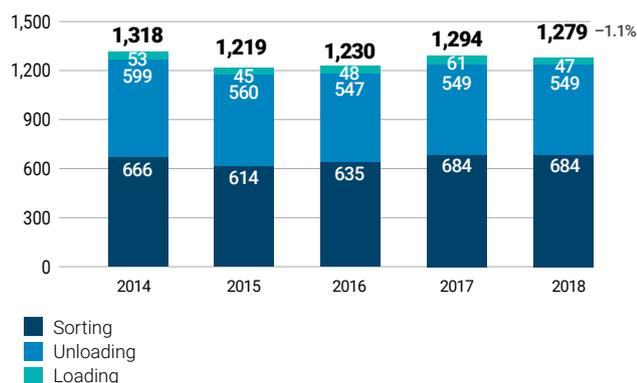


Terminal Handling in Russia

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.

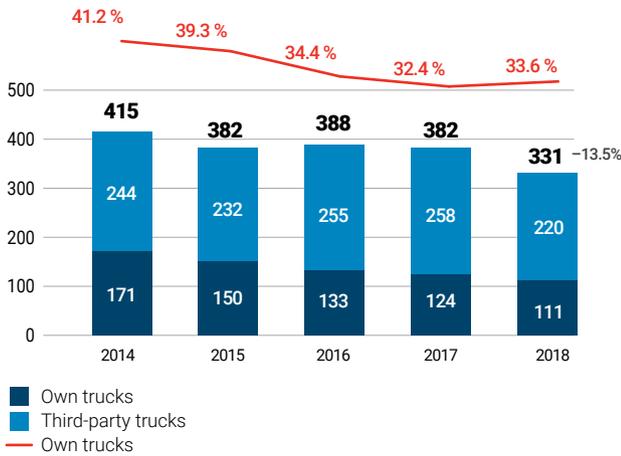
The volume of containers handled at the Dobra terminal was 13,100 TEUs in 2018, up 1.7% year-on-year.

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.

Container Deliveries by the Company's and Third-party Trucks in Russia (high-capacity containers + medium-capacity containers) in 2014-2018, '000 TEUs



Source: Company data

In 2018, the share of the Company's truck fleet in the total volume of road transportation was 33.6% (vs 32.4% in 2017). This resulted from the greater use of own trucks.

Logistics and Freight Forwarding

The quality of the service is an important competitive strength in the market of transport and logistics services, and especially in the segment of containerised cargo transportation. Those who offer integrated and economically efficient door-to-door transport solutions have the edge. As a highly standardised and intermodal process, container transportation is a perfect match for the existing market trends and a key containerisation driver.

Pursuant to its development strategy, the Company expands the range of these services and builds up the portfolio of integrated transport and logistics solutions for clients to boost the added value of its services and lay the ground for long-term cooperation.

Our business model facilitates integrated transportation and freight forwarding services to clients on an "all-inclusive" basis using both our own assets (flatcars, containers, terminals, and trucks) and services of subcontractors (the Russian Railways, foreign railway administrations, agent companies, customs brokers, freight forwarders, ports, sea lines, etc.).

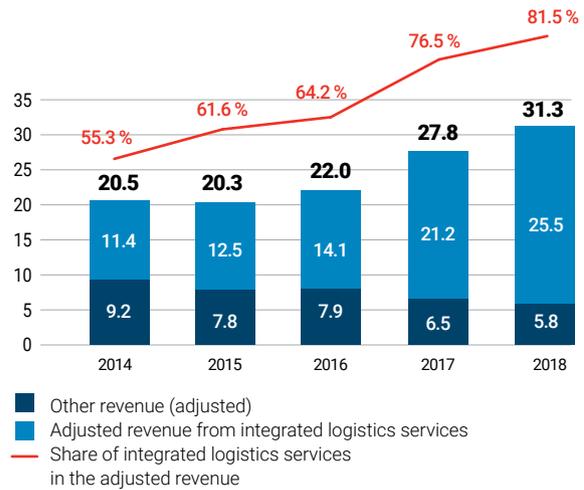
As historical experience shows, the demand for integrated transportation and freight forwarding services from clients is steadily growing. This type of service provides:

- high quality (the Company's commitment to deliver the cargo);
- simplicity (single price for the whole range of services);
- reliability (every key stage of container transportation can be covered by the Company's own assets).

That said, integrated transportation and freight forwarding services require higher commitment and more complex execution processes compared to individual transportation services.

The amount of adjusted revenues from integrated transportation and freight forwarding services in 2018 amounted to RUB 25.5 billion, up 20.0% year-on-year. The share of adjusted revenues from these services in 2018 in the total income of the Company increased to 81.5% against 76.5% in 2017.

Adjusted Revenue from Integrated Transportation and Freight Forwarding Services in 2014-2018, RUB billion



Source: Company data

Assets

In 2018, the Company's Investment Policy was aimed at using the opened opportunities for business growth. That said, due to the acute shortage of new rolling stock, the Investment Programme was not fully delivered. Investments totalled RUB 8.9 billion (against RUB 6.9 billion in 2017), including RUB 7.0 billion allocated to capital expenditures (CapEx) and RUB 1.9 billion - for financial investments. CapEx was spent at upgrading the flatcar fleet and the container fleet, expanding the terminal infrastructure. In 2019, the Company plans to boost CapEx in the upgrade and expansion of its key assets up to RUB 13.3 billion.

The expansion of rolling stock and the increase in terminal assets enable the Company to offer integrated intermodal transportation services with an optimal price-quality ratio. The actual ratio of own and third-party assets is determined by economic considerations on the back of the prevailing market conditions.