

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

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

For the Three-Month Period ended 31 March 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-MONTH PERIOD ENDED 31 MARCH 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 31 March 2019 and the results of its operations, cash flows and changes in equity for the three-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-month period ended 31 March 2019 were approved on 23 May 2019 by:



V. N. Drachev
Acting General Director



M. V. Usenko
Chief Accountant

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

	Notes	31 March 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	51,068	47,453
Advances for acquisition of non-current assets	3	21	590
Right-of-use assets	11	785	-
Investment property		390	390
Intangible assets	4	258	269
Investments in joint ventures	5	3,271	3,370
Other non-current assets		72	67
Total non-current assets		55,865	52,139
Current assets			
Inventory		319	222
Trade and other receivables	6	1,274	1,744
Prepayments and other current assets	7	4,222	4,480
Cash and cash equivalents	8	10,143	9,527
Total current assets		15,958	15,973
TOTAL ASSETS		71,823	68,112
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	13,895	13,895
Reserve fund		703	703
Translation reserve		(496)	(273)
Other reserves, including investment property's revaluation reserve		(1,946)	(1,946)
Retained earnings		36,301	33,682
Total equity attributable to the Company's owners		48,457	46,061
Non-current liabilities			
Long-term debt	10	9,731	10,980
Lease obligations, net of current maturities	11	637	-
Employee benefit liability	12	939	889
Deferred tax liability		1,969	1,782
Financial guarantee for investment in joint venture	5	154	154
Total non-current liabilities		13,430	13,805
Current liabilities			
Contracts liabilities	13	4,681	4,510
Trade and other payables	14	1,778	1,072
Current portion of long-term debt	10	1,344	326
Lease obligations, current maturities	11	159	-
Income tax payable		137	440
Taxes other than income tax payable	15	493	491
Accruals and other current liabilities	16	1,344	1,407
Total current liabilities		9,936	8,246
TOTAL EQUITY AND LIABILITIES		71,823	68,112


V. N. Drachev

Acting General Director

23 May 2019


M. V. Usenko

Chief Accountant

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	Three-month period ended 31 March	
		2019	2018
Revenue	17	19,798	16,493
Other operating income	18	226	128
Operating expenses	19	(16,453)	(15,045)
Foreign exchange loss, net		(215)	(10)
Interest expense	20	(243)	(204)
Interest income		139	92
Share of result of joint ventures	5	89	(4)
Profit before income tax		3,341	1,450
Income tax expense	21	(702)	(304)
Profit for the period attributable to the Company's owners		2,639	1,146
Other comprehensive income/(loss) (net of income tax)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit plans liabilities	12	(20)	(30)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of translation of financial information of joint ventures to presentation currency	5	(188)	125
Exchange differences on translating of other foreign operations		(35)	7
Other comprehensive (loss)/income for the period		(243)	102
Total comprehensive income for the period attributable to the Company's owners		2,396	1,248
Earnings per share, basic and diluted (in Russian Roubles)		190	82
Weighted average number of shares outstanding		13,894,778	13,894,778


V. N. Drachev

Acting General Director

23 May 2019


M. V. Usenko

Chief Accountant

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

	Notes	Three-month period ended	
		31 March	
		2019	2018
Cash flows from operating activities:			
Profit before income tax		3,341	1,450
Adjustments for:			
Depreciation and amortisation	19	817	699
Change in provision for impairment of receivables		2	99
Gain on disposal of property, plant and equipment	18	(38)	(60)
Share of result of joint ventures	5	(89)	4
Interest expense, net		104	112
Foreign exchange loss, net		215	10
Other income, net		(8)	-
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		4,344	2,314
Working capital changes:			
(Increase)/decrease in inventory		(60)	143
Decrease/(increase) in trade and other receivables		457	(66)
Decrease in prepayments and other assets		336	79
Increase in employee benefit liabilities		25	8
Increase/(decrease) in trade and other payables and contracts liabilities		325	(202)
Increase in taxes other than income tax		2	82
(Decrease)/increase in accrued expenses and other current liabilities		(1)	46
Net cash from operating activities before income tax and interest		5,428	2,404
Interest paid		(475)	(286)
Income tax paid		(814)	(313)
Net cash provided by operating activities		4,139	1,805
Cash flows from investing activities:			
Purchases of property, plant and equipment		(3,364)	(378)
Proceeds from disposal of property, plant and equipment		1	2
Sale of short-term investments		44,253	-
Purchases of short-term investments		(44,253)	(1,500)
Purchases of intangible assets		(13)	(11)
Dividends received from joint ventures		-	365
Interest received		139	81
Net cash used in investing activities		(3,237)	(1,441)
Cash flows from financing activities:			
Proceeds from issuance of long-term bonds	10	-	5,985
Repayment of lease obligations	11	(35)	-
Principal payments on short-term part of long-term bonds	10	-	(1,250)
Net cash (used in)/from financing activities		(35)	4,735
Net increase in cash and cash equivalents		867	5,099
Cash and cash equivalents at beginning of the period		9,527	4,171
Foreign exchange effect on cash and cash equivalents		(251)	1
Provision for expected credit losses on cash and cash equivalents		-	(79)
Net cash and cash equivalents at end of the period		10,143	9,192

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)

	Share capital	Reserve fund	Translation reserve	Other reserves, including investment property's revaluation reserve	Retained earnings	Total equity attributable to the Company's owners
Balance at 1 January 2018	13,895	703	(468)	(2,025)	28,262	40,367
Profit for the period	-	-	-	-	1,146	1,146
Other comprehensive income/(loss) for the period	-	-	132	-	(30)	102
Total comprehensive income for the period	-	-	132	-	1,116	1,248
Balance at 31 March 2018	13,895	703	(336)	(2,025)	29,378	41,615
Balance at 31 December 2018	13,895	703	(273)	(1,946)	33,682	46,061
Profit for the period	-	-	-	-	2,639	2,639
Other comprehensive loss for the period	-	-	(223)	-	(20)	(243)
Total comprehensive (loss)/income for the period	-	-	(223)	-	2,619	2,396
Balance at 31 March 2019	13,895	703	(496)	(1,946)	36,301	48,457

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-MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS

PJSC 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 31 March 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, %	
				31 March 2019	31 December 2018	31 March 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 31 March 2019 and for the three-month period then ended were authorised for issue by the Acting General Director of the Company on 23 May 2019.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance. 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 financial statements should be read in conjunction with the audited annual consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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 then 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, eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees are required to recognise: (a) right-of-use assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the interim condensed consolidated statement of profit or loss and other comprehensive income. Right-of-use assets are depreciated over the lease term.

The lease obligation is measured at present value of lease payments are not paid at the date of recognition of the lease agreement. Lease payments are discounted using the Group's incremental borrowing rate.

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 in the interim condensed consolidated financial statements.

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 as at 31 December 2018 and for the year then ended.

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 as at and 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 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 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.

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Discount rate. When calculating the present value of lease payments the lessee's incremental borrowing rate is applied as the discount rate. 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 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 as at and for the year ended 31 December 2018.

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 11,032m for the three-month period ended 31 March 2019. For the three-month period ended 31 March 2018, the effect would have been RUR 9,847m.

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 21% of revenues accumulated in the first quarter of the year, with 79% accumulating in the next three quarters 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						
31 December 2018	14,502	47,912	3,330	2,925	331	69,000
Additions	-	4,331	-	13	23	4,367
Transfers	-	55	-	-	(55)	-
Disposals	-	(85)	-	(23)	-	(108)
31 March 2019	14,502	52,213	3,330	2,915	299	73,259
Accumulated depreciation						
31 December 2018	(2,866)	(15,185)	(1,407)	(2,089)	-	(21,547)
Depreciation charge for the period	(79)	(547)	(63)	(63)	-	(752)
Disposals	-	85	-	23	-	108
31 March 2019	(2,945)	(15,647)	(1,470)	(2,129)	-	(22,191)

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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)

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Net book value						
31 December 2018	<u>11,636</u>	<u>32,727</u>	<u>1,923</u>	<u>836</u>	<u>331</u>	<u>47,453</u>
31 March 2019	<u>11,557</u>	<u>36,566</u>	<u>1,860</u>	<u>786</u>	<u>299</u>	<u>51,068</u>
Cost						
31 December 2017	<u>12,676</u>	<u>42,345</u>	<u>3,059</u>	<u>2,834</u>	<u>411</u>	<u>61,325</u>
Additions	-	392	-	108	11	511
Transfers	-	51	3	-	(54)	-
Disposals	(3)	(180)	-	(20)	-	(203)
31 March 2018	<u>12,673</u>	<u>42,608</u>	<u>3,062</u>	<u>2,922</u>	<u>368</u>	<u>61,633</u>
Accumulated depreciation						
31 December 2017	<u>(2,735)</u>	<u>(13,705)</u>	<u>(1,177)</u>	<u>(2,007)</u>	<u>-</u>	<u>(19,624)</u>
Depreciation charge for the period	(72)	(502)	(50)	(58)	-	(682)
Disposals	1	158	-	18	-	177
31 March 2018	<u>(2,806)</u>	<u>(14,049)</u>	<u>(1,227)</u>	<u>(2,047)</u>	<u>-</u>	<u>(20,129)</u>

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 31 March 2019 and 31 December 2018, respectively.

As at 31 March 2019 and 31 December 2018 the item "Land, buildings and constructions" includes the amounts of RUR 223m and RUR 211m, respectively, which represent the gross carrying amounts of land, buildings and construction under lease (Note 11 Leases - Group is the lessor).

As at 31 March 2019 and 31 December 2018 the item "Containers and flatcars" includes the amount of RUR 240m, which represent the gross carrying amounts of containers and flatcars under lease (Note 11- Group is the lessor).

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 674m and RUR 696m as at 31 March 2019 and 31 December 2018, respectively.

During the three-month period ended 31 March 2019 there were additions of flatcars and containers in the amount of RUR 3,411m and RUR 920m, respectively (during the three-month period ended 31 March 2018 RUR 340m and RUR 103m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,027m and RUR 1,036m as at 31 March 2019 and 31 December 2018, respectively.

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Cost	763	785
Accumulated depreciation	(279)	(283)
Impairment	(118)	(118)
Net book value	<u>366</u>	<u>384</u>

Construction in-progress as at 31 March 2019 and 31 December 2018 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and

PJSC TRANSCONTAINER

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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)

Yekaterinburg amounting to RUR 80m and RUR 26m, respectively, and RUR 115m for the construction of the new container terminal in Primorsky Region.

Advances for acquisition of non-current assets

As at 31 March 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 0m 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 393m and accumulated depreciation of RUR 135m as at 31 March 2019 (RUR 382m and RUR 113m as at 31 December 2018, respectively).

During the three-month period ended 31 March 2019 depreciation charge for intangible assets amounted to RUR 21m (during the three-month period ended 31 March 2018 RUR 17m).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 16m as at 31 March 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/(losses) of joint ventures	98	(16)	7	89
Share of translation to presentation currency	(179)	-	(9)	(188)
Carrying amount as at 31 March 2019	3,046	95	130	3,271
Carrying amount as at 1 January 2018	3,132	163	108	3,403
Share of profit/(losses) of joint ventures	11	(21)	6	(4)
Dividends received from joint venture	(384)	-	-	(384)
Share of translation to presentation currency	122	-	3	125
Carrying amount as at 31 March 2018	2,881	142	117	3,140

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)

(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. As at 31 March 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 31 March 2019 and 31 December 2018 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 154m.

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 31 March 2019 and 31 December 2018 the amount of pledge agreements has not changed.

6. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 March 2019			
Trade receivables	1,242	(26)	1,216
Other receivables	151	(93)	58
Total current trade and other receivables, classified as financial assets	1,393	(119)	1,274
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	(3)	(8)
Other movements	1	2
<i>Total credit loss allowance charge in profit or loss for the period</i>	<i>(2)</i>	<i>(6)</i>
Write-offs	7	-
Balance at 31 March	(26)	(31)
Other receivables		
Balance at 1 January	(93)	(86)
New originated	-	(3)
<i>Total credit loss allowance charge in profit or loss for the period</i>	<i>-</i>	<i>(3)</i>
Balance at 31 March	(93)	(89)

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7. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>31 March 2019</u>	<u>31 December 2018</u>
VAT receivable	3,535	3,034
Advances to suppliers (net of provision)	590	1,341
Other current assets	97	105
Total prepayments and other current assets	<u>4,222</u>	<u>4,480</u>

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

8. CASH AND CASH EQUIVALENTS

	<u>31 March 2019</u>	<u>31 December 2018</u>
Russian Rouble denominated bank deposits	5,621	5,380
Foreign currency denominated bank deposits	2,008	1,948
Foreign currency denominated current accounts with banks	1,934	1,198
Cash and Russian Rouble denominated current accounts with banks	580	1,001
Total cash and cash equivalents	<u>10,143</u>	<u>9,527</u>

Twenty Russian Rouble denominated short-term bank deposits in the amount of RUR 5,596m bearing interest at annual rates in a range from 3.61% to 7.71% and four USD-denominated short-term bank deposits in the amount of USD 31m (RUR 2,007m at the Central Bank of Russia exchange rate as at 31 March 2019) bearing interest at annual rates in a range from 1.7% to 2% were placed with JSC Alfa-Bank, JSC UniCredit Bank and PJSC Bank VTB, a related party as at 31 March 2019 (Note 22). Total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 26m. The deposits matured in April-June 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 PJSC Bank VTB, 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 31 March 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.

10. LONG-TERM DEBT

Long-term debt

	<u>Effective interest rate</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Bonds, series BO-01	7,55%	5,988	5,988
Bonds, series BO-02	9,45%	3,743	4,992
Total		<u>9,731</u>	<u>10,980</u>

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10. LONG-TERM DEBT (CONTINUED)

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 31 March 2019 the carrying value of the bonds amounted to RUR 6,070m (RUR 6,183m as at 31 December 2018), including the amount of accrued interest of RUR 82m (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 made in March 2020 in amount of RUR 1,250m.

As at 31 March 2019 the carrying value of the bonds amounted to RUR 5,006m (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 13m (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	31 March 2019	31 December 2018
Bonds, series BO-01	7,55%	81	195
Bonds, series BO-02	9,45%	1,263	131
Total		1,344	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 IFRS (IAS) 17, Leases, in the amount equal to the lease obligation, adjusted for prepaid or accrued lease payments in relation to such leases, which are recognised in the interim condensed consolidated statement of financial position immediately prior to the date of initial application.

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

1 January 2019

Operating lease commitments disclosed 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 finance lease obligations	638
Leases with a term of less than 12 months recognised as short-term leases	(245)
Change in estimates	263
Low-value leases	(24)
Total lease obligations	840
Of which are:	
Lease obligations, current maturities	154
Lease obligations, net of current maturities	686

As at 1 January 2019 the Group recognised right-of-use assets in the amount corresponding to the lease liabilities of RUR 840m. The weighted average Group's incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was 7.74%.

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.

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 31 March 2019, including extension options (Note 2), are from 1 year to 75 years.

As at 31 March 2019 and 31 December 2018, the Group leased container terminal Dobra in Slovakia. The remaining period of agreements validity is 6 years as at 31 March 2019.

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

	<u>31 March 2019</u>
Land, buildings and constructions	541
Containers and flatcars	228
Cranes and loaders	9
Vehicles and other equipment	7
Total right-of-use assets	<u>785</u>

Depreciation of the rights-of-use assets for the three-month period ended 31 March 2019 included in depreciation and amortisation expense in the interim condensed consolidated statement of profit or loss and other comprehensive income was as follows:

	<u>2019</u>
Land, buildings and constructions	23
Containers and flatcars	18
Cranes and loaders	2
Vehicles and other equipment	1
Total depreciation charge	<u>44</u>

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

Lease obligations

Liabilities under long-term lease as at 31 March 2019 were as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Lease obligations, current maturities	159	-
Lease obligations, net of current maturities	<u>637</u>	<u>-</u>
Total lease obligations	<u>796</u>	<u>-</u>

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-month period ended 31 March 2019:

	<u>2019</u>
Depreciation of right-of-use assets (Note 19)	44
Interest expense on lease obligations (Note 20)	16
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 from the need for recognition under IFRS 16 (Note 19)	67
Expense relating to leases of low-value assets that are exempt from recognition under IFRS 16 (Note 19)	<u>3</u>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Within one year	255	-
Within one to three years	315	-
After three years	<u>650</u>	<u>-</u>
Total	<u>1,220</u>	<u>-</u>

Total cash outflows for leases for the three-month period ended 31 March 2019 amounted to RUR 51m, of which RUR 16m are included in interest paid.

Leases - Group is the lessor

For the three-month period ended 31 March 2019 income from lease of property, plant and equipment owned by the Group (Note 3) and income from sublease of right-of-use assets amounted to RUR 49m and RUR 29m, respectively, and were included in the other revenue (Note 17).

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Within one year	231	-
Within one to two years	100	-
Within two to three years	98	-
Within three to four years	94	-
Within four to five years	91	-
After five years	<u>648</u>	<u>-</u>
Total	<u>1,262</u>	<u>-</u>

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12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 31 March 2019 and 31 March 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Pension Fund of the Russian Federation	251	239
Defined contribution plan Blagosostoyanie	<u>7</u>	<u>6</u>
Total expense for defined contribution plans	<u>258</u>	<u>245</u>

Defined benefit plans

Principal actuarial assumptions as at 31 March 2019 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2018 with the exception of changes in discount rate, which decreased to 8.2% as at 31 March 2019 (as at 31 December 2018: 8.7%) and the projected average annual consumer price inflation in 2019-2021, which as at 31 March 2019 was 4.4% (as at 31 December 2018: 4.3%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 31 March 2019 and 31 March 2018 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Service cost	6	8	34	35	40	43
Net interest on obligation	13	15	5	5	18	20
Net expense recognised in the consolidated profit or loss	<u>19</u>	<u>23</u>	<u>39</u>	<u>40</u>	<u>58</u>	<u>63</u>

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 20m for the three-month period ended 31 March 2019 and net expense recognised in other comprehensive income constitutes RUR 30m for the three-month period ended 31 March 2018.

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

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Present value of defined benefit obligation	713	681	291	275	1,004	956
Fair value of plan assets	(65)	(67)	-	-	(65)	(67)
Net employee benefit liability	<u>648</u>	<u>614</u>	<u>291</u>	<u>275</u>	<u>939</u>	<u>889</u>

13. CONTRACTS LIABILITIES

Contracts liabilities as at 31 March 2019 and 31 December 2018 consist of advances from customers in the amount of RUR 4,681m and RUR 4,510m, respectively.

An increase in contracts liabilities as at 31 March 2019 compared to 31 December 2018 complies with an increase in the volume of freight forwarding services and with an increase in revenue.

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14. TRADE AND OTHER PAYABLES

	31 March 2019	31 December 2018
Trade payables	897	691
Amounts payable for the acquisition of property, plant and equipment	789	275
Amounts payable for the intangible assets	6	9
Other liabilities	86	97
Total financial liabilities within trade and other payable	1,778	1,072

15. TAXES OTHER THAN INCOME TAX PAYABLE

	31 March 2019	31 December 2018
Social insurance contribution	348	320
Personal income tax	81	38
Property tax	49	116
VAT	9	6
Other taxes	6	11
Total taxes other than income tax payable	493	491

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 March 2019	31 December 2018
Settlements with employees	1,340	1,341
Other liabilities	4	66
Total accruals and other current liabilities	1,344	1,407

Settlements with employees as at 31 March 2019 and 31 December 2018 comprised accrued salaries and bonuses of RUR 1,097m and RUR 1,153m, respectively, and accruals for unused vacation of RUR 243m 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.

Analysis of revenue by category

	2019	2018
Integrated freight forwarding and logistics services	18,257	15,399
Agency fees	723	605
Other	818	489
Total revenue	19,798	16,493

Analysis of revenue by location of customers

	2019	2018
Revenue from external customers		
Russia	15,840	14,237
Korea	1,518	941
China	1,297	414
Germany	549	365
Latvia	105	68
Kazakhstan	96	68
Finland	81	115
Other	312	285
Total revenue	19,798	16,493

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18. OTHER OPERATING INCOME

	<u>2019</u>	<u>2018</u>
Gain from disposal of property, plant and equipment	38	60
Gain from the sale of inventory and from the reuse of spare parts	43	39
Other operating income	145	29
Total other operating income	<u>226</u>	<u>128</u>

19. OPERATING EXPENSES

	<u>2019</u>	<u>2018</u>
Third-party charges related to principal activities	11,032	9,847
Payroll and related charges	1,556	1,444
Freight handling and transportation services	1,467	1,440
Depreciation and amortisation	817	699
Materials, repair and maintenance	783	702
Taxes other than income tax	333	273
Consulting and information services	77	33
Rent	70	67
Fuel costs	56	44
Security	44	47
License and software	28	59
Communication costs	17	17
Other expenses	173	373
Total operating expenses	<u>16,453</u>	<u>15,045</u>

20. INTEREST EXPENSE

	<u>2019</u>	<u>2018</u>
Interest expense on RUR bonds	227	204
Interest expense on lease	16	-
Total interest expense	<u>243</u>	<u>204</u>

21. INCOME TAX

	<u>2019</u>	<u>2018</u>
Current income tax expense	(515)	(263)
Deferred income tax expense	(187)	(41)
Income tax expense	<u>(702)</u>	<u>(304)</u>

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 three-month period ended 31 March 2019 was 21.0% (for the three-month period ended 31 March 2018: 21.0%).

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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 31 March 2019 and 31 December 2018, are disclosed below:

Related party	Nature of relationship	
	31 March 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

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.

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 three-month period ended 31 March 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	-	-	-	7,185	7,185
Trade receivables	322	5	-	-	327
Advances to suppliers	476	21	-	1	498
Other assets	3	3	16	22	44
Total assets	801	29	16	7,208	8,054
LIABILITIES					
Current liabilities					
Contracts liabilities	-	254	137	8	399
Other payables	2	54	104	9	169
Total liabilities	2	308	241	17	568
Revenue					
Integrated freight forwarding and logistics services	-	837	177	27	1,041
Agency fees	710	-	-	-	710
Other services	3	31	2	-	36
Interest income on deposits	-	-	-	64	64
Other income	2	20	1	1	24
Total income	715	888	180	92	1,875
Operating Expenses					
Third-party charges related to principal activities	8,825	18	887	1	9,731
Freight and transportation services	1,224	-	49	-	1,273
Repair services	79	422	8	-	509
Other expenses	45	9	42	31	127
Total expenses	10,173	449	986	32	11,640
Purchases of property, plant and equipment	-	-	-	78	78
Purchases of inventory	-	62	-	4	66
Contributions to non-state pension funds	-	-	-	11	11
Total other transactions	-	62	-	93	155

In 2017, the Company acted as a guarantor for the execution of FVK Sever obligations under the loan agreement with Vnesheconombank. As at 31 March 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 31 March 2019 and 31 December 2018 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 154m.

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and outstanding balances with related parties as at 31 December 2018 and for the three-month period ended 31 March 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
Revenue					
Integrated freight forwarding and logistics services	-	698	172	83	953
Agency fees	605	-	-	-	605
Other services	65	19	3	1	88
Interest income on deposits	-	-	-	46	46
Dividends received from joint ventures	-	-	365	-	365
Other income	5	3	1	17	26
Total income	675	720	541	147	2,083
Operating Expenses					
Freight and transportation services	1,175	-	59	12	1,246
Third-party charges related to principal activities	7,867	13	589	44	8,513
Repair services	101	303	7	-	411
Other expenses	29	7	-	31	67
Total expenses	9,172	323	655	87	10,237
Purchases of property, plant and equipment	-	-	-	9	9
Purchases of inventory	1	-	-	4	5
Contributions to non-state pension funds	-	-	-	17	17
Total other transactions	1	-	-	30	31

Dividends

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.

For the three-month period ended 31 March 2019 dividends were not approved and not paid off.

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 19 persons as at 31 March 2019 and 31 March 2018, respectively.

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 92m (including total social insurance contributions of RUR 14m) and RUR 53m (including total social insurance contributions of RUR 7m) and for the three-month period ended 31 March 2019 and 31 March 2018, 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 31 March 2019 liabilities in respect of Key management personnel on accrued expenses and other current assets amounted to RUR 441m, 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 31 March 2019 and 31 December 2018 consisted of the following, including VAT:

	31 March 2019	31 December 2018
Acquisition of containers and flatcars	13,405	4,533
Construction of container terminal complexes and modernisation of existing assets	4	135
Acquisition of lifting machines and other equipment	67	67
Total capital commitments	13,476	4,735

In March 2019 the Group entered into agreement 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.

24. RISK MANAGEMENT ACTIVITIES

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.

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 three-month period ended 31 March 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 64.7347 per USD as at 31 March 2019, against EUR while the CBRF exchange rate reduced from RUR 76.4605 per EUR as at 31 December 2018 to RUR 72.7230 per EUR as at 31 March 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 17.0498 per 100 Tenge as at 31 March 2019, respectively.

As at 31 March 2019 the Group received financial guarantees in the total amount of RUR 1,229m in order to ensure the proper performance of contractual obligations and minimise risks of collecting receivables and advance payments (as at 31 December 2018: RUR 2,697m).

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24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

The interim condensed consolidated financial statements do not include all financial risk management statements and disclosures required in the annual consolidated financial statements of the Group, prepared for the year ended 31 December 2018. The information disclosed in the interim condensed consolidated financial statements as at 31 March 2019 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. There have been no significant changes in the Group's risk management policy during the three-month period ended 31 March 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, other financial assets, 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>31 March 2019</u>	<u>31 December 2018</u>
Financial liabilities		
Bonds	10,939	10,915
Total	<u>10,939</u>	<u>10,915</u>

25. SUBSEQUENT EVENTS

Acquisition of flatcars. In April - May 2019 the Group obtained under the previously signed agreements:

- 57 flatcars from LLC RailAlliance for the total amount of RUR 191m, net of VAT;
- 91 flatcars from LLC Torgoviy dom RM Rail for the total amount of RUR 248m, net of VAT.

Acquisition of containers. In April-May 2019 the Group obtained under the previously signed agreements:

- 26 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 4m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT;
- 28 containers from DG ORDEREASY LTD for the total amount of RUR 7m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.

Agreement on acquisition of flatcars. In April 2019 the Group entered into the agreement 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.

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. Dividends are payable to shareholders no later than 7 June 2019.