

Since the shareholders have been changed and the Company has withdrawn the Russian Railways, a part of provisions in the regulations on engagement of non-core immovable assets to civil turnover are not relevant

any more. Work is under way to change the regulations, providing for the expansion of the criteria and the list of immovable assets of the Company, which can be classified as non-core.

CLIENT SERVICE AND SALES

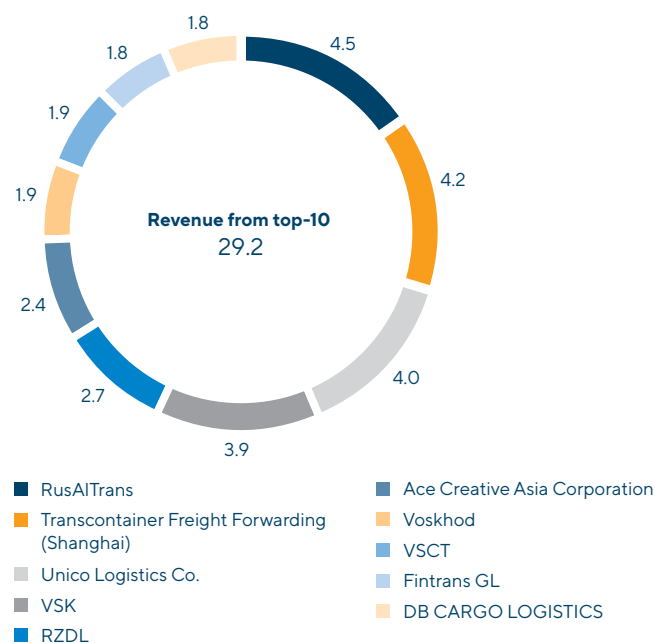
With increasing market competition, PJSC TransContainer continues to improve its transport and logistics services for customers following a continuous efficiency strategy.

CLIENT BASE

TransContainer's client base comprises tens of thousands of clients ranging from global majors to small businesses and individuals.

The top 10 clients in 2020 accounted for 29.2% of customer payments, while the largest client of RusAlTrans LLC, a subsidiary of the leading company in the global aluminium industry RUSAL, provided 4.5% of all customer payments.

The Company's Top 10 Clients in 2020 by Revenue (%)



Other clients of TransContainer's client portfolio – 70.8

SALES AND CLIENT SERVICE

TransContainer's sales network covers the entire territory of Russia and key transport hubs in Europe and Asia. The Company maintains its traditional footprint through sales offices, representative offices and joint ventures complemented with the e-commerce channels. TransContainer operates based on the standard freight forwarding services contract. This ensures consistent quality standards across the 1,520 gauge railway network and beyond, wherever the client and our points of sale are located.

DEVELOPING CLIENT SERVICE

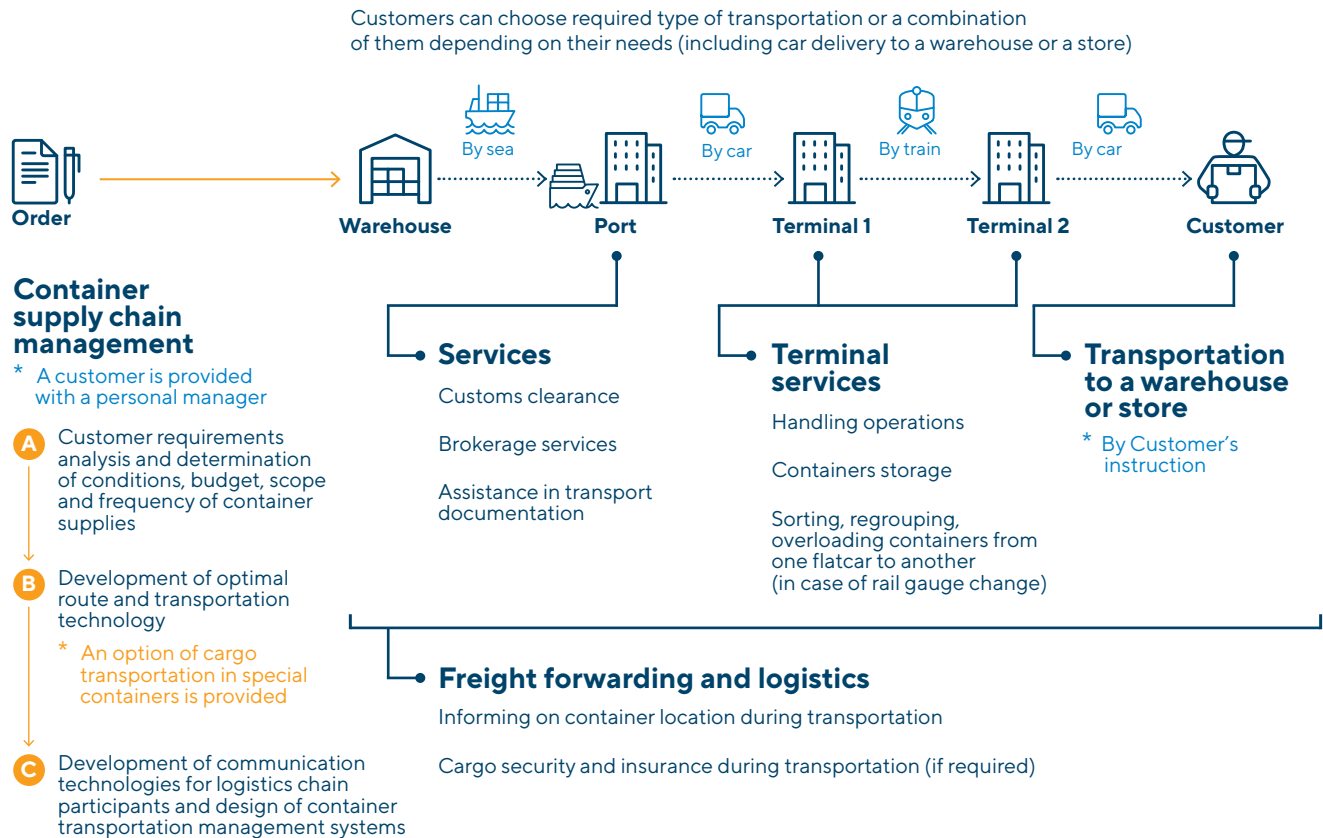
Russia

As at 31 December 2020, the Company operated 90 sales offices across Russia. The sales network relies on the central office in Moscow, key freight traffic clusters, regional administrative centres, and transport hubs

International Sales Network

The international footprint includes six subsidiaries, three joint ventures, four representative offices and covers countries of the CIS, Central and Eastern Europe, and Asia Pacific.

Client-Oriented Service



Extension of the Range of Transport and Logistics Services in 2020

Route Solikamsk – Zabaikalsk – China for JSC Solikamskbumprom

The movement of container trains on end-to-end service for direct customer JSC Solikamskbumprom has been arranged. Transportation by route was started in July 2020. 34 container trains (3,880 TEUs) were sent by Solikamsk–Zabaikalsk – China route in 2020. Adjusted revenue amounted to RUB 197.7 mln.

The first full-length flexitank train from Kleshchikha Station to China via the land border crossing Zabaikalsk – Manchuria

On 13 December 2020, the TransContainer's branch at the West Siberian together with JSC RZD Logistics and Globus-Trans company sent the first full-length flexitank train from Kleshchikha Station to China via the land border crossing Zabaikalsk – Manchuria. The exporter was Globus-Trans, TransContainer acted as an operator of container train, and JSC RZD Logistics agreed the terms of transportation on the Russian Railways and Chinese Railways. The train delivered a batch of 82 twenty-foot containers of flexitanks with rapeseed oil produced in Altai and Novosibirsk regions from Novosibirsk to Chungking. Transportation is carried out under the AgroExpress project for export of products of domestic agricultural producers.

The train runs without reforming on the entire route, that reduces the delivery time of the cargo from two months to 15 days, as well as the transportation costs of shippers.

Switching flows from competitive routes via the ports of St. Petersburg and attracting new volumes of shipments to China through land border crossings

TransContainer, together with clients of Luzales LLC, Nadyozhno Construction Company, ULK Group of Companies, arranged and carried out new transportations to China via land border crossings instead of those passing

through the ports of St. Petersburg. This has resulted in an increase in the share of TransContainer's revenue-generating loadings in the export of universal loaded containers, i.e. 12.2%, or 37,940 TEUs year-on-year.

The first public container train on the Battery-Nakhodka-Vostochnaya route

In February 2020, the first public container train was sent along the Batareynaya – Nakhodka-Vostochnaya route. In 2020, 1,656 TEUs were transported by this route. Regular monthly container service has not only become the best price offer, but also allowed customers to more accurately plan booking for sea vessels when exporting, as evidenced by the consistently high share (over 85%) of TransContainer shipments on this route.

Switching from own rolling stock to TransContainer's railcars

Together with Voskhod LLC, the Company switched transportations from own rolling stock to TransContainer's railcars. The market rates have been agreed at the level of other owners, which allowed to switch the entire volume to the TransContainer's fleet. Main routes: St. Petersburg/ Khovrino – Isakogorka – St. Petersburg (21,142 TEUs), St. Petersburg – Segezha – St. Petersburg (4,966 TEUs), St. Petersburg/Moscow – Syktyvkar – St. Petersburg (15,112 TEUs), St. Petersburg/Moscow – Tobolsk – St. Petersburg (10,473 TEUs), St. Petersburg/Moscow – Kirov-Kotlasskiy – St. Petersburg (5,194 TEUs). Totally 56,887 TEUs. As a result, the increase in the share of the October branch's revenue-generating loading was about 3%.

First transportations of grain crops in bulk in containers

In 2020, the Company for the first time arranged the transportation of grain crops in bulk in containers using a liner on the route Blagoveshchensk – Nakhodka, and then to China/Petropavlovsk-Kamchatsky. The total amount was 812 TEUs.

Development of transit traffic through the Vostochniy port

Transit traffic from the Asia-Pacific to Europe via the Vostochniy port, including through subsidies provided by the Government of the Russian Federation, on the route Asia-Pacific – Vostochniy – Małaszewicze has reached 5,370 TEUs.

New transport solutions for manufacturing plants

As part of TransContainer's cooperation with the enterprises of the Tyumen region, new transport solutions have been developed and implemented to ensure the bulk delivery of polyethylene and polypropylene both inside and outside the Russian Federation.

Thus, a transport solution for the delivery of cargo to the Kaluga region at Vorsino Station was developed with the further delivery of the customer's cargo to the distribution centre located in the Vorsino Industrial Park. In 2020, more than 2.1 thousand TEUs were transported in this direction.

A solution for cargo delivery from an enterprise in the Tyumen region to Europe has also been developed for the customer. This solution allowed to switch part of the customer's cargo flows both from sea and road transport. As a result of 2020, 1,076 TEUs were transported as part of the service.

Transport solutions facilitating containerisation

In order to switch the cargo flow from covered railcars to containers, as well as according to the plan for the development of transportation from Kazakhstan, TransContainer launched a project to transport aluminium from Kazakhstan to Turkey through the ports of Novorossiysk and Temryuk in May 2020. More than 5.6 thousand TEUs have been transported as part of this project.

Developing cooperation with existing key customers

As part of cooperation with RUSAL, a new volume has been obtained in export shipments on the following routes: Bagulnaya, Bazaikha, Kamyshta, Obnorskaya – Kaohsiung (387 ISO containers) – Kamyshta – Kuchetkan – Shanghai (573 ISO containers).

Besides, the following routes show additional volume and continued development in import shipments: Tianjin (Xingang) – Krasnoyarsk-Severnii – Taishet (125 ISO containers, October – December). Rastarka – Bazaikha – Blucher (188 ISO containers) – Bagulnaya, Bazaikha, Kamyshta, Kuchetkan, Goncharovo – Rybniki (Rastarka) (464 ISO containers, May – November).

The fruitful cooperation with the long-time partner of the Company Fintrans GL on the route Bratsk/Ust-Ilimsk – Zabaikalsk (export) and then China TC/TC¹ allowed to reach the volume of 8,149 ISO containers, 73% higher year-on-year.

As part of cooperation with Lorus Intremodal, in 2020 the Company launched a project on transportation of Mazda cars from the Far East (Haydamak / Pervaya Rechka) to Moscow (Selyatino). The first train was sent in August 2020. Totally seven trains were sent (644 TEUs).

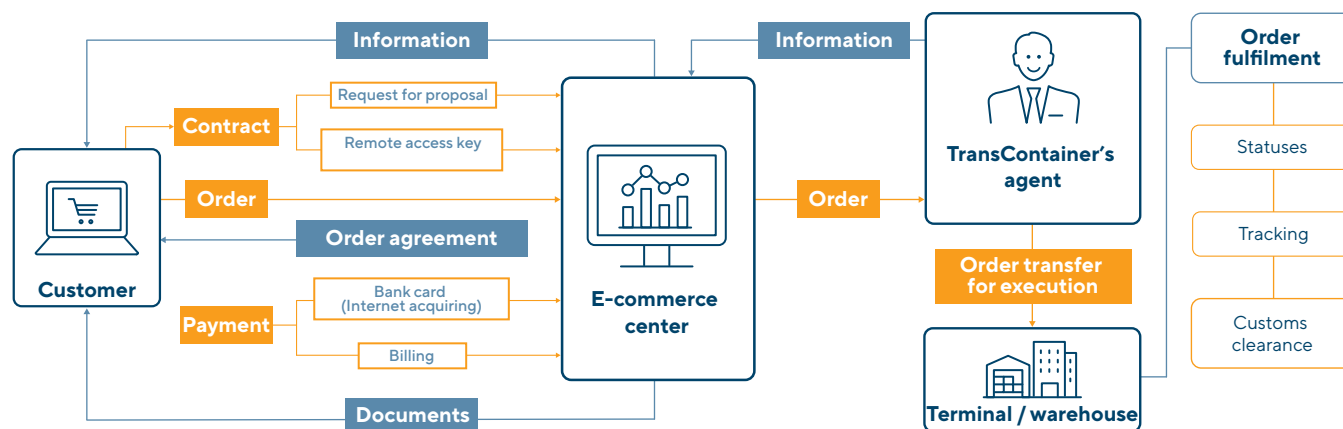
In November 2020, Lorus SCM commissioned two trains each of 38 80-foot railcars on a continuous route involving shipments of SIBUR to ensure continuous supplies of Mazda cars from Haydamak (Silikatnaya/ Selyatino/Ulyanovsk – Tobolsk – Haydamak – Selyatino).

ONLINE SERVICES

In the face of the new coronavirus infection pandemic in 2020 and associated restrictions, TransContainer's online services have enabled continuous and effective interaction with customers at no additional cost. In addition, the technologies introduced in 2020 have provided support for new customers. Thus, from January to December 2020, the number of new unique users more than doubled, exceeding 30,000 unique users per month. Thanks to the online service iSales, the customer can order a container service from TransContainer in a few clicks almost all over the Eurasian continent. The service has allowed the customer to have quick and easy access to a wide range of services and information about their cost.

¹ Transportation of TransContainer's containers on TransContainer's flatcars.

Technology



The functionality of the online service allows any client, even without special knowledge in the transport and logistics business, independently to:

- calculate the cost of services;
- make orders without leaving home or office;
- pay for ordered services (including a bank card);
- track the order statuses;
- monitor the containers location in real-time mode;
- have access to contract documentation.

In 2020, the number of orders made using iSales reached 99%. The project to further develop iSales was launched in order to meet the increasing needs of customers and improve the level of the Company digitalisation. The key effect of the project should be a new level of speed and transparency of interaction between TransContainer and its customers, as well as the provision of scaling opportunities for distribution channels, including those beyond the Russian Federation.

FEEDBACK

One of the main principles of the Company's interaction with a client is to provide prompt and transparent feedback.

The feedback system comprises:

- 24/7 call centre;
- dedicated e-mail accounts (with automatic generation of electronic messages sorted by subject and sender and addressed to relevant corporate teams);
- client feedback forms and on-line questionnaires on the Company's website;
- regular service quality surveys.

CALL CENTRE

In 2020, the call centre processed 189,950 queries, with phone calls accounting for 38%. The level of call centre service averaged 91.9% (91.5% in 2019), which indicates that the required level of prompt response to subscribers is maintained: the average response waiting time was reduced to 12 seconds in 2020.

The ratio of operators independent work on targeted topics is kept at 97%. The level of customer service quality was 94.6%, +0.3% year-on-year.

The stable speed and quality characteristics of the process in 2020 allowed to receive and process 4.191 requests more than in 2019, as relates to the targeted topics converted into orders.

In the reporting year, the division was shifted to Mango services, which allowed to introduce new options improving the conversion and convenience of communication with the Company, such as a call from the site, automatic call back on missed calls, chat, post-call assessment of the quality of ACSI call processing.

CLIENT MEETINGS

Due to the unfavourable epidemiological situation in the world and the threat of the spread of new coronavirus infection (COVID-19) in 2020, a number of exhibitions were postponed to 2021, including:

- TransRussia 2020 (the Russian Federation, Moscow);
- INNOPROM-2020 (the Russian Federation, Ekaterinburg);
- TransKazakhstan Translogistica 2020 (Kazakhstan, Almaty);

Besides, despite the postponement of a number of international transport and logistics exhibitions and the inability to participate in them in 2020, representatives of the Company actively participated in online events and have not lost contact with international partners.

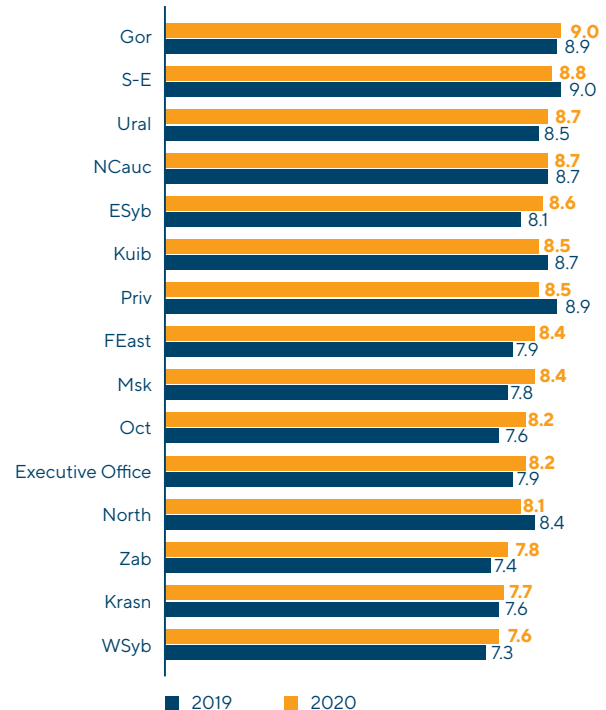
Service Quality Survey

The Company annually conducts a service quality survey interviewing clients on the following key issues:

- service quality;
- performance of managers;
- performance of terminals;
- information on the corporate website;
- changes clients would like to see in the Company;
- preferences and needs of clients and additional services they would like to see.

In 2020, the survey involved 2.4 thousand respondents. The total volume of questionnaires was 42% compared to 48% in 2019 (the average ratio in such studies is more than 10%). The average customer satisfaction score across the TransContainer totalled 8.8 compared to 8.6 in 2019. The entire Company shows a positive dynamics in service quality. In particular, the respondents of the October branch note significant increase in the level of service compared to the previous year. Customers mention positive changes in competence and efficiency of the managers of the Moscow branch. The average score of the quality of the Company's terminals operation increased by 0.2 points and amounted to 8.4 points. The least satisfied are the clients of the West Siberian (7.6), Krasnoyarsk (7.7) and Zabaikalsk (7.8) branches. Gorky (9.0), South-Eastern (8.8) and Ural (8.7) branches coming out on top. The October branch (8.2) and Moscow branch (8.4) have significantly improved work process.

Average Score of Terminal Work Quality



DIGITALISATION

In 2020, the process of transition to a modern microservice architecture has begun to ensure the rapid development, scalability and stable operation of the Company's services and, as a result, to improve the quality of services provided to customers. The introduction of a corporate integration bus has created a single unified mechanism for transmitting information to all key information systems of the Company, as well as simplifying interaction with external partners.

The transition to new cloud telephony and developed IT infrastructure ensured the instant transition (within 24 hours) of all employees of the Company to remote work and retained the cross-functional interaction of all structural units of the Company. This minimised the number of cases of COVID-19. Use of the SaaS model has significantly reduced the cost of upgrading and maintaining IT infrastructure and providing access to modern online communications technologies. The introduction of electronic document management within the Company and with external counterparties has led us to reduction in the volume of paper documentation and processing time for primary accounting documents.

QUALITY CONTROL

TransContainer exercises quality control on a comprehensive and multi-level basis with all business units involved within their respective remit.

The effectiveness of the comprehensive quality management system stems from the uniform principles outlined in the Company's Quality Management Policy and applied across the production chain. The quality management issues are under the responsibility of the Director of Strategy and Business Development of the Company.

The said principles are underpinned by a set of core values guiding the Company's employees in their workplace pursuits. In particular, TransContainer

focuses on creating new transportation services for clients in response to their needs and expectations as regards cargo transportation services.

TransContainer offers high-quality transportation and forwarding services, which includes providing prompt, safe and comprehensive cargo transportation solutions to clients.

TransContainer provides services to its business units, partners and external customers in line with introduced standards. TransContainer also has a system that allows for rapid changes in management processes and technologies, including consolidation of the results of analysis of customer, partner and supervisory appeals.

TransContainer is constantly dealing with customers notifications on deviations in the execution of orders. Online information is currently provided at all stages of transportation, that has significantly reduced the number of complaints received.

DEVELOPMENT OF QUALITY MANAGEMENT SYSTEM IN 2020

In 2020, the concept of process management has been significantly reworked and a campaign has been launched to revise the map of processes and update the Company's procedures. The Company's goals are to improve the efficiency of its current activities, extend the culture of continuous improvement and create a basis for synergies in the Delo Group.

Every year TransContainer conducts a survey to investigate customers' satisfaction with the services provided on a 10-point scale. The value of this index is included in the KPI system of executive office and branches. The index of the Company's customers satisfaction increased from 8.6 in 2019 to 8.8 in 2020. The customers noted improved quality of service and terminals operations. The score of managers work remained at 9.1 level according to questionnaire results.

TransContainer regularly assesses the efficiency of its quality management system and takes the necessary steps to eliminate any identified gaps.

The assessment of the quality management system performance also implies annual process audits and internal system checks at the executive and branch offices of TransContainer, with the identified gaps addressed through a corrective action plan.

TransContainer has successfully passed a certification audit of the management system to meet the requirements of the international standard ISO 9001:2015.

In 2020, the audit was arranged for the executive office, as well as at Moscow, Gorky and Privolzhskaya branches. The Certificate confirms the customer-orientation of the Company and availability of a systematic approach to management of the quality of services provided.

During the audit process, the Company's activities are audited for compliance with the Russian law, for analysis and increase of customer satisfaction, achieved quality goals, employees training, internal audits of processes and quality management systems, risk management and other management aspects.

TUV NORD (Germany), founded in 1869 and accredited by the DakkS (Deutsche Akkreditierungsstelle GmbH) state accreditation body, acts as a certification authority.



Audits of the Quality Management System

Audit Type	Audited Target	Purpose	Outcome
Certification audit	Executive office, Moscow, Gorky and Privolzhskaya branches.	Evaluation of Quality Management System efficiency and compliance with ISO 9001:2015	A Certificate of the Quality Management System compliance with ISO 9001:2015 obtained

For 2020, special consideration was given to the development of TransContainer's information systems and their integration with the systems of customers and subcontractors. To date, integration with SIBUR Holding systems has been completed. Integration with RUSCON systems is underway aimed to improve services quality level in the port of Novorossiysk.

The development of automatic notifications option for the client's personal account was started in 2020 to inform about the beginning of excessive use of flatcars and/or containers of TransContainer.

TransContainer invests in the development of its terminals in order to maintain a consistently high level of services for its customers.