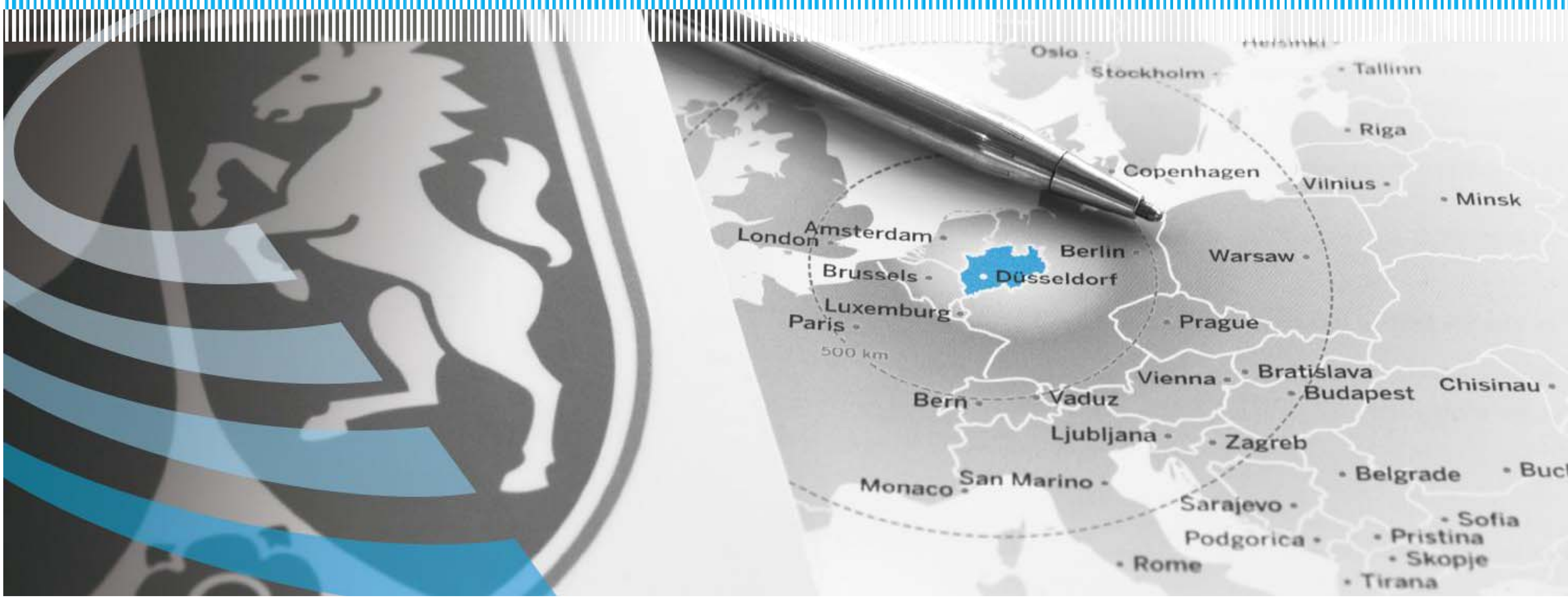
Overview Logistics Set Up Mainland Europe

Status – Outlook - European impact

February 2011



Agenda

•Brief introduction

•Logistics infrastructure - General Overview (Key ports, industrial centers and transportation networks, future plans)

•Logistics service providers in place (structure, capabilities, competition, alliances, markets served)

•Economic Developments in general (Contract Logistics , 3PL vs. 4PL services, contract management)

•Brief overview on economic development in European regions and impact on logistics network

•Q / A

Introduction …

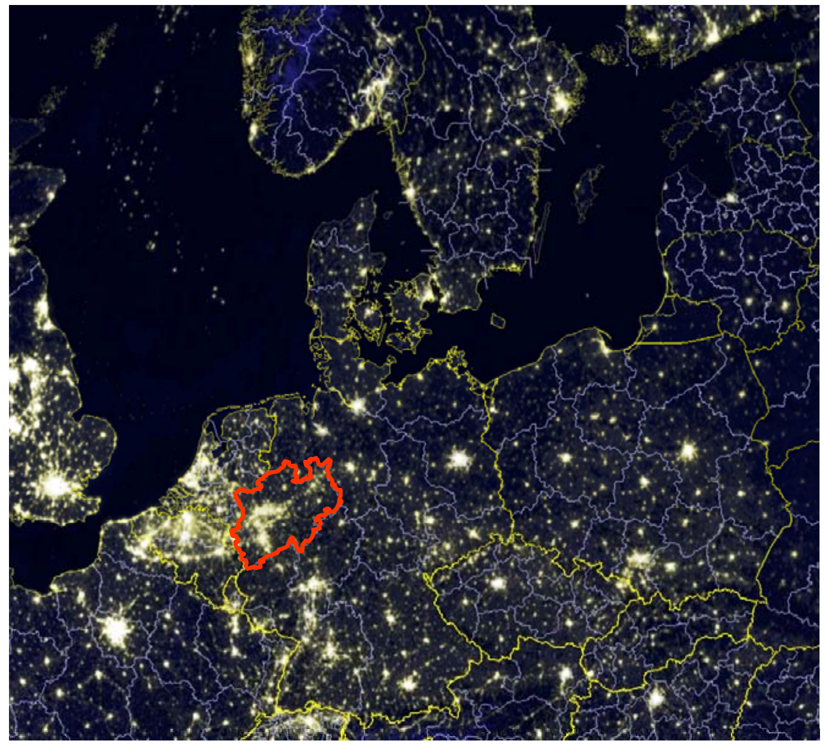
NRW.INVEST GmbH – Facts & figures

- On the market for 50 years
- A 100-percent state-owned company
- Headquarters in Düsseldorf, two subsidiaries, seven further foreign branch offices
- Chief Executive Officer:
  Petra Wassner
- 35 employees in Düsseldorf, 20 abroad

NRW – Most densely populated region in Europe

150 million consumers within about a 500-kilometer radius

The Rhine Ruhr Area from space



Logistics as one core competence of Germany

Germany – World Champion in Logistics 2010

- **World Bank claims Germany to be the high performer among 155 Logistics locations**
- **First time in front of Singapore and Netherlands**

Economy	2010 LPI rank	% of highest performer	2007 LPI rank	% of highest performer
Germany	1	100,0	3	97,1
Singapore	2	99,2	1	100,0
Sweden	3	98,8	4	96,4
Netherlands	4	98,5	2	99,6
Luxembourg	5	95,7	23	79,5
Switzerland	6	95,5	7	94,5
Japan	7	95,2	6	94,8
United Kingdom	8	94,9	9	93,8
Belgium	9	94,5	12	90,7
Norway	10	94,2	16	88,1

Quelle: World Bank, Logistics Performance Index – LPI 2007 & 2010

Port of Rotterdam

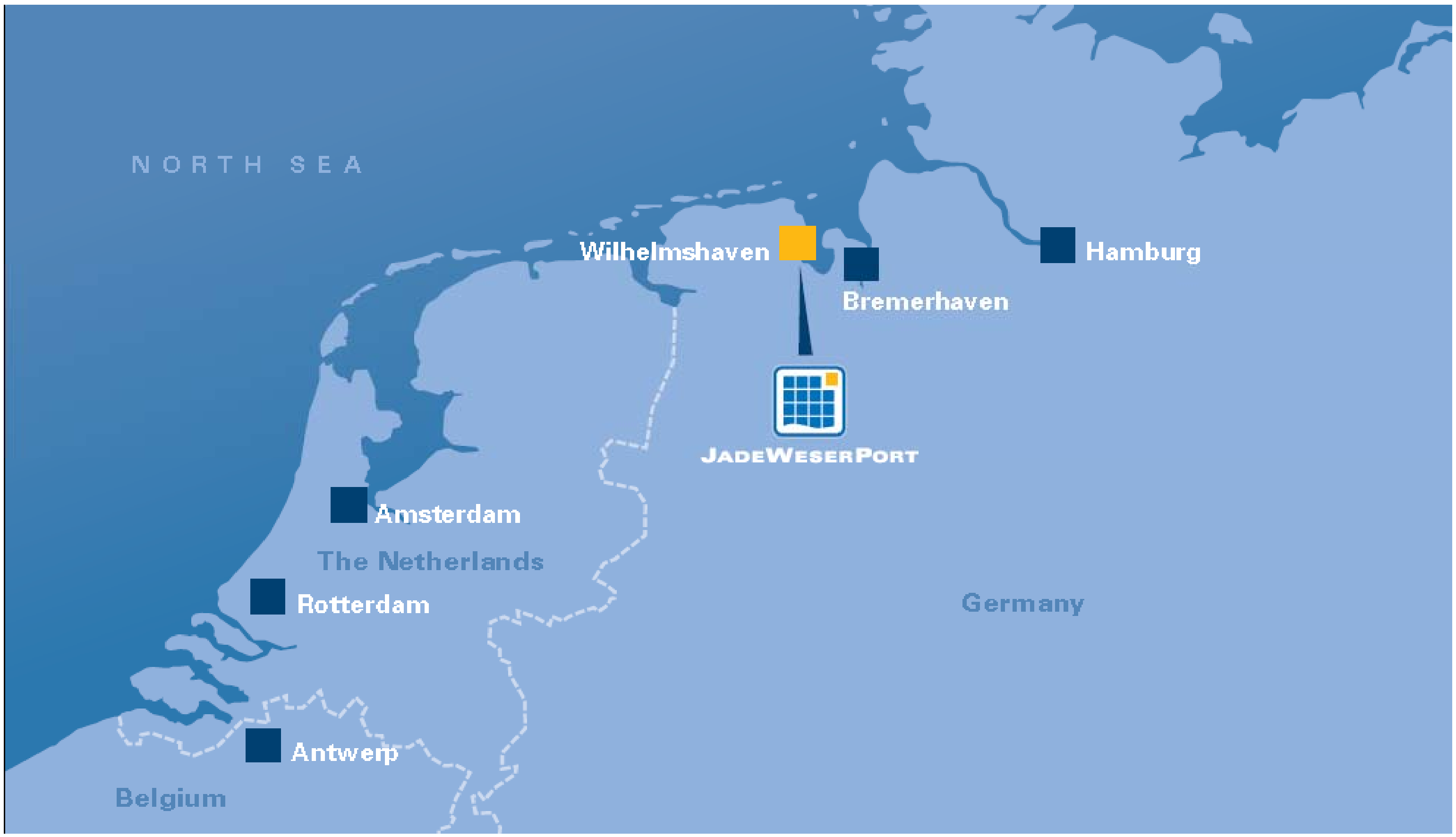
The **Port of Rotterdam** is the largest port in Europe covering 105 square kilometers, stretching over adistance of 40 kilometers.

Statistics	
Vessel arrivals	36,315 sea ships (2008)
Annual cargo tonnage	430 million tons (2010)[1]
Annual container volume	10.8 million TEU (2008)
Annual revenue	€ 525 million (2008)
Net income	€ 151 million (2008

Port of Hamburg

Statistics	
Vessel arrivals	12,217[1]
Annual container volume	9.737,110 TEU (2008)[2]
Annual revenue	€ 44.4 million
Main trades	basic pharmaceutical materials, coffee, spice, carpets, paper

Northrange - Location of the new JadeWeserPort



Jade Weser Port Wilhelmshaven

Operational: presumingly August 2012

Container Terminal Wilhelmshaven (CTW)

Hinterland connection via inland navigation vessel

Direct access possibilities via Weser, Ems or Elbe.

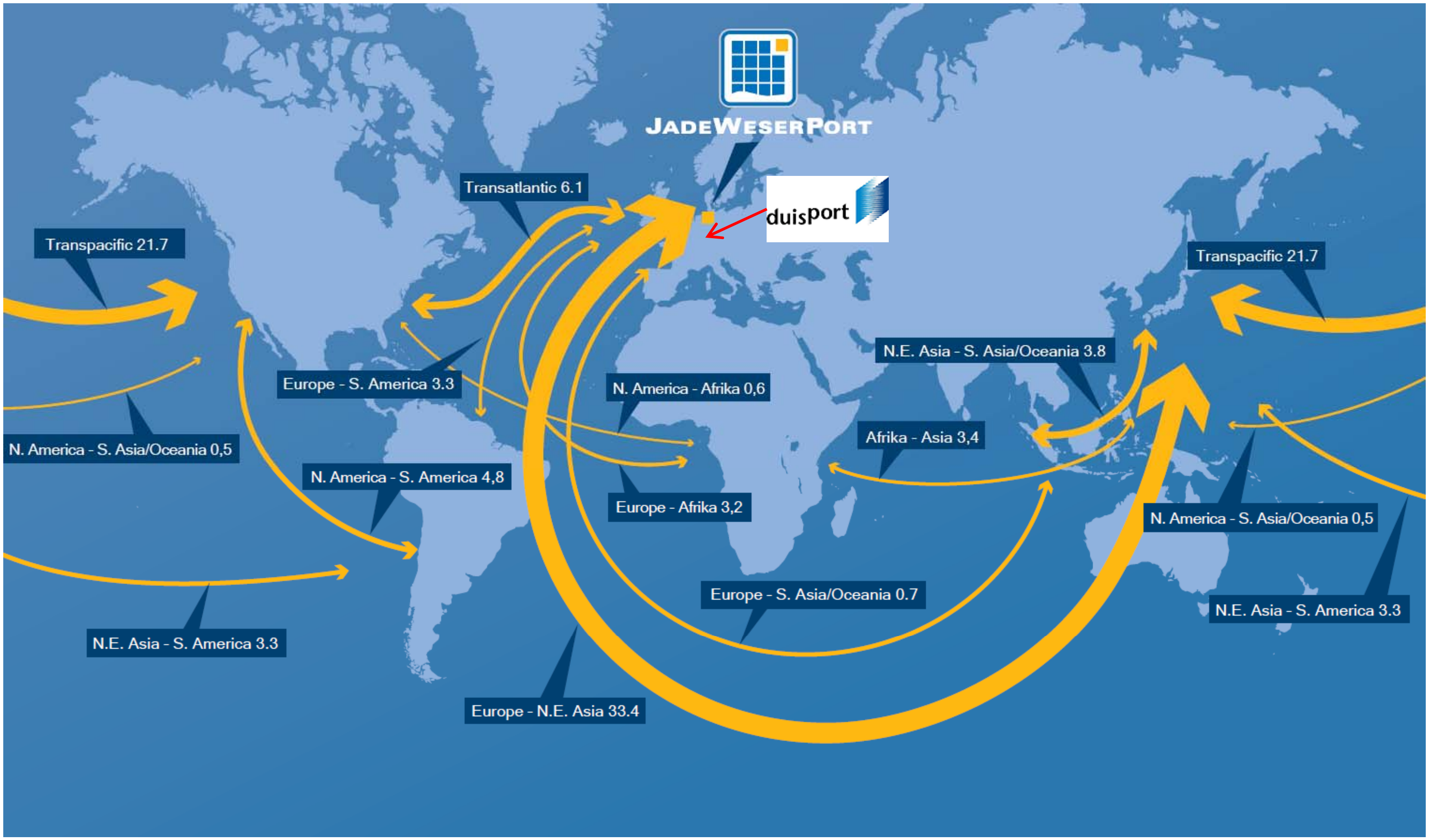
Weser – Hunte, Mittellandkanal
Ems – Ems-Kanal, Rhein, Mosel, Main, Neckar, Donau
Elbe – Elbe-Havel-Kanal

Nordostseekanal - Shortfeeder

Possible routes for Future Carrier

Source: WSV.de

Container routes worldwide



Goods traffic in mio. TEU / 2008

An example for onward/inland distribution…

duisport – Europe's largest inland port


- duisport is Europe's largest inland port with an area of 1,000 hectares, including 21 port basins with more than 180 hectares of water area.

- Handling approx. 45 million tons of goods by ship, rail and truck, Duisburg is the most important distribution center in the European canal network. Including the private com-mercial harbors, over 100 million tons are handled at the Duisburg location per year.

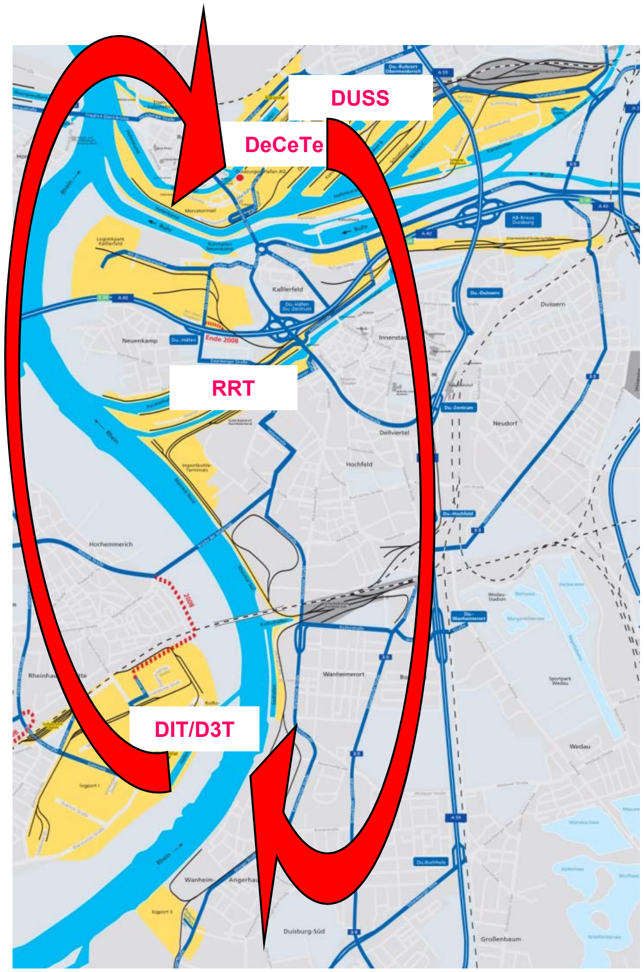
- More than 200 companies offer their services in duisport. Four intermodal terminals are provided, as well as over 1 million m² of covered storage space, about half of which is intended for modern contract logistics.

- Duisburger Hafen AG has a participating interest in the "Antwerp Gateway" – a large container terminal at the Belgian seaport. The terminal went into service in July 2005 and has direct rail and ship links to Duisburg.

duisport: the multimodal center of Europe

- Duisport is linked via ship, rail and truck with all major centers of economy in Europe
- More than 70 national and international connections by combined traffic exploiting major imprtant European corridors
- Duisport to be regarded the center of multimodal hub city in Europe
- 4 intermodal container terminals with a capacity of min. 1 mio. TEU

Intermodal split



Terminals connected via rail shuttle

Capacity: 1.2 million TEU p.a.
Extension up to 2.5 million TEU p.a. till 2010

Intermodal Services - example

Containertraffic Rotterdam – Duisburg

- Duisburg offers best prerequisites for incoming and outgoing container traffic ex / to the overseas - harbours
- Reduction of logistic cost

  E.g., cost per Container by barge app. 160,- Euro per box

  cost per container by truck app. 310,- Euro per box
- Lead time to Duisburg: 48/72 hours (by barge)
- Direct access to Container Terminal (200 m)

Competition

3 Logistcs areas (duisport)

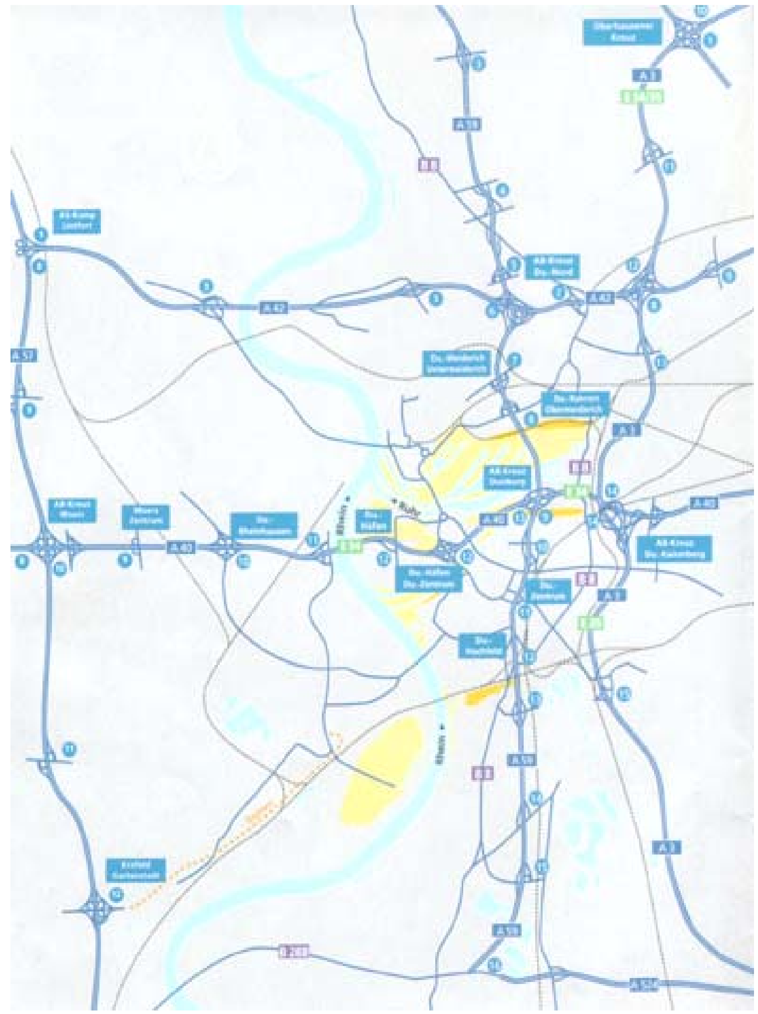
1.2 million qm covered warehousing

European LSPs.:

- Schenker (DE)
- NYK Logistics (JP)
- Geodis (FR)
- Hellmann (DE)
- Seacon (NL)
- Wincanton (GB)
- Kühne+Nagel (CH)
- DHL (DE)
- Gökbora (TR)
- Gefco (FR)
- Rhenus (DE)
- and others

> Distribution and Value Added Services

Top - the local infrastructure



Best prerequisites for all incoming and outgoing traffic:

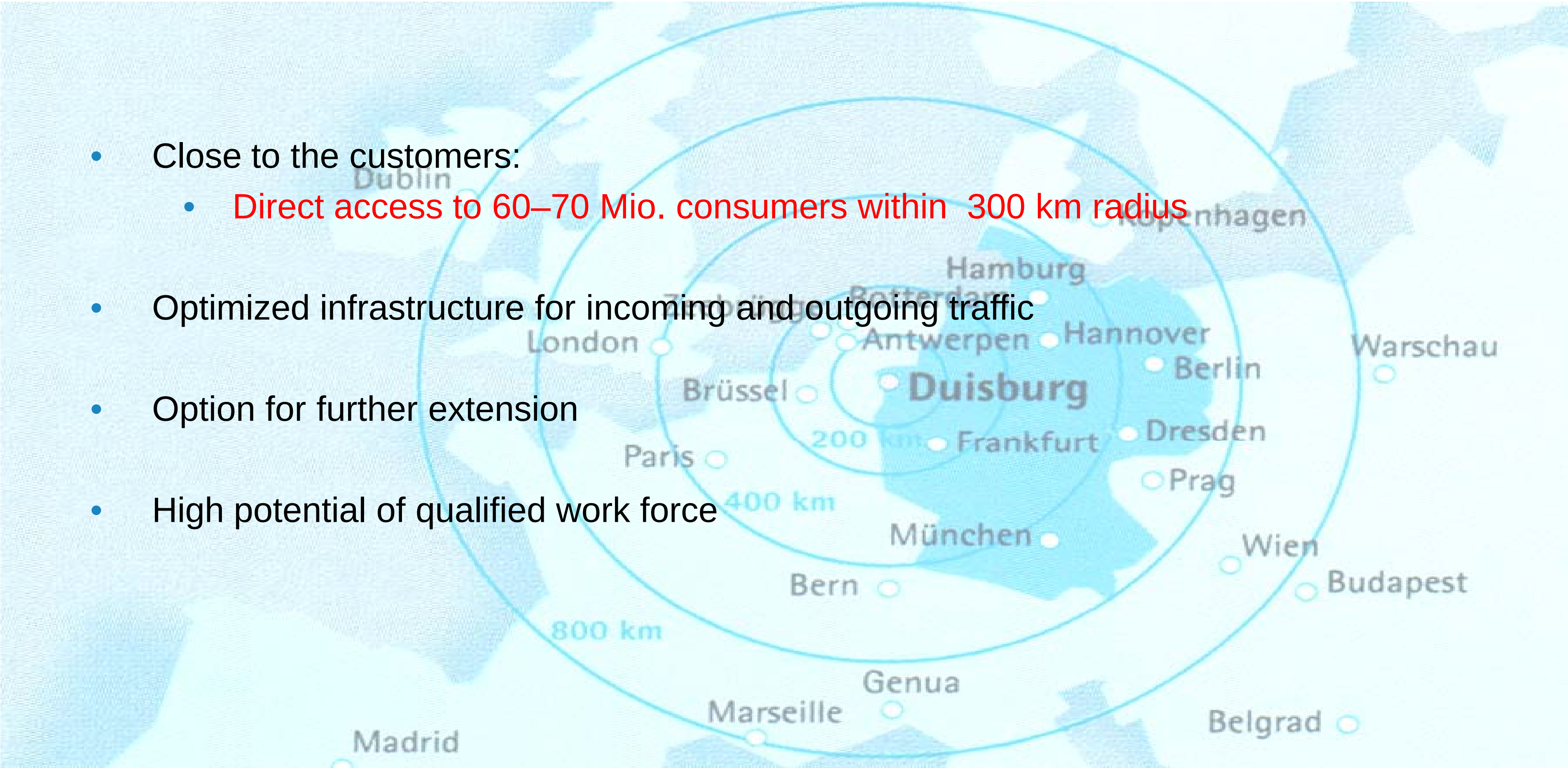
- motorways to all directions
- Rail links to the European railway network

- access to the European waterway system
  - with direct connection to major important overseas ports
- Air cargo links via the airports of Dusseldorf and Cologne/Bonn

Ensures multi modal approach

Advantages…

- Close to the customers:
  - Direct access to 60–70 Mio. consumers within 300 km radius
- Optimized infrastructure for incoming and outgoing traffic
- Option for further extension
- High potential of qualified work force



NRW INVEST GERMANY

Logistics companies (e.g.)

NYK LOGISTICS & MEGACARRIER

Wincanton

GEODIS A TOTAL LOGISTICS RESOURCE

RHENUS LOGISTICS

Cretschmar Cargo

IHG THE LOGISTICS PEOPLE

arcelor Steel solutions for a better world

ABX LOGISTICS

Deutsche Post World Net MAIL EXPRESS LOGISTICS FINANCE

ups

JD

P&O

Lagerung Transport Handel LTH

DPD In time with business.

HUETTEMANN LOGISTIK

Müller & Co o.H.G.

NAGEL-GRUPPE

TNT Global Express, Logistics & Mail

SCHENKER Stinnes Logistics

FedEx Express

OFFERGELD LOGISTIK

LSE

DHL

NIPPON EXPRESS

AXIOM LOGISTICS

KÜHNE+NAGEL

LEHNKERING

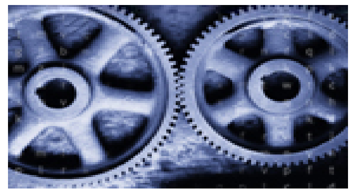
exel creating new value in the supply chain

NRW INVEST GERMANY

Industry Focus

Aerospace / Defence

Comercial and Industrial Manufacturing



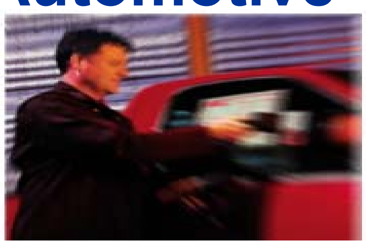
Financial

FMCG

Healthcare

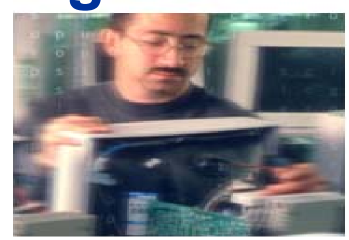
Retail

Automotive



Chemical

High Tech



Leading logistics service providers (e.g.)

Regional Strength

Asia	Germany	Western Europe	Eastern Europe
DHL	DHL	DHL	DHL
SCHENKER Stinnes Logistics	SCHENKER Stinnes Logistics	SCHENKER Stinnes Logistics	SCHENKER Stinnes Logistics
KÜHNE+NAGEL	KÜHNE+NAGEL	KÜHNE+NAGEL	KÜHNE+NAGEL
	HUETTEMANN LOGISTIK		
	RHENUS LOGISTICS	RHENUS LOGISTICS	
	OFFERGELD LOGISTIK		
	Wincanton	Wincanton	Wincanton

Leading logistics service providers (e.g)

Vertical competence within industry sectors

Retail / FMCG	Hi-Tech	Chemical /Pharma	Automotive
KÜHNE+NAGEL	Wincanton	LEHNKERING	SCHENKER Stinnes Logistics
DHL	ups		TNT Global Express, Logistics & Mail
OFFERGELD LOGISTIK			OFFERGELD LOGISTIK
NAGEL-GRUPPE			

Current Issues

- Road toll discussions continue, especially in Western Europe
- Introduction of new “technical equipment”, e.g. tear drop trailers, road trains etc
- Availability of loading capacity, number of truck significantly reduced affecting seasonal peaks of customers
- Availability of qualified staff all around the EU
- Ongoing discussions regarding pricing issues, dependent on market sector
- Value added services becoming the most important USP for the LSP in general
- Financing of stock by the selected LSP becomes more and more important in order to shift risks
- Distribution still low margin business, max. 2% ROS
- Ongoing discussions in the field of “Green Logistics”

…One definition of Contract Logistics

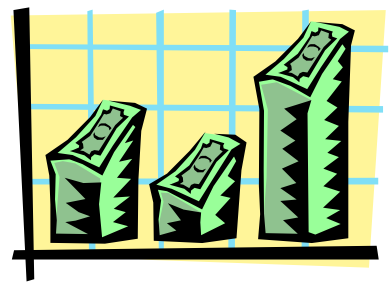
- Business based on close relationship between LSP and customer , covering more than one single functionality of logistics services.

- Business based on contractual relationship, min. more than 1 year

- Business volume exceeds minimum turnover of 500.000 € or 1 Million €

Opportunities Contract Logistics

60 billion €.



industrial contract logistics 40 billion €.
6 billion Euro already outsourced!
16% increase p.A.!

FMCG distribution and – contract logistics 20 billion €
5 billion already outsourced!
4% increase p.A.!

Outlook

Traditional 3PL model

Management of warehousing and distribution, max. 10% reduction of logistics cost

Paradigm Shift

LLP Approach

Holistic Management of Supply chain, bottom up und top down approach in order to identify saving potential

Up to 20% savings by Stock reductions

- Reduction of capital employed
- Reduction
- Consolidation of stock
- VMI

Outlook

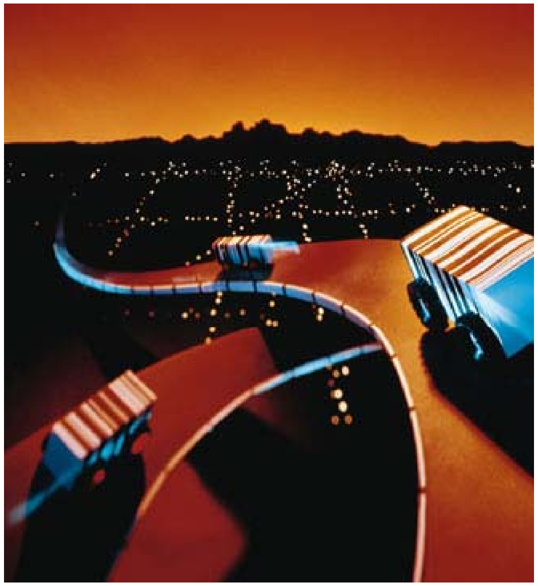
- **Long term relationship management**
- **Common continuous improvement process**
- **End customer as initiator of change requests**
- **Common planning of future challenges**

Market trends in general

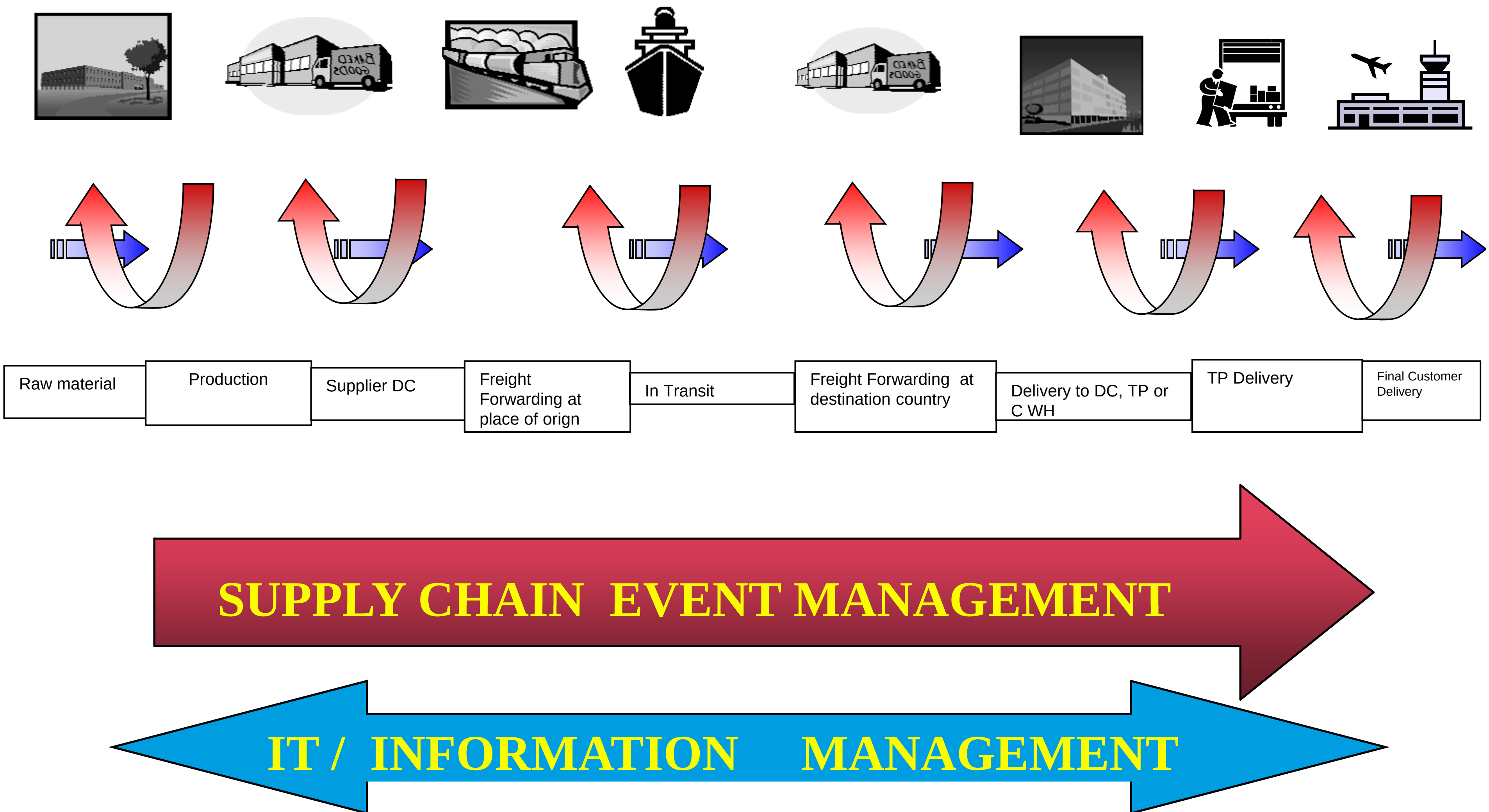
- Increase of importance of “Factory Gate Pricing”
- Permanent increase of import quotes
- Increase of Non-Food Sector
- Change of philosophy In-house solution vs. Outsourcing
- Extension of service - Home Delivery / E- Commerce
- Extension of opening hours of shops

Framework conditions

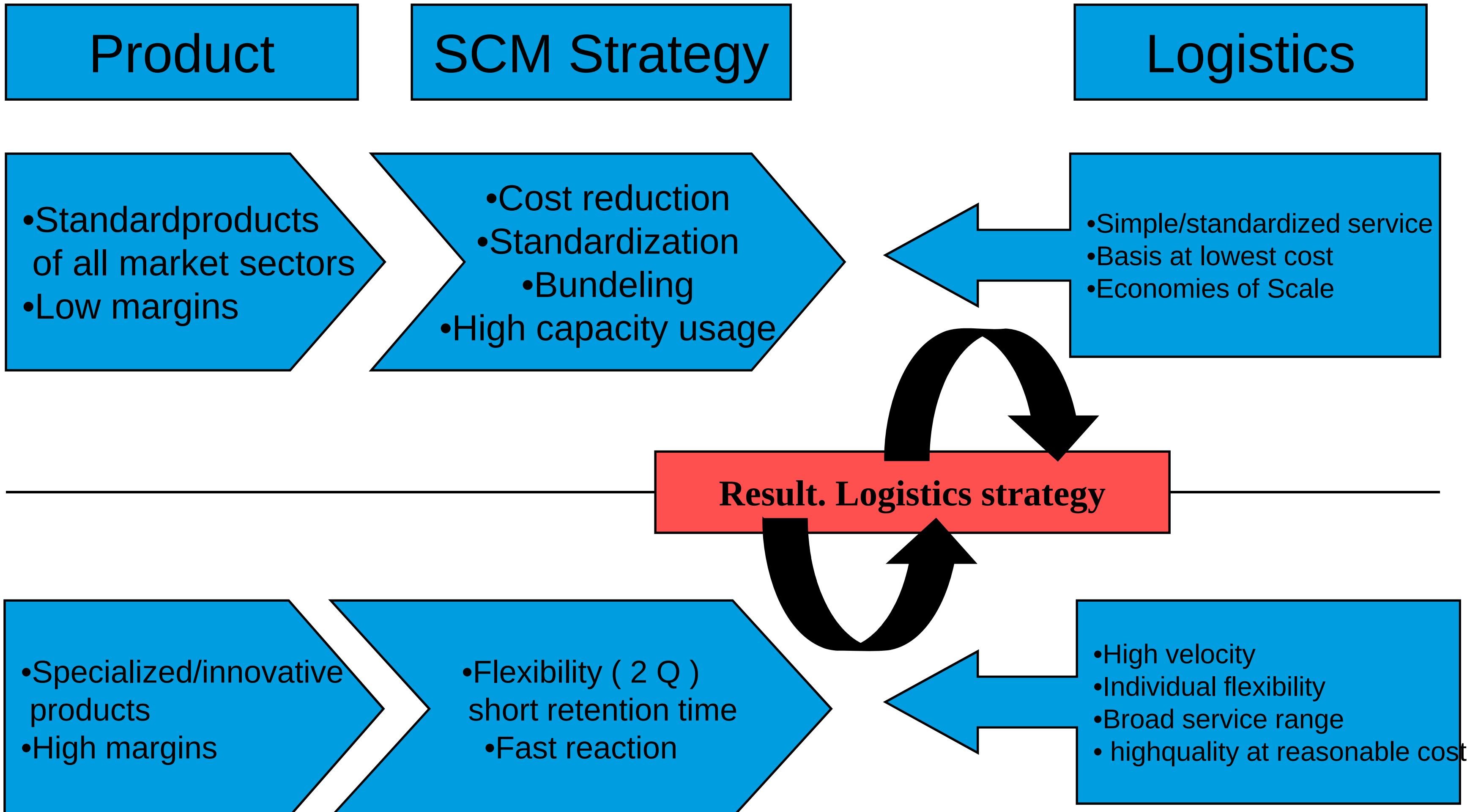
- Control of supply chain in total
- Permanent increase of quality requirements
- Globalization of product flow inbound / outbound
- Importance of information flow
- Permanent reduction of order cycles
- Change / new supply markets



SCM – information flow



Competition strategy and logistics



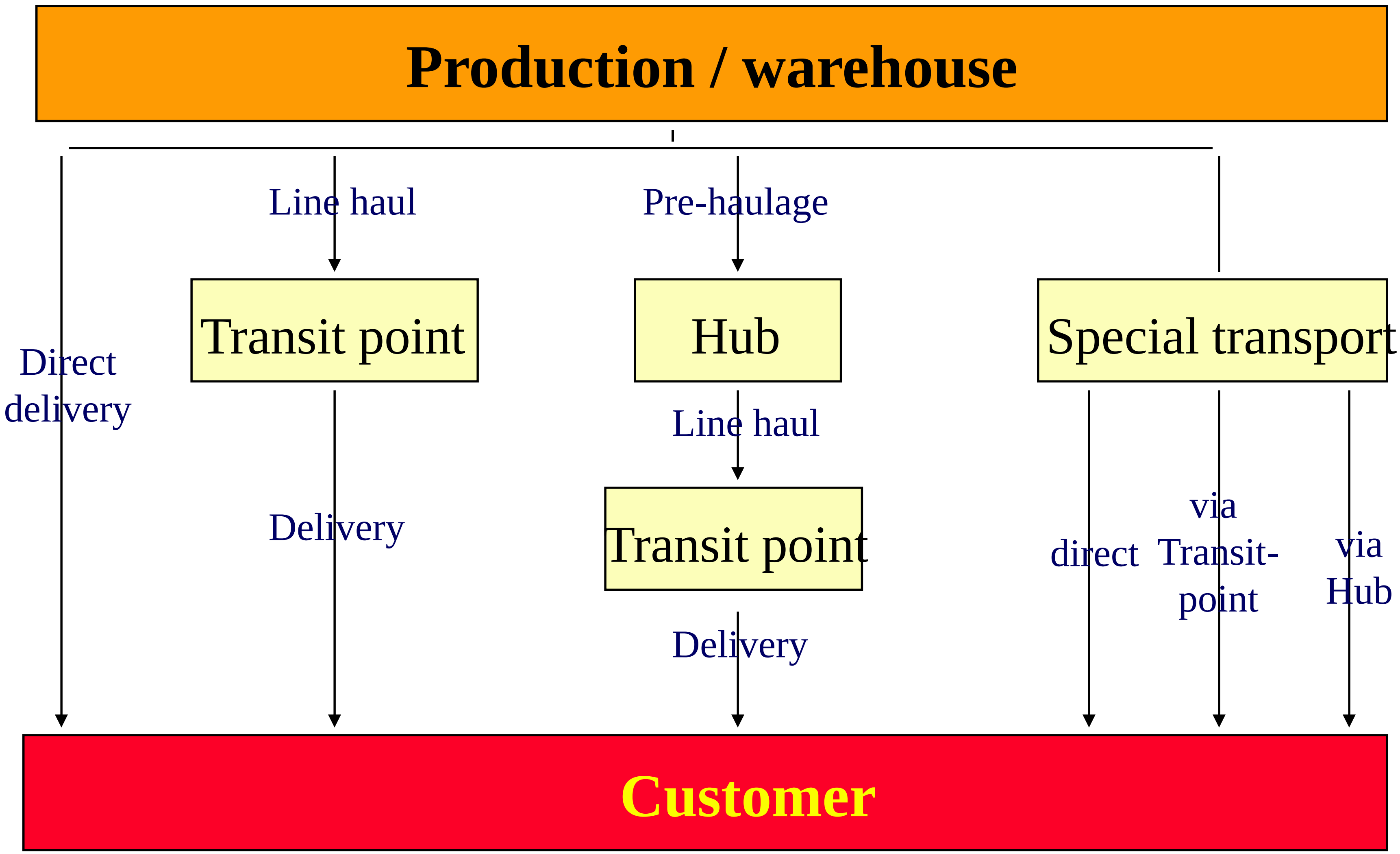
Retail Services – Supply chain systematic

- **Warehousing**
  - Regional / national DCs; central warehouses ; cluster
  - Shared user
  - Bonded warehouses
  - Multi-temperature warehouse
- **Transport & Distribution**
  - Network and Cross Docking Operations
  - Supply Logistics
  - Home delivery
  - Temperature controlled transport
  - International tranport FTL, LTL, groupage

Retail Services –adding value to the Supply Chain

- **Consulting**
  - E.g. Networkstrategy, location and infrastructure planning, etc.
- **Retourenlogistik**
  - Multi-user or dedicated operations
  - Recycling of packing material
  - Disposal and waste management
- **Fleet Management**
  - Contract coordination and maintanance
- **Retail solutions**
  - In-store installations etc.

Product Flow

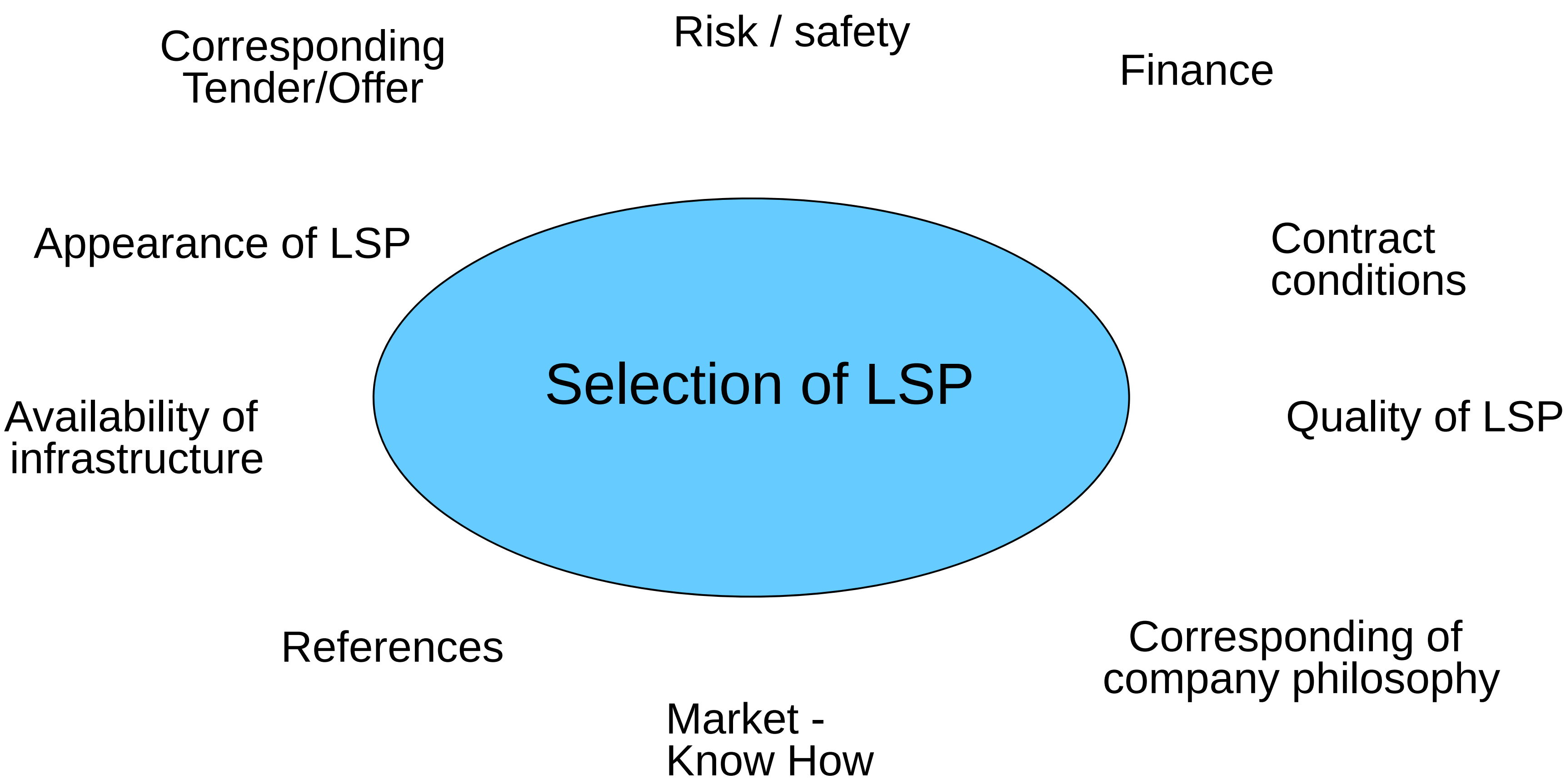


Requirements of distribution management

- Pallet delivery (full pallets; mixed pallets; parcels; consignment pallets; etc.)
- Garage delivery
- Trade fair delivery
- Final customer delivery
- Sales actions
- Lead times and time window delivery and pick up
- Loading and unloading management
- Management of interfaces
- KPI Management
- RFID and video tracking along the supply chain
- Liability and contract penalty
- Proof of delivery and T&T (POD, GPRS Einsatz etc.)
- Equipment guarantee
- Certification
- And ………?

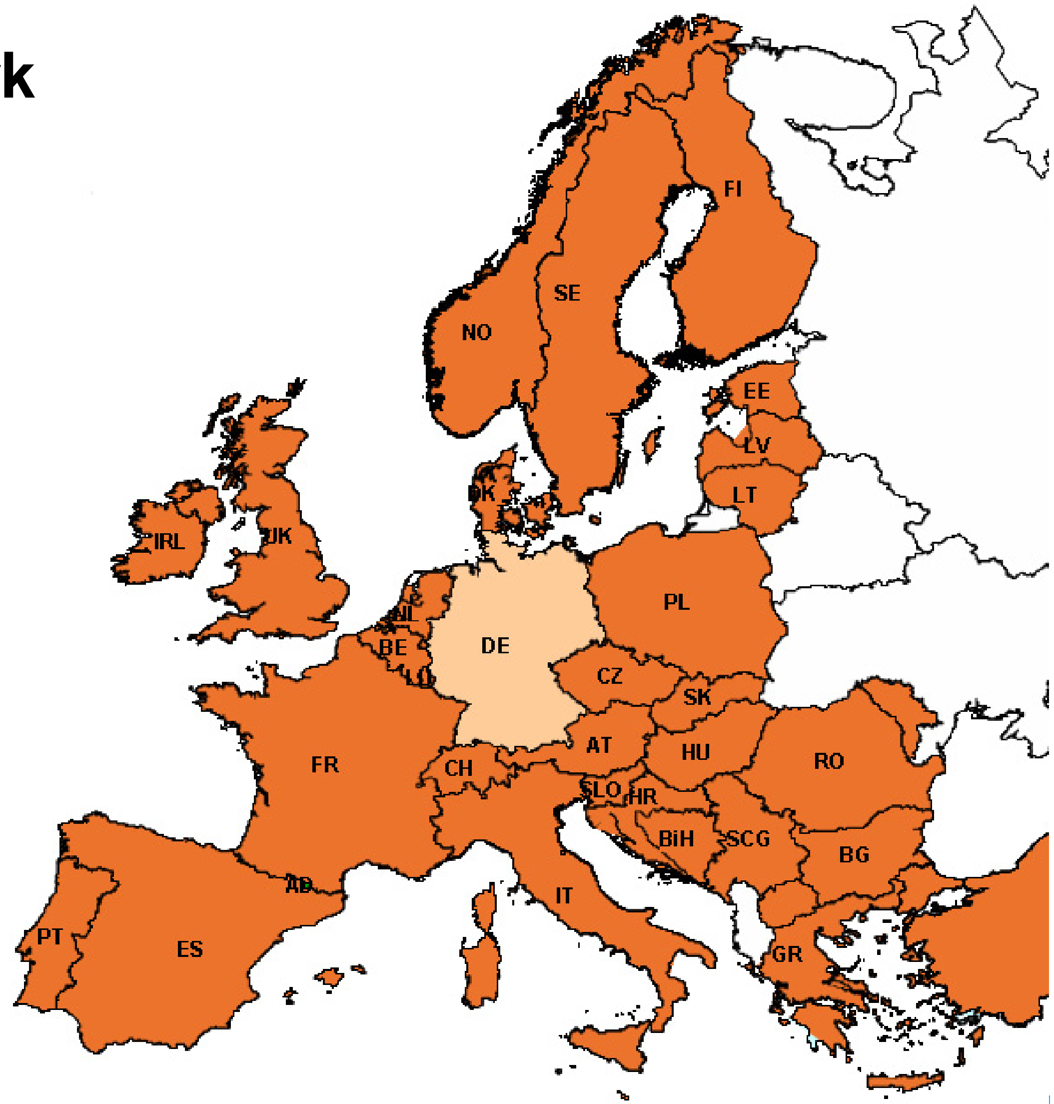
! Cost management !

Most important criteria for LSP evaluation



Road – European network

- Regular line haul installations, min. 2 times per week ex Western Europe
- Offer must cover Groupage / FTL / LTL traffic
- Customs
- A standardised and high quality level
- Transparency through track & trace
- Build a strong distribution network per country either by own investment or via partners



Examples on CEE development

- Dependent on market sector DC at central location either operated by service provider or on own expenses
- Implement Hub and spoke network per country
- Ongoing implementation of "24 hours response"

Please contact us…

NRW.INVEST GmbH

Economic Development Agency of the
German State of North Rhine-Westphalia (NRW)

Michael Kordus

Völklinger Str. 4

40219 Düsseldorf, Germany

Phone: +49 (0)211 / 13 000-122

Fax: +49 (0)211 / 13 000-154

E-Mail: Kordus@nrwinvest.com

www.nrwinvest.com

NRW.INVEST (North America) LLC

Economic Development Agency of the
German State of North Rhine-Westphalia (NRW)

Dr. John Gatto

150 North Michigan Avenue, Suite 2940

Chicago, IL 60601, USA

Phone: +1 312 629 7500

Fax: +1 312 629 7501

E-Mail: johngatto@nrwinvestllc.com

www.nrwinvestllc.com