

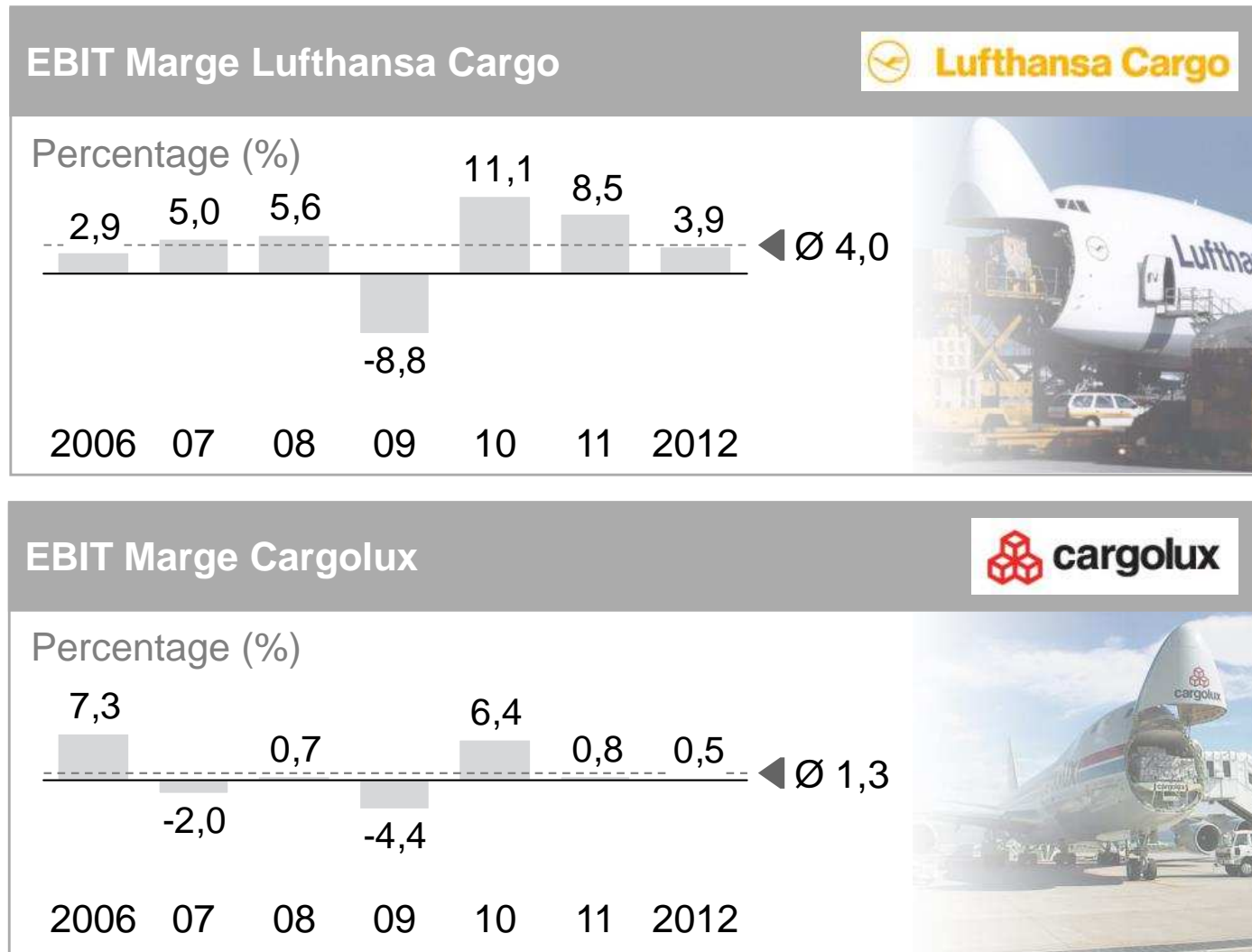
Path to success – rail freight carrier vs. integrated rail solution provider

Global Rail Freight Conference
Wien, 23-26. June 2014

Agenda

- 1. „No future as a carrier in Europe“**
2. Rail Cargo Austria AG focuses on rail freight logistics – 5 complementary businesses
3. Economic success confirms strategy
4. Perspective on rail freight industry 2020

Example Air Cargo Carrier – economically not attractive



Example Air Cargo Carrier

- Dependency on external forwarders, hardly any end customer
- Few competitors
- Insufficient marge for reinvestment profitability (value destruction)



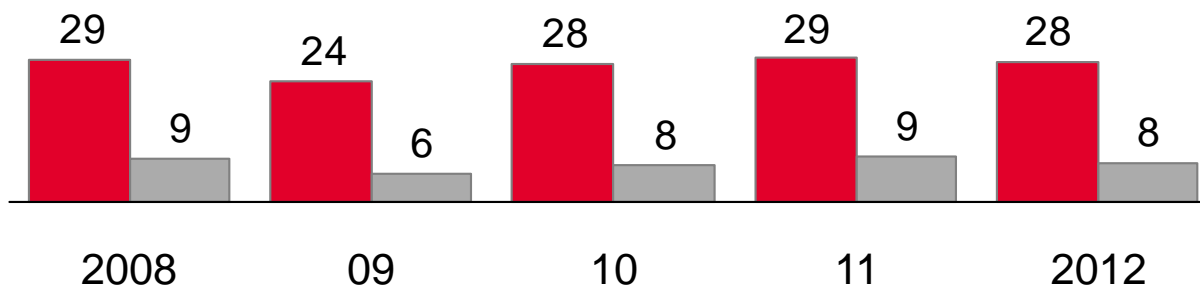
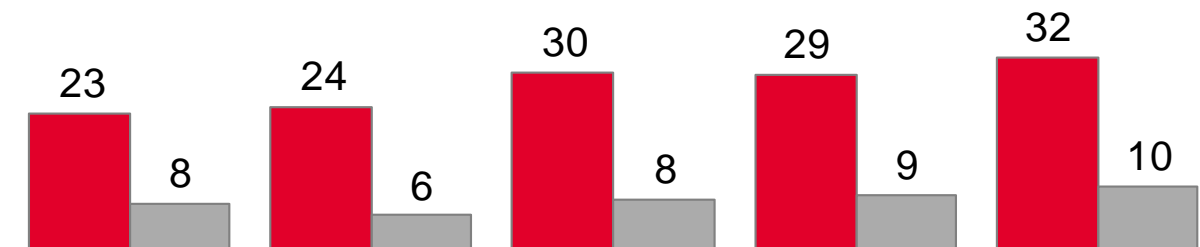
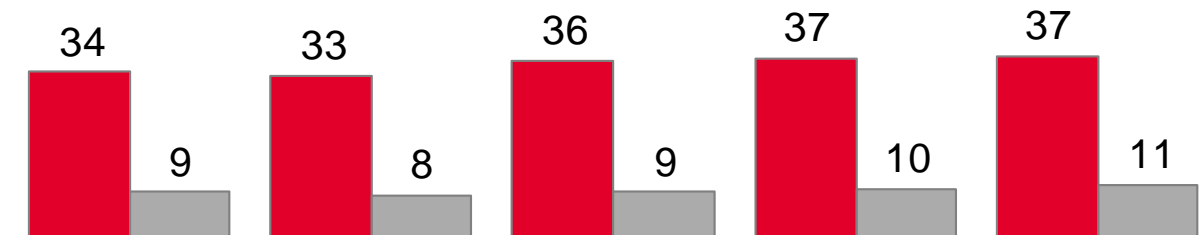
Source: Annual Reports, Flightglobal, McKinsey

North American carriers operate under very different conditions – economically very successful

EBIT-Marge und ROIC

In Percent

■ EBIT-Marge
■ ROIC



Not comparable basic conditions:

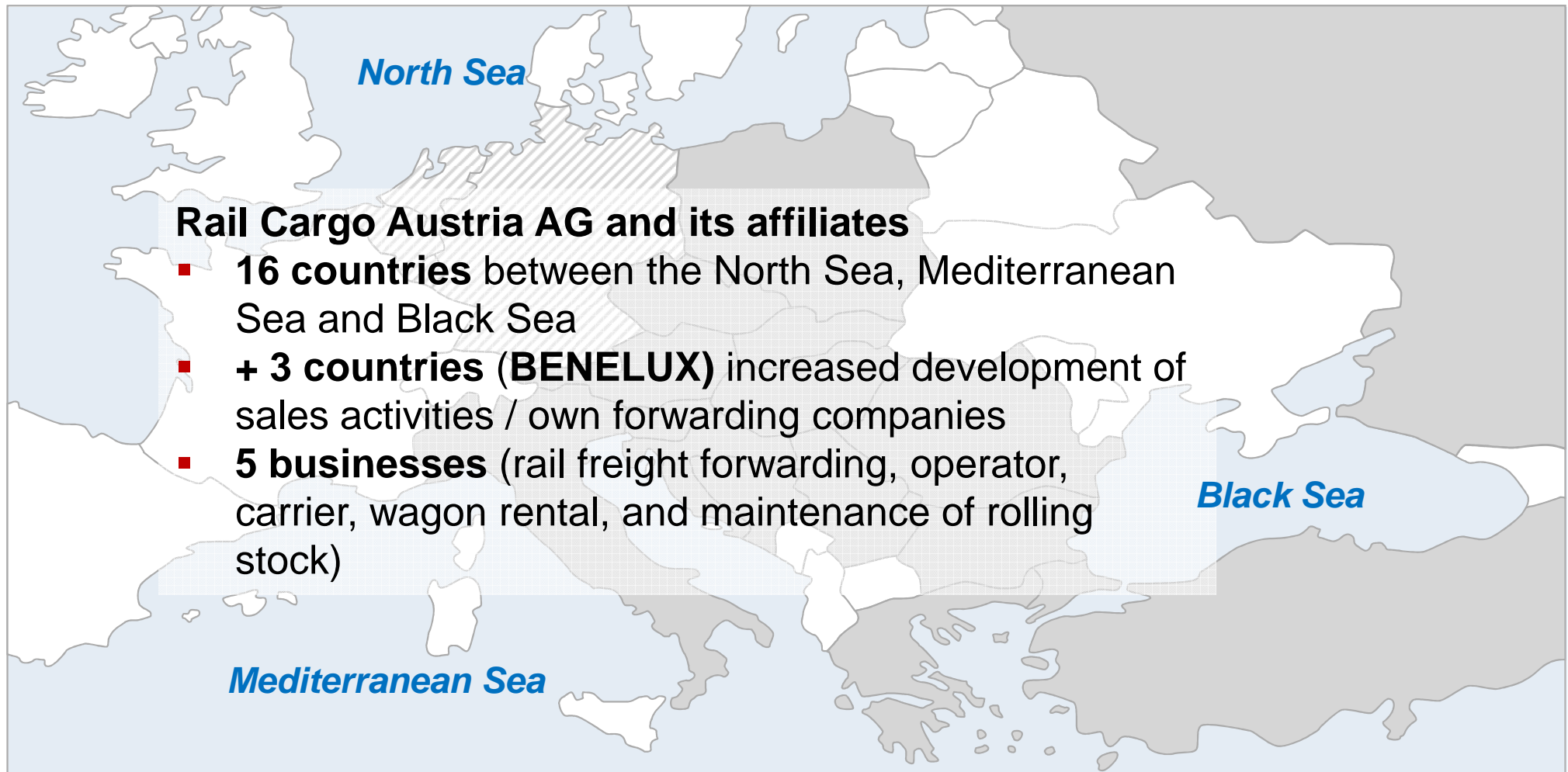
1. Geographic monopoly
2. x 3 in transport distance
3. x 7 in train length
4. x 7 in train weight
5. Up to x 14 containers per train („Double stack“)
6. No passenger traffic
7. Terminable employees

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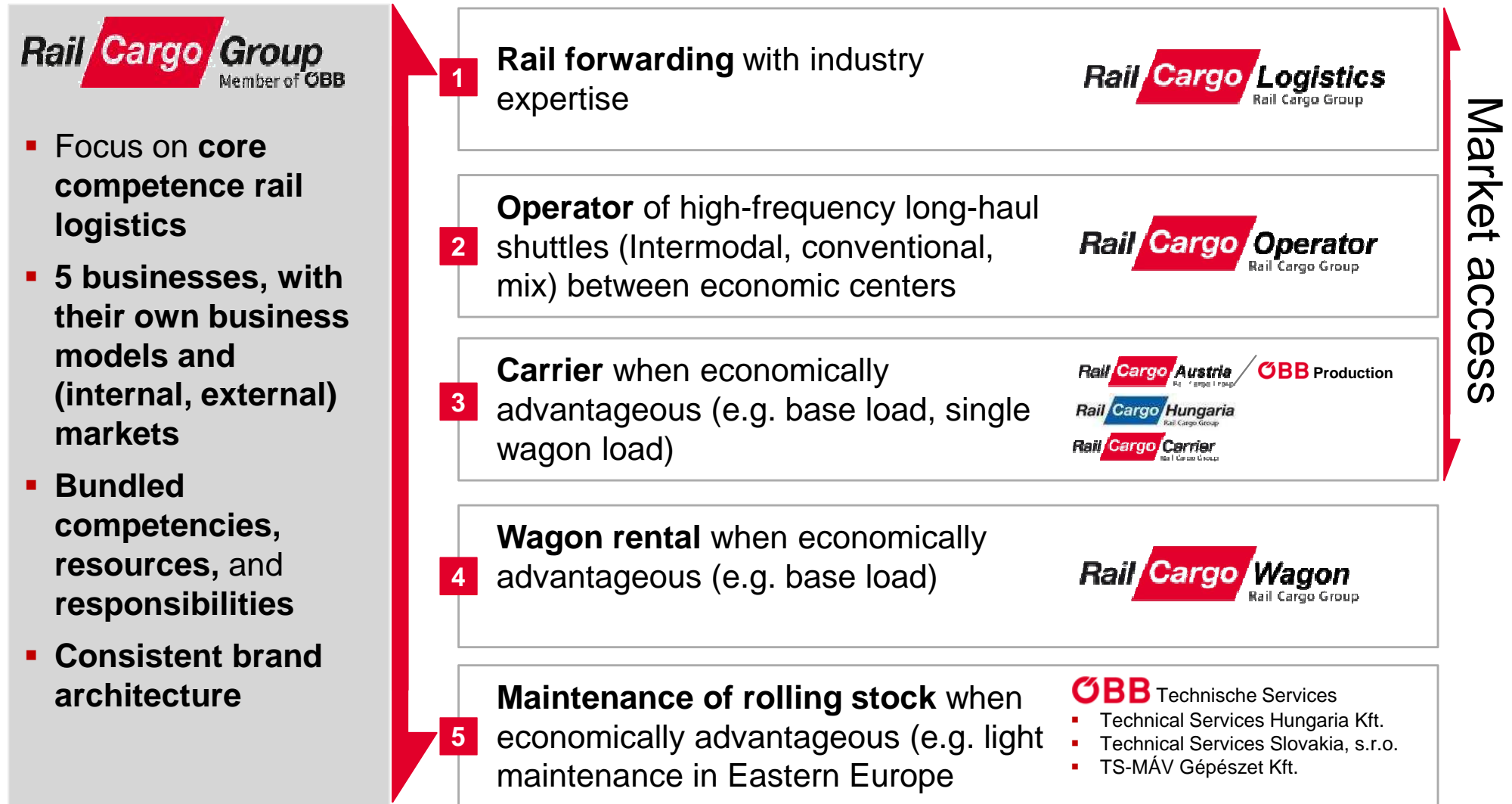
Rail Cargo Group – “Rail logistics between the North Sea, the Mediterranean and the Black Sea”

■ Rail Cargo Companies

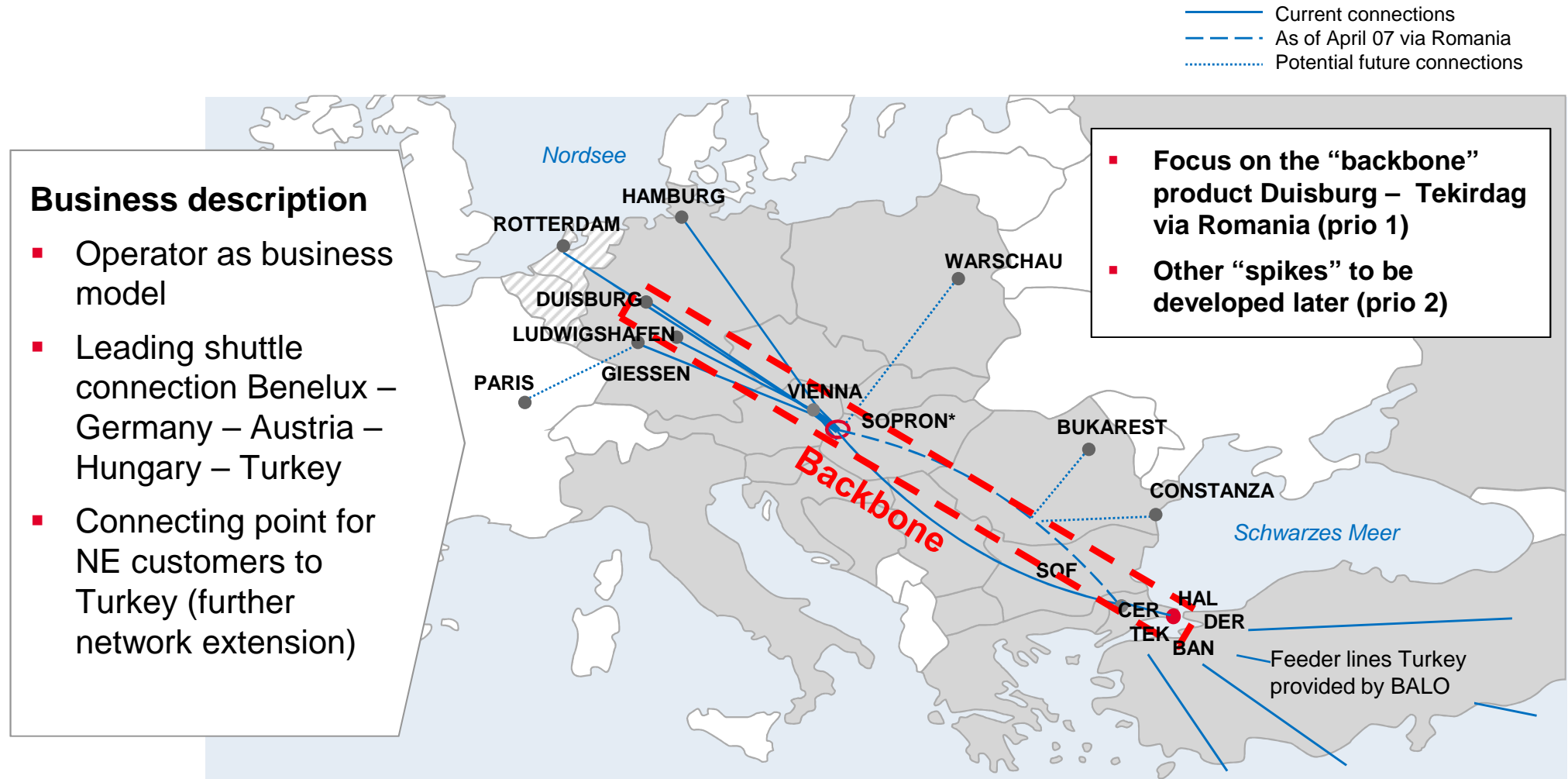


Last update 10.03.2013

Rail Cargo Group: 5 complementary rail freight businesses



The Joint Venture between BALO and Rail Cargo Group will link Northern & Middle Europe with Turkey



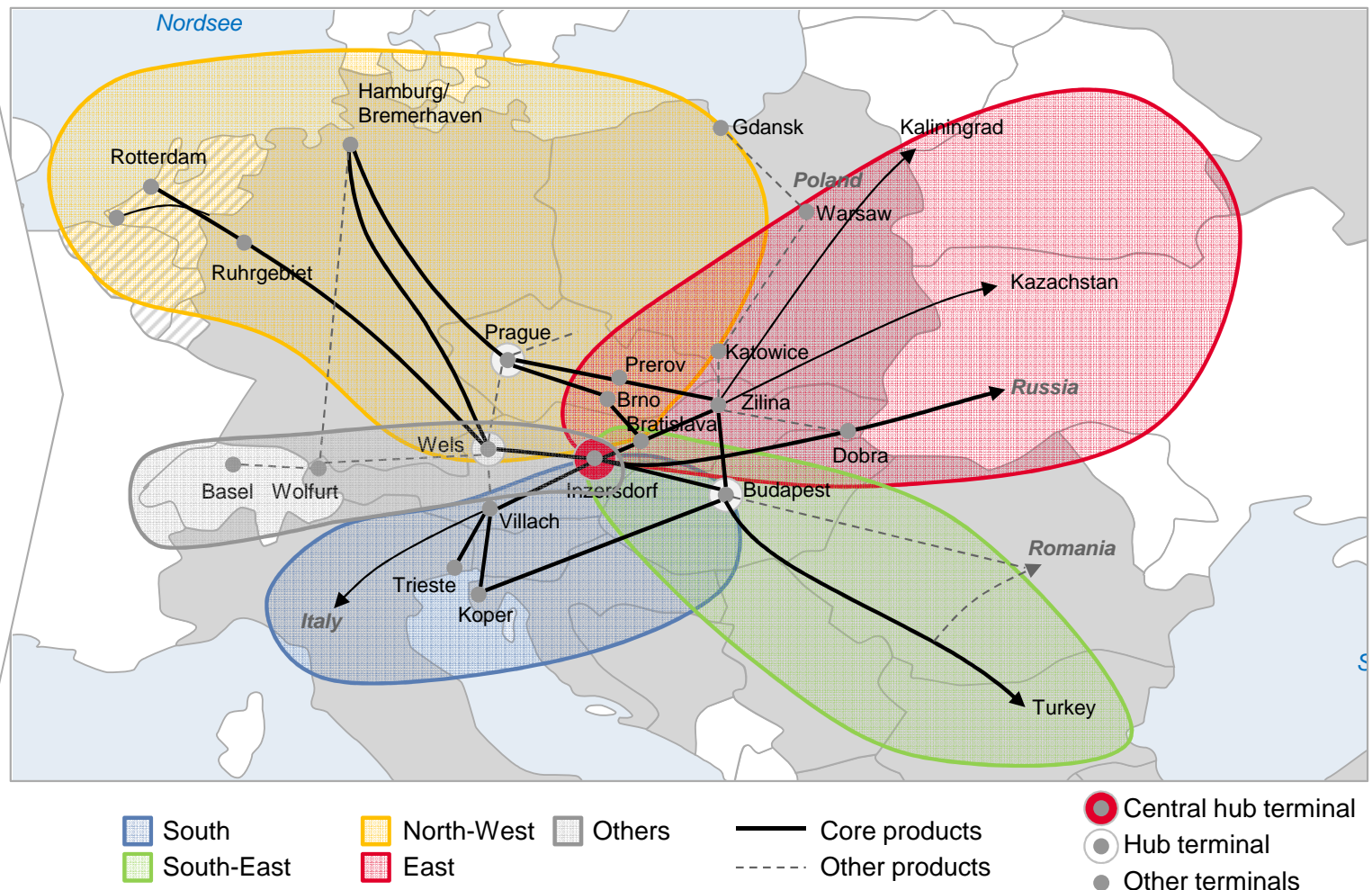
* Replaced through hub-terminal Vienna-Inzersdorf from 2016

The plan: a strategically re-build network across Central Europe, connecting strategic terminals in 4 corridors

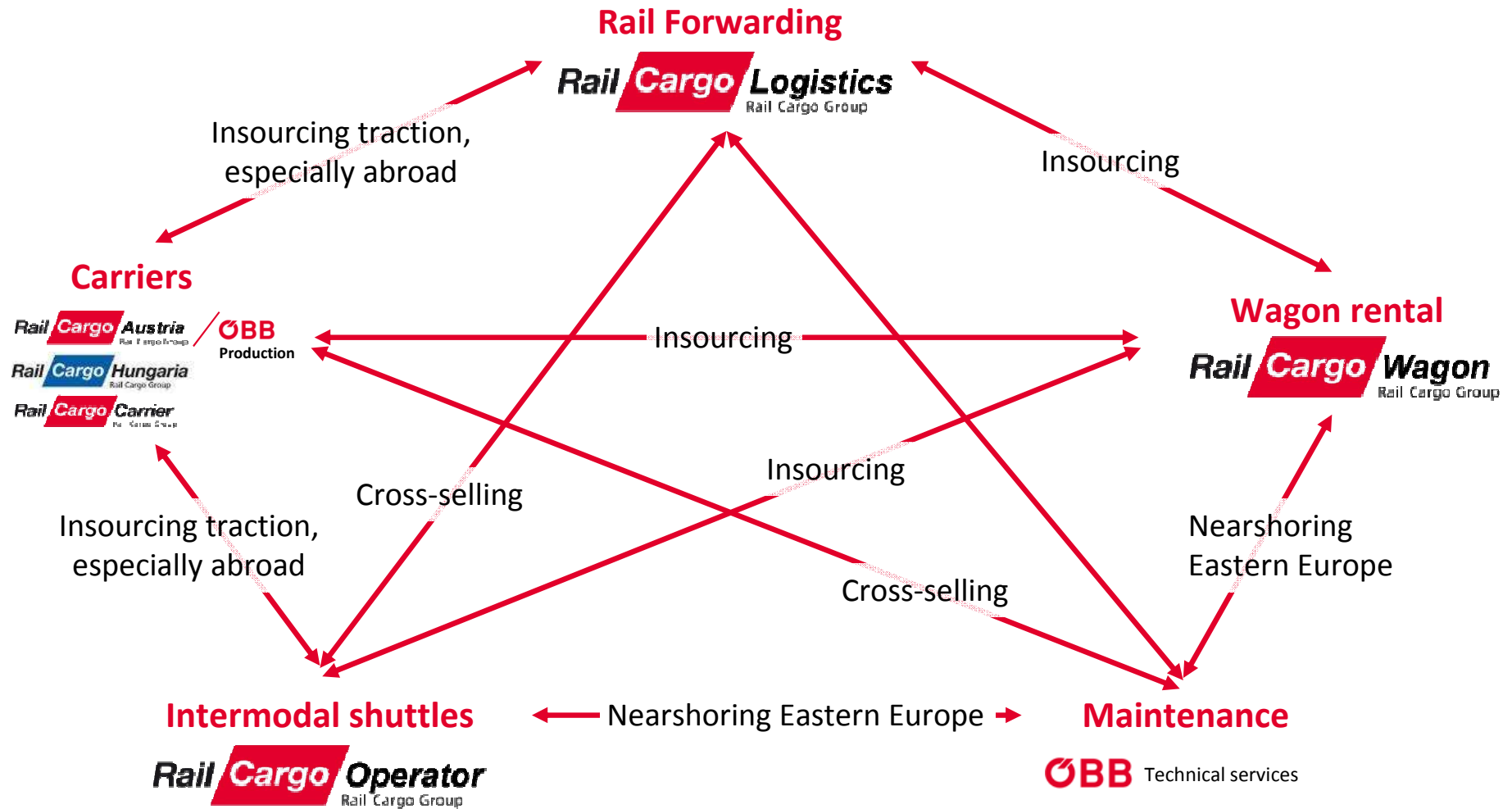
Influencing factors

- Competitor positioning
- Access to and flexibility of core terminals
- Focus on core products in 4 corridors
- Leverage “triangles”
- General market trend (GDP growth, trade flow, trade integration)

RCO Network in 2016 – 4 corridors



Better results from coordinated internal collaboration



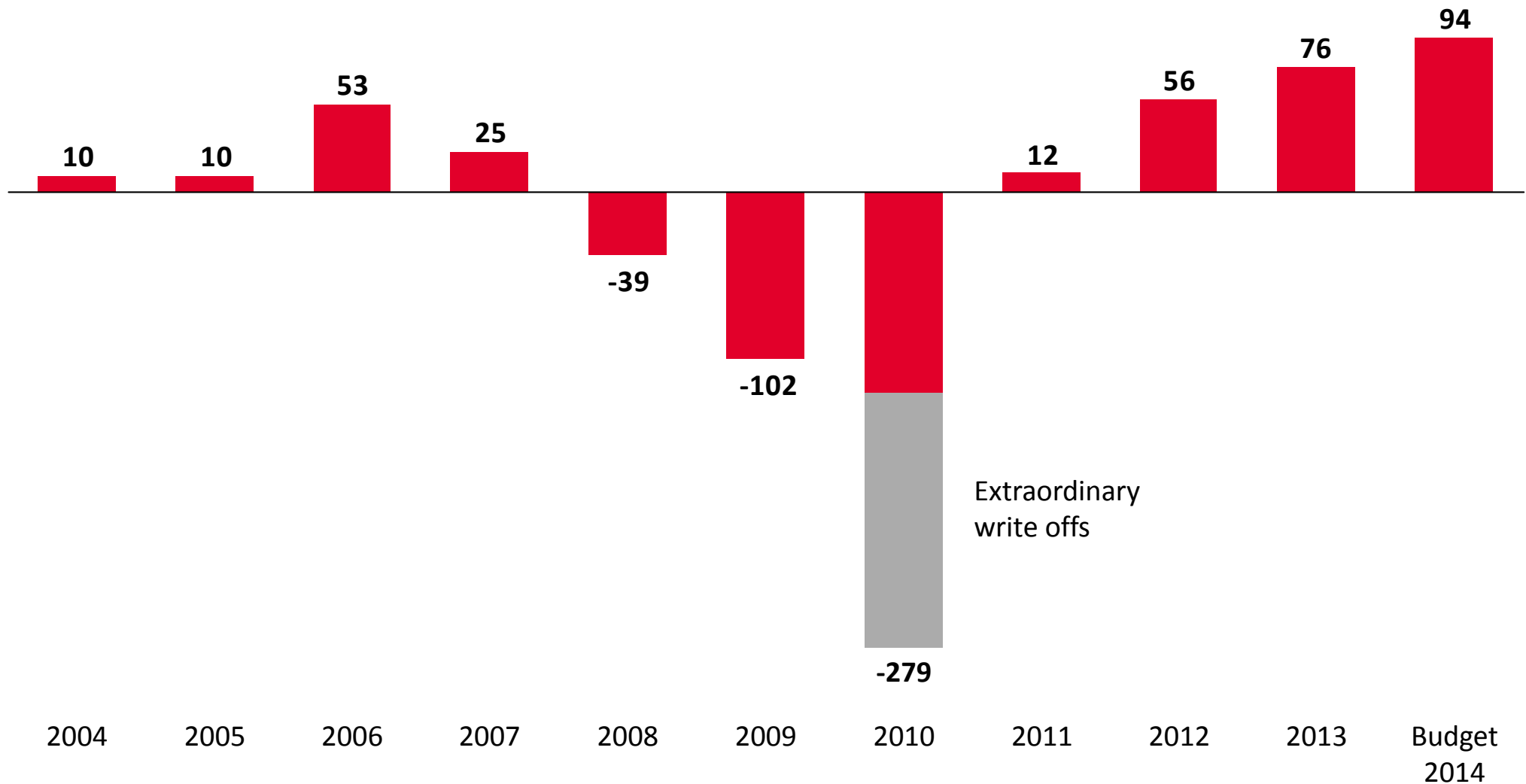
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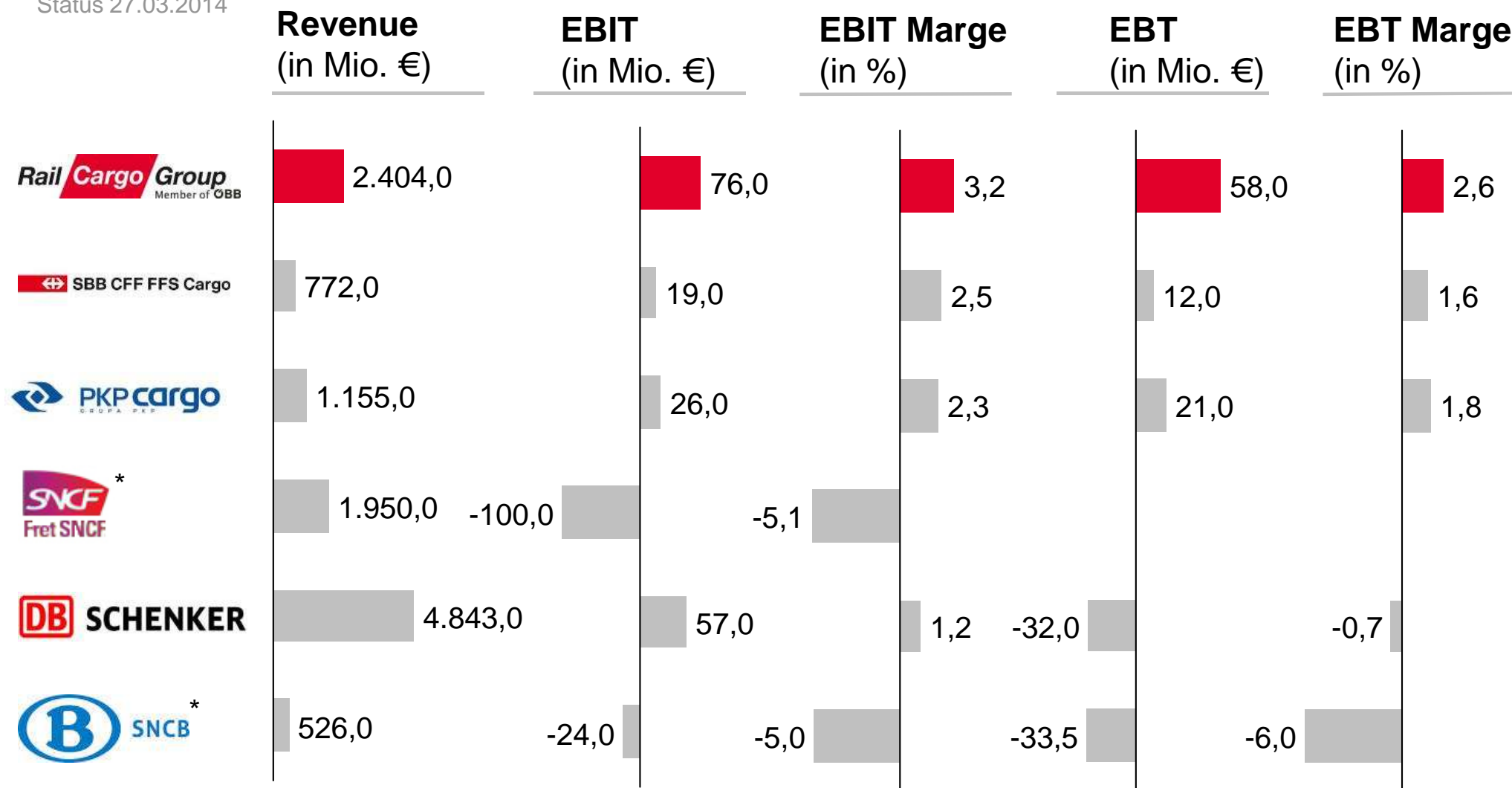
Insufficient EBIT, also in the „good old times“

EBIT, in Mio. €



RCG is most profitable major rail cargo player in Europe in 2013 (according to our benchmark)

Status 27.03.2014



* Estimate

Agenda

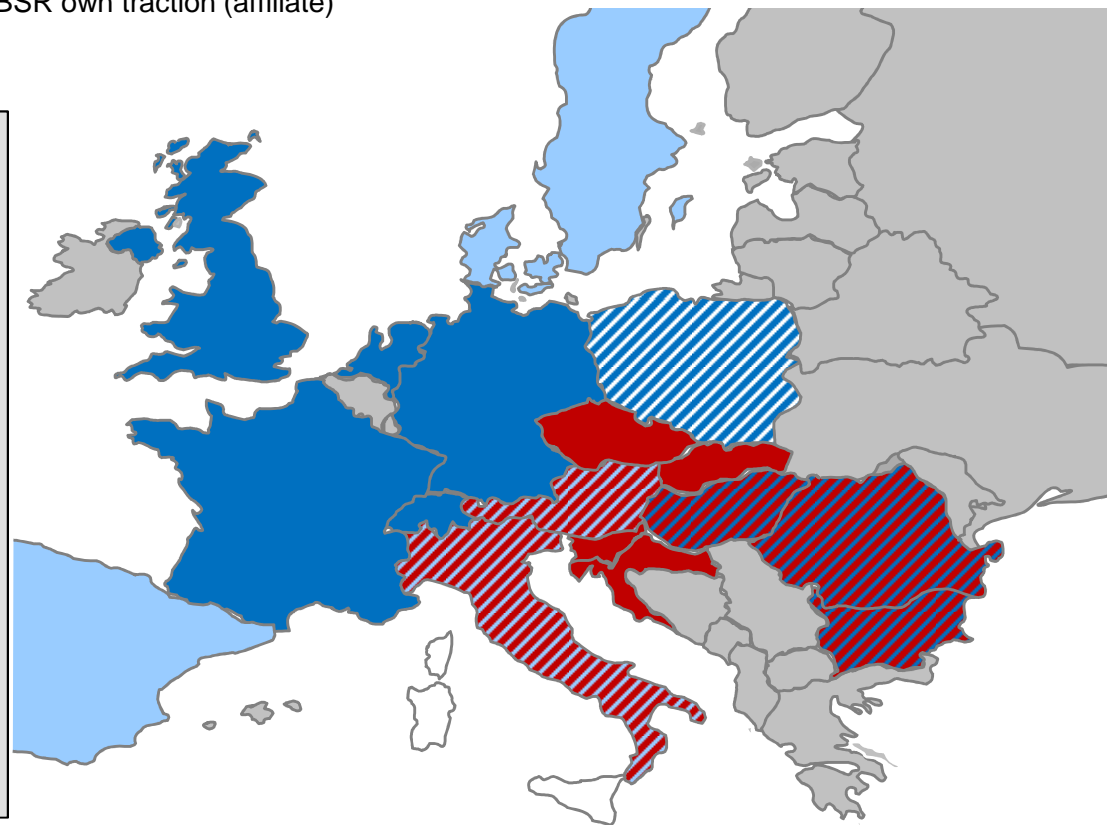
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Rail Freight 2014: Regions of production RCG, DBSR and PKP Cargo



Rail Freight Traffic 2014

- 3 large players (DB, RCA, PKP)
 - Profitability not sufficient for (re-)investment
 - different strategies
- Decreasing number or „real“ private railways



Scenario 2020: 3 market leaders in 3 regions, all present with own traction

- Market leader RCG
- Market leader PKP
- Market leader DBSR
- RCG/PKP
- RCG/DBSR

Scenario 2020

- **3 large railways** in CEE/SEE (DB, RCA, PKP)
 - Profitability partly sufficient for reinvestments
 - „Integrated cargo-solutions“ via affiliated freight forwarders
- **Significant reduction of other carrier**
- **Recent contra-example: Grampet** (Private carrier consolidating public railways in SEE)

