Annual Report 2007

VTG Aktiengesellschaft

MOBILITY

drives us

VTG

VTG is a **rail logistics company operating internationally.** The services it offers include the hiring out of rail freight cars, logistics services as a rail forwarder and intermodal tank container logistics worldwide. With around 48,000 wagons and some 900 wagon types, VTG is **Europe's leading private provider of wagons for hire.** VTG has **many years' experience and sound expertise,** particularly in dealing with products from the chemical, petroleum, automobile and paper industries. This is the solid foundation upon which VTG builds to constantly open up new sectors and industries.

Mobility drives us

Our business is more than merely providing wagons or transporting goods from A to B. We offer intelligent "mobile space" and thus a resource which moves raw materials and goods over great distances on time, safely and efficiently. Individual logistics solutions coupled with specialist consulting skills are our hallmarks. ... Mobility drives us!

Financial year

	2006	**2007**	Change in %
Revenue in € m	518.6	541.4	4.4
EBITDA in € m	112.9	137.0	21.3
EBIT in € m	53.6	68.4	27.6
Group profit in € m	7.5	49.7	> 100.0
Group profit adjusted for special tax effects in € m	7.5	19.1	> 100.0
Investments in fixed assets in €m	69.0	116.7	69.2
Depreciation in € m	59.3	68.6	15.7
Cash flow in € m	110.9	113.5	2.3
Earnings per share adjusted for special tax effects in € *	N/A	0.87	
Number of employees as at 31.12.	795	814	2.4
in Germany	517	510	-1.4
in other countries	278	304	9.4
Total assets in € m	1,009.6	1,165.9	15.5
Non-current assets in € m	859.6	990.6	15.2
Current assets in € m	150.0	175.3	16.9
Shareholders' equity in € m	63.9	278.7	> 100.0
Borrowings in € m	945.8	887.2	-6.2
Equity ratio	6.3	23.9	> 100.0

* this figure is based on shares circulating at the balance sheet date

Milestones

January 2007	April 2007	June 2007	June 2007
VTG takes over 800 wagons from a Swiss competitor and thus extends its leading market position as No. 1 in the European wagon-hiring business.	VTG increases its stake in VOTG Tanktainer GmbH from 58.35 per cent to 100 per cent.	At the transport logistic 2007 trade fair, VTG presents its extended range of wagons – the building of several hundred new rail freight cars for transporting solid bulk goods.	Listing of VTG share on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

WAGON HIRE

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

Employees	518 *
Wagons	47,800
Geographical presence	Widespread network of own operational centres and branches throughout Europe and beyond
Revenue € million	260.5
EBITDA € million	137.1

* Excluding 113 employees at Head Office; total number of employees as at 31st December 2007: 814

RAIL LOGISTICS

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

Employees	86 *
Wagons	3,750 hired
Geographical presence	Focus on Europe with own operational centres
Revenue € million	153.8
EBITDA € million	4.4

2007

August 2007	November 2007	December 2007	MILESTONES
Publication of half-yearly figures: EBITDA rises to record level.	VTG takes over UK tank container leasing company Tankspan Leasing with its 3,100 modern tank containers. Publication of quarterly figures: VTG increases revenue and profit substantially in the first nine months.	VTG initiates wagon-hiring operations in North America and signs a contract to purchase Texas Railcar Leasing, with around 1,000 wagons (acquisition finalized in January 2008).	

TANK CONTAINER LOGISTICS

With its Tank Container Logistics Division, VTG offers worldwide intermodal transport and logistics services with tank containers and the hiring out of tank containers.

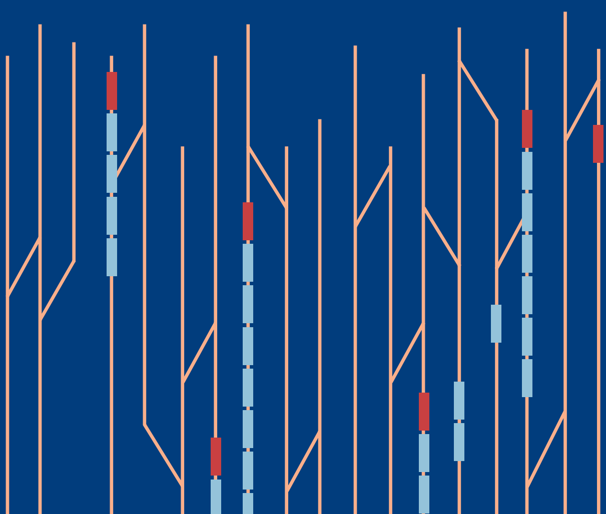
Employees	97 *
Tank containers	8,000
Geographical presence	Worldwide presence with own operational centres and branches
Revenue € million	127.2
EBITDA € million	8.1

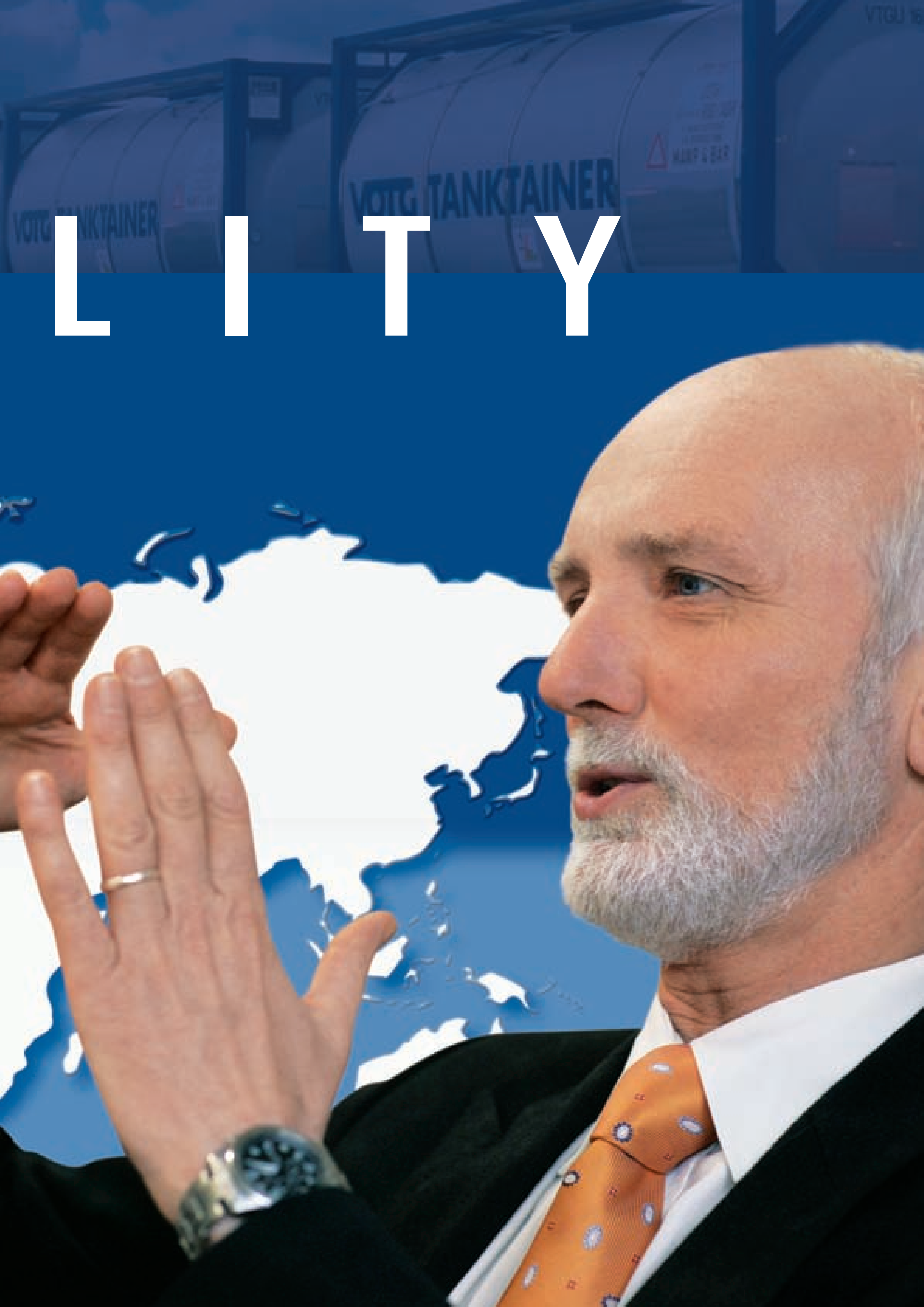
Contents

Moved by

M O B I

We are the rail logistics professionals, whether you are looking for rail freight cars, tank containers or a forwarding agent. And we learn something new every day. The maps of Europe and the world are not only covered with (usually crowded) roads. They are also criss-crossed by an efficient and closely-interwoven rail network that is becoming more important day by day. With our efficient teams and the experience of more than five decades, we ensure that goods and products can be successfully integrated into the economic process. Mobility drives us!




L I T Y
VOTG TANKTAINER
VOTG TANKTAINER

Foreword by the Executive Board

The Executive Board (from left):

Dr. Kai Kleeberg,
Chief Financial Officer (CFO)

Dr. Heiko Fischer,
Chairman of the Executive Board (CEO)

Jürgen Hüllen,
Chief Technical Officer (CTO)

Ladies and Gentlemen:

The financial year 2007 was very successful for the VTG Group in every respect. We set important markers for our future course and continued to consolidate our market position as a leading European rail logistics company. Our operating result even exceeded our expectations and reflects not only the renaissance of the railway but above all the confidence of our customers. We are highly satisfied with this development and are confident that our course is the right one. The stock exchange listing last year was an important milestone in achieving sustainable growth.

On track for success in 2007

We had already started reorienting our divisions and processes in 2006. Last year we took further important steps and completed the restructuring of our business into the three divisions: Wagon Hire, Rail Logistics and Tank Container Logistics. With this clear structure, we are in the best position to exploit the growing rail market. As the first European rail logistics company, we took the bold step of going public and completed all necessary preparations in only six months. At the same time, we expanded our business at full speed: we increased our stake in our tank container company VOTG to 100 per cent. By taking over rail freight car and tank container fleets, we were able to increase the quality and quantity of our fleet even further and now have more than 47,800 rail freight cars and 8,000 tank containers. In addition, we intensified our building programme of new rail freight cars, for which we extended our fleet portfolio with the close collaboration of all divisions and taking into account new logistics concepts. Within this context, we began procuring and hiring out new wagon types. We also continued to grow internationally: so far we have proven our ability in wagon leasing, particularly in our core market of Europe. In 2007, we took the leap across to the American continent, taking over a specialist wagon leasing company. This is the basis from which we intend to expand our business there and profit from the enormous opportunities in the world's biggest rail market.

Revenue and earnings well above target

Our financial results for 2007 show that we are right in aiming for growth. Supported by a positive economic environment and a high demand for logistics services, we were able to increase our revenue by 4.4 per cent to € 541.4 million and the operating earnings (EBITDA) by 21.3 per cent to € 137 million. The Group profit amounted to € 49.7 million, a figure which was well above target. The Wagon Hire Division profited from the strong demand for wagons and achieved an excellent capacity utilization of 93.9 per cent by the end of the year. The operating earnings in the Rail Logistics Division were substantially increased through the expansion of international traffic despite a fall in sales. There were also big increases in the Tank Container Logistics Division, which benefited from a particularly high demand in the chemical industry.

Since its initial listing in June last year, when the stock exchange was still booming, the VTG share has done well in a turbulent securities market in the financial year by comparison with the principal indices and particularly compared with other new issues. Since the beginning of 2008, the VTG share has also been affected by the general uncertainty in financial markets and has suffered considerable drops in price, although the business is developing well and the prospects continue to be very good.

Investing in the environment

No matter how fast we are pushing ahead with our business, we are still keeping our eyes on one important and socially relevant subject – climate protection. We are committed to making people more aware of the advantages of rail transport. Transporting goods by rail is much more environmentally friendly than using the road. The CO_2 emissions per tonne kilometre of rail transports are less than one third of those of road transports. Compared with the road, the rail is better for the environment not only because of lower harmful emissions but also because it uses up fewer natural landscape resources. Rail transport is also very safe and efficient for carrying large quantities over long distances. This is why the railway is playing an increasingly important role in a world which is becoming increasingly closely intertwined especially in the basic provision of industry with raw materials and fuels, but also in the economical and very reliable transport of semi-finished and finished goods.

Continuing to grow successfully in the future

The successes of 2007 are for us an incentive to continue pursuing the course we have taken as energetically as ever. We are well positioned in the growing rail freight market and will exploit the positive market developments. It is our aim to consolidate our position as a leading rail logistics company. For this reason, we are opening up carefully selected new sectors of industry for transporting goods with our rail freight cars with the aim of profiting from the growing logistics traffic in various businesses. In Europe, we will continue to enter less developed regional markets, but we will also expand outside Europe through organic growth and selective company acquisitions. The realization of our growth strategy depends on the experience of our employees. We are actively continuing to develop our employees' skills so that their all-round expertise can be utilized even more efficiently in creating customized logistics solutions and innovations. Moreover, we see constant process optimization and increased efficiency as important tasks for our future growth for the benefit of our customers and shareholders.

There are initial indications of a slowdown in 2008 in the positive development of the economy. However, regarding our customers and, indeed, the logistics sector as a whole, there are clear signs that the high demand for logistics services will continue, so that short-term economic fluctuations will not have such a strong impact on rail freight traffic. In addition, we are assuring our success through long-term contracts and business relationships which provide stable earnings in the long-term, especially in the most profitable division, Wagon Hire. We therefore expect 2008 to be another successful business year.

We thank our employees, customers, shareholders and business partners
We would like to express our great appreciation to our employees for their exceptional achievements in the last year. Preparing the IPO while continuing with daily business as usual was made possible only through the exceptional commitment of all our employees. Their enthusiasm for our business and identification with the company's objectives have been key to our success.

We thank our customers, shareholders and business partners for the trust they have placed in us last year. The high demand for our services, a series of successful acquisitions and our IPO meant that we had an exciting year in 2007. The business of mobility is what drives us! It inspires us and pushes us forward. Our business is more than just providing wagons or transporting goods from A to B. We provide intelligent mobility!

Yours sincerely

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

Sustainable growth for profitable corporate development

For decades, VTG has been a leading player in rail logistics and a strong, reliable partner for its customers. They benefit from the experience and skills of our employees. These are the strengths we want to build on in the future and use for our growth.

Customized services

To provide outstanding solutions in a complex business, our corporate processes are designed to satisfy our customers. High customer satisfaction and excellent value for money are the criteria by which we let ourselves be judged. Customization also includes being mobile as a company and systematically developing the skills of our employees so that they can meet the new challenges of globalized logistics. In this way, we offer our customers a unique range of rail-oriented activities, fast-moving service and high process and product quality.

Sustainable and profitable growth in attractive markets

We will continue to develop and consolidate our leading market position in the future according to clear aims and in the direction of healthy and profitable growth. In our core market of Europe, we want to grow in Wagon Hire and Rail Logistics by expanding our business into regional markets in eastern and south-eastern Europe. As a result of the emerging economies there and the increasing transport flow between east and west, there is a considerable demand for transport capacity and rail-borne services.

Moreover, we will further diversify our range of services in Europe and thus address new sectors of industry. We are expanding our fleet and investing, for example, in new types of wagons for transporting wood products and biofuels. With this strategy we can sharpen our profile and strengthen our leading position in rail logistics

Mobility plays a crucial role in the globalized world. This gives us a number of opportunities which we want to exploit in order to expand beyond our market of Europe into other attractive markets. The first acquisitions have already been made and we are considering further selected take-overs of other companies.

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In Wagon Hire, we successfully entered the North American market in 2007, thus laying the foundation for further growth. There are further opportunities for expansion in Russia and in the Commonwealth of Independent States, where there is a tremendous need for investment in rail cars.

There are opportunities for expansion in Tank Container Logistics arising from the increase in international traffic with tank containers between Asia, Europe and the American continent as well as from traffic between the growth regions within Asia. So that we can take part in the increasing transport flows, we are expanding our existing Tank Container Logistics business, especially in Asia.

We are open to new developments and fascinated by the opportunities they offer us. In expanding our sophisticated operations, we can rely in all divisions on the many years' experience, expertise and motivation of our employees.

Optimized processes and increased efficiency

We are not only aiming to expand our business through growth but also to focus on efficiency, profitability and increased value. By achieving above-average operating results, we would like to make VTG a safe and attractive investment for shareholders. This also means combining the services offered by our three divisions and thus creating added value for the individual transport requirements of our customers. This is resulting in positive economic effects for VTG.

In this way we can, for example, use our extensive experience in the wagon-hiring business for the hiring out of tank containers. The Tank Container Logistics Division thus profits from the flexible availability of the company's own tank container fleet. In a similar way, the Rail Logistics and Wagon Hire Divisions are jointly drawing up new logistics concepts and the wagon portfolio will be systematically developed on the basis of these, meaning that synergies between the divisions can be exploited. We are thus well prepared to deal with current market developments and can plan our investments on a long-term basis.

In order to improve our operational efficiency as well as using synergies, we have realigned our organizational structure and optimized our processes and procedures. It is our aim to maintain our punch and efficiency while continuing to grow, to keep additional expenditure to a minimum and to ensure profitable utilization of processes inside the company.

Logistics as a driver of growth: focusing on rail logistics, the market of the future

Logistics is booming. We want to make the most of this to expand our market position in the future and push forward our growth in line with clear targets. Key growth factors are the opening up of rail freight transport in Europe to increase competition, the rising volume of global freight and, last but not least, the clear environmental advantages of rail as a mode of transport.

Growth sector pushing ahead

The logistics market is a growth market. The increasing outsourcing of tasks to suppliers and the division of labour in industry mean that the demand for transporting raw materials and semi-finished or finished goods is rising all over the world. In the course of continuing globalization, reliable logistics processes are becoming more and more important. What is needed are efficient processes and streamlined procedures for a rapid flow of goods. However, producers and consumers are paying increasing attention to environmentally friendly transport solutions.

Since 1st January 2007, rail freight traffic has been completely liberalized within the EU single market, even though the extent of the practical implementation of the legal rules varies from country to country. The abolition of border restrictions and the standardization of technical systems mean that the railway can exploit its advantages even better in future in transporting large volumes over long distances. And this is especially good news for cross-border traffic and so for all globally operating industries.

Potential in Europe and worldwide

As a result of the EU's eastward expansion, Germany has become the geographical and logistical centre of Europe. Sector analysts are counting on increasing volumes in both domestic traffic and cross-border rail freight traffic. There will be a particularly positive development in the volume of rail freight traffic in the direction of eastern Europe. Due to the increasing connections between western European industries with locations in southern and south-eastern Europe and a rise in east-west trade as far as the CIS, supply and transport chains will become even more complex. Goods will be transported over increasingly longer distances and this is exactly the strength of the railway.

North America is the biggest rail logistics market in the world and has good growth prospects in the long term. Experts estimate that rail freight traffic in the USA will increase by about 3.4 per cent every year until 2011. One reason for this is the rising transport costs of other modes of transport in the USA.

Renaissance of the railway driven by environmental awareness

The railway has profited greatly from the increasing volume in traffic over the last few years. Rail freight traffic is currently enjoying a renaissance as a result of increasing environmental awareness around the world. The railway offers efficient transport conditions and uses resources more sparingly, produces fewer emissions and is thus more economical than other modes of transport. For example, CO_2 emissions per tonne kilometre of rail freight transport are only one third of those for transport by road.

In addition, the railway is much safer than the road, which is why certain hazardous materials may only be transported by rail and not by truck. And taking into account the factors of damage to the climate and countryside as well as noise and accidents, the railway has a much better record here too than other modes of transport.

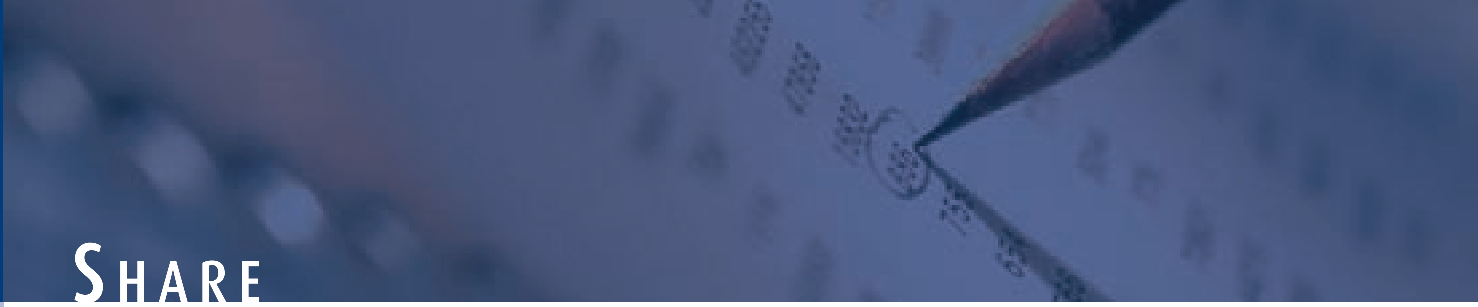
Market trends offer development opportunities

In the last few years, logistics has become steadily more important in the value-added chains of manufacturing industry, which is concentrating more and more on its core business and outsourcing logistics services to competent partners. And the trend is on the increase, with new industries also discovering rail freight transport and so stimulating growth. For example, the demand for the rail transport of biogenous substances such as wood products and bioethanol is increasing. In the same way, other industrial businesses which have so far used other modes of transport for most of their products are turning increasingly to the improved performance, reliability and competitiveness of the railway. Furthermore, there is interesting growth potential for private wagon hire and rail logistics as a result of the abolition of the former strict division between freight cars owned by state railway companies and private rail tank and special freight cars.

Ambitious solutions for switching flexibly between rail, road and water

Intermodal tank container logistics is booming. In Europe, the use of the railway as a mode of transport for tank container transports is becoming increasingly important. Especially in the area of door-to-door transports within Europe, customers are increasingly favouring reliable, safe and environmentally friendly transport by rail rather than transport by road.

In overseas markets, the demand for tank container transports continues to rise. In Asia, these growth opportunities are primarily due to the dynamic growth of China and India and their expansion throughout the entire Asia-Pacific economic area.



VTG share stays firm in volatile market conditions in 2007

The year 2007 started off with a rising trend in capital markets. After a short decline at the end of February, this rise continued until the middle of the year. Although there were first signs of a possible crisis in the financial markets in June, the DAX index exceeded 8,000 points at this stage. Originating in the USA, the crisis on the real estate market then started to be felt in the summer. This led to numerous banks having to revise their figures downwards through special depreciations – sometimes amounting to billions – as a result of real estate loans which had to be written off. On the capital market, this led to a massive loss in confidence, fluctuating share prices and volatile markets with a declining trend in prices. This general uncertainty continued into the year 2008.

Since 28th June 2007, the VTG share has been quoted on the Prime Standard of the Frankfurt Stock Exchange. The issue price of € 18 was exactly in the middle of the range of € 16 to € 20. At the end of its first trading day, the VTG share stood at € 17.60, just below the issue price, and was able to maintain this level in a difficult market situation until the end of the year. At year end, the share stood at € 17.15, whereas many other shares suffered considerable losses in value in this period. On the basis of daily closing prices, the VTG share reached its lowest point at € 15.31 on 16th August, following a slump in the market. It achieved its highest value at € 18.80 on 4th October. Last year, an average of 55,282 shares were traded every day. At year end, the market capitalization of the company stood at € 366.8 million.

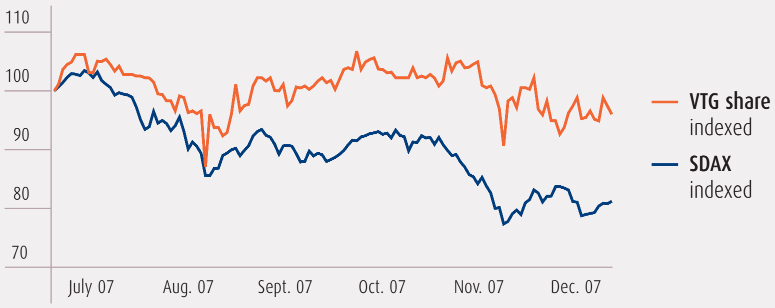
In the course of the stock exchange listing, employees in Germany were able to subscribe to VTG shares. More than 40 % of the eligible employees took advantage of this opportunity – a gratifyingly high number.

Share data

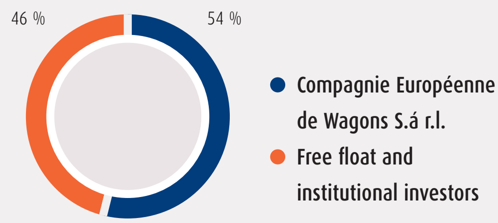
WKN	VTG999
ISIN	DE000VTG9999
Stock exchange abbreviation	VT9
Index	CDAX, HASPAX
Share type	Non-par-value bearer share
No. of shares (31.12.)	21,388,889
Market capitalization (31.12.)	€ 366.8 m
Stock exchanges	XETRA, Frankfurt, Berlin, Düsseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end rate*	€ 17.15
Annual high*	€ 18.80
Annual low*	€ 15.31
Average daily turnover	55,282 shares

* based on relevant daily closing rate

Share price VTG Share (28th June to 31st December 2007)



Current shareholder structure



Difficult start in 2008

Since the beginning of the year, the signs and, consequently, the fears of a possible recession have been growing. The uncertainties in international financial markets and the weakness of the US economy have led to negative trends in the prices of almost all shares and in their indices. The VTG share was not unaffected by this general market uncertainty and the considerable price reductions resulting from it.

Shareholder structure

Compagnie Européenne de Wagons S.à r.l., Luxemburg, is the majority shareholder and holds about 54 per cent of the voting shares of VTG AG. The majority shareholder is owned by Wilbur Ross, an experienced US investor, who acquired the company from TUI in 2005 and floated it on the stock exchange in June 2007. This led to a dilution of his shares, but he still contributed to the growth story of VTG with his investment. The remaining shares are held mainly by institutional investors from Anglo-Saxon countries, but there are also investors from France, Italy, Switzerland and Germany, as well as private investors.

Lively communication with the capital market

VTG AG was the first European rail logistics company to go public and there is currently no quoted company which comparable to VTG. The aim of communicating with the capital market has always been to explain in detail our corporate model, consisting of the Wagon Hire, Rail Logistics and Tank Container Logistics Divisions, and to present its advantages, such as stability and healthy sustainable growth with clear cash flow.

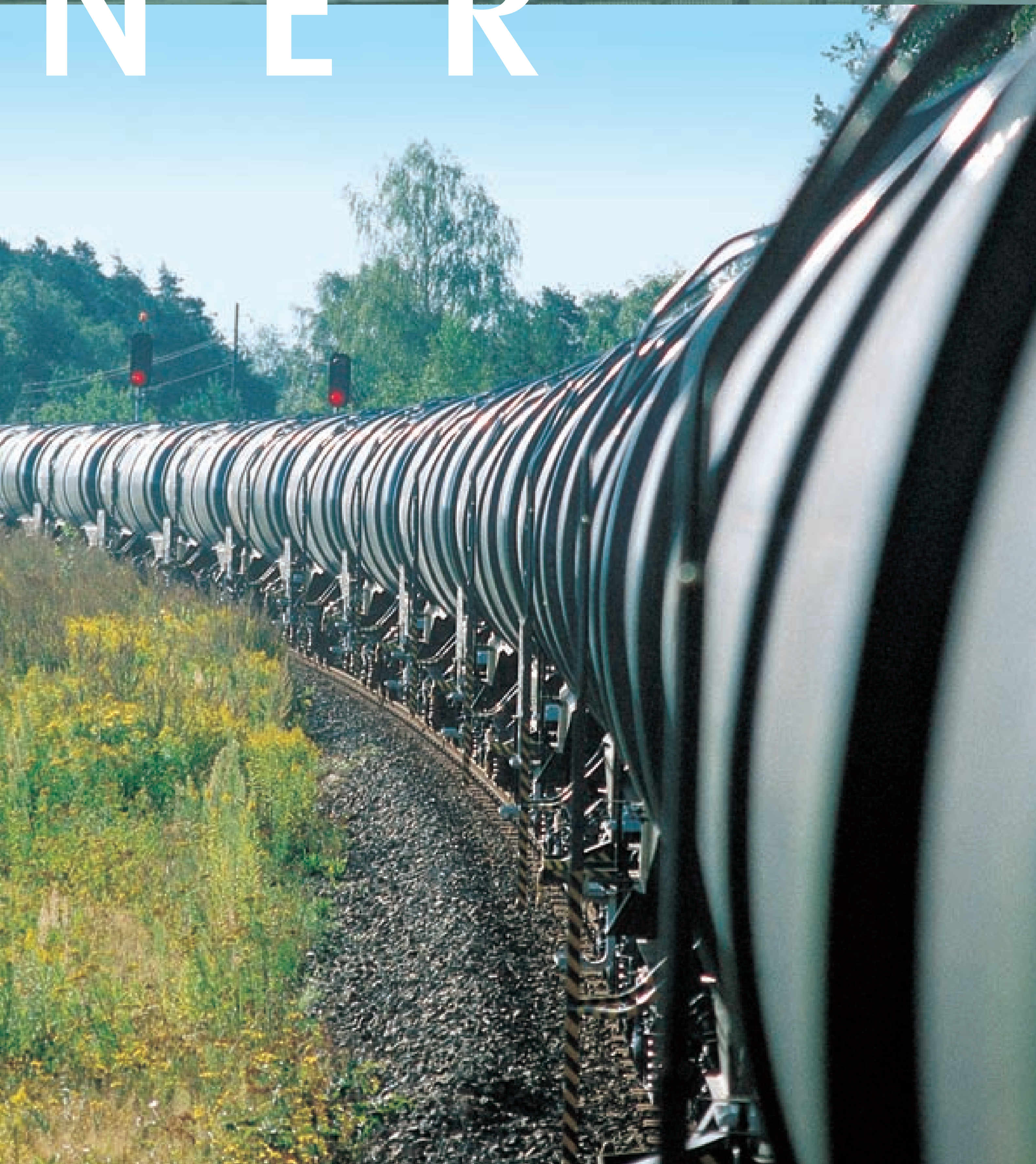
We started communicating with the capital market in 2007 and keep in lively contact with all investors and interested parties. It is particularly important to us to inform the public reliably and directly about our activities, results and aims. This is why we organized roadshows last year in numerous financial centres such as London, New York, Zurich, Paris, Vienna, Frankfurt and Milan. In addition, we attended events for investors in New York, London and Munich in order to cultivate personal contacts. VTG will be continuing to pursue the path of open, active communication in the future.

The key data for the current financial year can be found in the financial calendar on page 132.

A strong
P A R T

We move enormous quantities. And on a high level. 47,800 rail freight cars and 8,000 tank containers are a tremendous logistics fleet. And we use them to serve some 1,000 customers from almost every sector of industry. We cultivate a stable and long-term business relationship with all our customers. And for good reason! We give them what they expect and more: individual and first-rate services.

N E R



WAGON HIRE

Leading provider of wagon hire services with pan-European network

For almost 60 years we have been hiring out rail freight cars to companies from the most varied sectors. With about 47,800 rail freight cars, we have the biggest private fleet in Europe and are the leading provider of wagon-hire services. We have more than 900 different wagon types, which offer mobile space for almost every requirement, as our rail tank and high-capacity freight cars and flat wagons are all tailored to suit specific transport needs. This means that we are able to provide the right wagon for almost every product. Whether fuels, base chemicals, powdered goods, semi-finished goods, machines or steel, the VTG fleet can deal with any freight. Our highly-qualified employees are ready to help with the right, product-specific expertise and support the customer in choosing the appropriate wagon.

Our customers benefit not only from the wide range of services we offer, but also from our extensive operational network in Europe. With our European sales locations and technical service bases, we can ensure personal advice and technical expertise on the spot during operations – in the most remote corners of Europe. We place great importance on regional proximity to the customer, since we can then deal with all questions and fulfil all wishes quickly and on the spot. Our wagons are also extremely well equipped for the increasing transport distances and for cross-border traffic – in fact, almost our entire fleet can be used on the whole of Europe's standard-gauge rail network.

Safety and reliability have priority

As well as hiring out rail freight cars, we offer other services to complement our core business. For example, we give our customers detailed advice on safety requirements, especially in relation to transporting hazardous materials. In addition, we train people who are directly or indirectly involved in transporting hazardous materials, such as customers or employees of railway companies. Moreover, we take over the management of third-party fleets of wagons, including the technical servicing and hiring out of the wagons.

To ensure the constant availability of our fleet, we use a dense European network of workshops under contract and long-standing partners. Furthermore, we have three railway repair workshops of our own. These give us the flexibility we need in maintaining the wagons and transparency in the development of costs. In addition, they allow us to have direct contact with our wagons over their life cycle of almost 40 years. The workshops also support our technical expertise and innovative power: for example, we turn to our experienced repair workshops for modifications and conversions.

Our three workshops in Germany and France carry out inspections, tests on tanks, repairs and maintenance work, as well as work on wheel sets and conversions – for VTG wagons and also for third-party ones.

Promising measures for expansion

Last year was marked by a good economic situation in the whole of Europe. The economic upswing was accompanied by an increase in the demand for freight solutions, from which rail freight traffic also profited. It was helped not only by the rise in global freight volume, but also by the public's enhanced environmental awareness in connection with the current debate on climate change. Against this background, we were able to increase substantially the number of wagons hired out and our capacity utilization. In order to be able to expand further, we took over about 800 wagons from a Swiss competitor at the beginning of 2007. We are also redoubling our efforts in the growing market segment of biofuels. In the third quarter of last year, we took over the operational marketing of about 600 wagons in France for transporting wood products.

We made good use of 2007 and strengthened our leading market position in Europe – through acquisitions but also through a comprehensive building programme for new wagons. We are extending the services we offer, particularly in the area of conventional open freight cars and are strategically enlarging the wagon groups for the transport of solid bulk goods.

Increased success with a wider range of services

We are continuously improving the efficiency of our wagon fleet. By acquiring competitors and purchasing fleets which industrial companies have sold off, we wish to continue growing. By continuing to diversify our wagon fleet, we are opening up new industries as customers and so reducing our dependence on individual sectors. More and more railway companies are becoming interesting for us as customers, since there is an increase all over Europe in the number of large and small competing railways. As many railway companies cannot or do not wish to finance the necessary wagon purchases completely on their own or wish to avoid the long-term risk of capacity utilization, there are consequently good opportunities for us to hire out our wagons.

Ready for new regional markets

The harmonization and liberalization of European rail freight traffic and the expansion of the European Union both mean that there is growth potential for our company. We are actively involved in the new European railway landscape and are working in associations, politics and administration to support the elimination of obstacles to international rail freight traffic.

We see the biggest growth prospects for all wagon types in eastern and south-eastern Europe. Our sustainable growth strategy also includes entering the biggest rail logistics markets in the world, with corresponding long-term growth potential: North America and Russia as well as other countries in the CIS. And we already took the first step in this direction in December 2007. In the year of our IPO, we entered the North American rail market by signing the purchase agreement for the Texas Railcar Leasing Company. The acquisition was completed in January 2008. We aim to gain a foothold in this market and to grow steadily through further acquisitions.

Rail Logistics

Full-service forwarder for complex rail freight services

For goods to flow well, you need not only the right means of transport but also a professionally managed transport process. In the Rail Logistics Division, we make sure that transports are handled smoothly and, as a full-service forwarder, we offer comprehensive rail forwarding services in addition to wagon hire. We operate throughout Europe and transport all sorts of goods on behalf of our customers. These range from petroleum and chemical products to liquefied gas, powder and general cargo. We take care of single wagon transports and organize block train transports.

With our locations in Germany, Italy, France, Spain, Poland, Austria and Ukraine, we offer our customers in the Rail Logistics Division pan-European access to the rail freight market via state-owned and private railways.

For the sophisticated services we offer, we use the wagons from our own wagon-hire service and also the wagons of other owners. With our wagon pools for various products, we can react flexibly and provide our customers with the desired transport and logistics services at very short notice.

Our logistics services do not end where the track ends. We also handle – as necessary – supplementary, intermodal transports, if the rail transport is, for example, to be combined with inland waterway transport. And we manage container shipments and road transport for our customers in combination with rail transport. In the case of cross-border transport, customs clearance is naturally included.

Acting in the long term on behalf of our customers

As a rail forwarder, we plan and organize the transport of the goods and select both the railway company and the rail freight car. When we organize the transport, we focus on achieving the most time- and cost-efficient solution from a combination of the various transport options.

In addition to the purely forwarding activities, we help our customers by offering other services: if desired, we take over responsibility for their wagon fleets and special transports. This includes the management of the rental agreements, maintenance and deployment of the wagons.

We continuously organize and monitor the transports of third-party wagon fleets and our own. As a reliable partner for our customers, we assume responsibility for all tasks connected with the railway, including the acceptance, planning and execution of orders. In this way, we achieve optimum transparency, high reliability and punctuality in fulfilling orders.

On track with new business

In single-wagon traffic for the chemical and liquefied gas sector, we increased the share of international transports and acquired new, long-term business, particularly in chemicals, in 2007. There was a noticeable rise in the transport of biogenous fuels and special chemical products in international block train traffic as well as in cross-border gas traffic with our hired wagon fleet. In addition, we were able to expand considerably our network of efficient traction partners in eastern and south-eastern Europe and to improve the international transport services in these regions accordingly.

Optimum logistics solutions for a business with a great future

The European rail freight market is opening up more and more. We can increasingly expand the services we offer to cover geographical areas which are new for us. For Rail Logistics, we see good growth opportunities above all in eastern and south-eastern Europe – this is where a strong increase in traffic is expected. There is therefore tremendous potential for the VTG Group, which has a good network in precisely these countries. We have expanded our range of services in Rail Logistics, especially in the organization of long-distance transports.

Professional and personal advice and service are key to our business. That is why we are planning to have our own rail logistics locations in these regions in the future.

As well as expanding our regional activities, we are also extending our core business – the international transport of petroleum and chemical products – to cover further product segments. Industries such as the coal, wood and paper industries offer very promising growth prospects for private rail logistics. And we want to make use of them. All-round rail logistics expertise and an international distribution and service network form the basis for our future development. We are making a new start to be best prepared to achieve the growth we desire and the expansion into new markets. We have applied for the necessary licences as a railway company and have already received some of these. We plan to start operations in the course of 2008.

Global transport services for tank containers

Tank containers complete the transport chain via rail, road and water, without the transported goods – usually dangerous liquids – having to be reloaded. In the Tank Container Logistics Division, we offer global intermodal transport and logistics services as well as the hiring out of tank containers. Our fleet comprises some 8,000 tank containers and we transport mainly liquid and temperature-controlled products from the chemical, petroleum and compressed gas industries.

The logistics services we offer are becoming increasingly an integral part of the outsourcing strategies of our customers from the production sector. They are focusing on their core business and are handing over activities which were previously performed in-house to reliable, well-qualified specialists. In this situation, we are an attractive partner with the customized services we offer. Our main strength lies in just-in-time supply chains, whereby we save the customer the cost-intensive storing of goods with our exceptionally well harmonized procedures.

For a flexible switch: tank containers can use various modes of transport

Tank containers can be used very flexibly. They can be deployed quite independently of a specific mode of transport and so it is possible to transport goods without a break from door to door. This is a big advantage when transporting certain goods or specific quantities. The tank container, which makes reloading unnecessary, is the perfect solution.

Individual solutions for special requirements

The customer can choose between various types of modern tank containers for transporting his goods. They differ basically in equipment, size and permissible load. In addition to standard containers and the so-called SWAP containers used in Europe, which have a higher capacity, we also have a large fleet of special containers. Fitted with electrical heating systems, they keep products at a constant temperature for the whole period of transport and so even sensitive products can be transported overseas. In addition, we have gas tank containers and multi-compartment containers in our fleet.

Depending on the demands of the customer and on the properties of the product, we carry out various types of order: we handle individual orders from one location to another with spot transports, while, for single transports with empty returns to the point of departure, we organize round-trip transports. If necessary, the customer can also use the tank containers as a short-term interim storage facility.

We also manage customers' tank container fleets and offer them solutions for controlling their supply chains in the best possible way.

Customers prefer unbroken transport chains

In the positive economic environment last year, we consolidated our position as one of the leading operators in the global tank container business. We carried out substantially more transports than in the previous year. The share of transports within Europe was about 70 per cent, while the remainder were transports overseas.

We have followed the right strategy by focusing on intermodal transport and giving priority to the rail and waterway modes of transport for door-to-door traffic within Europe: customers increasingly prefer to use a reliable, safe and environmentally friendly mode of transport rather than road transport. This means there is attractive growth potential in the traditional West European markets.

In order to take advantage of these opportunities, we invested in the expansion of our business last year. On the one hand, we increased our stake in VOTG Tanktainer GmbH to 100 per cent. On the other, we acquired the English tank container leasing company Tankspan Leasing at the end of the year and so expanded our core business in the area of hiring out to the tank container business.

With the acquisition of Tankspan Leasing Ltd., we have strengthened our position in an extremely attractive market. The hiring out of tank containers is booming all over the world and capacity utilization is high. With the positive development of the global economy, the demand for container transports is continuing to rise.

Combining regional expertise and international strength

Thanks to our many years of expertise and given our extensive network of local partners, we have continued to grow internationally. We aim to expand above all in the markets of eastern and south-eastern Europe and the Asia-Pacific region. These are the very markets in which goods must be transported in various ways over long distances and sometimes by sea to locations without rail or pipeline connections.

In overseas markets, we expect increasing demand for intermodal transport and logistics services. In Asia, these growth opportunities are primarily due to the dynamism of China and India, which is having a positive effect on the whole Asia-Pacific region.

In order to extend our specific range of services significantly by offering, for example, customs clearance and the provision of truck capacity, we are aiming to establish more strategic partnerships with independent logistics providers in the future. In this way, we can serve our customers around the world and will also have regional expertise. Moreoever, by cooperating with partners outside the tank container market, we can concentrate demand and negotiate better purchasing conditions, especially for sea freight.

Employees – driven by mobility

Enthusiasm, appreciation, integrity and curiosity form the basis of our human resources policy and drive us to achieve outstanding performance. Some 800 employees make a key contribution to the success of VTG with their expertise and commitment. We are a company operating on an international scale and, with an effective team and ambitious goals, we move considerable capital: the biggest private wagon fleet in Europe and a specialized tank container fleet. With our specialist knowledge, we also develop comprehensive logistics concepts.

Vibrant times make us receptive to new things

We have demanding targets for growth. Our ambitious plans can only be realized by clever, innovative minds. Reliable consultants with a wide range of expertise in logistics, technical and commercial areas, market developers with international experience, financial experts and specialists in human resources are what set VTG apart. With this mix of expert staff, we are confident that we are in a superb position to make the best use of the challenges and opportunities before us.

Our employees have been working in the business for a long time and most of them have been with the VTG Group for many years. Over this time, they have gained extensive sector-specific knowledge and built up networks, overseen numerous projects and can draw on a wealth of experience. They know our business inside out and so can operate confidently in new markets.

With our strong, efficient team, we have moved a lot in the past and put VTG on the course for growth. This gives us the certainty and confidence to reach our growth targets in future.

Moving employees and releasing potential

Our employees are our most important asset. Fostering their individual potential and harmonizing professional and personal goals are at the centre of our HR policy. The many different themes which have marked the business development of VTG in the past few years have also challenged and promoted our employees' mobility – that is, their willingness to deal with new situations.

We are supporting the international presence of VTG with appropriate, specific training measures to promote language skills and cross-cultural cooperation. We bring employees from different countries together in training courses and thus enhance their cross-cultural competence. These include, for example, the sales-oriented training programme "sales train", in which promising young employees from all over Europe are trained in sales and commercial subjects. Or the young manager programme, PEP!, which we use for preparing our young specialists and executives thoroughly for future challenges. With our programmes, we also retrain our established executives and continue to develop them. We are strengthening our Group logistics network with these measures and thus promoting a feeling of togetherness and cooperation across all borders.

One of our most important concerns has always been to make it possible for young people to embark on a career. We have increased even further our traditionally high level of commitment to training. With a wide range of apprenticeships, we are helping people to start on a career path. And we also offer dual courses of study, a combination of training in the company and studying at university. In addition, we are systematically supporting highly talented people from home and abroad by awarding scholarships to private universities.

We have also incorporated into in our human resources policy the demands of modern industrial societies with social responsibility. We are thus encouraging higher numbers of female specialists and executives as far as possible by offering flexible working-time models, so that job and family can be better harmonized.

As part of our company health scheme, we offer our employees a number of advisory and preventive services.

Fascinated by OPPORTU

We think in terms of networks. And we act intermodally. In addition to our core business, wagon hire, we also focus on rail logistics and tank container logistics. Because of our special expertise and our ability to come up with solutions, we are closely involved in the value-added chains of our customers. So we learn something new every day and are fascinated by and open to anything new!

NITY

Report of the Supervisory Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

In the past financial year, the Supervisory Board accompanied the company closely in its IPO and in this respect was also intensively involved with the strategic realignment of the Group. All decisions of importance for the company were discussed in detail with the Executive Board, which gave prompt and comprehensive information about all important questions of planning and business development. The Executive Board also gave details of the risk situation, risk management, compliance, important business transactions and plans in the corporate departments, deviations in the course of business from the agreed plans and targets, as well as strategic measures and the orientation of the company. Above all, measures which needed the approval of the Supervisory Board in accordance with the rules of procedure for the Executive Board as decided by the Supervisory Board were discussed in detail. The Executive Board regularly informed the chairman of the Supervisory Board about important business transactions and significant upcoming decisions, also between Supervisory Board meetings.

Continuous consultancy and supervision of the Executive Board
The Supervisory Board met twice in the first six months and twice in the second. In addition, outside the meetings, the Supervisory Board drew up a number of formal written resolutions after receiving detailed information from the Executive Board. No member of the Supervisory Board attended fewer than half of the meetings. Corporate strategy and the development of the business in the divisions were discussed at all meetings.

By means of resolutions formally drawn up in writing in the first quarter of 2007, the Supervisory Board approved the increase of € 50 million in the investment budget and the acquisition of the remaining shares in VOTG Tanktainer GmbH from the previous joint-venture partner.

At the account review meeting on 17th April 2007, we approved the annual and consolidated financial statements for 2006 as well as the corresponding management reports after detailed discussion with the auditors and the Executive Board. At the same time, we also checked and approved the Dependent Company Report for 2006 and decided the agenda for the Annual General Meeting (AGM) 2007. Other subjects covered at the meeting were the report on the handling of the investments approved in 2006 and the checking and approval of the activities currently performed by the members of the Executive Board which require the consent of the Supervisory Board according to § 88 German Stock Corporation Act (AktG). At this meeting, we also had extensive reports from the Executive Board and the law firm advising VTG in the course of the IPO on the status of the preparations and the next steps. After detailed discussion, we gave our express approval for the company's planned stock exchange listing. In the case of the IPO, we agreed at the same time to recommend to the AGM that the remuneration of the Executive Board should not be disclosed on an individual basis.

After the Supervisory Board members had been appointed initially for only a short period when the company changed its legal form in 2006, they were all elected again for the full period as permitted by the law and Articles of Association on 19th April 2007. The Supervisory Board was subsequently reconstituted in a written resolution, in which the members elected me again as Chairman and Dr. Klaus-Jürgen Juhnke again as Deputy Chairman. The Executive Committee was also reconstituted.

In the course of further preparations for the company's IPO, the Supervisory Board decided by written resolution on new rules of procedure for the Executive and Supervisory Boards in May 2007. Furthermore, we approved the integration of two asset-owning companies into the Group and the refinancing of the company needed for the IPO.

At the meeting on 5th June 2007, the subjects we dealt with included the development of the business in the first months of the financial year and again the status of the preparations for the IPO.

At the next meeting on 4th September 2007, the Executive Board submitted to us, after the successful IPO, an adjusted earnings and investment plan for the current financial year, which we approved after detailed discussion. The Executive Board also gave us an assessment of the rail car leasing market in North America and the company's chances of entering that market. In advance of this meeting, there had already been a detailed and intensive discussion between the whole Supervisory Board and the Executive Board on the strategic development of the Group in all three divisions.

In October 2007, we approved by written resolution the acquisition of a tank container leasing company based in England.

At the meeting on 14th November 2007, the Executive Board explained to us the sales and earnings budget, as well as the investment budget, for the financial year 2008, which we then approved after detailed discussion. At this meeting we also approved the acquisition of a rail car leasing company in Texas. The Supervisory Board was also informed at the meeting about the measures planned by the Executive Board for checking the company's compliance management.

The Executive Committee held two meetings in the reporting year. The subjects covered included matters to do with the Executive Board and the long-term planning of successors for the Executive Board as well as executive planning at the company. The Executive Committee did not need to deal with any conflicts of interest affecting members of the Executive Board or Supervisory Board in the reporting year.

Audit of financial statements and dependence report

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, (PwC) was appointed by the Annual General Meeting to act as auditor for the year 2007. It audited and gave an unrestricted opinion on the financial statements of VTG Aktiengesellschaft, drawn up in accordance with the German Commercial Code (HGB), and the consolidated financial statements, drawn up according to IFRS, including the corresponding management reports for the financial year 2007. Moreover, the auditor confirmed that the Executive Board had installed a risk management system which complies with legal requirements.

The Supervisory Board also checked the parent company's financial statements, management report and the Group management report itself. The audit reports were available in good time to all members of the Supervisory Board and were discussed intensively at today's meeting with the Executive Board and the auditors, who were also present. The result of the audit by PwC of the parent company's financial statements and of the consolidated financial statements, as well as of the management reports, was accepted by the Supervisory Board and all the financial statements for the financial year 2007 were approved at today's meeting after detailed discussion with the Executive Board and representatives of the auditing firm. No objections were raised after the final result of the audit of the financial statements, consolidated financial statements and management reports by the Supervisory Board.

The net loss of VTG AG in terms of German commercial law amounting to € 2,436,000 was offset within the financial statements as at 31st December 2007 by a withdrawal from the capital reserves.

PwC also audited the report drawn up by the Executive Board in accordance with § 312 AktG on relations to associated companies (Dependent Company Report) and issued the following opinion:

"In accordance with the audit and assessment which we have carried out as required, we confirm that

1. the actual details of the report are correct,
2. payments made by the company in connection with legal transactions described in the report were not unreasonably high and
3. the measures detailed in the report do not suggest any basis for an assessment significantly different from that of the Executive Board."

The Dependence Report was audited for completeness and correctness.

The Executive Board determined the number of associated companies with the requisite care. It made the necessary arrangements for recording legal transactions and other measures which the company undertook or did not undertake with the majority shareholder or with its associated companies in the past financial year. The result of the audit showed that there was no indication that legal transactions or measures had not been completely recorded. The Supervisory Board therefore concurs with the result of the audit by the audit firm. There are no objections to the Executive Board's statement at the end of the report.

Observation of most of the Code's recommendations
On 15th April 2008, the Executive and Supervisory Boards issued a declaration of conformity in accordance with §161 German Stock Corporation Act (AktG) and published it on the company's website. VTG AG complies to a great extent with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on 14th June 2007 and has also complied with this to a great extent since the day of its IPO on 28th June 2007. Further information on corporate governance in the company, including the remuneration of the Executive and Supervisory Boards, can be found in the report of the same name on page 31.

We thank the Executive Board as well as all employees of the Group for their commitment and their successful work in the financial year 2007.

Hamburg, 15th April 2008
The Supervisory Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

Members of the Supervisory Board and the Executive Board

Supervisory Board

Dr. Wilhelm Scheider, Basel
Consultant
Chairman of the Supervisory Board

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

Heribert Becker, Mülheim
Dipl.-Volkswirt (Economics Degree)
Former chairman of the Executive Board of VTG-Lehnkering AG, Duisburg and Hamburg

Dr. Bernd Malmström, Berlin
Lawyer

Dr. Jost A. Massenberg, Duisburg
Member of the Executive Board of ThyssenKrupp Steel AG, Duisburg

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

Executive Board

Dr. Heiko Fischer, Hamburg
MBA
Chairman of the Executive Board

Jürgen Hüllen, Hamburg

Dr. Kai Kleeberg, Hamburg

Corporate Governance at VTG AG

VTG places great importance on responsible and transparent corporate management. This is why corporate governance is an essential basis for shareholders, employees and business partners to work together in complete trust.

Consistent, and up-to-date information for shareholders

VTG AG informs its shareholders, as well as analysts and the media, about the situation and important business events in the company promptly and clearly. All information which could be important for investors is available under Investor Relations on the VTG website, especially the annual and quarterly reports and current (ad-hoc) reports on the business and the financial calendar. It is also possible to contact people in Investor Relations and the PR Department directly via our website, which also publishes the purchase or sale of shares by members of the Executive Board and Supervisory Board and by people closely connected with them (so-called Director's Dealings).

Cooperation of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely together for the good of the company. The Executive Board informs the Supervisory Board regularly, promptly and in detail about all important business issues and discusses with the Supervisory Board future corporate plans, the development of corporate strategy and the implementation of necessary measures. The Supervisory Board approves the plans and decides on the approval of financial statements and audit reports. The Executive Board informs the Supervisory Board of special events and seeks the latter's approval for important events as defined in the Executive Board's rules of procedure. Conflicts of interest of Executive Board and Supervisory Board members must be disclosed immediately. There were no conflicts of interest in the reporting period. The work of the Executive Board and the Supervisory Board is regulated in detail in the rules of procedure drawn up by the Supervisory Board. Due to the addition of Compliance to the Corporate Governance Code, the Executive Board has decided to review the company's existing compliance management.

Remuneration of Executive and Supervisory Board

The remuneration of the Executive Board members comprises a basic, fixed salary, a performance-related bonus, usual fringe benefits and pension entitlements. The performance-related bonus is calculated for all Board members on the basis of a target matrix which, among others, takes into account certain success-oriented factors which are agreed every year. The fringe benefits include reimbursement of expenses and contributions to health insurance equivalent to the employer's contributions to statutory health insurance. As payment in kind, each member of the Executive Board also has a company car. In addition, all members of the Executive Board are entitled to pensions which are not only paid when reaching the retirement age of 65, but also in case of disability or death and if the CEO's employment is terminated by the company before he is 65. As at the balance sheet date of 31st December 2007, the company had set up accruals for the pensions of Executive Board members amounting to €1.1 million.

At the Annual General Meeting of VTG AG on 22nd May 2007, it was decided unanimously by those entitled to vote not to publish an individual breakdown of the remuneration of the Executive Board members for the period of five years until and including the year 2011.

The remuneration system of the Supervisory Board members comprises fixed compensation and the reimbursement of the expenses incurred in the course of Supervisory Board activities.

Further details about the remuneration of the Executive Board and Supervisory Board can be found in the Management Report on page 51.

Reporting and auditing

The consolidated financial statements are prepared by VTG AG in accordance with the current International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Hamburg, was appointed to audit the financial statements of the year 2007.

Declaration of conformity with the German Corporate Governance Code:
The recommendations are largely complied with

On 15th April 2008, the Executive and Supervisory Boards issued a declaration of conformity in accordance with §161 AktG (German Stock Corporation Act). VTG AG complies to a great extent with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 14th June 2007 and has also complied with this to a great extent since the day of its IPO on 28th June 2007. The following recommendations have not been followed:

1. Paragraph 3.8 Clause 3 of the Code

The liability insurance taken out by the company for the members of the Executive and Supervisory Boards does not provide for any deductible for those persons. In the view of the company, no deductible is necessary to increase the feeling of responsibility and motivation of the members of the Executive and Supervisory Boards in the fulfilment of their tasks.

2. Paragraph 4.2.4 of the Code

The company will not publish an individualized breakdown of the Executive Board's remuneration for 5 years as a result of a decision to that effect at the Annual General Meeting on 22nd May 2007.

3. Paragraph 5.3.2 of the Code

The company has decided, instead of setting up an audit committee, to entrust the Supervisory Board with the monitoring work in its entirety, since this is a central task of the Supervisory Board. Moreover, the company is of the opinion that the setting up of an audit committee with at least 3 members would hardly relieve the existing Supervisory Board of any work, as it has only 6 members.

4. Paragraph 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. However, the company's Supervisory Board intends to assign the task of the nomination committee as provided for in the Code to the Executive Committee.

5. Paragraph 5.4.1 Clause 2 of the Code

When proposing people to be elected as Supervisory Board members, the company has borne in mind that they should have the knowledge, skills and specialist experience necessary for performing their tasks. No age limit was set. The company is of the opinion that age is not a suitable criterion for choosing qualified candidates.

6. Paragraph 5.4.2 Clause 4 of the Code

Dr. Malmström, a member of the Supervisory Board, has a consultancy contract with his former employer Deutsche Bahn AG, Berlin. This contract ends on 30th June 2008.

7. Paragraph 5.4.7 Clause 4 of the Code

The company considers that a fixed remuneration for Supervisory Board members is more suitable than a success-related remuneration in order to meet the monitoring requirements of the Supervisory Board independently of the company's success.

8. Paragraph 7.1.2 of the Code

Since the company has only been listed on the Stock Exchange since 28th June 2007 and thus both the consolidated financial statements and the interim reports had to be adjusted to meet the resulting requirements, this recommendation was not followed in the financial year 2007. However, the company intends to come nearer to the deadlines in order to fulfil the recommendation as soon as possible.

Our principles – Our Approach

Accountability, high-quality performance and clever solutions

Our business activities rest on three pillars: quality, safety and environmental awareness. We act according to these values and use them for our own development.

Quality: convincing the customer with excellent performance

Customers expect excellent performance from one of the leading rail logistics companies. A high quality standard is therefore essential for our success and one of our key principles. Our customers operate in specialist areas and have very high, individualized expectations which we must fulfil. We aim to continually improve our already extensive knowledge of the market and technologies and keep it up-to-date. Only in this way can we constantly provide the best quality in transport and services.

The requirement to provide the best quality also applies to our corporate processes. These must function smoothly, work efficiently and be flexible. To achieve this, we work with a comprehensive quality management system, which provides the basis for continuously improving our processes and procedures. We regularly question everything we do and check the value of alternatives.

For first-rate work one needs first-rate workers. For this reason, we train our employees to be skilled over the long term, so as to consolidate and ensure our leading position in the business. Our expertise goes directly into the wagon fleet and into our services: the rail freight cars are produced by our suppliers according to the instructions of our employees, who contribute their practical experience and accompany all design and production stages. Reliability is what we want to offer the customer. And this forms the basis of our long-term customer relationships.

Environmental protection: heightening awareness and acting consistently
As a responsible company, we naturally wish to preserve and protect the environment. Against the background of globally increasing flows of goods in connection with the discussion on climate change, transport concepts which save resources have become more important. With our rail-borne business activities, we are supporting one of the most environmentally friendly modes of transport – whether as pure rail transport or in intermodal traffic.

In order to enhance the attractiveness of the railway, we are working in bodies all over Europe to develop legal and technical regulations for rail traffic. In addition, we are supporting the use of new developments such as quieter braking systems and innovations in emission protection.

Safety: carefully designed concepts for smooth operations
For us, safety has several dimensions. It is an integral part of our quality management system in the form of occupational safety. It has high priority for us, since our employees are our most important asset. And we feel responsible for the safe transport of goods. As specialists with many years' experience, we have a large fleet of safe transport containers and also the right specialist expertise for dealing with sensitive goods. Both of these factors ensure that hazardous materials can be transported safely. The development of safety components is a crucial part of our innovation policy.

We see safety as a task for everyone and so we also train employees of railway companies and fire brigades in the special areas of safety and safety technology for the railway. And we naturally impart our expertise in safety issues to our customers in individually planned training courses and information events. Our staff of recognized safety experts and our widespread presence mean that we are much in demand by our customers in matters of emergency management.

Unlimited

C U R I O

The world is growing together. And we are growing into the world. Today we are present in Europe, Asia and North America through our subsidiary and associated companies. The railway is our home – but in Tank Container Logistics we are equally at home on the road and on the water. There is a lot happening on the railway in Europe at the moment – the market is opening up and we are seizing the opportunities. We are at the beating heart of the renaissance of the railway and opening up new markets. We are leaving limitations behind us!

S I T Y

Management Report of the VTG Group

for the financial year from 1st January to 31st December 2007

Position and strategy

Business activities and Group structure: a leading provider of services for traffic connected with the railway
The business of VTG focuses on services for all traffic connected with the railway. The company hires out rail freight cars, which its customers use for supplying their production facilities with basic materials such as fuels, chemicals, bulk goods or semi-finished products. Products such as machines and steel are also transported with the wagons. In addition, VTG organizes freight transports by rail and, for locations not connected by rail, with multi-modal operations by tank container. VTG thus covers a wide and unique range of services and is one of the leading providers in the organization of transports by and in connection with the railway. In wagon hire, VTG is market leader in Europe and has the biggest private fleet of rail freight cars.

The Group has its headquarters in Hamburg and is divided into the three divisions of Wagon Hire, Rail Logistics and Tank Container Logistics, as well as a central Group Management division. The corporate divisions form the segments as stipulated in the International Financial Reporting Standards (IFRS). From the point of view of company law, there is a holding structure comprising 42 companies with German, European and non-European subsidiary and associated companies. After two acquisitions in 2007, the number of fully consolidated companies is 24, of which 11 are in Germany and 13 abroad. One foreign company is consolidated at equity.

The VTG Group was restructured in the year 2007 in the course of its stock exchange listing. With the agreements on the contribution of capital of 4th June 2007, the Compagnie Européenne de Wagons S.à r.l., Luxembourg, (Compagnie Européenne), which at the time was sole shareholder of VTG AG, transferred to VTG without charge all its shares in the companies KR Klostertor Rail GmbH and Deichtor Rail GmbH, of which it had until then been sole owner. There was a voluntary transfer to VTG AG's capital reserves equivalent to the book value of the companies' shares amounting to € 11.8 million.

Furthermore, the VTG Group acquired 41.65 % of the shares of VOTG Tanktainer GmbH, Hamburg, from Vopak Germany GmbH, Hamburg on 17th April 2007 and thus increased its stake to 100 %.

Goals and strategy: expanding expertise and growing for the future

As one of the leading providers in rail freight traffic, the Group has a clear goal: VTG creates mobility – by providing intelligent "mobile space" in the form of rail freight cars and tank containers, as well as by organizing additional logistics services connected with the railway. VTG wants to consolidate its strong position in this market of the future. It would like to be the preferred provider of all services connected with the railway for its customers, an attractive employer for its employees and new talents and an interesting investment for its shareholders. Three strategic pillars of business and the bundling of core tasks are helping VTG reach these goals:

Customer orientation:

In order to achieve high customer satisfaction, the company continuously checks its own performance. Only in that way can we offer our unique range of services with consistently high quality. This includes developing our employees' skills on a continuous basis. To do justice to the high, specific demands of its customers, VTG is constantly enhancing its ability to solve problems and orienting its processes consistently to the needs of its customers. Furthermore, the Group is extending its range of services to meet demand with respect to wagon types and transport solutions.

Sustainable, profitable growth:

With healthy and profitable growth, VTG would like to continue expanding its leading market position in a focused way in the future. The company is planning to grow in its existing core market of Europe and to enlarge its geographical focus and lay the basis for further growth impulses by entering the markets in North America and the CIS. The Group has already expanded its business by acquiring the tank car fleet of the Swiss competitor Rexwal and the company Tankspan Leasing Ltd., based in Surrey in the UK. At the end of 2007, a purchase contract was signed for the acquisition of Texas Railcar Leasing Company, Inc., based in McAllen in the US (TRLX).

Process optimization and increased efficiency:
In addition to growth, another goal is to continue increasing the efficiency of the invested capital, profitability and appreciation in value. VTG focuses its business on pursuing a value-oriented strategy on its chosen path of expansion. Attention is paid to having stable return flows of funds, so that the company is a safe and attractive investment due to the stable, positive development of its business. VTG is optimizing procedures between the corporate divisions and is enhancing the operational efficiency of the processes by streamlining the organizational structure.

Management control
The Executive Board and the Supervisory Board work closely together for the good of the company and agree especially on the strategic orientation, which is focused on long-term and sustainable growth.

Earnings before interest, tax and depreciation (EBITDA), earnings before interest and tax (EBIT) and earnings before tax (EBT) are used as a control basis for the value-oriented development of the company and are therefore key performance indicators for the company.

The strategic orientation of the company is accompanied by detailed monthly reporting from Controlling, Finance, Sales and Quality Assurance. Differences between targets and performance are analyzed and the reasons for the deviations established in order to develop appropriate measures and ensure that they are followed through and up.

Market and business development

Positive overall market development

The world economy was in a very positive state in the first half of the reporting year, with the global production of goods once more increasing strongly. In the second half of the year, the economic climate worsened noticeably as a result of the real-estate crisis originating in the USA and led to a crisis in the financial markets, of which the end and effects are difficult to estimate. In general, the global economy will probably lose momentum, with the effects on various regions and sectors differing greatly from one another. The European economy, however, continued to grow in 2007 with a high increase in productivity. For the year 2007, the rate of growth in Gross Domestic Product (GDP) in EU countries increased from 2.9 % to 3.0 %. The central and eastern European member states of the EU in particular recorded a distinct economic upswing. There was also a positive development in the German economy, which proved to be very robust in the course of the year. For example, the chemicals sector, which is so important for the VTG Group, again grew strongly and achieved an increase in production of 4.5 % and in sales of 7.5 %. German export goods, which also have an effect on transport volume in Europe, rose in 2007 by 8.5 % compared to the prior year to € 969 billion and had a stimulating impact on the economy. Currently, rail freight traffic in Europe is experiencing a real boom. There is two-digit growth in virtually every European country, with the providers having gained numerous new transports for the railway. The biggest rail transports continue to be in Germany.

Due to improved conditions, the growth prospects for both European and German rail freight traffic can be considered good, since transport volumes are expected in general to rise. Experts reckon that the looming downturn in the economy will affect rail freight traffic only marginally. From the point of view of VTG, the current financial year 2008 offers good growth prospects, because rail freight transport, as a reliable and environmentally friendly mode of transport, makes an important contribution to supplying basic materials. For many VTG customers, the hired wagons are part of their production infrastructure and are strongly in demand, independently of the economic situation. By the end of the reporting year, the number of hired wagons had risen and capacity utilization had increased to 93.9 %, whereby the prices for the leasing of wagons could be raised slightly.

In general, European rail freight traffic will continue to grow noticeably. Studies predict an increase of up to 28 % by 2015 compared with the base year 2006. The VTG Group is in a superb position in this growth market to take advantage of these increases.

VTG share listed in Prime Standard

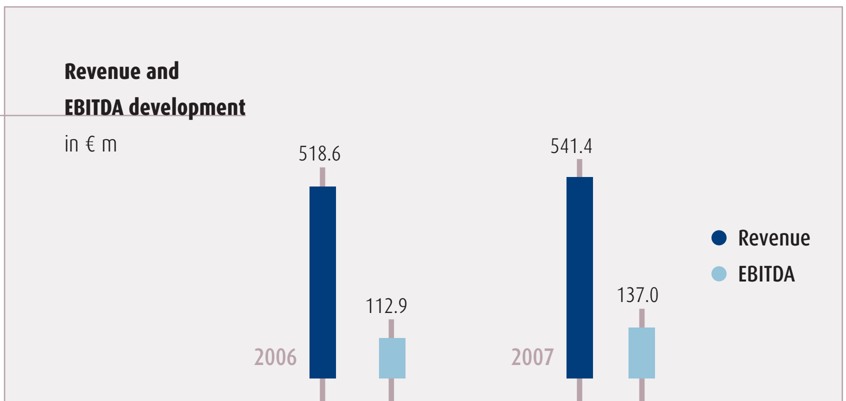
With its stock exchange listing, VTG pursued its aim of continuing the growth course already started and strengthening its equity base. On 28th June 2007, VTG AG successfully completed its IPO with the listing of shares in the Prime Standard of the Frankfurt Stock Exchange. The issue price was € 18 and thus exactly in the middle of the price range of € 16 to € 20. On average, 55,282 shares were traded daily from the IPO to the end of the year. On 28th December 2007, the VTG share closed in XETRA at € 17.15, so that the market capitalization stood at € 366.8 million at the end of the year.

The share capital of the company consists of 21,388,889 no-par bearer shares. In the course of the stock exchange listing, 9,840,943 shares were offered on the market, of which 8,888,889 shares came from the capital increase on 22nd June 2007 and 777,778 were sold by the shareholder. In addition, 174,276 shares were placed in the context of a multi-allotment option. The Compagnie Européenne de Wagons S.à r.l., Luxembourg, (Compagnie Européenne) remains a major shareholder with 53.99 % of the share capital of VTG AG.

For the reporting year, VTG AG – as already announced at the time of the stock exchange listing – will not pay any dividend, because the IPO costs of € 11.4 million and the expenses in connection with the re-financing of the VTG Group resulted in a loss for the year, in terms of commercial law, of € 2.4 million for VTG AG.

Increasing Group sales, profit and cash flow

In general, the business of the VTG Group developed positively in the reporting year. Group sales rose by 4.4 % to € 541.4 million (prior year: € 518.6 million), of which € 264.8 million (prior year: € 262.9 million) were made with customers resident in Germany; this corresponds to 49 % (prior year: 51 %). Business with foreign customers amounted to € 276.6 million (prior year: € 255.7 million).



In the financial year 2007, the Group achieved a profit for the year of € 49.7 million (prior year: € 7.5 million). The increase was also influenced by special taxation effects essentially arising from the reform of company taxation passed by the Bundesrat on 6th July 2007. This reform led to an adjustment in the future tax rate for all German Group companies to 33 % (previous tax rate: 40 %). The special effect resulting from this company taxation reform amounted to € 24.7 million. The special taxation effects totalled € 30.6 million, so that there was on balance a tax income of € 17.0 million in the reporting period, which had a positive impact on the Group result. Without taking into account all special taxation effects, income tax would have amounted to € 13.6 million, which would be equivalent to a tax rate of 41.5 % and lead to a Group profit for the year of € 19.1 million.

Earnings before interest, tax and depreciation (EBITDA) rose in the financial year 2007 as compared with the prior year by 21.3 % to € 137 million. This includes the IPO costs and the expenses for the refinancing, which are not to be set off against the equity capital. If these items are not taken into account, operating profit (EBITDA) would amount to € 138.3 million (+ 22.5 % compared to 2007).

For the VTG Group, cash flows from operating activities in 2007 amounted to € 113.5 million (prior year: € 110.9 million).

Wagon Hire Division makes decisive contribution to Group result

With a fleet of about 47,800 rail freight cars, Wagon Hire achieved external sales of € 260.5 million, which was 10.8 % above the comparable figure for the prior year of € 235.1 million. Earnings before interest, tax and depreciation (EBITDA) improved considerably from € 115.6 million in the prior year to €137.1 million in the reporting year (+ 18.6 %), whereby the EBITDA margin related to sales rose to 52.6 % (prior year: 49.2 %). In general, this division developed positively in 2007 and made a decisive contribution to the good results of the VTG Group. The whole hire business profited from the generally good economic situation in Europe and from the resulting increased demand for rail freight services. The Group was able to increase the number of wagons hired out and raise capacity utilization of the fleet by the end of the year to 93.9 % (prior year: 90.7 %). The wagon fleet consists mostly of tank wagons, but also includes modern high-capacity wagons and flat wagons. One advantage for the VTG Group is that it has a widespread operational network and, as the only company in this market, can offer its services all over Europe with the same high service and after-sales quality. The network comprises the company’s own sales locations as well as external sales agencies.

Wagon Hire also includes three wagon repair workshops in Germany and France, which as service providers offer repair and maintenance of wagons in the Group's fleet and also of third-party wagons. The restructuring measures aimed at increasing productivity and profitability continue to be effective. The French works in particular are also profiting from a noticeable revival of the market.

The VTG Group intends to continue on the growth course it has embarked upon. There are at least 1,600 orders for new wagons to be delivered in 2008 and 2009, after about 1,000 in 2007. Due to the orders for new wagons for transporting coal, coke, stones and ores, business in the freight cars segment has expanded since there is enormous additional demand especially for these car types due to the rising transport quantities over longer distances as well as a substantial replacement demand in existing fleets.

Rail Logistics Division with increased profit

As a rail forwarder, the Rail Logistics Division offers customers its services in organizing and handling rail transports, mostly of chemicals, petroleum products, liquid gases and bulk goods. In the reporting year, the Division achieved sales of € 153.8 million (prior year: € 170.4 million). This decline in sales resulted, on the one hand, from a lost order and, on the other, from an adjustment in the settlement of accounts with another customer. However, this had no effect on earnings and so EBITDA rose by 10 % to € 4.4 million (prior year: € 4 million). The EBITDA margin related to gross earnings also increased considerably to 38.8 % (prior year: 35.0 %). The increase resulted primarily from the successful implementation of the new strategic orientation, in which this division is concentrating increasingly on international block train transports. In the second half of 2007, the German subsidiary company began to create the conditions to permit it to operate as a national railway company. The necessary licences were applied for and in November the first one was received. The remaining licences are expected to be issued in the course of 2008.

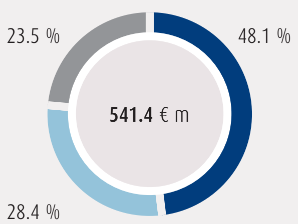
The market situation for rail logistics developed positively in the reporting year. In single-wagon transports, cross-border traffic increased in the chemicals and liquefied gas sectors. Moreover, additional business could be generated with major customers in the chemical industry. The positive development continued in the transport of biogenous fuels. Block train traffic from and to eastern Europe as well as cross-border traffic in liquefied gas also showed a sharp rise. In general, the division's experience, skills, knowledge and flexibility in reacting to market changes are great advantages. They mean that wide-ranging logistics solutions can be offered, ranging from the organization of regular and short-notice block train transports with various traction companies to all-in businesses and the implementation of intermodal transports. The Division also offers the management of third-party wagon fleets and the handling of customs clearance, container shipments and road transports.

Considerable growth in the Tank Container Logistics Division

The Tank Container Logistics Division offers flexible intermodal transports in tank containers for those transports which require not only the railway but also the road and ships as modes of transport. In the year 2007, business in the intra-European and in the traditional intercontinental shipping areas developed very well, mainly because of the good market situation in the chemical industry. With sales of € 127.2 million (prior year: € 113.1 million), the Division achieved an operating profit (EBITDA) of € 8.1 million (prior year: € 6.1 million). In comparison with the prior year, this meant there was a clear increase in sales of 12.4 % and 32.6 % in EBITDA. The EBITDA margin related to gross earnings also improved considerably, rising from 34.9 % to 40.9 %.

Customers are becoming increasingly willing to accept appropriate prices to ensure a reliable transport service. There was an increase in volume mainly as a result of the general rise in the number of transports to Russia and the CIS, as well as to Turkey, where VOTG has a leading position in the market. In addition, there is an increasing shift from road tanker traffic to intermodal transports within western Europe. By further optimizing traffic flows, the Tank Container Logistics Division was able to reduce the number and costs of empty runs of tank containers. The tank container fleet used for the forwarding business was enlarged in 2007 by about 430 units and now stands at more than 5,000 tank containers.

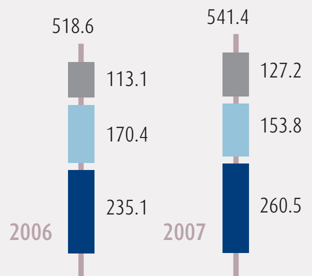
With its Tank Container Logistics Division, the VTG Group was therefore able to improve further its already outstanding position in tank container logistics in 2007. There are great growth opportunities for 2008, especially in the Asian markets, due to the dynamic economic development in China and India.



Percentage breakdown of revenue by business divisions for 2007

Breakdown of revenue by business divisions for 2007

in € m



- Wagon Hire
- Rail Logistics
- Tank Container Logistics

Acquisition of Tankspan Leasing Ltd.

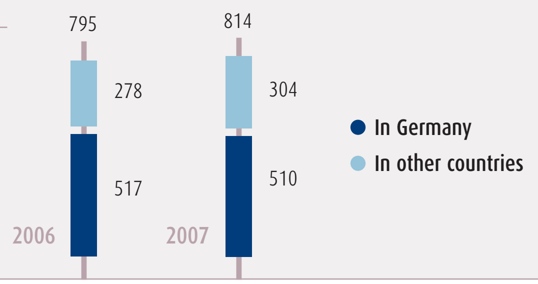
On 14th November 2007, VTG AG acquired the English tank container leasing company Tankspan Leasing Limited. VTG thus followed its strategic goal of expanding its successful tank container activities with the leasing of tank containers, so as to grow further in the Group's core business, which is leasing.

Tankspan manages a modern fleet of more than 3,100 units which comprises not only standard tank containers but also special and gas containers. Tankspan is one of the ten biggest lessors of tank containers in the world. It is a well-established brand with a broad customer base, stable earnings position and corresponding growth prospects.

Employees

As at 31st December 2007, the VTG Group employed a total of 814 people worldwide (prior year: 795), which is 2.4 % more than in the prior year. 510 employees (prior year: 517) worked in German companies and 304 (prior year: 278) in foreign companies.

Personnel Statistics Germany/ Other countries



In the Group there are 534 salaried staff, while 249 employees work in the manufacturing area – mostly in the railway repair works. At the end of the reporting year, 31 trainees were employed by German companies in the VTG Group (prior year: 24).

For the VTG Group, it is important to develop members of staff for the future and therefore the training of young people plays a crucial role. Since future specialists are home-grown, they are trained in the specific skills and expertise right from the beginning and can use them subsequently in the company. The commercial apprentices in forwarding and industry, for example, are trained in the German companies of the VTG Group. Moreover, VTG works together with the Nordakademie, Elmshorn, and makes it possible for trainees to follow a dual course of study, which consists of training in the company on the one hand and studying at a university of applied sciences on the other. In addition, talented young people from home and abroad are helped with scholarships to study at private universities such as the Northern Institute of Technology in Hamburg.

Another important goal of HR management is to create a good working environment which is motivating for employees. The Group therefore supports the development of employee skills through training courses and other measures such as a comprehensive further training seminar programme. Finally, employees are offered a number of social benefits and precautionary health measures, which are always available.

Prior to the IPO, the employees of the VTG companies based in Germany had the opportunity to subscribe to shares in their own company. There was an extremely positive response, with more than 40 % of the employees entitled to subscribe doing so.

There are no other stock options for members of the Executive Board or Supervisory Board or employees.

Environment and safety: acting responsibly

For the VTG Group, environmental protection and safety have special importance, since numerous customers transport goods which can be dangerous for the environment if handled carelessly. The Group has appropriate, safe transport containers with modern technical equipment for transporting hazardous materials. The main and widely acknowledged advantage of the VTG Group is the outstanding expertise it has gathered over decades about materials, hazardous materials regulations and transport law, especially with regard to the transport of hazardous materials. In addition, training courses are conducted for company employees and for employees of railway companies and fire brigades on special subjects to do with safety and safety technology in the rail freight area. Information events and individual training courses also give the customers of VTG the chance to gain specialist knowledge concerning the environment and safety. Finally, there is an emergency management system in place which regulates processes and responsibilities in the case of accidents, so as to prevent or minimize possible risks or damage.

Financial situation

Financial management

The financing of the Group after the stock exchange listing and the refinancing in 2007 is ensured through equity capital and long-term loan capital. This loan capital comes mostly from Bayerische Hypo-Vereinsbank, London, (Hypo-Vereinsbank), which has granted the companies of the VTG Group loans totalling € 640 million, of which € 440 million were used for refinancing the previous loan agreement redeemed in the reporting year. Moreover, € 100 million is being kept available for financing future investments. Furthermore, € 50 million is earmarked for ongoing operating fund requirements and € 50 million for guarantees. At the balance sheet date, € 477.8 million of these loans, including the guaranteed line, had been taken up.

The interest rate swaps originally amounting to € 319.9 million and running to 30th June 2009 were renewed to run to the middle of 2012. The renewed interest rate swaps amount to € 322 million and are aimed at hedging against possible changes in the variable interest payments for at least 70 % of the loans taken out with Hypo-Vereinsbank.

A liquidity plan determines the company's liquidity requirements, which are covered by the above-mentioned credit lines, so that the solvency of the VTG Group is ensured.

Increase in capital

In the financial year 2007, the share capital of VTG Aktiengesellschaft was increased twice, by € 8.9 million to € 21.4 million, firstly by the transformation of capital reserves from € 50,000 to € 12.5 million and secondly by cash contributions in the context of the IPO.

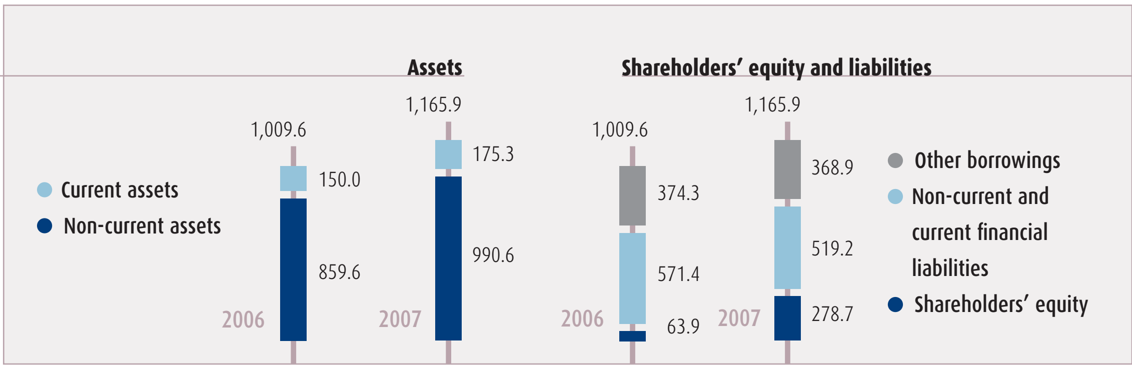
Effects of the IPO on the balance sheet

The IPO led to an increase in the equity capital of €160 million gross. After taking into account the costs of acquiring equity capital, which were set off with no effect on the operating result, € 153.5 million net remained in the equity capital. The IPO incurred costs and, after they were deducted, about € 150 million net remained in the financial resources of the company.

The revenue from the IPO was used to reduce the shareholders' loans, including interest, of the Compagnie Européenne by € 106.8 million at the beginning of July 2007.

Structure of the balance sheet

The structure of the Group balance sheet has changed substantially, especially with regard to liabilities, in comparison with the closing date of the prior year – because of the stock exchange listing in the reporting year. Total assets increased by € 156.3 million or 15.5 % to € 1,165.9 million (prior year: € 1,009.6 million). The share of fixed assets was 83.8 % (prior year: 84.7 %) of total assets, meaning that current assets accounted for 16.2 % (prior year: 15.3 %). As for liabilities, Group equity capital increased considerably from € 63.9 million to € 278.7 million. The equity ratio thus rose strongly from 6.3 % at the end of 2006 to 23.9 % on 31st December 2007. Short- and long-term liabilities in the Group were 6.2 % lower than in the prior year.



Investments

In the financial year 2007, the VTG Group invested a total of € 116.7 million (prior year: € 69 million) in fixed assets. Investment was concentrated once again on Wagon Hire, amounting to € 114.5 million (prior year: € 67.8 million). These funds were used to replace wagons taken out of service and to modernize and expand the wagon fleet, especially with regard to petroleum, chemical and bulk goods wagons. This includes the wagon fleet which was acquired in January 2007 from the Swiss competitor Rexwal, with approx. 800 wagons. Investments in tangible fixed assets were made primarily in Germany, France, the UK and Switzerland. In France, the VTG Group acquired the operational marketing of about 600 wagons for the transport of wood products, especially of so-called wood pellets. The other divisions and the administrative branches invested € 2.2 million (prior year: € 1.1 million), most of which went on building new tank containers (€ 1.3 million).

General obligatory information

Obligatory information in accordance with § 315 Abs. 4 HGB (German Commercial Code)

- After the increase in share capital by the transformation of capital reserves and a capital increase, the share capital of VTG AG amounts to € 21,388,889. It is divided into 21,388,889 individual bearer shares. Each share is a voting share.
- There are no restrictions which affect voting rights or the transfer of shares.
- As at 31st December 2007, VTG AG knew of the following shareholdings with a share of more than 10 % of the voting rights: the Compagnie Européenne holds 53.99 % of the shares. Because of the indirect shareholding ratios, please refer to the Notes to the Financial Statements of VTG AG as at 31st December 2007.
- 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.
- Provisions on the nomination and dismissal and composition of the Executive Board are to be derived from § 84 (1) AktG and from § 6 of the Articles of Association of VTG AG and § 9 of the Rules of Procedure of the Supervisory Board. Decisions on changing the Articles of Association are, as far as there are no mandatory legal provisions that contradict them, passed by a simple majority of the votes given and, in so far as the law prescribes an equity majority as well as a majority vote (§ 179 (2) AktG), by a simple majority of the share capital represented at the time of the passing of the resolution.
- With a resolution on 22nd June 2007, the Annual General Meeting authorized the Executive Board of VTG AG to increase the share capital in the period until 22nd June 2012 once or several times up to a total amount of € 10,694,444 (authorized capital) with the approval of the Supervisory Board and by issuing new bearer shares against contributions in cash and/or kind. The AGM also authorized VTG AG on 22nd June 2007, according to § 71 (1) Nos. 6 and 8 German Stock Corporation Act, to acquire its own shares amounting to up to 10 % of the share capital until 30th November 2008. VTG AG has not yet taken advantage of this authorization.
- There are no agreements depending on a change in control as a result of a takeover bid.
- No compensation agreements have been concluded with the members of the Executive Board or with employees in the case of a takeover bid.

Remuneration report

Overall remuneration of the Executive Board comprises several components. These include a non-performance related and a performance-related element, the usual additional benefits and pension commitments.

The Comittee for Board Nomination and Board Procedures of the Supervisory Board determines the appropriate level of remuneration of the Executive Board members based on a performance assessment.

The non-performance related element of remuneration comprises a fixed amount and various additional benefits. Additional benefits include the expenses that Executive Board members incur in connection with their work and their contributions to health insurance at an amount equivalent to the employer's contribution to statutory health and care insurance. Each Executive Board member also receives a company car as remuneration in kind. The performance-related remuneration is determined according to personal and economic goals which are laid down by the Supervisory Board. This is calculated for all Executive Board members on the basis of a target matrix which takes into account certain success-related factors which are re-agreed annually. Moreover, the company has given all members of the Executive Board vested pension rights. As a result of these rights, each member of the Executive Board is entitled to the payment of certain pension benefits when certain pension cases occur. These cases include not only reaching the retirement age of 65, but also cases of disability or death (pensions for widows and orphans) and if the CEO's employment is terminated by the company before he reaches the age of 65. At the balance sheet date of 31st December 2007 the company accounted for provisions for pensions for members of the Executive Board amounting to € 1.1 million. Beyond the employment contracts there are no further service agreements between the company, its subsidiaries and the relevant members of the Executive Board according to which an Executive Board member is eligible for benefits by the company or its subsidiaries after his service has ended.

Since 2006, the Commercial Code (HGB) has stipulated individual publication of the remuneration of the Executive Board members, broken down into fixed and performance-related components as well as into components with a long-term incentive effect. The requested information does not have to be given if the Annual General Meeting (AGM) passes a resolution to that effect by a three-quarters majority of the share capital represented at the passing of the resolution. The Annual General Meeting of VTG AG decided on 22nd May 2007 not to publish this information for the period of five years until and including the year 2011 by the unanimous vote of those entitled to vote at the meeting.

The expenses for the total remuneration of the Executive Board are given in the Notes to the Consolidated Financial Statements of VTG AG as at 31st December 2007.

The remuneration of the Supervisory Board is based solely on a fixed amount. In addition, the expenses that members of the Supervisory Board incur in the course of their work are refunded.

The expenses for the total remuneration of the Supervisory Board are given in the Notes to the Consolidated Financial Statements of VTG AG as at 31st December 2007.

Risk management

Risk management system

The comprehensive risk management system of VTG, which was developed further in the reporting year, serves to identify, analyze, control and monitor risks. Potential risks connected with business activities are identified at an early stage. This means that measures can be initiated to minimize or prevent negative effects. With potential risks, a difference is made between market risks, financial risks and environmental and product risks. In the reporting period, no risks were detected which endangered the continuity of the company or suggested there would be material effects on the net assets, financial position or profitability of VTG AG or the VTG Group. The systematization of risks within the risk management system is regularly checked by external auditors.

Due to the international nature of their business activities, the companies of the VTG Group are exposed to exchange rate fluctuations in the foreign-exchange markets. With regard to the US dollar, the companies of the VTG Group are net recipients of payments on account of the surplus of trade receivables over trade payables in that currency. In line with hedging policy, the budgeted net-payment flows are mostly hedged at the beginning of the financial year. Further foreign-currency surpluses expected are hedged in the course of the financial year through individual forward exchange transactions. The level of hedging in the financial year was approx. 82 %. Currency risks from budgeted operating business should continue to be hedged by forward transactions prior to receipt of payments.

The companies of the VTG Group operate a well-developed accounts receivable management system. Credit risk insurance contracts have been concluded for dealing with default risk. Moreover, the detectable default risk of individual receivables and the general credit risk are covered by appropriate itemized allowances for bad debts and flat-rate markdowns based on experience.

The liquidity requirements of the entire VTG Group are determined via liquidity planning and are covered by approved credit lines, so that the solvency of VTG AG and of its subsidiary companies is ensured at all times.

In order to avoid or minimize interest risks, a substantial part of the bank loans is covered by interest-hedging transactions against increases in interest rates until 2012.

Risks affecting all divisions are mainly concerned with liability claims, especially those relating to culpable violation of maintenance obligations, serial loss with resulting lack of capacity and the steadily increasing environmental requirements to comply with regulations and laws, particularly regarding the storing and transporting of hazardous materials, treatment of waste and safety at work.

The specific business risks to do with traffic, operational and environmental liability are dealt with by risk management, which also includes the covering of risks through insurance.

Opportunities and risks for the future development of the business

Wagon Hire Division

Wagon Hire is the most profitable division, so that a general market risk could have a particularly strong impact. Seen from today, a general weakening of the economy and lower economic growth are expected, which could affect the economic development of the VTG Group negatively. The business model of VTG and especially of this division has a long-term and stable foundation through long contract periods and a broad customer base. In the case of many customers, the hired wagons can be considered part of their production infrastructure, so that short-term economic disturbances are hardly reflected in the earnings figures.

There are special opportunities for growth in the Wagon Hire Division in the expansion of the services offered to major markets in central Europe, the modernization of the wagon fleets which are leased to big European customers and the shifting of older wagons to the growth markets in eastern and south-eastern Europe. The high demand for rail freight cars should, on the one hand, lead to an increase in the number of leased wagons, while the utilization of fleet capacity has already reached a high level. On the other hand, there is a demand for a wider range of various wagon types. Additional growth can therefore be generated by entering new wagon segments. Here, we are focusing on wagon types for transporting bulk goods and raw materials and wagon types not yet utilized by the VTG Group, i.e. those for finished products.

Furthermore, entering new markets such as North America and the CIS states, with their increasing production and enormous rail freight network, is expected to stimulate further growth, since there is a high demand for transport space for all types of bulk goods. Consequently, by acquiring the Texas Railcar Leasing Company, Inc. and thus entering the North American market, the VTG Group has a good chance of participating in the good growth prospects of the biggest wagon market in the world.

The investment activities of European railway companies have increased sharply, resulting in high capacity utilization for wagon-building companies in Europe. This has led to increased competition for new building slots. This development is accompanied by high prices for raw materials. Both have led to a price increase for new wagons which has been seen for some months. Against this background, VTG has ordered various wagon series in good time and thus assured itself extensive capacities and price structures beyond the year 2008. VTG now intends to use this time buffer to work out new procurement channels and alternative concepts for new wagons.

The harmonization and liberalization of the European rail freight network and the expansion of the European Union open up additional growth opportunities for the VTG Group. The biggest growth potential for all wagon segments is to be found in the eastern and south-eastern European regions. Negative effects on wagon hire could arise from the need for comprehensive regulations for the practical implementation of new legal and technical conditions for railways. This may lead to higher conversion and maintenance costs. VTG is dealing with this risk by working in numerous bodies and associations in order to contribute actively to creating the conditions for rail freight traffic with practical and meaningful solutions.

To sum up, we can say that increased earnings are expected for the year 2008.

Rail Logistics Division

Good growth opportunities for the Rail Logistics Division are expected above all in eastern and south-eastern Europe. Since the VTG Group has a good network in these European countries, there is great potential for business there. The demand for reliable cross-border logistics solutions for all types of goods will continue to increase. The Rail Logistics Division would like to participate in this development by growing beyond its present core market. In addition to the expansion of transports of petroleum and chemical products, increasing demand for transports for the coal, wood and paper industries is expected. In single-wagon traffic for the chemical and liquefied gas sectors, long-term new business has been acquired, especially in chemicals, so that stable business is to be expected in this area.

The large-scale invitations to tender put out annually by the oil industry, in which price competition is very stiff, offer both risks and opportunities for Rail Logistics.

Increased earnings are expected overall for the financial year 2008.

Tank Container Logistics Division

In the Tank Container Logistics Division, growth potential is seen in intra-European door-to-door transports due to customers' changed requirements. They are increasingly favouring the reliability, safety and environmental awareness of the rail and waterway modes of transport over the flexibility of road transports. This leads to growth potential in the traditional western European markets, as customers are also willing to pay a price commensurate with the higher level of service involved in offering uninterrupted transport chains.

Moreover, joint activities within the VTG Group are resulting in opportunities for extending our customer portfolio in Western Europe and exploiting synergies in the growth markets of eastern Europe.

Demand is expected to continue rising for the transport services offered by the Tank Container Logistics Division in overseas markets. In Asia, these growth opportunities are based above all on the dynamic economic growth of China and India, which affects the whole Asian and Pacific economic region.

The risks in Tank Container Logistics are essentially the existing uncertainties regarding the development in the flows of goods and the related imbalances in transport flows. These may arise in relation to the exchange rate, through production relocations or price changes, change rapidly and thus have a negative effect on capacity utilization and earnings. The Division is countering this risk with a focused and balanced control of transport flows which are monitored in real time with the appropriate technical support.

Due to the international nature of the business, a great deal of it is conducted in US dollars. Another risk therefore arises from possible exchange rate fluctuations, which could have a negative impact on earnings. This risk is counteracted with appropriate forward exchange transactions.

A further increase in earnings is expected for the Tank Container Logistics Division in the financial year 2008.

Prospects and key events after the closing date

Acquisition of Texas Railcar Leasing Company, Inc. (TRLX)

In mid-January, the VTG Group acquired all shares in the Texas Railcar Leasing Company, Inc., McAllen, Texas. VTG AG owns TRLX through its wholly-owned subsidiary, VTG North America, Inc, Hinsdale. VTG has thus entered the North American wagon-leasing business, in what is considered the biggest railway leasing market in the world with good growth prospects in the long term. The aim is to get a foothold in this market and to generate steady growth by acquiring more rail freight cars.

In 2006, TRLX achieved sales of more than 4 million US dollars with its fleet of about 1,000 wagons. The company has a broad customer base from the chemical, energy and construction industries, which is founded on long-term cooperation. TRLX has five employees, who have wide-ranging technical knowledge and thorough specialist expertise. With the acquisition of this stable company, which will be integrated into the Wagon Hire Division, the VTG Group is extending its portfolio on an international level.

Disposal of rail4chem shares

On 18th February 2008, the VTG Group, together with the other partners BASF SE, Hoyer GmbH and Bertschi AG, sold their 25 % share in the private railway company rail4chem Eisenbahnverkehrsgesellschaft mbH from Essen. rail4chem was established in the year 2000 with the aim of increasing competition in rail freight traffic and thus strengthening the liberalization that had begun in the railway markets. Through targeted expansion of the company in the last few years, VTG has made a decisive contribution to establishing an effective company in the field of private traction independent of state railways. This important goal has been reached and this is why the VTG Group and the other former partners are concentrating once more on their core business. With the new owner, rail4chem is assured of very good development opportunities in the future. The former shareholders continue to maintain links with rail4chem as customers.

Prospects: sound development in a stable market

According to the Annual Report of the German Council of Economic Experts on overall development in 2008, the world economy will lose its growth momentum in the year 2008 under the influence of the crisis in the financial market sparked off by the American real-estate market, but will not end in a worldwide slump. Gross domestic product will probably increase on average by 3.3 %.

The US economy will grow by 2 % next year, clearly below the potential growth rate of 3 %. In the US rail market, however, the earnings situation is improving considerably despite the weak economy. The planned growth of the VTG Group in the North American market, deriving from the acquisition of the specialized and relatively small leasing company, Texas Railcar Leasing Company, Inc., will therefore not be influenced by the economic downturn.

According to the Council of Economic Experts, the rate of expansion will slow down in the euro zone. As a result of the concurrence of a weakening world economy and a strong revaluation of the euro, there will probably be a dampening effect on foreign trade. What continues to prove very stable, however, is the very high capacity utilization in industry, which is leading to great demand for rail transports. For the eastern European members of the European Union, GDP is expected to grow at the high rate of 5.2 % and therefore high growth rates for transports are also expected in this region. In Germany, however, GDP will rise by approx. 1.9 % in 2008.

In the European chemical industry, which is so important for the VTG Group, the upward trend continued in 2007. The business situation is expected to remain positive in 2008, with European chemical production expected to grow by 2.5 % to 3 % as long as the influences of the US mortgage crisis, crude oil prices and the dollar weakness stay within the expected limits.

Due to the strong interconnection of the European economies and the diversification of production and logistics processes across national borders, transport volume overall will probably continue to rise, independently of any economic downturn. According to studies by the forecasting institutes SCI and ProgTrans, the volume of transported goods will rise in Europe by 2 – 3 % per year in the long run. The strongest market for transported goods will continue to be Germany. Annual growth in the logistics sector in eastern Europe is forecast to be 7 %.

Rail freight traffic is benefiting considerably from the increase in the volume of freight traffic in general. In the last two years, there has been double-digit growth in virtually every country in Europe. Even if the economic situation in Europe could have a slightly negative effect on the demand for freight services, it will not interrupt the definite upward trend in the long run.

Overall, the economic forecasts indicate a basically stable market environment for the activities of the VTG Group in the Wagon Hire, Rail Logistics and Tank Container Logistics Divisions. The business has been strategically positioned in such a way that it will benefit both from the stable growth of rail freight traffic in central Europe and from the growth countries in eastern Europe and the markets which are new for VTG such as North America. This is why the VTG Group is facing the financial year 2008 with great confidence. Nevertheless, apart from the constant extension of the range of services, the steady improvement in the processes in all divisions is seen above all as a primary goal.

The VTG Group plans to continue the growth strategy it has already initiated and will expand the fleet capacity even further. This will be financed by using the existing credit lines and the company's own cash flow.

Provided there is no sustained economic crash, the VTG Executive Board expects to achieve sales of € 560 – 570 million in the current financial year, which would exceed the figure for 2007 by 3.5 % – 5.5 %. Furthermore, the Executive Board expects that the operating profit (EBITDA) will increase by 5 – 8 % over 2007.

In 2008, the VTG AG Executive Board intends above all to continue improving the results and ensure VTG AG's ability to pay dividends.

Consolidated financial statements of VTG Group

Consolidated Financial Statements of VTG Group as at 31st December 2007

Income statement of VTG Aktiengesellschaft in accordance with IFRS

for the period from 1st January to 31st December 2007

€ '000	Notes	1.1. to 31.12.2007	1.1. to 31.12.2006 Adjusted
Revenue	(1)	541,433	518,563
Other operating income	(2)	16,919	28,174
Total revenue and income		**558,352**	**546,737**
Cost of materials	(3)	276,073	278,318
Personnel expenses	(4)	50,198	47,780
Impairment, amortization and depreciation	(5)	68,407	58,509
Other operating expenses	(6)	96,444	109,800
Total expenses		**491,122**	**494,407**
Income from associates		**1,397**	**2,110**
Financing income		2,822	2,717
Financing expenses		−38,756	−41,897
Financial loss (net)	(7)	**−35,934**	**−39,180**
Profit before taxes on income		**32,693**	**15,260**
Taxes on income	(8)	−16,977	7,785
Group profit		**49,670**	**7,475**
Thereof relating to:			
Shareholders of VTG Aktiengesellschaft		48,845	5,486
Other shareholders (minorities)		825	1,989
		49,670	**7,475**
Earnings per share (in €) (undiluted and diluted)	(9)	**3.94**	**109.72**

The explanations on pages 66 to 130 are an integral part of these consolidated financial statements.

BALANCE SHEET of VTG Aktiengesellschaft in accordance with IFRS

ASSETS

€ '000	Notes	31.12.2007	31.12.2006
Goodwill	(10)	156,211	156,211
Other intangible assets	(11)	66,734	66,247
Tangible assets	(12)	729,691	612,209
Investments in associates	(13)	15,811	16,429
Other financial assets	(14)	8,921	4,080
Fixed assets		**977,368**	**855,176**
Other receivables and assets	(17)	1,280	1,294
Deferred income tax assets	(18)	11,954	3,165
Non-current receivables		**13,234**	**4,459**
Non-current assets		**990,602**	**859,635**
Inventories	(15)	**13,115**	**9,400**
Trade receivables	(16)	68,598	61,803
Other receivables and assets	(17)	42,686	32,331
Current income tax assets	(18)	2,882	2,943
Current receivables		**114,166**	**97,077**
Cash and cash equivalents	(19)	**48,031**	**43,523**
Current assets		**175,312**	**150,000**
		1,165,914	**1,009,635**

The explanations on pages 66 to 130 are an integral part of these consolidated financial statements.

Shareholders' equity and liabilities

€ '000	Notes	31.12.2007	31.12.2006
Subscribed capital	(20)	21,389	50
Additional paid-in capital	(21)	193,991	52,412
Revenue reserves	(22)	57,853	9,270
Revaluation reserve	(23)	3,184	207
Shareholders' equity in VTG Aktiengesellschaft		**276,417**	**61,939**
Minority interests		**2,310**	**1,937**
Equity		**278,727**	**63,876**
Provisions for pensions and similar obligations	(24)	42,602	48,463
Deferred income tax liabilities	(25)	131,968	144,185
Other provisions	(26)	17,314	15,479
Financial liabilities	(27)	483,083	437,701
Other liabilities	(27)	3,079	3,431
Non-current liabilities		**678,046**	**649,259**
Provisions for pensions and similar obligations	(24)	3,696	3,540
Current income tax liabilities	(25)	15,909	20,122
Other provisions	(26)	43,606	34,563
Financial liabilities	(27)	36,100	133,680
Trade payables	(27)	99,243	91,763
Other liabilities	(27)	10,587	12,832
Current liabilities		**209,141**	**296,500**
		1,165,914	**1,009,635**

The explanations on pages 66 to 130 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENT of VTG Aktiengesellschaft in accordance with IFRS

€ '000	1.1. to 31.12.2007	1.1. to 31.12.2006
Operating activities		
Group profit	49,670	7,475
Impairment, amortization and depreciation	68,608	59,315
Interest income	-2,822	-2,717
Interest expense	38,555	41,091
Income tax expenses	-16,977	7,785
SUB-TOTAL	**137,034**	**112,949**
Other non-cash expenses and income	-1,397	-994
Equity and external capital procurement costs impacting profit	1,274	0
Income on investments	-1,375	-1,326
Income taxes paid	-12,122	-4,361
Income taxes received	4,330	4,017
Profit/loss on disposals of fixed asset items	-3,513	-2,642
Changes in inventories and receivables	-5,628	-6,918
Changes in external capital (excluding financial liabilities)	-5,102	10,174
Cash flows from operating activities	**113,501**	**110,899**
Investing activities		
Payments for investments in fixed assets	-105,540	-72,098
Proceeds from disposal of fixed assets	5,114	3,833
Payments for investments in financial assets (less cash and cash equivalents acquired)	-5,502	-198
Proceeds from disposal of financial assets (less cash and cash equivalents rendered)	20	215
Changes in financial receivables	-2,448	-856
Receipts from interest	2,416	2,150
Receipts from dividends	3,390	1,326
Cash flows used in investing activities	**-102,550**	**-65,628**
Financing activities		
Payments to other minorities	-527	-603
Payments for investments in minority interests	-5,614	0
Proceeds from issue of new shares	160,000	0
Payments for equity procurement costs	-9,971	0
Proceeds from the take-up of (financial) loans	447,120	10,299
Payments for external capital procurement costs	-5,232	0
Payments for interest and repayment of shareholder loans	-106,773	0
Repayments of bank loans and other financial liabilities	-446,975	-40,087
Interest payments	-31,300	-30,209
Cash flow from (prior year used in) financing activities	**728**	**-60,600**
Changes in cash and cash equivalents	**11,679**	**-15,329**
Effect of changes in exchange rates	-1,533	-2,711
Effect of changes in consolidation group	-5,638	0
Balance at beginning of period	43,523	61,563
Balance of cash and cash equivalents at end of period	**48,031**	**43,523**

Explanations of the cash flow statement are given under Note (31).

The explanations on pages 66 to 130 are an integral part of these consolidated financial statements.

Statement of recognised income and expenses

of VTG Aktiengesellschaft in accordance with IFRS

€ '000	**1.1. to 31.12.2007**	1.1. to 31.12.2006
Currency translation	–2,847	–2,695
Change in revaluation reserve	2,977	207
Difference arising on valuation of derivative financial instruments (hedge accounting)	1,672	1,806
Actuarial gains and losses from pension provisions	2,945	–854
Other measurement changes not recognized in income	703	–48
Income and expenses recognized directly in equity	**5,450**	**–1,584**
Group profit	**49,670**	**7,475**
Total income and expenses recognized in the fiscal year	**55,120**	**5,891**
Thereof relating to:		
Shareholders of VTG Aktiengesellschaft	54,291	3,783
Other shareholders (minorities)	829	2,108
	55,120	**5,891**

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

The explanations on pages 66 to 130 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Explanations of principles and methods

General explanations

VTG Aktiengesellschaft (VTG AG), registered in Hamburg, Nagelsweg 34, is the parent company of the VTG Group. The company is entered in the commercial register of the Local Court of Hamburg (Amtsgericht Hamburg, register no. HRB 98591). VTG AG and its subsidiaries operate in the business divisions of Wagon Hire, Rail Logistics and Tank Container Logistics.

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

VTG AG prepares consolidated IFRS financial statements in accordance with § 315 a (1) HGB (German Commercial Code). The consolidated financial statements and Group Management Report are published in the electronic Federal Gazette (Bundesanzeiger).

The consolidated financial statements comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the statement of recognized income and expenses and the notes to the consolidated financial statements.

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on 20th March 2008.

Accounting principles

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

The preparation of the consolidated financial statements has followed the historical cost convention, with the exception of the financial assets available for sale, financial assets and financial liabilities (including derivative financial instruments) recognized at fair value with effect on income.

Consolidation principles

The consolidated financial statements include all entities over which VTG AG may exercise control by determining their financial and business policy such that the companies of the VTG Group benefit from the activity of these entities (subsidiaries). These entities are included in the consolidated financial statements from the date of acquisition, i.e. the date on which the VTG Group obtains control. Where this control ceases, the relevant companies are no longer consolidated.

All consolidated subsidiaries are included through their single entity financial statements, issued by auditors with auditors' reports, and prepared using uniform accounting, measurement and consolidation methods.

Subsidiaries not included in the consolidated financial statements are, even taken together, of secondary significance for the presentation of the net assets, financial position and results of operations. They do not include any material assets or liabilities. Shares in affiliated, non-consolidated entities are recognized in the consolidated balance sheet generally at amortized cost. This measurement complies with IAS 39.

Investments in companies where the VTG Group is able to exercise significant influence over business policy (associates) are accounted for at equity. Entities with an ownership percentage of between 20 % and 50 % are, as a general rule, accounted for at equity. The first and last date of at-equity accounting is determined in line with the principles that apply for subsidiaries. The most recent financial statements of these entities serve as the basis for consolidation under the equity method. As at 31st December 2007, one company is accounted for under the at-equity method.

The complete list of equity investments is presented on pages 124 and 125.

Consolidation group in the financial year 2007

In addition to VTG AG, a total of 10 (prior year: 8) domestic and 13 (prior year: 13) foreign subsidiaries are included in the consolidated financial statements.

The consolidation group as at 31st December 2007 comprises the following companies:

No.	Name and registered office of the entity	Ownership in %
	Fully consolidated entities	
1	VTG Aktiengesellschaft, Hamburg	
2	Alstertor Rail France S.à r.l., Joigny	100.0
3	Alstertor Rail UK Limited, London	100.0
4	Ateliers de Joigny S.A.S., Joigny	100.0
5	CAIB Benelux BVBA, Berchem/Antwerp	100.0
6	CAIB Rail Holdings Limited, London	100.0
7	CAIB UK Limited, Worcester	100.0
8	Deichtor Rail GmbH, Garlstorf	100.0
9	Eisenbahnreparaturwerk Brühl GmbH, Wesseling	100.0
10	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Düsseldorf	98.6
11	Etablissements Henri Loyez S.A.S., Libercourt	100.0
12	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
13	EVA Holdings Deutschland GmbH, Hamburg	100.0
14	KR Klostertor Rail GmbH, Hamburg	100.0
15	Transpetrol Austria GmbH, Vienna	100.0
16	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
17	VOTG Tanktainer GmbH, Hamburg	100.0
18	VTG Austria Ges.m.b.H., Vienna	100.0
19	VTG Deutschland GmbH, Hamburg	100.0
20	VTG France S.A.S., Paris	100.0
21	VTG Rail España S.L., Madrid	100.0
22	VTG Rail UK Limited, Worcester	100.0
23	VTG Schweiz GmbH, Basel	100.0
24	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
	Associates	
25	Waggon Holding AG, Zug	50.0

Changes in companies consolidated

Both of the companies KR Klostertor Rail GmbH and Deichtor Rail GmbH were included in the consolidation for the first time in the financial year 2007. These additions relate to the Wagon Hire Division and had no material effect on the net assets, financial position or results of operations of the Group.

In April 2007, the Group purchased 41.65 % of the shares in the Group company VOTG Tanktainer GmbH (VOTG) and has thus increased its shares in this company to 100 %. The goodwill arising from the purchase price less proportional shareholders' equity amounts to € 5,691 k and results from the expected cost and utilization advantages within the VTG Group. This goodwill was offset against Group revenue reserves because the company already belonged to the VTG Group before 1999.

Associates
Waggon Holding AG, Zug, continues to be valued at equity.

The associate Waggon Holding AG, Zug, shows the following key financial information in the financial statements as at 31st December 2007:

€ '000	31.12.2007	31.12.2006
Assets	3,516	4,901
Liabilities	16	21
Income	2,834	4,283
Net profit for the year	2,794	4,221

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

The following is a reconciliation of the VTG Group's share of the net profit of Waggon Holding AG to disposals (prior year additions) of investments in associates as shown in the development of fixed assets:

€ '000	31.12.2007	31.12.2006
Share of net profit for the year	1,397	2,110
Elimination of dividend	−2,015	−1,116
Disposals (prior year additions) to investments in associates	**−618**	**994**

Consolidation principles

Equity consolidation is performed by eliminating the carrying amount of the parent's investment in each subsidiary which is measured at fair value at the time of acquisition or on formation of the subsidiary (acquisition method). Positive differences resulting from business acquisitions are capitalized as goodwill and amortized against income in accordance with the straight-line method over a period of up to 20 years. Goodwill is amortized exclusively in accordance with the impairment only approach under which it is subject to an annual impairment test and is subsequently measured at its original acquisition cost less any accumulated impairment losses.

Intra-group receivables and payables and provisions between the consolidated companies are eliminated.

Intra-group revenue and other intra-group income, as well as the corresponding expenses, are eliminated. 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 performed according to usual market terms and conditions.

Currency translation

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

For better presentation, all amounts are given in euro thousands (€ k). Relevant information is not lost as a result.

The annual financial statements of the foreign subsidiaries which have a currency deviating from the euro are translated as follows:

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

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

The same principles relevant to consolidated companies are applied to the translation of euro financial statements of foreign enterprises accounted for at equity.

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

The following exchange rates have been used for currency translation:

1 euro =	**Rate at balance sheet date**		**Average rate**	
	31.12.2007	31.12.2006	**2007**	2006
pounds sterling	0.7346	0.6714	0.6841	0.6819
Swiss francs	1.6557	1.6080	1.6424	1.5729

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

Accounting methods

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

Revenue from the sale of services is not realized until the service has been fully rendered. There is no recognition according to stage of completion since this cannot be reliably determined due to the nature of the business. Income is recognized on the sale of goods if they 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.

Assets that have an indefinite useful life are not subject to scheduled depreciation or amortization. They are subject to an annual impairment test. Assets that are subject to scheduled amortization or depreciation are subject to an impairment test when relevant events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recorded in the amount of the difference between the carrying value and recoverable amount. The recoverable amount is the higher of the fair value less selling expenses 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 various activities of the Group are regarded as cash-generating units. The Group is organized into the business divisions of Wagon Hire, Rail Logistics and Tank Container Logistics.

If the reasons for impairment losses accounted for in previous years cease to apply, corresponding impairment reversals are made. So far, no unplanned impairment losses have been necessary.

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 annual impairment test on the basis of the cash-generating unit to which it is allocated.

As part of the impairment test, the carrying values of the units tested, including the goodwill allocated, are compared with their relevant recoverable amounts. The recoverable amount is the higher of the fair value less selling expenses and value in use. Within the VTG Group, the recoverable amount was determined on the basis of on the calculation of value in use. The value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset.

Segmental goodwill is tested for impairment regularly as part of the annual budgetary process. The calculations are based on forecast cash flows which are derived from the long-term forecast approved by management. These include the detailed planning for the years 2008 to 2010. Overall, management is expecting moderate growth. The capitalization interest rate plus a growth surplus of 1.0 % has been applied for the subsequent period. The calculation of cash flows is based on the experience values from past financial years and accounts for future development. In order to determine useful lives, risk-oriented interest rates appropriate to the market were applied. The pre-tax interest rates lie between 9 % and 10.5 % and in the prior year amounted to 10 %.

The **other intangible assets** comprise brand values and customer relationships as well as purchased intangible assets.

The “VTG” and “Transpetrol” brands and customer relationships were measured as at 31st December 2005 as part of a purchase price allocation. The brands were accounted for on initial recognition at fair value in line with licence prices. Based on legal and economic criteria, these have indefinite useful lives and are not amortized but subject to an annual impairment test under which the relevant carrying values of the brands are compared to their fair values. The fair values are determined as on initial measurement, in accordance with the licence price analogy, whereby notional brand licence payments are discounted with a market-specific capital cost rate and a tax amortization benefit is added. The notional brand licence payments are mainly based on the brand-specific revenue forecast within the detailed budgets for the years 2008 to 2010. The assumptions on revenue growth are in line with the assumptions met within the goodwill impairment test.

The customer relationships are accounted for on initial recognition at fair values measured on the basis of residual profits and are amortized normally in following periods over 16 years.

Other intangible assets with determinable useful lives acquired for valuable consideration are generally stated at their acquisition cost and amortized normally straight-line over three years.

There are no generated intangible assets.

Tangible assets are generally measured at acquisition or manufacturing costs less accumulated depreciation, to reflect use and, in individual cases, impairment.

Acquisition costs comprise all consideration given to purchase an asset and to bring it to an operating 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 not capitalized.

Within the purchase price allocation, parts of the tangible assets were revalued on the basis of replacement cost and recognized at fair values.

Normal straight-line depreciation is deducted from tangible asset items whose use is limited in time. As a rule, a residual value of zero is assumed here. Low value assets (acquisition costs up to € 410) are written off in full in their year of acquisition.

Normal depreciation is based mainly on the following economic useful lives:

Tangible assets	Useful life
Buildings	up to 50 years
Technical plant and machinery	10 years
Containers	up to 12 years
Railway freight cars	up to 35 years
Operating and office equipment	up to 13 years

Costs for maintenance and repair of items of tangible assets are recorded as an expense. Expenses for renewal and maintenance are capitalized as subsequent manufacturing costs if they lead to a material extension of the useful life, a significant improvement or a meaningful change in the use of the asset. Costs of overhaul of the rail freight cars are capitalized as a separate component and depreciated over the term of the overhaul intervals.

Leased assets for which the entities of the VTG Group are entitled to all significant risks and rewards (finance leasing) are capitalized in accordance with IAS 17. Capitalization is at the lower of fair value of the asset or 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 asset items. The payment obligations that arise for future lease instalments are recorded as liabilities, disregarding the interest component. The interest portion of the lease instalment is recorded as an expense in the consolidated income statement.

Financial assets are subdivided into the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Financial assets held to maturity
- Financial assets available for sale

The categorization depends on the reason for acquiring the financial asset. The categorization of the financial assets is performed on initial recognition and reviewed for appropriateness at each balance sheet date. The following categories are of relevance for the VTG Group:

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

- Financial assets available for sale are non-derivative financial assets that have been directly classified under this category or otherwise cannot be classified under one of the other three given categories. The financial assets presented in the VTG Group are mainly **investments in affiliated entities,** which have not been consolidated because immaterial, 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. Shares in affiliated entities and other investments are recognized at amortized acquisition cost since it is not possible to determine their fair values.

Financial assets are treated as disposals when the rights to payments from the financial asset have expired and the Group has substantially transferred all risks and opportunities associated with ownership. At each balance sheet date, a review is undertaken as to whether there are objective indications of impairment of a financial asset or of a group of financial assets.

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

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

Derivative financial instruments are only concluded by the Group head office within the valid guidelines and requirements. Where a company independently concludes derivative financial instruments within the valid guidelines and requirements, these are monitored by the Group head office as part of regular reporting.

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 strategy underlying the conclusion of hedging transactions. Furthermore, at the beginning of the hedging relationship and afterwards, documentation of the estimate takes place on an ongoing basis as to whether the derivatives used in the hedging relationship compensate highly effectively for the changes in the fair value or in the cash flows of the underlying business.

The full fair value of the derivative financial instrument designed as a hedging instrument is presented as a non-current asset or non-current liability to the extent that the residual term of the underlying transaction is longer than 12 months after the balance sheet date or, as a current asset or current liability if the residual term is shorter. Derivative financial instruments held for trading purposes are disclosed as current assets or liabilities.

The fair values of (derivative) financial instruments, which are not traded in an active market, are determined by applying valuation models. The Group uses varying valuation models and makes assumptions based on the market circumstances at the balance sheet date.

The effective portion of market value changes of derivative financial instruments, which are deemed cash flow hedges, is recorded after accounting for deferred taxes to the other parts of equity without impacting 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.

As part of the interest and foreign currency hedging contracts, receivables amounting to € 5,220 k (prior year: € 3,201 k) were accounted for to hedge any potential default risks from derivative transactions. Using interest and foreign currency hedging contracts, it is determined that a contract partner has to transfer security to the other contract partner if the market values of the derivative instruments between the contract parties exceed a certain amount.

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. The manufacturing costs do not contain any costs of external capital. Inventories are recognized at the lower of acquisition/manufacturing costs and net realizable value. The net realizable value is determined as the estimated ordinary selling price less necessary variable selling expenses. Similar items of inventory are measured applying the average method.

Cash and cash equivalents comprises all liquid funds, i.e. cash in hand, cheques and bank balances.

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

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 detectable 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.

Financial liabilities are stated at their fair value on initial recognition, net of transaction costs. In subsequent periods they are measured at amortized acquisition costs. Every difference between the disbursement amount (after transaction costs) and repayment amount is charged to income over the term of the borrowing, applying the effective interest method. Loan liabilities are classified as current if the Group does not have an unconditional right to repay the liability at a time later than twelve months after the balance sheet date. In the balance sheet current account, credits used are shown as current financial liabilities.

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.

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

The following material estimates and related assumptions may have consequences for the Group financial statements.

At least once a year, the Group investigates the value of capitalized goodwill based on the cash-generating units to which it is allocated. As part of this, the carrying values of the units tested, including the goodwill allocated to them, are compared with their relevant values in use. The assumptions made here, including the methods applied, can have a material effect on the determination of the value in use and, subsequently, on the amount of impairment losses on goodwill. The data used by management with regard to expected earnings development is based on internal analyses and forecasts and, with regard to other calculation parameters used, it is based on external information sources. Based on the existing models, potential impairment losses can only result in relation to the growth parameters and interest applied if scenarios come into being that are from a current point of view improbable. With regard to the earnings situation, the goodwill allocated to the segments Rail Logistics and Tank Container Logistics would not be impaired even if there were a very unrealistic worsening of future earnings before interest and income taxes (EBIT) compared to budgeted EBIT. The goodwill allocated to the Wagon Hire segment is considered to be impaired where there is a worsening of the future EBITs of from 6.8 % compared to forecast EBITs and all other parameters affecting impairment are assumed to be constant.

Other assumptions and estimates primarily relate to the determination of economic useful lives uniformly across the Group and the realization of receivables. The Group reviews the useful lives applied at least once a year. Should expectations deviate from estimates made until now, the required adjustments are appropriately accounted for as changes in estimates. The determination of the useful lives used is made on the basis of market observations and experience values.

The Group has a duty to pay income taxes in various countries. For each tax subject, the expected effective income tax amount is to be determined and the temporary differences from the different treatment of certain balance sheet items in the IFRS financial statements and in the statutory tax financial statements are to be assessed. Where there are temporary differences, these lead to the capitalization or provision of deferred tax assets and liabilities. When calculating current and deferred taxation, 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.

The Group has set up provisions for various risks. In accordance with the accounting methods described, these are, however, only set up if their utilization is probable. Naturally, various scenarios exist here. The assessment with regard to probability is based on experience of the past and on individual judgement of 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 mainly based on the market conditions existing at the balance sheet date.

Changes in presentation in the income statement were made for maintenance expenses and exchange gains and losses. In order to avoid inconsistencies with segmental reporting, maintenance expenses are now uniformly recorded within other operating expenses. Exchange gains and losses are disclosed net where they relate to the same transaction. Other operating income, cost of materials and other operating expenses are affected by these changes.

The prior-year presentation of and prior-year values stated in the income statement have been adjusted correspondingly.

The measurement methods remained unchanged over the prior year.

Newly applicable accounting standards

The IASB issued the following new IFRSs which were applied for the first time by the VTG Group in the year under review. The application of these IFRSs mainly had the following effects on the VTG Group financial statements as at 31st December 2007:

In **IFRS 7, "Financial Instruments: Disclosures",** the information for the notes to the financial statements for financial instruments, which were set out in IAS 31 until now, as well as the disclosure obligations of IAS 30 only to be observed by banks and similar institutions until now, are summarized and extended. These should now be applied independently of the industry. On publishing IFRS 7, IAS 1 has been extended for disclosure obligations on capital management. The first-time application of IFRS 7 has led to an extension of disclosures within the notes to the financial statements. All information on IFRS 7 relevant to the VTG Group has been disclosed in the following report. Non-relevant information on IFRS 7 is not explained further.

In accordance with **IFRS 8, "Business Segments",** the segment reporting shall be set up in accordance with the so-called management approach. In accordance with this, the classification of the segments and the disclosures are based on the information which is used internally by the company divisions for the purposes of allocating resources and assessing performance. The application scope of the standard covers the financial statements of companies whose liability and equity instruments are traded on a public market. IFRS 8 has to be applied to financial years beginning on 1st January 2009. The VTG Group has already voluntarily and prematurely applied this standard in the Group financial statements.

Standards and interpretations issued, but not yet adopted

The IASB has published a number of changes to existing interpretations by which the VTG Group will neither be affected totally nor materiality.

IFRIC 7, "Applying the Reinstatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", clarifies questions in connection with the application of IAS 29 in the case of the country whose currency is the functional currency of the reporting company becoming a hyperinflationary economy.

IFRIC 8, "Scope of IFRS 2", clarifies the application of IFRS 2, "Share-based Payment", to agreements under which the reporting company grants share-based payments for which there is no or only inadequate consideration.

IFRIC 9, "Reassessment of Embedded Derivatives", deals with the question of whether a contract should only be assessed at the time it is concluded or during its whole term as to whether an embedded derivative as defined in IAS 39, "Financial Instruments", exists.

IFRIC 10, "Interim Financial Reporting and Impairment", stipulates that impairment recorded in the interim financial statements may not be reversed in subsequent financial statements. Its scope covers goodwill, equity financial instruments held which are classified as available for sale and non-listed equity instruments which are not measured at fair value.

IFRIC 11, "IFRS 2 Group and Treasury Share Transactions", is applicable for the first time to the financial year 2008 and deals with the topic of whether share-based payments in single and Group financial statements are compensated for through equity or by cash compensation.

Further standards and interpretations have been published already by the IASB but these have, however, not yet fully gone through the endorsement procedure of the European Union. No material effects are expected regarding the Group financial statements of VTG AG even from these accounting requirements to be applied in the future.

Hedging strategy and risk management

Basic risk management
The business activities of the VTG Group expose it to various financial risks. These include default risk, liquidity risk and market risk (consisting of interest risk and currency risk).

These risks are excluded or limited in their effect on the Group through guidelines and requirements which determine the decision bases, competencies and responsibilities over all financial transactions.

To finance future investments and working capital, the Group has investment and working capital credit available which can be called on at any time, in addition to the funds invested with banks.

The VTG Group manages its capital (equity and external capital) with the objective of maximizing the income of the company owners by optimising the relationship between equity and borrowings. For this, it has been ascertained that all Group companies can operate under the going concern assumption. The management of the VTG Group monitors the capital structure at regular intervals, whereby interest and liquidity risks in particular are investigated. Further information on capital structure can be found particularly under Notes (20) ff Equity and Note (27) Liabilities.

Risk factors

Default risk (credit risk)
Risks with contractual partners are systematically checked on the conclusion of contracts and monitored constantly. The creditworthiness of new and existing customers is regularly checked. Financing solutions, such as bank guarantees, on-account payments and reservation of title are used in select, specific cases only. Additionally, the Group has a receivables management system comprising an efficient reminders function and the securing of receivables by default insurance contracts. In terms of its value, the scope of insurance is dependent on the credit standing of the contractual partner. The Group makes appropriate adjustments to cover detectable risks of default on specific receivables. In accounting for provisions for doubtful debts, substantial assessments and judgements are made regarding individual receivables which are related to the creditworthiness of individual customers and the analysis of historical bad debts.

In order to cover payments on account in connection with investment measures, bank guarantees are obtained by suppliers from excellent addresses in terms of credit rating from the financial sector. In order to secure payments on account the Group has accepted bank guarantees amounting to € 12,011 k. (prior year: € 16,909 k) from suppliers. As at 31st December 2007, just as in prior years, guarantees by suppliers were not utilized.

Liquidity risk
Group companies report their liquidity requirement or surplus daily, which is called up or withdrawn by the companies via the automatic cash pooling arrangement. As part of monthly reporting, the liquidity balances of the companies are reported on a timely basis to the Group head office. The liquidity forecasting is prepared on the basis of the daily and monthly requirement/surplus statements supplied by the Group companies.

The Group head office thus takes on the central role of finance management for the Group. It basically performs all financial transactions for the Group companies and is responsible for the financial risk management throughout the Group. Refinancing is performed by several house banks. In exceptional cases financial transactions are also performed by subsidiaries, but only in agreement with the financial department of the Group head office.

The loan amounts, purpose of loans and amounts due within a year as at 31.12.2006 are shown in the table below:

€ '000	Purpose	Loan balance as at 31.12.2006	Thereof due within one year
VTG GmbH	Acquisition of shares	74,223	3,497
VTG GmbH	Acquisition of shares	43,650	1,350
VTG GmbH	Pre-financing value added tax	0	0
VTG GmbH	Mezzanine	27,150	0
VTG Deutschland	Purchase of rail freight cars	22,063	0
VTG Deutschland	Pre-financing value added tax	0	0
VTG Deutschland	Acquisition of shares	48,439	2,282
VTG Deutschland	Acquisition of shares	32,737	1,543
VTG Deutschland	Release of loan	163,571	7,708
VTG Deutschland	Working capital line	10,000	10,000
Total		**421,833**	**26,380**

In order to finance the shares in VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung (VTG GmbH) **VTG AG** received a shareholder loan amounting to € 90,000 k from Compagnie Européenne de Wagons S.à r.l., Luxembourg (Compagnie Européenne). The shareholder loan bears interest at 6 % and was granted for an unlimited period. After the successful flotation, the money derived from it was used to repay this shareholder loan and it therefore no longer exists at the balance sheet date.

VTG GmbH and **VTG Deutschland GmbH** (VTG Deutschland) took up various loans at the Bayerischen Hypo- Vereinsbank, London (Hypo-Vereinsbank) for financing purposes. At the same time as the flotation, there was a refinancing of the loans shown in the prior year in June 2007. The borrower is now also VTG Rail UK Ltd. which drew the loan in British pounds.

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

€ '000	Purpose	Original loan amount	Loan balance as at 31.12.07	Thereof due within one year
VTG GmbH	Release of various loans	121,100	119,586	5,025
VTG Deutschland	Release of various loans	298,900	295,162	12,403
VTG Deutschland	Working capital line	7,000	0	0
VTG Rail UK Ltd.	Purchase of rail freight cars	20,000	18,284	797
Total		**447,000**	**433,032**	**18,225**

Furthermore Klostertor, which was consolidated as at 30th June 2007, took up a loan with DVB Bank, Frankfurt.

€ '000	Purpose	Original loan amount	Loan balance as at 31.12.07	Thereof due within one year
Klostertor	Purchase of rail freight cars	46,000	44,888	3,388

The duration of the loan is linked to the observance of certain financial ratios which are to be reported to the lender every half year or annually and are subject to a review. If the financial ratios or other conditions are not observed and the lenders do not waive the conditions, this represents a reason for cancellation which, among other things, authorizes the lender to demand the immediate repayment of all liabilities. The given ratios were achieved for the past financial year. Based on the current budgeted figures, another development is not expected for the future.

According to the balance sheet, the VTG Group shows liabilities to banks amounting to € 463,185 k. The following table shows a reconciliation of the loan amounts presented above to the liabilities to banks as disclosed in the balance sheet.

€ '000	31.12.2007	31.12.2006
Loan Hypo-Vereinsbank	433,032	421,833
Loan DVB Bank, Frankfurt	44,888	0
Deduction of transaction costs under IAS 39	–15,142	–11,492
Current account overdrafts at various house banks	407	473
Liabilities to banks	**463,185**	**410,814**

With regard to liabilities to banks and trade payables, which are all due within one year, please refer to Note (27). With regard to leasing transactions of the Group, please refer to Note (27) for finance leasing and Note (30) for operating leases.

Interest rate risk

The interest rate risk the VTG Group is subject to results exclusively from the sensitivity of payments with regard to variable interest-bearing financial liabilities to banks as a consequence of a change in the market interest rate. VTG Group limits such risks by using interest derivatives and interest swaps. Since there is a financial fund excess in respect of borrowing, interest risks mainly exist from an increase in interest rates on the market.

The loans of the financial year and prior year shown under the line item liquidity risk are variable with respect to interest and have the following nominal interest rates and fixed interest periods:

As at 31.12.2007:

€ '000	Purpose	Loan balance as at 31.12.07	Interest rate	Interest fixed until max:
VTG GmbH	Release of various loans	119,586	6.03203 %	30.06.2008
VTG Deutschland	Release of various loans	295,162	6.03203 %	30.06.2008
VTG Rail UK Ltd.	Purchase of rail freight cars	18,284	7.21025 %	30.06.2008
Klostertor	Purchase of rail freight cars	44,888	5.20260 %	31.10.2011
Total		**477,920**		

Prior year:

€ '000	Purpose	Loan balance as at 31.12.2006	Interest rate	Interest fixed until
VTG GmbH	Acquisition of shares	74,223	5.93603 %	29.06.2007
VTG GmbH	Acquisition of shares	43,650	6.03603 %	29.06.2007
VTG GmbH	Mezzanine	27,150	14.26303 %	30.04.2007
VTG Deutschland	Purchase of rail freight cars	22,063	6.03603 %	29.06.2007
VTG Deutschland	Acquisition of shares	48,439	5.83603 %	29.06.2007
VTG Deutschland	Acquisition of shares	32,737	5.93603 %	29.06.2007
VTG Deutschland	Release of loan	163,571	5.83603 %	29.06.2007
VTG Deutschland	Working capital line	10,000	5.73303 %	30.03.2007
Total		**421,833**		

In order to counteract risks from interest changes, € 339,294 k (prior year: € 337,238 k) of the loan amount at the Hypo-Vereinsbank is secured by interest rate hedges. The term of the interest rate hedges which have fixed interest rates was extended in May 2007 until the middle of 2012 by a combined interest swap. This extended interest rate hedge has a volume of € 322,000 k. The hedge also includes future cash taken up as part of the loan agreement with the Hypo-Vereinsbank. In the financial year, income from revaluation of the hedging relationship of € 1,672 k (prior year: € 1,806 k) was recorded without impacting income, net of deferred tax effects, in equity.

The amounts invested short-term with banks are subject to only marginal fluctuations in the interest rate and so there is no significant interest rate risk. Due to the minor importance of the other interest-bearing assets and liabilities to the Group, the risk of changes in interest rates is not significant for the VTG Group.

In order to assess the risk of changes in interest rates for financial liabilities, a change in the market interest rate of 100 base points was simulated. For this purpose, the actual interest rates for the financial year 2007 were each changed by 100 base points. Based on the assumptions made, the Group result would have varied by € 1,413 k (prior year: € 1,998 k). This calculation already accounts for interest rate hedging transactions entered into.

Exchange risk

The VTG Group is subject to currency exchange risks arising from fluctuations in the exchange rates of the USD, GBP and CHF. These risks arise from cash inflows and outflows in foreign currency which are not always matched with payments in the same currency, of the same amount and of the same maturity.

The scope of currency transactions is small within the Group. Currency hedges are undertaken independently by the Group head office or, after consulting the Group head office, independently by a Group company. In the case of currency hedging, currency receipts and payments in the same currency with the same maturity are initially offset at Group level (netting). All hedging transactions of the Group are thus based on an appropriately realized or future underlying transaction in the balance sheet. These are exclusively fixed price transactions which are performed at market conditions with excellent addresses in terms of credit rating from the financial sector.

The change in market value of the forward exchange contracts classified as cash flow hedges is included in the other items of equity. As at 31st December 2007, derivative financial instruments with a maximum term of 17 months (prior year: 17 months) were held in order to hedge the exchange risk in connection with planned transactions in foreign currency.

In sensitivity analyses it is investigated which effects impacting income and not impacting income would have resulted from other exchange rates for financial instruments. The sensitivity analysis covers, on the one hand, the presentation of equity effects resulting from foreign currency transactions within operating activities. Here, the foreign currency translation of USD transactions of a Group company within the VTG Group are analyzed, while other foreign currency transactions within operating activities are of minor significance. Furthermore, the effect of different translations of financial statements of Group companies, the reporting currencies of which deviate from the euro (here: CHF and GBP), is simulated. The observation of the effects is divided into components impacting income and not impacting income.

The foreign currency sensitivity analysis is based on two scenarios assumed possible, arising from a chart analysis of the exchange rate development in the financial year 2007. Scenario 1 simulates the effects of an increase in value of foreign currencies and scenario 2 the effects of a decrease in value of foreign currencies compared to the euro.

	Year-end rate 31.12.2007	Year-end rate Scenario 1	Year-end rate Scenario 2
CHF	1.6557	1.625	1.690
GBP	0.7346	0.675	0.750
USD	1.4716	1.420	1.530

	Average rate 2007	Average rate Scenario 1	Average rate Scenario 2
CHF	1.6421	1.580	1.650
GBP	0.6841	0.670	0.690
USD	1.3697	1.260	1.400

On the basis of the assumptions made under scenario 1, effects impacting income amount to € 1,298 k and effects not impacting income amount to € 55 k. For scenario 2, effects impacting income amount to € –383 k and effects not impacting income amount to € –1,214 k.

Segment reporting

Comments on the segments
The Group is segmented on the basis of internal company control. The individual businesses and business divisions are allocated to the segments solely on the basis of economic criteria, independently of their legal corporate structures.

In addition to the rental of its own rail freight cars, the **Wagon Hire Segment** includes the management and technical support as well as the administration and maintenance of its own and external rail car fleets. Furthermore, this also includes three internal rail car repair works.

The **Rail Logistics Segment** includes the rail logistics services of the Group. The VTG Group is active as an international supplier of railway-related logistics solutions.

The **Tank Container Logistics Segment** combines the transport activities for products from the chemical, mineral oil and pressurized gas industry in tank containers.

The companies VTG AG, VTG GmbH, VTG Deutschland, VTG France S.A.S. (VTG France) and VTG Rail España S.L. are allocated to several segments with their business activities.

The non-operative parts of VTG AG, VTG GmbH and VTG Deutschland are active across the whole Group and are thus recorded together with the consolidation entries in a Group reconciliation item.

Comments on the segment data
Revenue between the segments is basically generated at arm's length conditions just as applicable to transactions with external third-parties.

Segmental assets comprise assets less income tax assets, current and non-current financial receivables and cash and cash equivalents. They include the relevant goodwill as allocated.

Segment liabilities include external capital less income tax liabilities as well as current and non-current financial liabilities.

Segmental reporting shows the key performance indicators of segment income (segment revenue less cost of materials of the segments), EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes) and EBT (earnings before taxes), since these ratios are used as a controlling basis for value-oriented company management.

Key figures by segments

The segments for the financial year ended 31st December 2007 are as follows based on internal reporting:

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	Group
External revenue	260,454	153,827	127,152	0	541,433
Internal revenue	8,920	963	98	-9,981	0
Segment revenue	**269,374**	**154,790**	**127,250**	**-9,981**	**541,433**
Segment cost of materials	-33,525	-143,386	-107,499	11,281	-273,129
Segment gross profit	**235,849**	**11,404**	**19,751**	**1,300**	**268,304**
Other segment income and expense	-98,788	-6,980	-11,675	-13,827	-131,270
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**137,061**	**4,424**	**8,076**	**-12,527**	**137,034**
Impairment, amortization of intangible and depreciation of tangible fixed assets	-63,892	-689	-3,421	-405	-68,407
Impairment of financial assets	0	-201	0	0	-201
Segment earnings before interest and taxes (EBIT)	**73,169**	**3,534**	**4,655**	**-12,932**	**68,426**
Thereof earnings from associates	1,397	0	0	0	1,397
Net interest expense	-25,636	51	26	-10,174	-35,733
Interest income	1,139	226	333	1,124	2,822
Interest expense	-26,775	-175	-307	-11,298	-38,555
Earnings before taxes (EBT)	**47,533**	**3,585**	**4,681**	**-23,106**	**32,693**
Taxes on income					16,977
Group profit for the year					**49,670**

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

The segment reporting for the prior year is as follows:

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	Group
External revenue	235,076	170,395	113,092	0	518,563
Internal revenue	10,058	549	1,439	−12,046	0
Segment revenue	**245,134**	**170,944**	**114,531**	**−12,046**	**518,563**
Segment cost of materials	−30,153	−159,456	−97,060	11,755	−274,914
Segment gross profit	**214,981**	**11,488**	**17,471**	**−291**	**243,649**
Other segment income and expense	−99,388	−7,467	−11,381	−12,464	−130,700
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**115,593**	**4,021**	**6,090**	**−12,755**	**112,949**
Impairment, amortization of intangible and depreciation of tangible fixed assets	−53,519	−626	−3,727	−637	−58,509
Impairment of financial assets	−104	−702	0	0	−806
Segment earnings before interest and taxes (EBIT)	**61,970**	**2,693**	**2,363**	**−13,392**	**53,634**
Thereof earnings from associates	2,110	0	0	0	2,110
Net interest excl. impairment of financial assets	−20,671	−155	−272	−17,276	−38,374
Interest income	796	122	22	1,777	2,717
Interest expense	−21,467	−277	−294	−19,053	−41,091
Earnings before taxes (EBT)	**41,299**	**2,538**	**2,091**	**−30,668**	**15,260**
Taxes on income					−7,785
Group profit for the year					**7,475**

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

Segment assets and segment liabilities at the balance sheet date and at the prior year balance sheet date are shown in the following table:

€ '000		Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
Segment assets						
	31.12.2007	1,072,475	41,694	40,337	−62,156	1,092,350
	31.12.2006	882,218	34,924	34,400	2,794	954,336
Thereof investments in associates						
	31.12.2007	15,811	0	0	0	15,811
	31.12.2006	16,429	0	0	0	16,429
Segment liabilities						
	31.12.2007	297,631	26,299	36,243	−140,674	219,499
	31.12.2006	86,142	19,148	14,224	90,126	209,640
Investments in intangible assets						
	31.12.2007	3,921	312	188	60	4,481
	31.12.2006	3	301	40	29	373
Investments in tangible assets						
	31.12.2007	105,048	95	1,275	307	106,725
	31.12.2006	67,837	73	301	403	68,614
Additions to investments in finance leasing						
	31.12.2007	5,505	0	0	0	5,505
	31.12.2006	0	0	0	0	0
Additions to tangible assets from first-time consolidation						
	31.12.2007	73,339	0	0	0	73,339
	31.12.2006	0	0	0	0	0
Impairment, depreciation and amortization (excl. impairment of financial assets)						
	31.12.2007	63,892	689	3,421	405	68,407
	31.12.2006	53,519	626	3,727	637	58,509
Changes in provisions for pensions and similar obligations and in other provisions						
	31.12.2007	11,854	−194	1,368	−7,855	5,173
	31.12.2006	9,324	−545	2,797	2,681	14,257

Reconciliation of segment assets and segment liabilities to the consolidated balance sheet

€ '000	31.12.2007	31.12.2006
Segment assets	**1,092,350**	**954,336**
Cash and cash equivalents	48,031	43,523
Other current financial assets	10,697	5,668
Current income tax assets	2,882	2,943
Deferred income tax assets	11,954	3,165
Consolidated balance sheet assets	**1,165,914**	**1,009,635**
Segment liabilities	**219,499**	**209,640**
Current financial liabilities	510	1,462
Liabilities from finance leases	55,642	63,661
Non-current financial liabilities	463,185	410,814
Financial liabilities to shareholders	0	95,655
Current income tax accruals	15,909	20,122
Current income tax liabilities	470	
Deferred income tax liabilities	131,968	144,185
Other reconciling items	4	220
Consolidated balance sheet external capital	**887,187**	**945,759**

Key figures across all segments

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

€ '000		Germany	Foreign	Group
Segment assets				
	31.12.2007	884,104	208,246	1,092,350
	31.12.2006	767,312	187,024	954,336
Segment liabilities				
	31.12.2007	177,491	42,008	219,499
	31.12.2006	170,287	39,353	209,640
Investments in intangible assets				
	31.12.2007	587	3,894	4,481
	31.12.2006	370	3	373
Investments in tangible assets				
	31.12.2007	67,946	38,779	106,725
	31.12.2006	41,651	26,963	68,614
Additions to investments in finance leasing				
	31.12.2007	5,505	0	5,505
	31.12.2006	0	0	0
External revenue by location of company				
	31.12.2007	415,179	126,254	541,433
	31.12.2006	405,964	112,599	518,563

Notes to the consolidated income statement

(1) Group Revenue

€ '000	2007	2006
Wagon Hire	260,454	235,076
Rail Logistics	153,827	170,395
Tank Container Logistics	127,152	113,092
Total	**541,433**	**518,563**

(2) Other operating income

€ '000	2007	2006 adjusted
Book profit from the sale of fixed assets	3,719	3,028
Income from the write-off of liabilities	2,100	0
Income from sales of materials	2,082	1,740
Recharged services	1,705	5,213
Other operating ancillary income	1,446	1,723
Income on investments	1,375	1,326
Exchange gains	1,010	3,689
Reimbursements in connection with the sale of a former business division	0	8,138
Other income	3,482	3,317
Total	**16,919**	**28,174**

The other operating ancillary income mainly comprises rebates from suppliers.

Other income primarily consists of insurance reimbursements and rental and leasing income.

(3) Cost of materials

€ '000	2007	2006 adjusted
Raw materials, consumables and supplies	8,049	7,279
Cost of purchased services	268,024	271,039
Total	**276,073**	**278,318**

The costs of purchased services include rental expenses for operating lease contracts amounting to € 19,911 k (prior year: € 18,731 k) .

(4) Personnel expenses

€ '000	2007	2006
Wages and salaries	38,937	35,804
Social security, post-employment and other employee benefit costs	11,261	11,976
thereof for pensions	(3,254)	(3,881)
Total	**50,198**	**47,780**

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

(5) Impairment, amortization and depreciation

€ '000	2007	2006
Impairment, amortization of intangible and depreciation of tangible fixed assets	67,793	58,509
Impairment, write-downs of current assets	614	0
Total	**68,407**	**58,509**

(6) Other operating expenses

€ '000	2007	2006 adjusted
Repairs and operating resources	55,882	52,781
Selling expenses	10,115	11,258
Charges, fees, consultancy costs	4,518	5,667
Rents/leases	3,952	4,561
IT costs	3,157	3,671
Travel expenses	1,982	1,754
Insurance	1,953	2,417
Other taxes	1,796	1,585
Administrative expenses	1,594	1,721
Advertising	1,223	1,101
Money and financial transactions/exchange losses	980	1,363
Transfer of reimbursements in connection with the sale of a former business division	0	8,138
Other expenses	9,292	13,783
Total	**96,444**	**109,800**

The other expenses mainly include costs of temporary employees, audit fees and increases to allowances.

Disclosure in accordance with § 314 (1) No. 9 HGB (German Commercial Code) in connection with § 315a (1) HGB

During the financial year, the following fees included in expenses were incurred by the auditor of the annual financial statements and of the consolidated financial statements:

€ '000	2007
Fees for audit of annual financial statements and consolidated financial statements	393
Fees for other confirmation or valuation services	528

The fees for other confirmation and valuation services are mainly related to the stock exchange flotation of VTG AG.

(7) Financial loss (net)

€ '000	2007	2006
Income from other securities and long-term financial asset loans	42	4
Interest and similar income	2,780	2,713
thereof from affiliated companies	(102)	(76)
Interest and similar expenses	−38,555	−41,091
thereof to affiliated companies	(−2,716)	(−5,416)
thereof to pensions	(−2,257)	(−2,121)
Net interest expense	**−35,733**	**−38,374**
Impairment of financial assets	**−201**	**−806**
Total	**−35,934**	**−39,180**

Interest and similar expenses include interest income from cash flow hedges amounting to € 1,448 k. (prior year: € 689 k).

See also Note (28).

(8) Taxes on income

€ '000	2007	2006
Current income taxes	5,163	7,375
thereof out of period	(−1,787)	(−412)
Deferred tax income (prior year tax expense)	−22,140	410
Taxes on income	**−16,977**	**7,785**

The actual tax result of € −16,977 k differs by € 30,054 k from the expected expense for taxes on income of € 13,077 k which would arise if the domestic tax rate were applied to the annual result of the Group before taxes on income. The reconciliation of the expected income tax expense to the actual income tax expense can be seen in the following table:

€ '000	2007	2006
Net Group profit before taxation	**32,693**	**15,260**
Income tax rate of VTG AG in %	40	40
Expected income tax expense (tax rate of VTG AG)	13,077	6,104
Tax effect of non-deductible expenses and tax-free income	4,212	3,594
Tax effect on tax free investment income	–18	–544
Tax effect on the results of associated entities	–519	–844
Tax effect from the adjustment of tax assets to tax loss carryforwards	–3,425	2,393
Tax effect on taxable loss carryforwards	–666	–2,210
Tax expense/income unrelated to accounting period	–1,787	–412
Tax effect based on changes in the income tax rate on effects of the prior year	–24,221	3,232
Tax effect based on changes in the income tax rate on effects of the current year	–435	0
Tax effect due to the deviations from the expected tax rate	–2,617	–4,858
Other deviations	–578	1,330
Actual income tax income (prior year expense)	**–16,977**	**7,785**
Tax charge in %	**–51.93**	**51.02**

Since the corporation tax rate was reduced uniformly to 25 % as of 1st January 2001 for retained and distributed profits, an average tax rate of 40 % has been applied to domestic companies, composed of the corporation tax rate, the solidarity surcharge and the municipal trade tax. The computation of foreign income taxes is based on the laws and ordinances in force in the different countries.

On 6th July 2007, the Federal Council approved the Corporate Tax Reform. For this reason, the deferred taxes of the German companies are measured at the new (lower) corporate tax rate in accordance with IAS 12.47. Consequently, the following tax rates are now applicable to German companies within the VTG Group for measuring deferred taxes:

In %	31.12.2007	31.12.2006
Expected corporation tax rate	15.17	25.00
Solidarity levy	0.83	1.40
Expected trade tax rate	17.00	13.60
Expected Group tax rate	**33.00**	**40.00**

The statutory change in tax rate has led to an adjustment to deferred taxes for all German Group companies in the annual financial statements. Consequently, the deferred income tax assets and deferred income tax liabilities accounted for by German companies in the financial statements as at 31st December 2007 are measured at the future expected (deferred) income tax rate.

The tax rate for the future tax burden of German companies and for the Group has declined by seven percentage points to 33 % compared to the prior year. The resulting effect of this on the deferred taxes accounted for in the prior year of € –24,221 k as well as on the deferred taxes arising in the current year of € –435 k was accounted for as tax income impacting the income statement.

Deferred tax income of € 3,425 k results from the first-time capitalization of deferred taxes on tax losses carried forward not yet capitalized.

Taxes on income are a credit in the period under report and represent 51.2 % of the result before tax. In the comparative prior year period the tax charge amounted to 51.9 % of the result before taxes on income. This significant change is mainly due to the release of deferred income tax liabilities as a result of the tax rate change as described above and due to the tax income from 2006 recorded in the period under report.

Without the special tax effects recorded in the period under report, the tax charge would have been € 13,557 k. This would have represented 41.5 % of taxes on income. The Group net profit for the year would have been € 19,136 k without these special tax effects.

Further comments on income taxes are included in Note (25).

(9) 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 number of shares in issue during the period under report.

	1.1. – 31.12.2007	1.1. – 31.12.2006
Group net income attributable to the VTG AG shareholders (in € '000)	48,845	5,486
Weighted average number of shares	12,390,700	50,000
Undiluted earnings per share (in €)	**3.94**	**109.72**

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

Based on the number of shares in issue at the balance sheet date (21,388,889), earnings per share as adjusted for special tax effects would be calculated at € 0.87 for the period from 1st January to 31st December 2007.

In the financial year 2006 the Group parent company was reorganized from the legal form of a GmbH (private limited company) to that of an Aktiengesellschaft (public limited company) with 50,000 no-par-value bearer shares. The number of shares remained constant until the end of the financial year 2006. The earnings per share for the financial year 2006 was calculated for simplification purposes by the total result for the period attributable to the shareholders of VTG AG (€ 5,486 k) being used as the basis and being divided by the number of the shares.

Notes to the consolidated balance sheet

Fixed assets

The development of the individual items in fixed assets for the reporting period and for the prior year are shown in the schedule of fixed assets on pages 120 to 123.

(10) Goodwill

€ '000	**31.12.2007**	31.12.2006
Wagon Hire Segment	150,472	150,472
Rail Logistics Segment	3,992	3,992
Tank Container Logistics Segment	1,747	1,747
Total	**156,211**	**156,211**

(11) Other intangible assets

€ '000	**31.12.2007**	31.12.2006
"VTG" brand	9,538	9,538
"Transpetrol" brand	421	421
"Railtrans" brand	100	0
Customer relationships Wagon Hire	43,918	47,055
Customer relationships Transpetrol Block Train	2,338	2,505
Customer relationships Transpetrol All-in business	5,639	6,041
Customer relationships Railtrans	3,239	0
Concessions and industrial trademarks	1,541	687
Total	**66,734**	**66,247**

Under the contract dated 29th September 2007, VTG France purchased the business of Otto Wolff Railtrans GmbH, Cologne and Railtrans S.A., Feucherolles (France), for a purchase price of € 3,890 k. The business primarily comprises the rental of rail freight cars for the transport of wood chips and logs.

The purchase price was allocated to intangible assets:

- "Railtrans" brand € 100 k
- Customer relationships Railtrans € 3,290 k
- Patents € 500 k

(12) Tangible assets

As part of **finance leasing,** fixed assets with a carrying value before purchase price allocation of € 62,275 k are accounted for (prior year: € 68,032 k) transactions. Leased assets are disclosed under rail car fleet at € 56,490 k (prior year: € 60,916 k), and under containers at € 5,785 k (prior year: € 7,116 k).

For more information about finance leases, please refer to Note (27).

(13) Investments in associates

For the associated enterprise Waggon Holding AG, measured in accordance with the equity method, proportional changes in equity are shown under the additions and disposals that have been taken to income.

(14) Other financial assets

The other financial assets in the VTG Group relate mainly to shares in non-consolidated affiliated entities and to investments.

Under the sale agreement dated 18th February 2008, the shares in rail4chem were sold. The purchase contract is valid subject to the agreement of the Cartel Office. rail4chem was sold at a provisional fixed selling price of € 24,525 k. Of this, € 6,131 k relates to the share held by VTG of 25 %, from which rail4chem's debts to VTG were deducted. The investment was reclassified to current assets. It was accounted for in other receivables and assets at fair value. The effect of the disposal amount of € 3,153 k, not impacting income and net of deferred taxes, was transferred to the revaluation reserve.

(15) Inventories

€ '000	**31.12.2007**	31.12.2006
Raw materials, consumables and supplies	12,412	8,818
Work in progress	704	582
Total	**13,115**	**9,400**

The work in progress relates to the three rail repair works and comprises orders on which work had begun but had not been completed as at the balance sheet date.

(16) Trade receivables

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

For an analysis of the default risk of trade receivables, please refer to the due dates used in the table below. The selected time bands correspond with the time bands usually 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				
€ '000	**Carrying value as at 31.12.2007**	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	66,860	50,464	10,196	4,211	515	1,474
Due from affiliated, non-consolidated enterprises	1,571	1,023	151	115	125	157
Due to enterprises in which an investment is held	167	146	19	0	0	2
Total	**68,598**	**51,633**	**10,366**	**4,326**	**640**	**1,633**

For the prior year, trade receivables were due as follows:

€ '000	Carrying value as at 31.12.06	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	58,399	42,156	12,909	1,745	467	1,122
Due from affiliated, non-consolidated enterprises	2,707	1,952	370	127	85	173
Due to enterprises in which an investment is held	697	148	42	0	0	507
Total	**61,803**	**44,256**	**13,321**	**1,872**	**552**	**1,802**

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

The allowances against trade receivables developed as follows in the reporting period:

€ '000		Opening balance 1.1.	Currency difference	Utilization	Reversals	Additions	Closing balance 31.12.
Write-downs	2007	3,039	−11	109	399	623	**3,143**
	2006	3,170	4	163	342	370	**3,039**

The total amount of additions amounting to € 623 k (prior year: € 370 k) comprise the increase to specific allowances amounting to € 388 k (prior year: € 150 k) and general allowances amounting to € 235 k. (prior year: € 220 k). Specific allowance reversals amounted to € 144 k (prior year: € 211 k) and general allowance reversals amounted to € 255 k (prior year: € 131 k).

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

€ '000	**31.12.2007**	31.12.2006
Expense for the full write-off of receivables	62	62
Income from receipts relating to receivables written off	144	210

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

(17) Other receivables and assets

€ '000	31.12.2007 Total	31.12.2007 Residual term more than 1 year	31.12.2006 Total	31.12.2006 Residual term more than 1 year
Other receivables from affiliated enterprises	2,532	0	2,267	0
Claims from refund of other taxes	10,979	0	8,694	0
Rail freight cars under construction	4,974	0	4,016	0
Outstanding income invoice from management of railway freight cars	3,900	0	4,403	0
Investment in rail4chem	3,631	0	0	0
Land held for sale	2,099	0	2,998	0
Other assets	15,212	1,280	10,501	1,294
Prepaid expenses	639	0	746	0
Total	**43,966**	**1,280**	**33,625**	**1,294**

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

Please refer to Note (14) with regard to comments on the rail4chem investment.

Other receivables and assets include loans and credit granted amounting to € 5,477 k (prior year: € 3,029 k). These are all neither impaired nor overdue at the year-end date.

With regard to receivables being neither impaired nor overdue, there are no indications at the balance sheet date that the debtors will not honour their payment obligations.

(18) Income tax assets

€ '000	31.12.2007	31.12.2006
Deferred income tax assets	11,954	3,165
Current income tax assets	2,882	2,943
Total	**14,836**	**6,108**

Deferred tax assets are recognized to the extent that it is probable that a taxable profit will be available against which the temporary differences can be used.

Deferred income tax assets developed as follows:

€ '000	Opening balance 1.1.2007	Additions to consolidated companies	Changes not impacting income	Change in offsetting with deferred income tax liabilities	Release	Closing balance 31.12.2007
Deferred income tax assets (gross) impacting income	46,909	27	1,661	0	2,829	45,768
Offsetting against deferred income tax liabilities impacting income	−43,626	0	−1,661	+13,017	0	−32,270
Deferred income tax assets (net) impacting income	**3,283**	**27**	**0**	**+13,017**	**2,829**	**13,498**
Deferred income tax assets (gross) not impacting income	2,376	0	−1,965	0	0	411
Offsetting against deferred income tax liabilities not impacting income	−2,494	0	539	0	0	−1,955
Deferred income tax assets (net) not impacting income	**−118**	**0**	**−1,426**	**0**	**0**	**−1,544**
Deferred income tax assets	**3,165**	**27**	**−1,426**	**+13,017**	**2,829**	**11,954**

The item included in the closing balance of deferred income tax assets with no impact on income amounts to € −1,544 k as at 31st December 2007 (prior year: € −118 k).

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

(19) Cash and cash equivalents

€ '000	31.12.2007	31.12.2006
Bank balances	47,997	43,503
Cash, German Central Bank balances and cheques	34	20
Total	**48,031**	**43,523**

Bank balances mainly relate to cash deposits on short-term call which attract variable interest.

Shareholders' equity

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

€ `000	Subscribed capital	Additional paid-in capital	Revenue reserves	(thereof differences in currency translation)	Revaluation reserve	Share of VTG AG shareholders in equity	Minority interests	**Total**
Notes	(20)	(21)	(22)		(23)			
Balance at 31.12.2005	**25**	**59,975**	**–3,803**	**(0)**	**0**	**56,197**	**2,025**	**58,222**
Group profit for the year			5,486			5,486	1,989	7,475
Withdrawal from additional paid-in capital		–7,538	7,538			0		0
Capital increase	25	–25				0		0
Dividend distribution			–91			–91	–617	–708
Currency translation			–2,695	(–2,695)		–2,695		–2,695
Other changes			2,835		207	3,042	–1,460	1,582
Balance at 31.12.2006	**50**	**52,412**	**9,270**	**(–2,695)**	**207**	**61,939**	**1,937**	**63,876**
Capital increase from company funds	12,450	–12,450				0		0
Capital increase and issue of new shares	8,889	151,111				160,000		160,000
Equity procurement costs, net of tax		–6,480				–6,480		–6,480
Contribution and purchase of shares in companies		11,834	–4,916			6,918		6,918
Group profit for the year			48,845			48,845	825	49,670
Compensation for loss VTG AG		–2,436	2,436			0		0
Dividend distribution						0	–505	–505
Hedge accounting			1,672			1,672		1,672
Actuarial gains and losses			2,941			2,941	4	2,945
Exchange gains/losses			–2,847	(–2,847)		–2,847		–2,847
Revaluation financial instruments					3,153	3,153		3,153
Miscellaneous changes			452		–176	276	49	325
Balance at 31.12.2007	**21,389**	**193,991**	**57,853**	**(–5,542)**	**3,184**	**276,417**	**2,310**	**278,727**

The income and expenses accounted for in equity without impacting income are shown separately in the statement of recognized income and expenses. In this statement, the items already include the tax effects on the relevant items.

(20) Subscribed capital

The Extraordinary General Meeting of VTG AG on 22nd May 2007 approved a resolution to increase the share capital from the company's own funds. VTG AG's share capital was increased from € 50 k to € 12,500 k by conversion of additional paid-in capital amounting to € 12,450 k. 12,450,000 new bearer no-par-value shares were issued. This share capital increase was recorded in the commercial register on 25th May 2007.

The Extraordinary General Meeting of 22nd June 2007 approved a resolution to increase share capital from € 12,500 k by € 8,889 to € 21,389 k, and this increase was recorded in the commercial register on 26th June 2007.

Following permission for trading the company's shares on the official market of the Frankfurt stock exchange in the Prime Standard segment, the listing took place on 28th June 2007. Here, 8,888,889 shares from the capital increase on 22nd June 2007, 777,778 shares owned by the former shareholder and 174,276 shares from an increased allotment option granted by the former shareholder to the banks underwriting the listing were placed. The total number of shares thus placed was 9,840,943 at an IPO price of € 18.00 per share. These shares are traded under the Securities Index Number VTG999.

As a result, the IPO volume amounted to € 177,137 k, of which € 160,000 k related to the company. After deduction of commission paid to the participating banks, the net cash inflow to VTG AG was € 154,000 k.

The Extraordinary General Meeting of 22nd June 2007 approved a resolution to create authorized share capital. This resolution authorizes the Executive Board of VTG AG to increase the company's share capital by an amount of up to € 10,694 k in the period up to and including 22nd June 2012, subject to the Supervisory Board's consent.

(21) Additional paid-in capital

The share capital increase from the company's own funds approved by the Extraordinary General Meeting of 22nd May 2007 reduced the additional paid-in capital by € 12,450 k.

The premium of € 151,111 k received from the placement of the new shares at the issue price of € 18.00 per share has been transferred to the additional paid-in share capital.

The equity procurement costs attributable to the new shares, totalling € 9,671 k, less € 3,191 k for the income tax savings, were deducted from the additional paid-in capital at the resulting net amount of € 6,480 k in accordance with IAS 32.35 ff. The equity procurement costs consist mainly of bank commission and audit, legal and consultancy fees in connection with the stock exchange flotation. Income tax advantages include the appropriate effects on current trade taxes as well as deferred taxes on corporation tax losses recognized.

In a contribution agreement dated 4th June 2007, Compagnie Européenne, the then sole shareholder of VTG AG, transferred without charge all the shares in the companies Klostertor and Deichtor, in which it had hitherto been sole shareholder, to VTG AG. An amount of € 11,834 k, representing the carrying value of the investment in these companies, was transferred voluntarily to the additional paid-in capital of VTG AG.

Furthermore, an amount of € 2,436 k, compensating for accumulated losses at the amount of the result for the year in the commercial code individual financial statements of VTG AG, was withdrawn from additional paid-in capital.

(22) Revenue reserves

These are exclusively other revenue reserves. They include contributions and withdrawals related to the results for the financial year and earlier years and differences on currency translation with no income impact from the financial statements of foreign subsidiaries. Furthermore, adjustments not affecting income derived from the first-time application of new IAS or IFRS have been transferred to retained earnings or offset against them. Additionally, revenue reserves 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.

Of the Group net profit of € 49,670 k (prior year: Group net loss of € 7,475 k), € 48,845 k (prior year: € 5,486 k) relates to the shareholders of VTG AG.

The reduction in revenue reserves of € 4,916 k results from the contribution of shares in Klostertor and Deichtor (€ 775 k) as well as from recognition of the difference between purchase price and share of equity in connection with the purchase of the remaining shares in VOTG (€ –5,691 k).

(23) Revaluation reserve

The revaluation reserve includes, on the one hand, changes in the fair value of the investment in rail4chem recognized as “available for sale” (€ 3,153 k). More information on this can be found under Note (14) Other financial assets.

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

(24) Provisions for pensions and similar obligations

The company pension plan involves both defined contribution and defined benefit commitments. The pension plans depend on the legal, tax and economic circumstances in the country concerned and are generally related to the service period and remuneration of the employees. Whereas defined contribution commitments are financed through pension funds, for defined benefit obligations there are schemes that are financed through the setting up of provisions or the investment of funds outside the enterprises (known as funds).

Under the defined contribution plans, the enterprise 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 enterprise does not have any further obligations to provide benefits. The current contribution payments are recorded as an expense for the period and amounted to € 3,059 k in 2007 (prior year: € 3,007 k). This amount includes payments to the German state and federal state pension bodies.

All the other pension schemes are defined benefit plans. The expense for defined-benefit obligations comprises the following items:

€ '000	2007	2006
Current expense for service period	384	267
Interest expense	2,257	2,121
Additions to pension provisions	**2,641**	**2,388**
Subscriptions to pension security fund	111	423
Income from the release of provisions for the pension security fund	–300	0
Total	**2,452**	**2,811**

The provisions for pensions were set up on the basis of pension commitments relating to retirement, invalidity and surviving dependants. Provisions are set up solely for defined benefit commitments where the enterprise has guaranteed employees a specific pension level. The pension provisions relate almost entirely to pension commitments made by German companies.

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

Pension provisions accounted for at the balance sheet date amount to € 46,298 k (prior year: € 52,003 k). The development of the pension obligations accounted for in the financial year is as follows:

€ '000	2007	2006
Balance at beginning of period	52,003	51,528
Additions	2,641	2,388
Pension payments	–3,487	–3,758
Reversals	0	–26
Adjustments not impacting income	–4,988	1,476
Other adjustments	129	395
Recognized present value of pension obligations as at end of period	**46,298**	**52,003**

Part of the pension commitments relates to fund-financed obligations. The reconciliation of the actual present value of the pensioner's entitlement to the pension obligations to the present value of the obligations accounted for is as follows:

€ '000	2007	2006
Present value of the pension obligations	46,980	52,003
Market value of assets of external funds	682	0
Recognized present value of the pension obligations	**46,298**	**52,003**

The actuarial gains and losses are offset against equity without affecting income and lead to a change in the present value of the pension obligations also without affecting income. Actuarial gains and losses accounted for until now without affecting income are as follows:

€ '000	**2007**	2006
Balance at beginning of period	1,476	0
Actuarial gains and losses recorded during the financial year without impacting income	–4,988	1,476
Total actuarial gains and losses recorded without income impact	**–3,512**	**1,476**

Of the newly arising actuarial gains and losses in 2007, € –65 k (prior year: € 1,191 k) relates to experience adjustments.

Amounts expected to be paid to pensioners in the subsequent period amounted to € 3,579 k.

Material actuarial assumptions applied:

% p.a.	2007	2006
Assumed interest rate	5.5 %	4.5 %
Salary trend	2.0 % – 2.5 %	2.0 % – 2.5 %
Pension trend	1.5 % – 1.83 %	1.5 % – 1.83 %
Fluctuation rate	2.0 %	2.0 %
Mortality, etc	Heubeck RT 2005G	Heubeck RT 2005G

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

(25) Income tax liabilities

€ '000	**31.12.2007**	31.12.2006
Current income tax liabilities	15,909	20,122
Deferred income tax liabilities	131,968	144,185
Total	**147,877**	**164,307**

Deferred income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2007**	Change due to change in companies consolidated	Currency difference	Transfers	Utilization	Reversal	Additions	**Closing balance 31.12.2007**
Effective income tax liabilities	20,122	71	-137	1,300	9,494	80	4,127	15,909

The current income tax liabilities disclosed are all due in less than one year.

Deferred income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2007**	Currency difference	Changes not impacting income	Change in offsetting with deferred income tax liabilities	Release	**Closing balance 31.12.2007**
Deferred income tax liabilities (gross) impacting income	188,943	–316	644	0	24,969	164,302
Offsetting against deferred income tax assets impacting income	–43,626	0	–1,661	+ 13,017	0	–32,270
Deferred income tax liabilities (net) impacting income	**145,317**	**–316**	**–1,017**	**+ 13,017**	**24,969**	**132,032**
Deferred income tax liabilities (gross) not impacting income	1,362	0	529	0	0	1,891
Offsetting against deferred income tax assets not impacting income	–2,494	0	539	0	0	–1,955
Deferred income tax liabilities (net) not impacting income	**–1,132**	**0**	**1,068**	**0**	**0**	**–64**
Deferred income tax liabilities	**144,185**	**–316**	**51**	**+ 13,017**	**24,969**	**131,968**

The deferred taxes were formed on the basis of country-specific tax rates (33 % domestically; 21.30 % to 33.99 % for outside Germany).

The changes in deferred income tax assets and liabilities not impacting income relate to deferred taxes on actuarial gains and losses from pension provisions which are offset against equity without impacting income, deferred taxes not impacting income on derivative financial instruments and deferred taxes not impacting income on unrealised gains and losses which arise from the changes in fair value of financial assets classified as "available for sale". The value of deferred tax not impacting income included in the closing balance of deferred income tax liabilities amounts to € –64 k (prior year: € –1,132 k) .

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

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

€ '000	31.12.2007		31.12.2006	
	Assets	**Liabilities**	Assets	Liabilities
Intangible assets	0	20,439	0	26,545
Tangible assets	1,013	124,901	0	143,067
Financial assets	0	4,032	829	7,583
Receivables and other assets	6,801	2,941	4,597	548
Special item with equity portion	0	499	0	0
Pension provisions	2,917	256	5,392	304
Miscellaneous provisions	2,863	11,180	6,815	10,216
Liabilities	22,204	1,945	24,871	2,042
Tax loss carryforwards	10,081	0	6,641	0
Sub-total	**46,179**	**166,193**	**48,128**	**189,148**
Offsetting	**–34,225**	**–34,225**	**–46,120**	**–46,120**
Total	**11,954**	**131,968**	**3,165**	**144,185**

Of the deferred tax assets, € 4,022 k are due in more than one year. Of the deferred tax liabilities, € 130,000 k are due after one year.

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

Deferred tax savings on tax loss carryforwards amount in total to € 10,081 k (prior year € 6,641 k). In accordance with the country-related offsetting, deferred tax savings of € 5,244 k (prior year: € 4,553 k) were offset against deferred tax liabilities. This related to income tax assets and liabilities with French tax authorities. The remaining deferred tax assets amounting to € 4,837 k (prior year: € 2,088 k) – net of deferred tax liabilities – are shown under assets.

Tax savings of € 9,337 k were not capitalized (prior year: € 11,151 k), 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 are shown in the following table:

€ '000	Loss carryforward	Attributable non-capitalized deferred tax credits	Forefeitability of the non capitalized deferred tax savings: Within 1 year	Between 1 and 5 years	After five years	Vested non-capitalized deferred tax savings
German company corporation tax losses carried forward	10,977	1,756	0	0	0	1,756
German company trade tax on tax losses carried forward	10,319	1,754	0	0	0	1,754
Tax loss carryforwards of foreign entities	18,034	5,827	0	0	1,262	4,565
Total	**39,330**	**9,337**	**0**	**0**	**1,262**	**8,075**
Prior year	**51,238**	**11,151**	**0**	**3,114**	**746**	**7,291**

As a result of the tax reform passed in the year under report for the domestic companies, the non-capitalized deferred tax savings on corporation and trade tax losses carried forward for German companies were measured at the tax rates expected for the future (see Note (8) Taxes on Income).

The computation of foreign income taxes is based on the laws and ordinances in force in the different countries.

(26) Other provisions

€ '000	**Opening balance 1.1.2007**	Change due to change in companies consolidated	Currency difference	Transfers	Utilization	Reversal	Additions	**Closing balance 31.12.2007**
Provisions for personnel expenses	16,237	0	–9	1	6,424	489	7,443	16,759
Provisions for typical operational risks	8,208	0	–34	–353	641	485	2,633	9,328
Other provisions	25,597	176	–61	1,991	3,412	2,637	13,179	34,833
Other provisions	**50,042**	**176**	**–104**	**1,639**	**10,477**	**3,611**	**23,255**	**60,920**

The additions include the discounted effects of long-term provisions.

Other provisions are due as follows:

€ '000	Residual terms Up to 1 year	Residual terms Over 1 year	31.12.2007 Total	Residual terms Up to 1 year	Residual terms Over 1 year	31.12.2006 Total
Provisions for personnel expenses	12,830	3,929	16,759	11,128	5,109	16,237
Provisions for typical operational risks	4,065	5,263	9,328	2,809	5,399	8,208
Miscellaneous provisions	26,711	8,122	34,833	20,626	4,971	25,597
Other provisions	**43,606**	**17,314**	**60,920**	**34,563**	**15,479**	**50,042**

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

The provisions for personnel costs mainly include obligations for subscriptions to restructure VBL (€ 2,504 k, prior year: € 1,525 k), for social plans (€ 2,010 k, prior year: € 2,741 k), for outstanding vacation (€ 2,284 k, prior year: € 2,253 k), for early part-time retirement (€ 1,214 k, prior year: € 1,333 k), and for long-term service (€ 749 k, prior year: € 694 k) and fees for the year-end.

The provisions for operations-specific risks relate mainly to potential losses from pending transactions from operating leases of VTG Deutschland, VTG France and VOTG.

Miscellaneous provisions primarily include provisions regarding rail car fleet (€ 14,500 k, prior year: € 6,869 k), for rebates and price reductions and for interest risks.

(27) Liabilities

€ '000	31.12.2007 Total	31.12.2007 Residual term more than 1 year	31.12.2006 Total	31.12.2006 Residual term more than 1 year
Liabilities to banks	463,185	443,946	410,814	385,313
Liabilities from finance leases	55,642	39,137	63,661	52,388
Financial liabilities to shareholders	0	0	95,655	0
Financial liabilities to affiliated entities	356	0	1,251	0
Financial liabilities	**519,183**	**483,083**	**571,381**	**437,701**
Trade payables				
due to third parties	98,393	0	87,875	0
due to affiliated entities	587	0	407	0
due to other investments	263	0	3,481	0
Trade payables	**99,243**	**0**	**91,763**	**0**
Other liabilities				
Miscellaneous liabilities	11,230	812	13,724	892
thereof relating to taxes	3,272	0	2,694	0
thereof relating to social security	1,593	0	1,357	0
thereof relating to employees	183	0	207	0
thereof relating to member of management bodies	160	0	100	0
thereof relating to other liabilities	6,022	812	9,366	892
Deferred income	2,436	2,267	2,539	2,539
Other liabilities	**13,666**	**3,079**	**16,263**	**3,431**
Total	**632,092**	**486,162**	**679,407**	**441,132**

Liabilities with a remaining term of more than five years amount to € 371,129 k (prior year: € 341,950 k). € 358,450 k (prior year: € 321,861 k) relates to liabilities to banks, € 11,883 k (prior year: € 19,218 k) relates to liabilities from finance leases and €796 k (prior year: € 871 k) relates to other liabilities.

Liabilities to banks

Up until the IPO, the Group was financed mainly by various loans from Bayerische Hypo-Vereinsbank, London, as well as by a shareholder's loan.

On occasion of the IPO, the senior loan agreement dated 14th December 2005 was replaced by a new financing agreement dated 4th June 2007. The new financing agreement was concluded with Hypo-Vereinsbank as head of the syndicate. This new financing agreement provides for loan agreements for over € 640,000 k, of which € 432,813 k had been taken up for loans (excl. accrued interest) by the balance sheet date.

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

Through the inclusion of the two companies Klostertor and Deichtor in the consolidation as at 30th June 2007, the long-term bank loans of Klostertor amounting to € 46,000 k were taken over by the Group parent.

DVB Bank, Frankfurt granted Deichtor a loan amounting to € 39,153 k in accordance with an agreement dated 31st March 2007, which can be utilized by 30th March 2008 and is to be repaid by 30th March 2018. A normal market rate has been agreed for the event of it being utilized.

With regard to the collateral provided or still to be provided for liabilities to banks, please refer to the comments on contingent liabilities (29).

Liabilities from finance leases

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

		Residual terms		
€ ’000	Total	Up to 1 year	From 1 to 5 years	More than 5 years
Future lease payments	63,609	18,355	31,536	13,718
Interest portion	-7,967	-1,850	-4,282	-1,835
Trade finance leases as at 31.12.07	**55,642**	**16,505**	**27,254**	**11,883**

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

		Residual terms		
€ ’000	Total	Up to 1 year	From 1 to 5 years	More than 5 years
Future lease payments	74,242	13,704	38,887	21,651
Interest portion	-10,581	-2,431	-5,717	-2,433
Trade finance leases as at 31.12.06	**63,661**	**11,273**	**33,170**	**19,218**

The leases have an average term of 13 years. The interest rates for these are between 4.2 % and 7.0 %. The leased assets comprise freight rail cars and tank containers.

Financial liabilities to shareholders

Compagnie Européenne granted VTG AG a shareholder loan for an unlimited period. The two companies consolidated for the first time as at 30th June 2007, Klostertor and Deichtor, were also granted a shareholders’ loan by Compagnie Européenne. These loans amounting to € 98,250 k, as well as interest amounting to € 8,523 k, were repaid on 2nd July 2008 from stock exchange flotation funds.

The financial liabilities to affiliated entities represent non-consolidated affiliated entities.

The trade payables due to affiliated entities relate to non-consolidated affiliated entities.

Presentation of interest and capital payments

The cash flow development of primary and derivative liabilities as well as of derivative assets is presented for the period under report in the liquidity analysis on pages 128 and 129.

In the summary, the contractually agreed non-discounted interest and capital payments of primary financial liabilities, as well as of the derivative financial instruments, are shown with positive and negative fair values. The summary includes all instruments that were held at 31st December 2007 and for which payments were contractually agreed. Forecast figures for new liabilities are not included. The variable interest payments from financial instruments were determined on the basis of the interest rates fixed last before 31st December 2007.

(28) Additional disclosures on financial instruments

Financial instruments are contractual agreements which lead to claims or obligations for the Group. These lead to cash flows to and from financial assets. According to IAS 32 and 39, there are primary and derivative financial instruments. Primary financial instruments comprise bank balances, receivables, liabilities, credits, loans and interest accrued or prepaid. Derivative financial instruments include forward exchange contracts and interest swaps within the VTG Group.

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 table showing book values, carrying values and fair values according to the relevant measurement category for the period under report is presented on pages 126 and 127.

Trade receivables, loan receivables and other receivables and liquid funds have short residual terms. Therefore, their book values represent their fair values at the balance sheet date.

Trade payables, payables from dividends and amounts payable to non-consolidated, affiliated entities from financial consumption usually have short residual terms and thus the amounts recognized represent their fair values.

Liabilities to banks and liabilities from finance leasing are measured at amortized cost. The fair value of liabilities to banks and liabilities from finance leasing presented in the table was determined based on the discounting of the expected future cash flows at an interest rate for similar financial liabilities with comparable residual terms.

Financial liabilities attract exclusively variable interest. The fixed interest period mainly amounted to up to six months at the balance sheet date. An effective hedging of interest risks is performed as part of the interest hedging strategy of the VTG Group. For receivables and payables, it is assumed that the nominal amount less allowances represents their fair values.

In order to measure financial instruments which are not traded on an active market, valuation models such as the DCF method are used to determine fair value.

Net result according to valuation categories

The net result of the valuation categories as at 31st December 2007 is as follows:

€ '000	From interest	Foreign currency translation	Impairment	From disposal	31.12.2007
Loans and receivables	1,944	422	–224	82	2,224
Available-for-sale financial assets	0	0	–201	0	–201
Financial liabilities measured at amortized cost	–32,615	31	0	2,100	–30,484
Total	**–30,671**	**453**	**–425**	**2,182**	**–28,461**
Other items not allocable to the valuation categories	–5,062	0	0	0	–5,062
Total	**–35,733**	**453**	**–425**	**2,182**	**–33,523**

The net result is as follows for the prior year:

€ '000	From interest	Foreign currency translation	Impairment	From disposal	31.12.2006
Loans and receivables	1,880	–313	–52	150	1,665
Available-for-sale financial assets	0	0	–806	0	–806
Financial liabilities measured at amortized cost	–34,437	102	0	0	–34,335
Total	**–32,557**	**–211**	**–858**	**150**	**–33,476**
Other items not allocable to the valuation categories	–5,817	0	0	0	–5,817
Total	**–38,374**	**–211**	**–858**	**150**	**–39,293**

The "Other items not allocable to the valuation categories", amounting to € 5,062 k (prior year: € 5,817 k), result from the non-inclusion of the interest income from the purchase price allocation and hedging as well as the non-inclusion of interest cost from pension provisions, transaction costs and from finance leasing. This interest income and expenses is not accounted for, since the balance sheet items relevant to them cannot be allocated to the valuation categories.

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

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

The net losses in the valuation category "Financial liabilities measured at amortized cost" result from interest costs as well as from the currency translation of trade payables.

(29) Contingent liabilities

A total of 7 companies within the VTG Group have guaranteed the repayment of the loans of € 477,842 k taken up by companies within the VTG Group to the Hypo-Vereinsbank.

4 companies within the VTG Group have assigned as collateral their rail freight cars registered in Germany and in England respectively at their carrying amounts of € 488,964 k.

In addition to the above-mentioned securities, two Group companies have pledged bank accounts with book values of € 4 k and assigned as collateral rail freight cars with carrying amounts of € 99,374 to secure their bank liabilities.

(30) Other financial commitments

Nominal values of the other financial commitments:

€ '000	Up to 1 year	From 1 year to 5 years	More than 5 years	**31.12.2007 Total**	31.12.2006 Total	More than 1 year
Obligations from rental, leasehold and leasing agreements	34,093	80,272	23,637	138,002	141,344	108,275
Purchase commitments	89,107	0	0	89,107	10,990	0
Total	**123,200**	**80,272**	**23,637**	**227,109**	**152,334**	**108,275**

The obligations from rental, leasehold and leasing agreements relate exclusively to rental agreements where the entities of the VTG Group are not considered the economic owners of the leased assets (rail freight cars and tank containers) under the regulations of the IASB. The operating leases shown under this item have an average term of 10 years and include purchase options at maturity which approximate to fair value.

Order commitments relate exclusively to investments in tangible fixed assets.

(31) Notes to the consolidated cash flow statement

The cash flow statement of the VTG Group shows the development of payments flows, subdivided into inflows and outflows of funds for current operating, investing and financing activities for the financial year 2007 and for the prior year.

Cash and cash equivalents comprises all liquid funds, i.e. cash in hand, bank balances and cheques.

Cash flows from operating activities includes equity and loan procurement costs impacting income of € 1,274 k. Of this, € 674 k relates to equity procurement costs and € 600 k to loan procurement costs.

The payments for investments in fixed assets and receipts from relevant disposals included in the item **cash flows used in investing activities** are not the same as the additions and disposals shown in the development of fixed assets which also include non-cash investments. The item cash flows used in investing activities also includes the receipts for dividends as well as receipts from interest income.

In the financial year 2007, **cash outflows for investments** mainly relate to the maintenance and extension of the rail car fleet and the tank container fleet. The payments for investments in financial assets (€ 5,502 k), include a payment for the purchase of Tankspan Leasing Ltd. Payments for investments do not include non-cash transactions. These relate, on the one hand, to the inclusion of Deichtor and Klostertor in VTG AG. On the other hand, there were non-cash additions to fixed assets within VTG Deutschland amounting to € 5,505 k which are connected to finance leasing.

The **cash flow from financing activities** also includes, in addition to the receipts due to financial liabilities taken up or repaid, payments of interest for the business year and payment for the purchase of the remaining shares in VOTG.

The net cash outflow from financing activities is mainly influenced by the IPO and the refinancing arrangements. The IPO yielded a cash inflow of € 160,000 k against which cash equity procurement costs of € 9,971 k were incurred.

The repayment of bank loans and other financial liabilities, amounting to € 446,975 k, and the receipts from the adoption of financing loans of € 447,120 k mainly result from the termination of the senior loan agreement dated 14th December 2005 and the conclusion of a new financing agreement on 4th June 2007. The amount incurred for procurement of loan capital in this regard was € 5,232 k. These are shown separately within the cash flow statement.

The shareholders' loans from Compagnie Européenne to VTG AG, Klostertor and Deichtor was fully repaid on 2nd July 2007. The total amount of € 106,773 k consists of capital and interest. An amount of € 98,348 k relates to VTG AG, € 4,250 k relates to Klostertor and € 4,175 k relates to Deichtor.

Changes in consolidation Group amounting to € 5,638 k result from the first-time consolidation of Klostertor and Deichtor. This amount relates to financial funds taken up by VTG Deutschland as operator of these companies.

(32) Average number of employees

	2007	2006
Salaried employees	525	522
Wage-earning staff	248	245
Trainees	27	24
Total	**800**	**791**
Thereof abroad	286	277

(33) Events after the closing date

As at 16th January 2008, via the newly formed VTG North America, Inc., VTG AG purchased 100 % of the shares in the US American wagon hire company Texas Railcar Leasing Company, Inc. (TRLX) and is thus entering into the North American market for rail freight.

As part of a purchase price allocation, the goodwill between the acquisition costs (€ 11,823 k) and equity of the entity purchased is allocated to the assets and liabilities purchased. For this purpose the fair values of the assets and liabilities purchased are to be determined.

Up to the release of the annual financial statements, no final IFRS data for TRLX was available. For this reason, a final allocation of the purchase price could not be made.

(34) Related parties

Besides the subsidiaries included in the consolidated financial statements, VTG AG is related directly or indirectly to affiliated, non-consolidated entities and to other investments in the normal course of its business activities. Additionally, the following entities and persons in particular were identified as related parties in accordance with IAS 24:

Name and registered office of the entity
Compagnie Européenne de Wagons S.à r.l., Luxembourg
El Vedado, LLC, New York
Euro Wagon I, L.P., Cayman Islands
Euro Wagon II, L.P., Cayman Islands
Gartmore Investment Limited, London
Gartmore Investment Management Limited, London
IPE Eurowagon, L.P., Jersey
Kairos Focus Fund Ltd., Cayman Islands
Kairos Fund Limited Ltd., Cayman Islands
Kairos Investment Management Limited, London
PBK Holdings, Inc., Greenwich
Pendragon Capital LLP, London
Pendragon (Master) Fund Limited, Cayman Islands
Philip Korsant, Greenwich
Platon MPP Beteiligungs GmbH & Co. KG, Hamburg
Platon MPP Beteiligungs S.à r.l., Luxembourg
Platon MPP Verwaltungs GmbH, Hamburg
Ross Expansion Associates, L.P., New York
Ross Expansion GP, LLC, New York
Wilbur L. Ross jr., New York
WLR Euro Wagon Management Ltd., New York
WLR Recovery Associates II, LLC, New York
WLR Recovery Associates III, LLC, New York
WLR Recovery Fund II, L.P., New York
WLR Recovery Fund III, L.P., New York
WL Ross Group, L.P., New York
ZAM Europe, L.P., Greenwich

The following transactions were made with related parties:

Income and expense

€ '000	**2007**	2006
Income and expense from non-consolidated affiliated entities		
Revenue and other operating income	6,728	5,759
expenses	7,525	6,464
interest income	102	76
interest expenses	30	16
Income and expense from other investments		
Revenue and other operating income	2,159	1,563
expenses	2,922	4,288
interest income	0	0
interest expenses	191	235
Interest expenses for shareholders loans of Compagnie Européenne	2,866	5,400

Receivables and liabilities

€ '000	**31.12.2007**	31.12.2006
Amounts due from non-consolidated affiliated entities		
trade payables	1,571	2,708
other receivables	2,532	2,267
Receivables from other investments		
trade payables	167	697
other receivables	2,533	0
Liabilities due from Compagnie Européenne (shareholders' loan)	0	95,655
Liabilities to non-consolidated affiliated entities		
trade payables	587	407
for financial liabilities	356	1,251
Liabilities to other investments		
trade payables	263	3,481
to finance leasing	40,656	48,914

Further information on shareholders' loans can be found in Note (27).

All transactions with related parties are performed under normal market terms.

The Executive Board, the Supervisory Board and managers in key positions in the Group and their family members represent related parties as defined in IAS 24 whose remuneration should be disclosed separately.

€ '000	**2007**	2006
Short-term payments due	3,334	2,785
thereof Executive Board	(1,817)	(1,633)
thereof Supervisory Board	(159)	(100)
Payment after termination of employment relationship	144	374
thereof Executive Board	(82)	(305)
Total	**3,478**	**3,159**

Pension provisions for members of the Executive Board amounted to € 1,101 k as at the balance sheet date. Provisions for other members of management in key positions amount to € 80 k as at the balance sheet date.

Pension obligations to former members of the Executive Board and their dependants of € 4,359 k have been provided for in total. The remuneration for former Executive Board members amounted to € 315 k.

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

(35) Corporate Governance Code Declaration

The Supervisory Board and Executive Board have issued a declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act) and have made this permanently available to shareholders on the homepage under www.vtg.de.

Hamburg, 20th March 2008

The Executive board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

Members of the Supervisory Board

Dr. Wilhelm Scheider, Basel
Consultant
Chairman of the Supervisory Board

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

Heribert Becker, Mülheim
Dipl.-Volkswirt (Economics Degree)
Former chairman of the Executive Board of VTG-Lehnkering AG, Duisburg and Hamburg

Dr. Bernd Malmström, Berlin
Lawyer

Dr. Jost A. Massenberg, Duisburg
Member of the Executive Board of ThyssenKrupp Steel AG, Duisburg

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

Members of the Executive Board

Dr. Heiko Fischer, Hamburg
MBA
Chairman of the Executive Board

Jürgen Hüllen, Hamburg

Dr. Kai Kleeberg, Hamburg

Appointments of the Supervisory Board*)

Dr. Wilhelm Scheider, Basel

b) Hydac Technologie GmbH 1)
Hydac Electronic GmbH

Dr. Klaus-Jürgen Juhnke, Hamburg

a) Flughafen Hamburg GmbH 1)

Dr. Bernd Malmström, Berlin

a) Petrotec AG 1)
Stinnes-Corporation New York, USA 1)
IFCO-Systems B.V., Amsterdam, Netherlands 1)
Lehnkering GmbH
K + S AG
HHLA - Intermodal GmbH

b) time:matters GmbH 1)
Deutsche Afrika Linien KG
FRAPORT AG
BLG GmbH

Dr. Jost A. Massenberg, Duisburg

a) EHW Eisen- u. Hüttenwerke AG
Rasselstein GmbH
ThyssenKrupp Electrical Steel GmbH
ThyssenKrupp Stahl-Service-Center GmbH 1)
Hoesch Hohenlimburg GmbH

b) Grupo ThyssenKrupp S.A. Madrid, Spain
LAGERMEX S.A. de C.V. de Puebla, Mexico 2)
ThyssenKrupp Steel North America Inc., Detroit, USA 2)
ThyssenKrupp Steel USA LLC, USA
ThyssenKrupp Verkehr GmbH
Acciai di Qualità, Centro Lavorazione Lamiere S.p.A, Italy 2)
Felix Schoeller Holding GmbH & Co. KG
Siegwerk GmbH & Co.KG
Thyssen Ros Casares S.A., Valencia, Spain 2)

Dr. Christian Olearius, Hamburg

a) KanAm Grund Kapitalanlagengesellschaft mbH
M.M. Warburg & CO Hypothekenbank AG 1)
Bankhaus Hallbaum AG 1)
Bankhaus Löbbecke AG 1)
M.M. Warburg & CO Geschäftsführungs-AG 1)
Warburg Invest Kapitalanlagegesellschaft mbH
alstria office REIT-AG

b) Bankhaus Carl F. Plump & Co. 1)
M.M. Warburg Bank (Schweiz) AG, Zurich 1)
Marcard, Stein & CO AG 1)
Liquiditäts-Konsortialbank GmbH 2)
Degussa Bank GmbH 1)
Hannover Finanz GmbH 2)
M.M. Warburg-Hansa Ltd., Tortola/British Virgin Islands
GEDO Grundstücksentwicklungs- und
Verwaltungsgesellschaft mbH & Co KG 2)

Appointments of the Executive Board *)

Dr. Heiko Fischer, Hamburg

b) Waggon Holding AG [1]
rail4chem Eisenbahnverkehrsgesellschaft mbH

Jürgen Hüllen, Hamburg

b) rail4chem Eisenbahnverkehrsgesellschaft mbH [1]
Transpetrol GmbH Internationale Eisenbahnspedition [2]
Waggon Holding AG

Dr. Kai Kleeberg, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition

*) All information on appointments applies as at 31.12.2007
a) Membership of supervisory boards set up by law
b) Membership in comparable controlling bodies of economic entities in Germany and abroad
1) Chairman
2) Deputy Chairman

Development of fixed assets from 1st January to 31st December 2007

€ '000	Acquisition and manufacturing costs						
	Balance at 1.1.2007	Changes due to changes in companies consolidated	Currency adjustment	Additions	Disposals	Reclassifications	Balance 31.12.2007
Intangible assets							
Concessions, trademarks and similar rights and values as well as licences in such rights and values	645	0	0	1,091	0	422	2,158
Brand values	9,959	0	0	100	0	0	10,059
Customer relationships	59,308	0	0	3,290	0	0	62,598
Goodwill	156,211	0	0	0	0	0	156,211
Payments on account	338	0	0	0	0	–338	0
	226,461	**0**	**0**	**4,481**	**0**	**84**	**231,026**
Tangible assets							
Rail car fleet	623,067	73,339	–3,436	103,749	3,329	5,688	799,078
Containers and chassis	23,568	0	0	1,019	98	0	24,489
Land and buildings including on third party land	4,797	0	0	92	186	482	5,185
Technical plant and machinery	1,668	0	0	247	258	1,162	2,819
Other equipment, operating and office equipment	2,979	0	–16	925	167	207	3,928
Payments on account, assets under construction	10,142	0	0	6,196	0	–7,623	8,715
	666,221	**73,339**	**–3,452**	**112,228**	**4,038**	**–84**	**844,214**
Financial assets							
Shares in affiliated companies	2,306	0	0	5,135	0	0	7,441
Investments in associates	16,429	0	0	0	618	0	15,811
Other investments	1,387	0	0	347	0	–1,125	609
Fixed asset securities	417	0	0	0	0	0	417
Other loans	776	0	0	5	20	0	761
	21,315	**0**	**0**	**5,487**	**638**	**–1,125**	**25,039**
Fixed assets	**913,997**	**73,339**	**–3,452**	**122,196**	**4,676**	**–1,125**	**1,100,279**

Impairment, amortization and depreciation						Net book values	
Balance at 1.1.2007	Currency adjustment	Impairment/ amortization and depreciation for the financial year	Disposals	Reclassifications	Balance 31.12.2007	**31.12.2007**	31.12.2006
296	0	317	0	3	616	1,542	349
0	0	0	0	0	0	10,059	9,959
3,707	0	3,758	0	0	7,465	55,133	55,601
0	0	0	0	0	0	156,211	156,211
0	0	0	0	0	0	0	338
4,003	**0**	**4,075**	**0**	**3**	**8,081**	**222,945**	**222,458**
48,742	–544	58,629	1,966	0	104,861	694,217	574,325
3,633	0	3,307	86	0	6,854	17,635	19,935
339	0	328	180	0	487	4,698	4,458
405	0	420	257	0	568	2,251	1,263
893	–7	1,033	163	–3	1,753	2,175	2,086
0	0	0	0	0	0	8,715	10,142
54,012	**–551**	**63,717**	**2,652**	**–3**	**114,523**	**729,691**	**612,209**
104	0	199	0	0	303	7,138	2,202
0	0	0	0	0	0	15,811	16,429
700	0	0	0	–700	0	609	687
2	0	2	0	0	4	413	415
0	0	0	0	0	0	761	776
806	**0**	**201**	**0**	**–700**	**307**	**24,732**	**20,509**
58,821	**–551**	**67,993**	**2,652**	**–700**	**122,911**	**977,368**	**855,176**

Development of fixed assets from 1st January to 31st December 2006

€ '000	Balance at 31.12.2005	Adjustment	Balance at 1.1.2006 adjusted	Currency adjustment	Additions	Disposals	Reclassifications
	Acquisition and manufacturing costs						
Intangible assets							
Concessions, trademarks and similar rights and values as well as licences in such rights and values	446	120	566	0	35	0	44
Brand values	9,959		9,959	0	0	0	0
Customer relationships	59,308		59,308	0	0	0	0
Goodwill	161,363	−5,152	156,211	0	0	0	0
Payments on account	65		65	0	338	0	−65
	231,141	**−5,032**	**226,109**	**0**	**373**	**0**	**−21**
Tangible assets							
Rail car fleet	553,815		553,815	269	59,529	1,939	11,393
Containers and chassis	23,310		23,310	0	271	13	0
Land and buildings including on third party land	4,549		4,549	0	248	0	0
Technical plant and machinery	769		769	0	664	2	237
Other equipment, operating and office equipment	2,283		2,283	2	708	35	21
Payments on account, assets under construction	6,042		6,042	11	7,194	0	−3,105
	590,768	**0**	**590,768**	**282**	**68,614**	**1,989**	**8,546**
Financial assets							
Shares in affiliated companies	2,159		2,159	0	147	0	0
Investments in associates	15,435		15,435	0	994	0	0
Other investments	1,456		1,456	0	0	69	0
Fixed asset securities	417		417	0	0	0	0
Other loans	83		83	0	716	23	0
	19,550	**0**	**19,550**	**0**	**1,857**	**92**	**0**
Fixed assets	**841,459**	**−5,032**	**836,427**	**282**	**70,844**	**2,081**	**8,525**

	Impairment, amortization and depreciation					Net book values	
Balance 31.12.2006	Balance at 1.1.2006	Currency adjustment	Impairment/ amortization and depreciation for the financial year	Disposals	Balance 31.12.2006	**31.12.2006**	31.12.2005
645	0	0	296	0	296	349	446
9,959	0	0	0	0	0	9,959	9,959
59,308	0	0	3,707	0	3,707	55,601	59,308
156,211	0	0	0	0	0	156,211	161,363
338	0	0	0	0	0	338	65
226,461	**0**	**0**	**4,003**	**0**	**4,003**	**222,458**	**231,141**
623,067	0	318	49,204	780	48,742	574,325	553,815
23,568	0	0	3,636	3	3,633	19,935	23,310
4,797	0	0	339	0	339	4,458	4,549
1,668	0	0	405	0	405	1,263	769
2,979	0	0	922	29	893	2,086	2,283
10,142	0	0	0	0	0	10,142	6,042
666,221	**0**	**318**	**54,506**	**812**	**54,012**	**612,209**	**590,768**
2,306	0	0	104	0	104	2,202	2,159
16,429	0	0	0	0	0	16,429	15,435
1,387	0	0	700	0	700	687	1,456
417	0	0	2	0	2	415	417
776	0	0	0	0	0	776	83
21,315	**0**	**0**	**806**	**0**	**806**	**20,509**	**19,550**
913,997	**0**	**318**	**59,315**	**812**	**58,821**	**855,176**	**841,459**

List of equity investments of the VTG Group as at 31st December 2007

Name and registered office of the company	Currency	Share of capital in % Direct	Share of capital in % Indirect	Equity capital in '000 currency units	Result in '000 currency units
A. Consolidated affiliated entities					
Alstertor Rail France S.à r.l., Joigny	EUR		100.00	534	26
Alstertor Rail UK Limited, London	GBP		100.00	8,658	279
Ateliers de Joigny S.A.S., Joigny	EUR		100.00	1,280	– 359
CAIB Benelux BVBA, Berchem/Antwerp	EUR		100.00	1,609	518
CAIB Rail Holdings Limited, London	GBP		100.00	–7,934	– 944
CAIB UK Limited, Worcester	GBP		100.00	18,330	0
Deichtor Rail GmbH, Garlstorf	EUR	100.00		5,358	– 362
Eisenbahnreparaturwerk Brühl GmbH, Wesseling	EUR		100.00	– 1,883	– 588
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Düsseldorf	EUR		98.56	32,470	0 [1]
Etablissements Henri Loyez S.A.S., Libercourt	EUR		100.00	1,209	527
EVA Eisenbahn-Verkehrsmittel-Gesellschaft mbH, Hamburg	EUR		100.00	38,632	0 [1]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0 [1]
KR Klostertor Rail GmbH, Hamburg	EUR	100.00		5,319	– 432
Transpetrol Austria GmbH, Vienna	EUR		100.00	286	68
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	3,046	2,046
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	35	3,082
VTG Austria Ges.m.b.H., Vienna	EUR		100.00	5,574	3,002
VTG Deutschland GmbH, Hamburg	EUR		100.00	151,034	0 [1]
VTG France S.A.S., Paris	EUR		100.00	6,362	861
VTG Rail España S.L, Madrid	EUR		100.00	1,612	– 1,493
VTG Rail UK Limited, Worcester	GBP		100.00	6,507	819
VTG Schweiz GmbH, Basel	CHF		100.00	18,812	2,599
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 [1]
B. Entities consolidated at equity					
Waggon Holding AG, Zug	CHF	50.00		5,795	4,589

[1] Profit and loss transfer agreement with the relevant parent company

[2] Equity and annual result in thousands of currency units as at 31.12.2006

[3] Equity and annual result in thousands of currency units as at 31.12.2007

Name and registered office of the company	Currency	Share of capital in % Direct	Indirect	Equity capital in '000 currency units	Result in '000 currency units
C. Non-consolidated affiliated entities					
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		100	49 [2)]
Tankspan Leasing Ltd., Surrey	USD	100.00		1,079	492 [3)]
Transpetrol Italia S.r.l., Genoa	EUR		100.00	169	23 [2)]
Transpetrol Sp. z o.o., Katowice	PLN		100.00	2,584	1,004 [2)]
TRLX Purchaser, Inc., McAllen	USD	100.00		0,1	0
VOTG Finland Oy, Helsinki	EUR		100.00	285	81 [2)]
VOTG North America, Inc., West Chester	USD		100.00	142	92 [2)]
VOTG Tanktainer Asia Pte. Ltd., Singapore	USD		100.00	35	18 [2)]
VTG Benelux B.V., Rotterdam	EUR		100.00	587	340 [2)]
VTG Italia S.r.l., Milan	EUR		100.00	991	170 [2)]
VTG North America, Inc., Hinsdale	USD	100.00		0,1	0
D. Other companies					
Ateliers Ferroviaires d'Artix SA, Artix	EUR		24.00	243	33 [2)]
CERERAIL AIE, Madrid	EUR		33.33	36	0 [2)]
E.V.S. SA, Puteaux	EUR		34.00	264	8 [2)]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [1)2)]
PETRORAIL SA, Madrid	EUR		33.33	99	1 [2)]
rail4chem Eisenbahnverkehrsgesellschaft mbH, Essen	EUR		25.00	–423	–6,512 [2)]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	–29,310	4,328 [2)]

1) Profit and loss transfer agreement with the relevant parent company
2) Equity and annual result in thousands of currency units as at 31.12.2006
3) Equity and annual result in thousands of currency units as at 31.12.2007

Carrying amounts, measurement and fair values in accordance with valuation categories

Balance sheet item € '000	Valuation category in accordance with IAS 39	Carrying amount as at 31.12.2007	Measurement in accordance with IAS 39 Amortized cost	Fair value no income impact	Fair value income impact	Balance sheet measurement under IAS 17
Assets						
Other financial assets	AfSFA	8,921	8,921	–	–	–
Trade receivables	LaR	68,598	68,598	–	–	–
Other receivables and assets, thereof	n.a.	42,686	–	–	–	–
Loan receivables	LaR	5,477	5,477	–	–	–
Outstanding income invoice from management of rail freight cars	LaR	3,900	3,900	–	–	–
Investment in rail4chem	AfSFA	3,631	–	3,631	–	–
Receivables from derivative financial instruments with a hedging relationship	n.a.	5,220	–	5,220	–	–
Miscellaneous receivables	n.a.	21,958	–	–	–	–
Liquid funds	LaR	48,031	48,031	–	–	–
Shareholders' equity and liabilities						
Trade payables	FLmaaC	99,243	99,243	–	–	–
FInancial liabilties, thereof		519,183	–	–	–	–
Liabilities to banks before deduction of transaction costs	FLmaaC	478,327	478,327	–	–	–
Less transaction costs	n.a.	15,142	–	–	–	–
Disclosure in the balance sheet	n.a.	463,185	–	–	–	–
Liabilities from finance leases excl. purchase price allocation	n.a.	53,335	–	–	–	53,335
Plus purchase price allocation	n.a.	2,307	–	–	–	–
Disclosure in the balance sheet	n.a.	55,642	–	–	–	–
Financial liabilities to shareholders	FLmaaC	0	–	–	–	–
Financial liabilities to affiliated enterprises	FLmaaC	356	356	–	–	–
Other liabilities, thereof	n.a.	13,666	–	–	–	–
Liabilities from dividends	FLmaaC	153	153	–	–	–
Liabilities from derivative financial instruments with a hedging relationship	n.a	0	–	–	–	–
Miscellaneous liabilities	n.a	13,513	–	–	–	–
Thereof aggregated in accordance with valuation categories under IAS 39						
Loans and receivables (LaR)		126,006	126,006	–	–	–
Available-for-sale financial assets (AsSFA)		12,552	8,921	3,631	–	–
Financial liabilities measured at amortized cost (FLmaaC)		578,080	578,080	–	–	–

n.a.: Balance sheet items not allocable to valuation categories

Fair value 31.12.2007	Carrying amount as at 31.12.2006	Measurement in accordance with IAS 39 Amortized cost	Fair value no income impact	Fair value income impact	Balance sheet measurement under IAS 17	Fair value 31.12.2006
8,921	4,080	4,080	–	–	–	4,080
68,598	61,803	61,803	–	–	–	61,803
–	32,331	–	–	–	–	–
5,477	3,029	3,029	–	–	–	3,029
3,900	4,403	4,403	–	–	–	4,403
3,631	0	–	–	–	–	0
5,220	3,401	–	3,401	–	–	3,401
–	21,498	–	–	–	–	–
48,031	43,523	43,523	–	–	–	43,523
99,243	91,763	91,763	–	–	–	91,763
–	571,381	–	–	–	–	–
496,330	422,306	422,306	–	–	–	454,458
–	11,492	–	–	–	–	–
–	410,814	–	–	–	–	–
53,544	60,587	–	–	–	60,587	63,225
–	3,074	–	–	–	–	–
–	63,661	–	–	–	–	–
0	95,655	95,655	–	–	–	95,655
356	1,251	1,251	–	–	–	1,251
–	16,263	–	–	–	–	–
153	148	148	–	–	–	148
0	65	–	65	–	–	65
–	16,050	–	–	–	–	–
126,006	112,758	112,758	–	–	–	112,758
12,552	4,080	4,080	–	–	–	4,080
596,083	611,123	611,123	–	–	–	643,275

Liquidity analysis

€ '000	Carrying amount 31.12.2007	Cash flows 2008			Cash flows 2009		
		Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Primary financial liabilities							
Liabilities to banks before deduction of transaction costs	478,327	1,244	27,578	21,993	1,397	26,877	20,979
Liabilities from finance leases excl. purchase price allocation	53,335	2,616	0	15,746	2,090	0	7,658
Financial liabilities							
from third parties	0	0	0	0	0	0	0
from non-consolidated affiliated companies	356	0	13	356	0	0	0
from investments	0	0	0	0	0	0	0
Derivative financial liabilities and assets							
Other liabilities and derivative financial instruments							
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0
Other assets from derivative financial instruments							
Currency derivatives in connection with cash flow hedges	28	0	0	28	0	0	0
Interest derivatives in connection with cash flow hedges	5,192	0	0	5,192	0	0	0

Cash flows 2010-2012			Cash flows 2013-2015			Cash flows 2016 and beyond		
Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
3,569	72,288	76,093	2,635	57,961	87,182	2,511	97,600	272,080
3,928	0	17,923	1,302	0	7,638	339	0	4,370
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0

Assurance by the legal representatives

According to the best of our knowledge, we declare that, in accordance with the accounting principles applied, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and that the Group Management Report presents the business development including the operating result 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 foreseeable development of the Group are described.

Hamburg, 20th March 2008

The Executive board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

AUDITORS' REPORT

"We have audited the consolidated financial statements of VTG Aktiengesellschaft, Hamburg, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, together with the Group management report, for the financial year from 1st January to 31st December 2007. The preparation of the consolidated financial statements and the Group Management Report in accordance with IFRS as applicable in the EU and the applicable supplementary provisions of German commercial law pursuant to Section 315 a (1) HGB (German Commercial Code) is the responsibility of the Executive Board of the company. 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 the German generally accepted standards for the auditing of financial statements stipulated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) in addition to observing the International Standards on Auditing (ISA). These standards require that we plan and perform the audit such that there can be adequate certainty that any misstatements materially affecting the presentation of the net assets, financial position or results of operations in the consolidated financial statements in accordance with applicable accounting regulations and in the management report are detected. 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 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 the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, in addition to 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 IFRS as applicable in the EU and with the applicable supplementary provisions of German commercial law pursuant to Section 315 a (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 regulations. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a true view of the Group's position and appropriately represents the opportunities and risks of future development."

Hamburg, 20th March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Brandt Auditor	p.p. Hans-Henning Wolf Auditor

Financial calendar 2008

28th April	Publication of the 2007 Annual Report
28th April	Financial Statements Press Conference, Hamburg
29th April	Analyst Conference, Frankfurt
27th May	Interim Report for the 1st quarter 2008
18th June	Annual General Meeting, Hamburg
27th August	Half-yearly Financial Report 2008
6th September	Hamburg Stock Exchange Day 2008
November	Interim Report for the 3rd quarter 2008

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