

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**International Financial Reporting Standards
Interim Condensed Consolidated Financial
Statements**

For the Three- and Nine-Month Periods ended
30 September 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 September 2019 and the results of its operations for the three-month and nine-month periods then ended and cash flows and changes in equity for the nine-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 nine-month periods ended 30 September 2019 were approved on 25 November 2019 by:

V. G. Saraev

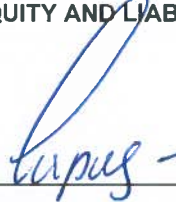
General Director

M. V. Usenko


Chief Accountant

PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	30 September 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	54,372	47,453
Advances for acquisition of non-current assets	3	848	590
Right-of-use assets	11	460	-
Investment property		389	390
Intangible assets	4	225	269
Investments in joint ventures	5	3,206	3,370
Other non-current assets		65	67
Total non-current assets		59,565	52,139
Current assets			
Inventory		594	222
Trade and other receivables	6	1,422	1,744
Prepayments and other current assets	7	5,518	4,480
Cash and cash equivalents	8	4,366	9,527
Total current assets		11,900	15,973
TOTAL ASSETS		71,465	68,112
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	13,895	13,895
Reserve fund		703	703
Translation reserve		(612)	(273)
Other reserves		(1,949)	(1,946)
Retained earnings		35,269	33,682
Total equity attributable to the Company's owners		47,306	46,061
Non-current liabilities			
Long-term debt	10	8,484	10,980
Lease obligations, net of current maturities	11	399	-
Employee benefit liability	12	948	889
Deferred tax liability		2,025	1,782
Financial guarantee for investment in joint venture	5	122	154
Total non-current liabilities		11,978	13,805
Current liabilities			
Contracts liabilities	13	4,782	4,510
Trade and other payables	14	1,144	1,072
Current portion of long-term debt	10	2,597	326
Lease obligations, current maturities	11	90	-
Dividends payable	9	2,148	-
Income tax payable		282	440
Taxes other than income tax payable	15	315	491
Accruals and other current liabilities	16	823	1,407
Total current liabilities		12,181	8,246
TOTAL EQUITY AND LIABILITIES		71,465	68,112



V. G. Saraev
 General Director



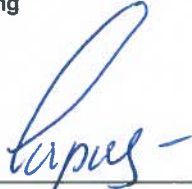
M. V. Usenko
 Chief Accountant


25 November 2019

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	Nine-month period ended 30 September		Three-month period ended 30 September	
		2019	2018	2019	2018
Revenue	17	63,762	55,720	22,290	20,389
Other operating income	18	941	492	432	147
Operating expenses	19	(51,322)	(48,346)	(17,283)	(17,056)
Interest expense	20	(721)	(665)	(237)	(232)
Interest income		270	336	46	115
Foreign exchange gain/(loss), net		(188)	274	28	83
Share of result of joint ventures	5	460	435	225	758
Excess of the fair value of net assets of subsidiary over cost of its acquisition		-	154	-	154
Income from disposal of lease rights		10	-	8	-
Profit before income tax		13,212	8,400	5,509	4,358
Income tax expense	21	(2,727)	(1,757)	(1,091)	(906)
Profit for the period attributable to the Company's owners		10,485	6,643	4,418	3,452
Other comprehensive (loss)/income (net of income tax)					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurement of post-employment benefit plans liabilities		(76)	49	(22)	35
Share of other comprehensive loss of joint venture	5	(3)	-	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Share of translation of financial information of joint ventures to the presentation currency	5	(274)	142	3	(58)
Exchange differences on translating foreign operations		(65)	31	(21)	16
Other comprehensive (loss)/income for the period		(418)	222	(40)	(7)
Total comprehensive income for the period attributable to the Company's owners		10,067	6,865	4,378	3,445
Earnings per share, basic and diluted (in Russian Roubles)		755	478	318	248
Weighted average number of shares outstanding		13,894,778	13,894,778	13,894,778	13,894,778


V. G. Saraev
 General Director


M. V. Usenko
 Chief Accountant

25 November 2019

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

PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	Nine-month period ended 30 September	
		2019	2018
Cash flows from operating activities:			
Profit before income tax		13,212	8,400
Adjustments for:			
Depreciation and amortisation	19	2,514	2,145
Change in provision for impairment of receivables		1	9
Gain on disposal of property, plant and equipment	18	(530)	(253)
Share of result of joint ventures	5	(460)	(435)
Interest expense, net		451	329
Foreign exchange loss/(gain), net		188	(274)
Excess of the fair value of net assets of subsidiary over cost of its acquisition		-	(154)
Loss/(reversal) on impairment of property, plant and equipment	3	508	(1)
Other income, net		(45)	-
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		15,839	9,766
Working capital changes:			
Decrease in inventory		253	351
(Increase)/decrease in trade and other receivables		(333)	57
(Increase)/decrease in prepayments and other assets		(1,030)	730
Increase in trade and other payables and contracts liabilities		266	345
Decrease in taxes other than income tax		(176)	(52)
Decrease in accruals and other current liabilities		(524)	(418)
Decrease in employee benefit liabilities		(33)	(32)
Net cash from operating activities before income tax and interest		14,262	10,747
Interest paid		(951)	(745)
Income tax paid		(2,635)	(1,426)
Net cash from operating activities		10,676	8,576
Cash flows from investing activities:			
Purchases of property, plant and equipment		(10,097)	(3,588)
Proceeds from disposal of property, plant and equipment		676	14
Sale of short-term investments		-	2,000
Purchases of short-term investments		-	(2,550)
Acquisition of subsidiary, net of cash acquired of RUR 32m		-	(1,788)
Purchases of intangible assets		(27)	(54)
Dividends received from joint ventures		347	372
Interest received		270	332
Net cash used in investing activities		(8,831)	(5,262)
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	(73)	-
Principal payments on short-term part of long-term bonds	10	-	(1,250)
Net cash (used in)/ from financing activities		(6,748)	663
Net (decrease)/increase in cash and cash equivalents		(4,903)	3,977
Cash and cash equivalents at beginning of the period		9,527	4,171
Foreign exchange effect on cash and cash equivalents		(258)	334
Cash and cash equivalents at end of the period		4,366	8,482

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

PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(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		-	-	-	-	6,643	6,643
Other comprehensive income for the period		-	-	173	-	49	222
Total comprehensive income for the period		-	-	173	-	6,692	6,865
Dividends	9	-	-	-	-	(4,072)	(4,072)
Balance at 30 September 2018		13,895	703	(295)	(2,025)	30,844	43,122
Balance at 31 December 2018		13,895	703	(273)	(1,946)	33,682	46,061
Profit for the period		-	-	-	-	10,485	10,485
Other comprehensive loss for the period		-	-	(339)	(3)	(76)	(418)
Total comprehensive income/(loss) for the period		-	-	(339)	(3)	10,409	10,067
Dividends	9	-	-	-	-	(8,822)	(8,822)
Balance at 30 September 2019		13,895	703	(612)	(1,949)	35,269	47,306

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

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 (UNAUDITED)
(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 September 2019, the Company operated 14 branches in Russia. The Company's registered address is 19 Oruzheiny pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				30 September 2019	31 December 2018	30 September 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 September 2019 and for the three-month and nine-month periods then ended were authorised for issue by the General Director of the Company on 25 November 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

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

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.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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. 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.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(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 35,148m for the nine-month period ended 30 September 2019. For the nine-month period ended 30 September 2018, the effect would have been RUR 33,306m.

Had the railway tariff directly attributable to such services have been excluded from both revenue and expenses, then they would have decreased by RUR 12,213m for the three-month period ended 30 September 2019. For the three-month period ended 30 September 2018, the effect would have been RUR 12,016m.

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 72% of revenues accumulated in the first three quarters of the year, with 28% accumulating in the fourth quarter 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 2019	14,502	47,912	3,330	2,925	331	69,000
Additions	1	9,767	-	17	89	9,874
Transfers	-	57	-	-	(57)	-
Capitalised borrowing costs	-	-	-	-	6	6
Disposals	(3)	(603)	(33)	(107)	(101)	(847)
30 September 2019	14,500	57,133	3,297	2,835	268	78,033
Accumulated depreciation and provision for impairment						
1 January 2019	(2,866)	(15,185)	(1,407)	(2,089)	-	(21,547)
Depreciation charge for the period	(257)	(1,724)	(190)	(176)	-	(2,347)
Impairment	(388)	(1)	-	(2)	(117)	(508)
Disposals	3	599	33	106	-	741
30 September 2019	(3,508)	(16,311)	(1,564)	(2,161)	(117)	(23,661)

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

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

	<u>Land, buildings and constructions</u>	<u>Containers and flatcars</u>	<u>Cranes and loaders</u>	<u>Vehicles and other equipment</u>	<u>Construction in-progress</u>	<u>Total</u>
Net book value						
1 January 2019	11,636	32,727	1,923	836	331	47,453
30 September 2019	10,992	40,822	1,733	674	151	54,372
Cost						
1 January 2018	12,676	42,345	3,059	2,834	411	61,325
Additions	31	3,155	146	63	68	3,463
Acquisition in a business combination	2,022	-	126	30	-	2,178
Transfers	31	52	3	14	(100)	-
Disposals	(42)	(459)	(3)	(79)	-	(583)
30 September 2018	14,718	45,093	3,331	2,862	379	66,383
Accumulated depreciation and provision for impairment						
1 January 2018	(2,735)	(13,705)	(1,177)	(2,007)	-	(19,624)
Depreciation charge for the period	(226)	(1,529)	(166)	(174)	-	(2,095)
Reversal of Impairment	1	-	-	-	-	1
Disposals	4	425	3	107	-	539
30 September 2018	(2,956)	(14,809)	(1,340)	(2,074)	-	(21,179)

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 September 2019 and 31 December 2018, respectively.

As at 30 September 2019 and 31 December 2018 the item "Land, buildings and constructions" includes the amounts of RUR 119m 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 September 2019 and 31 December 2018 the item "Containers and flatcars" includes the amounts of RUR 345m 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 635m and RUR 696m as at 30 September 2019 and 31 December 2018, respectively.

During the nine-month period ended 30 September 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 8,288m and RUR 1,479m, respectively (during the nine-month period ended 30 September 2018 RUR 3,094m and RUR 61m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 996m and RUR 1,036m as at 30 September 2019 and 31 December 2018, respectively.

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

As at 30 September 2019 provision for impairment of property, plant and equipment in the amount of RUR 508m (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 September 2019 and 31 December 2018 comprised the following:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Cost	994	785
Accumulated depreciation	(366)	(283)
Impairment	<u>(508)</u>	<u>(118)</u>
Net book value	<u>120</u>	<u>384</u>

Advances for acquisition of non-current assets

As at 30 September 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 0m and RUR 10m, respectively), advances for the acquisition of containers (RUR 622m and RUR 243m, respectively), advances for the purchase of rolling stock (RUR 194m and RUR 335m, respectively) and advances for the acquisition of other non-current assets (RUR 32m and RUR 2m, respectively).

4. INTANGIBLE ASSETS

Company's intangible assets are comprised of software with initial cost of RUR 374m and accumulated depreciation of RUR 149m as at 30 September 2019 (RUR 382m and RUR 113m as at 31 December 2018, respectively).

During the nine-month period ended 30 September 2019 depreciation charge for intangible assets amounted to RUR 59m (during the nine-month period ended 30 September 2018 RUR 50m).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 11m as at 30 September 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.

	<u>Joint ventures JSC Kedentransservice and Logistic System Management B.V.</u>	<u>Joint venture LLC Freight Village Kaluga Sever</u>	<u>Other joint ventures</u>	<u>Total joint ventures</u>
Carrying amount as at 1 January 2019	<u>3,127</u>	<u>111</u>	<u>132</u>	<u>3,370</u>
Share of profit of joint ventures	404	32	24	460
Dividends received from joint ventures	(347)	-	-	(347)
Share of translation to presentation currency	(258)	-	(16)	(274)
Share of other comprehensive loss of joint venture	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
Carrying amount as at 30 September 2019	<u>2,923</u>	<u>143</u>	<u>140</u>	<u>3,206</u>

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5. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	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 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	431	(9)	13	435
Dividends received from joint ventures	(384)	-	(7)	(391)
Share of translation to presentation currency	131	-	11	142
Carrying amount as at 30 September 2018	3,272	154	125	3,551

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 September 2019 the debt of FVKS secured by the guarantee under the loan agreement amounted to RUR 2.2bn (2.3bn as at 31 December 2018).

As at 30 September 2019 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 122m (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 September 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 September 2019			
Trade receivables	1,213	(28)	1,185
Other receivables	327	(90)	237
Total current trade and other receivables, classified as financial assets	1,540	(118)	1,422
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

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6. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	<u>2019</u>	<u>2018</u>
Trade receivables		
Balance at 1 January	<u>(31)</u>	<u>(25)</u>
New originated	(6)	(4)
Other movements	<u>2</u>	<u>2</u>
<i>Total credit loss allowance charge in profit or loss for the period</i>	<u>(4)</u>	<u>(2)</u>
Write-offs	<u>7</u>	<u>2</u>
Balance at 30 September	<u><u>(28)</u></u>	<u><u>(25)</u></u>
Other receivables		
Balance at 1 January	<u>(93)</u>	<u>(86)</u>
New originated	-	(8)
Other movements	<u>3</u>	<u>-</u>
<i>Total credit loss allowance charge in profit or loss for the period</i>	<u>3</u>	<u>(8)</u>
Write-offs	<u>-</u>	<u>5</u>
Balance at 30 September	<u><u>(90)</u></u>	<u><u>(89)</u></u>

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 September 2019</u>	<u>31 December 2018</u>
VAT receivable	4,325	3,034
Advances to suppliers (net of provision)	1,099	1,341
Other current assets	<u>94</u>	<u>105</u>
Total prepayments and other current assets	<u><u>5,518</u></u>	<u><u>4,480</u></u>

As at 30 September 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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Russian Rouble denominated bank deposits	1,663	5,380
Foreign currency denominated bank deposits	-	1,948
Foreign currency denominated current accounts with banks	1,455	1,198
Cash and Russian Rouble denominated current accounts with banks	<u>1,248</u>	<u>1,001</u>
Total cash and cash equivalents	<u><u>4,366</u></u>	<u><u>9,527</u></u>

Six Russian Rouble denominated short-term bank deposits in the amount of RUR 1,662m bearing interest at annual rates in a range from 2.73% to 6.65% were placed with JSC Alfa-Bank, JSC UniCredit Bank, Absolut Bank (PAO), a related party as at 30 September 2019 (Note 22) and Bank VTB (PJSC), a related party as at 30 September 2019 (Note 22). Total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 1m. The deposits matured in October 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

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8. CASH AND CASH EQUIVALENTS (CONTINUED)

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 September 2019 and 31 December 2018 comprises:

	<u>Number of ordinary shares</u>	<u>Value</u>
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 154.57 per share (RUR 2,148m in total) were approved at the extraordinary shareholders' meeting on 25 September 2019 relating to the Company's results for the six-month period ended 30 June 2019. In October 2019 the dividends have been fully paid.

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.

10. LONG-TERM DEBT

Long-term debt

	<u>Effective interest rate</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
Bonds, series BO-01	7.55%	5,990	5,988
Bonds, series BO-02	9.45%	2,494	4,992
Total		8,484	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 7.55% 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 September 2019 the carrying value of the bonds amounted to RUR 6,073m (RUR 6,183m as at 31 December 2018), including the amount of accrued interest of RUR 83m (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.

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10. LONG-TERM DEBT (CONTINUED)

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 9.45% 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 September 2019 the carrying value of the bonds amounted to RUR 5,008m (RUR 5,123m as at 31 December 2018), including the current portion of long-term debt in the amount of RUR 2,500m (RUR 0m as at 31 December 2018) and the amount of accrued interest of RUR 14m (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 September 2019	31 December 2018
Bonds, series BO-01	7,55%	83	195
Bonds, series BO-02	9,45%	2,514	131
Total		2,597	326

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 7.76%.

	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)

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

	1 January 2019
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.

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 September 2019, including extension options (Note 2), are from 1 year to 69 years, including the lease of railway flatcars for 1 year, production buildings and office premises from 1 to 6 years, tank-containers for 6 years, handling equipment for 1 year, land from 1 to 69 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 September 2019 and 1 January 2019, the Group leased container terminal Dobra in Slovakia. The remaining period of agreements validity is 5 years as at 30 September 2019. The carrying amount of the right-of-use asset for this container terminal as at 30 September 2019 and 1 January 2019 amounted to RUR 47m and RUR 62m respectively.

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

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

	30 September 2019	1 January 2019
Land, buildings and constructions	358	517
Containers and flatcars	94	246
Cranes and loaders	4	12
Vehicles and other equipment	4	5
Total right-of-use assets	460	780

The additions of the Group's right-of-use assets for the nine-month period ended 30 September 2019 amounted to RUR 76m.

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

	Nine-month period ended 30 September 2019	Three-month period ended 30 September 2019
Land, buildings and constructions	64	22
Containers and flatcars	37	3
Cranes and loaders	6	2
Vehicles and other equipment	1	-
Total depreciation charge	108	27

Lease obligations

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

	30 September 2019	1 January 2019
Lease obligations, current maturities	90	147
Lease obligations, net of current maturities	399	633
Total lease obligations	489	780

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 nine-month period ended 30 September 2019:

	Nine-month period ended 30 September 2019	Three-month period ended 30 September 2019
Depreciation of right-of-use assets (Note 19)	108	27
Interest expense on lease obligations (Note 20)	39	11
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)	104	11
Expense relating to leases of low-value assets that are exempt under IFRS 16 (Note 19)	10	3
Variable lease payments not included in the measurement of lease obligations under IFRS 16 (Note 19)	10	4

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

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

	<u>30 September 2019</u>	<u>1 January 2019</u>
Within one year	122	201
Within one to three years	186	323
Within three to five years	173	215
After five years	291	397
Total	<u>772</u>	<u>1,136</u>

Total cash outflows for leases for the nine-month period ended 30 September 2019 amounted to RUR 112m, of which RUR 39m are included in interest paid.

Leases - Group is the lessor

For the nine-month period ended 30 September 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 133m and RUR 77m, respectively, and were included in other revenue (Note 17). For the three-month period ended 30 September 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 46m and RUR 19m, respectively.

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

	<u>30 September 2019</u>	<u>1 January 2019</u>
Within one year	146	270
Within one to two years	100	92
Within two to three years	97	92
Within three to four years	95	91
Within four to five years	95	91
After five years	128	175
Total	<u>661</u>	<u>811</u>

12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

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

	<u>2019</u>	<u>2018</u>
Pension Fund of the Russian Federation	650	631
Defined contribution plan Blagosostoyanie	21	23
Total expense for defined contribution plans	<u>671</u>	<u>654</u>

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

	<u>2019</u>	<u>2018</u>
Pension Fund of the Russian Federation	176	171
Defined contribution plan Blagosostoyanie	5	10
Total expense for defined contribution plans	<u>181</u>	<u>181</u>

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12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Defined benefit plans

Principal actuarial assumptions as at 30 September 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 6.9% as at 30 September 2019 (as at 31 December 2018: 8.7%) and the projected average annual consumer price inflation in 2019-2021, which as at 30 September 2019 was 4.2% (as at 31 December 2018: 4.1%).

During the period the conditions of the non-state defined benefit pension plan were changed. In case of retirement the minimum age for the right to benefits was decreased down to the minimum age, which was valid on 31 December 2018. The corresponding change in the present value of the defined benefit obligation is taken into account as part of the past services cost.

The amounts recognised in the interim condensed consolidated statement of profit or loss for the nine-month periods ended 30 September 2019 and 30 September 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	32	24	102	106	134	130
Net interest on obligation	33	40	11	10	44	50
Remeasurements of the net defined benefit	-	-	(3)	(7)	(3)	(7)
Net expense recognised in the consolidated profit or loss	65	64	110	109	175	173

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 30 September 2019 and 30 September 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	18	8	34	36	52	44
Net interest on obligation	9	12	1	1	10	13
Remeasurements of the net defined benefit	-	-	(3)	(4)	(3)	(4)
Net expense recognised in the consolidated profit or loss	27	20	32	33	59	53

Net expense recognised in other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 76m for the nine-month period ended 30 September 2019 and net income recognised in other comprehensive income constitute RUR 49m for the nine-month period ended 30 September 2018.

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 22m for the three-month period ended 30 September 2019 and net income recognised in other comprehensive income constitute RUR 35m for the three-month period ended 30 September 2018.

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12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 September 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	286	275	1,009	956
Fair value of plan assets	(61)	(67)	-	-	(61)	(67)
Net employee benefit liability	662	614	286	275	948	889

13. CONTRACTS LIABILITIES

Contracts liabilities as at 30 September 2019 and 31 December 2018 consist of advances from customers in the amount of RUR 4,782m and RUR 4,510m, respectively.

14. TRADE AND OTHER PAYABLES

	30 September 2019	31 December 2018
Trade payables	698	691
Amounts payable for the acquisition of property, plant and equipment	324	275
Amounts payable for the intangible assets	7	9
Other liabilities	115	97
Total financial liabilities within trade and other payable	1,144	1,072

15. TAXES OTHER THAN INCOME TAX PAYABLE

	30 September 2019	31 December 2018
Social insurance contributions	217	320
Property tax	47	116
Personal income tax	35	38
VAT	10	6
Other taxes	6	11
Total taxes other than income tax payable	315	491

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	30 September 2019	31 December 2018
Settlements with employees	820	1,341
Other liabilities	3	66
Total accruals and other current liabilities	823	1,407

Settlements with employees as at 30 September 2019 and 31 December 2018 comprised accrued salaries and bonuses of RUR 628m and RUR 1,153m, respectively, and accruals for unused vacation of RUR 192m 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.

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17. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
<i>Analysis of revenue by category</i>				
Integrated freight forwarding and logistics services	58,835	51,678	20,578	18,781
Agency fees	2,338	2,134	828	796
Other	2,589	1,908	884	812
Total revenue	63,762	55,720	22,290	20,389
	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
<i>Analysis of revenue by location of customers</i>				
Revenue from external customers				
Russia	50,281	47,435	17,151	17,109
China	4,858	1,661	1,963	789
Korea	4,249	3,704	1,340	1,464
Germany	1,767	1,362	584	521
Kazakhstan	763	279	563	110
Latvia	368	316	118	117
Italy	276	34	83	5
Great Britain	190	286	70	45
Lithuania	172	29	70	27
Austria	152	29	105	6
Belarus	144	21	61	5
Denmark	121	3	42	3
Other	421	561	140	188
Total revenue	63,762	55,720	22,290	20,389

18. OTHER OPERATING INCOME

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
Gain on disposal of property, plant and equipment	530	253	324	77
Gain on the sale of inventory and from the reuse of spare parts	135	147	39	50
Other operating income	276	92	69	20
Total other operating income	941	492	432	147

19. OPERATING EXPENSES

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
Third-party charges related to principal activities	35,148	33,306	12,213	12,016
Payroll and related charges	4,467	4,257	1,395	1,360
Freight and transportation services	4,440	4,058	1,428	1,295
Depreciation and amortisation	2,514	2,145	855	732
Materials, repair and maintenance	2,503	2,463	863	883
Taxes other than income tax	378	624	99	243
Consulting and information services	227	165	93	68
Fuel costs	149	122	47	42
Security	133	135	44	43
Rent	124	229	18	99
License and software	99	124	30	29
Charity	80	113	19	93
Communication costs	50	52	17	16
Other expenses	1,010	553	162	137
Total operating expenses	51,322	48,346	17,283	17,056

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20. INTEREST EXPENSE

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
Interest expense on RUR bonds	682	665	226	232
Interest expense on finance lease obligations	39	-	11	-
Total interest expense	721	665	237	232

21. INCOME TAX

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
Current income tax expense	(2,480)	(1,552)	(1,029)	(732)
Deferred income tax expense	(247)	(205)	(62)	(174)
Income tax	(2,727)	(1,757)	(1,091)	(906)

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 nine-month period ended 30 September 2019 was 20.6% (for the nine-month period ended 30 September 2018: 20.9%).

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 September 2019 and 31 December 2018, are disclosed below:

Related party	Nature of relationship	
	30 September 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

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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 entities" 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 30 September 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	-	956	-	2,765	3,721
Trade receivables	401	4	2	-	407
Advances to suppliers	630	90	33	1	754
Other assets	-	4	23	9	36
Total assets	1,031	1,054	58	2,775	4,918
LIABILITIES					
Current liabilities					
Contracts liabilities	-	116	159	3	278
Other payables	18	70	19	13	120
Total liabilities	18	186	178	16	398

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the nine-month period ended 30 September 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	-	2,706	550	127	3,383
Agency fees	2,308	-	-	-	2,308
Other services	248	72	7	1	328
Interest income on deposits	-	2	-	124	126
Dividends from joint ventures	-	-	329	-	329
Other income	6	59	1	6	72
Total income	2,562	2,839	887	258	6,546
Operating Expenses					
Third-party charges related to principal activities	28,471	22	2,435	13	30,941
Freight and transportation services	3,546	-	200	-	3,746
Repair services	269	1,171	23	1	1,464
Other expenses	87	50	51	153	341
Total expenses	32,373	1,243	2,709	167	36,492
Purchases of property, plant and equipment	-	-	-	122	122
Purchases of inventory	-	147	-	14	161
Contributions to non-state pension funds	-	-	-	82	82
Total other transactions	-	147	-	218	365

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 September 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	-	885	208	54	1,147
Agency fees	825	-	-	-	825
Other services	139	20	3	1	163
Interest income on deposits	-	2	-	23	25
Dividends from joint ventures	-	-	329	-	329
Other income	2	20	-	2	24
Total income	966	927	540	80	2,513
Operating Expenses					
Freight and transportation services	9,931	19	754	7	10,711
Third-party charges related to principal activities	1,189	-	80	-	1,269
Repair services	99	360	8	-	467
Other expenses	31	27	5	39	102
Total expenses	11,250	406	847	46	12,549
Purchases of property, plant and equipment	-	-	-	42	42
Purchases of inventory	-	36	-	7	43
Contributions to non-state pension funds	-	-	-	26	26
Total other transactions	-	36	-	75	111

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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 nine-month period ended 30 September 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	2,482	580	368	3,431
Agency fees	2,134	-	-	-	2,134
Other services	252	77	5	6	340
Interest income on deposits	-	-	-	185	185
Other interest income	-	-	-	21	21
Dividends received from joint ventures	-	-	372	-	372
Other operating income	7	6	1	1	15
Total income	2,394	2,565	958	581	6,498
Operating Expenses					
Freight and transportation services	3,152	-	184	58	3,394
Third-party charges related to principal activities	26,465	30	2,397	119	29,011
Repair services	302	1,187	26	1	1,516
Rent of property and equipment	16	1	-	3	20
Other expenses	102	20	9	98	229
Total expenses	30,037	1,238	2,616	279	34,170
Purchases of property, plant and equipment	-	1	-	10	11
Purchases of materials	2	237	-	12	251
Contributions to non-state pension funds	-	-	-	66	66
Total other transactions	2	238	-	88	328

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the three-month period ended 30 September 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	959	193	163	1,316
Agency fees	796	-	-	-	796
Other services	142	32	2	5	181
Interest income on deposits	-	-	-	70	70
Other interest income	-	-	-	2	2
Other operating income	1	1	-	-	2
Total income	940	992	195	240	2,367
Operating Expenses					
Freight and transportation services	958	-	75	15	1,048
Third-party charges related to principal activities	9,531	16	937	22	10,506
Repair services	104	459	9	-	572
Rent of property and equipment	5	1	-	1	7
Other expenses	30	4	7	44	85
Total expenses	10,628	480	1,028	82	12,218
Purchases of property, plant and equipment	-	1	-	1	2
Purchases of materials	-	64	-	4	68
Contributions to non-state pension funds	-	-	-	32	32
Total other transactions	-	65	-	37	102

Dividends

25 September 2019 the Group declared dividends payable to JSC UTLC, LLC Enysei Capital and PJSC Bank VTB in the amount of RUR 1,074m, RUR 531m and RUR 533m, respectively, which were paid in October 2019.

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 20 and 19 persons as at 30 September 2019 and 30 September 2018, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 330m (including total social insurance contributions of RUR 45m) and RUR 336m (including total social insurance contributions of RUR 45m) for the nine-month periods ended 30 September 2019 and 30 September 2018, respectively. Such compensation for the three-month periods ended 30 September 2019 and 30 September 2018 amounted to RUR 99m (including

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

total social contributions of RUR 13m) and RUR 88m (including total social contributions of RUR 11m), respectively.

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 short-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 September 2019 liabilities in respect of Key management personnel for accrued expenses and other current liabilities amounted to RUR 93m, and on employee benefit liability amounted to RUR 2m (RUR 411m and RUR 1m, respectively, as at 31 December 2018).

23. CAPITAL COMMITMENTS

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

	30 September 2019	31 December 2018
Acquisition of containers and flatcars	30,534	4,533
Construction of container terminal complexes and modernisation of existing assets	17	135
Acquisition of lifting machines and other equipment	9	67
Total capital commitments	30,560	4,735

In accordance with the investment program provided for the renewal of the fleet of platforms and containers for the nine-month period ended 30 September 2019 the Group entered into the following main 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 2,854m at the Central Bank of Russia official exchange rate as at the 30 September 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 nine-month period ended 30 September 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

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

to RUR 64.4156 per USD as at 30 September 2019, against EUR while the CBRF exchange rate reduced from RUR 79.4605 per EUR as at 31 December 2018 to RUR 70.3161 per EUR as at 30 September 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 16.6095 per 100 Tenge as at 30 September 2019, respectively.

As at 30 September 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 2,422m 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 September 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 nine-month period ended 30 September 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:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Financial liabilities		
Bonds	11,152	10,915
Total	<u>11,152</u>	<u>10,915</u>

25. SUBSEQUENT EVENTS

Bond issue. In October 2019 the Company placed five-year amortised exchange-traded bonds series PBO-01 for the amount of RUR 10bn on the Moscow Exchange with a coupon rate of 7.3% per annum.

Acquisition of flatcars. In October - November 2019 the Group obtained under the previously signed agreements:

- 305 flatcars from JSC Altaivagon for the total amount of RUR 840m, net of VAT;
- 166 flatcars from LLC Torgoviy dom RM Rail for the total amount of RUR 479m, net of VAT;
- 100 flatcars from JSC Roslavlskiy VRZ for the total amount of RUR 283m, net of VAT. Delivery is completed in full;
- 136 flatcars from LLC Spetscompany for the total amount of RUR 517m, net of VAT. Delivery is completed in full.

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25. SUBSEQUENT EVENTS (CONTINUED)

Agreements on acquisition of flatcars. In October - November 2019 the Group entered into the following agreements with:

- LLC RailAlians on the purchase of 500 flatcars for the total amount of RUR 1,850 m (plus VAT in the amount RUR 370m). During the period 235 flatcars were delivered for the total amount of RUR 870m, net of VAT. Delivery is expected no later than February 2020;
- LLC Spetscompany on the purchase of 50 flatcars for the total amount of RUR 190m (plus VAT in the amount RUR 38m). Delivery is completed in full;
- JSC Roslavskiy VRZ on the purchase of 300 flatcars for the total amount of RUR 675m (plus VAT in the amount RUR 135m). During the period 250 flatcars were delivered for the total amount of RUR 563m, net of VAT. Delivery is expected no later than December 2019;
- LLC TZK OVK on the purchase of 100 flatcars for the total amount of RUR 330m (plus VAT in the amount RUR 66m). Delivery is completed in full.

Acquisition of containers. In October - November 2019 the Group obtained under the previously signed agreements 5,474 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 993m, at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.