STRATEGY

NEW LONG-TERM STRATEGY

TransContainer is involved in the Russia's largest transportation and logistics Delo Group holding, which brings together the Delo Ports and Global Ports - market leaders of the port container shipping company, the freight forwarding business of LLC RUSCON and PJSC TransContainer - the largest rail container operator at the 1,520 gauge railway.

The strategic goal of the Delo Group is to become a champion in container logistics in the Eurasian space.

The development of TransContainer's business is one of the key elements in achieving this goal. In 2020, the Company started operation on the development of a new long-term Strategy, which was in the process of being approved at the beginning of 2021. The need to update the Development Strategy is related with the membership of the Delo Group and the transformation into a fully private company, and large-scale changes in the economy and industry.

The aim of the Company's new long-term Strategy is to maintain and strengthen its leadership position in the Russian container shipping market. Priority areas of development: rapid growth of market share and increase of the share of freight forwarding services in revenue.

Target Indicators

2025

	Increase in share of freight forwarding services in revenue	Growth of market share
2020	3.75%	42.5%
Target-2025	15.0%	50.4%

THE UPDATED STRATEGY WILL BE BASED ON THE FOLLOWING INITIATIVES

Initiative	Implementation
Expanding business boundaries by switching to integrated logistics services	Transition from a transactional model with a focus on transportation: to managing and developing a portfolio of transportation and logistics products; forming a long-term partnership with clients
Further digitalisation of operating business and client communication channels	A cardinal update of the Company's IT landscape with automation of production processes and algorithmisation of management processes
Operational efficiency through end-to-end internal processes within the Company and with the assets of Delo Group	Achieving synergy effect in optimising the interaction of Delo Group asset functions
Reduction of operating costs	Introducing modern practices for the organisation of transactional back-office functions in order to improve efficiency and cost management, procurement activities (digitalisation and transition to category procurement)
Development of promising segments	Continued geographical expansion of operating offices in key foreign markets in Asia-Pacific region and near abroad. Developing rail transportation in specialised containers
Scaling up the core business by acquiring rolling stock and developing the terminal network	Developing the core business based on the heavy-asset model, which includes investment in railway rolling stock, containers and infrastructure

LOOKING INTO THE FUTURE

Forecast of the Growth of Container Traffic by Railways in the Russian Federation (billion TEUs)

	2020	2030
Transit	0.8	2.4
Import	1.2	2.1
Export	1.5	3.1
Domestic	2.3	4.0
Total	**5.8**	**11.6**

Total rail container transportation in the Russian Federation will grow at a rate of approximately 7 % to 2030.

Growth factors:

Transit
- Incentive Chinese subsidies;
- Increased interest of South Korea and Japan to land transit through the Russian Federation;
- Construction of new border crossings and modernization of existing ones;
- Reduction of capacity and increase of tariffs of airfreight due to COVID-19.

Export
- The medium-term effect of the rouble weakening (10 % fall in 2020);
- Government incentivising of non-commodity non-energy exports (forestry and chemical industries);
- Growth of containerisation.

Import
- Reduction of purchasing power and re-orientation of demand for goods from the Asia-Pacific region;
- Re-orientation of industrial imports to the countries of the Asia-Pacific region.

REPORT ON IMPLEMENTATION OF STRATEGIC CYCLE OF 2013–2020

TransContainer assesses the previous strategic cycle as a successful one, the Company has managed to maintain its market leadership.

Dynamics of Company's Key Indicators from 2013 to 2020

Item	2013	2020	CAGR (%)
Traffic volume in the Russian Federation (mln TEUs)	1,454	2,405	7.5
Rolling stock in the Russian Federation (thousand of units)	26.3	36.2	4.7
Container fleet (thousand of units)	62.3	95.9	6.4

COMPANY'S KEY PROJECTS IMPLEMENTED IN 2013–2020:

- Development of transit transportation through the territory of the Russian Federation;
- Participation in the establishment of JSC UTLC
- Sales - online sales service;
- Development of products door-to-door and right on time;
- Development of the terminal network (Kleshchykha, Zabaikalsk, Batareynaya, etc.);
- Opening of a subsidiary in China – TransContainer Freight Forwarding in Shanghai.