9M 2016 Results

VTG AG – Moving potential towards success

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November 17, 2016

Agenda


VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES

Executive Summary

Highlights 9M 2016

- Slow business trend seen in H1 continued in Q3 with nine month sales slightly below 2015 level
- Increasing profitability and a positive one-off effect kept EBITDA on previous year level despite lower sales
- EBT and net income significantly improved
- Earnings per share (EPS) soar to new record high
- Digitalization of European wagon fleet started

Group figures

	9M 2015	9M 2016	Δ
Sales	764.1	742.0	- 2.9 %
EBITDA	255.5	255.9	+ 0.2 %
EPS	0.69	1.24	+ 79.7 %
Utilization	89.6	89.8	+ 0.2 PP

Digitalization of European wagon fleet

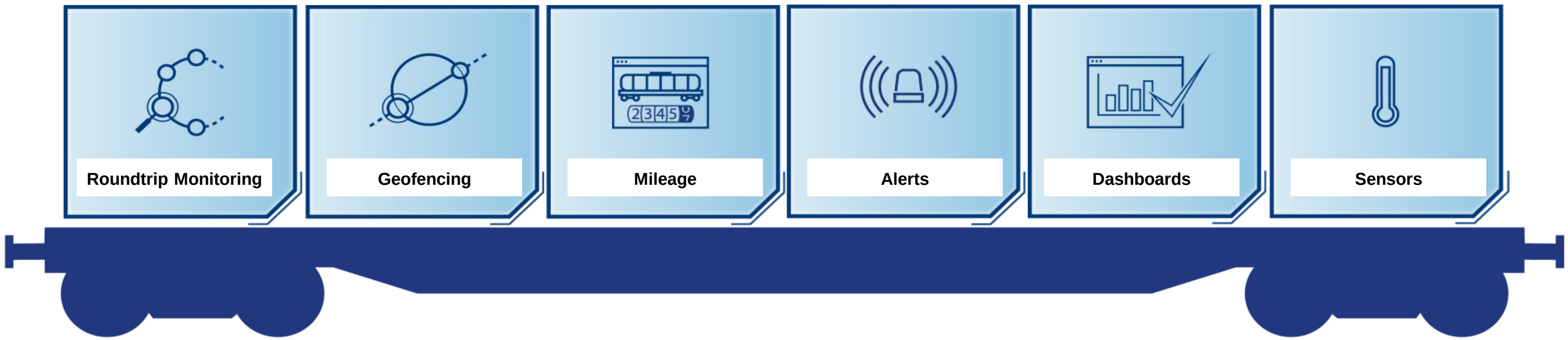
Key considerations for VTG

- Introduction of a telematics system for the European VTG fleet
- Improving service offering to customers
- Reducing maintenance expenses
- Low initial investments for VTG due to leasing model

Unique features for customers

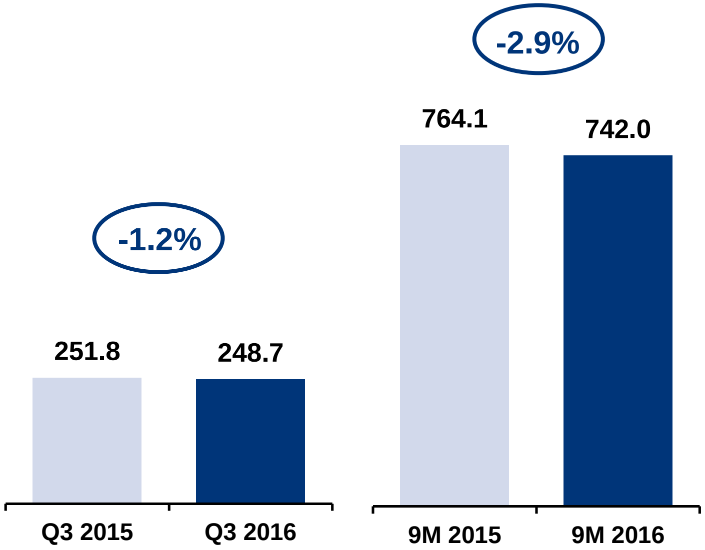
- Track position, mileage and cargo status
- Increase safety by monitoring the current condition of wagon and cargo
- Reduce downtimes, improve efficiency

New service portfolio

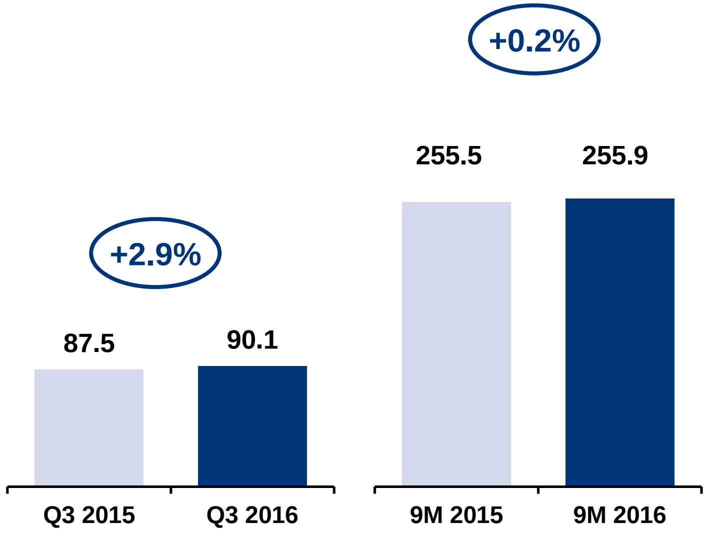


Split of Sales and EBITDA

Sales
(in € m)



EBITDA
(in € m)



Comment

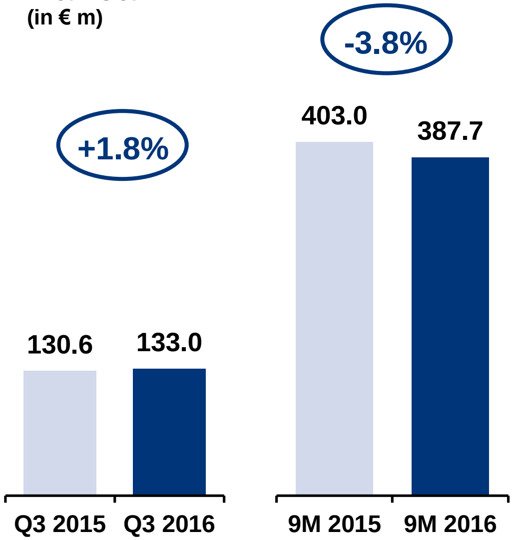
- Railcar division mainly responsible for slight decrease of group revenue
- Rail Logistics with stable sales development
- Tank Container division surprisingly weak in Q3

Comment

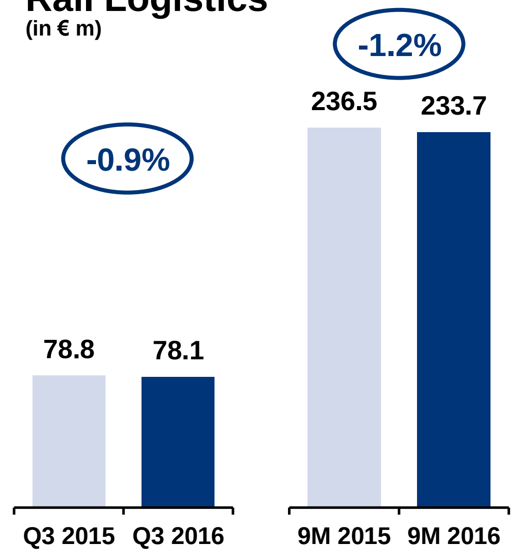
- Synergies, efficiency gains and a positive one-off compensate for lower sales development
- Underlying EBITDA stable despite lower sales

Sales development by division

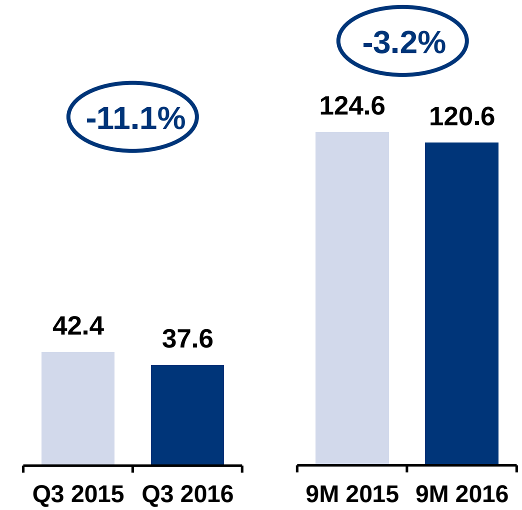
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- Lower external sales of workshops and a different product mix responsible for sales decline in 9M 2016
- Utilization on a decent level with 89.8%
- Prices remain stable

Comment

Overall satisfying sales development in spite of difficult market environment:

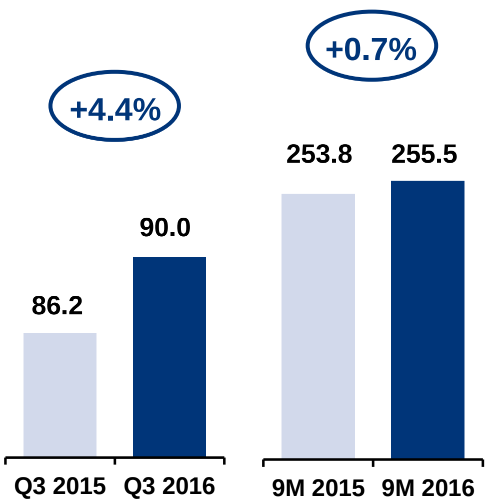
- Little demand for agricultural goods transportation
- New production downtimes at customers in Q3

Comment

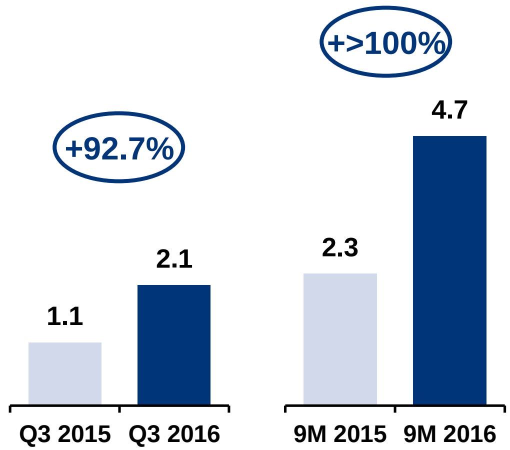
- A somewhat surprising drop in demand led to a sales decline in Q3 2016 and also for the 9 months period
- Additionally, continued price pressure negatively influenced sales development

EBITDA development by division

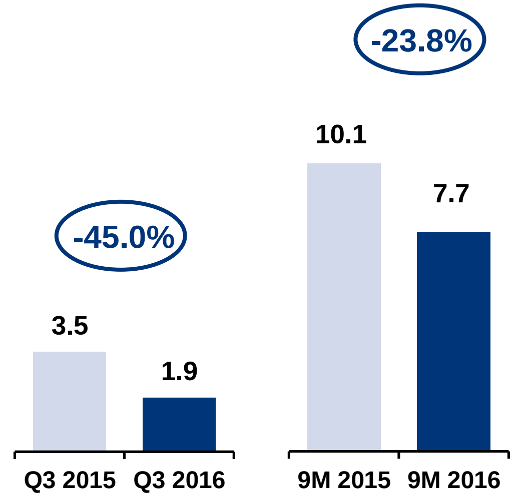
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment
- Synergies, efficiency gains and one-offs (net effect: +3.2 m €) compensate for lower sales
- EBITDA margin improved from 63.0% last year to 65.9 % (Adj: 65.1%)

Comment
- EBITDA doubles on the back of a higher margin business and efficiency gains
- EBITDA margin* at 22.0% after 11.2% in 9M 2015

Comment
- Q3: Weaker EBITDA due to sales decline
- 9M: Extraordinary income in Q1 2015 from sale of affiliate (1.5 m €)
- Adjusted 9M profit is down by 10.5 %

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

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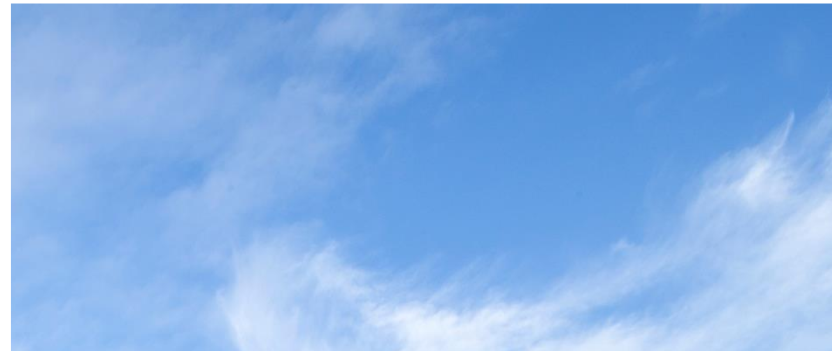


Group key figures

Key figures

(in € m)	9M 2015	9M 2016	Δ
Sales	764.1	742.0	- 2.9 %
EBITDA	255.5	255.9	+ 0.2 %
EBIT	111.2	115.9	+ 4.2 %
EBT	41.9	69.2	+ 65.2 %
Net income	26.8	45.0	+ 67.7 %
Net income to shareholders	19.9	35.6	+ 79.7 %
EPS in €	0.69	1.24	+ 79.7 %

Comment

- Group revenue below while EBITDA slightly above last year´s level
- Disproportionate EBIT increase due to slightly lower depreciation and amortization
- Significant EBT improvement mainly triggered by lower interest expenses and lower other financial expenses (FX and swap valuation)
- Earnings per share (EPS) up by 80%, reaching a new record high since the IPO

Financial result

Split of financial result (in € m)

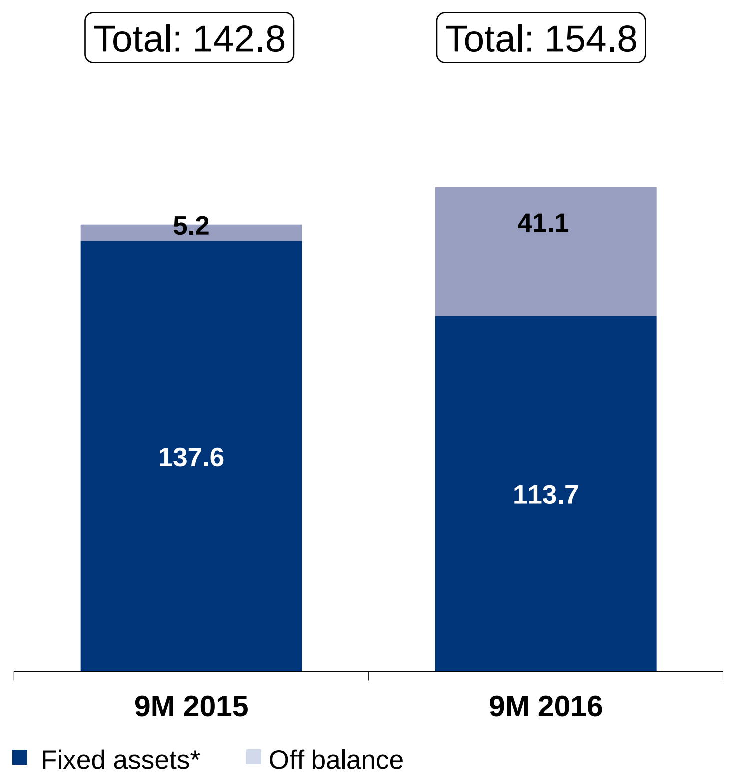
	9M 2015	9M 2016
EBIT	111.2	115.9
EBT	41.9	69.2
Financial result	**- 69.3**	**- 46.7**
Thereof:		
interest expenses of financial debt	- 48.8	- 40.1
interest expenses from credit lines	- 1.5	- 1.9
Total interest expenses	**- 50.2**	**- 42.0**
transaction costs	- 3.2	- 2.4
Swap effects	- 7.3	- 3.9
FX effects (one-offs)	- 8.3	2.9
interest on pensions	- 1.0	- 1.0
other financial result	+ 0.7	- 0.3
	- 19.1	**- 4.7**

Comment

- Financial result improved significantly
- Considerably lower interest expenses due to the refinancing realized in December 2015
- Negative valuation effect from ineffective AAE swaps
- Positive effect from Ruble appreciation after a high negative effect last year
- Overall net effect of swap valuation and ruble appreciation is currently still negative (-1 m €)
- Average interest rate at around 4% (incl. swaps)

Capex – rising order book

Capital expenditures (in € m)



Comment

- Higher off balance CapEx due to postponements from last year
- **Initiative 2020:**
  - Bundling of future replacement investments
  - Realizing favorable contract terms and conditions (quantity discount)
  - Order book set to rise in the coming months

* 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 2015	9M 2016
Operating cash flow	**209.5**	**226.1**
Payments for fixed assets	-131.8	-120.0
Disposal of fixed assets	64.0	6.2
Financial assets AAE (net)	19.4	-
Others	-8.8	+1.1
Total investing cash flow	**-57.2**	**-112.7**
Free cash flow (rep.)	**152.3**	**113.4**
Disposal of fixed assets	-50.5	-
Financial assets AAE (net)	-19.4	-
Free cash flow (adj.)	**82.4**	**113.4**

Net debt

(in € m)	31.12.2015	30.09.2016
Net debt	1,667.5	1,644.6
Net debt adjusted (incl. pensions)	1,742.0	1,727.9
Net debt adj./EBITDA	5.2	5.0*

* Calculated on lower end of EBITDA guidance range for FY 2016

Comment

- Operating cash flow further improved
- Cash flow from investing activities in 9M 2015 was boosted by the sale of a wagon fleet and from the acquisition of AAE (effect: € 69.9 m)
- Rising adjusted free cash flow as a larger part of on balance investments was done via operate leasing

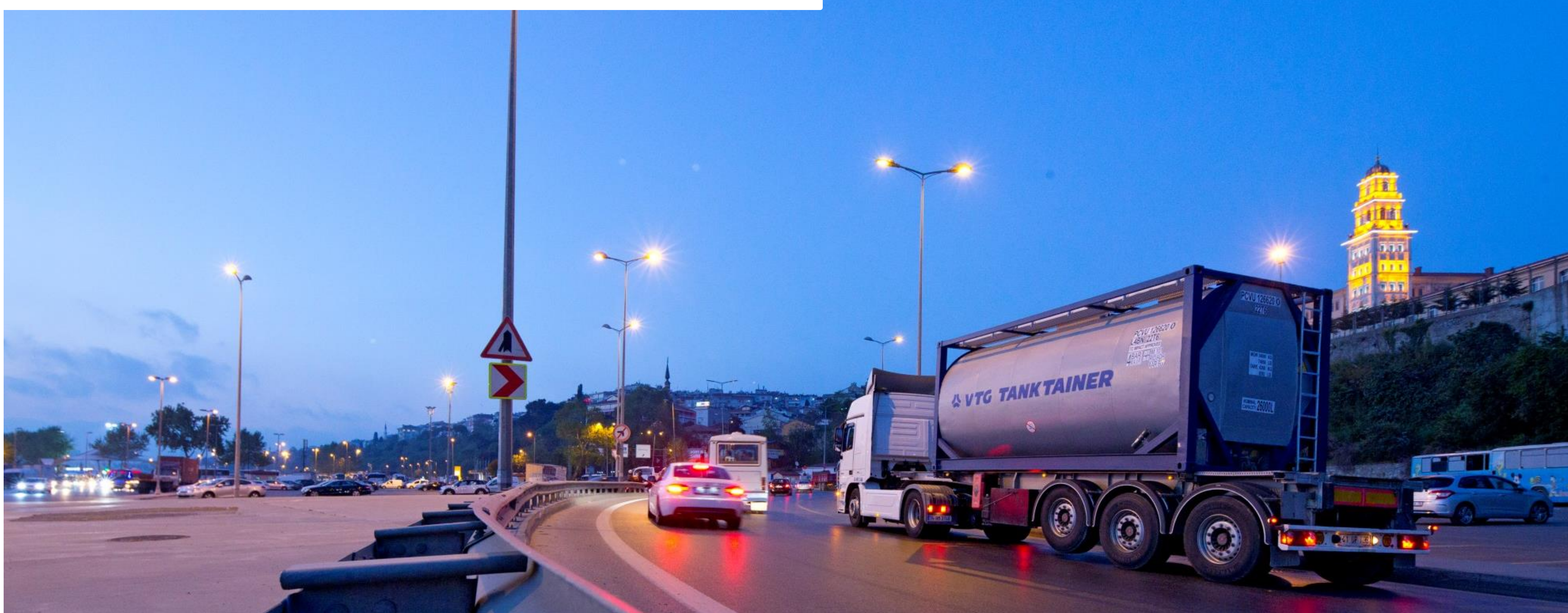
Agenda

1 Highlights 9M 2016

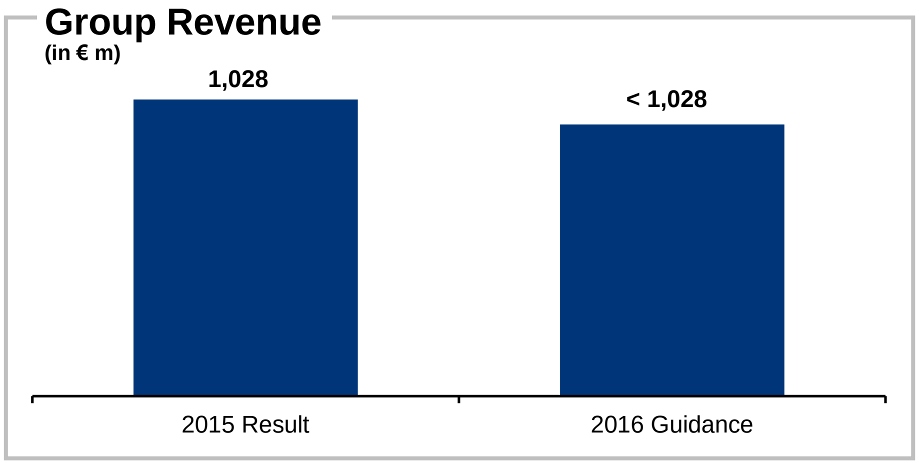
2 Discussion of 9M 2016 figures

3 Outlook FY 2016

4 Financial Calendar 2017

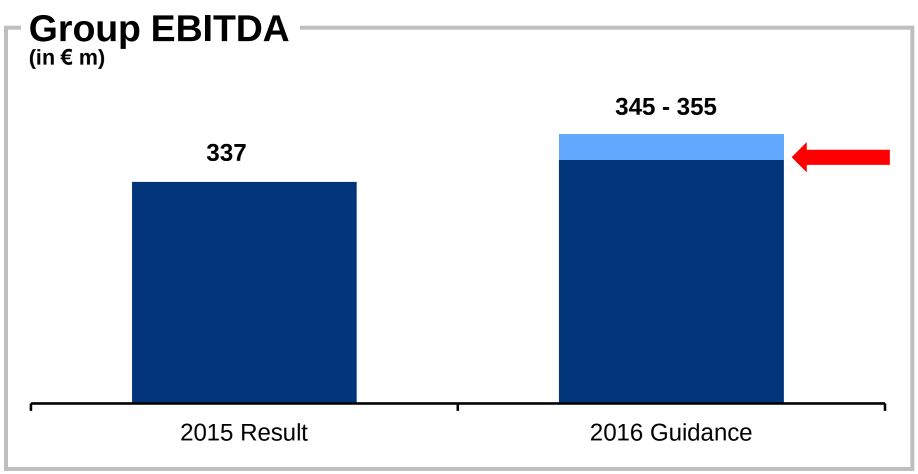


FY 2016 group guidance



Group revenue for 2016 expected slightly below previous year level (€ 1.028bn)

Updated in August



Group EBITDA for 2016 expected to reach the lower end of the given € 345m – € 355m range

Specified in August

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Save the date 2017

Financial Calendar 2017:

February	Preliminary Results FY 2016
April 6	Annual Report FY 2016
April 6	Analyst Conference, Hamburg
May 4	Quarterly Statement Q1 2017
June 8	Annual General Meeting, Hamburg
August 29	Half-Yearly Financial Results 2017
November 9	Quarterly Statement Q3 2017

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