

ONLINE

We've moved



Our new address:

VTG Rail UK

Two Parklands, Parklands Business Park, Rubery, Birmingham B45 9PZ

Telephone and email addresses remain the same.

VTG Rail UK is excited to announce that it moved into its new offices in early May. Still in the West Midlands, VTG's new home is at Parklands Business Park in the south west of Birmingham, about 1.5 miles from Longbridge railway station and roughly 5 miles

"as the crow flies" from its previous location at Quinton Business Park.

A period of successful expansion for the business, including the integration of the former AAE fleet and the forthcoming acquisition of the CIT Nacco business has led to a

need for more space to accommodate VTG's growing team. The move also presented the opportunity to revamp VTG's IT systems and to incorporate new features to meet the specific needs of the business such as a dedicated "WASP" (performance management) hub and state of the art video conferencing facilities.

VTG's team of 20 staff, up by around 50 per cent from when it moved to Quinton Business Park 10 years ago, will now benefit from increased working space, meeting rooms and break out areas, not to mention a selection of local facilities.

Managing Director Rob Brook said: "We now have 60 per cent more space and our open plan offices work very well, promoting the flow of communication throughout the business as a whole.

"We now have hotels, restaurants, gyms and shops nearby as well as being near to the railway station. The new location will be beneficial for VTG's UK staff, visitors from VTG Group and our customers alike."

"Moving offices is always a challenge and requires meticulous planning, but ultimately the benefits achieved mean it is a very satisfying experience," said Rob.

Flying start for new wagons

VTG Rail UK has delivered the first set of new tank wagons to British Airways to move aviation fuel into Heathrow airport. The second batch will be delivered later this year.

The wagons, which will be leased to BA, were built by Greenbrier in Swidnica, south western Poland.

VTG MD Rob Brook said: "We are delighted to be doing business and to be working in close cooperation with BA and its suppliers to ensure the flow of fuel into Heathrow airport.

"We are pleased that BA has chosen to place its trust in VTG for this vital traffic and recognises the value of the package we are able to supply. Not just the wagons themselves but our overall ability to deliver in the long term.

"We are confident that these wagons will provide reliable service for many years to come."

The brand-new wagons have been built to VTG's state of the art design, which offers

class leading payloads. They are fitted with track friendly, low noise bogies for quieter operation, offering reduced maintenance downtime and lower track access charges.

The wagons have also been fitted with VTG's Connect digital track and trace equipment, which will capture location data and make that available to customers who will be able to monitor where exactly their wagons are in real time and at all times

The wagons, fully compliant with aviation regulations, will be bottom loaded at the storage terminal. They have a vapour recovery system fitted to eliminate the build-up of any back pressure or escape of vapours during loading.

The wagons arrived in Britain from the Polish manufacturers in what VTG described as a 'record time'.

Sales and marketing director Ian Shaw said: "The first wagons arrived at Wembley just 7 days after their departure from Swidnica, a



journey that can often take 6 to 8 weeks, and sometimes longer.

"As far as we are concerned, in our experience, this is the shortest transit time for new build wagons from eastern Europe to the UK."

The journey across Europe was organised and carried out by the Germany-based Rail Logistics division of VTG Rail UK's parent company VTG AG.

"A big thank you," said Ian, "to all of our group colleagues for their assistance in delivering this important new project, particularly Rail Logistics, who managed the transit of the wagons to the UK from Poland so efficiently."

VTG AG makes a very bright start to the 2018 financial year



Dr. Heiko Fischer, CEO.

Positive developments in all three divisions

Hamburg, 16 May 2018

- Revenue up by around 5%
- EBITDA jumps 16%
- Group net profit over 31% higher year on year
- Earnings per share (EPS) up 42% to EUR 0.47
- Logistics divisions maintain positive trend
- Railcar capacity utilisation remains above 92%

VTG Aktiengesellschaft has made a very bright start to the 2018 financial year. At EUR 255.1 million, first-quarter Group revenue was 4.6 percent up on the same period a year ago (EUR 243.8 million).

EBITDA jumped sharply by 16.1 percent to EUR 88.9 million (Q1 2017: EUR 76.6 million).

Group net profit too was substantially higher at EUR 16.6 million (Q1 2017: EUR 12.7 million). Earnings per share (EPS) likewise increased very significantly, improving from EUR 0.33 in the first quarter of 2017 to EUR 0.47 in the period under review.

"We are very satisfied with our results for the first quarter of 2018. Once again,

we were able to increase our revenue, EBITDA, Group net profit and earnings per share," says Heiko Fischer, Chairman of the Executive Board of VTG AG.

"This marks a continuation of the positive development we saw in the second half of 2017. In particular, we are benefiting from a persistently favourable economic climate, the associated high utilisation of our fleet capacity and comparatively low maintenance costs in our Railcar Division. The Logistics Divisions too are experiencing further positive development and increasing their earnings."

Railcar: Revenue and EBITDA increasing – Capacity utilisation remains at record levels

In the first three months of the 2018 financial year, the Railcar Division posted revenue of EUR 135.0 million (Q1 2017: EUR 125.6 million). This figure marks a year-on-year gain of 7.6 percent and is largely attributable to very high capacity utilisation in all railcar segments. At the same time, the enlargement of the fleet in 2017 also had a positive impact on revenue development. EBITDA rose faster than revenue, increasing by 16.8 percent to EUR 89.0 million (Q1 2017: EUR 76.2 million). This was because the number of railcars hired out increased, while maintenance costs were lower. As a result, the EBITDA margin (based on revenue) was up by 5.2 percentage points to 65.9 percent compared to the first three months of 2017 (60.7 percent). Fleet capacity utilisation rose to its highest level since the end of 2008 and stood at 92.2 percent (Q1 2017: 90.3 percent).

Capital expenditure of EUR 63.4 million in the first quarter of 2018 was about twice as high as in the same period a year ago (EUR 31.7 million). The acquisition of new railcars – mostly in Europe and, to a smaller extent, in Russia – was the main reason for this increase.

Significant growth in EBITDA at Rail Logistics and Tank Container Logistics

The Rail Logistics Division recorded revenue of EUR 78.9 million in the first quarter of 2018, a figure virtually unchanged from that of the same period a year ago (EUR 79.2 million). Lower transportation and leasing costs nevertheless enabled the division to improve its gross profit. Higher gross profit in turn drove EBITDA up by 31.4 percent to EUR 2.1 million (Q1 2017: EUR 1.6 million). Accordingly, the EBITDA margin for Rail Logistics, which is based on gross profit, rose by 3.1 percentage points to 25.9 percent in

the first quarter of 2018, compared to 22.8 percent in the first three months of 2017.

Healthy capacity utilisation in the chemical industry in Europe once again boosted the number of consignments transported by Tank Container Logistics. Unlike in 2017, though, transportation prices remained stable or even increased slightly, causing revenue to increase by 5.6 percent to EUR 41.2 million compared to the first quarter of 2017 (EUR 39.0 million). Lower leasing and maintenance costs for tank containers played a part in pushing EBITDA up by 30.6 percent to EUR 3.2 million (Q1 2017: EUR 2.4 million). The EBITDA margin (based on gross profit) thus improved by 10.1 percentage points to 39.4 percent (Q1 2017: 29.3 percent).

VTG Executive Board confirms forecast for 2018

In light of generally positive global economic conditions and forecast economic expectations, the Executive Board stands by its expectation of positive revenue and EBITDA development for the VTG Group in 2018. Accordingly, Group revenue should be slightly higher than the prior year's figure of EUR 1,014 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) are projected to be in a corridor from EUR 340 million to EUR 370 million.

"We are very satisfied with our results for the first quarter of 2018"

On July 1, 2017, VTG announced its intention to acquire all shares in CIT Rail Holdings (Europe) SAS – and hence the Nacco Group – from the American CIT Group. At the end of March, the relevant antitrust authorities approved the transaction subject to certain conditions. Of the Nacco business it intends to buy, VTG is thus obliged to sell around 30 percent in advance to third parties. Only when this sale has been closed will VTG be authorized to take over the Nacco Group's remaining 10,000 or so freight cars. At the present time, there is no way to reliably assess either the timing of this process or how it might affect earnings in the 2018 financial year. It follows that all statements on business expectations in this quarterly report exclude any effects from the planned takeover of the Nacco Group.

VTG – Connecting to the future

VTG's programme to install digital track and trace equipment on every wagon in its fleet, called VTG Connect, is making good progress, with over 15,000 wagons across Europe fitted so far.

Wagon "Connectors" will capture location data giving VTG the ability to make that available to customers who will then be able to monitor where exactly their wagons are in real time. This information can be processed to provide information about routes, journey times, average speeds, stoppage times and a "geo-fencing" feature will enable participating customers to create automatic alerts, for example to advise when their wagons are within a certain radius of their plant, hence allowing them to prepare to receive the incoming train. Also included is a shock sensing capability which can detect and record the time and place of potentially damaging impacts to the wagon, enabling

VTG to assist its customers in where damage occurred and who was responsible.

The next stage of the long-term plan is for additional sensors to be linked to the VTG Connector, making even more information available about the condition of wagons. This will allow VTG to introduce "smart" wagon management systems which are able to utilise this data to optimise maintenance regimes to further improve reliability and availability.

Work to fit VTG Connector to the UK fleet began with some recent new build wagons, with more to follow.

"We want to make the movement of freight by rail as simple and attractive as possible," said Rob Brook, VTG Rail UK's Managing Director.

"Provision of the location, arrival and departure details of our customers' goods are of huge importance as they plan and manage their businesses.

"The VTG Connect project is another example of how VTG is leading the way along the track to a digital freight railway operation," he said.

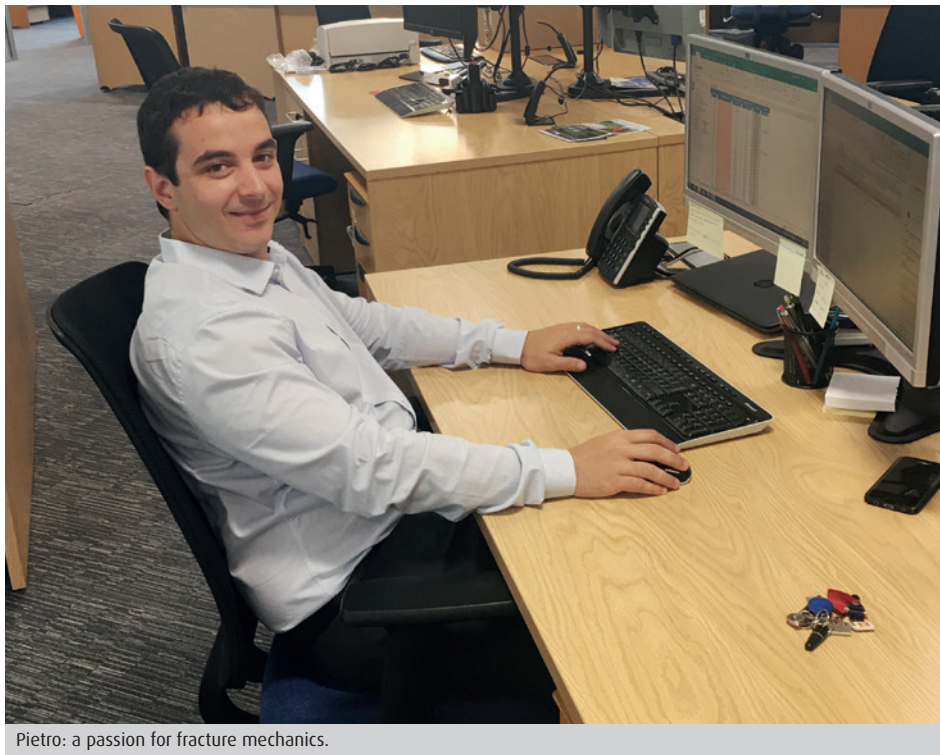
Although offering this information is vital, so too is the protection and security of data collected by the system.

That data is processed and stored in secure ISO 27001-accredited European data centres.

Highly encrypted data is transferred from the Connectors to the data centres and to customers via a separate, dedicated platform which is managed by VTG with no third-parties involved at all.

Because the VTG Connect project meets very high safety standards, the equipment is ATEX certified meaning it can be used on hazardous goods wagons carrying virtually any kind of cargo, including potentially explosive gaseous or dusty environments.

Benvenuto Pietro!



Pietro: a passion for fracture mechanics.

Well-travelled and multi-lingual Pietro Albani has joined VTG Rail UK as our Safety Performance and Reliability Engineer.

Pietro started work with VTG in February this year having completed an MSc in

Advanced Mechanical Engineering at Cranfield University in October 2017.

It's his first job in engineering although he has business management experience, gained while working in Crotona, southern Italy.

Pietro has enjoyed his first few months at VTG, describing them as 'exciting and interesting'.

He added: "It's a friendly working environment and there's lots of things to learn.

"My main challenge for the immediate future at VTG will be the development of a reliability management system aiming at increasing fleet availability," he added.

Pietro hopes he can use to his advantage his 'passion for fracture mechanics, structural design and risk analysis'.

Pietro, whose native language is Italian, speaks fluent English, good French and basic German.

When studying in Italy, VTG's wandering star was twice selected to go on an Intercultura exchange, Italy's premier exchange programme for students aged between 16 and 17. He spent 6 months each in Australia and Finland.

Pietro's university studies took him from Southern Italy to the University of Pisa and the University of Cassino in Southern Lazio.

Engineering director Nigel Day welcomed Pietro to VTG and wished him success.

Nigel said: "We're a small team, which means we all have the opportunity to get involved in many aspects of our engineering activity. I'm sure Pietro will learn quickly and add value to our business."

Rock star? Baggies hero? Postman? No. VTG asset manager!

When did you join VTG and how did you get into asset management?

I joined in April 2010 as Fleet Operations Manager and was appointed Asset Manager in March 2014. The change was made as part of our reorganisation of key suppliers which saw Maintenance Support Agreements (MSAs) for wheelset, bogie and air brake overhauls being spread out across a number of specialist suppliers. The mobilisation and management of these contracts, along with other campaign/repair programmes and service preparation and wagon disposal work became the basis for the role I fulfil today.

Describe asset management in fewer than 20 words

I'd like to steal from Wikipedia here as I really can't think of a better description that short – "A process of developing, operating, maintaining, upgrading and disposing of assets cost effectively".

What key qualities does an asset manager require?

Attention to detail is vital as the role also encompasses not just the long term effective management of our wagons and wagon related assets, but also the data that supports them. My colleagues may think I'm ever so slightly OCD (amongst other things!) but I just see it as being analytical, logical and methodical in my approach to work.

What do you do on a day to day basis?

I am responsible for ensuring the physical and data management integrity of VTG's wagon and wagon related assets

Who is in your team?

I am a one-man team and regularly hold departmental meetings in the car! However, I work closely with all other departments within the company, especially the Engineering and Service Delivery Teams. I'm sure that many people think that Russ Campbell (VTG's Senior Fleet Engineer) and I are joined at the hip as we work together quite a lot, so let me use this opportunity to scotch that rumour!

You have thousands of wagons in your asset base – what else do you look after?

Every day I invest a lot of time in the MSA contracts and the wagon related assets



Spotlight on Mark Pumphrey, Asset Manager

that they cover – wheelsets, bogies and air brake equipment. In addition, there are the Tank Testing (RID and Cement Tank Wagons) campaigns to set up and monitor, along with service preparations, wagon disposals and wagon/component audits to carry out. I also play an active role in the "WASP" (performance management) meetings every morning.

What is the most challenging aspect of your job and how do you do it?

A cliché it may be, but every day is different – you can come into the office with a list of

jobs to tackle only to have the WASP meeting change all of that in one fell swoop. Being able to adapt to such changes at short notice while also not losing sight of that original list of tasks is a key part of the job.

How is technology influencing/affecting/helping your work?

The big IT changes we're introducing this year (PAM and WAMOS!) will have a major impact on both ourselves and our suppliers. The 2 elements combined will result in all our wagon data being entered faster and retained in one single place, as opposed to in several locations as we have at present.

We will also be introducing VTG Connect which will be a major plus to our customers, allowing them to track and trace the location of their wagons, whilst also providing us with basic wagon data for analysis.

What lessons have you learnt during your asset management career?

That we're always looking to move forward with the wagon fleet and its related components, working to ensure that we can back up our boast of providing the best wagon availability figures in the industry. To do this, we need to ensure that our supply partners are on the same page as us, striving to provide VTG with the levels of customer service that we expect of ourselves. Without that partnership and the shared goals, our pursuit of continuous improvement would falter... and that's not an option.

If you could select any alternative career what would it be?

When I was much younger, I'd have said a lead guitar playing centre forward. However, a lack of ability (but not effort) in both fields meant that wasn't going to happen.

I've always quite fancied being a postman – nice early starts, plenty of fresh air and exercise, that would do for me. In fact, that would be 'bostin'*

* Great. Something to boast about.
Black Country Urban Dictionary

Wagon digitalisation – a smart investment for UK PLC?



VTG Connect Module.

As Europe's largest independent rail wagon lessor, VTG has always felt it to be important to take the initiative in enabling rail freight to remain safe, efficient and competitive as a mode of transportation.

Examples include its work with ORR developing the entity in charge of maintenance regime, development of high efficiency wagon designs like Ecofret and now the digitalisation of the freight railway.

Digitalisation is very much of the moment and is evolving as understanding of its potential develops.

This is positive. Companies are investing time and money into something they believe will make a significant difference to their businesses and to those of their clients.

Of course, digitalisation means different things to different people. Standing at the digital crossroads it is important that the industry finds itself with the best outcome where joined up thinking creates mutually compatible and beneficial systems.

As you will read elsewhere in this edition VTG is striding ahead with the Connect concept. It's a system of sensors coupled with solar powered GPS connectivity that will eventually be fitted to every wagon in VTG's fleet. Information gathered by this technology will ultimately allow interested and authorised third parties to see exactly where, in real time a wagon is, where

it has come from, where it is going and, importantly, in what condition it finds itself.

This information can be used to help anticipate wagon maintenance requirements and avoid unplanned stoppages. This is beneficial for a number of reasons, including the obvious one of improving fleet availability and hence customer service. It also has the potential to increase safety and improve maintenance regimes. Assets can be better managed because Connect provides a vastly improved understanding of the condition not just of the wagon as a whole but of the individual elements within it.

This is important because there are costs and logistical challenges associated with the removal of a wagon from traffic. Getting a wagon fixed when it's out in the field presents issues that well informed asset management can help eliminate.

Logic says that for Connect technology to be as beneficial as possible, fleet management must take into account the whole train load of wagons and not just those fortunate enough to be branded VTG.

So the answer could be that every wagon running in the UK today regardless of owner could potentially be fitted with Connect technology.

This holistic technological approach would enable infrastructure owners and other stakeholders to be confident in the ability

of the freight railway to conduct its business successfully while, for example, the noise pollution caused by the rhythmic thud-thudding of a flat, so despised by those who live by the trackside, could be eliminated by the 'fix before fail' approach.

The rail freight industry has a once in a lifetime opportunity to get right this aspect of fleet management.

Potentially a wagon could go from being completely 'dumb' in that it cannot tell anybody anything about where it is, what it is carrying or whether it is defective, into a source of valuable information that could change the economics of wagon fleet maintenance and operation. Wider benefits such as the ability to accurately monitor wagon journey times, identify congestion "hot spots" and understand the actual rail mileage covered by each tonne of goods on a national basis, would also allow a vastly improved understanding of how the UK's freight railway operates as a whole.

Is it too much of an ideological or economic leap therefore, to suggest that the privately funded rail freight sector be financially supported by "government" in whose interest it would be to adopt Connect as an industry standard?

This type of transformative opportunity doesn't come calling on a regular basis.

Together we should make something of it now.

VTG alongside RFG at Multimodal 2018



VTG at Multimodal with fellow RFG members.

VTG showcased its wares at Multimodal, the UK's leading exhibition for rail, road, sea and air freight, which was held at the NEC, Birmingham in May.

VTG joined several fellow members of the Rail Freight Group (RFG), such as GB Railfreight, DB Cargo, Colas Rail, DRS and Victa Railfreight, within the RFG's first Multimodal 'pavilion' – a space created exclusively for members of the rail freight trade association.

According to Caitlin Lippitt, VTG's Sales and Marketing Administrator, being part of the pavilion worked really well.

"Several people said having so many key organisations under the RFG 'umbrella' saved time and effort. It's a good example of joined up thinking.

"One customer said it had saved them weeks of appointments as they were able to talk to a variety of people in the space of a few hours and meetings in the RFG's communal area could be carried out straight away."

"We found it beneficial on the whole," said Caitlin. "We made some good contacts and have some useful leads. Hopefully new business will follow. We do appreciate though that in our line of work the new order gestation period can be quite lengthy.

"Given the good feedback from customers and exhibitors alike, we're hoping that the RFG Pavilion returns for the 2019 show, even bigger and better, and helps to increase the attendance by all stakeholders in rail freight.

"Watch this space!"

VTG supports railway charity



A team of VTG golfers took part in the Railway Benefit Fund's annual Golf Tournament held at Hendon Golf Club in June, helping to raise money for the industry's own charity.

The RBF is a charity for active and retired railway people and their families, providing help to those in need.

The charity welcomes support from all over the rail industry and VTG has played its part by entering a team for the RBF's golf day.

Normally teams are of four players, but this year the VTG four unfortunately became three when team member Nigel Day had to pull out at the last minute. So, the 2018 VTG line up was (above from left) Ian Shaw, Sam Hunt and Paul Davies.

The day started wet but it didn't dampen spirits and although teams went out in the rain they came back in glorious sunshine.

Sadly, the VTG three didn't win but they did help raise a magnificent £13,000 for the charity.

Cool John beats the heat

On the hottest VTG golf day that anyone could remember, cool as a cucumber John Dean from GB Railfreight won the tournament for the third successive year.

Luke Cassar made it a GBRf 1-2, with Freightliner's Gary Clarke coming third.

Held on 5 July at the Warwickshire Golf and Country Club golfers found the conditions challenging as they sweltered in temperatures of up to 30 degrees.

Ian Shaw, our Sales and Marketing Director, said: "Congratulations to John Dean for his hattrick of wins and many thanks to everyone who came along and played under the hottest playing conditions imaginable in Britain at this time of year.

"I'm pleased to say that everyone had an enjoyable time and as ever, it was good to see new competitors and to catch up with our familiar faces."

As for driving in the heat – it must be better than driving rain!



From left: Jonathan Moser, Kevin York, John Dean and Digory Little.