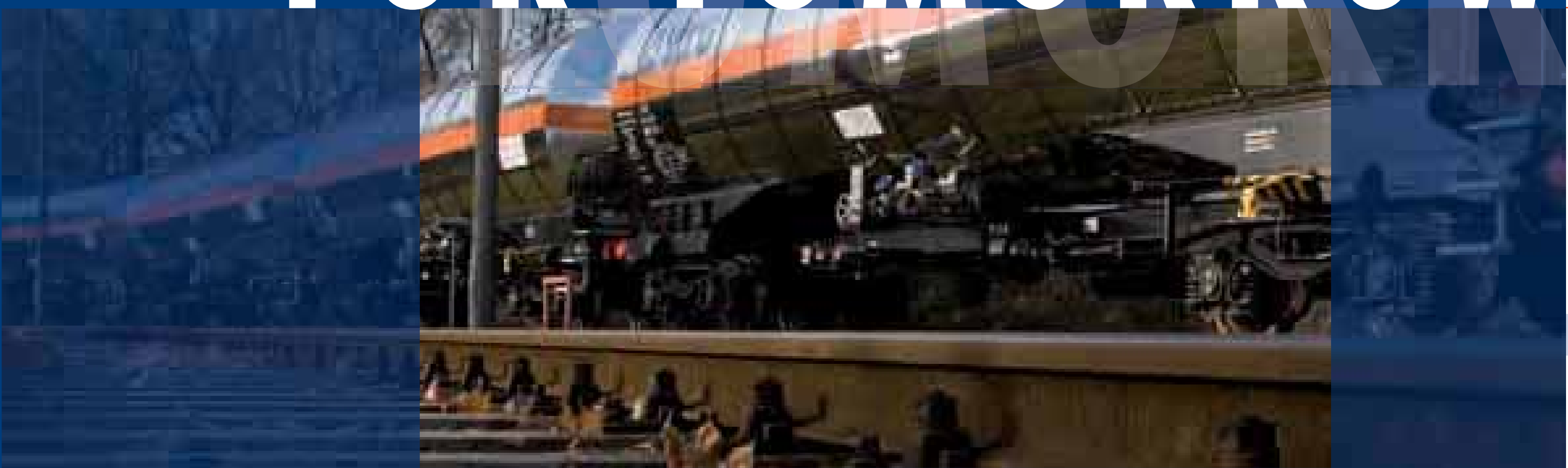
Creating values

TODAY FOR TOMORROW



Annual Report 2008

VTG Aktiengesellschaft

The railway is our passion

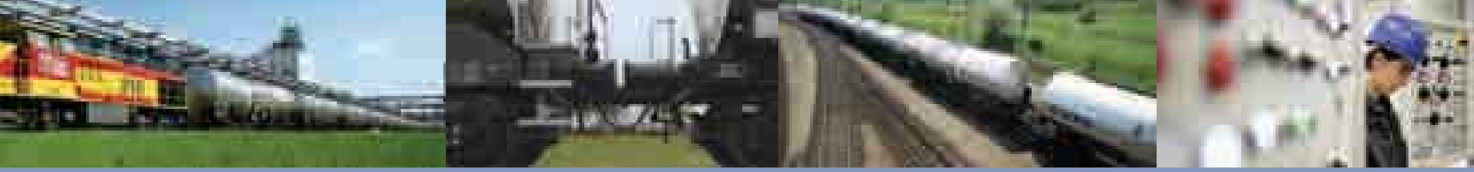
VTG is one of Europe's leading **wagon hire and rail logistics companies,** with the **largest privately-owned wagon fleet in the region.** We provide not only wagon hire and diverse logistics and forwarding services but also international door-to-door transports by tank container. We offer our customers a comprehensive service adapted to their individual requirements. Worldwide, some 1,000 well-known companies benefit from our expertise, gained from decades of experience. A particular area of expertise is the transportation of sensitive goods. Our customers also benefit from our innovative approach and the passion of our staff for the railway. In all, what VTG delivers is complete efficiency and the greatest possible safety.

Our workforce is expert at using the specialist tools at its disposal for the particular purpose of transporting sensitive goods efficiently, safely and reliably. Not only is this a strength evident in all of our processes, it is also a mainstay of our success and our international growth strategy.

VTG GROUP AT A GLANCE

€ m	2007	2008	Change in %
Revenue	541.3	608.7	12.4
EBITDA	137.0	156.4	14.2
EBIT	68.4	75.6	10.5
Group profit (comparable)	19.1 *	27.9	45.9
Depreciation	68.6	80.8	17.8
Investments in fixed assets	116.7	140.9	20.7
Cash flow	116.9	149.6	27.9
Earnings per share (comparable) in €	0.87 *	1.26	44.8
Dividend per share in €	–	0.30	100.0
Blanace sheet total	1,165.9	1,240.5	6.4
Non-current assets	990.6	1,081.2	9.1
Current assets	175.3	159.3	–9.1
Shareholders' equity	278.7	288.4	3.5
Liabilities	887.2	952.1	7.3
Number of Employees	814	1,004	23.3
in Germany	510	674	32.2
in other countries	304	330	8.6

* Taking into account special tax effects, Group profit for the year 2007 amounted to € 49.7 million and earnings per share € 3.94.



Milestones

January 2008

Successful acquisition of Texas Railcar. Over the year, Texas Railcar acquires some 800 additional wagons, increasing its fleet by around 80 per cent.

February 2008

Sale of share in the railway company rail4chem. The company was established in the year 2000, with the aim of increasing competition in rail freight traffic.

June 2008

First general meeting of shareholders since the IPO: the VTG shareholders approve all proposed resolutions with over 99 per cent of the votes.

June 2008

Expansion into East Asia intensified: VTG enters into a joint venture with Cosco Logistics and begins operations in Chinese tank container transport.

September 2008

After a good year as a listed company, VTG enters the SDAX.

WAGON HIRE

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

Emlpoyees	679 *
Wagons	49,600
Geographical presence	Widespread network of own operational centres and branches throughout Europe and beyond
Revenue € million	294.1
EBITDA € million	152.5

* Excluding 120 employees at Head Office; total number of employees as at 31st December 2008: 1,004

** EBITDA adjusted for special effects

RAIL LOGISTICS

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

Emlpoyees	95 *
Wagons	4,000 (hired)
Geographical presence	Focus on Europe with own operational centres
Revenue € million	177.7
EBITDA € million	6.3 **

Milestones 2008

2008

September 2008

VTG launches a new preventative maintenance programme. A mobile inspection team checks wagons on site at the customer's premises and replaces worn parts. This saves on time spent at the workshop and increases the time the wagon is at the customer's disposal.

October 2008

VTG subsidiaries pass SQAS audits again: VTG's services meet rigorous international standards in terms of quality, safety, and environmental requirements.

October 2008

With the acquisition of wagon manufacturer Graaff, VTG secures important production capacities and outstanding technical expertise for the building of special freight cars.

November 2008

VTG significantly increases sales and EBITDA operating profit in the first nine months, affirming its forecast for the year 2008.

MILESTONES

TANK CONTAINER LOGISTICS

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

Emlpoyees	110 *
Tank containers	8,200
Geographical presence	Worldwide presence with own operational centres and branches
Revenue € million	136.8
EBITDA € million	9.6

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CREATING VALUES TODAY FOR TOMORROW

Our business is a long-term one. Our customers hire our wagons over an extended period, since goods are transported with our wagons not just occasionally but on a regular basis. As a key element of the logistics chain, we deliver important materials for meeting the basic supply needs of industry, thereby ensuring ongoing production. Particularly where large quantities must be transported over long distances, rail freight transport is unrivalled in terms of energy efficiency.

Our thinking is long-term because it reflects the nature of our business. Indeed, our freight cars have an average service life of up to 40 years. When we make a strong commitment to safety, it is also out of a desire to preserve the environment. When we enter into relationships – with employees, customers or business partners – we take on the accompanying responsibility completely. When we grow, then we do so in the knowledge that it's not about speed but quality.

Transport of freight by rail is constantly increasing. In Germany, rail freight traffic grew by almost 5 per cent in 2008. This mode of transport is already displacing transportation by truck at an annual level equalling a line of trucks stretching 1.3 million km – that is, 33 times the circumference of the earth.

GROWTH WITHIN THE BIGGER PICTURE:

One aspect of this is the necessity of cost-efficient, environmentally friendly methods of freight transport. Another aspect is exploiting this market potential intensively through sustainable growth.

Transport of freight by rail is continually increasing. VTG recognizes the potential of this mode of transport and is growing continually, step by step, while constantly keeping the bigger picture in view. Both new markets and the special requirements of the industry are equally promising for achieving this sustainable growth. VTG has pushed on with its global growth by building up a presence in North America and gaining a share in the Chinese logistics provider Cosco Logistics. To support the further organic growth of the company, VTG is expanding, modernizing and diversifying its wagon fleet and has successfully purchased a wagon manufacturer. With this move, VTG has secured a significant part of its basic supply needs in terms of the building of new, specialized wagons and can also push ahead with technical innovation.

FOR TOMORROW

According to the German Federal Ministry of Transport, freight traffic will rise by a further 74 per cent by 2025. Given the current situation in terms of ambitious targets for CO_2 reduction and the need to increase energy efficiency, the diversion of this traffic to the railway is exactly what is required.

The railway is much safer for transporting hazardous goods than transport by truck. For the same transported volume, the accident rate for road transport of hazardous goods is 40 times that of rail transport.

PRESERVING THE ENVIRONMENT:

Our wagons are required for transporting highly sensitive goods safely and reliably. No other mode of transport compares in terms of safety.

VTG works continually to keep increasing the safety and quality of its wagons and transports. This is borne out by the fact that these have repeatedly passed the audits required for accreditation according to international standards. But VTG wants to achieve more than just what is mandatory. As an operator of the key means for transporting sensitive goods, the company is well aware of its responsibility, including that to the environment and to society as a whole. To improve the safety of its wagons further, VTG is extending the technical support offered by its own and external repair workshops through the addition of mobile inspection teams. This preventative measure is helping enhance wagon reliability as well as increasing the time the wagon is at the customer’s disposal.

FOR TOMORROW

The transportation of hazardous good is a necessity, since chemicals are part of everyday life. Indeed, not only do heating systems and engines need fuel, but industry also cannot function without basic chemical supplies for its production processes. The railway is the safe way to transport these materials. It is essential that we build on its strengths.

Quality certifications in 2008
SQAS Rail audit
SQAS Transport Services audit together with CDI-mpc audit
IBS-Q1 Certificate of the Community of European Rail Forwarders

VTG's members of staff are the key to the company's solid base of expertise. They bring their skills, capabilities, talents and knowledge to the company and are always focused on the customer in improving processes, products and services.

MAKING CONSCIOUS COMMITMENTS:

We see economic success as inextricably bound up with corporate responsibility.

VTG orients its services completely towards the customer. The objective is a high level of customer satisfaction. A key factor in fine-tuning this is the expertise of employees and their enthusiasm for the railway. VTG is well aware of the strengths of its experienced members of staff and is systematically developing their skills further. VTG's safety experts are in great demand due to their breadth and depth of knowledge about wagons, tank containers and rail transports as well as the safe handling of hazardous freight. They also provide training on all aspects of safety to the specialist staff of customers and of external agencies such as the fire service and railway companies.

FOR TOMORROW

People form bonds with each other. If a person feels a bond with another, then he acts responsibly. He puts his all into whatever is required beyond the call of duty.

The average length of service of VTG employees is 16 years.

FOREWORD BY THE EXECUTIVE BOARD

Ladies and Gentlemen:

The Executive Board (from left):
Dr. Kai Kleeberg, Chief Financial Officer (CFO)
Dr. Heiko Fischer, Chairman of the Executive Board (CEO)
Jürgen Hüllen, Chief Technical Officer (CTO)

2008 was a very successful year for VTG, in which we systematically continued on our path of growth. We built on the foundation of our strong operating activities to systematically consolidate our leading market position and expand operations. We have thus achieved global growth, in line with our stated intention. In the course of this, our operating profit has actually surpassed expectations.

Sustainable growth in 2008

With our balanced business model in the three divisions of Wagon Hire, Rail Logistics and Tank Container Logistics, we have created an excellent equilibrium between mobile freight transport solutions that are well integrated into the transport infrastructure and flexible logistics units requiring little labour and with a very flexible cost structure. We have used this position purposively in 2008 to continue on our sustainable path of growth through ongoing, reasonable evaluation of the current situation.

Through organic growth in Europe and acquisitions in North America, we were able to extend our wagon fleet further to some 49,600 freight cars. In doing so, we expanded our wagon portfolio continually with the addition of new freight car segments. To continue to secure our basic supply needs in terms of rail freight cars, we gained our own production facility in July with the takeover of the German wagon manufacturer Graaff. This not only makes us less susceptible to shortfalls in supply in the market for the construction of special wagons, but is also providing us with a platform for design and innovation. Through this, we can offer even better products and solutions.

Since expanding into the North American wagon hire market at the start of 2008 through the acquisition of Texas Railcar, we have gained a foothold in this market and are now working on increasing our wagon fleet gradually through targeted acquisitions. Over the course of 2008, we have already expanded our wagon stock in North America by 80 per cent, to some 1,800 wagons, almost all of which are on long-term lease. Here, we are concentrating in particular on distributing risk by broadening our customer base and our portfolio of wagon types. Furthermore, we want to exploit high-potential, advantageous acquisition opportunities and achieve a fleet volume of around 10,000 wagons.

Since we also see great growth potential for the rail freight traffic market in Russia and the CIS, we have recently established a subsidiary in Moscow. We are already pushing ahead with the first projects with customers there as well as with developing innovative prototypes. In China, we have further intensified our operations in the Tank Container Logistics Division and entered into a joint venture with the largest Chinese logistics group, Cosco Logistics. After many years' experience in the transportation of imports and exports to and from the Chinese seaports, this is also enabling us to gain direct access to the internal Chinese freight traffic market, which is showing dynamic growth.

Growth was a strategic objective for VTG in 2008 and will remain so in the future. For VTG, however, achieving this growth is based on the principles of sustainability and creating lasting values: this means doing today what we also intend to be doing tomorrow.

Anticipated sales and earnings exceeded

The high performance of VTG in 2008 is reflected in the figures for the year. Group revenue was pushed up by 12.4 per cent on the previous year to € 608.7 million. This means that the forecast for sales made back in August 2008 has been far exceeded. In the case of EBITDA operating profit, the figure achieved actually surpassed the uppermost figure of the forecast, with an increase of 14.2 per cent to € 156.4 million.

The VTG share, which was included in the SDAX selection index just 15 months after the IPO, emulated the positive trend in the business only sporadically, however. Ultimately, our share was not spared the effects of the volatile developments on the global stock markets and yielded to the general trend. Nevertheless, we are pleased about the positive feedback from many shareholders on our strategy and the path we are taking, including those who had to leave us due to liquidity losses.

Success even in weakening economic situation

In 2008, the weakening economic trend resulting from the financial crisis affected many industries. In this difficult year, however, VTG has so far been affected only slightly. Up until late autumn, it was still proving difficult to meet completely the high demand for freight wagons and freight traffic services. The reason for this is that our wagons and services are to a significant extent an integral part of the network supplying industry with basic materials. Indeed, as long as the entire economic system is not destabilized continually over a long period, this supply base will by its very nature remain less susceptible to economic fluctuations. Particularly in the case of the Wagon Hire Division, this feature sets the company quite fundamentally apart from many economy-driven companies in the logistics sector. In the logistics divisions, we are also benefiting from rising energy prices and transport costs, which are also set to keep rising over the long term. As an energy-efficient carrier, the railway has clear competitive advantages, particularly in terms of transporting large quantities over long distances.

In the fourth quarter of the year, the vitality that up until that point had still been seen in many industrial sectors – for instance in the automotive sector and the chemicals industry – ebbed away, in some cases very suddenly. While VTG's wagon hire operations remained stable despite a slight drop in capacity utilization due to declining demand in the automotive industry, tank container transport operations, with their strong focus on chemicals, felt the first effects of the weakening economic situation.

Prepared for stormy times ahead

2009 will be a difficult year for the global economy. Nevertheless, we are confident that VTG is well-equipped to meet the challenges ahead. We have some 1,000 customers from all different branches of industry and most of these relationships are of many years' standing. This makes us less dependent on the economic fortunes of individual companies or sectors. The demand for rail freight space remains as high as ever in many branches of industry served by our fleet. Examples are the energy sector (petroleum products, biofuels, power station coal, liquefied petroleum and fuel gases) and the agrochemical industry. Another key element that contributes to our stability is Wagon Hire's long-term contracts: in general, a customer with a wagon on long-term hire simply cannot return a wagon at unagreed short notice. Any such return would also involve high costs for transport and cleaning. We are of course also being affected by the persistent, deep recession; however, our business model cushions us somewhat from the effects of this, with the impact being delayed and weakened. Additionally, our financing is secured over the long term, giving us room to manoeuvre in terms of new business. Furthermore, this is enabling us to continue on our path of sustainable growth and exploit opportunities around the globe.

It is far from easy to make any forecasts for the year 2009. Not even the economic experts agree on their predictions at present. After the rapid growth of business in 2007 and 2008, and in the current difficult economic environment, we expect that sales and operating profit for 2009 could be slightly below the figures for 2008.

Credit for the fact that we are facing so few obstacles in these stormy times is not least due to our experienced, motivated employees, whom we wish to thank for their great commitment. We also wish to extend our thanks to our customers, shareholders and business partners for the confidence they have placed in us. Overall, we are confident that VTG Aktiengesellschaft can continue on its successful path in 2009 in a much more difficult economic environment. We have made every endeavour to ensure our boat is watertight and would be pleased if you were to continue to accompany us on our journey!

Yours sincerely

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

STRATEGY

As a rail logistics and wagon hire company operating on an international scale, VTG is pursuing a solid strategy of worldwide growth in the Wagon Hire, Rail Logistics and Tank Container Logistics divisions. One element of this strategy is the consolidation of VTG's leading position in the core market of Europe and the diversification of services to other sectors. In addition to this, the company is expanding into new markets. Finally, ongoing optimization of processes and efficiency complete the picture. This strategy is being pursued by people who have a passion for the potential of rail transportation and are committed to creating a healthy balance of quality, safety and reliability.

Sustainable, profitable growth

VTG operates a fleet of more than 49,600 wagons worldwide, making it the largest private wagon hire company in Europe. With a diverse base of customers, long-term relationships and diversified services and wagons primarily used for transporting goods to meet the basic supply needs of industry, the company is generating stable earnings. VTG wants to strengthen its lead even more in our core market of Europe, relying primarily on the already strong position of all our divisions in the transportation of liquid and sensitive goods. Additionally, VTG is diversifying its range of services to accommodate the needs of other branches of industry. One measure being taken here is the development of new wagon types by the company to accommodate the freight space requirements of more branches of industry.

VTG is pushing on with growth in all divisions in the core market of Europe, primarily in eastern and south-eastern Europe. The growth of VTG in this European market will be mainly organic. VTG will also be buying additional used and new wagons. On top of this, VTG has, through the takeover of Waggonbau Graaff, secured some of the necessary production capacities for much sought-after rail freight wagons and can utilize the existing construction expertise at Graaff to develop new wagon types and technical features.

Another step in VTG's strategy of sustainable growth is its expansion into new markets outside Europe. Since entering the North American market at the beginning of 2008, VTG has increased its wagon fleet there by some 80 %. The company also intends to expand its wagon hire activities gradually in this market. While VTG is already represented in Russia in terms of tank container logistics, its has just set up a subsidiary in Moscow for wagon hire, with the aim of achieving entry to the markets of the Commonwealth of Independent States (CIS) via Russia. The CIS, with the largest rail network in the world and its rich reserves of raw materials, has considerable potential. Demand for freight space and rail freight services has remained at a constantly high level. International shipments between Asia, Europe and North America are also continuing to increase. Intercontinentally, the company provides mainly tank container logistics services. Being independent from the mode of transport, the tank container is flexible and, since it is the tank that is loaded and unloaded and not the contents, it is also safe. To expand operations further, VTG is strengthening its tank container logistics activities in Asia and has entered into a joint venture in China with Cosco Logistics.

VTG's sustainable growth is built on continual optimization and the increased efficiency this brings. In line with this, the company has secured its own wagon building capacities, expanded its value chain and is now integrating its newly acquired wagon construction plant seamlessly into its procurement processes. The company is benefiting from synergies in terms of the procurement of components required in particular for the maintenance of VTG's own wagons, but also needed by the production plant. VTG can now also test innovations and developments directly on its own production premises and implement these accordingly. The close collaboration of the various divisions generates further synergies. Thus, not only can VTG frequently provide its own wagons for rail logistics services, but can also offer customers both wagon hire and rail logistics services as a single provider. Moreover, the divisions are now supported by the Corporate Center, whose remit includes responsibility for human resources, finance, financial controlling, IT and group-wide communications.

All of the steps we are taking towards growth are based on the foundation of secure, long-term financing of the VTG Group. Here too, the company's actions are taken with sustainability in mind. Our solid financing strategy is creating sufficient scope for pushing the company forward while still being able to grow sustainably even in strained economic conditions.

Focusing on safety, quality and reliability
VTG's enthusiasm for the railway with its logistical and technical possibilities is the driving force behind the company's commitment to achieving its high standards of safety, quality and reliability. It is this passion that makes us push the boundaries and promote industry-wide developments such as higher quality and safety standards, the use of quieter braking systems and emission reduction measures. Indeed, in our own construction plant and workshops, the emphasis is on energy efficiency, air and water emission reduction, waste management and noise control. Moreover, chemicals are subject to strict controls, in terms of both the use of these in production processes as well as their residue in wagons to be cleaned. VTG ensures they are handled and disposed of in an environmentally safe manner.

In addition to the objective of continually improving its own services, VTG is actively working towards the development of rail freight traffic as a whole, with the aim of improving the position of the railway within the modal share. VTG also plays a decisive role at both the national and international level in the work of various associations and committees on technical and legal regulations relating to rail freight traffic. This includes contributions to the development of the General Contract of Use (GCU) – a contractual framework regulating the cooperation of freight wagon proprietors and companies utilizing such wagons – as well as to the Technical Maintenance Guidelines of the German Union of Private Goods Wagon Companies. VTG is also helping promote rail freight traffic through the RETRACK consortium (REorganisation of Transport networks by advanced RAil freight Concepts). VTG's experts bring their knowledge to this collaboration to push ahead developments and improve rail freight traffic even further. It is their aim to firmly establish this mode of transport – which is the safest and, compared to air and road transport, the most environmentally friendly – firmly in the logistics chain of companies. For this reason, VTG is continually bringing the environmental and economic advantages of the railway as a carrier to the attention of industry and the public at large.

A never-ending commitment to expertise

To improve the quality of transportation by rail, the training and professional development of staff is vital. Today as ever, conventional educational approaches alone fall short in imparting the broad knowledge and expertise required for the hiring of wagons (some of which are highly specialized), for organizing shipments involving all aspects of the railway and for the handling of sensitive goods. This is why VTG is channeling its energies in particular into the next generation of experts. Indeed, in Germany alone, four out of every hundred VTG employees are trainees. Beyond this, it goes without saying that all our members of staff are provided with individual advice on opportunities for further training and professional development.

In addition to its own staff, VTG also trains the staff of customers, public authorities, the fire service and the police in the handling of sensitive goods. Since 2001, the company has delivered seminars and workshops to some 2,000 people on the proper handling of wagons for sensitive goods. VTG has gained its broad base of knowledge over many years, building on it through regular exchange with its customers. For this reason, when it comes to providing assistance, VTG also has the confidence of the experts in the emergency services.

Integrating the needs of the customer

VTG's activities are systematically customer-oriented, with the customer always at the centre. For VTG employees, this means being mobile, flexible and systematically developing their skills. With its measures for ongoing improvement of quality and safety, VTG is achieving a good price/performance ratio, a rapid response rate for services and high process and product quality.

The company's preventative maintenance programme for tank wagons demonstrates how closely VTG is working in harmony with the customer's needs. Together with the US-based Dow Chemical Company, VTG has developed an innovative service. A mobile inspection team checks the wagons on site and replaces worn parts as required. The customer benefits from the time this saves as this increases the wagon's availability for use, meaning better capacity utilization.

MARKETS

VTG is operating in an attractive market environment with good long-term prospects of growth. It is a market leader in each of its three divisions. The market is also showing good potential for expanding VTG's operations.

Increasing freight volume

With economic globalization, freight volume is also growing. The division of labour in industry and outsourcing to suppliers mean that international demand for the transportation of raw materials and semi-finished and finished goods is rising. According to industry experts, the markets that are relevant to VTG will grow in the long and medium term. Thus, according to SCI Verkehr, the volume of rail freight traffic globally will rise by 3.6 per cent between 2009 and 2019. Moreover, the European Rail Industry expects the global rail freight traffic market to grow by 2.0 – 2.5 per cent annually until 2016. The Berlin-based Institute for Mobility Research estimates that the annual volume of goods being transported by rail between eastern and western Europe will increase from 2005 to 2030 by some 15 million, to 36 million metric tonnes.

The railway – the right choice for growth and the environment

In addition to increasing freight volume, interest is likewise growing in energy-saving transport concepts. These are becoming more important due to greater environmental awareness and rising energy costs. This is benefiting the railway: in terms of climate change and damage to the natural environment, noise pollution and accident rates, it performs much better than other modes of transport. Greenhouse gas emissions with freight transport by road are five times the level of rail transport, while truck transport generates twelve times as many harmful pollutants. And in terms of external costs, the railway scores points too. Indeed, according to the German Pro-Rail Alliance, at € 19.00 per thousand tonne kilometres, the costs are significantly lower than those for road transport, at € 88.00. External costs include the costs of damage to health and the environment through atmospheric pollution, climate change, noise pollution and land take as well as expenditure on accidents and traffic congestion. From an economic viewpoint, the advantages in terms of energy efficiency and safety make the railway an attractive mode of transport for freight. For the same transport volume, trucks use more than four times as much fuel as the railway, making it much more costly. And with a hazardous materials accident rate of only 0.34 per billion tonne kilometres, the railway is a good forty times safer than transport by truck.

Expanded, interlinked transport networks

In addition to its superiority in terms of safety and energy efficiency, the railway is also benefiting from the increasing liberalization and harmonization of the European rail network. This is greatly simplifying cross-border transports, making rail transports faster, cheaper and more flexible than ever before. Goods can now be transported over ever-longer distances, making rail freight traffic even more attractive in terms of both price and performance. Particularly when it comes to covering longer distances, the railway is the most attractive mode of transport.

The railway as a carrier is also playing an increasingly central role in the transportation of tank containers. Particularly for door-to-door transports within Europe, customers are increasingly favouring the railway over the road due to its reliability, safety and environmental credentials. Beyond this, rising demand for tank container transports can be expected over the medium to long term in overseas markets. The increase in these transports in Asia in recent years has been driven by the dynamic growth in China and India, which has benefited the entire Asia-Pacific economic region.

MARKETS SUFFERING THE EFFECTS OF THE GLOBAL FINANCIAL CRISIS

The international financial markets in 2008 were clearly thoroughly affected by the negative impact of the US real estate crisis. The aftermath of this brought huge collapses in the banking sector. In particular, the bankruptcy of the American investment bank Lehman Brothers in September and write-offs running into billions among almost all big-name financial providers meant that the real estate crisis grew into a global financial crisis, leading to considerable loss of confidence in the capital market. State intervention in the financial system and repeated cuts in the key interest rates of the central banks were unable to prevent the crisis in the capital market from encroaching on the real economy. Whereas economic forecasts at the beginning of 2008 were still thoroughly positive, by the end of the year large sections of the global economy found themselves in a recession.

On the international markets, these developments brought unusually volatile price movements with high sales volumes. Particularly in the second half of the year, there were extreme drops in all shares and their indices. Thus the German DAX benchmark index, comprising the 30 shares which best reflect the dominant industries in trading on the Frankfurt Stock Exchange, forfeited 39.5% of its value between January and December. Investors lost confidence in the markets – in some cases almost across the board – and reacted almost with panic during this time. Due to investors' high liquidity requirements, shares and entire portfolios were sold. This development was partly imposed by stop-out price levels being reached, at which level sale was mandatory. At the end of the year, the markets calmed down slightly; however, the hoped-for year-end rally on the stock exchanges fell far short of expectations. Experts anticipate that the crisis in the financial markets will continue in 2009 and that, at the earliest, recovery can be expected only in the second half of the year.

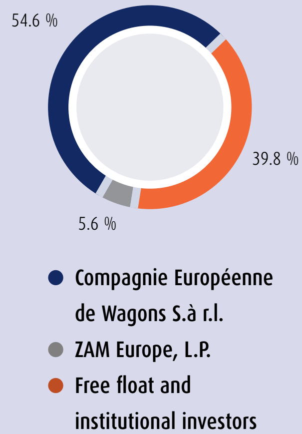
Share data

WKN	VTG999
ISIN	DE000VTG9999
Stock exchange abbreviation	VT9
Index	SDAX, CDAX, HASPAX
Share type	Non-par-value bearer share
No. of shares (31.12.)	21,388,889
Market capitalization (31.12.)	€ 160.4 m
Stock exchanges	XETRA, Frankfurt, Berlin, Düsseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Year-end rate *	7.50 €
Annual high *	17.05 €
Annual low *	6.65 €
Average daily turnover	20,005 shares

* All share information is based on Xetra daily closing prices.

Share price VTG share (1st January to 31st December 2008)

Shareholder structure



Share price under pressure despite positive VTG growth

The VTG share was also not spared the effects of this difficult market environment, suffering some sharp drops in price. This, however, did not reflect the very good operational performance of VTG, which continued to develop positively over the whole of 2008.

With its business model, VTG is oriented towards the long term and has also remained firm in a challenging market environment. The share price did not reflect this in 2008. Having begun the year at € 16.90*, the share reached a temporary low on 20th March, at € 8.60. It then recovered again quickly and in May reached its highest level for the year, at € 17.05. From the summer onwards, the VTG share also succumbed to the general slump in the financial markets. At first it did in fact remain relatively firm but then lost considerable value, reaching an annual low on 18th December, at € 6.65. This was despite forecasts of increased sales and EBITDA operating profit for the financial year 2008. At the end of the year, it was listed at € 7.50. This resulted in a market capitalization of € 160.4 million.

Shareholder structure includes another major shareholder

According to the most recent voting rights information, the largest shareholder, Compagnie Européenne de Wagons S.à r.l., Luxembourg, had 54.6 per cent of the share capital of VTG and another major shareholder – ZAM Europe, L.P., Greenwich, Connecticut, USA – had 5.6 per cent. This gave a free float of 39.8 per cent. The free float was held primarily by institutional investors in Anglo-American countries. It did, however also include investors from France, Italy, Switzerland and Germany as well as private investors.

Proposal to issue a dividend for the financial year 2008

Due to the positive developments in the business in 2008, the Executive Board of VTG Aktiengesellschaft remains committed to proposing to the 2009 general meeting of shareholders payment of a dividend of € 0.30 per share for the financial year 2008. Thus these investors in VTG can share in the financial success of the company.

* All share information is based on Xetra daily closing prices.

Active communication and promotion to the SDAX

VTG used the first financial year after the IPO to build up and strengthen important contacts in the capital market. The aim was to familiarize all those interested in the company with its business model and to explain it in detail. To achieve this, VTG actively established contact with institutional and private investors. The company also attended conferences in the key financial centres as well as organizing roadshows.

The promotion of the VTG share to the SDAX selection index was an important event. After only just over a year as a listed company, on 22nd September, the share was included in the small-cap index of Deutsche Börse AG. This has given the share a higher profile both generally and on the capital market.

VTG will continue in 2009 with its policy of open, transparent communication, despite the fact that the capital market environment is expected to be strained. It is at times of such great uncertainty such as these that the right approach is to ensure confidence through continuity and openness. Thus VTG is continuing to actively seek out both institutional and private investors, the attention of the media and other interested parties of relevance and answer all their questions openly. For the coming year, VTG is again planning a large number of roadshows, attendance at investor conferences and meetings with potential investors.

Another area VTG is concentrating on is the stepping up of research coverage with the aim of providing the fullest picture possible of VTG. At the end of 2008, a total of ten financial analysts evaluated the VTG share. To this end, VTG is intensively fostering its contacts with analysts in the relevant institutions.

Reports of analysts on the VTG share *

Institution	Analyst	Date	Recommen-dation	Price target (€)
HSH Nordbank	Claudia Erdmann	04.03.2009	Buy	14.30
UBS	Dominic Edridge	25.02.2009	Buy	8.00
Unicredit	Christian Obst	25.02.2009	Buy	12.00
Commerzbank	Frank Skodzik	23.02.2009	Buy	12.00
SES Research	Finn Henning Breiter	23.02.2009	Buy	11.00
CA Cheuvreux	Sebastian Kauffmann	23.02.2009	–**	–**
SRH AlsterResearch	Claudius Schmidt	23.02.2009	Buy	12.00
Berenberg Bank	Christian Ludwig	24.11.2008	Buy	10.00
Viscardi	Robert Willis	22.07.2008	Buy	17.00
Goldman Sachs	Oliver Neal	27.05.2008	Buy	20.90

* To the best of our knowledge, this list contains the key sell-side analyses available to us on the VTG share. VTG accepts no liability for the completeness of this information. The opinions of the analysts, with their prognoses, estimates and predictions about the performance of the VTG share only reflect the views of these analysts and do not represent the views, prognoses, estimates or predictions of VTG or of the Executive Board of VTG. The fact that VTG is making these assessments by analysts available does not mean that the company endorses or agrees with their reports, conclusions or recommendations.

** At the request of the institute, this information is not to be provided.

This list is for information purposes only and does not constitute an invitation or solicitation to buy, hold or sell securities.

SHARE INTERVIEW

What is especially important to you about communication in the capital market?

Dr. Kleeberg: Even though, as a company, we can look back on almost 60 years' experience in the business, we are nevertheless a newcomer on the stock exchange. For this very reason, open, active communication is especially important so that we can explain to shareholders, interested parties and particularly to potential investors how we earn our money. We want to convince them of our quality provision and reliability. For us, this also involves continually developing our financial reporting and taking on board the feedback from the capital market and putting this into action. Therefore, we place high value on sustainable financial communications.

What do you mean by sustainable financial communications?

Dr. Kleeberg: For us, sustainability means choosing our statements so that they also hold up over the longer term. In doing so, we are concerned with using business tools to portray our business model clearly and reliably. That is what we understand by credible investor relations. To us that also means keeping this communication going at the same level of intensity, in good times as well as in difficult times.

What do you see as the biggest challenge in the coming year?

Dr. Kleeberg: Our share price is currently not reflecting our successes but has sunk too, in line with the generally difficult market situation. Therefore, quite independently of the market price, it makes sense to portray the positive performance of the company clearly. The VTG business model is based on long-term planning and long-term contracts. This is why – and past performance has demonstrated this repeatedly – our business remains steady and doesn't just have a reflex reaction to crises and economic fluctuations.

WAGON HIRE

The open freight car is used for transporting freight such as quartz sand. This is an important material in the manufacture of flat glass, which is used in **photovoltaics,** for example.

Through its largest division, Wagon Hire, VTG provides a rail freight car hire service in Europe and North America. The company also operates and manages external wagon fleets. Furthermore, the fact that the division has its own wagon construction plant and wagon repair workshops means that VTG can develop and implement new technologies.

A diverse wagon fleet around the globe

Our worldwide fleet of some 49,600 wagons comprises more than 1,000 different wagon types. These include chemical, petroleum and compressed gas tank wagons and modern high-capacity, flat and sliding wall wagons. A wagon must not only be suitable for the freight in question but must also be compatible with the rail system being used. The VTG fleet provides wagons for these different requirements and our members of staff also have the requisite knowledge of international regulations and how these are implemented locally. Thus VTG is well-equipped to cope with the ever-increasing distances and cross-border traffic involved in transports. VTG has a comprehensive network in operation to offer individual advice and assistance locally. The company offers direct advice across Europe at its sales and service support centres.

Continual fleet expansion and regular maintenance through own plants

VTG is expanding and diversifying its wagon fleet continually and thereby also opening up new market segments. The fact that the company has its own wagon repair workshops and construction plant plays an important role in this. The workshops and construction plant not only complete the picture, but also provide a platform for VTG to develop and implement innovative technical concepts. With the wagon construction plant, VTG is able to cover some of its requirements for special rail freight cars. Meanwhile, the service requirements of part of the VTG fleet are taken care of by the three repair workshops. The workshops carry out maintenance work on both VTG and external wagons. This work includes general inspections, checks of tanks and containers, repairs and conversion work as well as wheel set work.

Through servicing the wagons regularly ourselves over their operational life (up to 40 years), VTG has gained direct knowledge of the demands made on the wagons and insights into how to improve them. Thus the repair work also provides an impetus for innovation and feeds into the company’s base of technical expertise. Moreover, by carrying out our own maintenance work, the cost of this remains transparent and benchmarks are set for prices, lead times and quality for such services procured from external providers.

Actively promoting safe transportation

VTG is expert in the safe transportation of sensitive goods, organizing Europe-wide rail transports, global tank container transports and leasing wagons for transporting goods safely. It goes without saying that the tank cars for transporting hazardous materials meet all the particular requirements. A hazardous materials officer monitors the observance of these requirements and regular audits are carried out as part of the quality management process, ensuring that the standards for wagons and transportation processes are being complied with. To ensure greater safety, wagons are increasingly being equipped with crash buffers, tank shields and buffer override protection. These measures ensure that, even in the event of an accident, the freight is even better protected than previously, preventing freight spill and thereby averting danger to both humans and the environment.

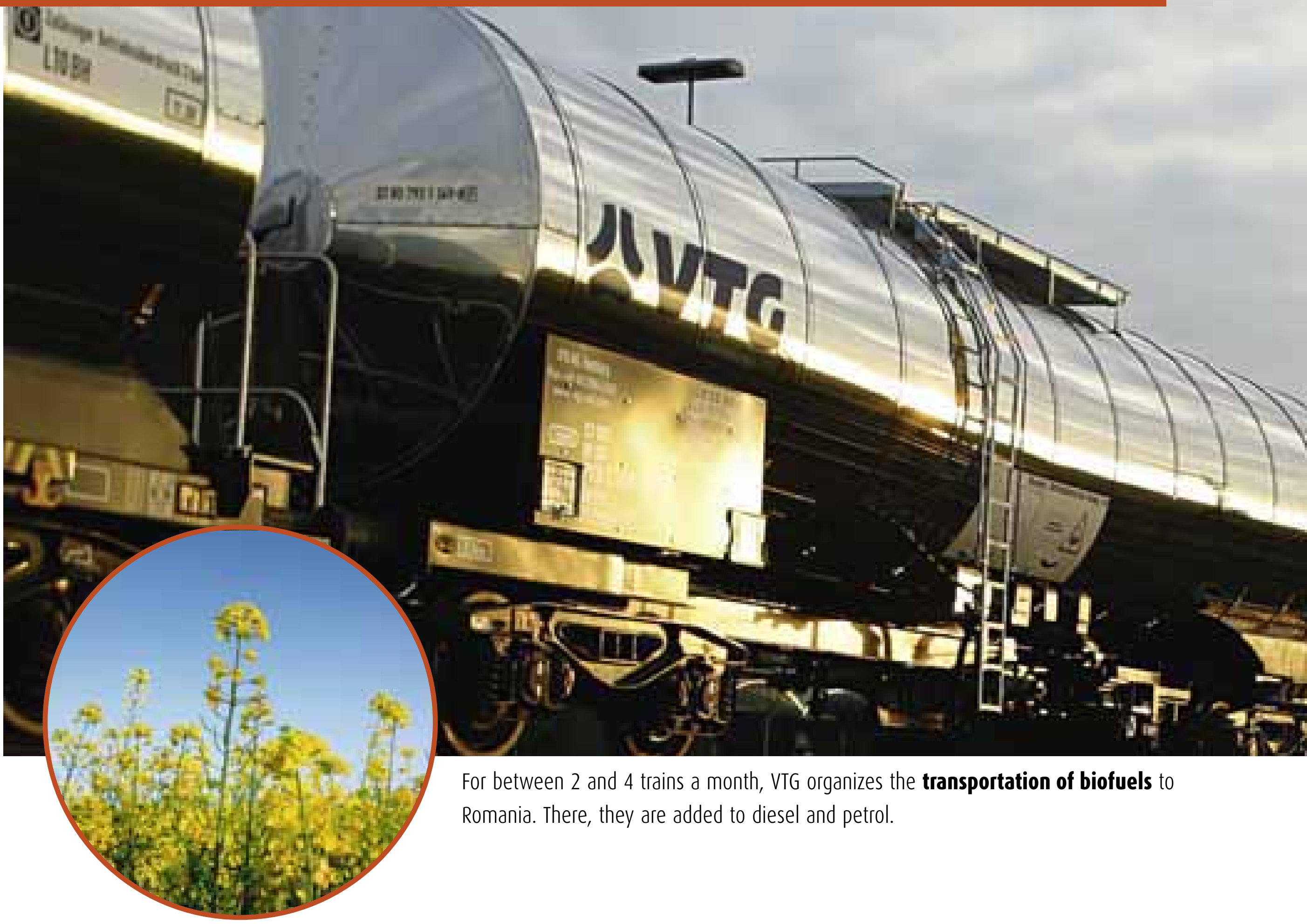
If, despite these measures, hazardous material spills from a wagon or a wagon is involved in an accident, the company is also expertly equipped to deal with this. VTG has a sophisticated emergency response system to deal with any such serious incident and assists the customer’s and rail operator’s staff as well as emergency services such as the fire service.

VTG is active in ensuring that its expert knowledge is passed on, with the Wagon Hire Division also providing advice and training. The wisdom of our rail freight experts, gained from many years’ experience, is much sought after, particularly when dealing with hazardous goods. And those who choose us to manage their wagon fleets also benefit from VTG’s full expertise.

Organic growth and global expansion

Our customers are showing their appreciation of the commitment of VTG to quality service to the extent that the company has been able to maintain capacity on a high level. In wagon hire, VTG is also actively pursuing international growth in new markets. Currently, the focus is on the expansion of operations in the US as well as on entry into the CIS, commencing with Russia.

RAIL LOGISTICS



For between 2 and 4 trains a month, VTG organizes the **transportation of biofuels** to Romania. There, they are added to diesel and petrol.

The Rail Logistics Division of VTG organizes rail shipments of goods across Europe. The company transports primarily petroleum and chemical products as well as liquid gases, bulk goods such as limestone slurry and general cargo for industry.

The right match for success

For transportation, VTG draws on its wide network of domestic and international haulage partners, also using the wagon fleet from the Wagon Hire Division. VTG's large pool of wagons means the customer benefits from the great flexibility in scheduling. Thus the right carrier service can be matched with the right wagons even at short notice. One of VTG's core competencies lies in its ability to select the right wagon types while also coordinating various carriers across Europe. Another is its on-schedule supply of wagons and forwarding of goods. As a specialist in the transportation and handling of hazardous goods, VTG has highly professional quality, emergency and safety management procedures in place.

Expert providers of sophisticated haulage services in Europe

VTG provides a comprehensive, sophisticated rail freight forwarding service covering the whole of Europe. The company organizes both single-wagon forwarding, whereby goods are transported in an individual wagon or group of wagons, and block train forwarding. With its all-round service, VTG is one of Europe's leading providers. The high quality of VTG's services is evidenced by the fact that, in 2008, it again passed the audits to meet the rigorous requirements of the Safety and Quality Assessment System (SQAS) for Rail Carriers – a standard of the European Chemical Industry Council – as well as those of the IBS-Q1 Certificate of the Community of European Rail Forwarders.

With operational centres in Germany, Italy, France, Spain, Poland, Austria, Hungary and Ukraine, VTG's Rail Logistics Division is well represented across Europe. This interlinked, widespread local presence enables the company to offer the best customer service. VTG is also continually optimizing this service and plans to open further operational centres in growth regions. The excellent networking of the European operational centres is the key to providing high-quality cross-border transportation. Through this networked system, VTG has been able to increase the proportion of cross-border long-haul traffic.

Forward-looking customer service

VTG lightens the load for its customers not only with its forwarding services, but by offering other services too: as required, the company takes charge of and oversees the planning for the wagon fleets of customers as well as advising customers on all rail logistics matters. Fleet management includes managing hire agreements, maintenance and fleet deployment. To guarantee smooth workflows and exceptional reliability, VTG also assumes responsibility for planning railway operations and implementing transport concepts. The company also oversees the operational process, including the acceptance, planning and execution of orders.

VTG also takes care of additional cross-carrier forwarding. This includes inland waterway and rail transport as well as container shipments and road transport, where this is to be integrated into a rail logistics service at the pre- or onward carriage stage. If various modes of transport are to be combined, then it is important to harmonize these optimally in terms of time and cost. VTG takes care of this for its customers, just as it does customs clearance for cross-border traffic.

Continued growth through all-round expertise

VTG intends to keep growing internationally with its all-round rail freight service. To achieve this growth, it is extending its core business – international transportation of petroleum, liquid gas and chemical products – to other product segments. Particularly in industries such as the coal, automotive and steel industries, there is promising potential for medium and long-term growth for private rail logistics operations. It makes sense to grasp these opportunities. VTG's plans for growth are based on the company's unique combination of expertise and services. This brings together its knowledge of rail operations and logistics with an international sales and service network, including VTG's leased wagon fleet. Additionally, through its subsidiary Transpetrol, VTG has completed the organizational preparations for becoming a rail operator and submitted the applications to the relevant authorities for approval.

TANK CONTAINER LOGISTICS

From the southern United States to the west of China: the tank container has had a 24-day voyage. The journey continues from the seaport in combined transport via truck and ferry. The tank container takes a **liquid laundry detergent** to the bottling plant before it finally ends up on the shelves of the local supermarkets.

The Tank Container Logistics Division of VTG offers global, multi-modal transport and logistics services with tank containers. The company has at its disposal more than 8,200 tank containers for providing these services. The tank containers can be unloaded from one type of carrier to another, making them especially suited to door-to-door transports, whereby goods are transported from the place of production directly to the final recipient.

Transporting goods safely around the globe

Tank containers are used primarily for transporting liquid and temperature-controlled products from the chemical, petroleum and compressed gas industries. Transportation using tank containers is safer and more efficient since it is not the goods themselves but the container that is unloaded and reloaded.

VTG is one of the world's largest providers of logistics services for liquid chemicals. It is of prime importance that transportation of these materials is safe, runs smoothly, and poses no toxic threat. Thus those wishing to have such materials transported will look for reliable, experienced providers. This has led to VTG consolidating its position at the top end of the market. VTG has an established reputation in the market of many years' standing. This reputation has been gained from its reliability in seamless monitoring of operations and expertise in the technical aspects of freight handling, particularly in relation to hazardous and sensitive goods. Customers also value VTG's support in creating multi-modal delivery systems in new sales regions in Russia, the CIS states and central China, whereby parts of these regions are logistically still inadequately developed. In China, VTG has been carrying out tank container operations for some ten years now and has further consolidated its activities in Asia by entering into a joint venture with Cosco Logistics in 2008.

As with the Rail Logistics Division, VTG's Tank Container Logistics Division has been successful in meeting the standards of SQAS Rail. The company combined this certification procedure with an audit by the Chemical Distribution Institute under its maritime packed cargo scheme (CDI-mpc). The latter is important for operations in the US. With these certifications, VTG is strengthening its process-oriented quality and safety management procedures.

Customized solutions
For tank container transports, the supply chain can be tailored to the individual customer's needs. This also applies to scheduling. Our efficiently interlocking processes mean that the customer is spared the high cost burden of storage. The customer can also choose a selection of containers with different technical features according to the type of freight. The containers differ in size, permissible net load and load volume. Beyond this, we also offer special containers – with electrical heating systems to maintain a constant temperature – as well as gas tank containers and multi-compartment containers. Depending on the customer's requirements and nature of the freight, VTG can carry out one-way deliveries from one location to another via a spotting service or can organize round-trip deliveries for a single order, returning empty containers to the initial point of departure. If the customer requires, the tank containers can also be used for temporary storage.

In addition to its tank container logistics and hire services, VTG also manages customers' tank container fleets and provides them with solutions for optimal supply chain efficiency.

Our high-quality service and passion for our work has certainly been rewarded: in fact, the company Eastman Chemical Asia Pacific has honoured VTG for the quality of its tank container logistics services in Asia, with VTG receiving no less than three Supplier Excellence Awards.

EMPLOYEES

VTG's employees are key in contributing to the success of the company. It is their professionalism that guarantees the high quality of the company's hire operations and logistics services. Their enthusiasm for the railway as a mode of freight transportation is the essential driving force behind VTG's advancement.

Long-standing experience

VTG is passionate about the railway, its wagons and achieving the best logistical solutions. It is extremely committed to the railway as an environmentally friendly mode of transport. Around the globe, more than 1,000 employees are contributing to the success of the company through their expertise and passion for their work. VTG employees also tend to remain with the company for a long time. VTG's employees, through years of experience in the industry and good cross-divisional networking, have both knowledge and expertise. They put this to good use for the success of the company. Thus it is a combination of enthusiasm and experience that are ensuring sustainable growth of the VTG Group. This strong, highly effective team has helped VTG to strengthen its market position even further.

Recognizing personal qualities and developing skills

VTG's workforce is its most valuable asset. For this reason, the advancement of individual potential and combining professional and personal goals and harmonizing these with the success of the company is at the core of our human resources policy.

VTG recognizes that a differentiated personnel structure is a central factor in successfully achieving sustainable economic growth. Different individuals complement each other in a team. This in turn creates the right conditions for coming up with innovative solutions and accommodating the exact requirements of customers. VTG welcomes diversity in all forms, embracing, among others, social, religious, ethnic and gender differences. It does not tolerate discrimination in any form and is active in working against this.

As a company operating on an international scale, VTG honours the differences among the people in its workforce around the globe, indeed it actually uses this diversity to its competitive advantage. The diversity represented by VTG's international presence is supported through appropriate staff development measures to promote language and competency and intercultural skills. The company brings staff from the various divisions together through various professional development measures, thereby promoting the greater intracompany integration. One such measure is the PEP! Promotion Programme, which prepares young specialists and managers thoroughly for the future challenges of greater responsibility.

The VTG Competency Model is used as an aid along with a training needs assessment to identify key skills necessary for realizing both the future potential of the employee and the growth targets of the company. Thus the needs of the company, the divisions and the employees are met as exactly as possible and, through individualized professional development, future challenges can be taken up and opportunities exploited to the full.

Offering good prospects and promoting new talent

It has long been a priority of VTG to offer young people future prospects that offer both challenges and the security of a realizable career path. The company's commitment to education and training has recently received another boost, with a total of 36 trainees now employed in Germany. In addition to a wide range of attractive trainee positions, VTG also offers the option of a dual study mode, combining on-the-job training with university study. Finally, the talents of up-and-coming top performers in Germany and overseas are fostered through the awarding of scholarships to study at private universities.

VTG invests in its new talent and fosters original thinking. This is the foundation on which it is building a secure future for the company. The company selects its new staff with the strategic growth of the operational divisions in mind.

Achieving long-term company loyalty

VTG supports its sustainable success by engendering long-term company loyalty among staff. With a socially balanced wage development structure, VTG is achieving an optimal combination in securing the economic success of the company while also fully meeting the needs of individual employees. The company does not view its members of staff simply as employees but as individuals with a whole range of needs. With this in mind, the company promotes a framework that accommodates a work/life balance. This includes individualized solutions such as working part-time and telecommuting. Additionally, as part of its company health scheme, VTG offers its staff a whole range of advisory and preventative services. And, once the stage of active employment is over, the company continues to recognize its responsibility to its staff, honouring this responsibility with the benefits of its attractive company pension.

QUALITY, SAFETY AND SUSTAINABILITY

The three pillars of quality, safety and sustainability are central to how VTG works. Due to the variety of goods and the specific requirements of transportation, VTG wagons have to meet the most rigorous of standards. For this reason, VTG places great value on enhancing and monitoring quality. This is closely related to safety, as VTG wagons and logistics divisions transport highly sensitive goods. These must be transported professionally, while the risk of accidents must be minimized and any negative impact on the environment avoided. To achieve this, VTG is developing sustainable models.

Proven quality – again and again

VTG continually monitors its services and processes and looks for areas of improvement. In doing so, the company focuses on the needs of the customer as well as wider social requirements. The operational divisions are all subject to quality management standards and are firmly locked into the quality management framework.

VTG also works closely with its suppliers and service providers to ensure quality. With joint audits and harmonized objectives, continual improvements are being achieved with suppliers.

To improve its services even further and also to provide concrete proof of quality, in 2008, the Rail Logistics and Tank Container Logistics divisions were once subject to outside assessment by independent experts. These experts evaluate the quality, safety and environmental impact of logistics service providers against the requirements of a standard of the European Chemical Industry Council, the Safety and Quality Assessment System (SQAS). This specialist quality standard for the storage and transportation of chemicals has a greater focus on safety and environmental impact than other standards. After the assessment procedure, the SQAS results are published on the homepage of the European Chemical Industry Council to provide potential customers with information about their logistics service providers. The performance of the VTG divisions in the SQAS assessment was very high. This is the result of VTG's systematic orientation of all VTG services to customer needs and regular consultation with customers on how to keep improving services. Within this context, the Group is taking the initiative in satisfying the requirements of the chemical and petrochemical industries and developing tailored solutions.

Ready for all eventualities

Any efficient organization requires a well-functioning emergency and crisis management system. This particularly applies to VTG due to its involvement in the handling of hazardous goods. To be prepared in the event of a serious incident, the company conducts real-life exercises and simulated emergency drills with customers. As a leading provider in rail and tank container logistics, the VTG Group is also always on standby for rescue operations. Due to their many years of experience, VTG experts are regularly and repeatedly called upon to assist in difficult situations concerning all aspects of rail freight traffic.

Actively improving environmental protection

As a rail freight traffic company, VTG’s wagons and logistics divisions transport their freight using the most environmentally friendly mode of transport. To maintain and expand upon the advantages of the railway, the company is actively channelling its energies into advancement. Particularly in the transportation of hazardous goods, VTG is developing innovative models to make transportation safer and is involving customers in this process.

VTG not only provides both rail and intermodal solutions but also takes care of wagon maintenance as well as cleaning. This takes place on either its own premises or through external providers. All of this involves ensuring that suitable environmental protection measures are in place. These include soil protection and water pollution control, the reduction of atmospheric emissions and control of the uses and consumption levels of water. Environmental protection equipment is therefore inspected and updated regularly. Currently, the technology for disposal of hazardous residue from rail tank and compressed gas tank wagons in the Brühl and Joigny workshops is being thoroughly updated.

VTG also ensures that its service providers and suppliers handle goods according to best practice environmental standards. These specialist providers and suppliers must be able to provide evidence of the relevant certifications in addition to the necessary permits and qualifications.

Health and safety in the workplace – beyond the mandatory

The protection of staff is of the highest priority to VTG. Within the company’s integrated management system, occupational safety has special importance along with the handling and elimination of hazardous materials. VTG therefore takes various measures to prevent accidents. In safety walkabouts and workplace and risk analyses, weaknesses in all areas of service provision are systematically identified and analyzed. This is followed by corrective action of a remedial or preventative nature.

VTG has a large number of health and safety measures in place that go beyond the standard legal requirements. Through these measures, employees are both informed about and actively involved in ensuring health and safety in the workplace. This is achieved through, for instance, heath and safety training seminars as well as exercises specially designed to reflect real-life situations. These increase awareness of risks and bring about appropriate changes in staff behaviour.

VTG is also playing an active part in safety and environmental matters beyond the confines of its own operations. It shares its practical knowledge and expertise with customers and partners in railway companies and public authorities. Together with these providers, and on both national and international committees, VTG is working towards increased safety and continual improvement in environmental protection.

REPORT OF THE SUPERVISORY BOARD

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

In the financial year 2008, the Supervisory Board once again closely accompanied the company and its Executive Board. All decisions of importance for the company were discussed in depth with the Executive Board. The Executive Board, for its part, informed the Supervisory Board promptly and comprehensively about all key planning and business development issues. Deviations in the course of business from the agreed plans and targets, important business transactions in the company's divisions, strategic measures and the overall orientation of the company were also reported. The Executive Board furthermore informed the Supervisory Board comprehensively about the risk situation, risk management and compliance matters. In particular, the measures requiring the approval of the Supervisory Board in accordance with the rules of procedure of the Executive Board as decided by the Supervisory Board were intensively discussed. Also between Supervisory Board meetings, the chairman of the Supervisory Board was continuously informed by the Executive Board about key business transactions and important upcoming decisions.

Ongoing consultation with and supervision of the Executive Board

In 2008, four regular meetings of the Supervisory Board were held. Among other things, these meetings addressed corporate strategy and the development of operations in the divisions. The Supervisory Board also convened for an extraordinary meeting in July 2008. No member of the Supervisory Board attended less than half of the meetings.

At the accounts review meeting of 15th April 2008, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2007 in the company, the VTG Group and the joint ventures. Subsequently, after detailed discussion with the Executive Board and the auditor, we approved the annual and consolidated financial statements and management reports for 2007. The meeting also included the examination and approval of the 2007 Dependent Company Report and discussion and approval of the 2007 Corporate Governance Report including the Declaration of Conformity in accordance with § 161 German Stock Corporation Act. Additionally, there was approval of the proposed resolutions for the 2008 Annual General Meeting and the annual report of the Executive Board on the type and scope of positions taken up in companies of the VTG Group. Furthermore, in this meeting the Executive Board provided us with an interim report on the status of the review and reorganization of compliance management in the VTG Group.

At the meeting of 18th June 2008, which took place directly after the 2008 Annual General Meeting, one issue we addressed was the development of operations in the first few months of the financial year. At this meeting, we also approved the increase in the investment budget requested by the Executive Board and the increase in shareholders' equity in VTG North America, Inc.

The reason for the extraordinary meeting of the Supervisory Board on 16th July 2008 was the planned takeover of operations of the bankrupt German wagon manufacturer Graaff by the VTG Group. We approved this after intensive discussion with the Executive Board and consideration of all advantages and disadvantages.

At the next regular meeting, on 17th September 2008, we concentrated on the strategic development of the Group in new markets and discussed this intensively and in detail with the Executive Board. Among other things, the Executive Board gave us an appraisal of the situation in the CIS wagon hire markets and the markets in other regions. This appraisal also included the current opportunities the company has to enter these markets. Beyond this, the meeting covered matters relating to the Executive Board and a change to the rules of procedure of the Supervisory Board was decided. Additionally, we discussed the current changes to the German Corporate Governance Code.

At the meeting of 27th November 2008, the Executive Board presented and explained the sales and earnings and investment budgets for the financial year 2009. We approved each of these after detailed discussion. Beyond this, the Executive Board informed us in this meeting of the company's strategic disposition with regard to the maintenance of wagons and the procurement of new wagons in Europe using both VTG's own and external workshops and plants. We discussed this in depth with the Executive Board. Other subjects covered were the presentation of the new compliance management system decided on by the Executive Board and a discussion and decision on the system for remuneration of the Executive Board. The latter was discussed and a resolution adopted. Finally, at this meeting there was in-depth discussion with the Executive Board concerning the possible impact of the international financial crisis on the Group's business.

The Executive Committee held three meetings in the year under review. The subjects covered included matters relating to the Executive Board, the remuneration system for the Executive Board and the long-term planning for Executive Board successors and executive management staff. Additionally, approval was given for the taking up of positions requiring the consent of the Supervisory Board in accordance with § 88 German Stock Corporation Act. The Executive Committee did not have to address any conflicts of interest relating to members of the Executive and Supervisory Boards in the year under review.

Audit of annual financial statements and dependent company report

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg (PwC), was appointed by the Annual General Meeting as auditor for the year 2008. It examined and gave an unqualified opinion on the annual financial statements of VTG Aktiengesellschaft drawn up in accordance with the principles of the German Commercial Code and on the consolidated financial statements for the financial year 2008 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the Executive Board has set up a risk management system that complies with the legal requirements.

The Supervisory Board itself also checked the annual financial statements, the management report and Group management report. The audit reports were submitted in good time to all members of the Supervisory Board and were discussed in depth with the Executive Board and the auditors, who were also present. The Supervisory Board endorsed the findings of the audit by PwC of the annual financial statements, the consolidated financial statements and the management reports. The annual financial statements and consolidated financial statements for the financial year 2008 were approved at today's meeting after in-depth discussion with the Executive Board and the auditor's representatives. After completing its investigations of the annual financial statements, the consolidated financial statements and management reports, the Supervisory Board has no objections. We endorse the proposal by the Executive Board for the appropriation of net profit and the payment of a dividend of € 0.30 per share.

PwC also examined the report drawn up by the Executive Board in accordance with § 312 German Stock Corporation Act on relations with associated companies (Dependent Company Report) and issued the following opinion:

"On completion of our examination and evaluation in accordance with our professional standards, we confirm that:

1. the factual information given in the report is correct
2. payments made by the company for the legal transactions stated in the report were not unreasonably high."

The Supervisory Board checked the Dependent Company Report for completeness and correctness. The findings of the Supervisory Board have led to its conclusion that the Executive Board exercised due care in identifying the associated companies. It has taken the necessary precautions in recording legal transactions and other measures the company undertook or refrained from undertaking in the last financial year with the majority shareholder or with its associated companies. According to the findings of the audit, there are no indications that legal transactions or measures have not been completely recorded. The Supervisory Board therefore concurs with the auditor's findings. There are no objections to the declaration of the Executive Board at the end of the report.

Code recommendations largely met

On 1st April 2009, the Executive Board and Supervisory Board issued a Declaration of Conformity in accordance with § 161 German Stock Corporation Act and published it on the company's website. VTG Aktiengesellschaft complies to a great extent with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on 6th June 2008 and has largely complied with this in the past financial year. Further information on corporate governance in the company, including the remuneration of the Executive Board and Supervisory Board, can be found in the report of the same name on page 34.

Mr. Heribert Becker retired from the Supervisory Board as of 31st December 2008. We wish to thank Mr. Becker for his many years' service in the Supervisory Board. Mr. Gunnar Uldall was appointed to the Supervisory Board by court order with effect from 1st April 2009.

We wish to thank the Executive Board and all employees of the Group for their commitment and the success achieved through their efforts in the financial year 2008.

Hamburg, 1st April 2009
The Supervisory Board

Dr. Wilhelm Scheider
Chairman of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Members of the Supervisory Board

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

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former Managing Director of Vereinigte Tanklager und Transportmittel GmbH, Hamburg
Deputy Chairman of the Supervisory Board

Heribert Becker, Mülheim (31st December 2008)
Dipl.-Volkswirt (Degree in Economics)
Former chairman of the Executive Board
of VTG-Lehnkering AG, Duisburg and Hamburg

Dr. jur. Bernd Malmström, Berlin
Lawyer

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

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

Members of the Executive Board

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

Jürgen Hüllen, Hamburg

Dr. rer. pol. Kai Kleeberg, Hamburg

CORPORATE GOVERNANCE REPORT

Corporate governance at VTG AG

Our actions are oriented towards long-term success. Accordingly, VTG places great value on responsible and transparent management of the company. Corporate governance is the very foundation on which shareholders, employees and business partners can work together in complete trust.

Transparent, prompt communications

VTG AG promptly informs not only its shareholders but also analysts and the media about important business events and developments in the company. To ensure transparency and consistency in communications, we publish all key announcements, reports and presentations promptly on the VTG website. All information of interest to investors is available in the Investor Relations section. In particular, this section contains the annual and quarterly reports, new (ad-hoc) announcements relating to operations and also the financial calendar. Shareholders and other visitors can also contact the relevant persons in Investor Relations or Public Relations directly via the website.

In accordance with § 15a German Securities Trading Act, VTG AG is obliged to report all purchases and sales of shares by board members or by persons with whom they associate closely. Accordingly, we also publish all directors' dealings on the website. In the year under review, four such securities transactions subject to this requirement were announced.

Cooperation of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board collaborate closely for the benefit of the company. The Executive Board informs the Supervisory Board regularly, promptly and in detail about all important business issues. Together with the Supervisory Board, the Executive Board discusses corporate planning, the development of corporate strategy and the implementation of required measures. The Supervisory Board approves corporate planning measures, the financial statements and the auditor's reports.

Beyond this, the rules of procedure for the Executive Board set out particular types of proposed action requiring the consent of the Supervisory Board before implementation. The collaborative framework in which the Executive and Supervisory Boards operate is governed by comprehensive regulations in the rules of procedure for each board, which are drawn up by the Supervisory Board.

In keeping with compliance management, the Executive Board also reports to the Supervisory Board on the observance of legal and intra-company guidelines, on compliance risks and on measures taken.

Conflicts of interest of members of the executive and supervisory boards must be disclosed immediately. There were no conflicts of interest in the period under review.

Remuneration of the executive and supervisory boards
Overall, the remuneration of the Executive Board comprises several components: a non-performance-related component (fixed salary), a performance-related bonus and pension benefits.

The performance-related element is calculated for all members of the Executive Board on the basis of a target matrix. Among other things, this takes into account certain performance-related factors which are re-agreed each year. Additional benefits include the reimbursement of expenses incurred by Executive Board members in connection with their work and of health insurance contributions equivalent to the employer's contribution to statutory health and nursing care insurance. Each member of the Executive Board also receives a company car as a benefit in kind. As a result of pension commitments, each member of the Executive Board is also entitled to the payment of pension benefits when certain pension situations arise. These situations include not only reaching the upper age limit of 65, but also cases of disability or death and where the company terminates the employment contract of the CEO before he reaches the age of 65. As at the balance sheet date of 31st December 2008, the company had provisions for pensions for members of the Executive Board amounting to € 1.0 million.

The General Meeting of VTG AG decided on 22nd May 2007, by an unanimous vote of those present and entitled to vote, not to publish any individualized reports on the remuneration of the members of the Executive Board for a period of five years up to and including the year 2011.

The remuneration system for the members of the Supervisory Board consists of a non-performance-related fixed compensation and the reimbursement of expenses incurred in the course of their work.

For further information on the remuneration of the executive and supervisory boards, please refer to page 52 of the Management Report.

Principles of accounting and audit of financial statements
The consolidated financial statements were prepared by VTG AG in accordance with the applicable regulations of the International Financial Reporting Standards (IFRS). The annual financial statements were prepared in accordance with the provisions of the German Commercial Code. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed to audit the financial statements for the year 2008.

Declaration of Conformity with the German Corporate Governance Code: recommendations largely met

On 1st April 2009, the executive and supervisory boards of VTG AG issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act. VTG AG complies to a large extent with the recommendations of the Commission of the German Corporate Governance Code as amended on 6th June 2008. The company has largely complied with this and with the recommendations of the previous version of 14th June 2007 since the issue of the last declaration of conformity on 15th April 2008. The following recommendations have not been/are not being implemented:

1. Section 3.8 clause 4 of the Code

The directors' and officers' liability insurance taken out by the company for the members of the executive and supervisory boards does not provide for any deductible for those persons. In the view of the company, no deductible is necessary to increase the feeling of responsibility and motivation of the members of the Executive and Supervisory Boards in the performance of their duties.

2. Section 4.2.3 of the Code

The existing executive board contracts do not contain a "severance payment cap". In future too, the Supervisory Board cannot rule out concluding executive board contracts with provisions that in this respect do not accord with the Code. The Supervisory Board is of the opinion that, in the interest of finding the optimal candidates for membership of the Executive Board, the freedom of choosing contractual options within the limits of the law should not be restricted in advance with regard to specific details.

3. Section 4.2.4 of the Code

The company will not publish individualized reports on the remuneration of the members of the Executive Board for 5 years as a result of a resolution to that effect of the General Meeting of 22nd May 2007.

4. Section 5.3.2 of the Code

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

5. Section 5.3.3 of the Code

In view of the small size of the Supervisory Board, the company has refrained from setting up its own nomination committee. The tasks of the nomination committee as provided for in the Code have been assigned to the Executive Committee, which, as the Supervisory Board altogether, comprises only representatives of the shareholders.

6. Section 5.4.1 clause 2 of the Code

In making nominations for election as supervisory board members, the company has borne in mind that candidates should have the knowledge, skills and specialist experience necessary for performing their tasks. No age limit was set. The company is of the opinion that age is not a suitable criterion for selecting qualified candidates.

7. Section 5.4.6 clause 4 of the Code

The company considers that a fixed remuneration amount for Supervisory Board members is more suitable than a performance-related type of remuneration in terms of properly exercising the control function of the Supervisory Board independently of the company’s success.

8. Section 7.1.2 clause 2 of the Code

The company’s Supervisory Board is of the opinion that, due to the continous reporting received by the Supervisory Board on all important events and due to the constant development of the business, discussion of the half-year and quarterly reports prior to publication is not absolutely necessary in order to properly exercise its function of monitoring and control.

9. Section 7.1.2 clause 4 of the Code

The legal requirements are being observed. The company intends to come closer to meeting the deadlines set out in the Code in order to meet this recommendation as soon as possible.

VTG GROUP MANAGEMENT REPORT

for the financial year from 1st January bis zum 31st December 2008

COMPANY AND STRATEGY

Operations: leading provider of rail freight traffic services

VTG's operations concentrate on services relating to all aspects of rail freight traffic. The company provides its customers with freight space, mostly over the long term. This enables customers to integrate the leased wagons into their logistics chains and thereby secure their service processes within the wider production process. VTG's clientele includes a large number of well-known companies from almost every branch of industry, for instance the petroleum, chemical, automotive and paper industries, in addition to railway operators. Moreover, VTG operates as a forwarder, organizing rail freight transports and, where these alone do not suffice, multimodal tank container transports with other carriers. With these services, VTG provides unique service coverage in the rail market and is one of the leading providers in Europe. The company has excellent relationships with its customers, built up over many years. VTG is European market leader in wagon hire and has the largest private wagon fleet.

Corporate management

Long-term, sustainable growth is at the centre of VTG's strategy. The executive and supervisory boards collaborate closely in implementing this strategy for the benefit of the company.

Wagon hire operations demand high levels of investment in the maintenance and expansion of the wagon fleet and are thus very capital-intensive. Investment is made in mobile assets that have a long useful life and maintain a certain level of value. Earnings before interest, taxes, depreciation and amortization (EBITDA) is therefore an important tool for financial control in this division as a value similar to cash flow.

These investments must be financed and thus lead necessarily to corresponding borrowing. However, the wagon fleet also generates a mostly stable cash flow. Thus the ratio of net financial debt to EBITDA is an important control parameters for keeping the borrowing of the VTG Group at a balanced, sustainable level over the long term. The net financial debt is calculated as the financial liabilities plus pension provisions less financial resources.

In the logistics divisions Rail Logistics and Tank Container Logistics, sales include a high proportion of transitory, variable external services, comprising predominantly freight costs. For this reason, the gross profit and gross profit margin – the ratio of EBITDA to gross profit – are important control parameters.

The company is managed through detailed monthly reporting from the Controlling, Finance, Sales and Quality Assurance divisions. VTG thereby ensures that differences between targets and performance are analyzed and their causes determined. On the basis of the findings of this analysis, appropriate measures are then developed and their implementation subsequently monitored.

Group structure

The Group, with its headquarters in Hamburg, is divided into three operational divisions: Wagon Hire, Rail Logistics and Tank Container Logistics. These divisions form the segments in accordance with the International Financial Reporting Standards (IFRS). The Group has a holding structure comprising 44 companies with German, other European and non-European subsidiaries and associated companies. In 2008, the companies included in the consolidation comprised 28 fully-consolidated companies, of which 12 were in Germany and 16 abroad. In addition, two foreign companies were consolidated at equity.

In the Wagon Hire division, the companies VTG ITALIA S.r.l., Milan (VTG Italia) and VTG North America, Inc., Hinsdale, Illinois, USA (VTG North America) were added to the consolidation for the first time as at 1st January 2008. On top of this, Texas Railcar Leasing Company, Inc., McAllen, Texas, USA (Texas Railcar) was added to the consolidation for the first time in mid-January 2008.

On 5th September 2008, VTG Aktiengesellschaft took over 50 % of the shares in the joint venture Shanghai COSCO VOTG Tanktainer Co. Ltd. (Shanghai Tanktainer) via its subsidiary VOTG Tanktainer GmbH, Hamburg (VOTG).

On 17th October 2008, the VTG Group took over the key elements of the operations of Graaff Transportsysteme GmbH, Elze, as well as of the operations of Waggonbau Elze GmbH & Co. Besitz-KG, Elze.

Moreover, in 2008, the as yet unconsolidated 100 % subsidiary of the VTG Group, Transpetrol Italia S.r.l., Genoa, was merged with VTG Italia. Thus VTG Italia is now operational in the divisions Wagon Hire and Rail Logistics.

Objectives and strategy: sustainability and profitability

The VTG Group, with its operational divisions of Wagon Hire, Rail Logistics and Tank Container Logistics, is a leading provider of rail freight transport services. VTG's activities are based on a strategy of long-term, sustainable growth covering both the core market of Europe and other markets beyond Europe. This strategy is underpinned by solid, long-term financing and the weighing up of opportunities against risks, with three core approaches in achieving its goals:

Strengthening VTG's leading position in the core market of Europe

The core market of Europe forms the very foundation of the growth of the VTG Group in all three divisions. Thus VTG's activities focus on meeting the demands of customers in order to consolidate its leading position and expand its operations. In Wagon Hire, the fleet is being expanded constantly to include not only rail tank cars, which have been the main focus to date, but also other wagon types. The Graaff wagon construction plant acquired in 2008 is an important part of this expansion; with its broad base of expertise in wagon construction, Graaff will be the Group's platform for innovation. In Europe, the Rail Logistics and Tank Container Logistics divisions are both concentrating on continued expansion and strengthening their position in the markets of eastern and south-eastern Europe.

Expanding into markets beyond Europe

The VTG Group has expanded its operations beyond the confines of the core market of Europe in order to continue on its healthy and profitable path of growth. At the beginning of 2008, VTG took over the company Texas Railcar, thereby gaining entry to the North American wagon hire market. Over the year, the Group expanded its fleet continually through the acquisition of used wagons. The aim is to continue to maintain this growth in this area in the future. Beyond this, the Group opened an office in Moscow and set up a subsidiary there for the purpose of exploring the market in the CIS and looking for ways of entering this market. Tank Container Logistics, which already operates on a global scale, has a good decade of experience in the Chinese transport market, particularly in import and export operations involving the Chinese seaports. In this division, the VTG Group has entered into a joint venture with Cosco Logistics in China. The VTG Group is thus now in a favourable strategic position in China and has expanded its operations in the Chinese domestic market. The aim is to strengthen this position and expand operations by achieving increased transport volumes over the long term.

Optimizing processes and increasing efficiency

Wagon Hire is the most profitable division of VTG and, due to the high levels of investment in the wagon fleet, especially capital-intensive. In realizing sustainable growth by creating long-term values it is especially important to make sure that capital is used efficiently and thereby ensure profitability. On the one hand, this is being achieved through secure, forward-looking corporate financing solutions through a large consortium of banks and, on the other hand, through controlling and directing the return flows of funds. Moreover, VTG is integrating the newly-acquired companies rapidly and efficiently into its organizational structure. In turn, the interdivisional workflows are being optimized and integration with the Corporate Center and operational processes are being continually improved by exploiting synergies.

MARKET AND BUSINESS TRENDS

Good growth despite economic downturn

Whereas the prospects for the global economy were still generally positive at the start of the year under review, the economic climate became ever more clouded, with forecasts continually subject to negative readjustments. Thus, for example, at the beginning of 2008, the Kiel Institute for the World Economy was still forecasting a rise in gross domestic product of 2.0 % for the euro area and 1.9 % for Germany. By the end of 2008, these predictions were just 0.9 % and 1.5 % respectively. The real estate crisis in the US escalated into a worldwide banking and financial crisis that over the course of the year encroached on the real economy and began to affect Europe as a region. Initially, the economy in Germany remained robust but from the second quarter onwards, the effects of the crisis began to make themselves felt here. By the end of the year, large parts of the global economy found themselves in a recession. This led to many governments intervening extensively in economic life and attempting to restore confidence with state guarantees and other measures. Moreover, most central banks cut their key interest rates to revive the economy, in some cases by several hundred basis points. Overall, it remains to be seen whether these measures will have an impact and, if so, when and to what extent.

In Europe, production in the chemical industry, an important industry for the VTG Group, went down. In Germany itself, chemical production dropped too from a high level as of the second quarter. These downward trends gathered pace over the year, with no increase in production in 2008. On top of this, there was a dramatic drop in production in the automotive and steel industries in the second half of the year. The export of goods from Germany, which has a decisive impact on transport volume in Europe, was affected by the economic downturn and grew by only 2.8 % (previous year: 8.5 %). However, in the year under review, certain branches and sectors of industry continued to develop positively and their strong levels of demand for rail freight space were in line with this. These included the energy sector and the agrochemical industry. Moreover, in recent years, the quality and efficiency of rail freight traffic has increased markedly, which in turn has increased its appeal. General conditions have also improved for this carrier, which is offering good long-term prospects for rail freight traffic. Although the current economic situation has led to decreasing demand for rail freight transport services, it can nevertheless be assumed that rail freight traffic will benefit from the rises in transport volumes expected in the medium term. It is likely that energy prices will also play an important role. These are expected to increase over the long term, which will be beneficial for the growth of rail freight traffic as an environmentally friendly, energy-saving mode of transport.

The VTG business model has proven stable in the year under review and performed well in a year of global economic downturn. VTG has a broad customer base extending across many different industries. This makes the Group less dependent on the economic fortunes of individual sectors than those companies specializing in a single sector. Moreover, long-term contracts are concluded in Wagon Hire and generally repeatedly extended. During the term of the contract, the customer carries the capacity utilization risk and as a rule can only return the wagons at the end of the term, which in turn involves a one-off, end-of-contract charge. Nevertheless, the VTG Group is being affected by the economic downturn, although the impact is delayed and attenuated. Thus, in the Wagon Hire division, due to the decreasing demand in the automotive industry, capacity utilization of the wagon fleet dropped slightly at the end of the year and in Tank Container Logistics, the first significant drops in demand were seen at the end of the fourth quarter.

VTG share promoted to the SDAX; dividend payment planned

The last financial year was largely defined by the effects of the crisis in the global financial markets. This crisis escalated over the course of the year and encroached on the real economy. This led to a huge loss of confidence among participants in the capital market such as investors. Consequently, the governments of many countries intervened in an attempt to restore confidence with state guarantees, economy-boosting measures and other measures. On the stock markets, as a result of the partially panic-driven selling of shares and even entire portfolios, there were strong fluctuations and negative trends in all shares and indices. Thus the German DAX benchmark index lost 39.5 % of its value in 2008. The VTG share was also not spared the effects of this general market uncertainty and suffered some considerable price reductions. The share finished its first day of trading at € 16.90 [1] and reached an interim low in March, at € 8.60. The share price then recovered well, rising to its highest value for the year of € 17.05 on 26th May. In the second half of the year, the share price followed the general downward market trend, reaching its annual low on 18th December, at € 6.65. At the end of the year, the share price was € 7.50, resulting in a market capitalization of € 160.4 million. The average daily trading volume was 20,005 shares (previous year: 55,282).

On 22nd September 2008, the VTG share was included in the SDAX selection index of Deutsche Börse AG. Inclusion in this small-cap index is giving the share a higher profile both generally and on the capital market.

The share capital of VTG AG consists of 21,388,889 no-par bearer shares. Compagnie Européenne de Wagons S.à.r.l., Luxembourg, (Compagnie Européenne) has 54.57 % of the company's share capital and ZAM Europe, L.P., Greenwich, Connecticut, USA has a 5.60 % share. This gives a free float of 39.83 %.

[1] All share information is based on the XETRA daily closing price.

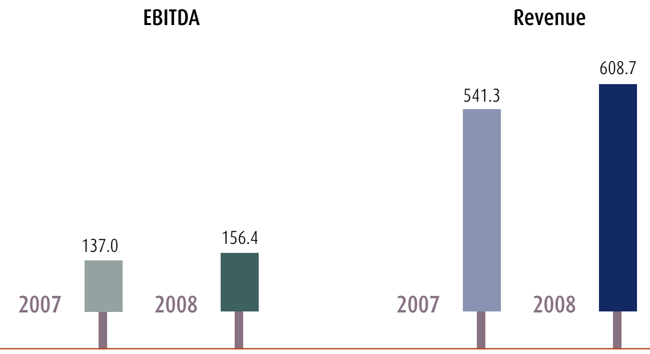
The Executive Board of VTG AG intends to propose to the 2009 Annual General Meeting the payment of a dividend of € 0.30 per share for the financial year 2008, so that these investors can share in the company's success in 2008.

Group sales, profit and cash flow

VTG Group operations developed very positively in the last year. Group sales increased by 12.4 % to € 608.7 million (previous year: € 541.3 million.). In Germany, € 271.4 million (previous year: € 264.8 million) was generated, equalling 44.6 % of Group sales (previous year: 49.0 %). The figure generated abroad was € 337.3 million (previous year: € 276.5 million).

Revenue and EBITDA development

in € m



In the financial year 2008, the VTG Group achieved a profit for the year of € 27.9 million (previous year: € 49.7 million). The profit for the year 2007 was greatly impacted by special tax effects principally due to the reform of corporate taxation. Ignoring all special tax effects, Group profit for the year 2007 would have been € 19.1 million. This in turn would mean that Group profit has risen sharply, in fact by 45.9 % on the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the financial year 2008 grew compared with the previous year by 14.2 %, rising to € 156.4 million (previous year: € 137.0 million).

In 2008, cash flow from operating activities in the VTG Group rose by 27.9 % to € 149.6 million (previous year: € 116.9 million).

Strong growth in Wagon Hire division

The VTG Group has a global fleet of 49,600 wagons, of which some 47,800 are deployed in Europe. This makes VTG Europe's leading wagon hire company. The Group leases mainly rail tank cars as well as modern high-capacity and flat wagons to industrial customers. In 2008, external revenue in Wagon Hire rose by 13.0 % to € 294.1 million (previous year € 260.3 million). Of this revenue, earnings before interest, taxes, depreciation and amortization (EBITDA) increased significantly, from € 137.1 million in the previous year to € 152.5 million in the year under review (11.2 %). The EBITDA margin related to revenue, at 51.8 %, was just under the level of the previous year (52.6 %). The positive development of wagon hire operations in 2008 was a decisive factor in the good performance of the VTG Group as a whole.

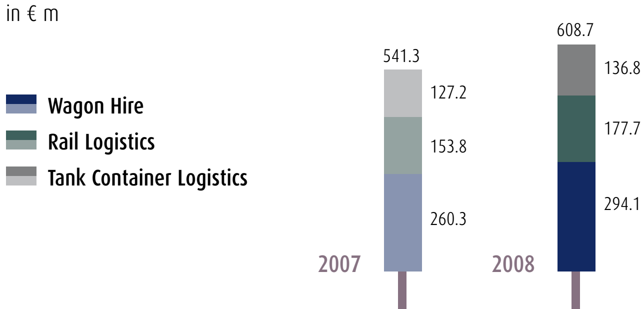
The hire business, with its generally long-running contracts, thus proved stable. All wagon segments reported rising hire levels. However, VTG's business operations could not be completely extricated from the declining economic situation. Thus in the fourth quarter there were returns of wagons, predominantly by customers in the automotive industry, and these could not be redeployed immediately. These wagons are part of a joint venture in which VTG has a 50 % profit share. These returns had no discernible effect on the financial results for the year 2008. As at 31st December 2008, capacity utilization was still at the very high level of 91.1 % (previous year: 93.9 %).

Additionally, VTG has a widespread operational network through which returned wagons can be leased again flexibly, in different countries and sectors. Moreover, VTG can offer customers the same high levels of service and quality Europe-wide. This network comprises VTG's own sales offices as well as external sales agencies.

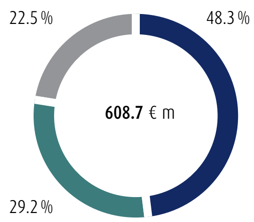
VTG's construction and maintenance requirements are met by the wagon construction plant acquired in 2008 and its three wagon repair workshops, which provide maintenance services for both the wagons in the Group's own fleet and wagons from third parties.

Breakdown of revenue by business divisions for 2008

in € m



Percentage breakdown of revenue by business divisions for 2008



Entry to North American Market with positive growth

In the year under review, the VTG Group continued with its strategy of growth. As a first step, in mid-January 2008, it acquired all shares in Texas Railcar. At the time of acquisition, this company had a fleet of 1,000 wagons. In the course of the year, Texas Railcar acquired some 800 used leased wagons, thereby almost doubling its fleet within a year. The North American railway market is the largest wagon hire market in the world with good long-term growth prospects. For this reason, the VTG Group intends to keep strengthening its position in this market and expanding its operations here.

Takeover of wagon manufacturer Graaff secures key construction expertise

With the approval of the Federal Cartel Office, the wagon manufacturing division of the Graaff Group has belonged to the VTG Group since 17th October 2008. With a contract signed on 28th July 2008, VTG took over the assets in question at Elze, thereby securing important production capacity for building special freight cars in Europe. This acquisition has expanded the value chain with the addition of a preliminary stage to the Wagon Hire business model. On top of this, the VTG Group has acquired outstanding expertise for the building of chemical tank wagons and many registration approvals and thus a building and innovation platform for long-term business development. At the Elze site, with the expertise and production capacity of 150 employees, VTG can now achieve an annual output of around 300 wagons of different types.

Positive development in Rail Logistics division

In the Rail Logistics division, the VTG Group operates as a rail forwarder and offers its customers a wide range of rail-related services. These include, for example, organizing and managing the transportation of chemical and petroleum products, liquefied gases and non-liquid bulk goods and general cargo. Rail Logistics ensures that the right transportation service is matched with the right wagons. It oversees the logistical integration of the various forwarders across Europe, ensuring optimal execution of both single-wagon and block train forwarding. In the last financial year, this division improved its sales by 15.5 %, to € 177.7 million (previous year: € 153.8 million), thereby achieving an EBITDA figure of € 7.6 million. Ignoring all special effects, EBITDA would have been € 6.3 million, 43.3 % higher than the figure for the previous year of € 4.4 million. As a result of this, the EBITDA margin on gross profit as adjusted for this special effect increased to 44.7 % (previous year: 38.8 %).

In 2008, the Rail Logistics division reported very positive development of operations. This included international block train transports rising sharply in 2008, particularly those to eastern and south-eastern Europe. Similarly, cross-border all-in transports with single wagons and groups of wagons increased significantly. With its sophisticated range of rail-related services, the Rail Logistics division gained both new international transports in the year under review as well as expanding operations to other transport goods. Moreover, important existing customer contracts were extended by a number of years. In the year under review, Rail Logistics pushed ahead, through Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg, towards becoming a rail operator in Germany and submitted the necessary applications to the relevant authorities for approval. Beyond this, this division is concentrating on continuing to expand its global operations, particularly in eastern and south-eastern Europe by exploiting its Europe-wide network. In this, the all-in operations, which relieve the customer of all logistics activities, are playing a significant role. Overall, the combined experience, skills and expertise of this division is serving it well. Thus, in addition to advice on logistics and rail operations, the service provision of Rail Logistics also covers all aspects of external fleet management as well as customs clearance, container shipping and freight transport by road.

With effect as of 18th April 2008, the VTG Group and the three other partners sold their respective 25 % shareholdings in the private railway company rail4chem Eisenbahnverkehrsgesellschaft mbH, Essen.

Renewed growth in Tank Container Logistics division

The Tank Container Logistics division organizes international transportation by tank container of liquid and temperature-controlled products from the chemical and liquefied petroleum gas industries. The fact that these containers can be used flexibly for transport by rail, road, inland waterway or sea means that door-to-door transports can be executed cost-effectively. In the year under review, this division achieved sales of € 136.8 million (previous year € 127.2 million) and generated operating profit (EBITDA) of € 9.6 million (previous year: € 8.1 million). Compared with the previous year, sales increased by 7.6 % and EBITDA rose considerably, by 19.3 %. The EBITDA margin on gross profit also rose sharply, from 40.9 % to 44.3 %. Continued optimization of fleet deployment and reduction of empty runs had a positive effect on this good growth. Ongoing processes are in place to ensure continual review and improvement of operational efficiency.

In the last financial year, the Tank Container Logistics division continued to pursue its systematic strategy of strengthening its leading position in Europe and expanding operations in southern and south-eastern Europe. This strategy also involved intensified collaboration with customers in this region. In addition, there was continued concentration on the growth markets of China and India. The focus of the activities of this division, both in Europe and overseas, is on the strategically important long-distance transports. The customer is presented with a reliable partner operating with sustainability in mind. As such a partner, this VTG division manages and oversees customer transports professionally, particularly during this difficult economic period when this is of prime importance. At the end of 2008, the Tank Container Logistics division had a total of more than 8,200 units. In addition to its forwarding activities, this division also leases its own tank containers and those managed for third parties.

The first signs of declining demand in the chemical industry were already being seen by the end of the summer of 2008 in Asia. The Tank Container Logistics division responded to this quickly by preparing to return hired equipment to reduce the tank container fleet to counteract the effects of the economic crisis. The financial year 2008 was nevertheless positive overall for Tank Container Logistics, despite the significant drops in demand towards the end of the fourth quarter.

In 2008, the VTG Group embarked on a long-term programme of investment for the purpose of modernizing its tank container fleet. VTG intends to continue with this programme in 2009.

Joint venture with Cosco Logistics in China

In the third quarter, the VTG Group, through VOTG, which operates in Tank Container Logistics, entered into a joint venture with Cosco Logistics Co. Ltd., Beijing. Cosco Logistics is one of the largest logistics companies in China and is part of the Cosco Group, one of the world's largest shipping companies. The Tank Container Logistics division has more than a decade of experience in the Chinese market, primarily in imports and exports via the Chinese seaports. With the Shanghai Tanktainer joint venture, Tank Container Logistics is expanding its operations and is now gaining direct access to the rapidly growing Chinese domestic freight transport market. The joint venture is focusing on logistics services for the transport of chemical products and the transport of foodstuffs within China.

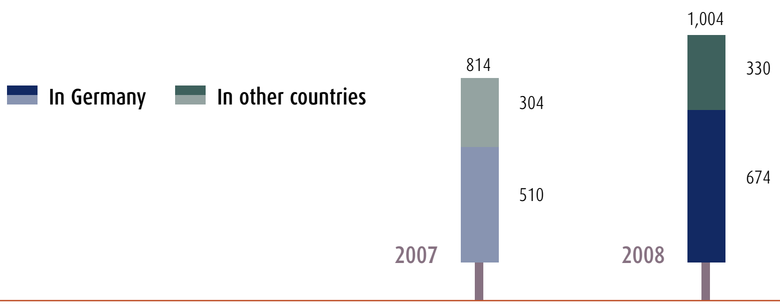
Significant rise in number of employees

As at 31st December 2008, the VTG Group had a total of 1,004 employees worldwide (previous year: 814). This was 23.3 % more than in the previous year. Of these employees, 674 worked in Germany (previous year: 510) and 330 in the companies abroad (previous year: 304). This rise is principally due to the takeover of the wagon construction division of the Graaff Group, growth in North America and in the two logistics divisions as well as to changes in the companies in the consolidation.

There are 612 salaried staff in the Group (previous year 534), while 356 employees are wage-earning staff (previous year: 249), primarily in the wagon construction plant and railway repair workshops. Additionally, at the end of the year, 36 trainees were employed in the German companies of the VTG Group (previous year: 31).

Fostering the talents of young people and offering them secure future prospects is especially important to the VTG Group. Consequently, education and training play a central role. Since we develop young talent within our own company, these future experts gain the specialist training and skills they require from the outset. For example, in the mercantile trades, VTG trains forwarding and logistics agents and industrial sales agents, while in the manual trades, it trains construction technicians. Moreover, VTG collaborates with the Nordakademie in Elmshorn, enabling trainees to follow a programme combining in-house training with university attendance. In addition, the talent of members of staff from Germany and abroad is fostered through scholarships for study at private universities such as the Northern Institute of Technology in Hamburg.

Personnel Statistics
Germany/Other countries



In addition to creating a motivating environment for employees, another important goal in the management of human resources is that of fostering employees' individual talents and developing their skills sustainably for the benefit of the company. This is achieved with the aid of the VTG Competency Model, which identifies key skills. This involves, among other things, the drawing up of individualized, structured professional development measures. The assessment of training requirements is one initial tool used for this. Beyond this, through a promotion programme for talented young employees, up-and-coming specialists and managers are networked with one another and prepared for their future roles. Finally, employees receive a whole range of social benefits and the advantages of preventative company health measures to which they have constant access.

Pre-emptive rights

There are no pre-emptive rights or stock options for either members of the boards or for VTG employees.

Safety and the environment

VTG's operations are characterized by the elements of quality, safety and sustainability, since many customers use VTG wagons for transporting goods that could endanger the environment if improperly handled. The same applies to the sensitive goods forwarded by the two logistics divisions. For this reason, safety plays a central role. Safety measures are required for preventing accidents and any negative impact on the environment. To ensure this, VTG monitors its processes and activities. In 2008, both logistics divisions were subject to outside assessment by independent experts. The performance of the divisions in meeting the requirements of the SQAS Safety and Quality Assessment System was very high. This specialist quality standard of the European Chemical Industry Council evaluates environmental impact and safety more stringently than others. In addition, VTG is using its expertise gained from many years' experience to accommodate customer requirements by developing individualized solutions. Thus VTG can offer expert advice on materials science matters, safety regulations and transport law, particularly concerning hazardous goods. To prevent accidents and increase safety, the Group provides regular training to its employees and customers and to railway and fire service staff. This training covers special aspects of rail freight safety and safety equipment, environmental issues and measures and how to respond in an emergency. Moreover, the Group has a comprehensive crisis and emergency management system in place. This system regulates all processes and remits for averting and, if required, minimizing any risk or damage.

FINANCIAL SITUATION

Financial management

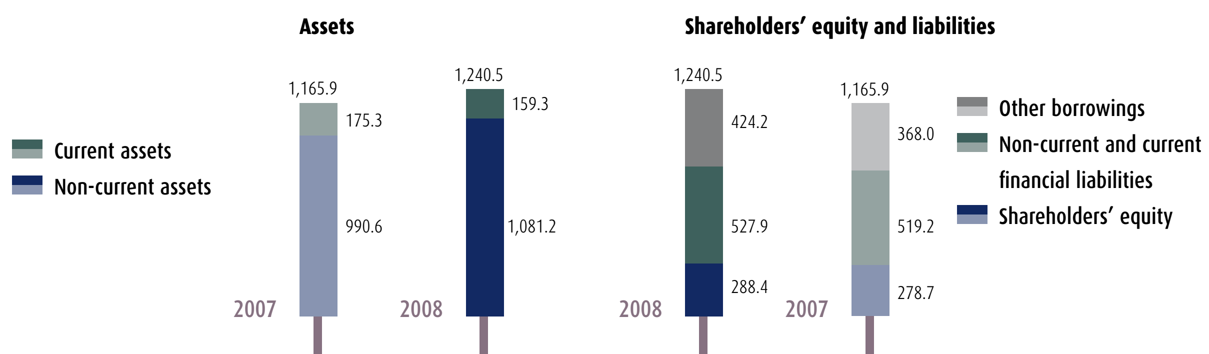
The financing of the Group after the IPO and the refinancing in 2007 is ensured through equity capital and long-term loan capital. This loan capital comes predominantly from Bayerische Hypo- und Vereinsbank, London, (Hypo-Vereinsbank), which has granted the companies of the VTG Group loans up to a total of € 640 million. Of this, € 440 million was used to refinance loan liabilities to date that were taken up under the former loan agreement. € 100 million of the remaining funds available is to be used for financing future investments. Another € 50 million is earmarked for ongoing operations and another € 50 million for guarantees. Furthermore, two companies in the Group have another, separate line of credit totalling € 85.2 million. At the balance sheet date, a total of € 503.6 million of these loans had been taken up.

The existing interest rate hedges amounting to € 320.0 million have been extended until mid-2015. This has secured at least 70 % of the loans taken up with Hypo-Vereinsbank.

Liquidity planning is used to determine the Group's cash requirements, which are covered by the lines of credit stated above. This ensures that the Group can honour its payment obligations at all times. Moreover, VTG has a stable cash flow, reaching the level of € 149.6 million in the year under review. This cash flow thus has great potential for the company in terms of self-financing.

Structure of the balance sheet

Compared with that of the previous year, the structure of the balance sheet for the Group has changed only slightly. Total assets rose by 6.4 % or € 74.6 million to € 1,240.5 million (previous year: € 1,165.9 million). This is mainly attributable to the rise in investments and additions to the companies in the consolidation. In terms of assets, the share of fixed assets increased to 85.2 % of total assets (previous year: 83.8 %). This meant that the share of current assets dropped to 14.8 % (previous year: 16.2 %). As for liabilities, shareholders' equity for the Group increased from € 278.7 million to € 288.4 million. The equity ratio, at 23.3 % as at 31st December 2008, was slightly below that of the previous year (23.9 %). The Group's financial liabilities rose by only 1.7 % on the previous year.



Investments

In the year under review, the VTG Group invested a total of € 140.9 million (previous year: € 116.7 million) in fixed assets. Investment activities focused once again on Wagon Hire, with the amount invested totalling € 131.7 million (previous year: € 114.5 million). These funds were used in part to replace older wagons and those to be taken out of service. They were also used to modernize and significantly expand the wagon fleet. In Europe, the primary target of investment was petroleum wagons; beyond this, funds were also used for purchasing goods wagons and bulk freight wagons. These funds were invested mainly in Germany, the UK and France, with around 1,000 newly-built wagons being acquired in the year under review. As at 31st December 2008, some 1,300 new wagons were on order for delivery in 2009 and 2010. The aim is to replace old wagons while continuing to expand the wagon fleet systematically.

In January 2008, the VTG Group entered the North American market with a fleet of some 1,000 wagons through the acquisition of Texas Railcar and in the course of the year under review added around 800 used wagons to this fleet.

Furthermore, the VTG Group acquired the wagon construction division of the Graaff Group, which has been operating under the name of Waggonbau Graaff GmbH since 14th November 2008.

The other divisions invested a sum of € 9.2 million (previous year: € 2.2 million). Of these funds, the majority was invested by Tank Container Logistics, to a total of € 7.8 million. This was mainly used for the construction of new tank containers. Finally, the VTG Group expanded its IT environment across all divisions.

REQUIRED DISCLOSURES

Required disclosures pursuant to § 315 (4) of the German Commercial Code

- The share capital of VTG AG amounts to € 21,388,889 and comprises 21,388,889 no-par value bearer shares. Every share carries a voting right.
- There are no restrictions affecting voting rights or the transfer of shares.
- As at 31st December 2008, VTG was aware of the following shareholdings with a share of more than 10 % of the voting rights:
  According to the last information received by VTG, Compagnie Européenne holds 54.57 % of the shares. Because of indirect shareholding ratios, we refer to the notes to the financial statements of VTG AG as at 31st December 2008.
- There are no shares with special rights that confer powers of control.
- The Executive Board of VTG AG does not know how any employees sharing in the capital of VTG AG intend to exercise their voting rights.
- The provisions on the nomination, dismissal and composition of the Executive Board are based on § 84 (1) of the German Stock Corporation Act and § 6 of the Articles of Association of VTG AG and § 9 of the Rules of Procedure of the Supervisory Board. Where there are no mandatory legal provisions to the contrary, resolutions on changing the Articles of Association are passed by a simple majority of the votes cast and, where the law requires a capital majority beyond a majority vote (§ 179 (2) German Stock Corporation Act), by a simple majority of the share capital represented at the time of the passing of the resolution.
- With its resolution of 22nd June 2007, the Annual General Meeting authorized the Executive Board of VTG AG to increase, with the approval of the Supervisory Board, the share capital for the period up to 22nd June 2012 once or multiple times up to a total amount of € 10,694,444.00 (authorized capital) by issuing new no-par value bearer shares against contributions in cash and/or kind. The Annual General Meeting of 18th June 2008 also authorized VTG AG, in accordance with § 71 (1) No. 8 of the German Stock Corporation Act and with the approval of the Supervisory Board, to acquire its own shares to up to 10 % of the share capital during the period up to 17th December 2009. VTG AG has not yet taken advantage of this authorization.
- There are no agreements subject to the condition of a change in control as a result of a takeover bid.
- No compensation agreements have been concluded with the members of the Executive Board or with employees in the case of a takeover bid.

Remuneration report

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

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

The non-performance related element of remuneration comprises a fixed amount and various additional benefits. The additional benefits include the expenses incurred by Executive Board members in connection with their work and health insurance benefits equivalent to the employer's contribution to statutory health and nursing care insurance. Each member of the Executive Board also receives a company car as a benefit in kind. The performance-related remuneration element is determined according to personal and economic goals laid down by the Supervisory Board. This is calculated for all Executive Board members on the basis of a target matrix which takes into account, among other things, certain success-related factors which are agreed upon each year. The company has granted all members of the Executive Board vested pension rights. As a result of this pension commitment, each member of the Executive Board is entitled to the payment of certain pension benefits when certain pension situations arise. These situations include not only reaching the upper age limit of 65, but also cases of incapacity or death (pensions for widows and orphans) and where the employment contract of the CEO is terminated by the company before he reaches the age of 65. As at the balance sheet date of 31st December 2008, the company made provisions for pensions for members of the Executive Board amounting to € 1.0 million. Beyond the employment contracts, there are no further service agreements between the company, its subsidiaries and the respective members of the Executive Board under which an Executive Board member is eligible for benefits from the company or its subsidiaries in the event of the termination of his service.

Since 2006, the German Commercial Code has stipulated that the remuneration of Executive Board members be published with a separate entry for each member, broken down into fixed and performance-related components as well as into components with a long-term incentive effect. The required disclosures can be dispensed with if the Annual General Meeting passes a resolution to this effect by a three-quarters majority of the share capital represented at the passing of the resolution. The Annual General Meeting of VTG AG decided on 22nd May 2007 not to publish this information for a period of five years up to and including the year 2011 by a unanimous vote of those present and entitled to vote.

The total costs of remuneration of the Executive Board are given in the notes to the consolidated financial statements of VTG AG as at 31st December 2008.

The remuneration of the Supervisory Board consists of a fixed amount only. In addition, the members of the Supervisory Board are reimbursed for expenses incurred in the course of their work.

The total expenses for the remuneration of the Supervisory Board are given in the notes to the consolidated financial statements of VTG AG as at 31st December 2008.

RISK MANAGEMENT

Risk management system

The VTG Group has systematically refined the risk management system it has introduced to meet the requirements of the German Law on Corporate Governance and Transparency. This system identifies, analyzes, controls and monitors risks. Potential risks connected with business activities are identified at an early stage. This means that measures can be implemented that minimize or prevent any negative impact. With potential risks, a distinction is drawn between market risks, financial risks and environmental and product risks. During the period under review, there were no discernible risks that endangered the company as a going concern or that could be expected to have any significant negative impact on the assets, earnings or financial situation of VTG AG or the VTG Group. The systematization of risk assessment within the risk management system is checked regularly by external auditors.

Price change risk

In the current difficult economic situation, the risk of price changes in Wagon Hire gains special significance. In the past, the development of prices has remained stable. To date, even in this recessionary phase, there has been no indication that this has changed. In wagon hire, customers tend to react to declining demand for freight space by adapting freight volumes to the space required. The VTG Group considers that this risk can be controlled through its intensive monitoring of the market.

Capacity utilization risk

The capacity utilization risk concerns mainly the Wagon Hire Division. Even in a declining economy, VTG has a stable business. This is due to the long-term nature of its contracts and its broad customer base comprising well-known companies from many different industries. Another reason for this stability is the fact that the wagons are mobile and thus can be deployed by customers flexibly, both across different countries and sectors. Moreover, VTG's wagons are integrated into the logistics chains of customers to secure efficient production workflows. As an integral part of the customer's infrastructure, they are therefore by their nature much less susceptible to economic fluctuations. This is clear from the capacity utilization figures of the past, which have stayed within a narrow range even in times of recession.

Default risk

The companies in the VTG Group have a well-developed accounts receivable management system. Yet even though the Group has prime customers from industry with good credit ratings, there is a risk in terms of actual payment practices and capabilities. Measures have been instituted for dealing with default risk in view of the current economic situation. Thus in Wagon Hire, customer payments are being monitored even more closely and, in individual cases, payment periods shortened. The two logistics divisions, who mostly advance funds for customers for freight costs, are using all avenues to secure receivables, for example through bank guarantees and also increasingly through advance payment.

Furthermore, recognized default risks relating to individual receivables are covered by appropriate specific reserves and general credit and collection risks by global value deductions based on experience. In addition, the Group has concluded credit risk insurance contracts.

Foreign currency risk

The international business activities of the companies in the VTG Group expose them to exchange rate fluctuations on the currency markets. The excess of trade receivables over trade payables in US dollars is at present causing a net loss to the companies in the VTG Group in this currency. In line with hedging policy, this risk is largely covered at the beginning of the financial year for the net amount of dollar cash flow. In the course of the financial year, other anticipated surpluses of foreign currencies arising are hedged with individual forward currency contracts. The level of hedging in the financial year was approx. 80 %. Currency risks from planned operating business are to continue to be hedged in future through forward transactions prior to receipt of payments.

Liquidity risk

Liquidity planning is used to determine the cash requirements for the whole VTG Group. These requirements are covered by agreed, as yet unused lines of credit until 2015. This ensures that VTG AG and its subsidiaries can honour their payment obligations at all times. Furthermore, the Group has a stable cash flow with a high level of self-financing potential.

Interest rate risk

To protect against and minimize fluctuations in cash flow, a substantial proportion of the Group's liabilities to banks is protected against interest rate increases by interest rate hedges and fixed-interest agreements with established banks running until 2015.

General liability risks

The main type of risk affecting all divisions is liability claims, particularly those concerning culpable violation of maintenance obligations, serial loss with resulting loss of capacity and the steadily increasing requirements in terms of meeting environmental regulations and laws, particularly regarding the storage and transportation of hazardous materials, the recycling, treatment and disposal of waste and occupational safety.

The specific traffic, operational and environmental liability risks arising from operating activities are countered by the risk management system, which also includes the coverage of risks through insurance.

Future business opportunities and risks

The current economic crisis, which has hit many sectors and industries almost simultaneously, is also affecting VTG's customers. Declining demand is leading to drops in customer production and, in certain cases, also to the closure of production sites.

On the one hand, this is leading to a drop in the demand for freight space. On the other hand, however, a reduction in the number of production sites can lead to longer transportation distances, which could compensate in part for falling demand, thus cushioning VTG from the full impact of the crisis.

However, if this economic crisis keeps worsening in terms of scope or duration and if in 2010 there is no sign of recovery and the market continues to suffer from wagon returns, then VTG must make targeted cost reductions to stabilize the profit situation.

With regard to liquidity, due to its strong cash flow, long-term financing and credit lines, VTG is in a good position to ensure that adequate funds are available across the entire the Group.

Furthermore, energy prices should rise over the long term. This could benefit VTG since rail freight traffic is considered an energy-saving, environmentally-friendly mode of transport.

Wagon Hire

As the most profitable division, Wagon Hire could be greatly affected by the current negative economic trend. In the course of 2008, the economy worsened significantly and a decline in economic growth is expected in 2009. This decline will also affect industries that are important to VTG, for example the chemical, paper and automotive industries. However, it generally takes longer for the effects of economic disturbances to be felt by the Group and, even then, these are attenuated. With its tightly-integrated, transport-based infrastructural components, the VTG Group has a robust business model in Wagon Hire, particularly due to its broad customer base and long contract periods.

In Wagon Hire, there are continued good prospects of growth. This is due to ongoing diversification of the fleet with the addition of new wagon types, the modernization of the wagon fleets leased to major European customers and the deployment of standard wagons in eastern and south-eastern Europe.

In 2008, VTG successfully entered the North American wagon hire market. This move provides VTG with the opportunity to expand its operations in this market – the world's largest – and generate additional growth. Particularly in times of crisis, there can be opportunities to make additional acquisitions and so expand the wagon fleet. In this regard, VTG's particular focus is on entry-level prices that yield the expected returns and on long-term hire contracts for the wagons acquired. Due to the previously small size of the fleet and the existing portfolio of contracts, the risk to the operations of the VTG Group in North America is to be deemed low. Furthermore, the VTG Group has established a subsidiary in Moscow in order to gain entry via Russia to the rail freight traffic markets of the CIS states. The requirement for replacements of wagons in this market and the demand for freight space are high due to the trend of rising production. This means that there could be good potential for developing VTG's operations here.

With the acquisition of the wagon manufacturer Graaff, VTG has secured important production capacities for the construction of special freight cars and valuable expertise for wagon construction and development. This means that the Group has become more independent in terms of procurement.

Through the liberalization of rail freight traffic in Europe, there is the potential for the creation of a unitary, pan-European rail market that is on a par with road traffic and makes the railway more useful and appealing to customers as a mode of transport. This could lead to increased demand for rail freight cars and transports. Furthermore, the standardization of technical regulations at the European level could lead to simplified permit procedures and maintenance and thus lower costs. The fact that, at the state level, EU regulations are in many cases being implemented inadequately, slowly, or not at all could present a risk and lead to the potential advantages of the common European market being only partially realized. VTG is responding to this risk through its participation in numerous committees and associations. Through this work, VTG's aim is to contribute constructively to developing the regulatory framework governing rail freight traffic.

Overall, positive financial results can be expected in the Wagon Hire Division for 2009 and 2010, even if achieving the good results of the year 2008 again in 2009 would prove very difficult.

Rail Logistics

The Rail Logistics division will also benefit in the future from the liberalization of European rail freight traffic, since demand for reliable cross-border logistics solutions for all types of goods will increase. In 2008, the division grew through the acquisition of new international customers and extended important customer contracts by a number of years. Moreover, there could be opportunities for growth in terms of all-in operations, whereby the customer outsources all his own logistics activities to VTG. The good integration of this division's network of European centres could have a positive impact on the quality of cross-border transport concepts. Furthermore, Rail Logistics is developing solutions for global transportation of products outside the core business to date. The Europe-wide presence of this division also provides opportunities for approaching a broad range of customers.

The petroleum industry issues its contracts through large-scale annual invitations to tender, where price competition is very tough. This presents Rail Logistics with both risks and opportunities in equal measure.

The global economic crisis could also affect growth in Rail Logistics, particularly in terms of transports for the chemical industry. Due to the currently negative outlook in this industrial sector, drops in demand are to be expected.

For Rail Logistics, there could, however, be other opportunities arising from the current economic situation if companies outsource processes to optimize their cost structures.

Even if the economic crisis does not have any lasting effect on the chemical and petroleum processing industries, profit overall for 2009 and 2010 is expected to be slightly down.

Tank Container Logistics

In recent years, the Tank Container Logistics division has pursued a strategy of focusing on operations that yield high margins and prioritizing this over rises in transport volume. Once the first signs of declining demand were seen back in the late summer, the division responded quickly and began ceasing to hire tank containers from external providers and adapting capacities to the expected developments in the market. If this weak level of demand continues or in fact worsens, then VTG will continue to apply a flexible approach in hiring from external providers in order to further reduce fixed costs.

Through the joint venture in China, Tank Container Logistics has found itself in a strategically favourable position from the outset. On the one hand, it helps the division create matches of international transport solutions and, on the other hand, Tank Container Logistics can participate in the flow of exports and imports in the Chinese market and support the development of local transport structures.

Tank Container Logistics is well positioned through its strength in the German chemicals market and its strategic orientation towards the markets of eastern and south-east Europe and Asia. Thus the division can exploit the existing potential in these regions, even in difficult conditions in this and the next financial year.

Due to the international nature of its activities, Tank Container Logistics processes a large proportion of its transactions in US dollars. Thus possible exchange rate fluctuations could have a negative effect on profit. This risk is covered with appropriate forward exchange transactions.

Due to the pessimistic forecasts for the worldwide economy, it is to be assumed that the long-term scenarios of growth in the tank container industry will have to be adapted, at least during 2009, to the significantly reduced demand for transport services. In this division, then, significant drops in sales are to be expected.

If the economic crisis in the global markets does not lead to the collapse of significant chemical industry partners of the Tank Container Logistics division, the objective will be to continue with the strategy of the previous year. All possibilities for optimization will be exploited in order to continue to generate positive financial results in 2009 and 2010.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

The economic downturn that began to emerge at the start of the year under review worsened over the course of the year and has had a global impact. This was in contrast to the original conclusions in the Annual Report of the German Council of Economic Experts. Thus, at the end of 2008, large parts of the global economy found themselves in a recession. Due to the economic collapse, the Kiel Institute for the World Economy revised its forecast of a global rise in production in 2009 from 3.3 % to 0.4 %, with the economy in the industrialized countries expected to shrink by 1.5 %. For Europe and Germany, a drop in gross domestic product is predicted for 2009 of 2.7 % in each case. According to experts, any improvement in the economic situation is to be expected at the earliest from mid-2009 but is more likely to be at the end of 2009 or even, in fact, in 2010. In 2008 and 2009, numerous governments intervened, for example with state guarantees, to restore confidence in the financial markets and ensure adequate liquidity. Moreover, economic programmes were drawn up and launched to revitalize the economy or, at the least, limit the decline in growth. As a supportive measure, the central banks cut their key interest rates to stimulate the economy. It remains to be seen whether these measures will have an impact and, if so, when and to what extent. Thus all forecasts are characterized by a very high level of uncertainty.

Given this situation, most branches of industry in Europe and Germany have revised their expectations and are, at best, expecting stagnation in business volumes. The Association of the German Chemical Industry anticipates a drop in production of 1.0 % in 2009, while in other sectors such as the automotive and steel industries and machinery construction, this drop could be greater.

Overall, the economic forecasts indicate a demanding market environment with many challenges for the operations of the VTG Group in the divisions of Wagon Hire, Rail Logistics and Tank Container Logistics. This is because sectors that are also important for VTG are affected by the economic crisis. However, the effects of the economic slump are being delayed and attenuated for VTG since it has a broad customer base and its wagons are integrated into industrial logistics chains and are subject to long-term contracts. Moreover, the loan capital that is important for company growth has been provided by a broad consortium of banks and secured until 2015. From the current perspective, there is no risk of violating credit obligations even if only adequate financial results are achieved due to the economic crisis. There is also no refinancing requirement in the short term.

Even with declining capacity utilization, the relatively stable cash flow offers a high degree of self-financing potential and is available for repaying loans and financing future investments.

Additionally, the interest rates for the great majority of liabilities to banks are also fixed over the long term through interest rate hedges and fixed-rate agreements running until 2015.

The VTG Group intends to continue with its strategy of sustainable growth as market conditions permit. It can, however, also be true that such times of crisis can present good opportunities for growth. Overall, there are adequate investment funds available in 2009 to ensure wagon replacement and the required fleet expansion to keep up with demand.

According to the current assessment of the market and provided that important VTG customers do not suffer further huge collapses or even insolvency, the Executive Board of VTG AG expects to continue to achieve positive financial results for the Group in the next few years. It also expects to be able to ensure it is in a position to continue to make dividend payments.

Consolidated financial statements of VTG Aktiengesellschaft

CONSOLIDATED INCOME STATEMENT

in accordance with IFRS for the period from 1st January to 31st December 2008

€ '000	Notes	1.1. to 31.12.2008	1.1. to 31.12.2007*
Revenue	(1)	608,653	541,311
Changes in inventories	(2)	2,809	122
Other operating income	(3)	19,937	16,919
Total revenue and income		**631,399**	**558,352**
Cost of materials	(4)	310,806	276,073
Personnel expenses	(5)	55,555	50,198
Impairment, amortization and depreciation	(6)	80,674	68,407
Other operating expenses	(7)	113,512	96,444
Total expenses		**560,547**	**491,122**
Income from associates		**1,730**	**1,397**
Financing income		6,304	2,822
Financing expenses		–35,775	–38,756
Financial loss (net)	(8)	**–29,471**	**–35,934**
Profit before taxes on income		**43,111**	**32,693**
Taxes on income	(9)	15,183	–16,977
Group net profit		**27,928**	**49,670**
Thereof relating to:			
Shareholders of VTG Aktiengesellschaft		27,005	48,845
Other shareholders (minorities)		923	825
		27,928	**49,670**
Earnings per share (in €)			
(undiluted and diluted)	(10)	**1.26**	**3.94**

* The figures for the previous year have been adjusted to the effect that changes in inventories are shown separately.

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

in accordance with IFRS

ASSETS

€ '000	Notes	31.12.2008	31.12.2007
Goodwill	(11)	158,146	156,211
Other intangible assets	(12)	63,678	66,734
Tangible fixed assets	(13)	810,187	729,691
Investments in associates	(14)	16,857	15,811
Other financial assets	(15)	7,617	8,921
Fixed assets		**1,056,485**	**977,368**
Other receivables and assets	(18)	1,571	1,280
Deferred income tax assets	(19)	23,114	11,954
Non-current receivables		**24,685**	**13,234**
Non-current assets		**1,081,170**	**990,602**
Inventories	(16)	**22,751**	**13,115**
Trade receivables	(17)	73,441	68,598
Other receivables and assets	(18)	31,658	42,686
Current income tax assets	(19)	3,211	2,882
Current receivables		**108,310**	**114,166**
Cash and cash equivalents	(20)	**28,256**	**48,031**
Current assets		**159,317**	**175,312**
		1,240,487	**1,165,914**

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000	Notes	31.12.2008	31.12.2007
Subscribed capital	(21)	21,389	21,389
Additional paid-in capital	(22)	193,993	193,991
Statutory reserves	(23)	64,227	57,853
Revaluation reserve	(24)	–285	3,184
Retained earnings of VTG Aktiengesellschaft	(25)	6,417	0
Equity attributable to shareholders of VTG Aktiengesellschaft		**285,741**	**276,417**
Minority interests		**2,676**	**2,310**
Equity		**288,417**	**278,727**
Provisions for pensions and similar obligations	(26)	40,643	42,602
Deferred income tax liabilities	(27)	141,905	131,968
Other provisions	(28)	17,567	17,314
Non-current provisions		**200,115**	**191,884**
Financial liabilities	(29)	499,026	483,083
Other liabilities	(29)	2,660	3,079
Non-current liabilities		**501,686**	**486,162**
Non-current debts		**701,801**	**678,046**
Provisions for pensions and similar obligations	(26)	3,461	3,696
Current income tax accruals	(27)	22,086	15,909
Other provisions	(28)	50,771	43,606
Current provisions		**76,318**	**63,211**
Financial liabilities	(29)	28,885	36,100
Trade payables	(29)	109,574	99,243
Other liabilities	(29)	35,492	10,587
Current liabilities		**173,951**	**145,930**
Current debts		**250,269**	**209,141**
		1,240,487	**1,165,914**

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in accordance with IFRS

€ '000	Notes	1.1. to 31.12.2008	1.1. to 31.12.2007*
Operating activities			
Group profit		27,928	49,670
Impairment, amortization and depreciation		80,814	68,608
Interest income		−3,114	−2,822
Interest expenses		35,635	38,555
Income tax expenses		15,183	−16,977
SUBTOTAL		**156,446**	**137,034**
Other non-cash expenses and income		−1,334	−1,397
Equity and external capital procurement costs impacting income		0	1,274
Dividends received from at-equity investments		1,434	2,015
Income taxes paid		−8,487	−12,122
Income taxes received		1,613	4,330
Profit/loss on disposals of fixed asset items		−8,266	−3,513
Changes in:			
inventories		−4,546	−3,715
trade receivables		−1,834	−6,795
trade payables		8,107	6,829
other assets and liabilities		6,429	−7,049
Cash flows from operating activities		**149,562**	**116,891**
Payments for investments in fixed assets		−156,127	−105,540
Proceeds from disposal of fixed assets		6,195	5,114
Payments for investments in financial assets and company acquisitions		−16,844	−5,502
Proceeds from disposal of financial assets (less cash and cash equivalents rendered)		3,617	20
Changes in financial receivables		2,518	−2,448
Receipts from interest		2,170	2,416
Cash flows used in investing activities		**−158,471**	**−105,940**
Payments to other minorities		−605	−527
Payments for investments in minority interests		0	−5,614
Proceeds from the issue of new shares		0	160,000
Payments for equity procurement costs		0	−9,971
Receipts from the taking up of (financial) loans		51,364	447,120
Payments for external capital procurement costs		0	−5,232
Payments for interest and repayment of shareholder loans		0	−106,773
Repayments of bank loans and other financial liabilities		−29,195	−446,975
Interest payments		−31,850	−31,300
Cash flows used in (previous year: from) financing activities		**−10,286**	**728**
Change in cash and cash equivalents		**−19,195**	**11,679**
Effect of changes in exchange rates		−672	−1,533
Effect of changes in consolidation		92	−5,638
Balance at beginning of period	(20)	48,031	43,523
Balance of cash and cash equivalents at end of period	**(20)**	**28,256**	**48,031**

* The figures for the previous year have been adjusted due to reclassifications in accordance with IAS 7.
The consolidated cash flow statement is explained in the notes to the consolidated financial statements.

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in accordance with IFRS

€ '000	Subscribed capital	Additional paid-in capital	Statutory reserves	(thereof differences from currency translation)	Revaluation reserve	Retained earnings of VTG Aktien-gesellschaft (VTG AG)	Equity attributable to shareholders of VTG AG	Minority interests	Total
Notes	(21)	(22)	(23)		(24)	(25)			
As at 31.12.2006	50	52,412	9,270	(–2,695)	207	0	61,939	1,937	63,876
Capital increase from company funds	12,450	–12,450					0		0
Capital increase and issue of new shares	8,889	151,111					160,000		160,000
Equity procurement costs, net of tax		–6,480					–6,480		–6,480
Contribution and purchase of shares in companies		11,834	–4,916				6,918		6,918
Group net profit for the year			48,845				48,845	825	49,670
Compensation for loss VTG AG		–2,436	2,436				0		0
Dividend distribution							0	–505	–505
Hedge accounting			1,672				1,672		1,672
Actuarial gains and losses from pension provisions			2,941				2,941	4	2,945
Currency translation			–2,847	(–2,847)			–2,847		–2,847
Revaluation financial instruments					3,153		3,153		3,153
Miscellaneous changes			452		–176		276	49	325
As at 31.12.2007	**21,389**	**193,991**	**57,853**	**(–5,542)**	**3,184**	**0**	**276,417**	**2,310**	**278,727**
Changes to scope of consolidation			–463				–463		–463
Group net profit for the year			27,005				27,005	923	27,928
Retained earnings of VTG AG			–6,417			6,417	0		0
Dividend distribution							0	–514	–514
Hedge accounting			–14,669				–14,669		–14,669
Actuarial gains and losses from pension provisions			851				851	13	864
Currency translation			154	(154)			154		154
Revaluation financial instruments					–3,469		–3,469		–3,469
Miscellaneous changes		2	–87				–85	–56	–141
As at 31.12.2008	**21,389**	**193,993**	**64,227**	**(–5,388)**	**–285**	**6,417**	**285,741**	**2,676**	**288,417**

Explanations of shareholders' equity are given under Notes (21) to (25).

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

STATEMENT OF RECOGNIZED INCOME AND EXPENSES

in accordance with IFRS

€ '000	1.1. to 31.12.2008	1.1. to 31.12.2007
Currency translation	154	–2,847
Change in revaluation reserve	–3,469	2,977
Difference arising from valuation of derivative financial instruments (hedge accounting)	–14,669	1,672
Actuarial gains and losses from pension provisions	864	2,945
Other measurement changes not impacting profit	–606	703
Income and expenses recognized directly in equity	**–17,726**	**5,450**
Group net profit	**27,928**	**49,670**
Total income and expenses recognized in the financial year	**10,202**	**55,120**
Thereof relating to:		
Shareholders of VTG Aktiengesellschaft	9,322	54,291
Other shareholders (minorities)	880	829
	10,202	**55,120**

Explanations of shareholders' equity are given under Notes (21) to (25).

The explanatory notes on pages 69 to 138 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanations of the accounting principles and methods used in the consolidated financial statements

1. General information

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

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

VTG AG prepares its consolidated financial statements in accordance with § 315 (a) (1) of the German Commercial Code. The consolidated financial statements and group management report are published in the electronic Federal Gazette.

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

These consolidated financial statements were approved for publication by the Executive Board of VTG AG on 26th February 2009.

2. Principles of accounting

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

The consolidated financial statements were prepared in accordance with the historical cost convention, with the exception of the financial assets available for sale and financial assets and financial liabilities (including derivative financial instruments) carried at fair value through profit or loss.

Principles of consolidation
The consolidated financial statements include all entities over which VTG AG can exercise control by determining their financial and business policy such that the companies of the VTG Group benefit from the activity of these entities (subsidiaries). These entities are included in the consolidated financial statements from the date on which the VTG Group gains such potential for control. If this potential for control ceases, the companies in question withdraw from the group of consolidated companies.

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

Subsidiaries not included in the consolidated financial statements are insignificant for the presentation of the net assets, financial position and results of operations due to dormant operations or a low level of operations. Non-consolidated companies are generally recognized in the consolidated balance sheet at acquisition cost. This measurement complies with IAS 39.

Investments in companies where the VTG Group is able to exercise significant influence over business policy (associates) are accounted for at equity. Entities with an ownership percentage of between 20 % and 50 % are, as a general rule, accounted for at equity. The first and last date of at-equity accounting is determined in line with the principles that apply for subsidiaries. The most recent financial statements of these entities serve as the basis for consolidation under the equity method. As at 31st December 2008, two companies are accounted for under the at-equity method. The complete list of equity investments is presented on pages 136 to 137.

Equity consolidation is performed by eliminating the carrying amount of the parent's investment in each subsidiary which is measured at fair value at the time of acquisition or on formation of the subsidiary (acquisition method). Goodwill is amortized exclusively in accordance with the impairment only approach, under which it is subject to an annual impairment test and is subsequently measured at its original acquisition cost less any accumulated impairment losses.

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

Intra-group revenue and other intra-group income, as well as the corresponding expenses, are eliminated. Interim profits resulting from intra-group transactions are eliminated in full, including their impact on deferred taxes, except for insignificant transactions. Intra-group transactions are normally arm's-length transactions.

Currency translation

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

For better presentation, all amounts are given in thousands of euros (€ '000). Relevant information is not lost as a result of this.

The annual financial statements of the foreign subsidiaries with a functional currency other than the euro are translated into euros as follows:

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

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

For the translation into euros of financial statements of foreign companies recognized at equity, the same principles are used as for consolidated companies.

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

The following exchange rates have been used for currency translation:

	Rate at balance sheet date		Average rate	
1 Euro ≙	**31.12.2008**	31.12.2007	**2008**	2007
British Pound	0.9600	0.7346	0.7958	0.6841
Chinese Yuan Renminbi	9.6090	n.a.	10.2273	n.a.
Swiss Franc	1.4860	1.6557	1.5883	1.6424
US Dollar	1.3977	1.4716	1.4716	1.3697

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

Revenue

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

Revenue from services is not realized until the service has been fully rendered. There is no recognition in accordance with stage of completion due to the nature of the business. Income from the sale of goods is recognized if these have been delivered and the risk has been transferred.

Changes in inventories

Changes in inventories arise from the difference in the balance sheets measurements of the work in progress and finished goods valued at manufacturing cost at the start and end of the period under review. Furthermore, write-downs of work in progress and finished goods are included in this item.

Due to the takeover of parts of the business operations of Graaff Transportsysteme GmbH, Elze (Graaff Transportsysteme) and of Waggonbau Elze GmbH & Co. Besitz-KG, Elze (Waggonbau Elze), the VTG group is now a manufacturer of rail freight cars (see 4, “Changes to the scope of consolidation”). This has given rise to a significant increase in changes to inventories of the Group compared with the previous year. For this reason, the changes in inventories are shown as of 31st December 2008 a separate item in the income statement. For greater ease of comparison, the statement of the previous year has been adjusted, with the changes in inventory no longer forming part of revenue.

Interest and investment income

Dividends are recorded as income when the claim is legally effective. Interest expenses and interest income are recognized proportionally, applying the effective interest method. Expenses and income from compensation for use are allocated to periods and recorded according to the economic substance of the relevant agreements.

Balance sheet structure

Assets and liabilities are shown in the balance sheet as non-current assets where the residual term is more than a year. Residual terms of less than a year are thus shown as current assets and liabilities. Liabilities are generally deemed non-current as long as there is no unqualified right to avoid performance in the next year. Deferred tax assets and liabilities are generally shown as non-current assets and liabilities. Conversely, current income tax assets and liabilities are shown as current assets and liabilities. If the assets and liabilities have non-current and current components, these are shown in accordance with the balance street structure as current/non-current assets and liabilities.

Assets that have an indefinite useful life are not subject to scheduled depreciation or amortization. They are subject to an annual impairment test. Assets that are subject to scheduled amortization or depreciation are subject to an impairment test when relevant events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recorded in the amount of the difference between the carrying value and recoverable amount. The recoverable amount is the higher of the fair value less selling expenses and value in use. For the impairment test, assets are combined at the lowest level for which cash flows can be identified separately (cash-generating units). The various activities of the Group are regarded as cash-generating units. The cash-generating units are set out under Note (11) Goodwill.

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

Goodwill

Goodwill is the amount by which the acquisition costs of the enterprise exceed the fair value of the shares held by the Group in the net assets of the acquired enterprise at the time of acquisition. Goodwill arising on acquisition of an enterprise is classified under intangible assets. Capitalized goodwill is not subject to scheduled amortization, but is instead subject to an impairment test at least once a year on the basis of the cash-generating unit to which it is allocated.

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

Segmental goodwill is tested for impairment regularly as part of the annual budgeting process. The calculations are based on forecast cash flows are derived from the long-term forecast approved by management. These include the detailed planning for the years 2009 to 2011. Overall, the management is expecting moderate growth. The capitalization interest rate plus a growth surplus of 1.0 % has been applied for the subsequent period. The calculation of cash flows is based on the experience values from past financial years and takes account of future developments. In order to determine useful lives, risk-oriented interest rates appropriate to the market were applied. The pre-tax interest rates are between 8.0 % and 9.0 %, while in the previous year they were between 9.0 % and 10.5 %.

Other intangible assets
Other intangible assets comprise brand values and customer relationships as well as purchased intangible assets.

Brand values are not amortized; rather they are subject to an annual impairment test in which the book value of the brands is compared with the fair value. The fair values are determined in accordance with the relief from royalty method, whereby notional brand licence payments are discounted with a market-specific capital cost rate and a tax amortization benefit is also added. The notional brand licence payments are based mainly on the brand-specific revenue forecast within the detailed budgets for the years 2009 to 2011. The assumptions made about revenue growth are in line with those made through the goodwill impairment test.

Customer relationships are initially recognized at fair value measured on the basis of residual profit and are amortized normally in the subsequent periods over 16 years.

Other intangible assets with finite useful lives acquired against payment are generally stated at acquisition cost and for the most part amortized on a straight-line basis over three years.

There are no internally-generated intangible assets.

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

Acquisition costs comprise all consideration given to purchase an asset and to bring it to an operational state. Manufacturing costs are determined on the basis of direct costs as well as directly allocable overheads and depreciation. Finance costs for the purchase and for the period of manufacture are not capitalized.

Interim profits arising from intra-group delivery of goods and services are eliminated with a corresponding effect on profit.

Within purchase price allocations, parts of the tangible fixed assets are revalued on the basis of replacement cost and recognized at fair value.

Tangible fixed assets whose use is time-limited are shown less planned depreciation on a straight-line basis. This is based on a recoverable residual value that takes regional differences into account. Compound items are created for low value assets (acquisition cost between € 150 and € 1,000). These are depreciated according to the straight-line method over five years.

Depreciation is based mainly on the following useful lives:

Tangible fixed assets	Useful life
Buildings	up to 50 years
Technical plant and machinery	up to 15 years
Containers	up to 12 years
Rail freight cars *	
Compressed gas tank wagons	up to 35 years
Petroleum and open freight cars, etc.	up to 30 years
Chemical wagons	up to 28 years
Operating and office equipment	up to 13 years

* Some wagon types in the US have longer useful lives than those stated above.

Costs for maintenance and repair of items within tangible fixed assets are recorded as expenses. Expenses for renewal and maintenance are capitalized as subsequent manufacturing costs if they result in a substantial extension of the useful life, a significant improvement or a meaningful change in the use of the asset. The costs of overhaul of the rail freight cars are capitalized as a separate component and depreciated over the term of the overhaul intervals. The term of the overhaul intervals is four to six years.

Leasing agreements

Leased assets for which the entities of the VTG Group are entitled to all significant risks and rewards (finance leasing) are capitalized in accordance with IAS 17. Capitalization is at the lower of fair value of the asset or the present value of the minimum lease payments. Depreciation is recorded normally over the economic life or, if shorter, the term of the lease, using the depreciation method that applies for comparable purchased or manufactured fixed asset items. The payment obligations that arise for future lease instalments are recorded as liabilities, disregarding the interest component. The interest portion of the lease instalment is recorded as an expense in the income statement.

In the case of operating leases, the lease/hire payments are recorded directly as an expense in the income statement.

Financial instruments

IAS 32 defines a financial instrument as a contractually agreed right or obligation which gives rise to the inflow or outflow of financial assets or the issue of equity rights. Financial instruments include primary financial instruments such as trade receivables and payables, financial receivables and liabilities and derivative financial instruments, which are used for securing against interest and currency risks. Financial instruments are entered in the balance sheet where an obligation has been undertaken to buy or sell an asset.

Primary financial instruments

Assets from primary financial instruments are subdivided into different categories. The classification is checked at the balance sheet date, influences classification as non-current or current assets and determines whether measurement is at acquisition cost or fair value. Financial assets are derecognized where the rights to payments from the financial asset have expired or the Group has essentially transferred all risks and opportunities associated with the asset. At each balance sheet date, a review is undertaken as to whether there are any objective indications in respect of impairment of a financial asset or of a group of financial assets.

a. **Financial assets measured at fair value through profit or loss and held for trading**

There are no assets in the VTG Group that come under this category.

b. **Loans and receivables**

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

c. **Financial assets held to maturity**

There are no assets in the VTG Group that come under this category.

d. **Financial assets available for sale**

Financial assets available for sale have been either directly classified under this category or could not be classified under one of the other three given categories. The financial assets presented in the VTG Group are mainly investments in affiliated companies, which have not been consolidated because of their minor importance, and investments. They are classified as non-current assets, provided that management does not intend to sell them within twelve months of the balance sheet date. Financial assets held for sale are initially recognized at their fair value plus transaction costs (acquisition costs) and are recognized on subsequent balance sheet dates at their fair values to the extent that their market value can be determined reliably. In this case, the unrealized gains and losses arising from the change in the fair value are recognized in the revaluation reserve after accounting for tax effects. Shares in affiliated companies and other investments are recognized at amortized acquisition cost since it is not possible to determine their fair values.

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

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

Derivative financial instruments

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

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

On concluding a transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the objective of risk management and the strategy underlying the conclusion of hedging transactions. Furthermore, at the beginning of the hedging relationship and subsequently, the estimate is documented on an ongoing basis as to whether the derivatives used in the hedging relationship compensate highly effectively for the changes in the fair value or in the cash flows of the underlying business.

The full fair value of the derivative financial instrument designed as a hedging instrument is presented as a non-current asset or non-current liability to the extent that the residual term of the underlying transaction is longer than 12 months after the balance sheet date or as a current asset or current liability if the residual term is shorter. Derivative financial instruments held for trading purposes are disclosed as current assets or liabilities. There are, however, no such assets in the VTG Group. The fair values of (derivative) financial instruments, which are not traded in an active market, are determined by applying risk-adjusted valuation models. The Group uses varying valuation models and makes assumptions on the basis of the market circumstances at the balance sheet date.

The effective portion of market value changes of derivative financial instruments, which are deemed cash flow hedges, is recorded after accounting for deferred taxes to the other parts of equity without impacting income. The non-effective portion is recorded to the income statement. The amounts recorded to equity are reclassified to the income statement in the financial years in which the underlying transaction affects the income statement.

As part of the interest and foreign currency hedging contracts, derivative financial instruments are entered in the balance sheet to hedge any potential default risks from receivables and payables. Through interest and foreign currency hedging contracts, it is established that a contract partner has to transfer security in the form of cash to the other contract partner if the market values of the derivative instruments between the contract parties exceed a certain amount.

Inventories
The measurement of raw materials, supplies and consumables is at acquisition cost. The costs of work in progress comprise the costs for raw materials, supplies and consumables, direct personnel expenses, other direct costs and overheads attributable to production. The manufacturing costs do not contain any costs of external capital. Inventories are recognized at the lower of acquisition/manufacturing costs and net realizable value. The net realizable value is determined as the estimated ordinary selling price less necessary variable selling expenses. Similar items of inventory are measured applying the average method.

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

Deferred taxes
Deferred taxes are recognized for all temporary differences between the tax base of assets and liabilities and their carrying values under the applicable IFRS. However if, as part of a transaction which does not represent a business combination, deferred tax arises on the first-time recognition of an asset or a liability which, at the time of the transaction, has neither an effect on the balance sheet nor on the tax profit or loss, then there is no deferred tax either on initial recognition or later. Deferred taxes are measured by applying tax rates (and tax laws) that are valid at the balance sheet date or which have been substantially enacted and are expected to apply to the period when the tax asset is realized or the liability settled.

Other provisions
Other provisions are set up for uncertain legal and constructive obligations to third parties, the occurrence of which will probably lead to an outflow of funds. They are formed taking into consideration all detectable risks at the probable settlement amount and are not offset against any claims of recourse. Measurement is at the best estimate of the current obligation at the balance sheet date, discounting long-term obligations.

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

The following material estimates and related assumptions can affect the Group financial statements.

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

The goodwill allocated to the Wagon Hire segment – with the exception of Texas Railcar Leasing Company, Inc. (Texas Railcar) – amounting to € 150,472 k is considered to be impaired where there is a worsening of the future EBITs by 20.4 % compared to forecast EBITs assuming that all other parameters affecting impairment are constant.

In the year under review, the impairment test was expanded to include the cash-generating unit Texas Railcar. The reason for this is the first-time consolidation of Texas Railcar, whose goodwill is to be checked at least annually for impairment. The goodwill attributed to Texas Railcar (€ 1,935 k) is considered to be impaired where there is a worsening of future EBITs by 9.4 % as against the forecast EBITs, assuming that all other parameters affecting impairment are constant.

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

The Group has a duty to pay income taxes in various countries. For each tax subject, the expected effective income tax amount is to be determined and the temporary differences from the different treatment of certain balance sheet items in the IFRS financial statements and in the statutory tax financial statements are to be assessed. Where there are temporary differences, these lead to the capitalization or provision of deferred tax assets and liabilities. When calculating current and deferred taxation, the management has to make judgements, for example with regard to the probability of the future utilization of deferred tax assets. If the actual results differ from these assessments, then this can have an impact on the Group financial statements.

Tax estimates are made taking into account the provisions of country-specific legislation.

The Group has set up provisions for various risks. In accordance with the accounting methods described, these are, however, only set up if their utilization is probable. Naturally, various scenarios exist here. The assessment with regard to probability is based on past experience and on individual judgement of business transactions. Facts already in existence at the balance sheet date which come to light later are accounted for.

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

3. New financial reporting standards

For the financial year 2008, amendments to **IAS 39 "Financial Instruments: Recognition and Measurement"** and **IFRS 7 "Financial Instruments: Disclosures"** entitled **"Reclassification of Financial Assets"** became binding for the first time. These changes address the current trend in the financial markets and the concerns of the joint project of the IASB and FASB. These changes had no impact for the VTG Group.

Furthermore, the IASB and IFRIC approved financial reporting standards and interpretations that are not yet binding for reporting of the VTG consolidated financial statements for 2008 and which have not yet been recognized by the EU.

IAS 1 "Presentation of Financial Statements" (amendment) mainly contains formal changes relating to the designations and content of individual components of the financial statements.

IAS 23 "Borrowing Costs" (amendment) requires that, in future, interest on borrowed capital directly attributable to the acquisition, construction or production of "qualified assets" within the meaning of IAS 23 is to be capitalized.

IAS 27 "Consolidated and Separate Financial Statements" (amendment) has new provisions on the recording of losses attributed to minorities.

IAS 32 "Financial Instruments: Presentation" (amendment) also permits, under certain circumstances, the presentation of puttable financial instruments as equity.

IAS 39 "Financial instruments: Recognition and Measurement" (amendment) concretizes the principles set out in IAS 39 on the recognition of hedge relationships (hedge accounting) in certain circumstances.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amendment) allows companies, on applying IFRS in their individual IFRS financial statements to determine the acquisition cost of an investment in a subsidiary either at fair value or at book value in accordance with the previously applied national legal provisions.

IFRS 2 "Share-based Payment" (amendment) contains clarifications and a more precise definition of vesting conditions in terms of share-based payment arrangements.

IFRS 3 "Business combinations" (amendment) contains regulations relating in particular to components of acquisition cost, on dealing with minority interests and goodwill and on the scope of the recognition of assets, liabilities and contingent liabilities.

"Improvements to IFRS" is a collective standard for amending different IFRS. It is mainly concerned with amendments that are viewed as non-essential such as the elimination of inconsistencies between standards and clarifying ambiguous phraseology.

IFRIC 11: "IFRS 2 – Group and Treasury Share Transactions" (applicable to reporting periods beginning from 1st March 2007) and is concerned with the treatment of share-based payment agreements in which the company's own equity instruments or those of other companies in the Group have been granted.

IFRIC 12: "Service Concession Arrangements" governs the entry on the balance sheet of concessions that are granted by governments or other public bodies to private operators to perform public services.

IFRIC 13 "Customer Loyalty Programmes" addresses how loyalty award credits granted to customers when buying goods and services are accounted for and measured.

IFRIC 14 IAS 19 – "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides general guidelines on determining the upper limit of the excess amount of a pension fund that can be recognized as an asset in accordance with IAS 19.

IFRIC 15 "Agreements for the Construction of Real Estate" governs certain sales of real estate and clarifies when IAS 11 or IAS 18 is to be applied.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" governs issues relating to the reporting of the hedging of foreign currency risks within a company and its foreign business operations.

IFRIC 17 "Distributions of Non-cash Assets to Owners" contains provisions relating to the reporting and measurement of distributions of non-cash assets.

IFRIC 18 "Transfers of Assets from Customers" governs the transfer of assets by customers for the purpose of the provision of goods or services.

The amendments and interpretations to be applied in future do to an extent affect operations of the Group, but are not expected to lead to any substantial change in the information shown.

4. Scope of consolidation in the financial year 2008

In addition to VTG AG, a total of 11 (previous year: 10) domestic and 16 (prior year 13) foreign subsidiaries are included in the consolidated financial statements.

The consolidation group as at 31st December 2008 comprised the following companies:

No.	Name and registered office of the company	Ownership in %
	Fully consolidated companies	
1	VTG Aktiengesellschaft, Hamburg	
2	Alstertor Rail France S.à r.l., Joigny	100.0
3	Alstertor Rail UK Limited, Birmingham	100.0
4	Ateliers de Joigny S.A.S., Joigny	100.0
5	CAIB Benelux BVBA, Berchem/Antwerp	100.0
6	CAIB Rail Holdings Limited, Birmingham	100.0
7	CAIB UK Limited, Birmingham	100.0
8	Deichtor Rail GmbH, Garlstorf	100.0
9	Eisenbahnreparaturwerk Brühl GmbH, Wesseling	100.0
10	Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	98.6
11	Etablissements Henri Loyez S.A.S., Libercourt	100.0
12	EVA Eisenbahn-Verkehrsmittel-GmbH, Hamburg	100.0
13	EVA Holdings Deutschland GmbH, Hamburg	100.0
14	KR Klostertor Rail GmbH, Hamburg	100.0
15	Texas Railcar Leasing Company, Inc., McAllen, Texas	100.0
16	Transpetrol Austria GmbH, Vienna	100.0
17	Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	74.9
18	VOTG Tanktainer GmbH, Hamburg	100.0
19	VTG Austria Ges.m.b.H., Vienna	100.0
20	VTG Deutschland GmbH, Hamburg	100.0
21	VTG France S.A.S., Paris	100.0
22	VTG ITALIA S.r.l., Milan	100.0
23	VTG North America, Inc., Hinsdale, Illinois	100.0
24	VTG Rail España S.L., Madrid	100.0
25	VTG Rail UK Limited, Birmingham	100.0
26	VTG Schweiz GmbH, Basel	100.0
27	VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	100.0
28	Waggonbau Graaff GmbH, Elze	100.0
	Associates	
29	Waggon Holding AG, Zug	50.0
30	Shanghai COSCO VOTG Tanktainer Co., Ltd. Shanghai	50.0

VTG North America, Inc. and Texas Railcar Leasing Company, Inc.
In January 2008, the companies Texas Railcar and VTG North America, Inc. (VTG North America) were added for the first time to the consolidation. The VTG Group owns 100 % of the shares in each of these companies. The additions relate to the Wagon Hire segment.

A purchase price allocation was made for the acquisition of Texas Railcar [1], which took place on 16th January 2008.

As part of the purchase price allocation, the difference between the acquisition costs and the shareholders' equity of the company purchased was allocated to the assets and liabilities acquired. For this purpose, the fair values of the assets and liabilities acquired are to be determined.

The acquisition costs of € 11,823 k were allocated to the assets and liabilities recorded for Texas Railcar as at 16th January 2008 as follows:

	Book value as at 16.1.2008		Fair value as at 16.1.2008	
	in USD '000	in € '000	in USD '000	in € '000
Tangible fixed assets	9,539	6,408	21,039	14,133
Current receivables	271	182	271	182
Cash and cash equivalents	282	189	282	189
Deferred income tax liabilities	2,338	1,571	6,248	4,197
Current liabilities	448	301	448	301
Net assets acquired	**7,306**	**4,907**	**14,896**	**10,006**

The difference from the acquisition cost, amounting to USD 2,704 k (€ 1,817 k), is shown as goodwill.

Including depreciation from the purchase price allocation, since the time of acquisition the result after tax for Texas Railcar amounted to – € 364 k.

The results and effects on the individual balance sheet and result items are shown under Notes (11) Goodwill and (13) Tangible fixed assets.

VTG ITALIA S. r. l. and Transpetrol Italia S. r. l.
On 1st January 2008, the company VTG Italia S.r.l. (VTG Italia) was added to the consolidation for the first time. The VTG Group holds 100 % of the shares in this company. After final determination of the first-time consolidation values, the VTG Group assumed non-current assets of € 1,834 k, current assets of € 3,996 k and current liabilities of € 5,677 k (of these, € 4.772 k relates to liabilities to affiliated consolidated companies). The addition relates to the Wagon Hire segment.

In 2008, Transpetrol Italia S. r. l. (TP Italia) was merged with VTG Italia. Thus VTG Italia is now operational in the wagon hire and rail logistics segments.

[1] Acquisition of 100 % of the shares by VTG AG through the newly-established VTG North America.

Waggonbau Graaff GmbH

On 24th July 2008, the company Provista Siebenhundertfünfundzwanzigste Verwaltungsgesellschaft mbH (Provista) was acquired. This company was added to the consolidation for the first time on 30th September 2008 and has operated under the name Waggonbau Graaff GmbH (Waggonbau Graaff) since 14th November 2008. The VTG Group holds 100 % of the shares in this company. With a contract of sale signed on 28th July 2008, the VTG Group acquired parts of the business operations of Graaff Transportsysteme and Waggonbau Elze. The assets acquired are used for the manufacture of rail freight cars. The Waggonbau Graaff wagon construction plant is thus assigned to the Wagon Hire segment.

The Federal Cartel Office did not oppose the purchase in mid-October 2008. The assets of Graaff Transportsysteme and Waggonbau Elze were taken over at this time. As part of the purchase price allocation carried out, the difference between the acquisition cost and the fair value of the assets acquired is determined and allocated to assets. A provisional determination was made of the fair values of the acquired assets and liabilities.

As at 17th October 2008, the fair values were allocated as follows to the assets and liabilities entered for Waggonbau Graaff:

in € ’000	Fair value as at 17.10.2008
Intangible assets	577
Land	2,827
Mobile tangible fixed assets	1,350
Inventories	4,840
Current liabilities	–449
Non-current liabilities	–57
Net assets acquired (= acquisition cost)	**9,088**

Shanghai COSCO VOTG Tanktainer Co., Ltd.

On 5th September 2008, VTG Aktiengesellschaft took over 50 % of the shares in Shanghai COSCO VOTG Tanktainer Co., Ltd. (Shanghai Tanktainer) via its subsidiary VOTG Tanktainer GmbH (VOTG).

Shanghai Tanktainer specializes in providing logistics services for the transport of chemicals for the chemical and petrochemical industry and in transporting foodstuffs within Asia. It belongs to the Tank Container Logistics segment.

For the figures for Shanghai Tanktainer, the at-equity method had been used.

The financial statements of Shanghai Tanktainer used for first-time consolidation showed the following amounts:

in USD ’000	
Assets	2,300
Liabilities	1,377
Shareholders’ equity	923

Associates

Waggon Holding AG (Waggon Holding) continues to be valued at equity.

The associates Waggon Holding and Shanghai Tanktainer show the following key financial information in their financial statements as at 31st December 2008:

	Waggon Holding		Shanghai Tanktainer
€ '000	**31.12.2008**	31.12.2007	**31.12.2008**
Assets	3,187	3,516	2,042
Liabilities	19	16	985
Income	3,464	2,834	7,280
Net profit for the year	3,421	2,794	117

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

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

	Waggon Holding		Shanghai Tanktainer
€ '000	**31.12.2008**	31.12.2007	**31.12.2008**
Share of net profit for the year	1,711	1,397	19
Elimination of dividend	–1,434	–2,015	0
Shown as additions (previous year: disposals) under investments in associates Balance	**277**	**–618**	**19**

Segment reporting

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

In addition to the leasing of its own rail freight cars, the **Wagon Hire** segment also covers management, the provision of technical support for, the administration of and maintenance of its own and external wagon fleets. Furthermore, this segment includes three of VTG's own wagon repair workshops and the Waggonbau Graaff wagon construction plant.

The **Rail Logistics** segment covers the rail forwarding services of the Group. In this segment, the VTG Group operates as an international provider of rail-related logistics solutions.

The **Tank Container Logistics** segment brings together tank container transport operations for products from the chemical, petroleum and compressed gas industries. It also covers the leasing of tank containers.

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

VTG AG, VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung (VTG GmbH) and the non-operational parts of VTG Deutschland are active across the entire Group and are therefore grouped together with the consolidation entries in a Group reconciliation item.

Explanations of the segment data
As a rule, revenue between the segments is generated according to the arm's length principle, just as is the case with transactions with external third parties.

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

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

In segment reporting, the following key performance indicators are shown: segment gross profit (segment revenue and changes in inventories less cost of materials of the segments), EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes) and EBT (earnings before taxes), since these key figures are used as a control basis for value-oriented company management.

Key figures by segment

Based on internal reporting, the figures for the segments for the financial year ended 31st December 2008 were as follows:

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
External revenue	294,137	177,682	136,834	0	608,653
Internal revenue	11,256	1,244	270	-12,770	0
Changes in inventories	2,809	0	0	0	2,809
Segment revenue	**308,202**	**178,926**	**137,104**	**-12,770**	**611,462**
Segment costs of materials *	-36,347	-164,732	-115,373	14,588	-301,864
Segment gross profit	**271,855**	**14,194**	**21,731**	**1,818**	**309,598**
Other segment income and expenses	-119,391	-6,597	-12,096	-15,068	-153,152
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**152,464**	**7,597**	**9,635**	**-13,250**	**156,446**
Impairment, amortization of intangible and depreciation of tangible fixed assets and current assets	-75,578	-926	-3,842	-328	-80,674
Impairment of financial assets	0	0	0	-140	-140
Segment earnings before interest and taxes (EBIT)	**76,886**	**6,671**	**5,793**	**-13,718**	**75,632**
Thereof earnings from associates	1,711	0	19	0	1,730
Net interest expense **	-31,619	11	-6	-907	-32,521
Interest income	2,646	258	651	-441	3,114
Interest expense	-34,265	-247	-657	-466	-35,635
Earnings before taxes (EBT)	**45,267**	**6,682**	**5,787**	**-14,625**	**43,111**
Taxes on income					-15,183
Group net profit for the year					**27,928**

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

** For details of the allocation of the interest result in segmental reporting to the financial result in the income statement, please refer to Note (8).

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

€ '000	Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	Group
External revenue	260,332	153,827	127,152	0	541,311
Internal revenue	8,920	963	98	−9,981	0
Changes in inventories	122	0	0	0	122
Segment revenue	**269,374**	**154,790**	**127,250**	**−9,981**	**541,433**
Segment costs of materials *	−33,525	−143,386	−107,499	11,281	−273,129
Segment gross profit	**235,849**	**11,404**	**19,751**	**1,300**	**268,304**
Other segment income and expenses	−98,788	−6,980	−11,675	−13,827	−131,270
Segment earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	**137,061**	**4,424**	**8,076**	**−12,527**	**137,034**
Impairment, amortization of intangible and depreciation of tangible fixed assets and current assets	−63,892	−689	−3,421	−405	−68,407
Impairment of financial assets	0	−201	0	0	−201
Segment earnings before interest and taxes (EBIT)	**73,169**	**3,534**	**4,655**	**−12,932**	**68,426**
Thereof earnings from associates	1,397	0	0	0	1,397
Net interest expense **	−25,636	51	26	−10,174	−35,733
Interest income	1,139	226	333	1,124	2,822
Interest expense	−26,775	−175	−307	−11,298	−38,555
Earnings before taxes (EBT)	**47,533**	**3,585**	**4,681**	**−23,106**	**32,693**
Taxes on income					16,977
Group net profit for the year					**49,670**

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

** For details of the allocation of the interest result in segmental reporting to the financial result in the income statement, please refer to Note (8).

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

€ '000		Wagon Hire	Rail Logistics	Tank Container Logistics	Adjustment	**Group**
Segment assets						
	31.12.2008	1,091,216	35,140	45,863	11,999	1,184,218
	31.12.2007	1,072,475	41,694	40,337	–62,156	1,092,350
Thereof investments in associates						
	31.12.2008	16,088	0	769	0	16,857
	31.12.2007	15,811	0	0	0	15,811
Segment liabilities						
	31.12.2008	124,369	29,126	29,233	59,874	242,602
	31.12.2007	297,631	26,299	36,243	–140,674	219,499
Investments in intangible assets						
	31.12.2008	114	668	42	167	991
	31.12.2007	3,921	312	188	60	4,481
Investments in tangible fixed assets						
	31.12.2008	131,562	109	7,737	493	139,901
	31.12.2007	105,048	95	1,275	307	106,725
Additions from investments in finance leasing						
	31.12.2008	25	0	0	0	25
	31.12.2007	5,505	0	0	0	5,505
Addition to intangible and tangible fixed assets from first-time consolidation						
	31.12.2008	20,720	0	0	0	20,720
	31.12.2007	73,339	0	0	0	73,339
Impairment, depreciation and amortization (excl. impairment of financial assets)						
	31.12.2008	75,578	926	3,842	328	80,674
	31.12.2007	63,892	689	3,421	405	68,407
Changes in provisions for pensions and similar obligations and in other provisions						
	31.12.2008	2,722	–89	938	1,653	5,224
	31.12.2007	11,854	–194	1,368	–7,855	5,173

Reconciliation of segment assets and liabilities to the consolidated balance sheet

€ '000	31.12.2008	31.12.2007
Segment assets	**1,184,218**	**1,092,350**
Cash and cash equivalents	28,256	48,031
Other current financial assets	1,688	10,697
Current income tax assets	3,211	2,882
Deferred income tax assets	23,114	11,954
Consolidated balance sheet assets	**1,240,487**	**1,165,914**
Segment liabilities	**242,602**	**219,499**
Current financial liabilities	267	510
Liabilities from finance leases	37,382	55,642
Non-current financial liabilities	490,417	463,185
Current income tax liabilities	22,086	15,909
Current tax liabilities	298	470
Deferred income tax liabilities	141,905	131,968
Other reconciliation items	17,113	4
Consolidated balance sheet external capital	**952,070**	**887,187**

"Other reconciliation items" essentially comprises liabilities from interest and forward currency hedges.

Key figures across all segments

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

€ '000		Germany	Abroad	Group
Segment assets				
	31.12.2008	940,554	243,664	1,184,218
	31.12.2007	884,104	208,246	1,092,350
Segment liabilities				
	31.12.2008	199,553	43,049	242,602
	31.12.2007	177,491	42,008	219,499
Investments in intangible assets				
	31.12.2008	989	2	991
	31.12.2007	587	3,894	4,481
Investments in tangible fixed assets				
	31.12.2008	96,817	43,084	139,901
	31.12.2007	67,946	38,779	106,725
Additions from investments in finance leasing				
	31.12.2008	0	25	25
	31.12.2007	5,505	0	5,505
External revenue by location of companies				
	31.12.2008	453,134	155,519	608,653
	31.12.2007	415,135	126,176	541,311

Notes to the consolidated income statement

(1) Group revenue

€ '000	2008	2007
Wagon Hire	294,137	260,332
Rail logistics	177,682	153,827
Tank Container Logistics	136,834	127,152
Total	**608,653**	**541,311**

The business of the VTG Group is affected only to a minor degree by seasonal fluctuations. The rise in revenue is attributable to the increase in the volume of business in all segments

Furthermore, the companies VTG Italia and Texas Railcar were not yet part of the Group in the previous year. In the financial statements of 31st December 2007, only the revenue of KR Klostertor Rail GmbH (Klostertor) and Deichtor Rail GmbH (Deichtor) for the second half of 2007 was included due to their first-time consolidation on 30th June 2007.

(2) Changes to inventories

€ '000	2008	2007
Changes to inventories	**2,809**	**122**

The changes to inventories essentially arise from Waggonbau Graaff, which was added to the consolidation only in 2008.

(3) Other operating income

€ '000	2008	2007
Book profit from the sale of fixed assets	5,151	3,719
Income from the derecognition of liabilities	0	2,100
Income from sales of materials	4,705	2,082
Recharged services	2,018	1,705
Income from investments	1,869	1,375
Other ancillary operating income	1,082	1,446
Exchange gains	439	1,010
Other income	4,673	3,482
Total	**19,937**	**16,919**

Other ancillary operating income mainly comprises rebates from suppliers.

Other income mainly comprises reimbursements related to payments to the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder), insurance reimbursements and rental and leasing income.

(4) Cost of materials

€ '000	2008	2007
Raw materials, consumables and supplies	14,910	8,049
Cost of purchased services	295,896	268,024
Total	**310,806**	**276,073**

Cost of purchased services includes leasing expenses for operating lease contracts amounting to € 17,157 k (previous year: € 19,911 k)

The increase in the cost of materials is mainly due to the rise in business volume in the Rail Logistics and Tank Container Logistics segments.

(5) Personnel expenses

€ '000	2008	2007
Wages and salaries	43,211	38,937
Social security, post-employment and other employee benefit costs	12,344	11,261
Thereof for pensions	(2,791)	(3,254)
Total	**55,555**	**50,198**

The costs for pensions include the expense for defined-benefit obligations. The share of interest in the valuation of pension obligations is shown in the financial result. There is a detailed presentation of pension commitments under Note (26).

(6) Impairment, amortization and depreciation

€ '000	2008	2007
Impairment, amortization of intangible and depreciation of tangible fixed assets	78,797	67,793
Impairment, write-downs of current assets	1,877	615
Total	**80,674**	**68,407**

Impairment, amortization and depreciation have increased, in particular due to the first-time consolidation of the companies VTG Italia and Texas Railcar in January 2008. In the financial statements of 31st December 2007, only the impairment losses of Klostertor and Deichtor for the second half of 2007 were included due to their first-time consolidation on 30th June 2007.

(7) Other operating expenses

€ '000	2008	2007
Repairs and operating resources	60,204	55,882
Selling expenses	11,091	10,115
Charges, fees, consultancy costs	5,588	4,518
Rents/leases	4,718	3,952
IT costs	4,232	3,157
Administrative expenses	3,078	1,594
Other costs of materials and personnel expenses	2,880	2,561
Travel costs	2,225	1,982
Insurance	2,134	1,953
Other taxes	1,972	1,796
Advertising	1,147	1,223
Money and financial transactions/exchange losses	1,047	980
Audit fees	809	800
Donations and contributions	801	535
Other expenses	11,586	5,396
Total	**113,512**	**96,444**

Other expenses mainly includes costs of temporary employees and additions to allowances.

(8) Financial loss (net)

€ '000	2008	2007
Income from other investments and loans of financial assets	34	42
Interest and similar income	3,080	2,780
thereof from affiliated companies	(1)	(102)
Interest and similar expenses	−35,635	−38,555
thereof to affiliated companies	(−41)	(−2,716)
thereof to pensions	(−2,440)	(−2,257)
Net interest expense	**−32,521**	**−35,733**
Income from the sale of rail4chem	**3,190**	**0**
Impairment of financial assets	**−140**	**−201**
Total	**−29,471**	**−35,934**

The item interest and similar expenses includes interest income from cash flow hedges amounting to € 4,451 k (previous year: € 1,448 k).

Additionally, the financial loss includes the income from the sale of the share in rail4chem Eisenbahnverkehrsgesellschaft mbH, Essen (rail4chem). This is further explained under Note (24).

Interest expenses for pensions include the expected income from plan assets of € 23 k.

Impairment losses of financial assets does not include the effects of the revaluation of securities, since the latter is performed without impact on profit.

(9) Taxes on income

€ '000	2008	2007
Current taxes	12,990	5,163
thereof out of period	(–2)	(–1,787)
Deferred tax expense (previous year: tax income)	2,193	–22,140
Total	**15,183**	**–16,977**

The actual tax result of € 15,183 k differs by € 956 k from the expected expense for taxes on income of € 14,227 k which would arise if the domestic tax rate were applied to the annual result of the Group before taxes on income. The reconciliation of the expected income tax expense to the actual income tax expense can be seen in the following table:

€ '000	2008	2007
Net group profit before taxes on income	**43,111**	**32,693**
Income tax rate of VTG AG	33 %	40 %
Expected income tax expense (tax rate of VTG AG)	14,227	13,077
Tax effect of non-deductible expenses and tax-free income	3,773	4,212
Tax effect on tax-free investment income	–586	–18
Tax effect on the income from associates	–547	–519
Tax effect from the adjustment of tax assets to tax loss carryforwards	305	–3,425
Tax effect on taxable loss carryforwards	–959	–666
Tax expense/income unrelated to accounting period	–2	–1,787
Tax effect due to changes in the income tax rate on effects of the prior year	–49	–24,221
Tax effect due to changes in the income tax rate on effects of the current year	0	–435
Tax effect due to deviations from the expected tax rate	–1,309	–2,617
Other deviations	330	–578
Actual income tax expense (previous year: income)	**15,183**	**–16,977**
Tax charge	**35.2 %**	**–51.9 %**

In the year under review, in calculating current taxes for domestic companies, an average tax rate of 33 % was applied, comprising the corporate tax rate, the solidarity surcharge and the municipal trade tax. Foreign income taxes are calculated on the basis of the laws and regulations in force in the individual countries in question.

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

In %	31.12.2008	31.12.2007
Expected future corporate tax rate	15.17	15.17
Solidarity surcharge	0.83	0.83
Expected future municipal trade tax rate	17.00	17.00
Expected future Group tax rate	**33.00**	**33.00**

The statutory change to the tax rate of 6th July 2007 with effect from 1st January 2008 has already led to an adjustment of the deferred taxes for all German consolidated companies in the 2007 financial statements. Accordingly, the deferred income tax assets and deferred income tax liabilities – in line with IAS 12.47 – recorded by German companies as at 31st December 2007 were calculated using the (deferred) income tax rate expected in future. The rate for the future tax burden on German companies and the Group thus remains the same, at 33 %.

In the previous year, the tax rate change in 2007 had the effect that deferred taxes recorded in 2006 of € – 24.221 k and deferred taxes arising in 2007 of € –435 k were recognized as tax income with corresponding impact on profit. In the period under review, the effect of € –49 k is the result of minor changes to some foreign income tax rates.

Taxes on income represent an expense in the period under review and equal 35.2 % of the result before tax. In the same period in the previous year, a tax yield of 51.9 % of the result before taxes on income was achieved. This significant change is mainly due to the effects of the change to the tax rate described above and to the first-time capitalization in the previous year of deferred taxes on tax losses carried forward not yet capitalized amounting to € 3,425. Without taking into account the special tax effects, tax expenditure in the previous year would have been € 13,557 k. This would equal 41.5 % of taxes on income. The Group net profit for the year would have been € 19,136 k without these special tax effects.

Further explanations of taxes on income can be found under Note (27).

(10) Earnings per sharee

The undiluted earnings per share are calculated in accordance with IAS 33, based on the Group profit attributable to the shareholders of VTG AG divided by the number of shares in issue during the period under review.

	1.1. – 31.12.2008	1.1. – 31.12.2007
Group net income attributable to VTG AG shareholders (in € '000)	27,005	48,845
Weighted average number of shares	21,388,889	12,390,700
Undiluted earnings per share (in €)	**1.26**	**3.94**

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

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

Notes to the consolidated balance sheet

Fixed assets
The development of the individual items in fixed assets for the period under review and for the previous year is shown in the schedule of fixed assets on pages 132 to 135.

(11) Goodwill

€ '000	31.12.2008	31.12.2007
Wagon Hire segment (excluding Texas Railcar)	150,472	150,472
Texas Railcar	1,935	0
Rail Logistics segment	3,992	3,992
Tank Container Logistics segment	1,747	1,747
Total	**158,146**	**156,211**

The goodwill of Texas Railcar includes currency effects amounting to € 118 k.

(12) Other intangible assets

€ '000	31.12.2008	31.12.2007
"VTG" brand	9,538	9,538
"Transpetrol" brand	421	421
"Railtrans" brand	100	100
Customer relationships, Wagon Hire	40,781	43,918
Customer relationships, Transpetrol block train	2,171	2,338
Customer relationships, Transpetrol all-in business	5,236	5,639
Customer relationships, Railtrans	3,033	3,239
Concessions and industrial trademarks	2,382	1,541
Payments on account	16	0
Total	**63,678**	**66,734**

(13) Tangible fixed assets
In respect of **finance leasing,** as at the balance sheet date, fixed assets with a book value before purchase price allocation of € 41,847 k (previous year: € 62,275 k) were recognized. Leased assets are primarily shown under wagon fleet, at € 38,706 k (previous year: € 56,490 k) and under containers, at € 3,116 k (previous year: € 5,785)

For more detailed information on finance leasing, see Note (29).

(14) Investments in associates

In respect of the associated companies measured according to the equity method, Waggon Holding AG and Shanghai Tanktainer (acquired in September 2008) proportional changes in equity are shown under additions.

(15) Other financial assets

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

(16) Inventories

€ '000	31.12.2008	31.12.2007
Raw materials, consumables and supplies	19,166	12,412
Work in progress	3,513	704
Advance payments made	72	0
Total	**22,751**	**13,115**

Work in progress relates to the three wagon repair workshops and the wagon construction plant and includes orders begun but not yet completed as at the balance sheet date.

(17) Trade receivables

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

For an analysis of the default risk of trade receivables, please refer to the due dates in the table below. The selected time bands correspond with the time bands usually generally used in the receivables management system of the VTG Group.

			Of which not impaired at the year-end date and overdue in the following time bands			
€ '000	Book value as at 31.12.2008	Of which neither impaired nor overdue at the year-end date	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	71,139	49,030	11,477	2,919	3,055	4,658
Due from affiliated, non-consolidated companies	1,221	1,168	96	−43	0	0
Due from companies in which an investment is held	916	247	668	1	0	0
Due from companies measured at equity	165	165	0	0	0	0
Total	**73,441**	**50,610**	**12,241**	**2,877**	**3,055**	**4,658**

The trade receivables overdue after more than 90 days were settled at the start of January.

For the previous year, the due dates for trade receivables were as follows:

€ '000	Book value as at 31.12.2007	Of which neither impaired nor overdue at the year-end date	Of which not impaired at the year-end date and overdue in the following time bands: Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Due from third parties	66,860	50,464	10,196	4,211	515	1,474
Due from affiliated, non-consolidated companies	1,571	1,023	151	115	125	157
Due from companies in which an investment is held	167	146	19	0	0	2
Total	**68,598**	**51,633**	**10,366**	**4,326**	**640**	**1,633**

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

The allowances for trade receivables developed as follows in the period under review:

€ '000		Opening balance 1.1.	Changes to scope of consolidation	Currency difference	Utilization	Reversals	Additions	Closing balance 31.12.
Allowances	2008	3,143	149	−22	171	319	1,150	**3,930**
Allowances	2007	3,039	0	−11	109	399	623	**3,143**

The total amount of additions, amounting to € 1,150 k (previous year: € 623 k) comprise the increase to specific allowances amounting to € 387 k (previous year € 388 k) and allowances on a portfolio basis amounting to € 763 k. (prior year € 235 k). Specific allowance reversals amounted to € 270 k (previous year: € 144 k) and allowances on a portfolio basis amounted to € 49 k (previous year: € 255 k).

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

€ '000	31.12.2008	31.12.2007
Expense for the full write-off of receivables	207	62
Income from receipts relating to receivables written off	64	144

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

(18) Other receivables and assets

€ '000	31.12.2008 Total	31.12.2008 Residual term more than 1 year	31.12.2007 Total	31.12.2007 Residual term more than 1 year
Other receivables from affiliated companies	43	0	2,532	0
Claims from refund of other taxes	12,012	0	10,979	0
Rail freight cars under construction	3,989	0	4,974	0
Outstanding income invoice from management of rail freight cars	3,468	0	3,900	0
Receivables from derivative financial instruments	1,243	0	5,220	0
Investment in rail4chem	0	0	3,631	0
Other assets	11,862	1,571	12,091	1,280
Prepaid expenses	612	0	639	0
Total	**33,229**	**1,571**	**43,966**	**1,280**

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

Other receivables and assets include loans and credit granted amounting to € 444 k (previous year: € 5,477 k). These were all neither impaired nor overdue at the year-end date.

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

(19) Income tax assets

€ '000	31.12.2008	31.12.2007
Deferred income tax assets	23,114	11,954
Current income tax assets	3,211	2,882
Total	**26,325**	**14,836**

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

Deferred income tax assets developed as follows:

€ ’000	Opening balance 1.1.2008	Additions to scope of consolidation	Changes not impacting income	Change in offsetting with deferred income tax liabilities	Changes impacting income	Closing balance 31.12.2008
Deferred income tax assets (gross) impacting income	45,768	264	0	0	6,055	39,977
Offsetting against deferred income tax liabilities impacting income	−32,270	0	0	10,761	0	−21,509
Deferred income tax assets (net) impacting income	**13,498**	**264**	**0**	**10,761**	**6,055**	**18,468**
Deferred income tax assets (gross) not impacting income	411	0	6,001	0	0	6,412
Offsetting against deferred income tax liabilities not impacting income	−1,955	0	0	189	0	−1,766
Deferred income tax assets (net) not impacting income	**−1,544**	**0**	**6,001**	**189**	**0**	**4,646**
Deferred income tax assets	**11,954**	**264**	**6,001**	**10,950**	**6,055**	**23,114**

The closing balance of deferred income tax assets with no impact on income amounted to € 4,646 k as at 31st December 2008 (previous year: € −1,544 k). This increase was mainly due to the creation of liabilities in relation to derivative financial instruments for securing foreign currency transactions.

Further explanations of deferred taxes can be found under Note (27).

(20) Cash and cash equivalents

€ ’000	31.12.2008	31.12.2007
Bank balances	28,175	47,997
Cash, German Central Bank balances and cheques	81	34
Total	**28,256**	**48,031**

Bank balances mainly relate to cash deposits accessible at short notice and which attract variable interest.

The bank balances sum includes an amount of € 1,750 k that is not freely accessible.

Shareholders’ equity
The development of equity is shown in the following statement of changes in equity.

The income and expenses not impacting income included in shareholders’ equity are shown separately in the statement of recognized income and expenses. In this statement, the tax effects on the items in question are already taken account of.

(21) Subscribed capital

The subscribed capital of VTG AG consists of no-par bearer shares, each with an equal participation in the share capital. The amount of the subscribed capital attributable to each share equals € 1. As at 31st December 2008, the subscribed capital amounted to € 21,389 k.

The Extraordinary General Meeting of 22nd June 2007 also approved the creation of authorized capital. Thus the Executive Board, with the consent of the Supervisory Board, is authorized to increase the share capital until 22nd June 2012 by up to € 10,694 k.

(22) Additional paid-in capital

The additional paid-in capital mainly comprises the premium from the placement of shares at the issue price of € 18.00 and the incorporation of the voluntary contribution of the shares of Deichtor and Klostertor at no charge by Compagnie Européenne de Wagons S.à r.l., Luxembourg.

(23) Statutory reserves

These are exclusively other revenue reserves. They include contributions and withdrawals related to the results for the financial year and earlier years and differences on currency translation with no income impact from the financial statements of foreign subsidiaries. Furthermore, adjustments not affecting income derived from the first-time application of new IAS or IFRS have been transferred to retained earnings or offset against them. Additionally, revenue reserves also include the gains and losses accounted for with no income impact from the change in actuarial parameters in connection with the measurement of pension obligations in accordance with IAS 19.

As at the balance sheet date, the revenue reserves continued to include a loss from interest hedges amounting to € 11,190 k.

Of the Group net profit of € 27,928 k (previous year: € 49,670 k), € 27,005 k (previous year: € 48,845 k) relates to the shareholders of VTG AG.

(24) Revaluation reserve

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

The revaluation reserve in the 2007 consolidated financial statements mainly comprised the change in the fair value, not impacting income, of the investment in rail4chem recognized as available for sale (€ 3,153 k). After the conclusion of the sale process on 18th April 2008, the revaluation reserve was reduced accordingly.

(25) Retained earnings of VTG AG

The retained earnings shown in the equity of VTG AG amounting to € 6,417 k contains commercial profit of VTG AG for the financial year 2008.

(26) Provisions for pensions and similar obligations

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

Under the defined contribution plans, the company pays contributions to state pension schemes and private pension bodies on the basis of statutory or contractual regulations. Once the contributions have been paid, the company does not have any further obligations to provide benefits. The current contribution payments are recorded as an expense for the period and in 2008 amounted to € 2,333 k (previous year: € 3,059 k). This amount includes payments to the Federal and State Government Employees' Retirement Fund Agency (Versorgungsanstalt des Bundes und der Länder).

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

€ '000	2008	2007
Current service cost	396	384
Interest cost	2,463	2,257
Expected return on plan assets	–23	0
Additions to pension provisions	**2,836**	**2,641**
Contributions to pension security fund	70	111
Income from the release of provisions for the pension security fund	0	–300
Total	**2,906**	**2,452**

Provisions for pensions are set up on the basis of pension commitments relating to retirement, invalidity and surviving dependants. Provisions are set up solely for defined benefit commitments, where the company has guaranteed employees a specific pension level.

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

Pension provisions accounted for at the balance sheet date amounted to € 44,104 k (previous year: € 46,298 k) and comprised predominantly domestic pension commitments:

€ '000	2008	2007
Germany	42,784	44,848
Rest of Europe	1,320	1,450
Total	**44,104**	**46,298**

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

€ '000	2008	2007
Balance at beginning of period	46,298	52,003
Additions	2,836	2,641
Pension payments made	–3,750	–3,487
Actuarial gains/losses	–1,304	–4,988
Changes due to scope of consolidation	7	0
Currency effect	17	0
Other changes	0	129
Recognized present value of pension obligations at end of period	**44,104**	**46,298**

The defined benefit obligation and plan assets developed as follows:

€ '000	2008	2007
Defined benefit obligation at beginning of period	**46,980**	**52,003**
Current service cost	396	384
Interest cost	2,463	2,257
Pension payments made	–3,750	–3,487
Employee contributions to plan asset	15	0
Actuarial losses/gains	–1,303	–4,988
Changes due to scope of consolidation	7	0
Currency effect	87	0
Other changes	0	811
Defined benefit obligation at end of period	**44,895**	**46,980**
Fair value of plan asset at beginning of period	**682**	**0**
Expected return on plan asset	23	0
Employer contributions	77	0
Employee contributions	15	0
Pension payments from plan asset	–77	0
Actuarial gains/losses	1	0
Currency effect	70	0
Other changes	0	682
Fair value of plan asset at end of period	**791**	**682**

The portfolio structure of the fund set up by Swisslife in which the plan asset is invested mainly comprises fixed interest securities (€ 439 k), property including mortgage receivables (€ 189 k) and shares and bonds (€ 130 k). These do not include any property used by VTG itself or any of VTG's own financial instruments.

The actual return on the plan asset in the financial year was € 22 k.

The plan asset exists solely for the purpose of reinsuring the defined benefit obligation for the Swiss BVG plans of € 963 k (previous year: € 811 k). The defined benefit obligation of the pension commitments solely funded by provisions amounts to € 43,932 k (previous year: € 46,169 k).

The pension obligation of € 44,104 k (previous year: € 46,298 k) is the current value of the pension commitment of € 44,895 k (previous year: € 46,980 k) less the fair value of the plan asset of € 791 k (previous year: € 682 k).

The actuarial gains and losses are offset against equity without affecting income and result in a change in the present value of the pension obligations without affecting income. The actuarial gains and losses accounted for so far without affecting income are as follows:

€ '000	**2008**	2007
Balance at beginning of period	–3,512	1,476
Actuarial gains and losses recorded during the financial year without impacting income	–1,304	–4,988
Total actuarial gains and losses recorded without impacting income	**–4,816**	**–3,512**

Of the newly arising actuarial gains and losses in the financial year 2008, € –198 k (previous year: € –65 k) relate to experience adjustments of the defined benefit obligation (€ –197 k) and the plan asset (€ –1 k).

The expected payments to pensioners in the next period amount to € 3,514 k.

Key actuarial assumptions applied:

% p.a.	2008	2007
Assumed interest rate	6.0 %	5.5 %
Salary trend	2.0 % – 2.5 %	2.0 % – 2.5 %
Pension trend	1.5 % – 1.83 %	1.5 % – 1.83 %
Fluctuation rate	2.0 %	2.0 %
Expected return on plan asset	3.25 %	n.a.
Mortality, etc.	Heubeck RT 2005G	Heubeck RT 2005G

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

The assumed interest rate is intended to reflect, as at the balance sheet date, the effective interest rate on the market for high-value corporate bonds whose term corresponds to that of the pension commitment.

The current market situation is leading to an increase in the gap between the rates of return of government bonds and corporate bonds, which is manifesting itself in a rise in the actuarial interest rate.

In determining the actuarial interest rate, the iboxx Corporate - AA Index was used. The fluctuations due to the current situation were neutralized through the creation of appropriate averages.

(27) Income tax liabilities

€ '000	**31.12.2008**	31.12.2007
Current income tax liabilities	22,086	15,909
Deferred income tax liabilities	141,905	131,968
Total	**163,991**	**147,877**

Current income tax liabilities developed as follows:

€ '000	**Opening balance 1.1.2008**	Change due to change in scope of consolidation	Currency difference	Transfers	Utilization	Reversal	Additions	**Closing balance 31.12.2008**
Current income tax liabilities	15,909	70	4	34	2,932	35	9,036	22,086

The current income tax liabilities shown are due within a year.

Deferred income tax liabilities developed as follows:

€ '000	**Opening-balance 1.1.2008**	Change due to change in scope of consolidation	Currency difference	Changes not impacting income	Change in offsetting with deferred income tax liabilities	Changes impacting income	**Closing balance 31.12.2008**
Deferred income tax liabilities (gross) impacting income	164,302	4,245	−377	0	0	3,862	164,308
Offsetting against deferred income taxassets impacting income	−32,270	0	0	0	10,761	0	−21,509
Deferred income tax liabilities (net) impacting income	**132,032**	**4,245**	**−377**	**0**	**10,761**	**3,862**	**142,799**
Deferred income tax liabilities (gross) not impacting income	1,891	0	0	−1,019	0	0	872
Offsetting against deferred income tax assets not impacting income	−1,955	0	0	0	189	0	−1,766
Deferred income tax liabilities (net) not impacting income	**−64**	**0**	**0**	**−1,019**	**189**	**0**	**−894**
Deferred income tax liabilities	**131,968**	**4,245**	**−377**	**−1,019**	**10,950**	**3,862**	**141,905**

The deferred taxes were determined on the basis of the tax rates for the specific countries (33 % for Germany; 23.95 % to 34 % for other countries).

The changes to deferred tax assets and deferred tax liabilities not impacting income relate to actuarial gains and losses for pension provisions that are offset against equity with no impact on income, deferred taxes for derivative financial instruments not impacting profit and deferred taxes for unrealized gains and losses arising from the change in the fair value of financial assets categorized as available for sale. The component included in the closing balance of deferred tax assets not impacting income amounts to € –894 k (previous year: € –64 k).

The amount from temporary differences in relation to shares in subsidiaries and associates, for which, in accordance with IAS 12.39, no deferred taxes were recognized in the year under review, amounted to € 4,332 k. In accordance with IAS 12.81 (f), the resulting non-recognized tax liabilities amounted to € 1,489 k.

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

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

	31.12.2008		31.12.2007	
€ '000	**Assets**	**Liabilities**	Assets	Liabilities
Intangible assets	18	19,188	0	20,439
Tangible assets	1,611	129,501	1,013	124,901
Financial assets	498	3,357	0	4,032
Receivables and other assets	5,209	1,035	6,801	2,941
Special item with equity portion	0	405	0	499
Pension provisions	2,849	600	2,917	256
Miscellaneous provisions	5,414	8,785	2,863	11,180
Liabilities	23,931	2,309	22,204	1,945
Tax loss carryforwards	6,859	0	10,081	0
Subtotal	**46,389**	**165,180**	**46,179**	**166,193**
Offsetting	–23,275	–23,275	–34,225	–34,225
Total	**23,114**	**141,905**	**11,954**	**131,968**

Of the recognized deferred taxes, € 3,842 k of the deferred tax assets and € 137,318 k € of the deferred tax liabilities are due after more than a year.

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

Tax savings of € 6,985 k were not capitalized (previous year: € 9,337 k), since the utilization of the underlying loss carryforwards is not probable.

The forfeitability of the deferred tax assets not capitalized and the level of the underlying loss carryforwards can be seen from the following table:

			Forefeitability of the non capitalized deferred tax savings			
€ '000	Loss carryforward	non-capitalized deferred tax savings	Within 1 year	Between 1 and 5 years	After 5 years	Vested non-capitalized deferred tax savings
Corporate tax loss carryforwards, German companies	11,381	1,821	0	0	0	1,821
Trade tax loss carryfowards, German companies	10,418	1,771	0	0	0	1,771
Tax loss carryforwards of foreign entities	10,849	3,393	0	0	1,082	2,311
Total	**32,648**	**6,985**	**0**	**0**	**1,082**	**5,903**
Previous year	**39,330**	**9,337**	**0**	**0**	**1,262**	**8,075**

Due to the corporate tax rate being reduced uniformly to 15 % as of 1st January 2008 for retained and distributed profits, an average tax rate of 33 % has been applied to domestic companies (previous year: 33 %), composed of the corporate tax rate, the solidarity surcharge and the municipal trade tax. The expected future tax rates were already applied in the previous year due to the approved reform of corporate tax.

Foreign income taxes are calculated on the basis of the laws and regulations in force in the countries in question.

(28) Other provisions

€ ’000	Opening balance 1.1.2008	Change due to change in scope of consolidation Currency difference	Currency difference	Transfers	Utilization	Reversal	Additions	Closing balance 31.12.2008
Provisions for personnel expenses	16,759	337	– 16	10	5,978	1,590	11,071	20,593
Provisions for typical operational risks	9,328	0	– 60	0	1,119	1,555	3,389	9,983
Miscellaneous provisions	34,833	282	– 68	– 60	5,885	2,288	10,948	37,762
Total	**60,920**	**619**	**– 144**	**– 50**	**12,982**	**5,433**	**25,408**	**68,338**

The additions include the discounting effect of the long-term provisions.

The maturities of the other provisions are as follows:

€ ’000	**Residual terms** Up to 1 year	More than 1 year	**31.12.2008** **Total**	Residual terms Up to 1 year	More than 1 year	31.12.2007 Total
Provisions for personnel expenses	15,697	4,896	20,593	12,830	3,929	16,759
Provisions for typical operational risks	4,900	5,083	9,983	4,065	5,263	9,328
Miscellaneous provisions	30,174	7,588	37,762	26,711	8,122	34,833
Total	**50,771**	**17,567**	**68,338**	**43,606**	**17,314**	**60,920**

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

The provisions for personnel expenses mainly comprise obligations for social plans (€ 3,581 k; previous year: € 2,010 k), for contributions for the restructuring of VBL (€ 3,238 k; previous year: € 2,504 k), for outstanding vacations (€ 2,941 k; previous year: € 2,284 k), for early part-time retirement (€ 893 k; previous year: € 1,214 k) and for long-term service (€ 771 k; previous year: € 749 k) and year-end compensation.

The provisions for typical operational risks relate primarily to the threat of losses from uncompleted transactions from operating lease contracts of VTG France and VOTG.

The miscellaneous provisions mainly comprise provisions relating to the wagon fleet (€15,039 k; previous year: € 14,500 k) and those for interest risks.

(29) Liabilities

€ '000	31.12.2008 Total	31.12.2008 Residual term more than 1 year	31.12.2007 Total	31.12.2007 Residual term more than 1 year
Liabilities to banks	490,417	469,022	463,185	443,946
Liabilities from finance leases	37,382	30,004	55,642	39,137
Financial liabilities to affiliated companies	112	0	356	0
Financial liabilities	**527,911**	**499,026**	**519,183**	**483,083**
Trade payables				
due to third parties	109,225	0	98,393	0
due to affiliated companies	320	0	587	0
due to other investments	29	0	263	0
Trade payables	**109,574**	**0**	**99,243**	**0**
Other liabilities				
Miscellaneous liabilities	36,062	620	11,230	812
thereof relating to derivative financial instruments	17,114	0	0	0
thereof relating to taxes	4,151	0	3,272	0
thereof relating to social security	1,464	0	1,593	0
thereof relating to employees	342	0	183	0
thereof relating to members of the management bodies	168	0	160	0
thereof other liabilities	12,823	620	6,022	812
Deferred income	2,090	2,040	2,436	2,267
Other liabilities	**38,152**	**2,660**	**13,666**	**3,079**
Total	**675,637**	**501,686**	**632,092**	**486,162**

Liabilities with a residual term of more than five years amount to € 377,198 k (previous year: € 371,129 k). € 369, 217 k (previous year: € 358,450 k) relates to liabilities to banks, € 7,372 k (previous year: € 11,883 k) relates to liabilities from finance leases and € 609 k (previous year: € 796 k) relates to other liabilities.

The **trade payables due to affiliated companies** relate to non-consolidated affiliated companies.

Liablities to banks

The VTG Group is financed predominantly through a financing agreement with the Bayerische Hypo-Vereinsbank, London (Hypo-Vereinsbank), as syndicate leader. The financing agreement provides for agreed loans of up to a total of € 640,000 k. Of these loans, € 423,886 k had been taken up as at the balance sheet date (excluding accrued interest).

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

The companies Klostertor and Deichtor have agreed lines of credit with DVB Bank Frankfurt (DVB Bank) and the Kreditanstalt für Wiederaufbau, Frankfurt, (KfW Bank). The bank liabilities of Klostertor and Deichtor amounted to € 79,153 k (excluding accrued interest) as at the balance sheet date.

With regard to the collateral provided for liabilities to banks, please refer to the explanatory notes on contingent liabilities.

Liabilities from finance leases

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

		Residual term		
€ '000	Total	Up to 1 year	From 1 to 5 years	More than 5 years
Future lease payments	43,488	8,921	26,111	8,456
Interest portion	–6,106	–1,543	–3,479	–1,084
Liabilities from finance leases as at 31.12.2008	**37,382**	**7,378**	**22,632**	**7,372**

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

		Residual term		
€ '000	Total	Up to 1 year	From 1 to 5 years	More than 5 years
Future lease payments	63,609	18,355	31,536	13,718
Interest portion	–7,967	–1,850	–4,282	–1,835
Liabilities from finance leases as at 31.12.2007	**55,642**	**16,505**	**27,254**	**11,883**

The leases have an average term of 13 years. The interest rates for these are between 4.2 % and 7.15 %. The leased assets comprise rail freight cars, tank containers and other operating and office equipment.

Reporting of financial instruments

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

Fair values and book values of financial instruments by valuation category

The IFRS 7 classification was made on the basis of balance sheet items. As part of this process, homogenous items such as trade receivables from and payables to third parties, to affiliated, non-consolidated entities and to other investments were combined. The following table shows the fair values and book values for the individual balance sheet items under financial assets and financial liabilities for the financial year 2008 and for the previous year.

Balance sheet item € '000	Valuation category in accordance with IAS 39	Book value as at 31.12.2008	Measurement in accordance with IAS 39 Amortized cost	Measurement in accordance with IAS 39 Fair value no income impact	Balance sheet measurement under IAS 17	Fair value 31.12.2008
Assets						
Other financial assets	AfSFA	7,617	7,617	–	–	7,617
Trade receivables	LaR	73,441	73,441	–	–	73,441
Other receivables and assets, thereof	n.a.	33,229	–	–	–	–
Loan receivables	LaR	444	444	–	–	444
Outstanding income invoice from management of rail freight cars	LaR	3,468	3,468	–	–	3,468
Investment in rail4chem	AfSFA	–	–	–	–	–
Receivables from derivative financial instruments with a hedging relationship	n.a.	1,243	–	1,243	–	1,243
Miscellaneous receivables	n.a.	28,074	–	–	–	–
Liquid funds	LaR	28,256	28,256	–	–	28,256
Liabilities						
Trade payables	FLmaac	109,574	109,574	–	–	109,574
FInancial liabilities, thereof		527,911	–	–	–	–
Liabilities to banks	FLmaac	503,644	503,644	–	–	507,524
less transaction costs	n.a.	13,227	–	–	–	–
Disclosure in the balance sheet	n.a.	490,417	–	–	–	–
Liabilities from finance leases	n.a.	35,949	–	–	35,949	38,096
plus purchase price allocation	n.a.	1,433	–	–	–	–
Disclosure in the balance sheet	n.a.	37,382	–	–	–	–
Financial liabilities to affiliated companies	FLmaac	112	112	–	–	112
Other liabilities, thereof	n.a.	38,152	–	–	–	–
Liabilities from dividends	FLmaac	155	155	–	–	155
Liabilities from derivative financial instruments with a hedging relationship	n.a	17,114	–	17,114	–	17,114
Miscellaneous liabilities	n.a	20,883	–	–	–	–
Thereof aggregated in accordance with valuation categories under IAS 39						
Loans and receivables (LaR)		105,609	105,609	–	–	105,609
Available-for-sale financial assets (AfSFA)		7,617	7,617	–	–	7,617
Financial liabilities measured at amortized cost (FLmaaC)		613,485	613,485	–	–	617,365

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

Balance sheet item € '000	Valuation category in accordance with IAS 39	Book value as at 31.12.2007	Measurement in accordance with IAS 39 Amortized cost	 Fair value no income impact	Balance sheet measurement under IAS 17	Fair value 31.12.2007
Assets						
Other financial assets	AfSFA	8,921	8,921	–	–	8,921
Trade receivables	LaR	68,598	68,598	–	–	68,598
Other receivables and assets, thereof	n.a.	42,686	–	–	–	–
Loan receivables	LaR	5,477	5,477	–	–	5,477
Outstanding income invoice from management of rail freight cars	LaR	3,900	3,900	–	–	3,900
Investment in rail4chem	AfSFA	3,631	–	3,631	–	3,631
Receivables from derivative financial instruments with a hedging relationship	n.a.	5,220	–	5,220	–	5,220
Miscellaneous receivables	n.a.	21,958	–	–	–	–
Liquid funds	LaR	48,031	48,031	–	–	48,031
Liabilities						
Trade payables	FLmaac	99,243	99,243	–	–	99,243
FInancial liabilities, thereof		519,183	–	–	–	–
Liabilities to banks	FLmaac	478,327	478,327	–	–	496,330
less transaction costs	n.a.	15,142	–	–	–	–
Disclosure in the balance sheet	n.a.	463,185	–	–	–	–
Liabilities from finance leases	n.a.	53,335	–	–	53,335	53,544
plus purchase price allocation	n.a.	2,307	–	–	–	–
Disclosure in the balance sheet	n.a.	55,642	–	–	–	–
Financial liabilities to affiliated companies	FLmaac	356	356	–	–	356
Other liabilities, thereof	n.a.	13,666	–	–	–	–
Liabilities from dividends	FLmaac	153	153	–	–	153
Liabilities from derivative financial instruments with a hedging relationship	n.a	0	–	–	–	0
Miscellaneous liabilities	n.a	13,513	–	–	–	–
Thereof aggregated in accordance with valuation categories under IAS 39						
Loans and receivables (LaR)		126,006	126,006	–	–	126,006
Available-for-sale financial assets (AfSFA)		12,552	8,921	3,631	–	12,552
Financial liabilities measured at amortized cost (FLmaaC)		578,080	578,080	–	–	596,083

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

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

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

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

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

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

Net result according to valuation categories

The net result of the valuation categories as at 31st December 2008 was as follows:

€ '000	From interest	Foreign currency translation	Impairment	From disposal	31.12.2008
Loans and receivables	2,136	130	–831	–142	1,293
Available-for-sale financial assets	0	0	–140	3,190	3,050
Financial liabilities measured at amortized cost	–31,717	–181	0	0	–31,898
Total	**–29,581**	**–51**	**–971**	**3,048**	**–27,555**
Other items	–2,940	0	0	0	–2,940
Sum total	**–32,521**	**–51**	**–971**	**3,048**	**–30,495**

The net result for the previous year was as follows:

€ '000	From interest	Foreign currency translation	Impairment	From disposal	31.12.2007
Loans and receivables	1,944	422	–224	82	2,224
Available-for-sale financial assets	0	0	–201	0	–201
Financial liabilities measured at amortized cost	–32,615	31	0	2,100	–30,484
Total	**–30,671**	**453**	**–425**	**2,182**	**–28,461**
Other items	–5,062	0	0	0	–5,062
Sum total	**–35,733**	**453**	**–425**	**2,182**	**–33,523**

"Other items", amounting to € 2,940 k (previous year: € 5,062 k) comprise the interest income and interest expenses not taken account of in the above measurement categories. The interest income results from the purchase price allocation and hedging. The interest expense results from pension provisions, transaction costs and finance leasing.

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

The net losses from the valuation category "Available-for-sale financial assets" result from financial asset write-downs. The net gains relate to the sale of the share in rail4chem.

The net losses in the valuation category "Financial liabilities measured at amortized cost" result from both interest expenses and the currency translation of trade payables.

Hedging strategy and risk management

Principles of risk management

The business operations of the VTG Group expose it to various financial risks. These include default risk, liquidity risk and market risk (consisting of interest risk and currency risk). These risks are ruled out or limited in their effect on the Group through guidelines and provisions setting out the principles of decision-making, competencies and responsibilities in relation to all financial transactions.

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

The Group manages its capital with the objective of maximizing the income of those with an investment in the company by optimizing the relationship between equity and borrowings and securing the long-term profitability and future of the company. In doing so, it is ensured that all group companies can operate under the going concern assumption. The management of the VTG Group monitors the capital structure at regular times paying particular attention to interest and liquidity risks. Further information on the capital structure can be found under "Capital risk management".

For further information on the risk management system of the VTG Group, please refer to the explanations in the Risk Management Report within the Group Management Report.

Default risk (Credit risk)

The default risk arising from the provision of goods and services and from non-derivative financial receivables means there is a risk that outstanding debts are settled late or not at all. The default risk comprises, on the one hand, the book value of the financial receivables, including the receivables from derivative financial instruments and, on the other, the granting of financial guarantees. Details of the existing guarantees as at 31st December 2008 are given under "Contingent liabilities".

The risk of default is, on the one hand, countered through an effective accounts receivable management system and, on the other, through the creditworthiness of the contracting party being subject to rigorous requirements. The creditworthiness of both new and existing customers is checked regularly. Only in select, specific cases are financing solutions such as bank guarantees, payments on account or reservations of title used. Additionally, the accounts receivable management system has an efficient reminders system and covers receivables with default risk insurance. The value of the insurance cover is dependent on the creditworthiness of the contracting party.

Moreover, in individual cases, payment periods have been shortened and, in both logistics segments, in which, in some cases, funds are advanced to customers for freight costs, all avenues have been used to secure receivables, for example through bank guarantees and also increasingly through advance payment.

The Group makes appropriate adjustments to cover detectable risks of default on specific receivables. In accounting for provisions for doubtful debts substantial assessments and judgements are made of individual receivables, based on the creditworthiness of individual customers and the analysis of historical bad debts. With regard to the classification of trade receivables according to payment terms, please refer to Note (17).

In order to cover payments on account in connection with investment measures, bank guarantees are obtained by suppliers from the financial sector. These are excellent addresses in terms of credit rating. In order to secure payments on account the Group has accepted bank guarantees from suppliers amounting to € 19,365 k. (previous year: € 12,011 k). As at 31st December 2008, as in previous years, guarantees by suppliers were not utilized.

The accounts receivable system also covers the derivative financial instruments of the VTG Group. The maximum default risk of the derivative financial instruments is limited to their positive fair values, since in the case of non-performance on the part of the contracting party, only asset losses in this amount can arise. Due to the high level of creditworthiness of the different contracting parties, no default from derivative financial instruments is expected.

Liquidity risk
The VTG Group counters liquidity risks through a comprehensive liquidity planning system which takes into account existing credit lines. The requirements for funds for operations are covered by shareholders' equity, participation in cash pooling arrangements, bank loans and intercompany loans. The companies in the Group report their liquidity requirement or surplus daily, which is called up or withdrawn by the companies via the automatic cash pool. As part of monthly reporting, the liquidity balances of the companies are reported promptly to the Group head office. The liquidity planning system is structured on the basis of the daily and monthly requirement/surplus statements supplied by the Group companies.

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

VTG GmbH and VTG Deutschland have taken up various loans with Hypo-Vereinsbank for the purpose of financing. Another borrower is VTG Rail UK Ltd., which has taken up a loan in British pounds. In 2008, the company Texas Railcar, which was newly added to the consolidation in January, took up part of the investment line of credit with Hypo-Vereinsbank to an amount totalling USD 18,400 k. In addition, the companies Klostertor and Deichtor each took up a loan with DVB Bank and KfW Bank to finance the acquisition of rail freight cars.

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

€ '000	Bank	Purpose	Original credit amount	Loan balance as at 31.12.2008	Thereof due within a year
VTG GmbH	Hypo-Vereinsbank	Redemption of various loans	121,100	114,576	4,980
VTG Deutschland	Hypo-Vereinsbank	Redemption of various loans	298,900	282,911	12,406
VTG Deutschland	Hypo-Vereinsbank	Working capital line	7,000	0	0
VTG Rail UK Ltd.	Hypo-Vereinsbank	Purchase of rail freight cars	20,000	13,403	581
Texas Railcar	Hypo-Vereinsbank	Purchase of rail freight cars	15,000	13,164	0
Klostertor	DVB Bank	Purchase of rail freight cars	46,000	41,864	3,364
Deichtor	DVB Bank	Purchase of rail freight cars	39,153	37,654	2,002
Total			**547,153**	**503,572**	**23,333**

The loan amounts, purpose and amounts due within a year as at 31st December 2007 are shown in the following table:

€ '000	Bank	Purpose	Original credit amount	Loan balance as at 31.12.2007	Thereof due within a year
VTG GmbH	Hypo-Vereinsbank	Redemption of various loans	121,100	119,586	5,025
VTG Deutschland	Hypo-Vereinsbank	Redemption of various loans	298,900	295,162	12,403
VTG Deutschland	Hypo-Vereinsbank	Working capital line	7,000	0	0
VTG Rail UK Ltd.	Hypo-Vereinsbank	Purchase of rail freight cars	20,000	18,284	797
Klostertor	DVB Bank	Purchase of rail freight cars	46,000	44,888	3,388
Total			**493,000**	**477,920**	**21,613**

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

According to the balance sheet, the VTG Group shows liabilities to banks amounting to € 490,417 k. The following table shows a reconciliation of the loan amounts presented above to the liabilities to banks as disclosed in the balance sheet.

€ '000	31.12.2008	31.12.2007
Loan Hypo-Vereinsbank	424,054	433,032
Loan DVB Bank, Frankfurt	79,518	44,888
Deduction of transaction costs under IAS 39	−13,227	−15,142
Current account overdrafts at various house banks	72	407
Liabilities to banks	**490,417**	**463,185**

For the due dates for liabilities to banks, please refer to Note (29). With regard to leasing transactions of the Group, see Note (29) for finance leasing. For operating leases, see under "Other financial commitments."

The following liquidity analysis shows the cash flow development of the primary and derivative liabilities and of the derivative assets for the period under review and the preceding period (for the cash flow effect of trade payables, please refer to the stated due dates under Note (29).

€ '000	Book value 31.12.2008	Cash flows 2009			Cash flows 2010		
		Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Primary financial liabilities							
Liabilities to banks before deduction of transaction costs	503,644	2,890	18,430	23,406	2,707	17,463	26,993
Liabilities from finance leasing excl. purchase price allocation	35,949	2,013	0	7,097	1,627	0	4,733
Financial liabilities							
from non-consolidated affiliated companies	0	0	0	0	0	0	0
from investments	112	0	3	112	0	0	0
Derivative financial liabilities and assets							
Other liabilities from derivative financial instruments							
Currency derivatives in connection with cash flow hedges	412	0	0	412	0	0	0
Interest derivatives in connection with cash flow hedges	16,702	0	0	16,702	0	0	0
Other assets from derivative financial instruments							
Currency derivatives in connection with cash flow hedges	1,243	0	0	1,243	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0

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

	Cash flows 2011–2013			Cash flows 2014–2016			Cash flows 2017 ff.		
€ '000	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment
Primary financial liabilities									
Liabilities to banks before deduction of transaction costs	7,062	46,304	80,718	5,093	37,060	83,935	7,967	55,741	288,592
Liabilities from finance leasing excl. purchase price allocation	2,874	0	16,747	1,007	0	4,265	77	0	3,107
Financial liabilities									
from non-consolidated affiliated companies	0	0	0	0	0	0	0	0	0
from investments	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Other liabilities from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Other assets from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0

€ '000	Cash flows 2010–2012 Fixed interest	Cash flows 2010–2012 Variable interest	Cash flows 2010–2012 Repay-ment	Cash flows 2013–2015 Fixed interest	Cash flows 2013–2015 Variable interest	Cash flows 2013–2015 Repay-ment	Cash flows 2016 ff. Fixed interest	Cash flows 2016 ff. Variable interest	Cash flows 2016 ff. Repay-ment
Primary financial liabilities									
Liabilities to banks before deduction of transaction costs	3,569	72,288	76,093	2,635	57,961	87,182	2,511	97,600	272,080
Liabilities from finance leasing excl. purchase price allocation	3,928	0	17,923	1,302	0	7,638	339	0	4,370
Financial liabilities									
from non-consolidated affiliated companies	0	0	0	0	0	0	0	0	0
from investments	0	0	0	0	0	0	0	0	0
Derivative financial liabilities and assets									
Other liabilities from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Other assets from derivative financial instruments									
Currency derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0	0	0	0	0	0

In the overview, the contractually agreed non-discounted interest and capital payments of the primary financial liabilities and the derivative financial instruments are shown with positive and negative fair values. Included are all instruments that were held at 31st December 2008 and for which payments were already contractually agreed. Forecast figures for new liabilities are not included. The variable interest payments from financial instruments were determined on the basis of the interest rates fixed last before 31st December 2008.

Market risk

Market risks result in fluctuations in operating profit, equity and cash flow. To minimize these risks, the VTG Group has developed various hedging strategies, particularly in terms of the use of derivative financial instruments.

For the presentation of market risks, IFRS 7 requires sensitivity analyses to be performed which show the effects of hypothetical changes in relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments as at the balance sheet date. It is ensured that the balance at the reporting date is representative for the year as a whole.

The following sensitivity analyses contain hypothetical information that therefore involves risk. Due to unforeseeable developments in the global financial markets, the actual developments can deviate from the hypothetical ones.

Interest rate risk

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

The loans from Hypo-Vereinsbank stated under "Liquidity risk" are subject to variable interest. The loans from DVB and KfW Bank have 70 % fixed and 30 % variable interest rates. The following table shows the nominal interest rates and fixed interest periods of the loans taken up:

As at 31.12.2008

€ '000	Purpose	Loan balance as at 31.12.2008	Interest rate	Interest fixed until at latest
VTG GmbH	Redemption of various loans	114,576	4.24303 %	30.6.2009
VTG Deutschland	Redemption of various loans	282,911	4.24303 %	30.6.2009
VTG Rail UK Ltd.	Purchase of rail freight cars	13,403	4.13325 %	30.6.2009
Texas Railcar	Purchase of rail freight cars	13,164	3.00000 %	30.6.2009
Klostertor	Purchase of rail freight cars	41,864	5.26890 %	30.6.2015
Deichtor	Purchase of rail freight cars	37,654	5.25170 %	31.12.2015
Total		**503,572**		

Previous year:

€ '000	Purpose	Loan balance as at 31.12.2007	Interest rate	Interest fixed until at latest
VTG GmbH	Redemption of various loans	119,586	6.03203 %	30.6.2008
VTG Deutschland	Redemption of various loans	295,162	6.03203 %	30.6.2008
VTG Rail UK Ltd.	Purchase of rail freight cars	18,284	7.21025 %	30.6.2008
Klostertor	Purchase of rail freight cars	44,888	5.20260 %	31.10.2011
Total		**477,920**		

In order to counteract risks from interest changes, in the year under review € 335,798 k (previous year: € 339,294 k) of the loan amount at the Hypo-Vereinsbank was secured with interest rate hedges. In May 2007, the term of the interest rate hedges, which have fixed interest rates, was extended to the middle of 2012 by a combined interest swap with a total volume of € 322,000 k. The interest hedge which expires in mid-2012 was extended in November 2008 to mid-2015 through a new interest rate swap with a volume of € 320,000 k. The hedge also includes future cash taken up as part of the loan agreement with Hypo-Vereinsbank. In the financial year, expenses (previous year: income) from the revaluation of the hedging relationship of € 14,669 k (previous year: € 1,672 k) were recognized in equity without impacting income and taking into account deferred tax effects.

The amounts invested over the short-term with banks are subject to interest rate fluctuations. The funds available for investment have however diminished continually over the year 2008 in line with the investment plan, so that there is no significant interest rate risk from these fluctuations. Due to the minor importance of the other interest-bearing assets and liabilities to the Group, the risk of changes in interest rates is not significant for the VTG Group.

In order to assess the risk of changes in interest rates for financial liabilities, a change in the market interest rate of 100 base points was simulated. For this purpose, the actual interest rates for the financial year 2008 were each changed by 100 basis points. Based on the assumptions made, the Group profit for the year would have varied by € 1,211 k (previous year: € 1,413 k). This calculation already takes account of the concluded interest rate hedging transactions.

Currency risk

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

The scope of currency transactions is small within the Group. Currency hedges are generally undertaken by the Group's head office or, with the consent of the head office, independently by a Group company. For currency hedging, currency receipts and payments in the same currency and with the same maturity are initially offset at group level (netting). All hedging transactions of the Group are thus based on an appropriately realized or future underlying transaction in the balance sheet. These are exclusively fixed-price, arm's length transactions with financial companies with excellent credit ratings.

The change in the market value of the forward exchange contracts classified as cash flow hedges is included in the other items of equity. As at 31st December 2008, derivative financial instruments with a maximum term of 15 months (previous year: 17 months) were held in order to hedge exchange risks in connection with planned transactions in foreign currency.

Within the meaning of IFRS 7, currency risks arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. The following sensitivity analysis covers, on the one hand, the presentation of equity effects resulting from foreign currency transactions within operating activities. As part of this, the foreign currency translation of USD transactions of a Group company within the VTG Group are analyzed. Other foreign currency transactions within operating activities are of less significance. Furthermore, the effect of different translations of financial statements of Group companies who have a reporting currency other than the euro (here: CHF, GBP and USD), is simulated. The observation of the effects is divided into components impacting income and not impacting income.

The foreign currency sensitivity analysis is based on two potential scenarios. These scenarios result from the increase or decrease in the value of the exchange rates as at 31st December 2008 by 10 % in each case. Scenario 1 thus simulates the effects of an increase and scenario 2 the effects of a decrease in the value of foreign currencies compared to the euro.

	Year-end rate 31.12.2008	Year-end rate Scenario 1	Year-end rate Scenario 2
CHF	1.4860	1.3374	1.6346
GBP	0.9600	0.8640	1.0560
USD	1.3977	1.2579	1.5375

	Average rate 2008	Average rate Scenario 1	Average rate Scenario 2
CHF	1.5883	1.4295	1.7471
GBP	0.7958	0.7162	0.8754
USD	1.4716	1.3244	1.6188

On the basis of the assumptions made, under scenario 1, effects impacting income amount to € 3,115 k and effects not impacting income amount to € −4,104 k. For scenario 2, effects impacting income amount to € −2,509 k and effects not impacting income amount to € 3,357 k.

Capital risk management

The Group manages its capital with the objective of maximizing the earnings of its stakeholders by optimizing the relationship between equity and debt and securing the profitability and future of the company. In the process, it is ensured that all of the Group companies can operate under the going concern assumption.

The Group's capital structure consists of debt, including the leverage stated under Note (29), cash and cash equivalents and equity attributable to shareholders of the parent. Equity comprises shares issued, additional paid-in capital and statutory reserves.

A key control parameter used in capital risk management is the ratio of adjusted net financial debt to EBITDA. The adjusted net financial debt is the net financial debt with the addition of pension provisions.

Net financial debt is defined as the balance of cash and cash equivalents, fixed asset securities and financial receivables less financial debt. It does not include those components in financial liabilities that have been entered as part of a purchase price allocation. Moreover, there is no deduction of transaction costs within the meaning of IAS 39 in determining net financial debt (see also "Liquidity risk").

The (adjusted) financial debt is determined as follows:

€ '000	**31.12.2008**	31.12.2007
Cash and cash equivalents	28,256	48,031
Fixed asset securities	393	413
Financial receivables	444	5,477
Financial liabilities	–527,911	–519,183
Correction, deduction of transaction costs	–13,227	–15,142
Correction, purchase price allocation	1,433	2,307
Net financial debt	**–510,612**	**–478,097**
Pension provisions	–44,104	–46,298
Adjusted net financial debt	**–554,716**	**–524,395**

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

€ '000	**31.12.2008**	31.12.2007
Adjusted net financial debt	554,716	524,395
EBITDA	156,445	137,034
Ratio of adjusted net financial debt/EBITDA	**3.5**	**3.8**

Notes to the cash flow statement

The cash flow statement of the VTG Group shows the inflows and outflows of funds for operating, investing and financing activities for the financial year 2008 and for the previous year.

In the period under review, there was a reclassification of the income from investments affecting cash flow (€ 3,303 k) from cash flows used in investing activities to cash flows from operating activities. This reclassification took place due to the fact that, with the disposal of the shares in rail4chem, all investments in the portfolio of the VTG group are now of an operational nature. The figures for the same period of the previous year (€ 3,390 k) have been adjusted.

The increase in cash flows from operating activities is largely explained by the expanded business volume, the first-time consolidations in 2008 and the fact that the results of the companies Deichtor and Klostertor were not included for the first half of 2007.

The payments for investments in intangible assets and tangible fixed assets, at € 156,127 k, are much higher than the values for the same period as at 31st December 2007 (€ 105,540 k). The reasons for this are increased investment in the wagon fleet and the buying back of rail freight cars and tank containers from financial leases.

Investments in financial assets led to payments of € 16,844 k. These mainly comprise payment for the acquisition of Texas Railcar and Waggonbau Graaff and for the acquisition of the share in Shanghai Tanktainer.

Proceeds from disposals of financial assets (€ 3,617 k) are mainly from the sale of the share in rail4chem.

The change in financial receivables of € 2,518 k is mostly due to the repayment of a loan to rail4chem. This repayment took place in the course of the disposal of rail4chem.

The cash flow from financing activities is affected by the uptake of a loan by Deichtor amounting to € 39,153 k and by the taking up of credit by Texas Railcar (€ 12,211 k).

The repayments cover, on the one hand, repayments of loans (with Hypo-Vereinsbank, DVB Bank and KfW Bank) in accordance with the agreed terms of redemption. Additionally, repayments of finance leases were made.

The effect of changes in the consolidation amounting to € 92 k results from the first-time consolidation of VTG Italia and includes the added cash and cash equivalents.

Other disclosures

Contingent liabilities

A total of nine companies in the VTG Group have guaranteed the repayment of loans of € 469.263 k taken up by the companies within the VTG Group to the Hypo-Vereinsbank.

Four companies within the VTG Group have assigned as collateral their rail freight cars registered in Germany and the UK respectively at their carrying amount of € 525,384.

In addition to the abovementioned guarantees, two Group companies have, in order to secure their bank liabilities, pledged bank accounts and rail freight cars with carrying values of € 1,787 k and € 98,571 k respectively.

Other financial commitments

The nominal values of the other financial commitments are as follows for the financial year 2008 and the previous year:

€ '000	Due within 1 year	Over 1 to 5 years	Over 5 years	31.12.2008 Total
Obligations from rental, leasehold and leasing agreements	35,309	80,970	16,204	132,483
Purchase commitments	92,256	30,235	0	122,491
Total	**127,565**	**111,205**	**16,204**	**254,974**

€ '000	Due within 1 year	Over 1 to 5 years	Over 5 years	31.12.2007 Total
Obligations from rental, leasehold and leasing agreements	34,093	80,272	23,637	138,002
Purchase commitments	89,107	0	0	89,107
Total	**123,200**	**80,272**	**23,637**	**227,109**

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

Purchase commitments relate exclusively to investments in tangible fixed assets.

Auditors' fees

In the financial year 2008, the following fees, recorded in other operating expenses, were incurred in relation to the auditors of the annual and consolidated financial statements (disclosure in accordance with § 314 (1) Para. 9 in conjunction with § 315a (1) of the German Commercial Code).

€ '000	
Fees for annual and consolidated financial statements	553
Fees for other confirmation and valuation services	289

Average number of employees

	2008	2007
Salaried employees	576	525
Wage-earning staff	278	248
Trainees	30	27
Total	**884**	**800**
Thereof abroad	310	286

Events after the balance sheet date

There were no events of special significance between the balance sheet date and the time of publication.

Related party disclosures

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

Name and registered office of company
Compagnie Européenne de Wagons S.à r.l., Luxembourg
El Vedado, LLC, New York
Euro Wagon I, L.P., Cayman Islands
Euro Wagon II, L.P., Cayman Islands
IPE Eurowagon, L.P., Jersey
PBK Holdings, Inc., Greenwich
Philip Korsant, Greenwich
Platon MPP Beteiligungs GmbH & Co. KG, Hamburg
Platon MPP Beteiligungs S.à r.l., Luxembourg
Platon MPP Verwaltungs GmbH, Hamburg
Ross Expansion Associates, L.P., New York
Ross Expansion GP, LLC, New York
UBS AG, Zurich
Wilbur L. Ross jr., New York
WLR Euro Wagon Management Ltd., New York
WLR Recovery Associates II, LLC, New York
WLR Recovery Associates III, LLC, New York
WLR Recovery Fund II, L.P., New York
WLR Recovery Fund III, L.P., New York
WL Ross Group, L.P., New York
ZAM Europe, L.P., Greenwich

The following transactions were made with related parties:

Income and expenses

€ '000	**2008**	2007
Income and expenses from non consolidated affiliated companies		
Revenue and other operating income	6,588	6,728
Expenses	7,802	7,525
Interest income	1	102
Interest expense	41	30
Income and expense from other investments		
Revenue and other operating income	2,900	2,159
Expenses	2,592	2,922
Interest expense	103	191
Interest expenses for shareholders' loans of Compagnie Européenne	0	2,866

Receivables and liabilities

€ '000	**31.12.2008**	31.12.2007
Receivables from non-consolidated affiliated companies		
trade receivables	1,221	1,571
other receivables	43	2,532
Receivables from other investments		
trade receivables	1,081	167
other receivables	0	2,533
Liabilities to non-consolidated affiliated companies		
trade payables	320	587
financial liabilities	112	356
Liabilities to other investments		
trade payables	29	263
from finance leases	27,865	40,656

All transactions with related parties were conducted on an arm's length basis.

Due to the changes in the scope of consolidation and the structure of shareholdings of the VTG Group, the figures differ significantly from those of the previous year in relation to receivables.

Remuneration of the Executive Board and Supervisory Board

The Executive Board, Supervisory Board and those in key management positions in the Group and their close family members represent related parties within the meaning of IAS 24 whose remuneration is to be disclosed separately.

€ '000	2008	2007
Short-term employee benefits	3,797	3,334
thereof Executive Board	(2,140)	(1,817)
thereof Supervisory Board	(159)	(159)
Post-employment benefits	190	144
thereof Executive Board	(64)	(82)
Total	**3,987**	**3,478**

Pension provisions for members of the Executive Board amounted to € 1,116 k as at the balance sheet date. Provisions for other key management personnel amounted to € 125 k on the balance sheet date.

There are pension provisions totalling € 4,404 for obligations to former members of the Executive Board and their dependants. Pension payments for former Executive Board members amounted to € 311 k.

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

Declaration on the Corporate Governance Code

The Supervisory Board and Executive Board have issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act and made it permanently accessible to shareholders on the VTG website at www.vtg.de.

Hamburg, 26th February 2009

The Executive Board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

Members of the Supervisory Board

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

Dr. rer. pol. Klaus-Jürgen Juhnke, Hamburg
Former Managing Director of Vereinigte Tanklager und Transportmittel GmbH, Hamburg
Deputy Chairman of the Supervisory Board

Heribert Becker, Mülheim (31st December 2008)
Dipl.-Volkswirt (Degree in Economics)
Former chairman of the Executive Board of VTG-Lehnkering AG, Duisburg and Hamburg

Dr. jur. Bernd Malmström, Berlin
Solicitor

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

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

Members of the Executive Board

Dr. rer. pol. Heiko Fischer, Hamburg
MBA
Chairman

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

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

Appointments of the Supervisory Board [1)]

Dr. rer. pol. Wilhelm Scheider, Basel

b) Hydac Technologie GmbH [2)]
Hydac Electronic GmbH

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

a) Flughafen Hamburg GmbH [2)]

Dr. jur. Bernd Malmström, Berlin

a) Lehnkering GmbH [2)]
K + S AG
HHLA - Intermodal GmbH

b) time: matters GmbH [2)]
Stinnes-Corporation, USA [2)]
IFCO-Systems B.V., Netherlands [2)]
DAL Deutsche Afrika Linien GmbH & Co. KG
FRAPORT AG
BLG Logistics Group AG & Co. KG
SBB AG, Switzerland

a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of economic entities in Germany and abroad.

[1)] All information relating to appointments applies as at 31st December 2008.
[2)] Chairman.
[3)] Deputy Chairman.

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

a) EHW Eisen- u. Hüttenwerke AG
Rasselstein GmbH
ThyssenKrupp Electrical Steel GmbH
ThyssenKrupp Stahl-Service-Center GmbH[2)]
Hoesch Hohenlimburg GmbH

b) Grupo ThyssenKrupp S.A. Madrid, Spain
LAGERMEX S.A. de C.V., Mexico[3)]
ThyssenKrupp Steel North America Inc., USA[3)]
ThyssenKrupp Steel USA, LLC, USA
ThyssenKrupp Verkehr GmbH
Acciai di Qualità, Centro Lavorazione Lamiere S.p.A., Italy[3)]
Felix Schoeller Holding GmbH & Co. KG
Siegwerk GmbH & Co. KG
Thyssen Ros Casares S.A., Spain[3)]

Dr. jur. Christian Olearius, Hamburg

a) KanAm Grund Kapitalanlagengesellschaft mbH
M.M. Warburg & CO Hypothekenbank AG[2)]
Bankhaus Hallbaum AG[2)]
Bankhaus Löbbecke AG[2)]
M.M. Warburg & CO Geschäftsführungs-AG[2)]

b) Bankhaus Carl F. Plump & Co.[2)]
M.M. Warburg Bank (Schweiz) AG, Switzerland[2)]
Marcard, Stein & CO AG[2)]
Liquiditäts-Konsortialbank GmbH[3)]
Degussa Bank GmbH[2)]
Hannover Finanz GmbH[3)]
M.M. Warburg-Hansa Ltd., British Virgin Islands
GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co KG[3)]

Appointments of the Executive Board [1)]

Dr. rer. pol. Heiko Fischer, Hamburg

b) TRANSWAGGON-Gruppe, Switzerland[3)]
Waggon Holding AG, Switzerland
TRANSWAGGON AG, Switzerland

Jürgen Hüllen, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition[3)]
TRANSWAGGON-Gruppe, Switzerland

Dr. rer. pol. Kai Kleeberg, Hamburg

b) Transpetrol GmbH Internationale Eisenbahnspedition
Shanghai COSCO VOTG Tanktainer Co., Ltd., China

a) Membership of statutory supervisory boards.
b) Membership of comparable controlling bodies of economic entities in Germany and abroad.

1) All information relating to appointments applies as at 31st December 2008.
2) Chairman.
3) Deputy Chairman.

DEVELOPMENT OF FIXED ASSETS

from 1st January to 31st December 2008

	Acquisition and manufacturing costs						
€ '000	Balance at 1.1.2008	Changes due to scope of consolidation	Currency adjustment	Additions	Disposals	Reclassifications	Balance 31.12.2008
Intangible assets							
Concessions, trademarks and and similar rights and values and licences in such rights and values	2,158	578	0	975	3	9	3,717
Brand values	10,059	0	0	0	0	0	10,059
Customer relationships	59,308	0	0	3,290	0	0	62,598
Goodwill	156,211	1,838	97	0	0	0	158,146
Payments on account	0	0	0	16	0	0	16
	231,026	**2,416**	**97**	**991**	**3**	**9**	**234,536**
Tangible assets							
Wagon fleet	799,078	15,894	−5,473	121,251	2,805	4,678	932,623
Containers and chassis	24,489	0	0	7,449	26	210	32,122
Land and buildings including on third party land	5,185	2,827	0	271	0	56	8,339
Technical plant and machinery	2,819	1,268	0	830	4	6	4,919
Other equipment, operating and office equipment	3,928	153	−37	1,402	132	53	5,367
Payments on account, assets under construction	8,715	0	0	9,358	0	−5,012	13,062
	844,214	**20,142**	**−5,510**	**140,561**	**2,967**	**−9**	**996,432**
Financial assets							
Shares in affiliated companies	7,441	−1,575	0	103	2	0	5,967
Investments in associates	15,811	0	0	1,046	0	0	16,857
Other investments	609	0	0	140	0	0	749
Fixed asset securities	417	0	0	0	0	0	417
Other loans	761	0	0	3	13	0	751
	25,039	**−1,575**	**0**	**1,292**	**15**	**0**	**24,741**
Fixed assets	**1,100,279**	**20,983**	**−5,413**	**142,844**	**2,985**	**0**	**1,255,709**

* The impairments of securities include effects from the revaluation of securities recorded without impacting income.

Impairment, amortization and depreciation							Book values	
Balance at 1.1.2008	Changes due to scope of consolidation	Currency adjustment	Impairment, amortization and depreciation in financial year	Disposals	Reclassifications	Balance 31.12.2008	**31.12.2008**	31.12.2007
616	0	0	722	3	0	1,335	2,382	1,542
0	0	0	0	0	0	0	10,059	10,059
3,707	0	3,758	0	0	7,465	55,133	55,601	55,133
0	0	0	0	0	0	0	158,146	156,211
0	0	0	0	0	0	0	16	0
8,081	**0**	**0**	**4,634**	**3**	**0**	**12,712**	**221,824**	**222,945**
104,861	0	-456	65,708	1,839	0	168,274	764,349	694,217
6,854	0	0	3,618	26	0	10,446	21,676	17,635
487	0	0	3,317	0	0	3,804	4,535	4,698
568	0	0	507	0	0	1,075	3,844	2,251
1,753	0	-22	1,013	99	0	2,645	2,722	2,175
0	0	0	0	0	0	0	13,062	8,715
114,523	**0**	**-478**	**74,163**	**1,964**	**0**	**186,244**	**810,187**	**729,691**
303	-200	0	0	0	0	103	5,864	7,138
0	0	0	0	0	0	0	16,857	15,811
0	0	0	140	0	0	140	609	609
4	0	0	20 *	0	0	24	393	413
0	0	0	0	0	0	0	751	761
307	**-200**	**0**	**160**	**0**	**0**	**267**	**24,474**	**24,732**
122,911	**-200**	**-478**	**78,957**	**1,967**	**0**	**199,223**	**1,056,485**	**977,368**

DEVELOPMENT OF FIXED ASSETS

from 1st January to 31st December 2007

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

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

LIST OF EQUITY INVESTMENTS OF THE VTG GROUP

as at 31st December 2008

Name and headquarters of company	Currency	Share of capital in % Direct	Indirect	Equity capital in '000 currency units	Result in '000 currency units
A. Consolidated affiliated companies					
Alstertor Rail France S.à r.l., Joigny, France	EUR		100.00	176	–358
Alstertor Rail UK Limited, Birmingham, UK	GBP		100.00	8,654	–4
Ateliers de Joigny S.A.S., Joigny, France	EUR		100.00	1,653	371
CAIB Benelux BVBA, Berchem/Antwerp, Belgium	EUR		100.00	2,040	949
CAIB Rail Holdings Limited, Birmingham, UK	GBP		100.00	–8,021	–87
CAIB UK Limited, Birmingham, UK	GBP		100.00	18,330	0
Deichtor Rail GmbH, Garlstorf	EUR	100.00		4,331	–1,027
Eisenbahnreparaturwerk Brühl GmbH, Wesseling	EUR		100.00	–2,050	–166
Eisenbahn-Verkehrsmittel GmbH & Co. KG für Transport und Lagerung, Hamburg	EUR		98.56	32,470	0 [1)]
Etablissements Henri Loyez S.A.S., Libercourt, France	EUR		100.00	1,785	1,026
EVA Eisenbahn-Verkehrsmittel-Gesellschaft mbH, Hamburg	EUR		100.00	38,632	0 [1)]
EVA Holdings Deutschland GmbH, Hamburg	EUR		100.00	8,498	0 [1)]
KR Klostertor Rail GmbH, Hamburg	EUR	100.00		4,391	–928
Texas Railcar Leasing Company, McAllen, Texas, USA	USD		100.00	4,086	566
Transpetrol Austria GmbH, Vienna, Austria	EUR		100.00	429	143
Transpetrol GmbH Internationale Eisenbahnspedition, Hamburg	EUR		74.90	4,705	3,705
VOTG Tanktainer Gesellschaft mit beschränkter Haftung, Hamburg	EUR		100.00	3,549	3,514
VTG Austria Ges.m.b.H, Vienna, Austria	EUR		100.00	8,659	3,085
VTG Deutschland GmbH, Hamburg	EUR		100.00	151,034	0 [1)]
VTG France S.A.S., Paris, France	EUR		100.00	13,253	6,891
VTG ITALIA S.r.l., Milan, Italy	EUR		100.00	1,610	159
VTG North America, Inc., Hinsdale, Illinois, USA	USD	100.00		28,189	669
VTG Rail España S.L., Madrid, Spain	EUR		100.00	2,126	272
VTG Rail UK Limited, Birmingham, UK	GBP		100.00	7,461	954
VTG Schweiz GmbH, Basel, Switzerland	CHF		100.00	22,568	3,756
VTG Vereinigte Tanklager und Transportmittel Gesellschaft mit beschränkter Haftung, Hamburg	EUR	100.00		149,850	0 [1)]
Waggonbau Graaff GmbH, Elze	EUR	100.00		1,151	–349
B. Companies consolidated at equity					
Shanghai COSCO VOTG Tanktainer Co., Ltd., Shanghai, China	RMB		50.00	10,152	1,195
Waggon Holding AG, Zug, Switzerland	CHF	50.00		6,634	5,434

1) Profit and loss transfer agreement with the parent company.

2) Equity and annual result in thousands of currency units as at 31st December 2007.

Name and headquarters of company	Currency	Share of capital in % Direct	Indirect	Equity capital in '000 currency units	Result in '000 currency units
C. Non-consolidated affiliated companies					
ITG Transportmittel-Gesellschaft mit beschränkter Haftung, Syke	EUR	100.00		105	54
Tankspan Leasing Ltd., Godalming, Surrey, UK	USD	100.00		1,559	480 [2]
Transpetrol Sp.z o.o., Chorzów, Poland	PLN		100.00	4,588	2,997
Vostok Beteiligungs GmbH, Hamburg	EUR	99.60	0.40	50	–50
VOTG Finland Oy, Helsinki, Finland	EUR		100.00	302	98 [2]
VOTG North America, Inc., West Chester, Pennsylvania, USA	USD		100.00	161	111 [2]
VOTG Tanktainer Asia Pte Ltd., Singapore, Singapore	USD		100.00	58	39 [2]
VTG Benelux B.V., Rotterdam, Netherlands	EUR		100.00	645	364 [2]
D. Other companies					
Ateliers Ferroviaires d'Artix SAS, Artix, France	EUR		24.88	282	68 [2]
CERERAIL A.I.E., Madrid, Spain	EUR		33.33	27	0 [2]
E.V.S. SA, Puteaux, France	EUR		34.00	388	124 [2]
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR		20.00	1,578	0 [1][2]
PETRORAIL S.A., Madrid, Spain	EUR		33.33	75	1 [2]
SILEX Mobilien-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	EUR		95.00	–25,304	4,008 [2]

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

[2] Equity and annual result in thousands of currency units as at 31st December 2007.

Responsibility Statement

According to the best of our knowledge we declare that, in accordance with the accounting principles to be applied, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and that the Group Management Report presents the business development including the business results and position of the Group such that a true and fair view of the Group is reflected and that the significant opportunities and risks of the expected development of the Group are described.

Hamburg, 26th Februar 2009

The Executive Board

Dr. Heiko Fischer

Jürgen Hüllen

Dr. Kai Kleeberg

AUDITORS' REPORT

"We have audited the consolidated financial statements prepared by VTG Aktiengesellschaft, Hamburg, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, together with the group management report, for the financial year from 1st January to 31st December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code is the responsibility of the Executive Board of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 26th February 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Brandt
Auditor

ppa. Hans-Henning Wolf
Auditor

FINANCIAL CALENDAR 2009

22nd April	Publication of the 2008 Annual Report
22nd April	Financial Statements Press Conference, Hamburg
23rd April	Analyst Conference, Frankfurt
27th May	Interim Report for the 1st Quarter 2009
4th June	Annual General Meeting, Hamburg
27th August	Half-yearly Financial Report 2009
7th November	Hamburg Stock Exchange Day 2009
16th November	Interim Report for the 3rd Quarter 2009

CONTACT AND IMPRINT

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