Development of European hinterland traffics from the perspective of a leading player in the combined traffic

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Executive Vice President Network management
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Growing world trade as consequence of globalization

Intermodal – preparations for growth

Tackling the challenges together

Key findings
Logistics providers need to follow their customers – a global presence and the ability to organise intercontinental transports give a competitive edge.

1980 – Focus on Germany

Production: Germany: 70% / International: 30%

Challenges for logistics:
- Production mainly in Germany
- Very few international productions sites and limited amount of transports between sites

2010 – Global network

Production: Germany: 30% / International: 70%

Challenges for logistics:
- Global network of production and warehousing sites
- Transport of components, spare parts and cars
- Demand for logistics services
DB generates sustainable transport services and ensures that transport growth does not result in greater environmental impact.

Megatrends in freight transport market

Globalization

Climate Change

Deregulation

100,000 fewer truckloads daily on Europe’s roads, and

21,000 tons of CO₂ less each day as a result of DB AG rail freight services

33% reduction in specific energy consumption from 1990 to 2006 on rail freight services

Excellent freight forwarding and logistics services...

... with a strong rail backbone

Source: Sustainability Report 2007
The international goods exports and transport flows show a very dynamic development

Goods exports and trade lanes in Mrd. US $

North America

- 2000: 878
- 2005: 1,478
- +12,2% p.a.

Europe

- 2000: 636
- 2005: 2,633
- +14% p.a.

Asia

- 2000: 1,657
- 2005: 2,779
- +14% p.a.

South America

- 2000: 194
- 2005: 355
- +14,6% p.a.

Africa

- 2000: 147
- 2005: 298
- +21,7% p.a.


- Güterstrom zwischen zwei Regionen (Summe der jeweiligen Exporte)
- +5% p.a. - Jährliches Wachstum des Gütervolumens zwischen zwei Regionen
- +9,1% p.a.
- +14,6% p.a.
- +21,7% p.a.
- Summe der jeweiligen Exporte zwischen zwei Regionen in 2004
The share of containerized goods increases constantly

Container flows 2006 in TEU

North America

Europe

Asia Pacific

South America

Intra Asia

- 20 Mio TEU
- 17 Mio TEU
- 10 Mio TEU
- 6 Mio TEU
- 3 Mio TEU
- 5 Mio TEU
- 6 Mio TEU

Market Volumes
Major Tradelanes: 61 Mio TEU
Total: 91 Mio TEU

Source: CI 2006/2007
All seaports in the Northern and Western range will strongly increase their capacities until 2015

Source: Uniconsult / Port Authorities / Masterpläne Deutsche Seehäfen
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Key findings
The Logistics Division of Deutsche Bahn is successfully offering rail and non-rail products worldwide

### Transportation & Logistics - 2007

| External revenues (€ bn) | 18 (+5.6%) | EBIT (€ mn) | 670 | Employees ('000) | 88.2 |

### Rail Freight Transport

<table>
<thead>
<tr>
<th>Rail Freight</th>
<th>Intermodal</th>
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<tbody>
<tr>
<td>External revenues (€ bn)</td>
<td>3.9 (+2%)</td>
</tr>
<tr>
<td>EBIT (€ mn)</td>
<td>217</td>
</tr>
<tr>
<td>Employees ('000)</td>
<td>28.9</td>
</tr>
</tbody>
</table>

### Integrated Logistics

<table>
<thead>
<tr>
<th>Land Transport</th>
<th>Air/Ocean Freight</th>
<th>Contract Logistics/SCM</th>
</tr>
</thead>
<tbody>
<tr>
<td>External revenues (€ bn)</td>
<td>14.0 (+5.9%)</td>
<td></td>
</tr>
<tr>
<td>EBIT (€ mn)</td>
<td>453</td>
<td></td>
</tr>
<tr>
<td>Employees ('000)</td>
<td>59.3</td>
<td></td>
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</tbody>
</table>

Employee figures: average no. of full-time employees
Source: 2007 Annual Report
With more than 2100 national and international trains every week, Intermodal leads the field in European Combined Transport

Basic data for Intermodal, 2007

Key statistics for Intermodal:

- Sales revenue on own business responsibility: around 790 million €
- Trains per week: more than 2100 (corresponding to ca. 13,300 lorry-loads every day)
- Load units per year: around 3.1 million

Key competences of Intermodal

Together with its service partners, the Intermodal business unit offers a pan-European train network and numerous services in the field of Combined Transport.
Within its intermodal business DB Logistics has four core competencies besides traction

<table>
<thead>
<tr>
<th>Terminal Ownership</th>
<th>Terminal Operation</th>
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</thead>
<tbody>
<tr>
<td>- Planning and construction</td>
<td>- Running terminal operation</td>
</tr>
<tr>
<td>- Define handling technology</td>
<td>- Defining terminal standards</td>
</tr>
<tr>
<td>- Design terminal IT systems</td>
<td>- Controlling service and operational quality</td>
</tr>
<tr>
<td>- Selling transport of single boxes incl. services</td>
<td>- Compensate the imbalance of trade flow</td>
</tr>
<tr>
<td>- Neutral platform</td>
<td>- Storage of empty boxes</td>
</tr>
<tr>
<td>- Capacity management/Carrying the utilization risk of trains</td>
<td>- Other Services on boxes, incl. repair,</td>
</tr>
<tr>
<td>- Link between forwarders/shipping lines and traction companies</td>
<td>cleaning etc.</td>
</tr>
<tr>
<td>Intermodal Transport Operator (ITO)/IMC</td>
<td></td>
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</tbody>
</table>

**Intermodal Core Competencies of DB**

- Controlling service and operational quality
Providing capacities and high productivities is key to managing growth and securing Intermodal’s future success

- **Capacities locos and wagons**
  - Increase of wagon fleet by more than 25% by the year 2012
  - Growth in maritime wagons even higher at over 30%
  - Dedicated locomotives for the Intermodal business unit

- **Development of terminal and depot infrastructure**
  - Europe wide development of terminals
  - Container depots (empty & loaded)
  - Expansion into new markets such as China

- **Highly productive systems - Industrialization**
  - Increasing number of block and shuttle trains
  - Flattening of peaks (daily, weakly, seasonal)
  - Change to 24/7 operation where possible

- **Development rail infrastructure**
  - Only indirect influence on measures for Intermodal
  - Articulating specific demand towards infrastructure provider
  - Securing the necessary slots
With its intensive investment programme DB Intermodal prepares for future growth

Investment programme wagons until 2012
(auf Basis Wagenzahlen)

• Intermodal has aligned its investment planning with the high future growth rates.
• The hinterland traffic will double by 2015.
• Maritime wagons will be increased accordingly.
• The investments for locos will focus on multi-tension machines apt for cross-border use in Europe.

Source: DB AG
The Trans-Eurasia Logistics Joint Venture organises and sells container transport on the east-west route

- Organisation and sale of dedicated transport services between Europe and Russia as well as other CIS countries
- Priority cooperation with freight forwarders and possibly big shippers
- Joint Venture acts as agent on a commission basis
- Max. use of the existing resources of the founder companies
- Taking into account the special market structures and the different requirements for logistics services between Russia and Europe

- Establishment of possible terminals, including transshipment and depot/repair business for containers
In order to ensure availability of facilities in the relevant markets, Intermodal is adapting its terminal strategy.

- DB via participations with ca. 40 locations well positioned in Germany
- Existing and planned expansions are in the process of being realized
- Examples: expansion projects in Duisburg, Cologne, Munich
- DB via participations with ca. 20 locations in Europe
- Long-term secure access to terminals especially in bottleneck areas
- Country-specific measures are being undertaken
- 18 terminals planned
- Participation in the fast growing Chinese market for container rail freight
- Establishment of the successful European model for hinterland transport to the Asian seaports
An industrialization of the systems – 24 h / 7 days – requires continuous measures along the chain up to the consignor / consignee.

Example of a port terminal

**Status quo of trains**
- Perceivable peaks on Tue – Wed – Thu
- Volumes strongly drop away towards weekends

**Smoothing by extension of service hours**
- Pickup and delivery of containers in the hinterland after 16:00 h on weekdays as well as weekends
The expected growth by 2015 will mainly occur on the main corridors.

Development rail infrastructure

Source: DB
The Operators, which can offer every service the customer want

DB Intermodal offers rail transport all over Europe and to South East Europe in particular
Together with our customers and partners we are developing concepts and logistics solutions.

Schenker Railog - a 100% subsidiary of Stinnes AG – offers its customers various connections to South-East-Europe.
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Tackling the challenges of hinterland transport

Key findings
To cope with increasing transport demand to/from the hinterland DB Intermodal has specific concepts and initiatives

Selection of hinterland measures

1. Hubs and Turntables
2. Port Conferences
3. Improved Dataflow
4. Extended Gate
The introduction of hubs in the hinterland are an effective method to connect seaports and to bundle continental and maritime volumes

Hub potential in 2009 in round trips/week, incl. regional volume for a hub located in Duisburg

- Benefit to seaport terminals: “mixed“ loads on feeders for hub trains
- The hub improves services to minor ports and regions close to the port area, plus Intermodal presence in the ports
- The hub’s bundling feature of maritime and continental volumes is new to the market
- New range of services now available to shipping companies that demand alternative products

Legend
- < 3 trains/week
- < 5 trains/week
- < 10 trains/week
- < 15 trains/week

Source: DB Intermodal, train figures rounded
Several measures are necessary to develop the logistics site Duisburg as a central hub for the Western ports

Overview of main terminals and railway stations at

- DeCeTe/PKV
- Yard Duisburg Ruhrort
- RHT
- Yard Duisburg Ruhrort
- DeCeTe/PKV
- Logport
- Freight Station Hochfeld Süd
- Duisburg Main Station

Measures

- Utilization and development of available terminal capacities and rail links (transfer traffic) between main economic regions
- Consolidation of maritime and continental shipments
- Expansion of destinations via hub concept

Necessary infrastructure expansion

1. Planned enlargement handling capacity of PKV-terminal from approx. 170,000 to 250,000 load units by the end of 2008
2. Hub development via new building of gateway terminal with a planned handling capacity of 120,000 load units p.a. by 2012
In order to tackle the difficulties of hinterland connections in the best possible way, the Port Conferences were introduced.

Seaport to hinterland transport – the starting situation
- Insufficient planning of container shipments by rail
- High quota of rebooked containers
- Train capacity could be utilised better
- Unnecessary handling operations
- Unreliable planning of deliveries at the receiving end

Port Conferences
- Intensive dialogue with top decision-makers in the port community
- Neutral platform for constructive dialogue
- Initiate cooperation between all players along the entire transport chain
- Presentation of Best Practice examples
- Get a joint understanding of the challenges ahead
Early exchange of information leads to increase of capacities and improved performance

Exchange of information between parties before ship arrival

- Leads to Optimization of stock disposition in sea terminals and train planning
- Leads to Increase of reliability of the process
- Leads to Increase of capacities and improved performance

Win-Win-Situation for shippers (realizing growth) and service provider (increased efficiency)

Main precondition: Booking of transports at the earliest possible point on the shippers level

Improved Dataflow
The Extended Gate Model sets up satellite terminals in the hinterland and speeds up the port processes.

Extended Gate Modell functions:

- Setting up dedicated terminals for ports in the hinterland („satellite terminals“)
- Import: Immediate loading of containers onto specific shuttle trains to the satellites
- Export: Formation of specific block trains to docks or even ships
- Further processing of containers in the satellites:
  - Storage
  - Customs (Import / Export)
  - Pre carriage and on carriage by train and truck
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Key findings
Key findings


2. The rail mode and more specifically the combined traffic will play a major role to tackle this challenge.

3. Providing capacities and high productivities become a strategic competitive advantage.

4. Intermodal as market leader has prepared itself internally as well as on a cross company level for the future growth.

5. The European / German success model „containers on rail“ can be successfully exported to markets beyond Europe.
Thank you very much for your attention!