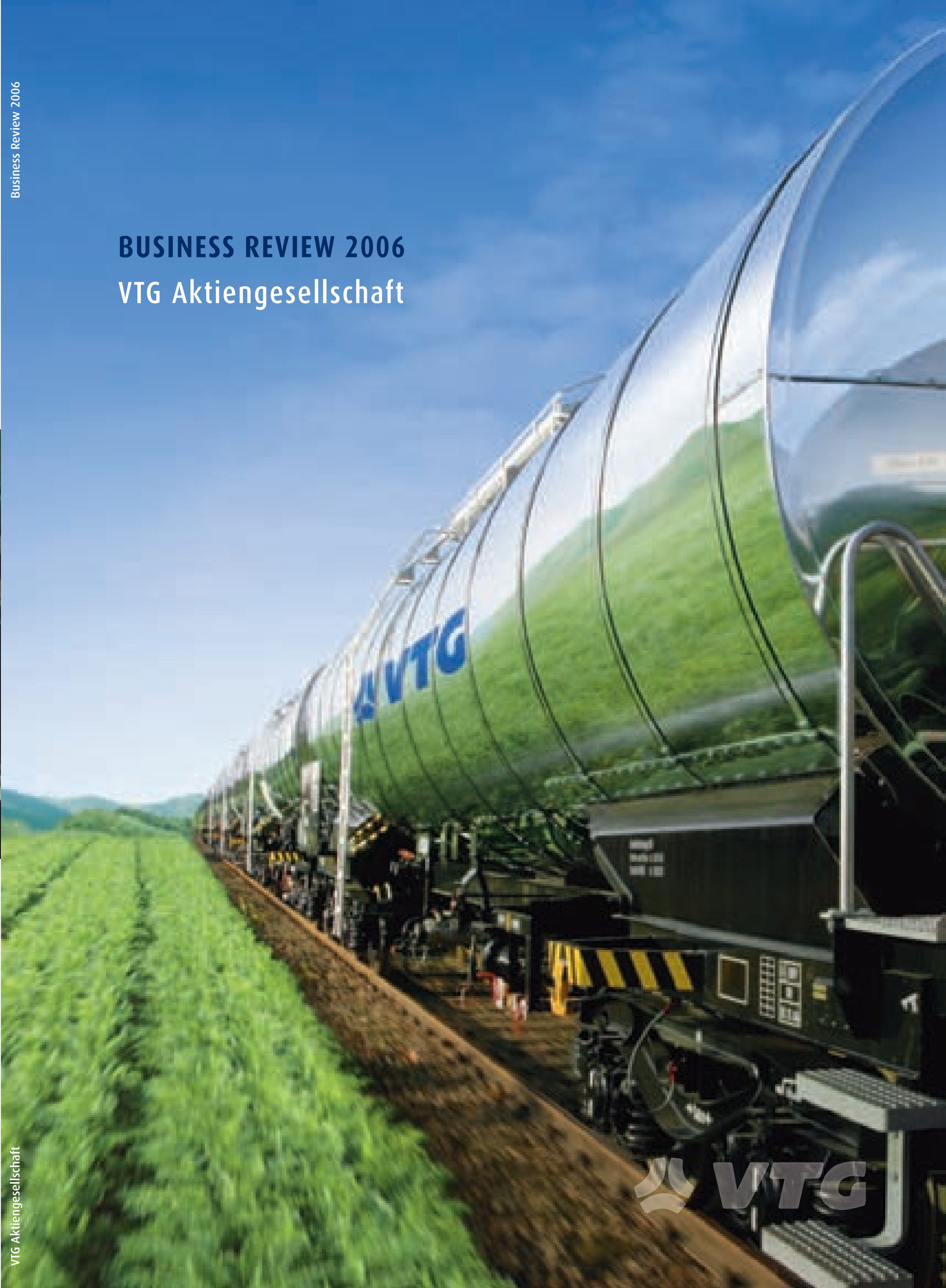
Business Review 2006

BUSINESS REVIEW 2006

VTG Aktiengesellschaft



VTG Aktiengesellschaft

Overview

Financial year	2006[1] IFRS
Revenue €m	518.6
Earnings before taxes on income and profit €m	15.3
Group profit for the year €m	7.5
Cash flow from operating activities €m	110.9
Fixed assets €m	855.2
Expenditure on fixed assets €m	68.6
Financial investments €m	0.2
Depreciation €m	59.3
Subscribed capital of VTG Aktiengesellschaft €'000	50
Shareholders' equity of Group €m	63.9
Total assets €m	1,009.6
Employees on balance sheet date	795
Personnel expenditure €m	47.8

1) The indicators refer to the new VTG AG Group, which has existed in the current structure only since 2006. Hence there are no comparable figures for previous years.

The VTG Group
Milestones on the road to success

1951/1961

- 1951: Foundation of VTG Vereinigte Tanklager und Transportmittel GmbH (a state-owned company from which the VTG Group in its present-day form has developed)
- 1961: Privatization of VTG on sale to Preussag

2002

- Takeover of European rail logistics business of the Australian Brambles Group expands vehicle fleet to some 23,000 wagons
- Expansion of group presence in West European rail traffic markets, especially in Great Britain and Spain

2003

- Integration of private-sector haulage operators into Rail Logistics Segment broadens range of services offered

VTG AG at a glance

Business segments/Services	Wagon Hire, Rail Logistics, Tank Container Logistics
VTG Group companies	23 consolidated companies (at 33 locations in 9 European countries)
Number of rail freight cars	47,400
Main types of rail car	Rail tank and high-capacity freight cars
Number of tank containers	4,700
Employees (total)	795
Executive Board	Dr. Heiko Fischer (CEO) Dr. Kai Kleeberg (CFO) Jürgen Hüllen (CTO)

Status as of 31st December 2006

2004

- Existing interest in international rail freight forwarder Transpetrol GmbH topped up to 74.9 %
- Sale of Bulk and Special Logistics division, which no longer fits into the Group's core business

2004-2006

- Development of market segments for specific types of rail freight car, e.g. hire of rail freight cars for transport of alternative energy sources
- Strengthening of market position in south-eastern Europe, France, Italy and Scandinavia
- Further acquisitions add some 6,500 freight cars to the Wagon Hire Segment's fleet
- Change of ownership

2007

- Existing 58.4 % interest in VOTG Tanktainer GmbH topped up to 100 %
- Initial public offering (IPO) on 28th June 2007 (Prime Standard, Frankfurt Stock Exchange)

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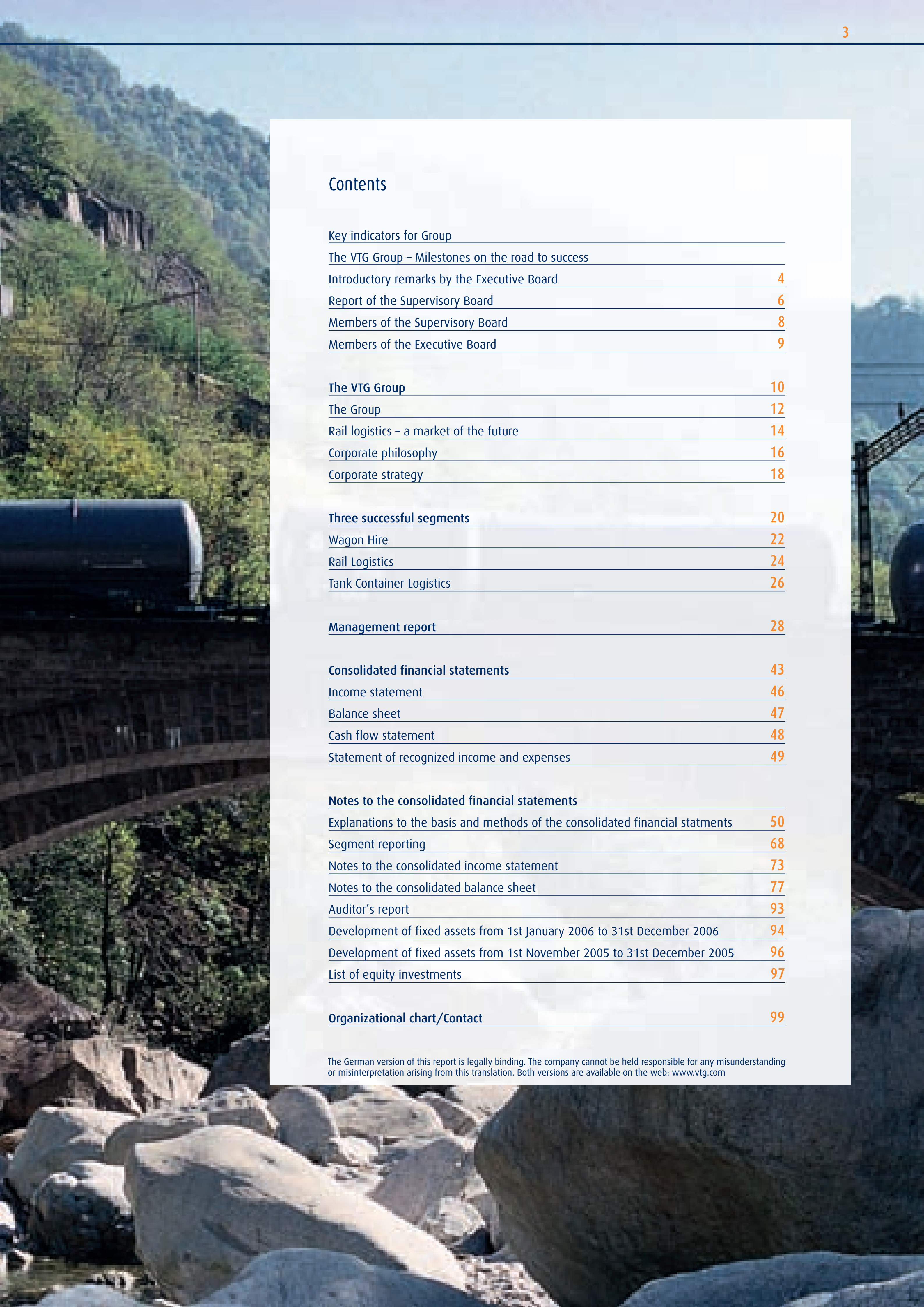
VTG



Contents

The German version of this report is legally binding. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation. Both versions are available on the web: www.vtg.com

On track for success

Executive Board (from l.):
Dr. Kai Kleeberg, CFO
Dr. Heiko Fischer, CEO
Jürgen Hüllen, CTO

VTG had another very eventful and successful year in 2006. We were able to continue to expand our market position as leading European provider of rail logistics services and orient ourselves to achieving further growth. To finance this and at the same time strengthen our equity structure, we completed our IPO in June 2007 – being the first European rail logistics specialist to obtain a stock exchange listing. We are delighted about playing this pioneering role as well as being a little proud of our success.

With the withdrawal from TUI Group in December 2005, the VTG and Alstertor Groups, which were still legally separated but already formed a unit in the market from the business point of view, were combined in the new VTG AG Group. The new VTG Aktiengesellschaft – the Group parent company – was created from VTG Holding GmbH in September 2006. The present annual accounts thus refer to the new VTG Group for the first time and are comparable only to a certain extent with the former VTG in 2005.

Last year, we also began to restructure VTG's comprehensive activities and services and organize them in our three new segments: Wagon Hire, Rail Logistics and Tank Container Logistics. We have thus streamlined our profile and geared ourselves optimally to achieving growth in our core markets.

With the structuring of our activities in these segments, we have created for our customers an effective platform for international freight transport as well as benefiting from significant synergy effects between the individual areas for, for example, formulating joint logistics and transport concepts on the basis of long-standing expertise.

VTG's strong market position in the rail freight market will enable it to focus on future growth opportunities. Our success is attributable to our diversified vehicle fleet, long-term customer relationships and long-standing experience transporting liquid and sensitive goods.

VTG also benefited in all areas from the favourable economic situation in Europe and indeed globally in the last financial year. In particular, the much stronger demand for rail freight transport services due to the upturn boosted business for our Wagon Hire Segment. Rail Logistics also forged ahead in a highly competitive market environment and succeeded in expanding market shares for all services offered. In the 2006 financial year, Tank Container Logistics continued its successful consolidation from the previous year and was able to benefit from the upswing in global markets to achieve moderate order growth. We are also pleased to welcome VOTG Tanktainer GmbH again entirely under the roof of VTG. VTG raised its stake in VOTG from 58.35 % to 100 % in spring 2007.

Our growth strategy is also reflected in our investment policy. In 2006, we almost doubled our investment compared with the previous year, focusing mainly on expanding and modernizing our wagon fleet. We optimized and expanded our equipment in the traditional core areas of oil and chemical rail tank cars and also continued to enlarge our freight car segment.

We see VTG as being in fine shape to meet future challenges. The encouraging economic forecasts for the current year indicate a continued favourable market environment for VTG's activities. Growth will be stimulated by the harmonization and deregulation of European rail freight transport, EU enlargement eastwards, the upsurge in global trade and the highly environment-friendly quality of rail as a means of transport. We will be making the most of the growth potential and constantly improving our capabilities in order to expand our position further in the international market.

At this juncture, we should like to express our great appreciation to the employees of VTG Group for their remarkable dedication and motivation. Our success has depended on their impressive commitment and experience.

Together with our staff, long-standing customers and partners and shareholders, we will be "keeping on track". We are justifiably optimistic about our prospects in our sector.

The Executive Board

Report of the Supervisory Board

Dr. Wilhelm Scheider, Chairman of the Supervisory Board

Following the shareholder resolution dated 19th July 2006 regarding the change of legal form of VTG Holding GmbH, the Supervisory Board of VTG Aktiengesellschaft constituted itself by way of written consent. After the change of legal form took effect on registration with the Commercial Register on 25th September 2006, the Supervisory Board for the remaining financial year 2006 carried out its duties in accordance with the legal regulations and articles of association and advised the Executive Board and monitored the management. The Supervisory Board concerned itself in detail with the situation of the company and its business performance.

The Supervisory Board elected Dr. Wilhelm Scheider as chairman and Dr. Klaus-Jürgen Juhnke as Deputy Chairman of the Supervisory Board. Dr. Heiko Fischer, Dr. Kai Kleeberg and Jürgen Hüllen were appointed to the Executive Board, whereas Dr. Fischer was appointed as Chairman of the Executive Board.

The Executive Board informed the members of the Supervisory Board regularly, promptly and comprehensively, in both oral and written form. The Supervisory Board was involved at an early stage in key decisions. The Supervisory Board approved the sales and profit budgeting as well as the capital expenditure budgeting for the year 2007 submitted by the Executive Board. All further issues subject to approval were adopted by the Supervisory Board as well. Up to the end of the financial year 2006 one Supervisory Board meeting was held, furthermore two resolutions were adopted by written consent. In the Supervisory Board Meeting on 28th November 2006 a staff committee was formed. It convened once in 2006.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Hamburg) audited the annual accounts and the management report of VTG Aktiengesellschaft, drawn up in accordance with the principles of the German Commercial Code, as well as the Group accounts and the Group management report, drawn up in accordance with IFRS as of 31st December 2006. The auditor gave the annual accounts and the management reports its unrestricted audit certificates and also confirmed that the Executive Board has installed a risk management system complying with the statutory requirements.

The Supervisory Board also itself inspected the annual accounts and the Group management report, and the members of the Supervisory Board were given the audit reports of the auditor. The Executive Board explained the annual accounts at the Supervisory Board meeting held on 17th April 2007. At the same meeting, the auditor reported on the audit activity and its main results and placed itself at the disposal of the Supervisory Board for supplementary information. The Supervisory Board raised no objections as a result of its own inspection of the annual accounts and the joint situation report and approved the result of the audit. The annual accounts were approved by the Supervisory Board and are thus affirmed.

The net loss of the year of € -0.8 million of VTG Aktiengesellschaft as well as the losses carried forward in the amount of € -6.7 million as of 31st December 2006 were compensated by a withdrawal from the capital reserve in the amount of € 7.5 million.

The reports drawn up by the Executive Board on the relationships to affiliated companies as well as the relevant audit report on this were presented to the Supervisory Board. The report carried the following auditor's certificate:

"According to our inspection and assessment as duty bound we confirm that:

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

The Supervisory Board is in agreement with this assessment.

The Supervisory Board would also like to express its appreciation to the Executive Board and all employees of the Group for their commitment and successful work.

Hamburg, 17th April 2007

The Supervisory Board

Dr. Wilhelm Scheider
Chairman

Members of the Supervisory Board

Dr. Wilhelm Scheider, London
Consultant
Member and Chairman of the Supervisory Board as from 25. 09. 2006

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former Managing Director of VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg
Member and Deputy Chairman of the Supervisory Board as from 25. 09. 2006

Heribert Becker, Mülheim
Dipl.-Volkswirt (Economics Degree)
Former chairman of the Board of Managing Directors of VTG-Lehnkering AG, Duisburg and Hamburg
Member of the Supervisory Board as from 25. 09. 2006

Dr. Bernd Malmström, Berlin
Lawyer
Member of the Supervisory Board as from 25.09.2006

Dr. Jost A. Massenberg, Duisburg
Member of the Board of Managing Directors of ThyssenKrupp Steel AG
Member of the Supervisory Board as from 25.09.2006

Dr. Christian Olearius, Hamburg
Banker
M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg
Member of the Supervisory Board as from 25. 09. 2006

Members of the Executive Board

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

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

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

The VTG Group

The VTG Group – leading, successful, international

VTG is one of Europe's leading players in the rail logistics sector. Our services range from wagon hire and the full spectrum of logistics services to global door-to-door tank container logistics.

This enables us to offer customers comprehensive services, tailor-made to their individual needs. More than 1,000 companies now benefit from our innovative thinking and the skills honed by long experience, especially in the transport of sensitive goods. We guarantee them top efficiency and safety.

Our strengths lie in human and material resources. The smooth interplay of these is evident in all our corporate procedures. It is also the basis of the Group's success and has enabled us to establish ourselves as a recognized rail specialist throughout the whole of Europe.

Comprehensive and individual

Our fleet of 47,400 rail freight cars is already the largest private fleet in Europe. It is backed up highly qualified staff with many years of experience and extensive specialist knowledge.

The wide range of services provided by our Wagon Hire, Rail Logistics and Tank Container Logistics Segments is further enhanced by our close business relationships with a dense network of national and international haulage operators. These enable us to offer our customers individual rail transport solutions throughout the whole of Europe – with the focus on maximum efficiency in routing and control of the freight traffic entrusted to us.

Safe and innovative

Long experience has given us ample know-how in all operations involving rail tank cars, and we are consequently specialized in the transport of liquid and sensitive goods. The combination of a widely diversified fleet, innovative logistics concepts and pioneering IT solutions guarantees quick, safe and efficient transport of our customers' products. These customers, who come mainly from the chemical, oil, automotive, paper and consumer goods industries, know they can trust our expertise and reliable service. Many of them have been doing business with us for years.

Pan-European and global

Our business is based on stable growth. Although we are already well established as a provider of rail logistics services in Europe, we are not resting on our laurels. Our objective in the coming years is to expand our leading market position.

At global level, we aim to seize the opportunities offered by the steadily increasing volume of freight traffic and the renaissance of rail networks as an option for handling this traffic. Our Wagon Hire Segment will seek to intensify our regional presence in attractive new markets.

And our activities in the tank container market, where we are already one of the few internationally active operators, complement our already very comprehensive range of services in the field of rail-borne freight traffic. The synergies created by the combined activities of our three business segments yield benefits for our customers in the form of safe, efficient transport of their freight throughout the world.

Rail logistics – a market of the future – cross-border, saves resources, great prospects

Rail-borne freight traffic is a market of the future. It provides an excellent platform for further expansion of VTG's market position and its continuing achievement of carefully planned growth.

Growth factors from which we will be able to benefit over the medium and longer term include the liberalization of rail-freight transport, the shift of production facilities to eastern and south-eastern Europe and the steady expansion in freight traffic at global level.

Other plus-points of rail transport over other freight carriers include greater safety, cost-efficiency and superior environmental compatibility.

Liberalization improves efficiency of rail-borne freight traffic

Cross-border operations have been a major beneficiary of the liberalization of rail-borne freight traffic. Elimination of frontier-related obstacles and standardization of systems are enabling rail networks to get more mileage out of their unquestioned advantages when it comes to the transport of large volumes of freight over long distances.

Shift of production facilities opens up additional opportunities

The shift of production facilities to eastern and south-eastern Europe, plus the steady rise in - East-West trade extending as far as Russia and the other CIS states will favour the creation of more and more complex supply chains. The VTG Group's organization into Wagon Hire, Rail Logistics and Tank Container Logistics Segments makes it ideally placed to fulfil the changed demands of the market. With some 47,400 rail freight cars – the largest private fleet of rail cars in Europe – and our dense European network of distribution and service stations, we have a platform from which we can provide international wagon hire and freight forwarding services of uniformly high quality. This is becoming increasingly important for efficient handling of the steadily swelling inter-factory flow of manufactured components. Just-in-time delivery helps our customers to cut storage and wage costs. In other words, the shift of production facilities is enabling us to add more services at earlier and later points in the value-added chain. This is a benefit for us and also for our customers.

Environmental consciousness favours renaissance of rail traffic

Global awareness of risks from environmental pollution is causing a renaissance of rail-borne freight traffic. Rail networks are a more efficient means of transport, and in many cases cause less pollution than other types of carrier, as well as saving scarce energy resources and being more economical. These benefits are helping to boost the attractiveness of the rail network as a transport option.

Wagon hire in demand

Industry is nowadays tending to focus on its core business and preferring to outsource logistics services to efficient specialist providers. This has encouraged us to acquire wagon fleets from other carriers. Many customers, especially chemical manufacturers, have also commissioned VTG rail logistics to handle their entire rail transport management. The advantage of this is that both we and our customers do what we can do best. The result is efficient, economic and secure rail transport of their products.

Our philosophy – reliable, safe, environmentally conscious

Ever since the Group's formation in 1951, its business activities have been guided by three key criteria – quality, safety, environmental consciousness. Constant dedication to these criteria has formed the basis for VTG's steady growth and its present strong position.

VTG has extensive experience in handling fluid substances and very sensitive freight and is very conscious of its responsibilities for avoidance of environmental pollution and risks to human or animal health. Our efficient, smooth-running operating procedures are a key factor in minimizing these risks.

High quality standards

It goes without saying that we do everything in our power to ensure that all our customers receive top quality – not only of the rolling stock hired by them but also in the other services provided. We see the special needs and demands of individual customers as a welcome challenge that we are eager to accept and fulfil.

All VTG products and services conform to the latest technical standards. The design of our rail cars incorporates the extensive expertise and know-how that we have built up over the years, and the rail cars themselves are manufactured to our exact specifications by specialist producers. The complete process from the design stage to the finished rail car rolling off the production line is supervised by our highly qualified technical experts.

This kind of attention to detail is just one more reason for our past and present success and competitiveness, and we aim to ensure that it stays that way in the future.

Work safety is very important to us

VTG attaches great importance to maintenance of high safety standards, which eliminate unnecessary risks and prevent accidents at the workplace. Because our employees are valuable human resources. That is why we have made work safety an integral part of our overall quality management system and not just an abstract idea.

Work safety has been upgraded to a management responsibility at VTG, and its importance is regularly emphasized by our policy of staff involvement in the form of informative, well-designed training courses and practical safety exercises. Courses conducted by our training staff on a variety of safety themes are also available to customers, railway companies and fire brigades. This policy helps to enhance cooperation with customers and public authorities on matters relating to safety and environmental protection and includes, where necessary, provision of a round-the-clock emergency service.

Environmental responsibility has top priority

We specialize in transport of liquid and sensitive goods and have built up a mass of experience and know-how over the years. Our high competence in these fields is acknowledged by leading players in the chemical and oil industries.

Precisely because of this, all aspects of environmental protection receive top priority in the provision of services and meeting customers’ individual needs. Choice and availability of the correct vehicle and use of the most up-to-date techniques and equipment come first and foremost. This not only protects the environment and saves resources. It also brings financial benefits for the customer in the form of more economical procedures.

In addition to providing high-quality services, we take constructive action to prevent noxious emissions and reduce noise pollution. When placing orders for goods and services, we take great care to select specialist companies holding the necessary licences and qualifications. This level of dedication to environmental protection cannot fail to leave its mark – the mark of success.

Our strategy – forward-looking, global, profitable

VTG is already well established as a rail logistics company in Europe and is now planning to expand its present leading market position. Our strategy calls for healthy, sustained and profitable growth. We aim to build on our proven strengths.

Strengthening of market position in Europe and globally

Already a well-known wagon hire and rail logistics company in our core territory Europe, we will now seek to generate additional benefits for our customers by developing new, regional markets in that continent. The focus here will be on certain territories in eastern and south-eastern Europe, where wagon fleets and rail transport-related services still have to be brought up to central European standards.

We are also planning diversifications into new types of rail freight car. This will enable us to attract new customers from sectors of industry where we are not yet adequately represented and help to consolidate and broaden VTG's profile as the preferred provider of services for rail-borne freight traffic.

Our Wagon Hire Segment will steadily expand its activities from its base in the present core market Europe into other attractive territories – using experience acquired at global level in the field of tank container logistics. The Asian market also offers growth opportunities for our Tank Container Logistics Segment. International tank container traffic between Europe, the American continent and Asia is booming, as also is the traffic between Asia's own growth regions and within China itself. We aim to make full use of these opportunities.

Synergies between our business segments

We are integrating, where possible, the activities of our three segments to make their rail freight and global tank container services even more effective in meeting customers' needs. This yields substantial cost benefits for the customer and also generates other significant synergies which enhance profitability and growth of our own business.

Our Rail Logistics and Wagon Hire Segments have joined forces in their drive to develop business with new segments of industry. New types of rail freight car developed by the Wagon Hire Segment are integrated into innovative freight haulage and forwarding concepts developed by the Rail Logistics Segment. This also enables the Rail Logistics Segment to benefit from access to Europe's largest private wagon fleet.

Linking the services offered by the Rail Logistics and Tank Container Logistics Segments also ensures efficient transport solutions for our customers and produces synergies benefiting both VTG and its customers. One example of this is the cooperation between the two segments in the design of transport and traffic concepts for the chemical industry, which benefit from coordination of know-how input from both segments in the fields of traction, transport organization and tank container operation.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Three successful segments

Wagon Hire

Our fleet of some 47,400 rail freight cars of over 900 different types is the biggest private fleet in the European market and makes us Europe’s leading provider of wagon hire services.

In addition to hiring out rail freight cars, this segment also operates and maintains rail freight car fleets owned or used by our customers. We have three repair workshops of our own to give us a high level of technical expertise and ensure the constant availability of our entire fleet.

Customer-oriented wagon hire throughout Europe

Our fleet can run on virtually the whole of Europe’s standard gauge rail network. Our dense, pan-European network of our own sales locations, pool models and agencies has rail freight cars available for hire just about everywhere in Europe.

Our customers reap genuine benefits from our regional proximity, which facilitates quick, on-the-spot solutions of any minor problems that may be encountered.

Ongoing business development

We plan to steadily increase the size of our fleet and develop business with new sectors of industry by purchase of new rolling stock and acquisition of existing fleets either from competitors or from industrial companies which have decided to hive off and dispose of their private fleets.

We are also continually developing improved safety concepts, especially for transport of liquid and sensitive goods, and give high priority to regular further training of our staff. We thus guarantee our customers competent support, always with state-of-the art technology.

Services as diverse as our customers

Our Wagon Hire Segment also offers comprehensive consultancy services. These range from assistance in choice of wagon type for specific types of freight to information on safety precautions, regulations and procedures for handling hazardous goods.

Our fleet management and repair services, backed by skills acquired over many years of experience, are widely used by customers and are also available to other rail car operators. Our technical servicing package includes management and maintenance of rail freight cars which are still being used by the customers themselves. Our operational service package includes responsibility for marketing and hiring out the customers’ rail freight cars.

The range of services offered by our three repair workshops includes inspection, testing, servicing and maintenance of rail freight cars and tank cars and also wheel set processing and conversion work. We attach great importance to having our own workshops, because this is the only way to ensure availability of reliable technical services, adequate flexibility in maintenance work planning and good cost transparency.

Another of our services is design and sale of special fittings like valves for the transport of sensitive goods. These fittings are internationally licensed for transport of hazardous goods and designed to facilitate safe, simple operation.

Rail Logistics

We are full-service forwarding agents with a Rail Logistics Segment which organizes our customers' freight traffic throughout the whole of Europe. Here too, we are one of the leading players in the European market.

The key features of our unusually wide range of forwarding services are their individuality and flexibility. In urgent cases, we can provide freight transport and logistics services within a very short time of receiving a customer's request. The Rail Logistics Segment can offer this kind of service because it has its own vehicle fleet, which it rents as a neutral logistics provider from other wagon hire companies, plus access to the fleet of VTG's own Wagon Hire Segment.

Our logistics services also include organization and provision of intermodal transport services, for example, combined rail and inland waterway transport, plus customs clearance, container shipments and road transport.

Through its offices in Germany, Italy, France, Spain, Poland, the Ukraine and Austria, the division facilitates smooth access to the whole European private and state-owned rail network for its customers from the petroleum, chemical and liquefied gas industries and other companies transporting bulk and general cargo.

Liberalization is making rail transport more attractive

We expect deregulation of the rail freight market to bring us significant benefits, because it will generate enormous growth opportunities for rail forwarders, especially in eastern and south-eastern Europe, where the markets have yet to be opened up. The anticipated facilitation of cross-border traffic procedures has prompted us to broaden our spectrum of rail logistics services and enlarge our facilities for coordination of long-haul traffic.

Market deregulation will also enable us to offer innovative transport solutions in new areas, such as the coal, wood and paper industries. The Rail Logistics Segment is planning to acquire a licence as a rail freight company, which will enable us to organize and provide selected services hitherto provided by outside haulage operators.

Efficient forwarding services – reliable fleet management – custom-oriented transport management

We are steadily expanding our international services by closely integrating our basic forwarding functions with other activities such as servicing of customers’ fleets and organizing transport of special types of products.

We plan and organize transport of customers’ rail freight, choosing both the carrier and the type of freight car required. Our key objective is to choose the combination of transport options offering the highest possible time and cost savings.

In addition to the actual forwarding activities, we also take over responsibility for managing other companies’ vehicle fleets. This includes, for example, servicing of rental agreements, vehicle repair management and deployment of customers’ own fleets. This sort of management function is generally provided on a commission basis and is of special interest to customers wishing to outsource fleet management and operation, whilst at the same time retaining control over costs.

VTG’s transport management services also include comprehensive planning, deployment and supervision of both its own fleet and fleets belonging to other companies, and organization of the freight carried by them. This includes handling of formalities like issue of orders to rail companies, and planning and execution of transport. We ensure that the customer receives detailed information on order performance, reliable service and punctual delivery of his freight.

Tank Container Logistics

VTG’s Tank Container Logistics Segment is already an internationally recognized player offering sophisticated and future-oriented full-service packages in the field of tank container transport and logistics.

Our services are primarily designed to fulfil the customer’s needs. To an ever increasing extent, our logistics services form an integral part of manufacturing industry’s outsourcing strategies. One of our special strengths is the creation of just-in-time supply chains which enable manufacturers to cut or eliminate high material storage costs.

One key advantage of transport by tank container is total absence of dependence on a specific means of transport. Tank containers make it possible to organize door-to-door transport from the producer to the user. Being ideal for transport of liquid and temperature-controlled products, they are becoming increasingly popular with the chemical, petroleum and compressed gas industries.

We can offer our customers a selection of tank containers in a variety of sizes, maximum permissible loads and with a variety of different fittings. The greater part of our tank containers have been rented. They naturally include standard models and the so-called SWAP tank containers used in Europe, but we also have a large fleet of special tank containers fitted with electrical heating systems to keep sensitive products at a constant temperature, an important feature when freight is transported wholly or partly by sea. There is also a number of gas tank containers and multi-compartment tank containers.

Success at global level with tank containers

Our long experience and expertise, plus an extensive network of local agencies, has already enabled us to build up an international business by expansion into the markets of eastern Europe and the Asia-Pacific region. One problem common to all these markets is the need to transport freight over long distances, frequently with different types of carrier – including sea transport – to destinations remote from any rail or pipeline terminal.

Local cooperation arrangements bring steady expansion of our range of action

A key feature of our strategy is negotiation of more cooperation arrangements with independent logistics providers, which will enable us to include additional services such as customs clearance or arranging road transport. These will make it possible to offer a global service and at the same benefit from regional know-how. Cooperation with companies not directly involved in tank container traffic also helps us to negotiate more competitive freight rates – especially for sea-borne freight – by pooling orders for freight space.

Comprehensive transport services – attractive supplementary services – innovative container fleet

We organize, execute and monitor tank container transport of our customers' products at global level – using the optimal carrier or combination of carriers for the relevant consignment and route.

We handle various types of order, according to the properties of the product being transported and the customer's requirements. For example, spot orders, i.e. single orders for delivery from one place to another, or round-trip orders, single deliveries to a specific destination and return of the empty containers to the original point. At the customer's request, we can also supply tank containers for use as short-term storage capacity.

We can offer customers management of their tank container fleets, plus the design of planning concepts for optimal control of their supply chains. Finally, we round off our range of logistics services with hire facilities for tank and gas containers constructed to customers' own specifications.

Management report

Management report of VTG Aktiengesellschaft Group for the financial year from 1st January to 31st December 2006

Restructuring of the group

The parent company of the new VTG AG Group is VTG Aktiengesellschaft (VTG AG), which came into existence by being converted from VTG Holding GmbH (previously CE Waggons 1 GmbH). Sole shareholder of VTG AG is the Compagnie Européenne de Wagons S.à r.l., Luxembourg.

The VTG and Alstertor Groups, which were separate companies until 14th December 2005 and which previously formed an operational unit on the market, were subsequently merged in the new VTG AG Group. This led to a reduction in 2006 in the number of fully consolidated companies in the new VTG AG Group, especially as a result of mergers, from 35 to 22. Furthermore, the processes at all material levels of the new group were harmonized in 2006, including especially a uniform management and controlling system as well as a cash pool covering the whole group and harmonized guidelines.

Market development

The world economy continued its dynamic development in 2006, with the global revival gaining noticeably in breadth. The economy in the Euro zone grew more strongly in 2006 than at any time since the beginning of the decade. The German economy also continued in 2006 the upswing which had started in 2005. The chemicals sector, which is of such importance for the VTG AG Group, recorded substantial growth. The association of the chemicals industry calculated for the whole of 2006 a growth in production of 3.5 %. The production of petro-chemicals and polymers each grew by 2 %, and the producers of fine and special chemicals achieved an increase in production of 5 %. Chemical exports rose by 12 % to more than € 117 billion in 2006. With this dynamic growth, the export business is still the most important factor for the economic situation of the German chemicals industry.

As a consequence of the economic upturn, freight traffic by rail increased considerably. In 2006, according to the Federal Statistical Office, 342.8 million tones of freight were transported on the railways in Germany, which was 8 % more than in the prior-year period. The figure for tones-kilometers was 105.8 billion, which was 10.8 % higher than in the previous year. Transport volume in the segment of oil products, which is so important for the VTG AG Group, rose by 2.8 %, while transports of chemical products decreased by 4.1 % over the previous year. Rail container transport showed a marked increase.

Group turnover and profit, as well as cash flow

Group turnover in 2006 amounted to € 518.6 million, of which € 262.9 million (51 %) were made in Germany and € 255.7 million abroad. There are no comparative figures for the prior year, as the VTG AG Group has only existed since the end of December 2005.

In the financial year 2006, there was a group profit for the year of € 7.5 million and an operating profit of € 59.8 million. The prior-year loss of € 3.8 million (operating loss of € 5.8 million) is not comparable and included primarily transaction costs in connection with the formation of the new VTG AG Group.

The return on sales in 2006 was 1.44 %. Net cash from operating activities in the VTG AG Group was € 110.9 million in 2006.

Wagon Hire Segment

The Wagon Hire Segment, which achieved external sales of € 235.1 million in the financial year 2006, comprises both the renting out of the company's own rail freight cars through an own sales organization or a market pool and the control, technical servicing, administration and maintenance of third-party rolling stock. This division also includes the company's own three rail-car repair works.

With a fleet of about 47,000 rail freight cars, the VTG AG Group is one of the leading rental companies in Europe. With its many years of experience in the traditional rail freight car business, the VTG Group is opening up more and more new sectors and rail-car segments and so presents itself not only as a strong player in the field of rail freight cars but also as a full rail provider.

The rental business in the past financial year profited from the good economic situation in Europe and a resulting stronger demand for rail freight services. This led to improved capacity utilization for pressurized-gas and petroleum cars as well as for chemical cars. Capacity utilization of mixed goods rail cars – especially covered cars – increased over the prior year.

In order to take account of the internationalization of the business and to meet the increased demand for car capacity, the rolling stock of the VTG Group was expanded through targeted purchases, especially abroad. This expansion was supported by numerous projects for newly built facilities. The group thus continued its growth and modernization strategy.

Rising costs of materials – especially due to the increase in the price of steel – and a concentration of rail-car manufacturers and component producers result in procurement costs increasing further. The rail-car rental business is therefore faced with a number of challenges. In 2006, the measures introduced in the prior year for reducing maintenance costs were successfully continued and economies of scale were achieved through bulk purchases.

The rail-car repair works in this division offer as service providers the repair and maintenance of rail cars in the company's fleet and also for third-party rail cars at market prices. The restructuring measures for increasing productivity and profitability showed the first signs of success in the works.

Rail Logistics Segment

The Rail Logistics Segment, which achieved external sales of € 170.4 million in the financial year 2006, offers rail forwarding services for the transport of petroleum and chemical products, liquid gases and bulk goods by rail.

In 2006, Rail Logistics continued its positive development in a highly competitive market environment. In all the services it offered, it profited from the economic recovery and the strong demand for raw materials and was able to maintain its position through competence and efficiency in tenders. In the petroleum field, the slight rise in oil consumption in Germany and the specialization of the company in spot transports led to increased business in transports with full trains. As a result of the considerable increase in the production of bio fuels, there was greater demand in the all-in business for logistic solutions on the producer and customer sides. In the liquid-gas segment, numerous new customers were acquired, whereby activities were particularly expanded in the direction of South-East Europe. Due to the upswing in the global economy, the export volume in the chemical industry rose, so that Rail Logistics also expanded its international all-in transport business in the chemicals area by acquiring new customers.

Rail Logistics is the one service sector that succeeded in increasing market share in the past financial year. The strong demand for labour-intensive value-added services, such as the scheduling, monitoring, renting of suitable cars or customs clearance for chemicals and liquid gas, led to the recruitment of more personnel on average during the year.

Tank Container Logistics Segment

The Tank Container Logistics Segment, with external sales in 2006 of € 113.1 million, comprises the inter-modal transport of liquid and temperature-controlled products in the areas of chemicals, petroleum and pressurized gas. With about 4,500 units, the VOTG Group, in which the VTG AG Group is the majority shareholder, is one of the world's leading providers. In addition to its operational focus in Europe, it is also involved in overseas transports to America and Asia. Its range of services also includes the taking over of fleet management and supply-chain management concepts for numerous companies in the chemical industry.

In the financial year 2006, tank container logistics continued the successful consolidation course of the prior year and took advantage of the positive development in the global markets for a moderate growth in orders. The considerable increases in costs for freight purchases could mostly be passed on to the customer, albeit with a time lag. Furthermore, the optimized planning of transport capacity and the consistent monitoring of empty transports led to an increase in capacity utilization of the equipment. Despite the sustained intensive price competition, operating margins in the various types of transport could be kept on a satisfactory level.

Investments, balance-sheet structure and financing

In the financial year 2006, capital expenditure in the group amounted to € 68.6 million, most of which (€ 67.8 million) was for the Wagon Hire Segment. The money was invested in the replacement of rail cars taken out of service and in the modernization, expansion and maintenance of the rolling stock – especially for petroleum, chemical and bulk freight cars. This capital expenditure was mainly incurred in Germany, France and Great Britain.

The other segments invested € 0.9 million.

The structure of the balance sheet has changed only slightly compared with that of the prior year. Total assets increased by € 5.9 million or 0.6 % to € 1,009.6 million (prior year: € 1,003.7 million). The share of fixed assets rose slightly from 83 % to 85 % of total assets. The share of current assets correspondingly fell to 15 %. Equity capital in the group increased from € 58.2 million to € 63.9 million. The equity ratio rose from 5.8 % to 6.3 %.

The financing of the group is assured through equity capital, a shareholder loan and long-term debt. This loan capital is from a bank syndicate lead managed by Bayerische Hypo- und Vereinsbank, London, which has granted the companies of the VTG AG Group loans totaling € 600.1 million. As at the balance-sheet date € 464.5 million of that amount had been taken up.


VTG

Personnel

As at 31.12.2006, there were 795 employees in the consolidated companies of the VTG AG Group around the world (prior year: 809), of whom 517 worked in domestic companies and 278 abroad.

Risk management

The comprehensive and efficient risk management system implemented in the VTG AG Group in the context of the German law on supervision and transparency in corporations ('KonTraG') was developed systematically in the past financial year. Potential risks connected with business activity can be identified already at an early stage, thus triggering measures to minimize or avoid negative effects. With potential risks, a differentiation is made between market risks, economic risks, environmental risks and product risks. In the reporting period, no risks were detected which could have endangered the continuity of the company or could have had material effects on the net assets, financial position and profitability of the company. The systemization of risk within the risk management system is regularly checked by external auditors for efficiency and completeness.

Due to the international nature of its business activities, the VTG AG Group is exposed to exchange-rate fluctuations on the foreign-exchange markets. With regard to the US dollar, the VTG AG Group is a net recipient 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. US-dollar income from the operating business amounted to € 11.0 million in 2006. The level of hedging was approx. 97 %. Currency risks from budgeted operating business should continue to be hedged by forward transactions prior to receipt of payments.

The VTG AG Group operates a well-developed management of accounts receivable. Credit risk insurance contracts have been concluded for dealing with default risk. Moreover, the VTG AG Group covers the detectable default risk of individual receivables as well as the general credit risk through appropriate itemized allowances for bad debts and flat-rate markdowns based on experience.

The liquidity requirement of the entire VTG AG Group is determined via liquidity planning and is covered by approved credit lines, so that the solvency of the group is ensured at all times.

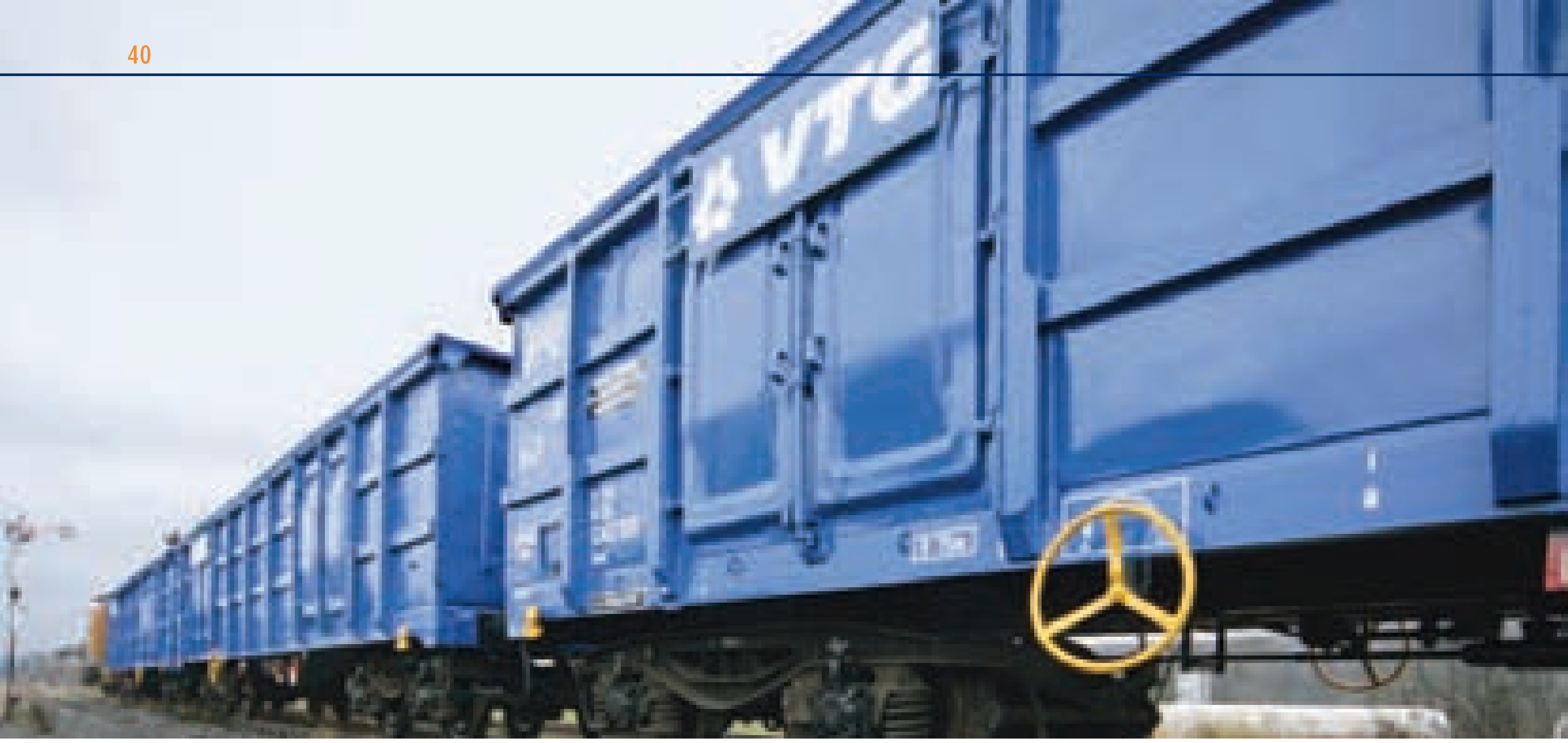
In order to avoid or minimize interest risk, a material part of the bank loans is covered through interest hedging transactions against increases in interest rates until 2009.

Safety at work, health protection and the environment

In the past year, a number of measures were taken at domestic and foreign locations of the VTG Group to ensure safety at work and protect employees' health.

At the Hamburg head office, employees had the chance to participate in various precautionary medical check-ups in the financial year 2006. As in previous years, a large number of employees took advantage of the offer.

The VTG AG Group strives to minimize any negative environmental effects arising from the services it offers.



Prospects, opportunities and risks

Economists predict that the economy will continue to grow considerably in the year 2007. The IFO Institute forecasts strong growth for the Euro zone, although it will slow down slightly because of the decline in the expansive effects of monetary policy and the weakening boom in the global economy. An increase of 2.1 % in real terms is expected for GOP in the Euro zone in 2007, after 2.6 % in 2006. The forum of economic experts predicts that Germany's GOP will increase by 1.8 %.

In the chemicals sector, which is so important for the VTG Group, the association of the chemicals industry forecasts that chemical production will expand by 2 % and sales will increase by 2.5 %, with foreign sales increasing more strongly than domestic sales.

The positive economic forecasts for 2007 point to a good market environment for the activities of the VTG Group in its segments Wagon Hire, Rail Logistics and Tank Container Logistics. The restructured VTG AG Group therefore looks forward with confidence to the financial year 2007. However, the VTG Group – as well as expanding continuously the range of services it offers – has as its main aim in the current financial year the constant optimization of the cost structures in all divisions.

In Wagon Hire, there are further growth opportunities for the VTG AG Group as a result of the harmonization and liberalization of European rail transport and the expansion of the European Union. As Europe grows together, trade and transport flows increase. With its regional presence and its strongly differentiated fleet of about 47,000 rail freight cars, the VTG Group can participate over proportionally in the growing transport demand. The biggest growth potential in all rail-car segments is seen in East and South-East Europe.

However, negative influences on the Wagon Hire business could result from the still extensive need for regulations in the practical implementation of the new legal and technical conditions as well as the continued need for restructuring the rail-car repair works.

In Rail Logistics, business is expected to be slightly better in 2007, because there is still a great need for rail transports – as a result of the good economic situation in the industries of major customers, together with a high capacity utilization of refineries and a boom in bio fuels – leading to a high demand for the services of the VTG Group.

Rail Logistics expects good growth opportunities in the area of all-in business, especially on the liquefied gas market and in chemical SMEs, whereby the focus is on the expansion of cross-border transports. Increased transport activity is expected on the Spanish rail haulage market in 2007, arising especially from a rising demand for bio ethanol transports. Despite the expected stable development of the transport business in France, it continues to be harmed by the inefficiency of the French railway company.

The large-scale invitations to tender put out annually by the oil industry involve both opportunities and risks for rail logistics. Since sales are expected to decline in the long term in this area, there is cutthroat competition on the market.

In Tank Container Logistics, the market is expected to develop positively in 2007 with a moderate, appropriate expansion of fleet capacity, enabling a controlled return to the growth markets of Asia.

The risks in Tank Container Logistics continue to be existing uncertainties regarding the development in the flows of goods and the related imbalances in transport flows as well as the possible effect on company results of exchange-rate fluctuations.

The VTG Group has once again set demanding goals for itself for the current financial year. The group wishes to strengthen its market positions for the long term, by growing organically as well as by making selected acquisitions, and to increase continuously its profitability. If the global economy continues to develop so positively, the company is confident that it can achieve the goals it has set.

The shareholder of VTG AG is considering the possibility of having VTG AG listed on the stock exchange.

No further events of special significance have occurred since the end of the financial year.

26th March 2007

Executive Board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

CONSOLIDATED FINANCIAL STATEMENT 2006

VTG Aktiengesellschaft

Consolidated financial statements

Contents

VTG Aktiengesellschaft income statement in accordance with IFRS

– for the period from 1th January to 31th December 2006 –

€ '000	Notes	01.01. to 31.12.2006	01.11. to 31.12.2005
Revenue	(1)	518,563	0
Other operating income	(2)	30,072	23
Total revenue and income		**548,635**	**23**
Cost of materials	(3)	307,336	0
Personnel expenses	(4)	47,780	19
Impairment, amortization and depreciation		58,509	0
Other operating expenses	(5)	82,680	5,773
Total expenses		**496,305**	**5.792**
Income from associates		**2,110**	**0**
Financing income		2,717	236
Financing expenses		-41,897	-867
Financial loss (net)	(6)	**-39,180**	**-631**
Profit before taxes on income		**15,260**	**-6,400**
Income taxes	(7)	7,785	-2,610
Group profit (prior year group loss)		**7,475**	**-3,790**
Thereof relating to			
Shareholders of VTG Aktiengesellschaft		5,486	-3,790
Other shareholders (minority shareholders)		1,989	0
		7,475	**-3,790**
Earnings per share (in €) (basic and diluted)	(8)	**109.72**	**---**

The explanations on pages 50 to 97 are an integral part of these consolidated financial statements.

VTG Aktiengesellschaft balance sheet in accordance with IFRS

Assets

€ '000	Notes	31.12.2006	31.12.2005 Adjusted	Adjustment	31.12.2005 Unadjusted
Goodwill	(9)	156,211	156,211	-5,152	161,363
Other intangible assets	(10)	66,247	69,898	120	69,778
Tangible assets	(11)	612,209	590,768		590,768
Investments in associates	(12)	16,429	15,435		15,435
Other financial assets	(13)	4,080	4,115		4,115
Fixed assets		**855,176**	**836,427**	**-5,032**	**841,459**
Other receivables and assets	(16)	1,294	880		880
Deferred income tax assets	(17)	3,165	137		137
Non-current receivables		**4,459**	**1,017**		**1,017**
Non-current assets		**859,635**	**837,444**	**-5,032**	**842,476**
Inventories	(14)	**9,400**	**9,502**		**9,502**
Trade receivables	(15)	61,803	53,258		53,258
Other receivables and assets	(16)	32,331	37,799	1	37,798
Current income tax assets	(17)	2,943	4,098		4,098
Current receivables		**97,077**	**95,155**	**1**	**95,154**
Cash and cash equivalents	(18)	**43,523**	**61,563**		**61,563**
Current assets		**150,000**	**166,220**	**1**	**166,219**
		1,009,635	**1,003,664**	**-5,031**	**1,008,695**

Shareholders' equity and liabilities

€ '000	Notes	31.12.2006	31.12.2005 Adjusted	Adjustment	31.12.2005 Unadjusted
Subscribed capital	(19)	50	25		25
Additional paid-in capital	(20)	52,412	59,975		59,975
Statutory reserves	(21)	9,270	-3,803		-3,803
Revaluation reserve	(22)	207	0		0
Shareholders' equity in VTG Aktiengesellschaft		**61,939**	**56,197**		**56,197**
Minority interests		**1,937**	**2,025**		**2,025**
Equity		**63,876**	**58,222**		**58,222**
Provisions for pensions and similar obligations	(23)	48,463	44,726		44,726
Deferred income tax liabilities	(24)	144,185	140,077	-5,031	145,108
Other provisions	(25)	15,479	11,358		11,358
Financial liabilities	(26)	437,701	463,215		463,215
Other liabilities	(26)	3,431	1,567		1,567
Non-current liabilities		**649,259**	**660,943**	**-5,031**	**665,974**
Provisions for pensions and similar obligations	(23)	3,540	6,802		6,802
Current income tax liabilities	(24)	20,122	15,519		15,519
Other provisions	(25)	34,563	24,902		24,902
Financial liabilities	(26)	133,680	130,461		130,461
Trade payables	(26)	91,763	75,485		75,485
Other liabilities	(26)	12,832	31,330		31,330
Current liabilities		**296,500**	**284,499**		**284,499**
		1,009,635	**1,003,664**	**-5,031**	**1,008,695**

The explanations on pages 50 to 97 are an integral part of these consolidated financial statements.

VTG Aktiengesellschaft cash flow statement in accordance with IFRS

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Operating activities		
Group profit for the year (prior year group loss for the year)	7,475	-3,790
Impairment, amortization and depreciation of fixed assets	59,315	0
Other non-cash expenses and income	-994	0
Income on investments	-1,326	0
Interest income	-2,717	-236
Interest expenses	41,091	867
Income taxes paid	344	0
Profit (-) / loss (+) on disposals of fixed asset items	-2,642	0
Changes in inventories and receivables	-10,063	-20,308
Changes in liabilities (excluding financial liabilities)	20,416	18,097
Cash flows from (prior year used in) operating activities	**110,899**	**-5,370**
Investing activities		
Cash outflows for investments in fixed assets	-72,098	0
Proceeds from disposal of fixed assets	3,833	0
Cash outflows for business acquisitions (less cash and cash equivalents acquired)	0	-344,606
Cash outflows for investments in financial assets (less cash and cash equivalents acquired)	-198	-105
Proceeds from disposals of financial assets (less cash and cash equivalents rendered)	215	0
Change in financial receivables	-856	0
Receipts of interest and dividends	3,476	236
Cash flows used in investing activities	**-65,628**	**-344,475**
Financing activities		
Payments to other shareholders	-603	0
Proceeds from capital increase and shareholder contributions	0	59,900
Proceeds from the take-up of shareholder loans	0	90,000
Proceeds from the take-up of (financial) loans	10,299	262,279
Repayment of bank loans and other financial liabilities	-40,087	0
Interest payments	-30,209	-867
Cash flows used in (prior year from) financing activities	**-60,600**	**411,312**
Changes in cash and cash equivalents	**-15,329**	**61,467**
Effect of changes in exchange rates	-2,711	0
Balance at beginning of period	61,563	96
Balance of cash and cash equivalents at the end of period	**43,523**	**61,563**

Explanations on the cash flow statement are given under Note (29).

The explanations on pages 50 to 97 are an integral part of these consolidated financial statements.

Statement of recognized income and expenses of VTG Aktiengesellschaft in accordance with IFRS

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Currency translation	-2,695	0
Changes in revaluation reserve	207	0
Changes resulting from fair value measurement of derivative financial instruments	1,806	0
Actuarial gains and losses on pension provisions	-854	0
Other changes resulting from fair value measurement recognized directly in equity	-48	0
Income and expenses recognized directly in equity	**-1,584**	**0**
Group profit (prior year loss)	7,475	-3,790
Total income and expenses recognised in the financial year	**5,891**	**-3,790**
Thereof relating to:		
Shareholders of VTG Aktiengesellschaft	3,783	-3,790
Other shareholders (minorities)	2,108	0
	5,891	**-3,790**

Explanations on shareholders' equity are given under Notes (19) to (22).

Explanations to the basis and methods of the consolidated financial statments

General explanations

VTG Aktiengesellschaft (VTG AG) registered in Hamburg, Nagelsweg 34, is the parent company of the VTG Group. The company is registered with the commercial register of the local court of Hamburg (HRB 98591). VTG and its subsidiaries operate in the business areas of wagon hire, rail logistics and tank container logistics.

The financial year of VTG AG and its consolidated subsidiaries corresponds to the calendar year. The prior year financial statements of VTG AG have been prepared for the shortened financial year from 1st November until 31st December 2005.

VTG AG prepares consolidated IFRS financial statements in accordance with § 315 a (3) HGB (German Commercial Code). The consolidated financial statements and the group management report are filed with the local court in Hamburg.

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 Board of Managing Directors (Vorstand) of VTG AG on 26th March 2007.

Accounting basis

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 well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the commercial law regulations pursuant to Section 315a HGB were observed.

Accounting standards effective from 1st January 2006 do not have any significant effects on the consolidated financial statements of the VTG Group.

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

With the exception of the valuation of pension obligations (see Note (23)) accounting policies remained unchanged compared to the prior year.

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 on the basis of their audited financial statements, which have been prepared using uniform accounting, measurement and consolidation methods.

Subsidiaries not included in the consolidated financial statements are individually and in the aggregate immaterial for the presentation of the net assets, financial position and results of operations. They do not include any material assets or liabilities. Investments in affiliated, non-consolidated entities are generally recognized at amortized cost in the consolidated balance sheet. Their measurement follows 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 analogy 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 2006 one company is accounted for under the equity method.

The complete list of equity investments is presented on page 97.

Consolidation group in the financial year 2006

In addition to VTG AG, a total of 8 (prior year 14) domestic and 13 (prior year 20) foreign subsidiaries are included in the consolidated financial statements.

The consolidation group as at 31st December 2006 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	Eisenbahnreparaturwerk Brühl GmbH, Wesseling	100.0
9	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Düsseldorf	98.6
10	Etablissements Henri Loyez S.A.S., Libercourt	100.0
11	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
12	EVA Holdings Deutschland GmbH, Hamburg	100.0
13	TMV-TRANSPETROL Internationale Bahnspeditionsges.m.b.H., Vienna	100.0
14	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
15	VOTG Tanktainer GmbH, Hamburg	58.4
16	VTG Austria Ges.m.b.H., Vienna	100.0
17	VTG Deutschland GmbH, Hamburg	100.0
18	VTG France S.A.S., Paris	100.0
19	VTG Rail España S.L., Madrid	100.0
20	VTG Rail UK Limited, Worcester	100.0
21	VTG Schweiz GmbH, Basel	100.0
22	VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg	100.0
	Associates	
23	Waggon Holding AG, Zug	50.0

Reorganization within the financial year in Germany

Under the shareholders' resolution from May 2006, CE Waggons 1 GmbH was renamed to VTG Holding GmbH, and the registered office of the company was moved from Hanover to Hamburg. The subscribed capital of VTG Holding GmbH was increased in July 2006 by the conversion of reserves from € 25 k to € 50 k. VTG Holding GmbH was subsequently changed into a Stock Corporation (Aktiengesellschaft) which is called VTG Aktiengesellschaft.

Pursuant to merger agreements of 23rd February 2006, Alstertor Schienenlogistik Beteiligungsgesellschaft mbH was merged with CE Waggons 4 GmbH, and both CE Waggons 3 GmbH and CE Waggons 4 GmbH were merged with the former VTG Aktiengesellschaft with effect from 1st July 2005. The former VTG Aktiengesellschaft was renamed to VTG Deutschland GmbH.

Furthermore, VTG Vereinigte Tanklager und Transportmittel GmbH was merged with CE Waggons 2 GmbH with effect from 1st July 2005. Subsequently, CE Waggons 2 GmbH was renamed to VTG Vereinigte Tanklager und Transportmittel GmbH.

EVA GmbH merged with EVA Holdings Deutschland GmbH. EVA Eisenbahn-Verkehrsmittel Verwaltungs-GmbH was sold. A positive result of € 278 k resulted from deconsolidation of this entity.

Reorganization within the financial year abroad

The company Saltra Ibérica S.A. was merged with Alstertor Rail España S.L., which in turn was merged with VTG Rail España S.L.

Together with Alstertor Schienenlogistik Österreich Ges.m.b.H., VTG Austria Ges.m.b.H. was merged with Österreichische Eisenbahn-Verkehrs-Anstalt Gesellschaft m.b.H. Subsequently, Österreichische Eisenbahn-Verkehrs-Anstalt Gesellschaft m.b.H. changed its name to VTG Austria Ges.m.b.H.

Together with ETRA Eisenbahn-Transportmittel AG, Zurich, Alstertor Schienenlogistik AG, Zurich was merged with VTG Schweiz AG, Basel. Subsequently, VTG Schweiz AG was converted into VTG Schweiz GmbH.

Alstertor Rail Benelux N.V. was liquidated.

The impact of these measures in Germany and abroad, however, to the consolidated financial statements was just a reduction in the consolidation group.

Associates

Waggon Holding AG, Zug, continues to be accounted for at equity.
The associated entity Waggon Holding AG, Zug, shows the following key financial information in the financial statements as at 31.12.06:

€ '000	31.12.2006	31.12.2005
Assets	4,901	3,331
Liabilities	21	272
Income	4,283	2,326
Net profit for the year	4,221	2,292

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 additions to investments in associates as shown in the development of fixed assets schedule:

€ '000	31.12.2006	31.12.2005
Share of net profit for the year	2,110	0
Elimination of dividends	-1,116	0
Additions to investments in associates	994	0

Consolidation methods

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 arising from business acquisitions were set off against statutory reserves until 30th September 1995. Thereafter, they were capitalized as goodwill and, for business acquisitions until 2003 inclusive, were depreciated against income in accordance with the straight-line method over a period of up to 20 years. As from 2004, goodwill has been 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. Goodwill or negative goodwill arising on step acquisitions of fully consolidated subsidiaries is offset against statutory reserves.

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

Intra-group turnover 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 at arms'-length 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). As a result, relevant information does not get lost.

The annual financial statements of the foreign subsidiaries which have a currency other than Euro are translated as follows:
- Assets and liabilities are translated at the middle rate on 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 recorded without effect on income and shown directly in equity as differences arising from currency translation. In the year of the deconsolidation 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 fulfillment of such transactions as well as from the translation of monetary assets and liabilities maintained at the closing date, are recorded in the income statement, unless they are to be accounted for in equity as cash flow hedges.

The currency translation uses the following exchange rates:

1 Euro =	Rate at balance sheet date		Average rate	
	31.12.2006	**31.12.2005**	**2006**	**2005**
Pound Sterling	0.6714	0.6870	0.6819	0.6839
Swiss Franc	1.6080	1.5555	1.5729	1.5483

There were no transactions performed with high-inflationary 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. Revenue is recorded without value added tax, discounts and 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 in accordance with percentage 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 of assets 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 then 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 business activities of the group are considered to be cash generating units. The group is organized into the business activities of rail car rentals, 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. Until now no impairment charges 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 is determined based 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 forecasts for the years 2007 to 2009. For the subsequent period a growth rate of 1.0 % p.a. has been applied. Overall, management expects moderate growth in revenue. The calculation of cash flows is based on the experience from previous financial years and expectations for future development. In order to determine the value in use, a risk-oriented, market interest rate was applied. As in prior years, this interest rate amounted to 10 % (interest rate before income taxes).

In the current financial year, differences between fair market value and book value of € 120 k were identified within intangible assets. These relate to concessions, industrial and similar rights and assets, and licenses in such rights and assets. Therefore, an adjustment of € 120 k was necessary to other intangible assets and a reduction of the same amount from goodwill. The prior year and the current year have been adjusted appropriately.

The prior year financial statements included income tax liabilities of € 5,031 k, which result from measurement of the purchase price allocation. After finally determining the deferred tax effects, an adjustment of the prior year and current year was necessary. This led to a decrease in goodwill.

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

The "VTG" and "Transpetrol" brands and customer relationships were measured as at 31st December 2005 as part of the purchase price allocation. The brands were accounted for on initial recognition at fair value in analogy with license 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 license price analogy, whereby notional brand license payments are discounted with a market-specific capital cost rate and a tax amortization benefit is added. The notional brand license payments are mainly based on the brand-specific revenue forecast within the detailed budgets for the years 2007 to 2009. 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 on a straight-line basis 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 on a straight-line basis over 3 years.

Internally generated intangible assets do not exist.

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

Acquisition costs comprise all consideration given to purchase an asset and to bring it to an operating state. Manufacturing costs are determined based on 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
Goods rail cars	up to 35 years
Operating and office equipment	up to 13 years

Costs for the maintenance and repair of items of tangible assets are recorded as 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 goods rail 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 items of fixed assets. The payment obligations that arise for future lease installments are recorded as liabilities, disregarding the interest component. The interest portion of the lease installment is recorded as 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, and
- Financial assets available for sale.

The classification depends on the objective for acquiring the financial asset. The classification 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, except if 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 contained in the balance sheet under **other 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. Within this item, 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 they are immaterial, and **investments and loans**. They are classified as non-current assets, assuming 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 adjusted acquisition cost since it is not possible to determine their fair value.

Under the purchase price allocation, the shares in Waggon Holding AG were revalued on the basis of future earnings potential and recognized at 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. Currency differences from the translation of foreign currency receivables and payables are presented as cost of materials if they are incurred in the course of trade, and if they are attributable to other transactions, they are presented under other operating expenses and income.

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.

The **cash and cash equivalents** comprise 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 under consideration of 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 on initial recognition at their fair value, 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.

Derivative financial instruments were 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. 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.

In these group financial statements certain derivative financial statements are recorded either as hedges of the fair value of an asset capitalized, a liability or an off-balance sheet fixed commitment (fair value hedge) or as a hedge against variable cash flows that are attributable to a particular risk related to a future transaction with a high probability of occurrence associated with a recognized asset or liability (cash flow hedge).

Changes in fair value of derivative financial instruments which are entered into to hedge changes in fair value of a recognized asset or liability (fair value hedges) are recorded immediately to income for the period just as the changes in fair value of the related underlying transaction. If the derivative financial instruments relate to the hedging of future cash flows (cash flow hedges), the effective share of the change in fair value of this financial instrument is recorded without any impact on income in the revaluation reserve until the related underlying transaction also impacts income.

Deferred taxes are recognized for all temporary differences between the tax base of assets and liabilities and their carrying values under 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 effective 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 regards 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 assesses the need for impairment of the capitalized goodwill based on the cash generating units to which it is allocated. As part of this assessment, 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 development of earnings is based on internal analyses and forecasts, and with regard to other calculation parameters used, it is based on external information sources. With regard to the growth parameters and interest rates and based on the above-mentioned models, a need for impairment loss would only arise if certain, from today's point of view, improbable scenarios were reached. With regard to the earnings situation the goodwill allocated to the segments rail logistics and tank container logistics will 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 rail car rental segment is considered to be impaired if there were a worsening of the actual future EBIT by 7 % compared to forecasted EBIT, assuming all other parameters affecting the assessment remain unchanged.

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 in accordance with IAS 16. 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 based on market observations and experience values.

On reviewing the useful lives of the rail car fleet once a year as prescribed by IAS 16, for several types of rail car it was necessary to extend the appropriate useful lives. This led to € 4,940 k less depreciation in the financial year 2006 for these types of railcar.

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. In the case of temporary differences, these lead to the capitalization or provision of deferred tax assets and liabilities. On calculating current and deferred taxes, management has to apply judgment, e.g., with regard to the probability of the future utilization of deferred tax assets. If the actual results differ from these assessments, 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 judgment of business transactions. Information relating to items already in existence at the balance sheet date which the company becomes aware of subsequently have been considered accordingly.

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.

A comparison of the consolidated income statement with the prior period is only possible to a limited extent since the VTG Group has only existed with its current structure since the end of December 2005.

Standards and interpretations issued, but not yet adopted

The following is a presentation of new IAS and IFRS standards, supplements to standards and interpretations, most of which are effective from 1st January 2006, with the focus on those standards, supplements to standards and interpretations that may be relevant to the VTG Group.

In December 2004 the IASB approved an amendment to IAS 19, "Employee Benefits". Under this amendment, the IASB provides an option of recording actuarial gains and losses in full in the period in which they arise under equity, i.e. without affecting income. This option may be exercised for financial years beginning on or after 16th December 2004. The amendment also governs how group enterprises recognize defined benefit plans of the group in their single entity financial statements and the additional disclosures required. The VTG Group elected to apply the option to record actuarial gains and losses in equity without effect on profit and loss. This rule has no material effect on the net assets, financial situation and results of operations or cash flows of the VTG Group.

In June 2005 IASB issued an amendment to IAS 39, "Financial Instruments: Recognition and Measurement – The Fair Value Option", which restricts the exercise of the option of measuring any financial asset or liability at fair value with effect on income. This amendment is effective for financial years beginning on or after 1st January 2006. The amendment to IAS 39 did not have any material effects on the net assets, financial situation and results of operations or cash flows of the VTG Group.

In August 2005, the IASB published IFRS 7, "Financial Instruments, Disclosure" and a corresponding change in IAS 1, "Presentation of Financial Instruments – Capital Disclosures" with disclosure requirements relating to the goals, guidelines and procedures for the equity management of an enterprise. These regulations are applicable for financial years beginning on or after 1st January 2007. Since the amendment to IAS 1 only relates to disclosure requirements, there will be no material effects on the net assets, financial situation and results on operations, or on the cash flow, of the VTG Group.

The VTG Group will not be materially affected by the following standards and interpretations. A detailed presentation has, therefore, not been made.

- IFRS 6 "Exploration for and Evaluation of Mineral Resources"
- IFRIC 4 "Determining whether an Arrangement contains a lease"
- IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"
- IFRIC 7 "Applying the Restatement approach under IAS 29 Accounting in high inflation countries"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "IFRS 2 Transactions with Treasury Shares and Shares of Group Companies"
- IFRIC 12 "Agreement for Service Concessions"

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, all receivables, liabilities, securities, credits, loans and interest accrued or prepaid. Derivative financial instruments include the forward exchange contracts and interest swaps in the VTG Group.

Hedging strategy and risk management

The financial instruments are subject to certain financial risks. 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.

Derivative financial instruments are only concluded by the group head office within the applicable guidelines and requirements. Where a company independently concludes derivative financial instruments within the applicable 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, a 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 will be 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 remaining 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 adopts assumptions which are based on the market circumstances at the balance sheet date. For non-current liabilities the stock exchange rates or free trade rates for similar instruments are used. Other valuation methods, such as DCF method, are used to determine the fair value of other financial instruments.

The fair value of interest swaps is calculated as the discounted value of the estimated future cash flows. The fair value of foreign currency transactions is determined on the basis of the exchange rates at the balance sheet date.

For receivables and payables it is assumed that the nominal amount less allowances represents their fair values. This is assumed in particular with regard to the financial liabilities due to the short fixed interest periods.

Risk factors

The value of a financial instrument can, due to changes in the credit-worthiness of contractual partners (default risk), changes in requirements for cash (liquidity risk), changes in interest levels (interest rate risk) and changes in exchange rates (currency exchange rate risk), be subject to variations.

• Default risk (credit risk)

Risks with contractual partners are systematically checked on conclusion of contracts and monitored constantly. 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 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 € 16,909 k from suppliers.

• 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 takes on the central role as the bank for the group. It basically assumes 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 conducted by subsidiaries, but only in agreement with the financial department of the group head office.

In order to finance the shares in VTG Vereinigte Tanklager und Transportmittel GmbH (VTG GmbH), **VTG Aktiengesellschaft** received a shareholder loan amounting to € 90,000 k from Compagnie Européenne de Wagons S.à r.l., Luxembourg. The shareholder loan bears interest at 6 % and has been granted for an unlimited period.

VTG Vereinigte Tanklager und Transportmittel GmbH and **VTG Deutschland GmbH** (VTG Dtl. GmbH) took up various loans at Bayerischen Hypo- und Vereinsbank, London in the year 2005 to finance the acquisition of shares in subsidiaries, to finance the purchase of goods rail cars, for replacing a loan with Bayerischen Landesbank, Munich and for prefinancing value added tax receivables.

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

€ '000	Purpose	Original loan amount as at 31.12.2005	Loan balance as at 31.12.2006	Thereof due within one year
VTG GmbH	Acquisition of shares	77,720	74,223	3,497
VTG GmbH	Acquisition of shares	45,000	43,650	1,350
VTG GmbH	Prefinancing value added tax receivables	2,993	0	0
VTG GmbH	Mezzanine	25,500	27,150	0
VTG Dtl. GmbH	Purchase of goods rail cars	22,063	22,063	0
VTG Dtl. GmbH	Prefinancing value added tax receivables	3,389	0	0
VTG Dtl. GmbH	Acquisition of shares	50,722	48,439	2,282
VTG Dtl. GmbH	Acquisition of shares	34,280	32,737	1,543
VTG Dtl. GmbH	Replacement of BLB loan	171,278	163,571	7,708
VTG Dtl. GmbH	Working capital linie	0	10,000	10,000
Total		**432,945**	**421,833**	**26,380**

The duration of the loan is linked to the compliance of certain financial ratios which are to be reported to the lender quarterly and are subject to a review. If the financial ratios or other conditions are not complied with 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.

In its balance sheet, the VTG Group shows liabilities to banks amounting to € 410,814 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	31.12.2006	31.12.2005
Loan Bayerische Hypo- und Vereinsbank, London	421,833	432,945
Deduction of transaction costs under IAS 39	- 11,492	- 12,879
Current account overdrafts at various house banks	473	957
Liabilities to banks	**410,814**	**421,023**

With regard to liabilities to banks we refer to Note (26).

• Interest rate risk

An interest rate risk results from the change in the market interest level of financial liabilities. In order to quantify this, all liabilities bearing interest are recorded and investigated as to their potential effects on the group result.

The loans listed under the paragraph on liquidity risk featured the following interest rates and fixed interest terms as at the balance sheet date:

€ '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 Dtl. GmbH	Purchase of goods rail cars	22,063	6.03603 %	29.06.2007
VTG Dtl. GmbH	Acquisition of shares	48,439	5.83603 %	29.06.2007
VTG Dtl. GmbH	Acquisition of shares	32,737	5.93603 %	29.06.2007
VTG Dtl. GmbH	Replacement of BLB loan	163,571	5.83603 %	29.06.2007
VTG Dtl. GmbH	Working capital line	10,000	5.73303 %	30.03.2007
Total		**421,833**		

In order to mitigate risks from interest changes, € 337,238 k of the loan amount at Bayerischen Hypo- und Vereinsbank, London was secured with interest rate hedges. These interest rate hedges are valid until the middle of 2009 and have fixed interest rates. The hedge also includes future cash taken up as part of the loan agreement with Bayerischen Hypo- und Vereinsbank, London. In the current financial year, income resulting from fair value measurement of the hedging relationship of € 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 risk. Due to the minor importance of the other interest-bearing assets and liabilities to the group, the interest rate risk is not significant for the VTG Group.

The mezzanine loan is part of the whole financing volume concluded in 2005 and is not allocated to any individual business transaction. As a result of its subordinated security, it is subject to a higher interest rate than the other loans.

• 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 hedging is performed by the group head office for all group companies (except for one company). For 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.

Segment reporting

Comments on the segments

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

In addition to the rental of own goods rail cars, the **rail car rental** segment includes the management and technical support as well as the administration and maintenance of own and external rail car fleets. Furthermore, this also includes three internal rail-car repair works.

The **rail logistics segment** includes the rail logistical services of the group. The VTG Group is active as an international supplier of rail-related logistical solutions.

The **tank container logistics** segment combines the transport activities for products from the chemical, mineral oil and pressurized gas industry in tank containers.

Under the **primary segment reporting,** the individual businesses or business divisions are allocated to the business segments “rail car rental”, “rail logistics” and “tank container logistics”.

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

VTG AG, VTG Vereinigte Tanklager and Transportmittel GmbH as well as parts of VTG Deutschland GmbH cannot be clearly allocated to the segments and have thus been combined with the consolidation accounting entries and summarized in a reconciliation position to the group.

In the **secondary segment reporting** there is an allocation according to geographical criteria.

Comments on the segments

Revenue between the segments is basically generated at arm’s length conditions just as applicable to transactions between 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.

Segment depreciation is presented without amortization/impairment of financial assets and relates to the appropriate segmental assets.

The reconciliation of assets and liabilities of the segments to the assets and liabilities of the group is required by IAS 14.

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

Primary segment reporting format

The segments for the financial year ended 31st December 2006 are illustrated as follows based on internal reporting:

€ '000	Wagon hire	Rail logistics	Tank container logistics	Reconciliation	Consolidated
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 expenditure	-99,388	-7,467	-11,381	-12,464	-130,700
Segment result before interest, taxes, depreciation, amortization and impairment (EBITDA)	**115,593**	**4,021**	**6,090**	**-12,755**	**112,949**
Impairment, amortization of intangible assets and depreciation of tangible fixed assets	-53,519	-626	-3,727	-637	-58,509
Impairment of financial assets	-104	-702	0	0	-806
Segment result before interest and taxes (EBIT)	**61,970**	**2,693**	**2,363**	**-13,392**	**53,634**
Thereof result from associates	2,110	0	0	0	2,110
Net interest excl. impairment of financial assets	-20,671	-155	-272	-17,276	-38,374
Result before taxes (EBT)	**41,299**	**2,538**	**2,091**	**-30,668**	**15,260**
Income taxes					-7,785
Group net income for the year					**7,475**

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

As a result of the operative activity of the group not being taken up until the beginning of the current calendar year, all results in the prior year are allocated to the reconciliation column. As a result, the segment reporting for the prior year is as follows:

€ '000	Wagon hire	Rail logistics	Tank container logistics	Reconciliation	Consolidated
External revenue	0	0	0	0	0
Internal revenue	0	0	0	0	0
Segment revenue	**0**	**0**	**0**	**0**	**0**
Segment cost of materials	0	0	0	0	0
Segment gross profit	**0**	**0**	**0**	**0**	**0**
Other segment income and expenditure	0	0	0	-5,769	-5,769
Segment result before interest, taxes, depreciation, amortization and impairment (EBITDA)	**0**	**0**	**0**	**-5,769**	**-5,769**
Impairment, amortization of intangible and depreciation of tangible fixed assets	0	0	0	0	0
Impairment of financial assets	0	0	0	0	0
Segment result before interest and taxes (EBIT)	**0**	**0**	**0**	**-5,769**	**-5,769**
Thereof result from associates	0	0	0	0	0
Net interest excl. impairment of financial financial assets				-631	-631
Result before taxes (EBT)	**0**	**0**	**0**	**-6,400**	**-6,400**
Income taxes					2,610
Group loss for the year					**-3,790**

Segment assets and segment liabilities at the balance sheet date and the prior year balance sheet date can be seen from the following table.

€ '000	Wagon hire	Rail logistics	Tank container logistics	Reconciliation	Consolidated
Segment assets					
31.12.2006	882,218	34,924	34,400	2,794	**954,336**
31.12.2005	859,952	34,283	36,531	5,317	**936,083**
Thereof investments in associates					
31.12.2006	16,429	0	0	0	**16,429**
31.12.2005	15,435	0	0	0	**15,435**
Segment liabilities					
31.12.2006	86,142	19,148	14,224	90,126	**209,640**
31.12.2005	78,025	23,956	17,586	76,293	**195,860**
Investitionen in intangible assets					
31.12.2006	3	301	40	29	**373**
31.12.2005	210,399	13,541	1,916	253	**226,109**
Investments in tangible fixed assets					
31.12.2006	67,837	73	301	403	**68,614**
31.12.2005	565,613	150	23,428	1,577	**590,768**
Impairment, depreciation and amortization (excl. impairment of financial assets)					
31.12.2006	53,519	626	3,727	637	**58,509**
31.12.2005	0	0	0	0	**0**
Changes in provisions for pensions and similar provisions and in other provisions					
31.12.2006	9,324	-545	2,797	2,681	**14,257**
31.12.2005	0	0	0	0	**0**

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

€ '000	31.12.2006	31.12.2005
Segment assets	**954,336**	**936,083**
Cash and cash equivalents	43,523	61,563
Other current financial assets	5,668	1,783
Current income tax assets	2,943	4,098
Deferred income tax assets	3,165	137
Consolidated balance sheet assets	**1,009,635**	**1,003,664**
Segment liabilities	**209,640**	**195,860**
Current financial liabilities	1,462	3,911
Liabilities from finance leases	63,661	78,500
Non-current financial liabilities	410,814	421,023
Financial liabilities to shareholders	95,655	90,255
Current income tax liabilities	20,122	15,519
Deferred income tax liabilities	144,185	140,077
Other reconciling items	220	297
Consolidated balance sheet external capital	**945,759**	**945,442**

Secondary segment reporting format

The following table shows material segment reporting figures by location of group companies:

€ '000	Germany	EU (excluding Germany)	Other	Consolidated
Segment assets				
31.12.2006	767,312	167,736	19,288	**954,336**
31.12.2005	765,673	147,946	22,464	**936,083**
Segment liabilities				
31.12.2006	170,287	34,664	4,689	**209,640**
31.12.2005	162,329	29,759	3,772	**195,860**
Investments in intangible assets				
31.12.2006	370	3	0	**373**
31.12.2005	211,693	12,353	2,063	**226,109**
Investments in tangible fixed assets				
31.12.2006	41,651	26,375	588	**68,614**
31.12.2005	471,114	100,078	19,576	**590,768**
External revenue by location of company				
31.12.2006	405,964	104,377	8,222	**518,563**
31.12.2005	0	0	0	**0**
External revenue by location of customers				
31.12.2006	262,869	233,909	21,785	**518,563**
31.12.2005	0	0	0	**0**

Notes to the consolidated income statement

(1) Group revenue

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Wagon hire	235,076	0
Rail logistics	170,395	0
Tank container logistics	113,092	0
Total	**518,563**	**0**

(2) Other operating income

€ '000	01.01. to 31.12.2006	1.11. to 31.12.2005
Reimbursements in connection with the sale of a former business division	8,138	0
Foreign currency gains	5,587	0
Recharged services	5,213	0
Book profit from the sale of fixed assets	3,028	0
Income from sales of materials	1,740	
Investment income	1,326	0
Other income	5,040	23
Total	**30,072**	**23**

There are corresponding expenses relating to the reimbursements in connection with the sale of a former business division (see Note (5)).

Other income primarily includes insurance reimbursements and rental and leasing income.

(3) Cost of materials

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Raw materials, consumables and supplies	7,279	0
Cost of purchased services	300,057	0
Total	**307,336**	**0**

The costs of purchased services include rental expenses for operating lease contracts amounting to € 18,731 k.

(4) Personnel expenses

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Wages and salaries	35,804	16
Social security, post-employment and other employee benefit costs	11,976	3
Thereof for pensions	(3,881)	(0)
Total	**47,780**	**19**

The costs for pensions include the expenditure 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 (23).

(5) Other operating expenses

€ '000	01.01 to 31.12.2006	01.11. to 31.12.2005
Repairs and operating supplies	23,763	0
Selling expenses	11,258	0
Passing on of reimbursements in connection with the sale of a former business division to TUI Beteiligungs GmbH	8,138	0
Charges, fees, consultancy costs	5,667	0
Rents / leases	4,561	0
IT costs	3,671	0
Money and financial transactions / exchange losses	3,261	0
Insurance	2,417	0
Administrative expenses	1,721	0
Other taxes	1,585	0
Other expenses	16,638	5,773
Total	**82,680**	**5,773**

The other expenses mainly include costs of temporary employees, representation and travel costs and increases to allowances.

(6) Financial loss (net)

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Income from other securities and long-term financial asset loans	4	0
Other interest and similar income	2,713	236
thereof from affiliated entities	(76)	(0)
Other interest and similar expenses	-41,091	-867
thereof to affiliated entities	(-5,416)	(-255)
thereof to pensions	(-2,121)	(0)
Net interest expense	**-38,374**	**-631**
Impairment of financial assets	**-806**	**0**
Total	**-39,180**	**-631**

(7) Income taxes

€ '000	01.01. to 31.12.2006	01.11. to 31.12.2005
Current income taxes	7,375	0
thereof out of period	(-412)	(0)
Deferred tax expense (prior year tax benefits)	410	-2,610
Income taxes	**7,785**	**-2,610**

The actual expense for taxes on income amounts to € 7,785 k and is € 1,681 k higher than the expected expenses for taxes on income of € 6,104 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	01.01. to 31.12.2006	01.11. to 31.12.2005
Net group profit (prior year net group loss) before income taxes	**15,260**	**-6,400**
Income tax rate of VTG AG	40 %	39 %
Expected income tax expense (prior year tax benefit) for taxes on income (tax rate of VTG AG)	6,104	-2,496
Tax effect of non-deductible expenses and tax free income	3,594	0
Tax effect on tax free investment income	-544	0
Tax effect on the results from associated entities	-844	0
Tax effect from the adjustment of deferred tax assets on tax loss carry forwards	2,393	0
Tax effect on tax loss carry forwards	-2,210	0
Out of period tax expense/benefit	-412	0
Tax effect based on changes in income tax rate	3,232	0
Tax effects due to differences to group tax rate	-1,627	0
Tax effect due to the deviations from the expected tax rate	-3,231	0
Other deviations	1,330	-114
Actual income tax expense (prior year income tax income)	**7,785**	**-2,610**
Tax charge in %	51.02	40.78

The tax rate for the expected tax charge for German companies and for the group increased by one percentage point to 40 % compared to the prior year due to increases in the rates applicable to trade tax on income. The resulting effect of this of € 3,232 k was accounted for in the tax expense impacting income.

in %	31.12.2006	31.12.2005
Expected corporation tax rate	25.00	25.00
Solidarity surcharge	1.40	1.40
Expected trade tax rate	13.60	12.60
Expected group tax rate	**40.00**	**39.00**

Further comments on income taxes are included in Note (24).

(8) Earnings per share

Earnings per share were not calculated for the prior year since the group parent company still existed in the legal form of a GmbH.

During the financial year 2006 the group parent company was converted into an Aktiengesellschaft with 50,000 registered no-par value shares. The number of shares remained constant until the end of the financial year. The earnings per share for the current financial year 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 94 to 96.

(9) Goodwill

€ '000	31.12.2006	31.12.2005
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**

(10) Other intangible assets

€ '000	31.12.2006	31.12.2005
VTG "brand"	9,538	9,538
"Transpetrol" brand	421	421
Customer relationships wagon hire	47,055	50,192
Customer relationships Transpetrol Block Train	2,505	2.672
Customer relationships Transpetrol All-in business	6,041	6,444
Concessions and industrial trademarks	687	631
Total	**66,247**	**69,898**

(11) Tangible fixed assets

Tangible fixed assets classified as finance leasing fixed assets are recorded with a carrying value before purchase price allocation effects of € 68,032 k at year-end (prior year € 82,838 k). Thereof, € 60,916 k (prior year € 74,198 k) are included in the "rail car fleet" and € 7,116 k (prior year € 8,640 k) are included in "containers".

All tangible fixed assets were revalued in the course of the purchase price allocation.

(12) 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.

(13) Other financial assets

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

(14) Inventories

€ '000	31.12.2006	31.12.2005
Raw materials, consumables and supplies	8,818	8,899
Work in progress	582	603
Total	**9,400**	**9,502**

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.

(15) Trade receivables

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

Allowances amounting to € 1,335 k (prior year € 0 k) were made for all identified risks.

(16) Other receivables and assets

€ '000	31.12.2006		31.12.2005	
	Total	Residual term more than 1 year	Total	Residual term more than 1 year
Other receivables due from affiliated enterprises	2,267	0	1,783	0
Claims from refund of other taxes	8,694	0	12,204	17
Receivables not yet invoiced from management of goods rail cars	4,403	0	4,720	0
Goods rail cars under construction	4,016	0	5,496	0
Land held for sale	2,998	0	2,912	0
Other assets	10,501	1,294	10,066	863
Prepaid expenses	746	0	1,498	0
Total	**33,625**	**1,294**	**38,679**	**880**

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

(17) Income tax assets

€ '000	31.12.2006	31.12.2005
Deferred income tax assets	3,165	137
Current income tax assets	2,943	4,098
Total	**6,108**	**4,235**

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

Deferred tax assets developed as follows:

€ '000	Opening balance 01.01.2006	Currency difference	Changes not impacting income	Reversals	Additions	Closing balance 31.12.2006
Deferred tax assets	137	0	-118	60	3,206	3,165

The item included in the closing balance of deferred tax assets with no income impact amounts to € - 118 k as at 31.12.2006.

Further explanations to deferred taxation can be found under Note (24).

(18) Cash and cash equivalents

€ '000	31.12.2006	31.12.2005
Bank balances	43,503	61,512
Cash, German central bank balances and cheques	20	51
Total	**43,523**	**61,563**

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	Statutory reserves	(therof differences in currency translation)	Revaluation reserve	Share of shareholders of VTG Aktiengesellschaft in equity	Minority interests	Total
Notes	(19)	(20)	(21)		(22)			
Balance at 31.10.2005	**25**	**75**	**-13**	**(0)**	**0**	**87**	**0**	**87**
Group loss for the year			-3,790			-3,790		-3,790
Payment into additional paid-in capital		59,900				59,900		59,900
Other changes						0	2,025	2,025
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 the 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**

(19) Subscribed capital

As part of the conversion of the parent company from a GmbH (limited company) into an Aktiengesellschaft (stock corporation) the subscribed capital of the company was increased from € 25 k to € 50 k by way of a capital increase from company funds.

Subscribed capital of VTG AG then amounts to € 50 k at the balance sheet date and is split into 50,000 bearer no-par value shares. The sole shareholder of VTG AG at the balance sheet date is Compagnie Européenne de Wagons S.à r.l., Luxembourg.

(20) Additional paid-in capital

The additional paid-in capital of VTG AG mainly includes shareholders' contributions of Compagnie Européenne de Wagons S.à r.l. This decreased by € 7,563 k during the financial year due to a capital increase from company funds (€ 25 k) and a withdrawal to compensate for the accumulated losses of VTG AG (€ 7,538 k).

(21) Statutory reserves

These are exclusively other statutory reserves. They include contributions and withdrawals related to the results for the financial year and earlier years, 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, statutory 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 € 7,475 k (prior year group net loss of € 3,790 k), € 5,486 k relates to the shareholders of VTG AG.

The statutory reserves shown as at the balance sheet date comprise allocations from the group result for the purpose of presenting a consolidated accumulated deficit in the same amount as the accumulated deficit of VTG AG presented in the single entity financial statements.

(22) Revaluation reserve

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

(23) 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 each country 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 € 3,007 k (prior year € 0 k). This amount includes payments to the German state and federal state pension bodies.

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

€ '000	2006	2005
Current expenditure for service period	267	0
Interest expense	2,121	0
Additions to pension provisions	**2,388**	**0**
Subscriptions to pension security fund	423	0
Total	**2,811**	**0**

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 € 52,003 (prior year € 51,528 k) and represent the discounted value of the pension commitments (defined benefit obligation).

The development of the present value of the pension provisions in the year under review was as follows:

€ '000	2006	2005
Balance at beginning of period	51,528	0
Additions	2,388	0
Pension payments	-3,758	0
Reversals	-26	0
Adjustments not impacting income	1,476	0
Other adjustments	395	0
Changes due to consolidation	0	51,528
Present value of pension obligations as at end of period	**52,003**	**51,528**

As in the prior year, the pension obligations relate completely to unfunded defined benefit plans.

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	2006	2005
Actuarial gains and losses recorded during the financial year without impacting income	1,476	0
Total actuarial gains and losses recorded without income impact	1,476	0

Of the newly arising actuarial gains and losses in 2006, € 1,191 k relate to experience adjustments.

Amounts expected to be paid to pensioners in the subsequent period amounted to € 3,653 k.

Significant actuarial premises applied:

% p.a.	2006	2005
Assumed interest rate	4.5 %	4.25 %
Salary trend	2.0 %–2.5 %	1.5 %–2.0 %
Pension trend	1.5 %–1.83 %	1.0 %–1.5 %
Fluctuation rate	2.0 %	2.0 %
Mortality etc	Heubeck RT 2005 G	Heubeck RT 2005 G

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.

(24) Income tax liabilities

€ '000	Opening balance 01.01.2006	Currency difference	Changes not impacting income	Utilization	Reversals	Additions	Closing balance 31.12.2006
Current income tax liabilities	15,519	-61	0	3,663	2,832	11,159	20,122
Deferred income tax liabilities	140,077	-11	563	0	7,704	11,260	144,185
Income tax liabilities	**155,596**	**-72**	**563**	**3,663**	**10,536**	**22,419**	**164,307**

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

The deferred taxes were formed on the basis of country-specific tax rates (40 % domestically; 21.30 % to 33.99 % for outside Germany).

The changes in deferred tax assets and deferred tax liabilities not impacting income relate to deferred taxes on actuarial gains and losses from pension provisions which are offset against equity as well as deferred taxes not impacting income on derivative financial instruments. The item included in the closing balance of deferred tax assets with no income impact amounts to € -1,132 k as at 31.12.2006.

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

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

€ '000	31.12.2006		31.12.2005	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0	26,545	1	27,323
Tangible fixed assets	0	143,067	216	140,204
Financial assets	829	7,583	29	8,712
Receivables and other assets	139	548	558	617
Pension provisions	5,392	304	4,914	1
Miscellaneous provisions	6,815	10,216	4,565	7,971
Liabilities	28,312	885	31,314	2,595
Tax loss carry forwards	6,641	0	5,886	0
Sub-total	**48,128**	**189,148**	**47,483**	**187,423**
Offsetting	-44,963	-44,963	-47,346	-47,346
Total	**3,165**	**144,185**	**137**	**140,077**

Of the deferred tax assets, € 2,506 k are due in more than one year. Of the deferred tax liabilities, € 140,262 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 carry forwards amount in total to € 6,641 k (prior year € 5,886 k). In accordance with the country-related offsetting, deferred tax savings of € 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 € 2,088 k – net of deferred tax liabilities – are shown under assets.

Tax savings of € 11,151 k were not capitalized (prior year € 12,662 k) since the utilization of the underlying loss carry forwards is not probable.

The expiration of the deferred tax assets not capitalized and the level of the underlying loss carry forwards can be obtained from the following table:

€ '000	Loss carry forward	Attributable non-capitalized deferred tax savings	Expiration of the non-capitalized deferred tax savings			
			Within 1 year	Between 1 and 5 years	After 5 years	Non-capitalized deferred tax savings without expiration limit
German company corporation tax losses carried forward	10,245	2,705	0	0	0	2,705
German company trade tax on tax losses carried forward	26,018	3,538	0	0	0	3,538
Tax loss carry forwards of foreign entities	14,975	4,908	0	3,114	746	1,048
Total	**51,238**	**11,151**	**0**	**3,114**	**746**	**7,291**
Prior year	57,328	12,662	2,682	0	2,528	7,452

After the corporation tax rate was reduced as from 1st January 2001 to a uniform rate of 25 % for retained and distributed profits, an average tax rate is computed for domestic companies of 40 %, 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 regulations in force in the different countries.

(25) Other provisions

€ '000	Opening balance 01.01.2006	Currency difference	Transfers	Utilization	Reversals	Additions	Closing balance 31.12.2006
Provisions for personnel expenses	13,410	2	-280	5,593	72	8,770	16,237
Provisions for typical operational risks	6,995	-1	30	1,610	389	3,183	8,208
Other provisions	15,855	23	-27	2,206	439	12,391	25,597
Other provisions	**36,260**	**24**	**-277**	**9,409**	**900**	**24,344**	**50,042**

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

Other provisions are due as follows:

€ '000	31.12.2006 Residual terms Up to 1 year	Over 1 year	Total	31.12.2005 Total	Residual terms Up to 1 year	Over 1 year
Provisions for personnel expenses	11,128	5,109	16,237	13,410	7,323	6,087
Provisions for typical operational risks	2,809	5,399	8,208	6,995	1,724	5,271
Other provisions	20,626	4,971	25,597	15,855	15,855	0
Other provisions	**34,563**	**15,479**	**50,042**	**36,260**	**24,902**	**11,358**

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

The provisions for personnel expenses mainly include obligations for redundancy schemes (€ 2,741 k, prior year € 4,089 k), for outstanding vacation (€ 2,253 k, prior year € 1,890 k), for early retirement obligations (€ 1,333 k, prior year € 1,497 k), and for long-term service bonuses (€ 694 k, prior year € 653 k), and year-end bonuses.

The provisions for typical operational risks relate mainly to expected losses from onerous lease agreements of VTG AG, VTG France and VOTG.

Miscellaneous provisions primarily include provisions regarding rail car fleet (€ 6,869 k, prior year € 3,000 k), for rebate and price discounts (€ 950 k, prior year € 1,358 k), as well as for tax and interest risks.

(26) Liabilities

€ '000	31.12.2006 Residual term Total	31.12.2006 Residual term more than 1 year	31.12.2005 Residual term Total	31.12.2005 Residual term more than 1 year
Financial liabilities				
Liabilities to banks	410,814	385,313	421,023	399,516
Liabilities from finance leases	63,661	52,388	78,500	63,699
Financial liabilities to shareholders	95,655	0	90,255	0
Financial liabilities to affiliated entities	1,251	0	257	0
Other financial liabilities	0	0	3,641	0
Financial liabilities	**571,381**	**437,701**	**593,676**	**463,215**
Trade payables				
due to third parties	87,875	0	74,713	0
due to affiliated entities	407	0	289	0
due to other investments	3,481	0	483	0
Trade payables	**91,763**	**0**	**75,485**	**0**
Other liabilities				
Miscellaneous liabilities	13,724	892	30,184	956
thereof taxes	2,694	0	2,317	0
thereof relating to social security	1,357	0	1,957	0
thereof relating to employees	207	0	167	86
thereof relating to members of management bodies	100	0	0	0
thereof relating to other liabilities	9,366	892	25,743	870
Deferred income	2,539	2,539	2,713	611
Other liabilities	**16,263**	**3,431**	**32,897**	**1,567**
Total	**679,407**	**441,132**	**702,058**	**464,782**

Liabilities with a residual term of more than five years amount to € 341,950 k (prior year € 365,813 k), and thereof € 321,861 k (prior year € 339,016 k) relates to liabilities to banks, € 19,218 k (prior year € 25,927 k) relates to liabilities from finance leases and € 871 k (prior year € 870 k) relates to other liabilities.

Several companies within the VTG Group have received approval for an overall credit volume of € 600,100 k from Bayerischen Hypo- und Vereinsbank, London in order to finance the group. As at the balance sheet date € 464,512 k of this facility had been taken up, of which € 42,679 k represents a guarantee credit and € 421,833 k is a loan. Transaction costs in the form of arrangement and other fees have been deducted from the loan, with the remaining amount of € 410,814 k being recognized as liabilities to banks. With regard to the financing terms and conditions, we refer to the paragraph on financial risks and risk management.

With regard to the collateral provided or still to be provided for liabilities to banks, we refer to the comments on contingent liabilities.

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

€ '000	Total		Due in	
		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
Liabilities from finance leases as at 31.12.2006	**63,661**	**11,273**	**33,170**	**19,218**

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

€ '000	Total		Due in	
		Up to 1 year	From 1 to 5 years	More than 5 years
Future lease payments	92,347	17,961	45,695	28,691
Interest portion	-13,847	-3,160	-7,923	-2,764
Liabilities from finance leases as at 31.12.2005	**78,500**	**14,801**	**37,772**	**25,927**

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

The liabilities due to shareholders represent a shareholder loan from Compagnie Européenne de Wagons S.à r.l. to VTG AG. The shareholder loan bears interest of 6 % p.a. and has been granted for an unlimited period.

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

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

(27) Contingent liabilities

A total of 15 companies of the VTG Group have guaranteed the repayment of the loans taken up by the companies within the VTG Group of € 464.5 million to the Bayerische Hypo- und Vereinsbank AG, London.

Furthermore, 7 companies of the VTG Group have pledged their German, English and French bank accounts at a carrying amount of € 36.8 million (prior year € 54.3 million) for the purpose of securing these loans.

4 companies within the VTG Group have assigned as collateral their goods rail cars registered in Germany and in France respectively at a carrying amount of € 467.1 million (prior year € 465.5 million).

8 companies of the VTG Group have assigned their receivables as collateral (carrying value of € 264.1 million, prior year € 380.3 million).

Furthermore, VTG Rail UK Ltd. and CAIB UK Ltd. have assigned their total assets as collateral (carrying value € 71.4 million, € 38.7 million).

(28) Other financial commitments

Nominal values of the other financial commitments:

€ '000	31.12.2006				31.12.2005	
	Up to 1 year	Over 1 year to 5 years	More than 5 years	Total	Total	Over 1 year
Obligations from rental, leasehold and leasing agreements	33,069	80,562	27,713	141,344	156,491	121,177
Purchase commitments	10,990	0	0	10,990	16,676	5,723
Other financial obligations not recognized in the balance sheet	0	0	0	0	315	0
Total	**44,059**	**80,562**	**27,713**	**152,334**	**173,482**	**126,900**

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 (goods rail cars). The operating lease agreements shown under this item have an average term of 9 years and include purchase options at maturity which approximately represent fair value.

Purchase commitments relate exclusively to investments in tangible fixed assets.

(29) Notes to the consolidated cash flow statement

The cash flow statement of the VTG Group shows the development of cash flows, subdivided into inflows and outflows of funds for current operating, investing and financing activities for the financial year 2006 and for the prior year.

The **cash and cash equivalents** comprise all liquid funds, i.e. cash in hand, bank balances and cheques.

The **cash flows from operating activities** include payments for income taxes amounting to € 344 k (prior year € 0 k) which represent the net balance of income tax payments and receipts.

The payments for investments in fixed assets and receipts from relevant disposals included in the item **cash flows from/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 from/used in investing activities also includes the receipts for dividends as well as receipts from interest income.

In the financial year 2006 **cash outflows for investments** mainly relate to the maintenance and extension of the rail car fleet as well as the tank container fleet. In the prior year the **cash outflows for business acquisitions** include the cash flows from the purchase of VTG GmbH, Alstertor Schienenlogistik Beteiligungs GmbH and for the goods rail cars taken on.

In addition to the cash flows based on financial liabilities being taken up or repaid **cash flows used in financing activities** also include the payments of interest for the financial year.

(30) Average number of employees

	2006	2005
Salaried employees	522	522
Wage-earning employees	245	255
Trainees	24	32
Total	**791**	**809**
thereof abroad	277	282

(31) Events after the balance-sheet date

The shareholder of VTG AG is considering the possibility of having VTG AG listed on the stock exchange.

(32) Related parties

Besides the subsidiaries included in the consolidated financial statements, VTG AG is related directly or indirectly with affiliated, non-consolidated entities and with other investments in the normal course of its business activities. Additionally, Compagnie Européenne de Wagons S.à r.l. is, as sole shareholder of VTG AG, a related party in accordance with IAS 24.

The following transactions were made with related parties:

Income and expenses

€ '000	01.01.–31.12.2006	01.11.–31.12.2005
Income and expenses from non-consolidated affiliated entities		
revenue and other operating income	5,759	0
expenses	6,464	0
interest income	76	0
interest expenses	16	0
Income and expenses from other investments		
revenue and other operating income	1,563	0
expenses	4,288	0
interest income	0	0
interest expenses	235	0
Interest expenses for loans granted by Compagnie Européenne de Wagons S.à r.l.	5,400	255

Receivables and liabilities

€ '000	31.12.2006	31.12.2005
Amounts due from non-consolidated subsidiaries		
trade receivables	2,708	272
other receivables	2,267	1,783
Receivables due from other investments		
trade receivables	697	683
other receivables	0	0
Liabilities due to Compagnie Européenne de Wagons S.à r.l. (shareholder loan)	95,655	90,255
Liabilities due to non-consolidated subsidiaries		
trade payables	407	289
for financial liabilities	1,251	257
Liabilities due to other investments		
trade payables	3,481	483
to finance leasing	48,914	58,497

For details of the terms and conditions of the shareholder loan, we refer to Note (26).

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

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

€ '000	01.01.–31.12.2006	01.11.–31.12.2005
Current compensation	2,785	0
Compensation after termination of employment relationship	374	0
Total	**3,110**	**0**

Pension provisions for members of the Executive Board amounted to € 1,209 k as at the balance sheet date. Provisions for other members of management in key positions amounted to € 21 k as at the balance sheet date.

Pension obligations to former members of the Executive Board and their dependants amounting to € 4,390 k are provided for. The remuneration for former Executive Board members amounted to € 326 k.

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

Hamburg, 26th March 2007

Executive Board

Jürgen Hüllen

Dr. Heiko Fischer

Dr. Kai Kleeberg

Auditor's report

„We have audited the consolidated financial statements prepared by the VTG Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1st January to 31st December 2006. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 26th March 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Brandt	ppa. Wolf
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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

€ '000	Acquisition and manufacturing costs Balance at 31.12.2005	Adjustment	Balance at 01.01.2006 adjusted	Currency adjustment	Additions	Disposals	Reclassi-fications	Balance 31.12.2006
Intangible fixed assets								
Concessions, trademarks and similar rights and values as well as licences in such rights and values	446	120	566	0	35	0	44	645
Brand values	9,959		9,959	0	0	0	0	9,959
Customer relationships	59,308		59,308	0	0	0	0	59,308
Goodwill	161,363	-5,152	156,211	0	0	0	0	156,211
Payments on account	65		65	0	338	0	-65	338
	231,141	**-5,032**	**226,109**	**0**	**373**	**0**	**-21**	**226,461**
Tangible fixed assets								
Rail car fleet	553,815		553,815	269	59,529	1,939	11,393	623,067
Containers and chassis	23,310		23,310	0	271	13	0	23,568
Land and buildings on third party land	4,549		4,549	0	248	0	0	4,797
Technical plant and machinery	769		769	0	664	2	237	1,668
Other equipment, operating and office equipment	2,283		2,283	2	708	35	21	2,979
Payments on account, assets under construction	6,042		6,042	11	7,194	0	-3,105	10,142
	590,768	**0**	**590,768**	**282**	**68,614**	**1,989**	**8,546**	**666,221**
Financial assets								
Shares in affiliated entities	2,159		2.159	0	147	0	0	2,306
Investments in associates	15,435		15.435	0	994	0	0	16,429
Other investments	1,456		1.456	0	0	69	0	1,387
Fixed asset securities	417		417	0	0	0	0	417
Other loans	83		83	0	716	23	0	776
	19,550	**0**	**19.550**	**0**	**1,857**	**92**	**0**	**21,315**
Fixed assets	**841,459**	**-5,032**	**836,427**	**282**	**70,844**	**2,081**	**8,525**	**913,997**

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

Impaiment, amortization and depreciation					Net book values	
Balance at 01.01.2006	Currency adjustment	Impairment/amort. depreciation for the financial year	Disposals	Balance 31.12.2006	31.12.2006	31.12.2005
0	0	296	0	296	349	446
0	0	0	0	0	9,959	9,959
0	0	3,707	0	3,707	55,601	59,308
0	0	0	0	0	156,211	161,363
0	0	0	0	0	338	65
0	**0**	**4,003**	**0**	**4,003**	**222,458**	**231,141**
0	318	49,204	780	48,742	574,325	553,815
0	0	3,636	3	3,633	19,935	23,310
0	0	339	0	339	4,458	4,549
0	0	405	0	405	1,263	769
0	0	922	29	893	2,086	2,283
0	0	0	0	0	10,142	6,042
0	**318**	**54,506**	**812**	**54,012**	**612,209**	**590,768**
0	0	104	0	104	2,202	2,159
0	0	0	0	0	16,429	15,435
0	0	700	0	700	687	1,456
0	0	2	0	2	415	417
0	0	0	0	0	776	83
0	**0**	**806**	**0**	**806**	**20,509**	**19,550**
0	**318**	**59.315**	**812**	**58,821**	**855,176**	**841,459**

Development of fixed assets from 1st November 2005 to 31st December 2005

€ '000	Asquisition and manufacturing costs			Impaiment, amortization and depreciation			Net book values	
	Balance at 01.11.2005	Changes due to consolidation	Balance 31.12.2005	Balance at 01.11.2005	Changes due to consolidation	Balance 31.12.2005	31.12.2005	31.10.2005
Intangible fixed assets								
Concessions, trademarks and similar rights and values as well as licences in such rights and values	0	446	446	0	0	0	**446**	**0**
Brand values	0	9,959	9,959	0	0	0	**9,959**	**0**
Customer relationships	0	59,308	59,308	0	0	0	**59,308**	**0**
Goodwill	0	161,363	161,363	0	0	0	**161,363**	**0**
Payments on account	0	65	65	0	0	0	**65**	**0**
	0	**231,141**	**231,141**	**0**	**0**	**0**	**231,141**	**0**
Tangible fixed assets								
Rail car fleet	0	553,815	553,815	0	0	0	**553,815**	**0**
Containers and chassis	0	23,310	23,310	0	0	0	**23,310**	**0**
Land and buildings on third party land	0	4,549	4,549	0	0	0	**4,549**	**0**
Technical plant and machinery	0	769	769	0	0	0	**769**	**0**
Other equipment, operating and office equipment	0	2,283	2,283	0	0	0	**2,283**	**0**
Payments on account, assets under construction	0	6,042	6,042	0	0	0	**6,042**	**0**
	0	**590,768**	**590,768**	**0**	**0**	**0**	**590,768**	**0**
Financial assets								
Shares in affiliated entities	0	2,159	2,159	0	0	0	2,159	0
Investments in associates	0	15,435	15,435	0	0	0	15,435	0
Other investments	0	1,456	1,456	0	0	0	1,456	0
Fixed asset securities	0	417	417	0	0	0	417	0
Other loans	0	83	83	0	0	0	83	0
	0	**19,550**	**19,550**	**0**	**0**	**0**	**19,550**	**0**
Fixed assets	**0**	**841,459**	**841,459**	**0**	**0**	**0**	**841,459**	**0**

List of equity investments

Name and registered office of the company	Currency	Share in capital in % direct	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	507	-1,592
Alstertor Rail UK Limited, London	EUR		100.00	12,451	722
Ateliers de Joigny S.A.S., Joigny	EUR		100.00	-862	-1,309
CAIB Benelux BVBA, Berchem/Antwerpen	EUR		100.00	1,645	553
CAIB Rail Holdings Limited, London	GBP		100.00	-6,991	-926
CAIB UK Limited, Worcester	GBP		100.00	18,330	6,435
Eisenbahnreparaturwerk, Brühl GmbH, Wesseling	EUR		100.00	-2,495	-1,156
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	1,019	337
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)
TMV-TRANSPETROL Internationale Bahnspeditionsges.m.b.H., Wien	EUR		100.00	217	28
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	3,013	2,013
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		58.35	-3,047	1,967
VTG Austria Ges.m.b.H., Vienna	EUR		100.00	4,072	1,584
VTG Deutschland GmbH, Hamburg	EUR		100.00	151,034	0 1)
VTG France S.A.S., Paris	EUR		100.00	5,501	-4,287
VTG Rail España S.L, Madrid	EUR		100.00	3,105	-1,836
VTG Rail UK Limited, Worcester	GBP		100.00	5,688	522
VTG Schweiz GmbH, Basel	CHF		100.00	137,213	9,651
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 2)
B. Entities consolidatet at equity					
Waggon Holding AG, Zug	CHF	50.00		7,846	6,639
C. Non-consolidatet affiliated entities					
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		100	49
TRANSPETROL ITALIA S.P.A., Genova (before: So.Ge.Rail S.p.A., Genova)	EUR		92.00	146	-44 3)
Transpetrol Sp. z o.o., Katowice	PLN		100.00	1,919	930 3)
VOTG Finland Oy, Helsinki	EUR		100.00	285	81
VOTG North America Inc., West Chester	USD		100.00	142	92
VOTG Tanktainer Asia Pte. Ltd., Singapore	USD		100.00	35	18
VTG Benelux B.V., Rotterdam	EUR		100.00	587	340
VTG ITALIA S.R.L., Milan	EUR		100.00	821	119 3)
D. Other companies					
Ateliers Ferroviaires d´Artix SA, Artix	EUR		24.00	234	27 3)
CERERAIL AIE, Madrid	EUR		25.00	36	0
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 1)3)
PETRORAIL SA, Madrid	EUR		25.00	99	1
rail4chem Eisenbahnverkehrs-gesellschaft mbH, Essen	EUR		25.00	6,089	189 3)
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. OHG, Grünwald	GBP		95.00	-33,619	4,500 3)

1) Profit and loss transfer agreement with the relevant parent company
2) Profit and loss transfer agreement with VTG Aktiengesellschaft
3) Equity and annual result in thousands of currency units as at 31.12.2005

VTG Aktiengesellschaft

Segments

Wagon Hire

- Largest European private-sector hirer of rail freight cars

- 47,400 wagons
- 514 employees****
- 38* locations plus 5 agencies covering 19 countries

Rail Logistics

- Leading independent rail freight forwarder for European oil and chemical industry
- Two rail carrier shareholdings

- 3,400 rented wagons
- 78 employees****
- 9** locations covering 7 countries

Tank Container Logistics

- Major global operator of tank containers used for intermodal transport of liquid chemicals

- 4,700 tank containers
- 92 employees****
- 8*** locations worldwide plus 28 agencies covering 30 countries

Status as of 31st December 2006

* Thereof 25 consolidated.
** Thereof 6 consolidated.
*** Thereof 4 consolidated.
**** Does not include 111 employees working in headquarters functions. Total employees as of 31st December 2006: 795.

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Concept und realization:
Niehaus III GmbH
www.niehaus3.de

Printed by:
Woeste Druck
und Verlag GmbH & Co. KG
www.woeste.de

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