9M/2015 Results

VTG AG – Connecting worlds

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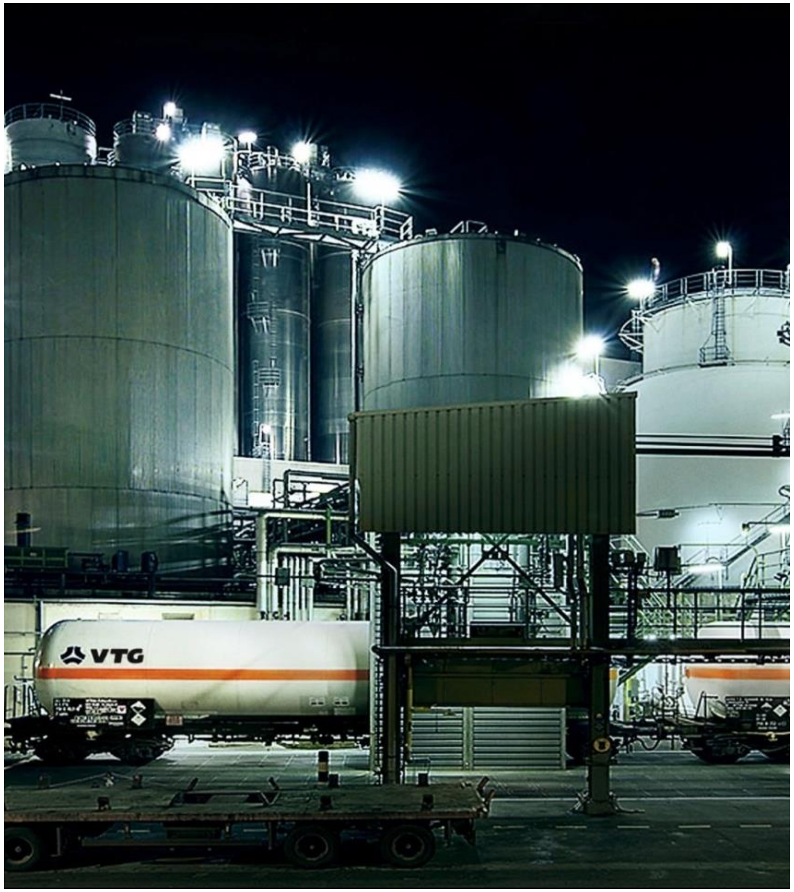


Executive Summary

Highlights 9M/2015

- Significant increase in Sales and EBITDA driven by better underlying business and the acquisition of AAE
- Gradual operational improvement of Rail Logistics
- Investments below previous level, good cash generation
- Mid-term objectives for 2018 published

Group figures

	9M/2014	9M/2015
Sales	€ 610.6 million	€ 764.1 million
EBITDA	€ 140.0 million	€ 255.5 million
Investments	€ 177.6 million	€ 142.8 million
Utilization	90.6%	89.6%

Highlights by divisions

1

Railcar

- Successful integration of AAE business continues
- Sales and EBITDA substantially above previous year level
- Stable order book with 2,500 wagons to be delivered until 2017

2

Rail Logistics

- Measures taken to improve competitiveness
- New tenders won for liquid transportation
- Break-even on YTD EBT level achieved

3

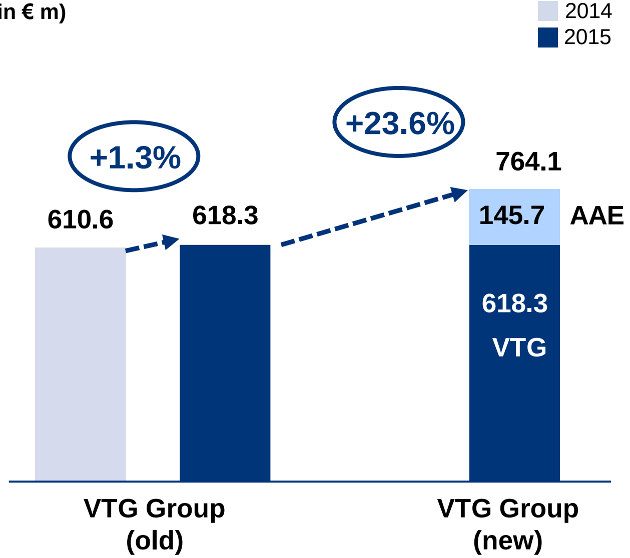
Tank Container Logistics

- Positive operational development in spite of some macro-economic headwinds
- Sales growth supported by higher transport volumes and favorable FX-rates
- Sale of a non-consolidated company to streamline business

Split of Sales and EBITDA

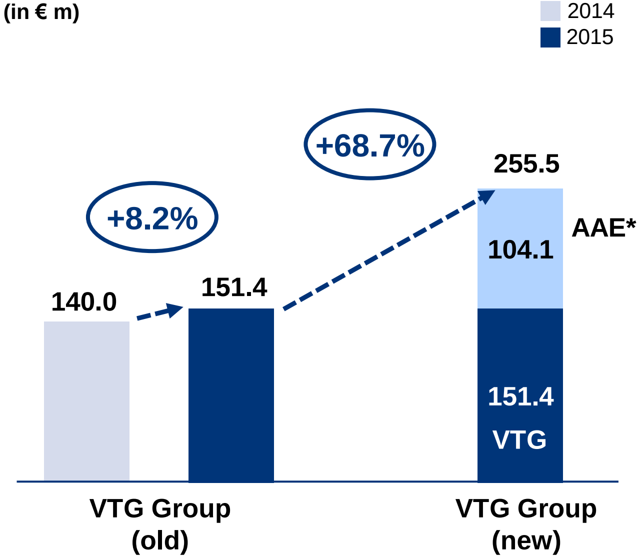
Sales 9M

(in € m)



EBITDA 9M

(in € m)



* incl. integration costs

Comment

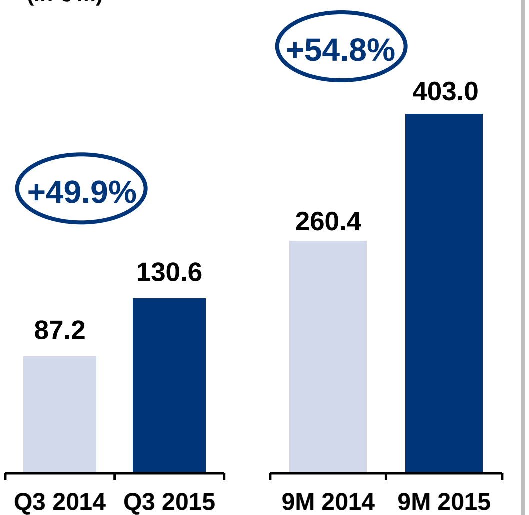
- AAE acquisition leads to strong sales increase
- Slightly positive sales trend even without AAE

Comment

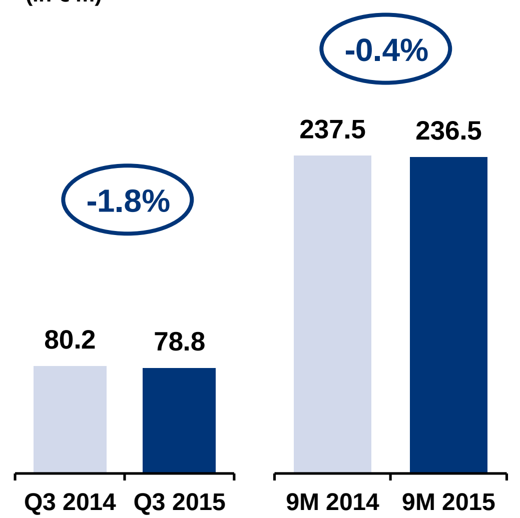
- Increase in EBITDA attributable to AAE and better underlying business
- EBITDA of AAE includes integration costs of 4 m €

Sales development by division

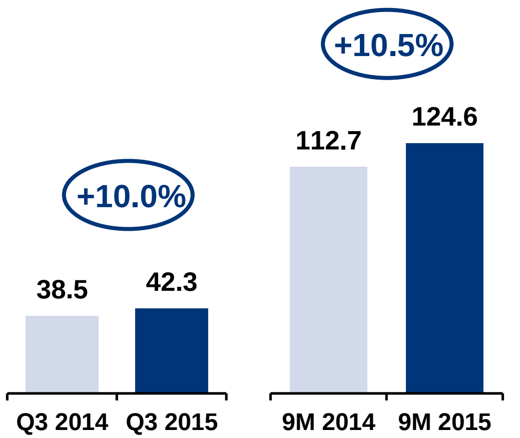
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



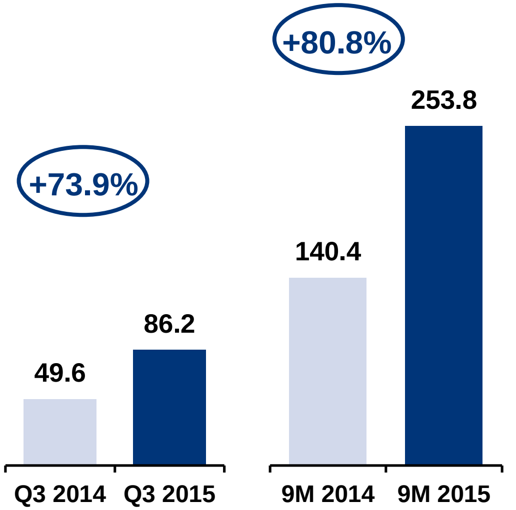
Comment
- AAE takeover triggers strong sales increase
- Workshops with higher portion of internal sales

Comment
- Slight sales decrease in Q3, 9M figures nearly unchanged
- Division successfully managed to defend sales level in a challenging environment

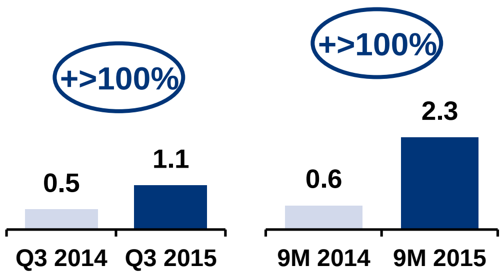
Comment
- Top-line benefits from rising oversea transport volumes
- Strong US-Dollar continues to have positive effect on sales

EBITDA development by division

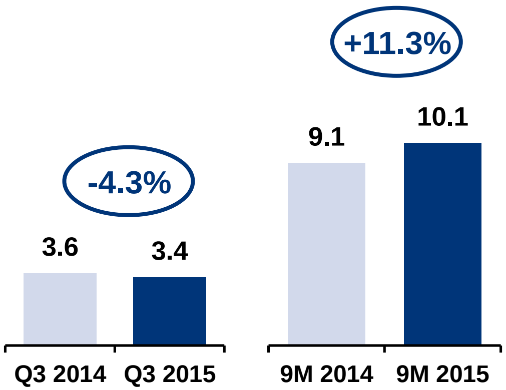
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- EBITDA up by 113 m €, AAE main driver
- Like-for-like earnings also up by 6.6%
- EBITDA margin at 63.0 % compared to 53.9 % last year

Comment

- Reorganization leads to substantial EBITDA improvement
- EBITDA margin* at 11.2 % after 2.8 % in 9M/2014

Comment

- Q3 like-for-like positive - 2014 figure skewed by extra-ordinary income (+0.6 m €)
- EBITDA margin* with 46.8% slightly below previous year (47.8%)

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

Group key figures

Key figures

(in € m)	9M/2014	9M/2015	Δ
Sales	610.6	764.1	+25%
EBITDA	140.0	255.5	+83%
EBIT	60.9	111.2	+83%
EBT	21.5	41.9	+95%
Net income	13.5	26.8	+98%
Net income to shareholders	13.9	20.0	+44%
EPS in € (reported)	0.65	0.69	+0.04 €

Key figures (adjusted)

EBT (adj.)	21.5	49.8	+132%
Net income to shareholders (adj.)	13.9	23.5	+69%
EPS in € (adj.)	0.65	0.81	+0.16 €

Comment

- All key figures substantially improved
- 9M 2015 EBT burdened by strong negative currency effects and costs for the integration of AAE
- Gains from the sale of assets and of a non-consoldidated company with positive contributions to earnings
- Net effect of positive and negative one-offs still lowered EBT by 7.9 m€
- Despite of negative special items, AAE acquisition EPS accretive

Breakdown of extraordinary effects

Bridge to adjusted EBT

(in € m)	H1/2015	Q3/2015	9M/2015
EBT (reported)	**28.2**	**13.6**	**41.9**
Currency *(financial result)*	*+1.9*	*+5.5*	*+7.4*
Integration costs	*+3.0*	*+1.0*	*+4.0*
Gain from sale of assets	*-3.3*	*-0.2*	*-3.5*
EBT (adjusted)	**29.9**	**19.9**	**49.8**

Split of D & A

(in € m)	9M/2015
EBITDA	**255.5**
Depreciation of fixed assets	*131.2*
PPA 2005	*6.1*
PPA AAE	*5.7*
Other PPA	*1.3*
EBIT	**111.2**

Comment

- Considerable negative impact from Russian Ruble devaluation in Q3
- Lower integration costs in Q3 expected to be offset by higher expenses in Q4
- The forthcoming refinancing could lead to one-off charges of 5 m – 7m € in Q4 (consultancy fees, write-offs, early repayment fees)

Comment

- Approximately 9 % of D&A are attributed to PPAs
- PPA 2005 running until 2021, reduced to ~5 m € p.a. from 2018 onwards
- PPAs are evenly distributed throughout the year

Financial result

Split of financial result (in € m)

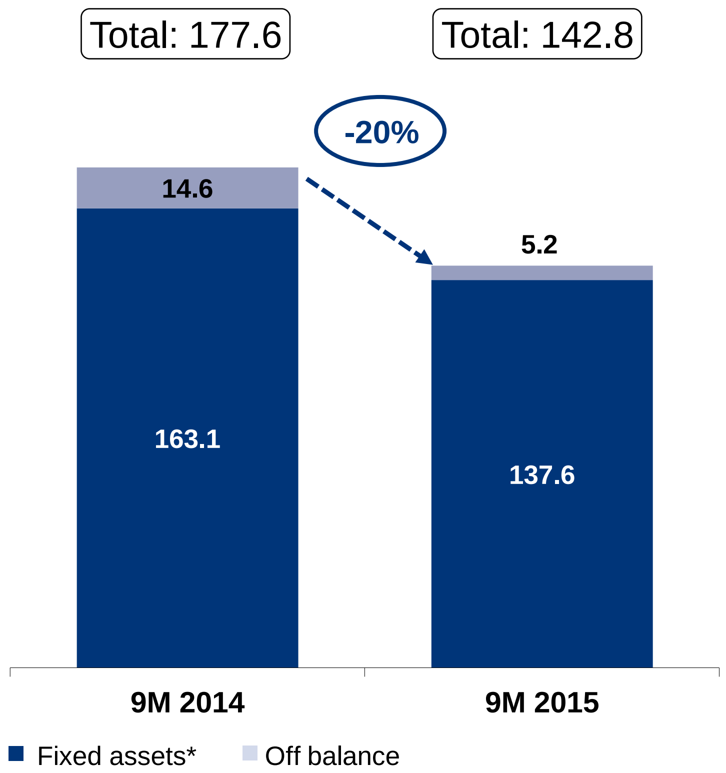
		9M/2014	9M/2015
EBIT		60.9	111.2
EBT		21.5	41.9
Financial result		**(39.4)**	**(69.3)**
Thereof:			
interest exp. of financial debt		(28.0)	(48.8)
interest exp. from credit lines		(1.2)	(1.5)
		(29.2)	**(50.2)**
swap cash effect (VTG)	Expired 6/2015	(6.0)	(3.5)
swap valuation (VTG) (m-t-m)		(0.4)	(0.0)
Swap valuation (AAE)		-	(3.8)
		(6.5)	**(7.3)**
transaction costs		(1.5)	(3.2)
interest on pensions		(1.3)	(1.0)
other financial result		(1.0)	(7.6)
		(3.8)	**(11.8)**

Comment

- Financial result increased with a higher indebtedness following the AAE acquisition
- **Ineffective VTG swap** expired in June
- Negative effect from **ineffective AAE swaps** in the amount of 3.8 m € after nine months
- Other financial result impacted by Ruble devaluation
- Average interest rate slightly below 5%

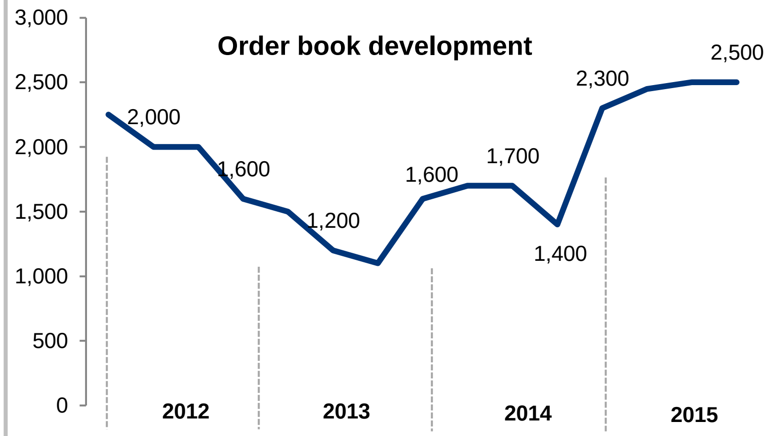
Capex – Below prior year level

Capital expenditures (in € m)



Comment

- Order book increased slightly to 2,500 wagons compared to year end 2014:
  - 1,500 wagons for European market (to be delivered in 2015/2016/2017)
  - 1,000 wagons for North American market (to be delivered in 2017)



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

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	H1/15	Q3/15	9M/15
Operating cash flow	**139.6**	**69.9**	**209.5**
Payments for fixed assets	-80.0	-51.8	-131.8
Disposal of fixed assets	47.2	16.8	64.0
Financial assets AAE (net)	19.4	-	19.4
Others	-9.9	1.1	-8.8
Total investing cash flow	**-23.3**	**-33.9**	**-57.2**
Free cash flow (rep.)	**116.3**	**36.0**	**152.3**
Disposal of fixed assets	-39.6	-10.9	-50.5
Financial assets AAE (net)	-19.4	-	-19.4
Free cash flow (adj.)	**57.3**	**25.1**	**82.4**

Historical Free cash flow

(in € m)	2012	2013	2014
FCF	**-36.1**	**9.1**	**-11.2**

Net debt

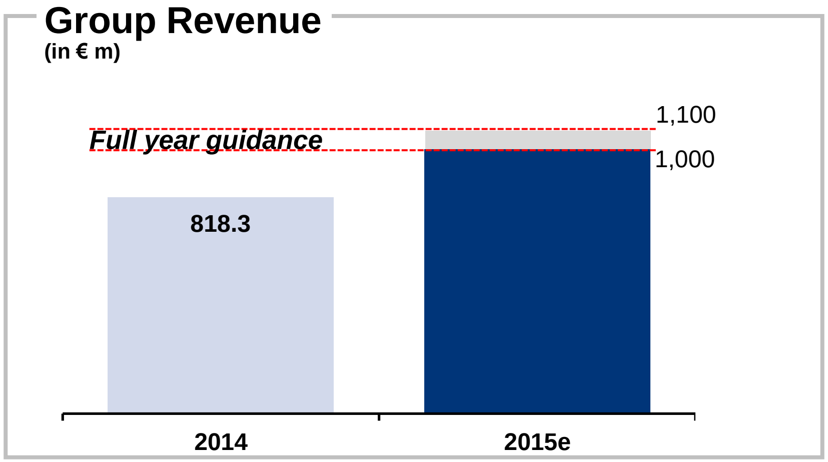
(in € m)	31.12.2014	30.09.2015
Net debt	(829.3)	(1,676.1)
Net debt adjusted (incl. pensions)	(893.9)	(1,746.8)
Net debt adj./EBITDA*	4.7	5.2

* Calculated on average of EBITDA guidance range for 2015.

Comment

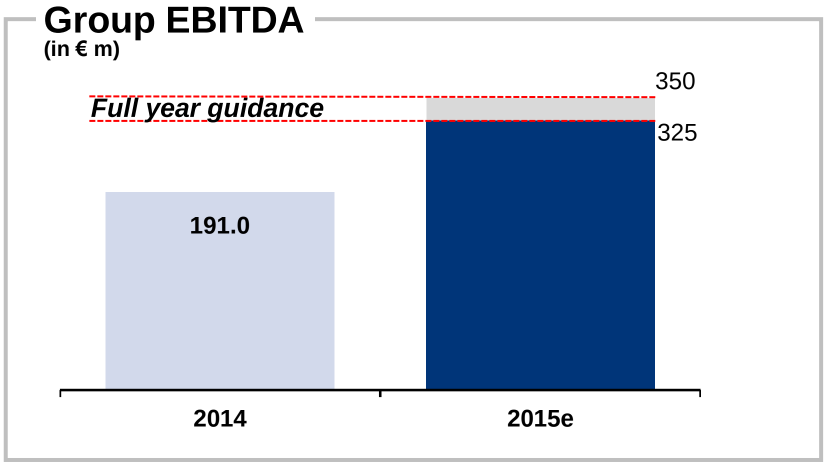
- Cash generation continues to stay strong after nine months
- Cash inflow from sale and lease back of wagon portfolio in UK in Q3
- Adjusted free cash flow in 9M/2015 well above previous years

Group guidance FY 2015 confirmed 1)



Group revenue incl. AAE for 2015 expected to range between € 1.0 – 1.1bn

unchanged



Group EBITDA incl. AAE for 2015 expected to range between € 325 – 350m

unchanged

1) incl. AAE Group

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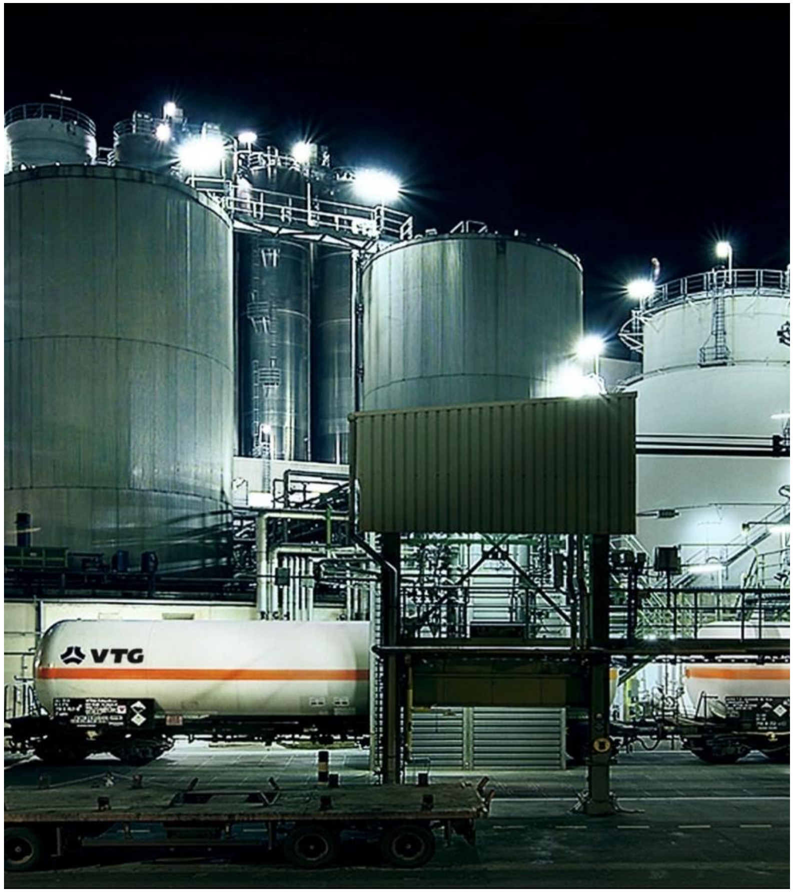
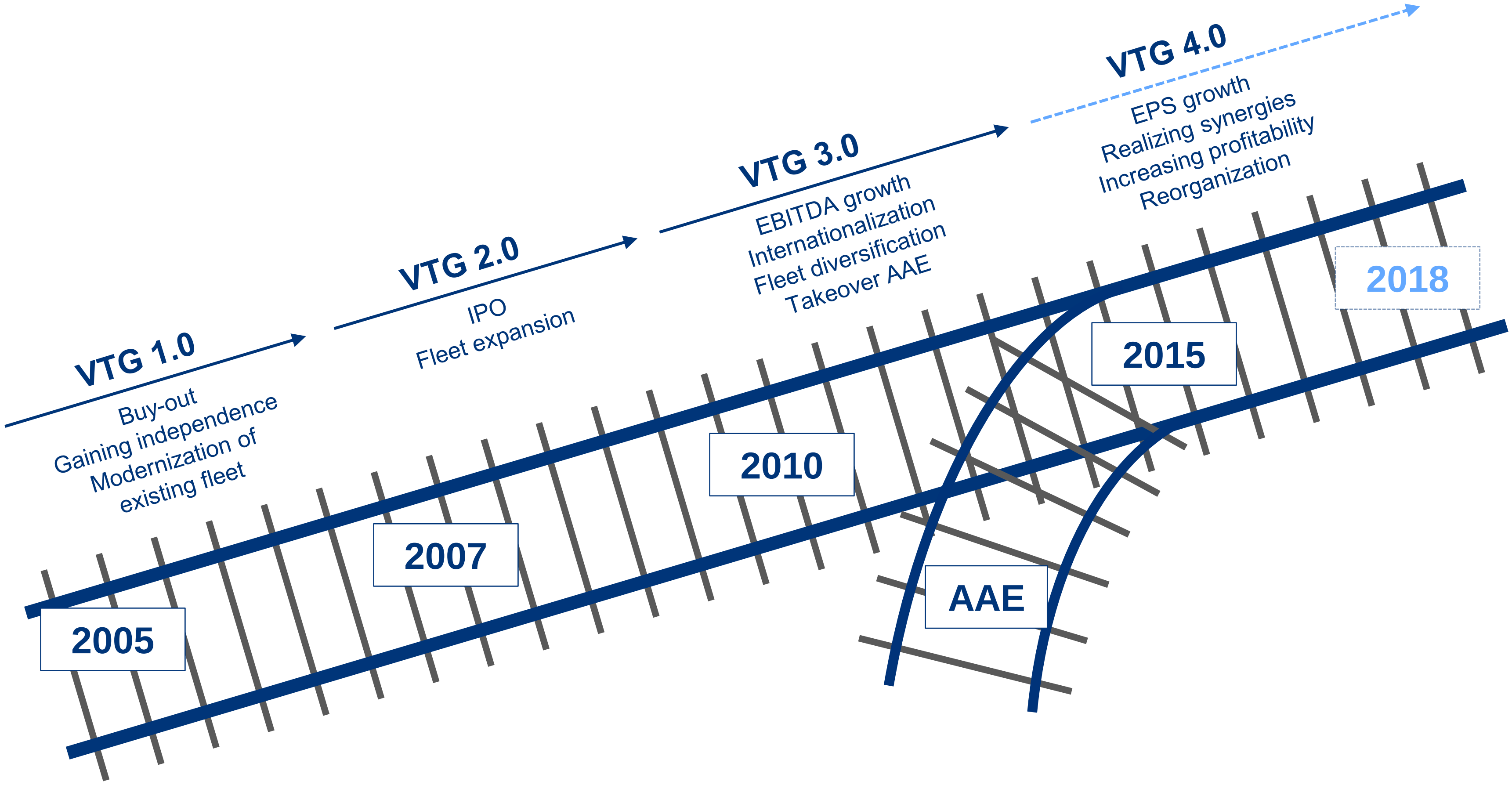
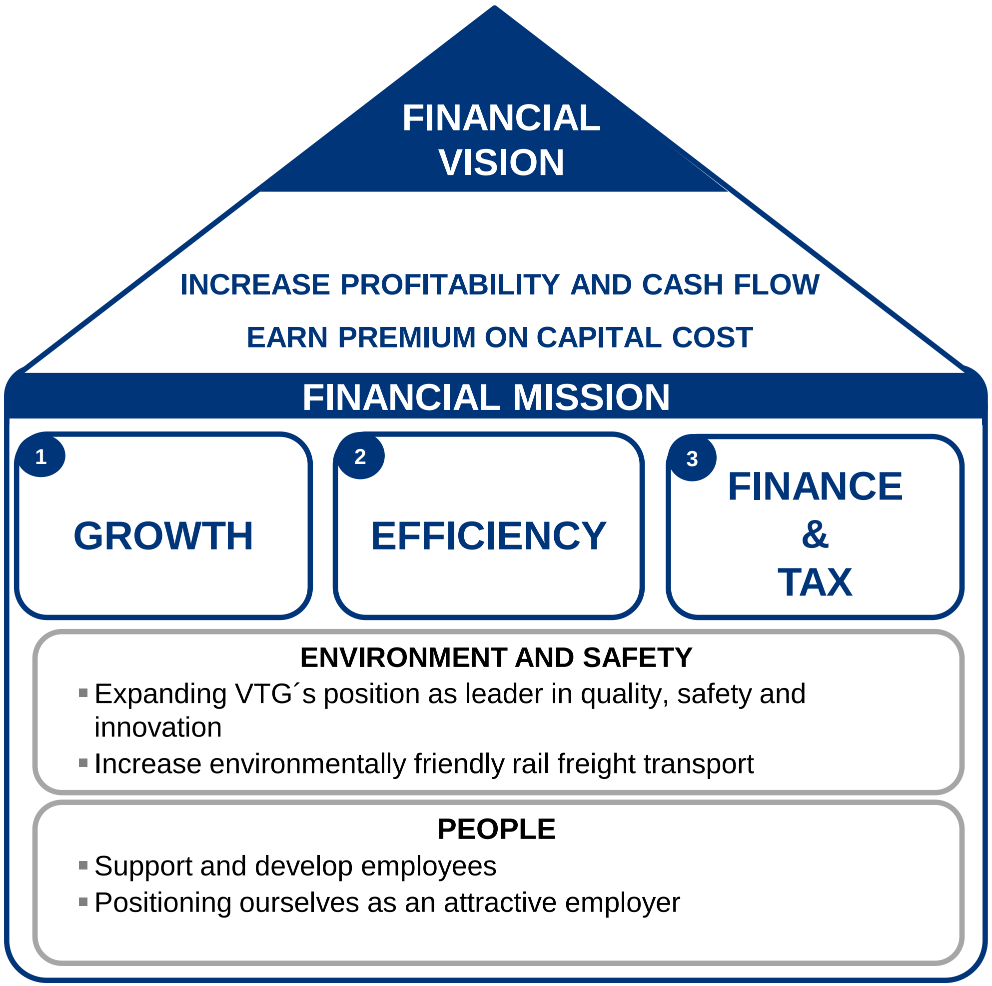


Strategic development stages of VTG



VTG 4.0



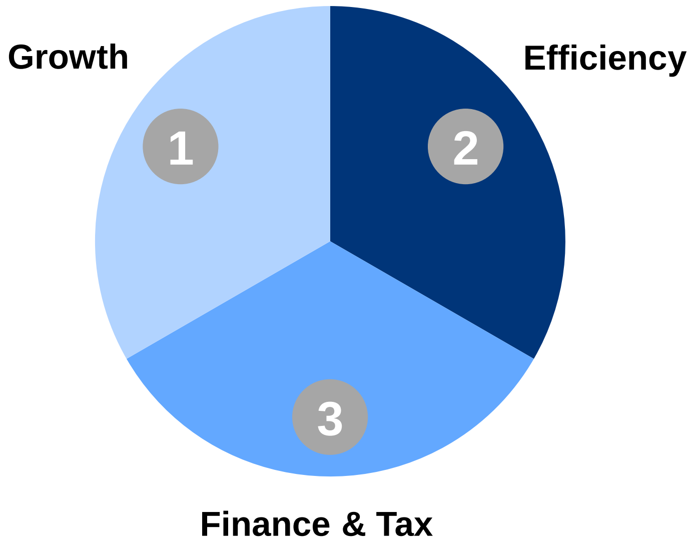
Comments

- VTG has set up a roadmap to increase profitability and to extend the premium on capital costs in the coming years.
- **Growth**, **Efficiency,** as well as **Finance & Tax** are the strongest drivers of the improvement
- This strategy is backed by our goals to position ourselves as an attractive employer as well as to increase environmental friendly rail freight transport.

Mid-term financial objectives

Earning drivers

EPS 2014: € 0.93 → **EPS-target 2018: € 2.50**



Comments

Financial Vision

VTG strives to increase earnings per share to € 2.50 by 2018.

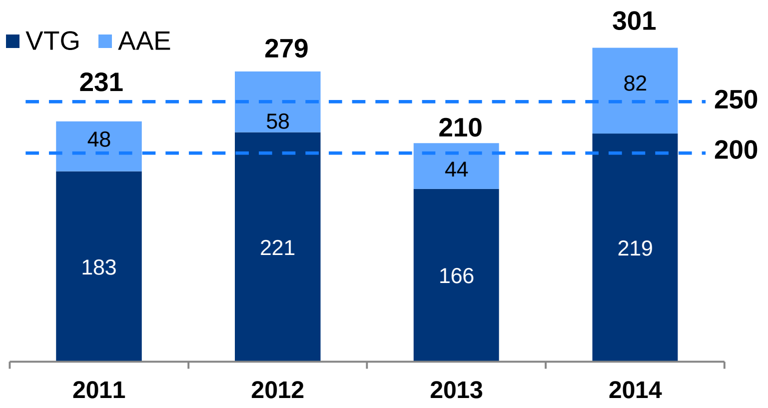
Underlying pillars

1. **Growth:** Invest in new build wagons, improve existing business.
2. **Efficiency:** Realize earnings potentials within new VTG group (AAE synergies, reorganization of wagon hire business in Europe), digitalization.
3. **Finance & Tax:** Create a more cost-effective financing structure (harmonize VTG/AAE financing, lower interest rates), optimize tax rate.

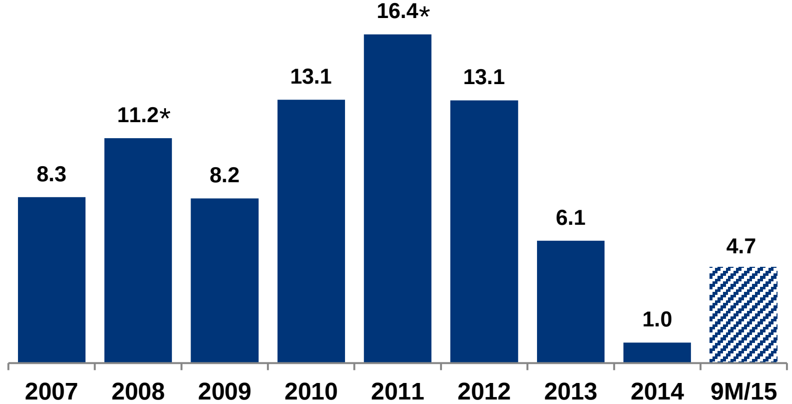
Mid-term financial objectives

1 Growth

Capital expenditures (in € m)



Logistics EBT



* Adjusted

Comment

- New VTG group will continue to grow its business by investing in new builds and acquisition of attractive fleets
- Much younger AAE fleet with almost no replacement requirements for the next years
- Capex target VTG 4.0: ~ 200 - 250 m € p.a.
- Leverage to decrease at the same time

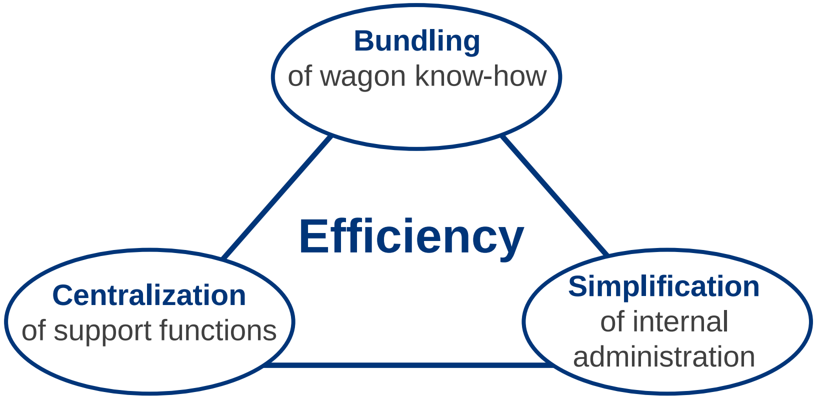
Comment

- Logistics impacted by increased competition since 2012 and Ukrainian crisis since 2014
- Reorganization of structures and refocusing on new markets
- Stronger mutual networking of logistics divisions and Railcar Division
- Return to historic earnings quality by 2018 projected

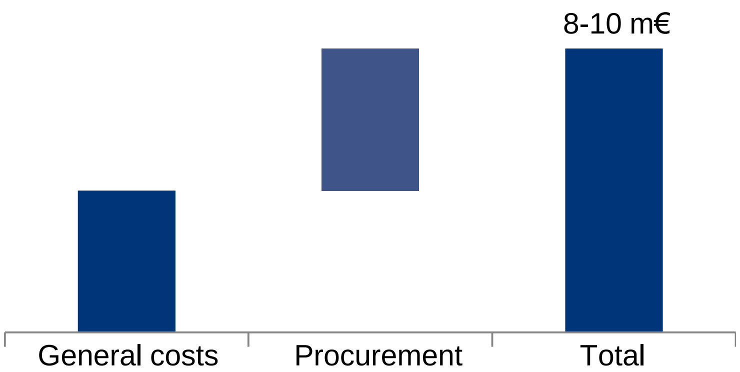
Mid-term financial objectives

2 Efficiency

Railcar Europe: Reorganization



AAE Synergies



Comment

- Focus on customer and regional needs (centers of competence)
- Sales force organized under a single roof but with local branches
- Streamlining administration
- Centralizing support functions to realize economies of scale and scope

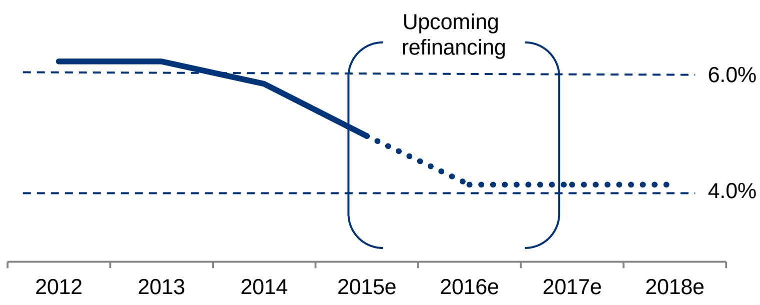
Comment

- Avoiding double structures (i.e. IT & consultancy costs)
- Combined budgets of VTG and AAE for repair and maintenance will improve bargaining power with suppliers

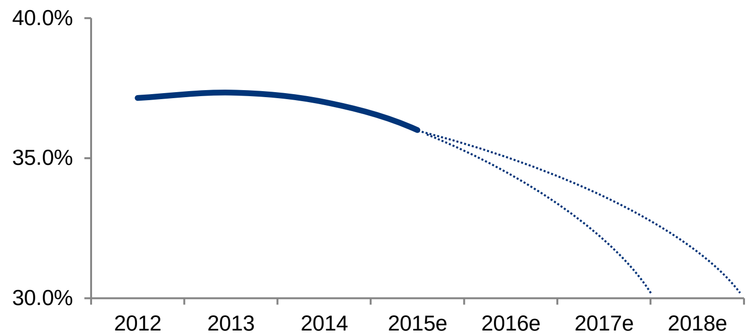
Mid-term financial objectives

3 Finance and Tax

Group interest rates



Group tax rate



Comments

- VTG has not yet fully benefited from the lower interest rate level in the last years
- After expiration of VTGs interest swap in June 2015, group interest slightly below 5%
- Refinancing should bring interest level close to 4% for the entire group

Roadmap to lower tax rate

- Reorganizing legal structures to take advantage of lower taxation in Switzerland and to reduce withholding tax
- Better allocation of interest expenses to various VTG subsidiaries in Europe
- Tax rate expected to decrease to 30% by 2018

Questions & Answers

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Save the date 2016

Financial Calendar 2016:

February	Preliminary Results FY 2015
April 5	Annual Report FY 2015
April 5	Analyst Conference
May 12	Interim Report for the 1st Quarter 2016
May 31	Annual General Meeting, Hamburg
August 30	Half-Yearly Financial Results 2016
November 17	Interim Report for the 3rd Quarter 2016

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