Central & Eastern Europe – The Client's Perspective

Central & Eastern Europe, the Cornerstone of a Resilient European Value Chain

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Agenda

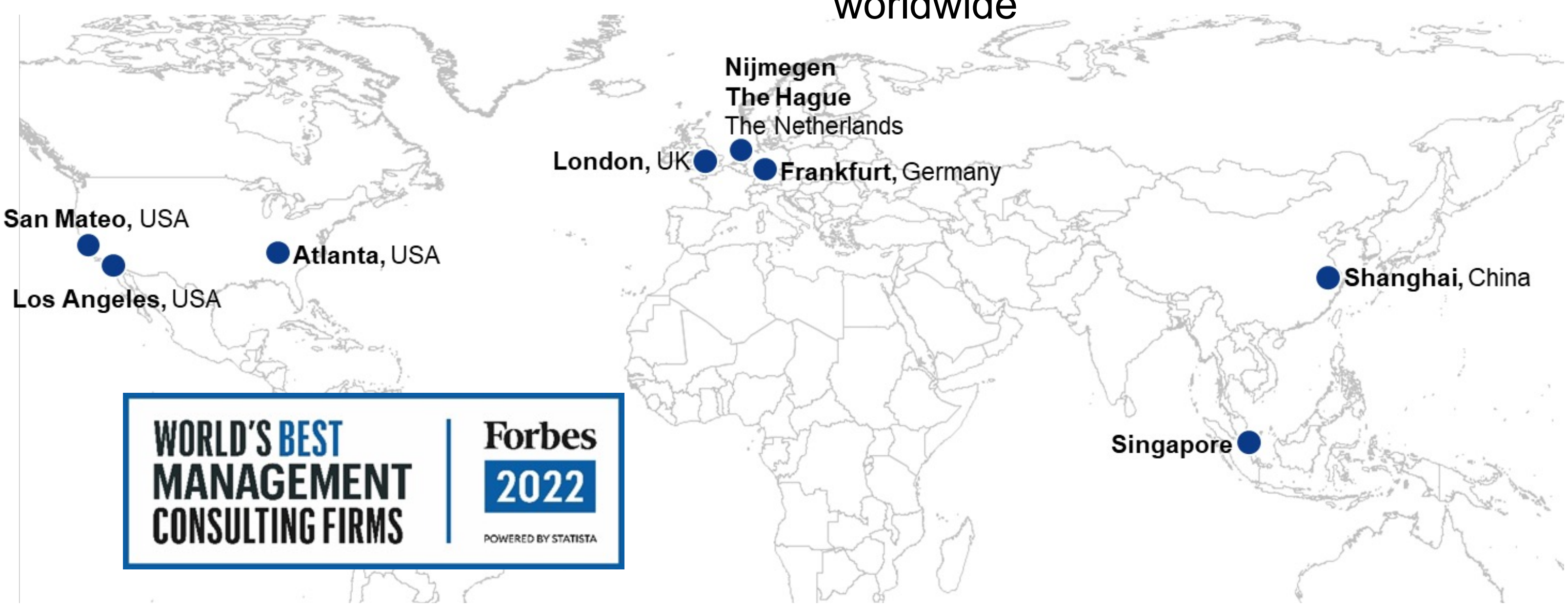
1 Profile BCI Global

Corporate clients

- Manufacturing footprint strategy
- Location advice
- Supply chain optimization
- Business strategy development
- Strategic outsourcing
- Real estate strategy and projects

Profile

- Established in Nijmegen, the Netherlands in 1985
- Offices in
  - Europe: The Netherlands, London, Frankfurt
  - US: Atlanta, San Mateo, Los Angeles
  - Asia: Shanghai, Singapore
- 75 professionals
- Performed studies in more than 50 countries worldwide



Clients in High Tech, ICT & Electronics

belkin, ABB, Cisco, Microsoft, Texas Instruments, Dataram, dyson, Samsung, Dell, Toshiba Leading Innovation, Emerson, LOUD Technologies Inc., Siemens, Westcon Comstor, Fairchild, Lumileds, logitech, Novell, flex, NCR, SAP, Ericsson, Ingram Micro, Philips, IBM, Farnell, mks Spectra-Physics, Sun microsystems, x-rite, Polaroid, Lanier, hp

Clients in Medtech & BioPharma

Johnson & Johnson, Amgen, Kemin, Abbott, Baxter, Biogen, stryker, Medtronic, BD, Pfizer, Celgene, Coloplast, Starkey Hearing Technologies, Novartis, Arla, novocure, Essilor, Bio-Rad, bioMérieux, Takeda, Deltec, Ferring Pharmaceuticals, Alcon, ucb, ThermoFisher Scientific, Mallinckrodt, Advanced Medical Solutions, Allergan, Mediq, CardinalHealth, abbvie, Mead Johnson Nutrition, Wyeth, Haemonetics, Sanofi Genzyme, Transitions, Henry Schein

Clients producing Industrial Products

parenco, Tredegar Corporation, Lely, VDL, Northrop Grumman, Mitsubishi, 3M, Bobst, utc Université de Technologie Compiègne, United Technologies, amcor, Ricoh, Norit leading in purification, Briggs & Stratton, Boral, Silgan White Cap, Pella, Videojet, Avery Dennison, Alfa Laval, Mitutoyo, pitney bowes, Milacron, Viratec, Wärtsilä, SPX Flow, Alcan, MSA The Safety Company, Elliott Group Ebara Corporation, Swedish Match, Tennant, outokumpu, ArcelorMittal, Corning, esco, Zebra, McGregor

Clients in Logistics

ups, FedEx, arvato Bertelsmann, Penske Logistics, DHL Global Forwarding, Mærsk, Kuehne+Nagel, DSV, Geodis, PGL, Seatrans, DB Schenker, TMI Holding, Wim Bosman, TNT, DP World, Gebrüder Weiss, XPO Logistics, SBB CFF FFS, Emirates, Genco, Ewals Cargo Care, the spliethoff group, NYK Logistics & Megacarrier, Vos Logistics, APL Moving Business Forward, Keyrail, Hupac, RSC Rotterdam

Drivers for Reviewing Value Chain Footprint

Key Drivers

Internal
- Business growth
- Margin pressures
- Product phase in/out
- M&A activities

Industry
- New competitors
- New mfg technologies
- Customer requirements
- Sustainability

External
- Market shifts
- Geopolitics
- New labor pools
- Regulatory changes
- Natural disasters

Key Challenges

- Labor quality and availability
- COGS/Total Cost to Serve
- Agility/Flexibility
- Uncertainty/Risk Mitigation
- Carbon Footprint

Typical Trade-Offs

- Relocate or Automate
- Economies of Scale versus Customer Proximity
- Make or Buy
- Sustainable Footprint or Not
- Expand at current or relocate to new low-cost location
- Cost vs Quality vs Risk

Source: BCI

Uncertainties and risks have been increasing already for multiple years

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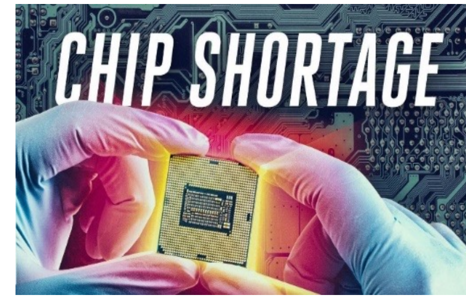

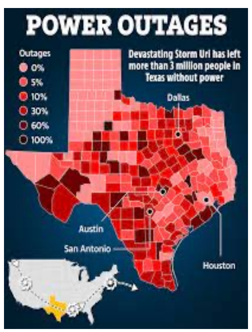

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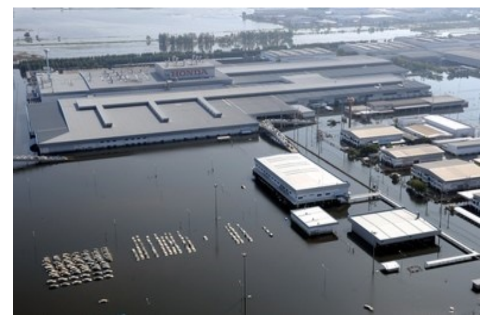
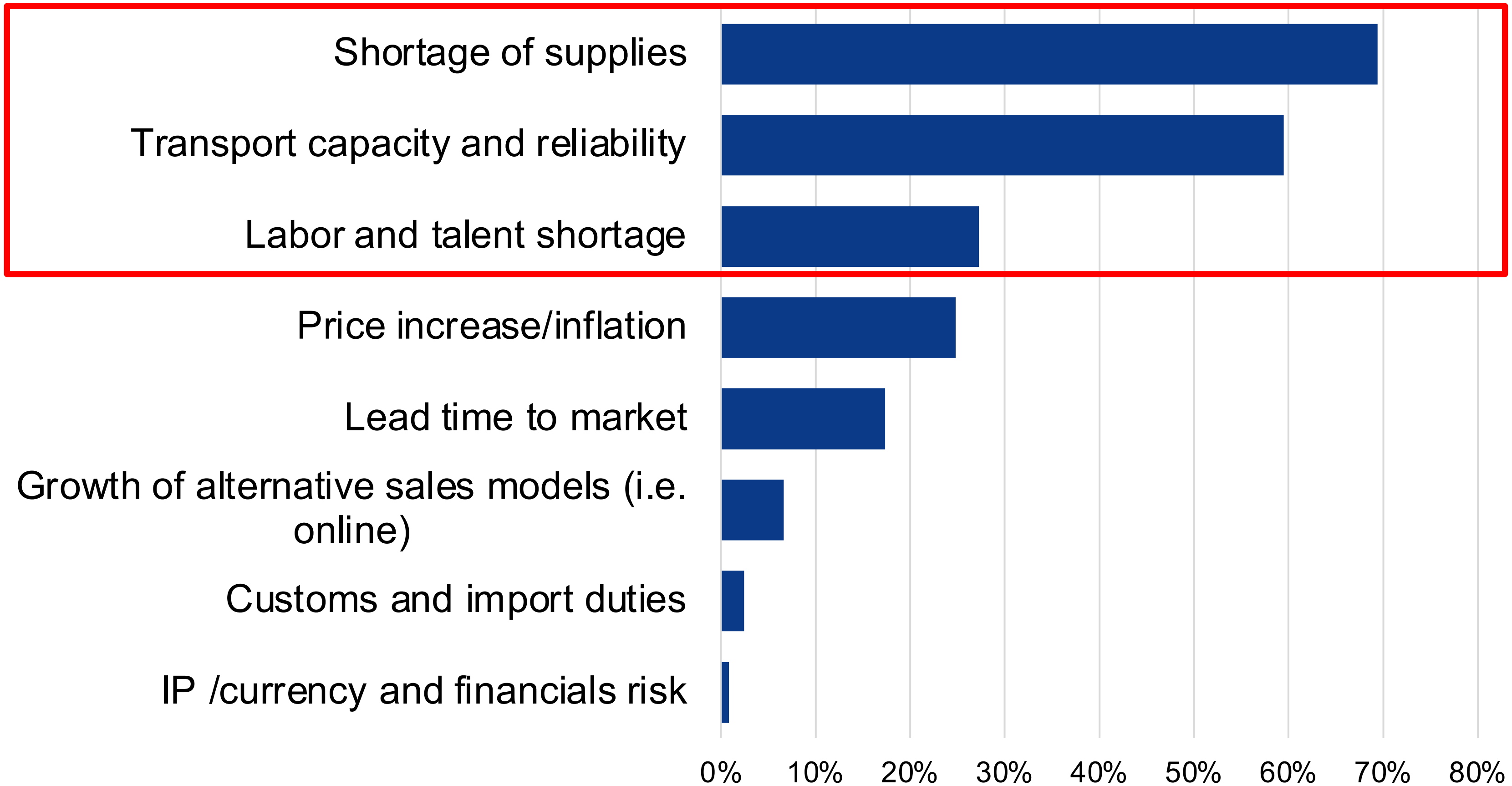


Global value chain interruptions have become a constant factor!

Strategic Initiatives

Key supply chain challenges today



Source: BCI Survey, 2022

Companies follow the DE-strategy

1 De-coupling China – US/Europe links

2 De-risking supply chains

3 De-single sourcing

4 De-centralizing production

5 De-carbonization

Five Footprint Strategies

BCI Global

Footprint Strategies

A	B	C	D	E
Higher inventory levels in major markets	Near-sourcing	Decentrali-zation distribution	Decentrali-zation VAL/ Postponed assembly	Decentra-lization production

Decentralization:

- Not expanding in Asia, but in or near major Western markets
- Not setting-up at all in Asia for products for European markets
- Relocating production capacity to Europe/North America

3 Decentralization

There are clear strategic drivers for decentralization …..

A Supply chain drivers	**Sourcing risk**	• Mitigating the risk of being dependent on (critical) suppliers in a single region
	New Technologies	• New technologies such as 3D printing/Additive Manufacturing and other smart manufacturing technologies enable decentralized manufacturing
B External disruption risks	**Pandemic risk**	• Mitigating the risk / limiting the impact of value chain disruption through new lock-downs
	Trade barrier risk	• Already going on pre Covid-19 • Mitigating the risk / limiting the impact of value chain disruption through trade tariffs and other trade barriers
	Governmental push	• Already going on pre Covid-19 but now significantly accelerated • Governments pushing for sourcing of critical products in or close to market (medical equipment, medicines, food, critical technologies, etc.)
C Strategic customer benefits	**“Made in” advantage**	• Business value of manufacturing in perceived high quality / reliable countries (e.g. “Made in Europe”, “Made in Germany”, “Made in US”)

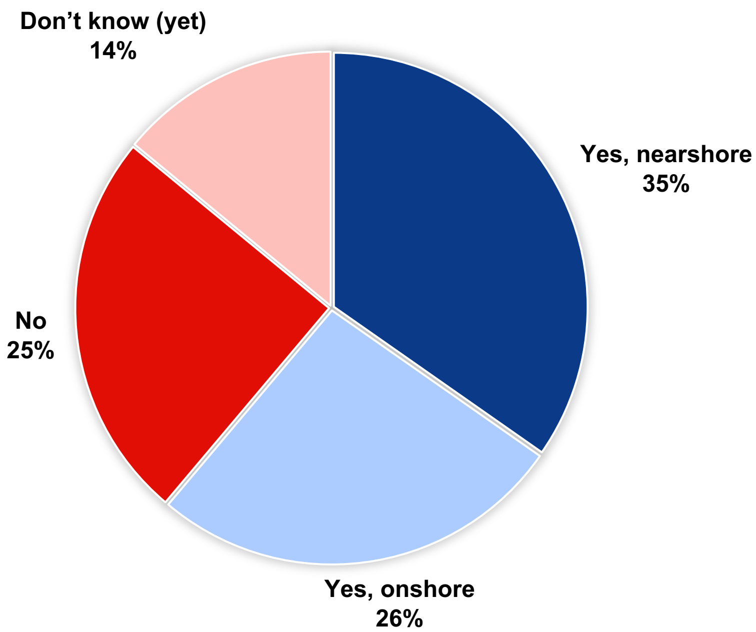
….. but decentralization of manufacturing assembly/distribution is easier said than done

Barriers companies need to overcome to successfully decentralize and/or re-shore manufacturing

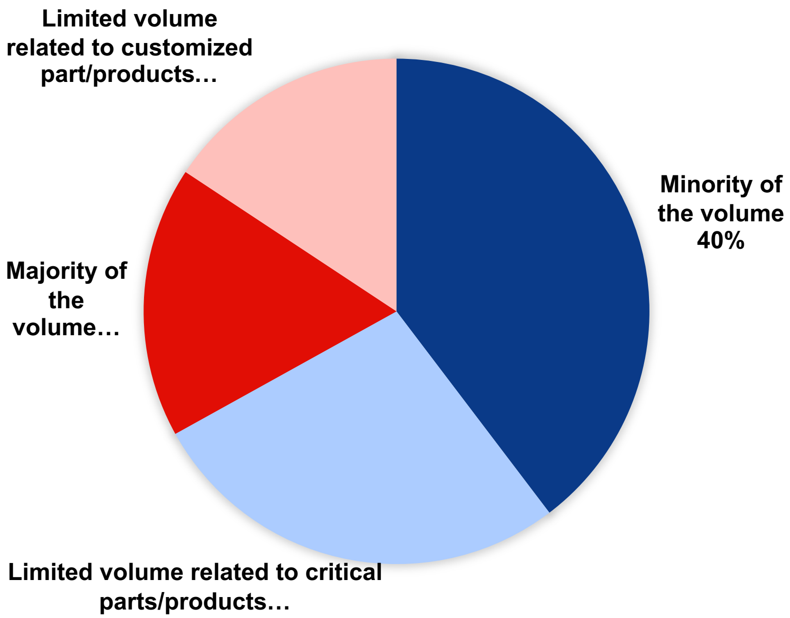
Labor	• Size of the local workforce? • Availability of specific knowledge & experience?
Supplier Base/ Supply Chain	• Availability of relevant suppliers? • Availability of relevant knowledge/technology? • More complicated supply chain?
Costs	• Cost differential with off-shore location? • (partly) Double costs for labor, real estate, materials?
Markets	• Where are the highest growth markets? • Can they be supported from the decentral location?

Reshoring on the C-level Agenda

Over 60% is considering to onshore or re-shore in the next 3 years

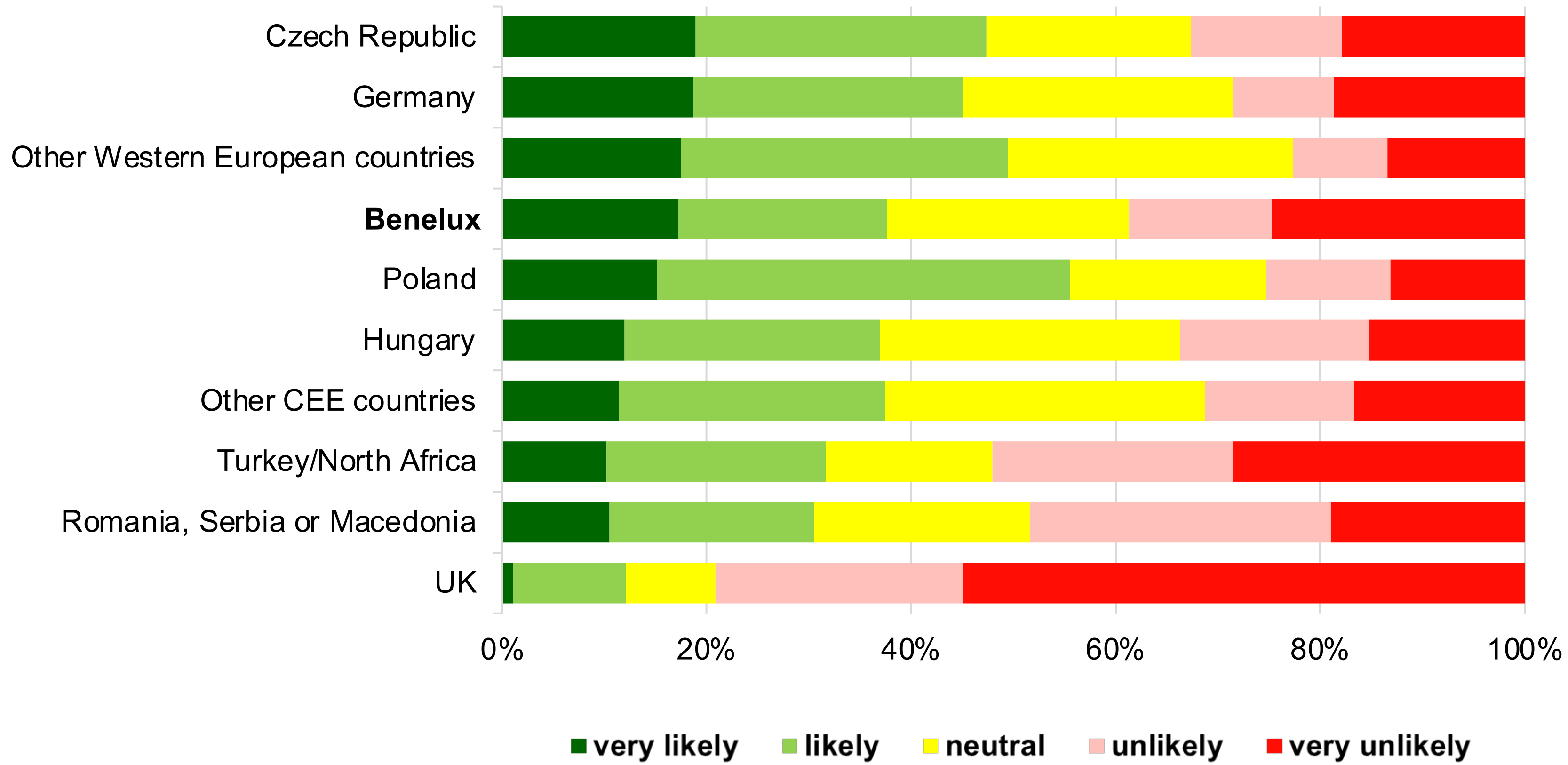


Onshoring/re-shoring for 'only' a part of the business



Source: BCI Survey, 2022

Geographical locations considered for reshoring / decentralization serving EU market



Source: BCI Survey, 2022

4 The Assets of Central and Eastern Europe

Central and Eastern Europe consists of 12 countries

Focus of this presentation

CEE	
Total population	107 million
GDP	€ 1,656 bln
Average GDP growth 2018-2022	2,6%

- Capital
- City with population > 300.000
- International (cargo) airport
- Seaport / inland port
- Trans-European Transport Network
- Major (International) railroad

Assets of CEE [1)]

A

Market Potential

- Size and growth of the CEE market
- Proximity to whole EMEA market

B

Costs

- Labor costs
- Distribution costs
- Real Estate costs
- Utility costs
- Investment Incentives

Your Optimal Location

C

Quality of the Business Environment

- Availability workforce
- Business climate
- Infrastructure & accessibility
- Ease of implementation
- Language skills
- Foreign Investments

D

Low risks

- Economic and political risk
- Risk of natural disasters
- IP risk

Distribution network profiles and warehouse types

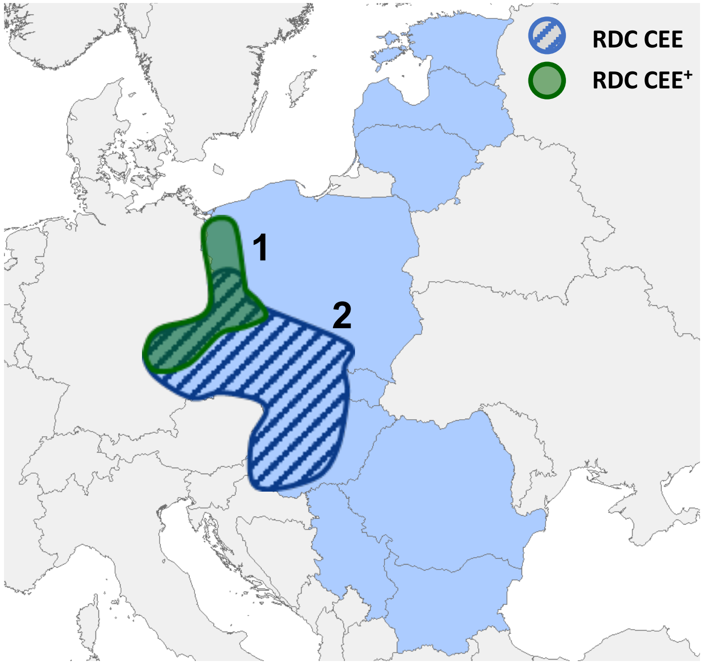
Distribution focus	Building type	Explanation
A Low cost European distribution	EDC	Geographical focus on delivering the whole of Europe from a cost effective location. Typically positioned close to the European center of gravity with excellent connectivity (road + rail/ barge/ air)
B Regional DC for CEE market	RDC	Focus on delivering CEE countries. Typically located in those regions within CEE that have the highest purchasing power
C Regional DC for Germany+	RDC -	Main aim is to deliver Germany/ Western Europe from a cost effective location in CEE, close to the German border (western Poland & Czech Republic)
D Delivering national market	NDC	DC with national scope, typically for high throughput/ relatively low cost goods
E Next day/ same day delivery	Satellite DC	For increasing service level required by (online) customers, typically a dense network of relatively small DCs close to larger population concentrations. Not (yet) very common in CEE
F Cross-dock	Depot	Regrouping of incoming goods and immediate forwarding to end destination

Manufacturing focus	Building type	Explanation
G High value/ high skills manufacturing	Manufacturing plant (MP)	(Light) industrial buildings for high end manufacturing. Close to larger cities with access to highly skilled workforce / tech-universities. CEE or European wide geographical scope
H Cost effective assembly/ configuration/ co-packing (food)	Light industrial warehouse (LIW)	Light industrial/ warehouse buildings for cost effective solutions (low cost labour), e.g. manual assembly and nearshoring/ reshoring solutions. CEE or European wide geographical scope

Source: BCI

Best positioned regions per main function

B: Regional Distribution Center CEE &
C: Regional Distribution Center^{+} Germany/ Western Europe



1 RDC CEE

PL – Southwestern border region with Germany and the Czech Republic

CZ – whole country

SK – Greater Bratislava area

HU – Northwest region including Budapest and Gyor

2 RDC Germany+

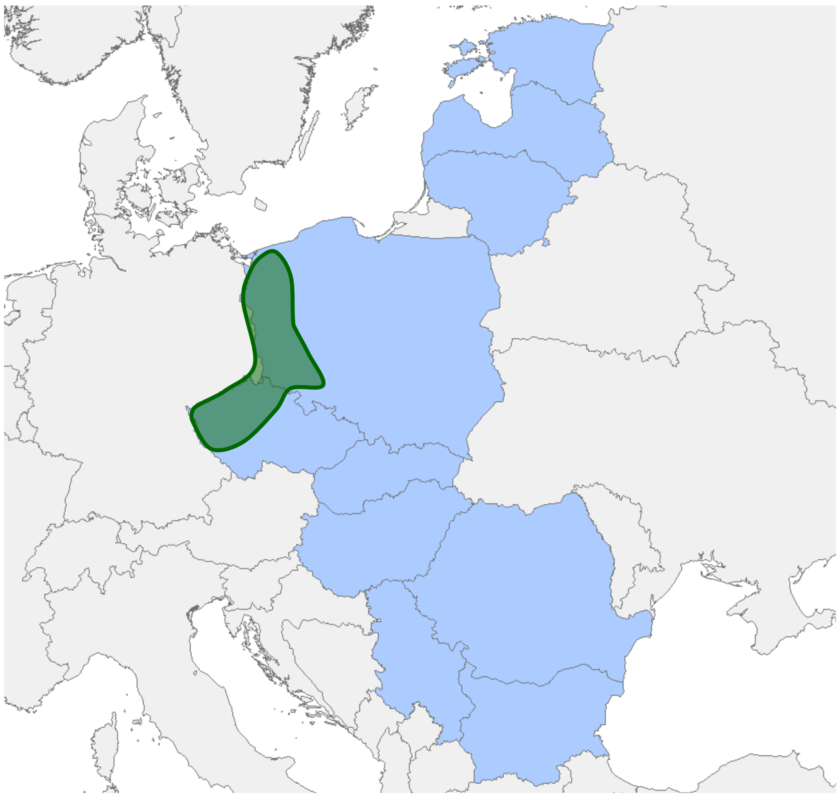
PL – Western border region with Germany (Szczecin- Zilona Gora – Wroclaw)

CZ – Western border region with Germany (including Prague and Pilsen)

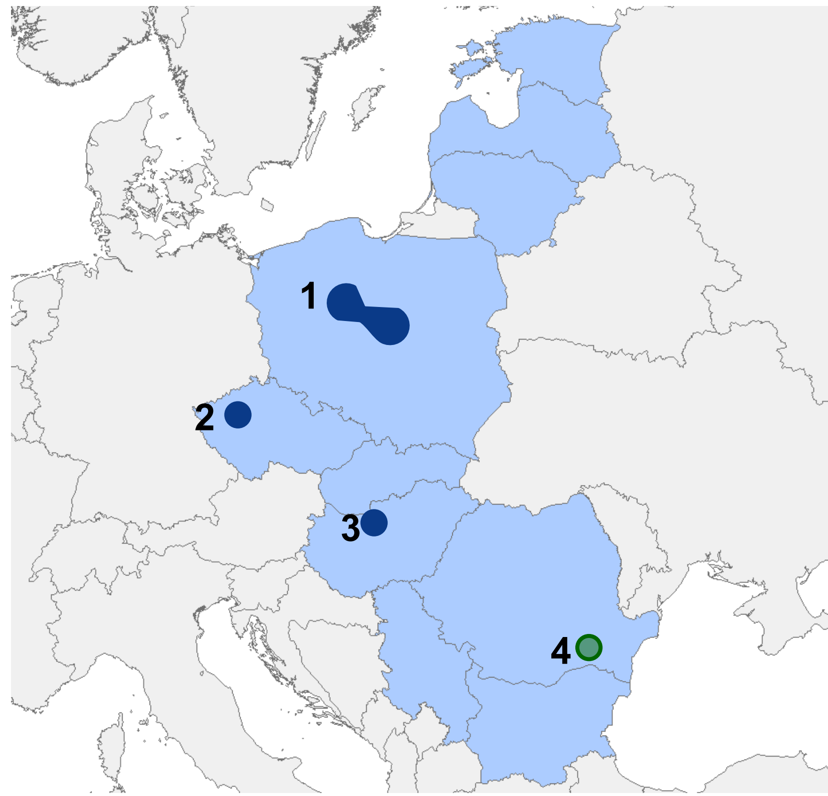
Rationale

- **Regional Distribution Center CEE**: central within CEE with strongly developed logistics infrastructure and close to the larger markets with highest purchasing power
- **Regional Distribution Center RDC Germany+**: central towards Germany/ Western-Europe and along major transportation axes

A: European Distribution Center



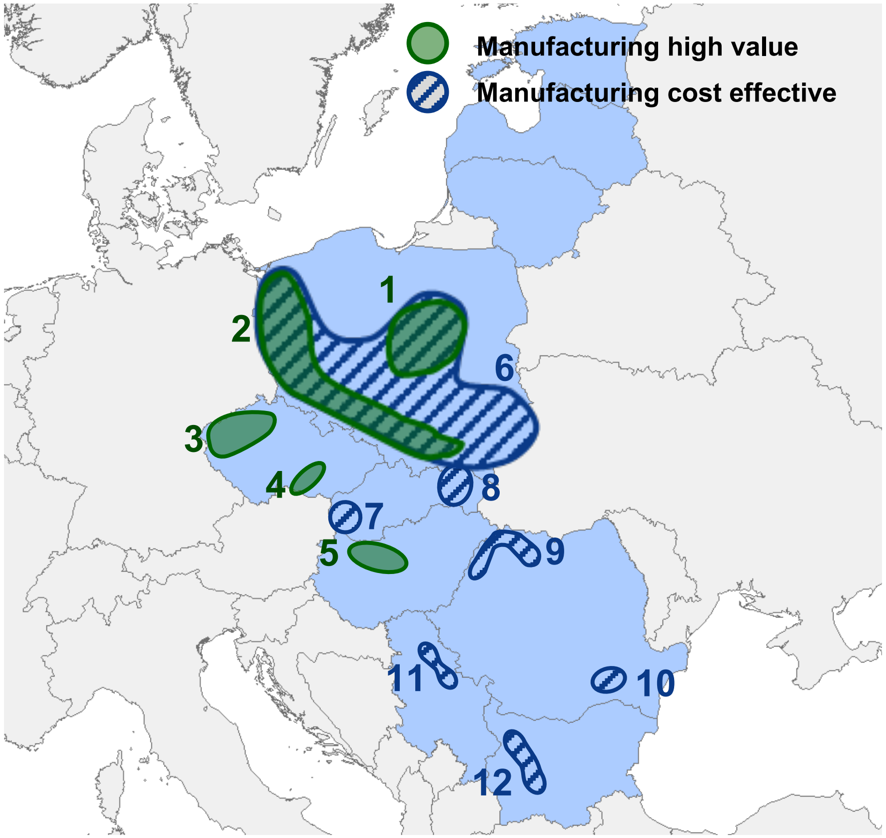
D: National Distribution Center & Satellite DC



NDC

NDC & Satellite DC

G: Manufacturing High Value/High Skills
H: Manufacturing Cost Effective



Manufacturing high value

1 **PL –** Warsaw & Lodz region
2 **PL –** Szczecin **-** Poznan, - Krakow axis
3 **CZ –** Plzen & Prague region
4 **CZ –** South Moravian & Moravia-Silesia region
5 **HU** – Budapest Gyor axis

Manufacturing cost effective

6 **PL –** Southwest region, central region
7 **SK –** Greater Bratislava
8 **SK –** Presov-Kosice region
9 **RO –** Timisoara-Cluj region
10 **RO –** Bucharest region
11 **RS –** Novi-Sad & Belgrade region
12 **BG –** Sofia region

Rationale

- **Manufacturing High Value:** close to larger population concentrations with strong performing (tech)universities
- **Manufacturing Cost Effective**: low-cost regions with sufficient access to labor

5 Conclusions

- **Robust supply chains require resilience, flexibility, scalability and cost effectiveness**
- **Decentralization can take many forms – it is more than reshoring**
- **CEE offers**
  - **proximity to main European markets**
  - **a growing market itself**
  - **cost-effective operations**
  - **overall good investment climate & operating environment**

Central & Eastern Europe – The Client's Perspective

Dr.Max in a Nutshell
Year End 2021

Dr.Max

8 CEE countries
founded ***2004*** *in Czech Republic*

9,700,000
members in benefit program

2,000,000
sold items/day

2,300
pharmacies

1
in Central Eastern Europe

3
in Europe
(in number of pharmacies)

16,500
employees

3.1 bn EUR
revenues

+7 % in 2020
+16 % in 2021
EBITDA

Supply Chain Execution Plan 2022/2026

A Transformation Journey (Base Perimeter Figures)

Dr.Max

(end) 2021
21 Warehouses
110T SQM

2026
27 Warehouses
258T SQM

136% GROWTH

65% WHOLESALE
35% E-COM

120+ Mio. Euro
Technology

23 Projects
In Execution

13 Months
Average Execution Time

X-Dock / Dark Stores / Fulfillment Centers / Big Formats
30+ projects deployed, in pilot or in execution

Site / Building Selection

Main Criteria

Dr.Max

- **Location** is Key Factor as it impacts both **business execution** as well as **efficiency**
- **Financial Strength** providing security to project execution mated with **reliability**
- **Competitive Total Cost of Ownership** (based on comparable specifications and full lifecycle)
- **Global Network** and **International Presence** matching Business Development Path
- Base **Specification & Quality Levels** matted with **capacity to deliver fit-to-purpose**
- **Flexibility + Speed of Execution** (decision time, communication time, supplier network)
- Building **Certifications** / **Environmental** Impact / Compatibility with **CSR Policies**

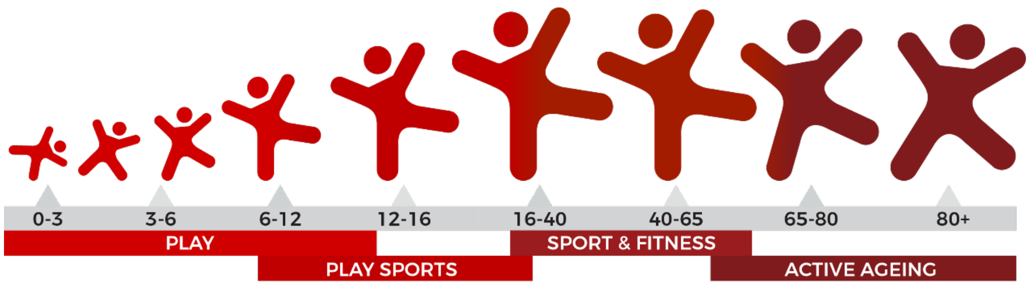
Central & Eastern Europe – The Client's Perspective

KOMPAN's Mission

KOMPAN's mission is to create healthier and happier societies by offering the world's best play and fitness solutions for people of all ages and abilities - that offer fun, while improving physical activity, learning skills and social interaction

KOMPAN Solutions for all ages and abilities

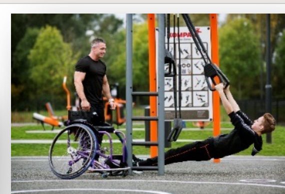
Improving physical activity, learning skills and social interaction



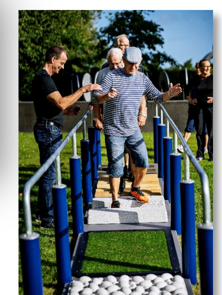
Active Life Solutions

KOMPAN MOMENTS Physical, Learning and Social skill development through outdoor play

KOMPAN ICON – Teenager activation



KOMPAN Fitness & Sport - Physical and Social activity



KOMPAN Stay Fit – Vitality and Social activity

KOMPAN Let's play

Global Reach

Turnover (2021) – 320 m€

Employees - 1700

Our Sites

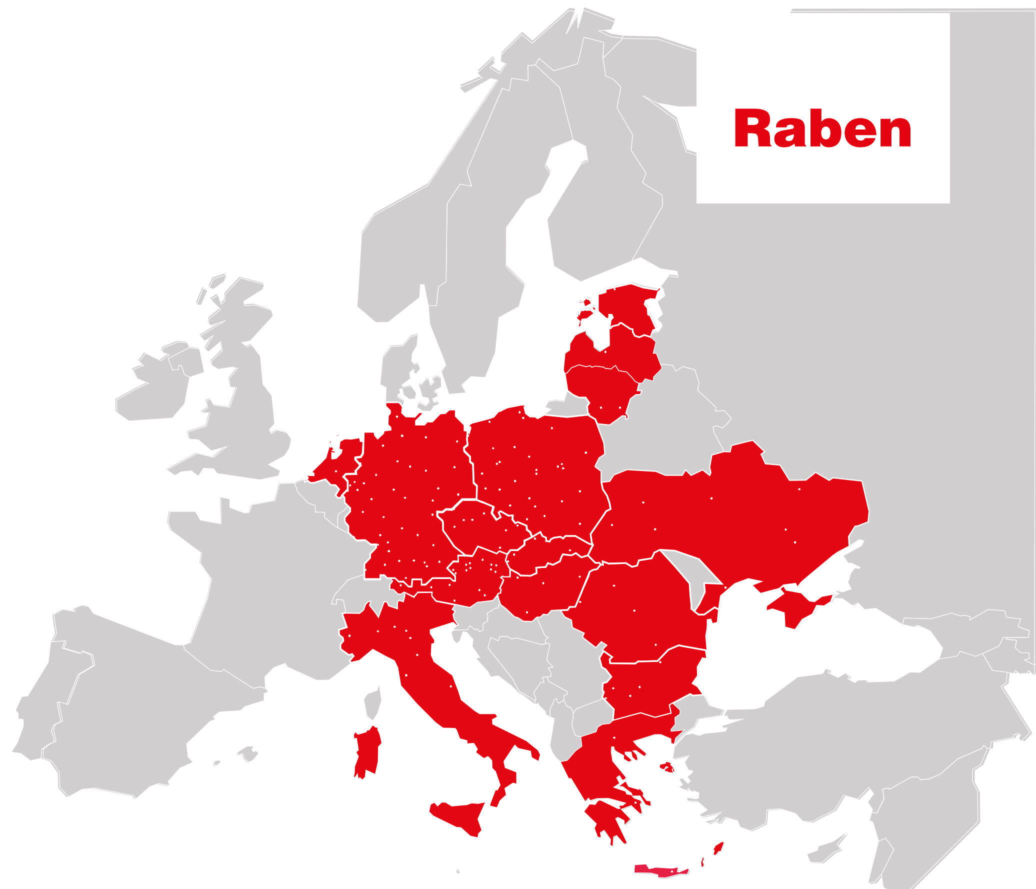
- Kompan is **headquartered in Odense** in its characteristic building
- Production takes place at its **main factory in Brno**, Czech Republic, which opened in 2005
- Commercial Systems are built at a dedicated production facility in Poland
- The North American business is based in a new regional headquarter in Austin, Texas, opened in 2018, which also has production space

Central & Eastern Europe – The Client's Perspective

RABEN GROUP

90 YEARS DEVELOPMENT

- Founded in 1931 by J. W Raben
- 100% owned by Raben Family
- CEO Ewald Raben – 3rd generation
- Market leader in CEE
- 3rd Network in Germany
- Leader on domestic market in Austria



Raben

1931 | 1991 | 2003 | 2004 | 2005 | 2008 | 2010 | 2016 | 2017 | 2021 | 2022

YEAR

OWN LOCATIONS

PARTNERS

RABEN GROUP

KEY FACTS

12 000
Employees

1.9 Bio.
Revenue EUR

160 +
Locations

1 350 000 m²
Warehouse capacity

16 000 000
Shipments annually

9500
Means of transport

RABEN GROUP

BUSINESS MODEL

Resources

EMPLOYEES
- own
- outsourced

TRANSPORT FLEET
- subcontracted
- own

FACILITIES & INFRASTRUCTURE
- owned & tailor-made
- leased

MODERN IT SOLUTIONS

CUSTOMER

order from or contract with the customer

Business approach

Supply chain management processes

FTL & Intermodal

Contract Logistics

Road Network

Fresh Logistics

Sea & Air

4PL

MISSION:
We create our Customers' competitive advantage through cost and quality leadership supported by friendly and sustainable service

VISION:
To become a Leader everywhere we are

VALUES:
Challenges Entrepreneurship Partnership

USP:
- Family owned and managed company – swift decision process
- Logistics with a human face – dedicated customer care
- Desired and safe place to work
- Research & technology driven
- Environmental responsibility
- Own transport network
- Sustainable financial return

CONSIGNEE

delivery to final the recipient

myRaben – transparent supply chain

ETA T&T

KPIs reporting

Pre and after sales services

Fleet management

Communications

Outcomes

NPS & CSI: customers and suppliers

Business growth

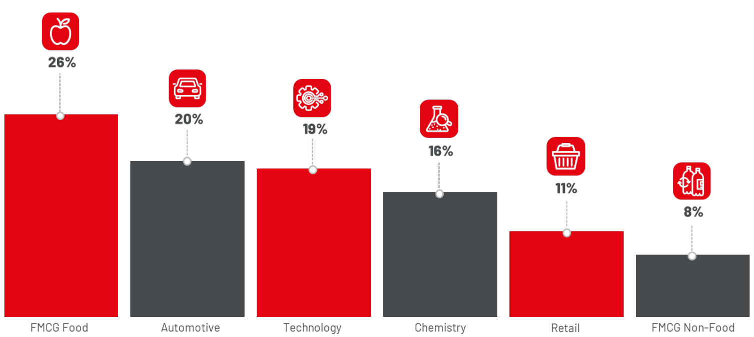
Climate action

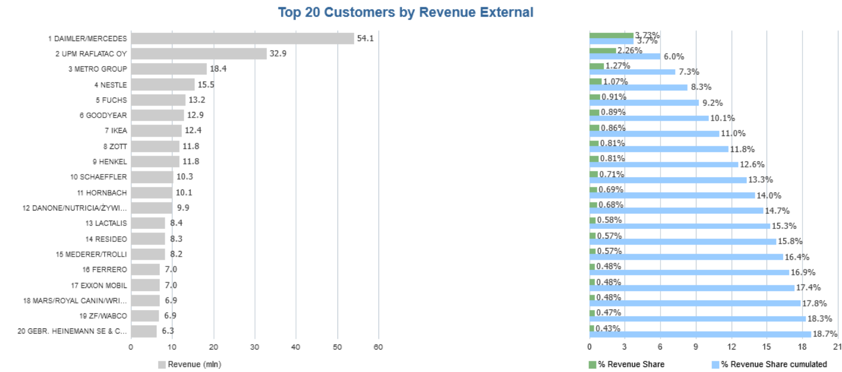
Safety culture

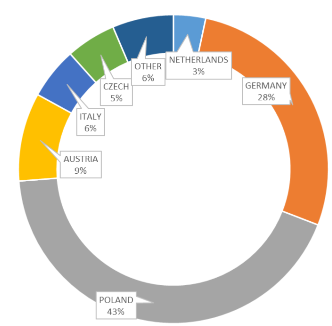
Employees' engagement & development

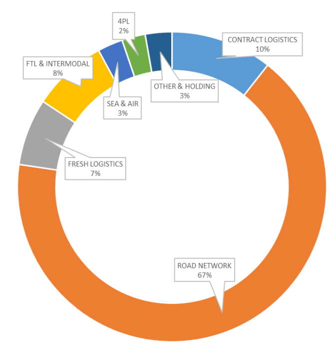
RABEN GROUP

REVENUE GROWTH & STRUCTURE









- CAGR 2019-2022: 12%
- No large client dependency
  - Top 20: 18.7%
  - Top 100: 35.3%
- Balanced sector split
- Road Distribution Network - key driver of revenue: 67%

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