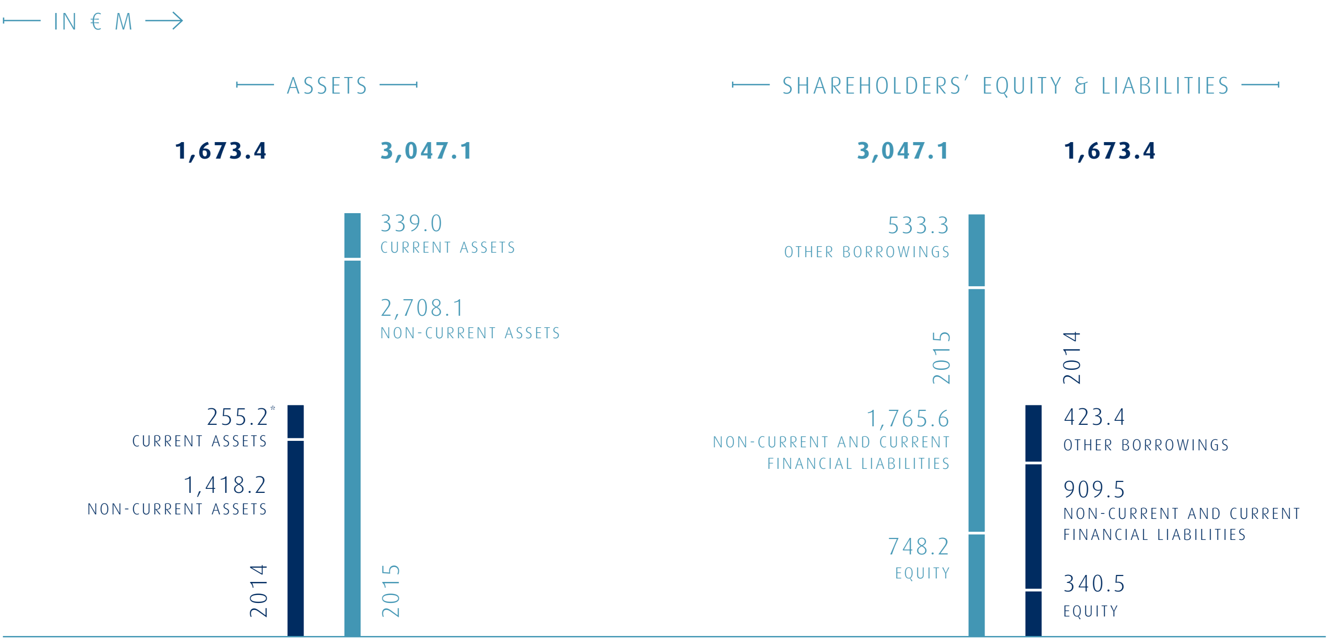
NET ASSETS

Balance sheet structure

As of December 31, 2015, total assets for the VTG Group amounted to € 3,047.1 million (2014: € 1673.4 million). Compared with the previous year, this represents an increase of € 1,373.7 million, largely as a result of the takeover of AAE.

As of December 31, 2015, non-current assets amounted to € 2,708.1 million. Due to the takeover of AAE, this was far in excess of the figure for December 31, 2014 (€ 1,418.2 million). Tangible fixed assets increased by € 1,034.9 million through the takeover of AAE, reaching € 2,197.4 million. As of December 31, 2015, current assets amounted to € 339.0 million, compared with € 252.4 million at the end of 2014.

Balance sheet structure



* incl. non-current assets held for sale

At the end of the year under review, equity had risen to € 748.2 million (previous year: € 340.5 million). This increase was due in particular to the non-cash capital increase in connection with the takeover of AAE, the issuance of the hybrid bond and the higher level of net profit for the Group. Accordingly, as of December 31, 2015, the equity ratio had increased by more than 4 percentage points, reaching 24.6 % (2014: 20.3 %).

As of December 31, 2015, non-current debt had risen to € 1.934.7 million (December 31, 2014: € 1,091.9 million). This increase was due to the takeover of AAE at the beginning of 2015. Non-current debt remains covered by non-current assets.

Current debt had increased slightly at the end of the reporting period, reaching € 364.2 million compared with € 241.0 million at the end of 2014.

Unrecognized assets

To finance its wagons, in addition to funding requiring balance sheet recognition, VTG takes advantage of off-balance-sheet financing strategies such as operating lease agreements.

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION BY THE EXECUTIVE BOARD

The Executive Board of the VTG Group can look back on an eventful financial year in 2015. With the successful takeover of AAE at the beginning of the year, VTG reached another milestone in its long history. With over 80,000 wagons, VTG is now one of the largest private wagon hire companies in Europe. The takeover already had a significant impact on revenue for the Group and EBITDA in the first twelve months thereafter. Furthermore, the original operational divisions also saw improved results. To ensure the growth of the Group over the next few years, in December 2015, VTG made major new refinancing arrangements, the most comprehensive in its history. This not only unifies the different financing structures of VTG and AAE, but will also lead to significant interest savings in the coming years.

The takeover and integration of AAE had a major impact on the performance of the Railcar division: the expansion of the fleet to more than 80,000 wagons strengthened VTG's core business considerably. The first year of integration – usually a demanding period – ended successfully, with gains in revenue and earnings. After adjustment to take account of various positive and negative one-time items, earnings per share rose to € 1.02 (previous year: € 0.93). VTG thus successfully added value from the takeover of AAE after only twelve months. Investment in newbuild wagons also had a positive impact. However, in the last financial year, this played a lesser role than the takeover of AAE. The Rail Logistics division managed to return to profitability after a year of losses, ushering in a turnaround in earnings. Here, the reorganization of the division and the increased emphasis on acquiring new business paid off. In Tank Container Logistics, the positive trend seen in the previous year continued. The division benefited from internal structural improvements, a slight increase in transport volume in Europe, favorable currency effects and one-time income from the sale of an associated company.

The financial and assets situation of the VTG Group remains solid after the recent consolidation of AAE and subsequent refinancing. 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.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE (SUPPLEMENTAL REPORT)

There were no events of special significance after the end of the financial year 2015.

REQUIRED DISCLOSURES

REQUIRED DISCLOSURES PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE

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

As of December 31, 2015, the share capital of VTG AG amounted to € 28,756,219 and comprised 28,756,219 no-par-value bearer shares. Every share carries a voting right.

With respect to the 7,367,330 new shares of VTG AG created by way of the capital increase on January 6, 2015, Mr. Andreas Goer, as the subscriber of such shares, contractually undertook vis-à-vis VTG AG not to directly or indirectly offer, sell, transfer, market, otherwise dispose of or trade any new VTG shares, or announce any of the above, before January 5, 2016 but at the latest upon issuance of a notification pursuant to Section 10 of the German Securities Acquisition and Takeover Act on the offer for the acquisition of shares of VTG AG or an announcement of a transaction by VTG AG which materially changes the business of VTG AG. The lock-up obligation provides for exceptions in the case of a succession after the subscriber's death, and also in the case of disposal/transfer and economically comparable transactions outside the stock exchange with an affiliated company of the subscriber or a third party, provided that the acquirer agrees to the same lock-up restrictions. As of December 31, 2015, there are no further restrictions known that affect voting rights or the transfer of shares.

As of December 31, 2015, the following shareholdings with a share of more than 10 % of the voting rights were registered with VTG AG: according to the information on voting rights received by VTG AG on January 6, 2015, Mr. Andreas Goer, Switzerland, has a direct shareholding comprising 25.62 % of the shares. According to the information on voting rights received by VTG AG on January 12, 2015, Compagnie Européenne de Wagons S.à r.l., Luxembourg, holds, directly and indirectly, 43.84 % of the shares and CEW Germany GmbH, a subsidiary of Compagnie Européenne de Wagons S.à r.l., Luxembourg, has a direct shareholding comprising 37.18 % of the shares. The following participated in the Annual General Meeting of VTG AG on May 29, 2015: Compagnie Européenne de Wagons S.à r.l., with 1,208,909 shares and a corresponding share of voting rights of 4.20 %, CEW Germany GmbH, with 9,775,225 shares and a corresponding share of voting rights of 33.99 % and Andreas Goer, with 8,340,723 shares and a corresponding share of voting rights of 29.00 %. Since the expiry of the deadline for registration for the 2015 Annual General Meeting, VTG AG has received no further notifications of voting rights or other information pertaining to stakes involving a share of more than 10 % of the voting rights in VTG AG. With respect to the indirect shareholding relationships, please refer to the notes to the financial statements of VTG AG as of December 31, 2015.

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 Section 84 (1) of the German Stock Corporation Act and Section 6 of the Articles of Association of VTG AG as well as Section 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 (Section 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 May 29, 2015, the Annual General Meeting, revoking the authorization granted by the Annual General Meeting of June 5, 2014, 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 May 28, 2020 by up to a total of € 14,378,109.00 by issuing, on one or more occasions, up to 14,378,109 new no-par value bearer shares in total with a pro-rata share in the share capital of € 1.00 each against contributions in cash and/or kind (authorized capital). 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 Section 53 (1) sentence 1 or Section 53 b (1) sentence 1 or Section 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, including rights and receivables, or within the context of business combinations; (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 in the amount 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 Section 203 (1) and (2) and Section 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 Section 71 (1) no. 8 sentence 5 and Section186 (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 Section 221 (4) and Section 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.

VTG AG has as yet not exercised these powers.

Further details can be found in Section 4 (5) of the Articles of Association.

With its resolution of June 5, 2014, the Annual General Meeting, while partially revoking the authorization granted by the Annual General Meeting of June 18, 2010, also authorized the Executive Board of VTG AG to acquire, in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act and with the approval of the Supervisory Board, treasury shares equaling up to 10 % of the share capital in the period up until June 4, 2019. 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 so acquired, in each case with the approval of the Supervisory Board: (i) sell these via the stock exchange or by means of 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 of the same class 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, (iv) settle option and/or convertible bonds issued by VTG AG or an indirect or direct subsidiary of VTG AG, or (v) call in these shares, in which case the Executive Board will be authorized, with the approval of the Supervisory Board, to decrease the share capital of VTG AG by the respective amount represented by the redeemed shares or, with the approval of the Supervisory Board, to stipulate, in derogation hereof, that the share capital shall remain unchanged at redemption and that instead the proportion of the remaining shares in the share capital is increased through the redemption in accordance with Section 8 (3) of the German Stock Corporation Act.

Where the Executive Board uses the treasury shares, based on the above powers, as set out in (ii) to (iv), the subscription rights of the shareholders to treasury shares shall be excluded. Furthermore, the Executive Board may, with the approval of the Supervisory Board, exclude the subscription rights of shareholders for fractional amounts if treasury shares are sold by means of an offer made to all shareholders in accordance with (i).

The authorization granted by the resolution of the Annual General Meeting of June 18, 2010 to use shares which are repurchased on the basis of this resolution remained unaffected by the abovementioned resolution of the Annual General Meeting of June 5, 2014, but has been rendered irrelevant as no use has been made of the authorization to repurchase treasury shares on the basis of the resolution of the Annual General Meeting of June 18, 2010.

VTG AG has so far not made use either of the authorization to purchase treasury shares on the basis of the resolution of the Annual General Meeting of June 5, 2014.

With its resolution of May 29, 2015, the Annual General Meeting, revoking the authorization granted by the Annual General Meeting of June 5, 2014, authorized the Executive Board of VTG AG, with the approval of the Supervisory Board, in the period up until May 28, 2020, 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 € 500,000,000 with or without a limited term and to grant or impose on the holders and/or creditors of bonds with warrants option rights or obligations and/or on the holders and/or creditors of convertible bonds conversion rights or obligations in respect of no-par value bearer shares of VTG Aktiengesellschaft with a pro-rata share in the share capital of up to € 14,378,109.00 in total. 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 Section 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 May 29, 2015, the Annual General Meeting approved an increase in share capital by up to € 14,378,109.00 through the issue of up to 14,378,109 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 Section 4 (4) of the Articles of Association. VTG AG has as yet not exercised these powers.

In December 2015, VTG AG agreed a syndicated loan with a consortium of banks. The syndicated loan grants 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. Under the syndicated loan, a change of control requires that one person or several persons acting acquire more than 50 % of the voting rights in VTG AG.

The conditions of a US bond issued in April 2011 in a private placement to a group of institutional investors also grant the bondholders the right to demand early repayment of the loan under certain conditions in the event of a change of control. In addition to the acquisition of more than 50 % of the voting rights in VTG AG by a person or a group of persons acting jointly (with the exception of the previous majority shareholder and the company affiliated to him), a change of control under the conditions of the US loan requires that the previous majority shareholder of VTG AG and persons affiliated to him as a consequence of such a change in the voting rights majority, hold, directly or indirectly, less than 5 % of the voting rights in VTG AG and, moreover, that they are not represented in the management body of the party taking control. 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 former majority shareholder from representing an official change of control. Under the conditions of the US bond, another requirement for a right of termination on the part of the bondholders is that either the US bond no longer receives an investment grade rating within 90 days of the change in the voting rights majority or that VTG AG, VTG Deutschland GmbH or another company in the VTG Group that acts as a guarantor under the US loan must repay loans amounting to at least 20 million euros before the due date because of the change in the voting rights majority.

The conditions of the registered bonds issued in November 2012 by AAE RaiLease S.à r.l., a subsidiary of VTG AG, to certain institutional investors also grant the bondholders the right to demand the early repayment of these registered bonds in the event of a change of control. Under the terms of these registered bonds, a change of control is deemed to exist where a person or several persons acting jointly acquire more than 50 % of the voting rights in VTG AG.

No compensation agreements have been concluded with the members of the Executive Board or with employees covering the eventuality of a takeover bid.

REMUNERATION REPORT

Executive Board

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

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

The additional benefits include the expenses incurred by members of the Executive Board in connection with their work and include coverage of the costs of regular medical checkups and 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.

Three members of the Executive Board receive 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 the payment of pension benefits upon reaching the upper age limit of 65 but also flexible conditions of departure from the age of 60, cases of incapacity or death (pensions for widows and orphans) and, in respect of the CEO, the termination of the contract of employment by the company before he reaches the age of 65. Members of the Executive Board who are newly appointed to the company have for some time now had defined contribution plans. As of December 31, 2015, the company had set up provisions for post-employment benefits for members of the Executive Board amounting to approximately 9.4 million. Beyond the employment contracts, there are no further service agreements between the company, its subsidiaries and the respective members of the Executive Board under which any member of the Executive Board is eligible for benefits from the company or its subsidiaries in the event of the termination of his service.

As a general rule, the German Commercial Code and the German Corporate Governance Code stipulate that the remuneration of Executive Board members be published with a separate entry for each member, broken down into fixed and performance-related components as well as into components with a long-term incentive effect. According to both German commercial law and the German Corporate Governance Code, the required disclosures can be dispensed with if the Annual General Meeting passes a resolution to this effect by a three-quarters majority of the share capital represented at the passing of the resolution. Accordingly, on June 5, 2014, the Annual General Meeting of VTG AG, revoking the resolution of June 18, 2010, decided with 90.546 % of the votes present and entitled to be exercised that the required disclosures as set out in Section 285 (9) (a) sentence 5 to 8 and Section 315a (1) and Section 314 (1) number 6a 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 2014 to 2018 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, 2015.

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. As a single committee, the Executive Committee also constitutes and is assigned the tasks of a 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, 2015.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE

According to Section 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 Section 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), the Compliance Committee of VTG AG and other auditing bodies (e. g. 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 as required.

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 limiting 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 %). Once any counter-measures have been taken, the risks are quantified (net risk) and placed 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 net profit amounting to more than € 5 million and 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. There is no active system of opportunity management outside that which takes place in ordinary operations.

SPECIFIC OPPORTUNITIES AND RISKS

Market opportunities and risks

General market opportunities and risks

The Railcar and Rail Logistics divisions of the VTG Group operate in the European market for rail freight transport. The markets for freight transport by rail and road are submarkets within the market for the transport of goods. Because most goods can be transported by both rail and road, providers in the rail freight transport market compete against those in the road freight transport market for custom.

European Union regulations are both promoting and requiring further liberalization of rail freight traffic in Europe. The aim is to enable new companies to enter the market and thereby intensify competition on the railway. Also, by strengthening the railway as a carrier, the intention is to ensure that the EU can meet its environmental protection targets, particularly the reduction of CO_2 emissions. However, due to the great organizational demands of this, progress in liberalizing the market is halting. 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, above all, 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 2015, 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. With the takeover of AAE in January 2015, VTG enhanced its range of wagons and services in Europe, closing a key gap in its product portfolio with the newly acquired intermodal wagons. 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 figures. However, the rate of expansion has slowed recently due to the subdued market environment in North America and the build-up of overcapacity in some wagon segments. 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.

The VTG Group is active in the wagon hire and rail logistics market of the Russian Federation, with its own regional fleet of around 3,200 wagons. The recent political tensions between the nations of the West and the Russian Federation regarding the situation in Ukraine have brought economic sanctions on both sides that could be stepped up further. This could restrict or completely sever economic ties between the Russian Federation and the countries of the West. Moreover, as a result of these sanctions, Russia's economy has recently undergone a major and severe economic downturn. Nevertheless, VTG continues to see good opportunities for growth in the medium term in the Russian wagon hire market. The growing demand for replacement wagons and the continuing need for industrial development and modernization will remain driving forces in the Russian railway sector over the next few years. The takeover of the Vagonpark Group has diversified the fleet and thereby also the customer base. Additionally, whereas previously most of VTG's Russian fleet had been leased, this has now reduced dependency on tank wagon hire. As of the balance sheet date, there were no major, quantifiable risks within the meaning of VTG's risk definition.

The Railcar division is well equipped to take up new operations in existing markets in the future. VTG is also exploring new industries and new geographical 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

The path of growth of VTG's rail logistics activities could be affected by an economic downturn, market instability or a lack of availability of locomotives or wagons. There is currently increased price and margin pressure due to intense competition both within the rail market and with other modes of transport, while customers are also placing greater price pressure on their suppliers. On the one hand, state railways and their successor companies as well as private railway companies and freight forwarding companies are increasingly penetrating the market by offering their services to the customer either directly or through subsidiaries. In the tenders that are standard for this market, they can use their dominant position to make low-price offers, which intensifies the price pressure. On the other hand, this process of market consolidation has increased the market power of the chemical and mineral oil industries – the key consumers of forwarding services – and therefore also their bargaining power in respect of rail forwarders. Through the expansion of its product range and its presence throughout Europe, VTG Rail Logistics is in a position to reduce these risks. Furthermore, in the last financial year, the division reorganized its business processes and reduced its fixed costs, making its position more flexible.

A further risk is the potential downturn of individual wagon transports due to the shrinking offering from the state railways and/or further rate increases. VTG Rail Logistics is addressing this risk by building up individual wagon networks with private railway companies. As of the balance sheet date, there were no major, quantifiable market risks for Rail Logistics within the meaning of VTG's risk definition.

Tank Container Logistics market

The flattening of growth in global trade flows and the shifting of production capacity nearer sales markets ("nearshoring") could have a future impact on the ordering behavior of customers and thus on demand for the transport capacity of Tank Container Logistics. Continuing fleet overcapacity could keep placing pressure on the achievable margins. Additionally, there is a danger that the increasing complexity and imbalance of transport flows will lead to higher non-productive costs due to empty runs.

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, America and Asia, and its detailed knowledge of these markets to optimize transport structures. One particular aim is to push ahead with expanding operations in the growth regions of Eastern Europe and Asia. Similarly, the fact that Tank Container Logistics offers such high quality service and tailors the transport process to individual customer requirements means that it has the opportunity to both strengthen the loyalty of existing customers and gain new customers. Another factor favoring the use of tank containers is customers' already high – and continually increasing – awareness of safety.

The division is moving in a very fast market environment. Traffic flows can fluctuate sharply, while global market structures are becoming ever more complex. Tank Container Logistics is addressing this 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.

Operational opportunities and risks

Opportunities and risks related to capacity utilization

The core operational division of VTG is the Railcar division. Its customers include companies from the industrial sector, railway companies and logistics companies. VTG's industrial 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 industrial 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. With the takeover of AAE, the division's customer base has expanded to include railways and logistics providers, who had previously played only a subordinate role. The company has a higher concentration of customers in this market segment, particularly in intermodal operations.

In times of economic weakness, there is a risk of a decline in fleet utilization. A change in capacity utilization directly impacts the level of rental income. For VTG, the impact of economic fluctuations is generally milder and also delayed, as the wagons are usually leased over the medium to long term. Good evidence of this is provided by the capacity utilization levels of recent years, which, even during a period of economic cooling, were much less volatile than, for example, transport volumes. The intermodal wagon operations taken over from AAE are more reliant on the actual transport volumes in the markets concerned. This applies in particular to usage-based hire contracts where customers pay only for the time period in which they actually use a wagon. These contracts are, however, few in number.

Since the international 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 has 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.

Investment risk from new wagon orders

The Railcar division is VTG's core operational division and, as of December 31, 2015, had a fleet of some 81,700 rail freight wagons. 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 beginning of 2015, VTG had orders for some 1,100 newbuild wagons in Europe. Over the course of the year under review, approx. 1,800 wagons were added to the order book, while some 1,600 newbuild wagons were delivered to VTG customers. For the European market, VTG thus had outstanding orders for some 1,300 wagons at the end of 2015, most of which are to be delivered to VTG customers in 2016, and the remainder in 2017. In addition, at the end of 2014, VTG already had 1,000 wagons on order for the North American market. Due to the long lead times, it is anticipated that delivery of these will begin in 2017. Thus, at the end of 2015, the number of wagons in the order book totaled 2,300.

This growth in orders demonstrates VTG's ability to plan marketable new construction projects in a forward-looking manner and implement them on schedule for the customer. Waggonbau Graaff (Graaff) plays a key role in providing key production capacity for the construction of special wagons. Additionally, Graaff serves as a design and innovation platform within the

VTG Group. This ensures that valuable design know-how for wagon development remains in the VTG Group, giving VTG an innovative edge.

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.

Opportunities and risks related to price changes

The VTG Group faces a general price change risk. However, in the past few years, which have included 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 net profit 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 net profit for this division and thus for the VTG Group as a whole. Conversely, any deflation would affect the Group's net profit. Such developments would, however, not affect VTG's logistics divisions to the same extent due to their high proportion of variable costs.

Financial opportunities and risks

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.

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. The VTG Group 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. 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 .

Opportunities and risks relating to interest rates

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.

In December 2015, the VTG Group agreed new financing arrangements amounting to € 1.2 billion. These new arrangements involved the refinancing of some € 900 million of existing financial liabilities attributable to both VTG and the newly acquired AAE Group. Due to the variable-interest financial liabilities to banks resulting from the new syndicated loan, VTG is exposed to an interest rate risk that can change depending on the market interest rate. The original (old) credit agreement was secured with interest rate hedges (interest rate derivatives) covering the risk of interest rate increases. This interest rate hedge expired in mid-2015. To date, no new agreements have been entered into for interest rate derivatives, as the AAE transaction included the adoption of interest rate hedges that are suitable for hedging interest rate risks for VTG at Group level. However, under IAS 39, these interest rate hedges instruments are not in any effective hedging relationship. The future changes in the value of these interest rate derivatives are thus recognized in profit or loss. Moreover, as of the reporting date, there were interest rate risks for the Group from certain portions of the promissory note loan, the project financing and the bank loans. As of the balance sheet date, the fixed interest period was up to six months.

In order to assess the risk of changes in interest rates for the financial liabilities and interest rate derivatives of VTG, a change in the market interest rate of 50 basis points was simulated (previous year: 100 basis points). For this purpose, the actual interest rates for the financial year 2015 were each changed by 50 basis points. An increase of 50 basis points in the interest level would increase after-tax profit for the Group by € 1.0 million (previous year: reduction of € 2.5 million at 100 basis points). A reduction of 50 basis points in the interest level would increase after-tax profit for the Group by € 0.4 million (previous year: reduction of € 0.5 million at 100 basis points). This measurement takes account of the new interest rate derivatives.

As of the reporting date, interest rate risks from variable-interest-bearing financial assets apply to cash deposited with banks over the short term. Any change in the interest rate would have no significant impact.

Financial risks related to financial covenants

In addition to the syndicated loan agreed in December, the Group also has two private placement bonds and a liquidity facility. The contractual agreements relating to these contain specific conditions of credit known as financial covenants. The main conditions are:

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

Depending on the wording of the covenant, these ratios must not be exceeded or fallen short of. Failure to comply with these covenants can have far-reaching consequences for VTG, going as far as termination of specific loan agreements. For this reason, VTG monitors these financial covenants proactively, continuously and with the utmost care to ensure that measures can be taken early to ensure compliance. Compliance with the above financial covenants was once again ensured at all times in the last financial year. Thus, as of the balance sheet date, there were no major, quantifiable financial risks in this respect within the meaning of VTG's risk definition.

Additionally, there are some individual project financing arrangements in the VTG Group that allow no recourse to the VTG Group. These financing arrangements include self-contained financial covenants such as a debt service coverage ratio and a certain ratio of secured financial liabilities to the value of the tangible fixed assets provided as collateral. Non-compliance with these financial covenants would lead to a risk under the particular financing arrangement, but would have no effect on the other financing arrangements of the VTG Group.

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 are in the position of a net contributor 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. Through the AAE takeover, the VTG Group has further expanded its Russian operations, including the takeover of the Russian AAE company. In respect of a loan relating to this, there is an unsecured liability in US dollars that is subject to currency fluctuations. If the weakness of the Russian ruble continues or if it deteriorates further, the payment obligations in US dollars to the lending institution could at times go beyond the financial means of the newly acquired companies. In such an event, the VTG Group could feel compelled to place additional financial resources at the disposal of the subsidiary. Furthermore, a small share of the costs of AAE was incurred in Swiss francs.

As of the end of the financial year, there were no further known major, quantifiable risks arising from currency changes within the meaning of VTG's risk definition that could have a significant, negative impact on net profit 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.

Legal, regulatory and other risks

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.

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 then be implemented in practice.

Although the authorities have not specified binding requirements, VTG is continuously developing its maintenance management system for rail freight wagons 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 wheelsets. Meanwhile, all new rail freight wagons are being fitted exclusively with these stronger wheelsets. These measures not only increase axle safety in general, they also lower the risk of disc breakage considerably. The VTG Group intends to continue to build upon its already strong safety record in the operation of rail freight wagons.

Noise control is one of the key environmental issues in European rail freight traffic. To adapt VTG's European wagon fleet appropriately, the brake systems of new wagons have been fitted with the noise-reducing composite (K) brake block since 2005. 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. VTG has voluntarily decided to refit all wagons registered in Germany with quieter brake blocks by the end of 2020. Should any such binding regulation be approved at EU level, 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 may arise from changes to regulatory or technical requirements.

Information technology risks

Information systems are becoming ever more closely interconnected and must be permanently accessible. Information technology is also becoming increasingly important in the execution of 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.

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 staff development programs are based on the VTG competency model, which is continually being adapted to new requirements. The competency model sets out the key competencies for staff 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. Together with its corporate values, VTG's newly introduced principles of leadership provide a uniform understanding of leadership within the Group. This now forms part of the content of modular programs for upper management.

In addition to staff development, succession planning is important, ensuring cover for absent staff and the 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 assessed regularly for potential and performance. The VTG Group already has a strategic succession planning system in place.

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.

OVERVIEW OF OPPORTUNITIES AND RISKS

In 2015, 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 VTG's performance were either minimal or transient. Only deeper, longer-term economic crises have a more marked impact on the financial result. VTG is prepared for such an event with targeted measures for stabilizing the earnings situation if required. Independently of the economic trend, VTG is continually and actively managing its fleet and 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.

REPORT ON EXPECTED DEVELOPMENTS

The outlook for growth in the global economy deteriorated slightly at the beginning of the year. Due to slower growth in the emerging and developing countries, the International Monetary Fund has slightly reduced its forecasts for the economic trend compared with those of September.

The IMF thus expects an increase of 3.4 % in global GDP in 2016 compared with the previous year. For the Chinese economy, experts anticipate that the economy will grow by 6.3 %, thereby lagging behind the 2015 level of 6.9 %. In India, the economy is expected to grow by a considerable 7.5 %, just outstripping the already high level of the previous year (7.3 %). On the more negative side, it is expected that Russia and Brazil will remain in recession. Overall, growth of 4.3 % is forecast for all emerging markets.

In the eurozone, the slow rate of growth is set to continue. Experts foresee a slight increase in GDP of 1.7 %. The strongest growth is anticipated in Spain (2.7 %) and the United Kingdom (2.2 %), while Italy and France are expected to show the least momentum, at 1.3 % each. For the German economy, the IMF experts anticipate moderate growth of 1.7 %.

In the US too, continued economic recovery is expected. After growth of 2.5 % in 2015, forecasts for the current year see GDP rising further, to 2.6 % in 2016. At the same time, however, economic experts also see risks in the global forecasts arising mainly from weaker-than-expected growth in China and other emerging markets. Furthermore, geopolitical risks can adversely affect growth.

VTG expects increase in revenue and EBITDA

Despite the subdued outlook for growth in the global economy, and particularly for Europe, the Executive Board of VTG anticipates a positive trend in business in 2016, with further improvement in both revenue and EBITDA.

A continued upward trend in revenue and EBITDA is expected in the Railcar division. The investments made in the last year and those planned for this year will also positively influence this trend. In total, the order book contained 2,300 newbuild wagons as of December 31, 2015. Of these, some 1,300 are destined for the European market. In addition, 1,000 newbuild wagons were on order for the North American market. Due to the long lead times, delivery of these is expected to commence in 2017. In addition, the reorganization of the European hire business along with the realization of synergies from the takeover of AAE in the past year will have a positive impact on EBITDA in 2016.

Given the slow rate of growth in the European economy, capacity utilization of the wagon fleet will remain at a good level in 2016, with slight fluctuations. This applies in particular to tank wagons and standard freight wagons. Due to the strong dependence of intermodal wagons on short-term economic trends, capacity utilization for these types of wagon is subject to greater fluctuation. Overall, the Executive Board expects a slight increase in revenue and EBITDA in the Railcar division.

In the last financial year, the Rail Logistics division successfully reversed the trend and generated more revenue and earnings. This was largely due to the new structural and organizational arrangements. EBITDA thus increased significantly again, returning to profit after a slight loss in 2014. The division also succeeded in pushing up revenue slightly by attracting new customers. This positive trend should continue in 2016, with another slight increase in revenue and EBITDA.

Based on current economic expectations for the year 2016, the Executive Board anticipates that the positive trend in the Tank Container Logistics division will continue. However, the continuing overcapacity in the market will affect the achievable margins. During the past financial year, the division implemented efficiency measures to address this, the impact of which will be felt in 2016. Overall, VTG expects a slight improvement in revenue in the Tank Container Logistics division. The Executive Board expects EBITDA for 2016 to reach around the same level as in the previous year. However, due to the positive impact in 2015 of one-time items from the sale of an associated company, after adjustment, this in fact corresponds to a slight increase in 2016.

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 2016. The last financial year was shaped significantly by the integration of AAE, along with the measures to increase efficiency and exploit synergies. These measures will continue to have a positive impact on the company's performance in the current financial year. The Executive therefore expects revenue for the Group of between € 1.03 billion and € 1.07 billion for the financial year 2016. Based on the planned investments and the measures set out above, it is anticipated that EBITDA (earnings before interest, taxes, depreciation and amortization) will be between € 345 million and € 355 million.

Planned dividend increase of some 11 %

The Executive Board of VTG intends to propose to the Annual General Meeting, to be held in May 2016, the payment of a dividend of € 0.50 per share for the financial year 2015. This would increase the dividend again, this time by some 11 % compared with the previous year. VTG is thereby continuing to pursue its policy of continually issuing dividends.

VTG sets medium-term goals for growth and profitability

At their strategy meeting in September, the Executive Board and Supervisory Board of VTG set targets for the coming years for medium-term growth and profitability. Having successfully concluded the development phase of 2010-2015, the aim is now to strengthen VTG's competitiveness over the long term with the aid of a range of measures that have already been introduced. The Executive Board has specified the objective of increasing earnings per share (EPS) to € 2.50 by 2018 through these measures. Unlike the key control parameters for operations, revenue and EBITDA, this is a medium-term growth target set by the Executive Board for the coming years.

Hamburg, February 25, 2016

The Executive Board

⟼ 04 → CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period January 1 to December 31, 2015

€ million	Notes	1/1/ to 12/31/2015	1/1 to 12/31/2014 adjusted*
Revenue	(1)	1,027.5	818.3
Changes in inventories	(2)	–1.0	–1.0
Other operating income	(3)	29.7	26.9*
Cost of materials	(4)	–467.3	–451.4
Personnel expenses	(5)	–100.7	–86.8
Other operating expenses	(6)	–154.5	–116.4*
Earnings from companies accounted for using the equity method		2.8	1.4
Earnings before interest, taxes, depreciation, amortization (EBITDA)		**336.5**	**191.0**
Impairment, amortization and depreciation	(7)	–192.4	–107.5
Earnings before interest and taxes (EBIT)		**144.1**	**83.5**
Financial loss (net)	(8)	–98.2	–53.7*
Net group profit before taxes on income (EBT)		**45.9**	**29.8**
Taxes on income and earnings	(9)	–16.5	–11.0
Group net profit		**29.4**	**18.8**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		21.6	19.8
Vendor loan note		0.8	–
Hybrid capital investors		11.6	–
Non-controlling interests		–4.6	–1.0
		29.4	**18.8**
Earnings per share (in €) (undiluted and diluted)	(10)	0.75	0.93

* For explanation, see Principles of Accounting/Currency Translation

The explanatory notes on pages 84 to 148 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period January 1 to December 31, 2015

€ million	Notes	1/1 to 12/31/2015	1/1 to 12/31/2014
Group net profit		**29.4**	**18.8**
Changes in items that will not be reclassified to profit or loss in future periods:			
Revaluation of pension provisions	(27)	−0.8	−6.0
thereof deferred taxes		0.2	2.9
Changes in items that will possibly be reclassified to profit or loss in future periods:			
Currency translation		10.9	2.3
Changes in cash flow hedge reserve		2.0	4.5
thereof deferred taxes		−1.0	−2.2
Other comprehensive income		**12.1**	**0.8**
Comprehensive income		**41.5**	**19.6**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		32.1	20.8
Vendor Loan		0.8	–
Hybrid capital investors		11.6	–
Non-controlling interests		−3.0	−1.2
		41.5	**19.6**

Explanations of equity are given under Notes (21) to (26).

The explanatory notes on pages 84 to 148 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

€ million	Notes	12/31/2015	12/31/2014
Goodwill	(11)	340.5	163.8
Other intangible assets	(12)	99.2	49.4
Tangible fixed assets	(13)	2,197.4	1,162.5
Companies accounted for using the equity method		29.9	17.8
Other investments	(14)	2.9	1.4
Derivative financial instruments	(17)	0.5	0.3
Other financial assets	(17)	10.9	4.3
Other assets	(17)	0.2	0.5
Deferred income tax assets	(18)	26.6	18.2
Non-current assets		**2,708.1**	**1,418.2**
Inventories	(15)	24.1	21.1
Trade receivables	(16)	148.2	109.0
Derivative financial instruments	(17)	0.2	6.1
Other financial assets	(17)	18.8	10.4
Other assets	(17)	47.6	18.9
Current income tax assets	(18)	2.3	6.5
Cash and cash equivalents	(19)	97.8	80.4
Current assets		**339.0**	**252.4**
Non-current assets held for sale	**(20)**	**–**	**2.8**
		3,047.1	**1,673.4**

The explanatory notes on pages 84 to 148 form an integral part of these consolidated financial statements.

LIABILITIES

€ million	Notes	12/31/2015	12/31/2014
Subscribed capital	(21)	28.8	21.4
Additional paid-in capital	(22)	323.7	193.7
Retained earnings	(23)	136.5	120.6
Revaluation reserve	(24)	−0.2	−2.2
Equity attributable to shareholders of VTG Aktiengesellschaft		**488.8**	**333.5**
Equity attributable to hybrid capital investors of VTG Aktiengesellschaft	**(25)**	**259.4**	**–**
Non-controlling interests	**(26)**	**–**	**7.0**
Equity		**748.2**	**340.5**
Provisions for pensions and similar obligations	(27)	71.1	61.3
Deferred income tax liabilities	(28)	148.6	125.2
Other provisions	(29)	10.6	12.8
Financial liabilities	(30)	1,663.9	892.6
Derivative financial instruments	(30)	40.5	–
Non-current debt		**1,934.7**	**1,091.9**
Provisions for pensions and similar obligations	(27)	3.4	3.3
Current income tax liabilities	(28)	21.5	23.2
Other provisions	(29)	59.0	47.1
Financial liabilities	(30)	101.7	17.0
Trade payables	(30)	131.6	127.0
Derivative financial instruments	(30)	20.6	7.4
Other financial liabilities	(30)	16.5	9.0
Other liabilities	(30)	9.9	7.0
Current debt		**364.2**	**241.0**
		3,047.1	**1,673.4**

The explanatory notes on pages 84 to 148 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million Notes	Sub-scribed capital (21)	Additional paid-in capital (22)	Retained earnings (23)	(thereof differences from currency translation)	Revalua-tion reserve* (24)	Equity attributable to shareholders of VTG Aktienge-sellschaft	Equity attributa-ble to vendor loan note	Equity attributa-ble to hybrid capital investors (25)	Non-con-trolling interests (26)	Total
As of 12/31/2013	21.4	193.7	110.6	(1.7)	−6.7	319.0	–	–	2.3	321.3
Group net profit			19.8			19.8			−1.0	18.8
Revaluation of pension provisions			−5.9			−5.9			−0.1	−6.0
Currency translation			2.4	(2.4)		2.4			−0.1	2.3
Changes in cash flow hedge reserve					4.5	4.5				4.5
Comprehensive income	**0.0**	**0.0**	**16.3**	**(2.4)**	**4.5**	**20.8**	**0.0**	**0.0**	**−1.2**	**19.6**
Dividend payment by VTG Aktiengesellschaft			−9.0			−9.0				−9.0
Transactions with equity holders recognized directly in equity			−2.0			−2.0			2.0	0.0
Business acquisition			4.7			4.7			3.9	8.6
Total changes			**10.0**	**(2.4)**	**4.5**	**14.5**	**0.0**	**0.0**	**4.7**	**19.2**
As of 12/31/2014	**21.4**	**193.7**	**120.6**	**(4.1)**	**−2.2**	**333.5**	**0.0**	**0.0**	**7.0**	**340.5**
Group net profit			21.6			21.6	0.8	11.6	−4.6	29.4
Revaluation of pension provisions			−0.8			−0.8				−0.8
Currency translation			9.3	(9.3)		9.3			1.6	10.9
Changes in cash flow hedge reserve					2.0	2.0				2.0
Comprehensive income	**0.0**	**0.0**	**30.1**	**(9.3)**	**2.0**	**32.1**	**0.8**	**11.6**	**−3.0**	**41.5**
Acquisition of AAE										
Issue of ordinary shares	7.4	130.8				138.2				138.2
Settlement of transaction costs		−0.8				−0.8				−0.8
Issue of vendor loan note						0.0	229.4			229.4
Acquisition of non-controlling interests						0.0			4.9	4.9
Issue of hybrid bond										
Issue of bond						0.0		250.0		250.0
Settlement of transaction costs						0.0		−2.2		−2.2
Repayment of vendor loan						0.0	−229.4			−229.4
Acquisition of non-controlling interests			−1.3			−1.3			−8.2	−9.5
Dividend payments			−12.9			−12.9	−0.8		−0.7	−14.4
Total changes	7.4	130.0	15.9	(9.3)	2.0	155.3	0.0	259.4	−7.0	407.7
As of 12/31/2015	**28.8**	**323.7**	**136.5**	**(13.4)**	**−0.2**	**488.8**	**0.0**	**259.4**	**0.0**	**748.2**

* The revaluation reserve includes the reserve for cash flow hedges.
Explanations of equity are given under Notes (21) to (26).

The explanatory notes on pages 84 to 148 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

€ million	Notes	1/1 to 12/31/2015	1/1 to 12/31/2014
Operating activities			
Group net profit		29.4	18.8
Impairment, amortization and depreciation		192.4	107.5
Financing income		−3.6	−0.6
Financing expenses		101.8	54.3
Taxes on income and earnings		16.5	11.0
EBITDA		**336.5**	**191.0**
Other non-cash expenses and income		2.4	−0.6
Dividend from companies accounted for using the equity method		1.5	0.9
Income taxes paid		−16.5	−18.6
Income taxes reimbursed		4.6	4.3
Profit/loss on disposals of fixed asset items		−11.2	−8.9
Changes in			
Inventories		4.1	−2.8
Trade receivables		2.0	−15.4
Trade payables		−5.0	8.5
Other assets and liabilities		−35.5	1.5
Cash flows from operating activities		**282.9**	**159.9**
Investing activities			
Payments for investments in intangible and tangible fixed assets		−170.5	−196.8
Proceeds from disposal of intangible and tangible fixed assets		76.0	24.1
Proceeds from disposal of non-current assets held for sale		1.3	–
Proceeds from/payments for investments in financial assets and company acquisitions (less cash and cash equivalents received)		11.1	–
Proceeds from disposal of financial assets		0.1	–
Financial receivables (incoming payments)		2.8	1.1
Financial receivables (outgoing payments)		−3.6	–
Receipts from interest		1.3	0.5
Cash flows used in investing activities		**−81.5**	**−171.1**
Financing activities			
Payment of VTG Aktiengesellschaft dividend		−12.9	−9.0
Repayment of vendor loan note		−86.2	–
Payment to non-controlling interests		–	−1.4
Payments for acquisition of non-controlling interests		−4.0	–
Costs of raising equity capital		−1.1	–
Receipts from the taking up of (financial) loans		973.6	110.0
Borrowing costs		−9.3	–
Raising of hybrid capital		172.9	–
Repayments of bank loans and other financial liabilities		−1,120.2	−16.8
Interest payments		−99.0	−54.4
Cash flows used in/from financing activities		**−186.2**	**28.4**
Change in cash and cash equivalents		**15.2**	**17.2**
Effect of changes in exchange rates		2.2	1.5
Changes due to scope of consolidation		–	0.2
Balance at beginning of period	(19)	80.4	61.5
Balance of cash and cash equivalents at end of period	**(19)**	**97.8**	**80.4**
of which freely available funds		**95.0**	**77.6**

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

The explanatory notes on pages 84 to 148 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.

The consolidated financial statements are prepared in euros, which represent the functional and reporting currency of VTG AG. For better presentation, all amounts are given in millions of euros (€ million). Due to rounding, individual figures may not add up exactly to the totals given and the percentages provided may not correspond exactly to the associated absolute values.

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on February 25, 2016.

2. Principles of Accounting

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

The consolidated financial statements were prepared in accordance with the historical cost convention, with the exception of: financial assets available for sale; financial assets and financial liabilities (including derivative financial instruments) carried at fair value through profit or loss; plan assets associated with defined benefit commitments; and non-current assets held for sale.

Principles of consolidation

The consolidated financial statements include all entities over which VTG AG exercises control. VTG controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

The Group's investments in companies accounted for using the equity method include investments in joint ventures. A joint operation is an arrangement whereby the parties exercising joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The most recent financial statements of these entities serve as the basis for consolidation under the equity method. As of December 31, 2015, four companies are accounted for using the equity method. The complete list of equity investments is presented on pages 139 to 141.

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 identifiable net assets acquired are recorded as goodwill. If these acquisition costs are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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 subsidiary, 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 annual financial statements of companies included in the scope of consolidation 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.

Any differences that arise are recognized in other comprehensive income under currency translation, with no impact on net income. These differences are recognized in profit or loss only in the year of deconsolidation.

The functional currencies of the companies included in the scope of consolidation are not hyperinflationary currencies.

Transactions in a currency other than the functional currency of a consolidated company (foreign currency transactions) are translated into the functional currency at the exchange rates at the time of the transaction. Monetary assets and liabilities denominated in a foreign currency are subsequently measured at the exchange rate on the closing date. Any differences that arise are immediately recognized in profit or loss.

Foreign currency gains and losses arising from the measurement of assets and liabilities relating to operations are neither recognized in other operating income or other operating expenses nor shown in revenue or cost of materials.

Foreign currency gains and losses arising from the measurement of assets and liabilities relating to financial assets and borrowings are netted in the financial result. This takes account of the increased importance of financing elements in foreign currencies and the approach in risk management. Other operating income and other operating expenses have each been reduced by € 5.8 million. The netted amount is accounted for in the financial result. The corresponding figures for previous reporting periods have been adjusted accordingly.

The following exchange rates have been used for currency translation:

	Rate at balance sheet date		Average rate	
1 euro =	12/31/2015	12/31/2014	2015	2014
British Pound	0.7350	0.7818	0.7259	0.8064
Chinese Yuan Renminbi	7.0724	7.5550	6.9102	8.1882
Polish Zloty	4.2615	4.2623	4.1831	4.1848
Russian Ruble	80.4168	67.5895	67.9711	51.0558
Swiss Franc	1.0822	1.2024	1.0677	1.2146
Czech Koruna	27.0283	27.7434	27.2822	27.5333
Ukrainian Hryvnia	26.2485	19.1607	24.5550	15.5057
Hungarian Forint	315.2762	314.9587	309.8570	308.6721
US Dollar	1.0892	1.2166	1.1098	1.3291

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 other inputs which are observable directly or indirectly. If these are also unavailable, on the third level, other input factors appropriate for measurement 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 the leasing of wagons is recognized on a prorated, straight-line basis over the term of the contracts.

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.

Structure of balance sheet and income statement

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. To increase clarity, some subtotals have now been eliminated from the balance sheet.

The subtotals in the income statement now relate to the capital-market-oriented indicators EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes) and EBT (earnings before taxes). These are determined without deviation from the IFRS applied and are intended to make communication with the capital market easier.

Unplanned impairment losses

Assets that have an indefinite useful life are not subject to scheduled depreciation or amortization. They are subject to an impairment test that must be carried out at least once a year. 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 of disposal 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 and when appropriate 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 costs 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 of the terminal value. The capitalization interest rate plus a growth surplus of 1.0 % per year has been applied. 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 costs of disposal, risk-oriented interest rates appropriate to the market were applied. The post-tax interest rates (WACC) are between 3.7 % and 5.2 %, while in the previous year they were between 3.6 % and 5.1 %.

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 but are subject to an annual impairment test based on the cash-generating units, in which the carrying amount of the cash-generating units, including brands, is compared with the recoverable amount. 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 22 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 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.

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 [1, 2]	
Grain silo wagons	up to 42 years
LPG wagons, mineral oil wagons	up to 40 years
Intermodal wagons, standard freight wagons, bulk freight wagons	up to 36 years
Chemical wagons, powder wagons, compressed gas wagons	up to 32 years
Operating and office equipment	up to 13 years

[1] Some wagon types in the US have longer useful lives than those stated above.
[2] In the previous year, the useful life for rail freight wagons was between 28 and 42 years.

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

Lease agreements that transfer all the significant risks and rewards related to ownership are classified as finance leases. All other lease agreements are classified as operating leases.

a. **The Group as lessee**
   Assets held within the context of a finance lease are capitalized at the beginning of the lease agreement at the fair value of the asset or, if lower, the present value of the minimum lease payments. 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.

b. **The Group as lessor**
   Receivables from finance leases are initially recognized at an amount equal to the net investment in the lease. The lease payments are to be divided into interest and principal payments of the lease receivable so as to produce a constant periodic rate of return on the receivable.

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 assets and financial liabilities 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 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 classified as available for sale and shown under the balance sheet item other investments.

Liabilities from 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.

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 that have been designated as hedging instruments as hedges against the risks of fluctuating cash flows from assets or liabilities or 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 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 twelve months after the balance sheet date or as a current asset or current liability if the residual term is shorter.

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 income statement in the financial years in which the underlying transaction affects the income statement or if the forecast transaction is no longer expected to occur. Hedging relationships categorized as financing activities are reclassified to the financial result. Hedging relationships categorized as operating activities are reclassified to revenue and income/expenses.

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 revaluations of the net debt from defined benefit plans are recognized in other comprehensive income without affecting income and result in a change without affecting income in the present value of the pension obligations as well as the fair value of plan assets. The net interest approach has been used. 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 recognized immediately and 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 made in the form typical for each country. Plan assets are invested both in insurance policies and in a fund 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.

There is additional pension insurance for certain employees in Germany through the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder, VBL). The VBL is an institution incorporated under public law that grants additional retirement benefits to employees of public bodies and to certain legal persons under private law. The VBL pension plan is a multi-employer plan that is essentially to be recognized as a defined benefit plan. Due to the absence of available calculations of the share of the provisions for VTG, the plan is shown as a defined contribution plan.

The VBL benefits operate via a pay-as-you-go system (modified partial reserve pay-as-you-go system). The contribution rate is measured so that the contribution to be paid for the duration of the period of cover together with the remaining expected receipts and the available assets suffice to cover the expenses during the period of cover and the six months thereafter. The calculation is made according to actuarial principles. The contribution rate amounts to a total of 8.06 % of the salary for which there is a supplementary pension from July 2015 on. As an employer, VTG is responsible for 6.45 %. There may be an adjustment to the supplementary pension in 2016. Additionally, a reorganization charge is to be paid. The flat-rate reorganization charges provide the additional financing required for the obligations arising until the closure of the overall benefit system. The individual employer's share of the reorganization charge depends on the retirement pension payments and insurance payments they have to make.

There is no information available on minimum funding requirements or information from which estimates of future contribution payments due to any deficits in or surplus of coverage. The apportionment of surpluses or deficits in the event of the withdrawal of VTG from the VBL plan is agreed in accordance with the articles of association. The scope of VTG's participation in the VBL pension plan compared with other companies is negligibly small.

The discount rate calculation takes into account the development of high quality corporate bonds with a corresponding date of maturity. The discount rate was determined using the Willis Towers Watson Global Rate: Link methodology, based on data from Bloomberg on corporate bonds with an AA rating.

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 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 where they are levied by the same tax authority and 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 2015.

Estimates and discretionary judgments

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 effect on the consolidated financial statements.

At least once a year and when appropriate, 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. In total, there are the cash-generating units Railcar Division, Railcar North America, Rail Logistics, and Tank Container Logistics, three of which carry goodwill.

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). For the cash-generating units Railcar and Railcar North America, the key planning parameters on which ROCE is based are fleet capacity utilization and leasing rates. The assumed development of ROCE is based on slight rates of growth in capacity utilization and stable leasing rates, which in turn are based on past trends and the expectations of management regarding the market trend as supported by market studies (SCI study, European Rail Freight Transport Market) and the IMF's appraisal of the economic trend. The cash-generating units Rail Logistics and Tank Container Logistics have freight rates as the key planning parameter. 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 € 327.2 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 cash-generating unit Railcar would remain unimpaired in the case of a fall in future EBITs of up to 15.3 % or a decrease in ROCE regarding the terminal value of up to 1.54 percentage points or an increase in WACC after tax of up to 1.24 percentage points compared with the parameters currently used. Currently, the coverage surplus amounts to around four times the attributable goodwill.

Within 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.

During the review in the final quarter of 2015, in the light of new findings, changes were made to the way useful lives are calculated. The acquisition of the AAE Group and the subsequent integration of the wagon fleet led to new empirical findings being applied when making wagon assessments. This applies in particular to the intermodal wagon and standard freight wagon segments. The useful lives were adjusted prospectively from October 1, 2015, reducing the level of depreciation by € 2.8 million.

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. In the sensitivity analysis below, 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 for performing the sensitivity analyses.

If the parameters below are adjusted, the obligation changes as follows:

€ million	2015	2014
Increase in discount rate of 25 basis points	−2.1	−1.9
Decrease in discount rate of 25 basis points	+2.2	+2.1
Increase of pension trend by 25 basis points	+1.6	+1.5
Decrease of pension trend by 25 basis points	−3.1	−1.5
Increase of life expectancy by 1 year	+3.1	+2.4

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.

Country-specific legislation is taken into account for tax estimates.

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

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

3. New financial reporting standards

For the financial year beginning January 1, 2015 and those thereafter, the application of some new standards and amendments to existing standards and interpretations has become mandatory.

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. These new regulations are to be applied in all financial years, as of February 1, 2015. If VTG were to exercise its option to determine employee contributions on the basis of IAS 19.93, there would be, for the year 2015, € 46,000 less in expenses in the income statement, and an additional obligation totaling € 1.2 million.

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 June 17, 2014. This new version has no impact on the financial statements of the VTG Group.

"Improvements to IFRS 2011–2013" and **"Improvements to IFRS 2010–2012"** 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.

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 amendments to **IAS 1 "Presentation of Financial Statements"** make improvements in financial reporting in terms of the information in the notes. On the one hand, greater emphasis is to be placed on the principle of materiality and, on the other hand, further sub-classification of balance sheet items and line items showing totals is to be permitted, provided these are appropriate for proper understanding of the entity's assets, financial position and earnings. These amendments also include clarifications regarding the order of the notes and the identification of significant accounting and measurement methods. The adjustments of the regulation are mandatory for financial years beginning on and after January 1, 2016. There is currently no expectation that these new regulations will have any significant impact on reporting in the consolidated financial statements of VTG AG.

According to the changes in **IAS 7 "Statement of Cash Flows",** a company must provide disclosures on changes in financial liabilities for which the incoming and outgoing payments are shown in the statement of cash flows as cash flows from financing activities. Associated financial assets are likewise to be disclosed (e. g assets from hedging transactions). The adjustments of the regulation are mandatory for financial years beginning on and after January 1, 2017. The possible impact of these new regulations on reporting in the consolidated financial statements of VTG AG is currently being investigated.

The changes to **IAS 12 "Income Taxes"** clarify the financial reporting of deferred tax assets for unrealized losses from available-for-sale financial assets. Application of these adjustments is mandatory for financial years beginning on and after January 1, 2017 (still subject to EU endorsement). There is currently no expectation that these new regulations will have any significant impact on reporting in the consolidated financial statements of VTG AG.

Following changes to **IAS 16 "Property, Plant and Equipment"** and **IAS 38 "Intangible Assets",** there is to be clarification as to which methods are appropriate for the depreciation and amortization of property, plant and equipment and intangible assets. These changes are mandatory for financial years beginning on and after January 1, 2016. There is currently no expectation that these new regulations will have any significant impact on reporting in the consolidated financial statements of VTG AG.

Following adjustments to **IAS 16 "Property, Plant and Equipment"** and **IAS 41 "Agriculture",** bearer plants are in future to be accounted for as property, plant and equipment within the meaning of IAS 16. The produce growing on bearer plants will however remain within the scope of IAS 41. Application of these changes is mandatory for financial years beginning on and after January 1, 2016, and will have no effect on the consolidated financial statements of VTG.

The changes to **IAS 27 "Consolidated and Separate Financial Statements"** bring in the optional use of the equity method as an alternative method for financial accounting for shareholdings in subsidiaries, joint ventures, and associates in separate IFRS financial statements. The new regulations are mandatory for financial years beginning on and after January 1, 2016, and will have no effect on the consolidated financial statements of VTG.

Changes have been made to **IAS 28 "Investments in Associates and Joint Ventures"** and **IFRS 10 "Consolidated Financial Statements"** to eliminate known inconsistencies between the guidelines of the two standards with regard to the sale of assets to an associate or joint venture and the contribution of assets to an associate or joint venture. The original effective date of January 1, 2016 has been postponed indefinitely. It is, however, still possible to apply these changes before a new effective date is announced. These new provisions are not currently expected to have any significant impact on reporting in the consolidated financial statements of VTG AG.

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. Furthermore, IFRS 9 contains a revised impairment model and new rules on hedge accounting. With the changes to IFRS 9, IFRS 7 was also amended in respect of additional disclosures for comparative periods on transition to IFRS 9. Application of the new IFRS 9 and IFRS 7 regulations is mandatory for financial years beginning on and after January 1, 2018 (still subject to EU endorsement). The VTG Group expects that adjustments will have to be made, particularly as a result of the revised impairment model in respect of trade receivables and the new provisions relating to the current category of available-for-sale financial assets. These are not currently expected to have any significant impact on the net assets, financial position or results of operations of the VTG Group.

The changes to the standard **IAS 28 "Investments in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements"** and **IFRS 12 "Disclosure of Interests in Other Entities"** grant exemption from the consolidation requirement under IFRS 10 where a parent entity meets the definition of an investment entity. Furthermore, it is clarified that an investment entity that measures its subsidiaries at fair value must make the disclosures on investment entities as specified under IFRS 12. Application of these changes is mandatory for financial years beginning on and after January 1, 2016, and will have no effect on the consolidated financial statements of VTG (still subject to EU endorsement).

The amendments to **IFRS 11 "Joint Arrangements"** clarify the accounting for acquisitions of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. With the exception of those principles that conflict with the guidance in IFRS 11, the accounting principles for business combinations in IFRS 3 and other IFRSs are to be applied. The changes are mandatory for financial years beginning on and after January 1, 2016. There is currently no expectation that these new regulations will have any significant impact on reporting in the consolidated financial statements of VTG AG.

The new **IFRS 14 "Regulatory Deferral Accounts"** permits an entity to continue to account for 'regulatory deferral account balances' in accordance with its national accounting rules during the transition to IFRS. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2016, and will have no effect on the consolidated financial statements of VTG (still subject to EU endorsement).

The new **IFRS 15 "Revenue from Contracts with Customers"** brings together the many rules contained in a range of different standards and interpretations. It establishes uniform, basic principles for all categories of revenue transaction. These principles are applicable across all industries. Application of these new regulations is mandatory for financial years beginning on and after January 1, 2018 (still subject to EU endorsement). The possible impact of these new regulations on reporting in the consolidated financial statements of VTG AG is currently being investigated.

The new **IFRS 16 "Leases"** obliges lessees to recognize all leases as financing transactions and show them as a right-to-use asset and a corresponding lease liability (right-of-use model). Application of the new IFRS 16 regulations is mandatory for financial years beginning on and after January 1, 2019 (still subject to EU endorsement). The VTG Group has various assets at its disposal for whose use it is charged for, such as rail freight wagons, tank containers and office buildings. A large proportion of these assets will be recognized in the balance sheet when IFRS 16 takes effect (no later than the financial year 2019). This will have a noticeable impact on net assets and the financial position of the VTG Group.

"Improvements to IFRS 2012–2014" 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 the new rules in "Improvements to IFRS 2012–2014" is mandatory for financial years beginning on and after January 1, 2016. The possible impact of these new regulations on reporting in the consolidated financial statements of VTG AG is currently being investigated.

4. Scope of consolidation in the financial year 2015

In addition to VTG AG, a total of 20 (previous year: 19) domestic and 50 (prior year 31) foreign subsidiaries are included in the consolidated financial statements for the financial year 2015.

The consolidation group as of December 31, 2015 comprised the following companies:

No.	Name and registered office of company	Shareholding in %
	Fully consolidated companies	
1	VTG Aktiengesellschaft, Hamburg	
2	AAE Ahaus Alstätter Eisenbahn AG, Baar	100.0
3	AAE Ahaus Alstätter Eisenbahn Capital AG, Baar	100.0
4	AAE Ahaus Alstätter Eisenbahn Cargo AG, Baar	100.0
5	AAE Ahaus Alstätter Eisenbahn Holding AG, Baar	100.0
6	AAE Ahaus Alstätter Eisenbahn Transport AG, Baar	100.0
7	AAE Freightcar S.à r.l., Luxembourg	100.0
8	AAE RAILCAR S.à r.l., Luxembourg	100.0
9	AAE RaiLease S.à r.l., Luxembourg	100.0
10	AAE RailFleet S.à r.l., Luxembourg	100.0
11	AAE Slovensko s.r.o., Bratislava	100.0
12	AAE WAGON S.à r.l., Luxembourg	100.0
13	AAE WAGON FINANCE S.A., Luxembourg	100.0
14	Ahaus Alstätter Eisenbahn GmbH, Ahaus	100.0
15	Alstertor Rail UK Limited, Birmingham	100.0
16	Ateliers de Joigny S.A.S., Joigny	100.0
17	Bräunert Eisenbahnverkehr GmbH und Co KG, Hamburg	100.0
18	Bräunert Verwaltungs GmbH, Hamburg	100.0
19	CAIB Rail Holdings Limited, Birmingham	100.0
20	CAIB UK Limited, Birmingham	100.0
21	Deichtor Rail GmbH, Garlstorf	100.0
22	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg (EVA KG)	98.6
23	Etablissements Henri Loyez S.A.S., Libercourt	100.0
24	EURO FREIGHT CAR FINANCE S.A., Luxembourg	100.0
25	Ferdinandstor Rail GmbH, Garlstorf	100.0
26	GALBANUM TRADE & INVEST LIMITED, Limassol	100.0
27	Klostertor Rail GmbH, Garlstorf	100.0
28	Mitrag AG, Paradiso	100.0
29	OOO AAE, Moscow	100.0
30	OOO Railcraft Service, Moscow	100.0
31	OOO Rental Company Vagonpark, Moscow	100.0
32	OOO Transport Company Vagonpark, Saransk	100.0
33	OOO Vagonpark, Moscow	99.99
34	OOO VTG, Moscow	100.0
35	Ortanio Holdings Limited, Tortola	100.0

No.	Name and registered office of company	Shareholding in %
36	Rail Holdings Nederland C.V., Rotterdam	100.0
37	STURGESS HOLDINGS LIMITED, Nicosia	100.0
38	Suvaltra S.A., Paradiso	100.0
39	Transpetrol Sp.z o.o., Chorzów	100.0
40	Vostok Beteiligungs GmbH, Hamburg	100.0
41	Vostok 2 GmbH, Hamburg	100.0
42	VTG Austria Ges.m.b.H., Vienna	100.0
43	VTG Benelux B.V., Rotterdam	100.0
44	VTG Deutschland GmbH, Hamburg	100.0
45	VTG Finance S.A., Luxembourg	100.0
46	VTG France S.A.S., Paris	100.0
47	VTG ITALIA S.r.l., Saronno	100.0
48	VTG Nederland B.V., Rotterdam	100.0
49	VTG North America, Inc., Hinsdale, Illinois	100.0
50	VTG RAIL ESPAÑA S.L., Madrid	100.0
51	VTG Rail Europe GmbH, Hamburg	100.0
52	VTG Rail, Inc., Edwardsville, Illinois	100.0
53	VTG Rail Logistics Austria, Vienna	100.0
54	VTG Rail Logistics Benelux N.V., Gent	100.0
55	VTG Rail Logistics Deutschland GmbH, Hamburg	100.0
56	VTG Rail Logistics France S.A.S., Paris	100.0
57	VTG Rail Logistics GmbH, Hamburg	100.0
58	VTG Rail Logistics Hellas EPE, Thessaloniki	100.0
59	VTG Rail Logistics Hungaria Kft., Budapest	100.0
60	“VTG Rail Logistics” LLC, Moscow	100.0
61	LLC “VTG Rail Logistics Ukraine”, Kiev	100.0
62	VTG Rail Logistics s.r.o., Prague	100.0
63	VTG Rail UK Limited, Birmingham	100.0
64	VTG Schweiz GmbH, Basel	100.0
65	VTG Tanktainer Assets GmbH, Hamburg	100.0
66	VTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	100.0
67	VTG Tanktainer Logistics GmbH, Hamburg	100.0
68	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
69	Waggonbau Graaff GmbH, Elze	100.0
70	Waggonservice Brühl GmbH, Wesseling	100.0 [1]
71	Waggonwerk Brühl GmbH, Wesseling	100.0 [2]
	Companies accounted for using the equity method	
72	AAE Wagon a.s., Bratislava	50.0
73	AXBENET s.r.o., Trnava	50.0
74	Waggon Holding AG, Zug	50.0
75	Shanghai COSCO VTG Tanktainer Co., Ltd., Shanghai	50.0

[1] Owned by Waggonwerk Brühl GmbH
[2] Owned by EVA KG

Compared with December 31, 2014, 22 foreign and two domestic companies have been added for the first time to the scope of consolidation. Three foreign companies and one domestic company left the group of consolidated companies.

On January 6, 2015, VTG AG acquired 100 % of the shares of the wagon hire company AAE Ahaus Alstätter Eisenbahn Holding AG, Baar, Switzerland (AAE). VTG AG also acquired the stake held by non-controlling interests in a subsidiary of the AAE Group.

The merger adds some 30,000 AAE wagons to VTG's existing fleet of more than 50,000. This strengthens VTG's position as Europe's largest private wagon hire company, with a global fleet of more than 80,000 wagons.

It also expands VTG's range of wagons and services in Europe, closes a key gap in its product portfolio, and greatly reduces the average age of the wagons in its fleet. With the merger, VTG has been able to reach new customer groups and is also targeting the market for combined and intermodal transports.

As consideration for the acquisition of all AAE shares, a cash component of € 15 million, a quasi-equity, subordinated vendor loan note of € 229.4 million and some 7.37 million new VTG shares at an issue price of € 18.75 (closing price, January 6, 2015) were issued to the seller. To fulfill the share component of the consideration, the Executive Board of VTG, with the approval of the Supervisory Board, passed a resolution for a capital increase against a mixed contribution in kind, with the exclusion of shareholders' pre-emptive rights. Through partial utilization of the authorized capital, the share capital of VTG has been increased by € 7,367,330, from € 21,388,889 to € 28,756,219. For this purpose, 7,367,330 new ordinary bearer shares (no-par value shares) were issued to the vendor at the issue price of € 1. The new shares carry full dividend rights from January 1, 2014.

The net assets acquired and goodwill are determined as follows:

	€ million
Cash component	15.0
Vendor Loan	229.4
Capital increase	138.1
Total	**382.5**
Fair value of acquired assets, excluding non-controlling interests	205.8
Goodwill	**176.7**

The resulting goodwill is based on a significant future rise in business volume and the possibility of developing new customer and product segments with a clearly diversified wagon fleet and will be allocated to the segment Railcar. The goodwill is not deductible for tax purposes.

In relation to the acquisition of the AAE Group, expenses of € 2.9 million were recorded under other operating expenses for the financial year 2014.

The calculated amount for assets and liabilities comprises the following items:

	€ million
Other intangible assets	56.2
thereof brand	1.5
thereof customer relationships	54.5
Tangible fixed assets	1,101.3
Companies accounted for using the equity method	10.5
Other investments	0.7
Fixed assets	**1,168.7**
Other financial assets	8.6
Other assets	2.4
Deferred income tax assets	19.7
Trade receivables	36.3
Receivables	**67.0**
Inventories	**7.1**
Cash and cash equivalents	**34.4**
Assets	**1,277.2**
Provisions for pensions and similar obligations	5.7
Deferred income tax liabilities	31.6
Other provisions	5.3
Provisions	**42.6**
Financial liabilities	917.7
Derivative financial instruments	78.8
Current income tax liabilities	1.5
Trade payables	12.9
Other liabilities	13.0
Liabilities	**1,023.9**
Fair value of acquired assets	**210.7**
Minority interests measured at fair value	**4.9**
	205.8

The fair value of the receivables shown is equal to the carrying amount. The gross value of the trade receivables is € 41.5 million.

The following companies were acquired through the business acquisition on January 6, 2015:

No.	Name and registered office of company	Shareholding in %
	Fully consolidated companies	
1	AAE Ahaus Alstätter Eisenbahn Holding AG, Baar	100.0
2	AAE Ahaus Alstätter Eisenbahn AG, Baar	100.0
3	AAE Ahaus Alstätter Eisenbahn Capital AG, Baar	100.0
4	AAE Ahaus Alstätter Eisenbahn Cargo AG, Baar (AAE Cargo)	100.0
5	AAE Ahaus Alstätter Eisenbahn Transport AG, Baar	100.0
6	AAE Freightcar S.à r.l., Luxembourg	100.0
7	AAE RAILCAR S.à r.l., Luxembourg	100.0
8	AAE RaiLease S.à r.l., Luxembourg	100.0
9	AAE RailFleet S.à r.l., Luxembourg	100.0
10	AAE WAGON S.à r.l., Luxembourg	100.0
11	AAE WAGON FINANCE S.A., Luxembourg	100.0
12	AAE Slovensko s.r.o., Bratislava	100.0
13	Ahaus Alstätter Eisenbahn GmbH, Ahaus	100.0
14	EURO FREIGHT CAR FINANCE S.A., Luxembourg	100.0
15	GALBANUM TRADE & INVEST LIMITED, Limassol	100.0**
16	OOO AAE, Moscow	100.0
17	OOO Rental Company Vagonpark, Moscow	100.0**
18	OOO Transport Company Vagonpark, Saransk	100.0**
19	OOO Vagonpark, Moscow	99.99**
20	Ortanio Holdings Limited, Tortola	57.23
21	STURGESS HOLDINGS LIMITED, Nicosia	100.0**
	Companies accounted for using the equity method	
22	AXBENET s.r.o., Trnava	50.0
	Affiliated, non-consolidated companies	
23	Cargo Lease AG, Baar (Cargo Lease)	100.0
24	AAE Wagon a.s., Bratislava	100.0*

* 50 % share held by each of AAE Cargo and Cargo Lease
** held directly or indirectly by Ortanio Holdings Ltd., Tortola

This acquisition added € 193.9 million to revenue, while reducing net profit for the Group by € 3.5 million in the period from January 1 to December 31, 2015.

On May 31, 2015, VTG AG acquired a 100 % stake in the companies Mitrag AG, Paradiso, and Suvaltra S. A., Paradiso, at a price of € 7.7 million. This included the takeover of a small wagon fleet. Both companies fall within the Railcar division. The full amount of the sale price had been paid in cash by the end of the reporting period.

The following assets and liabilities were recognized in relation to the acquisition of these companies:

	Fair Value in € million
Tangible fixed assets	11.0
Current receivables and other assets	0.1
Cash and cash equivalents	0.7
Assets	**11.8**
Non-current debt	0.9
Provisions for pensions	0.2
Current debt	1.5
Deferred taxes	1.5
Liabilities	**4.1**
Net assets	**7.7**

The fair value of the receivables shown is equal to the carrying amount. In relation to the business acquisition, expenses of € 0.1 million were recorded under other operating expenses.

This acquisition contributed € 1.9 million to revenue and € 0.1 million to profit for the Group in the seven months from May 31 to December 31, 2015. Had the acquisition taken place right at the beginning of the year, i. e. on January 1, 2015, the revenue contribution would have been € 3.4 million and the profit contribution € 0.3 million.

In the first quarter of 2015, the affiliated, non- consolidated company Cargo Lease was sold for € 0.1 million without effecting the result. The disposal of Cargo Lease reduces the VTG Group's stake in AAE Wagon a. s., Bratislava (AAE Wagon), to 50 %. In the consolidated financial statements, the company is accounted for using the equity method.

On March 31, 2015, Railcraft Service Oy, Espoo was merged with Railcraft Oy, Tuusula. This has no effect on the consolidated financial statements. On November 30, Railcraft Oy, Tuusula was liquidated.

On May 27, 2015, VTG Rail Logistics Deutschland GmbH, Hamburg, was merged with Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg, with retroactive effect from January 1, 2015. The resulting company was then re-named VTG Rail Logistics Deutschland GmbH. This has no effect on the consolidated financial statements.

On December 31, 2015, the newly established company VTG Rail Europe GmbH, Hamburg, was included in the financial statements for the first time, as it has taken over the operations of VTG Austria, Vienna. This has no impact on the consolidated financial statements.

Together with ZSSK CARGO and a further group of investors, VTG Aktiengesellschaft has acquired a stake in Cargo Wagon a. s., a company established for the purpose of freight wagon procurement for the fleet of the Slovakian state rail operator ZSSK CARGO. The group of investors and VTG together hold a 66 % share in the company, divided equally between the two. ZSSK CARGO retains a 34 % share. VTG and the group of investors have jointly invested some € 7.0 million in the equity of the company. In total, some 12,000 ZSSK CARGO wagons were sold to the joint venture, of which 8,200 are being leased back to ZSSK CARGO. After being approved by all the relevant competition authorities (May 12, 2015) and having met all the required contractual conditions, the transaction for the joint venture was completed on July 10, 2015.

On December 18, 2015, CAIB Benelux BVBA, Antwerpen-Berchem, was liquidated. This has no impact on the consolidated financial statements.

Joint ventures

Four companies in the VTG Group are classified as joint ventures. They are recognized using the equity method.

Waggon Holding AG, Zug, (Waggon Holding) has interests in investments that operate in the management, leasing and supply of rail freight wagons in the dry goods market throughout Europe. The expenses and income relating to these rail freight wagons are accounted for via pooling systems.

Shanghai COSCO VTG Tanktainer Co., Ltd., Shanghai, (Shanghai Tanktainer) specializes in China in logistics services for the transport of chemicals for the chemical and petrochemical industries as well as the transport of foodstuffs. As a Chinese partner, Shanghai Tanktainer is helping VTG develop China's domestic market and plays a central role as an agent for the execution of tank container orders both from and to China.

New additions to the Group in 2015 were AXBENET s. r.o., Trnava (AXBENET) and AAE Wagon through the acquisition of the AAE Group. AXBENET has its own fleet of more than 3,500 freight wagons. Its operations center on the leasing of freight wagons in eastern Europe and related services.

The holding company AAE Wagon, established in 2014, holds the shares in Cargo Wagon a. s., which acquired the freight wagon fleet of the Slovakian state railway ZSSK CARGO in the financial year.

All of these companies thus have strategic importance for the VTG Group.

The Joint Ventures show the following key financial information in their financial statements as of December 31, 2015:

	Waggon Holding		Shanghai Cosco		AXBENET	AAE Wagon
€ million	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2015
Current assets	2.9	2.0	1.8	1.9	6.0	–
Cash and cash equivalents	–	–	4.9	3.8	0.1	–
Short-term debt	–	–	2.6	2.4	12.4	0.1
Non-current assets	1.7	1.6	0.2	0.2	77.2	27.6
Non-current debt	–	–	–	–	59.2	27.7
Income	3.7	2.6	13.0	8.9	19.3	–
Depreciation	–	–	–	–	4.9	–
Financing income	–	–	0.1	0.1	–	0.6
Financing expenses	–	–	–	–	2.6	0.7
Earnings before taxes	3.7	2.6	0.8	0.4	1.9	−0.1
Taxes	–	–	0.2	0.1	0.4	0.1
Net profit/loss for the year	**3.7**	**2.6**	**0.6**	**0.3**	**1.5**	**−0.2**
Total	**3.7**	**2.6**	**0.6**	**0.3**	**1.5**	**−0.2**
Dividends received from joint venture	1.5	0.9	–	–	–	–

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

Reconciliation between the reported, summarized financial information and the carrying amount of the companies accounted for using the equity method:

	Waggon Holding		Shanghai Cosco		AXBENET	AAE Wagon
€ million	2015	2014	2015	2014	2015	2015
Net assets as of 1/1	3.6	2.8	3.6	2.9	–	–
Changes to scope of consolidation	–	–	–	–	11.4	–
Net profit/loss for the year	3.7	2.6	0.6	0.3	1.5	−0.2
Currency translation	0.3	–	0.2	0.4	–	–
Dividend	−3.0	−1.8	–	–	–	–
Net assets as of 12/31	**4.6**	**3.6**	**4.4**	**3.6**	**12.9**	**−0.2**
VTG share of net assets (50 %)	2.3	1.8	2.2	1.8	6.4	−0.1
Goodwill	13.8	13.8	0.4	0.4	4.8	–
Carrying amount	**16.1**	**15.6**	**2.6**	**2.2**	**11.2**	**−0.1**

SEGMENT REPORTING

Explanations of the segments

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

In addition to hiring out the freight cars in its own fleet, the Railcar division segment covers the management of and provision of technical support to external wagon fleets. Through its own wagon repair workshops, VTG provides the companies in the Group as well as third parties with maintenance services for rail freight cars and their components. 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 the company VTG Deutschland GmbH (VTG Deutschland) 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 key performance indicator for the segment gross profit (segment revenue and changes in inventories less cost of materials of the segments) is shown. This key performance indicator serves as a basis for the calculation of the EBITDA margin in the segments Rail Logistics and Tank Container Logistics.

Key figures by segment

Based on internal reporting, the figures for the segments for the financial year ended December 31, 2015 are as follows:

€ million	Railcar	Rail Logistics	Tank Container Logistics	Reconciliation	Group
External revenue	537.2	324.0	166.3	–	1,027.5
Internal revenue	27.3	1.7	0.3	−29.2	–
Changes in inventories	−1.0	–	–	–	−1.0
Segment revenue	**563.4**	**325.8**	**166.6**	**−29.2**	**1,026.5**
Segment cost of materials*	−43.9	−297.9	−137.9	28.1	−451.6
Segment gross profit	**519.5**	**27.8**	**28.7**	**−1.1**	**574.9**
Other segment income and expenditure	−184.0	−24.4	−15.1	−14.8	−238.4
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**335.4**	**3.4**	**13.6**	**−15.9**	**336.5**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−183.6	−1.9	−6.3	−0.6	−192.4
thereof impairments	−0.1	–	−1.3**	–	−1.4
Segment earnings before interest and taxes (EBIT)	**151.9**	**1.5**	**7.3**	**−16.6**	**144.1**
thereof earnings from companies accounted for using the equity method	2.5	–	0.3	–	2.8
Financial result	−94.0	−0.8	−0.8	−2.7	−98.3
Earnings before taxes (EBT)	**57.9**	**0.7**	**6.5**	**−19.2**	**45.9**
Taxes on income and earnings					−16.5
Group net profit					**29.4**

* To a minor extent, income has been offset against the cost of materials of the segments.
** The impairments relate to financial assets.

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 € 19.2 million not allocated to the segments. The negative valuation, after refinancing, of interest rate derivatives that were in part formerly in a hedging relationship result in expenses of € 6.2 million that affected the financial result.

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

€ million	Railcar	Rail Logistics	Tank Container Logistics	Reconciliation	Group
External revenue	345.4	322.0	150.9	–	818.3
Internal revenue	23.7	0.5	0.5	−24.7	–
Changes in inventories	−1.0	–	–	–	−1.0
Segment revenue	**368.1**	**322.5**	**151.4**	**−24.7**	**817.3**
Segment cost of material* / **	−34.7	−295.5	−125.5	24.2	−431.5
Segment gross profit**	**333.4**	**27.0**	**25.9**	**−0.5**	**385.8**
Other segment income and expenditure**	−139.0	−27.2	−13.1	−15.5	−194.8
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**194.4**	**−0.2**	**12.8**	**−16.0**	**191.0**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−97.1	−2.5	−7.2	−0.7	−107.5
thereof impairments	−0.1	−0.7	−2.3***	–	−3.1
Segment earnings before interest and taxes (EBIT)	**97.3**	**−2.7**	**5.6**	**−16.7**	**83.5**
thereof earnings from companies accounted for using the equity method	1.3	–	0.1	–	1.4
Financial result	−50.1	−0.4	−1.4	−1.8	−53.7
Earnings before taxes (EBT)	47.2	−3.1	4.2	−18.5	29.8
Taxes on income and earnings					−11.0
Group net profit					**18.8**

* To a minor extent, income has been offset against the cost of materials of the segments.
** Previous year adjusted
*** The impairments relate to financial assets.

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 € 18.5 million not allocated to the segments. The negative valuation, after refinancing, of interest rate derivatives that were formerly in a hedging relationship result in expenses of € 0.5 million that affected the financial result.

There are, as a result of changes affecting internal management reporting in 2015, shifts between costs of materials of the segments and other segment income and expenditure. The above table shows the corresponding expenses and income adapted to the standards of current management reporting.

Capital expenditure for each segment as of the 2015 and 2014 reporting dates is shown in the following table:

€ million	Railcar	Rail Logistics	Tank Container Logistics	Reconciliation	Group
Investments in intangible assets					
12/31/2015	2.6	0.3	0.3	–	3.2
12/31/2014	2.3	0.5	0.1	–	2.9
Investments in tangible fixed assets					
12/31/2015	163.1	0.1	0.9	0.2	164.3
12/31/2014	193.8	0.6	7.1	0.2	201.7
Additions to intangible and tangible fixed assets from company acquisitions/changes to scope of consolidation					
12/31/2015	1,345.3	–	–	–	1,345.3
12/31/2014	–	8.6	–	–	8.6

Key figures across all segments

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

€ million	Germany	Other countries	Group
Investments in intangible assets			
12/31/2015	3.0	0.2	3.2
12/31/2014	2.8	0.1	2.9
Investments in tangible fixed assets			
12/31/2015	94.6	69.7	164.3
12/31/2014	167.6	34.1	201.7
Additions to intangible and tangible fixed assets from company acquisitions/changes to scope of consolidation			
12/31/2015	0.5	1,344.8	1,345.3
12/31/2014	8.0	0.6	8.6
External revenue by location of companies			
12/31/2015	535.3	492.2	1,027.5
12/31/2014	517.1	301.2	818.3

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

€ million	2015	2014
Railcar	537.2	345.4
Rail Logistics	324.0	322.0
Tank Container Logistics	166.3	150.9
Total	**1,027.5**	**818.3**

The business of the VTG Group is affected to only a minor degree by seasonal fluctuations. € 193.9 million of the increase in revenue is attributable to the acquisition of the AAE Group.

Of the revenue in the financial year 2015 and 2014 shown under the Railcar segment, less than 5 % was from the sale of goods. The rental agreements in the Railcar division have an average term of approximately 3 years.

Foreign currency gains of € 4.2 million are included under revenue (previous year: € 2.1 million).

(2) Changes in inventories

€ million	2015	2014
Changes in inventories	**−1.0**	**−1.1**

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

(3) Other operating income

€ million	2015	2014 adjusted*
Book profit from the sale of fixed assets	11.6	10.0
Recharged services	4.0	2.9
Income from investments	2.6	3.7
Exchange gains	2.4	3.5*
Income from sales of materials	2.0	1.8
Other income	7.1	5.0
Total	**29.7**	**26.9***

* For explanation, see Principles of Accounting/Currency Translation

Other income comprises mainly rebates, cost reimbursements and book profit from the sale of wagons to investors.

(4) Cost of materials

€ million	2015	2014
Raw materials, consumables and supplies	20.7	21.3
Cost of purchased services	446.6	430.1
Total	**467.3**	**451.4**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 16.5 million (previous year: € 17.1 million)

Cost of purchased services includes exchange rate losses amounting to € 4.0 million (previous year: € 1.6 million).

(5) Personnel expenses

€ million	2015	2014
Wages and salaries	81.4	69.2
Social security, post-employment and other employee benefit costs	19.3	17.6
thereof for pensions	9.8	8.4
from current contributions to defined contribution plans (excluding VBL*)	0.9	1.1
VBL**	–2.8	1.2
from contributions to defined benefit plans	5.2	0.8
from payments to statutory pension insurance schemes	6.1	5.3
from other payments	0.4	0.3
Total	**100.7**	**86.8**

* VBL: Versorgungsanstalt des Bundes und der Länder/Federal and State Government Employees' Retirement Fund Agency
** Includes reimbursements amounting to € 3.1 million

The € 13.7 million increase in personnel expenses is attributable to the acquisition of the AAE Group. There is a detailed presentation of defined benefit commitments under Note (27).

(6) Other operating expenses

€ million	2015	2014 adjusted*
Repairs and working capital requirements	86.5	60.4
Charges, fees, consultancy costs	10.7	5.8
Selling expenses	10.5	9.8
Rents/lease	6.9	6.5
Other costs of materials and personnel expenses	6.1	5.2
IT costs	4.8	4.6
Travel costs	4.1	2.8
Insurance	3.5	3.1
Exchange rate losses	2.2	3.7*
Donations and contributions	2.2	2.2
Advertising	1.9	1.2
Audit fees	1.8	1.1
Administrative expenses	1.5	1.6
Other taxes	1.5	1.2
Other expenses	10.3	7.2
Total	**154.5**	**116.4***

* For explanation, see Principles of Accounting/Currency Translation

The increase in other operating expenses is largely attributable to the acquisition of the AAE Group, which accounted for € 40.6 million of the total sum.

(7) Impairment, amortization and depreciation

€ million	2015	2014
Impairment, amortization of intangible and depreciation of tangible fixed assets	**192.4**	**107.5**
thereof impairments	1.4	3.1

The increase in impairment and amortization is due almost exclusively to the acquisition of the AAE Group, which accounted for € 87.1 million of total sum. In the year under review, there were impairments of financial assets of € 1.3 million.

(8) Financial loss (net)

€ million	2015	2014 adjusted*
Income from other investment securities and loans	0.1	0.2
Interest and similar income	3.5	0.4
thereof from affiliated companies	(0.1)	(–)
Interest and similar expenses	–89.6	–54.3
thereof to pensions	(–1.3)	(–1.8)
Impairment of other financial assets	–0.4	–
Foreign currency loss (net)	–11.8	–*
Total	**–98.2**	**–53.7***

* For explanation, see Principles of Accounting/Currency Translation

The financial loss increased on the previous year, mainly as a result of the higher volume of financing arising from the acquisition of the AAE Group (€ 50.1 million).

Interest and similar expenses includes expenses relating to derivative financial instruments amounting to € 2.2 million (previous year: € 0.0 million). Interest and similar expenses includes expenses relating to derivative financial instruments amounting to € 8.3 million (previous year: € 8.8 million). Of this amount, € 3.5 million is the interest expense (through reclassification from equity) for the portion of derivative financial instruments in a hedging relationship (previous year: € 8.3 million).

(9) Taxes on income and earnings

€ million	2015	2014
Current taxes	16.6	11.2
thereof relating to other periods	(0.2)	(–0.3)
Deferred tax income	–0.1	–0.2
Total	**16.5**	**11.0**

The actual tax result of € 16.5 million differs by € 1.4 million from the expected expense for taxes on income of € 15.1 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:

€ million	2015	2014
Net group profit before taxes on income	**45.9**	**29.8**
Income tax rate of VTG AG	33 %	33 %
Expected income tax expense (tax rate of VTG AG)	15.1	9.8
Tax effect of non-deductible expenses and tax-free income	3.6	3.3
Tax effect on tax-free investment income	–	–0.6
Tax effect from the adjustment of tax assets to tax loss carryforwards	0.2	–
Tax effect on taxable loss carryforwards	–0.2	–0.5
Tax income and expense relating to other periods	0.2	–0.3
Tax effect due to changes in the income tax rate on effects of the prior year	–0.5	–
Tax effects due to differences between the local tax rate and income tax rate of VTG AG	–2.4	–1.2
Other deviations	0.5	0.5
Actual income tax expense	**16.5**	**11.0**
Tax charge	**35.9 %**	**37.0 %**

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

in %	12/31/2015	12/31/2014
Expected future corporate tax rate	15.00	15.00
Solidarity surcharge	0.83	0.83
Expected future trade tax rate	17.17	17.17
Anticipated future tax rate	**33.00**	**33.00**

Taxes on income represent an expense in the period under review and equal 35.9 % of the result before tax. In the previous year the tax charge amounted to 37.0 % of the result before taxes on income. Further explanations of taxes on income can be found under Note (28).

(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.

	1/1–12/31/2015	1/1–12/31/2014
Group net income attributable to VTG AG shareholders (€ million)	21.6	19.8
Weighted average number of shares	28,635,112	21,388,889
Earnings per share (in €)	**0.75**	**0.93**

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 reporting period.

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 2015 was € 0.45 (previous year: € 0.42).

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fixed assets

Changes to the individual items in intangible assets and tangible fixed assets for the reporting period and the previous year are shown on pages 144 and 147.

(11) Goodwill

€ million	12/31/2015	12/31/2014
Railcar Division segment	327.2	150.5
Rail Logistics segment	11.6	11.6
Tank Container Logistics segment	1.7	1.7
Total	**340.5**	**163.8**

The change in goodwill in the Railcar segment was due to the takeover of the AAE Group.

(12) Other intangible assets

€ million	12/31/2015	12/31/2014
“VTG” brand (Railcar Division)	9.5	9.5
“AAE” brand (Railcar Division)	1.0	–
“Railtrans” brand (Railcar Division)	–	0.1
Customer relationships, Railcar	70.9	21.9
Customer relationships, Rail Logistics	4.2	5.3
Concessions, industrial trademarks and licenses	11.0	10.8
Capitalized development costs	1.0	0.8
Payments on account	1.6	1.0
Total	**99.2**	**49.4**

The brands represent only a small part of the total carrying amount of each cash-generating unit. The increase in the asset customer relationships in the Railcar division was due largely to the acquisition of the AAE Group.

(13) Tangible fixed assets

The increase in tangible fixed assets was due mainly to the acquisition of the AAE Group and 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 € 7.8 million (previous year: € 8.3 million) were recognized under fleet.

For more detailed information on finance leases, see Note (30).

(14) Other financial assets

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

(15) Inventories

€ million	12/31/2015	12/31/2014
Raw materials, consumables and supplies	22.2	18.0
Unfinished and finished products and services	1.9	2.9
Payments on account	–	0.2
Total	**24.1**	**21.1**

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 to the time bands generally used in the receivables management system of the VTG Group.

			Of which not impaired at the year-end date and overdue in the following time bands			
€ million	Carrying amount as of 12/31/2015	Of which neither impaired nor overdue at the year-end date	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	143.9	95.9	24.6	7.8	6.6	9.0
Due from affiliated, non-consolidated companies	0.8	0.8	–	–	–	–
Due from companies in which an investment is held	3.1	1.8	1.0	0.2	–	0.1
Due from companies measured at equity	0.4	0.4	–	–	–	–
Total	**148.2**	**98.9**	**25.6**	**8.0**	**6.6**	**9.1**

The trade receivables overdue after more than 90 days were mainly settled in the middle of February 2016.

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

€ million	Carrying amount as of 12/31/2014	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	104.4	77.8	15.0	5.2	3.9	2.5
Due from affiliated, non-consolidated companies	0.7	0.7	–	–	–	–
Due from companies in which an investment is held	2.0	1.8	0.1	0.1	–	–
Due from companies measured at equity	1.9	1.9	–	–	–	–
Total	**109.0**	**82.2**	**15.1**	**5.3**	**3.9**	**2.5**

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:

€ million	Opening balance 1/1	Currency difference	Utilization	Reversals	Addition	Closing balance 12/31
Allowances						
2015	**6.6**	**–0.3**	**0.6**	**0.9**	**2.7**	**7.5**
2014	7.5	–	1.2	0.3	0.6	6.6

The total amount of additions, amounting to € 2.7 million (previous year: € 0.6 million) comprise the increase to specific allowances amounting to € 2.2 million (previous year € 0.5 million) and allowances on a portfolio basis amounting to € 0.5 million (previous year: € 0.1 million). Specific allowance reversals amounted to € 0.7 million (previous year: € 0.1 million) and allowances on a portfolio basis amounted to € 0.2 million (previous year: € 0.2 million).

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

€ million	2015	2014
Expense for the full write-off of receivables	0.6	0.2
Income from receipts relating to receivables written off	0.4	0.1

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

€ million	12/31/2015 Total	12/31/2015 Residual term more than 1 year	12/31/2014 Total	12/31/2014 Residual term more than 1 year
Financial receivables	9.5	4.6	4.2	2.0
thereof from third parties	9.3	4.6	4.0	2.0
thereof from affiliated, non-consolidated companies	0.2	–	0.2	–
Receivables from finance leases	3.6	1.7	–	–
Other financial receivables	16.6	4.6	10.5	2.3
thereof from third parties	15.4	4.6	9.4	2.3
thereof from companies in which an investment is held	1.2	–	1.1	–
Other financial assets	**29.7**	**10.9**	**14.7**	**4.3**
Derivative financial instruments				
in conjunction with hedging relationships	0.7	0.5	6.4	0.3
Derivative financial instruments	**0.7**	**0.5**	**6.4**	**0.3**
Other assets	**47.8**	**0.2**	**19.4**	**0.5**
thereof relating to taxes	14.2	–	10.1	–
thereof prepaid expenses	1.6	0.1	2.5	0.3
Total	**78.2**	**11.6**	**40.5**	**5.1**

As of the reporting date, none of the financial receivables amounting to € 9.5 million (previous year: € 4.2 million) were impaired or overdue. These include interest-bearing receivables.

As of the balance sheet date, there were no indications that the debtors would not honor their payment obligations.

As of the balance sheet date, reconciliation of future lease payments with receivables from finance leases is as follows:

€ million	Total	Residual term less than 1 year	Residual term 1 to 5 years	Residual term More than 5 years
Future lease payment receipts	3.8	2.0	1.8	–
Unearned finance income	−0.2	−0.1	−0.1	–
Receivables from finance leases as of 12/31/2015	**3.6**	**1.9**	**1.7**	**0.0**

The agreed rail freight wagon leases have an average term of 10 years.

(18) Income tax assets

€ million	12/31/2015	12/31/2014
Deferred income tax assets	26.6	18.2
Current income tax assets	2.3	6.5
Total	**28.9**	**24.7**

Further explanations of deferred taxes can be found under Note (28).

(19) Cash and cash equivalents

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).

(20) Non-current assets held for sale

The holding in Tankspan Leasing Limited, which was disclosed under this balance sheet item at the end of last financial year, was disposed of in the reporting period. The consideration totaling US$ 2.0 million took the form of a cash payment (of US$ 1.5 million) and a vendor loan (of US$ 0.5 million). The resulting book profit of € 0.2 million is disclosed under other operating income.

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.

(21) 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. As of December 31, 2015, subscribed capital amounts to € 28.8 million, after an increase in capital of € 7.4 million on January 6, 2015. Further details of this capital increase can be found in the information regarding changes to the scope of consolidation in the course of the reporting period.

(22) Additional paid-in capital

The increase in additional paid-in capital is connected to the increase in capital of January 6, 2015, at a price of € 18.75 per share. The amount of € 130.8 million included in additional paid-in capital corresponds to the portion of the increase in capital that exceeded subscribed capital.

(23) 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. 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.

(24) Revaluation reserve

The revaluation reserve includes measurement differences from currency hedging transactions, net of deferred taxes, as of the balance sheet date. These are cash flow hedges.

In the financial year, income from the revaluation of the hedging relationship of € 2.0 million (previous year: € 4.5 million) was recognized in equity without affecting income and taking into account deferred tax effects.

(25) Shares of hybrid investors

A vendor loan note amounting to € 229 million, and with interest of 6 %, was obtained on January 6, 2015 by a subsidiary of the VTG AG to finance the acquisition of the AAE Group. This vendor loan note was settled in full by a subsidiary of the VTG AG through the issue of a hybrid bond for € 250 million on January 26, 2015. This hybrid bond was classified exclusively as equity. The seller of the AAE Group holds a € 74 million tranche of this hybrid bond. This tranche was non-cash, and was offset against the vendor loan note on a pro rata basis. A payment of some € 155 million from the proceeds of the hybrid bond was made to the vendor for the remaining amount of the vendor loan note. At the same time, € 70 million thereof was placed at the disposal of the AAE Group by the vendor as a loan for repayment of other financial liabilities.

The hybrid bond is non-time-limited. It can be repaid by VTG on January 26, 2020 at the earliest. Claims by holders of hybrid bonds for repayment of capital are subordinate to those of creditors of financial debt. Costs of equity capital have been offset against the hybrid bond under equity capital.

Interest is chargeable at 5 % p. a. and entered, like the loan, exclusively under equity capital. The interest rate is to be amended as of 2020. The company can suspend interest payments but the backdated interest has to be paid under certain conditions (e. g. payment of a dividend by VTG AG).

(26) Non-controlling interests

As of December 31, 2015, the remaining 30 % stake in VTG Rail Logistics was acquired at a purchase price of € 4.0 million. Non-controlling interests of € 6.5 million were derecognized. The difference of € 2.5 million was recognized directly in equity.

In connection with the acquisition of the AAE Group on January 6, 2015, a non-controlling interest was acquired in Ortanio Holdings (42.77 %). As of the end of the reporting period, this stake had been acquired at a purchase price of € 5.5 million. Non-controlling interests of € 1.7 million were derecognized. The difference of € 3.8 million was recognized directly in equity.

(27) 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.	2015	2014
Discount rate	2,0	2,0
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, the following actuarial assumptions were applied:

	2015				
% p. a.	Belgium	Greece	France	Austria	Switzerland
Discount rate	1.0	2.0	2.25	2.0	0.7
Salary trend	2.5	0.0	2.0	3.0	2.5

	2014				
% p. a.	Belgium	Greece	France	Austria	Switzerland
Discount rate	0.75	2.0	1.75	2.0	1.4
Salary trend	3.0	1.75	2.0	5.0	2.5

The liabilities of the AAE Group were valued on January 1, 2015 with a discount rate of 1.1 %, a salary trend of 2.5 % and a pension trend of 0 %. Mortality was established in accordance with the Swiss Federal Law on Retirement, Disability and Survivors' Pensions (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG) 2010.

Plan assets exist mainly to finance defined benefit obligations from retirement and severance obligations in European countries other than Germany, amounting to € 19.1 million (previous year € 1.6 million).

Pension provisions can be broken down as follows:

€ million	2015	2014
Present value of funded benefit obligations	28.7	3.3
Fair value of the plan assets	−19.5	−1.9
Provision for funded benefit obligations	**9.2**	**1.4**
Present value of unfunded benefit obligations	65.3	63.2
Total provision	**74.5**	**64.6**

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

€ million	2015	2014
Germany	65.2	60.8
Rest of Europe	9.3	3.8
Total	**74.5**	**64.6**

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

€ million	2015	2014
Balance at beginning of period	**64.6**	**55.4**
Additions	6.5	2.5
Current service cost	1.8	0.7
Past service cost	3.4	–
Net interest expense	1.3	1.8
Pension payments made	−3.4	−3.3
Employer contributions	−0.8	−0.1
Revaluations	1.0	8.9
Actuarial gains/losses from changes in financial assumptions	1.4	9.3
Actuarial gains/losses from experience adjustments	−0.4	−0.4
Changes due to consolidation	6.0	1.2
Currency effect	0.6	–
Net pension obligations recognized at end of period	**74.5**	**64.6**

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

€ million	2015	2014
Defined benefit obligation at beginning of period	**66.5**	**57.4**
Current service cost	1.8	0.7
Past service cost	3.4	–
Interest expense	1.5	1.8
Pension payments made	−6.9	−3.6
Employee contributions	0.4	0.1
Revaluations	1.0	8.9
Actuarial gains/losses from changes in financial assumptions	1.4	9.3
Actuarial gains/losses from experience adjustments	−0.4	−0.4
Changes due to consolidation	23.7	1.2
Currency effect	2.6	–
Defined benefit obligation at end of period	**94.0**	**66.5**

€ million	2015	2014
Fair value of plan asset at beginning of period	**1.9**	**2.0**
Interest income	0.2	0.1
Employer contributions	0.8	0.1
Employee contributions	0.4	–
Pension payments from plan asset	−3.5	−0.3
Changes due to consolidation	17.7	–
Currency effect	2.0	–
Fair value of plan asset at end of period	**19.5**	**1.9**

The portfolio of the fund in which the AAE Group invests its plan assets comprises shares (20 %), debentures (62 %), property (15 %) and cash and cash equivalents (3 %). This does not include any property used by VTG itself or any of VTG's own financial instruments.

The impact of the translation of the pension provisions of the AAE Group into euros amounts to € –0.6 million.

Expected payments to beneficiaries in the next period amount to € 4.2 million (previous year: € 3.4 million). In addition, contributions to the plan assets are expected to total € 1.3 million (previous year: € 0.1 million).

As of December 31, 2015, the average term of the obligation for the German companies is 14.0 years (previous year: 14.0 years).

The average term of obligation of the AAE Group is 19.0 years (as of the moment of acquisition: 17.9 years).

Sensitivity analyses are covered in the section Principles of Accounting, under Estimates and Discretionary Judgments.

(28) Income tax liabilities

€ million	12/31/015	12/31/2014
Current income tax liabilities	21.5	23.2
Deferred income tax liabilities	148.6	125.2
Total	**170.1**	**148.4**

Current income tax liabilities developed as follows:

€ million	Balance at beginning of period 1/1/2015	Changes due to consolidation	Currency difference	Utilization	Reversals	Addition	Closing balance 12/31/2015
Current income tax liabilities	**23.2**	**1.5**	**0.1**	**8.3**	**2.3**	**7.3**	**21.5**

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 or 17.7 % for German partnerships; 7.84 % to 35.89 % 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 (see Consolidated Statement of Comprehensive Income).

The amount from temporary differences relating to shares in subsidiaries and companies accounted for using the equity method, for which, in accordance with IAS 12.39, no deferred tax liabilities were recognized in the year under review, amounted to € 11.1 million (previous year: € 6.8 million). In accordance with IAS 12.81 (f), the resulting unrecognized tax liabilities amounted to € 3.8 million (previous year: € 2.3 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:

	12/31/2015		12/31/2014	
€ million	Assets	Liabilities	Assets	Liabilities
Intangible assets	0.6	16.4	–	11.9
Tangible fixed assets	5.3	159.2	2.4	129.6
Financial assets	0.5	0.9	–	0.3
Inventories	0.6	0.3	–	–
Receivables and other assets	1.1	0.4	1.1	2.2
Provisions for pensions	11.9	0.2	10.0	0.2
Miscellaneous provisions	4.6	1.3	5.3	2.0
Liabilities	11.3	0.4	9.1	–
Tax loss carryforwards	21.2	–	11.3	–
Subtotal	**57.1**	**179.1**	**39.2**	**146.2**
Offsetting	-30.5	-30.5	−21.0	−21.0
Total	**26.6**	**148.6**	**18.2**	**125.2**
thereof with a term of up to 1 year	11.2	5.3	3.8	3.0
thereof with a term of more than 1 year	15.4	143.3	14.4	122.2

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 € 3.2 million were not capitalized (previous year: € 3.6 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:

€ million	Loss carryforward	Related non-capitalized deferred tax savings	Forfeitability of the non-capitalized deferred tax savings: Expiring within 1 year	Expiring between 1 and 5 years	Expiring after 5 years	Vested non-capitalized deferred tax savings
Corporate tax loss carryforwards, German companies	1.8	0.3	–	–	–	0.3
Trade tax loss carryforwards, German companies	1.3	0.2	–	–	–	0.2
Tax loss carryforwards of foreign entities	11.5	2.7	–	–	1.4	1.3
Total	**14.6**	**3.2**	**0.0**	**0.0**	**1.4**	**1.8**
Previous year	18.2	3.6	–	–	1.1	2.5

Current taxes for domestic companies were calculated using an effective corporate tax rate of 15 % plus a solidarity surcharge of 5.5 %. The trade tax rate for VTG AG amounts to 17.17 % of trade income. For the other German companies in the Group, trade tax rates of between 11.90 % and 17.17 % are applied. The income tax rates specific to each country that are applied to the foreign companies are between 7.84 % and 35.89 %.

(29) Other provisions

€ million	Opening balance 1/1/2015	Changes due to consolidation	Currency difference	Utilization	Reversals	Addition	Closing balance 12/31/2015
Provisions for personnel expenses	19.2	1.2	0.3	12.7	0.8	15.3	22.5
Provisions for typical operational risks	9.0	–	0.2	1.2	0.6	1.8	9.2
Miscellaneous provisions	31.7	4.1	0.1	7.1	3.1	12.2	37.9
Other provisions	**59.9**	**5.3**	**0.6**	**21.0**	**4.5**	**29.3**	**69.6**

The additions include the interest of € 0.3 million (previous year: € 0.5 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:

	12/31/2015			12/31/2014		
		Residual term			Residual term	
€ million	Total	Due within 1 year	More than 1 year	Total	Due within 1 year	More than 1 year
Provisions for personnel expenses	22.5	17.5	5.0	19.2	14.2	5.0
Provisions for typical operational risks	9.2	6.0	3.2	9.0	5.2	3.8
Miscellaneous provisions	37.9	35.5	2.4	31.7	27.7	4.0
Other provisions	**69.6**	**59.0**	**10.6**	**59.9**	**47.1**	**12.8**

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

The provisions for personnel expenses mainly comprise obligations for outstanding vacations (€ 3.5 million; previous year: € 3.1 million), for social plans (€ 1.9 million; previous year: € 1.6 million), contributions to VBL (€ 1.6; previous year: € 2.4 million), for anniversaries (€ 1.4 million, previous year: € 1.3 million), for long-term phased retirement (€ 0.6 million; previous year: € 0.4 million).

The provisions for typical operational risks relate primarily to repair obligations for leased tank containers (€ 4.0 million; previous year € 3.9 million).

The miscellaneous provisions comprise mainly provisions relating to the wagon fleet (€ 3.5 million; previous year: € 4.3 million), provisions for damage (€ 4.7 million; previous year € 5.0 million) and provisions for interest rate risks (€ 2.7 million; previous year € 2.7 million).

(30) Liabilities

€ million	12/31/2015 Carrying amount	12/31/2015 Residual term more than 1 year	12/31/2015 Residual term more than 5 years	12/31/2014 Carrying amount	12/31/2014 Residual term more than 1 year	12/31/2014 Residual term more than 5 years
Financial liabilities						
Syndicated loans	872.9	820.6	311.3	296.4	291.9	–
Private placements	669.1	664.7	666.1	484.3	480.5	481.9
Project financing	100.5	90.6	20.0	82.4	75.6	4.2
Shareholder loans	70.0	70.0	–	–	–	–
Bank loans	46.6	15.0	–	40.1	40.1	–
Liabilities from finance leases	4.4	3.1	–	5.5	4.4	–
Other financial liabilities						
due to third parties	1.7	0.1	–	0.3	0.1	–
due to affiliated, non-consolidated companies	0.4	–	–	0.5	–	–
Financial liabilities	**1,765.6**	**1,664.1**	**997.4**	**909.5**	**892.6**	**486.1**
Trade payables						
due to third parties	131.4	–	–	125.1	–	–
due to affiliated, non-consolidated companies	0.2	–	–	0.4	–	–
due to equity investments	0.1	–	–	1.5	–	–
Trade payables	**131.6**	**0.0**	**0.0**	**127.0**	**0.0**	**0.0**
Derivative financial instruments						
in conjunction with hedging relationships	0.1	–	–	4.9	–	–
without hedging relationships	61.0	40.5	–	2.5	–	–
Derivative financial instruments	**61.1**	**40.5**	**0.0**	**7.4**	**0.0**	**0.0**
Other financial liabilities	**16.5**	**–**	**–**	**9.0**	**–**	**–**
Other liabilities	**9.9**	**–**	**–**	**7.0**	**–**	**–**
thereof relating to taxes	7.2	–	–	3.6	–	–
thereof relating to social security	1.5	–	–	1.6	–	–
thereof from deferred income	0.5	–	–	0.1	–	–
Total	**1,984.7**	**1,704.6**	**997.4**	**1,060.0**	**892.6**	**486.1**

Financial liabilities

As of December 31, 2015, the VTG Group's primary sources of finance were a syndicated loan, a private placement, project financing, a shareholder loan and bank loans.

Syndicated loan

As part of the refinancing process in December 2015, VTG replaced its existing syndicated loan as well as the three syndicated loans recently acquired through the takeover of the AAE Group with a new syndicated loan.

Syndicated loan € million	Original amount	As of 12/31/2015	As of 12/31/2014
TermLoan A	400.0	381.7	–
TermLoan B	500.0	500.0	–
RCF	200.0	–	–
Guarantees	80.0	51.5	–
Total		**933.2**	**0.0**

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

Private placements

A promissory note loan arising from the acquisition of the AAE Group have expanded the financing of the VTG Group. As part of the refinancing process in December 2015, VTG replaced a debenture (which, through the acquisition of the AAE Group, had also expanded the financing of the VTG Group) with a syndicated loan.

Private placements	Original amount in currency of issue	As of 12/31/2015 in € m	As of 12/31/2014 in € m
US private placement			
Tranche 1	170.0 € million	170.0	170.0
Tranche 2	150.0 € million	150.0	150.0
Tranche 3	130.0 € million	130.0	130.0
Tranche 4	40.0 US$ million	36.7	32.9
Total		486.7	482.9
Promissory note loan			
Series A	100.0 € million	100.0	–
Series B	40.0 € million	40.0	–
Series C	40.0 € million	40.0	–
Total		180.0	–
Total		**666.7**	**482.9**

The tranches of the US private placement and the series-A promissory note loan are fixed-interest. The other series of the promissory note loan are variable-interest.

Project financing

Through the acquisition of the AAE Group, four sets of project financing have expanded the financing of the VTG Group. Two of these expired during the year under review.

Project financing € million	Original amount	As of 12/31/2015	As of 12/31/2014
Deichtor	39.2	24.0	25.5
Ferdinandstor	45.0	30.5	37.7
Klostertor	46.0	16.4	19.4
Eamnoss	18.0	16.2	–
Slovensko	21.3	14.0	–
Total		**101.1**	**82.6**

The "Deichtor", "Ferdinandstor" and "Klostertor" project finance consists of both fixed- and variable-interest tranches. The other project finance is variable-interest.

Bank loans

A loan in USD has been added to the existing bank loan due to the acquisition of the AAE Group.

Bank loans	Original amount in currency of issue	As of 12/31/2015 in € m	As of 12/31/2014 in € m
Unsecured credit line			
Tranche	75.0 € million	15.0	40.0
USD credit			
Tranche A	40.0 US$ million	32.1	–
Tranche B	16.0 US$ million	–	–
Total		32.1	–
Total		**47.1**	**40.0**

The existing bank loans are variable-interest.

There is also a fixed-interest shareholder loan amounting to € 70.0 million.

The above amounts are reconciled to the balance sheets for December 31, 2015, and December 31, 2014 as follows:

Reconciliation € million	12/31/2015	12/31/2014
Syndicated loan	881.7	297.5
Private placements	666.7	482.9
Project financing	101.1	82.6
Shareholder loan	70.0	–
Bank loans	47.1	40.0
Accrued interest	5.5	4.9
Deduction of transaction costs	–13.0	–4.7
Balance sheet amount	**1,759.1**	**903.2**

Liabilities from finance leases

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

	Total	Residual term		
€ million		due within 1 year	between 1 and 5 years	more than 5 years
Future lease payments	4.6	1.5	3.1	–
Interest portion	–0.2	–0.2	–	–
Liabilities from finance leases as of 12/31/2015	**4.4**	**1.3**	**3.1**	**0.0**

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

	Total	Residual term		
€ million		due within 1 year	between 1 and 5 years	more than 5 years
Future lease payments	6.0	1.4	4.6	–
Interest portion	–0.5	–0.2	–0.3	–
Liabilities from finance leases as of 12/31/2014	**5.5**	**1.2**	**4.3**	**0.0**

The leases have an average term of 17 years. The interest rates for these are between 5.5 % and 6.3 %. 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 exchange contracts and interest rate derivatives.

Measurement of fair value

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

	12/31/2015			12/31/2014		
€ million	Quoted prices (Level 1)	Other relevant observable inputs (Level 2)	Other relevant inputs (Level 3)	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	–	–	–	–	–	–
Currency derivatives	–	0.7	–	–	6.4	–
Receivables from derivative financial Instruments						
Interest rate derivatives	–	44.2	16.8	–	6.0	–
Currency derivatives	–	0.1	–	–	1.4	–

There were no transfers between the levels in the year under review.

The interest rate derivatives grouped under level 2 include interest swaps; the main input factor of which is evaluated 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 the spot rate and current interest rates of the corresponding currencies to determine the forward rate. Cross-currency swaps are valued on the basis of observable yield curves.

Assets and liabilities assumed with the acquisition of the AAE Group include two interest rate swaps that exchange a Euribor-based payment for a payment based on a consumer price index. The index used is the French consumer price index excluding tobacco, as published by France's National Institute for Statistics, INSEE. As no future-oriented transactions can be observed for this consumer price index, the items concerned are grouped under level 3. Fair value is based on discounted cash flow. Indications regarding future development are used for non-observable input factors. These are provided by suppliers of financial data and are adopted without changes. An increase of 1 % in the consumer price index would reduce after-tax profit by € 1.1 million, while a 1 % reduction would increase it by € 0.5 million.

The interest rate derivatives grouped under level 3 developed as follows during the reporting period:

€ million	Liabilities from derivative financial instruments without hedging relationships
Opening balance 1/1/2015	**–**
Addition to scope of consolidation	21.2
Net change in fair value (unrealized)	0.9
Equalization	–5.3
Closing balance 12/31/2015	**16.8**

Changes in fair value (net) are included in the financial result.

Offsetting financial assets and financial liabilities

For the financial assets and financial liabilities shown below, there is an impact from offsetting in the balance sheet and a potential impact from netting in the case of instruments that are subject to a legally enforceable master netting agreement or a similar arrangement.

	12/31/2015					
				Related amounts that are not offset		
€ million	Gross amount	Offsetting	Balance sheet amount	Financial instruments	Financial securities	Net amount
Receivables from derivative financial Instruments	0.7	–	0.7	−0.7	–	–
Liabilities from derivative financial instruments	61.1	–	61.1	−0.7	–	60.4

For 2014, the following financial assets and financial liabilities were subject to this agreement:

	12/31/2014					
				Related amounts that are not offset		
€ million	Gross amount	Offsetting	Balance sheet amount	Financial instruments	Financial securities	Net amount
Receivables from derivative financial Instruments	6.4	–	6.4	−1.4	–	5.0
Liabilities from derivative financial instruments	7.4	–	7.4	−1.4	–	6.0

The “Financial instruments” column shows amounts that are subject to a master netting agreement but have not been netted because they do not meet the criteria for offsetting in the balance sheet.

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 2015 and for the previous year.

			Measured in accordance with IAS 39				
Balance sheet item € million	**Valuation category in accordance with IAS 39**	**Carrying amount as of 12/31/2015**	Amortized cost	Fair value not affecting income	Fair value affecting income	Balance sheet measurement in accordance with IAS 17	Fair value 12/31/2015
Assets							
Other investments	AfsFA	2.9	2.9	–			–
Receivables from finance leases	n. a.	3.6				3.6	3.3
Trade receivables	LaR	148.2	148.2				148.2
Derivative financial instruments							
in conjunction with hedging relationships	n. a.	0.7		0.7			0.7
Other financial assets	LaR	26.1	26.1				26.2
Cash and cash equivalents	LaR	97.8	97.8				97.8
Liabilities							
Financial liabilities, thereof		1,765.6					
Syndicated loans	Flmaac	872.9	872.9				872.9
Private placements	Flmaac	669.1	669.1				778.1
Project financing	Flmaac	100.5	100.5				101.0
Shareholder loans	Flmaac	70.0	70.0				83.8
Bank loans	Flmaac	46.6	46.6				46.6
Liabilities from finance leases	n. a.	4.4				4.4	4.4
Other financial liabilities	Flmaac	2.1	2.1				2.1
Trade payables	Flmaac	131.6	131.6				131.6
Derivative financial instruments							
in conjunction with hedging relationships	n. a.	0.1		0.1			0.1
without hedging relationships	Hft	61.0			61.0		61.0
Other financial liabilities	Flmaac	16.5	16.5				16.5
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		272.1	272.1				272.2
Available-for-sale financial assets (AfsFA)		2.9	2.9	–			–
Financial liabilities measured at amortized cost (Flmaac)		1,910.0	1,910.0				2,033.3
Financial assets and liabilities held for trading (Hft)		61.0			61.0		61.0

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

Balance sheet item € million	**Valuation category in accordance with IAS 39**	**Carrying amount as of 12/31/2014**	**Measured in accordance with IAS 39** Amortized cost	Fair value not affecting income	Fair value affecting income	Balance sheet measure-ment in accordance with IAS 17	Fair value 12/31/2014
Assets							
Other investments*	AfsFA	4.3	4.3	–			–
Trade receivables	LaR	109.0	109.0				109.0
Derivative financial instruments							
in conjunction with hedging relationships	n. a.	6.4		6.4			6.4
Other financial assets	LaR	14.7	14.7				14.9
Cash and cash equivalents	LaR	80.4	80.4				80.4
Liabilities							
Financial liabilities, thereof		909.5					
US private placement	Flmaac	484.3	484.3				566.1
Syndicated loan	Flmaac	296.4	296.4				297.9
Project financing	Flmaac	82.4	82.4				84.2
General credit line	Flmaac	40.1	40.1				40.1
Liabilities from finance leases	n. a.	5.5				5.5	5.7
Other financial liabilities	Flmaac	0.8	0.8				0.8
Trade payables	Flmaac	127.0	127.0				127.0
Derivative financial instruments							
in conjunction with hedging relationships	n. a.	4.8		4.8			4.8
without hedging relationships	Hft	2.5			2.5		2.5
Other financial liabilities	Flmaac	9.1	9.1				9.1
Thereof aggregated in accordance with valuation categories under IAS 39							
Loans and receivables (LaR)		204.2	204.2				204.4
Available-for-sale financial assets (AfsFA)		4.3	4.3	–			–
Financial liabilities measured at amortized cost (Flmaac)		1,040.1	1,040.1				1,125.2
Financial assets and liabilities held for trading (Hft)		2.5			2.5		2.5

n. a.: Balance sheet items are not allocable to any measurement category
* contains an investment amounting to € 2.8 million, shown under the balance sheet item "Available-for-sale financial assets"

Trade receivables, other financial assets 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 assets 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 private placements, the syndicated loan, the project financing, the shareholder loan, the bank loan and the liabilities from finance leases are measured at amortized cost. Where finance is fixed-interest, the fair value shown in the table has been determined by discounting the expected future cash flows at interest rates for similar financial liabilities with comparable residual terms. For variable-interest finance, the carrying amount has been used as an approximation of the fair value.

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, 2015, the net result by valuation category was as follows:

€ million	Interest	Valuation	Other items	2015
from				
Loans and receivables	1.5	−0.7	−0.2	0.6
Available-for-sale financial assets	–	−1.6	2.6	1.0
Financial liabilities measured at amortized cost	−75.9	−10.2	–	−86.1
Financial assets and liabilities held for trading	–	−6.2	–	−6.2
Total	**−74.4**	**−18.7**	**2.4**	**−90.7**

For loans and receivables, the valuation item includes impairment costs of € 2.7 million.

The net result for the previous year was as follows:

€ million	Interest	Valuation	Other items	2014
from				
Loans and receivables	0.6	−0.3	−0.1	0.2
Available-for-sale financial assets	–	−2.3	3.7	1.4
Financial liabilities measured at amortized cost	−42.9	−0.1	–	−43.0
Financial assets and liabilities held for trading	–	−0.5	–	−0.5
Total	**−42.3**	**−3.2**	**3.6**	**−41.9**

For loans and receivables, the valuation item includes impairment costs of € 0.6 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 € 14.9 million (previous year: € 14.1 million). As of December 31, 2015, 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 and 2017. 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 (30).

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

The following liquidity analysis shows the payments expected to be made over the next few years as a result of financial liabilities and financial instruments. It also shows payments from derivative assets. The "Balance" column contains the amount for financial liabilities without accrued interest. 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 (30).

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, 2015 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, 2015.

Liquidity analysis

€ million	as of 12/31/2015	Cash flows 2016 Fixed interest	Cash flows 2016 Variable interest	Cash flows 2016 Repayment	Cash flows 2017 Fixed interest	Cash flows 2017 Variable interest	Cash flows 2017 Repayment
Financial liabilities							
Syndicated loans	881.7	–	11.9	37.5	–	12.2	37.5
Private placements	666.7	32.5	2.2	–	32.5	2.2	–
Project financing	101.1	0.8	1.0	10.4	0.8	0.9	17.9
Shareholder loans	70.0	2.6	–	–	3.5	–	–
Bank loans	47.1	–	1.0	32.1	–	0.3	15.0
Liabilities from finance leases	4.4	0.2	–	1.3	–	–	3.1
Other financial liabilities	2.1	–	–	2.0	–	–	0.1
Derivative financial liabilities and assets							
Liabilities with gross settlement							
Outgoing payments		–	–	−3.0	–	–	–
Incoming payments		–	–	2.9	–	–	–
Liabilities with net settlement		–	−20.5	–	–	−16.1	–
Receivables with gross settlement							
Outgoing payments		−0.7	–	−9.7	−0.7	–	–
Incoming payments		0.9	–	9.9	0.9	–	–
Receivables with net settlement		–	–	–	–	–	–

€ million	as of 12/31/2014	Cash flows 2015 Fixed interest	Cash flows 2015 Variable interest	Cash flows 2015 Repayment	Cash flows 2016 Fixed interest	Cash flows 2016 Variable interest	Cash flows 2016 Repayment
Financial liabilities							
US private placement	482.9	27.6	–	–	27.6	–	–
Syndicated loans	297.5	–	7.7	5.1	–	2.5	292.4
Project financing	82.6	1.7	1.2	6.6	1.6	1.1	7.3
General credit lines	40.0	–	1.4	–	–	1.4	–
Liabilities from financial lease	5.5	0.2	–	1.2	0.2	–	1.2
Other financial liabilities	0.8	–	–	0.7	–	–	–
Derivative financial liabilities and assets							
Liabilities with gross settlement							
Outgoing payments		–	–	−16.8	–	–	–
Incoming payments		–	–	15.4	–	–	–
Liabilities with net settlement		−6.0	–	–	–	–	–
Receivables with gross settlement							
Outgoing payments		−0.1	–	−11.8	–	–	−0.7
Incoming payments		0.1	–	17.7	–	–	1.0
Receivables with net settlement		–	–	–	–	–	–

	Cash flows 2018–2020			Cash flows 2021–2023			Cash flows 2024 ff.		
€ million	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment
Financial liabilities									
Syndicated loans	–	30.7	494.2	–	16.3	312.5	–	–	–
Private placements	93.1	2.4	116.7	58.8	–	420.0	19.0	–	130.0
Project financing	1.6	1.5	52.8	0.4	0.2	20.0	–	–	–
Shareholder loans	7.9	–	70.0	–	–	–	–	–	–
Bank loans	–	–	–	–	–	–	–	–	–
Liabilities from finance leases	–	–	–	–	–	–	–	–	–
Other financial liabilities	–	–	–	–	–	–	–	–	–
Derivative financial liabilities and assets									
Liabilities with gross settlement									
Outgoing payments	–	–	–	–	–	–	–	–	–
Incoming payments	–	–	–	–	–	–	–	–	–
Liabilities with net settlement	–	–24.7	–	–	–	–	–	–	–
Receivables with gross settlement									
Outgoing payments	–0.3	–	–17.7	–	–	–	–	–	–
Incoming payments	0.4	–	18.4	–	–	–	–	–	–
Receivables with net settlement	–	–	–	–	–	–	–	–	–

	Cash flows 2017–2019			Cash flows 2020–2022			Cash flows 2023 ff.		
€ million	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment
Financial liabilities									
US private placement	80.4	–	32.9	63.4	–	170.0	30.9	–	280.0
Syndicated loans	–	–	–	–	–	–	–	–	–
Project financing	1.3	2.9	41.5	–	1.5	27.2	–	–	–
General credit lines	–	0.9	40.0	–	–	–	–	–	–
Liabilities from financial lease	0.1	–	3.1	–	–	–	–	–	–
Other financial liabilities	–	–	0.1	–	–	–	–	–	–
Derivative financial liabilities and assets									
Liabilities with gross settlement									
Outgoing payments	–	–	–	–	–	–	–	–	–
Incoming payments	–	–	–	–	–	–	–	–	–
Liabilities with net settlement	–	–	–	–	–	–	–	–	–
Receivables with gross settlement									
Outgoing payments	–	–	–	–	–	–	–	–	–
Incoming payments	–	–	–	–	–	–	–	–	–
Receivables with net settlement	–	–	–	–	–	–	–	–	–

Financial market risk

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

The VTG Group uses derivative financial instruments to manage financial market risks. 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 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 syndicated loan, parts of the promissory note loan and project financing as well as bank loans. In most cases, the fixed-interest period was up to six months as of the balance sheet date. As part of the interest rate hedging strategy, a significant proportion of the variable-interest financial liabilities have been secured with interest rate derivatives that do not meet the IAS 39 requirements for the establishment of hedging relationships.

In order to assess the risk of changes in interest rates for financial liabilities and interest rate derivatives, a change in the market interest rate of 50 basis points (previous year: 100 basis points) was simulated. For this purpose, the actual interest rates for the financial year 2015 were each changed by 50 basis points. An increase of 50 basis points in the interest level would increase after-tax profit for the Group by € 1.0 million (previous year: € 2.5 million decrease with 100 basis points). A reduction in the interest rate of 50 basis points would increase after-tax profit for the Group by € 0.4 million (previous year: increase of € 0.5 million with 100 basis points). This measurement takes account of the new interest rate derivatives.

As of the reporting date, interest rate risks from variable-interest financial assets apply to cash deposited with banks over the short term. A change in the level of interest would have no significant impact.

Currency risk

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 (foreign currency items). The British pound, Polish zloty, Russian ruble, Swiss franc, Czech koruna and US dollar were identified as relevant risk variables in the VTG Group.

For currency hedging, foreign 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.

As of December 31, 2015, derivative financial instruments with a maximum term of 3 months (previous year 3 months) were held in order to hedge exchange risks in connection with planned transactions in foreign currency.

The foreign currency sensitivity analysis below is based on an appreciation/depreciation of 10 % in the currencies concerned as of December 31, 2015. Foreign currency items that are in an effective hedging relationship and the accompanying hedging instruments are not taken into account, as their combined effect on profit is minor.

Appreciation € million	12/31/2015 Affecting income	12/31/2015 Not affecting income	12/31/2014 Affecting income	12/31/2014 Not affecting income
British Pound	+2.3	–	+0.1	–
Polish Zloty	–	–	−0.1	–
Swiss Franc	−0.6	–	−0.6	–
Czech Koruna	−0.1	–	−0.1	–
US Dollar	−2.2	−0.3	+0.8	−0.3

Depreciation € million	12/31/2015 Affecting income	12/31/2015 Not affecting income	12/31/2014 Affecting income	12/31/2014 Not affecting income
British Pound	−2.3	–	−0.1	–
Polish Zloty	–	–	+0.1	–
Swiss Franc	+0.6	–	+0.6	–
Czech Koruna	+0.1	–	+0.1	–
US Dollar	+2.2	+0.3	−0.8	+0.2

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, retained earnings and hybrid capital.

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 (30) under "Financial liabilities").

The (adjusted) financial debt is determined as follows:

€ million	12/31/2015	12/31/2014
Cash and cash equivalents	97.8	80.4
Investment securities	0.3	0.3
Financial receivables	13.1	4.2
Financial liabilities	−1,765.7	−909.5
Correction, deduction of transaction costs	−13.0	−4.7
Net financial debt	**−1,667.5**	**−829.3**
Provisions for pensions	−74.5	−64.6
Adjusted net financial debt	**−1,742.0**	**−893.9**

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

€ million	12/31/2015	12/31/2014
Adjusted net financial debt	1,742.0	893.9
EBITDA	336.5	191.0
Ratio of adjusted net financial debt/EBITDA	**5.2**	**4.7**

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 2015 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 receipts from the taking up of loans, amounting to € 973.6 million, are largely attributable to the refinancing arrangements.

The repayments of bank loans and other financial liabilities, amounting to € 1,120.2 million, largely comprise the finance items replaced through refinancing.

OTHER DISCLOSURES

Collaterals

In relation to its existing financing, the VTG Group provides guarantees of payments amounting to € 1,707.4 million (previous year: € 831.7 million). Furthermore, the following are subject to third-party property rights: rail freight wagons with a carrying amount of € 2,034.6 million (previous year: € 935.0 million), tank containers with a carrying amount of € 25.8 million (previous year: € 30.1 million), accounts with a carrying amount of € 2.8 million (previous year: € 2.8 million) and receivables relating to the lease of rail freight wagons and tank containers.

The contractual agreements of the existing financing arrangements contain conditions of credit known as financial covenants. These have the following particular features:

- 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 collateral

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

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2015 and the previous year:

	12/31/2015			
€ million	due within 1 year	between 1 and 5 years	more than 5 years	Total
Obligations from rental, leasehold and leasing agreements	43.1	96.8	44.0	183.9
Purchase commitments	58.9	129.9	–	188.8
Total	**102.0**	**226.7**	**44.0**	**372.7**

	12/31/2014			
€ million	due within 1 year	between 1 and 5 years	more than 5 years	Total
Obligations from rental, leasehold and leasing agreements	32.4	76.6	41.6	150.6
Purchase commitments	83.6	107.9	–	191.5
Total	**116.0**	**184.5**	**41.6**	**342.1**

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 2015 was € 59.4 million (previous year: € 61.4 million).

Auditors’ fees

In the financial year 2015, 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).

€ million	2015	2014
Fees for auditing the annual report and consolidated financial statements	0.5	0.5
Fees for other services related to the audit opinion	0.7	0.4
Other services	0.1	0.2

Average number of employees

	2015	2014
Salaried employees	1,023	907
Wage-earning staff	374	356
Trainees	45	45
Total	**1,442**	**1,308**
thereof abroad	516	413

Material events after the balance sheet date (Supplemental Report)

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

Related party disclosures

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

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

Income/expenses and receivables/payables from affiliated, non-consolidated companies, companies accounted for using the equity method and other equity investments and shareholders

€ million	2015	2014
Income and expenses from affiliated, non-consolidated companies		
Revenue and other operating income	3.7	8.0
Expenses	3.5	5.6
Income and expenses from other equity investments		
Revenue and other operating income	11.6	4.2
Expenses	2.4	2.2
Interest income	0.1	–
Income and expenses with shareholders		
Interest expense	3.2	–

€ million	12/31/2015	12/31/2014
Receivables from affiliated, non-consolidated companies		
trade receivables	0.8	0.8
other receivables	0.2	0.2
Receivables from companies accounted for using the equity method and other equity investments		
trade receivables	3.6	3.9
other receivables	8.7	3.6
Liabilities to affiliated, non-consolidated companies		
trade payables	0.2	0.4
financial liabilities	0.4	0.5
Liabilities to companies accounted for using the equity method and other equity investments		
trade payables	0.1	1.5
from finance leases	2.5	3.1
Liabilities to shareholders		
shareholder loans	70.0	–

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.

€ million	2015	2014
Short-term employee benefits	7.8	6.0
thereof Executive Board	(3.4)	(3.0)
thereof Supervisory Board	(0.3)	(0.3)
Post-employment benefits	0.4	0.3
thereof Executive Board	(0.3)	(0.2)
Total	**8.2**	**6.3**

Pension provisions for members of the Executive Board amounted to € 9.4 million as of the balance sheet date (previous year: € 5.8 million). Provisions for other key management personnel amounted to € 1.5 million on the balance sheet date (previous year: € 1.4).

There are provisions totaling € 6.1 million for obligations to former members of the Executive Board and their survivors (previous year: € 6.2 million). Allowances paid to former members of the Executive Board and their survivors amounted to € 0.5 million (previous year: € 0.5 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
El Vedado, LLC, New York
Euro Wagon, L.P., Cayman Islands
Euro Wagon II, L.P., Cayman Islands
IPE Euro Wagon, L.P., Jersey
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

		Share capital in %		Equity capital	Result
Name and registered office of company	Currency	Direct	Indirect	in thous. of currency unit	in thous. of currency unit
A. Consolidated affiliated companies					
AAE Ahaus Alstätter Eisenbahn AG, Baar/Switzerland	CHF		100.00	7,744	164
AAE Ahaus Alstätter Eisenbahn Capital AG, Baar/Switzerland	CHF		100.00	−6,493	−9
AAE Ahaus Alstätter Eisenbahn Cargo AG, Baar/Switzerland	CHF		100.00	135,326	27,977
AAE Ahaus Alstätter Eisenbahn Holding AG, Baar/Switzerland	CHF		100.00	66,543	3,833
AAE Ahaus Alstätter Eisenbahn Transport AG, Baar/Switzerland	CHF		100.00	27,032	−538
AAE Freightcar S.à r.l., Luxembourg/Luxembourg	EUR		100.00	1,653	220
AAE Railcar S.à r.l., Luxembourg/Luxembourg	EUR		100.00	1,676	1,661
AAE RaiLease S.à r.l., Luxembourg/Luxembourg	EUR		100.00	3,220	497
AAE RailFleet S.à r.l., Luxembourg/Luxembourg	EUR		100.00	472	139
AAE Slovensko s. r. o., Bratislava/Slovakia	EUR		100.00	6,721	564
AAE Wagon Finance S.A., Luxembourg/Luxembourg	EUR		100.00	3,290	482
AAE Wagon S.à r.l., Luxembourg/Luxembourg	EUR		100.00	13	0
Ahaus Alstätter Eisenbahn GmbH, Ahaus	EUR		100.00	879	54
Alstertor Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	19,568	593
Ateliers de Joigny S. A. S., Joigny/France	EUR		100.00	2,876	862
Bräunert Eisenbahnverkehr GmbH und Co KG, Hamburg	EUR		100.00	125	89
Bräunert Verwaltungs GmbH, Hamburg	EUR		100.00	32	0
CAIB Rail Holdings Limited, Birmingham/United Kingdom	GBP		100.00	7,200	255

Name and registered office of company	Currency	Share capital in % Direct	Share capital in % Indirect	Equity capital in thous. of currency unit	Result in thous. of currency unit
CAIB UK Limited, Birmingham/United Kingdom	GBP		100.00	0	0
Deichtor Rail GmbH, Garlstorf	EUR	100.00		−740	−1,590
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	EUR		98.57	32,470	0 [1]
Etablissements Henri Loyez S.A.S., Libercourt/France	EUR		100.00	−2,025	−86
Euro Freight Car Finance S.A., Luxembourg/Luxembourg	EUR		100.00	5,429	2,601
Ferdinandstor Rail GmbH, Garlstorf	EUR		100.00	2,314	−490
Galbanum Trade & Invest Limited, Limassol/Cyprus	USD		100.00	0	40
Klostertor Rail GmbH, Garlstorf	EUR	100.00		−756	−597
Mitrag AG, Paradiso/Switzerland	CHF		100.00	1,723	434
OOO AAE, Moscow/Russia	RUB		100.00	−85,727	−1,334
OOO Railcraft Service, Moscow/Russia	RUB		100.00	1,231,983	746,527
OOO Rental Company Vagonpark, Moscow/Russia	RUB		100.00	156,833	−522,809
OOO Transport Company Vagonpark, Saransk/Russia	RUB		100.00	−47,936	−48,488
OOO Vagonpark, Moscow/Russia	RUB		100.00	10	0
OOO VTG, Moscow/Russia	RUB		100.00	32,561	13,995
Ortanio Holdings Ltd., Tortola/British Virgin Islands	USD		100.00	3,161	−216
Rail Holdings Nederland C.V., Rotterdam/Netherlands	EUR	99.90	0.10	365,799	0
Sturgess Holdings Ltd., Nicosia/Cyprus	USD		100.00	2,599	−47
Suvaltra S.A., Paradiso/Switzerland	CHF		100.00	1,141	50
Transpetrol Sp.z o.o., Chorzów/Poland	PLN		100.00	7,472	5,333
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	150	-25
Vostok 2 GmbH, Hamburg	EUR	99.60	0.40	26,485	−124
VTG Austria Ges.m.b.H., Vienna/Austria	EUR		100.00	27,395	2,829
VTG Benelux B.V., Rotterdam/Netherlands	EUR		100.00	363,712	−3
VTG Deutschland GmbH, Hamburg	EUR		100.00	54,680	0 [1, 2]
VTG Finance S.A., Luxembourg/Luxembourg	EUR		100.00	2,123	123
VTG France S.A.S., Paris/France	EUR		100.00	41,470	4,973
VTG ITALIA S.r.l., Saronno/Italy	EUR		100.00	1,576	−233
VTG Nederland B.V., Rotterdam/Netherlands	EUR	100.00		6	−4
VTG North America, Inc., Hinsdale, Illinois/USA	USD	100.00		35,143	1,094
VTG RAIL ESPAÑA S.L., Madrid/Spain	EUR		100.00	5,844	4,454
VTG Rail Europe GmbH, Hamburg	EUR		100.00	5,657	619
VTG Rail, Inc., Edwardsville, Illinois/USA	USD		100.00	7,703	1,855
VTG Rail Logistics Austria GmbH, Vienna/Austria	EUR		100.00	−2,149	−768
VTG Rail Logistics Benelux N.V., Gent/Belgium	EUR		100.00	386	83
VTG Rail Logistics Deutschland GmbH, Hamburg	EUR		100.00	1,000	0 [1]
VTG Rail Logistics France S.A.S., Paris/France	EUR		100.00	4,420	265
VTG Rail Logistics GmbH, Hamburg	EUR	100.00		52,427	−2,447
VTG Rail Logistics Hellas EPE, Thessaloniki/Greece	EUR		100.00	550	−795
VTG Rail Logistics Hungaria Kft., Budapest/Hungary	HUF		100.00	56,023	24,988
"VTG Rail Logistics" LLC, Moscow/Russia	RUB		100.00	24,422	18,461

[1] Profit and loss transfer agreement with corresponding parent company
[2] Companies partiallly make use of exemption granted under §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 thous. of currency unit	Result in thous. of currency unit
VTG Rail Logistics s.r.o., Prague/Czech Republic	CZK		100.00	29,813	915
LLC VTG "Rail Logistics Ukraine", Kiev/Ukraine	UAH		100.00	−4,411	−5,039
VTG Rail UK Limited, Birmingham/United Kingdom	GBP		100.00	28,817	3,139
VTG Schweiz GmbH, Basel/Switzerland	CHF		100.00	17,968	2,169
VTG Tanktainer Assets GmbH, Hamburg	EUR		100.00	4,028	0 [1, 2]
VTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	11,710	0 [1, 2]
VTG Tanktainer Logistics GmbH, Hamburg	EUR		100.00	17,020	0 [1, 2]
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		114,950	0 [1, 2]
Waggonbau Graaff GmbH, Elze	EUR	100.00		2,885	215
Waggonservice Brühl GmbH, Wesseling	EUR		100.00	25	0 [1]
Waggonwerk Brühl GmbH, Wesseling	EUR		100.00	4,145	1,992
B. Companies consolidated at equity					
AAE Wagon a.s., Bratislava/Slovakia	EUR		50.00	−163	−190
AXBENET s.r.o., Trnava/Slovakia	EUR		50.00	12,827	2,358
Shanghai COSCO VTG Tanktainer Co., Ltd., Shanghai/China	RMB		50.00	30,758	3,933
Waggon Holding AG, Zug/Switzerland	CHF	50.00		5,120	3,904

1 Profit and loss transfer agreement with corresponding parent company
2 Companies partiallly make use of exemption granted under §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 thous. of currency unit	Result in thous. of currency unit
C. Affiliated, non-consolidated companies					
Eksper Vagon Isletmeleri A.S., Istanbul/Turkey	TRY		100.00	860	10 [1]
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		82	31
Millerntor Rail GmbH, Garlstorf	EUR		100.00	25	0 [2]
VTG Nakliyat Lojistik Kiralama Limited Sirketi, Istanbul/Turkey	TRY		100.00	54	−16 [1]
VTG Rail Assets GmbH, Hamburg	EUR		100.00	25	0 [2]
VTG Tanktainer Asia Pte Ltd., Singapore/Singapore	USD		100.00	67	−49 [1]
VTG Tanktainer Finland Oy, Tuusula/Finland	EUR		100.00	300	43 [1]
VTG Tanktainer North America, Inc., West Chester, Pennsylvania/USA	USD		100.00	364	92 [1]
D. Other companies					
AWILOG Transport GmbH, Oberriexingen	EUR		20.00	522	174 [1]
E.V.S. S.A., Puteaux/France	EUR		34.00	240	60 [1]
Log4Chem GmbH, Pulheim	EUR		25.10		[3]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [1, 2]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	−1,692	812 [1]
Steeltrack S.A., Saint Denis/France	EUR		33.30	581	149 [1]

1 Information as of 12/31/2014
2 Profit and loss transfer agreement with corresponding parent company
3 Data are not yet available

MEMBERS OF THE SUPERVISORY BOARD

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

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

Andreas Goer, Merlischachen, Switzerland
(since May 29, 2015)
Entrepreneur

Dr. jur. Bernd Malmström, Berlin
Solicitor

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

Dr. jur. Christian Olearius, Hamburg
Chairman of the Supervisory Board, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg

Gunnar Uldall, Hamburg
(until May 29, 2015)
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

Günter-Friedrich Maas, Hamburg
Logistics manager
Chief Officer Logistics and Safety

Mark Stevenson, Menzingen, Switzerland
(since May 15, 2015)
MA (Oxon)
Chief Officer Treasury, Finance and Tax

APPOINTMENTS OF THE SUPERVISORY BOARD*

Dr. rer. pol. Wilhelm Scheider, Basel, Switzerland

b) Hydac Electronic GmbH
Hydac Technology GmbH[1]

Andreas Goer, Merlischachen, Switzerland (since May 29, 2015)

b) Akasa AG, Switzerland[1]
BLS Cargo AG, Switzerland
Hector Rail AB, Sweden (until December 31, 2015)
Immobiliengesellschaft Walwag AG, Switzerland[1]

Dr. jur. Bernd Malmström, Berlin

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

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

b) Felix Schoeller Holding GmbH & Co. KG

Dr. jur. Christian Olearius, Hamburg

a) Degussa Bank AG[1]
Marcard, Stein & CO AG[1]
M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien[1]
M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft[1]
M.M.Warburg & CO Hypothekenbank Aktiengesellschaft[1]

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

Gunnar Uldall, Hamburg (until May 29, 2015)

a) BDO Deutsche Warentreuhand Aktiengesellschaft
Hermes Europe GmbH

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

APPOINTMENTS OF THE EXECUTIVE BOARD*

Dr. rer. pol. Heiko Fischer, Hamburg

b) AAE Ahaus Alstätter Eisenbahn AG, Switzerland[1]
AAE Ahaus Alstätter Eisenbahn Capital AG, Switzerland[1]
AAE Ahaus Alstätter Eisenbahn Cargo AG, Switzerland[1]
AAE Ahaus Alstätter Eisenbahn Holding AG, Switzerland[1]
AAE Ahaus Alstätter Eisenbahn Transport AG, Switzerland[1]
"Brückenhaus" Grundstücksgesellschaft mbH
KG "Brückenhaus" Grundstücksgesellschaft mbH & Co
Navigator Holdings Ltd., Marshall Islands
Ortanio Holdings Ltd., British Virgin Islands[1]
TRANSWAGGON AG, Switzerland[2]
TRANSWAGGON-Gruppe, Switzerland[1]
Waggon Holding AG, Switzerland[2]

Dr. rer. pol. Kai Kleeberg, Hamburg

b) TRANSWAGGON AG, Switzerland
Waggon Holding AG, Switzerland

Günter-Friedrich Maas, Hamburg

b) Shanghai COSCO VTG Tanktainer Co., Ltd., China

Mark Stevenson, Menzingen, Switzerland (since May 15, 2015)

b) AAE Ahaus Alstätter Eisenbahn Holding AG, Switzerland
AAE Wagon a. s., Slovakia
AAE Wagon Finance S. A., Luxembourg
Cargo Wagon a. s., Slovakia
Euro Freight Car Finance S. A., Luxembourg
Ortanio Holdings Ltd., British Virgin Islands
VTG Finance S. A., Luxembourg

* Unless stated otherwise, all information on appointments relates to December 31, 2015
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 INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

from January 1 to December 31, 2015

	Acquisition/manufacturing costs						
€ million	Balance at 1/1/2015	Changes to scope of consoli-dation	Currency adjustment	Additions	Disposals	Reclassifi-cations	As of 12/31/2015
Intangible assets							
Concessions, industrial trademarks and similar rights and assets as well as licences in such rights and assets	20.9	0.2	–	1.7	–	0.7	23.5
Brand values	10.1	1.5	–	–	–	–	11.6
Customer relationships	66.4	54.5	–	–	–	–	120.9
Goodwill	165.8	176.7	–	–	–	–	342.5
Capitalized development costs	1.4	–	–	0.2	–	0.3	1.9
Payments on account	1.0	–	–	1.3	–	−0.7	1.6
	265.6	**232.9**	**0.0**	**3.2**	**0.0**	**0.3**	**502.0**
Tangible fixed assets							
Wagon fleet	1,608.6	1,106.8	16.5	98.9	88.4	61.9	2,804.3
Containers and Chassis	64.0	–	–	0.8	0.7	0.2	64.3
Land and buildings including on third party land	13.6	0.4	–	0.1	–	0.7	14.8
Technical plant and machinery	16.9	–	–	1.0	–	1.4	19.3
Other equipment, operating and office equipment	12.4	0.5	–	1.1	0.5	0.3	13.8
Payments on account, assets under construction	58.8	4.7	–	62.4	48.0	−64.8	13.1
	1,774.3	**1,112.4**	**16.5**	**164.3**	**137.6**	**−0.3**	**2,929.6**
Total	**2,039.9**	**1,345.3**	**16.5**	**167.5**	**137.6**	**0.0**	**3,431.6**

Impairment, amortization and depreciation							Carrying amounts	
Balance at 1/1/2015	Currency adjustment	Depreciation/ Amortization for financial year	Impairment	Disposals	Reclassifi-cations	As of 12/31/2015	12/31/2015	12/31/2014
10.1	–	2.4	–	–	–	12.5	11.0	10.8
0.5	–	0.5	0.1	–	–	1.1	10.5	9.6
39.2	–	6.6	–	–	–	45.8	75.1	27.2
2.0	–	–	–	–	–	2.0	340.5	163.8
0.6	–	0.3	–	–	–	0.9	1.0	0.8
–	–	–	–	–	–	0.0	1.6	1.0
52.4	**0.0**	**9.8**	**0.1**	**0.0**	**0.0**	**62.3**	**439.7**	**213.2**
559.6	7.2	171.6	–	65.8	0.2	672.8	2,131.5	1,049.0
33.3	–	4.9	–	0.7	0.2	37.7	26.6	30.7
4.1	–	0.5	–	–	–	4.6	10.2	9.5
5.6	–	1.4	–	–	–	7.0	12.3	11.3
8.0	–	1.8	–	0.5	–	9.3	4.5	4.4
1.2	–	1.0	–	1.0	−0.4	0.8	12.3	57.6
611.8	**7.2**	**181.2**	**0.0**	**68.0**	**0.0**	**732.2**	**2,197.4**	**1,162.5**
664.2	**7.2**	**191.0**	**0.1**	**68.0**	**0.0**	**794.5**	**2,637.1**	**1,375.7**

DEVELOPMENT OF INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

from January 1 to December 31, 2014

€ million	Acquisition/manufacturing costs						
	Balance at 1/1/2014	Changes to scope of consoli-dation*	Currency adjustment	Additions	Disposals	Reclassifi-cations	As of 12/31/2014
Intangible assets							
Concessions, industrial trademarks and similar rights and assets as well as licences in such rights and assets	15.1	–	–	2.2	–	3.6	20.9
Brand values	10.1	–	–	–	–	–	10.1
Customer relationships	65.4	1.0	–	–	–	–	66.4
Goodwill	158.2	7.6	–	–	–	–	165.8
Capitalized development costs	1.4	–	–	–	–	–	1.4
Payments on account	3.9	–	–	0.7	–	−3.6	1.0
	254.1	**8.6**	**0.0**	**2.9**	**0.0**	**0.0**	**265.6**
Tangible fixed assets							
Wagon fleet	1,501.9	–	8.1	118.7	30.6	10.5	1,608.6
Containers and Chassis	57.3	–	–	6.9	0.2	–	64.0
Land and buildings including on third party land	11.4	−0.1	–	2.2	–	0.1	13.6
Technical plant and machinery	13.5	–	–	2.3	0.2	1.3	16.9
Other equipment, operating and office equipment	11.4	–	–	1.7	0.6	−0.1	12.4
Payments on account, assets under construction	14.0	–	–	69.9	13.0	−12.1	58.8
	1,609.5	**−0.1**	**8.1**	**201.7**	**44.6**	**−0.3**	**1,774.3**
Total	**1,863.6**	**8.5**	**8.1**	**204.6**	**44.6**	**−0.3**	**2,039.9**

* The item 'Changes to scope of consolidation' includes disposals of acquisition costs of € 0.1 million.

Impairment, amortization and depreciation						Carrying amounts	
Balance at 1/1/2014	Currency adjustment	Depreciation/ Amortization for financial year	Impairment	Disposals	As of 12/31/2014	**12/31/2014**	12/31/2013
8.2	–	1.9	–	–	10.1	10.8	6.9
–	–	–	0.5	–	0.5	9.6	10.1
34.6	–	4.3	0.3	–	39.2	27.2	30.8
2.0	–	–	–	–	2.0	163.8	156.2
0.4	–	0.2	–	–	0.6	0.8	1.0
–	–	–	–	–	0.0	1.0	3.9
45.2	**0.0**	**6.4**	**0.8**	**0.0**	**52.4**	**213.2**	**208.9**
495.4	3.5	88.9	0.1	28.3	559.6	1,049.0	1,006.5
28.8	–	4.7	–	0.2	33.3	30.7	28.5
3.7	–	0.4	–	–	4.1	9.5	7.7
4.6	–	1.3	–	0.3	5.6	11.3	8.9
7.1	–	1.5	–	0.6	8.0	4.4	4.3
0.1	–	1.2	–	0.1	1.2	57.6	13.9
539.7	**3.5**	**98.0**	**0.1**	**29.5**	**611.8**	**1,162.5**	**1,069.8**
584.9	**3.5**	**104.4**	**0.9**	**29.5**	**664.2**	**1,375.7**	**1,278.7**

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 25, 2016

The Executive Board

DR. HEIKO FISCHER

DR. KAI KLEEBERG

GÜNTER-FRIEDRICH MAAS

MARK STEVENSON

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 25, 2016

The Executive Board

DR. HEIKO FISCHER

DR. KAI KLEEBERG

GÜNTER-FRIEDRICH MAAS

MARK STEVENSON

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FURTHER INFORMATION

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the VTG Aktiengesellschaft, Hamburg, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st to December 31st, 2015. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, February 25th, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Brandt
Wirtschaftsprüfer
(German Public Auditor)

Christoph Fehling
Wirtschaftsprüfer
(German Public Auditor)

GLOSSARY

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.

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.

Intermodal wagon
Also called a container wagon. A special type of flat wagon for transporting containers.

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.

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.

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

5-YEAR OVERVIEW FOR THE GROUP

€ million	2011	2012	2013	2014	2015
Revenue	**750.0**	**767.0**	**783.7**	**818.3**	**1,027.5**
Railcar Division	303.9	314.6	332.9	345.4	537.2
Rail logistics	294.3	296.8	298.4	322.0	324.0
Tank container logistics	151.8	155.5	152.3	150.9	166.3
Group EBITDA	**168.7**	**173.8**	**183.8**	**191.0**	**336.5**
Railcar Division	156.5	167.4	181.1	194.4	335.4
Rail logistics	12.1	7.7	3.8	−0.2	3.4
Tank container logistics	13.1	11.9	9.2	12.8	13.6
EBIT	72.3	68.8	77.7	83.5	144.1
Group net profit (comparable)	17.9*	10.3	17.2	18.8	29.4
Depreciation	96.4	105.0	106.0	107.5	192.4
Total investments	182.8	220.5	166.0	219.2	195.8
Operating cash flow	125.6	136.0	149.8	159.9	282.9
Earning per share (comparable) in €	0.75*	0.41	0.71	0.93	0.75
Dividend per share in €	0.35	0.37	0.42	0.45	0.50**
Balance sheet total	1,461.9	1,527.9	1,550.8	1,673.4	3,047.1
Non-current assets	1,225.3	1,309.4	1,332.2	1,418.2	2,708.1
Current assets	236.7	218.5	218.6	255.2***	339.0
Equity	317.5	311.7	321.3	340.5	748.2
Liabilities	1,144.5	1,216.2	1,229.5	1,332.9	2,298.9
Number of employees	1,170	1,188	1,191	1,312	1,445
in Germany	778	838	846	909	942
in other countries	392	350	345	403	503

* 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)
*** incl. non-current assets held for sale

FINANCIAL CALENDAR 2016 AND SHARE DATA

Financial calendar 2016

February 23	Preliminary results for 2015
April 5	Publication of the results 2015
April 5	Financial Statements Press Conference, Hamburg
April 5	Analyst Conference, Hamburg
May 12	Interim Disclosure for the 1st Quarter 2016
May 31	Annual General Meeting, Hamburg
August 30	Half-yearly Financial Report 2016
November 17	Interim Disclosure for the 3rd Quarter 2016

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)	28,756,219
Market capitalization (12/31)	€ 817.8 million
Stock exchanges	XETRA, Frankfurt, Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Share price (12/31)	€ 28.44

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.

CONTACT AND IMPRINT

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Concept and Design
Berichtsmanufaktur GmbH, Hamburg

Images
Photo of the Executive Board: Matthias Haslauer, Hamburg
Cover: Getty Images
Photo spread: Frank Reinhold, Dusseldorf (2–5, 8–11, 14–17), iStockphoto (6), plainpicture (12)

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