

VTG AG – We Make Rail Easy



9M 2018 Results

Dr. Heiko Fischer (CEO), Dr. Kai Kleeberg (CFO)

November 13, 2018

Agenda



- 1 Highlights 9M 2018
- 2 Discussion of 9M 2018 figures
- 3 Update on Nacco Acquisition
- 4 Outlook FY 2018
- 5 Voluntary public takeover offer

Executive Summary

- Positive operational development driven by strong Railcar business, both logistics divisions experienced some headwinds
- Group figures impacted by extraordinary costs for Nacco and the voluntary takeover offer by Morgan Stanley Infrastructure (MSI)
- Adjusted figures well above previous year
- Nacco transaction closed on October 4, 2018 – Integration already started
- Acceptance period of the voluntary public takeover offer by MSI extended until December 5, 2018



Group figures

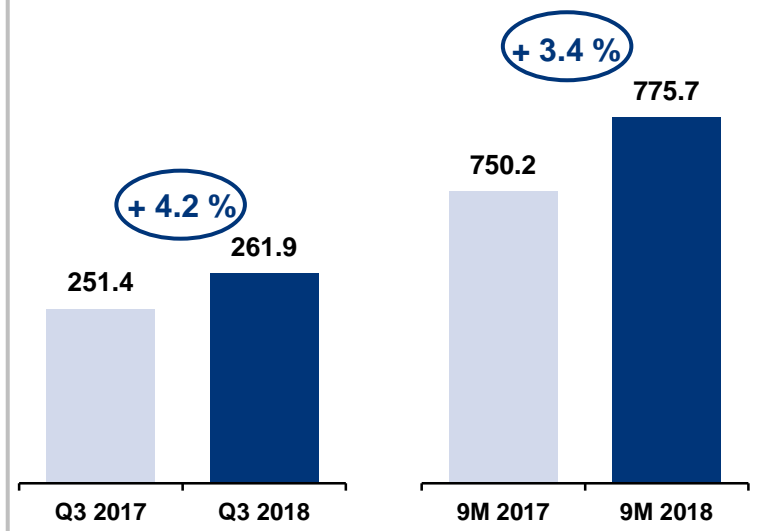
	9M 2017	9M 2018	Δ
Sales	€ 750.2	€ 775.7 m	+ 3.4 %
EBITDA rep.	€ 250.7	€ 255.8 m	+ 2.0 %
<i>EBITDA adj.*</i>	€ 253.3	€ 264.8 m	+ 4.5 %
EPS rep.	€ 1.21	€ 1.04	- 14.0 %
<i>EPS adj.*</i>	€ 1.36	€ 1.44	+ 5.7 %
Utilization	92.1 %	93.3 %	+ 1.2 PP

* Adjusted for expenses related to the Nacco acquisition and the voluntary public takeover offer by MSI

Split of Sales and EBITDA

Sales

(in € m)

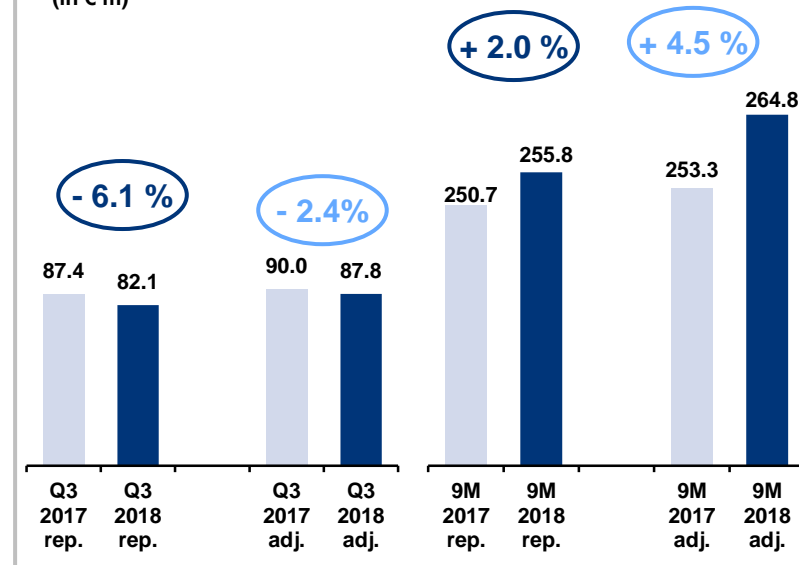


Comment

- Sales increase both in Q3 and 9M 2018 reflecting rising industry demand in Railcar and Tank Container Logistics
- Rail Logistics was facing some obstacles especially in Q2 2018

EBITDA

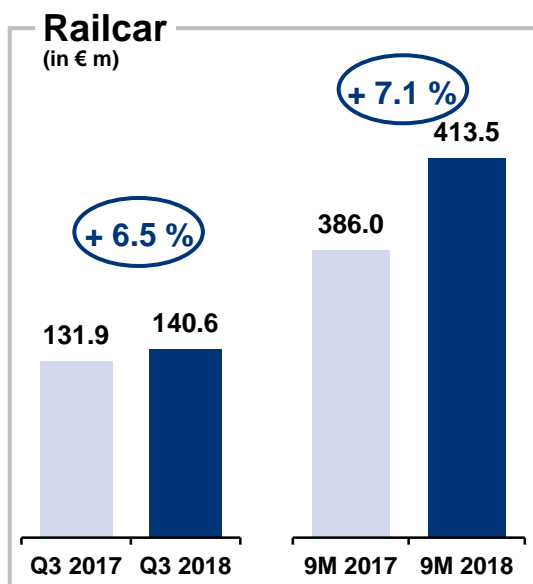
(in € m)



Comment

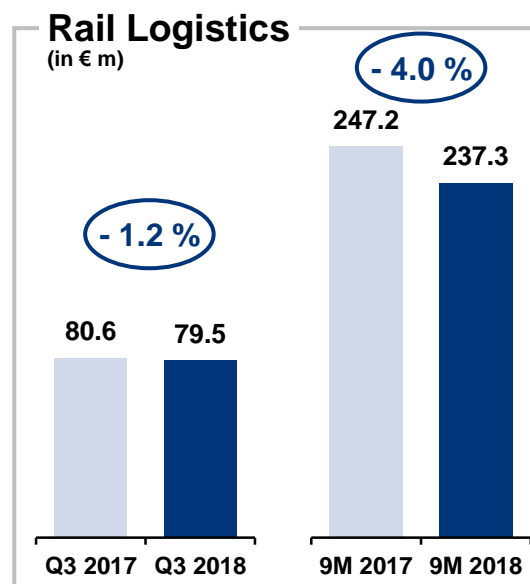
- Despite several negative one-offs Group EBITDA after nine months well above last year's level
- Nacco transaction and public takeover offer by MSI especially burdened Q3 2018

Sales development by division



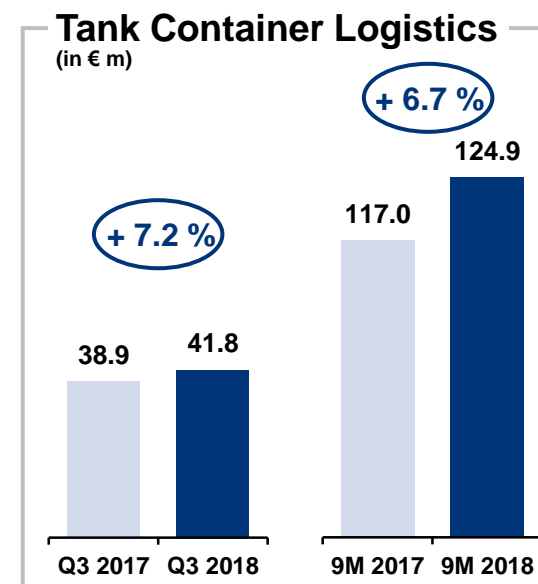
Comment

- Positive upward trend continued in Q3 2018
- Sales increase driven by higher utilization and larger fleet
- Rising demand in all wagon segments, especially in intermodal



Comment

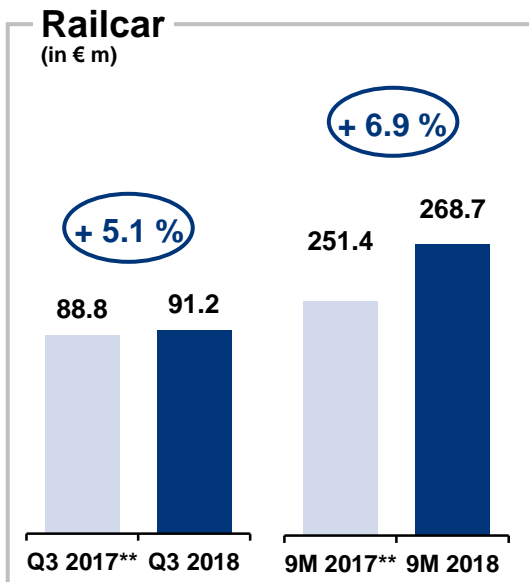
- Sales decline mainly in Q2 2018 due to a loss of two major industrial contracts, project delays and French rail strikes
- Sales in Q3 2018 stabilized



Comment

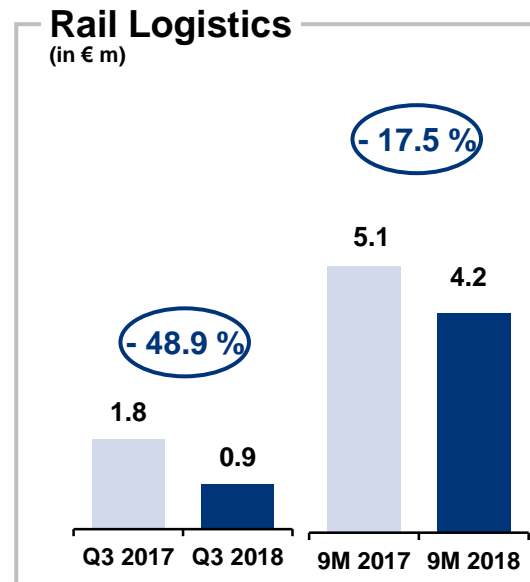
- Improving utilization of European chemical industry leads to higher transport volume
- Good development of intercontinental transports to and from Asia, while US exports weakened

EBITDA development by division



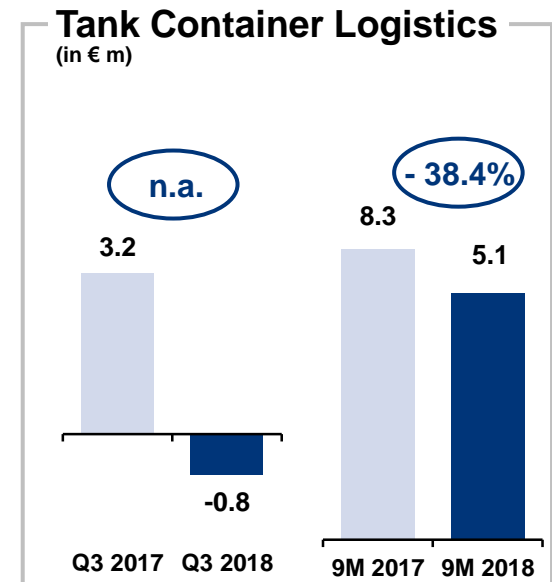
Comment

- EBITDA improved in line with the increased sales level
- EBITDA-margin remained virtually stable at 65.0% in 9M 2018 vs 65.1 % in 9M 2017



Comment

- Decline in EBITDA due to lower sales level
- EBITDA-margin* in 9M 2018 decreased to 19.2% from 22.8% in 9M 2017



Comment

- Higher lagging transport costs in 2018 due to:
 - changed transport flows
 - infrastructure bottlenecks
 - increased demurrage costs
- As a consequence, accruals for 9M 2018 transport costs had to be increased by € 3.4 m in Q3

* EBITDA margins calculated on gross profit (logistics divisions only) ** Numbers revised due to the reclassification of Nacco related costs as holding costs end of 2017

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Group key figures

Key figures – reported

(in € m)	9M 2017	9M 2018	Δ
Sales	750.2	775.7	+ 3.4 %
EBITDA	250.7	255.8	+ 2.0 %
EBIT	109.7	116.3	+ 5.9 %
EBT	63.0	56.0	- 11.0 %
Net income	44.1	39.2	- 11.0 %
Net income to shareholders	34.7	29.8	- 14.0 %
EPS in €	1.21	1.04	- 14.0 %

Key figures – adjusted

(in € m)	9M 2017*	9M 2018*	Δ
EBITDA	253.3	264.8	+ 4.5 %
EBIT	112.4	125.3	+ 11.5 %
EBT	69.2	72.3	+ 4.5 %
EPS in €	1.36	1.44	+ 5.7 %

Comment

- Sales growth of 3.4% mainly driven by Railcar division
- In spite of substantial one-offs Group EBITDA increased by 2% due to good performance of Railcar division
- Negative one-offs on EBITDA level:
 - Nacco: € 6.3 m (9M 2017: € 2.7 m)
 - MSI takeover offer: € 2.7 m
- Adjusted EBITDA increased by 4.5% to € 264.8 m
- In addition, financial result was burdened by Nacco financing costs of € 7.2 m (9M 2017: € 3.5 m)
- Total effect of Nacco and takeover offer on EBT: € -16.3 m (2017: € -6.2 m)
- Adjusted earnings per share increased by 5.7 % to € 1.44

* Adjusted for expenses related to the Nacco acquisition and the voluntary public takeover offer by MSI

Financial result

Split of financial result (in € m)

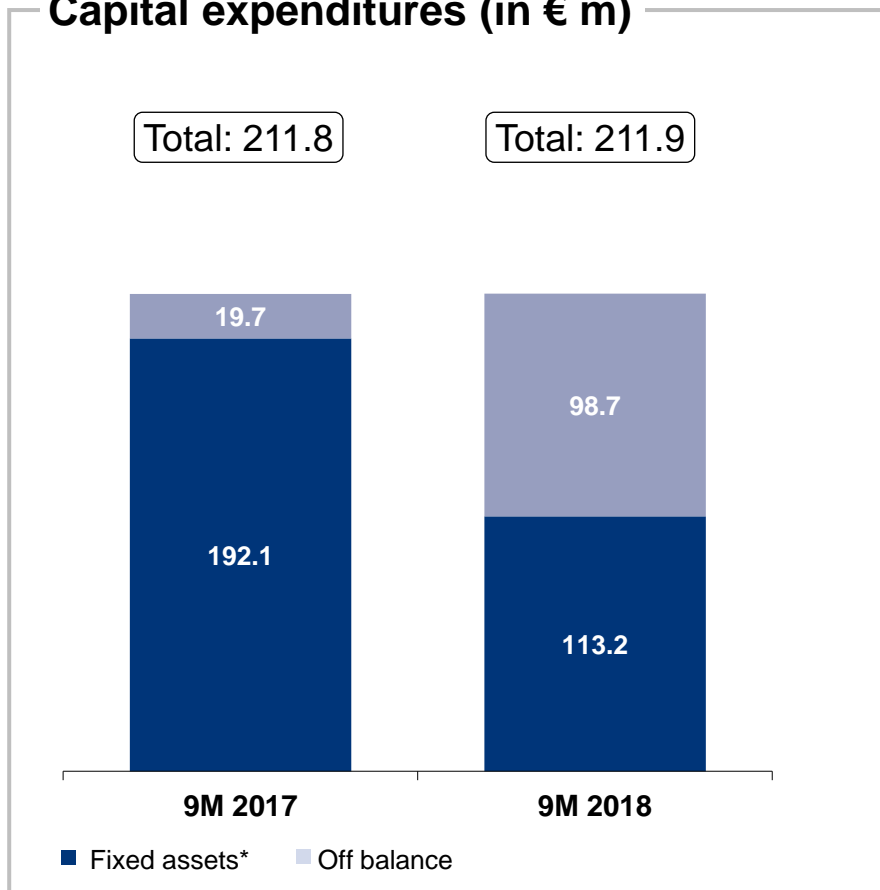
	9M 2017	9M 2018
EBIT	109.7	116.3
EBT	63.0	56.0
Financial result	- 46.7	-60.3
Thereof:		
interest expenses of financial debt	- 40.4	- 42.3
interest expenses from credit lines	- 1.3	- 1.6
Total interest expenses	- 41.7	- 43.9
transaction costs	- 2.4	- 2.7
Swap effects	1.3	- 0.5
FX effects	1.9	- 4.3
interest on pensions	- 0.9	- 0.8
Nacco financing	- 3.5	- 7.2
others	- 1.4	- 0.9
Other financial result	- 5.0	- 16.4

Comment

- Interest expenses increased only moderately due to a slightly higher indebtedness in 2018
- Financial result lower due to one-offs:
 - Nacco related financing costs of € 7.2 m in 9M 2018 (commitment fees)
 - FX expenses of € 4.3 m mainly in relation to Russian Ruble
- Average interest rate still around 4% (incl. swaps)

Capex – Normalization of order book

Capital expenditures (in € m)



Comment

- Total investment volume was stable, however the portion of investments via operate lease increased
- Purchase of 1,700 new railcars for 9M 2018 mainly in Europe but also in the US and Russia
- Normalization of order book volume due to delivery of new railcars in the US and Europe in 2017 / 2018

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)	9M 2017	9M 2018
Operating cash flow	+ 170.5	+ 229.2
Payments for fixed assets	- 176.7	- 147.0
Disposal of fixed assets	+ 36.1	+ 19.2
Others	- 9.5	+ 0.1
Investing cash flow	- 150.1	- 127.7
Free cash flow	+ 20.4	+ 101.5

Net debt

(in € m)	12/31/2017	09/30/2018
Net debt	1,667.9	1,681.5
Net debt adjusted (incl. pensions)	1,735.6	1,747.3
Net debt adj./EBITDA	5.1	5.0*

* Calculated on LTM EBITDA

Comment

- Operating cash flow improved significantly
- Previous year's figure was influenced by the purchase of wagons (€ -32.5 m) designated for resale (operate lease). 9m 2018: € -3.4 m
- Cash outflow from investing activities decreased due to a higher portion of investments via operate lease
- Net debt / EBITDA ratio slightly decreased

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Nacco Acquisition completed



Milestones

Signing

July 1, 2017

**Voluntary proposal
of remedies
(sale of 30% of Nacco fleet)**

January 25, 2018

**Sale of 30%
of Nacco fleet to
Wascosa/Aves One**

August 13, 2018

Closing

October 4, 2018

Key facts

Fleet: ~ 11,000 railcars (tank, standard, intermodal)

Expected Sales contribution: ~ € 85 m in 2019

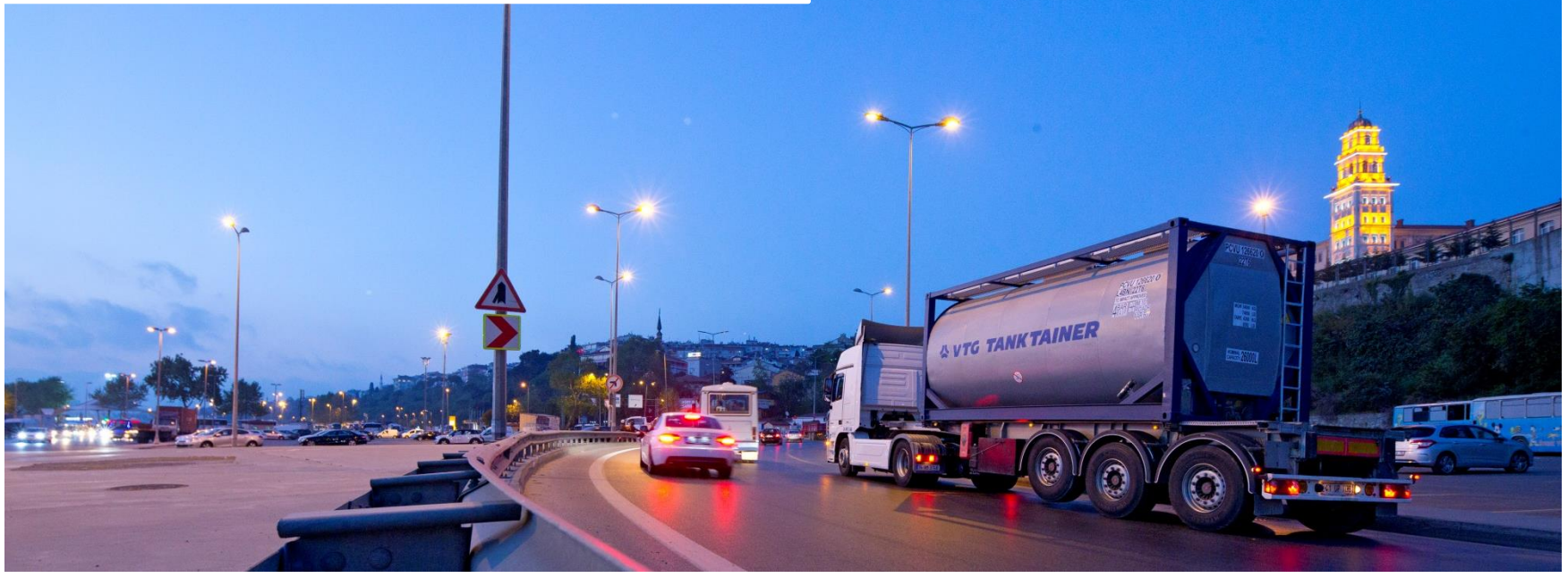
Expected EBITDA contribution: ~ € 70 m in 2019 (before transaction and integration costs)

Financing

- **Privately-placed Hybrid Bond:** € 275 m
- **Senior Loan:** € 375 m
- **Additional net debt:** € 85 m
- Envisaged replacement of privately-placed hybrid bond via the capital market, potentially via a rights issue
- Net debt increases to max 5.75x but will decrease to current level again within the next two years

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FY 2018 outlook

Group Guidance from Feb. 2018 (before closing of Nacco transaction)

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

EBITDA: € 340 m - € 370 m

Outlook does not include any effects from the envisaged Nacco acquisition

No Group Guidance after Nacco closing

- After closing of the transaction on Oct. 4, 2018 guidance is no longer meaningful for the enlarged VTG Group
- Effects from first-time consolidation cannot be quantified reliably at short notice
- VTG will not update its forecast for the financial year 2018 for the time being

Forecast for VTG business without any Nacco and MSI Takeover implications remains unchanged

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Voluntary public takeover offer by MSI

MSI offer – current status

- On October 30, 2018, MSI has waived one closing condition (No market material adverse change due to a decline of the SDAX of 15% or more)
- This constitutes an amendment to the offer which in turn leads to an extension of the acceptance period by two weeks until November 16, 2018
- Assuming the publication of the results of the Amended Offer takes place on November 21, 2018, the Additional Acceptance Period would expire on December 5, 2018
- As of November 12, 2018, MSI has secured in total 58.19 % of voting rights (29.19 % tendered + 29 % directly held by MSI).
- So far, the main closing conditions have been fulfilled (i.e. Nacco closing, OFAC, antitrust clearance in EU and Russia) - antitrust clearances in Brazil, Turkey and the US pending

Management opinion

- Executive Board and Supervisory Board published a supplementary reasoned opinion November 7, 2018
- The Executive Board and the Supervisory Board of VTG AG maintained their recommendation as stipulated in the joint reasoned opinion of September 5, 2018 to not accept the offer because the offered consideration does not adequately reflect the fundamental value of the company
- After careful consideration of different courses of action, Dr. Heiko Fischer (CEO) and Dr. Kai Kleeberg (CFO) now decided for personal reasons to accept the Offer of the Bidder with all of the VTG shares held by them
- Both Executive Board members are, however, still of the opinion that the consideration offered in the amount of € 53.00 is inadequate and not indicative of the Company's potential

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Save the date 2019

Financial Calendar 2019:

- February Preliminary Results 2018
- April 4 Annual Report FY 2018
- April 4 Analyst Conference, Hamburg
- May 10 Quarterly Statement as of March 31, 2019
- June 12 Annual General Meeting, Hamburg
- August 23 Half-yearly Financial Report 2019
- November 12 Quarterly Statement as of September 30, 2019

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