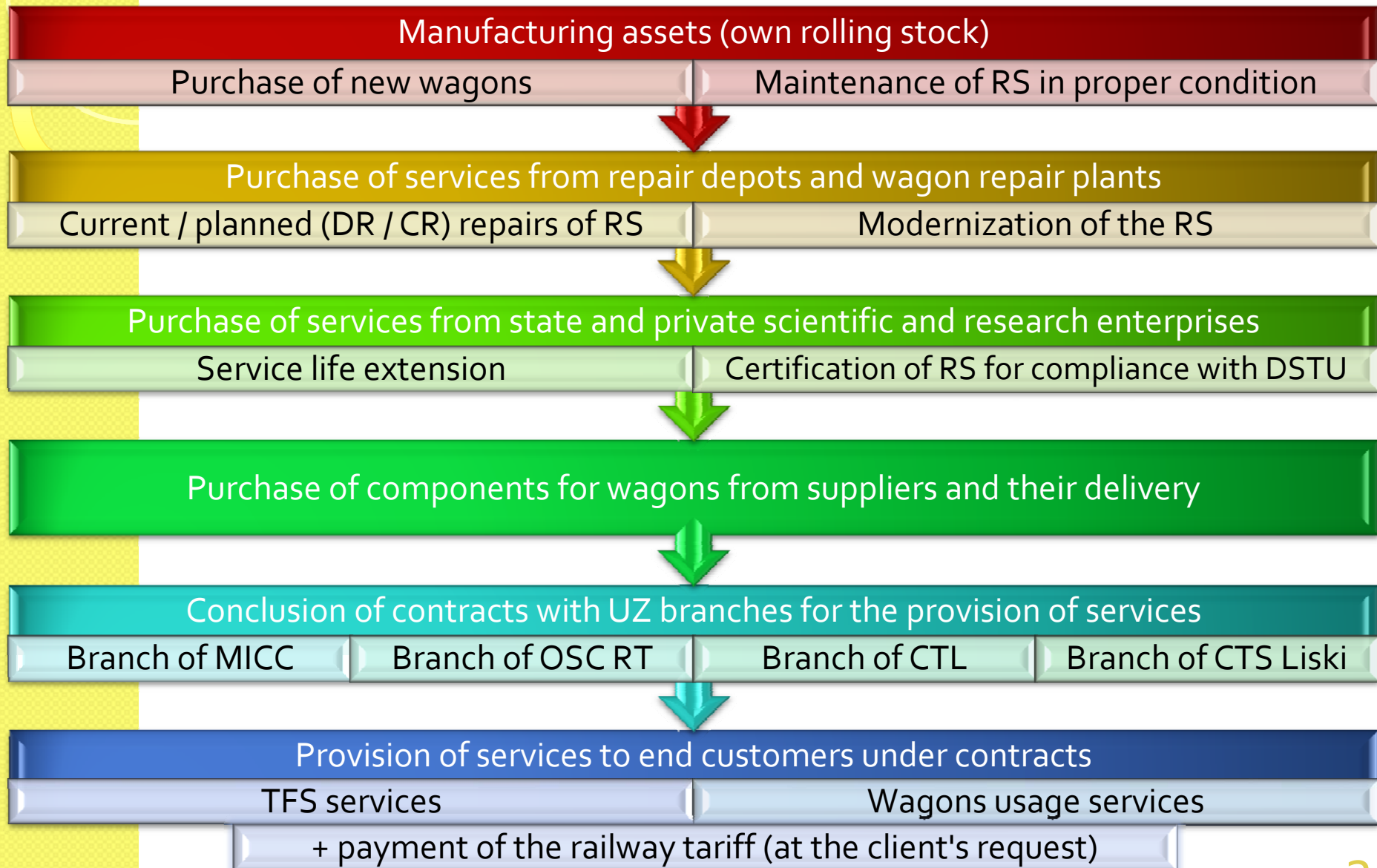




BUSINESS MODEL OF LLC “EU-Trans”

Director: E.A. Balashov


The company's business model scheme



Description of the business model:

Business process

- The company's business process consists in the formation of production assets for a wide range of cargo transportation using various types of wagons and increasing the share of revenues due to the provision of services in the European Union region.
- Rolling stock operating regions include railway tracks of JSC "Ukrzaliznytsia"; sections of roads equipped with 1520 mm tracks (LHS, Poland) and border sections of roads of European countries (Romania, Hungary, Moldova, the Baltic States).
- **The business process includes :**
 - ❑ acquisition of freight wagons;
 - ❑ directing wagons to repair depots and wagon repair factories for the purpose of restoration, modernization and extension of the service life of rolling stock;
 - ❑ provision of wagons to customers in accordance with usage contracts and contracts for the provision of services for the organization of transportation, including payment of the railway tariff.
- In order to ensure the performance of repair work and work on the restoration and modernization of rolling stock, the company engages contractors - wagon depots, wagon repair enterprises, suppliers of components and spare parts, state and private scientific research enterprises for determining the technical condition of wagons and the possibility of further operation, and certification bodies.

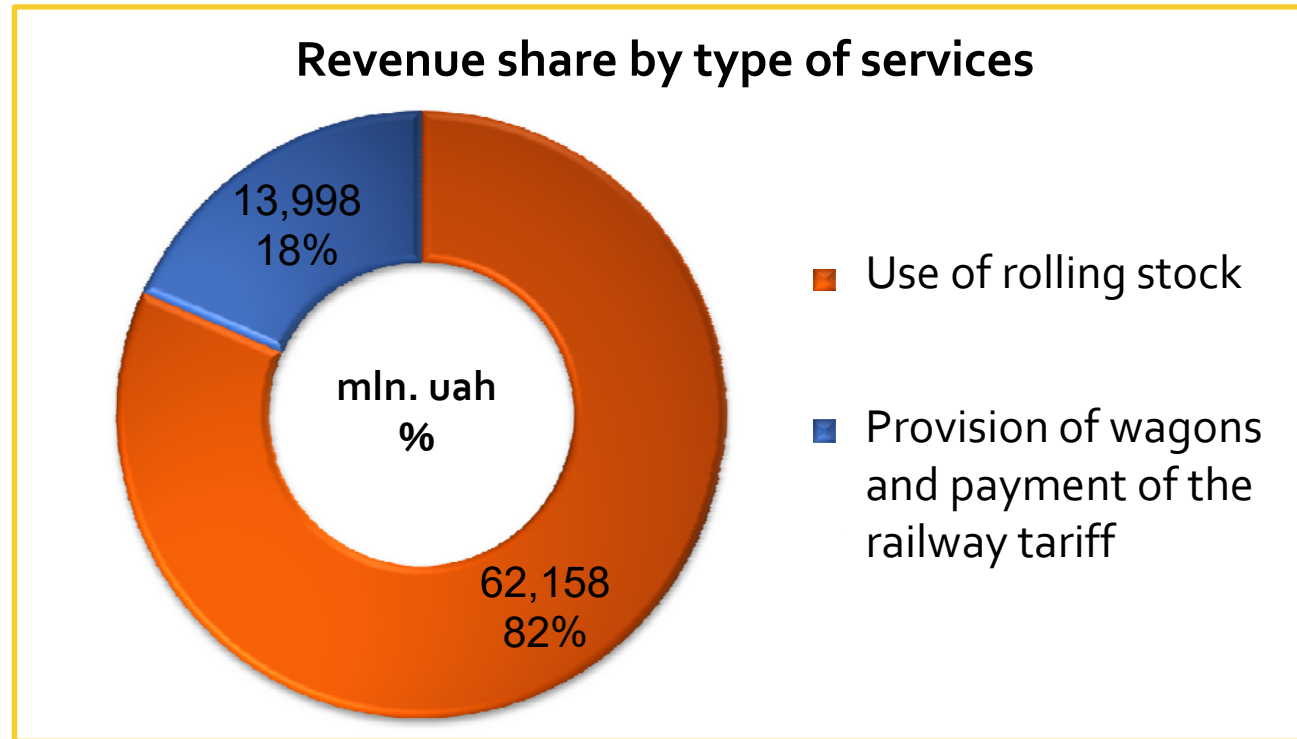


Description of the business model:


Business process

- Costs ensuring the performance of the business process consist of: purchase of wagons; purchase of components that are installed on wagons; payment for the services of wagon repair enterprises for the repair of wagons; payment for the services of car repair enterprises for the restoration and modernization of rolling stock; payment for services for determining the technical condition and providing technical solutions that determine the possibility of further operation of wagons, acquisition of copyrights for technical conditions for modernization; payment for services of certification bodies, registration bodies of JSC "Ukrzaliznytsia"; payment of staff work; assignment.
- Profitability within the framework of the business process consists of revenues from contracts for the use of rolling stock (lease of wagons), payment from contracts for transport services (providing wagons and payment of the railway tariff), payment from contracts for the provision of transport forwarding services (TEO, payment of the railway tariff). Due to the diversification of the company's fleet of wagons, namely: semi-wagons, container platforms (40', 60', 80'), chip trucks, timber trucks, grain trucks, the company implements its activities in various directions of transportation of various cargoes. The current market situation is used, which allows to remain at a high level of profitability for those types of rolling stock for which there is demand on the market, even in conditions of falling demand for transportation by other types of wagons.

Description of the business model: Business process



- Also, the enterprise implements modernization (change of types of wagons) in order to obtain the possibility of increasing profitability, taking into account the higher rates of use of wagons, which the enterprise receives as a result of modernization.
- The company has more than 25 years of experience in the rail transportation market. The company's staff consists of specialists with higher specialized education and extensive experience in practical work in operating its own rolling stock since 2016.

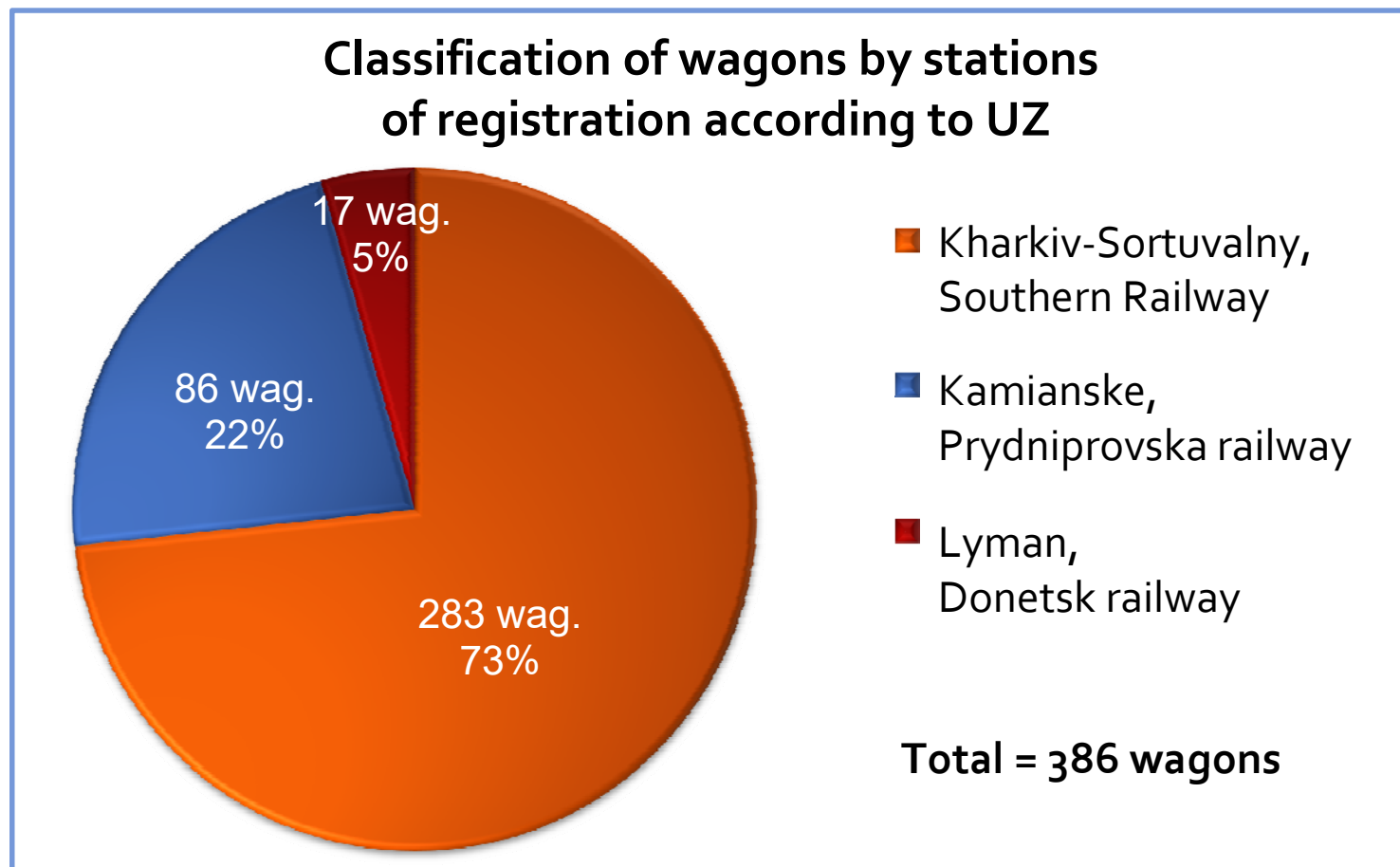


Description of the business model:

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.
- The enterprise carries out foreign economic activity, which in terms of total profitability exceeds the indicator of profitability of services on the domestic market. In the future, a decision was made to expand the services provided in the region running on the 1435 mm gauge within the framework of the European Union, due to the purchase of its own European rolling stock.
- 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 value added 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.

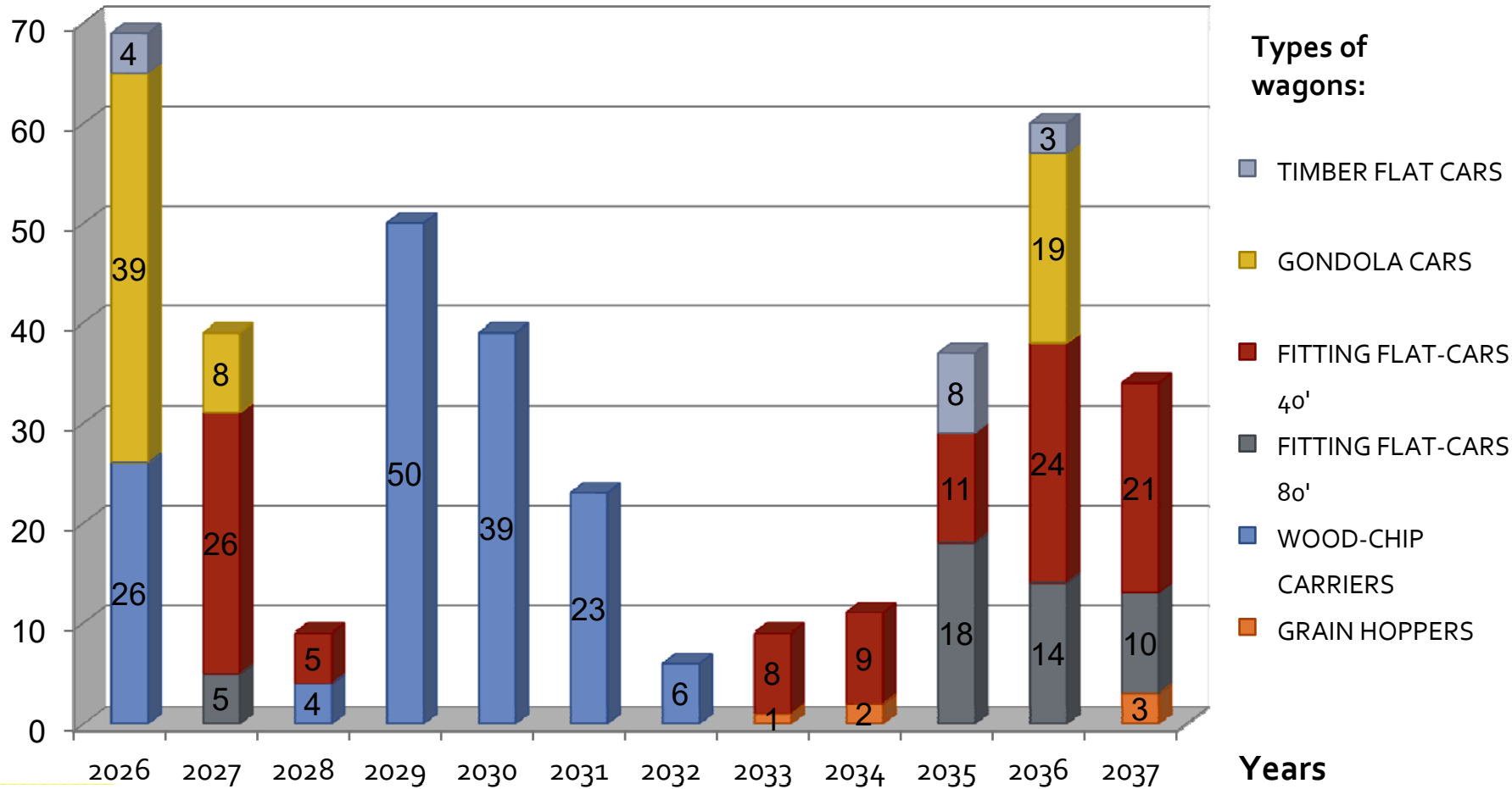
Description of the business model: Manufacturing assets (location)



- 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.

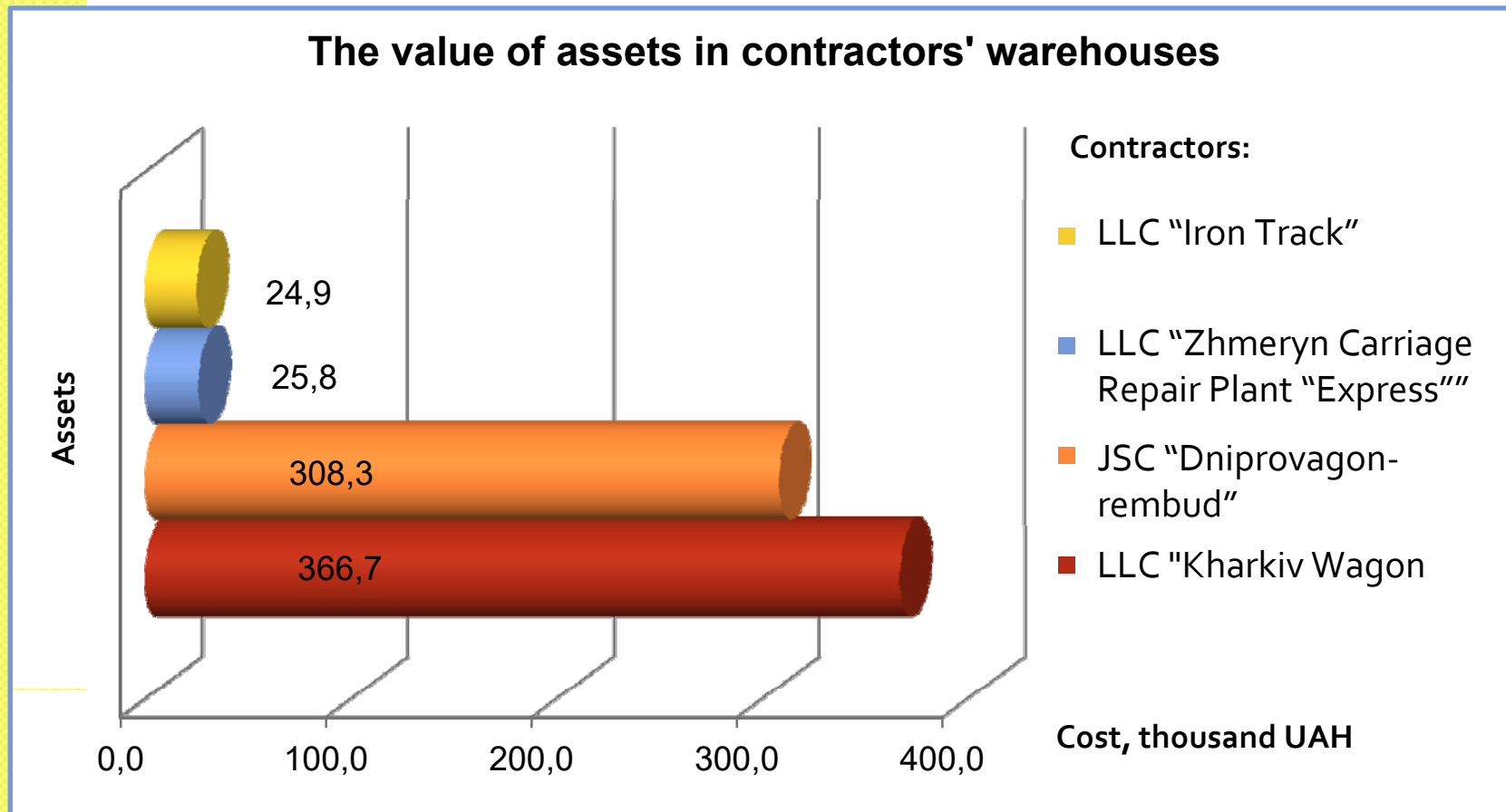
Description of the business model: Production capacity

Classification of wagons by types according to the max. service life



Business model description: Warehouse infrastructure

- "EU-Trans" LLC has a repair base in the context of stable relations with permanent contractors, which have production facilities and premises for the storage of customer raw materials and spare parts. At the current moment, it is kept at contractors' enterprises in the interests of "EU-Trans" LLC :



Business model description: Logistics

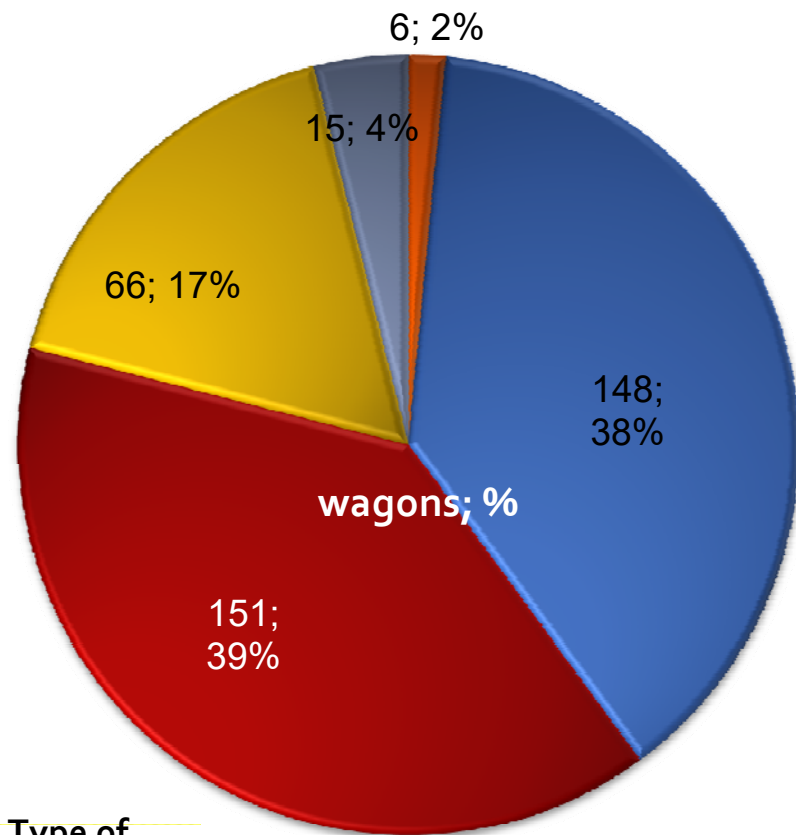
- The main directions of movement depending on the type of rolling stock in the export-import connection are listed below in the table :

Type of rolling stock		Quantity, pcs	Vantage type	Sections of movement	Annual volume, 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 – Slavków (Poland)	45,53
				Ternopil - Zamosc (Poland)	
				Ternopil - Medyca (Poland)	
WOOD-CHIP CAR	WCC	66	Chips, firewood	South Western Railway – Dornesti (Romania)	12,597
GRAIN HOPPER	GH	15	Grain, corn	South-Western Railway - Chop-Cierna (Slovakia)	4,21

Business model description: Logistics

- Below is a graphical representation of the ratio of the fleet of wagons by types of wagons and types of transported goods.

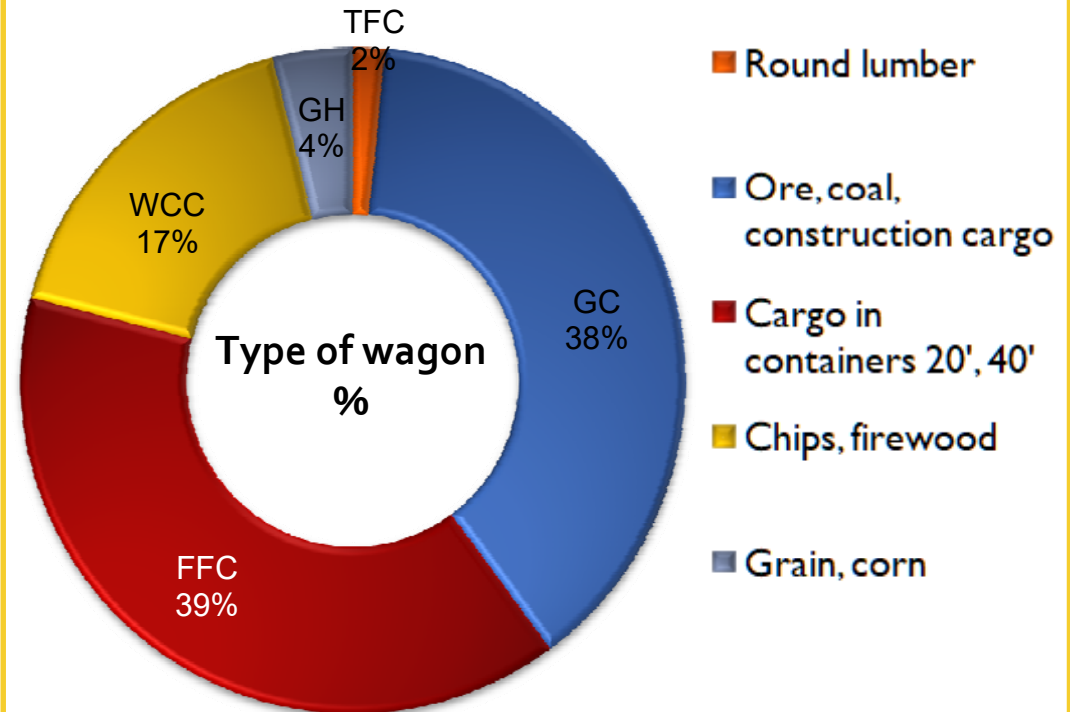
"EU-Trans" wagon park



Type of wagon:

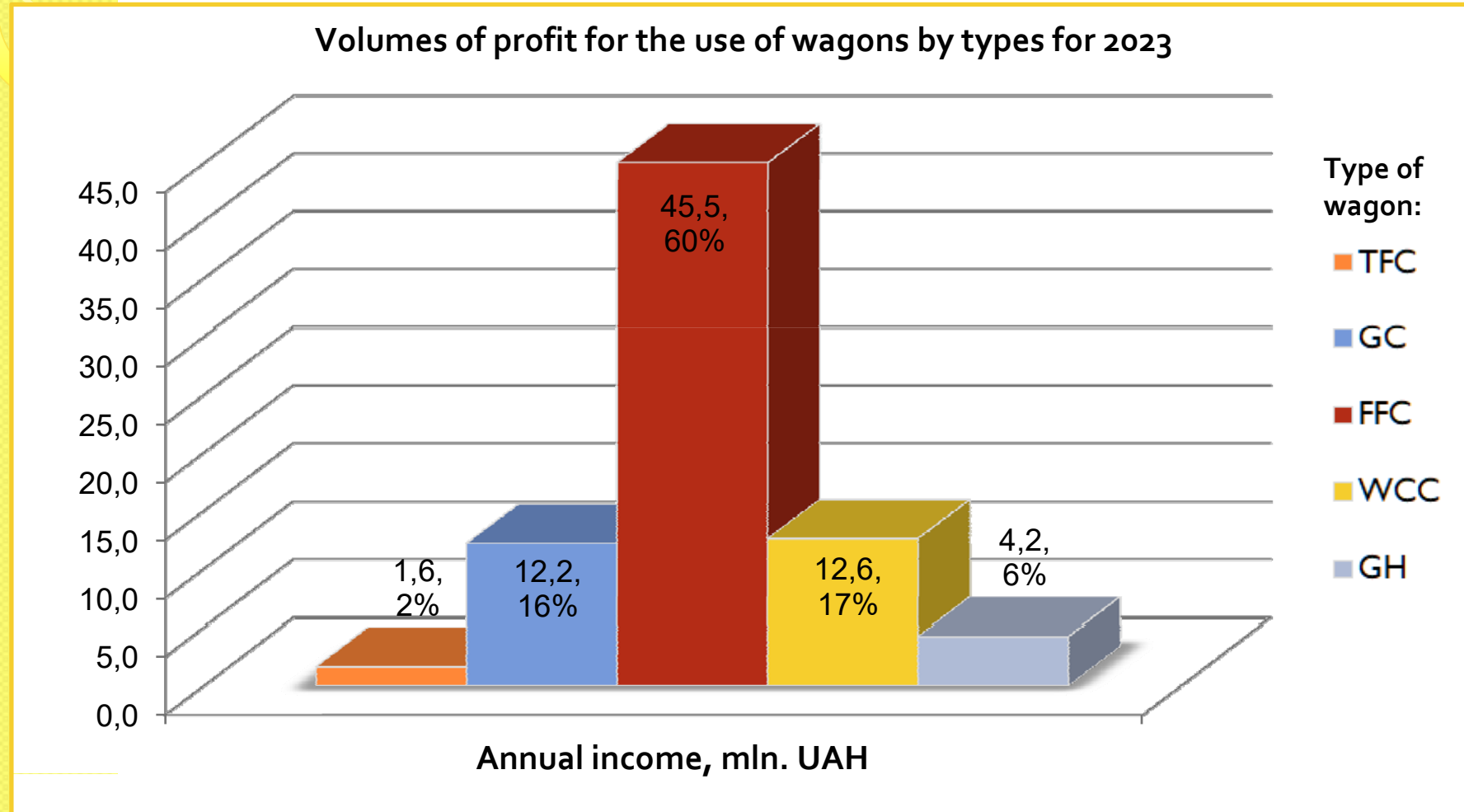
■ TFC ■ GC ■ FFC ■ WCC ■ GH

Types of cargo transported in 2023 by types of wagons

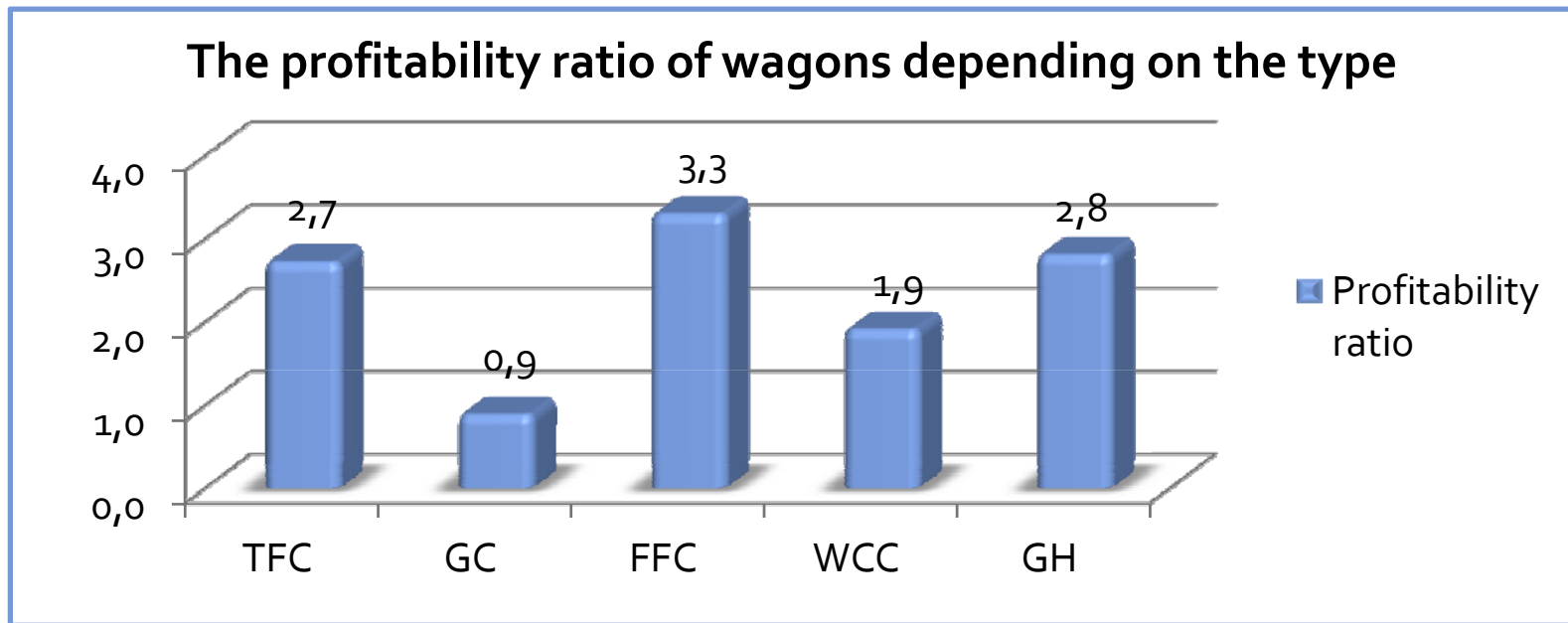


Business model description: Logistics

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



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** 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 "Klevan - Gdansk". In addition to the container terminal in Klevan, there are also terminals of our partners at Ternopil and Mostyska stations.
- Today, "EU-Trans" wagons provide only half of the route on the Klevan - Slavkuv section (track 1520 mm). Third-party wagons are used for transportation on track 1435 (section "Slavkuv - Port of Gdansk") (4 trains/month).

Business model description: Logistics

- The map shows the route of fitting platforms, border crossing stations and the nearest container terminals (by stations: Klevan, Ternopil, Mostyska, Zamost, Slavkuv, Dobra).
- "EU-Trans" plans to purchase fitting platforms of 1435 mm track for their use on the second half of the route (Slavkuv - 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.



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 platforms and woodchip wagons in Ukraine.
- The company is a leader in the transportation of forest and container cargo 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 to ensure the movement of container trains for the international container operator Maersk. The transportation of forest raw materials to the address of the European giant Egger is also provided. Export transportation to Poland and Hungary is provided by our own fleet of semi-wagons and chip trucks.

Business model description:

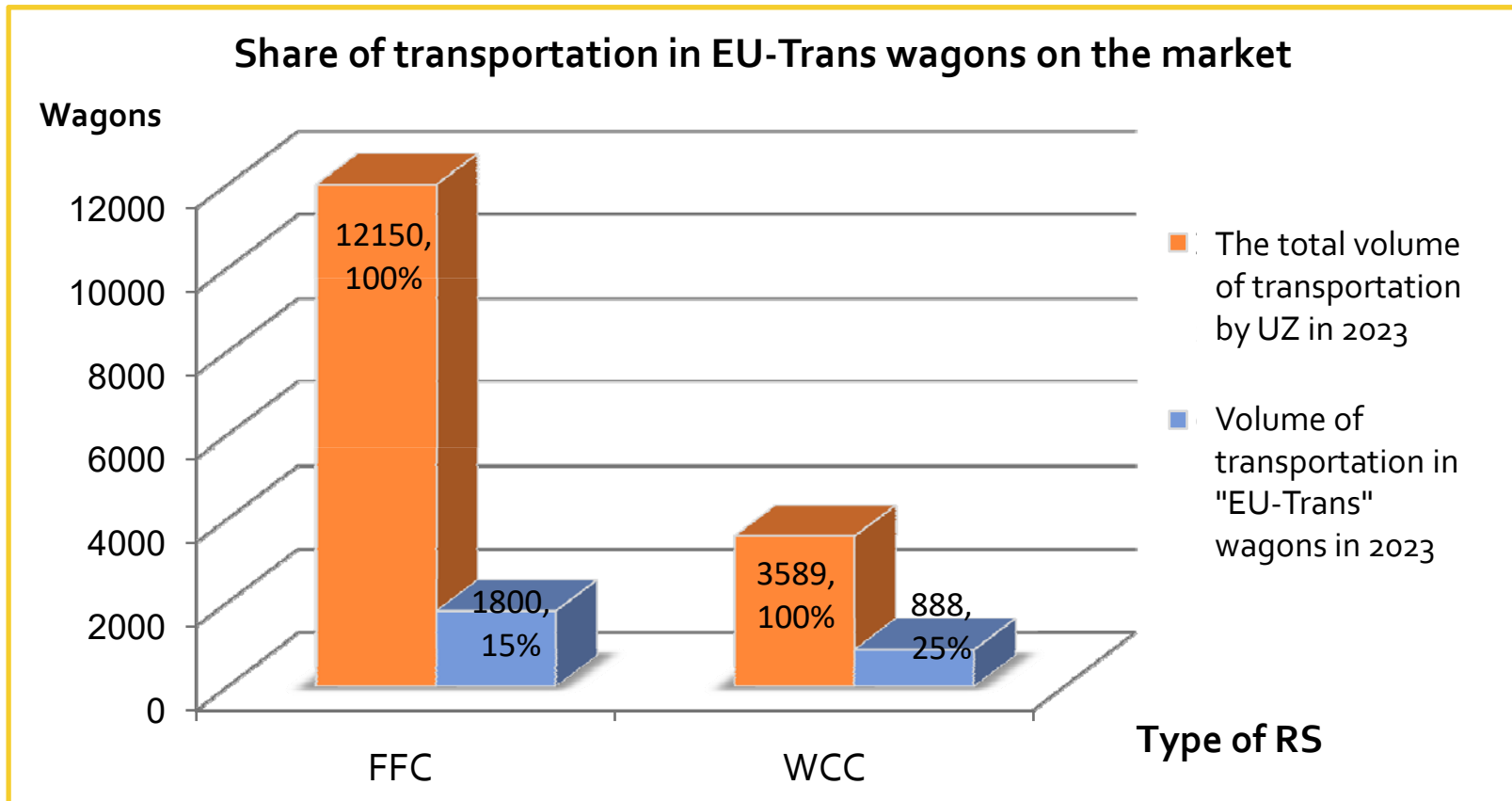
Market position/competitor advantages

- The company plans to purchase the first 10 40' fitting platforms of 1435 mm gauge with its own funds and another 10 wagons at the expense of investors. At the moment, the terms of the contract with the European company-manufacturer of wagons are being negotiated. Below are photos and specifications of the car model that is planned for purchase.



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 on Ukrzaliznytsia and the share of transportation in wagons of "EU-Trans" LLC for the year 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 Ukrainian enterprises and organizations and annually conducts an independent assessment of Ukrainian enterprises, "EU-Trans" LLC is included in the top of reliable and investment-attractive enterprises of Ukraine and the best service providers starting from of 2018.
- In 2023, the company entered the:
 - Top 7 in the Regional Register of Companies (in the Kyiv region);
https://ukr-centr.com.ua/rate_2023_kr_obl?edrpou=30264140
 - Top 11 in the National Register of Companies (in Ukraine).
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 works by requiring the coordination of these works with "EU-Trans" LLC as the owner of the project.
- There are restrictions on the list of cargoes by types of rolling stock. The cargo to be transported by the company includes: timber cargo, cargo in containers, wood chips, wood waste, ore, grain.
- One of the main limitations can be noted the presence of the Freight Car Service Limit Term, which is regulated by the **Order of the Ministry of Infrastructure of Ukraine No. 647 dated 30.11.2021 "On approval of the Procedure for conducting a complex of diagnostic, repair and registration operations aimed at extending the service life of freight cars (except freight cars of enterprises technological railway transport, intended for the movement 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 wagons"**.
- 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 car or on excluding it from the **Automated Data Bank of the Wagon Fleet (ADB WF)** based on its technical condition. A technical decision is issued with an indication of the required planned type of repair (capital or depot) for freight cars, which are extended the period of operation on public railway transport.

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