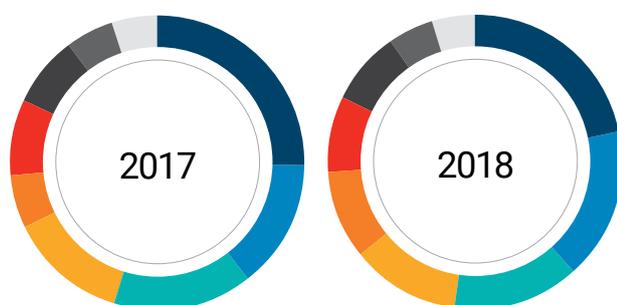


In 2018, the volume of revenue-generating transportation using the Company's transportation assets (rolling stock and/or containers) grew by 8.3% compared to 2017 and reached 1,544 thousand TEUs, driven by optimised empty runs and a higher share of transportation involving third-party containers. In total shipments using the Company's transportation assets, the share of revenue-generating transportation went up to 81.9% from 80.2% in 2017. This ratio defining the efficiency of rolling stock utilisation reached an all-time high in 2018 through the entire history of the Company breaking its own record of the year 2017.

In 2018, the Company's empty container transportation (including those using third-party rolling stock) decreased by 2.8% year-on-year and amounted to 341 thousand TEUs. The key factors that curbed growth in empty container transportation were improved container fleet management and flexible pricing on empty container traffic routes. The gradual recovery of import freight flows on the back of revival of business and consumer activities in Russia, that, in part, compensated the existing imbalance of export and import container freight flows, also had a positive effect.

In 2018, the Company's ratio of empty to loaded container transportation stood at 52.3% compared to 57.1% in 2017. The above factors had a positive impact on the Company's costs and financial performance in 2018 (see also the Financial Results section).

Breakdown of Loaded Container Shipments by Own Rolling Stock, by Cargo Type (shares based on transportation volumes in TEUs), %



	2017	2018
Other	25.3	21.8
Timber products	14.2	16.7
Chemicals	15.5	13.9
Metalware	12.9	12.1
Car parts	5.8	9.7
Pulp & paper	8.4	8.2
Machinery & equipment	7.8	8.2
Food	5.2	4.8
Non-ferrous metals	4.9	4.7

Source: Company data

In 2018, the largest product groups in the structure of shipments were timber products (16.7% of the total loaded container shipments), chemicals (13.9%), and metal products (12.1%). Compared to 2017, the structure of shipments using the Company's transportation assets saw an increase in car parts, timber products, and machinery and equipment. The share of metal products, and also pulp and paper, food and chemicals declined.

Rail Container Transportation Using Specialised Containers

Specialised container transportation is viewed as a prospective line of development as it can considerably expand the range of containerised cargoes and improve the containerisation of rail transportation.

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

In mid term, the Company will focus on growth in liquid chemicals and gases transportation in tank containers as the most significant and dynamic market segment of specialised containers.

Shipping volume amounted to 15,000 TEUs, up 36% of target indicators. To Q4 2018, the subsidiary broke even.

The tank containers fleet managed by LLC SpecTransContainer is 392 tank containers. The specialised container fleet operated by the Company makes it possible to transport a variety of cargoes - from heavy acids to light liquids, such as ethylene glycol, spirit, etc. In 2019, the Company plans to continue its fleet expansion both through the leasing, and purchasing.

Rail Container Transportation in Kazakhstan and Central Asia

In 2018, the Company went on to cooperate with KTZ in promoting integrated transport and logistics container services in Kazakhstan and Central Asia on the base of Kedentransservice. Throughout the year, Kedentransservice on average operated 4,364 flatcars, including 300 own flatcars and 4,064 third-party flatcars. Container transportation volumes in 2018 amounted to 236,600 TEUs, down 11% year-on-year.

Container Terminal Handling

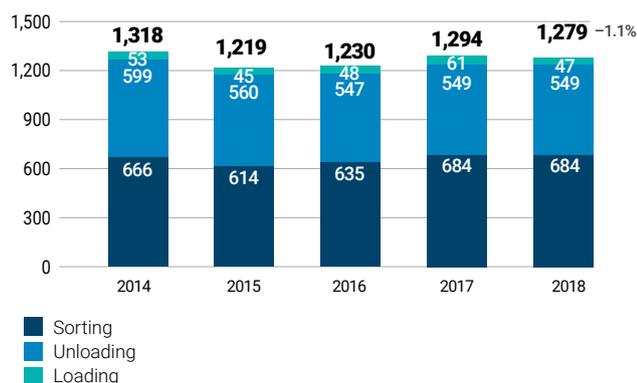
Container handling services provided by the Company at its own terminals include loading to, and unloading from rail transport and motor vehicles, as well as container sorting and storage, which is complemented by additional container and containerised cargo terminal services (such as preparing containers for loading, loading/unloading cargo to/from containers, container sealing, specialised container handling, etc.).

Terminal Handling in Russia

In 2018, the volumes handled at the Company's container terminals in Russia decreased by 1.1% to 1,279.2 thousand TEUs, including 1,278.5 thousand TEUs of ISO containers. The share of medium-capacity containers in the total volume of terminal handling services was negligible in 2018 due to the nearly complete retirement of this type of container equipment from Russian Railways network.

The relatively slow growth of handling volumes for ISO containers at the Company's terminals as compared to the overall growth in the container market resulted from the increasing share of domestic and export volumes originating directly at the shippers' sidings, and closing in 2H 2017 the Moskva-Tovarnaya-Kurskaya and Moskva-Tovarnaya-Paveletskaya terminals, which are located within the Little Ring of the Moscow Railway, in compliance with the Moscow Government's decision.

Container Handling Volumes at the Company's Terminals in Russia (ISO + medium-capacity containers) for 2014-2018, '000 TEU



Source: Company data

In September, Transcontainer completed a deal to acquire a 100% share in CJSC Logistics-Terminal. The Company's assets were supplemented by multifunctional logistics centre, which would ensure the full range of container and general cargoes handling services. CJSC Logistics-Terminal is located 17 km from the Big Port of St. Petersburg in Shushary industrial area. It is the first Russian "dry port" with a high-duty fleet of handling equipment, well-developed railroad approach and the direct access to the public motor/railroads including to Moscow – St Petersburg highway (M10). Pushkinsky customs point operates at Logistics-Terminal.

Transcontainer organised the regular services on the base of CJSC Logistics-Terminal in the following directions:

- Khabarovsk (Khabarovsk Station)
- St Petersburg (Shushary Station)
- Nakhodka-Vostochnaya
- Vladivostok (Pervaya Rechka Station)
- Ekaterinburg (Ekaterinburg-Tovarniy Station)
- Irkutsk (Batareynaya Station)
- Krasnoyarsk (Bazaiha Station)
- Novosibirsk (Kleshchyha Station)

Volume of Containers Handled, '000 TEU

Item	2017	2018
Total	347.7	357.3
Including: by rail	139	142.3
general cargoes, thousand tonnes	655.7	678.7

In July 2017, the Company purchased a 30% stake in Freight Village Kaluga North, owner and operator of terminal assets in two industrial parks, Vorsino (north of the Kaluga Region, adjacent to New Moscow) and Rosva (near Kaluga). By acquiring a share in Freight Village Kaluga North's capital, the Company integrated state-of-the-art terminal and logistics centres into its network and secured the opportunity to develop additional customs brokerage and bonded warehouse capabilities, and to ramp up freight volumes by engaging Vorsino and Rosva residents.

The collaboration allowed to expand the client base for goods transportation with customs and brokerage processing on TransContainer services to the Central Federal District.

Terminal Handling Abroad

In 2018, the Company held a 50% stake in Kedentransservice, Kazakhstan's leading private provider of terminal services. Kedentransservice operates 19 freight terminals across Kazakhstan and transshipment facilities at Dostyk and Altynkol border crossings (Kazakhstan-China border).

In 2018, a total of 103,600 containers were handled by Kedentransservice at the border crossings with China, up 8% year-on-year. The volume of loading/unloading operations at domestic freight terminals was 61,200 TEUs, up 13% year-on-year.

The volume of non-containerised cargo handling at Kedentransservice terminals in 2018 was 863 mln tonnes, up 10% year-on-year.

Through its subsidiary, TransContainer Slovakia, the Company also operates a container terminal at the Dobra border crossing between Slovakia and Ukraine.

The volume of containers handled at the Dobra terminal was 13,100 TEUs in 2018, up 1.7% year-on-year.

Trucking Services

The Company's container deliveries by truck – the so-called last mile services – are focused on container transportation between its terminals and the cargo's final destination (or the container loading site). For truck deliveries, the Company uses both its own fleet and services of third-party transport companies on a contractual basis. TransContainer is also authorised to perform trucking under customs control.

Using its own and third-party trucks, the Company transported a total of 331,000 TEUs in 2018, down 13.5% year-on-year.