

Terminals and Trucks

Terminals in the Russian Federation

As at 31 December 2018, the Company owned 39 railway container terminals located in all the key Russian industrial areas and transportation hubs. The Company also operates two terminals through a joint venture LLC Freight Village Kaluga North and one terminal through its subsidiary CJSC Logistics-Terminal.

The decreased number of the terminals was attributable to the closure of the Moskva-Tovarnaya-Paveletskaya Station in accordance with the schedule approved by the Russian Railways and the Moscow Government to close all cargo terminals within the Little Ring of the Moscow Railway.

In general, the existing terminal network of the Company meets the strategic goals of maintaining its business scale.

The Company's terminals located in Russia host nine warehouses with a total area of 17.8 thousand square metres to provide additional services for international, particularly inbound, transportation. There was no change in the number of temporary storage warehouses at the Company's terminals in 2018. In the reporting year, the Company acquired an additional warehouse at the Shushary Station owned by a subsidiary, CJSC Logistics-Terminal.

The Number of Railway Container Terminals and Warehouses of the Company

Ratio	2017	2018*
Terminals/warehouses	42/9	40/10

* Including the terminal and warehouse at the Shushary Station

In 2018, the Company also had the opportunity to offer its clients the services of a warehouse located at the Vorsino Station, against the acquisition of a stake in LLC Freight Village Kaluga North, which operates this terminal.

All Russian terminals owned by the Company have a "Site of Common Use" status in accordance with the Federal Law on Rail Transport in the Russian Federation. In its terminals, the Company provides services categorised as "rail infrastructure services" (container loading/unloading operations, container sorting, etc.) acting as an agent of Russian Railways, as well as other terminal services at clients' requests.

During 2018, the Company continued its efforts in upgrading its terminal network.

TransContainer's container terminal at the Zabaikalsk Station helped to reduce the clearing time for container trains crossing the Manchuria-Zabaikalsk border, including the time required to reload containers from 1435 gauge to 1520 gauge, by four times to 6 hours, and the paperwork time, including customs clearances at the Zabaikalsk terminal, was 40 minutes.

The technology has been experimentally tested on container trains following the route Dalian (China) - Vorsino Station of the Moscow railway.

The reduction in time was gained through obtaining preliminary information from the client, which allowed submitting electronic transit declarations to the customs authorities and creating railway transport invoice blanks in information systems before the train arrived at the border crossing.

Smart Container Terminal is an integrated information platform for clients and process owners (including the Company's employees, co-contractors and counterparties). It includes automation of processes when working with flatcars on cargo-handling areas and trucks at security checkpoints, online positioning of containers at terminal sites, and monitoring system elements with video recording and video surveillance means. It provides a managed information flow involving all the participants in the process — from the clients to the process owner — with their share of responsibility for the implementation of the specific transportation. Using a single information system helps to avoid duplication of data entry at different stages of technological processes, minimise the error probability, and increase the client service efficiency.

When developing and implementing an intelligent automated system at the Kleschikha terminal, the following functionality was introduced.

1. Placement of containers by topology. Allows online viewing of the container location, its status, and related information. The container retrieval time has been minimised.
2. Web-portal scheduling of auto-visits for trucks to move the containers in/out, with an option of adjustment against the terminal operating mode. It enables the client to independently choose the time for making an application for the auto-visit and optimally schedule their trucks.
3. Reading the numbers of trucks and containers at the security checkpoints of the terminal with automatic generation of an auto-visit and an assignment to lifting equipment operators. It allows online viewing of the status of the trucks currently being in the terminal and making adjustments to speed up the handling process.
4. Reading the numbers of trucks and containers when delivering them to/taking them from the railroad tracks of the cargo-handling area. The Smart Container Terminal system creates the lists of delivered flatcars. Once the inspection by an acceptance/delivery agent is finished, the system generates an assignment for lifting equipment operators for the flatcars unloading and loading.
5. Automated assignment to the lifting equipment operators against the generated orders for loading single cars, sets of containers, and container trains.
6. Automatic control by the Smart Container Terminal system over the loading of containers onto flatcars according to specifications (specifications reference manuals and local loading specifications are put in place). In case of any violation from the correct loading procedure, the Smart Container Terminal system generates a respective warning.

The Smart Container Terminal system has been in full-scale commercial operation since 17 May 2018 and has already made it possible to achieve certain effects:

- in optimising the placement of containers at the terminal sites and reducing the number of intra-terminal loading/unloading operations that are not related to the handling of trucks and flatcars by 11%;
- in excluding the search for a container in the park and the associated reduction in runs of lifting equipment and loading/unloading time (the time spent by a truck on the territory of the container terminal dropped by 70%, while the flatcar handling time on the railway area decreased by 26%);
- in enhancing the operational efficiency of the security checkpoints by automating the processes of admitting trucks and using the web portal by clients to submit auto-visit applications;
- in scheduled moving in/out of containers using a time-slotting principle, which makes it possible for the clients to reduce the time spent on terminal services of trucks and to predict their further use more reliably;
- in reducing the time of response to changes in the operating environment by real-time tracking over all operational processes at the terminal.

Year	2017	2018
Lifting equipment	212	212

In 2018, we managed to obtain the balance between the purchase and retirement of lifting equipment.

TransContainer's terminals also serve as a base for road transport services to clients to ensure the delivery of containerised cargo directly to their destinations (last mile services).

Year	2017	2018
Number of trucks	491	456

Freight Trucks

The Company's truck fleet to transport high-capacity containers as of 31 December 2018 totalled 456 units, including 165 tractor units, 287 specialised semi-trailers, and 44 special-purpose trucks (utility trucks, high-sided trucks). A total of 43 trucks were retired during the year.

As the road transportation market develops and the number of companies offering competitive road container transportation services grows, the Company is pushing forward its road transportation outsourcing, focusing its fleet on regions underpenetrated by rivals. The fleet in these regions was renewed and expanded. During the reporting period, 4 trucks were registered: three truck tractors and one semi-trailer.

The Company's largest asset outside Russia is a stake in JSC Kedentransservice operating 19 freight terminals across Kazakhstan and transshipment facilities at Dostyk and Altynkol border crossings (Kazakhstan-China border). As at 31 December 2018, Kedentransservice had 159 units of lifting equipment.

Optimisation of Non-core Assets

Pursuant to non-core asset identification and sale guidelines set by the Russian Government Directive No. 894-r dated 10 May 2017, the Board of Directors approved the updated Company's Non-core Asset Disposal Programme (Minutes No. 3 dated 18 October 2017). The Plan of Non-core Assets Sale and the Register of Non-core Assets are approved on an annual basis. Information on the Company's non-core assets is available on its website, the website of Russian Railways in the Property Transactions section at property.rzd.ru, and TransContainer's property shop at avito.ru. The Company's Commission for Sale of Immovable Assets Not Used in Production reviews the implementation of its non-core asset disposal plan on a quarterly basis. The information is submitted to the Company's Board of Directors.