BUSINESS REVIEW 2005

VTG Aktiengesellschaft

Profit and loss account

€m	01.01.2005 - 31.12.2005	01.01.2004 - 31.12.2004	01.01.2003 - 31.12.2003	01.01.2002 - 31.12.2002	01.01.2001 - 31.12.2001
Accounting method	IFRS	IFRS	IFRS	IFRS	IAS
Turnover	435.2	542.3	923.4	969.8	934.1
Other income	57.1	119.7	24.4	27.1	41.0
Operating expenses	– 438.9	– 545.2	– 860.9	– 904.8	– 871.4
Depreciation and amortization of goodwill	– 31.9	– 39.2	– 61.1	– 61.5	– 58.9
thereof amortization of goodwill	*0.0*	*– 3.7*	*– 0.6*	*– 0.6*	*– 1.2*
Income from affiliated companies	1.2	0.8	9.0	4.6	5.6
Financial result	– 5.0	– 9.8	– 15.2	– 18.7	– 20.6
thereof depreciation of financial assets and marketable securities	*0.0*	*– 1.9*	*– 0.2*	*– 1.7*	*0.0*
Profit before taxes	17.7	68.6	19.6	16.5	29.8
Taxes on income	– 7.3	– 9.6	– 5.7	– 5.5	– 12.2
Group profit for the year	10.4	59.0	13.9	11.0	17.6
Profit transfer owing to a profit transfer agreement	– 2.4	– 40.4	– 10.3	– 9.1	0.0

Balance sheet

€m	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001
Accounting method	IFRS	IFRS	IFRS	IFRS	IAS
Cash and cash equivalents	34.2	8.0	7.9	9.3	9.8
Other current assets	132.2	178.9	182.9	225.9	194.3
Fixed assets	316.4	304.7	512.2	554.9	543.6
Assets	482.8	491.6	703.0	790.1	747.7
Current liabilities	173.5	191.1	336.8	418.5	392.8
Accrued liabilities	69.2	67.2	99.0	103.1	95.6
Bank loans	0.3	0.3	16.9	20.3	25.4
Pension liabilities	25.7	25.6	40.1	39.7	36.9
Shareholders' equity	214.1	207.4	210.6	208.5	197.0
Liabilities and shareholders' equity	482.8	491.6	703.4	790.1	747.7

BUSINESS REVIEW 2005

VTG Aktiengesellschaft

Key indicators for Group

Financial year		2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 IAS
Turnover	€m	435.2	542.3[6]	923.4	969.8	934.1
Profit on ordinary activities	€m	[1]	[1]	20.8	17.8	30.6
Earnings before taxes on income and profit	€m	17.7[1]	68.6[1]	19.6	16.5	29.8
Group profit for the year	€m	10.4[2]	59.0[2]	13.9[2]	11.0[2]	17.6
Profit transfer owing to a profit transfer agreement	€m	2.4	40.4	10.3	9.1	
Cash flow from operating activities	€m	39.3[3]	52.4[3]	101.3	93.7	74.8
Fixed assets	€m	316.4	304.7	512.2	554.9	543.6
Capital expenditures	€m	33.9	37.0	53.6	70.1	57.4
Depreciation[4]	€m	31.9	41.1	61.3	63.2	58.9
Subscribed capital of VTG Aktiengesellschaft previously VTG-Lehnkering AG	€m	54.3	54.3	54.3	54.3	54.3
Shareholders' equity of Group	€m	214.1	207.4	210.6	208.5	197.0
Total assets	€m	482.8	491.6	703.1	790.1	747.7
Employees on balance sheet date		493	502	2,863	3,040	2,993
Personnel expenditure	€m	33.2[5]	64.7[5]	141.8	150.3	141.3

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 and profit".
2) Owing to the adjustment of the structuring of the profit and loss account to comply with the current IFRS, the "group profit for the year" is reported before profit transfer. The figures for 2004, 2003 and 2002 were adjusted accordingly.
3) The determination of "Cash flow from operating activities" has changed slightly compared with the previous year because of IFRS. The levels for 2004 were adjusted accordingly.
4) Incl. amortization on company goodwill.
5) Owing to the current changes in IFRS reporting the interest cost for pension obligations is reported under the "Interest result". The figures for 2004 were adjusted accordingly.
6) Incl. €135.6m turnover of the business unit bulk and special logistics.
7) Incl. €2.8m profit of the business unit bulk and special logistics.

Overview

Turnover (€m)

2005	435.2
2004	542.3

Profit from operating activities (€m)

2005	19.3
2004	17.5[7]

Employees (on balance sheet date)

2005	493
2004	502

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

Making the most of market opportunities

VTG had another eventful year in 2005. We successfully made our company independent of previous Group structures, laid the foundation for further growth and continued to strengthen our profile in our sector.

Despite a still adverse economic environment in some respects in our European core markets at the beginning of 2005, VTG Group, which is oriented towards rail and tank container logistics, concluded the financial year better than expected. All activities without exception performed well. We benefited from the slight upturn in our customer industries particularly in the second half of the year. The sale of VTG could also be concluded at the end of 2005. This has given us a sound basis for future planning and opened up new perspectives.
With approx. 500 employees and about 45,000 rail tank and other rail freight cars, VTG is a leading operator in the European rail logistics market. The Group has an excellent positioning as a full service provider for a growing range of sectors. Its services include wagon hire, freight forwarding and haulage, as well as wagon repair and intermodal services by tank container.

We intend to make the most of our existing earnings potentials and continue to concentrate on achieving our main corporate objectives: focusing on increasing our corporate value, remaining flexible and growing in our markets. This will also be increasingly reflected in our investment strategy in future. In 2005, we further optimized and modernized our wagon fleet with new builds and conversions, as well as acquiring several vehicle fleets from third parties to make the most of market opportunities. We are thus constantly expanding our fleet over and beyond the traditional VTG rail tank car business by entering new and promising wagon segments. Our new shareholder's readiness to invest supports and reinforces our strategy for steadily increasing our corporate value via profitable growth. In the final analysis, however, operative success is crucial. Under a restructuring programme last year, we thus upgraded our operatively managed tank container fleet and combined freight forwarding with hire activities in VOTG Tanktainer GmbH. The optimization of transport services already had a positive impact on our profitability in 2005. We are also steadily expanding our rail freight forwarding services and have continued to forge ahead with operative IT networking with our customers.

The Executive Board

Dr. Heiko Fischer (chairman),

Jürgen Hüllen,

Dr. Kai Kleeberg

We are meeting our growing responsibilities as one of the leading providers of rail logistics services in Europe by constantly providing innovations in the safety and environmental protection areas. To make rail even more attractive and secure its future as a means of transport for cargo, we are also involved in the current liberalization and harmonization processes in the European rail freight sector. Last year, we thus also focused on participating in the work of the associations that are relevant for us, the International Union of Private Wagons (UIP) and Association of Private Wagon Parties (VPI) in Germany, as well as European bodies concerned with the reorganisation of the legal and operating parameters. Against the general expectations, however, the ratification of the new international railway law COTIF 1999 (Convention relative aux transport internationaux ferroviaires) was delayed, so provisions, sets of regulations and contracts based on this have yet to come into force. However, even after they take effect in the course of 2006 as now anticipated, there are still many gaps to fill and interfaces between all the various parts and elements of the new legal environment that have to be newly defined and formulated. We will be continuing to make an active contribution towards achieving progress in this area.

We are confident that VTG is in good shape to face the future with its clear focus on rail and tank container logistics. However, we have no intention of resting on our laurels, but will continue to concentrate on boosting our profitability and opening up new markets, relying on our innovative strengths in the sales and technology areas.

The sale of VTG also signalled the start for a reorganization of our legal structures. With the acquisition of the European rail logistics activities of Brambles in 2002, VTG initially assumed responsibility for the operative management of the Brambles wagon fleet, as well as the coordination of three wagon repair workshops in Germany and France. These activities now also belong to VTG Group in corporate terms. Although the sale of the expanded VTG Group was effected retroactively on January 1st 2005, the corporate integration was planned to begin in 2006, so the present annual accounts were drawn up on the basis of the previous Group structures.

We significantly improved our performance last year and will continue to expand our capabilities to enable us to maintain and strengthen our position in the international market in future. After having belonged to TUI Group for about 45 years, we are also gaining greater economic independence and autonomy with our new shareholder.

Given the upturn from mid-2005 and the stable growth trend expected for 2006, we are optimistic about our prospects in the forthcoming year.

The Executive Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

During the 2005 financial year, the Supervisory Board of VTG Aktiengesellschaft 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 three 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 but did not convene in 2005.

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 2005, 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 19th 2006. 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 €2.4m to its parent company on the basis of the profit and loss transfer agreement concluded with VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung on November 23rd 2005.

Rüdiger Dau resigned from the Supervisory Board as of December 15th 2005. At the application of the Executive Board, the Municipal Court Hamburg with its decision of December 16th 2005 appointed Stefan Lohmeyer a new Supervisory Board member of the employees.

Joachim Eilert resigned from the Supervisory Board as of December 16th 2005. Michael Behrendt, Adolf Adrion and Hansgeorg Martius resigned from the Supervisory Board as of January 9th 2006 and Michael Behrendt at the same time resigned from his office as chairman.

The extraordinary general meeting of shareholders held on January 10th 2006 appointed Dr. Wilhelm Scheider, Jean-Claude Cabre, Dr. Bernd Malmström und Dr. Christian Olearius new members of the Supervisory Board.

At the Supervisory Board meeting of the same day, Dr. Wilhelm Scheider was elected the new chairman of the Supervisory Board.

We should like to thank all retiring members for their dedicated work and good service 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 19th 2006

The Supervisory Board

Dr. Wilhelm Scheider
Chairman

Supervisory Board

Dr. Wilhelm Scheider, London
Consultant

Chairman of the Supervisory Board

(Member and chairman of the Supervisory Board from 10.01.2006)

Michael Behrendt, Hamburg
Assessor

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

(Member and chairman of the Supervisory Board until 09.01.2006)

Gerd Steinbock, Hamburg
Head of human resources department
VTG Aktiengesellschaft, Hamburg

Deputy chairman of the Supervisory Board

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

(Member of the Supervisory Board until 09.01.2006)

Heribert Becker, Mülheim
Economics graduate

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

Carola Bernhard, Hamburg
Commercial employee

Chairman of the staff council of VTG Aktiengesellschaft, Hamburg

Jean-Claude Cabre, Boulogne/France
Management and Strategy Consultant

(Member of the Supervisory Board from 10.01.2006)

Rüdiger Dau, Hamburg
Former head of human resources department
VTG Aktiengesellschaft, Hamburg

(Member of the Supervisory Board until 15.12.2005)

Joachim Eilert, Hamburg
Former member of the Executive Board of Hapag-Lloyd AG, Hamburg

(Member of the Supervisory Board until 16.12.2005)

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

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former chairman of the management of VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg

Stefan Lohmeyer, Hamburg
Head of legal and insurance department
VTG Aktiengesellschaft, Hamburg

(Member of the Supervisory Board from 16.12.2005)

Dr. Bernd Malmström, Berlin
Lawyer

(Member of the Supervisory Board from 10.01.2006)

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

(Member of the Supervisory Board until 09.01.2006)

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

(Member of the Supervisory Board from 10.01.2006)

Manfred Rosenberg, Berlin
Trade union secretary
ver.di – Vereinigte Dienstleistungsgewerkschaft – Federal Executive Board, Berlin

Heidi Winger, Hamburg
Commercial employee
VOTG Tanktainer GmbH, Hamburg

Executive Board

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

Jürgen Hüllen, Hamburg
Commerce graduate

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


VTG

Economic situation in 2005

World economic growth in the first half of 2005 was restrained mainly by very high rises in raw material prices and a fall in the US dollar exchange rate, significantly slowing exports. Owing to the slower expansion of the global economy and the stronger euro, the German economy was also sluggish at the beginning of 2005. In the second half of the year, the world economy expanded faster, despite increasing oil prices. The German economy made a modest yet firm recovery.

The chemical industry also benefited from the global upturn, as evident in a steady rise in chemical production over the year. Chemical production for 2005 is expected to be about 6% up on 2004. The individual segments of the chemical sector have so far all performed well, with chemical basic materials contributing mainly to the rise in production in 2005, the highest growth being achieved by inorganic basic chemicals with an anticipated increase of 14.5%.

In 2005, total sales of the German chemical industry surged by approx. 7% compared with the previous year to reach €152 billion. Higher production levels and prices contributed to this growth, which was stimulated mainly by foreign demand.

However, the Federal Statistical Office expects a 1.8% decline in transport volume in the rail freight sector relative to 2004. This would be 4m t down on the previous year. On the other hand, a 3.3% increase is expected for transport services, an overall 66.1 billion tonne km having so far been registered. There was also a rise in transport volume in the important segments oil and chemical products last year. Transport services for chemical products accounted for 1.1% growth, with rail transport services for oil products increasing by as much as 11.6%.[1)]

[1)] Figures given for 2005 refer to the first three quarters of the year.

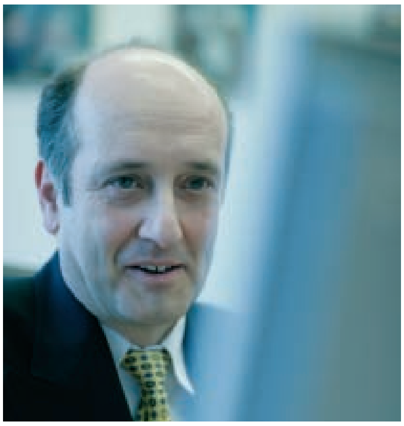
No change in number of consolidated companies

There has been no change in the number of consolidated companies compared with the previous year. Apart from VTG AG, eight fully consolidated companies and one at-equity consolidated firm thus remain in the list of consolidated companies of VTG Group.

Sales trend in Group

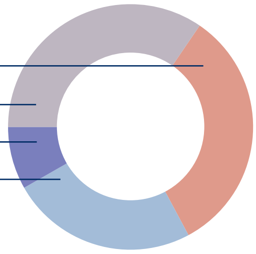
Thanks to the gradual economic recovery in Europe, the business activities of VTG Group generally put in a gratifyingly stable performance. In 2005, Group sales dwindled by €107.1m to €435.2m (previous year: €542.3m), although here the share of turnover of the business unit bulk and special logistics for the first quarter of 2004 of €135.6m has to be taken into consideration. Without this effect, Group sales rose by €28.5m or 7%.

VTG Group's turnover growth was due mainly to rail freight forwarding, which increased its sales by 26% to €150.3m compared with previous year. Demand developed generally very satisfactorily, with some new and additional business being acquired. This activity thus accounted for the first time for the highest share, 35% (21%), of VTG Group's sales. Wagon hire generated turnover of €142.0m (€145.5m), slightly down on the previous year, and claimed 33% (36%) of total sales. VTG Group's remaining activities accounted for sales of €142.9m (€150.0m).



Sales by activity (€m)

Wagon hire	142.0
Rail freight forwarding	150.3
General cargo rail cars	35.9
Tank containers	107.0



The Group achieved somewhat over half of its sales, €221.3m (€298.4m), in Germany and 49% of its sales, €213.9m (€243.9m), in other countries.

Economic recovery benefiting Group profit

VTG Group achieved a higher profit in 2005 compared with 2004. Its operating profit rose to €19.3m (€17.5m), although here the profit share of the business unit bulk and special logistics for the first quarter of 2004 of €2.8m has to be taken into consideration. Without this effect, Group profit surged by €4.6m or 31%.

This growth was due mainly to tank container logistics. The restructuring programme for this activity had a beneficial impact on business.

Overall earnings before tax came to €17.7m. Profit for the previous year of €68.6m included a €50m reimbursement of the former Group parent TUI AG, as well as the €20.2m profit from the sale and deconsolidation of the business unit bulk and special logistics.

Return on sales, not considering the business unit bulk and special logistics, rose from 3.6% to 4.4%. Cash flow from operating activities in VTG Group came to €39.3m (€52.4m).


VTG

Activity wagon hire

The slight economic recovery, particularly in the second half of 2005, stimulated business for wagon hire. This upswing was clearly apparent with an increase in capacity utilization compared with previous year especially in the chemical rail tank car segment. The high capacity utilization level in the oil and compressed gas rail car area could also be maintained and even improved on in some respects. Other new market segments were opened up with the purchase of freight cars for transporting goods outside the hitherto dominant focal area of liquid hazardous goods.

In terms of regions, Eastern and South-Eastern Europe remained the main growth markets for hire business. After years of stagnation, a gratifying trend was also noticeable in the German market towards the end of 2005. The market in France recovered particularly in the area of compressed gas and oil rail tank cars – despite less favourable parameters for rail transport, which was adversely affected especially by frequent strikes and a general decline in performance at the French state railways SNCF.

Demand for new builds was generally very gratifying, so the modernization and expansion of the entire fleet could be continued in connection with the withdrawal of older units and acquisitions of customers' own vehicles. In the 2005 financial year, VTG Group operated over 35,000 of its own and other companies' rail tank and bulk freight cars, mostly chemical, oil and compressed gas wagons. With the reduction in maintenance costs, wagon hire improved its performance. However, the increasing efforts of railways to shift costs particularly for the exchange of wheel sets and repairs in transit to wagon holders mean new challenges for this activity. The fundamental changes in the liberalised European rail sector envisaged for 2006 will also necessitate considerable adjustment.

Activity rail freight forwarding

Transpetrol Group continued to perform well in a fiercely competitive market environment.

Transport volume in the oil segment increased satisfactorily despite declining oil sales in Germany and intense competition from state and private-sector railways. The handling of transport services with private-sector railways, supplementing state haulage, offered particularly by Transpetrol led to a significant upturn in demand and thus substantial new and additional business.

International chemicals transport business, involving all-in services, registered stable results. In this market segment, Transpetrol benefited mainly from the chemical industry's high export share. In addition two major all-in transport services could be established as new business. Transpetrol succeeded in acquiring spot services for block train services despite increasing competition from a rival operator.

Business in Austria was less brisk than in the previous year owing to lower delivery quantities. There was increased competition from firms of the holding group of forwarding companies of the state railways ÖBB.

Business in Poland significantly improved on the previous year's high level.

Business in Italy developed as expected despite the continued unfavourable market environment.

Activity general cargo rail cars

After an initially uncertain and sluggish economic environment in Europe, TRANSWAGGON registered a recovery in its operations in the second half of 2005.

In the first half of the year, TRANSWAGGON's business was depressed by low demand on the part of the main customers in the car industry and the increasing competition, reflected in returns of all wagons not under contract. Other negative factors were low capacity utilization for special-purpose wagons for Spanish services and increasing price pressure for contractually secured hire charges, caused mainly by relentless competition from road transport.

The losses in the second half of the year could be partially offset with additional hiring to operators and railways. There was a continuous improvement in the employment situation, as evident mainly in the area of covered wagons.

TRANSWAGGON's conclusion of a pool agreement with a European railway can be regarded as a milestone. The partners are to be jointly involved in new procurement of a large number of covered freight cars for marketing by TRANSWAGGON Group from June 2006. The modernization and expansion of the TRANSWAGGON vehicle fleet is thus continuing.

Activity tank containers

For tank container logistics, the main factors in the 2005 financial year were the economic upturn in Europe and overseas from mid-year and the restructuring programme already commenced in 2004 and completed in 2005. This programme aimed to achieve a significant downsizing of the tank container fleet, by 1,700 to 4,450 tank containers. This involved mainly considerably reducing engagement in intercontinental services from and to Asia as well as intra-Asian services. Thanks to the measures taken, the balance of transport flows could be improved and costly empty positioning and storing of tank containers avoided. In connection with the continuing strong demand within Europe, these measures resulted in good business for tank container logistics. The share of dollar business and the structural dollar surplus also declined considerably in line with the reduction in transport services in Asia. The dollar exchange rate developed as expected.

The merging of VOTG Tanktainer Lease GmbH with VOTG Tanktainer GmbH effected retroactively as of April 2005 represented a further consistent step towards the streamlining of tank container activities.

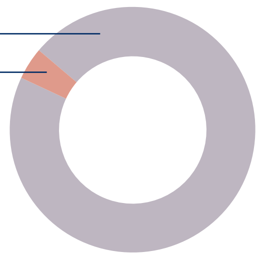

VTG
R 36m

Investment strategy

VTG Group invested an overall €32.9m (€37.0m) in tangible assets and intangible fixed assets in the last financial year. Wagon hire accounted for the highest share of investment, approx. €31.5m. This included €17.6m for the modernization and expansion of the vehicle fleet. €13.9m was invested in purchasing hitherto hired or managed wagons.
The other activities invested €1.4m, including approx. €0.7m on the refurbishment of the tank container fleet.
In the 2005 financial year, VTG also engaged in a financial investment related to its holding in rail4chem within the activity wagon hire. Corresponding to its share of 25% in rail4chem GmbH, VTG contributed €1m to the capital increase of overall €4m at the young company as required by its recent and planned growth. This also promoted rail4chem's further expansion with the founding of a subsidiary in the Netherlands, rail4chem Benelux B.V. (Rotterdam).

Tangible assets – capital expenditure by activity (€m)

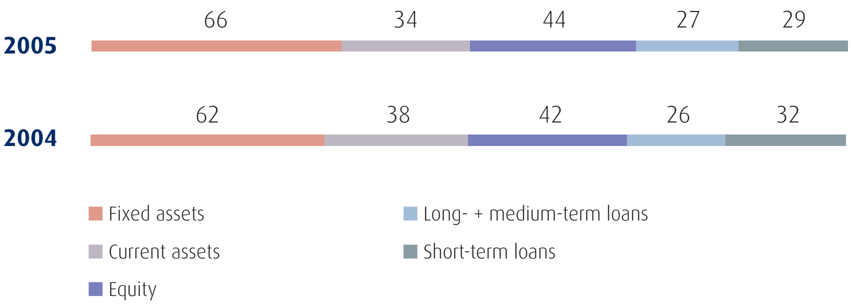
Wagon hire	31.5
Other activities	1.4



Balance sheet structure

The balance sheet structure in the Group changed only slightly since the balance sheet date of the previous year. The balance sheet total declined by €8.8m or 2% to €482.8m (€491.6m). The share of capital assets increased from 62% to 66% of the balance sheet total, with the share of current assets falling accordingly to 34%. Shareholders' equity in the Group rose from €207.4m to €214.1m. This resulted in connection with the reduction in total assets in an increase in the equity ratio to 44% (42%). Short- and long-term liabilities in the Group were 9% down on the previous year.

Group balance sheet structure on 31.12.



Highly flexible and dedicated staff

Committed and motivated employees are crucial to VTG's success. Performing as they do in constantly changing and highly competitive markets, the Group's employees demonstrate a constant willingness to learn, a high degree of flexibility and an ability to work on their own responsibility. Drawing on their experience, they succeed in continually developing new and improved solutions to meet customers' transport and logistics requirements.

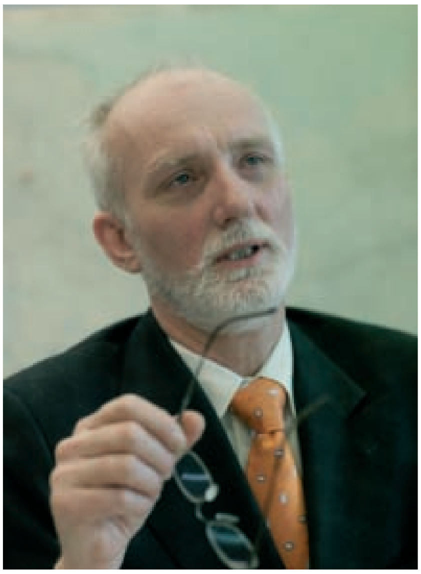
Stable workforce

On the set date 31.12.2005, there were 493 (31.12.2004: 502) employees in VTG Group in Europe, including 395 working for domestic and 98 for foreign companies.
The training rate of 6% matched the high level for the previous year. In absolute terms, the number of trainees in domestic companies rose to 31 (29) persons on the set date 31.12.2005.

Employees on balance sheet date

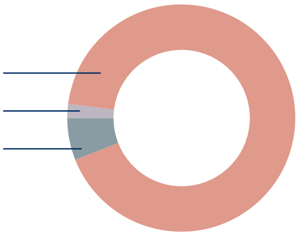
2005	493
2004	502
2003	2,863 [1]
2002	3,040 [1]
2001	2,993 [1]

[1] VTG-Lehnkering AG, not comparable with current structure



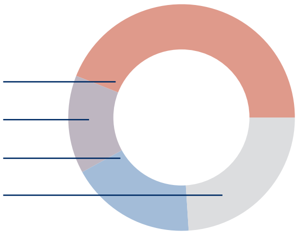
Staff profile

White collar	92%
Blue collar	2%
Trainees	6%



Employees by activity

Wagon hire	44%
Rail freight forwarding	14%
Tank containers	18%
Administration	24%



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 rose to €137.4m (€133.8m). All activities of VTG AG were able to increase their sales compared with the previous year. Profit on ordinary activities was satisfactory at €6.1m. The high level of €46.3m the previous year was influenced particularly by a €50m reimbursement by the then Group parent TUI AG.

The extraordinary profit of the previous year of – €5.7m included one-off expenditures and revenues in connection with the spin-off and sale of bulk and special logistics in 2004.

Under the existing profit transfer agreement, VTG AG transferred a profit of €2.4m (€40.4m).

Industrial safety and health protection

A large number of industrial safety and health protection measures were again implemented at VTG's domestic and foreign locations last year.

Employees at the Hamburg headquarters were given the opportunity to undergo various medical check-ups in the 2005 financial year. The participation rate in these was high, as in previous years.

“VTG sales train”

VTG Group offers its employees a comprehensive further training programme. In addition to standard seminars for specialist skills and personnel development, the first module of the “Recruit promotion programme in sales – VTG sales train” started on November 13th 2005. Twelve sales employees from various domestic and foreign companies of VTG Group take part in this programme, which comprises three modules. The aims include constantly developing and promoting the high level of employees' competence and expertise, as well as reinforcing synergies via a VTG network of sales recruits. A practically oriented accompanying project assignment is an integral part of the programme.


VTG

Employee-financed company pension scheme

In response to the adjustments in the state pension system, VTG has offered its staff a company pension scheme. With the withdrawal of VTG from TUI Group, the employee-financed company pension scheme for all domestic Group companies is being continued as "VTG pension scheme" at unchanged Group conditions via the pension fund of Allianz AG and the chemical sector pension funds of the chemical industry. The share of employees contributing to this scheme increased to over 30% (22%) as a result of an intensive promotional effort by the personnel department and changed parameters in the collective agreement of the chemical industry.

Internal risk management

The comprehensive and efficient risk management system introduced under the Act on Control and Transparency in Enterprises (KonTraG) in VTG Group was systematically refined in the 2005 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 environment 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 external auditors for efficiency and completeness.

Within its international business activities, VTG Group is exposed to exchange rate fluctuations on the foreign currency markets. Because of customer orders in US dollar, VTG Group is in a net incoming payment position as regards the US dollar. Under the hedging strategy, planned net receipts in US dollars are hedged mainly at 100% and for a period of up to three months. Individual orders under fixed contracts are hedged on conclusion of the specific customer order. US dollar revenues from operating business came to €11.4m in 2005. The degree of hedging is approx. 100%. Hedging against currency risks from planned operating business is also to be 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. Bad debts 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 granted credit lines to ensure the Group's solvency at all times.

VTG Group successfully sold

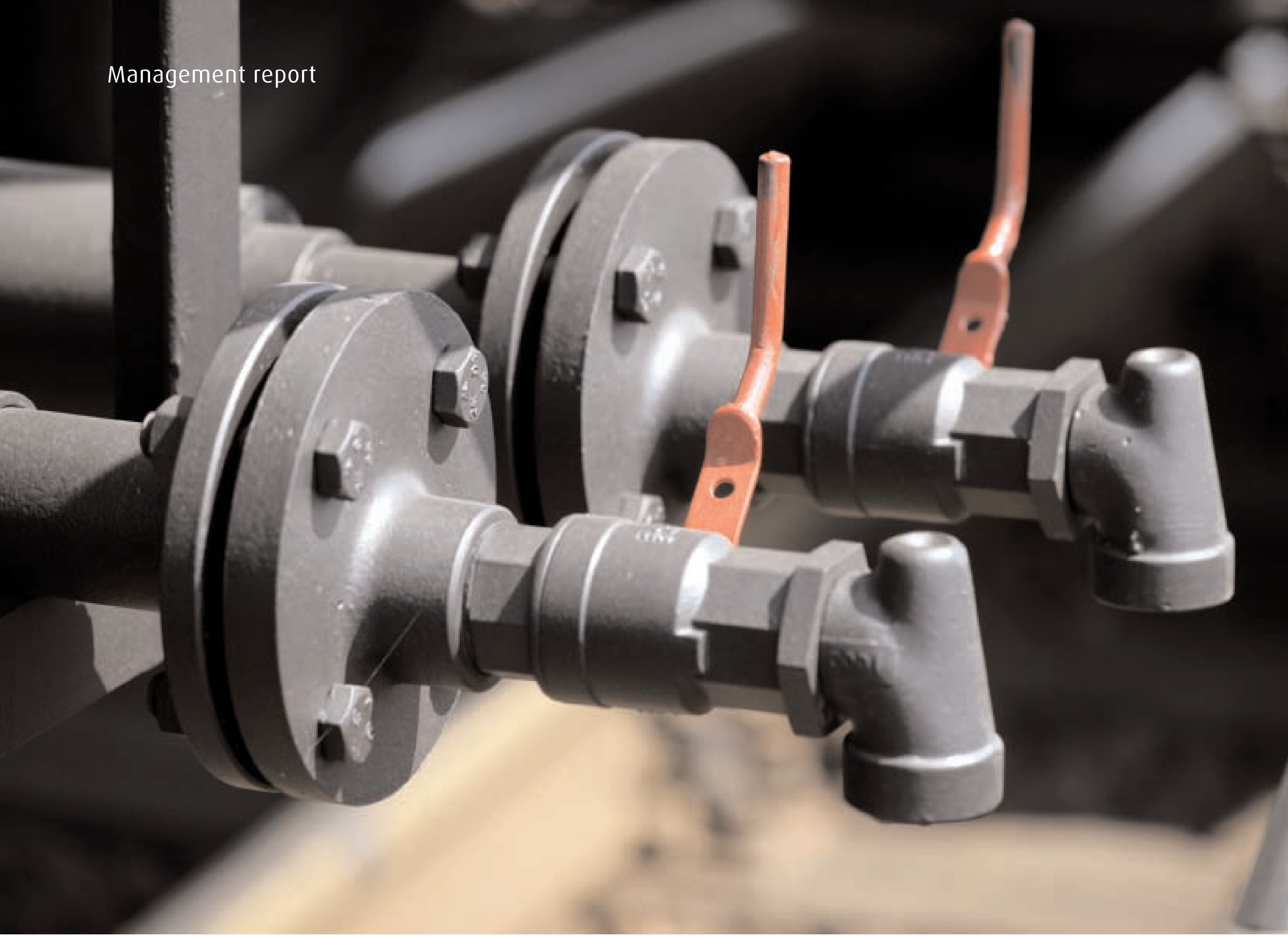
VTG Group was sold to a financial investor on 14.12.2005 after successful closing. The company Compagnie Européenne de Wagons S.à.r.l based in Luxemburg was founded for this transaction by the American investment group WL Ross & Co. LLC. An agreement concluded in June 2005 thereby became legally binding. Compagnie Européenne de Wagons acquired from TUI the activities in rail and tank container logistics combined under VTG GmbH, as well as the rights to the call option with respect to Alstertor Group.

Alstertor Group acquired the European rail logistics activities of the Australian Brambles Group (Brambles European Rail Division, ERD) in 2002. For this investor group, VTG Group initially assumed responsibility only for operative management of the rail tank and freight cars as well as plant management of the three wagon repair workshops in Brühl, Joigny and Libercourt. VTG Group remains basically focused on the activities wagon hire, rail freight forwarding, general cargo rail cars and tank containers.

Outlook: Economic recovery forecast for 2006

The economic experts expect global growth to become more broadly based in 2006. While gross domestic product in the USA is predicted to rise at a slightly slower rate, Japan's and China's economy will maintain high growth. A significant upturn is also expected in Europe. This forecast is based mainly on the assumption that raw material prices, especially oil prices, will remain more or less at their currently high level and that foreign demand – which has developed enormous impetus not least thanks to the dynamic world economy and the more favourable euro/dollar exchange rate – also stays strong. Exports in particular will be the chief driving force behind the economy in future.

The newly structured VTG Group is thus looking confidently ahead to 2006 mainly in view of the cautiously optimistic forecast for the overall economy. An encouraging development currently is an upsurge in demand for private freight cars for hire in Eastern and Southern Europe. With its positioning as one of the leading suppliers of private wagons managing a fleet of about 45,000 rail tank and other rail freight cars, VTG is thus looking forward to putting in a good performance in 2006.



In the activity wagon hire, VTG expects to do good business mainly thanks to its strengths, e.g. its strongly diversified fleet, specialized technical expertise and customer-oriented sales organisation. Additional opportunities can be regarded as growth in Eastern European markets and increasing business in the area new wagon segments, which offer good potential. The fundamental changes in the legal and commercial parameters of our wagon hire business could jeopardize the planned expansion, however.
The activity rail forwarding business also expects to hold its own in the coming year, despite the apparent very rapid market changes and continued competitive pressure in an adverse market environment. New transport services with private-sector haulage could already be won mainly in the invitations to tender of the oil industry for 2006. There are also other growth opportunities in the area of all-in services resulting from the planned expansion of cross-border transport services, particularly in the liquefied gas market and for small or medium-sized chemical manufacturers. However, the low-price strategy of the dominant competitor in the block train segment continues to threaten the expected high profitability.

The activity general cargo rail cars anticipates stable results in 2006 despite an unfavourable market environment. TRANSWAGGON Group is optimistic about being able to expand its existing business continuously and attract new customers.
Opportunities will be provided by a more favourable economic climate particularly in the car and paper industry, as well as in Eastern European markets. However, TRANSWAGGON also anticipates persistent strong price pressure from some major customers.

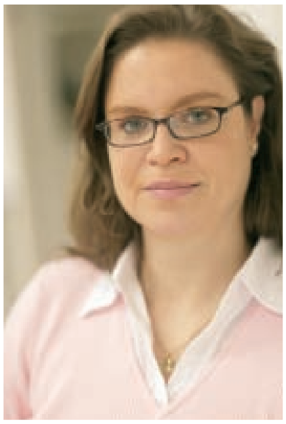
Tank container logistics expects to improve its profitability considerably in 2006. It will retain its existing business strategy involving consolidated overseas business and significantly reduced fleet capacity. This activity is expected to benefit from a stable intercontinental and intracontinental market situation, as well as slightly improved transport business.

VTG Group and Alstertor Group, which were still legally separated in 2005 but already formed a unit in the market from the business point of view, will be combined in the new VTG Group from 2006. Standardizing will thereby be possible at all levels, e.g. with uniform management as well as reporting and standardized guidelines. An appropriate restructuring of the new group will also be possible from 2006. This will lead to a streamlining of corporate structures with various measures in Germany and other European countries – Austria, Switzerland, Spain, the UK and Belgium.

As a result of the merger of the Alstertor units with VTG Group, Alstertor Group's three workshops are to be integrated into the activity workshops from 2006. Little pressure on Group profit is expected because of the unfavourable market environment in Germany and France.

The number of consolidated companies will expand and the new Group's operating profit will improve as a result of the restructuring measures.

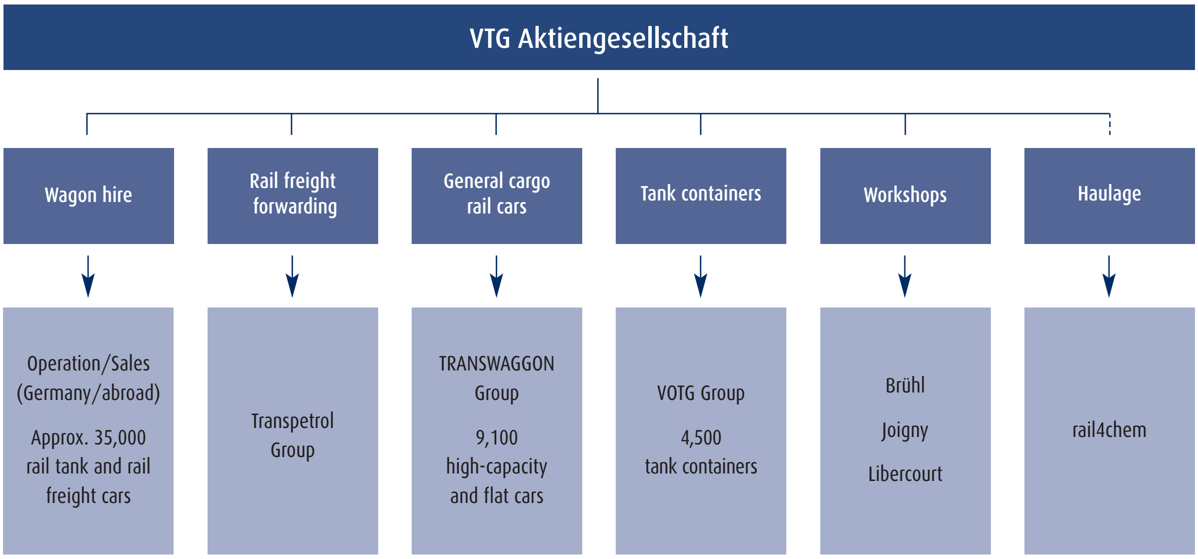
VTG Group has again set itself ambitious goals for 2006, with the opportunities and risks, in our opinion, balancing one another out. We are confident of being able to reach our objectives given the continued improvement in the global and German economy in 2006 as forecast.



Individual – Innovative – International
VTG’s range of services

VTG Group offers an almost unique and constantly growing 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. It also runs three wagon repair workshops in Germany and France.

With its long experience and international presence, VTG acts as a confidential partner of shippers as well as European railways. VTG’s customers come from a wide variety of sectors. The Group is known for its high problem-solving expertise, impressive innovations and certified quality, safety and environment management. VTG's know-how in the hazardous goods area makes it an experienced service provider, particularly for customers requiring optimally safe transport for their sensitive goods.



Wagon hire

VTG is one of the leading private-sector hiring companies in Europe with a fleet of approx. 35,000 rail tank and other rail freight cars. Drawing on its expertise in the traditional rail tank car business, VTG has been increasingly moving into new sectors and wagon segments and thus acting as a full service provider in the rail market.

VTG’s comprehensive network of sales units and technical centres of expertise in the European industrial regions give it proximity to customers and enable it to provide expert advisory services. Its sales strategy also focuses on developing new regional markets.

VTG’s innovation management is based on its long experience in wagon hire, enabling it always to offer adequate wagons suited to 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 administration and maintenance of other companies’ vehicle fleets. Its range of services also includes designing and selling special fittings for wagons transporting hazardous goods.

Rail freight forwarding

Within VTG Group, Transpetrol Group provides 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 by rail, Transpetrol is represented with locations in Germany, Italy, Poland and Austria. Its network also includes partners in the Benelux countries, Switzerland and France. Transpetrol offers its customers throughout Europe access to the liberalised rail freight transport market via state and private-sector railways – using individual wagons or block train services. Transpetrol's customer-oriented services also include freight and fleet management, transport management and tracking and tracing.

General cargo rail cars

With its fleet of approx. 9,100 vehicles, TRANSWAGGON Group, in which VTG holds a 50% stake, is one of the leading suppliers of private wagons for carrying every type of dry cargo. In addition to providing short- and long-term hiring of flat cars and covered wagons on the basis of trip or time charters, TRANSWAGGON offers a full logistics package including feeder services, as well as advice on transhipment and tracking and tracing.

Tank containers

Along with VOPAK Group, VTG is also active in the tank container business. With its tank container fleet of approx. 4,500 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. It focuses on providing European transport services, mainly by rail and road, in addition to handling overseas transport services with the USA and Asia.

Workshops

Safety and mobility are crucial factors for hazardous goods transport. VTG's three wagon repair workshops in Germany (Brühl) and France (Joigny and Libercourt) offer as neutral service providers repair and maintenance facilities for wagons of the Group fleet, as well as other companies' vehicles. The workshops, which meet the highest quality and safety standards, 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. The fast-growing rail4chem Group with its own subsidiaries in the Netherlands and Switzerland offers its customers national and international haulage services. These include regular and spot rail transport services, liner services for various types of goods in conventional rail traffic and block trains for intermodal transport. rail4chem is continuously expanding its transport axes beyond German borders – under its own management or with partners of the alliance "European Bulls". It thereby increasingly offers transcontinental and cross-border services, retaining responsibility for transport operations across national borders. rail4chem guarantees continuously high quality and safety standards over the entire transport chain.

Quality, safety and environment

VTG sets the highest standards for its services and products in terms of quality, safety and environmental protection, as they are fundamental to its ongoing success in the market.

In 2005, VTG thus continued to refine its integrated quality management system, which networks quality, safety and environmental protection and coordinates these areas throughout the Group, as well as initiating innovations in the operative and administrative field.

The focuses last year were on quality and process optimization, in particular increasingly involving suppliers in an ongoing improvement process.

Process analysis and improving customer satisfaction

Ensuring rapid responses to queries as well as minimum downtimes for hired wagons are crucial for customer satisfaction. In 2005, VTG thus again constantly monitored the efficiency of the internal processes and deployment capability of its hired wagon fleet, giving special priority to analysing and optimizing wagon workshop periods.

In wagon hire and rail forwarding, audits at suppliers and service providers were also increasingly carried out last year with the aim of jointly improving safety and guaranteeing process conformity.

SQAS (Safety Quality Assessment System)

In addition to numerous internal and external audits via quality management and some customers, an SQAS audit complying with the "SQAS Freight Integrator" requirements was carried out at VOTG Tanktainer for the first time within VTG Group in 2005. For this audit, over 550 questions on quality management, safety and environmental protection had to be answered. Only 3% of the questions could not be adequately replied to or documented. This performance confirms that VTG Group actively responds to and implements requirements, particularly of the chemical and petrochemical industry. VTG will continue to improve its integrated management system as well as quality and safety standards – not least for the benefit of customers.

Environmental protection and safety

Environmental protection and safety are integral to VTG's corporate philosophy. Numerous measures for improving safety and environmental protection were thus initiated and implemented in 2005.

A new plant for cleaning rail tank cars for oil products was put into operation at the Brühl workshop at the end of 2005. Construction work also began on a flare station for cleaning compressed gas tank cars, in which liquefied gas residues are incinerated using state-of-the-art techniques. This project is to be completed in the second quarter of 2006.

Special safety devices were also developed for operating powder wagons that clearly enhance the protection of personnel during unloading operations.

Together with a customer from the oil industry, VTG carried out an emergency drill last year to test and continue to improve the effectiveness of its existing emergency management.

Safety inspections were also held by specialists at the various locations of VTG Group in 2005. Risk assessments were carried out to continue to improve safety and staff health protection.

Exchanging ideas with customers and holding training sessions at their plants

In addition to its comprehensive work within bodies of various national and international organisations, VTG again held various workshops to exchange ideas with customers in the quality, safety and hazardous goods areas in 2005.

In particular, the specialist training sessions by VTG employees on hazardous goods subjects and the operation of various loading/unloading devices on rail tank cars attracted great interest from customers. These activities help to avoid operating errors and increase the safety of personnel.

Ultra-safe rail tank cars (CPR Crash Protected Rail Tank Car)

The new builds for transporting chlorine put into operation in 2005 proved their effectiveness during an accident in Sweden. The special protective elements devices that VTG helped to design, such as the crash buffers, protective tank shield, overbuffering protection and longer headstock of the wagons, prevented product leakage from the derailed units, some of which turned over.

VTG is “on the right track” with these innovations for minimizing risks in rail freight transport.

The CPR wagon concept has been accepted by customers and demand for it is on the increase. VTG has thus ordered a significant new build programme for this wagon type. Parts of the safety systems that VTG helped to develop will be used as basis for the new registration of vehicles in future. This represents another vital contribution towards optimizing the safety of rail transport services for hazardous goods and protecting nature and the environment as effectively as possible.


VTG

VTG Aktiengesellschaft

Nagelsweg 34 · D-20097 Hamburg
Phone: +49 40 2354-0
Fax: +49 40 2354-1199

info@vtg-rail.com
www.vtg-rail.com

Concept and realization
DWS Werbeagentur GmbH, Duisburg

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Frank Reinhold, Düsseldorf

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