Rail logistics from the perspective of an independent rail freight forwarder

Market Place Seminar Antwerpen
25. September 2015
**VTG Group: Three divisions with complementary elements**

<table>
<thead>
<tr>
<th>Mobile infrastructure</th>
<th>Logistics Divisions</th>
<th>Tank Container Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Railcar Division</strong></td>
<td><strong>Rail Logistics</strong></td>
<td><strong>Tank Container Logistics</strong></td>
</tr>
<tr>
<td>Europe’s number 1 in private wagon hire with growing fleets in the US and Russia</td>
<td>Leading European rail freight forwarder focusing on liquids, agricultural and industrial goods</td>
<td>Major global operator of tank containers for multimodal transport of liquids</td>
</tr>
<tr>
<td>Business model: customers hire wagons on long-term basis</td>
<td>Block trains and single wagon transports, national and international</td>
<td>Provides solutions where rail does not reach</td>
</tr>
<tr>
<td>Europe-wide network</td>
<td>Segments: Petrochemicals, Industrial Goods and Agricultural Products</td>
<td>World-wide network of subsidiaries and agents</td>
</tr>
<tr>
<td>Own wagon manufacturer</td>
<td>About 4.900 rented wagons</td>
<td>Fleet: about 7,750 tank containers</td>
</tr>
<tr>
<td>Fleet: about 80.000 wagons</td>
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</tbody>
</table>

**VTG Group**

- **Revenue**:
  - 2014: €818.3m
  - 2013: €783.7m

- **Employees**:
  - 2014: 1,312
  - 2013: 1,191

- **Assets**:
  - 2014: €1.2bn
  - 2013: €1.1bn
Locations throughout Europe
### European rail logistics with challenges

<table>
<thead>
<tr>
<th>Market</th>
<th>Competition</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreasing overall transport volume</td>
<td>(Margin-) pressure through competition</td>
<td>Demand for “logistics solution”</td>
</tr>
<tr>
<td>Decreasing trend for modal split “rail”</td>
<td>Incumbents as supplier and competition</td>
<td>Wish for alternative to incumbents</td>
</tr>
<tr>
<td>Dominating incumbents; single wagons challenging</td>
<td>Sandwich position between customers + traction</td>
<td>Increasing service demand</td>
</tr>
</tbody>
</table>
Rail transport value chain used for deriving competitor categories

Freight mgmt.

Freight management (other modes)

Freight management (rail)

Freight management (other modes)

Control flow

Transport control (other modes)

Transport control (rail)

Transport control (other modes)

Value chain activities

Onsite logistics

Pre-carriage

Transportation

Rail transport

Transportation

On-carriage

Warehousing

Onsite logistics

Asset supply

Wagon supply

Asset supply

Rail related activities

Asset-light activities

Physical activities

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Railway forwarders forced to expand service portfolio

Rail transport value chain

Focus on those industries with parallels to current footprint

Freight mgmt.

Freight management (other modes) Freight management (rail) Freight management (other modes)

Control flow

Transport control (other modes) Transport control (rail) Transport control (other modes)

Value chain activities

Onsite logistics Pre-carriage Trans-shipment Rail transport Trans-shipment On-carriage Warehousing Onsite logistics

Asset supply

Asset supply Wagon supply Asset supply

Asset-light activities

Physical activities

Core business Rail Freight forwarder Business expansion

a) Enforce complementary services as part of the transport chain

b) Develop networks with strong private traction as partner; partly own traction

Stronger focus on “all in solutions” (e.g. logistics + wagon)

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New opportunities through scope improvement

A
Enlargement of customer base

- Conventional
- Oversize
- Projects

B
Additional services/Access to KN network

- Terminal
- Multimodal
- Trucking

C
New concepts/corridors

VTG Rail Logistics

VTG Rail Logistics +
- Reliable completion of national and international transports of goods
- Shipment of single wagons, wagon groups and block trains
- Flexible slot volumes bookable
- Transportation concept for every wagon group
- Optional loading / unloading features on the main run on demand
- Operational support and handling of the transport from a single source
- Open for all commodities (except RID groups 1 and 7) and all customers
- Cooperation with state and private railways
- Flexible order deadline
Strategic cornerstones developed in 2015

1. Vertical Markets
   - Mineral oil and gas
   - Petrochemicals
   - Waste management
   - Steel industry
   - Minerals industry
   - Building materials
   - Agricultural goods
   - Consumer goods

2. Retrack Network

3. Customized customer solutions

4. Project solutions
Corporate Vision: Together, we connect worlds with mobile infrastructure

Rail Logistics Europe – Vision

Expansion of RLE as biggest independent and most profitable rail freight forwarder in Europe

Providing End-to-End solutions for our customers for liquid, industrial and agricultural goods

Network solutions as major cornerstones of our business model

Vertical Markets

1. Mineral oil and gas
2. Petrochemicals
3. Waste management
4. Steel industry
5. Minerals industry
6. Building materials
7. Agricultural goods
8. Consumer goods
Operator: Bundling of wagons and purchasing of train capacity

**Forwarding services conventional rail logistics**

<table>
<thead>
<tr>
<th>Customer 1</th>
<th>Customer 2</th>
<th>Customer 3</th>
<th>Customer 4</th>
</tr>
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</table>

- **Rail forwarder**
  - Order

- **Single wagon network State owned railway**

**Forwarding services operator functionality**

**Rail forwarder**

- **Purchase of train capacity on corridors**
  - EVU 1
  - EVU 2

- **Sales of slots to forwarders / customers**
  - Customer 1
  - Customer 2
  - Customer 3
  - Customer 4

**No utilization risk** for rail forwarders but huge dependency from single wagon network of state owned railways

**Utilization risk** for train system for rail forwarder but no dependency from single wagon network of state owned railways
Thank you for your attention!