

Summer Talks

"DB Schenker meets the challenge of
a turbulent economy"

Vienna, 4 June 2009

Press Release

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(Vienna, June 4, 2009) The 2008 fiscal year was very successful for Schenker & Co AG (Vienna). In the South-East European region, which is controlled from Vienna, the period under review was - in line with the development of the overall economy - characterised by a very good start and a marked deterioration in the autumn. In 2008, Schenker & Co AG enjoyed growth in nearly all of its divisions and the most important KPIs despite the full onset of the global economic crisis, which was especially evident in the fourth quarter.

Volume of sales in 2008: EUR 1715 million

In fiscal year 2008, Schenker & Co AG generated sales of EUR 1715 million. This is an increase of 11 percent compared to the previous year (2007).

Performance data, 2008

Altogether, the service sectors handled around 6.4 million shipments in the entire region in 2008. This is an increase of 2.3% over the previous year. The tonnage of the transported volume rose to a total of 14.2 million tons.

Investments in 2008

In the previous year, Schenker & Co AG invested EUR 23.4 million in the entire region in the construction and leasing of logistics systems as well as establishing a subsidiary in Moldova. The main investments concern a new freight forwarding facility in Marburg, Germany (opened in June 2008) and the leasing of a logistics warehouse in Istanbul-Orhanli.

Romtrans

In acquiring the Romanian freight forwarding company Romtrans (Bucharest), Schenker & Co AG made by far the largest acquisition in its history in November 2008. Integration of the company is now largely finished. The new company, DB Schenker Romtrans, has 11 sites and is the market leader in Romania.

It offers all services relating to freight forwarding and logistics. In the port of Constanța the company even has access to a separate terminal for conventional goods and project loads. As early as this autumn the first truly area-wide network will be launched for packaged goods - a product innovation on the Romanian market.

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Surface transport

Surface transport was once again the most important driver of revenue for Schenker & Co AG. Surface transport in Europe saw a rise in shipments of 3% compared to 2007 on the routes from and to Austria. National surface transport in Austria was above expectations.

Overall, surface transport from and to the South-East European region reflected the completely adverse economic trend in 2008. While in the first six months the quantitative development was gratifying, in as early as the 3rd quarter the onset of the cooling of the economy was noticeable.

East European destinations continued to develop far better than those of Western Europe. Thanks to these circumstances surface transport in the South-East European region once again enjoyed growth in 2008.

However, unlike previous years this was not in double figures.

Challenges in 2008 for surface transport:

- Strong fluctuations in the price of diesel (peaked at EUR 1.40 per litre) led to the working relationship with customers and forwarders being subjected to a high administrative burden.
- The toll increases on 1 May 2008 in Austria and on 1 January 2009 in Germany were extremely difficult to implement. With only 2½ weeks to respond between ordinance and entry into force, the situation in Austria was quite untenable! In this short period, recalculations needed to be made, sales training carried out, customers informed and IT systems converted.
- Integration of Croatia, Romania and Bulgaria with the European partner countries has been greatly optimised. Furthermore, the domestic services in Slovakia have been improved and the domestic network in Croatia newly established.
- Surface transport in 2008 also saw the integration of SpainTir. Integration of the Spanish forwarder into the network of DB Schenker has been very successful: the South-East European region enjoyed a shipment increase of 25 percent in Spain and Portugal.

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At European level a web-based platform for FTL/LTL shipments was implemented in the form of the Cargonet software package; this is an internal loading exchange which much improves communication between the dispatchers in Europe and shortens the amount of time it takes to respond to customers. At the same time, Cargonet optimises utilisation of the HGV vehicles and is thus part of Schenker & Co AG's package of measures for sustainability and environmental protection.

Rail transport

In 2008, together with its partners Schenker & Co AG moved 3742 (- 9.1%) block trains to South-East Europe (product: *Powerrailer*) and in the process transported a freight volume of 2.7 million tons (- 6.9%). Overall, the national subsidiaries transported 78,229 shipments by rail with a total weight of 5.8 million tons (- 19.4%) in the region.

The reason for the decline can be found in the fourth quarter of 2008: from the middle of October a downward trend was noticeable as a result of the economic crisis with business taking a dramatic hit in November and December 2008.

FERTRANS GesmbH and Railog GesmbH, two of the subsidiaries responsible for handling the Powerrailer trains destined for South-East Europe, were fully integrated into Schenker & Co AG in 2008 and now trade under the DB Schenker brand.

In the South-East European region some 160 employees are dedicated to rail transport. Rail transport was also affected by other problems in 2008. In first place we should mention the months-long strike by port workers in Thessaloniki, which led to a backlog in rail transport. Furthermore, trains belonging to the Hellenic Railways Organisation (OSE) were only able to travel at night during the summer months because of a fire-risk along the route caused by sparks. This was compounded by railway track works by Bulgarian Railways (BDZ). Due to these factors up to 8000 wagons were held up in Serbia in July and August 2008! The situation did not improve until September.

Air freight

214,000 shipments weighing 79,000 tons were transported by air in the South-East European region in 2008. This represents a slight drop in comparison with 2007, which rests solely on the significant market slump of the last quarter of 2008. For example, within the shortest of periods the volume of imports from Asia decreased by 20 percent.

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Nevertheless, with a market share of 18.8 percent according to the CASS export statistics Schenker & Co AG was able to defend its position as Austria's market leader in 2008. In the remainder of South-East Europe Romania, Hungary, Turkey and the Czech Republic have, in particular, developed very favourably.

The introduction of the DB SCHENKER *skybridge* also for export to Australia and New Zealand as well as several charter flights from Romania to Brazil for Renault (production supply) are some of the highlights of the "2008 Year of Air Freight".

Imports for a major high-tech customer in Asia followed by distribution throughout South-East Europe via the Vienna International Airport have been successfully continued.

Sea freight

In Austria, Schenker & Co AG was also able to assert itself as market leader for sea freight in 2008. The handled quantity, which exceeded 100,000 TEUs, remained stable compared with 2007; given the volume decreases in the fourth quarter of 2008 this can be deemed a major success. The stable development was due to large-scale (new) transactions primarily relating to the export of timber to regions such as the Near and Middle East. Schenker & Co AG renders customised export services to these major customers; in terms of import the Group's purchasing power was a key factor for the success experienced with shipping companies.

In the South-East European region an increase in total volume of 11 percent was achieved with approximately 210,000 TEUs. Progress made in Turkey (for example with the export of marble to Asia), Slovakia, Romania, Bulgaria, Greece, Serbia and Croatia was particularly gratifying.

In spite of exports from Turkey to Asia, full container loads (FCL) in the region are still driven predominantly by imports. In terms of less than container loads (LCL), Schenker & Co AG is the only provider in almost every country in the region and has established a direct service from Hong Kong and Shanghai as well as a direct service to Hong Kong and New York for exports.

The port strike in Thessaloniki, a major port in the region, made business very complicated at times in 2008. However, various other ports such as Rijeka, Koper, Bar and Varna have established themselves as and remain to this day viable alternatives.

The resolution of the Far East Freight Conference for shipping companies has led to changes; a new era in the way rates are structured has dawned:

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the charging of fees and surcharges has been officially approved and this has led to all-inclusive rates.

Logistics services

In the logistics division, sales in the South-East European region were well above 2007. This very gratifying development is due to excellent utilisation of almost all the logistics warehouses in the region. Here, Austria, Slovenia and Turkey stood out. Development of the Ried and Kufstein sites was fully substantiated in 2008; the additional areas are already at full capacity. The same applies to the warehouse in Marburg, which opened in summer 2008, and the new logistics warehouse in Istanbul-Orhanli: with 25,000 m² of space this multi-customer warehouse is used by customers for distributing finished goods in Turkey and the EU region as well as for supplying production sites in Turkey.

The logistics activities in Romania began successfully in 2008, among other things, the Romanian subsidiary stores and delivers spare parts for the automation and power engineering group, ABB. As a result of the Romtrans acquisition, contract logistics activities have been expanded significantly in Romania.

Schenker & Co AG managed a total of some 300,000 m² of warehouse space in South-East Europe last year. The new LOGIM IT system was rolled-out across the region in stages in 2008; this not only further optimises communication between the customer and DB Schenker, but also makes developing the working relationship - such as in new countries - much easier.

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Developments to date in 2009

As already stated, the slump in the global economy was being felt in almost all of Schenker & Co AG's product lines by the last quarter of 2008. In the course of 2009, the crisis has turned out to be worse than even experts had initially expected: the economy will shrink this year in practically every country in the region.

Schenker & Co AG is directly affected by these dramatic developments. In particular, important industries such as automotive, wood and paper are experiencing massive problems. In 2009, the transported volume has dropped by around 12 percent across all the transport sectors, and the average decline in tonnage is some 30 percent!

Surface transport by road, but particularly by rail, has been affected in particular: industries known for using rail such as wood, steel and chemicals have reduced their volumes sharply, this has led to Schenker & Co AG seeing losses in revenue of up to 40 percent. Rail companies did not adapt their rates to the new situation quickly enough; in part, these were even raised in order to compensate for the loss in volume - a further shift from rail by customers using this mode of transport was the outcome.

Another problem is the policy of Romania's CFR Marfa, which has changed its pricing system: each transaction must now be requested separately. In February 2009, DB Schenker had some 3000 requests open.

Revenue from HGV transport has dropped by around 20 percent; regular routes in Eastern Europe are also affected equally.

In particular, air freight imports from Asia are strongly affected; however, the overall situation stabilised in May. Airlines have taken a large number of aircraft out of circulation in response to the crisis - something that has, in part, led to a drop in quality.

A similar trend can be seen in sea freight: the volume transported by Schenker & Co AG has dropped by around 20 percent. Shipping companies are responding with a significant reduction in cargo space and numerous services to Constanța and into the Mediterranean Sea have been discontinued. Sea freight rates have now reached a historic low, which cannot be continued by the shipping companies for much longer. There is a risk of major problems if a shipping company becomes insolvent (releasing the container, etc.)!

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Response to the economic crisis

Schenker & Co AG has had to account for all these developments with a package of measures: after implementing flexible working hours in the autumn of 2008 and other steps such as the systematic reduction of any remaining leave, in April a decision to lay-off some 100 employees in Austria and 200 in South-East Europe (not including Romtrans) was made.

In the transport divisions the company responded with a variety of optimisation steps: with regard to surface transport part of the drop in volume was offset on the balance sheet by reorganising the transport network accordingly.

Increased sales activity on the market is also resulting in success stories: for example, the Linz branch office has taken over procurement logistics from Germany, Denmark, France, Netherlands and Switzerland to the Enns Logistics Centre for *dm drogerie markt*. From Enns we supply the distribution centres of *dm drogerie markt* in Croatia, Serbia, the Czech Republic and Slovakia.

The situation with the block train services to South-East Europe has been stabilised and the level of quality for customers maintained by reducing the total number of trains. A consolidation of the volume is now being seen; however, further drops are not expected.

In spite of the difficult situation with rail transport, the *Danube Nordic Shuttle* between Wels and Rostock is enjoying success on the market: this train is being especially well received in relation to ex Austria services and continues to enrich DB Schenker's range of solutions. Intensive talks are ongoing with other customers, the successful outcome of which would result in the frequency being increased from two to three departures per week and direction.

Better purchasing terms have been achieved for air freight by bundling shipments in hubs such as Vienna and Salzburg and a well planned mix of heavy and volume freight. DB Schenker has profited with sea freight from the global purchasing power, in addition, the inclusion of sea freight in overall planning is more common.

With regard to logistics, utilisation of the sites is high; however, this is attributable primarily to the reduced rotation of goods. Industry demonstrates a tendency to deal with logistics both internally and through outsourcing.

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While HGV transport does not appear to have bottomed out in terms of the drop in volume, the situation with air and sea freight is stabilising. An increase in volume will probably not occur until 2010 in the South-East European region.

Projects 2009

In addition to addressing the financial and economic crisis, for DB Schenker the current year will be marked by the execution of long decided investment projects and major contracts:

- February 2009 saw the ground-breaking ceremony for the expansion of the Vienna-Albern site. A new 4100 m² load handling facility acts as the connection between warehouse and transportation logistics. The building will be put into operation by as early as summer 2009.
- At the end of 2009, construction of the largest and most modern shipping terminal within Schenker's European network will go into its final phase at the Salzburg site. Opening of the new terminal is planned for as early as the beginning of 2010.
- The introduction phase of STAR begins. STAR is a new surface transport software package, which facilitates a significant reduction of the interfaces between the systems of DB Schenker and those of its customers.
- After complicated preparatory work, construction of a freight forwarding and logistics terminal has begun in Sofia. A 2000 m² terminal and storage space of 3000 m² as well as an office complex of 2500 m² are being constructed on a surface area of 48,000 m².
- Schenker & Co AG is constructing a global distribution centre for a well-known manufacturer of welding equipment in Pardubice (Czech Republic); shipments from the customer's European plants will be sent there and the goods will then be distributed throughout Europe and overseas (by air). Operation is planned for autumn 2009 and upon completion DB Schenker will manage 17,000 pallet storage spaces.
- A logistics project will be executed for a manufacturer of consumer electronics in Budapest. Supplier parts from around the world will be delivered to the customer's production sites in Hungary via the DB Schenker warehouse at the BILK terminal.
- In September 2009, Schenker & Co AG will move its regional head office for Austria and South-East Europe, which is staffed by some 150 employees, to the new VIERTEL ZWEI Business Park near the Wiener Messe (Vienna Trade Fair Centre). Schenker & Co AG will be

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occupying one of the four RUND VIER buildings.

DB SCHENKER *sport events & special projects*

After successfully handling a large part of the logistics for the 2008 European Football Championship in Austria and supporting the Olympic Games in Beijing, Schenker & Co AG will also be present as logistics partner for many events in 2009:

- DB Schenker was again the official partner of Europe's largest charity event in the fight against AIDS: the Vienna Life Ball. The Vienna branch office devoted itself to this logistical challenge and from November 2008 to May 2009 ensured that all the props were transported to and from the venue in a timely manner.
- As the stars of Nordic skiing competed for World Cup medals between 18 February and 1 March 2009 in Liberec in the Czech Republic, DB Schenker again played an important part in the organisation. The Czech subsidiary of DB Schenker was present in Liberec as the official logistics partner and organised the transport of materials under some very difficult circumstances.
- The ÖSV continues to rely on the professionalism of its logistics partner, DB Schenker. Kufstein Logistics Service Centre acts as a focal point for the ÖSV. The working relationship was particularly enhanced due to Schenker & Co AG's sponsorship of Austrian biathlete Dominik Landertinger: Dominik Landertinger won gold at the World Championships in South Korea in the mass start competition.
- Schenker & Co AG's Klagenfurt branch office will be in the background taking care of logistics for the Iron Man Competition in Carinthia on 5 July 2009.

Climate protection and sustainability

Sustainability and environmental protection remain key issues. Using a variety of environmental initiatives throughout the South-East European region, Schenker & Co AG continues to work on improving its environmental performance:

- With the Danube Nordic Shuttle CO₂ emissions are 2/3s of the amount that would be generated if only HGV transportation was used on the same route. The block train currently prevents a total of 30,000 HGV kilometres each year. In the first year of operation, 1338 tons of CO₂ were saved by comparison with HGV transportation.

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- ECO-driving courses have been jointly organised with the ÖAMTC, the Austrian Ministry of the Environment and *klima:aktiv*. In the course of this training, drivers were familiarised with the cost-benefit of a driving style aimed at saving diesel and sparing material. The cost for this training was borne by Schenker & Co AG.

Savings by the participants of this training alone are projected at around 88,000 litres of diesel and 205 tons of CO₂ each year. Following the training, DB Schenker has become an official *klima:aktiv mobil project partner*. The training will be continued in 2009.

- Since 1 January 2009, haulage partners are not contracted on a permanent basis in Austria if the emission category of their vehicles is lower than Euro 3. A significant improvement in the structure of the fleet is sought after for the remainder of the South-East European region.
- Special attention will be given to an environmentally friendly design for existing and future sites. For example, all possibilities for alternative energy sources are checked and installed if economically viable. In the Vienna-Albern Terminal the heating system will be changed from oil to wood shaving, this will result in a saving of 70,000 litres of heating oil or 170 tons of CO₂ emission each year. In Innsbruck we have succeeded in switching from oil to natural gas. The Graz branch office has converted to energy saving lamps with ballast and thus reduced CO₂ emissions by 90 tons per year.
- The ECOPROFIT certification of the branch offices in Graz and Vorarlberg also deserves special mention. ECOPROFIT stands for "Ecological Project for Integrated Environmental Technology". ECOPROFIT certified companies are characterised by their commitment to the environment and innovation, which reaches far beyond any legal requirement. ECOPROFIT certified companies are thus committed to a sustainable business model with consideration for the environment and society. Additionally, all the other branch offices in Austria already have the ECOPROFIT tool in use.
- Schenker & Co AG is certified according to ISO 14064-1. ISO 14064-1 forms the basis for the quantification, monitoring and reporting of greenhouse gas emissions and their reduction at company level. Customers are provided with the possibility of calculating the CO₂ emissions caused by their shipments and specific data and advice (green consulting).

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Apprentices

Apprenticeship training remains a high priority in spite of the economic climate. 117 apprentices are currently undergoing training at Schenker & Co AG; the company is thus one of the largest trainers in the country.

Three apprentices of Schenker & Co AG were recently presented the Young Elite Forwarders Award (YFEA) for excellent achievements in the apprenticeship by the Austrian Association of Shipping Agents (VÖSA) in collaboration with the Vienna, Braunau and Mitterndorf vocational schools.

DB Schenker in Vienna - regional head office for South-East Europe

Schenker & CO AG (Vienna) operates as regional head office for South-East Europe; the national subsidiaries of Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Moldova, Serbia and Montenegro, Bosnia and Herzegovina, Macedonia, Croatia as well as Greece and Turkey all report to Vienna.

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