

Energy Surcharge - FAQ

07/04/2022

1. Why an energy surcharge? Did Lineas not hedge its energy cost?

- Energy is one of the biggest cost positions in rail freight.
- When Lineas negotiated freight contracts with its customers in late 2021, nobody could anticipate the current energy price explosion. Existing contracts do not contain pricing mechanisms to address such extraordinary situations.
- Rail transportation is the only mode of transportation without a dynamic energy surcharge.
- As of Q4 2021, energy markets started to become very volatile because of the looming Ukraine conflict. Since the beginning of the war, prices have exploded.
- On the leading European energy trading platform, Leipzig Energy Exchange (EEX), prices currently are around 2.5 times above the average of 2021.
- These increases affect us differently in the markets we serve, depending on the local model of energy supply - e.g. in France energy is part of increased railpath costs, in Germany, we procure energy from the market.
- Lineas is hedged to some degree against increasing energy prices. We pass on this hedging effect to our customers, i.e. only pass on the effective cost increase that we face.
- Our surcharge is dynamic, which means, once the cost of energy will go down, the surcharge will also reduce. Below 100 EUR / MWh, no surcharge applies.
- We want to point out that Lineas has already faced significant extra costs in Q1/2022, which we have absorbed. We are only passing on extra costs as of Q2/2022 (April).

2. Do we differentiate the energy surcharge per country (as different countries have different energy costs)?

Lineas operates mainly in 4 countries (BE, DE, FR and the NL) and the purchasing situation of energy in these countries varies widely. Lineas is implementing a model that reflects the additional cost per country for domestic traffic (i.e. start and end of a transport are in the same country or Lineas drives only the Belgium part of an international transportation and drives no further than nearest handover point in a neighboring country).

For all international traffic, Lineas is using a basket which is based on the energy share of the different countries.

3. The surcharge is called "Energy Surcharge" but we only consider the cost of electricity as the basis for calculating the surcharge, while we also operate diesel locomotives. How is that reflected in our surcharge model?

Electricity is the leading energy source for rail and also the major source for Lineas. There has always been a high correlation of the cost development for diesel and electricity. Therefore, we use the publicly available data on electrical energy prices as the base for the surcharge model.

4. When do we actually start charging the surcharge to the customer?

We have communicated the introduction of the Energy Surcharge to our customers on March 17th and will start charging for traffics starting on April 1st. This allows to prepare the invoicing process and gives our customers time to prepare.

5. What are key arguments for an energy surcharge?

- All energy intensive companies are imposing surcharges or price increases to customers as it is matter to cover cost, not extending margins. All other transport industries have it: road, barge, air cargo.
- It is common to pass on increasing cost to customers. You can see that every day in the supermarket, at the gas station, in industrial goods prices.
- Lineas needs to earn back increased costs via the prices that customers pay. If not, Lineas would incur significant losses which, as a private company, would mean we need to stop doing business or cut loss-making traffic.
- Lineas could not foresee these extreme rises in cost when 2022 contracts were signed.
- The surcharge model will 'eliminate itself' if energy prices go to levels that we expected when signing the 2022 contracts.

6. Is the Energy Surcharge is linked to the entire transport cost for our customers or just to the portion operated by Lineas? How do we treat the portion operated by sub-contractors?

It is linked to the entire transport cost. Sub-contractors charge Lineas higher rates in 2022 and some already apply surcharges for energy. Our Energy Surcharge is in place to offset these extra cost. Whether high energy cost are paid directly by Lineas, or by the sub-contractor and then passed on to Lineas, has the same effect. All operators face the same challenge.

7. Where can we/customers track the monthly evolution of this energy surcharge?

On our website www.lineas.net, in the document library. Or via the Lineas sales manager.

8. What will invoicing for our customers look like?

- Intermodal transport: There will be one separate line "energy surcharge" on the invoice for each transport. This surcharge is a fixed value per UTI for open Intermodal products. For Intermodal block-trains the surcharge-% is applied on the train price.
- Conventional transport: we will send out an extra manual invoice for several months. This invoice is accompanied by an excel list with the surcharge per order based on the transport revenue. We are taking steps to also show the surcharge per order on the regular transport charges invoices in a separate line "energy surcharge".

9. When do we determine the amount of surcharge ? Do we fix the surcharge for the current month on the 1st day of the month, or at the end of the month, based on the average of the past month, looking backwards?

The surcharge refers to the so-called future price which reflects what you have to pay at a certain date to secure energy for the next month. In order to prepare invoicing, we define the 25th of each month as day to set the surcharge percentage for next month. If the 25th is a weekend or public holiday, we take the last week day prior to the 25th. So, we do not look back. This price is publicly available at the EEX European Energy Exchange or

<https://www.eex.com/en/market-data/power/futures#%7B%22snippetpicker%22%3A%22EEX%20Belgian%20Power%20Futures%22%7D>

The model is planned to stay without an end date. No surcharge will be charged if energy cost drop below 100 Euro per MWh for the upcoming month.

10.Can the surcharge grids be changed?

The surcharge grids reflect the current level at which Lineas is affected by unforeseen cost. It reflects at what cost and conditions private or state-owned infrastructure providers deliver energy to Lineas. Lineas preserves the right to make changes to the grid in accordance to changes in the energy market. In such event, Lineas will give the client prior notice hereof.

11.Is the energy surcharge applied on Value-Added-Services and penalties?

The surcharge is applied on transportation revenues only. This includes revenues from rail transportation but also road transportation (Truck). It is not applied on handling charges or penalties.