VTG AG – We Make Rail Easy

Conference Call on FY 2017 Results

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March 27, 2018

Agenda


VTG
VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES

Executive Summary

- Group sales above previous year due to better logistics development and an increased utilization rate
- EBITDA hampered by one-offs related to Nacco transaction
- EPS well above last year´s level also due to a positive one-time tax effect
- Increased investments to expand the world wide fleet
- Strong Q4/2017 as a good basis for 2018

Group figures

	2016	2017	Δ
Sales	986.9	1,014.4	+ 2.8%
EBITDA	345.3	343.4	- 0.6 %
EPS	1.56	1.93	+ 23.7 %
Utilization	89.8 %	92.2 %	+ 2.4 PP

Railcar Division – Highlights by region

Europe

- Strong pick up in demand in second half of the year
- Acquisition of Nacco announced – closing within the second half of 2018 expected
- Successful roll-out of VTG-Connect - 7,000 railcars already equipped by the end of 2017

North America

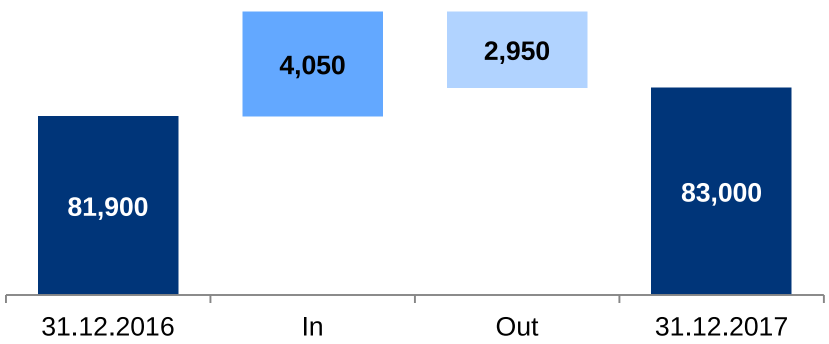
- Good performance in spite of challenging market conditions
- Acquisition of 1,100 used railcars
- Delivery of 800 new railcars

Russia

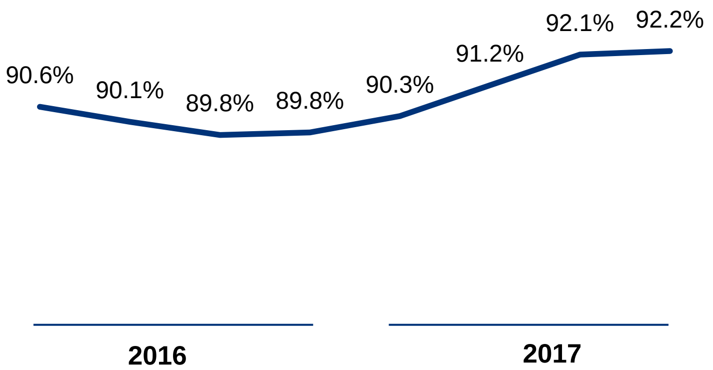
- Economic fundamentals improving
- Rising rental rates while utilization remains on a high level
- Small low-risk investments on an opportunistic basis (~300 used railcars)

Railcar fleet

Fleet development 2017



Utilization



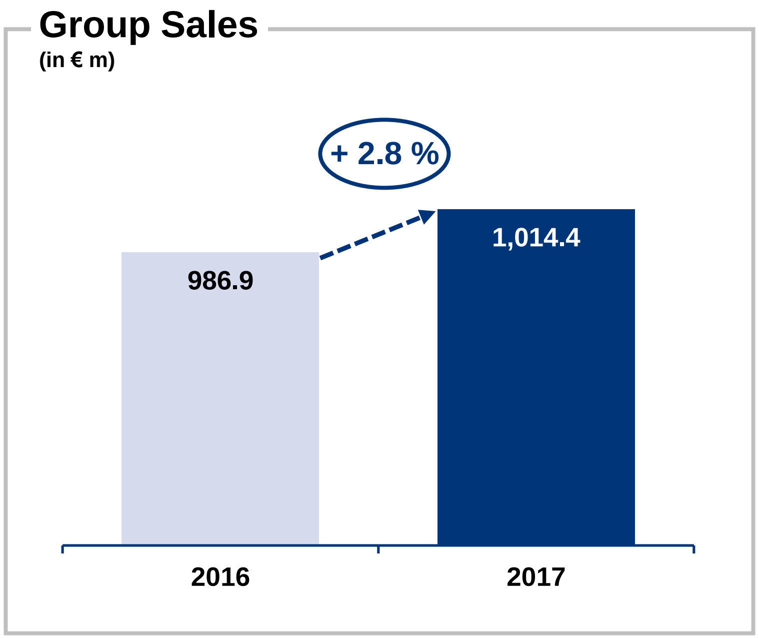
Comment

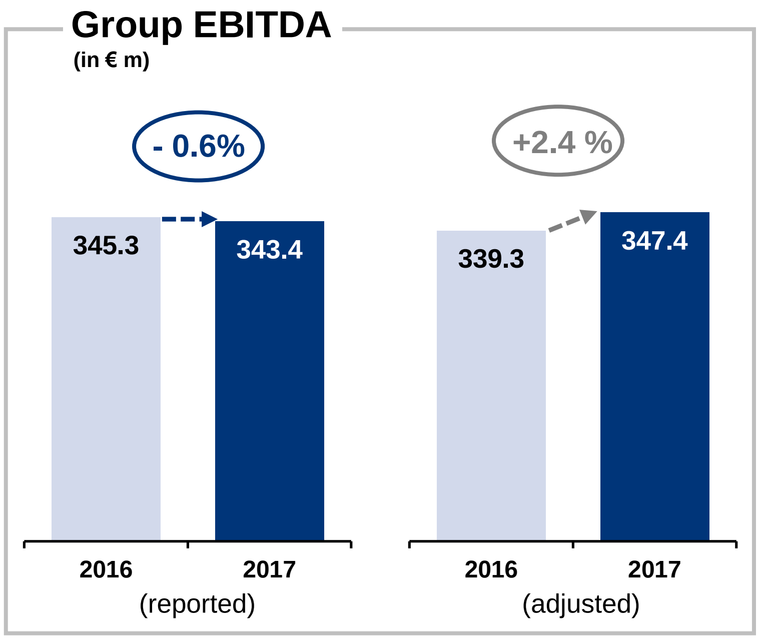
- 2,400 new, 1,500 used and 150 hired railcars were added to the global fleet in 2017
- Thereof, 800 new and 1,100 used railcars were purchased in North America, 300 used in Russia
- In the same period 2,300 wagons were discharged, 500 sold to customers and 150 off-hired

Comment

- Utilization of VTG's world wide fleet increased steadily throughout the year
- Year-end utilization reached the highest level for the last 10 years

Split of Group Sales and EBITDA





Comment

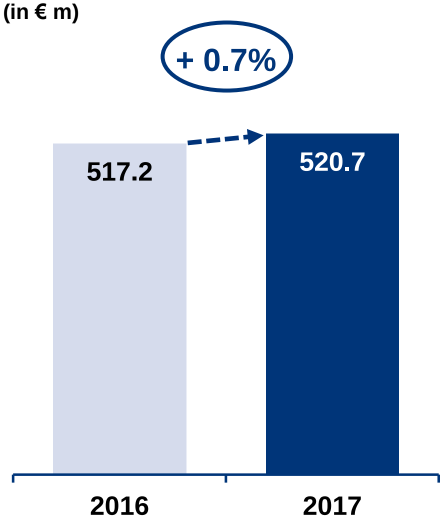
- Sales increase mainly attributable to good performance of Rail Logistics and to a smaller extent to the Railcar division
- Stable sales development in tank container business

Comment

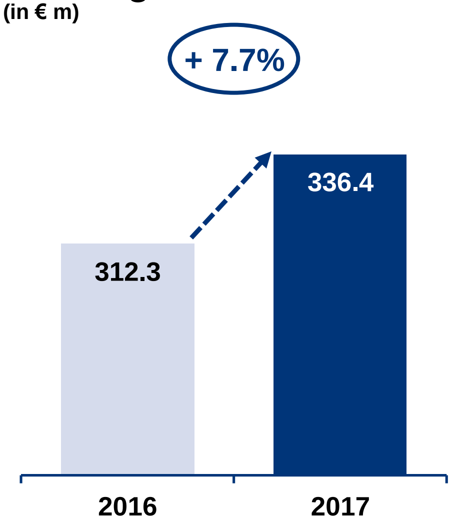
- Reported EBITDA nearly unchanged
- Result impacted by costs of €4m for the Nacco takeover - previous year's figure included a positive one-time effect of €6m
- Adjusted for both one-offs EBITDA improved by 2.4%

Sales development by division

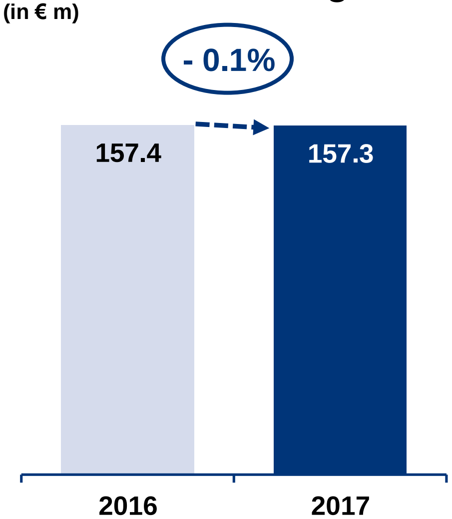
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



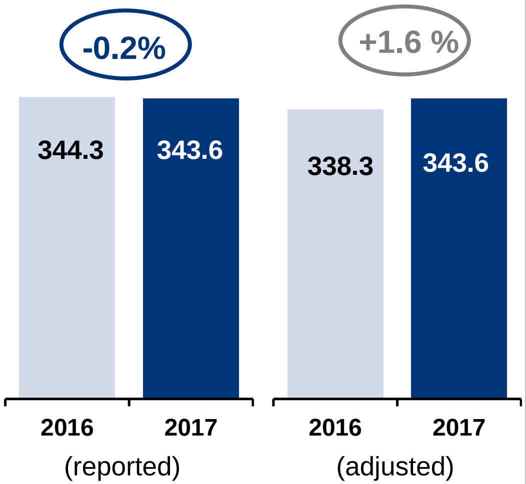
Comment
- After a slow start to the year demand increased steadily
- Utilization at 92.2% reached highest level in 10 years (2016: 89.8%)

Comment
- Increased demand for the transport of agricultural goods and metal working industry
- Strong project logistics

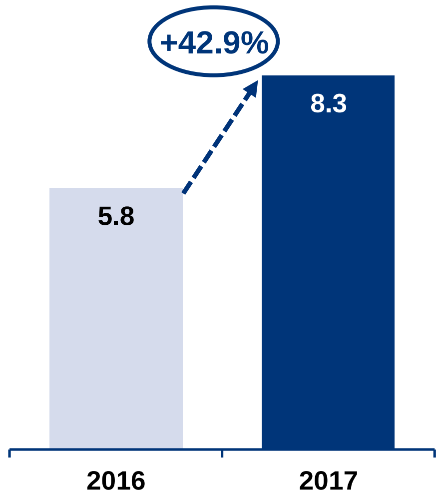
Comment
- Increasing transport volumes offset by lower freight rates
- Overall, stable sales development

EBITDA development by division

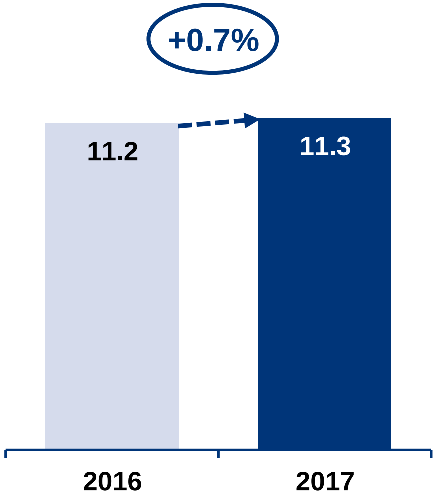
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- Modification of brakes and re-commissioning of idle railcars: extraordinary -€6.9m (not adj.)
- 2016: +€6m one-off (adj.)
- EBITDA margin at 66.0 % (2016: 66.6 %)

Comment

- Further EBITDA improvement due to higher sales level and lower transport costs
- EBITDA margin* at 26.1 % (2016: 20.9 %)

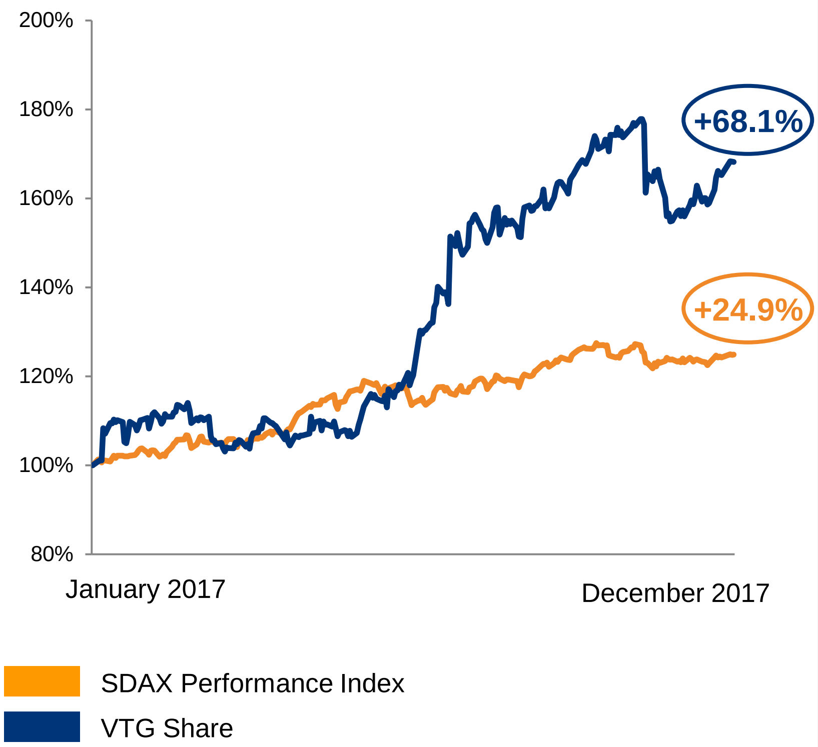
Comment

- Slight EBITDA increase due to lower transport and rental costs
- EBITDA margin* at 37.5% (2016: 39.4 %)

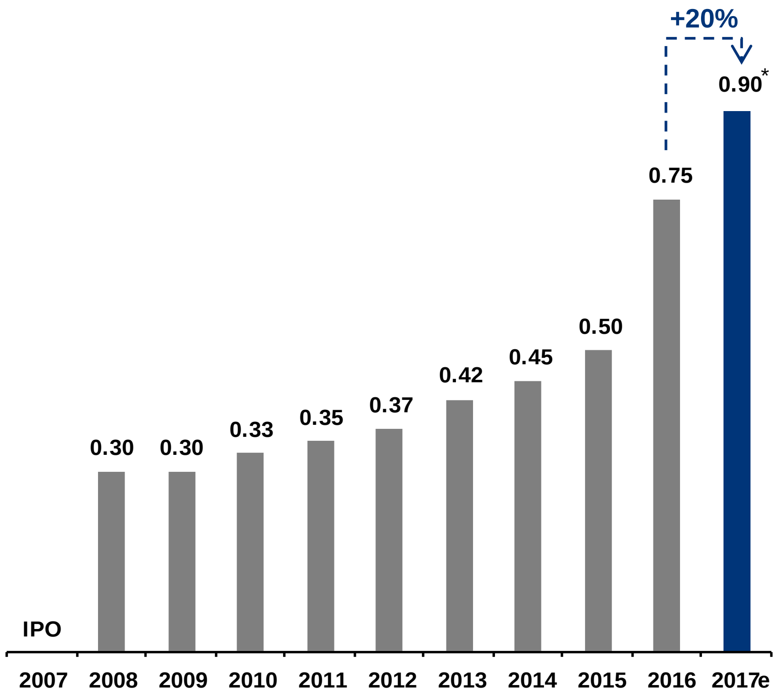
* EBITDA margins calculated on gross profit (logistics divisions only)

Further increase in dividend proposed

Share price development



Group dividend per share (in €)



* Intended proposal to AGM

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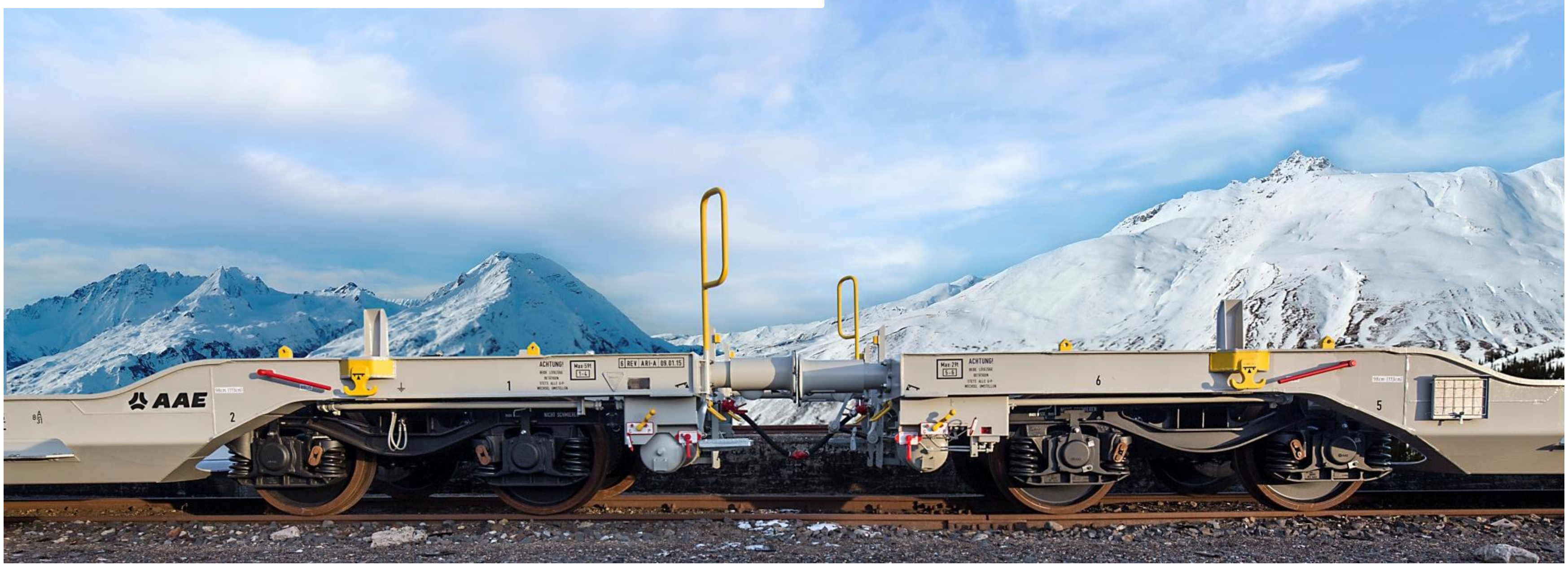
1 Highlights 2017
2 Discussion of FY 2017 figures
3 Outlook FY 2018
4 Update on Nacco Acquisition
5 Financial calendar



Group key figures

Key figures

(in € m)	2016	2017	Δ
Sales	986.9	1,014.4	+ 2.8%
EBITDA rep.	345.3	343.4	- 0.6%
EBITDA adj.	339.3	347.4	+ 2.4%
EBIT	149.7	155.1	+ 3.6%
EBT	88.2	90.2	+ 2.3%
Net income	57.5	68.1	+ 18.5%
Net income to shareholders	45.0	55.6	+ 23.7%
EPS in €	1.56	1.93	+ 23.7%

Comment

- Good sales development while reported Group EBITDA impacted by one-time effects such as Nacco transaction and recommissioning expenses
- Adjusted by positive one-off from 2016 (€ 6m) und negative one-off from the Nacco transaction in 2017 (€ -4m) EBITDA would have been 2.4% above previous year
- EBIT improved due to lower D&A
- EBT further improved in spite of additional Nacco related financing costs of €6.5m
- Significant increase in EPS due to reduced tax rate by 10.4PP to 24.5%. Large portion of improvement results from:
  - US tax reform
  - Positive outcome of a tax audit

Financial result

Split of financial result (in € m)

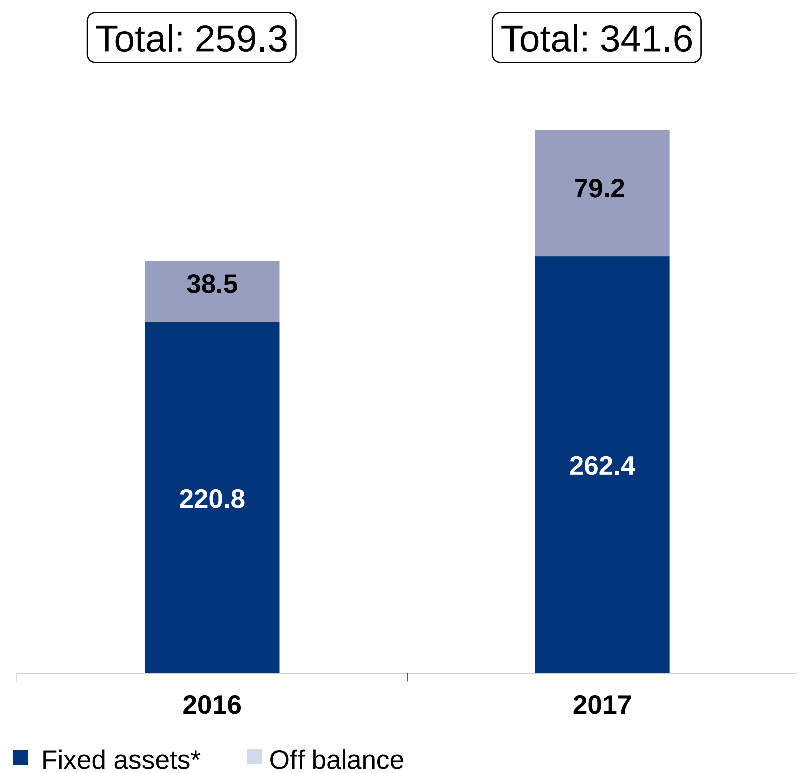
	2016	2017
EBIT	149.7	**155.1**
EBT	88.2	**90.2**
Financial result	**-61.5**	**-64.9**
Thereof:		
interest expenses of financial debt	-53.5	**-54.2**
interest expenses from credit lines	-2.5	**-1.9**
Total interest expenses	**-56.0**	**-56.1**
transaction costs	-3.2	**-3.3**
Swap effects	-4.9	**1.9**
FX effects	4.0	**1.9**
interest on pensions	-1.3	**-1.1**
Nacco financing	-	**-6.5**
others	-0.1	**-1.7**
Other financial result	**-5.5**	**-8.8**

Comment

- Total interest expenses unchanged
- Nacco related financing costs amount to €6.5m
- Positive contribution from ineffective swaps while lower influence from FX (mainly Russian USD loan)

Capex

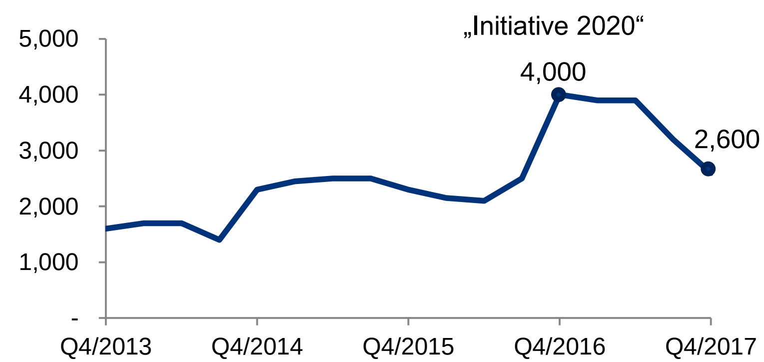
Capital expenditures (in € m)



Comment

- Investments in new and used railcars in Europe, the US and to a smaller extent in Russia
- Higher use of leasing in preparation of Nacco takeover
- Delivery of 2,400 new railcars reduced order book from 4,000 (end of 2016) to 2,600 railcars by the end of 2017

Order Book



* Capex for fixed assets, including intangible assets and capitalization of revision costs

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	2016	2017
Operating cash flow	**326.2**	**295.9**
Payments for fixed assets	-220.4	-241.2
Disposal of fixed assets	+11.9	+41.6
Others	+1.3	-7.9
Total investing cash flow	**-207.2**	**-207.5**
Free cash flow (rep.)	**119.0**	**88.4**

Net debt

(in € m)	31.12.2016	31.12.2017
Net debt	1,660.4	1,667.9
Net debt adjusted (incl. pensions)	1,731.4	1,735.6
Net debt adj./EBITDA	**5.0**	**5.1**

Comment

- Operating cash flow includes purchase of railcars that are soon to be resold to leasing companies (purchases in 2017: € -8.0 million; sales in the same period a year ago: € +27.0 million)
- Disposal of fixed assets includes mainly sale and lease back transactions

Agenda

FY 2018 outlook

Group

Revenue: Slightly above previous year (>€1,014m)

EBITDA: €340m - €370m

Outlook does not include any effects from the envisaged Nacco acquisition

Railcar

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Sustained upward trend in 2018 expected, investments with positive impact on sales development
- Utilization to stay on a high level

Rail Logistics

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Expansion of sales activities in defined core segments
- Good economic environment in Europe should support growth

Tank Container Logistics

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Transport volume to increase further
- Purchase of 500 tank containers to replace hired equipment should improve cost structure

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Update on Nacco Acquisition

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Signing
July 1, 2017

Merger control proceedings in Germany and Austria
starting September 4, 2017

Voluntary proposal of remedies (sale of 30% of Nacco fleet)
January 25, 2018

Start of new market test in Germany
January 30, 2018

Germany: conditional clearance
March 21

Austrian antitrust decision
expected end of March, 2018

Sale of 30% of Nacco fleet
from Q2/2018

Closing
expected H2/2018

Integration
starting H2/2018

done
pending

Update on Nacco Acquisition

	Original Nacco Deal	Updated Nacco Deal
Fleet	14,000 railcars (tank, standard freight, intermodal)	~ 10,000 railcars (tank, standard freight, intermodal) ~ 4,000 to be resold (remedy sale)
Sales	~ € 120 m in 2018	~ € 85 m in 2019
EBITDA	~ € 100 m (before transaction and integration costs) in 2018	~ € 70 m in 2019 (before transaction and integration costs)
EPS	Accretive from 2018 on (before transaction and integration costs) after envisaged capital increase	Accretive from 2019 on (before transaction and integration costs) after envisaged capital increase
Purchase Price	€ 780 m + CapEx for 2017 (€ 140 m)	€ 780 m + CapEx for 2017/18 (€ 195 m) – proceeds remedy sale
Financing	▪ Privately-placed Hybrid Bond: ~ € 300 m ▪ Senior Loan: up to € 500 m ▪ Nacco´s existing net debt taken by VTG: ~ € 120 m	▪ Financing structure basically unchanged ▪ Financing volume depends on proceeds from remedy sale
Refinancing	Envisaged replacement of privately-placed hybrid bond via the capital market, potentially via a rights issue for the increase of VTG´s capital from the authorized capital.	
Net debt	Net debt increases to max 5.75x but will decrease to current level again within the next two years	
Closing	Expected in Q4/2017 Subject to antitrust approval	Expected in H2/2018 Approved by Germany's Federal Cartel Office, a corresponding decision of the Austrian antitrust court is expected at the end of March

Q&A

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Save the date 2018

Financial Calendar 2018:

- March 27 — Annual Report FY 2017
- March 27 — Annual Results Press Conference, Hamburg
- May 17 — Quarterly Statement as of March 31, 2018
- May 17 — Analyst Conference, Elze
- June 6 — Annual General Meeting, Hamburg
- August 14 — Half-yearly Financial Report 2018
- November 13 — Quarterly Statement as of September 30, 2018

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