

Logistics services



One of the Group's strategic objectives is a transition from the provision of pure transportation services to offering comprehensive door-to-door services by expanding the range of rendered 2PL, 3PL, 4PL¹ services and the formation of global logistics chains.

Operational results of GEFCO, an international logistics company

In order to strengthen the position of the Company in the logistics market and to implement 3PL/4PL logistics technologies within the Russian railways network, the Company acquired a 75% share of GEFCO, a French logistics operator, in 2012. GEFCO is one of the leading players in the European market of logistics services and enjoys a leading position in the logistics services segment for the European automobile market.

In 2013, GEFCO's net profit amounted to

EUR **55** mln

in line with planned targets.

In 2013, the acquired company was actively integrated into the structure of the Group, with significant opportunities and development potential for the logistics business in Russia and the CIS countries. During 2013, a number of activities were carried out to form a package offer of logistics services for large Russian and foreign industrial enterprises.

An early project involving GEFCO is a joint operation of the Group and the Evraz Group. The project will offer corridor services for cargo delivery to Europe, specifically to the Vitkovice Steel factory in the Czech Republic, using the Ust-Luga-Sassnitz railway-ferry crossing. As part of the integration of GEFCO into the business of the Group, a pilot project was carried out aimed at using the competencies of GEFCO in providing the internal logistics of Russian Railways to procure spare parts supply for locomotive maintenance.

Consolidated revenue of GEFCO in 2013 amounted to EUR 3,991 million, 10.8% higher than in 2012. At the same time, a gradual decline in the proportion of revenue attributable to the Peugeot Citroen Group should be noted. Prior to the acquisition by Russian Railways, the Peugeot Citroen Group was GEFCO's main shareholder and its key client. The change of GEFCO business structure is taking place against a background of an increase in the volume of services rendered to market customers. GEFCO business development in Russia and the provision of services by Russian Railways will allow us to diversify the client base even more, as well as to increase the Company's scale of business.

Despite extensive work on the integration of GEFCO into the Group and the development of new markets the economic situation in Europe, its main operating market, only started to stabilise in 2013. Against a backdrop of relatively unfavourable economic conditions, GEFCO was still able to achieve its planned profit indicators in 2013 due to the implementation of its expenses optimisation programme. Improvement in Europe's macroeconomic situation and the realisation of synergies with Russian Railways and its companies will allow us to achieve further performance improvements.

By the end of 2013, the operational profit of GEFCO totalled EUR 95.5 mln, with net profit at EUR 55 mln, corresponding to planned targets. A strategic development plan for GEFCO until 2020 that also incorporates the company's prospects in the markets of Russia and the CIS countries provides for average consolidated sales increase of 6-7% per year.

Operational results of OJSC RZD Logistics

In general, 2013 was characterised by a negative economic situation. Despite this OJSC RZD Logistics (hereinafter "RZDL") enjoyed a revenue of RUB 5,177 million, reaching an increase of 28% compared to 2012. In general, the operating margin of the Company in 2013 was 10%.

Net profit of OJSC RZD Logistics in 2013 amounted to

RUB **53** mln

Main activities of RZDL in 2013

Multimodal transportation

RZDL continues the development of multimodal transportation via its cooperation with such companies as Sibelco – a world leader in the field of industrial materials production – OBI, and Solikamskbumprom. In 2013, the volume of multimodal transportation amounted to more than 2 million tonnes. The estimated operational profit is RUB 332 million.

Within the development of integrated logistics solutions for industrial enterprises, including supply management, marketing and in-plant logistics using leased locomotive traction, RZDL is implementing and developing the following projects: LLC Guardian Glass Rostov, YugRosProduct, CJSC Keramogranitny Zavod, LLC Transneftstroy, and OJSC Severstal – Sortovoy Zavod Balakovo. Revenue for the integrated logistics projects amounted to more than RUB 600 million, with operational profit reaching over RUB 100 million.

RZD Express

In 2013, along with transportation of primary freight, RZDL actively promoted a service of transporting small and consolidated cargo by launching the RZD Express service.

During 2013, 2.6 thousand small consignments were delivered via 579 routes from 54 Russian cities. The geographical coverage of the rendered services amounts to 154 cities of Russia (7,914 routes). The Republic of Sakha (Yakutia) and the northern part of Krasnoyarsk Krai (the cities of Norilsk and Dudinka) are also connected to the service. There is a growing tendency to expand the geography of transportation including commercially unpopular routes – for instance, to/from the Magadan and Sakhalin regions, the Chukotka Autonomous District, and Kamchatka Krai.

Transit

RZDL continues to develop rail transit transportation in the territory of Russia in cooperation with its affiliates. Thus, during 2013, 15 thousand TEUs² were transported between Europe and China. In October 2013 the first train between Suzhou (China) and Warsaw (Poland) was launched. The train of 42 cars covered the 11,000-km route from China to Europe in 13 days. Given the potential of the freight base of the region, the frequency of the train dispatch can increase to three times per week.

A joint venture of OJSC RZD Logistics in the city of Chongqing – YuXimOu – transported 36 container trains in transit traffic in 2013 on the route between Chongqing (China) and Duisburg (Germany).

The operational profit of transit transportation in 2013 amounted to RUB 30 million.

1 : 2PL, 3PL, 4PL - undefined

2 : TEUs - undefined