

MESSAGE FROM THE PRESIDENT



Dear members of the Board of Directors, investors and partners!

First of all, I want to thank the Board of Directors for their trust and support. I headed the Company in March 2020, I am aware of my responsibility and I will spare no effort to accomplish my tasks and strengthen TransContainer's leadership in the 1,520 gauge market of rail container transportation.

The past 2020 was the first year when TransContainer operated as a completely private company, a part of Delo Group. Already in Q1 2020, with a focus on preventing the spread of coronavirus infection, we, like the rest of the world, faced serious changes in our professional and private life. To ensure the safety of employees and their families, the administrative staff has been almost entirely shifted to remote work, and we have provided additional protective measures for the operational staff. Due to the developed IT infrastructure and online services, the changes have not affected operations and our interactions with customers and partners, while helping to ensure effective control of COVID-19.

In the face of uncertainty, supply chain disruptions and severe macroeconomic instability, the Russian container market has demonstrated resilience and the ability to quickly adapt to new challenges, challenges: the rail container transportation volume increased by 16.3% in 2020 and reached a record of 5,801 thousand TEUs. The main drivers were international transportations, which grew by 19.4%, the transit in particular increased by 37.5%. A key factor in the increase of transit was the transfer to the railway segment for cargoes, which

were transported by other modes of transport before the closure of borders and the imposition of other restrictions. Subsidies by the Chinese government of land transportation between China and Europe also continued to have a positive impact. Containers remain the fastest growing and promising segment of transportation for Russian Railways. By the end of 2020, the growth of containerisation of cargoes transported via the network increased to 9.8% against 8.3% in 2019.

Working in a dynamic market, we grew at a faster pace - the transportation volume of TransContainer increased by 17.3% year-on-year to 2,405 thousand TEUs.

This is an absolute record that we are proud of. Using the high potential of the transit market and the mechanism of subsidies provided mid-year by the Government of the Russian Federation, we began transporting transit containers from the Republic of Korea to Europe via the Far East and returned to the transit market through Kazakhstan for the first time since withdrawal from the

Russian-Kazakhstan-Belarusian joint venture JSC UTLC (in 2018). In 2020, we were the leaders of containerisation processes: we were among the first to start transporting export coal in open top containers, launched new services for the transportation of oil in flexitanks.

The success of operating activities contributed to the financial growth – our revenue for the first time exceeded RUB 100 billion, increased by 20.1% year-on-year. Net profit grew by 7.7% and amounted to RUB 12,659,000, EBITDA increased by 13.3% and reached RUB 22,645,000. Also in the past year, we achieved record levels of revenue-generating transportation volume, operational efficiency and labour productivity, we streamlined the rolling stock management and introduced several new technologies and business solutions.

This is all the result of the well-coordinated work of the renewed team. During the year, the best specialists in their segments reinforced the team that stood at the origins of TransContainer. I am sure that the unique combination of professional competence, deep knowledge of the market and the Company will sustain our leadership in the container industry in Russia and 1,520 gauge. The implemented organisational and management changes are designed to further transform the Company into an effective market player.

Our key priority is to be closer to the client and improve the quality of services. One of the first steps in this direction is the launch of a monthly survey in 2020, in order to respond quickly to customer requests, as well as accelerate the development of electronic services. The online sales service iSales now accounts for 99% of customer orders, 97% of transportation volumes and 98% of revenue.

Together with the largest container terminal operator in Russia, Global Ports, we launched weekly trains from their terminal in Nakhodka to Poland. Together with RUSCON (part of Delo Group) and the Danish shipping company Maersk, we launched a regular train to Moscow from Novorossiysk, from the NUTEP terminal, which is owned by DeloPorts.

In 2020, we started developing integration processes with other assets of our shareholder - Delo Group.

In 2020, the Company enlarged its fleet both by purchasing new equipment and acquiring under lease to meet the growing demand and eliminate the shortage of containers and flatcars. TransContainer is by far the largest company in the industry in Russia with a fleet of 87,810 containers and 32,119 railcars.

Early in 2021, there is a continuing shortage of equipment in key locations abroad, but also a gradual return to the usual rhythm of life and business activity. With the recovery of pre-pandemic supply chains, the regularity of shipping and the resumption of air cargo transportation, which we expect by the end of 2021, there are no prerequisites for the same high growth rates as in 2020. At the same time, we believe in long-term market potential and we assume that transit, export and import will remain the key drivers in the next 3-5 years. The annual growth rate of the Russian rail container transportation market will stay within 10%. We also expect increased competition and further digital transformation of the industry.

TransContainer, while remaining a vertically integrated logistics holding, will continue to operate within the existing business model, which has proven to be effective. To make the most of our potential, we are committed to promoting digital transformation, providing undeniably high quality services, reducing costs and finding growth points through horizontal integration with our partners in Delo Group. We believe that these efforts will give an additional boost to the development in the next 3-5 years, and a well-coordinated proactive team will ensure the achievement of all the objectives for the benefit of our shareholder and customers.

Alexandrs Isurins

President of TransContainer