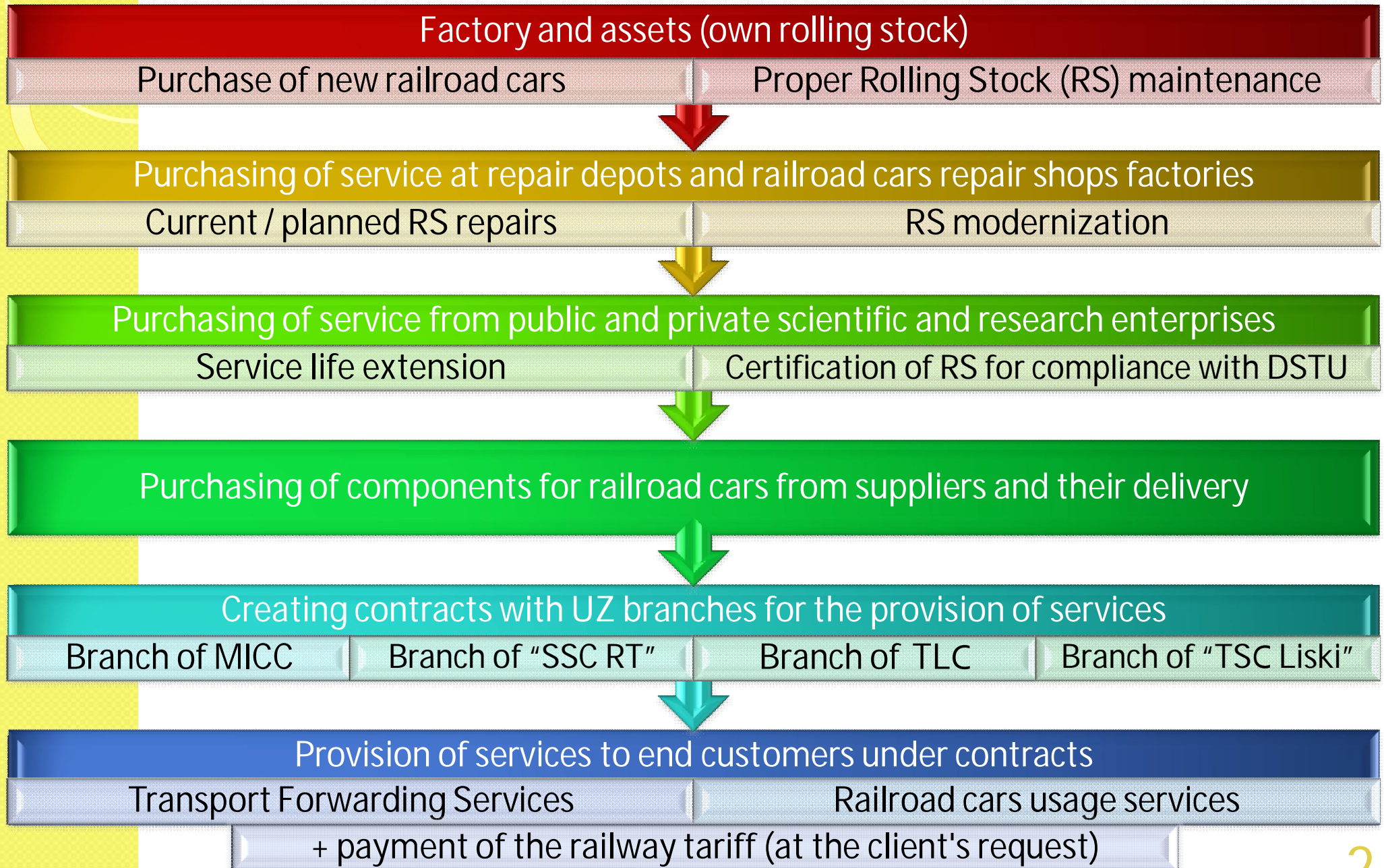




# «EU-Trans» Business Model

CEO: Balashov E.A.

# Company's business model



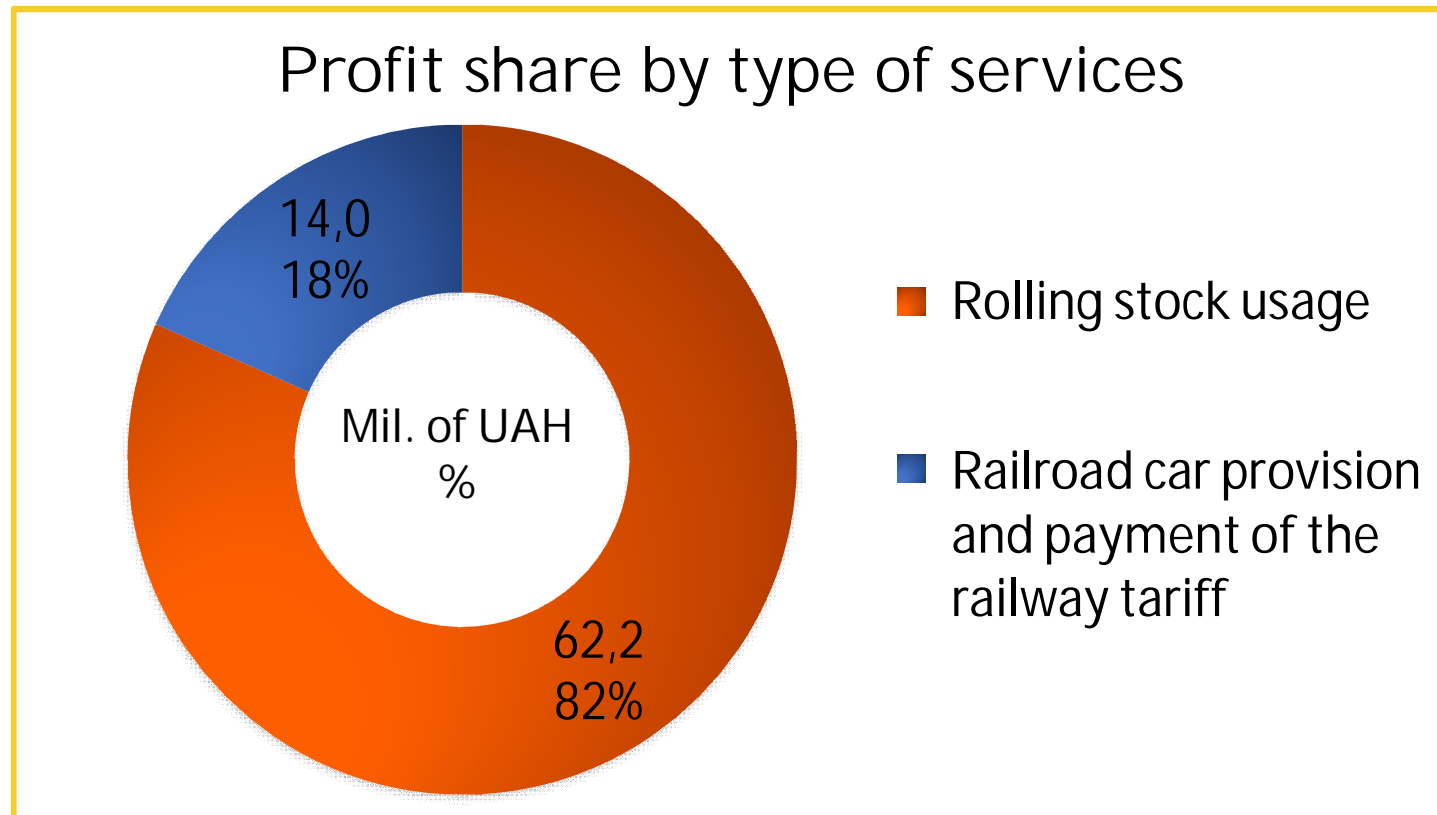
# Business model description: Business process

- Business process of the company is based on formation of production assets in a wide range of transportation loads using different types of railroad cars and increasing the income share by granting services in the region of the European Union.
- Regions of transportation of rolling stock include railway tracks of JSC "Ukrzaliznytsia"; areas road that arranged with tracks of 1520 mm (LHS, Poland) and border areas roads of countries of Europe (Romania , Hungary , Moldova, and countries of Baltic region).
- **Business process includes :**
  - ❑ acquisition of freight railroad cars;
  - ❑ directing railroad cars to repair depots and railroad car repair factories for the purpose of restoration , modernization and extension of service term;
  - ❑ granting railroad cars to customers according to usage agreements and granting services of transportation organizations contracts including the railway fare payment.
- In order to provide repair services and RS modernization services, enterprise is involving contractors - railroad car depot, railroad car repair enterprises, parts and component suppliers, state and private scientific and research enterprises which providing technical condition reports of railroad cars and opportunities of further operation and certification bodies.

# Business model description: Business process

- Expenses that support business process workflow, consist of: acquisition of railroad cars; acquisition of components, which are installed on railroad cars; payment for services of carriage repair enterprises for the repair of railroad cars; payment for services of carriage repair enterprises with restoration and modernization of rolling stock; payment for services of determination of technical condition and provision of technical decisions that determines possibility of further railroad cars operation; acquisition of copyrights for technical conditions for conducting modernizations; payment for services of certification bodies, registration bodies of JSC "Ukrzaliznytsia"; payment for staff work; business trips.
- Profitability within the framework of the business process consists of income from contracts of usage of rolling stock (rent of railroad cars), payments under transport service contracts (provision railroad cars and payment of the railway tariff), payments under contracts of granting services of transport forwarding (Maintenance, payment of the railway tariff). Due to diversification of the company railroad car fleet, namely : gondola-railroad cars , well car platforms (40', 60', 80'), boxcars, lumber railroad car hoppers, company implements its activities in various directions of transportation of different loads. Tracking of current market «mood» is used, that allows keeping the high levels of income on those types of rolling stock, which are in great demand on the market at specific moment, even in the conditions of falling demand for other types of railroad cars.

# Business model description: Business process

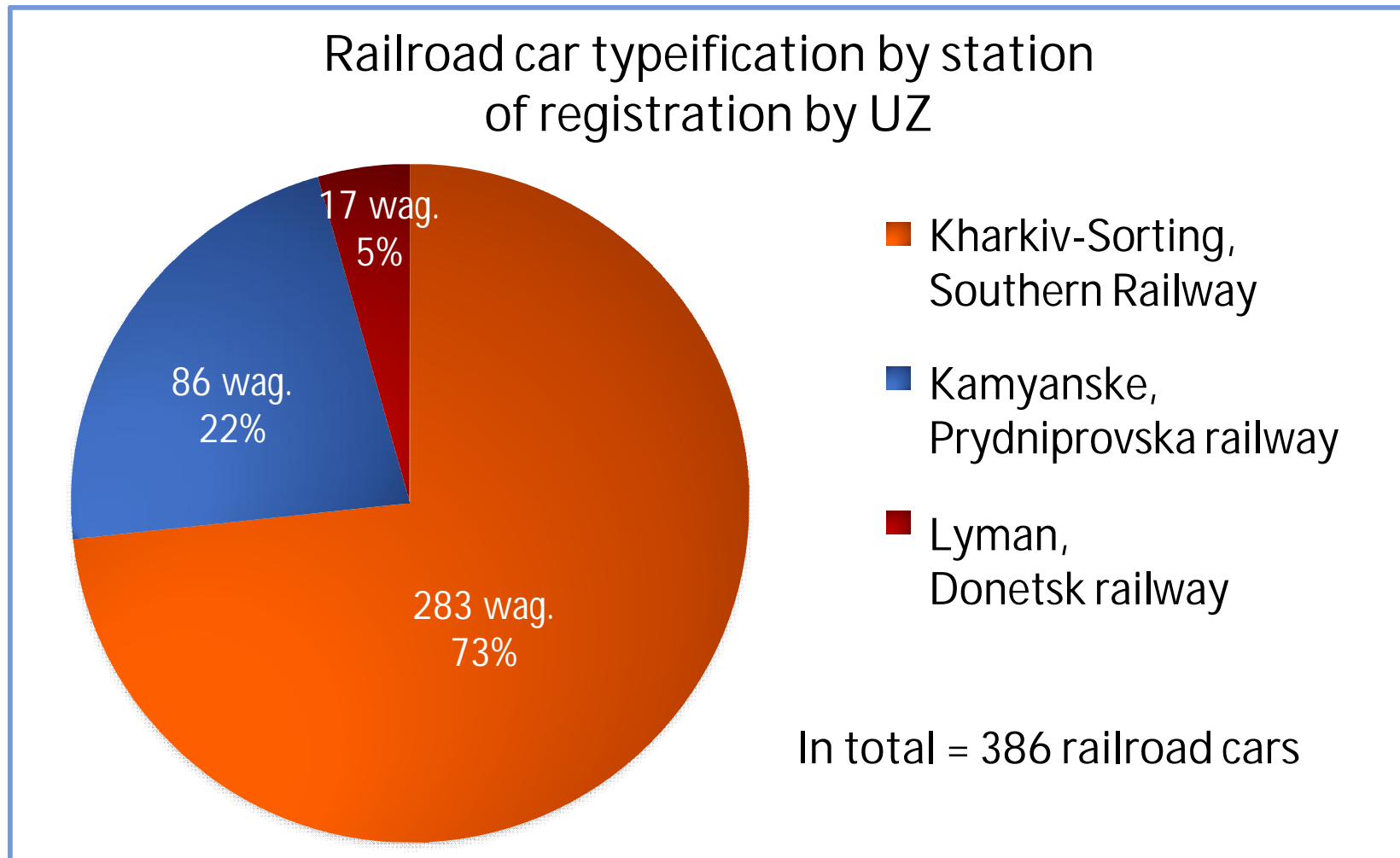


- Also company is implementing the modernization (changing type of the railroad cars) for the opportunity of increasing the income by applying higher rates for railroad cars usage, which enterprise receives as a result of modernization.
- A company has more than 25 years of industrial experience on the railway market transportation. Enterprise state consists of highly educated specialists in the field, as well as having great practical experience with rolling stock operation since 2016.

# Business model description: Business process

- The company's work uses its own complex information system, developed by the company with the involvement of IT specialists, which consists of automatic generation of tax, accounting, statistical, personnel reporting. The enterprise has implemented its own electronic system of management and accounting of the technical condition of wagons, and the "Wagon Passport" project has been created. The company carries out scientific and research activities, namely the development and ownership of the copyright for the rolling stock modernization project, according to which 50 wagons were modernized, which gave the right and allowed to extend their service life by 15 years.
- Enterprise is carried out foreign economic activity that is in scope of general income exceeds the income rate of services in the domestic market. A decision is made to expand the services provided in the region running on the 1435 mm track within the framework of the European Union, due to the purchase of its own European rolling stock as long term perspective.
- The company's work is based on signing contracts with clients, creating invoices for advance payment of services in the amount of 50-60% of the total cost. The enterprise is a payer of added value tax, income tax on the general taxation system. For 25 years of work in the field of railway transportation, the company has not had a single annual loss report. Foreign exchange receipts in 2023 will make up 50.1 % of total income.

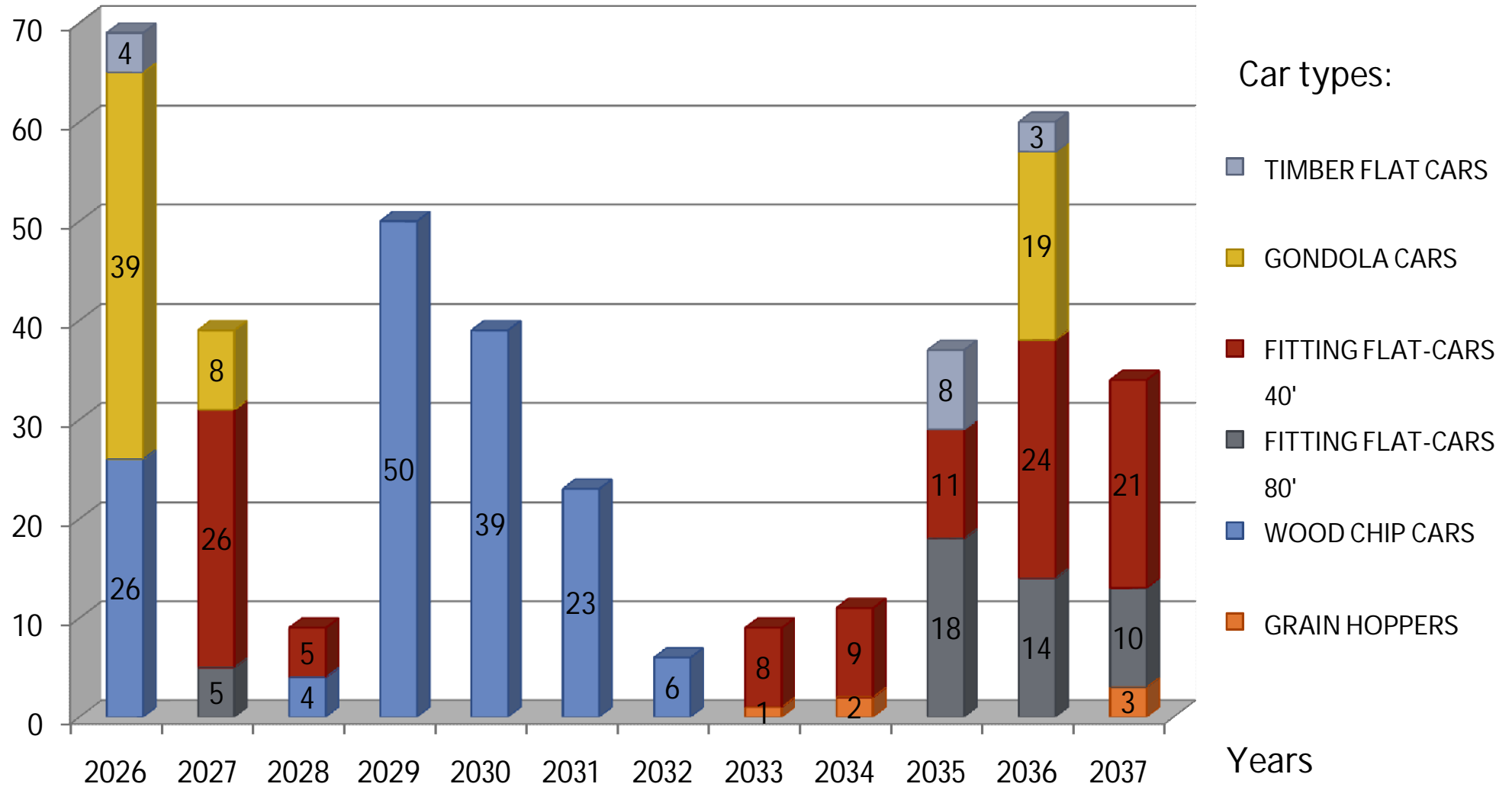
# Business model description: production assets (location)



- The presence of its own rolling stock is 386 wagons, the location is assigned to the regional stations of JSC "Ukrzaliznytsia", including 24 wagons that are forced to be located in temporarily occupied territories.

# Business model description: Production power

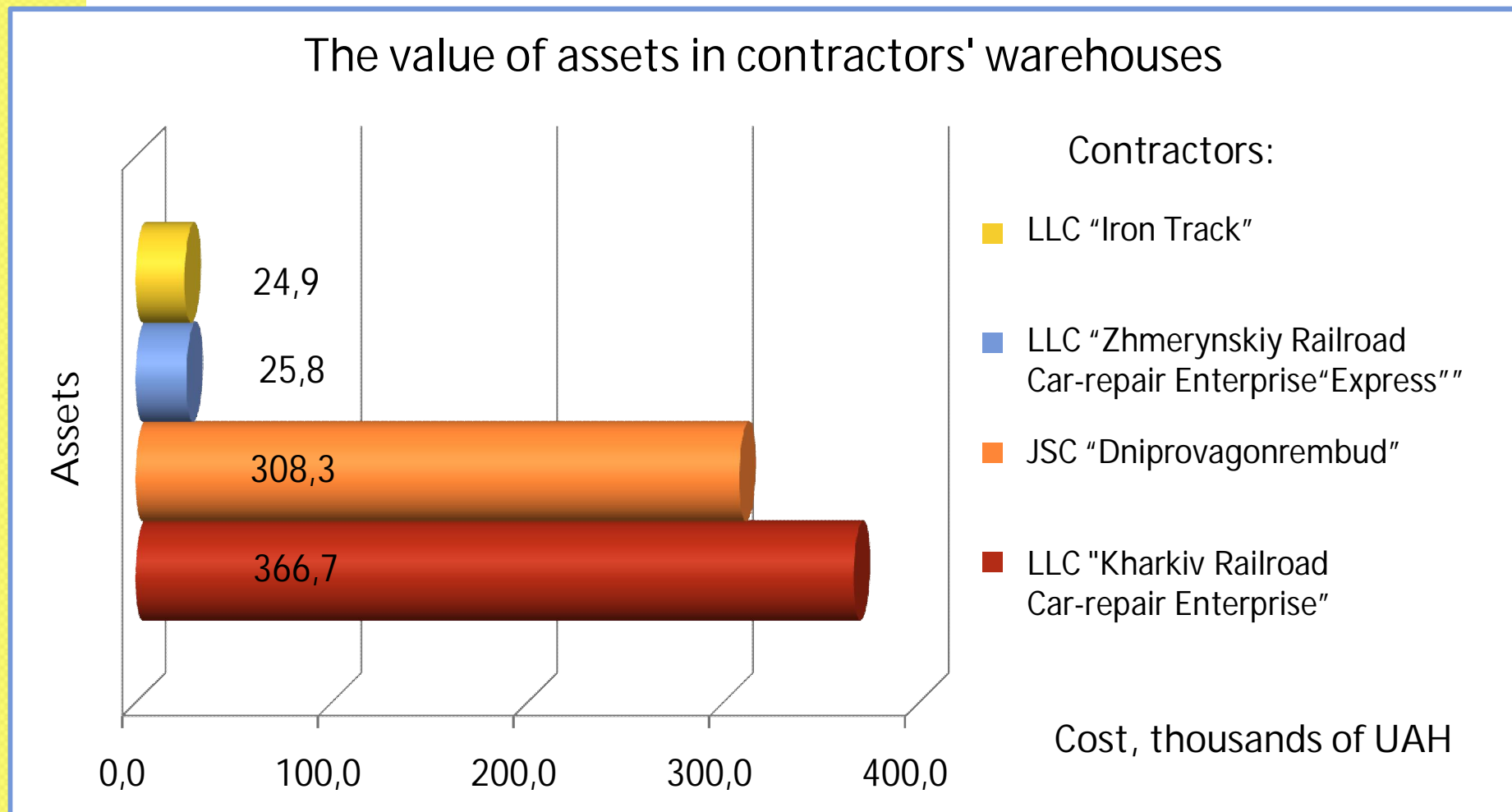
Railroad cars classification by types and service terms





# Business model description: Warehouse infrastructure

- LLC «EU-Trans» has repair base in terms of permanent relations with counterparties that have production capacity and storage facilities supplying resources and spare parts . Currently at contractors enterprises on behalf of LLC «EU-Trans» is kept:



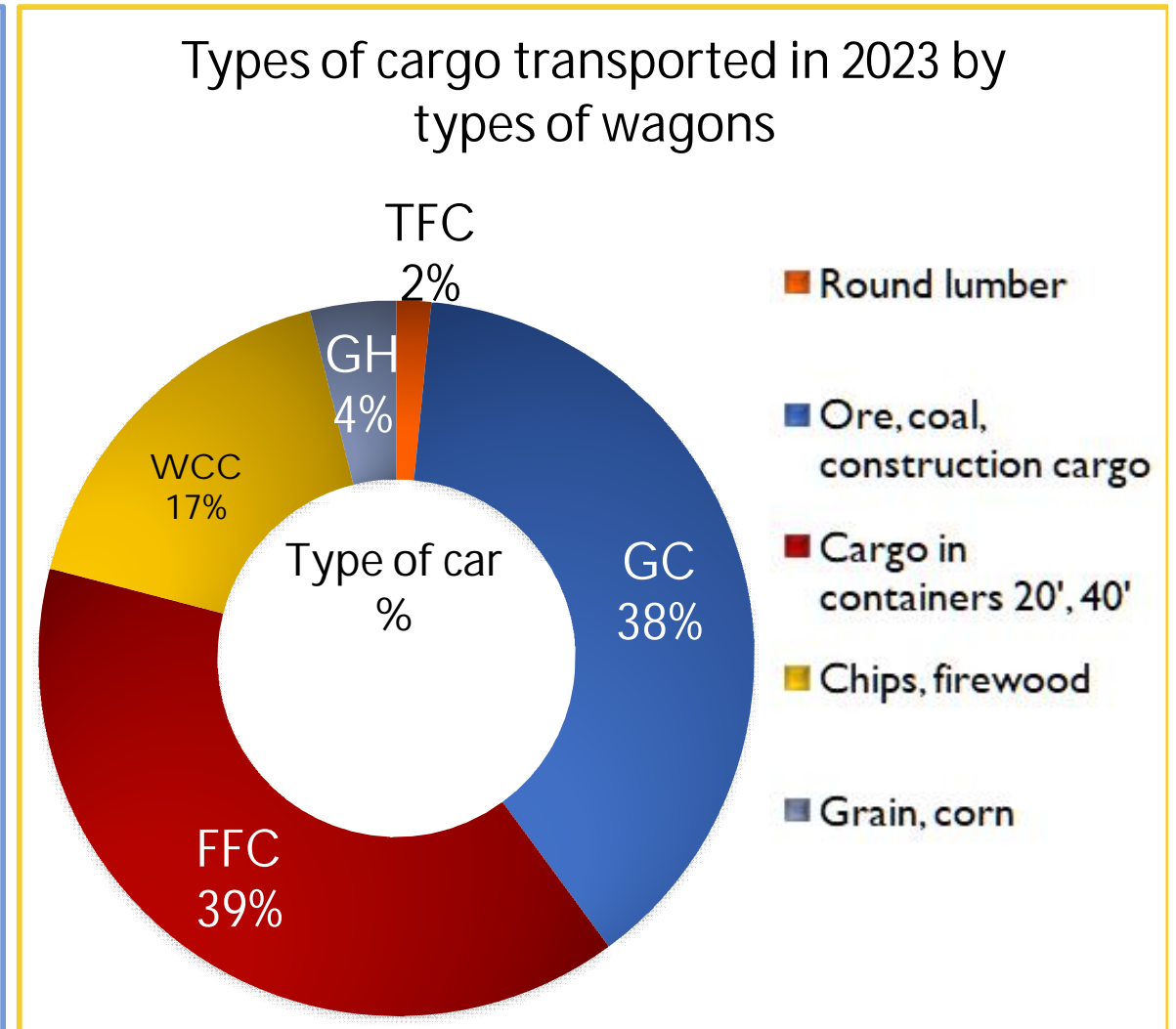
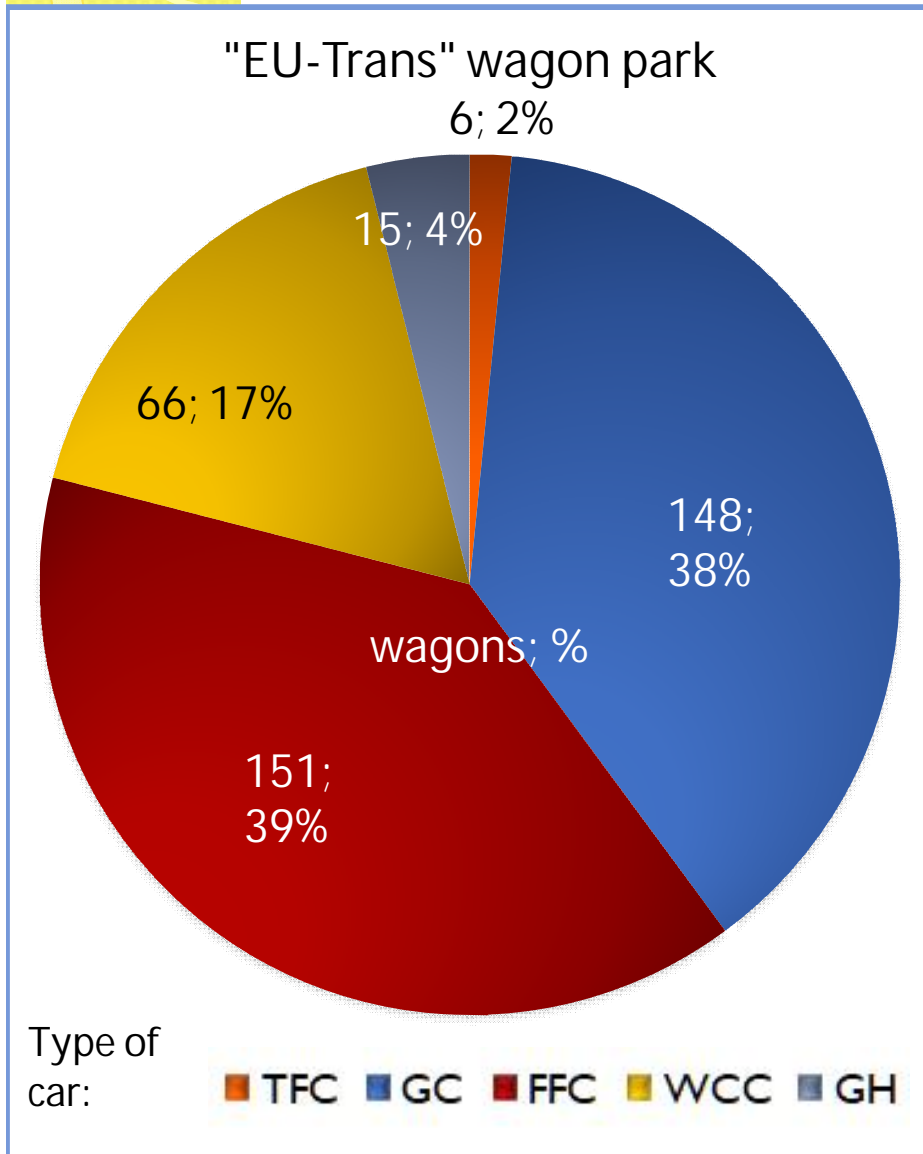
# Business model description: Logistics

- The main destinations depending on the type of rolling stock in export-import chain are presented in the following table:

Type of rolling stock		Quantity, pcs	Type of cargo	Routes	Annual revenue, million UAH
TIMBER FLAT CAR	TFC	6	Round lumber	Lviv railway - Romania	1,633
GONDOLA CAR	GC	148	Ore, coal, construction cargo	MBP of Ukraine - Ports of Great Odesa, export to third countries	12,181
FITTING FLAT CAR (40', 60', 80')	FFC	151	cargo in containers 20', 40'	Klewan – Sławków (Poland)	45,53
				Ternopil - Zamosc (Poland)	
				Ternopil - Medyka (Poland)	
WOOD CHIP CAR	WCC	66	Chips, firewood	South Western Railway – Dornesti (Romania)	12,597
GRAIN HOPPER	GH	15	Grain	South-Western Railway – Chop-Cierna (Slovakia)	4,21

# Business model description: Logistics

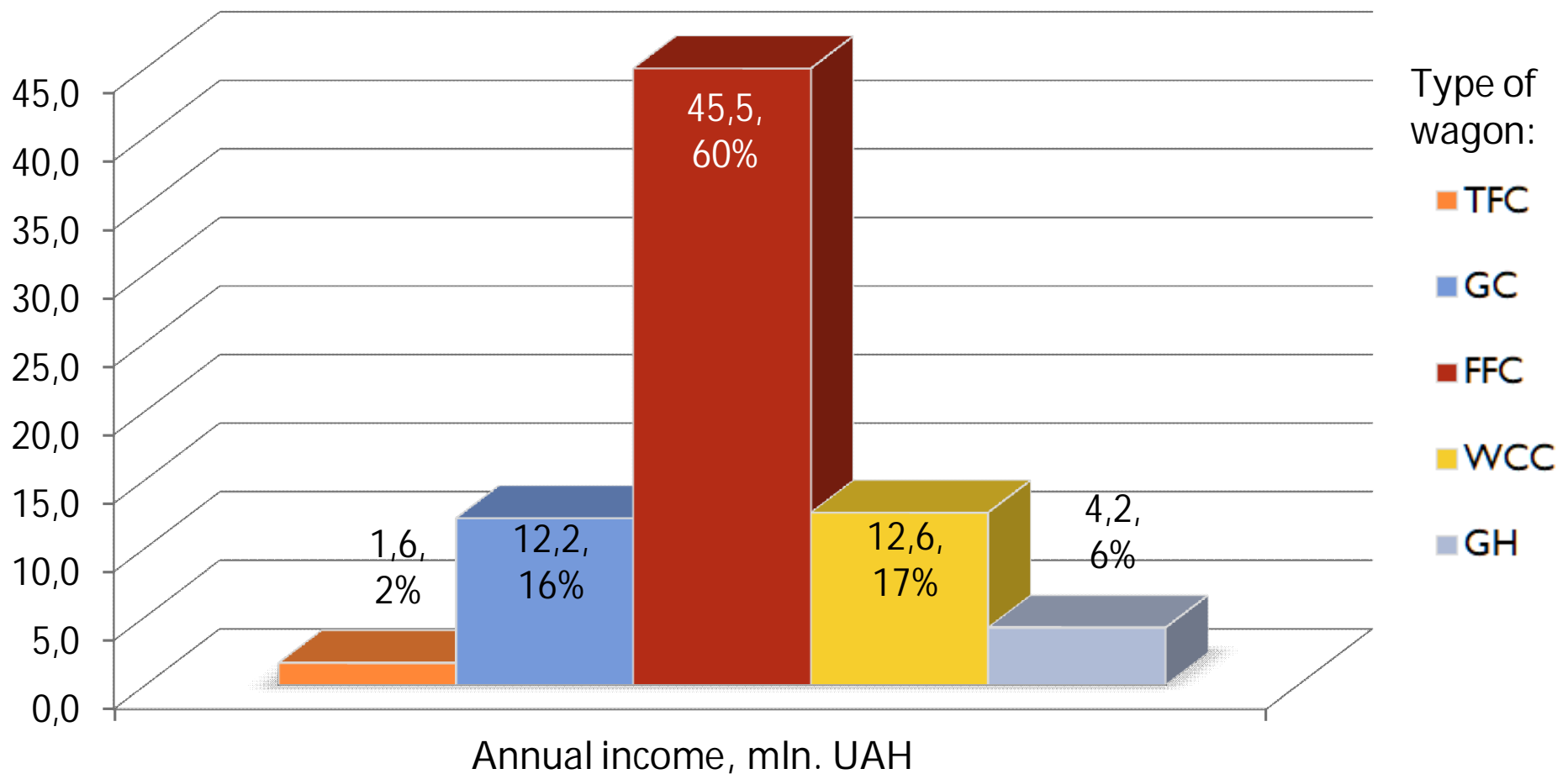
- The following two doughnut charts represent the ratio of type of rolling stock and type of cargo was transported.



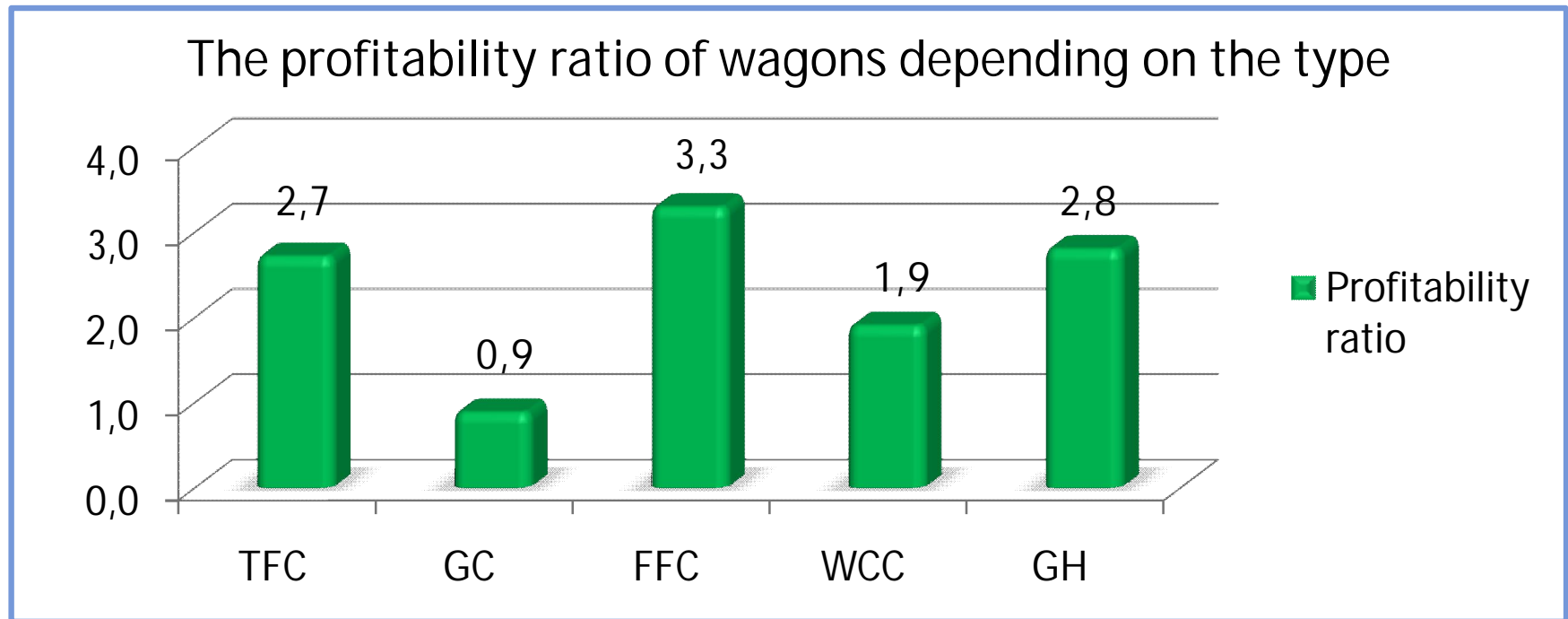
# Business model description: Logistics

- The ratio of annual income by types of rolling stock is shown graphically below.

Volumes of profit for the provision of usage of railroad cars by type for 2023



# Business model description: Logistics



- Based on the ratio of annual profitability indicators to the number of wagons, the **profitability ratio** was derived. From the diagram, it can be seen that **fitting platforms (FFC)** have the highest coefficient, and therefore, this type of rolling stock is the most promising.
- The main route of fitting platforms in container trains is "Klewan – Gdansk Port". In addition to the container terminal in Klewan, there are also terminals of our partners at Ternopil and Mostyska stations.
- As for today, "Eu-Trans" cars provide only half of the route on the Klewan - Slawkow section (1520 mm track). Third-party cars are used for transportation on 1435mm track (section "Slawkow – Gdansk Port") (4 trains/month).

# Business model description: Logistics

- The map represents the route of fitting platforms, border crossing stations and the nearest container terminals (by stations: Klewan, Ternopil, Mostyska, Zamosc, Slawkow, Dobra).
- "EU-Trans" plans to purchase fitting platforms of 1435 mm track for their use on the second half of the route (Slawkow – Port of Gdansk), which will allow to completely abandon the involvement of third-party wagons and reduce costs, as well as have a flexible position on the market.



completely abandon the involvement of third-party wagons and reduce costs, as well as have a flexible position on the market.

# Business model description: Pricing

- The pricing of the enterprise consists of obtaining an excess of revenue from the use of wagons in production activities (providing wagons for use; providing wagons for technical flights and paying the railway tariff; providing services for the payment of the railway tariff) over the costs of purchasing and maintaining rolling stock (conducting timely capital and depot repairs, modernization of rolling stock, replacement of components), payment for the services of JSC "Ukrzaliznytsia", replenishment of codes for payment of the railway tariff, payment of wages.
- Pricing is formed according to separate contracts, charging the rate for the use of the car per day, payment of the railway tariff (at the request of the client), payment of current repairs (at the client's expense or at his own expense), charging the company's commission, which covers the costs of wages, business trips, office rent and overheads etc.

# Business model description:

## Market position/competitor advantages

- At the moment, the company owns the largest own fleet of fitting flat cars and wood chip cars in Ukraine.
- The company is a leader in the transportation of wood and container cargoes on the transportation market.
- The business process of the company plans to further acquire European rolling stock and expand the range of cargo transportation through railway yards of the European Union countries.
- Today, the company has implemented a project of container train transportation for the international container operator Maersk. The wood raw materials shipment to the address of the European giant Egger is provided as well. Export transportation to Poland and Hungary is provided by our own fleet of gondola cars and wood chip cars.



# Business model description:

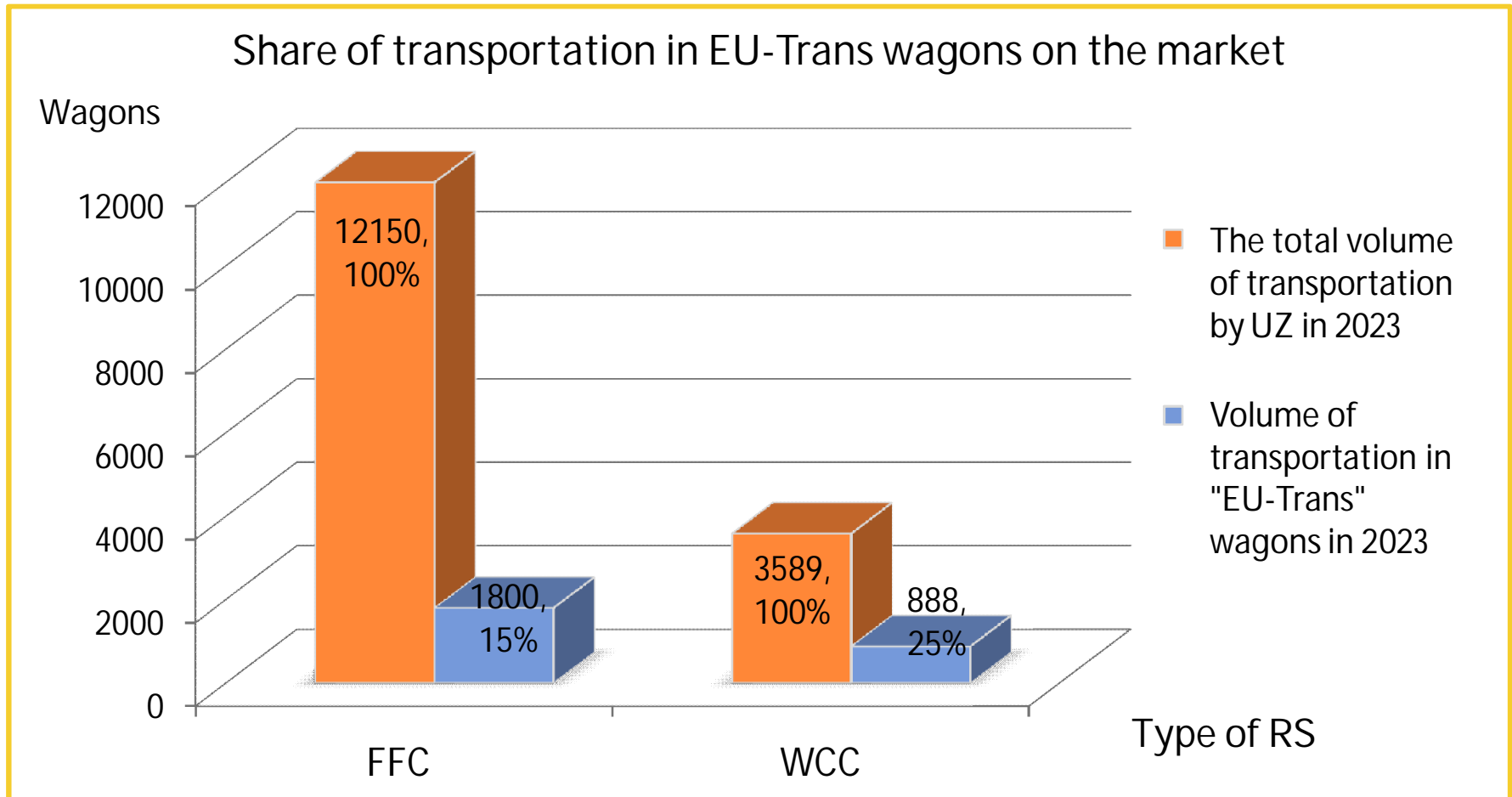
## Market position/competitor advantages

- The company plans to purchase the first 10 40' fitting platforms of 1435 mm gauge with its own funds and another 10 wagons with involving investors. At the moment, the terms of the contract with the European company-manufacturer of wagons are being negotiated. The specifications of the car model which it is planned to purchase is represented below.



Wagon type	Sgmmns	Tara weight intermodal with ballast* (t)	16,5
Number of axles	4	Vehicle gauge	G1
Bogie type	Y25 with compact brake	Maximum wheelset load (t)	22,5
Max. length over buffers (mm)	13.698	Maximum permitted running speed	120km/h

# Business model description: Market position/competitor advantages



- The diagram shows the total volume of transportation by Ukrzaliznytsia and the share of transportation using "EU-Trans" railroad cars for 2023. Two dominant types of the company's rolling stock (fitting flat cars and wood chip cars) are taken for comparison.

# Business model description:

## Market position/competitor advantages

- According to the results of the *All-Ukrainian Industry Analytical Center*, which deals with a wide range of issues related to the study of the economic activity of enterprises and organizations of Ukraine and annually conducts an independent assessment of enterprises of Ukraine, LLC« EU-Trans» is in the top of reliable and investment-wise attractive enterprises of Ukraine and the best suppliers services starting since 2018.
- In 2023, the company was included in:
  - Top 7 in the Regional registry companies (on Kyiv region);  
[https://ukr-centr.com.ua/rate\\_2023\\_kr\\_obl?edrpou=30264140](https://ukr-centr.com.ua/rate_2023_kr_obl?edrpou=30264140)
  - Top 11 in the National registry companies (in Ukraine).  
[https://ukr-centr.com.ua/rate\\_2023\\_kr\\_nat?edrpou=30264140](https://ukr-centr.com.ua/rate_2023_kr_nat?edrpou=30264140)

# Business Model Description: Restrictions and Licensing

- The company is the owner of the Technical Conditions (TC) (rolling stock modernization project), which imposes restrictions on the execution of these improvements by requiring the coordination of these works with LLC «EU-Trans» as the owner of the project.
- There are some limitation on cargo by type of rolling stock. Those cargoes which are subject to transportation by the enterprise, are: wood cargo, container cargo, wood chips, wood waste, ore, grain.
- One of the main limitations can be noted is the presence of the freight car Service Limit Term, which is regulated by the [Order of the Ministry of Infrastructure of Ukraine No.647 from 30.11.2021](#). "By approval of the Procedure of conducting a complex of diagnostic, repair and registration operations aimed to extend the service life of freight railroad cars (except freight railroad cars of enterprises of technological railway transport, intended for the transportation of goods for production purposes within the territory of such enterprises), established by the manufacturer, the terms of the continuation of the operation of such cars".
- Based on the results of a complex of diagnostic operations, the specialized organization issues a Technical Decision (TD) on extending the period of operation of the freight railroad car or on excluding it from the Automated Data Bank of the Wagon Fleet (ADB WF) due to its technical condition. The technical decision is issued with an indication of the necessary planned type of repair (major or depot) for freight railroad cars, whose period of operation on public railway transport are extended.

# Contacts :

- Website: <https://eu-trans.biz/>
- Postal address:
  - 03035 Ukraine, Kyiv, str. Metropolitan V. Lypkivskyi, 45, office 808
- Legal address:
  - 03035 Ukraine, Kyiv, ave. I. Maryanenko, 11/12
- Telephones:
  - Department of Logistics: +38 (044) 494-36-63
  - Department of Finance: +38 (044) 496-32-70
  - Email: [info@eu-trans.biz](mailto:info@eu-trans.biz)
- CEO: Balashov Evgeny Anatoliyovych
  - Email: [balashovea@eu-trans.biz](mailto:balashovea@eu-trans.biz)