



ONLINE

A look into the future

Dozens of people representing companies from all parts of the UK's rail freight sector took a look into the future at VTG's Connect Open Day in early December.

They joined Dr Heiko Fischer, CEO of VTG AG (pictured right), Rob Brook, MD of VTG Rail UK and senior colleagues from throughout the VTG Group, at our new offices in the West Midlands.

Guests saw demonstrations and presentations of VTG's Connect telematics technology showing how the system works and what benefits it has to offer not just to our customers but also to the wider rail industry.

Connect digital technology is currently being rolled out across our fleet of rail freight wagons both in the UK and mainland Europe with around 21,100 wagons having already been equipped. When complete Connect will give customers a groundbreaking range of digital monitoring capabilities supplying them with location and event data for all wagons.

Guests heard how Connect, used in conjunction other digital tools currently being introduced by VTG such as "PAM" (Pro-Active Maintenance - see page 3) has the potential to give all parties real time information



about operation, haulage and maintenance of wagons, which will help establish faster, smoother and more efficient maintenance and logistical processes in the future.

It was explained how analysis of their information could help them manage their wagons to help get the most out of wagon scheduling and improvements in productivity through predictive maintenance.

"VTG Connect," concluded Rob Brook, "is the basis on which a series of further

innovations can be built, laying the foundations for the digitalisation of freight logistics, taking the whole industry one step closer to a true digital railway."

Rob took advantage of the event to show guests our new offices and our purpose-built "WASP" wagon fleet performance facility.

Please get in touch with Ian Shaw, VTG UK's Sales & Marketing Director (ian.shaw@vtg.com), if you are interested in what VTG Connect can do for your business.

Nacco acquisition complete

More than 11,000 wagons added to VTG's fleet

VTG AG's acquisition of CIT Rail Holdings and the associated Nacco Group is complete.

The Nacco fleet provides VTG with an additional 11,000 wagons in a well-balanced portfolio covering all major market sectors and a stronger presence across its European territories.

VTG AG has successfully increased its total European fleet from 83,000 vehicles to more than 94,000 following its acquisition of Paris-based CIT Rail Holdings (Europe) SAS and the associated Nacco Group.

VTG Group said it had acquired 'a well-balanced portfolio of about 11,000 freight cars', serving key markets in the UK, Scandinavia, the Netherlands, Belgium, Austria, France, Italy and eastern Europe.

VTG first announced on July 1, 2017 its intention to acquire all shares in CIT Rail

Holdings, the owner of the Nacco Group, from the American CIT Group.

"The Nacco takeover will strengthen our market position in Europe for a long time to come", said VTG Executive Board Chairman Dr Heiko Fischer.

"That's why we are pleased to finally be able to close out the transaction."

In the UK the acquisition adds around 1,400 wagons to VTG's fleet - including hopper and box wagons serving the

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Railcar utilisation continues to break records



Dr Heiko Fischer, CEO.

Hamburg, November 13, 2018.

- Revenue up 3.4 percent to EUR 775.7 million
- 4.5 percent improvement in adjusted EBITDA
- Adjusted earnings per share 5.7 percent higher than a year ago
- Railcar utilisation at 93.3 percent

VTG Aktiengesellschaft continued the successful development witnessed in recent months in the third quarter of 2018.

Group revenue for the first nine months of 2018 rose by 3.4 percent to EUR 775.7 million (9M 2017: EUR 750.2 million).

Despite negative one-time effects, EBITDA improved by 2.0 percent, from EUR 250.7 million to EUR 255.8 million. The additional charges included high levels of expenditure for the acquisition of the Nacco Group, which was closed on October 4, 2018, as well as legal and consulting fees incurred in relation to the public takeover bid by Morgan Stanley Infrastructure. Adjusted for these one-time charges, EBITDA is up 4.5 percent to EUR 264.8 million (9M 2017: EUR 253.3 million). Adjusted earnings per share (EPS) are EUR 1.44, a 5.7 percent gain on the same period a year ago (EUR 1.36).

“The Group’s revenue and EBITDA have maintained the positive development experienced in recent months. We are also pleased to see a further increase in utilisation at Railcar, as well as strong results overall for this division,” says Dr. Heiko Fischer, Chairman of the Executive Board of VTG AG. “Successful closure of the Nacco acquisition at the start of October 2018 also brings us to an important milestone for the

Group, laying the foundation from which we can sustainably strengthen our market position as the largest private railcar leasing company in Europe.”

Railcar: Revenue improved and higher utilisation

Railcar continued the positive trend witnessed in the preceding quarters. Thanks to higher utilisation and a larger fleet size, revenue in the first nine months of 2018 rose from EUR 386.0 million a year ago to EUR 413.5 million, an increase of 7.1 percent. Utilisation in Europe, the company’s core market, improved year on year in all railcar segments, especially in intermodal railcars. Demand was so strong that isolated delivery bottlenecks occurred in some railcar segments. However, the integration of the Nacco fleet and the addition of newly built railcars mean that these bottlenecks will be resolved in the fourth quarter. In the first nine months of the current fiscal year, VTG invested a total of EUR 211.9 million in its operating business (9M 2017: EUR 211.8 million), more than 95 percent of which was spent on the Railcar Division. At the end of the first nine months of 2018, utilisation for the total fleet stood at 93.3 percent, 1.2 percentage points higher than the comparable figure in the previous year (92.1 percent) and 0.3 percentage points up on the previous quarter. Driven by the improved demand situation, EBITDA increased by 6.9 percent to EUR 268.7 million (9M 2017: EUR 251.4 million).

Revenue growth at Tank Container Logistics - EBITDA down in the logistics divisions

The Tank Container Logistics division saw its revenue increase by 6.7 percent to EUR 124.9 million in the first nine months of 2018 (9M 2017: EUR 117.0 million). Healthy capacity utilisation levels in Europe’s chemical industry in particular pushed up the volume of transports. At the same time, intercontinental traffic to and from Asia experienced pleasing development, while traffic in North America decreased. After nine months of the current fiscal year, EBITDA of EUR 5.1 million was 38.4 percent down on the previous year’s figure of EUR

8.3 million. The decline was attributable primarily to shifts in overseas transportation flows, which drove up costs by leaving equipment underused, raising demurrage and adding to expenses for empty tank positioning. In addition, bottlenecks in road haulage and in the rail infrastructure in Europe also drove up demurrage and freight costs. To accommodate these extra costs, accruals for transportation costs for the first nine months of the current fiscal year were increased by EUR 3.4 million in the third quarter of 2018. In the period under review, this caused the EBITDA margin to decline by 7.7 percentage points to 29.3 percent (9M 2017: 37.0 percent).

With revenue down 4.0 percent to EUR 237.3 million, Rail Logistics experienced weaker development in the first nine months of 2018 than in the same period of the previous fiscal year (EUR 247.2 million). EBITDA, too, fell by 17.5 percent from EUR 5.1 million in the previous year to EUR 4.2 million. The EBITDA margin, which is based on gross profit, accordingly dipped by 3.6 percentage points to 19.2 percent (9M 2017: 22.8 percent). This development was essentially due to the loss of two large orders in the industrial goods segment, while delays in project logistics and the rail strike in France had a negative impact on revenue.

Nacco Group acquisition closed

After the balance sheet date, the acquisition of the Nacco Group was closed on October 4, 2018. This transaction takes VTG past an important milestone that will sustainably strengthen its railcar leasing activities and make it fit for the future. The acquisition further diversifies the VTG fleet, which has now grown by roughly 11,000 railcars to a total of more than 94,000 railcars worldwide. In 2019, VTG expects this takeover to contribute EUR 85 million to revenue and EUR 70 million to EBITDA (before integration and transaction costs).





Customer focus – Mendip Rail Limited

by Sam Roberts, Commercial Manager, Mendip Rail Limited

Why did you choose VTG as your provider of rail freight wagons?

VTG's robust wagon delivery process was a clear demonstration of their confidence and expectation to deliver our wagon order in full and on-time. Additionally the agreed in-service availability targets and 'loss of use' compensation regime were good and acceptable.

The close working relationship between the two companies, epitomised by the co-location of a VTG fleet controller within Mendip, is also a significant factor.

What does VTG give you?

Our in-house fleet controller is dedicated to our flows and keeps the wagon fleet maintained and available when we need them.

This is a healthy relationship offering engineering support and collaboration on wagon issues. We work together to try and overcome issues without focus on who's to blame.

VTG's approach to business and customer service is one of independent advice, collaboration and partnership. How has this benefitted your business?

This is a good example of the positive relationship between the two companies. We have had intermittent issues with a set of our wagons dedicated to the movement of marine sand, however our collaborative approach meant that we were able to find a joint solution to the issue.

This joint focus on wagon availability has meant DB Cargo Maintenance, VTG's wagon maintainer for our fleet, VTG, DB Cargo, MRL and the parent companies all work closely to ensure that we have wagons available to be maintained but also enough rolling stock to get through the planned daily train demand.

How do you think joined up thinking or a partnership approach can reduce cost, increase innovation or improve safety?

For a business, innovation on its own can be difficult to achieve. By having a close

working relationship with your key suppliers, you can reduce costs and increase the skillset and support available to be truly innovative. A joint focus on safety and set of shared safety values again leads to safety improvements.

What is it that you want most from your relationship with VTG?

Without wagons we have no business, so wagon availability and level of service is hugely important to me in my role as Commercial Manager.

What KPIs do you set?

We have three main measures. The first is wagon availability, that is the number of wagons available and ready for traffic when and where we want them.

The second is the number of wagons running short of contractual length on our trains. We can then investigate the reason why and whether it's because of a shortfall in our wagon fleet.

The third measures number of wagons due planned maintenance against planned maintenance completed. It ensures that DBCM don't have a build-up in planned maintenance not completed meaning wagons would be carded and made unavailable for use.

What sort of communication do you have with them?

What we have works well. We have daily communication through both our PMC (Performance Management Centre) process, where we hold our daily meeting and the Fleet Controller based in our office making sure that we can deliver to our customers what they need in a timely fashion.



Pro-Active Maintenance Application goes live

VTG's new web-based management tool, ProActive Maintenance (PAM), a digital application that will spot trends and predict the optimum time for maintenance events on their 3,000 strong wagon fleet, has begun to go live.

One fifth of VTG's wagon fleet is now live within the system, which is forecast to revolutionise wagon maintenance as it

replaces existing, inefficient, paper-based management systems.

From tracking wheelset wear to following component failure trends, VTG will be able to streamline its maintenance processes to further improve on its already industry leading levels of wagon availability and reliability.

Developed by the wagon lessors in conjunction with digital software company 3Squared,

PAM will enable VTG, as both wagon lessor and Entity in Charge of Maintenance, to better service its customers and improve its operational effectiveness thanks to higher quality information and operational insight in partnership with its suppliers.

Work to migrate the remaining fleet continues into the New Year. It is expected to be complete by end of Q1 2019.



Steaming ahead to a new life for the PNAs

VTG has supplied a fleet of 12 PNA, 2-axle box wagons to Sonic Rail to support the engineering work being carried out on the Mid-Norfolk Railway.

The wagons will now be used by Sonic Rail to move ballast for the development of the heritage route.

These wagons had been part of the VTG fleet

for 20 years having started life with Railtrack in various infrastructure maintenance services moving ballast and spoil. More recently they saw action supporting the innovative RailVac train maintaining Network Rail's Wessex region tracks.

The wagons had recently come off hire and, although 20 years old, they still have

years of life ahead, given their simple yet robust design.

Sales Manager Raj Sharma said: "We are pleased to be able to support the Mid-Norfolk heritage railway project by supplying these wagons, knowing they will be contributing to the upkeep of a well-loved leisure facility in a beautiful part of the country."

Raj comes back for his future

Rajesh Sharma has returned to VTG as Sales Manager having spent 9 months with SNC-Lavalin as Senior Engineer.

Raj explains why he's back in rail freight.

"I left VTG to explore other areas of the rail industry.

"While at SNC-Lavalin I not only got an opportunity to be involved with a wider range of engineering projects but also with Business Development, an area I found really exciting and motivating.

"After 9 months with SNC-Lavalin, which I thoroughly enjoyed, it occurred to me that my new-found interest in business development coupled with 10 years of engineering experience at VTG, might make me a good candidate for the vacancy that had arisen in the VTG Sales team.

"Returning felt like the right opportunity with the right company at the right time."

Raj points out that although he's back he's not the Raj of old.

"I am a VTG Sales Manager and my priority now is to fully engage with our Customers,

providing them with the best possible service and using my engineering background to ensure they get the best possible wagon solutions for their business. I'm looking forward to contributing my efforts in this area towards VTG's further success.

"As my manager says, I am now Raj 2.0 of the Sales Department, and not Raj 1.0 the Compliance Engineer/IT & Systems guy."

Raj says there have been changes since he left.

"New office, new equipment, new processes, even new wagons, both new build and from the Nacco integration, overall great new challenges and very exciting place to be," he says.

However, something remains the same.

"I am pleased that one thing hasn't changed and that's the team spirit here. That's why I'm thrilled to be back with the VTG family."



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construction industry, coal and biomass wagons for the energy supply sector and intermodal wagons for container traffic. Additionally it brings with it a number of specialist fleets servicing sectors such as chemicals and paper manufacturing.

Rob Brook, MD of VTG Rail UK (and now also Nacco UK) commented: "This is an exciting time for VTG. We are looking forward to integrating these wagons into our UK fleet and working with the customers concerned - some of whom are longstanding clients of VTG, and some of whom are brand new to us."

"As well as bringing VTG's fleet management and technical expertise to bear, we anticipate that the benefits provided by VTG's new digital wagon technology, both "on-board" and maintenance related, will give our customers new levels of operational visibility and fleet availability."

At the forefront of this technology is the VTG Connect telematics system which is currently being rolled out across our existing wagon fleet. This, in due course, will be fitted to the Nacco cars as a logical continuation of VTG's innovation and digitisation strategy, creating a network of digitally connected freight wagons, unrivalled in the market.



Rail freight – construction's vital link



Guest article by Chris Swan
Head of Rail, Tarmac

Rail freight is a vital part of the UK construction supply chain, helping to move more than 20 million tonnes of building materials – cement and aggregates – each year.

These materials, of which around half is for London and the South East, support or have supported, critical infrastructure and development projects across the country such as HS1, Crossrail and HS2 plus several major non-rail infrastructure projects. All contribute to efficient project delivery and the move towards a low-carbon supply chain.

Investment in these schemes has given the construction and rail sectors a boost. However all stakeholders must consider some long term issues, such as network capacity, the location of construction rail terminals, digital signalling and wagon design. All important, and costly, issues the country cannot afford to get wrong.

Managing growth

The use of rail to transport aggregates has, according to the ORR, increased in recent years much faster than earlier estimates.

There has been a 43 per cent increase in material moved by rail in the last five years alone, with an increase of just 31 per cent more trains, an impressive upturn in performance.

A significant factor in the efficient delivery of this growth has been having better wagons capable of running more product per train.

The average construction train now carries 11 per cent more material than equivalent wagons just 5 years ago.

Capitalising on the sustainability benefits of rail freight to create a greener built

environment requires advance planning and protections to allow for the realisation of rail freight's potential.

It's important to guard against rail freight becoming victim to a trade-off for passenger services and remember that disruption impacts on many businesses around the country.

Protecting strategic sites

Policymakers should consider how optimised land use planning and the protection of strategic rail freight sites from inappropriate adjacent development can drive a greener built environment. The availability of railhead sites is a pressing concern, and particularly in urban locations where demand for more terminals to support construction traffic is acute.

Railhead locations must therefore be carefully identified and safeguarded.

From our own experiences at Tarmac we know that the financial implications of creating new connections to quarries and other infrastructure can often be substantial. These infrastructure costs could be significantly reduced with the use of digital signalling systems and future growth will continue be determined by the ability to create access to new terminals.

Certainty and innovation encourage investment

Policymaking to support freight has the power to encourage private sector investment and this, in turn, can be encouraged by authorities creating certainty.

There are a number of businesses already developing capabilities with new equipment and terminals, Tarmac being one.

We recently installed the UK's first Liebherr LH80C Gantry Materials Handler at our Battersea concrete plant. The 'Supergrab' enables faster offloading and improves



Chris Swan, Head of Rail, Tarmac.

stock control. This, as well as new wagon developments such as purpose-built coal-to-aggregates conversions and investment in box wagons, has allowed us to significantly increase our delivery capability.

Adopting an innovative approach to business is essential if we are to drive the industry forward.

The pressure applied to the industry to deliver is both demanding and increasing. Working with VTG on VTG Connect, gives us live visibility of our trains and helps enhance our maintenance programme, thereby reducing overall train downtime. The first units have been fitted to our wagons and the full pilot of the software will take place in the near future.

Developing rail capabilities and capacity is key to Tarmac, the construction industry and the wider rail freight industry. We're committed to continuous improvement and exploring options that can mean we can transport materials more efficiently and sustainably on the rail network.

VTG welcomes two Year in Industry students – Ash and Usama

Ash Christi



A chat with Ash Christi, one of two Year in Industry students currently working with VTG, raises a question.

How many people have felt inspired to seek a job with a rail company having spent their childhood piecing together Duplo wooden railway tracks?

Ash, for one.

"I hadn't thought of rail freight until the opportunity arose," she said. "After seeing the responsibilities and challenges this placement offered I jumped at the role.

"I remember spending hours as a child piecing together wooden track all around the house. To be working in the industry so many years later is very exciting.

"I have been involved in a range of projects including PAM (Pro-Active Maintenance), Axle Recovery, Gotcha (Network Rail's rail impact monitoring system) and many more. It is great to know that from the start some of the actions I take have an influence on the business.

"Being given projects allows me to get

stuck into all aspects of the business. I can be in the field under a wagon one morning and that very afternoon a meeting in an office. It keeps me looking forward to each day at work. Work so far has been interesting, varied and exciting."

Ambitious Ash hopes to gain the skills needed to be an engineer that can't be developed from academics alone.

"I hope by the end of the year I can be given a range of problems or projects and ensure they are resolved and completed," she said.

Ash, who lives locally in the Selly Oak area of Birmingham is currently studying Mechanical Engineering at Coventry University and will be moving into her third year of studies after her placement with VTG.

Her VTG colleagues are, she said, a very friendly group of unique individuals. "They are a joy to work with and I will miss them when returning to the "group work" at university," she said.

"After University I plan to pursue a



passion in car mechanics and undertake an apprenticeship before returning to engineering and, if the opportunity arrives, the rail industry."

Ash's childhood memories pose another question. Were those Thomas the Tank Engine books right? Are "trucks" really "troublesome"? Or perhaps, as so often in the real world, James, Percy, Henry and those other Engines were guilty of not giving them the love and respect they deserved.

Maybe at the end of her placement she will have the experience to give a definitive answer.

Usama Khan



The other Year in Industry student working with VTG this year is Usama Khan.

So far Usama has been impressed by many things associated with VTG, not least the company's trophy cabinet.

"Everyone I speak to tells me how outstanding a company VTG is," he said. "This is backed up by the numerous awards it has received.

"They show VTG is an industry leader. I feel privileged to be a part of the company and I hope it is just the start of a long, fruitful employment."

Determined Usama is studying Mechanical Engineering at Bradford University, where he has completed three years of an integrated Masters.

He has one year left at university after his placement year and hopes to pursue Chartership.

He is prepared to make sacrifices to pursue his career in an industry he feels is going places.

And anyway, Usama certainly is. About 125 miles.

"I have moved from Bradford to the Midlands for this placement," he explains. "It's a big move but it is worth it for an opportunity like this.

"The rail industry has a bright future," he

said. "Major projects such as HS2 mean that it is the best time to get in this sector.

"I love the responsibility and freedom I have been given to work in ways that suit my own style. I have really enjoyed getting straight into so many projects. I can learn and contribute straight away.

"So far I have been involved in improvements to maintenance of wagons, auditing maintenance locations and creating instructions for modifications. There is no shortage of work that I can get involved in.

"I hope to get real-life engineering experience and gain a greater appreciation of how critical thinking and innovation can be applied to solve problems in every aspect of a company."

Usama's favourite experience to date?



"That has been getting to know everyone here. They have been very welcoming, I already feel like a valued member of the VTG family.

"I feel incredibly lucky to be able to contribute to this amazing company."

Happy New Year from all at VTG Rail UK

We have chosen four charities to support this year and will donate to them the money we saved by having an e-card last Christmas. Our charities for 2019 are:

Dementia UK
Children with Cancer
Cancer Research UK
Air Ambulance

