PUBLIC JOINT STOCK COMPANY TRANSCONTAINER

International Financial Reporting Standards Interim Condensed Consolidated Financial Statements

For the Three- and Six-Month Periods ended 30 June 2019

PJSC TRANSCONTAINER

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 2019

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the results of its operations for the three-month and six-month periods then ended and cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

In preparing the interim condensed consolidated financial statements, Management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with International Accounting Standard 34 "Interim Financial Reporting";
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking necessary steps to safeguard the Group's assets;
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the three- and six-month periods ended 30 June 2019 were approved on 20 August 2019 by:

V. G. Saraev
General Director

N. A. Savchenkova
Acting Chief Accountant

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company Center for Cargo Container Traffic TransContainer:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company Center for Cargo Container Traffic TransContainer and its subsidiaries (together - the "Group") as at 30 June 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, interim condensed consolidated statements of cash flows and changes in equity for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

20 August 2019

Moscow, Russian Federation

A.Y. Fegetsyn, certified auditor (licence no. 03-001436), AO PricewaterhouseCoopers Audit

Audited entity:
Public Joint Stock Company Centre for Cargo Container Traffic TransContainer

Record made in the Unified State Register of Legal Entities on 4 March 2006 under State Registration Number 1067746341024

Russian Federation, 125047, Moscow, Oruzheiniy pereulok, 19

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

PJSC TRANSCONTAINER

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Amounts in millions of Russian Roubles)

	Notes	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	51,311	47,453
Advances for acquisition of non-current assets	3	189	590
Right-of-use assets	11	502	-
Investment property		390	390
Intangible assets	4	249	269
Investments in joint ventures	5	3,325	3,370
Other non-current assets		75	67
Total non-current assets		**56,041**	**52,139**
Current assets			
Inventory		484	222
Trade and other receivables	6	1,316	1,744
Prepayments and other current assets	7	5,231	4,480
Cash and cash equivalents	8	3,411	9,527
Total current assets		**10,442**	**15,973**
TOTAL ASSETS		**66,483**	**68,112**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	13,895	13,895
Reserve fund		703	703
Translation reserve		(594)	(273)
Other reserves		(1,949)	(1,946)
Retained earnings		33,020	33,682
Total equity attributable to the Company's owners		**45,075**	**46,061**
Non-current liabilities			
Long-term debt	10	9,733	10,980
Lease obligations, net of current maturities	11	432	-
Employee benefit liability	12	957	889
Deferred tax liability		1,962	1,782
Financial guarantee for investment in joint venture	5	126	154
Total non-current liabilities		**13,210**	**13,805**
Current liabilities			
Contracts liabilities	13	4,259	4,510
Trade and other payables	14	764	1,072
Current portion of long-term debt	10	1,574	326
Lease obligations, current maturities	11	89	-
Income tax payable		328	440
Taxes other than income tax payable	15	339	491
Accruals and other current liabilities	16	845	1,407
Total current liabilities		**8,198**	**8,246**
TOTAL EQUITY AND LIABILITIES		**66,483**	**68,112**

V. G. Saraev
General Director

N. A. Savchenkova
Acting Chief Accountant

20 August 2019

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018	Three-month period ended 30 June 2019	Three-month period ended 30 June 2018
Revenue	17	41,472	35,331	21,674	18,838
Other operating income	18	509	345	283	217
Operating expenses	19	(34,039)	(31,290)	(17,586)	(16,326)
Interest expense	20	(484)	(433)	(241)	(229)
Interest income		224	221	85	129
Foreign exchange gain/(loss), net		(216)	191	(1)	201
Share of result of joint ventures	5	235	(323)	146	(319)
Income from disposal of lease rights		2	-	2	-
Profit before income tax		**7,703**	**4,042**	**4,362**	**2,511**
Income tax expense	21	(1,636)	(851)	(934)	(564)
Profit for the period attributable to the Company's owners		**6,067**	**3,191**	**3,428**	**1,947**
Other comprehensive (loss)/income (net of income tax)					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit plans liabilities		(54)	14	(34)	44
Share of other comprehensive loss of joint venture	5	(3)	-	(3)	-
Items that may be reclassified subsequently to profit or loss:					
Share of translation of financial information of joint ventures to the presentation currency	5	(277)	200	(89)	75
Exchange differences on translating foreign operations		(44)	15	(9)	8
Other comprehensive (loss)/income for the period		**(378)**	**229**	**(135)**	**127**
Total comprehensive income for the period attributable to the Company's owners		**5,689**	**3,420**	**3,293**	**2,074**
Earnings per share, basic and diluted (in Russian Roubles)		**437**	**230**	**247**	**140**
Weighted average number of shares outstanding		**13,894,778**	**13,894,778**	**13,894,778**	**13,894,778**

V. G. Saraev

General Director

N. A. Savchenkova

Acting Chief Accountant

20 August 2019

(Amounts in millions of Russian Roubles)

	Notes	Six-month period ended 30 June 2019	2018
Cash flows from operating activities:		**7,703**	**4,042**
Profit before income tax			
Adjustments for:			
Depreciation and amortisation	19	1,659	1,413
Change in provision for impairment of receivables		(4)	10
Gain on disposal of property, plant and equipment	18	(206)	(176)
Share of result of associates and joint ventures	5	(235)	323
Interest expense, net		260	212
Foreign exchange loss/(gain), net		216	(191)
Loss/(reversal) on impairment of property, plant and equipment	3	512	(1)
Other (income)/expenses, net		(38)	2
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		**9,867**	**5,634**
Working capital changes:			
Decrease in inventory		46	264
(Increase)/decrease in trade and other receivables		(236)	79
(Increase)/decrease in prepayments and other assets		(782)	422
Decrease in trade and other payables and contracts liabilities		(396)	(75)
Decrease in taxes other than income tax		(152)	(4)
Decrease in accruals and other current liabilities		(497)	(401)
Increase in employee benefit liabilities		2	1
Net cash from operating activities before income tax and interest		**7,852**	**5,920**
Interest paid		(487)	(286)
Income tax paid		(1,563)	(766)
Net cash provided by operating activities		**5,802**	**4,868**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(5,787)	(1,426)
Proceeds from disposal of property, plant and equipment		660	11
Sale of short-term investments		-	1,500
Purchases of short-term investments		-	(2,000)
Purchases of intangible assets		(23)	(45)
Dividends received from joint ventures		-	372
Interest received		224	215
Net cash used in investing activities		**(4,926)**	**(1,373)**
Cash flows from financing activities:			
Dividends	9	(6,675)	(4,072)
Proceeds from issuance of long-term bonds	10	-	5,985
Repayments of lease obligations	11	(63)	-
Principal payments on short-term part of long-term bonds	10	-	(1,250)
Net cash (used in)/ from financing activities		**(6,738)**	**663**
Net (decrease)/increase in cash and cash equivalents		(5,862)	4,158
Cash and cash equivalents at beginning of the period		**9,527**	**4,171**
Foreign exchange effect on cash and cash equivalents		(254)	215
Cash and cash equivalents at end of the period		**3,411**	**8,544**

(Amounts in millions of Russian Roubles)

	Notes	Share capital	Reserve fund	Translation reserve	Other reserves	Retained earnings	Total equity attributable to the Company's owners
Balance at 31 December 2017		**13,895**	**703**	**(468)**	**(2,025)**	**28,262**	**40,367**
The impact of the new standard IFRS 9	5	-	-	-	-	(38)	(38)
Total restated at 1 January 2018		**13,895**	**703**	**(468)**	**(2,025)**	**28,224**	**40,329**
Profit for the period		-	-	-	-	3,191	3,191
Other comprehensive income for the period		-	-	215	-	14	229
Total comprehensive income for the period		**-**	**-**	**215**	**-**	**3,205**	**3,420**
Dividends	9	-	-	-	-	(4,072)	(4,072)
Balance at 30 June 2018		**13,895**	**703**	**(253)**	**(2,025)**	**27,357**	**39,677**
Balance at 31 December 2018		**13,895**	**703**	**(273)**	**(1,946)**	**33,682**	**46,061**
Profit for the period		-	-	-	-	6,067	6,067
Other comprehensive loss for the period		-	-	(321)	(3)	(54)	(378)
Total comprehensive income/(loss) for the period		**-**	**-**	**(321)**	**(3)**	**6,013**	**5,689**
Dividends	9	-	-	-	-	(6,675)	(6,675)
Balance at 30 June 2019		**13,895**	**703**	**(594)**	**(1,949)**	**33,020**	**45,075**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS

Public Joint Stock Company Center for Cargo Container Traffic TransContainer (the “Company” or “TransContainer”) was incorporated in Moscow, Russian Federation on 4 March 2006.

The Company’s principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 38 container terminals along the Russian railway network. As at 30 June 2019, the Company operated 14 branches in Russia. The Company’s registered address is 19 Oruzheiniy pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

				Interest held, %		Voting rights, %	
Name of Entity	**Type**	**Country**	**Activity**	**30 June 2019**	**31 December 2018**	**30 June 2019**	**31 December 2018**
JSC TransContainer-Slovakia, a.s.	Subsidiary	Slovakia	Container shipments	100	100	100	100
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
TransContainer Freight Forwarding (Shanghai) Co., Ltd.	Subsidiary	China	Container shipments	100	100	100	100
LLC TransContainer Mongolia	Subsidiary	Mongolia	Container shipments	100	100	100	100
Oy ContainerTrans Scandinavia Ltd.	Joint venture	Finland	Container shipments	50	50	50	50
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture	China	Container shipments	49	49	50	50
JSC Kedentransservice (Note 5)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
JSC Logistika-Terminal	Subsidiary	Russia	Terminal operations	100	100	100	100
LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 5)	Joint venture	Russia	Terminal operations	30	30	50	50
LLC SpecTransContainer	Subsidiary	Russia	Special container transportation	100	100	100	100
Logistic System Management B.V.	Joint venture	Netherlands	Investment activity	50	50	50	50

The interim condensed consolidated financial statements of PJSC TransContainer and its subsidiaries (the “Group”) as at 30 June 2019 and for the three-month and six-month periods then ended were authorised for issue by the General Director of the Company on 20 August 2019.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

Basis of preparation. The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRS”). These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”.

The consolidated statement of financial position as at 31 December 2018, included in these interim condensed consolidated financial statements, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2018. These interim condensed consolidated

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS (CONTINUED)

financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended 31 December 2018.

Significant accounting policies. Except as discussed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 as described in those annual consolidated financial statements.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the application of IFRS 16, Leases, effective for annual periods beginning on or after 1 January 2019 and income taxes accrual using the expected weighted average tax rate that would be applicable to expected total annual profit or loss.

IFRS 16, Leases. The Group leases land, flatcars, certain production buildings and office premises, tank-containers and handling equipment. Rental contracts are typically made for fixed periods of 1 to 49 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 1 January 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and interest expenses. Interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS (CONTINUED)

IFRS 16, Leases, substantially carries forward the lessor accounting requirements in IAS 17, Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of IFRS 16 Leases on the Group's interim condensed consolidated financial statements is disclosed in Note 11.

Other new standards and interpretations. The Group has adopted all other new standards and interpretations that were effective from 1 January 2019. Except for IFRS 16, Leases, the impact of the adoption of these new standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

New amendments to standards and Conceptual Frameworks that are mandatory for reporting periods beginning on or after 1 January 2020 or later periods that are applicable for the Group’s activity and which the Group has not early adopted were presented in the annual consolidated financial statements of the Group for the year ended 31 December 2018.

Estimates and critical accounting judgements. The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 21), some actuarial assumptions (Note 12) and estimates that are required in determining the right-in-use asset and the lease obligation. As at 31 December 2018 the Group revised the remaining useful lives of items of property, plant and equipment, the ranges of useful lives for each group of items have not changed.

Lease obligations. The Group uses the following judgments in its assessment:

Lease term. The lease term corresponds to the non-cancellable period of the contract, except for the availability for the Group of an option to extend. The Group takes into account an option to extend in the exercise of which it has reasonable confidence, as well as early termination options, which the Group will not exercise with reasonable confidence. In considering such options the Group takes into account the remaining useful life of the property, plant and equipment located on the leased land, the remaining useful life of the leased property, the strategic development plan of the Group, taking into account additional factors affecting the Group's management intention to extend or terminate the contract.

Discount rate. If the incremental borrowing rate is used as a discount rate when calculating the present value of lease payments the discount rate is determined for each asset based on the Group’s incremental borrowing rate at the beginning of the contract. The Company’s incremental borrowing rate is based on the rate given in the Bank of Russia Statistical Bulletin and in the Central banks of the countries where the subsidiaries are located.

The value of the underlying asset. The value of the underlying asset is considered to be low if it does not exceed RUR 350 thousand. The value of the underlying asset is valued as if the underlying asset was new regardless of the age of the asset at inception of the lease. Lease payments on such leases are recognised as an expense on a straight-line basis over the lease term.

In determining the lease the Group applies the practical expedient of IFRS 16, Leases, which allows not to separate non-lease components from lease component for such groups of underlying assets as buildings, constructions and vehicles. The Group considers such components as a single lease component.

Revenue for integrated freight forwarding and logistics services. Methods of revenue recognition and the key judgments applicable in the current period comply with the basic principles used in preparing the consolidated financial statements for the year ended 31 December 2018.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS (CONTINUED)

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services have been excluded from both revenue and expenses, then revenue from integrated freight forwarding and logistics services, and third-party charges related to principal activities would have decreased by RUR 22,935m for the six-month period ended 30 June 2019. For the six-month period ended 30 June 2018, the effect would have been RUR 21,290m.

Had the railway tariff directly attributable to such services have been excluded from both revenue and expenses, then they would have decreased by RUR 11,903m for the three-month period ended 30 June 2019. For the three-month period ended 30 June 2018, the effect would have been RUR 11,443m.

Reclassifications. In order to align the previous reporting period data with the presentation of data adopted in the current reporting period, certain reclassifications were made in the interim condensed consolidated financial statements. All these reclassifications are non-material.

Seasonality. The business of the Group is subject to seasonal fluctuations. Revenue and income from current operations are affected by such factors as river transport seasonality, the summer shipping season (for Northern regions) and consumer market cycles. Typically, the number of orders received between January and February is below the annual average. In accordance with IFRS, revenue and the related expenses are recognised in the period in which they are realised and incurred respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results. In the financial year ended 31 December 2018 46% of revenues accumulated in the first half of the year, with 54% accumulating in the second half of the year.

3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Cost						
1 January 2018	**12,676**	**42,345**	**3,059**	**2,834**	**411**	**61,325**
Additions	1	1,348	146	51	36	**1,582**
Transfers	28	52	3	-	(83)	**-**
Disposals	(41)	(370)	(2)	(45)	-	**(458)**
30 June 2018	**12,664**	**43,375**	**3,206**	**2,840**	**364**	**62,449**
1 January 2019	**14,502**	**47,912**	**3,330**	**2,925**	**331**	**69,000**
Additions	-	5,988	-	13	10	**6,011**
Transfers	-	57	-	-	(57)	**-**
Disposals	-	(344)	(17)	(60)	(101)	**(522)**
30 June 2019	**14,502**	**53,613**	**3,313**	**2,878**	**183**	**74,489**
Accumulated depreciation and provision for impairment						
1 January 2018	**(2,735)**	**(13,705)**	**(1,177)**	**(2,007)**	**-**	**(19,624)**
Depreciation charge for the period	(147)	(1,009)	(107)	(115)		**(1,378)**
Impairment	1	-	-	-	-	**1**
Disposals	4	338	2	74	-	**418**
30 June 2018	**(2,877)**	**(14,376)**	**(1,282)**	**(2,048)**	**-**	**(20,583)**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS (CONTINUED)

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
1 January 2019	**(2,866)**	**(15,185)**	**(1,407)**	**(2,089)**	**-**	**(21,547)**
Depreciation charge for the period	(167)	(1,127)	(126)	(117)	-	**(1,537)**
Impairment	(391)	(1)	-	(3)	(117)	**(512)**
Disposals	-	344	17	57	-	**418**
30 June 2019	**(3,424)**	**(15,969)**	**(1 516)**	**(2,152)**	**(117)**	**(23,178)**
Net book value						
1 January 2019	**11,636**	**32,727**	**1,923**	**836**	**331**	**47,453**
30 June 2019	**11,078**	**37,644**	**1 797**	**726**	**66**	**51,311**

The item "Land, buildings and constructions" includes the amounts of RUR 112m and RUR 112m, which represent the net book value of land plots owned by the Group as at 30 June 2019 and 31 December 2018, respectively.

As at 30 June 2019 and 31 December 2018 the item "Land, buildings and constructions" includes the amounts of RUR 120m and RUR 211m, respectively, which represent the gross carrying amounts of land, buildings and construction under lease (Note 11 Leases - Group is the lessor) that were leased out by the Group under operating lease agreements.

As at 30 June 2019 and 31 December 2018 the item "Containers and flatcars" includes the amounts of RUR 207m and 240m, respectively, which represent the gross carrying amounts of containers and flatcars under lease (Note 11- Group is the lessor) that were leased out by the Group under operating lease agreements.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 680m and RUR 696m as at 30 June 2019 and 31 December 2018, respectively.

During the six-month period ended 30 June 2019 according to the investment program for 2019 provided for the renewal of the fleet of flatcars and containers there were additions of flatcars and containers in the amount of RUR 4,978m and RUR 1,010m, respectively (during the six-month period ended 30 June 2018 RUR 1,295m and RUR 53m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,033m and RUR 1,036m as at 30 June 2019 and 31 December 2018, respectively.

As at 30 June 2019 provision for impairment of property, plant and equipment in the amount of RUR 512m (RUR 118m as at 31 December 2018) was made mainly for the part of real estate located in the cargo yard of the Moscow-Tovarnaya-Paveletskaya station for which the Company recognised the impairment due to the lack of economic benefits for the Company in the form of future cash flows from these facilities.

The carrying amount of temporarily idle property, plant and equipment as at 30 June 2019 and 31 December 2018 comprised the following:

	30 June 2019	31 December 2018
Cost	992	785
Accumulated depreciation	(357)	(283)
Impairment	(512)	(118)
Net book value	**123**	**384**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS (CONTINUED)

Advances for acquisition of non-current assets

As at 30 June 2019 and 31 December 2018, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of cranes and loaders (RUR 10m and RUR 10m, respectively), advances for the acquisition of containers (RUR 9m and RUR 243m, respectively), advances for the purchase of rolling stock (RUR 168m and RUR 335m, respectively) and advances for the acquisition of other non-current assets (RUR 2m and RUR 2m, respectively).

4. INTANGIBLE ASSETS

Company's intangible assets are comprised of software with initial cost of RUR 379m and accumulated depreciation of RUR 130m as at 30 June 2019 (RUR 382m and RUR 113m as at 31 December 2018, respectively).

During the six-month period ended 30 June 2019 depreciation charge for intangible assets amounted to RUR 40m (during the six-month period ended 30 June 2018 RUR 35m).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 20m as at 30 June 2019 (RUR 16m as at 31 December 2018).

Intangible assets are mostly comprised of railway services operations software, logistics services rendering software, software for tax, management and financial accounting. These assets are depreciated on linear basis. Economic lives length of the assets is from 2 to 8 years.

5. INVESTMENTS IN JOINT VENTURES

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures.

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint venture LLC Freight Village Kaluga Sever	Other joint ventures	Total joint ventures
Carrying amount as at 1 January 2019	**3,127**	**111**	**132**	**3,370**
Share of profit of joint ventures	216	6	13	**235**
Share of translation to presentation currency	(264)	-	(13)	**(277)**
Share of other comprehensive loss of joint venture	(3)	-	-	**(3)**
Carrying amount as at 30 June 2019	**3,076**	**117**	**132**	**3,325**
Carrying amount as at 31 December 2017	**3,132**	**163**	**108**	**3,403**
The impact of the new standard IFRS 9	(38)	-	-	**(38)**
Total restated at 1 January 2018	**3,094**	**163**	**108**	**3,365**
Share of profit/(losses) of joint ventures	(316)	(21)	14	**(323)**
Dividends received from joint ventures	(384)	-	(7)	**(391)**
Share of translation to presentation currency	193	-	7	**200**
Carrying amount as at 30 June 2018	**2,587**	**142**	**122**	**2,851**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

5. INVESTMENTS IN JOINT VENTURES (CONTINUED)

In 2017, the Company acted as a guarantor for the execution of LLC Freight Village Kaluga Sever (FVKS) obligations under the loan agreement with Vnesheconombank. Since 28 June 2019 the creditor's rights under the loan agreement have passed to PJSC GTLK. As at 30 June 2019 the debt of FVKS secured by the guarantee under the loan agreement amounted to RUR 2.3bn (2.3bn as at 31 December 2018). As at 30 June 2019 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 126m (154m as at 31 December 2018).

Furthermore, as part of the transaction, the following pledge agreements came into force, providing a number of obligations of the parties to each other:

- with JSC Freight Village Kaluga (hereinafter, FVK), which has 70% ownership in FVK Sever authorised share capital, according to which the Company pledged to FVK immovable property in the amount of RUR 301m;
- with LLC V-Park (part of the FVK Group), according to which the Company received a land plot and immovable property in the amount of RUR 412m.

As at 30 June 2019 and 31 December 2018 the amount of pledge agreements has not changed.

6. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Credit loss allowance	Outstanding balance, net
30 June 2019			
Trade receivables	1,296	(24)	1,272
Other receivables	134	(90)	44
Total current trade and other receivables, classified as financial assets	**1,430**	**(114)**	**1,316**
31 December 2018			
Trade receivables	1,736	(31)	1,705
Other receivables	132	(93)	39
Total current trade and other receivables, classified as financial assets	**1,868**	**(124)**	**1,744**

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the period:

	2019	2018
Trade receivables		
Balance at 1 January	**(31)**	**(25)**
New originated	(1)	(4)
Other movements	1	1
Total credit loss allowance charge in profit or loss for the period	*-*	*(3)*
Write-offs	7	2
Balance at 30 June	**(24)**	**(26)**
Other receivables		
Balance at 1 January	**(93)**	**(86)**
New originated	-	(8)
Other movements	3	-
Total credit loss allowance charge in profit or loss for the period	*3*	*(8)*
Write-offs	-	5
Balance at 30 June	**(90)**	**(89)**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2019	31 December 2018
VAT receivable	3,508	3,034
Advances to suppliers (net of provision)	1,629	1,341
Other current assets	94	105
Total prepayments and other current assets	**5,231**	**4,480**

As at 30 June 2019 and 31 December 2018 provision for impairment of advances to suppliers was recognised in the amount of RUR 1m and RUR 2m, respectively.

8. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Russian Rouble denominated bank deposits	1,375	5,380
Foreign currency denominated bank deposits	13	1,948
Foreign currency denominated current accounts with banks	747	1,198
Cash and Russian Rouble denominated current accounts with banks	1,276	1,001
Total cash and cash equivalents	**3,411**	**9,527**

Six Russian Rouble denominated short-term bank deposits in the amount of RUR 1,374m bearing interest at annual rates in a range from 3.07% to 7.3% and one USD-denominated short-term bank deposit in the amount of USD 0.2m (RUR 13m at the Central Bank of Russia exchange rate as at 30 June 2019) bearing interest at annual rate in a range from 1% were placed with JSC Alfa-Bank, JSC UniCredit Bank and Bank VTB (PJSC), a related party as at 30 June 2019 (Note 22). Total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 1m. The deposits matured in July 2019.

Seventeen Russian Rouble denominated short-term bank deposits in the amount of RUR 5,362m bearing interest at annual rates in a range from 3% to 7.75% and three USD-denominated short-term bank deposits in the amount of USD 28m (RUR 1,945m at the Central Bank of Russia exchange rate as at 31 December 2018) bearing interest at annual rates in a range from 2.4% to 3% were placed with JSC Alfa-Bank, JSC UniCredit Bank and Bank VTB (PJSC), a related party as at 31 December 2018 (Note 22). Total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 21m. The deposits matured in January - February 2019.

9. EQUITY

Share Capital

The Company's authorised, issued and paid share capital as at 30 June 2019 and 31 December 2018 comprises:

	Number of ordinary shares	Value
Ordinary shares (par value: RUR 1,000)	13,894,778	13,895

The JSC United Transportation and Logistics Company (JSC UTLC) is the immediate parent of the Company, holding 50%+2 of its ordinary shares.

Dividends

Dividends of RUR 480.37 per share (RUR 6,675m in total) were approved at the annual shareholders' meeting on 21 May 2019 relating to the Company's results for the year ended 31 December 2018. In June 2019 the dividends have been fully paid.

Dividends of RUR 293.04 per share (RUR 4,072m in total) were approved at the annual shareholders' meeting on 15 May 2018 relating to the Company's results for the year ended 31 December 2017. In June 2018 the dividends have been fully paid.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

10. LONG-TERM DEBT

Long-term debt

	Effective interest rate	30 June 2019	31 December 2018
Bonds, series BO-01	7,55%	5,989	5,988
Bonds, series BO-02	9,45%	3,744	4,992
Total		**9,733**	**10,980**

Long-term borrowings of the Group are denominated in Russian Roubles.

Five-year RUR bonds, series BO-01

On 25 January 2018, the Company issued non-convertible five-year bonds for a total amount of RUR 6,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 5,985m. The annual coupon rate of the bonds for five years is 7.5% with interest paid semi-annually.

The series BO-01 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 30 June 2019 the carrying value of the bonds amounted to RUR 6,183m (RUR 6,183m as at 31 December 2018), including the amount of accrued interest of RUR 194m (RUR 195m as at 31 December 2018). The amount of accrued interest has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

Five-year RUR bonds, series BO-02

On 22 September 2016, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 4,987m. The annual coupon rate of the bonds for five years is 9.4% with interest paid semi-annually.

The series BO-02 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date, except the first principal repayment to be made in March 2020 in the amount of RUR 1,250m.

As at 30 June 2019 the carrying value of the bonds amounted to RUR 5,124m (RUR 5,123m as at 31 December 2018), including the current portion of long-term debt in the amount of RUR 1,250m (RUR 0m as at 31 December 2018) and the amount of accrued interest of RUR 130m (RUR 131m as at 31 December 2018). The amount of current portion of long-term debt and the amount of accrued interest have been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

The fair value of Company's bond is disclosed in Note 24.

Current portion of long-term debt

	Effective interest rate	30 June 2019	31 December 2018
Bonds, series BO-01	7,55%	194	195
Bonds, series BO-02	9,45%	1,380	131
Total		**1,574**	**326**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

11. RIGHT-IN-USE ASSETS AND LEASE OBLIGATIONS

Leases - Group is the lessee

The Group applies IFRS 16, Leases, from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. The Group recognises right-of-use assets at the date of initial application for leases previously classified as operating leases under IAS 17, Leases, in the amount equal to the lease obligation, adjusted for prepaid or accrued lease payments in relation to such leases, which were recognised in the consolidated statement of financial position immediately prior to the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was 7.66%.

	1 January 2019
Operating lease commitments as at 31 December 2018 disclosed in the consolidated financial statements of the Group	**254**
Present value at the lessee's incremental borrowing rate	208
Additional obligations from cancellable operating lease commitments discounted to present value	587
Leases with a term of less than 12 months recognised as short-term leases	(245)
Adjustments as a result of different treatment of extension and termination options for lease agreements	254
Low-value leases	(24)
Total lease obligations	**780**
Of which are:	
Lease obligations, current maturities	147
Lease obligations, net of current maturities	633

As at 1 January 2019 the Group recognised right-of-use assets in the amount corresponding to the lease liabilities of RUR 780m. The first adoption of IFRS 16 Leases using the modified retrospective method, without restatement of comparative data, did not have an impact on the Group's retained earnings as at 1 January 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application 1 January 2019.

Until the 1 January 2019 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

In applying IFRS 16, Leases, for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the accounting for operating leases of low-value assets as at 1 January 2019 as leases in which the underlying asset has a low value.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17, Leases.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

11. RIGHT-IN-USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)

Payments related to short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in profit or loss.

The Group leases flatcars, certain production buildings and office premises, tank-containers and handling equipment. Additionally, the Group leases the land on which its container terminals are located. The remaining terms of the relevant lease agreements as at 30 June 2019, including extension options (Note 2), are from 1 year to 70 years, including the lease of railway flatcars for 2 years, production buildings and office premises from 1 to 6 years, tank-containers for 6 years, handling equipment from 1 to 6 years, land from 1 to 70 years.

The Group leases land on which Group's property is located, the rent for which is determined using the lease rate as a percentage of the cadastral value of such land. Under such land lease agreements, the

Group recognises rents as variable lease payments that are not included in the assessment of lease obligations.

As at 30 June 2019 and 31 December 2018, the Group leased container terminal Dobra in Slovakia. The remaining period of agreements validity is 5 years as at 30 June 2019. The carrying amount of the right-of-use asset for this container terminal as at 30 June 2019 and 31 December 2018 amounted to RUR 51m and RUR 62m respectively.

The following table presents a summary of net book value of rights-of-use assets:

	30 June 2019	1 January 2019
Land, buildings and constructions	395	517
Containers and flatcars	96	246
Cranes and loaders	6	12
Vehicles and other equipment	5	5
Total right-of-use assets	**502**	**780**

The additions of the Group's right-of-use assets for the six-month period ended 30 June 2019 amounted to RUR 75m.

Depreciation of the rights-of-use assets for the six-month period ended 30 June 2019 included in depreciation and amortisation expense in the interim condensed consolidated statement of profit or loss and other comprehensive income was as follows:

	Six-month period ended 30 June 2019	Three-month period ended 30 June 2019
Land, buildings and constructions	42	19
Containers and flatcars	34	16
Cranes and loaders	4	2
Vehicles and other equipment	1	-
Total depreciation charge	**81**	**38**

Lease obligations

Liabilities under long-term lease as at 30 June 2019 were as follows:

	30 June 2019	1 January 2019
Lease obligations, current maturities	89	147
Lease obligations, net of current maturities	432	633
Total lease obligations	**521**	**780**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

11. RIGHT-IN-USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)

The following table presents expenses related to lease, recognised in the interim condensed consolidated statement of profit and loss and other comprehensive income for the three- and six-month period ended 30 June 2019:

	Six-month period ended 30 June 2019	Three-month period ended 30 June 2019
Depreciation of right-of-use assets (Note 19)	81	37
Interest expense on lease obligations (Note 20)	28	12
Expense relating to short-term leases (except of the expense relating to leases with a lease term of one month or less), which are exempt under IFRS 16 (Note 19)	93	26
Expense relating to leases of low-value assets that are exempt under IFRS 16 (Note 19)	7	4
Variable lease payments not included in the measurement of lease obligations under IFRS 16 (Note 19)	6	3

The following table presents the maturity analysis of future undiscounted lease payments payable under long-term lease agreements, net of VAT:

	30 June 2019	1 January 2019
Within one year	124	201
Within one to three years	190	323
Within three to five years	175	215
After five years	312	397
Total	**801**	**1,136**

Total cash outflows for leases for the six-month period ended 30 June 2019 amounted to RUR 91m, of which RUR 28m are included in interest paid.

Leases - Group is the lessor

For the six-month period ended 30 June 2019 income from operating lease of property, plant and equipment owned by the Group (Note 3) and income from sublease of right-of-use assets amounted to RUR 87m and RUR 58m, respectively, and were included in other revenue (Note 17). For the three-month period ended 30 June 2019 income from operating lease of property, plant and equipment owned by the Group and income from sublease of right-of-use assets amounted to RUR 38m and RUR 29m, respectively.

The following table presents the maturity analysis of future undiscounted lease payments receivable:

	30 June 2019	1 January 2019
Within one year	187	270
Within one to two years	94	92
Within two to three years	94	92
Within three to four years	94	91
Within four to five years	93	91
After five years	160	175
Total	**722**	**811**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the six-month periods ended 30 June 2019 and 30 June2018 consisted of the following:

	2019	2018
Pension Fund of the Russian Federation	474	460
Defined contribution plan Blagosostoyanie	16	13
Total expense for defined contribution plans	**490**	**473**

The total amount recognised as an expense in respect of payments to defined contribution plans for the three -month periods ended 30 June 2019 and 30 June 2018 consisted of the following:

	2019	2018
Pension Fund of the Russian Federation	223	221
Defined contribution plan Blagosostoyanie	9	7
Total expense for defined contribution plans	**232**	**228**

Defined benefit plans

Principal actuarial assumptions as at 30 June 2019 were substantially the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 with the exception of changes in discount rate, which decreased to 7.4% as at 30 June 2019 (as at 31 December 2018: 8.7%) and the projected average annual consumer price inflation in 2019-2021, which as at 30 June 2019 was 4.4% (as at 31 December 2018: 4.1%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the six-month periods ended 30 June 2019 and 30 June 2018 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	12	16	68	70	80	86
Net interest on obligation	24	28	10	9	34	37
Remeasurements of the net defined benefit	-	-	-	(3)	-	(3)
Net expense recognised in the consolidated profit or loss	**36**	**44**	**78**	**76**	**114**	**120**

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 30 June 2019 and 30 June 2018 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	6	8	34	35	40	43
Net interest on obligation	11	13	5	4	16	17
Remeasurements of the net defined benefit	-	-	-	(3)	-	(3)
Net expense recognised in the consolidated profit or loss	**17**	**21**	**39**	**36**	**56**	**57**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 June 2019 and 31 December 2018 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Present value of defined benefit obligation	723	681	301	275	1,024	956
Fair value of plan assets	(67)	(67)	-	-	(67)	(67)
Net employee benefit liability	**656**	**614**	**301**	**275**	**957**	**889**

13. CONTRACTS LIABILITIES

Contracts liabilities as at 30 June 2019 and 31 December 2018 consist of advances from customers in the amount of RUR 4,259m and RUR 4,510m, respectively.

14. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
Trade payables	636	691
Amounts payable for the acquisition of property, plant and equipment	79	275
Amounts payable for the intangible assets	7	9
Other liabilities	42	97
Total financial liabilities within trade and other payable	**764**	**1,072**

15. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2019	31 December 2018
Social insurance contributions	240	320
Property tax	49	116
Personal income tax	34	38
VAT	10	6
Other taxes	6	11
Total taxes other than income tax payable	**339**	**491**

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	30 June 2019	31 December 2018
Settlements with employees	839	1,341
Other liabilities	6	66
Total accruals and other current liabilities	**845**	**1,407**

Settlements with employees as at 30 June 2019 and 31 December 2018 comprised accrued salaries and bonuses of RUR 610m and RUR 1,153m, respectively, and accruals for unused vacation of RUR 229m and RUR 188m, respectively.

17. REVENUE AND SEGMENT INFORMATION

The Company's General Director is its chief operating decision-maker. The Group's business activities are interdependent in providing customers with rail-based container shipping and other logistics services. As such, the Group's internal reporting, as reviewed by the General Director to assess performance and allocate resources, is prepared as a single reportable segment. The Group's internal management reports are prepared on the same basis as these interim condensed consolidated financial statements.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

17. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	**2018**	**2019**	**2018**
Integrated freight forwarding and logistics services	38,257	32,897	20,000	17,498
Agency fees	1,510	1,338	787	733
Other	1,705	1,096	887	607
Total revenue	**41,472**	**35,331**	**21,674**	**18,838**

Analysis of revenue by location of customers	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	**2018**	**2019**	**2018**
Revenue from external customers				
Russia	33,130	30,326	17,290	16,089
Korea	2,909	2,240	1,391	1,299
China	2,895	872	1,598	458
Germany	1,183	841	634	476
Latvia	250	199	145	131
Kazakhstan	200	169	104	101
Italy	193	29	115	11
Great Britain	120	241	69	54
Finland	98	234	17	119
Other	494	180	311	100
Total revenue	**41,472**	**35,331**	**21,674**	**18,838**

18. OTHER OPERATING INCOME

	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	**2018**	**2019**	**2018**
Gain on disposal of property, plant and equipment	206	176	168	116
Gain on the sale of inventory and from the reuse of spare parts	96	97	53	58
Change in credit loss allowance	4	-	4	-
Other operating income	203	72	58	43
Total other operating income	**509**	**345**	**283**	**217**

19. OPERATING EXPENSES

	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	**2018**	**2019**	**2018**
Third-party charges related to principal activities	22,935	21,290	11,903	11,443
Payroll and related charges	3,072	2,897	1,516	1,453
Freight and transportation services	3,012	2,763	1,545	1,323
Depreciation and amortisation	1,659	1,413	842	714
Materials, repair and maintenance	1,640	1,580	857	878
Taxes other than income tax	279	381	(54)	108
Consulting and information services	134	97	57	64
Rent	106	130	36	63
Fuel costs	102	80	46	36
Security	89	92	45	45
License and software	69	95	41	36
Charity	61	20	53	11
Communication costs	33	36	16	19
Other expenses	848	416	683	133
Total operating expenses	**34,039**	**31,290**	**17,586**	**16,326**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

20. INTEREST EXPENSE

	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	2018	2019	2018
Interest expense on RUR bonds	456	433	229	229
Interest expense on finance lease obligations	28	-	12	-
Total interest expense	**484**	**433**	**241**	**229**

21. INCOME TAX

	Six-month period ended 30 June		Three-month period ended 30 June	
	2019	2018	2019	2018
Current income tax expense	(1,451)	(820)	(936)	(557)
Deferred income tax expense	(185)	(31)	2	(7)
Income tax	**(1,636)**	**(851)**	**(934)**	**(564)**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six-month period ended 30 June 2019 was 21.2% (for the six-month period ended 30 June2018: 21.1%).

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 "Related party disclosures", parties are considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 30 June 2019 and 31 December 2018, are disclosed below:

Related party	Nature of relationship	
	30 June 2019	31 December 2018
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 9)	Immediate parent company	Immediate parent company
JSC Kedentransservice	Joint venture of the Company	Joint venture of the Company
Oy ContainerTrans Scandinavia Ltd.	Joint venture of the Company	Joint venture of the Company
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture of the Company	Joint venture of the Company
LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 5)	Joint venture of the Company	Joint venture of the Company
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	Significant shareholder	Significant shareholder
Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
LLC Enysei Capital	Significant shareholder	Significant shareholder

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The Group's ultimate controlling party is the Russian Federation and, therefore, all companies related to the Russian Federation are also treated as related parties of the Group for the purposes of these interim condensed consolidated financial statements.

In the ordinary course of business, the Group enters into various transactions and has outstanding balances with government related entities and governmental bodies, which are shown as "Other related parties" in the tables below. The Group also enters in transactions with government entities for acquisition of goods and providing services like electricity, taxes and post services. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as

"Other RZD group entites" in the table below), and PJSC Bank VTB, which is a state-controlled entity. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Transactions with government related entities are conducted on commercial terms.

Relationships with RZD, its subsidiaries, joint ventures and associates

The Group carries out various transactions with RZD, which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Furthermore, RZD owns the vast majority of rail-car repair facilities in Russia, which the Group uses to maintain its rolling stock in operating condition.

Under current Russian regulations, only RZD can perform certain functions associated with arranging the container transportation process. As the assets required for performing such functions were transferred to the Company, RZD engaged the Company to act as its agent in the performance of these functions.

Company's revenue generated from such transactions with RZD is reported as agency fees in the consolidated profit or loss.
Transactions and outstanding balances with related parties as at and for the six-month period ended 30 June 2019 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's Joint ventures	Other related parties	Total
ASSETS					
Current assets					
Cash and cash equivalents	-	1,062	-	1,817	**2,879**
Trade receivables	385	3	-	-	**388**
Advances to suppliers	1,073	79	168	1	**1,321**
Other assets	2	4	25	4	**35**
Total assets	**1,460**	**1,148**	**193**	**1,822**	**4,623**
LIABILITIES					
Current liabilities					
Contracts liabilities	-	163	105	12	**280**
Other payables	71	56	17	20	**164**
Total liabilities	**71**	**219**	**122**	**32**	**444**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the six-month period ended 30 June 2019 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's Joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	-	1,821	342	73	**2,236**
Agency fees	1,483	-	-	-	**1,483**
Other services	109	52	4	-	**165**
Interest income on deposits	-	-	-	101	**101**
Other income	4	39	1	4	**48**
Total income	**1,596**	**1,912**	**347**	**178**	**4,033**
Operating Expenses					
Third-party charges related to principal activities	18,540	3	1,681	6	**20,230**
Freight and transportation services	2,357	-	120	-	**2,477**
Repair services	170	811	15	1	**997**
Other expenses	57	23	46	114	**240**
Total expenses	**21,124**	**837**	**1,862**	**121**	**23,944**
Purchases of property, plant and equipment	-	-	-	80	**80**
Purchases of inventory	-	111	-	7	**118**
Contributions to non-state pension funds	-	-	-	56	**56**
Total other transactions	**-**	**111**	**-**	**143**	**254**

Information on the financial guarantee issued by the Company for the Joint venture LLC Freight Village Kaluga Sever under the loan agreement with related party PJSC GTLK is disclosed in Note 5.

The income and expense items with related parties for the three-month period ended 30 June 2019 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	-	984	165	46	**1,195**
Agency fees	773	-	-	-	**773**
Other services	106	21	2	-	**129**
Interest income on deposits	-	-	-	37	**37**
Other income	2	19	-	3	**24**
Total income	**881**	**1,024**	**167**	**86**	**2,158**
Operating Expenses					
Freight and transportation services	9,715	(15)	794	5	**10,499**
Third-party charges related to principal activities	1,133	-	71	-	**1,204**
Repair services	91	389	7	1	**488**
Other expenses	12	14	4	83	**113**
Total expenses	**10,951**	**388**	**876**	**89**	**12,304**
Purchases of property, plant and equipment	-	-	-	2	**2**
Purchases of inventory	-	49	-	3	**52**
Contributions to non-state pension funds	-	-	-	45	**45**
Total other transactions	**-**	**49**	**-**	**50**	**99**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances with related parties as at 31 December 2018 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
ASSETS					
Current assets					
Cash and cash equivalents	-	-	-	7,003	**7,003**
Trade receivables	367	3	13	-	**383**
Advances to suppliers	903	46	19	2	**970**
Other assets	6	3	18	17	**44**
Total assets	**1,276**	**52**	**50**	**7,022**	**8,400**
LIABILITIES					
Current liabilities					
Contracts liabilities	-	219	149	8	**376**
Other payables	28	33	8	18	**87**
Total liabilities	**28**	**252**	**157**	**26**	**463**

The income and expense items with related parties for the six-month period ended 30 June 2018 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	-	1,523	387	205	**2,115**
Agency fees	1,338	-	-	-	**1,338**
Other services	110	45	3	1	**159**
Interest income on deposits	-	-	-	115	**115**
Other interest income	-	-	-	19	**19**
Dividends received from joint ventures	-	-	372	-	**372**
Other operating income	6	5	1	1	**13**
Total income	**1,454**	**1,573**	**763**	**341**	**4,131**
Operating Expenses					
Freight and transportation services	2,194	-	109	43	**2,346**
Third-party charges related to principal activities	16,934	14	1,460	97	**18,505**
Repair services	198	728	17	1	**944**
Rent of property and equipment	11	-	-	2	**13**
Other expenses	72	16	2	54	**144**
Total expenses	**19,409**	**758**	**1,588**	**197**	**21,952**
Purchases of property, plant and equipment	-	-	-	9	**9**
Purchases of materials	2	173	-	8	**183**
Contributions to non-state pension funds	-	-	-	34	**34**
Total other transactions	**2**	**173**	**-**	**51**	**226**

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the three-month period ended 30 June 2018 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	-	825	215	122	**1,162**
Agency fees	733	-	-	-	**733**
Other services	45	26	-	-	**71**
Interest income on deposits	-	-	-	69	**69**
Other interest income	-	-	-	2	**2**
Dividends received from joint ventures	-	-	7	-	**7**
Other operating income	1	2	-	1	**4**
Total income	**779**	**853**	**222**	**194**	**2,048**
Operating Expenses					
Freight and transportation services	1,019	-	50	31	**1,100**
Third-party charges related to principal activities	9,067	1	871	53	**9,992**
Repair services	97	425	10	1	**533**
Rent of property and equipment	6	-	-	1	**7**
Other expenses	48	9	2	24	**83**
Total expenses	**10,237**	**435**	**933**	**110**	**11,715**
Purchases of property, plant and equipment	-	-	-	-	**-**
Purchases of materials	-	107	-	4	**111**
Contributions to non-state pension funds	-	-	-	17	**17**
Total other transactions	**-**	**107**	**-**	**21**	**128**

Dividends

21 May 2019 the Group declared dividends payable to JSC UTLC, LLC Enysei Capital and PJSC Bank VTB in the amount of RUR 3,337m, RUR 1,651m and RUR 1,658m, respectively, which were paid in June 2019.

15 May 2018 the Group declared dividends payable to JSC UTLC, FAR-EASTERN SHIPPING COMPANY PLC. and LLC Enysei Capital in the amount of RUR 2,036m, RUR 1,021m and RUR 998m, respectively, which were paid in June 2018.

Compensation of key management personnel

Key management personnel consist of members of the Company's Board of Directors, as well as the General Director and his deputies, Chief Accountant and directors of the central office who are under direct control of the General Director in accordance with the Company's existing organisational structure and comprised 21 and 20 persons as at 30 June 2019 and 30 June2018, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 231m (including total social insurance contributions of RUR 32m) and RUR 248m (including total social insurance contributions of RUR 34m) for the six-month periods ended 30 June 2019 and 30 June 2018, respectively. Such compensation for the three-month periods ended 30 June 2019 and 30 June 2018 amounted to RUR 139m (including total social contributions of RUR 18m) and RUR 195m (including total social contributions of RUR 27m), respectively.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

This compensation is included under payroll and related charges in the consolidated profit and loss and comprises primarily short-term benefits. Major part of compensation for Key management personnel is generally sort-term excluding contributions under pension plans with defined benefits. Defined benefits to Key management of the Group are calculated based on the same terms as for the other employees.

As at 30 June 2019 liabilities in respect of Key management personnel for accrued expenses and other current liabilities amounted to RUR 77m, and on employee benefit liability amounted to RUR 1m (RUR 411m and RUR 1m, respectively, as at 31 December 2018).

23. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2019 and 31 December 2018 consisted of the following, including VAT:

	30 June 2019	31 December 2018
Acquisition of containers and flatcars	32,871	4,533
Construction of container terminal complexes and modernisation of existing assets	18	135
Acquisition of lifting machines and other equipment	-	67
Total capital commitments	**32,889**	**4,735**

In accordance with the investment program provided for the renewal of the fleet of platforms and containers for the six-month period ended 30 June 2019 the Group entered into the following agreements:

- in March 2019 with LLC Torgoviy dom RM Rail on the purchase of 3,500 flatcars for the total amount of RUR 10,861m (plus VAT in the amount of RUR 2,172m). Delivery is expected no later than 31 December 2021, according to the delivery schedule.
- in April 2019 with JSC Altaiskogo vagonostroenia on the purchase of 5,200 flatcars for the total amount of RUR 15,632m (plus VAT in the amount RUR 3,126m). Delivery is expected no later than 31 December 2021, according to the delivery schedule.
- in June 2019 with Taicang CIMC special logistic equipment Co.,Ltd on the purchase of 17,700 containers for the total amount of RUR 2,794m at the Central Bank of Russia official exchange rate as at the 30 June 2019, net of VAT. Delivery is expected no later than September 2020, according to the delivery schedules.

24. RISK MANAGEMENT ACTIVITIES AND FAIR VALUE OF ASSETS AND LIABILITIES

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension and international sanctions against certain Russian companies and individuals. The operating environment has an impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and any other price risk), credit risk and liquidity risk.

During the six-month period ended 30 June 2019 there was the appreciation of the Russian Rouble against USD while the CBRF exchange rate reduced from RUR 69.4706 per USD as at 31 December 2018 to RUR 63.0756 per USD as at 30 June 2019, against EUR while the CBRF exchange rate reduced from RUR 79.4605 per EUR as at 31 December 2018 to RUR 71.8179 per EUR as at 30 June 2019 and against Kazakhstan Tenge while the CBRF exchange rate reduced from RUR 18.0570 per 100 Tenge as at 31 December 2018 to RUR 16.5759 per 100 Tenge as at 30 June 2019, respectively.

(Amounts in millions of Russian Roubles, unless otherwise stated below)

24. RISK MANAGEMENT ACTIVITIES AND FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

As at 30 June 2019 the Group received financial guarantees from Shinhan Bank, Standard Chartered Bank, JSC Ilim Group, JSC LOCKO-Bank and JSC Bank Saint Petersburg and other banks in the total amount of RUR 2,554m in order to ensure proper performance of contractual obligations and minimise risks of collecting receivables and advance payments (as at 31 December 2018: RUR 2,697m).

These interim condensed consolidated financial statements do not include all financial risk disclosures required in the annual consolidated financial statements of the Group. The information disclosed in the interim condensed consolidated financial statements as at 30 June 2019 should be considered in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. There have been no significant changes in the Group's risk management policy during the six-month period ended 30 June 2019.

Fair value of assets and liabilities

Management uses its judgment to the assessment and classification of financial instruments by category using the fair value measurement hierarchy. As at the reporting date the Group had financial assets and liabilities classified as Levels 1, 2 and 3.

For financial assets and liabilities not measured at fair value but for which fair value is disclosed, management believes that the fair value of the following assets and liabilities approximates their carrying value: cash and cash equivalents, trade and other receivables, trade and other payables, lease obligations and financial guarantee for the investment in joint venture. These financial assets and liabilities, except for cash and cash equivalents relate to Level 3 in the fair value hierarchy.

Cash refers to the Level 1 in the fair value hierarchy, cash equivalents refer to the Level 2 in the fair value hierarchy.

Company's bonds are placed on the Moscow Exchange and quoted on the market, thus they refer to the Level 1 in the fair value hierarchy.

The following table details the fair value of the Company's bonds:

	30 June 2019	31 December 2018
Financial liabilities		
Bonds	10,988	10,915
Total	**10,988**	**10,915**

25. SUBSEQUENT EVENTS

Acquisition of flatcars. In July - August 2019 the Group obtained under the previously signed agreements:

- 151 flatcars from JSC Altaivagon for the total amount of RUR 409m, net of VAT;
- 136 flatcars from LLC Torgoviy dom RM Rail for the total amount of RUR 371m, net of VAT.

Agreement on acquisition of flatcars. In July - August 2019 the Group entered into the agreements with JSC Roslavlskiy VRZ on the purchase of 500 flatcars for the total amount of RUR 1,306m (plus VAT in the amount RUR 261m), under which a partial delivery of 136 flatcars was made for the total amount of RUR 347m, net of VAT. Delivery is expected no later than November 2019, according to the delivery schedules.