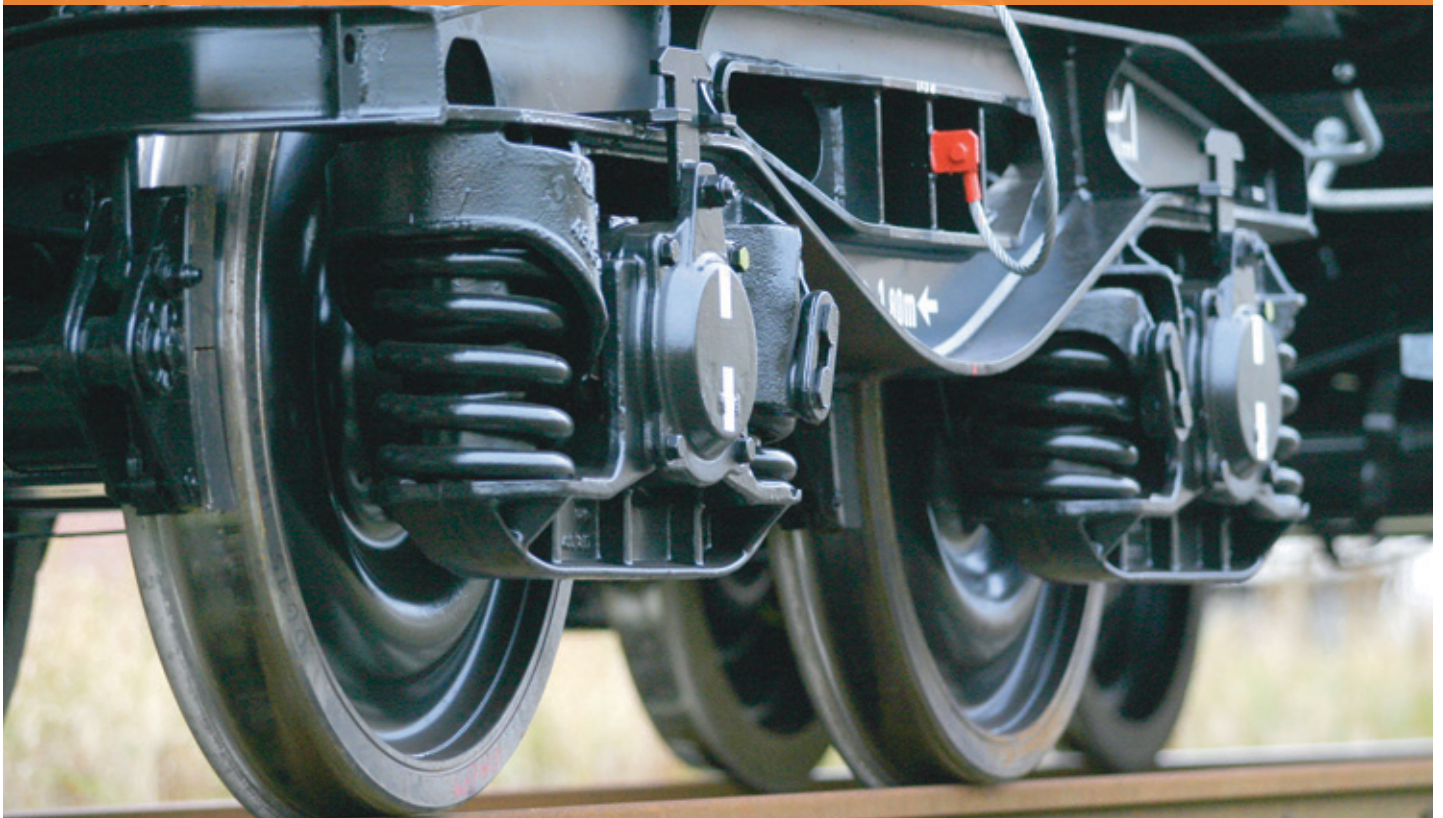


ONLINE

VTG raises service standards bar



Keeping more wheels rolling more of the time.

VTG Rail UK has restructured its fleet management team and set itself challenging new targets for wagon availability and reliability in its drive to offer the best service possible.

As the country's biggest provider of private railway wagons, VTG has built a reputation for high quality delivery.

Managing Director Rob Brook says the company understands the importance and value placed by its customers on service and the certainty of wagon supply.

Over the years VTG has always set and achieved industry leading service availability standards, but as the economy improves and customer demands grow, it has decided to take steps to boost the offering still further.

Rob explains: "We know customers need our wagons to be available to them exactly when and where they want them, and to have confidence that those wagons will not let them down in service.

"So in order to meet this demand we have set ourselves new, even more stringent, wagon availability targets and restructured our fleet management team.

"The restructuring has the twin objectives of providing customers with a principal point of contact for fleet operations matters and of equal importance, setting up an enhanced fleet maintenance regime."

Facing the customers is VTG's Service Delivery Manager Maria Connolly.

Maria provides a link between customers

and VTG's engineers, whilst Asset Manager Mark Pumphrey is responsible for the 'behind the scenes' work on component management and the overall condition of the VTG wagon fleet.

Supporting the Service Delivery team is Lee Powell, VTG's newly appointed Reliability Engineer, who joined VTG in May after more than a decade of previous railfreight industry experience with Freightliner.

Rob concluded: "The control that these changes will create are intended to allow our customers to plan their business safe in the knowledge that VTG's link in their supply chain won't let them down."

How do you solve a customer's problem? Maria knows! See page 2

Maria there to solve problems

“I’m on your side and I’m here to ensure you have a problem-free service.”



Maria Connolly - VTG's Service Delivery Manager and the 'face' of VTG on a day to day basis. An experienced operator with rich history in rail freight, Maria will make sure the 'stringent' targets are met.

That's the message to customers from VTG's new Service Delivery Manager, Maria Connolly.

Maria, an experienced rail freight operations co-ordinator, is now the primary point of contact for VTG's 20 plus customers when it comes to fleet operations issues.

Her role as the new 'face' of VTG is to champion their cause, liaising on a day to day basis with them and her team of three fleet controllers, two of whom are based in the Midlands and one at Peterborough.

Maria works closely with Mark Pumphrey, VTG's Asset Manager, whose role is to ensure the status of every wagon in VTG's fleet is fully understood and controlled via liaison with component suppliers, wagon manufacturers and maintainers, as well as with the company's Engineering team, to maximise fleet performance levels.

Maria has 25 years' experience and is aware that doing what you promise is massively important to her customers.

“My team is totally focused on the customer and making sure we deliver what we

say we will. At the heart of our promise is the stringent wagon availability standards we have set ourselves,” she said. “Our target is always to exceed contractual availability requirements wherever possible, and having promised our customers the best service possible, we will do whatever is necessary to keep our word.”



Lee Powell - VTG's Reliability Engineer will provide support to the service delivery team. An experienced railfreight professional with more than a decade of experience at Freightliner.

Spring business boost

May was a good month for new business at VTG.

Hire agreements were signed for a combined total of 67 new JPA cement wagons by Hanson Cement and Hope Construction Materials, boosting the new build order book that already contained new contracts for our Ecofret wagon sets for Freightliner and GB Railfreight.

Hanson signed a deal for 19 new JPAs while Hope Construction Materials penned a similar agreement for 48 wagons.

The new wagons are being built by Feldbinder in Wittenberg, Germany to a similar design to those introduced to the UK by VTG in 2008. Featuring lightweight aluminium bodies and state of the art, track friendly bogies, the wagons are the most efficient of their kind in the market. Delivery is expected to begin in mid-2015.

Hanson UK, who's businesses include Hanson Cement, is a leading supplier of heavy building materials to the construction industry. It produces ready-mixed and precast concrete and cement-related materials as well as a range of building products including clay bricks and roof tiles, concrete



Business boosted by JPA orders.

blocks and pavers, aggregates (crushed rock, sand and gravel) and asphalt.

Hope Construction Materials is a newly formed producer of cement and ready-mix concrete, and also supplies aggregates and asphalt.

HCM commenced trading in January 2013

following the purchase of over 150 former Tarmac and Lafarge sites, including the Hope cement plant (after which the company is named), a national network of ready-mixed concrete plants, plus aggregates quarries, rail depots and asphalt plants.

2014 starts with growth in core business



- Mixed picture in business divisions in the first quarter of 2014.
- Revenue and operative profit (EBITDA) of the Railcar Division continue to contribute positively, Rail Logistics has been troubled by the Crimean crisis and the mild winter.
- Group revenue was constant at €199.6 million compared with the first quarter of 2013 (€202.1 million). EBITDA was, at €44.0 million, just below the previous year's value of €45 million.



"Our Railcar Division started the year very successfully and is showing definite growth. We are also looking forward to an upward trend in the Tank Container Logistics Division," said Dr. Heiko Fischer, CEO of VTG AG.

A positive start to the year for the Railcar Division

The revenue of the Railcar Division rose by 3.0 percent to €85.4 million (2013: €83.0 million). EBITDA increased by 1.9 percent from €43.5 million to €44.4 million.

This positive development was essentially due to the delivery of many new build wagons for the steel and agricultural industries. In addition, the Russian fleet was further strengthened by the delivery of 100 cement wagons built in the Ukraine.

At March 31, 2014 the VTG fleet consisted of 52,900 wagons – a slight increase in comparison to the end of 2013 (52,700 wagons). The capacity utilisation was 90.1 percent in the first quarter (Q1/2013: 89.9 percent) which represents another increase from the previous quarter (Q4/2013: 89.8 percent).

Rail Logistics faces a challenge

Dr. Fischer spoke of the challenge: "Unfortunately, the political tensions in Russia and the Ukraine have hindered the current development of Rail Logistics. We are however confident that this situation will improve throughout the course of the year. "In the first quarter of 2014, Rail Logistics achieved revenue of €77.0 million and was therefore 3.3 percent under the previous year (€79.6 million). The EBITDA fell by 92.3 percent to €0.1 million (2013: €1.7 million). The EBITDA margin related to gross profit went down by 2.0 percent from last year's 28.0 percent.

Why did revenue decline?

One reason for the decline in revenue was the very mild winter in Europe.

This resulted in a decreased demand for the transport of energy materials and fewer replacement transports for inland waterway transportation.

Competition within the liquid goods product segment has also increased significantly. This has led to a noticeable decrease in achievable profit margins. Revenue in the industrial goods segment is above the previous year but Rail Logistics has not yet been able to achieve the turnover expected resulting from

the takeover of the Kuehne and Nagel activities. On the other hand, expenses have been made for staff and office space. The political tensions between Russia and the Ukraine are making business development particularly difficult and transports there have been almost brought to a standstill. The agricultural goods segment has stabilised and is developing satisfactorily.

Tank Container Logistics development trend improves

Revenue in the Tank Container Logistics Division accounted to €37.2 million in the first three months of the new financial year. It was therefore 6.0 percent lower than the previous year's €39.5 million. The EBITDA decreased by 16.7 percent to €2.4 million compared to the previous year (€2.9 million). The EBITDA margin related to gross profit went down to 41.8 percent (previous year: 44.4 percent). The decrease in revenue compared to the first quarter of 2013 is mainly due to the decline in transports in North America and Asia.

Overall, the first quarter of 2014 has shown a brightened economic outlook after three quarters of falling revenue and earnings figures. In the first quarter of 2014, we have seen an increase in revenue and EBITDA compared to the previous quarter. Revenue increased by 9.0 percent compared to the previous quarter and the EBITDA has actually risen by more than two thirds.

Revenue forecast for 2014 adjusted

The revenue and earnings figures for the first quarter are generally lower than expected. In particular, revenue growth could not be achieved within the Rail Logistics Division as a result of the political tensions between the Ukraine and Russia and because of market developments in the liquid goods segment. The VTG AG Executive Board assumes that these hindering factors will continue for the next few months and has therefore moderately adjusted the revenue forecast for 2014. Group revenue of between €800– 900 million are expected for the year 2014 (previous forecast: €850–950 million). As the Rail Logistics Division has comparatively small margins, the Group EBITDA forecast remains unchanged. However, the Executive Board expects EBITDA to be at the lower end of the forecast range of €188–200 million.

VTG's Freight Excellence category won by GBRf



Rob Brook, left, presents top freight award to GBRf, flanked by Gyles Brandreth, right.

The winner of the VTG-sponsored Railfreight Excellence category at the Rail Business Awards was GB Railfreight.

VTG MD Rob Brook presented his GBRf counterpart, John Smith, with the trophy at the RBA annual dinner in February, which was held at London's Hilton, Park Lane.

"This is one of the industry's top business awards, and one that the judges felt GBRf thoroughly deserved," said Rob.

"GBRf has been a remarkable success story," he added. "Their business achievements, their success in winning new contracts, grow-

ing profitability and large-scale investment, coupled with excellent customer service over the course of last year made them an obvious choice according to the judges."

Rob added: "We are once again delighted to sponsor the Rail Business Awards and to be associated with recognising business excellence throughout the railfreight sector.

"These are challenging times but as GBRf and VTG have both shown, a vision and a strategic business plan plus the people to carry it out, can bring about significant achievements."

Mike's Daz-zling offer

A guest of VTG at the awards, and someone clearly influenced by the charitable nature of the evening, was GBRf's Mike Higgins.

Mike, GBRf's Head of Business Development, persuaded Rob Brook to include the phrase 'washing machines' whilst on stage announcing details of the award. In return Mike had agreed to donate £125 each to the Railway Benefit Fund and to a cerebral palsy charity.

Rob duly obliged (along with a few words of explanation for the somewhat confused audience) and Mike paid the money!

*As we went to press it emerged that Mike originally asked Rob to say something a little naughtier than "washing machines".

Do you have any ideas what he might have requested? Funniest printable suggestion wins a VTG goody bag!

Best unprintable winner? We will see how good the suggestions are!



Report details benefits of rail freight

The UK's rail freight industry is worth £1.5bn a year in benefits to the UK economy, according to a significant new report published by the Rail Delivery Group.

The report - *Keeping the Lights On and the Traffic Moving* - also reveals that rail freight moves one in four of the containers that enter the UK and 50 percent of the fuel used in electricity generation.

These statistics lend support to VTG's decision to make strategic investments in coal, biomass and the Ecofret container wagons.

The benefits of rail freight go beyond the pure economic. With the five main rail freight operating companies alone directly employing over 5,000 people, the report makes clear that the rail freight sector as a whole is a major provider of jobs.

The report was produced for the Rail Delivery Group from data collated by KPMG for the RDG. For more details go to:

www.raildeliverygroup.com



Road to nowhere?

Photo: ©Bob Sweet

Commercial news in brief



VTG gets green and blue light to build more Ecofrets.

More Ecofrets on the way

VTG Rail UK has signed hire agreements for its innovative and award winning Ecofret container wagons with two of the UK's biggest rail freight companies, Freightliner and GB Railfreight.

Freightliner has ordered 21 sets of twin-platform Ecofret wagons to add to its existing fleet of 43 twins, whilst GBRF has placed orders for 17 triple-platform sets which will join the existing triple with which it has been running extended trials.

Contracts were signed in April and May of this year and wagon delivery will begin in late summer 2014 and continue through until early 2015.

Rob Brook, VTG's Managing Director, is pleased but not surprised that the Ecofret is proving to be such a success.

"The Ecofret," he said, "is an innovative, carefully researched and ultimately successful investment by VTG that is now changing the economics of intermodal traffic.

"The wagons are designed to maximise the number of 40ft containers, now predominant in the deep sea shipping market, that can be carried in a given train length.

"By using the capability of the centre platform of the Ecofret triple platform set to carry either one 40ft or two 20ft containers, or by mixing twin platform Ecofrets with

existing 60ft wagons such as FEAs, the wasteful 20ft gaps common on traditional intermodal trains are virtually eliminated".

Close coupled Ecofret platforms mean that as well as offering an improvement of up to 32% in the number of containers carried compared to a similar length of train using Megafret wagons, the elimination of large gaps between boxes reduces turbulence and hence fuel consumption.

Meanwhile Ecofret's track friendly bogies reduce the impact on the railway infrastructure meaning lower track access charges, as well as allowing improved fleet availability by going further between service intervals.

Rob concluded: "The orders being placed by the UK's leading rail freight companies for additional Ecofrets totally vindicates our significant investment in the development of this unique vehicle."

VTG modernises global giant's wagon fleet

VTG is upgrading the wagon fleet it hires to Petroineos, the global manufacturer of petrochemicals, speciality chemicals and oil products, to modern, state of the art, tank cars.

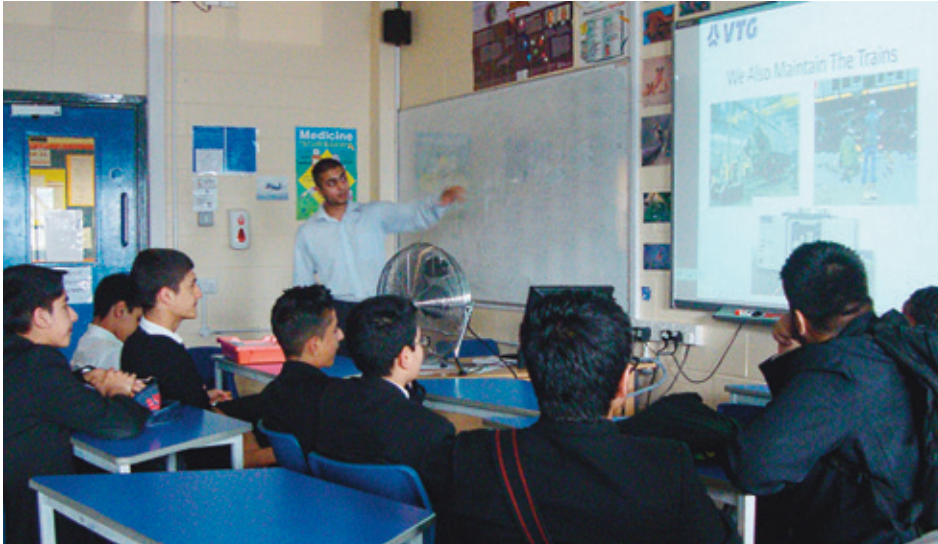
Currently operating older former BP wagons which, although well maintained and of high integrity, use old technology, the multi-national chemical company signed a deal with VTG in May to hire a fleet of the latest design of high efficiency petroleum wagons fitted with track friendly bogies.

The new wagons will give Petroineos

improved performance and reliability plus greater payload capability. In addition the high specification bogies fitted to them will bring other benefits such as minimal maintenance downtime, lower noise levels and reduced track access charges.

The wagons will be maintained at Grangemouth, near Falkirk, Petroineos' largest manufacturing site by volume of products and home to Petroineos, Scotland's only crude oil refinery which produces the bulk of fuels used in that country.

VTG and Moiz united in support



Moiz has his audience entranced by his talk on wagon maintenance.

Moiz Pishori, VTG's Year in Industry placement is giving something back to the community by mentoring Year 9 students in "Go4Set" – a programme to inspire future engineers and scientists.

"Go4Set is an Engineering Development Trust (EDT) programme," explained Moiz. "The EDT encourages science, technology, engineering and mathematics (STEM) subjects. In fact it organised my placement with VTG.

"I have been working with year 9 students at Small Heath Upper School in Birmingham, that's children aged between 13 and 14. I visit the school every week or two after lessons.

"They are working on STEM based projects including designing an environmentally friendly classroom, increasing the amount of recycling in school and imagining that

the school is on an island and managing the resources going into and out of it.

"All pupils are required to produce a report and simple model showing their project.

"My role is to support the children and offer any guidance or tips where I can. I also give a short presentation highlighting what we do at VTG."

At the end of the 10 weeks, the projects will be judged by members of industry.

The Go4Set project lasts 10 weeks and pupils in teams of four have to manage their group project from start to finish.

The programme, whose sponsors include Jaguar Land Rover, Rolls Royce and BAE Systems was launched at the NEC Big Bang Fair, where many engineering or technology companies hold displays about current projects.

Are we the... Brains of railfreight?



From left: Maria C., Maria B., Mark, Janet and Martyn.

When it comes to music knowledge it seems we're the tops!

Our bright sparks came an impressive first and second at the GBRf Birmingham charity music quiz night at the beginning of July.

Winners were Charlie and his Angels, featuring Bosley – aka Mark Pumphrey (Charlie), 'Angels' Maria Connolly, Maria Baugh and Janet Sheppard, and Martyn Catlin (Bosley).

Runners up were Lord Plugg and his Sockets – a team of Rob Brook, Nigel Day, Ian Shaw and Paul Lugg aka Lord Plugg.

Quiz organisers were GBRf's trio of Brian Tomlin (quizmaster), Ben Andrew and Dale Williams (music maestros), who were embarking on the third quiz on their 'World Tour'.

The quiz was held at the Crowne Plaza hotel in Birmingham and was the first event in support of GBRf's new charity Leukaemia and Lymphoma Research.

A big VTG thank you to GBRf's Jeanette Smith for organising the event.

Fair weather on the fairway!

VTG's annual golf day was a sun-drenched success this year.

Over 20 golfers from across the railfreight spectrum came to the Welcombe Hotel in Stratford upon Avon on Wednesday 9 July to take part in VTG's annual event.

Winner of the 2014 competition was Ben Andrew from GB Railfreight who shot an impressive 37 points to win by one point.

The sun shone all day and, apart from a little sunburn, everyone got around the course comfortably.

Dr Heiko Fischer CEO of VTG AG attended the dinner on the evening.



Ben Andrew, GBRf, is the 2014 VTG golf champion.



Dr Heiko Fischer enjoys the evening.