BUSINESS REVIEW 2004

VTG Aktiengesellschaft

Profit and loss account

€m	01.01.2004 - 31.12.2004	01.01.2003 - 31.12.2003	01.01.2002 - 31.12.2002	01.01.2001 - 31.12.2001	01.10.2000 - 31.12.2000
	IFRS	IFRS	IFRS	IAS	IAS
Turnover	542.3	923.4	969.8	934.1	239.1
Other income	119.6	33.2	33.2	46.6	16.1
Operating expenses	– 545.3	– 860.8	– 905.0	– 870.6	– 222.1
Depreciation	– 35.5	– 60.5	– 60.9	– 57.7	– 17.5
Operating profit before interest	81.1	35.3	37.1	52.4	15.6
Interest	– 6.9	– 15.0	– 17.0	– 20.6	– 5.6
Operating profit after interest	74.2	20.3	20.1	31.8	10.0
Depreciation of financial assets and marketable securities	– 1.9	– 0.2	– 1.7	0.0	– 1.1
Amortisation of goodwill	– 3.7	– 0.6	– 0.6	– 1.2	– 0.3
Extraordinary result	0.0	0.0	0.0	0.0	0.0
Profit before tax	68.6	19.5	17.8	30.6	8.6
Tax on income	– 9.6	– 5.6	– 6.8	– 13.0	0.7
Expenses from profit absorption agreements	– 40.4	– 10.3	– 9.1	0.0	0.0
Net profit	18.6	3.6	1.9	17.6	9.3

Balance sheet

€m	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000
	IFRS	IFRS	IFRS	IAS	IAS
Cash and cash equivalents	8.0	7.9	9.3	9.8	14.3
Other current assets	178.9	182.9	225.9	194.3	220.1
Fixed assets	304.7	512.2	554.9	543.6	606.1
Assets	491.6	703.0	790.1	747.7	840.5
Current liabilities	191.1	336.8	418.5	392.8	446.4
Accrued liabilities	67.2	99.0	103.1	95.6	130.5
Bank loans	0.3	16.9	20.3	25.4	32.2
Pension reserve	25.6	40.1	39.7	36.9	54.0
Shareholders’ equity	207.4	210.6	208.5	197.0	177.4
Liabilities and shareholders’ equity	491.6	703.4	790.1	747.7	840.5

BUSINESS REVIEW 2004

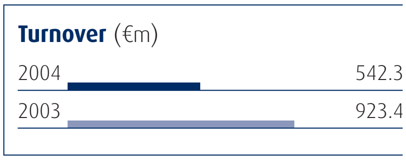
VTG Aktiengesellschaft

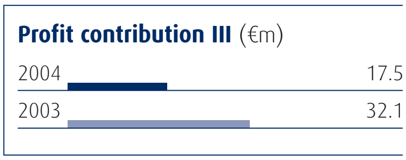
Key indicators for Group

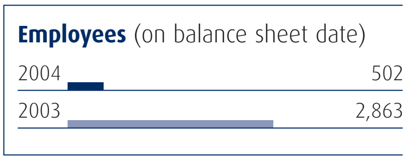
Financial year		2004	2003	2002	2001	01.10.2000 –31.12.2000
Accounting method		IFRS	IFRS	IFRS	IAS	IAS
Turnover	€m	542.3	923.4	969.8	934.1	239.1
Profit on ordinary activities	€m	[1]	20.8	17.8	30.6	8.6
Earnings before taxes on income	€m	68.6[1]	19.6	16.5	29.8	8.3
Group profit for the year	€m	18.6[2]	3.6[3]	1.9[4]	17.6	9.3
Cash flow from operating activities	€m	51.4[5]	101.3[5]	93.7	74.8	24.7
Fixed assets	€m	304.7	512.2	554.9	543.6	606.1
Capital expenditures	€m	37.0	53.6	70.1	57.4	12.2
Depreciation[6]	€m	41.1	61.3	63.2	58.9	17.8
Subscribed capital of VTG Aktiengesellschaft (previously VTG-Lehnkering AG)	€m	54.3	54.3	54.3	54.3	53.4
Shareholders´ equity of Group	€m	207.4	210.6	208.5	197.0	177.4
Total assets	€m	491.6	703.1	790.1	747.7	840.5
Employees on balance sheet date		502	2,863	3,040	2,993	3,335
Personnel expenditure	€m	65.7	141.8	150.3	141.3	40.5

1) Owing to the adjustment of the structuring of the profit and loss account to comply with the current IFRS, ”Profit on ordinary activities“ is no longer given from 2004. Instead, we refer to the new item ”Earnings before taxes on income“.
2) After profit transfer of €40.4m
3) After profit transfer of €10.3m
4) After profit transfer of €9.1m
5) The determination of ”Cash flow from operating activities“ has changed slightly compared with the previous year because of IFRS. The levels for 2003 were adjusted accordingly.
6) Incl. amortization on company goodwill

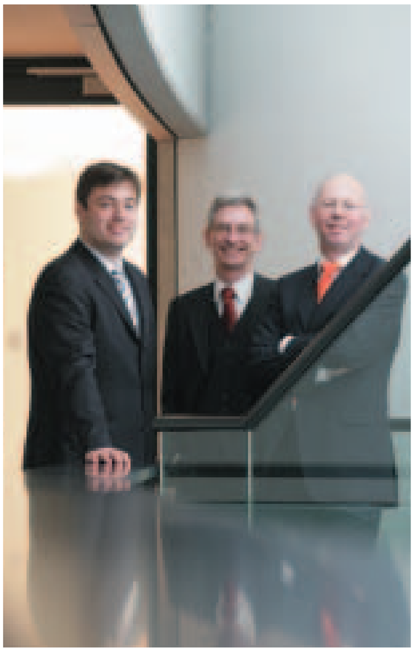
Overview







This English version is a translation from the German original, which is authoritative.
Both versions are available on the web: www.vtg-rail.com



Executive Board (from l.):

Dr. Heiko Fischer (chairman), Dr. Kai Kleeberg and Jürgen Hüllen

On track for the future

VTG Group underwent radical restructuring in the 2004 financial year. In addition to the successful sale of its bulk and special logistics activities, our Group also made comprehensive preparations for the sale of VTG itself. Despite these additional challenges, however, VTG was able to perform satisfactorily in a continued adverse economic environment. We are now in a period of consolidation.

At the beginning of 2004, TUI AG decided to focus fully on tourism and shipping. Hapag-Lloyd AG, our previous parent company, thus shed its holdings not involved with shipping. The selling process for VTG Group was also initiated in line with this reorientation. VTG Aktiengesellschaft reports directly to TUI AG via TUI Beteiligungs AG until the sale is completed in 2005 as expected.

After the sale of its bulk and special logistics activities retroactively as of January 1st 2004, VTG Group reoriented itself strategically and is now concentrating entirely on rail and tank container logistics.

On May 1st 2004, VTG-Lehnkering AG was thus also renamed VTG Aktiengesellschaft, based in Hamburg, and a new executive board was appointed. VTG AG, now much more streamlined and clearly positioned, is one of the leading providers of rail logistics services in Europe and the largest private-sector partner of shippers and European railways. VTG is almost uniquely positioned in Europe with its integrated range of services, including wagon hire, forwarding, haulage and intermodal services with tank containers. The increasing diversity of our services is also one of the key factors contributing to our success.

In the context of our ongoing investment strategy, we continued to optimize and modernize our vehicle fleet in the last financial year, ordering in particular state-of-the-art four-axle oil and chemical wagons. We also made progress improving the capability of our IT infrastructure by implementing new IT systems and upgrading existing applications.

The Group's internal financial relationships were also adjusted in the run-up to the sale of VTG, and we acquired, for example, the rail tank cars and tank containers of the former affiliated French company Algeco. In the last financial year, VTG AG also purchased from TUI AG the shares in VTG France, which already belongs to the list of consolidated companies, and increased its stake in Transpetrol.

The legal and operating parameters in the rail freight transport sector are currently radically changing, and VTG is actively accompanying this liberalisation process at all levels. Our objective is to continue to boost rail’s share of the overall transport volume on the basis of the new laws, regulations, standards and regulatory mechanisms geared to the requirements of the free market.

To achieve this aim, we are assuming more responsibility in national and international bodies. This includes the presidency of the International Union of Private Wagons (UIP) and chairmanship of the Association of Private Wagon Parties (VPI), as well as work in various specialist committees dealing with urgent issues in the rail freight sector.

We are well aware of our growing responsibility as one of the leading rail logistics companies in Europe. By making constant innovations in the areas of safety and environmental protection, we also want to continue to increase the appeal of rail freight transport from the point of view of cost-efficiency and environmental protection.

With our clear profile as a provider of rail and tank container logistics services and presence throughout Europe, we will be able to meet future challenges and are thus confidently looking forward to the change in shareholder. We regard it as an opportunity to be a new owner’s focus of interest. We will remain growth-oriented.

However, it is important to emphasize that our success is based on our dedicated employees, who again proved to be very dependable and highly motivated particularly in the last financial year. At a time of fundamental change, our staff had to cope with many additional tasks and readjust very quickly to the company’s new structure. We thank all employees for their great personal commitment and efforts in 2004.

The Executive Board

Michael Behrendt

Chairman of the Supervisory Board

During the 2004 financial year, the Supervisory Board of VTG Aktiengesellschaft (operating as VTG-Lehnkering AG up to April 30th 2004) 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 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. A total of four Supervisory Board meetings were held in the financial year. The mediation committee formed in accordance with § 27 paragraph 3 of the Codetermination Act also served as staff committee and met once in 2004.

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Hamburg) audited the annual accounts of VTG Aktiengesellschaft, drawn up in accordance with the principles of the German Commercial Code, as well as the Group accounts, drawn up in accordance with IFRS as of December 31st 2004, and inspected the combined situation report. The auditor gave the annual accounts and the joint situation report its unrestricted audit certificate 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 combined situation 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 April 27th 2005. 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.

VTG Aktiengesellschaft transferred a net profit of €40.4m to its parent company on the basis of the profit and loss transfer agreement concluded with TUI Beteiligungs AG (at that time still operating under Hapag-Lloyd AG) on November 19th 2002.

It was unanimously decided to cancel this profit transfer agreement with effect from December 31st 2004.

In its meeting on March 29th 2004, the Supervisory Board appointed Dr. Heiko Fischer, Jürgen Hüllen and Dr. Kai Kleeberg members of the Executive Board with effect from May 1st 2004 and Dr. Heiko Fischer also chairman of the Executive Board.

Wolfgang Lehr resigned from the executive board as of April 22nd 2004. Mathias Germelmann resigned from the executive board as of April 30th 2004. Hartmut Lühr also resigned from his posts as member and chairman of the executive board as of April 30th 2004.

Günther Casjens resigned from the Supervisory Board as of March 1st 2004.

The extraordinary annual general meeting held on March 4th 2004 appointed Michael Behrendt and Adolf Adrion new members of the Supervisory Board.

At the Supervisory Board meeting of the same day, after Dr. Klaus-Jürgen Juhnke resigned as Supervisory Board chairman and Alfons Becker as Supervisory Board deputy chairman, Michael Behrendt was elected the new chairman of the Supervisory Board and Gerd Steinbock deputy chairman of the Supervisory Board.

In view of the sale of the business unit bulk and special logistics, Alfons Becker, Rainer Wüstenfeld and Uwe Rolf resigned from the Supervisory Board as of April 26th 2004.

At the application of the executive board, the Municipal Court Hamburg with its decision of May 12th 2004 appointed Carola Bernhard, Heidi Winger and Rüdiger Dau new Supervisory Board members of the employees.

We should like to thank all retiring members for their dedicated work on behalf of the Supervisory Board.

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, April 27th 2005

The Supervisory Board

Michael Behrendt

Chairman

Supervisory Board

Michael Behrendt, Hamburg

Assessor

Chairman of the Executive Board of Hapag-Lloyd AG, Hamburg

Divisional Board member of TUI AG, Berlin and Hanover

Member and chairman of the Supervisory Board (from 04.03.2004)

Positions

a) Hapag-Lloyd Container Line GmbH [1)]
Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a.G.
Barmenia Lebensversicherung a.G.
Esso Deutschland GmbH
ExxonMobil Central Europe Holding GmbH
Hamburgische Staatsoper GmbH
MAN AG

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

Former chairman of the management of VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg

Former member of the Executive Board area for logistics of Preussag AG, Berlin and Hanover

Chairman of the Supervisory Board (until 04.03.2004)

Positions

a) Flughafen Hamburg GmbH [1)]
Hapag-Lloyd AG

Gerd Steinbock, Hamburg

Chairman of the Group employees' council of VTG Aktiengesellschaft, Hamburg

Deputy chairman of the Supervisory Board (from 04.03.2004)

Alfons Becker, Duisburg

Port worker

VTG-Lehnkering AG, Duisburg and Hamburg (until 26.04.2004)

Deputy chairman of the Supervisory Board (until 29.02.2004)

Member of the Supervisory Board (until 26.04.2004)

Adolf Adrion, Hamburg

Member of the Executive Board of Hapag-Lloyd AG, Hamburg

Member of the Supervisory Board (from 04.03.2004)

Positions

a) Hamburger Hafen- und Lagerhaus-Aktiengesellschaft

Heribert Becker, Mülheim

Economics graduate

Former chairman of the Executive Board of VTG-Lehnkering AG, Duisburg and Hamburg

Positions

b) Niederrheinische Dienstleistungsgesellschaft mbH für Kies und Sand [1)]
Ems-Jade Mischwerke GmbH KG

Günther Casjens, Hamburg

Member of the Executive Board of Hapag-Lloyd AG, Hamburg (until 29.02.2004)

Member of the Supervisory Board (until 29.02.2004)

Positions

a) Hamburger Hafen- und Lagerhaus-Aktiengesellschaft

b) ALGECO S.A.

Joachim Eilert, Hamburg

Member of the Executive Board of
Hapag-Lloyd AG, Hamburg

Positions

a) Hapag-Lloyd Container Linie GmbH

Jan Eulen, Hamburg

Deputy district head of Industriegewerkschaft
Bergbau, Chemie, Energie, Hamburg

Positions

a) Honeywell Deutschland GmbH
Honeywell Deutschland Holding GmbH

Hansgeorg Martius, Hamburg

Executive Board member of Schutzvereinigung
der Kleinaktionäre e. V., Frankfurt

Uwe Rolf, Salzgitter

Crane operator

Wintrans Spedition GmbH, Salzgitter

Member of the Supervisory Board
(until 26.04.2004)

Manfred Rosenberg, Berlin

Trade union secretary

ver.di – Vereinte Dienstleistungsgewerkschaft –
Federal Executive Board, Berlin

Rainer Wüstenfeld, Hamburg

Member of the division management of the
dedicated logistics division of
VTG-Lehnkering AG, Duisburg and Hamburg
(until 26.04.2004)

Member of the Supervisory Board
(until 26.04.2004)

Carola Bernhard, Hamburg

Commercial employee

VTG Aktiengesellschaft, Hamburg

Member of the Supervisory Board
(from 12.05.2004)

Rüdiger Dau, Hamburg

Personnel director

VTG Aktiengesellschaft, Hamburg

Member of the Supervisory Board
(from 12.05.2004)

Heidi Winger, Hamburg

Commercial employee

VOTG Tanktainer GmbH, Hamburg

Member of the Supervisory Board
(from 12.05.2004)

a) Membership of Supervisory Boards
to be formed by law

b) Membership of comparable domestic
and foreign control bodies of companies

1) Chairman

2) Deputy chairman

Executive Board

Dr. rer. pol. Heiko Fischer, Hamburg
MBA

Member and chairman of the Executive Board
(from 01.05.2004)

Positions
b) VTG France S.A.S. 1)
Waggon Holding AG 2)
rail4chem Eisenbahnverkehrsgesellschaft mbH
VOTG Tanktainer GmbH

Jürgen Hüllen, Hamburg
Commerce graduate

Member of the Executive Board
(from 01.05.2004)

Positions
b) rail4chem Eisenbahnverkehrsgesellschaft mbH
Transpetrol GmbH Internationale Eisenbahnspedition
Waggon Holding AG

Dr. rer. pol. Kai Kleeberg, Hamburg
Commerce graduate

Member of the Executive Board
(from 01.05.2004)

Positions
b) VOTG Tanktainer GmbH 1)
VOTG Tanktainer Lease GmbH 1)
Transpetrol GmbH Internationale Eisenbahnspedition
VTG France S.A.S.

Hartmut Lühr, Duisburg and Hamburg
Forwarding professional

Member and chairman of the Executive Board of VTG-Lehnkering AG
(until 30.04.2004)

Positions
b) VOTG Tanktainer GmbH 1)
(until 30.04.2004)
Waggon Holding AG 1)
(until 30.04.2004)
rail4chem Eisenbahnverkehrsgesellschaft mbH
(until 30.04.2004)
Transpetrol GmbH Internationale Eisenbahnspedition
(until 30.04.2004)

Mathias Germelmann, Duisburg and Hamburg
Economics graduate

Member of the Executive Board of VTG-Lehnkering AG
(until 30.04.2004)

Positions
a) Schirm AG 2)
b) Waggon Holding AG
(until 30.04.2004)

Wolfgang Lehr, Duisburg and Hamburg
Physics graduate

Member of the Executive Board of VTG-Lehnkering AG
(until 22.04.2004)

Positions
a) Schirm AG 1)
b) VOTG Tanktainer GmbH
(until 22.04.2004)

a) Membership of Supervisory Boards to be formed by law
b) Membership of comparable domestic and foreign control bodies of companies

1) Chairman
2) Deputy chairman

Economic situation in 2004

The world economy achieved particularly strong growth of approx. 4% in 2004, stimulated by the upturn in the USA and the rapid development of China. The economies of Central and Eastern Europe continued to expand, and Western Europe also benefited from the global upturn, although growth in European countries, particularly Germany, remained generally weak. However, the recovery of the world economy in 2004 did stimulate the German chemical sector. Following a modest upswing in the first half of the year, German chemical production picked up in the second half, chemical production expanding by close on 2% over the financial year as a whole. The recovery benefited mainly chemical companies involved with industrial processing. Almost all areas in the chemical sector performed well. Production of petrochemicals, for instance, rose by 0.5% and that of speciality chemicals by as much as 4.5%. Owing to continuing cost pressure in the logistics procurement of the chemical industry and the timing effect, however, there was hardly any increase in demand for transport services and vehicle capacities. The current business situation in the chemical industry was assessed as satisfactory at the turn of the year.

Strategic reorientation

Last year, VTG-Lehnkering AG divested its business unit bulk and special logistics with the divisions inland shipping, road cargo, dedicated logistics and chemical services. After the successful closing on April 26th 2004, the sale to a financial investor was effected retroactively on January 1st 2004.

VTG-Lehnkering AG underwent strategic reorientation and reorganization following the sale of its business unit bulk and special logistics. The concentration on VTG Group's successful core business connected with the restructuring was also reflected in the renaming of some companies. Since May 1st 2004, VTG-Lehnkering AG has been operating under its new name VTG Aktiengesellschaft, based only in Hamburg, the Duisburg office having been closed. The subsidiaries in Austria and Switzerland have been operating under the new names VTG Austria Ges.m.b.H. and VTG Schweiz AG respectively since May 2004. VTG has since then focused on its original business unit rail and tank container logistics with the aim of concentrating all available resources.
The change also affected the company's structure, with divisions and business lines being closed down. The new VTG Group is now structured in the activities wagon hire (formerly rail tank cars), rail forwarding business (Transpetrol), general cargo wagons (TRANSWAGGON), tank containers (hiring and forwarding) and repair workshops (only management of workshops of other firms).
There were also changes at management level as of May 1st 2004. The Supervisory Board newly appointed Dr. Heiko Fischer and Jürgen Hüllen – both hitherto heads of the rail logistics division and members of management – as well as Dr. Kai Kleeberg, previously area head of controlling, to the Executive Board as of May 1st 2004.

In the context of the strategic reorientation of its logistics activities, TUI Group also decided to sell VTG Group in the first half of 2004. The selling process began in the 2nd quarter of 2004 and is proceeding as planned under the leadership of TUI. The sale is to be completed in 2005.

Significant decline in number of consolidated companies

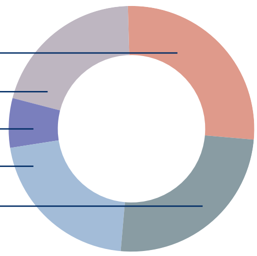
In line with the outsourcing and subsequent sale of the business unit bulk and special logistics of VTG-Lehnkering AG in 2004, all subsidiaries allocated to this area were withdrawn from the list of consolidated firms as of the end of March 2004. This involved a total of 14 so far fully consolidated companies and one at-equity consolidated company. The sales and profit of the business unit bulk and special logistics are thus still included in VTG Group in the 1st quarter of 2004.
Apart from VTG AG, eight fully consolidated companies and one at-equity consolidated firm thus remained in the list of consolidated companies of VTG Group at the end of 2004.

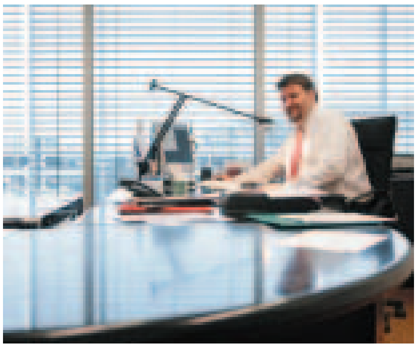
Stable sales trend in Group

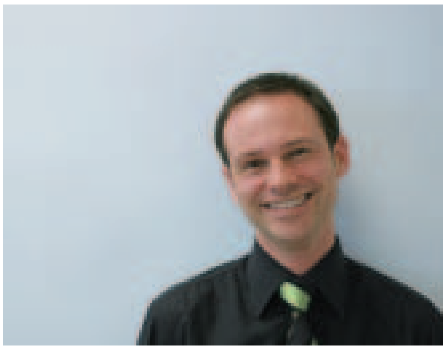
In view of the sluggish European economy, the business activities of VTG Group generally put in a gratifyingly stable performance. Group sales dwindled by €381.1m to €542.3m (previous year: €923.4m), which was due exclusively to the sale of the business unit bulk and special logistics. Without this effect, turnover came €406.7m, which was €3.7m (= 0.9%) above the comparable level in 2003 (€403.0m).
The slight increase in the Group's adjusted sales was attributable mainly to tank container logistics, as demand for these services was generally positive. As in the previous year, wagon hire accounted for the highest share of VTG Group's adjusted sales. Its turnover declined slightly to €145.5m (€149.2 m), corresponding to approx. 36% (37%) of adjusted Group sales. The remaining activities of VTG Group generated sales of €261.2m (€253.8 m) or 64% (63%).

Sales by activity (€m)

Wagon hire	145.5
Rail freight forwarding	111.2
General cargo rail cars	35.4
Tank containers	114.7
Business unit bulk and special logistics (only 1st quarter of 2004)	135.5







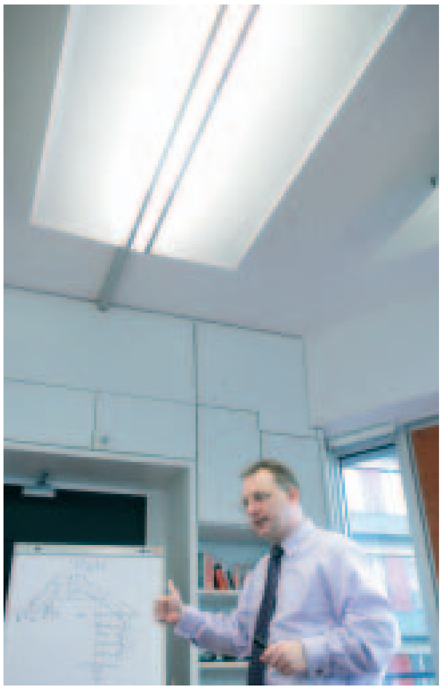
VTG Group achieved over half of its sales, €298.4m (€593.1m), in Germany. Its sales outside Germany came to €243.9m (€330.3m), or 45% (36%) of total sales. This clearly shows the now mainly European orientation of the new VTG Group compared with VTG-Lehnkering Group's far greater focus on German business.

Group performance depressed by sluggish economy, weak US dollar and special factors

In 2004, VTG Group put in a poorer performance compared with the previous year, particularly as a result of the sale of the business unit bulk and special logistics. Profit contribution III (operating profit) in the Group declined to €17.5m (€32.1m). This includes the effect of the business unit bulk and special logistics for the first quarter of €2.8m.

Profit was depressed by the moderate demand for chemical rail tank cars and the adverse economic environment, particularly in the French rail logistics market. Other negative factors were the weak US dollar and the consequences of the regional imbalances in the global transport flows of tank container logistics.

The overall profit before tax of €68.6m includes a €50m reimbursement from the Group parent company TUI AG. It continues to include the profit from the sale and final consolidation of the business unit bulk and special logistics of €20.2m. Operative cash flow in VTG Group declined to €51.4m (€101.3m).



Activity wagon hire

In wagon hire, there was a temporary decline in hired vehicles owing to the low growth in the most important markets Germany and France. With a time lag, however, some of these unhired wagons could be deployed in the fast-growing markets of the new EU countries and other EU membership candidates in Eastern and South-Eastern Europe. The weakness of the overall economy affected mainly the segment of chemical wagons. On the other hand, capacity utilization of oil and compressed gas wagons remained high, with the segment of bulk freight cars in particular developing well.

The regions achieving the most gratifying results in the 2004 financial year were Austria and South-East European countries, where new vehicle hiring activities involved four-axle rail tank cars as well as bulk freight cars. The trend was slightly downwards in the French rail freight transport sector, particularly the hire and rail transport market, although the other sales areas developed satisfactorily.

With the focus in the wagon segment of oil and chemical rail tank cars, state-of-the-art four-axle new builds were put into operation in the last financial year.

As demand for new builds remains very gratifying, the modernization of the entire vehicle fleet was continued in connection with the withdrawal of older units.

In the 2004 financial year, VTG Group operated over 36,000 of its own and other companies' rail tank and bulk freight cars, mostly chemical, oil and compressed gas wagons. VTG assumed responsibility for the management of over 500 freight cars for transporting wood chips in France, thereby developing a new market segment and continuing its fleet diversification.

The activity wagon hire faces great challenges because of the economic situation and other external factors, such as the still not optimal capability of the (former) state railways in various European countries.

Activity rail freight forwarding

Transpetrol Group continued to perform well in an adverse market environment.
Initially, Transpetrol registered a sharp decline in sales and transport volume at the beginning of the year owing to fierce competition between haulage operators in the national oil segment and the weak chemical market. Business was also negatively affected by insourcing at a major customer due to a merger.
However, demand picked up noticeably in the second half of the year owing to increased sales activities, the upturn in the chemical market and increasing use of private-sector haulage services for small and medium-sized companies.
Business in Poland and Austria developed far better than expected. The Italian market is affected by adverse parameters and is still strongly dependent on the fluctuating performance of the national railways.
In line with the reorientation of Swiss business, Transpetrol could successfully put its cooperation with the previous holding ChemOil Logistics (Basel) on a new basis.
With the withdrawal of Railion Deutschland AG as shareholder of Transpetrol, the successful partnership with Kühne + Nagel can be expanded.

Activity general cargo rail cars

TRANSWAGGON continued to perform disappointingly in 2004. In view of the weak European economy, demand from the car and paper industries as the main customer groups of TRANSWAGGON declined to a greater extent than the general trend. The car industry in particular responded to the downturn by returning rail cars. In 2004, TRANSWAGGON had to register for the first time a higher number of unused wagons, which could only gradually be transferred to new business areas.
There was generally no recovery in the second half of the year as had been expected. Hiring of covered rail cars picked up, but this was offset by returns of wagons, so that utilization rose only slowly. After a phase of low utilization, business with flat cars improved up only slightly towards the end of the year.
In the course of 2004, the shareholding of VTG AG in Waggon-Holding was adjusted to correspond with voting rights. Each partner now holds 50% of the shares.

Activity tank containers

In tank container logistics, there was no improvement in the adverse economic conditions of the previous year and even a deterioration in some respects cases. VOTG Tanktainer GmbH registered generally positive demand for its forwarding activities. Transport services within Europe accounte for 3.2% growth compared with the previous year. Strong growth was achieved in transport services from Europe to Asia, without any available return cargo. This caused significant imbalances, resulting in a higher number of containers deposited in Asia and additional hiring required in Europe and America. Pressure on margins due to the fierce competition was also exacerbated by increasing costs, e.g. for sea freight, as well as the fall in the US dollar exchange rate against the euro, operating profit thus declining considerably.

In the second half of 2004, VOTG then began to reduce its involvement in intercontinental services from and to Asia significantly for a time. This was also connected with an adjustment of intra-Asian transport volume.

With the implementation of this restructuring programme, tank container capacities were greatly reduced in the last quarter. The fleet comprised 5,277 units as of 31.12.2004.

The readjustment will enable VOTG to participate effectively from a sound basis in the forecast future growth of global transport flows.

The tank container hire of VOTG Tanktainer Lease GmbH registered 99% utilization of its fleet of approx. 1,800 tank containers.

Modest investment

VTG Group invested an overall €37.0m (€52.8m) in tangible assets and intangible fixed assets in the last financial year. The highest share of investment, approx. €28.6m, was accounted for by wagon hire. This included acquisition of the freight car fleet of the French Algeco S.A. belonging to Hapag-Lloyd Group until September 16th 2004 and already managed by VTG France from 2002. Other capital expenditure involved mainly modernization and expansion of the vehicle fleet.

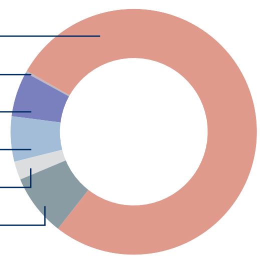
Investment of approx. €2.2m in the general cargo rail cars area involved purchases of units that had been hitherto hired.

In tank container logistics, approx. €2.2m were invested in tangible fixed assets, mainly for purchasing the tank container fleet of the French Algeco and, to a lesser extent, for conversion work on the container fleet.

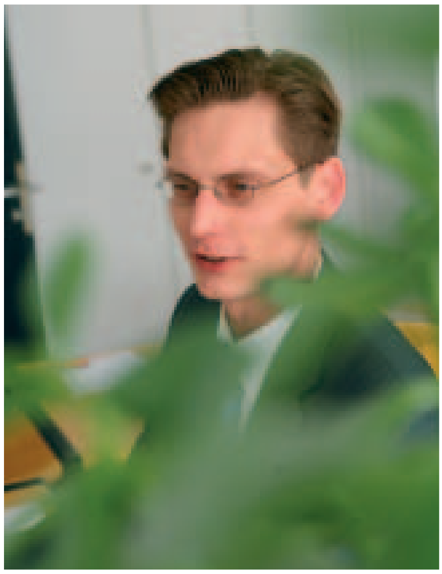
In the 2004 financial year, two financial investments were also effected in the activities wagon hire and rail forwarding business. VTG AG acquired all the shares in VTG France S.A.S. from TUI Beteiligungs AG and a 23.9% share of Railion Deutschland AG in Transpetrol. Another acquired shareholding of 5.1% was resold. This sale is still subject to approval by the antitrust authorities. VTG AG has thus increased its stake in Transpetrol GmbH to 74.9%.

Tangible fixed assets – capital expenditure by activity (€m)

Wagon hire	28.6
Rail freight forwarding	0.1
General cargo rail cars	2.2
Tank containers	2.2
Administration	0.9
Bulk and special logistics (only 1st quarter of 2004)	3.0



Management report



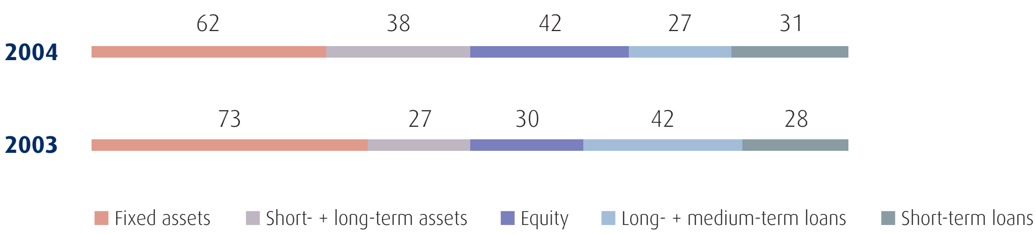
Balance sheet structure

The Group's balance sheet structure changed considerably compared with the balance sheet date for the previous year owing to the divestment of the business unit bulk and special logistics.

The balance sheet total declined by – €211.4m or 30% to €491.6m (€703.0m). This decline affected most balance sheet items. The share of capital assets decreased from 73% to 62% of the balance sheet total, with the share of current assets rising accordingly to 38%.

Shareholders´ equity in the Group fell from €210.6m to €207.4m. The reduction in total assets resulted in a sharp increase in the equity rate to currently 42% (30%). Short- and long-term liabilities in the Group were 45% down on the previous year.

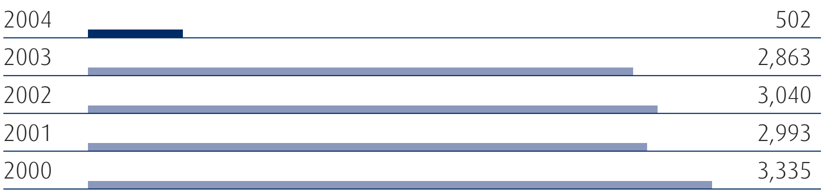
Group balance sheet structure on 31.12.



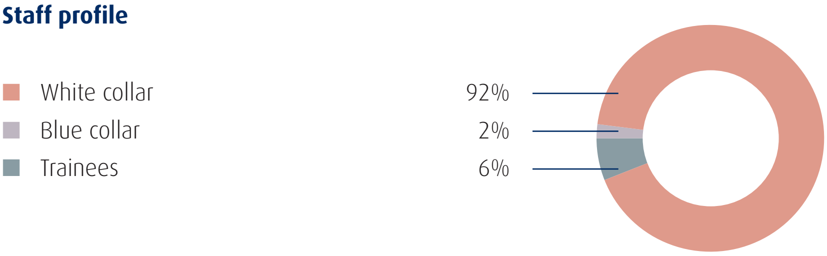
Smaller workforce

The number of employees in VTG Group declined considerably last year owing to the sale of the business unit bulk and special logistics. The Group had a total staff of 502 on the set date 31.12.2004 (31.12.2003: 2,863), 396 being employed in domestic and 106 in foreign companies.
There was a further rise in the adjusted training rate. At the end of the year, 29 (31.12.2003: 153) persons were undergoing training throughout the Group, corresponding to 6% (5%) of the entire workforce.

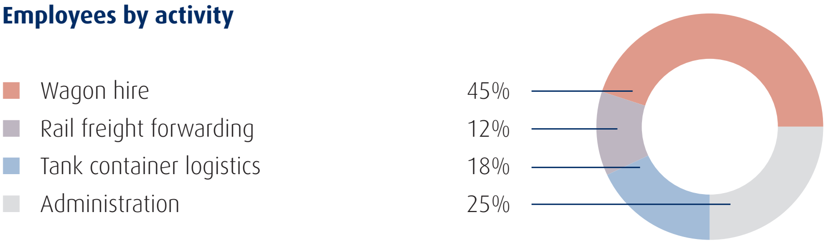
Employees on balance sheet date

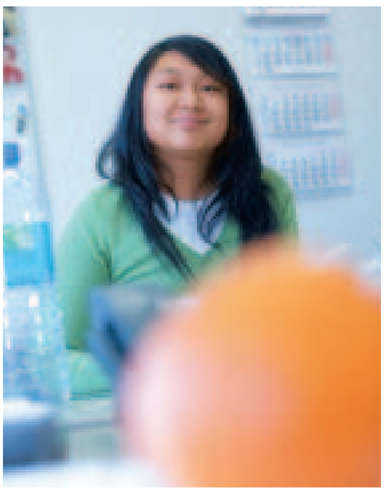


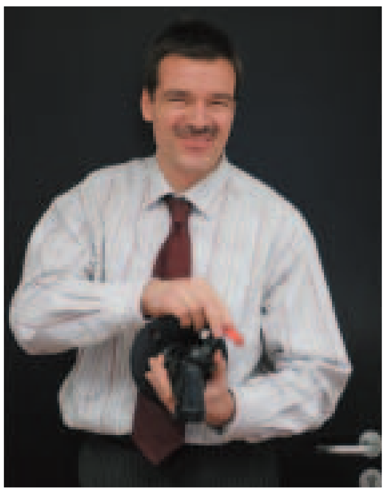
Staff profile



Employees by activity







Sales and profit of VTG AG

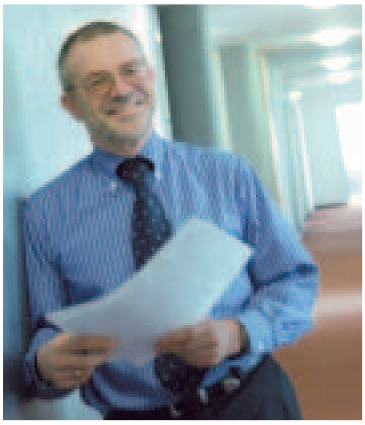
As in the past, the annual accounts of VTG AG were drawn up in accordance with the regulations of the German Commercial Code.

Sales fell significantly to €133.8m (€249.6m) owing to the outsourcing on 01.01.2004 and the subsequent sale of the business unit bulk and special logistics. The remaining activities registered a slight increase in total sales compared with the previous year.

Profit on ordinary activities was satisfactory at €46.3m (€13.2m). This improvement was due mainly to a reimbursement of €50m by the parent company TUI AG. Negative factors included in particular extraordinary value adjustments on the book value of a subsidiary and a loan granted to it.

The extraordinary profit of – €5.7m (€0.0m) includes one-off expenditures and revenues in connection with the spin-off and sale of the business unit bulk and special logistics. The resulting cash-in completely repaid the previous liabilities vis-à-vis TUI Beteiligungs AG.

Under the existing profit transfer agreement with TUI Beteiligungs AG, VTG AG transferred a profit of €40.4m (€10.3m) to the parent company. The profit of €40.4m was influenced mainly by the €50m compensation payment from TUI AG.


Personnel management following sale of bulk and special logistics

Various personnel changes were effected in the context of the sale of the business unit bulk and special logistics in 2004. With the sale of subsidiaries and holdings, the workforce in VTG-Lehnkering Group declined by approx. 1,500 employees. Close on 900 employees left VTG-Lehnkering AG with the company transfer as of April 1st 2004. The reorientation of VTG AG also involved personnel adjustments, involving terminating employment relationships on business grounds and concluding part-time contracts for older employees. In the context of the restructuring, administrative-oriented functions of the former business line rail tank cars were combined with comparable operations of the central areas to make the Group capable of successfully meeting future market requirements.

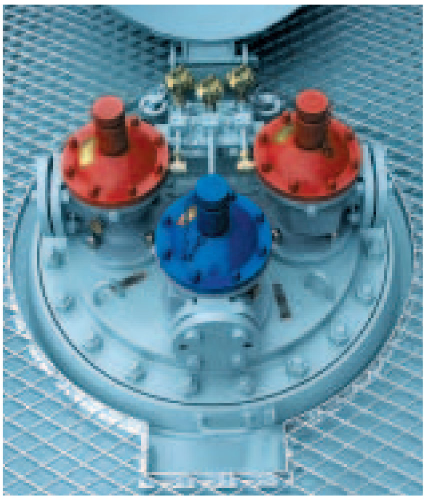
In addition to its effective staff training activities, the success of VTG Group is also based on constructive cooperation between the employees at the headquarters in Hamburg and their colleagues in the subsidiaries and holdings in Germany and abroad. Regular exchange of experience and know-how is a keynote of communication strategy in all Group areas.

Company pensions becoming increasingly significant

The discussion on the future of statutory pensions in Germany prompted VTG AG as well as VOTG and Transpetrol to give their employees the opportunity to save for retirement by participating in an employee-financed company pension scheme. Employees can join the pension fund of the Allianz and the chemical sector pension funds. To increase the incentive for joining retirement schemes, employees who meet certain prerequisites qualify for a subsidy from the company. Staff members are increasingly taking advantage of this offer. At the end of 2004, 75 employees had already opted for an employee-financed company pension, corresponding to a rate of 22%.

Internal risk management

The comprehensive and efficient risk management system introduced under the Law on Control and Transparency in Companies (KonTraG) in VTG Group continued to be systematically refined in the last financial year. Potential risks connected with entrepreneurial activity can already be identified at an early stage and steps taken to minimize or avoid negative effects. Among potential risks, market risks, financial risks as well as environmental and product risks are differentiated. No risks were identified in the last financial year that could endanger the continuation of the company or have any substantial impact on its assets, financial position or profitability. The risk systematisation within the risk management system is regularly inspected by the internal auditing and external audits for efficiency and completeness.

With its international business activities, VTG Group is exposed to exchange rate fluctuations on the foreign currency markets. Because of customer orders, VTG Group is in a net payer position as regards the US dollar. Under the hedging strategy, planned net payment flows in US dollars are hedged mainly at 100% and for a period of up to 3 months. Individual orders under fixed contracts are hedged on conclusion of the specific customer order. US dollar revenues from operative business came to €17.2m in 2004. The degree of hedging is approx. 100%. Hedging against currency risks from planned operative business is also effected in the future before receipt of payments via futures transactions.

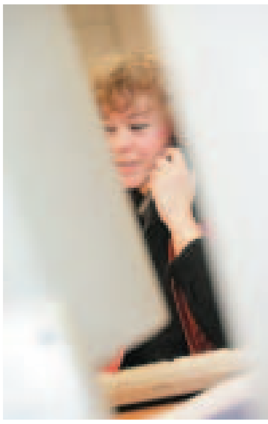
To protect itself against the risk of default, VTG Group runs a sophisticated debtor management. Credit risk insurance contracts were concluded to meet the risk of default. The Group also covers the identifiable risk of default for individual receivables as well as the general credit risk via relevant individual value adjustments and lump-sum adjustments based on past values.

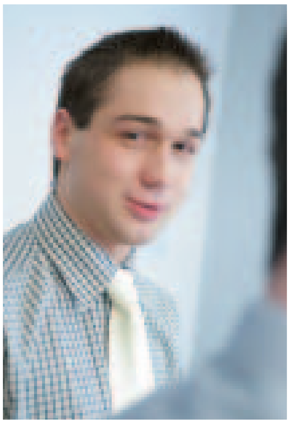
The liquidity requirements of the entire VTG Group are determined via liquidity planning and covered via promised credit lines to ensure the Group's solvency at any time. The Group is also integrated into the cash pool of TUI AG.

Outlook: Sluggish growth forecast for 2005

The economic experts generally forecast a modest recovery for 2005. Growth is likely to be stimulated more by developments outside Germany, particularly in the USA and Asia. The Association of the Chemical Industry predicts growth of 1.5-2.0%. The negative effects of the high oil price and the strong euro would thus be partially offset. However, this growth could weaken somewhat in the second half of 2005, mainly because of an expected decline in global economic growth.
Thanks to their good and in many segments even leading market positions, the various activities of the Group will be able to benefit from the bright outlook predicted for 2005 and generate additional growth potentials by responding to prevailing and anticipated market trends. VTG will again focus its investment on the ongoing modernization and extension of its vehicle fleet to enable it to continue to offer the necessary capacities in 2005. The growth aimed at will be accompanied by effective cost management, which will involve a further increase in productivity. VTG will also further expand its position as a logistics supplier for rail transport services and all-in services. In tank container logistics, the various steps taken will make it possible to participate in the expected future growth of global transport flows.

Despite the favourable overall outlook, VTG Group will remain under ongoing pressure on margins, particularly because of increasing procurement prices, e.g. steel prices, sea freights and probably the continuing weak US dollar in 2005. In the activities wagon hire and general cargo rail cars, major challenges are also the still not optimal capabilities of the (former) European state railways and the unresolved problem of the future legal and commercial parameters for private-sector freight cars in the liberalised rail freight market.



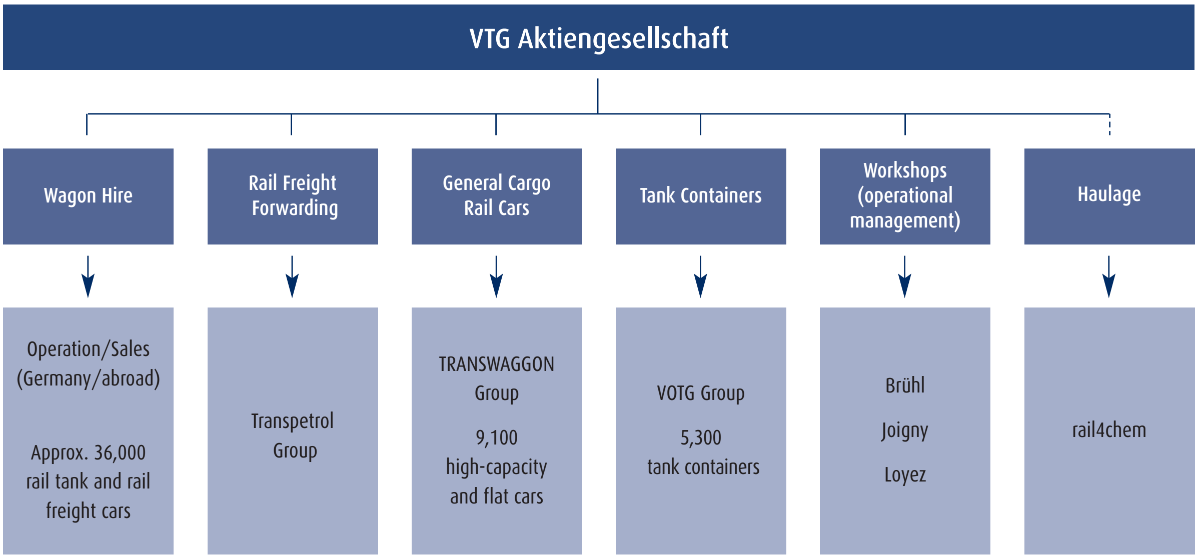


In rail freight forwarding business, the increasing concentration process among private-sector rail freight companies may influence the competitive situation in the rail sector in the long term. Tank container logistics should achieve a considerable increase in profitability. Risks in 2005 remain the cut-throat competition in the global transport market, insecurity as regards the future of merchandise flows and the related imbalances, as well as exchange rate trends.

VTG Group expects to achieve stable sales and profits as long as there is no serious downturn in world trade due to external influences.

Individual – Innovative – International
VTG's range of services

VTG Group offers an almost unique range of integrated rail logistics solutions in Europe, supplemented by global intermodal tank container transport. Its services include wagon hire, rail and tank container forwarding and haulage. VTG's customers come from a very wide range of sectors. With its long experience and international presence, VTG acts as a confidential partner of shippers as well as European railways. The company is known for its high problem-solving expertise, impressive innovations and certified quality and environmental management. VTG's know-how in the hazardous goods area makes it an experienced service provider, particularly for customers from the chemical, petrochemical and oil sectors.



Wagon hire

VTG is one of the leading private-sector hiring companies in Europe with a fleet of approx. 36,000 rail tank and other rail freight cars. Its comprehensive network of sales units and technical centres of expertise in the industrial regions of Europe give it proximity to customers and enable it to provide expert advisory services.
VTG's innovation management is based on its long experience in wagon hire. It can thus always offer wagons that are adequate and suitable for the product to be transported. VTG's specialists develop new wagon concepts in close cooperation with customers and wagon makers – well aware of their responsibility in the safety and environmental protection areas.

In addition to hiring out its own wagons, VTG also assumes responsibility for the management and technical support as well as the administration and maintenance of other companies' vehicle fleets. Its range of services includes designing and selling special fittings for transporting hazardous goods.

Rail freight forwarding

Within VTG Group, Transpetrol Group offers rail freight forwarding services. As an international supplier of rail logistics solutions for the transport of oil and chemical products, liquefied gases and other bulk and general cargo goods by rail, Transpetrol is represented with its own locations in Germany, Italy, Poland and Austria. Its comprehensive network also includes partners in the Benelux countries, Switzerland and France. Transpetrol offers its customers throughout Europe access to the deregulated rail transport market via state and private-sector railways – using individual wagons or block trains at national or international level. Transpetrol's services are focused on meeting its customers' individual requirements and include freight and fleet management, as well as transport management and tracking and tracing.

General cargo rail cars

TRANSWAGGON Group is Europe's leading provider of rail logistics services for the car and paper industry. Its vehicle fleet includes approx. 9,100 high-capacity and flat cars. TRANSWAGGON engages in the short- and long-term hiring of flat cars and covered rail cars on the basis of trip or time charters, as well as a full logistics service, including feeder transport. It also offers customers advice on transhipment and tracking and tracing services.

Tank containers

Along with VOPAK Group, VTG is also active in the tank container business. With its tank container fleet of approx. 5,300 units, the subsidiary VOTG is one of the world's leading carriers of liquid and temperature-controlled products in the chemicals, oil and compressed gas areas.
VOTG also offers its customers fleet management and supply chain management concepts. European transport services, mainly by rail and road, form the mainstay of the business. Another operative focus is handling overseas transport services with the USA and Asia.

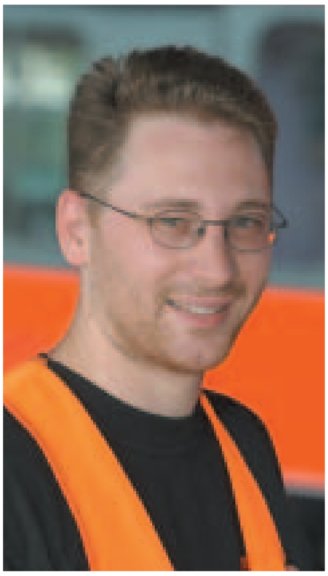
In addition to tank container forwarding, the Group is active in hiring through VOTG Tanktainer Lease. Approx. 1,800 tank containers are currently leased.

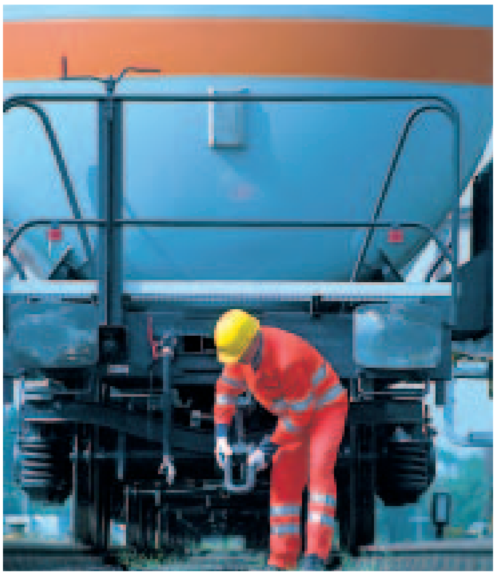
Workshops

Safety and mobility are crucial factors in hazardous goods transport. The three wagon repair workshops in Germany (Brühl) and France (Joigny and Loyez) coordinated by VTG offer as neutral service providers repair and maintenance facilities for wagons of the Group fleet, as well as other companies' vehicles. The workshops guarantee the highest quality and safety standards and offer audits, repairs and maintenance of bodies, chassis and bogies, as well as wheel set processing and conversions.

Haulage

VTG Group is also involved in the rail transport sector via its holding in the rail freight company rail4chem. This fast-growing operator provides its customers with haulage services, focusing on long-haul block trains including all supplementary services. In addition to carrying freight for one customer, rail4chem pools and transports groups of wagons from various industrial companies and forwarders. It is continuously extending its transport axes over and beyond German borders – under its own management or with partners.





Integrated management system

The function of the quality management of VTG Aktiengesellschaft was significantly expanded in 2004. The aspects quality, safety and environment are no longer separated, but are now considered as an integral part of this organizational unit. This represents another step towards establishing an integrated management system.

Process analysis and customer satisfaction

The activities of quality management in 2004 focused on process analysis and improvement as well as measuring customer satisfaction. Within VTG Group, the successful meeting or conforming with process requirements was determined by different methods. Various surveys of customer satisfaction were also carried out with the aim of identifying further scope for improvements and opportunities for extending the service range. On the basis of the optimization potentials identified, specific measures for enhancing quality will be taken in 2005.

SQAS (Safety Quality Assessment System)

Within VTG Group, in addition to numerous internal and external audits via quality management and some customers, an SQAS Audit was carried out at Transpetrol for the first time in 2004 in accordance with the requirements of SQAS Rail. This involved an inquiry about 550 questions on quality management, safety and environmental protection and providing the relevant verification. VTG Group passed over 98% of all items in this assessment, which shows that it actively responds to and satisfies requirements, particularly of the chemical and petrochemical industry. VTG regards it as a challenge to make further improvements to its integrated management system as well as quality and safety policy for the benefit of itself and its customers.

Environmental protection and safety

Environmental protection and safety are given top priority within VTG Group.
A higher number of safety inspections were carried out by specialists at the VTG locations in 2004. Risk assessments were also performed with the aim of ensuring and improving the safety and health of the employees of VTG Group. It is planned to draw up a location register making available all relevant data online via the company-wide Intranet in 2005.

Exchanging experience with customers

In addition to its comprehensive work within bodies of various national and international organizations, VTG intensified its exchange of ideas with customers in the safety and hazardous goods areas in 2004. The focus was on developing and realizing joint activities, such as carrying out emergency practice sessions, as well as cooperating on determining standards. Customers continue to use VTG's expertise to formulate internal standards and develop new processes.

Reducing noise emissions

Ways of reducing noise levels on rail freight cars are very costly, particularly for the existing vehicle fleet. However, VTG has demonstrated its commitment to the cause of noise abatement vis-à-vis political decision-makers, society as a whole and, of course, customers by deciding to have 500 new builds ordered in 2003 and 2004 equipped with composite brake pads. This innovative brake pad achieves a smoother running surface of the wheel set and can reduce noise emissions by 5-10 dB when the rail is smooth (ground).

Ultra-safe rail tank cars

In 2004, VTG also ordered 17 new builds specially for transporting chlorine. This wagon type developed by VTG has equipment elements providing special protection against structural damage to the tank or chassis. This represents another important step towards making hazardous goods transport services by rail even safer and optimizing environmental protection.

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