



Quarterly Report Q3 / 2020

Aves One AG

ISIN: DE000A168114

- **GROUP REVENUES INCREASE TO EUR 93.6 MILLION (PY EUR 85.8 MILLION)**
- **EBITDA REMAINS HIGH AT EUR 63.2 MILLION (PY EUR 63.6 MILLION)**
- **BOOK LOSSES IN THE SEACONTAINER IMPACT EARNINGS**
- **EBT (ADJUSTED) REACHES EUR 2.3 MILLION (PY EUR 8.9 MILLION)**
- **ASSET VOLUME GROWS TO EUR 967.3 MILLION (30.09.2019: EUR 917.6 MILLION)**

BUSINESS TREND IN THE FIRST NINE MONTHS OF THE 2020 BUSINESS YEAR

The Aves One Group (hereinafter: "Aves Group", „Aves“ or „Company“), a strongly growing portfolio holder in the logistics assets segment, continued the positive trend of recent years. The revenues in the first nine months of the current business year (hereinafter: „reporting period“) increased to EURk 93,595 (January to September 2019 (hereinafter „previous year“) EURk 85,815). Adjusted for the proceeds from the sale of the last real estate activity, revenues of EURk 90,201 resulted in the reporting period. EBITDA decreased slightly in comparison to the same period of the previous year to EURk 63,223 (previous year: EURk 63,552), since the operating result was negatively affected in particular by an increase of EURk 1,599 in the disposal of assets in the container segment. In addition, other income of EURk 1,126 (previous year: EURk 2,297) was generated, reduced by EURk 1,171 compared to prior year. EBIT decreased to EURk 34,278 (previous year: EURk 39,338) due to higher asset portfolio and the resulting depreciation. Adjusted for the currency rate effects disclosed in the financial result, an EBT amounted to EURk 2,287 (previous year: EURk 8,916).

In the reporting period, Aves One Group invested EUR 76.6 million in fixed assets. EUR 73.4 million of this amount relates to the freight and tank car area and EUR 3.2 million to the swap body area.

ACCOUNTING PRINCIPLES AND VALUATION METHODS

The standards and interpretations applicable in the EU since 1 January 2020 have been applied in the preparation of the interim consolidated financial statements. The accounting policies applied are consistent with those used for the audited and published IFRS consolidated financial statements for the 2019 financial year. The interim report as at 30 September 2020 does not contain a complete interim financial statements pursuant to IAS 34 and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2019. With regard to the possible effects of standards and interpretations that have already been adopted but whose application will only become mandatory in the future, we refer to the comments in the notes to the consolidated financial statements as of December 31, 2019.

CHANGES IN THE SCOPE OF CONSOLIDATION

Compared to December 31, 2019, there were no additions to the scope of consolidation of the Aves Group. The self-storage park in Münster was sold by contract dated January 24, 2020, as a result of which Aves no longer holds any real estate assets. The investment in Aves Storage Verwaltungs GmbH, Hamburg, was also transferred at the same time. The company has thus been eliminated from the consolidated group. On 9 September 2020, Aves Rail Equipment I GmbH & Co. KG, Hamburg, was dissolved following the transfer of its rail portfolio to a group company.

FINANCIAL SITUATION, NET ASSETS AND RESULTS OF OPERATIONS

RESULT OF OPERATIONS

In the first nine months of this year, the Aves Group generated **revenues** of EURk 93,595 (previous year: EURk 85,815) compared with the same period of the previous year. The significant increase in revenues in the rail segment of 12.7% is slightly below the increase in the asset portfolio of the last twelve months. Compared to the same period of the previous year, there was a slight decline in capacity utilisation in the rail sector, but at 91.3% on average it is still at a stable high level. The increase in revenues in the swap body segment of EURk 1,130 is contrasted by a decline in sea containers of EURk 2,386. This is mainly due to the reduction in the number of sea containers to around 157,000 CEU (previous year: approx. 173,000 CEU) compared to the same period of the previous year. In addition, rental price reductions, which could only be concluded on unfavourable terms in the context of upcoming rental extensions, particularly against the background of the COVID-19 pandemic and the market power of the shipping companies, and exchange rate effects also contributed to a decline in revenues in the sea container segment. Revenues of EURk 3,394 generated by the holding in the reporting period primarily relate to the sale of the self storage park. This is offset by changes in inventories of EURk 3,063 resulting from the sale of the property, which was sold in total without affecting earnings.

Adjusted for the effects of the sale of the self storage park, revenues rose by 5.1% compared with the prior year.

Revenues in EURk	9M 2020	9M 2019
Rail	62,668	55,608
Container	26,461	27,717
Holding	6,141	3,720
Consolidation	-1,675	-1,230
Total	93,595	85,815

The margin ((revenues less cost of material/revenues) of the rail segment increased from 79.8% to 81.0%. For the container segment, the margin declined from 85.1% to 80.6%. In addition to the effects on revenues in the sea container area, maintenance measures increased by EURk 1,011, which were carried out to strengthen the swap body portfolio, affected the margin decline.

The **cost of material** of the Aves Group is composed as follows for the segments:

Cost of material in EURk	9M 2020	9M 2019
Rail	11,881	11,260
Container	5,133	4,145
Holding	0	10
Consolidation	-34	-49
Total	16,980	15,366

At EURk 3,681 (previous year: EURk 3,598) personnel expenses are almost at the same level as in the previous year. The reduction in other income of EUR 1,171 is attributable in the amount of EURk 565 to income that had to be reimbursed to the Aves Group in the course of legal disputes in the previous year and in the amount of EURk 450 to income that arose in the previous year from the transfer of an asset management agreement. The increase in other expenses to EURk 7,774 (previous year: EURk 5,596) is mainly due to increased losses of EURk 1,877 from asset disposals in the sea container area. In addition, audit and insurance costs increased by EURk 581 and

exchange rate losses by EURk 269, which are opposed by a reduction of EURk 361 in sales and representation costs.

The Aves Group's **EBITDA** fell slightly from EURk 63,552 to EURk 63,223. The EBITDA margin, adjusted for the one-off proceeds from the sale of the logistic property, decreased from 74.1% to 70.1%.

EBITDA in EURk	9M 2020	9M 2019
Rail	50,294	42,775
Container	17,437	23,576
Holding	-3,144	-2,760
Consolidation	-1,364	-39
Total	63,223	63,552

Despite the challenging economic environment due to the COVID-19 pandemic and the crisis in the steel industry, the rail segment, as the core segment, was able to improve its EBITDA by EURk 7,519 to EURk 50,294. The EBITDA margin was thus increased from 76.9% in the same period of the previous year to 80.3% in the reporting period. Compared to the second quarter, EBITDA in the third quarter of the current reporting period increased by EURk 622. Capacity utilisation in the core segment rail remains at a good level.

The container segment recorded a decline in EBITDA of EURk 6,139 to EURk 17,437. The losses from the sale of less profitable sea containers totalling EURk 3,037 (previous year: EURk 1,160) in the period under review represent a significant influencing factor. In addition, other income in the container segment was reduced by EURk 1,781. An increase of EURk 1,011 in maintenance expenses in the swap body area also had a negative impact on earnings.

In the remaining financial year, the management will continue to reduce the stock of less profitable sea containers.

As a result of the strong investment activities in the past twelve months, depreciation rose by EURk 4,731 to EURk 28,945.

Selected key financial figures				
in EURk	9M 2020	9M 2019	Q3 2020	Q3 2019
Revenue	93,595	85,815	30,028	30,258
Changes in inventories ¹	-3,063	0	0	0
Cost of material	-16,980	-15,366	-5,211	-6,023
Personnel cost	-3,681	-3,598	-1,261	-1,260
Other income	1,126	2,297	116	1,169
Other expenses	-7,774	-5,596	-2,609	-2,438
EBITDA	63,223	63,552	21,063	21,706
Depreciation	-28,945	-24,214	-10,053	-8,830
EBIT	34,278	39,338	11,010	12,876
Financial result	-40,145	-21,574	-19,159	-3,052
<i>thereof interest income</i>	-31,237	-29,497	-10,132	-10,432
<i>thereof currency rate effects</i>	-8,154	8,848	-8,656	7,681
<i>thereof other</i>	-754	-925	-371	-301
EBT	-5,867	17,764	-8,149	9,824
EBT adjusted²	2,287	8,916	507	2,143
Taxes on income and revenue	1,076	-3,998	1,980	-1,107
<i>thereof current income tax</i>	-2,494	-3,016	15	-1,240
<i>thereof deferred taxes</i>	3,570	-982	1,965	133
Consolidated net result for the period	-4,791	13,766	-6,169	8,717

¹ Relates entirely to the sale of the self storage park

² EBT adjusted for currency rate effects in financial result

Currency rate effects:

The global container market is transacted in USD so that all companies of the Aves Group operating in this market report in USD as their functional currency. The mainly non-cash exchange rate effects included in the financial result represent income and expenses from the balance sheet date valuation of EUR liabilities and receivables in the Container Division at the reporting date, which resulted from the change in the EUR/USD exchange rate from EUR/USD 1.1234 on 31 December 2019 to EUR/USD 1.1708 on 30 September 2020.

Overall, the Aves Group achieved an EBT of EURk 2,287 (previous year: EURk 8,916) in the reporting period, adjusted for the currency rate effects included in the financial result.

After taxes, the consolidated net loss for the year amounts to EURk -4,791 (previous year: consolidated net income EURk 13,766).

FINANCIAL POSITION

Cashflow from operating activities in the reporting period amounted to EURk 63,492 compared to EURk 62,132 in the same period of the previous year from 1 January 2019 to 30 September 2019 (previous year).

Cashflow from investing activities amounted to EURk -58.571 (previous year: EURk -106.620). In the reporting period, investments were lower at EURk -76,617 (previous year: EURk -124,876). This is the result of delayed deliveries of new orders due to the COVID-19 pandemic on the one hand and the acquisition of a portfolio in the third quarter of the previous year on the other.

Cashflow from financing activities amounted to EURk 8,621 (previous year: EURk 47,000). Mainly for the financing of freight and tank wagons and swap bodies, the company incurred liabilities of EURk 196,285 (previous year: EURk 194,904), roughly the same level as in the prior year. In addition, interest payments of EURk -25,644 (previous year: EURk -17,616) were made with an effect on cash. Payments for the redemption of financial liabilities

amounted to EURk -159,320 (previous year: EURk -126,695). The Aves Group was at all times in a position to meet its payment obligations on time.

NET ASSETS

The asset side of the consolidated balance sheet as at 30 September 2020 was characterised by fixed assets amounting to EURk 967,270 (31.12.2019: EURk 924,327). The increase is primarily due to investments made in rail area and swap bodies. The asset volume is mainly composed of rail assets of EURk 722,309, which, as in the past, also include hidden reserves in the low three-digit million range, sea containers of EURk 197,046 and swap bodies EURk 46,498. As of 30 September 2020, the rail portfolio accounted for 74.7% of the total portfolio.

Current assets of EURk 85,222 (previous year: EURk 91,274) contain other assets of EURk 21,389 (31.12.2019: EURk 30,071). The other assets largely comprise restricted cash (reserve accounts for future maintenance-measures and debt services) amounting to EURk 14,721 (31.12.2019: EURk 21,976), which were set up primarily in connection with the financing of rail portfolios. Current assets also include trade receivables of EURk 17,784 (31.12.2019: EURk 22,465) and cash and cash equivalents of EURk 44,274 (31.12.2019: EURk 30,887).

On the liability side, equity in the consolidated balance sheet decreased from EURk 41,644 as of December 31, 2019 to EURk 38,137, mainly due to currency rate effects. Non-current liabilities increased from EURk 813,216 as of 31 December 2019 to EURk 862,486 as of 30 September 2020, primarily due to issue of bonds to finance further growth. At EURk 180,159, current liabilities are at the same level as at 31 December 2019 of EURk 181,346.

POST BALANCE SHEET DATE EVENTS

There were no significant events after the balance sheet date.

REPORT ON OPPORTUNITIES AND RISKS

Please refer to the group management report for the 2019 financial year for a description and assessment of the main opportunities and risks to which the Aves Group is exposed. The assessment of the risks and opportunities detailed in the 2019 annual report for the financial year 2020 has changed in principal against the background of the developments to date and forthcoming developments of the COVID-19 pandemic as follows:

The COVID-19 pandemic has had a significant impact on the global economic situation since the first quarter. The remaining course of the year 2020 is also subject to uncertainty against the background of continuing high infection figures or the increase in these figures and the lockdowns imposed at local and regional level in part and again in full and the resulting effects on the overall economic situation.

The Management Board continuously analyses the situation and trends in the relevant economic environment and the question of what implications this could have on the return prospects and valuations of the various and individual assets. Due to the uncertain macroeconomic situation caused by the COVID-19 pandemic and the possible impact on the earning situation of the various assets, it cannot be completely ruled out that there could be adverse effects on the value of goodwill or assets.

For sea containers, a decoupling from the development of newbuilding prices can be observed, particularly on the secondary market. In addition, it can be observed that shipping companies, as the main tenants of containers, are using their market position, which has strengthened again in the course of 2020, to demand and, for the most part, enforce rent reductions when renewing or concluding new contracts.

FORECAST REPORT 2020

The business model of the Aves Group is based on solid foundations, according to the Management Board. In 2020, the company intends to continue to invest in the swap body business in addition to its profitable core rail business. In the course of focusing on the most promising business areas, the Management Board made the strategic decision not to invest further in sea containers. The investments made in the first nine months of 2020, especially in the rail segment, show that the pace of growth has been maintained at a high level and the rail portfolio further strengthened. The rail portfolio will be further expanded in the coming months. With regard to new investments, the company has a well-filled pipeline. However, the effects of the COVID-19 pandemic and its impact

on the overall economic development are still being felt by the Aves Group. The core segment rail and rental revenue remains stable. Declines in capacity utilisation in this segment are primarily due to the crisis in the steel industry, which began before the COVID-19 pandemic and for which no rapid recovery is expected. The wagon returns, which were mainly affected by this, were completed in the first half of the year. In many other rail markets, demand is intact. In particular, the prospect of approval for vaccines against the coronavirus, for example, is currently leading to rising demand in the intermodal sector. Important rental contracts expiring in the 2020 financial year were extended in some cases even at higher conditions and orders for new wagons were placed. Overall, the Management Board is satisfied with the performance of the rail segment. The development in the swap body sector is also satisfactory and the further expansion of the swap body portfolio is aimed at. In addition to the development in the rail and sea container market, performance in this sub-area is also monitored by the Management Board. The further expansion of the rail portfolio and the reduction of the sea container stock remain the most important operational goals in the coming months.

Based on the measures currently being implemented, the Management Board is confident about the future of the current 2020 financial year, the full-year effect of the investments of the past financial year and the investments of the current financial year.

In terms of financing the further growth of the Aves Group and the acquisition of freight wagons and swap bodies, various forms of financing are still being examined. In this context, the reduction of financing costs by means of refinancing as well as other forms of financing, such as bonds, which the Management Board has already begun in previous years, will be systematically continued.

Financing costs will continue to rise in absolute terms due to the planned asset growth. Nevertheless, the reduction of relative financing costs will continue to be a focus of the Management Board as a result of the refinancing measures and the ongoing optimisation of the financing mix.

As in the previous year, the Management Board draws attention to the fact that, because the container segment and all related operating business is conducted in USD, but some of the financing was concluded in EUR, the Group financial statements may be strongly influenced by currency effects.

Despite the challenging economic environment, the Management Board is confident that the year 2020 will close in line with the earnings forecast. The Management Board is thus forecasting a revenues volume of more than EUR 117 million and EBITDA of more than EUR 84 million for the 2020 financial year. The results arising from the reduction of the sea container stock and the associated sale of the sea containers will continue to have a significant influence on the forecast EBITDA.

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This report contains forward-looking statements and forecasts based on assumptions and estimates made by the management of Aves One AG. While we believe that the expectations contained in these forward-looking statements are realistic, we cannot guarantee that they will be realized. The assumptions may involve risks and uncertainties. These may lead to actual results that differ from the forecast results. Factors that could cause such deviations include, among others, changes in the economic and business environment or changes in corporate strategy.