

STRATEGIC REPORT

Strategy

Considering the qualitative changes in the economy and in the market, the key focus areas of TransContainer Strategic Development 2025 have been updated. The updates relate to priorities in quantitative strategic goals and tools of these goals achievement. The Company's mission, target business model and strategic goal in mid term remain unchanged. The internal audit of the updated Strategy implementation throughout 2018 confirmed relevance of the Company's strategic planning targets approved in 2017.

The TransContainer's Development Strategy 2020 was accepted by the Board of Directors in January 2013 and updated in 2017. Achievement of the target values is based on a vertically integrated business model of the largest national container operator allowing all types of transportation and logistics services for a wide range of the clients over the entire territory of Russia and the CIS.

Company Mission

To provide effective support to our clients by offering prompt, reliable and comprehensive container cargo delivery and logistics solutions.

Strategic Goal

Maximising capitalisation (shareholder value) of the Company by scaling up the business and enhancing its efficiency.

Strategic Priorities

As previously, we plan to keep our position as the leading player in the 1520 gauge rail container transportation market and as a network container operator running flatcar and container fleet. Terminals serve as supporting assets for organising and optimising rail container and intermodal transportation services.

Together with the tools of extensive development (rolling stock buildup, geographical expansion, etc.), we prioritise the tools improving efficiency and providing the Company's stability and competitive ability.

Transportation Volumes

The Company's strategic goal for the period up to 2025 is to ensure that container transportation volumes transported by the Company's flatcars and containers grow at an average rate comparable to the average growth rate of the rail container transportation market.

Fleet Renewal

To develop the Company's business according to approved key focus areas of strategic development, the rolling stock and ISO containers (high-capacity containers) fleets, as well as trucks, lifting equipment, and computers have been upgraded in the reporting year:

- 2,131 rolling stock cars have been purchased, among them 1,213 – 40-foot flatcars and 918 – 80-foot flatcars;
- 3,543 high-capacity containers have been purchased, among them 2,394 – 20-foot containers and 1,148 – 40-foot containers.

Specialised Container Transportation

By reallocating cargo traffic from pipelines and trucks to railway, specialised container transportation can considerably expand the range of containerised cargoes carried on intermodal routes and boost potential volumes shipped by rail.

In the mid-term, this segment has a strong outlook driven by both low containerisation level and rapid growth of cargo volumes to be transported by specialised containers. One of the most promising segments in the specialised container market is liquid chemicals transportation in tank containers.

In 2017, the Company decided to allocate a business linked with cargo transportation in specialised containers to a separate legal entity – LLC SpecTransContainer.