

# VTG AG

## HALF-YEARLY FINANCIAL REPORT 2018

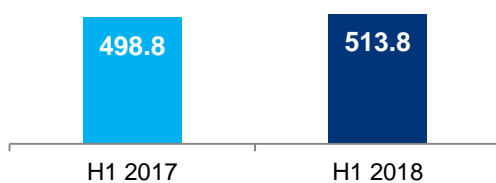
The VTG Group was able to maintain its positive start to the year in the second quarter of 2018. The continuing positive economic climate gave rise to an increase in revenue of 3.0 % to € 513.8 million in the first half of 2018. In particular the further rising demand for freight cars in the Railcar division, led to a disproportionate increase in Group EBITDA of 6.4 % to € 173.7 million despite one-time expenses amounting to € 3.3 million relating to the intended takeover of Nacco. Adjusted for this effect, EBITDA stood at € 177.0 million, 8.3 % above the previous year's figure. Earnings per share also improved, climbing from € 0.74 in the previous year to € 0.76. This figure comprises increased financing costs of € 4.9 million which also relate to the intended Nacco-takeover. Adjusted for all expenses relating to the Nacco takeover, earnings per share climbed to € 0.96.

The utilization of the global wagon fleet, which had already reached its peak since 2008 in the previous quarter, increased again reaching 93.0 % on June 30, 2018, showing a further positive trend in all wagon segments.

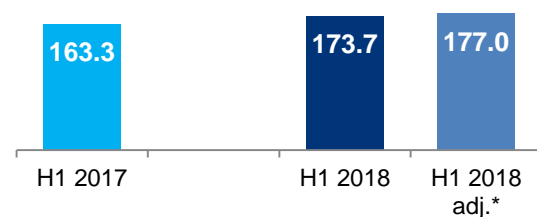
For the current business year, the Executive Board continues to expect that revenue will be slightly up on the previous year's figure of € 1,014 million and group EBITDA will range between € 340 million and € 370 million with effects from the intended Nacco takeover not being included.

After the balance sheet date, VTG's major shareholder Morgan Stanley Infrastructure on July 16 announced to make a voluntary public takeover offer for VTG. Shareholders are to be offered € 53.00 cash per share. The so far second biggest shareholder Kühne Holding agreed to tender its approximately 20 % of shares. From today's perspective, in the view of the VTG Board this offer does not reflect the company's potential and is therefore not appropriate. As soon as VTG will have received the offer document, it will thoroughly examine whether the offer is in the interest of the company, the employees and the shareholders.

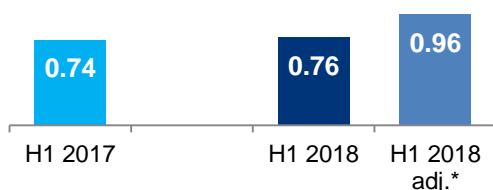
**Revenue**  
(in € million)



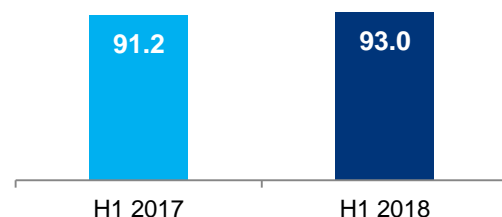
**EBITDA**  
(in € million)



**Earnings per share**  
(in €)



**Utilization**  
(in %)



\* adjusted for Nacco related costs

# INTERIM MANAGEMENT REPORT

## Basic Principles of the Group

VTG Aktiengesellschaft is one of Europe's leading wagon hire and rail logistics companies. The company has a fleet of more than 80,000 rail freight wagons, consisting mainly of tank wagons, intermodal wagons, standard freight wagons and sliding wall wagons. In addition to leasing wagons for rail freight transport, the VTG Group provides a comprehensive range of multi-modal logistics services focusing on rail transport and tank container transport.

### Employees

As of the reporting date, the number of employees in the VTG Group stood at 1,515 (previous year: 1,466 employees). Of these, 1,054 were employed in Germany (previous year: 980) and 461 in the companies abroad (previous year: 486).

### Structure, organization and operational centers of the Group

The VTG Group comprises three operational divisions: Railcar, Rail Logistics and Tank Container Logistics. VTG is represented via subsidiaries and associated companies primarily in Europe, North America, Russia and Asia. In addition to VTG AG, further 61 companies belong to the VTG Group.

### Pre-emptive rights

There are no pre-emptive rights or stock options for either directors or members of staff.

## Capital Market

### VTG's share performance

in €	H1 2018	2017	Δ
Closing price	48.60	47.76	+1.8 %
High	56.00	50.50	+10.9 %
Low	38.00	28.65	+36.6 %
Market capitalization	1.40 bn	1.37 bn	+1.8 %

- After a good start to the year 2018 and after, for instance, DAX, S&P 500 and Dow Jones 30 reached new all-time highs, share prices came under pressure in February/March and again in mid-June.
- Accordingly, the DAX saw a decline, despite a good start to the year, of 4.7 % at the end of the first half of 2018, whereas the SDAX showed a slight increase of 0.5 %.
- The VTG share, climbing 1.8 % in the first half of the year, saw a better development than the German leading share indices.
- On May 28, 2018, the VTG share, standing at 56.00 €, saw its highest closing price ever on the stock exchange.

## Report on the economic position

### General environment

GDP growth*	2017	2018p	2019p
Germany	2.5 %	2.5 %	2.0 %
Eurozone	2.3 %	2.4 %	2.0 %
USA	2.3 %	2.9 %	2.7 %
China	6.9 %	6.6 %	6.4 %
Russia	1.5 %	1.7 %	1.5 %
World	3.8 %	3.9 %	3.9 %

\* IMF – World Economic Outlook Update (April 2018)

- The global economy continues to be on a clear path of growth. For both 2018 and 2019, the IMF expects a global growth of 3.9 % per year.
- However, the economy in Europe somewhat lost momentum in the first half of 2018, while in the US the pace of growth accelerated again.
- The current trade conflict with the US has started to darken European and particularly German corporate mood.

### Results of the VTG Group

in € million	H1 2018	H1 2017	Δ
Revenue	513.8	498.8	+3.0 %
EBITDA	173.7	163.3	+6.4 %
EBIT	80.5	69.2	+16.3 %
EBT	40.0	39.3	+1.8 %
EPS (in €)	0.76	0.74	+2.7 %

- The pleasing start to the year was continued in the second quarter, leading to a positive outcome for the first half of the year as a whole.
- Due to a further increase in utilization in the Railcar division, group revenue in the first half of 2018 was higher than the prior year's figure. The Tank Container Logistics division, too, expanded its business activities and this way added to the positive development of the Group. The Rail Logistics division saw a decline in revenue. This is attributable to losing major orders, project delays and rail strikes in France.
- The operating result (EBITDA) saw a disproportionate growth. This is mainly due to the high utilization of the wagon fleet in the high margin business segment Railcar. High one-time expenses of € 3.3 million which mainly resulted from the intended takeover of the Nacco group, had a reverse effect.
- The EBITDA adjusted for one-time expenses resulting from the Nacco transaction stood thus at € 177.0 million.
- The financial result obtained in the first half of 2018 was clearly below the level of the previous year. It includes financing costs relating to the Nacco takeover of € 4.9 million and losses arising from currency changes of € 2.5 million (previous year: € 0.9 million income). Both these effects led to a negative impact on earnings before taxes.
- Despite one-time expenses, earnings per share in the first half of 2018 were up 2.7 % year on year, climbing to 0.76 € (previous year 0.74 €).
- Adjusted for one-time expenses relating to the Nacco takeover, earnings per share stood at € 0.96 and thus were up 29.7 % year on year.

### Results adjusted for one-time expenses for Nacco

in € million	H1 2018 (adj.)	H1 2017	Δ
EBITDA	177.0	163.3	+8.3 %
EBIT	83.8	69.2	+21.1 %
EBT	48.2	39.3	+22.6 %
EPS (in €)	0.96	0.74	+29.7 %

## Results of divisions

### Railcar

in € million	H1 2018	H1 2017	Δ
Revenue	272.9	254.1	+7.4 %
EBITDA	177.5	162.6	+9.2 %
EBITDA margin	65.1 %	64.0 %	+1.1 PP
Utilization	93.0 %	91.2 %	+1.8 PP
Number of railcars	83,300	82,400	+900

- In the second quarter of 2018, the Railcar division was able to further increase utilization, which had already reached a high level in the first quarter. Comparing the first half of 2018 against 2017, all relevant performance indicators were noticeably increased in 2018.
- The intermodal business in particular was a major factor in this development. But the other wagon segments, too, saw an increase in utilization in the first half of 2018 over the same period of the previous year. In addition, the expansion of the fleet had a positive impact on revenue.
- The increase in EBITDA was disproportionately high compared with the increase in revenue due to a better utilization of the fleet and low maintenance costs. The EBITDA margin in turn also saw a slight increase in the first half of 2018.
- The global fleet was expanded in the course of the previous business year through the acquisition of a used fleet in the US and by means of buying new-build wagons. Compared with the size of the fleet at the end of 2017, it remained, however, almost unchanged (end of 2017: 83,000 wagons).
- Utilization at the end of the first half of 2018, at 93.0 %, was 1.8 percentage points higher than at the end of the first half of the previous year.

### Rail Logistics

in € million	H1 2018	H1 2017	Δ
Revenue	157.8	166.6	-5.3 %
EBITDA	3.3	3.3	+0.5 %
EBITDA margin*	21.7%	22.2 %	-0.5 PP

\* based on gross profit

- At Rail Logistics, revenue saw a decrease in the first half of 2018 over the same period a year ago.
- This decrease was mainly attributable to the loss of two major orders in the industrial goods segment. In addition, delays in project logistics business and the rail strike in France had a negative impact on revenue.
- Lower transport costs led to a slight increase in gross profit despite a decrease in revenue. Consequently, EBITDA stood at the same level as in 2017. The EBITDA margin based on gross profit slightly declined to 21.7 % (previous year: 22.2 %).
- The unexpected decline in revenue in Rail Logistics in the first six months of the current year will probably not be completely recovered in the second half. Revenue and EBITDA of this division for the complete year will therefore most likely be slightly below the prior year's figures.

## Tank Container Logistics

in € million	H1 2018	H1 2017	Δ
Revenue	83.1	78.1	+6.5 %
EBITDA	5.9	5.1	+14.5 %
EBITDA margin*	45.0 %	34.7 %	+10.3 PP

\* based on gross profit

- Revenue at Tank Container Logistics in the first half of 2018 was up year on year. This is particularly attributable to a continuing high capacity utilization in the European chemical industry, which led to an increase in transports. Intercontinental transports from and to Asia, too, saw a pleasing development.
- The increase in EBITDA was disproportionately high compared with the increase in revenue. This is mainly attributable to gradually replacing more than 1,000 rented tank containers with VTG's own newbuild equipment. This way, rental and maintenance costs could be reduced.
- The EBITDA margin based on gross profit increased accordingly by 10.3 percentage points to 45.0 %.

## Financial position and net assets

### Cash flow

in € million	H1 2018	H1 2017	Δ
Operating cash flow	128.9	124.9	+4.0
Investing cash flow	-91.6	-110.9	+19.3
Financing cash flow	-60.3	-15.5	-44.8

- The increase of the operating cash flow is attributable to an improved operating profit in the first half of 2018.
- Due to less investments in the first half of 2018, the cash flow used in investing activities declined compared to the same period of the previous year.

### Investments

in € million	H1 2018	H1 2017	Δ
Investments	136.3	150.8	-14.5
thereof:			
fixed assets	75.9	139.0	-63.1
operate lease	60.4	11.8	+48.6
Order book (quantity)	2,100	3,900	-1,800

- More than 90 % of investments in fixed assets were made at the Railcar division. Financing through operate lease was considerably extended. A smaller share was invested in newbuild tank containers.
- At the end of June 2017, the order book contained a major order for newbuild wagons for North America and also part of the replacement investments in Europe due by 2020 ("Initiative 2020"). In the wake of deliveries of wagons in North America and of deliveries in the context of the Initiative 2020 during the previous year and in the first six months of the current year, the volume of the order book is now getting down to normal.

## Net assets

in € million	06/30/2018	12/31/2017
Assets	3,070.2	3,085.5
non-current	2,744.1	2,746.4
current	326.1	339.1
Equity	805.9	800.1
Equity ratio (in %)	26.3	25.9
Liabilities	2,264.3	2,285.4
non-current	1,779.6	1,767.2
current	484.7	518.2

- Total assets of the VTG Group remained virtually unchanged from the balance sheet date of December 31, 2017.
- Non-current debt is covered by non-current assets.
- The equity ratio of 26.3 % continues to be at a good level.

## Opportunities and risks

The VTG Group's 2017 annual report sets out significant opportunities and risks that could have an impact on the business situation, net assets, financial position or results of operations of the VTG Group. It also sets out the structure of the Group's risk management system. In the first six months of 2018, no further significant risks or opportunities emerged beyond those already set out in the VTG Group's 2017 annual report. There are therefore currently no known risks whose occurrence, alone or in combination with other risks, could endanger the company as a going concern. In relation to this, please also refer to the section "Cautionary note regarding forward-looking statements".

## Report on expected developments

Given the generally positive global economic situation and economic forecasts, the Executive Board continues to anticipate that the VTG Group will see a positive trend in revenue and EBITDA in 2018, with revenue for the Group expected to be slightly higher than in 2017 (2017: € 1,014 million). EBITDA (earnings before interest, taxes, depreciation and amortization) is expected to fall within the range € 340 – 370 million.

On July 1, 2017, VTG announced its intention to purchase all shares in CIT Rail Holdings (Europe) SAS, owner of the Nacco Group, from the US-based CIT Group. At the end of March, the relevant antitrust authorities granted approval subject to conditions. VTG is required to sell about 30 % of the Nacco business it will acquire to third parties in advance of the deal. Only after completion of this sale is VTG entitled to take over the remaining approximately 10,000 freight cars. As the outcome of this process cannot be reliably estimated either in terms of timing or any impact on earnings in the business year, all statements on expected trends exclude any impact from the planned takeover of the Nacco Group.

## Cautionary note regarding forward-looking statements

This quarterly report contains a number of statements relating to the future development of VTG. These statements are based on assumptions and estimates. Although we are confident that these anticipatory statements are realistic, we cannot guarantee them. For our assumptions involve risks and uncertainties which may give rise to situations in which the actual results differ substantially from the expected ones. The potential reasons for such differences include market fluctuations, the development of world market commodity prices, the development of exchange rates or fundamental changes in the economic environment. VTG neither intends to nor assumes any separate obligation to update any statement concerning the future to reflect events or circumstances after the date of this report.

# CONSOLIDATED INTERIM FINANCIAL STATEMENT

## CONSOLIDATED INCOME STATEMENT

in € million	Notes	H1 2018	H1 2017	Q2 2018	Q2 2017
Revenue		513.8	498.8	258.7	255.0
Changes in inventories		-3.6	-1.3	-2.7	-0.6
Other operating income		16.9	12.4	7.4	7.4
Cost of materials		-224.2	-223.5	-114.5	-115.2
Personnel expenses		-52.3	-49.6	-25.8	-24.9
Other operating expenses		-79.9	-75.7	-39.9	-35.9
Earnings from companies accounted for using the equity method		3.0	2.2	1.6	0.9
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>173.7</b>	<b>163.3</b>	<b>84.8</b>	<b>86.7</b>
Impairment, amortization and depreciation		-93.2	-94.1	-46.4	-47.0
<b>Earnings before interest and taxes (EBIT)</b>		<b>80.5</b>	<b>69.2</b>	<b>38.4</b>	<b>39.7</b>
Financing income		1.3	3.3	0.5	0.5
Financing expenses		-41.8	-33.2	-22.7	-19.7
<b>Financial result (net)</b>	(1)	<b>-40.5</b>	<b>-29.9</b>	<b>-22.2</b>	<b>-19.2</b>
<b>Earnings before taxes (EBT)</b>		<b>40.0</b>	<b>39.3</b>	<b>16.2</b>	<b>20.5</b>
Taxes on income and earnings	(2)	-12.0	-11.8	-4.8	-5.7
<b>Group net profit</b>		<b>28.0</b>	<b>27.5</b>	<b>11.4</b>	<b>14.8</b>
Thereof relating to					
Shareholders of VTG Aktiengesellschaft		21.8	21.3	8.3	11.7
Hybrid capital investors		6.2	6.2	3.1	3.1
		28.0	27.5	11.4	14.8
<b>Earnings per share (in €, basic and diluted)</b>		<b>0.76</b>	<b>0.74</b>	<b>0.29</b>	<b>0.41</b>

The explanatory notes on pages 12 to 18 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € million	H1 2018	H1 2017	Q2 2018	Q2 2017
<b>Group net profit</b>	<b>28.0</b>	<b>27.5</b>	<b>11.4</b>	<b>14.8</b>
<b>Changes in items that will not be reclassified to profit or loss in future periods:</b>				
Revaluation of pension provisions	0.2	1.2	0.2	1.5
thereof deferred taxes	0.1	-0.5	-	-0.7
<b>Changes in items that will possibly be reclassified to profit or loss in future periods:</b>				
Currency translation	1.1	-5.9	2.2	-6.8
Change in reserves for cash flow hedges and hedging costs	-1.2	3.5	-3.5	2.0
thereof deferred taxes	0.6	-1.3	1.3	-0.7
<b>Other comprehensive income</b>	<b>0.1</b>	<b>-1.2</b>	<b>-1.1</b>	<b>-3.3</b>
<b>Comprehensive income</b>	<b>28.1</b>	<b>26.3</b>	<b>10.3</b>	<b>11.5</b>
Thereof relating to				
Shareholders of VTG Aktiengesellschaft	21.9	20.1	7.2	8.4
Hybrid capital investors	6.2	6.2	3.1	3.1
	<b>28.1</b>	<b>26.3</b>	<b>10.3</b>	<b>11.5</b>



# CONSOLIDATED BALANCE SHEET

Assets in € million	Notes	06/30/2018	12/31/2017
Goodwill		340.5	340.5
Other intangible assets		81.4	85.2
Tangible fixed assets		2,216.8	2,235.9
Companies accounted for using the equity method		39.5	36.5
Other investments	(4)	17.6	1.3
Derivative financial instruments	(4)	6.1	6.9
Other financial assets		23.1	22.4
Other assets		0.2	0.3
Deferred income tax assets		18.9	17.4
<b>Non-current assets</b>		<b>2,744.1</b>	<b>2,746.4</b>
Inventories		43.8	42.4
Trade receivables		164.5	168.6
Derivative financial instruments	(4)	1.3	0.5
Other financial assets		16.5	19.6
Other assets		41.7	23.4
Current income tax assets		3.3	6.4
Cash and cash equivalents		55.0	78.2
<b>Current assets</b>		<b>326.1</b>	<b>339.1</b>
		<b>3,070.2</b>	<b>3,085.5</b>
<b>Shareholders' equity and liabilities in € million</b>	Notes	<b>06/30/2018</b>	<b>12/31/2017</b>
Subscribed capital		28.8	28.8
Additional paid-in capital		323.7	323.7
Retained earnings		202.1	188.5
Revaluation reserve		-1.8	-0.3
<b>Equity attributable to shareholders of VTG AG</b>		<b>552.8</b>	<b>540.7</b>
<b>Equity attributable to hybrid capital investors of VTG AG</b>		<b>253.1</b>	<b>259.4</b>
<b>Equity</b>		<b>805.9</b>	<b>800.1</b>
Provisions for pensions and similar obligations		63.2	64.4
Deferred income tax liabilities		158.9	154.5
Other provisions		5.8	6.0
Financial liabilities	(3)	1,544.2	1,527.8
Derivative financial instruments	(4)	7.1	13.4
Other financial liabilities		0.4	1.1
<b>Non-current liabilities</b>		<b>1,779.6</b>	<b>1,767.2</b>
Provisions for pensions and similar obligations		3.6	3.3
Current income tax liabilities		20.9	22.2
Other provisions		40.2	45.3
Financial liabilities	(3)	243.3	231.1
Trade payables		129.4	169.0
Derivative financial instruments	(4)	18.4	16.6
Other financial liabilities		12.0	8.8
Other liabilities		16.9	21.9
<b>Current liabilities</b>		<b>484.7</b>	<b>518.2</b>
		<b>3,070.2</b>	<b>3,085.5</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € million	Subscribed capital	Additional paid-in capital	Retained earnings	(thereof differences from currency translation)	Revaluation reserve*	Equity attributable to shareholders of VTG AG	Equity attributable to hybrid capital investors	Total
Notes								
<b>As of 01/01/2018</b>	<b>28.8</b>	<b>323.7</b>	<b>188.5</b>	<b>(-5.4)</b>	<b>-0.3</b>	<b>540.7</b>	<b>259.4</b>	<b>800.1</b>
Effects of first-time adoption of IFRS 9			16.2		-0.3	15.9		<b>15.9</b>
<b>As of 01/01/2018 adjusted</b>	<b>28.8</b>	<b>323.7</b>	<b>204.7</b>	<b>(-5.4)</b>	<b>-0.6</b>	<b>556.6</b>	<b>259.4</b>	<b>816.0</b>
Consolidated result			21.8			21.8	6.2	<b>28.0</b>
Revaluation of pension provisions			0.2			0.2		<b>0.2</b>
Currency translation			1.1	(1.1)		1.1		<b>1.1</b>
Change in reserves for cash flow hedges and hedging costs					-1.2	-1.2		<b>-1.2</b>
<b>Other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>(1.1)</b>	<b>-1.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>Comprehensive income</b>			<b>23.1</b>	<b>(1.1)</b>	<b>-1.2</b>	<b>21.9</b>	<b>6.2</b>	<b>28.1</b>
Dividend payments			-25.9			-25.9	-12.5	<b>-38.4</b>
Other changes			0.2			0.2		<b>0.2</b>
<b>Total changes</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.6</b>	<b>(1.1)</b>	<b>-1.2</b>	<b>-3.8</b>	<b>-6.3</b>	<b>-10.1</b>
<b>As of 06/30/2018</b>	<b>28.8</b>	<b>323.7</b>	<b>202.1</b>	<b>(-4.3)</b>	<b>-1.8</b>	<b>552.8</b>	<b>253.1</b>	<b>805.9</b>
<b>As of 01/01/2017</b>	<b>28.8</b>	<b>323.7</b>	<b>164.1</b>	<b>(6.0)</b>	<b>-2.0</b>	<b>514.6</b>	<b>259.4</b>	<b>774.0</b>
Group net profit			21.3			21.3	6.2	<b>27.5</b>
Revaluation of pension provisions			1.2			1.2		<b>1.2</b>
Currency translation			-5.9	(-5.9)		-5.9		<b>-5.9</b>
Changes in cash flow hedge reserve					3.5	3.5		<b>3.5</b>
<b>Other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.7</b>	<b>(-5.9)</b>	<b>3.5</b>	<b>-1.2</b>	<b>0.0</b>	<b>-1.2</b>
<b>Comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>16.6</b>	<b>(-5.9)</b>	<b>3.5</b>	<b>20.1</b>	<b>6.2</b>	<b>26.3</b>
Dividend payments			-21.6			-21.6	-12.5	<b>-34.1</b>
Other changes			0.8			0.8		<b>0.8</b>
<b>Total changes</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.2</b>	<b>(-5.9)</b>	<b>3.5</b>	<b>-0.7</b>	<b>-6.3</b>	<b>-7.0</b>
<b>As of 06/30/2017</b>	<b>28.8</b>	<b>323.7</b>	<b>159.9</b>	<b>(0.1)</b>	<b>1.5</b>	<b>513.9</b>	<b>253.1</b>	<b>767.0</b>

\* The revaluation reserve includes the reserves for cash flow hedges and hedging costs.

# CONSOLIDATED CASH FLOW STATEMENT

in € million	H1 2018	H1 2017
<b>Operating activities</b>		
Group net profit	28.0	27.5
Impairment, amortization and depreciation	93.2	94.1
Financing income	-1.3	-3.3
Financing expenses	41.8	33.2
Taxes on income and earnings	12.0	11.8
<b>EBITDA</b>	<b>173.7</b>	<b>163.3</b>
Other non-cash expenses and income	-3.2	-2.2
Income taxes paid	-11.4	-11.2
Income taxes reimbursed	5.3	1.7
Profit/loss on disposals of fixed asset items	-6.5	-3.8
Changes in		
Inventories	-1.4	-1.3
Trade receivables	3.9	-25.5
Trade payables	-8.9	14.5
Other assets and liabilities	-22.6	-10.6
<b>Cash flows from operating activities</b>	<b>128.9</b>	<b>124.9</b>
<b>Investing activities</b>		
Payments for investments in intangible and tangible fixed assets	-106.5	-145.9
Proceeds from disposal of intangible and tangible fixed assets	15.7	34.0
Financial receivables (incoming payments)	0.1	1.1
Financial receivables (outgoing payments)	-1.1	-0.5
Receipts from interest	0.2	0.4
<b>Cash flows used in investing activities</b>	<b>-91.6</b>	<b>-110.9</b>
<b>Financing activities</b>		
Dividend payment to VTG AG shareholders	-25.9	-21.6
Dividend payment to hybrid capital investors	-12.5	-12.5
Receipts from the taking up of (financial) loans	119.1	140.0
Repayments of bank loans and other financial liabilities	-95.5	-85.7
Interest payments	-45.5	-35.7
<b>Cash flows used in financing activities</b>	<b>-60.3</b>	<b>-15.5</b>
<b>Change in cash and cash equivalents</b>	<b>-23.0</b>	<b>-1.5</b>
Effect of changes in exchange rates	-0.2	-0.4
Balance at beginning of period	78.2	63.5
<b>Balance of cash and cash equivalents at end of period</b>	<b>55.0</b>	<b>61.6</b>
of which freely available funds	54.0	58.8

# SELECTED EXPLANATORY INFORMATION IN THE CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Explanation of accounting principles and methods used in the consolidated financial statements

### 1. Principles of bookkeeping, accounting and measurement

These consolidated interim financial statements of VTG AG were prepared in accordance with Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz) and in accordance with both the International Financial Reporting Standards (IFRS) effective at the balance sheet date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the EU.

For better presentation, all amounts are stated in million euros (€ million). Due to rounding, numbers presented in this document may not add up precisely to the totals stated and percentages may not precisely reflect the absolute figures to which they relate.

The accounting and measurement methods applied in these interim financial statements are essentially the same as the principles applied in the consolidated financial statements as of December 31, 2017. For further explanations please refer to the consolidated financial statement of the VTG AG for 2017. Consequently, these interim financial statements fulfill the IAS 34 criteria. In addition, in these consolidated interim financial statements the standards IFRS 9 and IFRS 15 effective as of January 1, 2018, are applied. The impacts of their implementation are described below.

#### IFRS 9 Financial Instruments

Recognition and measurement:

For the majority of the VTG Group's financial instruments, the relevant measurement criteria can be retained in accordance with the recognition provisions laid out in IFRS 9. However, the measurement criteria do change for financial investments in unlisted equity instruments (shares) that are recognized at amortized cost under IAS 39. Assignment to the fair value category with revaluations in other comprehensive income leads to measurement at fair value. Amounts recognized in other comprehensive income must not subsequently be reclassified to profit and loss. Discrepancies between the earlier carrying amount and fair value are recognized in the opening balance for retained earnings.

Impairment:

Trade receivables, other financial assets and liquid funds measured at amortized cost are covered by the new impairment model in IFRS 9. For trade receivables, the VTG Group uses the simplified impairment model, according to which risk provisions must be set up in the amount of the expected loss over the residual maturity for all receivables, irrespective of their credit quality.

Hedge accounting:

Under IFRS 9, certain portions of hedges – what are known as hedging costs – can be recognized by forming a reserve in equity and subsequently reclassifying it to profit and loss. Since retrospective adjustment of the time value of options is compulsory, reclassification from retained earnings to the revaluation reserve took place at the time of the transition. The new procedure will be adopted for the forward components of forward exchange contracts only in the case of hedges designated after January 1, 2018.

The VTG Group has elected to make use of the option of simplified first-time adoption. The cumulative effect of the transition will be recognized in equity. Comparative figures for prior periods will not be adjusted.

Adjusted opening balance sheet on January 1, 2018

in € million	12/31/2017	Adjustments	01/01/2018
<b>Assets</b>			
Other investments	1.3	16.3	17.6
Trade receivables	168.6	-0.2	168.4
<b>Shareholders' equity and liabilities</b>			
Retained earnings	188.5	16.2	204.7
Revaluation reserve	-0.3	-0.3	-0.6
Deferred income tax liabilities	154.5	0.2	154.7

### IFRS 15 Revenue from Contracts with Customers

For the VTG Group's customer transactions, simplified first-time adoption means that the rules applied hitherto do not change regarding the amount and recognition of revenue over time. In the notes to the interim financial statements, external revenue will for the first time be presented based on the geographic location of customers across all segments. Revenue from rail freight car rentals in the Railcar segment comprises a leasing component and a service component. In terms of their amount, the period in which they were incurred and uncertainty about realization, these revenues are identical and can be usefully analyzed only as a single unit.

## 2. Companies in the consolidated group in the reporting period

In addition to VTG AG, a total of 20 domestic and 41 foreign subsidiaries are included in the consolidated interim financial statements as of June 30, 2018.

## SEGMENT REPORTING

The figures for the segments for the period from January 1 to June 30, 2018 (H1 2018) are as follows:

in € million	Railcar		Rail Logistics		Tank Container Logistics		Reconciliation		Group	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
External revenue	272.9	254.1	157.8	166.6	83.1	78.1	-	-	513.8	498.8
Internal revenue	15.6	15.8	4.0	3.6	-	-	-19.6	-19.4	0.0	0.0
Changes in inventories	-3.6	-1.3	-	-	-	-	-	-	-3.6	-1.3
<b>Segment revenue</b>	<b>284.9</b>	<b>268.6</b>	<b>161.8</b>	<b>170.2</b>	<b>83.1</b>	<b>78.1</b>	<b>-19.6</b>	<b>-19.4</b>	<b>510.2</b>	<b>497.5</b>
Segment cost of materials	-11.5	-12.1	-146.6	-155.4	-70.1	-63.4	18.9	18.1	-209.3	-212.8
<b>Segment gross profit</b>	<b>273.4</b>	<b>256.5</b>	<b>15.2</b>	<b>14.8</b>	<b>13.0</b>	<b>14.7</b>	<b>-0.7</b>	<b>-1.3</b>	<b>300.9</b>	<b>284.7</b>
Other segment income and expenditure	-95.9	-93.9	-11.9	-11.5	-7.1	-9.6	-12.3	-6.4	-127.2	-121.4
<b>Segment earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>177.5</b>	<b>162.6</b>	<b>3.3</b>	<b>3.3</b>	<b>5.9</b>	<b>5.1</b>	<b>-13.0</b>	<b>-7.7</b>	<b>173.7</b>	<b>163.3</b>
Impairment, amortization of intangible and depreciation of tangible fixed assets	-89.3	-90.6	-0.6	-0.6	-3.0	-2.5	-0.3	-0.4	-93.2	-94.1
<b>Segment earnings before interest and taxes (EBIT)</b>	<b>88.2</b>	<b>72.0</b>	<b>2.7</b>	<b>2.7</b>	<b>2.9</b>	<b>2.6</b>	<b>-13.3</b>	<b>-8.1</b>	<b>80.5</b>	<b>69.2</b>
thereof earnings from companies accounted for using the equity method	2.8	2.1	-	-	0.2	0.1	-	-	3.0	2.2
Financial result	-34.4	-28.4	-0.2	-0.2	-0.5	-0.3	-5.4	-1.0	-40.5	-29.9
<b>Earnings before taxes (EBT)</b>	<b>53.8</b>	<b>43.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>-18.7</b>	<b>-9.1</b>	<b>40.0</b>	<b>39.3</b>
Taxes on income and earnings									-12.0	-11.8
<b>Group net profit</b>									<b>28.0</b>	<b>27.5</b>

In accordance with management reporting, in addition to eliminations not affecting income of expenses and income between the segments, in particular between the Railcar and Rail Logistics segments, the Reconciliation column contains expenses of the holding company of € 18.7 million (previous year: € 9.1 million). This increase was due mainly to costs of € 8.2 million associated with the Nacco transaction.

External revenue from customers based on geographical location and other revenue breaks down as follows:

in € million	Railcar		Rail Logistics		Tank Container Logistics		H1 2018	H1 2017
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017		
<b>External revenue</b>	<b>272.9</b>	<b>254.1</b>	<b>157.8</b>	<b>166.6</b>	<b>83.1</b>	<b>78.1</b>	<b>513.8</b>	<b>498.8</b>
<i>thereof with customers in</i>	<i>247.0</i>	<i>228.4</i>	<i>157.8</i>	<i>166.6</i>	<i>83.1</i>	<i>78.1</i>	<i>487.9</i>	<i>473.1</i>
<i>Germany</i>	<i>74.5</i>	<i>70.1</i>	<i>59.7</i>	<i>57.2</i>	<i>43.1</i>	<i>38.8</i>	<i>177.3</i>	<i>166.1</i>
<i>EU without Germany</i>	<i>134.1</i>	<i>124.6</i>	<i>85.6</i>	<i>86.1</i>	<i>21.4</i>	<i>19.2</i>	<i>241.1</i>	<i>229.9</i>
<i>Other countries</i>	<i>38.4</i>	<i>33.7</i>	<i>12.5</i>	<i>23.3</i>	<i>18.6</i>	<i>20.1</i>	<i>69.5</i>	<i>77.1</i>
<i>thereof other revenue</i>	<i>25.9</i>	<i>25.7</i>	-	-	-	-	<i>25.9</i>	<i>25.7</i>

The figures for the segments in the consolidated interim financial statement for the period from April 1 to June 30, 2018, (Q2 2018) and for the same period of the previous year are as follows:

in € million	Railcar		Rail Logistics		Tank Container Logistics		Reconciliation		Group	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
External revenue	137.9	128.5	78.9	87.4	41.9	39.1	-	-	258.7	255.0
Internal revenue	7.6	8.2	2.1	2.2	-	-	-9.7	-10.4	0.0	0.0
Changes in inventories	-2.7	-0.6	-	-	-	-	-	-	-2.7	-0.6
<b>Segment revenue</b>	<b>142.8</b>	<b>136.1</b>	<b>81.0</b>	<b>89.6</b>	<b>41.9</b>	<b>39.1</b>	<b>-9.7</b>	<b>-10.4</b>	<b>256.0</b>	<b>254.4</b>
<b>Segment earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>88.5</b>	<b>86.4</b>	<b>1.2</b>	<b>1.7</b>	<b>2.7</b>	<b>2.7</b>	<b>-7.6</b>	<b>-4.1</b>	<b>84.8</b>	<b>86.7</b>
<b>Segment earnings before interest and taxes (EBIT)</b>	<b>44.0</b>	<b>41.2</b>	<b>0.9</b>	<b>1.4</b>	<b>1.2</b>	<b>1.4</b>	<b>-7.7</b>	<b>-4.3</b>	<b>38.4</b>	<b>39.7</b>
<b>Earnings before taxes (EBT)</b>	<b>24.9</b>	<b>22.9</b>	<b>0.8</b>	<b>1.3</b>	<b>0.9</b>	<b>1.2</b>	<b>-10.4</b>	<b>-4.9</b>	<b>16.2</b>	<b>20.5</b>

Capital expenditure for each segment as of the 2018 and 2017 reporting dates is shown in the following table.

in € million	Railcar		Rail Logistics		Tank Container Logistics		Reconciliation		Group	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Investments in intangible assets	0.5	0.8	0.1	0.2	0.1	0.1	0.1	0.2	0.8	1.3
Investments in tangible fixed assets	69.1	130.9	0.1	0.1	5.6	6.5	0.3	0.1	75.1	137.6
<b>Total</b>	<b>69.6</b>	<b>131.7</b>	<b>0.2</b>	<b>0.3</b>	<b>5.7</b>	<b>6.6</b>	<b>0.4</b>	<b>0.3</b>	<b>75.9</b>	<b>138.9</b>

## Selected notes

### (1) Financial result (net)

In the first six months of the financial year under review, the financial result was down by € 10.6 million compared to the same period a year ago. Alongside interest expenses from the contracting of project financing (€ 2.4 million), this decline essentially reflects commitment interest for the Nacco transaction (€ 4.9 million) and a lower currency translation result than in the previous year (€ 3.4 million).

### (2) Taxes on income and earnings

In the consolidated financial statements, a corporate tax rate of 30.0 % is expected for the financial year 2018 (prior year: 24.5 %).

### (3) Financial liabilities

The table below shows the fair value of and the carrying amount for financial liabilities that were recognized at cost or amortized cost and whose carrying amount differed substantially from their fair value:

in € million	Carrying amount		Fair value	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Financial liabilities	1,787.5	1,758.9	1,863.7	1,840.1

On the balance sheet date, the company had unused credit lines totaling € 115.0 million (prior year: € 190.0 million) based on syndicated loans with a term to December 2018. Based on bank loans with a term to September 2018, the company had unused credit lines totaling € 50.0 million on the balance sheet date (prior year: € 50.0 million). An \$ 11.9 million portion of a project financing arrangement had also not been drawn on the balance sheet date (prior year: \$ 60.5 million).

Rail freight cars with a carrying amount of € 2,050.3 million (prior year: € 2,108.3 million), tank containers with a carrying amount of € 40.4 million (prior year: € 37.6 million), accounts with a carrying amount of € 1.0 million (prior year: € 1.8 million) and receivables relating to the rental of rail freight cars and tank containers are secured with third-party collateral rights.



**(4) Other financial assets and derivative financial instruments**

In the table below, financial instruments that are regularly measured at fair value are analyzed based on the valuation method:

in € million	06/30/2018			12/31/2017		
	Quoted prices (Level 1)	Other relevant observable inputs (Level 2)	Other relevant inputs (Level 3)	Quoted prices (Level 1)	Other relevant observable inputs (Level 2)	Other relevant inputs (Level 3)
<b>Other financial assets</b>						
Shares	-	16.5	-	-	-	-
<b>Derivative financial instruments</b>						
Assets	-	7.4	-	-	7.4	-
Liabilities	-	20.1	5.4	-	23.3	6.7

<sup>\*</sup> In accordance with IFRS 9, comparative figures have not been adjusted.

There were no transfers between each level in the period under review.

The interest rate derivatives grouped under level 3 developed as follows during the reporting period:

in € million	Derivate financial instruments Liabilities
<b>Opening balance 01/01/2018</b>	<b>6.7</b>
Net change in fair value (unrealized)	0.6
Equalization	-1.9
<b>Ending balance 06/30/2018</b>	<b>5.4</b>

Changes in fair value (net) are included in the financial result.

## Management of capital structure

The (adjusted) financial debt is determined as follows:

in € million	06/30/2018	12/31/2017
Financial liabilities	1,787.5	1,758.9
Correction, deduction of transaction costs	8.5	9.8
Cash and cash equivalents	-55.0	-78.2
Investment securities	-0.4	-0.4
Financial receivables	-23.6	-22.2
<b>Net financial debt</b>	<b>1,717.0</b>	<b>1,667.9</b>
Provisions for pensions	66.8	67.7
<b>Adjusted net financial debt</b>	<b>1,783.8</b>	<b>1,735.6</b>
EBITDA	340 – 370	343.4
<b>Ratio of adjusted net financial debt / EBITDA</b>	<b>5.0*</b>	<b>5.1</b>

\* On the basis of the average of the EBITDA forecast for 2018 excluding Nacco related expenses and income

## Other financial commitments

The nominal values of the other financial commitments are as follows as of June 30, 2018 and for the previous year:

in € million	due within 1 year		between 1 and 5 years		more than 5 years		Total	
	06/30	12/31	06/30	12/31	06/30	12/31	06/30	12/31
	2018	2017	2018	2017	2018	2017	2018	2017
Obligations from rental, leasehold and leasing agreements	48.2	49.9	122.2	117.1	60.6	56.6	231.0	223.6
Purchase commitments	98.1	156.8	0.1	15.2	-	-	98.2	172.0
<b>Total</b>	<b>146.3</b>	<b>206.7</b>	<b>122.3</b>	<b>132.3</b>	<b>60.6</b>	<b>56.6</b>	<b>329.2</b>	<b>395.6</b>

## Material events after the balance sheet date

On July 16, 2018 Warwick Holding GmbH, an indirect subsidiary of funds advised by Morgan Stanley Infrastructure Inc. ("the Bidder"), which holds approx. 29 % of the shares in VTG Aktiengesellschaft ("the Company"), announced a voluntary public takeover offer to all shareholders of VTG Aktiengesellschaft at an offer price of EUR 53 per share. According to the Bidder, Kühne Holding AG, which holds approx. 20 % of the shares in VTG Aktiengesellschaft, irrevocably committed to tender the shares it currently holds in connection with the takeover offer.

The announced takeover offer has not been agreed with the Company. In the Company's view, the offer does not reflect the fundamental value of VTG Aktiengesellschaft considering its future potential, resulting for example from the strengthening of VTG Aktiengesellschaft's business model by the proposed acquisition of the CIT Rail Holdings (Europe) SAS ("Nacco acquisition") and the digitization strategy initiated by the Company. Offering a premium of only 4 % on the volume-weighted three-month average share price (three-month VWAP) prior to today's announcement, the offer price does not contain an adequate control premium. From today's perspective, the Executive Board of the Company will therefore not be able to recommend to its shareholders to accept an offer at EUR 53 per share.

The Bidder has announced that the offer is subject to both the usual closing conditions and the closing of the Nacco acquisition. As is known, the completion of the Nacco acquisition was cleared by the responsible antitrust authorities subject to conditions. The Company expects the acquisition of Nacco to be completed in the second half of this year, as anticipated.

Furthermore, the Bidder has announced that the takeover offer is subject to the condition that the VTG Group has no business relationships with parties sanctioned by the U.S. Office for Foreign Assets Control (OFAC). The Company continuously reviews its business relationships regarding matters relevant to sanctions.

The Executive Board and Supervisory Board of the Company, together with their advisors, will analyse the offer in detail and without delay after its publication, and will comment on it in a reasoned opinion. VTG Aktiengesellschaft shareholders are requested not to take any action until they have received and reviewed this opinion.

Hamburg, August 13, 2018

The Executive Board



Dr. Kai Kleeberg



Dr. Heiko Fischer



Günter-Friedrich Maas



Mark Stevenson

## Responsibility statement

According to the best of our knowledge we declare that, in accordance with the accounting principles to be applied as well as in accordance with the principles of proper accounting, 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, August 13, 2018

The Executive Board



Dr. Kai Kleeberg



Dr. Heiko Fischer



Günter-Friedrich Maas



Mark Stevenson

# Review Report

To VTG Aktiengesellschaft

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and selected explanatory notes, and the interim group management report of VTG Aktiengesellschaft, Hamburg, for the period from January 1, 2018 to June 30, 2018, which are part of the six-monthly financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Hamburg, August 13, 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Klimmer  
Wirtschaftsprüfer  
[German Public Auditor]

Fröhlich  
Wirtschaftsprüferin  
[German Public Auditor]

# FINANCIAL CALENDAR AND CONTACT INFORMATION

## Financial calendar 2018

22. Februar	Preliminary Results FY 2017
27. März	Annual Report FY 2017
27. März	Annual Results Press Conference, Hamburg
17. Mai	Quarterly Statement as of March 31, 2018
17. Mai	Analyst Conference, Elze
6. Juni	Annual General Meeting, Hamburg
14. August	Half-yearly Financial Report 2018
13. November	Quarterly Statement as of September 30, 2018

## Investor Relations

Christoph Marx  
Head of Investor Relations  
Telephone: +49 (0) 40 23 54-1351  
Telefax: +49 (0) 40 23 54-1350  
E-mail: christoph.marx@vtg.com

Alexander Drews  
Investor Relations Manager  
Telephone: +49 (0) 40 23 54-1352  
Telefax: +49 (0) 40 23 54-1350  
E-mail: alexander.drews@vtg.com

## Corporate Communications

Gunilla Pendt  
Head of Corporate Communications  
Telephone: +49 (0) 40 23 54-1341  
Telefax: +49 (0) 40 23 54-1340  
E-mail: gunilla.pendt@vtg.com

## VTG Aktiengesellschaft

Nagelsweg 34  
D-20097 Hamburg  
Telephone: +49 (0) 40 2354-0  
Telefax: +49 (0) 40 23 54-1199

For further information go to [www.vtg.com](http://www.vtg.com)