



# **BUILDING UP THE ADVANTAGES**

ANNUAL REPORT 2018



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## About the Report

Reporting period from 1 January 2018 to 31 December 2018.

The report of the Public Joint Stock Company TransContainer ("TransContainer", the "Company") for the year 2018 includes the outcomes of TransContainer and its subsidiaries (the "Group"). The composition of the Group and its equity interest in TransContainer are shown in the Consolidated Financial Statements for 2018.

The data in our Annual Report for 2018 is consolidated in accordance with the Bank of Russia's Regulation No. 454-P On Information Disclosure by the Issuers of Issue-Grade Securities dated 30 December 2014; the Corporate Governance Code dated 21 March 2014; the Procedure For Submission of Information and Reports to Public Joint-Stock Company "Moscow Exchange MICEX-RTS" dated 24 June 2015; the Bank of Russia's Information Letter No. IN-06-52/8 On Disclosure of the Corporate Governance Code Compliance Report in the Public Joint Stock Company's Annual Report dated 17 February 2016; the FRC's Guidance on the Strategic Report (2014) and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014); the Guidelines on Non-financial Reporting under Directive 2014/95/ EU; and the GRI's Sustainability Reporting Guidelines.

The information provided in the Report has been subjected to an internal audit and reviewed by the Audit Committee and the Nominations and Remuneration Committee of the Company's Board of Directors.

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# ABOUT THE REPORT

Disclaimer

This Annual Report (the "Annual Report") has been prepared using the information available to the Public Joint Stock Company Center for Cargo Container Traffic TransContainer ("TransContainer", the "Company") and its subsidiaries (the "Group") at the time of its preparation, including information obtained from third parties. The Company reasonably believes that the information in the Annual Report was complete and accurate as of the time of its publication. However, it does not represent or warrant that the information will not be further refined, revised or otherwise changed. This Annual Report may contain certain forward-looking statements regarding the operations, economic performance, financial condition and results of economic and industrial activities of the Company and the Group, its plans, projects and expected results, policies in respect of dividends and capital expenditures, as well as trends relating to prices, rates, transportation volumes, terminal handling volumes, production and consumption volumes, costs, anticipated expenses, development prospects, useful service life of assets and other similar factors, the economic outlook for the industry and markets, dates for beginning and end of individual projects, as well as acquisition, closing, conservation or disposal of certain entities (including related costs). The words "intends", "strives", "projects", "expects", "estimates", "plans", "believes", "anticipates", "may", "should", "will" and "will continue", as well as similar expressions, generally indicate forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties, both general and specific, and there is a danger that assumptions, forecasts, projections, and other forward-looking statements may prove unjustified. In light of these risks, uncertainties, and assumptions, the Company warns that actual results may differ significantly from those expressed either directly or indirectly in such forward-looking statements, which are only valid as of the date that this Annual Report was drafted. The Company does not represent or warrant that the results specified in the forward-looking statements will be achieved. The Company does not assume any liability for damages that may be incurred by persons or legal entities acting on the basis of forward-looking statements. Such forward-looking statements in each case represent only one of many possible outcomes and should not be considered as the most probable outcomes. In particular, other factors that could influence the financial and operational performance of the Company or the Group, its plans, projects, capital expenditure and other aspects of its operations include changes to macroeconomic or market conditions, the actions of the state bodies of the Russian Federation and other jurisdictions where the Group studies, develops or uses assets, including changes to tax, environmental and other laws and regulations. This list of material factors is not exhaustive. When taking into account the forward-looking statements, the above factors, and in particular the economic, social, and legal environment in which the Company or the Group operates, should be carefully considered. Except as explicitly required by applicable law, the Company assumes no obligation to publish updates or changes to forward-looking statements based on any new information or subsequent events.



Dear shareholders and investors,

Thanks to coordinated efforts of our team, the Company again proved high performances breaking its own records of year 2017.

We managed to boost the financial results due to development of the client and terminal services, optimisation of the transportation structure, and effective tariff decisions, which have been taken considering the Company's capabilities and the current market conditions. Also, we focused a lot on evolution of international transit and foreign subsidiaries of the Group in the past year.

The trends of the rail container transportation market have confirmed the relevance of the Company's strategic planning targets approved in 2017.

No doubt, the results of 2018 gratify and inspire, but also make us continue our way and set a high standard for future work. Therefore, for year 2019 we have some key tasks like further growth of operating performance and labour productivity, improvement of services quality and volumes.

Expected privatisation of Public Joint Stock Company TransContainer will open new strategic prospects to the Company while requiring greater efforts from the team to implement the tasks assigned by the Board of Directors.

In summary, we can say that in 2019 the Company anticipates complex and challenging cases involving the entire team with their commitment, initiatives, and creative approaches.

*Sincerely yours,*

Chairman of the TransContainer's Board of Directors

ANDREY STARKOV



# BUSINESS MODEL

A target business model is a vertically integrated transport and logistics holding, a containerised cargo shipper and a provider of logistics services in Eurasia.

**76,959** <sup>+17.4%</sup> **9,821** <sup>+50.9%</sup> **9,509** <sup>+45.5%</sup>

Total revenue Comprehensive income Profit for the period

Revenue breakdown<sup>1</sup>  
RUB mln

**+12%**

International transportation operations

**x1.7**

Container handling volumes at the border crossing between Slovakia and Ukraine (Dobra terminal)

**2,813 (-28.6%)**  
Other revenues

**2,988 (+15%)**  
Agency fees

3.7%

3.9%

**+8.2%** Volume of import operations

**+38.5%** Transit transportation

**-2.9%** Drop in domestic transportation volumes

**+7%** Volume of export operations

**95**

sales offices in Russia

International sales network:

**30**

countries

**5**

representative offices

**40**

Terminals

**4**

joint ventures

**7**

subsidiaries

**10**

Bonded warehouses

**71,158 (+24.7%)**  
Integrated freight forwarding and logistics services

92.4%

**+8%**

Container handling volumes at the border crossings with China

**iSales**

provides remote communication with clients

**90%**

of orders for transportation are made online

<sup>1</sup>Hereinafter referred to as IFRS data



## Interview with TransContainer's CEO Vyacheslav Sarayev



**– The Transcontainer financial results in 2018 are record-high through the entire history of the Company. This was mainly contributed by the existing market conditions, but still there are other reasons. What are the other drivers for such a growth in operating performances?**

– Indeed, the Russian rail container transportation market continued its stable growth last year, partially due to transit increase and containerisation of cargos, which used to be transported by box cars.

The growing market is not only a benefit, it is a challenge also. Increasing demand leads to a lack of rolling stock, however we managed it by higher efficiency of flatcar fleet usage and optimised empty runs, and now we have volumes transported by TransContainer's rolling stock (including third-party fleet) exceeding the value of the last year by 4.6%, that is 1,958 thousand TEUs; and our share in the Russian rail container transportation market equals 44%. In 2018, the Company handled 1,279 thousand TEUs at terminals.

**– TransContainer's net profit raised by 45.5% under IFRS and reached RUB 9,509 million, and the adjusted net profit margin increased from 23.5% to 30.4% year-on-year.**

– Sure, these results are driven not only by favourable conditions and increase of transportation volumes but also by vigorous efforts of the management. The key factors were development of transportation and logistics, more effective sales and higher quality of client services, as well as active penetration into the promising market niches. Another critical driver was tight control over the Company's expenses.

**– What was the main focus of the Company's investment programme in 2018?**

– Total cost of the investment programme throughout 12 months of 2018 amounted to approximately RUB 8.9 billion.

Among them RUB 1.9 billion were spent for purchasing CJSC Logistics-Terminal, an operator of one of the most up-to-date container terminals in the North-Western region of the Russian Federation. This asset will allow us to improve the container transportation services quality and strengthen the Company's position as a leading intermodal container operator in Russia.

The bulk of the actual cost of the investment programme (63%) relates to the rolling stock acquisition, that is an urgent need in the existing conditions of transportation volumes grow-up.

2,131 flatcars were purchased in 2018, 40-foot and 80-foot ones. By the end of the year, the rolling stock fleet of the Company reached 26,457 cars. As of 31 December, the container fleet amounted to 70,478 thousand with 3.5 thousand containers acquired within the year.

Such a growth in the container transportation market was encouraged by the economic revival of our country, cargo containerisation, and buildup of transit between China and Europe, which are supposed to retain in the long term. Therefore, we are planning to continue investments into the rolling stock and the container fleet.

But at the same time we have some other tasks - the non-financial investments like business-processes optimisation, increase of assets management efficiency, client services improvement, etc. All these measures will enhance the Company's services attractiveness for different segments of transportation and logistics market, as well as for different types of clients.

**– The TransContainer's client base shows stable growth. Which services and which transportation and logistics products could you offer in the last year?**

– For many years TransContainer has been co-operating with the major producers of cars, chemicals, enterprises of timber processing, metallurgy, machine construction and other industries in transportation of raw materials, components, and final products providing their stable operation.

As of 2018, the TransContainer's client base accounts for more than 20 thousand enterprises and keeps its highly diversified standards - in 2018, top-ten clients provided 31.1% of revenue, while the largest client, UNICO company, which is the TransContainer's partner in Korea and China import and transit projects (Samsung, GM, Hyundai, Ssang Young, etc.) made 8.3% of entire revenue.

As of 31 December 2018, the TransContainer network in the territory of the Russian Federation included 95 sales offices. The sales network relies on the central office in Moscow, key freight traffic clusters, regional administrative centres, and transport hubs. The international network of coverage comprises 30 countries, including the CIS, Central and Eastern Europe, and the Asia Pacific. It encloses seven subsidiaries, four joint ventures, and five representative offices.

We actively develop online sales, which have already become the Company's core client interaction channel. In 2018, the share of e-commerce orders was 90%, and the share in the scope of transactions (in TEUs) was 79% of the total number of orders.

In the reporting year the Company arranged a number of new transportation and logistics services, i.e. plywood transportation by the high-speed container trains from Europe to the Asia Pacific along the route Kotka – Buslovskaya – Nakhodka – Pusan for UPM Ltd; delivery of equipment and materials for construction of HAVAL carmaker from China (Shanghai, Tianjin) to Sbornaya-Ugolnaya station (along two routes: through Nakhodka and through Zamyn-Uud); public container service along the route Ulaanchab – Zamyn-Uud – Ekaterinburg; transportation of timber processing complex products by the high-speed container trains

along the route Kostylevo – Ust-Luga for Ustyansky Timber Processing Complex; transportation of sawn timber products by the high-speed container trains from Lesosibirsk to St Petersburg and Nakhodka.

**– TransContainer keeps its position as an absolute leader in the market of rail container transportation in Russia, the CIS, and the Baltic states. However, this market is influenced by competition, which is getting stronger year to year. What new challenges are expected and what will be the countermeasures?**

Since the major part of the rail container transportation market growth is coming from the cargo base re-distribution between the transportation market segments, we still will have a high level of competition, and we will compete not only with other rail operators but with adjacent segments of the Russian transportation market also, first of all - with truck deliveries.

Concerning international container transportation, the Company anticipates the same competitive pressure from the sea lines, and again, it is driven not only by traditional alternative sea routes for import and export but also by linear containers offered for transportation within Russia and for export.

The current business model of the Company as an operator has allowed us to accumulate required skills, client base, assets, which will enhance entry into the new rapidly increasing segments of the market.

But we need more ambitious, and even more aggressive tasks to continue moving forward. Now we are preparing the Company's Development Strategy 2024, which implies adding the integrated services of intermodal transportation for any type of cargo (covering Asia – Europe and basing on our own digital model) to the traditional business model of the Company as a rolling stock operator. Such new services shall ensure better logistic solutions for each client.

We will be boosting out our share in Europe – Asia transit, developing terminal facilities, and adjusting production logistics to attract the new large strategic clients. But we still need to focus on other segments of special transportation, which are absolutely new for us.

It is not realizable without a powerful and up-to-date IT-platform, and it also needs out strong efforts.

Let's say again - these are very ambitious tasks. But in the modern world, we need to go forward very fast just to keep our leading position. We are not going to rest on our laurels, we need to move by leaps and bounds.



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**9,735**

**km in 11 days**

High-speed container trains from  
St Petersburg to Nakhodka



# STRATEGIC REPORT

## Strategy

Considering the qualitative changes in the economy and in the market, the key focus areas of TransContainer Strategic Development 2025 have been updated. The updatings relate to priorities in quantitative strategic goals and tools of these goals achievement. The Company's mission, target business model and strategic goal in mid term remain unchanged. The internal audit of the updated Strategy implementation throughout 2018 confirmed relevance of the Company's strategic planning targets approved in 2017.

The TransContainer's Development Strategy 2020 was accepted by the Board of Directors in January 2013 and updated in 2017. Achievement of the target values is based on a vertically integrated business model of the largest national container operator allowing all types of transportation and logistics services for a wide range of the clients over the entire territory of Russia and the CIS.

### Company Mission

To provide effective support to our clients by offering prompt, reliable and comprehensive container cargo delivery and logistics solutions.

### Strategic Goal

Maximising capitalisation (shareholder value) of the Company by scaling up the business and enhancing its efficiency.

### Strategic Priorities

As previously, we plan to keep our position as the leading player in the 1520 gauge rail container transportation market and as a network container operator running flatcar and container fleet. Terminals serve as supporting assets for organising and optimising rail container and intermodal transportation services.

Together with the tools of extensive development (rolling stock buildup, geographical expansion, etc.), we prioritise the tools improving efficiency and providing the Company's stability and competitive ability.

#### Transportation Volumes

The Company's strategic goal for the period up to 2025 is to ensure that container transportation volumes transported by the Company's flatcars and containers grow at an average rate comparable to the average growth rate of the rail container transportation market.

#### Fleet Renewal

To develop the Company's business according to approved key focus areas of strategic development, the rolling stock and ISO containers (high-capacity containers) fleets, as well as trucks, lifting equipment, and computers have been upgraded in the reporting year:

- 2,131 rolling stock cars have been purchased, among them 1,213 – 40-foot flatcars and 918 – 80-foot flatcars;
- 3,543 high-capacity containers have been purchased, among them 2,394 – 20-foot containers and 1,148 – 40-foot containers.

#### Specialised Container Transportation

By reallocating cargo traffic from pipelines and trucks to railway, specialised container transportation can considerably expand the range of containerised cargoes carried on intermodal routes and boost potential volumes shipped by rail.

In the mid-term, this segment has a strong outlook driven by both low containerisation level and rapid growth of cargo volumes to be transported by specialised containers. One of the most promising segments in the specialised container market is liquid chemicals transportation in tank containers.

In 2017, the Company decided to allocate a business linked with cargo transportation in specialised containers to a separate legal entity – LLC SpecTransContainer.

LLC SpecTransContainer offers integrated services to a wide range of clients in the 1520 gauge market, focusing on petrochemical producers. The main strategic goal of the new company is to become a Top 3 market player in its segment in the next five years.

The outcomes of year 2018 confirmed correctness of the decision to allocate the specialised container transportation segment to a separate legal entity. The volume of specialised cargo transported with the equipment of LLC SpecTransContainer amounted to 15,000 TEU by the end of the year, that is 36% above the target value of the approved business-plan.

#### Terminal Business

In 2018, the works on the Company's terminal network upgrading were continued, including maintenance of lifting machinery, trucks, and equipment.

To retain and strengthen the position of TransContainer at the containers terminal handling market, the purchase and sale of 100% CJSC Logistics-Terminal (on 3 September 2018, TransContainer and JSC First Container Terminal, a subsidiary of Global Ports Investments Plc, completed a deal to acquire 100% shares of CJSC Logistics-Terminal) shares were transacted at the St. Petersburg transport hub.

CJSC Logistics-Terminal owns and manages a multifunctional terminal logistics complex linked to Shushary Station (close to St Petersburg) by railway. The complex, which was put into operation in 2010 and which offers a wide range of services on container and general cargo handling, comprises a container terminal, warehouses of class A and C, a permanent zone of customs clearance with a temporary warehouse and other facilities of terminal logistics infrastructure. In 2018, the volumes of CJSC Logistics-Terminal handling amounted to 179,000 TEU, while the volumes of general cargo handling equalled 339,000 tonnes.

#### Geographic Priorities

Priorities for the international sales network development are set based on the existing and potential container flows between countries across the 1520 mm gauge network. The Company considers the following regions as lucrative for its international expansion: the Asia Pacific, India, the Middle East, Central and Eastern Europe.

In 2018, the use of Mongolia as a transit route for transportation was a new focus area for the Company. The region has a favourable geographical location, which enables us to choose an optimal route from the Chinese key freight traffic clusters to Russia and Europe.

To develop the transit route through Mongolia, in September 2018 the Company registered its subsidiary - Chinese Joint Venture TransContainer-Mongolia in Ulaanbaatar. This decision was taken as a part of the China–Mongolia–Russia corridor development initiative.

Chinese Joint Venture TransContainer-Mongolia is planned to deal with forwarding the container cargo on the territory of Mongolia, managing and monitoring the TransContainer's flatcar and container fleets on the territory of Mongolia and at the key border crossings, as well as arranging a technical interaction with the Mongolian forwarding agencies.

### Strategic Risks

Our strategic development priorities are exposed to a number of key risks that may adversely affect delivery on the Company's strategic goals and financial and operational targets<sup>1</sup>.

#### Deterioration of Global Economic Environment

Actual macroeconomic performance depends on a number of external interrelated factors, specifically:

- decreasing prices of oil and other commodities;
- China's economic slowdown;
- trade war between China and the United States;
- UK exit from the EU;
- risks related to the EU abandoning its ultra-low interest rates policy.

Materialisation of these risks may slow down the global economy, which would have a negative knock-on effect on Russia's GDP, national currency and international transportation volumes.

Should any of such risks crystallise, the Company would consider a review of its investment programme to factor in the new demand patterns, while also adjusting its pricing policy and implementing a cost optimisation programme along with other measures to improve its competitive position in the domestic and global markets.

#### Geopolitical Issues

Since 2014, Russian entities and individuals have been subject to both individual and sectoral sanctions imposed by the US, the EU and a number of other countries, with effects including limited access to debt and equity capital markets, and restricted technology transfers.

In August 2017, the US Congress passed the Countering America's Adversaries Through Sanctions Act, which identifies state-owned entities operating in the railway or metals and mining sector as potential subjects of US sectoral sanctions and provides for potential sanctions against Russian sovereign debt, public officials, and business persons.

1. For the details of Risks Report see TransContainer's Corporate Risk section on page 191.



On 27 August 2018, new US sanctions came into effect, but they do not directly concern Russian individuals or legal entities. Goods and technologies considered by the American authorities as relating to national security were forbidden for export to Russia (for example, avionics, submersible vessels, some kinds of gas turbines, gaging equipment, etc.). The only exclusions were the goods and technologies required for security of civil aviation.

New sanctions against Russia's economy or transportation companies also cannot be excluded, with the Company and the industry at risk of being severely affected, should it materialise.

To manage the risk, the Company monitors the sanctions environment and adjusts its debt and financial policy to factor in potential adverse effects from new or revised sanctions.

Deterioration of Railway Operating Environment

In recent years, increasing containerisation has been the key driver behind the growth of the rail container transportation market, which has also been supported by a prudent tariff policy for container shipments, easier access to the rail infrastructure, developing technology for high-speed container trains, etc.

Infrastructure fees for container transportation growing at above-average rates, additional limitations introduced for container trains, shutdown of terminal capacities used for container processing, as well as other restrictive technical measures may have a material adverse effect on the competitiveness of the entire railway industry and, therefore, on the performance of the railway container transportation market.

The Company will continue working together with Russian Railways and other railway administrations to promote further development of containerisation processes and container shipment practices.

Chinese Government Reducing or Terminating Support for Rail Container Transportation

The Chinese government supports international rail transportation, including transit routes. Government subsidies are a strong driver of the pricing attractiveness of rail shipments from China in comparison to sea freight. Cancellation of, or reductions in the government support may have an adverse effect on rail container transportation on relevant routes. To minimise the impact, the Company takes measures to bolster the competitive edge of existing services, expand the network of international routes, and optimise its logistics.

Competition from Alternative Transportation

The rail container transportation market strongly depends on the alternative transportation markets. Overall, the pricing environment in rival transportation segments has been favourable for the rail container business.

The sea freight market after its recovery in 2016–2017 shows the 2018 average container transportation rates corresponding to SCFI freight index approximately 2.5% higher year-on-year. It should be noted that up to July 2018 the rates were lower than in 2017. In July they became almost equal to the previous year, and in 2H 2018 the rates index raised 15–25% year-on-year due to negative news background relating to the trade war between the US and China.

However, long-term sea freight trends associated with a sustained supply-and-demand imbalance; a shift towards super-large container ships, and decreased per unit costs of a TEU container cargo are creating a systemic risk of a renewed decline in freight rates, which may have an adverse impact on the competitive strength of international rail container transportation.

To minimise the impact, the Company takes measures to bolster the competitive edge of existing services, expand the network of international routes, and optimise its logistics.

Stronger Competition in the Rail Container Transportation Market

Increase in the market demand usually leads to a mid-term competition growth driven by existing companies actively purchasing rolling stock and potential new players entering into the market. In the near term, it may push rolling stock prices significantly higher, while putting them under a mid- or long-term downward pressure from the growing supply-and-demand imbalance. A particularly severe impact may be felt at the cyclical downturn. The Company plans to minimise the impact of this risk by taking measures to improve the price competitiveness, client service, and rolling stock efficiency, as well as by a prudent flatcar purchasing policy ensuring an adequate supply-and-demand balance.

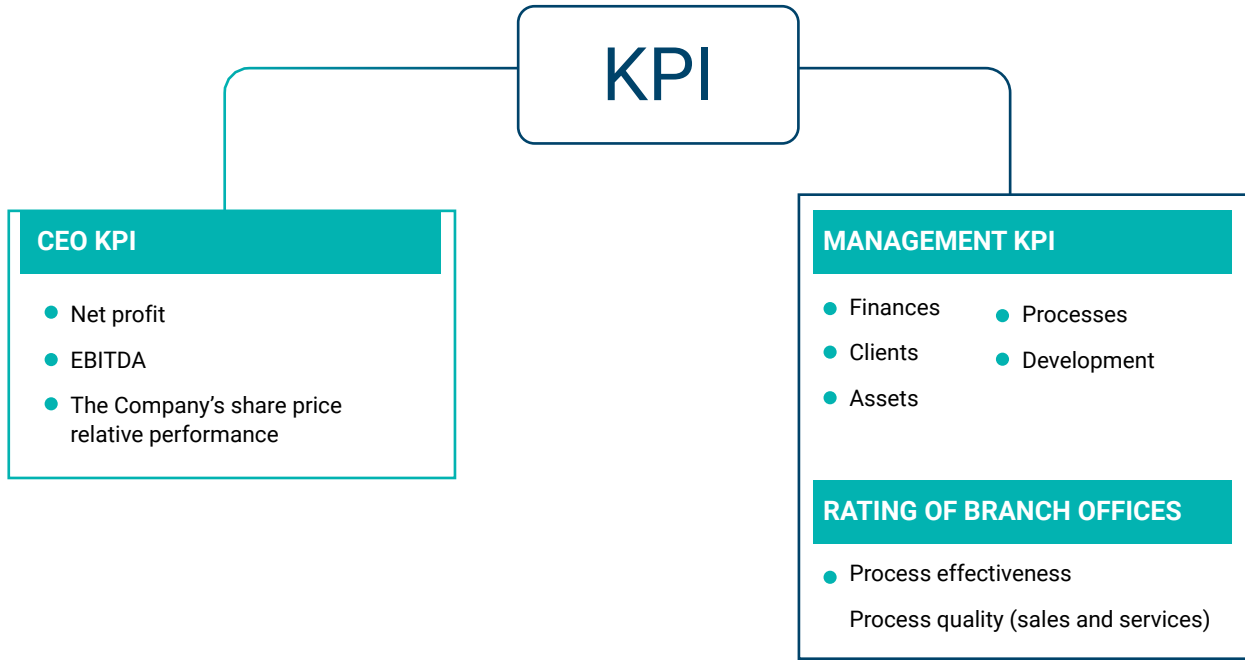
Risks Related to Rolling Stock Procurement

With the rail shipment market rapidly growing and the 2016–2018 rolling stock renewal underinvested, we face a growing short- and mid-term risk of having insufficient active rolling stock to meet the needs of shippers.

There might be delays and shortages in flatcar supply, along with rapidly growing flatcar prices triggered by growing demand and key components prices.

To mitigate the impact, the Company establishes long-term partnerships with key manufacturers and optimises the rolling stock purchase schedule.

System of Key Performance Indicators



The system of key performance indicators (KPI) was introduced in 2011 and best reflects the extent to which the Company's management is meeting both short- and medium-term objectives (as set out in the budget) and achieving the long-term strategic objectives established by the Board of Directors. KPIs are mainly used to assess the performance of top managers, including heads of branches.

The KPI framework comprises a set of corporate indicators that are also individual KPIs for the CEO, and a set of individual indicators that correspond to the managers' key functions.

The list of corporate and individual KPIs, the weights of corporate and individual KPIs, and the specific weights of each KPI are set as follows:

- for the CEO, these are set by resolution of the Board of Directors;
- for other managers, these are set by the CEO's order based on the Company's strategy and budget targets.

To determine whether the management meets KPIs when their target values are tied to budget parameters, the Company uses parameters of the budget which is effective as at the relevant reporting date.

The CEO's KPI report is reviewed by the Nominations and Remuneration Committee and the Board of Directors as part of the CEO bonus award process for the full reporting year. Managers' KPI reports are reviewed by the Company's CEO.

The respective KPI coefficients are calculated based on accounting and statistical data, as well as operational and management accounting.

Full-year bonuses are determined using the following corporate KPI, which are also the CEO's KPIs:

Chief Executive Officer Performance

According to the resolution of the TransContainer's Board of Directors, the CEO's performance is assessed based on two indicators:

- net profit;
- EBITDA.

Market capitalisation is directly tied to overall performance excellence, which is why the net profit and EBITDA were chosen as the CEO's KPIs, with their target values based on the Company's Board-approved budget effective as at the reporting date.

Management Performance

Management target KPIs are set out by the CEO on the basis of parameters that have been enshrined in the Company's Development Strategy and budget.

By breaking the key strategic objectives down on the basis of anticipated results in the areas of Finances, Clients, Assets, Processes, and Development and by establishing indicators to assess their achievement, we ensure the involvement of the management in the implementation of the Company's strategy and reinforce their determination to meet budget parameters.

Along with the general corporate KPIs (as established for the CEO), there are individual KPIs that correspond to managers' functions. Thus, each manager is also responsible for the general corporate KPIs, but these indicators are assigned a weighting of less than one.

The specific weighting of the general corporate KPIs for all manager groups is applied in accordance with the relative weights of those indicators for the CEO. The specific weighting of individual KPIs for managers is established in accordance with their influence on the Company's operations. The KPI description determines the methodologies used to assign and calculate the KPI target value, as well as the method for calculating the value achieved. These issues are reviewed by a working group established by the order of TransContainer's CEO.

The KPI system proved its effectiveness in enhancing the core processes related to production, management, and development.

Rating of Branch Offices

In addition to individual KPIs for the management, the KPI system includes branch office ratings introduced in 2013 for the following purposes :

- motivating all employees at Company branch offices to make effective use of human resources and production assets, particularly terminals and rolling stock;
- generating objective assessments to motivate the Company management and branch office staff;
- improving the performance of the Company's branch offices in order to achieve budget indicators and fulfil operational objectives;
- spreading the best practices of agencies, terminals and branch offices across all of the Company's divisions;
- improving the Company's processes.

These ratings complement the existing KPI system without duplicating it. The majority of KPIs are measured by comparing the actual results against the targets.

The branch office ratings are generally assigned by comparing the results achieved by the branch offices against the Company's overall performance.

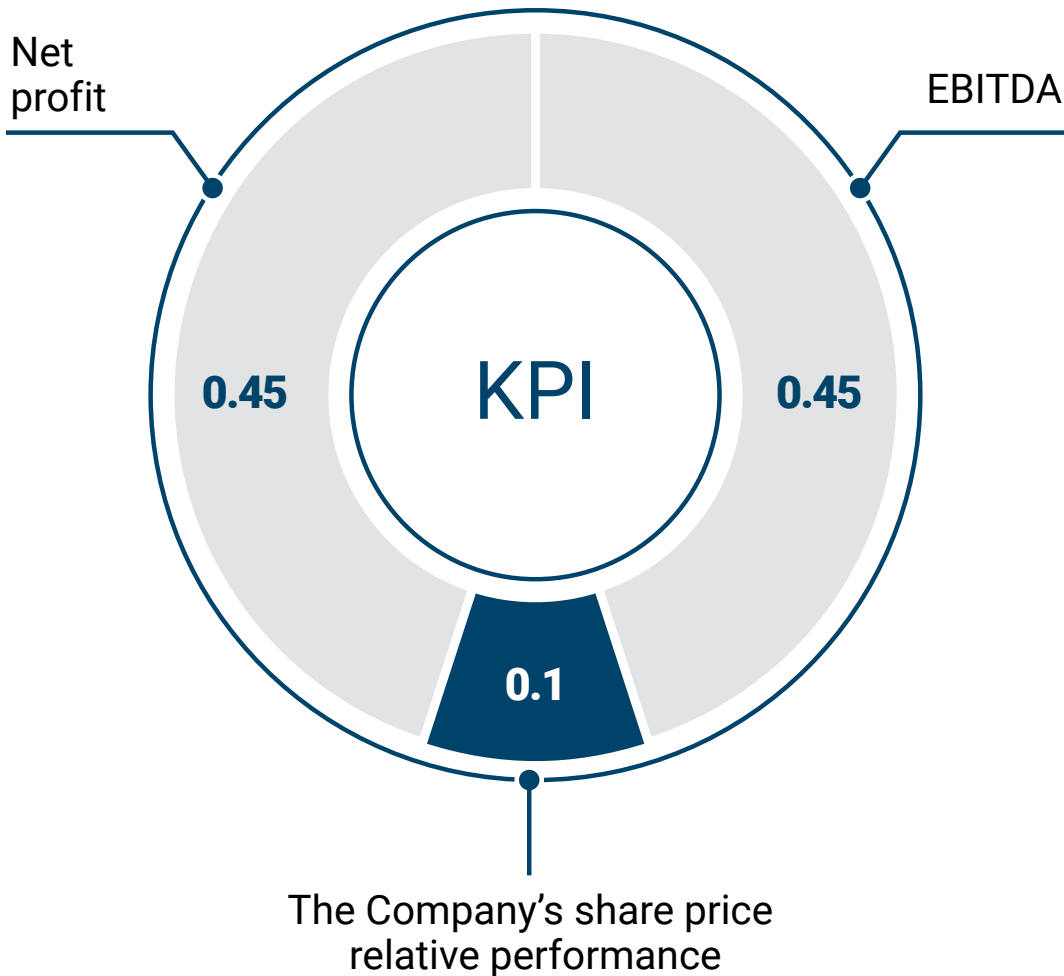
The KPI system comprises two major components:

Strategic indicators

Based on the balanced scorecard (introduced by David Norton and Robert Kaplan) as a strategic management tool

Operational (process) indicators

Generated on the basis of TransContainer's process landscape





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TC Freight Forwarding

100%

subsidiary in Shanghai

builds up an international  
transportation and logistics  
corridor to connect the Asia-Pacific  
and Europe.



# MARKET OVERVIEW

## Global Container Shipping Market

The fundamentals determining the performance of the rail container transportation market include growth in freight volumes and growth in containerisation, i.e. reallocation of cargo traffic to container shipping from alternative transportation and railway rolling stock.

Assuming that the containerisation CAGR remains, and the average GDP growth is expected at 1.5– 2%, we could project the container market to show CAGR of 7– 8%.

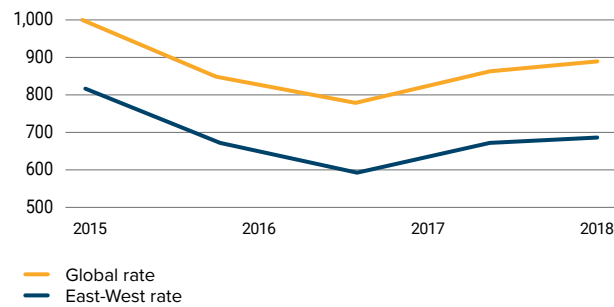
Due to sustainability on the market, the main focus remains on identifying the factors that would ensure greater containerisation of cargo flows and more volumes transported via railways. The key factor for attracting the cargo flows to the Russian Railway network is the development of transit traffic as it is least affected by domestic economic environment. According to the Company's estimates, the share of containerised cargo transported by the Russian Railway network increased from 6.6% to 7.2% year-on-year.

While the bulk of the Company's business revolves around land deliveries of containers along 1520 gauge railways, the state of the global sea shipping market is of essence to TransContainer, especially amid the rapid growth of intermodal volumes in international traffic.

On the one hand, the Company works with sea container carriers to organise export, import and transit shipments involving sea routes, therefore, the cost and availability of co-contractor services are the major drivers of the full price and quality of total logistic chain for the client.

At the same time, railway and sea shipping not only complement each other but also compete for a number of international routes. That is why changes in the sea freight market affect the competitiveness of railway transportation and require an adequate response from the Company.

Trends in Sea Freight Rates, USD per FEU



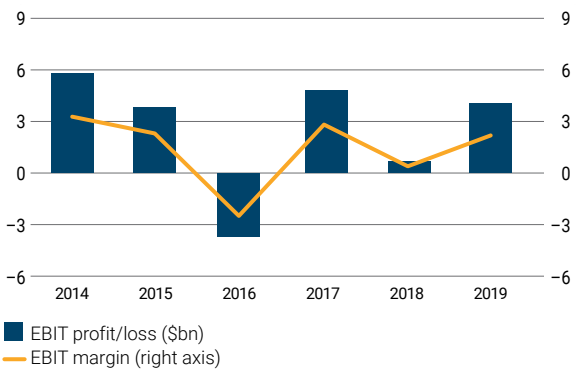
Source: Drewry Maritime Research

Overall, 2018 was as a successful year for the global container market. The recovery, which started in 2H 2016, continued into the reporting period.

In 2018, the global container traffic was up 4.7% compared to 2017 that is much lower than the 2017 (+6.3%) growth trend.

Still, the lower shipping volume growth rate yielded total operating profits of USD 1 billion for the industry in 2018 compared to USD 7 billion year-on-year.

Earnings Before Interest and Taxes, Industry Average (Drewry Maritime Research estimate)

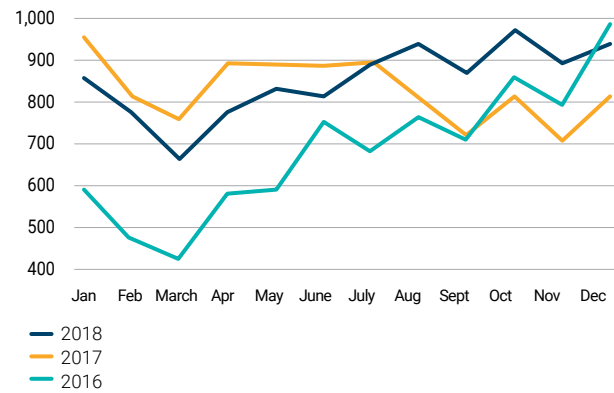


Source: Drewry Maritime Research

Trends in Sea Freight Rates

According to SCFI freight spot index, the average container transportation rate exceeded the previous year record by approximately 2.5%. However, with this respect the year is divided exactly into two parts: the rates were lower year-on-year until June, in June they were almost equal, and in H2 2018, the rate index went up by 15– 25% compared to the previous year.

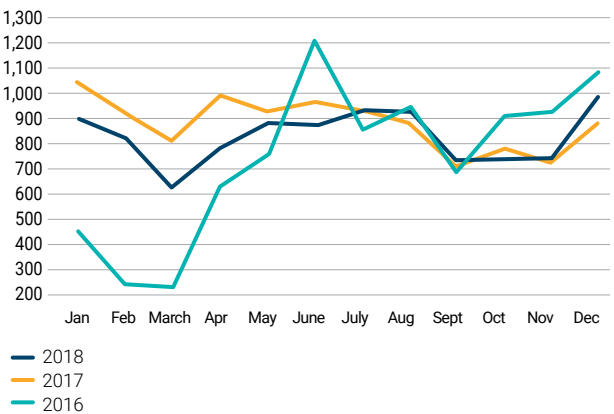
Trends in the Weighted Average Freight Spot Index (SCFI)



Source: InfraNews

Notably, the rates at Trans-Pacific shipping routes exceeded their 2017 level well in advance (in May), i.e. immediately after the imposition of extra duties on steel and aluminium by the US and announcement of planning the first package of anti-China duties with a total value of USD 50 billion per annum. From this point on, the Asia - US shipping market has experienced rapid growth. It should be noted that those trends were different for two main corridors between Asia and Europe (the Northern Europe ports and the Mediterranean ports). The rates in the Northern corridor were down as compared to 2017 through much of the year, except for several peak season months. The diagram illustrating the rates on the routes to the Mediterranean ports is approximately the same as the overall industry diagram with a distinct trend reversal in July.

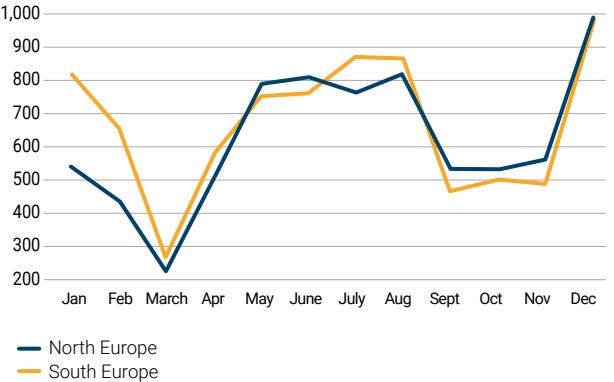
Trends in SCFI Index for the Mediterranean Ports



Source: InfraNews

One more significant change should be mentioned. The route to the Northern Europe ports has been traditionally the main corridor between Asia and Europe, and the rates there have always been higher. In 2018 the rates for the Mediterranean trade routes were staying higher than those for the Northern ports within six months.

Trends in SCFI Index for the Northern Europe Ports



Source: InfraNews

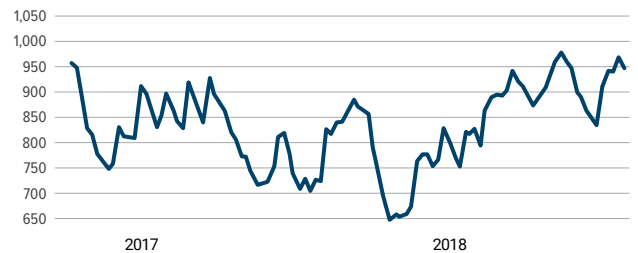
This situation reveals a sustainable demand. Not surprisingly, the container ports of Southern Europe continued to grow at a faster rate than the traditional leaders of the European market (the Northwestern ports). Barcelona being the fastest growing container port in 2017 with 32% growth has lost its leadership in this category, but has increased its volumes by 16% in 11 months and apparently now ranks seven in the European port ranking, ahead of Felixstowe and the Maltese port of Marsaxlokk. Piraeus has become the leader with regard to growth rate. The container turnover of the largest port in Greece rose by 20% last year and amounted to 4.4 mln TEUs. The container turnover of Rotterdam



(the largest port in Europe, with almost a third of all containers shipped via the Northern Europe ports) increased by 5.7% and reached 10.8 mln TEUs in the first three quarters of 2018. The quarterly growth rate in H1 was about 6%. The turnover growth acceleration both for Rotterdam and Antwerp in the summer peak season was most likely due to reorientation of cargo flows from the British ports of Felixstowe and Southampton, after that it slowed down in Q3. Considering the overall slow-down in the market by the end of the year, we could expect that Rotterdam's turnover would not exceed 5% throughout 2018.

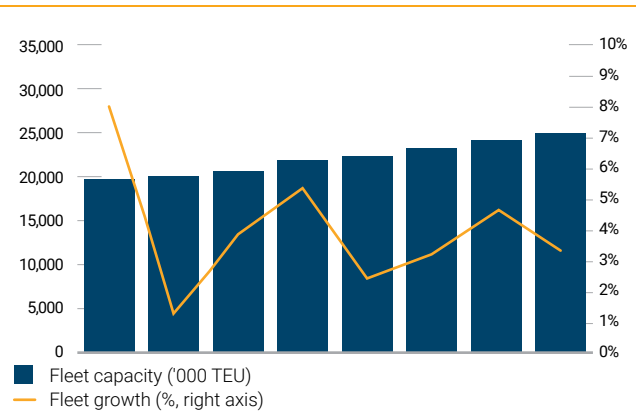
According to preliminary reports, the container turnover of Antwerp, the second largest port in Europe, increased by 5.5% in 2018 and amounted to 11 mln TEUs. However, except for a severe drop in turnover and rating of Felixstowe due to failure in introducing a new IT-system of the port, the rating of European ports has not changed significantly in the past year. At the same time, in Asia where the world's largest operating ports are located, the top-5 rating has been transformed considerably. Shanghai is still the world's biggest container port: it tops the rating for nine years in a row. The leader's container turnover grew by 4.4% and exceeded 42 mln TEUs. Singapore is still ranked second: its volumes increased by 8.7% last year and amounted to 36.6 mln TEUs. The Chinese port of Ningbo-Zhoushan is for the first time among the world's three major container ports by transshipping 26 mln TEUs in 2018 against 24.64 mln TEUs year-on-year. With the turnover of 26 mln TEUs, Ningbo-Zhoushan has got ahead of Shenzhen port (25.74 mln TEUs) that was previously ranked third. Traffic via Guangzhou port (Nansha) amounted to 22 mln TEUs in 2018 that is 8% up year-on-year. As a result, the port moved to rank 5, while Hong Kong with its turnover decreased by 5.4% dropped to rank 7. The port of Busan in South Korea has retained its rank 6. According to the preliminary estimates of BPA Port administration, its container turnover amounted to 21.67 mln TEUs last year. Despite the transshipment growth by 11.5%, the total volume increased by only 5.8% because of the zero growth of foreign trade turnover volumes under a stagnant economy.

Trends in Shanghai Containerized Freight Index



Fleet

The capacity of global container fleet grew by 5.1% in the first three quarters of 2018. For reference, the growth amounted to only 3.8% in 2017. ULCS container ships with the capacity of 12,000 TEUs and more accounted for about 80% of the total growth. According to shipbroker Clarkson, the global capacity increased by 1.3 mln TEUs over the past year, and in 2017 – by 1.1 mln TEUs. At the same time, the retirement rates of old fleet remained very low: only 54 container ships were withdrawn from use. The freight rate growth owing to a rising demand drove the shipowners to postpone ship decommissioning. This was particularly apparent in Panamax segment with a capacity from 4,000 to 5,300 TEUs, as its lease price was doubled and reached almost USD 10,000 per day. The market started slowing down by the end of the year. According to the latest Alphaliner data, early in 2019, about 20 Panamax type vessels had been already idle. In the first three weeks of the year, 10 vessels were decommissioned.



Source: Drewry Maritime Research

Outlook for 2019

According to Drewry Maritime Research estimates, in 2019 the container transportation growth rate decreased to 4.1– 4.4% due to a worldwide economic slowdown linked with potential rise of protectionism and economic deceleration of China being the main driver of container shipping.

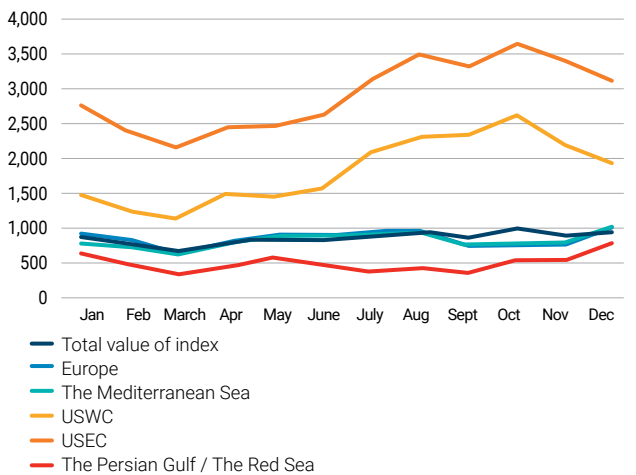
The Key Factors that Continue to Affect the Global Container Shipping Market in 2019

1. The continuing rise of oil price that might have a negative impact on the maritime carriers profitability and overall trends in global demands; risks associated with the sustained transportation supply-and-demand imbalance, as well as risks of aggressive pricing policies of major alliances and independent players for ensuring the market share.
2. Introducing new environmental restrictions on sulphur content in the marine fuel since the beginning of 2020 (so-called IMO-2020 regulations) accelerated the process of fleet modernization and investments in marine emission purification systems.

3. Revising the strategy by terminal and linear operators and shifting priorities to the adjacent segment – Logistics (Maersk, DP World, Cosco, Contship Italia). This trend resulted in an upsurge of interest in feeder operations, and therefore, growing demand for construction of small-size container ships. Eventually, a wave of consolidation in the industry hit the feeder market. In 2018, the Danish feeder operator Unifeeder was purchased by DP World, and CMA-CGM acquired the Finnish operator Containerships. On the other hand, London analysts from Drewry have thus concluded that the industry demand for extra large container ships is satisfied, no big orders are expected, and the market is nearly balanced. However, as early as January 2019, new orders by OOCL and CMA CGM were reported.

4. Political Factor. The previous year clearly demonstrated that the container market is directly dependent on policy. We suggest to take another look at trends in SCFI container index. The rate index for the ports in North America exceeded the 2017 level in May, immediately after the beginning of the trade war between the US and China. And in the last quarter, when the market is always rapidly growing in anticipation of the holidays - and it was so, except for the Trans-Pacific segment - the rates started to drop dramatically as the possibilities of stocking up Chinese goods had been exhausted, while there was again a hope that the conflict could be finally resolved.

SCFI Index for Different Geographical Market Segments



Source: InfraNews

Relatively unfavourable conditions in Asia-Europe shipping market were caused to a large extent by political instability in Europe. First, we should point out the prospect of a UK exit from the EU. Analysts' negative outlook had a significant impact on the market. Also, the adverse political factors include unsafe conditions and escalating separatist sentiment in southern Europe, "anti-European" plans of Italy, crisis in Turkey, etc.

5. The majority of market players recognise that Asia–Europe railway corridor has become a full-fledged shipping alternative that is preferable for specific cargo owner categories. Moreover, this corridor is developing politically, as it is strategically important for Asian countries as a shipping alternative via the Suez Canal in case of rising geopolitical tensions in the Middle East. Thus, the Japanese and Chinese logistics companies have been actively cooperating in establishing a multimode corridor for Japanese goods delivery to Europe. By the estimates of the Eurasian Development Bank, the rail container transportation volumes between China and the EU will reach 1 mln TEUs by 2020, while China expects it to be 2 mln.

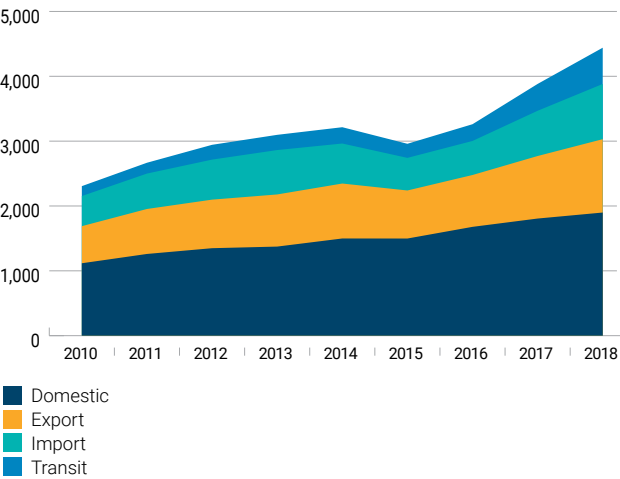
6. Integration of container carriers in larger alliances enhanced their negotiating positions. The operators in other market segments are trying to adopt this strategy. Thus, for example, in autumn 2018, ONE and Hapag-Lloyd reached a partnership and vessel sharing agreement (VSA) in relation to feeder operations. In January 2019, four out of the five operators of Hong Kong Port that kept losing its positions announced the establishment of a strategic alliance. They are planning to hand over 23 berths and eight terminals of the deep water area of the Kwai Tsing Port for joint operations. These factors will continue to affect the market in 2019.

The base case scenario for 2019 does not forecast significant changes in the market environment compared to 2018, which bodes well for the Russian container market.

# Russian Rail Container Transportation Market

In 2018, the Russian rail container transportation market remained on a strong upward trajectory: 2017 saw a 19% growth rate, while in 2018 it grew by 14% and reached a record high of 4.4 mln TEUs. The market growth rate substantially outperformed the initial forecasts of sectorial analysts.

Russian Rail Container Transportation Market Performance by Traffic Type, '000 TEU



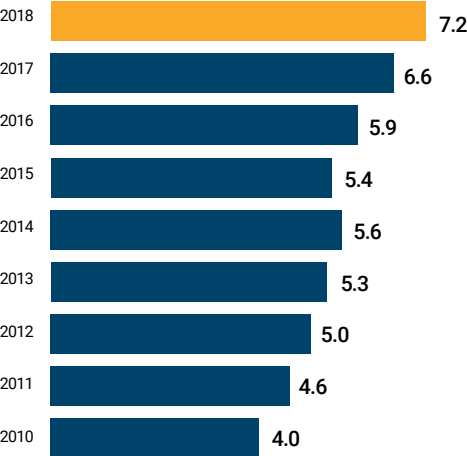
Sources: Russian Railways, Company data

In 2018, the Russian Federal State Statistics Service (Rosstat) recorded the real GDP increase of 2.3%, an uptick in the manufacturing industry of 2.6%, and a 2.6% growth in retail trade. Amid moderate macroeconomic trends, the following factors determined the strong growth of the rail container transportation market in the reporting period:

- the considerable growth of transit transportation through the territory of the Russian Federation in the China–Europe–China corridor as part of the Silk Road Chinese project with high containerisation rate;
- the continuing increase in the international trade of the Russian Federation amid the Russian economy growth and business adaptation to the geopolitics;
- improvement of the rail container transportation service quality by speeding up the delivery, meeting the delivery terms, and simplifying the client-and-operator interaction;
- transfer of the freight volumes to the rail container transportation segment.

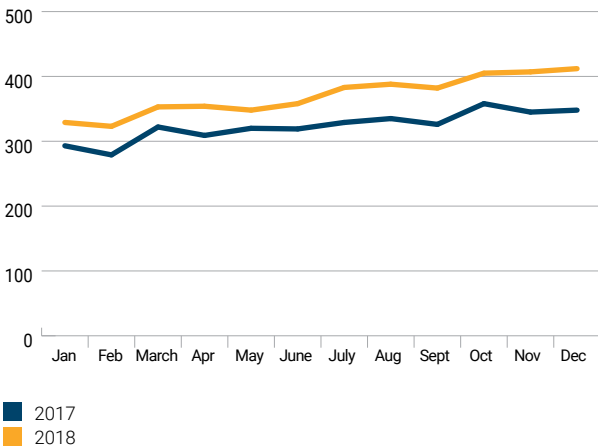
By the end of 2018, the growth of containerisation of cargoes transported via the Russian Railways network increased to 7.2% against 6.6% in 2017.

Containerisation in the Russian Railways Network, %



In addition, 2018 saw a major surge in transit transportation, whose share reached 12.6% against 10.7% year-on-year. The annual trend in the market was also that of strong growth.

Monthly Container Shipments in the Russian Railways Network in 2015-2018, '000 TEU



Sources: Russian Railways, Company data

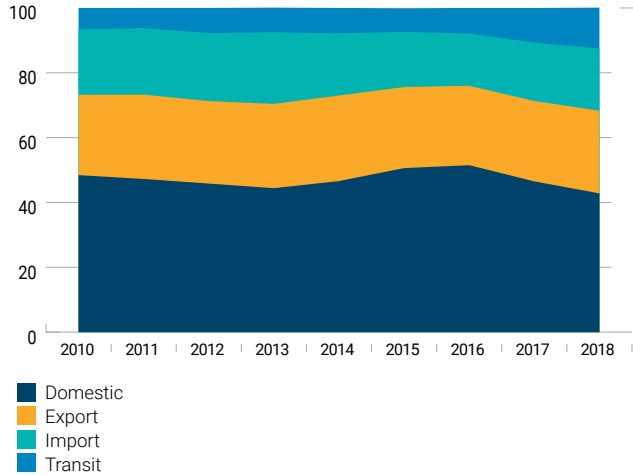
## Transportation Breakdown

The reporting year saw growth in all types of railway transportation: domestic shipments increased by 5.1% year-on-year, while the share of container transportation on international routes grew by 22.5%. The leaders in terms of international transportation were import (the growth amounted to 22.0%, or 154 thousand TUEs) and transit transportation (the growth amounted to 35.1%, or 145 thousand TUEs).

With the rapid growth of international transportation, the market in 2018 was as follows: the share of domestic transportation declined from 46.5% in 2017 to 42.8%, while the imports rose from 18.0% to 19.2%; the exports grew slightly as compared to 2017 and amounted to 25.5%, with the share of transits increasing from 10.7% to 12.6%.

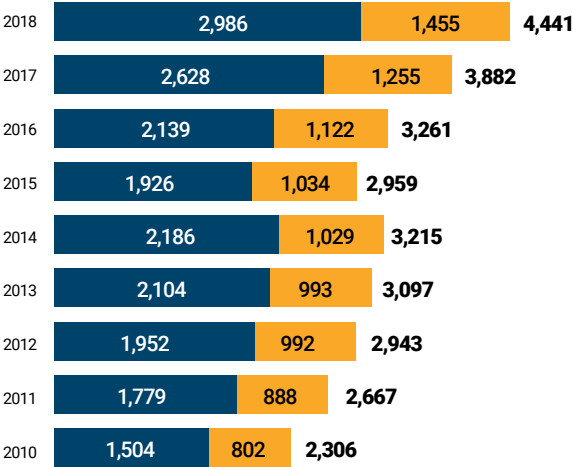
The share of loaded container transportation in the Russian Railways network got 0.4 p. p. down and amounted to 67.2%. During the reporting period, the transportation of loaded and empty containers grew by 13.7% and 15.9% year-on-year, respectively.

Russian Rail Container Transportation Market by Traffic Type, %



Sources: Russian Railways, Company data

Transportation in the Russian Railways Network, '000 TEU



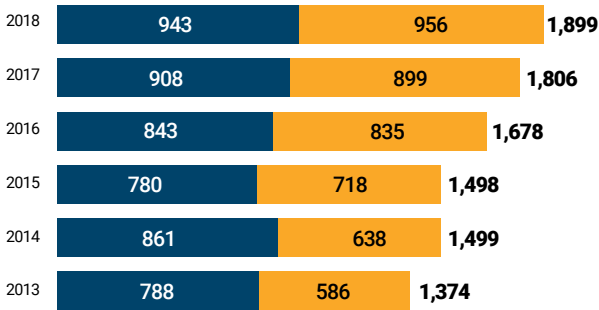
Loaded containers  
Empty containers

## Domestic Traffic

Domestic container transportation totalled 1,899 thousand TEUs in 2018, up 5.1% year-on-year. Domestic shipments were supported by more intense import substitution and the shift to container transportation, as well as by global logistics operators and sea shippers still returning to the Russian market.

In 2018, loaded containers accounted for 49.7% of the Russian domestic rail container transportation, down 0.6 p. p. year-on-year. During the reporting period, the transportation of loaded and empty containers grew by 3.9% and 6.4% year-on-year, respectively.

Domestic Container Transportation in the Russian Railways Network, '000 TEU

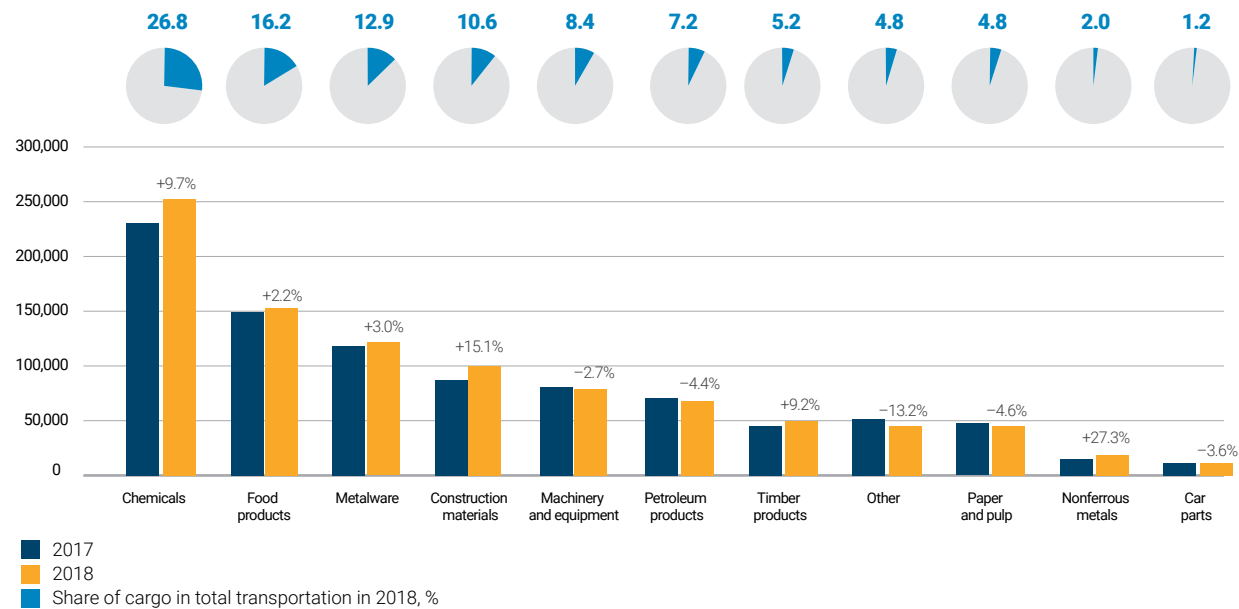


Loaded containers  
Empty containers

Sources: Russian Railways, Company data

Russian domestic rail container transportation has traditionally been more diversified than international shipments. Among commodity groups, chemical products (26.8%) and food products (16.2%) accounted for the highest shares of transportation in 2018. In domestic rail container transportation, metal products amounted to 13%, construction materials stood at 11%, machinery and equipment – 8%, petroleum products – 7%, timber products, paper and pulp – 5% each.

Domestic Container Transportation in the Russian Railways Network by Key Commodity Group, TEU



Sources: Russian Railways, Company data

Across all commodity groups, the highest increase in 2018 was seen in the container transportation of nonferrous metals (+27.3%), construction materials (+15.1%), and chemicals (+9.7%).

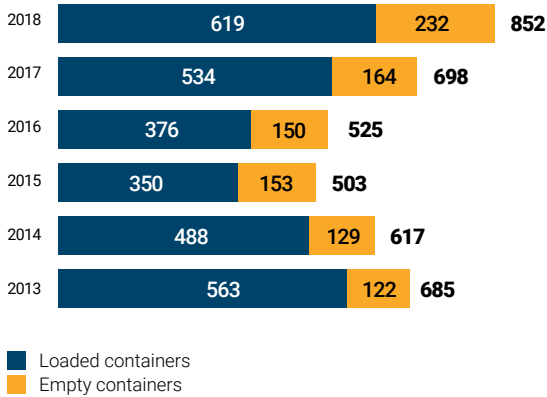
The main domestic rail container flows were between the Central Russia and Siberia, as well as within European Russia.

Import Transportation

In 2018, import rail container transportation increased by 22.0% to 852 thousand TEUs due to the growing international trade, including via online services.

In 2018, loaded containers accounted for 72.7% of import rail container transportation, down 3.8 p.p. on the back of higher growth rates of empty traffic. Empty container traffic grew by 41.8% to 232 thousand TEUs as compared with an increase in the loaded container traffic by 16.0% amid the growing loaded container exports.

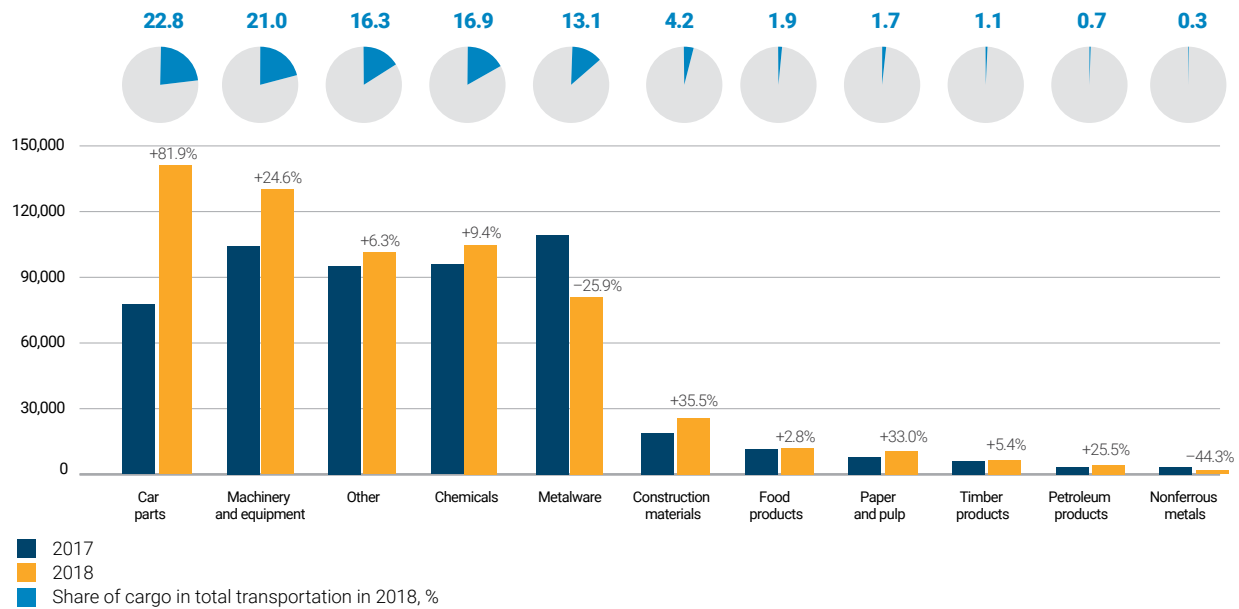
Import Container Transportation in the Russian Railways Network, '000 TEU



Sources: Russian Railways, Company data

Containerised imports were dominated by car parts (22.8%), machinery and equipment (21.0%), chemicals (16.9%), along with metal products (13.1%).

Import Container Transportation in the Russian Railways Network by Key Commodity Group, TEU



Sources: Russian Railways, Company data

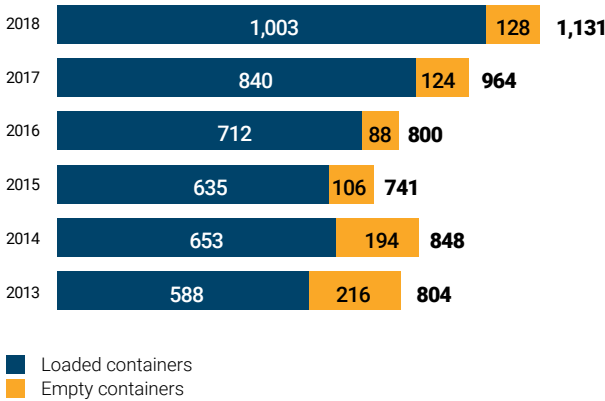
Across all commodity groups, the highest increase in 2018 was seen in the import container transportation of car parts (+81.9%), construction materials (+35.5%), paper and pulp (+33.0%), petroleum products (+25.5%), machinery and equipment (+24.6%).

The main import container flows came from Southeast Asia (China, South Korea, and Japan), and Central and Eastern Europe (Slovakia, Switzerland, Germany, the Czech Republic, the Netherlands, and Spain).

Export Transportation

In 2018, export rail container transportation increased by 17.3% to reach 1,131 thousand TEUs. The share of export loaded containers grew to 88.7% from 87.1% year-on-year due to the strong growth in exports of loaded containers (+19.4%) in relation to empty ones (+3.2%). The share of export empty containers dropped by 1.5 p. p.

Export Container Transportation in the Russian Railways Network, '000 TEU

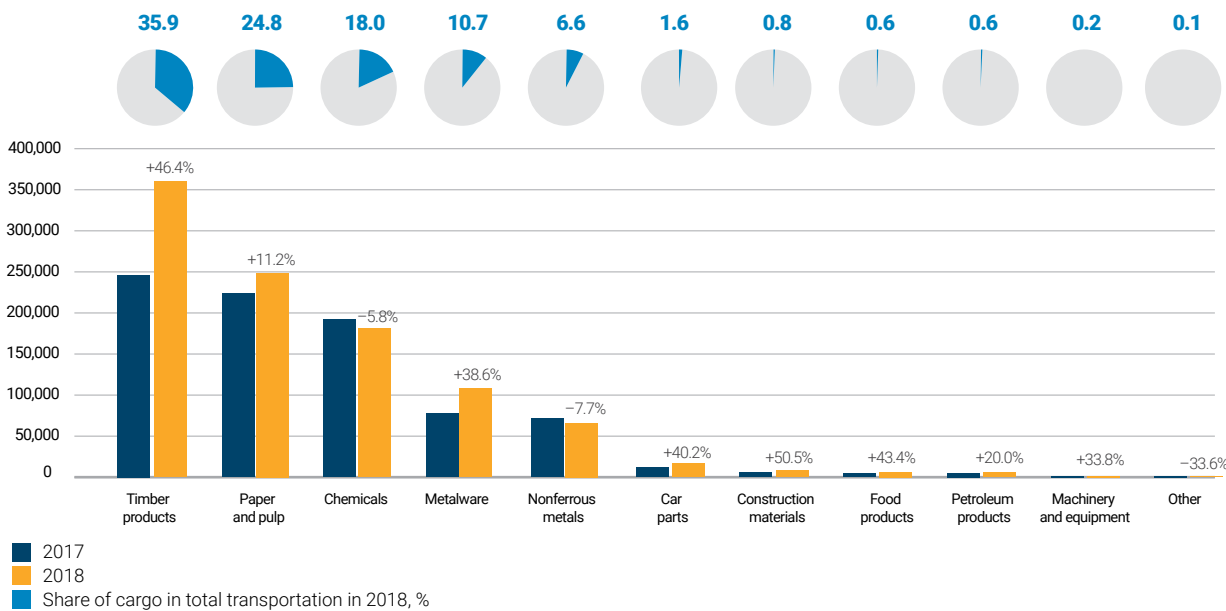


Sources: Russian Railways, Company data

In 2018, the Russian rail container export was dominated by timber products (35.9%), paper and pulp (24.8%), chemicals (18.0%).



Export Container Transportation in the Russian Railways Network by Key Commodity Group, TEU



Sources: Russian Railways, Company data

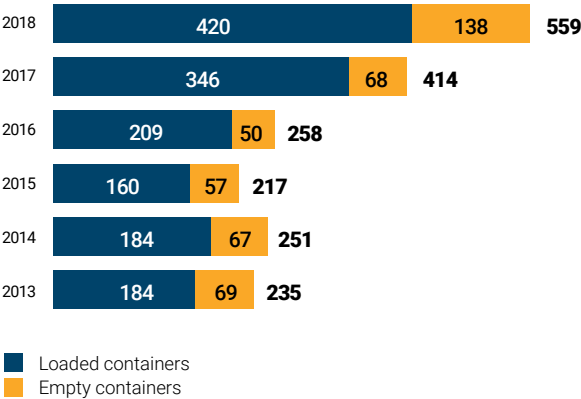
In 2018, export container transportation of construction materials (increase by 50.5% despite small volumes), timber products (+46.4%), food (+43.4%), car parts (+40.2%), and metal products (+38.6%) accounted for the most part of growth year-on-year across all commodity groups.

In 2018, the majority of export containers in the Russian Railways network was transported to the Northwestern and Far Eastern ports, as well as to Eastern and Western Europe (Germany, Switzerland, Belgium, the Netherlands, Slovakia, the Czech Republic).

Transit Transportation

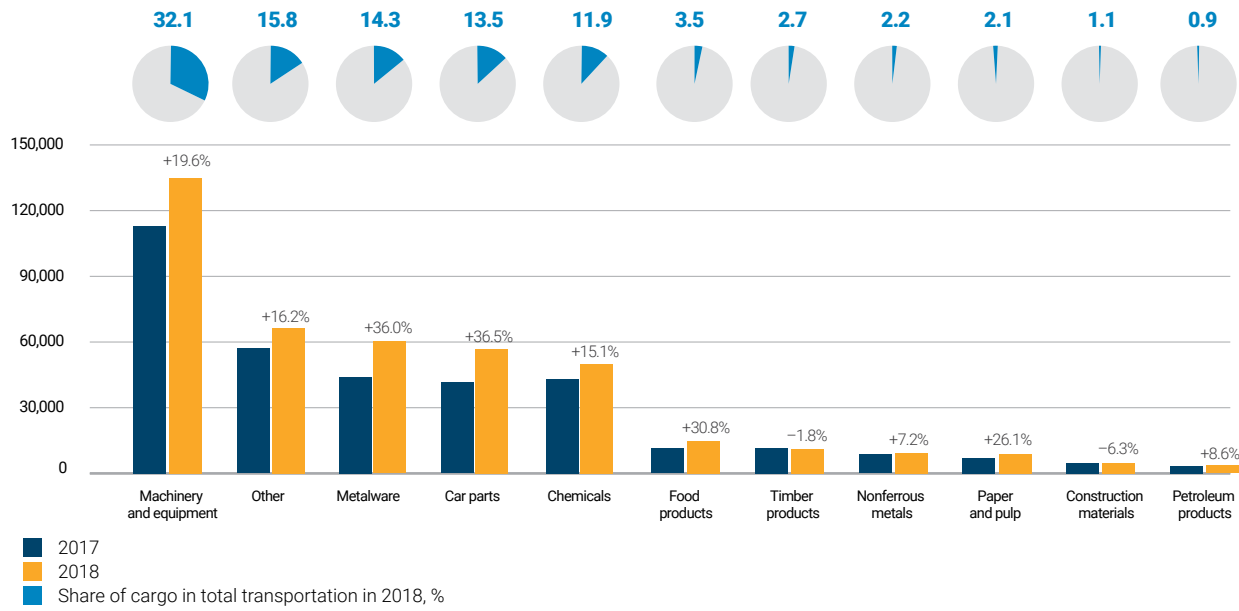
In 2018, the best performing segment was transit rail container transportation rising by 35.1% year-on-year to reach 559 thousand TEUs. The share of empty containers increased to 24.8% against 16.4% year-on-year.

Transit Container Transportation in the Russian Railways Network, '000 TEU



Sources: Russian Railways, Company data

Transit Transportation in the Russian Railways Network by Key Commodity Group, TEU



Sources: Russian Railways, Company data

In 2018, transit transportation between China and Europe continued to grow. The total volume of transit container transportation in the China–EU–China segment amounted to 376.8 thousand TEUs that is up 35% year-on-year. The China–EU traffic increased by 25% (from 179.2 to 223.5 thousand TEUs), while the EU–China traffic surged by 54% (from 99.5 thousand TEUs in 2017 to 153.4 thousand TEUs in 2018). Thus, the container transit transportation showed a reduction of imbalance on the East–West route.

In 2018, transit transportation was dominated by machinery and equipment (32.1%), metalware (14.3%), car parts (13.5%), and chemicals (11.9%).

Cars and car parts (+37%), metalware (+36%), food (+31%), paper and pulp (+26%), machinery and equipment (+20%), and chemicals (+15%) were the key contributors to the transit rail container transportation.

Most of the rail container transit flows go between Central and Eastern Europe (including the Baltic states) and Central Asia, as well as Southeast and Central Asia.

Outlook for 2019

In view of the current macroeconomic forecasts and market participants' expectations, the Company anticipates positive market performance to continue in 2019. Despite a slowdown in the manufacturing industry growth rate in H2 2018, most economic forecasts for 2019 predict further GDP growth of 1.0– 1.6% year-on-year. The Bloomberg consensus forecast is 1.5%; the International Monetary Fund (IMF) forecasts 1.6% growth; the World Bank – 1.5%. The forecast of the Ministry of Economic Development is +1.0– 1.3%. Under these conditions, moderate organic growth in freight volumes and further development of containerisation processes will remain the key growth drivers in domestic transportation during 2018.

The Company expects high growth rates of transit traffic to be maintained on the back of the development of existing transit services and the emergence of new ones, along with increasing competitiveness with sea freight. Export and import transportation will be largely driven by the rouble exchange rate performance, the Russian export market environment, and expansion of Russian export geography.

Among the key risk factors for the market, we see greater geopolitical tensions, including new and expanded economic sanctions, and trade barriers, together with the downside risks in the global economy. These events may have an adverse impact on the Russian economy and international trade, and, accordingly, on the Russian container transportation market.

Given the expected moderate performance of container transportation, the bulk of mid-term growth in the railway container traffic is expected to come from higher containerisation. This means tough competition persisting both among rolling stock operators and between the railway and motor segments of the Russian transportation market.

The key factors for successful competition of the rail container transportation segment with other transport market segments are as follows: a balanced tariff policy of the Russian Railways with regard to container traffic, simplified documentation and procedures for access to railway infrastructure, developing the container train traffic technologies, and other measures increasing the appeal of this type of transportation.

The main constraint on the containerisation growth is currently the flatcars production deficit in relation to demand, as well as volatility in flatcar prices. This trend is likely to continue in 2019.

Sea shippers will proceed to exert competitive pressures in the international container transportation market, especially in terms of imports and transit, as well as the supply of shipping lines containers for domestic and export traffic.

The Company's Position in the Industry

In 2018, the Company reaffirmed its leadership in the domestic railway container transportation market supplying flatcars and containers to its customers.

The Company performs transportation using own rolling stock and involving third parties engaged through the agency agreements (totally – transportation operated by the Company).

Transportation operated by the Company includes third-party container shipments using the rolling stock of the third parties engaged through the agency agreements. Such shipments do not involve the transport assets of Public Joint Stock Company TransContainer. In this case, the Company acts as an agent of the rolling stock owner.

The overall volume of traffic operated by the Company amounted to 1.958 mln TEUs in 2018. TransContainer's market share for this line of business went down by 4 p.p. year-on-year to 44%.

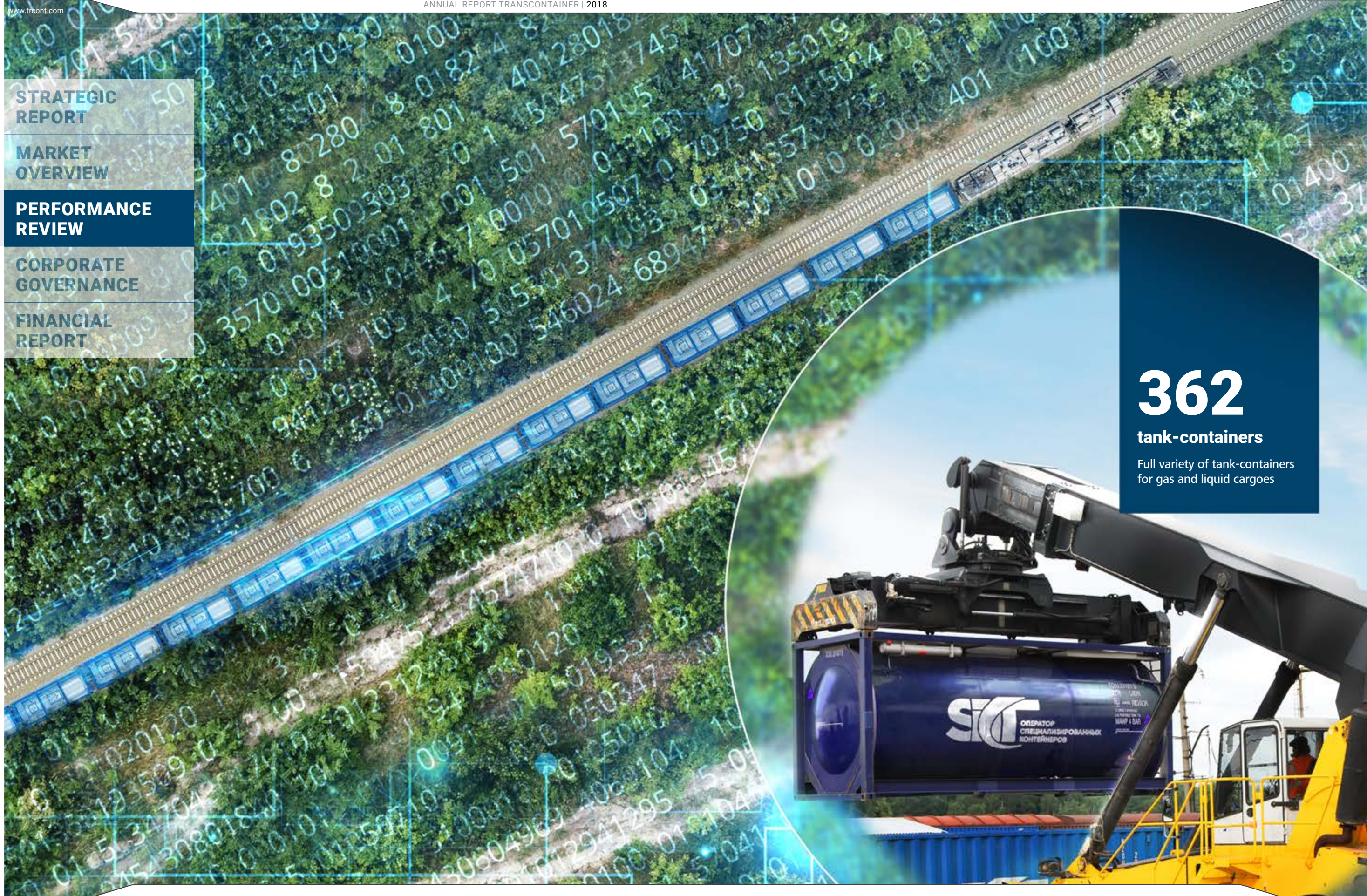
The Company's Share of Total Container Traffic in the Russian Railways Network by Traffic Type

Transportation	2017 (%)	2018 (%)
	PJSC TransContainer	PJSC TransContainer
Domestic	52	48
Export	48	44
Import	48	43
Transit	33	34
All routes	48	44

Sources: Russian Railways, Company data

Transportation	2017 ('000 TEU)		2018 ('000 TEU)	
	Operated by the Company	Including by Company's assets	Operated by the Company	Including by Company's assets
Domestic	932	904	904	887
Export	465	432	498	477
Import	337	315	364	355
Transit	138	126	192	167
All routes	1,873	1,777	1,958	1,886





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# 362

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# PERFORMANCE REVIEW

## Services

### Rail Container Transportation

In 2018, the Company developed its core business in accordance with the strategic priorities, increasing the scale of activity and its efficiency.

The growing container transportation volumes result from tapping into the new market segments, expanding the freight base, simplifying and speeding up the transportation process, enhancing customer experience and competitive pricing.

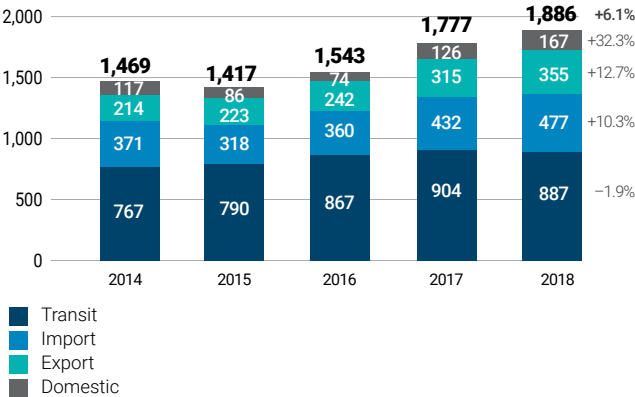
The volume of rail container transportation using the Company's rolling stock and containers went up to 1,886 thousand TEUs, up 6.1% year-on-year.

The volume growth was mainly driven by actively developing international transportation, which amounted to 999,000 TEUs, up 14.3% year-on-year. The Company has substantially increased the transit transportation volumes, including the China-Europe corridor through the Far Eastern ports, Zabaikalsk border crossing, and Mongolia. In 2018, growth of transit transportation by the Company's flatcars and containers amounted to +32.3% year-on-year. Import volumes grew by 12.7%, while export volume grew by 10.3% year-on-year.

In 2018, domestic transportation totalled 887,000 TEUs, down 1.9% year-on-year. This is due to transport equipment shift to the international routes providing high efficiency of its utilisation and rapid growth of business volumes.

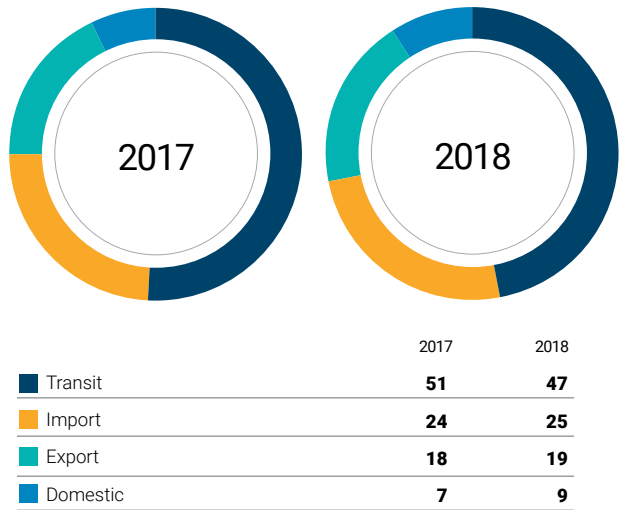
The Company's share in the rail container transportation market in 2018 amounted to 42.5% (compared to 45.8% in 2017). The Company's share amounted to 46.7% (compared to 50.0% in 2017) in domestic traffic, and 39.3% (compared to 42.1% in 2017) in international traffic. The decline in the share was due to an acute shortage of new rolling stock and decline in the share of empty runs by the Company's rolling stock.

Railway Container Shipments by the Company's Transportation Assets (rolling stock and/or containers; loaded and empty ISO containers) in 2014-2018, '000 TEU



Source: Company data

Structure of Container Shipments by the Company's Transportation Assets by Type of Route (loaded and empty ISO containers, shares based on shipment volumes in TEUs) in 2017 and 2018, %



Source: Company data

Despite a minor slowdown in domestic shipment volumes, the Company maintains a strong presence in the Russian domestic market segment, using the competitive advantages – expansive geographic footprint, network coverage, competitive prices and quality of service.

Growth of Company's international transportation by 12.7% (up to 355.5 thousand TEUs) was enabled by the management's active cooperation with clients and partners in the Asia-Pacific and Europe. This was facilitated by minimisation of freight traffic imbalance on the export and import routes, successful development the China–Russia transportation service via the Zabaikalsk Station and Mongolia, and more extensive using the shipping lines containers on international routes. In the face of rolling stock shortage, the Company focused on routes providing the greatest growth in fleet utilisation efficiency resulting in decrease of the Company's market share in the import transportation segment from 45.2% to 41.4% year-on-year.

In export destinations, the Company delivered a 10.3% increase in volumes in 2018 by developing new multimodal services that are popular among exporters, as well as applying a flexible pricing policy and ensuring the reliability of the Company's services. The decline in the Company's share of export shipments to 42.1% compared to 44.8% year-on-year was due to the acute shortage of equipment.

The Company's transit shipments rose by 32.3%. That was driven by higher transit freight flows on the East-West route, including those appeared as a result of active development of transportation through Mongolia using the Company's rolling stock. Taking into account the total equipment shortage, the Company's share of export shipments remained almost flat in 2018 (29.8% compared to 30.5% in 2017).

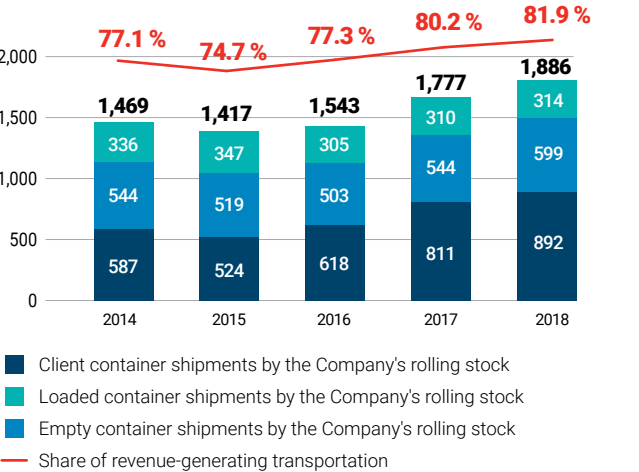
The above factors in 2018 brought the Company's share of the Russian railway container transportation market (shipments by the Company's transportation assets) down to 42.5 % from 45.8 % year-on-year.

In the China–Europe transit transportation segment there are Kedentransservice and UTLC ERA companies operating.

### Rail Container Transportation Breakdown

In 2018, in response to changes in the container market, the Company continued to provide transportation and logistics services to its clients using both its own and third party rolling stock. Since 2015, the Company has been disclosing operating statistics that included these operations.

Breakdown of Railway Container Shipments Using Transportation Assets (rolling stock and/or containers), '000 TEU



Source: Company data

In 2018, the transportation volume that used the Company's rolling stock went up by 8.4% compared to the previous year, reaching 1,806 thousand TEUs vs 1,665 thousand TEUs in 2017.

Transportation of client containers (including empty ones) by the Company's rolling stock, as well as transportation of freight in the Company's containers (regardless of who owns the rolling stock) is paid for by the clients and generates revenues. When empty containers are transported, the railway tariff set by Russian Railways and other railway administrations is paid for by the Company increasing costs.

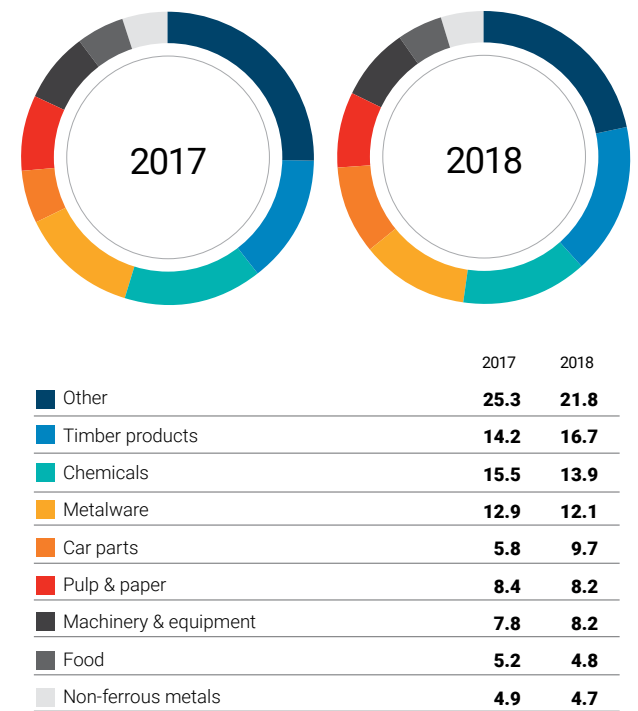


In 2018, the volume of revenue-generating transportation using the Company's transportation assets (rolling stock and/or containers) grew by 8.3% compared to 2017 and reached 1,544 thousand TEUs, driven by optimised empty runs and a higher share of transportation involving third-party containers. In total shipments using the Company's transportation assets, the share of revenue-generating transportation went up to 81.9% from 80.2% in 2017. This ratio defining the efficiency of rolling stock utilisation reached an all-time high in 2018 through the entire history of the Company breaking its own record of the year 2017.

In 2018, the Company's empty container transportation (including those using third-party rolling stock) decreased by 2.8% year-on-year and amounted to 341 thousand TEUs. The key factors that curbed growth in empty container transportation were improved container fleet management and flexible pricing on empty container traffic routes. The gradual recovery of import freight flows on the back of revival of business and consumer activities in Russia, that, in part, compensated the existing imbalance of export and import container freight flows, also had a positive effect.

In 2018, the Company's ratio of empty to loaded container transportation stood at 52.3% compared to 57.1% in 2017. The above factors had a positive impact on the Company's costs and financial performance in 2018 (see also the Financial Results section).

Breakdown of Loaded Container Shipments by Own Rolling Stock, by Cargo Type (shares based on transportation volumes in TEUs), %



Source: Company data

In 2018, the largest product groups in the structure of shipments were timber products (16.7% of the total loaded container shipments), chemicals (13.9%), and metal products (12.1%). Compared to 2017, the structure of shipments using the Company's transportation assets saw an increase in car parts, timber products, and machinery and equipment. The share of metal products, and also pulp and paper, food and chemicals declined.

Rail Container Transportation Using Specialised Containers

Specialised container transportation is viewed as a prospective line of development as it can considerably expand the range of containerised cargoes and improve the containerisation of rail transportation.

In 2017, the Company decided to allocate a business linked with cargo transportation in specialised containers to a separate legal entity – LLC SpecTransContainer.

In mid term, the Company will focus on growth in liquid chemicals and gases transportation in tank containers as the most significant and dynamic market segment of specialised containers.

Shipping volume amounted to 15,000 TEUs, up 36% of target indicators. To Q4 2018, the subsidiary broke even.

The tank containers fleet managed by LLC SpecTransContainer is 392 tank containers. The specialised container fleet operated by the Company makes it possible to transport a variety of cargoes - from heavy acids to light liquids, such as ethylene glycol, spirit, etc. In 2019, the Company plans to continue its fleet expansion both through the leasing, and purchasing.

Rail Container Transportation in Kazakhstan and Central Asia

In 2018, the Company went on to cooperate with KTZ in promoting integrated transport and logistics container services in Kazakhstan and Central Asia on the base of Kedentransservice. Throughout the year, Kedentransservice on average operated 4,364 flatcars, including 300 own flatcars and 4,064 third-party flatcars. Container transportation volumes in 2018 amounted to 236,600 TEUs, down 11% year-on-year.

Container Terminal Handling

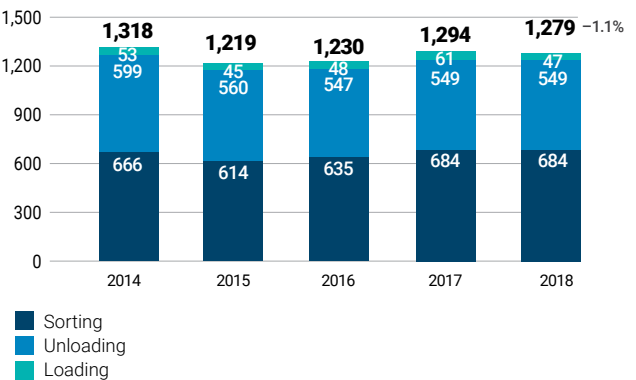
Container handling services provided by the Company at its own terminals include loading to, and unloading from rail transport and motor vehicles, as well as container sorting and storage, which is complemented by additional container and containerised cargo terminal services (such as preparing containers for loading, loading/unloading cargo to/from containers, container sealing, specialised container handling, etc.).

Terminal Handling in Russia

In 2018, the volumes handled at the Company's container terminals in Russia decreased by 1.1% to 1,279.2 thousand TEUs, including 1,278.5 thousand TEUs of ISO containers. The share of medium-capacity containers in the total volume of terminal handling services was negligible in 2018 due to the nearly complete retirement of this type of container equipment from Russian Railways network.

The relatively slow growth of handling volumes for ISO containers at the Company's terminals as compared to the overall growth in the container market resulted from the increasing share of domestic and export volumes originating directly at the shippers' sidings, and closing in 2H 2017 the Moskva-Tovarnaya-Kurskaya and Moskva-Tovarnaya-Paveletskaya terminals, which are located within the Little Ring of the Moscow Railway, in compliance with the Moscow Government's decision.

Container Handling Volumes at the Company's Terminals in Russia (ISO + medium-capacity containers) for 2014-2018, '000 TEU



Source: Company data

In September, Transcontainer completed a deal to acquire a 100% share in CJSC Logistics-Terminal. The Company's assets were supplemented by multifunctional logistics centre, which would ensure the full range of container and general cargoes handling services. CJSC Logistics-Terminal is located 17 km from the Big Port of St. Petersburg in Shushary industrial area. It is the first Russian "dry port" with a high-duty fleet of handling equipment, well-developed railroad approach and the direct access to the public motor/railroads including to Moscow – St Petersburg highway (M10). Pushkinsky customs point operates at Logistics-Terminal.

Transcontainer organised the regular services on the base of CJSC Logistics-Terminal in the following directions:

- Khabarovsk (Khabarovsk Station)
- St Petersburg (Shushary Station)
- Nakhodka-Vostochnaya
- Vladivostock (Pervaya Rechka Station)
- Ekaterinburg (Ekaterinburg-Tovarniy Station)
- Irkutsk (Batareynaya Station)
- Krasnoyarsk (Bazaiha Station)
- Novosibirsk (Kleshchyha Station)

Volume of Containers Handled, '000 TEU

Item	2017	2018
Total	347.7	357.3
Including: by rail	139	142.3
general cargoes, thousand tonnes	655.7	678.7

In July 2017, the Company purchased a 30% stake in Freight Village Kaluga North, owner and operator of terminal assets in two industrial parks, Vorsino (north of the Kaluga Region, adjacent to New Moscow) and Rosva (near Kaluga). By acquiring a share in Freight Village Kaluga North's capital, the Company integrated state-of-the-art terminal and logistics centres into its network and secured the opportunity to develop additional customs brokerage and bonded warehouse capabilities, and to ramp up freight volumes by engaging Vorsino and Rosva residents.

The collaboration allowed to expand the client base for goods transportation with customs and brokerage processing on TransContainer services to the Central Federal District.

Terminal Handling Abroad

In 2018, the Company held a 50% stake in Kedentransservice, Kazakhstan's leading private provider of terminal services. Kedentransservice operates 19 freight terminals across Kazakhstan and transshipment facilities at Dostyk and Altynkol border crossings (Kazakhstan-China border).

In 2018, a total of 103,600 containers were handled by Kedentransservice at the border crossings with China, up 8% year-on-year. The volume of loading/unloading operations at domestic freight terminals was 61,200 TEUs, up 13% year-on-year.

The volume of non-containerised cargo handling at Kedentransservice terminals in 2018 was 863 mln tonnes, up 10% year-on-year.

Through its subsidiary, TransContainer Slovakia, the Company also operates a container terminal at the Dobra border crossing between Slovakia and Ukraine.

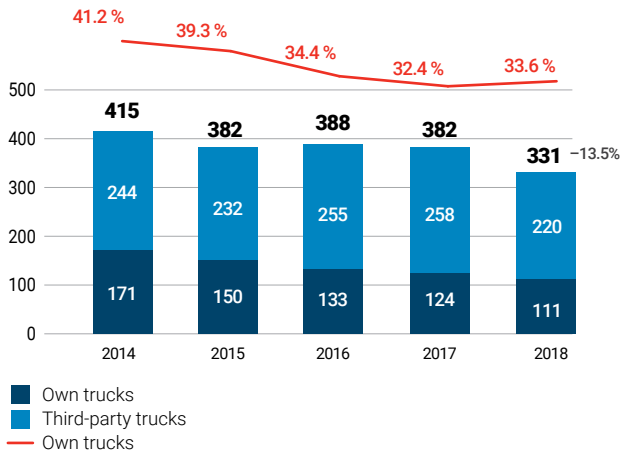
The volume of containers handled at the Dobra terminal was 13,100 TEUs in 2018, up 1.7% year-on-year.

Trucking Services

The Company's container deliveries by truck – the so-called last mile services – are focused on container transportation between its terminals and the cargo's final destination (or the container loading site). For truck deliveries, the Company uses both its own fleet and services of third-party transport companies on a contractual basis. TransContainer is also authorised to perform trucking under customs control.

Using its own and third-party trucks, the Company transported a total of 331,000 TEUs in 2018, down 13.5% year-on-year.

Container Deliveries by the Company's and Third-party Trucks in Russia (high-capacity containers + medium-capacity containers) in 2014-2018, '000 TEUs



Source: Company data

In 2018, the share of the Company's truck fleet in the total volume of road transportation was 33.6% (vs 32.4% in 2017). This resulted from the greater use of own trucks.

Logistics and Freight Forwarding

The quality of the service is an important competitive strength in the market of transport and logistics services, and especially in the segment of containerised cargo transportation. Those who offer integrated and economically efficient door-to-door transport solutions have the edge. As a highly standardised and intermodal process, container transportation is a perfect match for the existing market trends and a key containerisation driver.

Pursuant to its development strategy, the Company expands the range of these services and builds up the portfolio of integrated transport and logistics solutions for clients to boost the added value of its services and lay the ground for long-term cooperation.

Our business model facilitates integrated transportation and freight forwarding services to clients on an "all-inclusive" basis using both our own assets (flatcars, containers, terminals, and trucks) and services of subcontractors (the Russian Railways, foreign railway administrations, agent companies, customs brokers, freight forwarders, ports, sea lines, etc.).

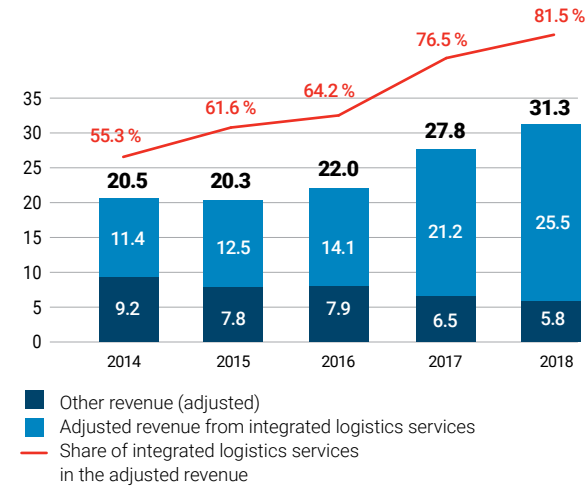
As historical experience shows, the demand for integrated transportation and freight forwarding services from clients is steadily growing. This type of service provides:

- high quality (the Company's commitment to deliver the cargo);
- simplicity (single price for the whole range of services);
- reliability (every key stage of container transportation can be covered by the Company's own assets).

That said, integrated transportation and freight forwarding services require higher commitment and more complex execution processes compared to individual transportation services.

The amount of adjusted revenues from integrated transportation and freight forwarding services in 2018 amounted to RUB 25.5 billion, up 20.0% year-on-year. The share of adjusted revenues from these services in 2018 in the total income of the Company increased to 81.5% against 76.5% in 2017.

Adjusted Revenue from Integrated Transportation and Freight Forwarding Services in 2014-2018, RUB billion



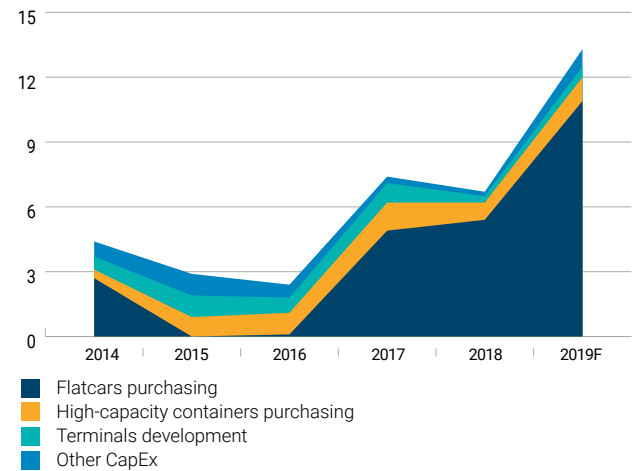
Source: Company data

Assets

In 2018, the Company's Investment Policy was aimed at using the opened opportunities for business growth. That said, due to the acute shortage of new rolling stock, the Investment Programme was not fully delivered. Investments totalled RUB 8.9 billion (against RUB 6.9 billion in 2017), including RUB 7.0 billion allocated to capital expenditures (CapEx) and RUB 1.9 billion - for financial investments. CapEx was spent at upgrading the flatcar fleet and the container fleet, expanding the terminal infrastructure. In 2019, the Company plans to boost CapEx in the upgrade and expansion of its key assets up to RUB 13.3 billion.

The expansion of rolling stock and the increase in terminal assets enable the Company to offer integrated intermodal transportation services with an optimal price-quality ratio. The actual ratio of own and third-party assets is determined by economic considerations on the back of the prevailing market conditions.

The Company's CapEx in 2014-2018, RUB billion



Breakdown of the Company's Flatcar Fleet as of 31 December 2018

Flatcars	Owned	Leased	Total	Capacity, TEU	Average age, years
40-foot	8,630	0	8,630	17,260	8.5
60-foot	8,128	0	8,128	24,384	28.8
80-foot	9,699	0	9,699	38,796	7.1
Total	26,457	0	26,457	80,440	14.8

Source: Company data

Following the above changes, the share of 40-foot flatcars in the Company's fleet (by capacity) designed mostly for transportation of heavy cargo grew from 19.8% in 2017 to 21.5% in 2018, approaching an optimum level that fits into the average container cargo mix transported via the Russian Railways network.

Due to changes in the mix and size of the fleet, its capacity has increased over the year by 4.6% and reached 80,400 TEUs. The average age of the flatcar fleet was 14.3 years against 14.4 years in 2017.

Container Fleet

In 2018, the entire fleet of the Company consisted of high-capacity containers of the international ISO standard. The Company continued expanding its fleet amid the growing container transportation.

In 2018, the Company's container fleet increased by 2,395 20-foot and 1,148 40-foot containers. 2,789 20-foot and 135 40-foot containers were retired. The fleet of leased containers increased by 265 40-foot containers and decreased by one 20-foot container.

Rolling Stock

Flatcar Fleet

As of 31 December 2018, the Company had 26,457 flatcars to transport containers, or nearly 50% of the total flatcar fleet of Russian rail container operators (by capacity).

Following strong demand for container transportation, the Company purchased new flatcars and used third-parties' rolling stock to transport its containers throughout 2018. Supported by measures to increase rolling stock efficiency, this helped the Company to satisfy the growing demand for container transportation.

By the end of 2018, the Company's total fleet increased by 1,206 flatcars (or up 4.8%) and amounted to 26,457 flatcars. During the year, 196 40-foot and 729 60-foot flatcars were retired, while 1,213 40-foot and 918 80-foot flatcars were joined to the Company's fleet.

As a result, in 2018, the Company's container fleet increased by 883 containers, and as of 31 December 2018 it amounted to 70,478 containers, including 41,562 20-foot containers (with 41,133 owned and 429 leased ones among them) and 28,916 40-foot containers (with 28,495 own and 421 leased ones among them). The average age of the Company's container fleet is 9.9 years. The Company plans to continue its fleet replacement guided by the market demand.

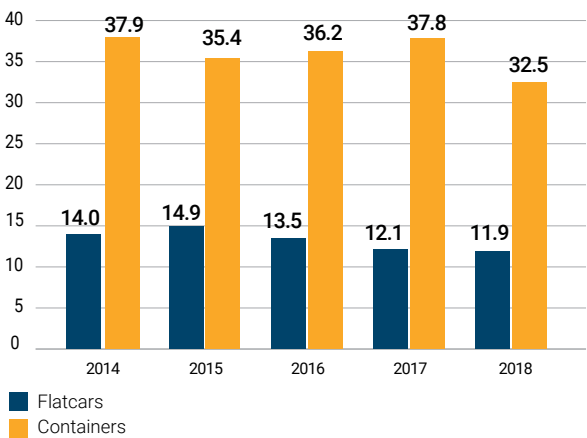
The tank containers fleet managed by LLC SpecTransContainer, a subsidiary of PJSC TransContainer, is 392 tank containers.

Rolling Stock Operating Efficiency

In 2018, the turnover of the Company's flatcars accelerated to 11.9 days against 12.1 days in the previous year, which was the result of management efforts to improve the control over the flatcar fleet and higher demand for container transportation. The turnover rate of the Company's containers accelerated to 32.5 days against 37.8 days in 2017 spurred by the measures to accelerate the handling of the Company's containers at ports and border crossings, as well as through the optimisation of the Company's container stocks at the terminals and freight yards of shippers.



Turnover<sup>1</sup> of the Company's Containers and Flatcars in 2014-2018

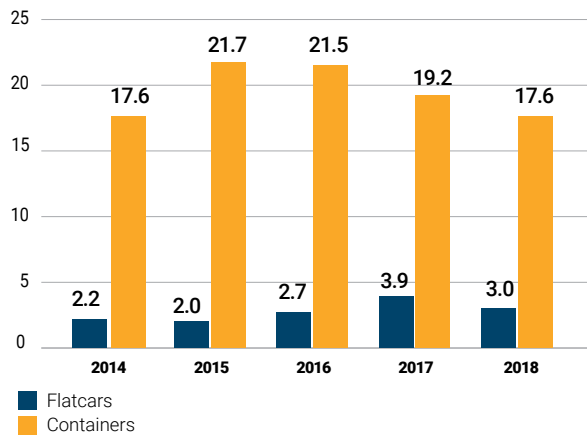


Source: Company data

Containers empty run ratio in 2018 decreased to 17.6% from 19.2% in 2017 on the back of the measures taken to optimise the management of the container fleet, including through tariff decisions aimed at streamlining the loaded container flows. The imbalance between loaded container imports and exports persisted throughout 2018 restricting our ability to load containers running backwards from export routes and optimise empty container runs.

The empty run of flatcars decreased and amounted to 3.0% against 3.9% year-on-year. Such optimisation resulted from the measures taken to improve the efficiency of the flatcar fleet adjustment and flexible tariff policy. Pursuing the optimisation of this ratio was hampered by the persistent geographical imbalance of container flows due to increased imports and transits from China through border crossings in Eastern Siberia and the Far East.

Empty Run Ratio of the Company's Containers and Flatcars in 2014-2018, %

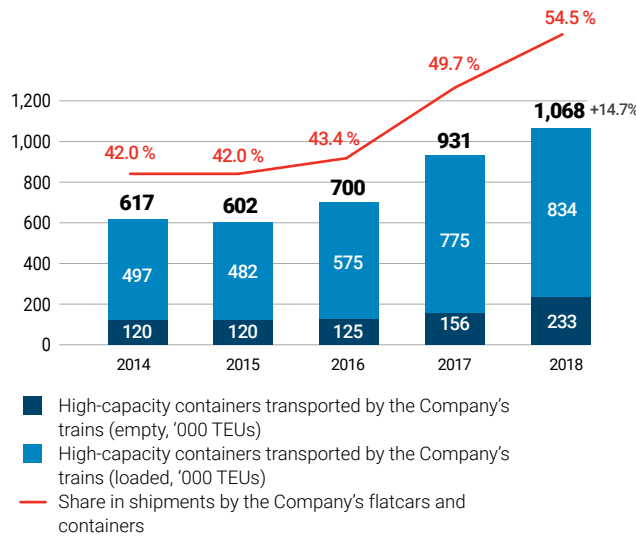


Source: Company data

1. The turnover means an average number of days between the initial date of a loaded run and initial date of the next loaded run (the same container).

The driver behind the improved efficiency of transport equipment utilisation and the enhanced quality of clients service is the transportation of containers as part of block container trains. This type of service boosts the delivery speed by 2.5-3 times as compared with the shipment of small consignments of containers as part of way-freight trains and also guarantees the observance of the cargo delivery terms for a client. Transporting the Company's empty containers as part of container block trains is also very effective since it allows reducing the relocation time of empty containers to the place of loading and getting a discount to the Russian Railways's infrastructure tariff applied for this transport mode.

The Company's Transportation Volumes as part of Container Trains\* in 2014-2018, %



Source: Company data

\* Loaded and empty high-capacity containers.

In 2018, the Company sent 8,960 container trains, up 13.8% year-on-year.

The container traffic (including empty ones) as part of container trains of the Company's rolling stock in 2018 was 1,068 thousand TEUs against 931 thousand TEUs in 2017. The share of containers transported by the Company in container trains from the total traffic operated by the Company increased from 49.7% to 54.5% year-on-year.

Terminals and Trucks

Terminals in the Russian Federation

As at 31 December 2018, the Company owned 39 railway container terminals located in all the key Russian industrial areas and transportation hubs. The Company also operates two terminals through a joint venture LLC Freight Village Kaluga North and one terminal through its subsidiary CJSC Logistics-Terminal.

The decreased number of the terminals was attributable to the closure of the Moskva-Tovarnaya-Paveletskaya Station in accordance with the schedule approved by the Russian Railways and the Moscow Government to close all cargo terminals within the Little Ring of the Moscow Railway.

In general, the existing terminal network of the Company meets the strategic goals of maintaining its business scale.

The Company's terminals located in Russia host nine warehouses with a total area of 17.8 thousand square metres to provide additional services for international, particularly inbound, transportation. There was no change in the number of temporary storage warehouses at the Company's terminals in 2018. In the reporting year, the Company acquired an additional warehouse at the Shushary Station owned by a subsidiary, CJSC Logistics-Terminal.

The Number of Railway Container Terminals and Warehouses of the Company

Ratio	2017	2018*
Terminals/warehouses	42/9	40/10

\* Including the terminal and warehouse at the Shushary Station

In 2018, the Company also had the opportunity to offer its clients the services of a warehouse located at the Vorsino Station, against the acquisition of a stake in LLC Freight Village Kaluga North, which operates this terminal.

All Russian terminals owned by the Company have a "Site of Common Use" status in accordance with the Federal Law on Rail Transport in the Russian Federation. In its terminals, the Company provides services categorised as "rail infrastructure services" (container loading/unloading operations, container sorting, etc.) acting as an agent of Russian Railways, as well as other terminal services at clients' requests.

During 2018, the Company continued its efforts in upgrading its terminal network.

TransContainer's container terminal at the Zabaikalsk Station helped to reduce the clearing time for container trains crossing the Manchuria-Zabaikalsk border, including the time required to reload containers from 1435 gauge to 1520 gauge, by four times to 6 hours, and the paperwork time, including customs clearances at the Zabaikalsk terminal, was 40 minutes.

The technology has been experimentally tested on container trains following the route Dalian (China) - Vorsino Station of the Moscow railway.

The reduction in time was gained through obtaining preliminary information from the client, which allowed submitting electronic transit declarations to the customs authorities and creating railway transport invoice blanks in information systems before the train arrived at the border crossing.

Smart Container Terminal is an integrated information platform for clients and process owners (including the Company's employees, co-contractors and counterparties). It includes automation of processes when working with flatcars on cargo-handling areas and trucks at security checkpoints, online positioning of containers at terminal sites, and monitoring system elements with video recording and video surveillance means. It provides a managed information flow involving all the participants in the process – from the clients to the process owner – with their share of responsibility for the implementation of the specific transportation. Using a single information system helps to avoid duplication of data entry at different stages of technological processes, minimise the error probability, and increase the client service efficiency.

When developing and implementing an intelligent automated system at the Kleschikha terminal, the following functionality was introduced.

1. Placement of containers by topology. Allows online viewing of the container location, its status, and related information. The container retrieval time has been minimised.
2. Web-portal scheduling of auto-visits for trucks to move the containers in/out, with an option of adjustment against the terminal operating mode. It enables the client to independently choose the time for making an application for the auto-visit and optimally schedule their trucks.
3. Reading the numbers of trucks and containers at the security checkpoints of the terminal with automatic generation of an auto-visit and an assignment to lifting equipment operators. It allows online viewing of the status of the trucks currently being in the terminal and making adjustments to speed up the handling process.
4. Reading the numbers of trucks and containers when delivering them to/taking them from the railroad tracks of the cargo-handling area. The Smart Container Terminal system creates the lists of delivered flatcars. Once the inspection by an acceptance/delivery agent is finished, the system generates an assignment for lifting equipment operators for the flatcars unloading and loading.
5. Automated assignment to the lifting equipment operators against the generated orders for loading single cars, sets of containers, and container trains.
6. Automatic control by the Smart Container Terminal system over the loading of containers onto flatcars according to specifications (specifications reference manuals and local loading specifications are put in place). In case of any violation from the correct loading procedure, the Smart Container Terminal system generates a respective warning.

The Smart Container Terminal system has been in full-scale commercial operation since 17 May 2018 and has already made it possible to achieve certain effects:

- in optimising the placement of containers at the terminal sites and reducing the number of intra-terminal loading/unloading operations that are not related to the handling of trucks and flatcars by 11%;
- in excluding the search for a container in the park and the associated reduction in runs of lifting equipment and loading/unloading time (the time spent by a truck on the territory of the container terminal dropped by 70%, while the flatcar handling time on the railway area decreased by 26%);
- in enhancing the operational efficiency of the security checkpoints by automating the processes of admitting trucks and using the web portal by clients to submit auto-visit applications;
- in scheduled moving in/out of containers using a time-slotting principle, which makes it possible for the clients to reduce the time spent on terminal services of trucks and to predict their further use more reliably;
- in reducing the time of response to changes in the operating environment by real-time tracking over all operational processes at the terminal.

Year	2017	2018
Lifting equipment	212	212

In 2018, we managed to obtain the balance between the purchase and retirement of lifting equipment.

TransContainer's terminals also serve as a base for road transport services to clients to ensure the delivery of containerised cargo directly to their destinations (last mile services).

Year	2017	2018
Number of trucks	491	456

Freight Trucks

The Company's truck fleet to transport high-capacity containers as of 31 December 2018 totalled 456 units, including 165 tractor units, 287 specialised semi-trailers, and 44 special-purpose trucks (utility trucks, high-sided trucks). A total of 43 trucks were retired during the year.

As the road transportation market develops and the number of companies offering competitive road container transportation services grows, the Company is pushing forward its road transportation outsourcing, focusing its fleet on regions underpenetrated by rivals. The fleet in these regions was renewed and expanded. During the reporting period, 4 trucks were registered: three truck tractors and one semi-trailer.

The Company's largest asset outside Russia is a stake in JSC Kedentransservice operating 19 freight terminals across Kazakhstan and transshipment facilities at Dostyk and Altynkol border crossings (Kazakhstan-China border). As at 31 December 2018, Kedentransservice had 159 units of lifting equipment.

Optimisation of Non-core Assets

Pursuant to non-core asset identification and sale guidelines set by the Russian Government Directive No. 894-r dated 10 May 2017, the Board of Directors approved the updated Company's Non-core Asset Disposal Programme (Minutes No. 3 dated 18 October 2017). The Plan of Non-core Assets Sale and the Register of Non-core Assets are approved on an annual basis. Information on the Company's non-core assets is available on its website, the website of Russian Railways in the Property Transactions section at [property.rzd.ru](http://property.rzd.ru), and TransContainer's property shop at [avito.ru](http://avito.ru). The Company's Commission for Sale of Immovable Assets Not Used in Production reviews the implementation of its non-core asset disposal plan on a quarterly basis. The information is submitted to the Company's Board of Directors.

Client Service and Sales

With an increasing importance of quality as the key competitive advantage in the market, TransContainer constantly improves its transportation and logistics services for clients in line with a strategy to boost operational efficiency.

In 2018, the Company actively developed integrated "turnkey" intermodal transportation services, promoted new routes passing through both Russia and foreign nations (including Mongolia and China), launched a number of transportation and logistics services, afforded new opportunities for the clients operating with the Company through the Internet portal. By December 2018, online orders had come to account for 79% of total transportations against 74% in 2017.

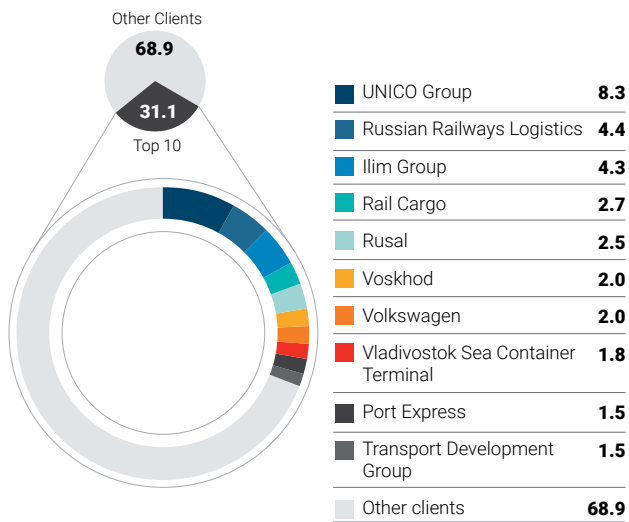
The Company is Russia's only rail container operator with a footprint across all of the country's major administrative centres offering services throughout the Russian network of railways. Our business model is geared towards serving a wide range of clients, varying in size, transportation geography, location, and industry.

Client Base

TransContainer's client base comprises tens of thousands of clients ranging from global majors to small businesses and individuals.

The Company's top 10 clients in 2018 accounted for 31.1% of client payments, with the largest client, UNICO Group, the TransContainer's partner in Korea and China import and transit projects (Samsung, GM, Hyundai, Ssang Young, etc.), making 8.3% of all client payments.

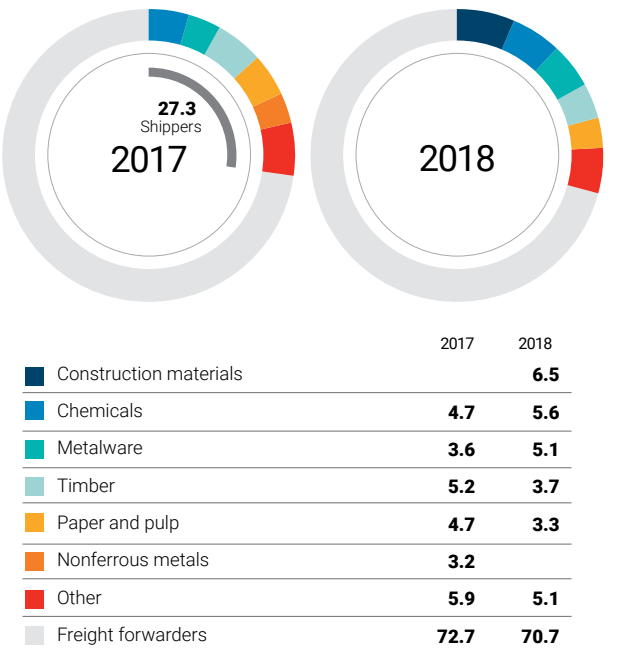
The Company's Top 10 Clients by Revenue in 2018, %



Source: Company data

Transport and logistics services are provided to both freight forwarding companies and directly to end customers, which account for about a third of the Company's total revenue.

Company's Client Base Breakdown by Industry in 2017 and 2018, %



Source: Company data

Sales and Client Service

TransContainer's sales network covers the entire territory of Russia and key transport hubs in Europe and Asia. The Company maintains its traditional footprint through sales offices, representative offices and joint ventures complemented with the e-commerce channels. TransContainer operates based on the standard freight forwarding services contract. This ensures consistent quality standards across the 1520 gauge railway network<sup>1</sup> and beyond, wherever the client and our points of sale are located.

1. 1520 gauge is a width of railway track at the territory of Russia, Finland, Mongolia, and CIS countries equal to 1,520 mm.



Russia

As of 31 December 2018, the Company operated 95 sales offices across Russia. The sales network relies on the central office in Moscow, key freight traffic clusters, regional administrative centres, and transport hubs.



International Sales Network

The international sales network covers 30 countries, including the CIS, Central and Eastern Europe, and Asia Pacific. It includes seven subsidiaries, four joint ventures, and five representative offices.

Online Services

TransContainer actively develops online sales, which have already become the Company's core client interaction channel. In 2018, the remote access complex has been changed to iSales online service helping the clients to order the container transportation service in a few mouse clicks almost throughout Eurasia. iSales ensures access to a wide range of services and information on their prices without extra communications and time consumption.

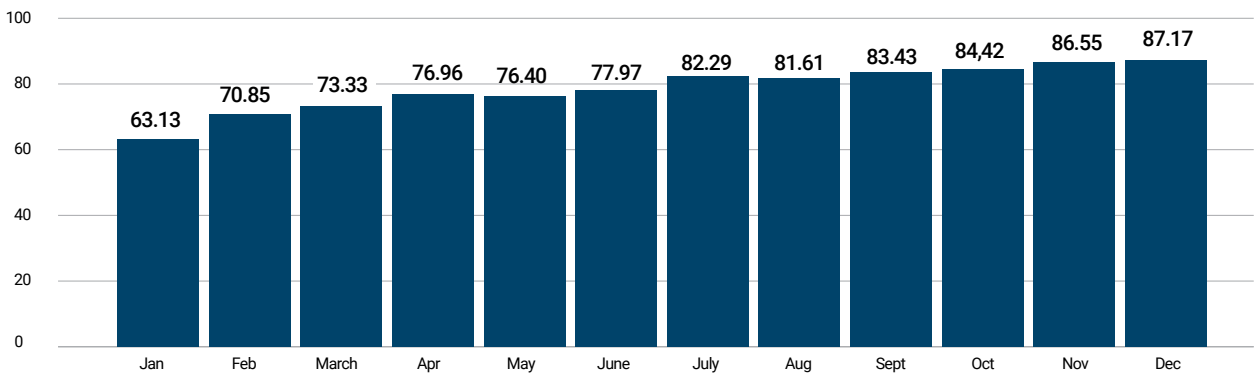
Online service functionalities allow any client (even having no expertise in the field of transportation and logistics business) to independently calculate the cost of services, place an order not leaving the house or office, pay for the services ordered (by a bank card as well), track the order delivery status, check the containers location on a real-time basis, and have an access to the contractual documentation.

Two iSales versions – Lite and Pro – were created in order to fulfill the requirements of all client categories. The clients are provided with the self-registration option in iSales Lite version and with the procedure of ordering without visiting the office. In Lite version, the forwarding service contract is concluded in electronic format for each new shipment. The client may also conclude a contract at the nearest office and get access to iSales Pro version providing maximum opportunities for operation in iSales with a great variety of useful options.

In 2018, iSales has become a core channel for online sales. As of the end of 2018, over 87% of containers were transported under the orders placed online. Nine out of ten sales orders are handled via iSales.

Client Feedback

Share of Containers Accepted for Transportation under the E-Commerce Orders in 2018, %



Feedback is a key element of interaction between the Company and its clients. The feedback system comprises:

- 24/7 call centre;
- dedicated e-mail accounts (with automatic generation of electronic messages sorted by subject and sender and addressed to relevant corporate teams);
- electronic client feedback form on the Company's website;
- regular round table discussions with clients and partners;
- regular service quality surveys.

Call Centre

In 2018, the call centre processed 127,405 queries, with phone calls accounting for 66%. The total number of processed incoming calls grew by 5% year-on-year. The call centre service level stayed stable at an average of 89% (vs 87% in 2017) reflecting mainly the increased efficiency of responding to the customers, while the average waiting time reduced from 14.9 s in 2017 to 14.5 s in 2018. The customer service quality amounted to 93.1% (2% higher than in 2017). This shows that the call centre's availability for our clients has been improved irrespective of incoming queries growth.

Client Meetings

Throughout the year, TransContainer held round table discussions with representatives of transport and logistics companies, market experts, shippers, and cargo owners, clients and partners from various industries.

In 2018, these meetings were held in Nizhny Novgorod, Shanghai (China) with the Company's clients and partners involved.

New services and routes of the Company were presented as part of these meetings. Also, the events focused on the Company's interaction with beneficiaries of transport services, development of e-commerce, container train transportation, and reallocation of cargo traffic from truck delivery to railway. Much attention was paid to the development of the Company's online services, in particular, iSales.

On top of that, regional coordination councils are held in St. Petersburg and Nizhny Novgorod on a quarterly basis. They are chaired by the heads of the October and Gorky Railways with the traditional participation of TransContainer representatives.

Ongoing communication with clients and partners ensures prompt response to changes in the market environment and helps to shape a competitive service offer with the needs and preferences of market players factored in.

In 2019, the Company plans to participate in the transportation industry's major trade fairs, such as:

- TransRussia / TransLogistica 2019 (Russia, Moscow);
- TransSiberia 2019 (Russia, Novosibirsk);
- Transport Logistic 2019 (Germany, Munich);
- Innoprom – 2019 (Russia, Yekaterinburg);
- TransKazakhstan Translogistica 2019 (Kazakhstan, Almaty);
- Transport & Logistics (Minsk, Belarus);
- CILF 2019 (China, Shenzhen);
- International Supply Chain and Smart logistics Expo (SCSL) (China, Chengdu);
- CHINA INTERNATIONAL IMPORT EXPO 2019 (China, Shanghai);
- Transport of Russia 2019 (Russia, Moscow).

Service Quality Survey

The Company annually conducts a service quality survey interviewing clients on the following key metrics:

- service quality;
- performance of managers;
- performance of terminals;
- information on the corporate website;
- changes clients would like to see in the Company;
- preferences and needs of clients and additional services they would like to see.

In 2018, the survey involved 2.1 thousand respondents. The total percentage of completed questionnaires filed was 37% against 33% year-on-year, which indicates the increasing client loyalty (the average rate in similar surveys is above 10%).

The average customer satisfaction score across the Company totalled 8.4, with the Privolzhskaya, North Caucasus, Northern and South-Eastern branch offices coming out on top.

The leader in terms of service quality improvement was the Moscow branch office (+0.6 points). The most significant decline year-on-year was at the October and Northern Railways. A service quality improvement programme for these branch offices will be approved and implemented in 2019.

The results of the customer survey conducted in 2018 are represented in the diagram.

Changes Clients Would Like to See in the Company

Item	Total respondents, %	Year-on-year
Cut prices	33	2
Speed up cargo delivery	17	(3)
Improve the technical condition of containers	12	(2)
Speed up pricing calculations	7	(1)
Improve the availability of information on orders, delivery status	7	(1)
Cut order processing times at terminals	9	(1)
Other	16	6

The number of clients interested in cutting the delivery terms reduced from 20 to 17% year-on-year.

Quality Control

TransContainer exercises quality control on a comprehensive and multi-level basis with all business units involved within their respective remit.

TransContainer regularly assesses the efficiency of its quality management system and takes the necessary steps to eliminate any identified gaps.

Our call centre evaluates customers' satisfaction with the handling of their delivery issues. A call centre operator contacts the complaint initiators to update them on the processing status and assesses customer satisfaction. Where necessary, the Sales Quality Management Division develops a corrective action plan based on the customer satisfaction report.

The Company makes consistent efforts to improve the quality of claim handling. In 2018, in the course of claims activities, the Company managed to settle 97% of received claims related to forwarding service contract implementation. Unreasonably declined claims are reflected in the KPIs for branch offices.

The primary goal of claim handling is to resolve any disputes in a prompt and efficient manner by either acknowledging or reasonably declining the respective claims.

The Company constantly analyses the quality of claim handling using the information from reports, statements and customer grievances addressed to the executive office, as well as judicial and audit documents, including those related to the monthly ad-hoc audits conducted by the executive office.

Audits of the Quality Management System in 2018

Audit Type	Audited Target	Purpose	Outcome
The first supervisory audit of the quality management system	The executive office and the South Eastern, North Caucasus and Kuybyshev branch offices of TransContainer	Setting to the new standard, assessment of the quality management system performance	The system's compliance with ISO 9001:2015 confirmed

The effectiveness of the comprehensive quality management system stems from the uniform principles outlined in the Company's Quality Management Policy and applied across the production chain. The quality management issues fall under the remit of Director of Organizational Development and Human Resources.

The said uniform principles are underpinned by a set of core values guiding the Company's employees in their workplace pursuits. In particular, TransContainer focuses on creating new value (transportation services) for clients, fully understanding and anticipating their needs and expectations as regards cargo transportation services.

TransContainer offers high-quality transportation and forwarding services, which includes providing prompt, safe and comprehensive cargo transportation solutions to clients.

TransContainer provides services to its business units, partners and external customers in line with clearly defined standards. The Company's legal function includes a request and feedback handling system, which ensures prompt adjustment of management processes and procedures following an in-depth analysis of information received from customers, partners and regulatory authorities.

TransContainer welcomes new ideas from both within and outside of the Company and establishes the channels required to communicate these ideas. It encourages business culture development and innovations across all areas of activity.

Extension of the Range of Transport and Logistics Services

In 2018, TransContainer's Moscow Branch launched a regular train following the route Moscow – Yakutsk via the Berkakit Station of the Far Eastern Railway with departure once a week. This service allowed cargo delivery to the Republic of Sakha (Yakutia) in the shortest possible time.

The assessment of the quality management system performance also implies annual process audits and internal system checks at the executive and branch offices of TransContainer, with the identified gaps addressed through a corrective action plan.

In the reporting year, TransContainer's Northern Branch organised export traffic of the Plywood cargo and therefore launched a regular train between Kostroma and Novaya-Avtovo (exp.) and further for export. This service provided for faster cargo delivery and brought in additional transportation volume for PJSC TransContainer.

The Ustyansky Timber Industry Complex LLC (the Arkhangelsk Region) started up production of the Pellets cargo and selected TransContainer as a product transportation organisation. On 6 August 2018, the October Railway organised and launched the first container train following the route Kostylevo – Ust-Luga. From now on, container trains depart regularly, in particular, 4–5 container trains per month.

In 2018, the Company actively promoted its services in China. For that purpose, a subsidiary – Transcontainer Freight Forwarding (Shanghai) Co., Ltd. was established. Freight forwarding services contracts were signed with main logistics platforms consolidating the freight volumes in the eastern, southern and central provinces of China. TCFF's container trains regularly depart from Yiwu, Changsha, Guangzhou, Nanjing, Chengdu, Chungking and other cities going via Zabaikalsk and Zamin-Uud border-crossing points in Russia and Belarus. TCFF also organised shipment of sawn timber products from Irkutsk, Krasnoyarsk, Lesosibirsk, and Novosibirsk to China. Moreover, contracts were signed with Chinese service subcontractors on the provision of railroad and road transportation services, container storage services, harbour services, etc.

In 2018, TCFF transportation volume totalled 12,922 TEUs, thus, TransContainer's adjusted revenue amounted to RUB 444,190 mln. The basic routes are those for import transportation from China. In October 2018, two transit container trains went from Chengdu to Hamburg via Mongolia. Currently, the expansion of transit transportation is being worked out.

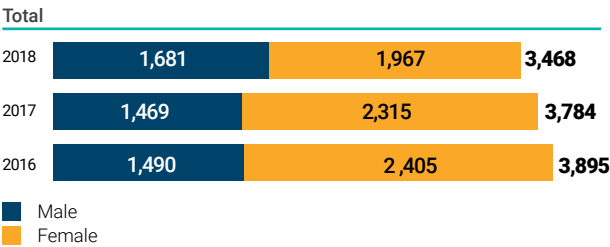
Transportation Volume by Traffic Type

Period	Total	Export	Import	Transit
2018	12,922	3,084	9,696	164

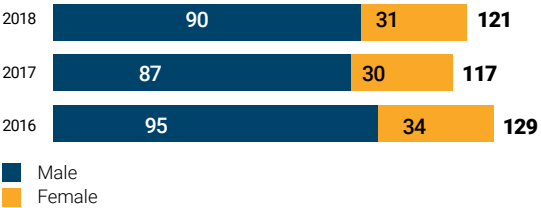


## Human Resources

### Staff Breakdown by Category, Total Headcount by the Year-End, people



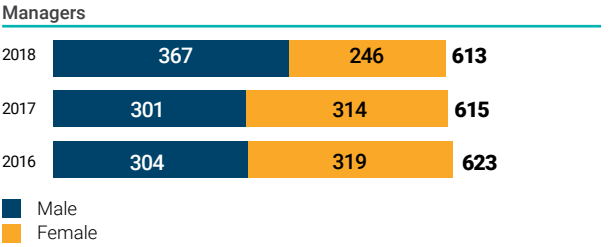
### Top Executives



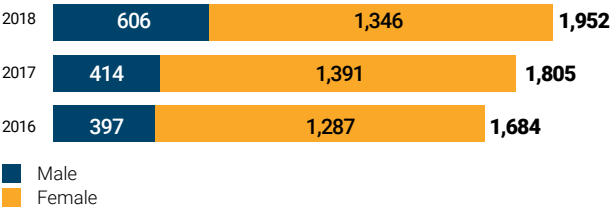
### Staff Breakdown by Age, Total Headcount by the Year-End, people

Item	2016	2017	2018	2018/2017 (%)
Total	3,895	3,784	3,648	96
Below 30 years (inclusive)	798	742	642	87
31–40 years	1,327	1,436	1,588	111
41–50 years	1,046	1,145	1,242	108
51–55 years	504	497	478	96
55+ years	220	407	535	131
Average age of employees	38.9	38.9	39.2	
Employed pensioners	251	197	186	94

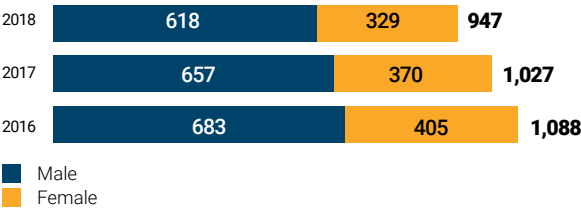
### Staff Breakdown



### Skilled employees



### Workers

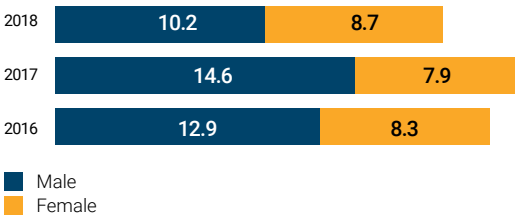


### Total Number of the New Staff Employed within the Reporting Period, %

Item	2016	2017	2018	2018/2017
Share of the staff employed within the reporting period (hired/on the staff)* (%)	10.10	10.50	9.40	89
Share of the employees hired in 2017 and remaining on the staff by the end of 2018*	95.10	91.20	80.70	88
New staff breakdown by age				
Below 30 years (inclusive)	20.70	23.40	21.90	94
31–40 years	8.00	8.80	10.70	122
41–50 years	4.30	5.60	4.30	77
51–55 years	4.30	0.90	1.30	144
55+ years	4.20	4.50	4.00	89

\* The number of workers (by the end of the reporting period) hired in the previous year / total number of the employees hired in the previous year.

### New Staff Breakdown by Gender, %



Staff Breakdown by Education, thousand people

Item	2016	2017	2018	2018/2017 (%)
Higher professional education, including employees of the following categories:	2,511	2,490	2,464	99
Workers	170	162	169	104
Skilled employees, office employees, and process owners	1,640	1,645	1,601	97
Managers	701	683	694	102
Two higher educations, including employees of the following categories:	178	180	181	101
Workers	3	3	6	200
Skilled employees, office employees, and process owners	98	98	98	100
Managers	77	79	77	97
Academic degree	22	21	15	71
Secondary vocational education, initial vocational education, including employees of the following categories:	588	590	541	92
Workers	276	287	258	90
Skilled employees, office employees, and process owners	270	263	251	95
Managers	42	40	32	80
Secondary (complete) general education, basic general education (incomplete secondary)	796	704	643	91
Total	3,895	3,784	3,648	96

Recruitment Policy

In 2018, the Company carried out an extensive work to design in-house methodologies for the employee professional skills testing, and thus, 42 guidance manuals were developed containing tests, case tasks, exercises and blank forms of standards interviews for assessment of the professional skills development level.

Availability of such methodological materials provides a consistent approach to skill assessment of the candidates and employees with more objective evaluation. It also ensures assessment execution in the shortest possible time without the involvement of professional experts for each evaluation, if required.

Staff Turnover Rate\*, %



Staff Onboarding

In 2018, TransContainer started implementing the Mentorship Regulations, according to which a mentor can be assigned to a worker newly employed by the Company after getting higher education.

The mentors took 14 young specialists under patronage during the year sharing their experience and knowledge and adapting to the Company's corporate culture.

Talent Development

The key objective of the Company's talent development programme in 2018 was to introduce training courses to the WebTutor portal launched in H2 2017. During the year, 16 new courses were posted on the portal, six of them developed by the HR Management Department specialists together with experts from the customer units.

- Besides, WebTutor system blocks, such as Training Centre and Career Development, were put into operation. They will allow:
- simplified planning, organisation, and monitoring of intramural training events;
  - processing of data bulk using analytical tools and convenient report forms;
  - higher rate of information distribution among the Company's employees and arrangement of feedback;
  - transparent and simple business processes of the training centre, including training cost analysis;

and also:

- automated selection of candidates to the Talent Pool (by results of the assessment, self-nomination, expert recommendation);
- development of the succession candidates' training procedures (activity plan, individual development plan, candidates' supervision by mentors and tutors, interface for the mentors and tutors);
- search in the database of succession candidates and Talent Pool participants for the in-house recruitment purposes.

In September 2018, TransContainer participated in THE BEST E-LEARNING RUSSIA 2018, an independent competition of distance learning systems and e-courses among the professionals in the sphere of distance learning. The competition was held as part of the III Forum E-LEARNING FORCE 2018.

TransContainer is an honoured participant of the competition. In 2018, such companies as Biocad, Sberbank, NLMK, PEK, TELE2, Henkel, Locko-Bank, Home Credit Bank, etc. took part in the event.

The plans for 2019 include systematic completion of the portal with training courses, as well as filling in the developing actions library of the Career Development block.

In 2018, the Company organised in-house webinars for the employees for the first time, with the heads of the business units as expert speakers. The topics discussed included sea shipping, budgeting, and accounting basis. The events were of great interest for the skilled employees and managers as a possibility to advance their competence level in adjacent and supplementary professions. The total audience of the webinars was as follows:

- Sea Shipping – 53 people;
- Accounting Basis – 47 people;
- Financial Management – 86 people.

The employees send requests for organising new webinars on key business topics that will be held in 2019.

Corporate E-Library

The corporate e-library provided by Mann, Ivanov and Ferber publishing house includes 840 e-books and 90 audiobooks accessible to any Company's employee from any device. The employees downloaded 4,852 books over 2018 giving preference to the books related to project management, negotiation skills, development of mental abilities, creativity, time management, and self-organisation skills.

2018 Results

Total Training Hours, h

Employees	2016	2017	2018	2018/2017 (%)
Managers	29,814.00	37,284.00	30,514.00	82
Skilled employees	16,202.00	26,273.00	19,597.00	75
Office employees	1,342.00	1,861.00	44.00	2
Workers	48,942.00	29,492.00	36,283.00	123
Male	48,171.00	53,184.00	55,835.00	105
Female	48,129.00	40,222.00	30,603.00	76
Total	96,300.00	98,948.00	86,438.00	87

Annual Average Training Hours per Employee, h

Employees	2016	2017	2018	2018/2017 (%)
Managers	40.73	75.20	53.88	72
Skilled employees	10.80	16.70	41.96	251
Office employees	4.15	3.70	2.75	74
Workers	45.61	30.80	61.62	200
Male	33.62	38.80	59.16	152
Female	21.93	18.60	48.56	261
Total	26.54	28.00	53.87	192

Training Costs, '000 RUB



Number of Employees Covered by Production Training at TransContainer's Sites, people



Distance Learning

Item	For 6 months 2017	2018	2018/2017 (%)
Number of users (people)	2,450	1,863	76
Number of employees who participated in distance courses (people)	221	1,452	657
Number of employees who completed remote testing (people)	253	2,260	893
Number of distance learning hours (h)	1,700	6,965	410
Number of new courses (pcs)	10	16	160



Distance courses on professional development	Marketing research as a tool providing for competitiveness in the transport market
	Laws and regulations in the sphere of transportation
	Services provided by TransContainer
Distance courses on managerial and personal performance	Basis of time management
	Management skills. Task assignment
	Management skills. Delegation
	Management skills. Control
	Management skills. Feedback
	Efficient conflict management
	Stress management
	Team building and development
Distance courses on software operation	Principles of efficient presentation
	Employee motivation as per the motivation type
	Order fulfilment. Planner
	Order fulfilment. Dispatcher
	Training course on Siebel CRM of the Sales and Business Development block

Distance courses developed using the resources of the HR Management Department involving in-house experts solved a range of tasks:

- maximum adjustment of training programmes to business demands and peculiarities;
- higher engagement of the employees through the participation of experts in cross-functional projects for course development;
- economic benefits from the reduction of budget costs for training;
- mobility of training programme changes with regard to business demands;

The most popular training course of 2018 was Siebel CRM course designed upon the request from the Sales and Business Development block. The course was completed by 595 people.

The employees left positive feedback. The average score for utility, comprehensible wording, quality of training material and practical effect was 4.7 out of 5 points. Training efficiency was highly appreciated by the management.

Based on the experience gained, the design of new courses on basic Google services is planned for 2019.

Staff Assessment

In 2018, along with the Company's approved system for assessment of candidates and employees under the principle of compliance with the position held, the Company implemented a project on assessment of the Executive Office and Branch Office staff responsible for TransContainer's client service. The specialists completed a test in conflict management, client-oriented approach and stress tolerance. The survey covered more than 400 employees.

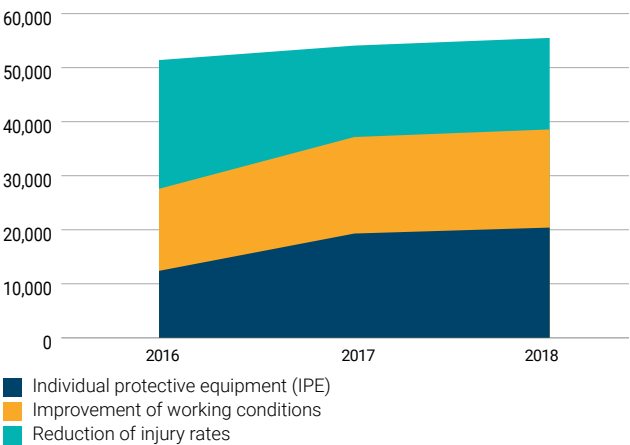
The test results revealed the underperformance areas so a programme of training events for 2019 was developed for the staff responsible for the TransContainer's client service.

Health and Safety

In 2018, TransContainer had zero severe workplace injuries – for the third year running. The Company's health and safety initiatives aim to support the positive trend going forward.

Over the year, the Company allocated RUB 55.5 mln to health and safety improvement (up 2.6% year-on-year). In accordance with the Collective Agreement, TransContainer's annual health and safety expenses account for at least 0.3% of costs attributable to the cost of revenue. This serves as a basis for the Company's branches to plan their occupational safety measures.

Health and Safety Expenses, '000 RUB



In 2018, health and safety expenses, net of IPE expenses, amounted to RUB 35.099 mln against the annual target of RUB 31.567 mln (around 0.38% of costs attributable to the cost of revenue). The funds were used to purchase hand-held radio units, sets of tools with insulated handles for electric works, fire extinguishers, prohibitory, information and mandatory safety signs and fire doors, to measure the insulation resistance of electric equipment, and carry out a number of process control initiatives.

The Company spent RUB 18.164 mln to improve working conditions and prevent occupational diseases (up 1.8% year-on-year). For better microclimatic conditions, the Company installed heaters, air conditioning systems, ionisers, and window blinds. TransContainer also purchased labour-saving devices to reduce workload and physical effort.

Incentives

Programmes of financial incentives by employee categories (including assessment of the average and minimum level of remuneration, overtime premium, etc.)

The program of financial incentives involves bonus payment according to performances as per TransContainer's Regulations on Bonuses, and the indexation of wages pursuant to Collective Agreement

Programmes of non-financial incentives by employee categories

Non-financial incentives in the Company:

- employees training;
- fostering professional development;
- creating a favourable atmosphere;
- holding Best Employee contest;
- granting honorary titles;
- nurturing team spirit (conducting sports events, corporate parties, holiday trips)

Composition and principle of benefits package formation by employees categories

Pursuant to Collective Agreement, the Company's employees of all categories are provided with:

- 1) reimbursement for the cost of travel to the place of work and back;
- 2) once a year - reimbursement for the cost of travel to a vacation spot;
- 3) compensation for childcare at the pre-school institutions.

The one-off incentive is paid to coincide with the anniversary dates and with the retirement from for the first time. Monthly allowance and financial assistance are provided for those on leave to care for children from 1.5 to 3 years.

As part of its efforts to enhance employee welfare, the Company furnished individual lockers, electrical appliances, and bottled water.

At TransContainer, we pay special attention to providing employees of business units with cutting-edge and high-quality personal protective equipment. There are special acceptance boards in place responsible for the quality and timely delivery of protective clothing.

To prevent workplace injuries, TransContainer organises annual training for managers and skilled employees. In the reporting year, 258, 56 and 84 people were trained in occupational, industrial and electrical safety, respectively, with RUB 2 mln allocated for the purpose.

In 2018, the Company conducted a special assessment of working conditions at 468 workplaces across the Company's branch offices. Following the assessment, we improved working conditions at 18% of the workplaces. The related costs amounted to RUB 0.75 mln, including the purchase of state-of-the-art tools, machines, and other production equipment. Also, we installed new air filters and air conditioning systems to improve the microclimate in our premises.

Pursuant to the Collective Agreement and the special assessment results, personnel exposed to harmful and/or hazardous environment factors receive compensations. The employees get bonuses in addition to standard wages and extra leave days.

Financial Incentives

TransContainer values its employees and aligns their remuneration and incentivisation with the Company's strategy aimed at higher container transportation volumes and margins, excellent quality of freight forwarding services, and stronger performance.

Staff remuneration terms and procedure are set out in the Regulation on TransContainer's Staff Remuneration.

The bonus system implies the payment of remuneration based on the Company's operating and financial results, as well as employees personal contribution, and calculated by unit, occupation, and position. We have developed and are continuously improving the scheme which links the bonus amount to the achievement of target KPIs. To attract and retain qualified staff, the Company pays one-off loyalty bonuses. In addition, in 2018 the wage indexation of 3.7% for all employees was implemented pursuant to the Company's Collective Agreement.

We motivate our team to perform better by providing social guarantees and benefits in excess of those required by the Russian labour laws. These are governed by the Collective Agreement and local regulations.

All our employees are granted voluntary health insurance policies and can get free medical care at Russia's best healthcare facilities listed in insurance policies. Also, employees and their families are entitled to partial compensation of their health resort treatment packages and reimbursement of railway tickets.

Retiring employees receive a one-off payment, and our staff can also take advantage of corporate pension plans.

The Company provides financial aid to its employees in specific life circumstances, including hardship payments. We pay subsidies to employees to cover part of their mortgage interest. There is also a one-off childbirth allowance Monthly allowance is provided for those on leave to care for children from 1.5 to 3 years.

Non-financial Incentives

In 2018, TransContainer continued improving the system of non-financial incentives.

Besides awards for strong performance, professionalism and personal contribution to the Company's success, at the end of the year the Company traditionally held its Best Employee contest on the Company's Day and the Day of Railway Worker in the following categories:

- Best in Profession: Acceptance/Delivery Agent,
- Best Specialist,
- Best Manager.

In 2018, additional tools were used for determining the winners. Employees activity on the training portal and the training efficiency were analysed. The employees with maximum rating advanced to the second round to demonstrate their engagement level and readiness to changes. The contest was won by employees with maximum rating points by the corporate competencies development level.

In December 2018, the Company undertook a study of engagement according to AONHewitt methodology involving 2,724 employees (74.7%) of TransContainer's headquarters and branch offices. According to the analysis, the engagement level in the Company amounted to 68%, down 3% year-on-year. Such a reduction in engagement level is not critical, especially since this value is 4% higher than the average level in Russia in 2017. It could be caused by TransContainer management change in 2H 2018 that triggered natural concerns among the majority of employees. In this context, the HR projects launched at the end of 2018 were mainly aimed at improving the existing situation.

In Q4 2018, TransContainer launched a project focused on identifying and promoting the high-potential employees within the talent pool. The project was called Change Leaders. Literally, every Company's employee could apply for participation in the qualifying round involving a video presentation and passing a test. A total of 243 applications were received from the different-level employees ranging from acceptance/delivery agents to directors.

The commission of experts selected 42 participants for 2019 who will undergo additional training in management skills, basic strategic vision and project management skills, and take part in the project teams on development and implementation of the Company's strategic initiatives.

All employees who applied for participation in Change Leaders project irrespective of examination results received an individualized letter from the CEO with congratulations and acknowledgements.

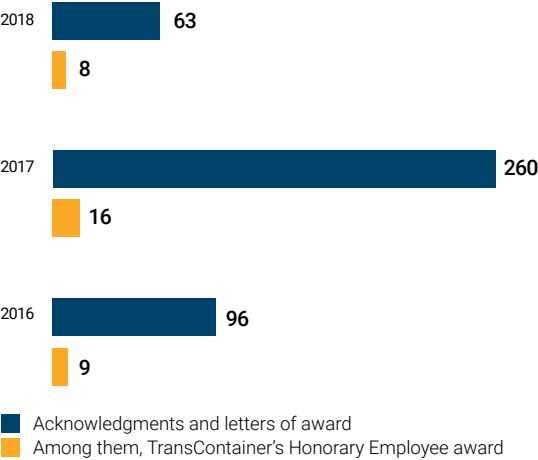
In 2H 2018, the Company implemented the initiative on arranging the addresses to the employees and interview with the Company's top management on its internal portal. Such format ensures immediate and extensive informing about strategic changes in the Company and introducing new managers to the employees.

A complex of activities aimed to improve employee engagement is planned for 2019:

- developing the internal communications strategy;
- holding a music competition to organize a music band in the Company;
- updating the Company's mission and values within the framework of a strategy session and organizing events to communicate the Company's mission and values to the employees of executive office and branch offices;
- cross-functional on-the-job training of employees at the companies of transport and logistics business unit.

These and other initiatives will ensure the availability of information on conducting the Company's business, thus helping each employee to feel valued and involved.

Non-financial Incentives – Awards (persons):



Number of Complaints Regarding Violations of the Labour Code of the Russian Federation (Code of Ethics), pcs

Complaints	2016	2017	2018
Filed	–	2	–
Processed (including those filed before the beginning of the reporting period)	–	2	–
Settled	–	2	–

HR development plans for 2019:

- the project focused on identifying and promoting the high-potential employees within the talent pool;
- approbation of annual assessment procedure;
- Internal Coaches School;
- engagement snapshots throughout the year.

Trade Union Organisations

Almost all (98%) of the Company's employees are members of the primary trade union organisation under the Russian Trade Union of Railway Workers and Transport Builders (ROSPROFZHEL). The trade union organisation is considered by TransContainer as a social partner and element of the corporate culture.

It initiates signing of the Collective Agreement, which governs social and labour relations of the Company and its employees, liaises with the employer on matters related to workplace discipline, work and rest regime, health, safety, and working conditions, increase in real wages, social guarantees provided to employees, their families, and unemployed pensioners.

In case of a violation of rights or discrimination, each employee can file a free-form complaint to the trade union organisation or write a letter to the CEO. All complaints are handled by dedicated commissions as part of the trade union's day-to-day activities. The employer makes decisions on social and work-related matters put forward by employees, based on the motivated opinion of the trade union bodies. In 2018, no labour conflicts regarding the commitments under Collective Agreement were registered. The wages were paid on time.

Social Programmes

In 2018, TransContainer implemented the following social programmes under the Collective Agreement with a view of attracting and retaining employees.

Housing Programme

To date, 145 employees have taken advantage of the programme to improve their housing conditions.

The housing programme includes:

- subsidies to employees to cover a part of their mortgage interest;
- corporate support for home purchase/construction.

Health Programme

In 2018, 422 employees, including 100 with children, received treatment at various health resorts and recreation facilities. As many as 275 children spent their summer holidays in recreational camps.

The health programme includes:

- discounted recreation for employees and their families at a number of resorts and partial reimbursement of travel packages bought;
- summer vacations for employees' children;
- creating conditions for physical activity and sports, promotion of a healthy lifestyle and sports. The Company has a sports committee chaired by the Deputy to CEO V. Drachyov to coordinate sports-related activities. There is a football club that regularly stages competitions on the Day of Railway Worker, CEO Cup, and commemoration tournaments. There are also volleyball, chess, and tennis clubs.



Health Programme's Budget

Item	2016	2017	2018
Sports and sports-related activities, '000 RUB	12,783.9	14,337	15,004.5
Per employee, '000 RUB	3.6	4.0	4.3
Employees that received treatment at health resorts and recreation facilities, people	342	423	422
Percentage of total headcount, %	9.4	12.0	12.0
Employees and their children that received treatment at health resorts and recreation facilities, people	111	122	92
Total employees' children covered by health recreation programmes, people	306	334	375
Employees' children that visited recreation camps, people	195	212	275

Corporate Pension Plan

In 2018, 742 retired employees of the Company received a corporate pension. Its average amount was RUB 7,699.

The arrangement is based on our agreement with BLAGOSOSTOYANIE Non-State Pension Fund and implemented in compliance with the Regulation on TransContainer's Private Pension Plan. A total of 849 TransContainer's employees have become party to the agreement providing for monthly contributions to the BLAGOSOSTOYANIE Non-State Pension Fund on par with the Company. The accrued contributions are used to pay private pensions in line with the Regulation on TransContainer's Private Pension Plan.

Work with Pensioners

1,545 unemployed pensioners were registered as at 31 December 2018. Social guarantees to unemployed pensioners are stated in the Collective Agreement and granted pursuant to the procedure established in the Company, within the limits of funds approved by the Company's budget. RUB 8.8 mln were allocated for the program in 2018.

The Collective Agreement signed by the Company provides for the following benefits and social guarantees to unemployed pensioners:

- one-off financial aid on the International Day for the Elderly (on the Victory Day for veterans and participants of the Great Patriotic War);
- reimbursement of domestic fuel expenses;
- reimbursement of travel costs;
- making and mending dental prosthesis;
- health resort treatment and rest;
- medical treatment at the health care institutions.

Corporate Pension Payments by BLAGOSOSTOYANIE Non-State Pension Fund

Item	2016	2017	2018
The average amount of pension, RUB	5,893	7,615	7,699
Unemployed pensioners receiving a corporate pension, people	633	707	742

Environmental Impact Management

Environmental Protection

TransContainer's main strategic objective with regard to environmental protection is to ensure the environmentally-friendly and sustainable development of the Company while also minimising the environmental impact of its activities.

Our key environmental protection principles include:

- ensuring compliance of the Company's activity with the Constitution of the Russian Federation, federal laws and other regulations of the Russian Federation, international regulations governing environmental protection and sustainable use of natural resources, and strict compliance with the rules intended to ensure personnel, community and environment safety by all employees;
- constantly improving and enhancing our environmental performance and environmental management system;

- prioritising activities set to reduce the impact of hazardous operations on people and the environment;
- staying alert and taking immediate action to prevent and manage any environmental accidents, incidents, occurrences, disasters or other emergencies;
- taking a consistent and holistic approach to ensuring environmental safety;

The following guidelines were developed in 2018:

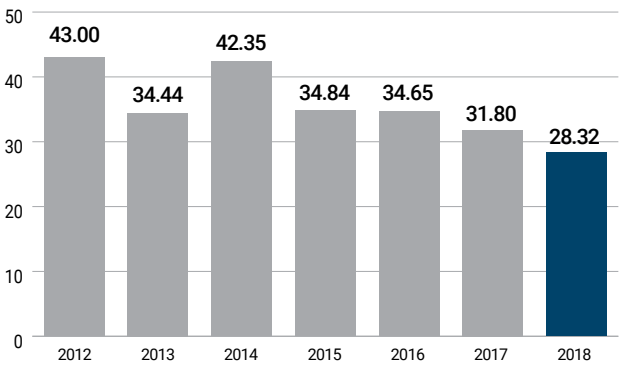
- maximum permissible emissions (MPE) for a 5-year term;
- maximum permissible discharges (MPD) for a 3-year term;
- standards for waste generation and disposal limits.

Since 1 January 2016, the Company's road vehicles use Euro 5 fuel, ensuring reduced harmful air emissions.

Key Environmental Activities in 2018

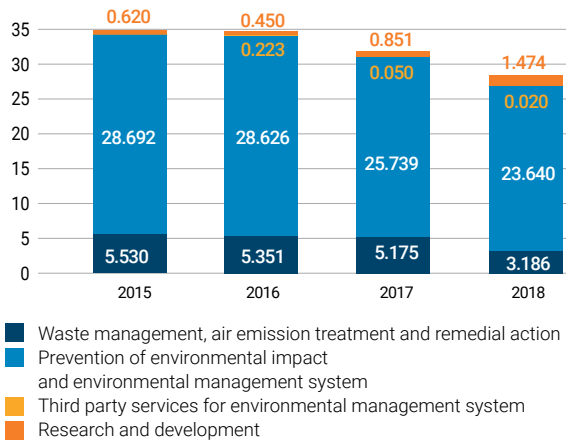
Activity	Target area (container terminal)	Expenditures (000 RUB)
Moscow Branch		
Procurement of containers for waste accumulation	Kuntsevo-2, Lesok	30
Gorky Branch		
Procurement of containers for temporary waste storage	Lagernaya	22
Kuibyshev Branch		
Construction of the water supply and fire extinguishing systems	Chernikovka	13,400
North Caucasus Branch		
Maintenance (pothole repair) of the asphalt road pavements	Rostov-Tovarny	306
Overhaul of the asphalt road pavements	Krasnodar	2,455
Krasnoyarsk branch		
Procurement of containers for temporary waste storage	Bazaikha	25

Environmental Expenditures, RUB mln



Our environmental expenditures decreased by 11% year-on-year due to the shutdown of several terminals.

Breakdown of Environmental Expenditures, RUB mln



Solid Waste

Solid waste is collected and stored in sealed containers in compliance with Sanitary Rules and Regulations (SanPiN) 2.1.7.1322-03 on Hygienic Requirements for the Storage and Disposal of Industrial and Consumer Waste. Solid waste control is ensured by keeping record of the generated, accumulated and transported industrial and consumer waste.

The Company set up temporary sites for waste storage and signed hazardous waste disposal contracts with specialist companies licensed to collect and recycle mercury-vapour lamps, household waste, scrap metal, and oily rags for their timely disposal.

In 2018, welding shops at container terminals were equipped with hazardous substance measurement devices.

In accordance with TransContainer's Investment Programme, the fire-extinguishing and water supply systems were put into operation at the Chernikovka container terminal of the Kuibyshev Branch in 2018. Water from that system is discharged into an isolated system (catch basin), which prevents the dumping of liquid household waste to the ground. The solution allowed the elimination of negative environmental impact and lower risk of penalty imposition by the Federal Service for Supervision of Natural Resource Usage for non-compliance with environmental and sanitary-epidemiological requirements while handling liquid industrial and consumer waste. The penalty is provided for by Chapter 8 "Administrative Environmental Protection and Management Offences" of the Code of Administrative Offences of the Russian Federation. The system also ensured compliance with fire safety requirements at the facility and contributed to working conditions improvement. The project cost is RUB 13,401,199,000 (net of VAT).

Energy Efficiency

In 2018, TransContainer extensively promoted efficient energy use control and installed light sensors. Fluorescent light fixtures were replaced with LED ones in the Privolzhskaya, Kuibyshev, Ural, West Siberian, Zabaikalskaya and Far Eastern branch offices. The West Siberian Branch implemented the Webasto system for heating the driver's cabin during idle hours in the winter season.

Remote Terminal Monitoring

For better fuel control, the Company rolled out a system of remote road vehicle operation monitoring.

The system helps to control the performance of technical equipment by means of GPS navigation enabling online diagnostics of the equipment by the operator. Real-time monitoring and metering of fuel consumption are possible as well. The system is also used for more efficient and seamless operation of vehicles (dispatching). Smart vehicle route planning and installation of fuel level sensors translate into a significant reduction in empty mileage and fuel consumption. Most of our fleet (154 tractor units), except for the recently purchased vehicles, is equipped with remote monitoring devices.

Energy Consumption in 2018

Energy type	Physical volume	Volume in monetary terms (000 RUB)	Volume (tons of equivalent fuel)
Electricity, total (thousand kW • h)	17,288.50	95,086.75	5,791.65
Diesel fuel (tons)	3,674.80	161,691.20	5,328.46
Petrol (tons)	211.50	1,015.20	315.14
Natural gas (thousand m <sup>3</sup> )	106.00	455.80	120.84
Heat (Gcal)	29,000	14,926.54	4,147

Energy Savings in 2018

Energy type	Physical volume	Volume in monetary terms (000 RUB)	Volume (tons of equivalent fuel)
Electricity, total (thousand kW • h)	114.60	630.30	38.39
Diesel fuel (tons)	34.20	1,504.80	49.60
Petrol (tons)	1.20	57.60	1.80
Natural gas (thousand m <sup>3</sup> )	5.00	20.50	5.70

Energy Savings in 2017

Energy type	Physical volume	Volume in monetary terms (000 RUB)	Volume (tons of equivalent fuel)
Electricity, total (thousand kW • h)	107.30	418.470	13.160
Diesel fuel (tons)	55.660	1,830.100	64.700
Petrol (tons)	1.578	63.910	2.000
Natural gas (thousand m <sup>3</sup> )	20.080	109.220	23.400

Energy Savings in 2016

Energy type	Physical volume	Volume in monetary terms (000 RUB)	Volume (tons of equivalent fuel)
Electricity, total (thousand kW • h)	213.95	941.16	26.20
Diesel fuel (tons)	119.20	3,984.74	138.60
Petrol (tons)	1.50	55.10	3.80



## Procurement

The Company carries out procurement activities in line with Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 18 July 2011 based on the Regulation on the Procedure for the Procurement of Goods, Work and Services for TransContainer's needs approved by the resolution of the Company's Board of Directors.

The procurement activities are aimed at catering to own needs with regard to required products and their price, quality, and reliability in a full and timely manner, as well as at using relevant funds efficiently.

The procurement objectives include:

- market pricing for products purchased by clients, contributing to the reasonable reduction of clients' costs;
- promoting and fostering procurement participation, encouraging fair competition;
- ensuring procurement visibility and transparency.

Procurement principles:

- availability of procurement information;
- equality and fairness, with no discrimination or unreasonable restrictions on competition among the participants;
- intended and efficient use of funds allocated for purchasing goods, works and services (taking into account their life cycle cost, where applicable), and implementation of cost-cutting initiatives;
- no restrictions on participation in the procurement in the form of non-measurable requirements for the participants;
- compliance with the Russian laws, including the antitrust law.

According to the Unified Procurement Information System (<https://zakupki.gov.ru>) and the Company's website, there were 446 procurement procedures held (for 496 items) in 2018<sup>1</sup>, down 21.5% year-on-year.

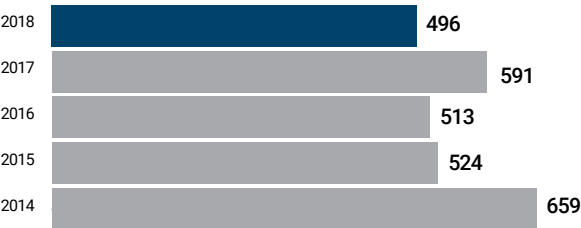
### Single-source Procurement Breakdown by the Number of Contracts, pcs

Item	2016	2017	2018
Transportation services provided by infrastructures owners, including Russian Railways, foreign railways, and ports, etc.	50	28	26
Electricity, heat, utilities, mail service, lease	13	29	16
Goods, works and services related to IT development, support and maintenance of software and the Company's information systems, including with the owners of exclusive rights to the software and with the developers	5	21	8
Other (purchases following resolutions of the Board of Directors and its committees, participation in exhibitions and specialised events, advertising, summer camps, etc.)	13	34	34

1. Including three procurement procedures that are not subject to publication in the Unified Procurement Information System as per the Government Directive No. 51r dated 20 January 2018.

The downtrend is due to the fact that procurement procedures followed by signing long-term agreements were carried out in the previous period.

### Procurement at TransContainer

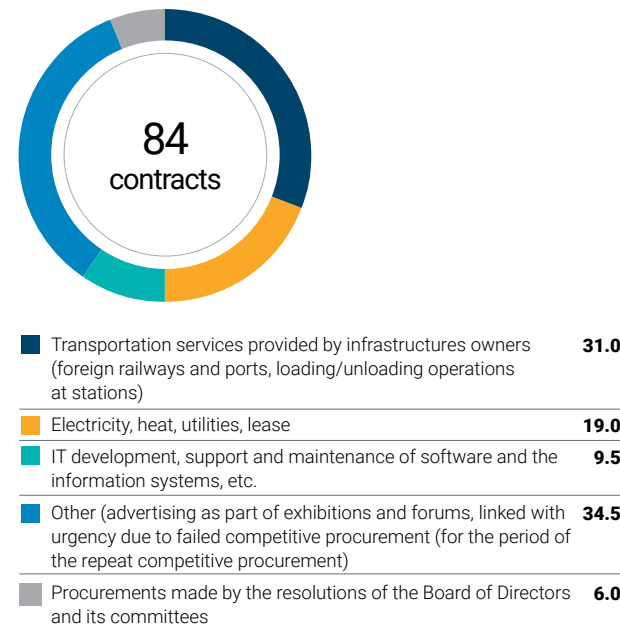


Based on the results of the procurement procedures, the Company signed contracts worth over RUB 28.6 billion (net of VAT).

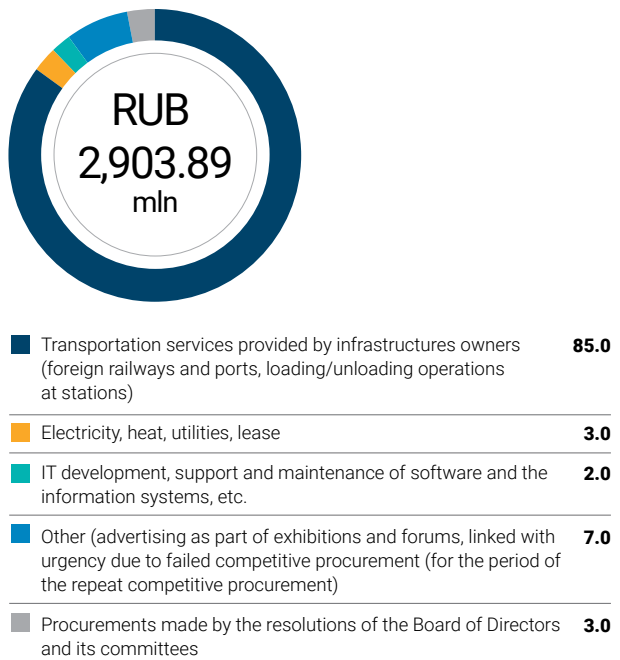
Framework contracts with subcontractors engaged in transportation and forwarding services accounted for the most part (about RUB 12.8 billion).

The Company works to reduce the share of procurement from a single supplier (contractor). In 2018, the share of single-source procurement in monetary terms accounted for 2.1% (RUB 812 million out of RUB 38,217 million) of the total number of announced purchases. A total of 84 contracts were signed with single suppliers in the reporting year.

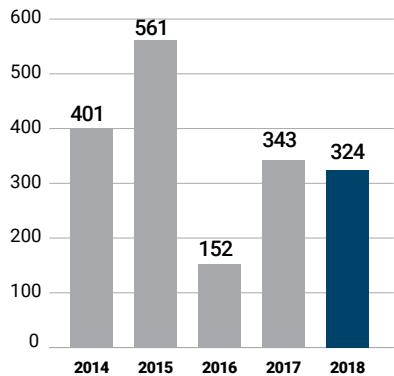
### Single-source Procurement Breakdown, procedures



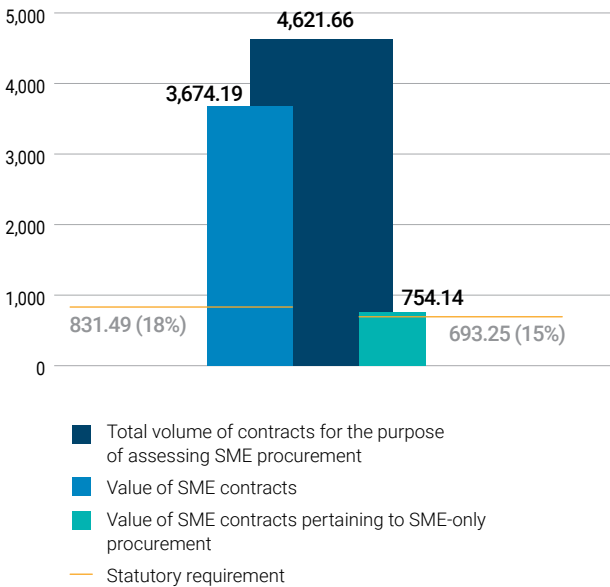
### Single-source Procurement Breakdown, monetary terms



### Savings Gained through Competitive Procurement Procedures Totalled over RUB 324 million.<sup>1</sup>



### SME Procurement



Statutory SME procurement requirements set by Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities and Resolution of the Government of the Russian Federation No. 1352 On Peculiarities of Participation of Small and Medium Enterprises in the Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 11 December 2014 are complied

1. Excluding framework contracts with savings achieved by choosing optimal unit prices (purchases of fuel, office supplies, transportation and forwarding services, etc.).

# Charity

The Company's charitable programme aims to improve living standards and support vulnerable social groups.

Key elements of this charitable programme include:

- long-term focus;
- transparency;
- targeted approach;
- cooperation with federal and state authorities, businesses and non-profit organisations;
- control over the use of funds allocated by the Company for charity.

Focus areas for the charity support provision:

- children support;
- sports and healthy lifestyle promotion;
- preservation of Russia's cultural heritage;
- aid to victims of emergencies;
- support to the employees and their families.

## Projects Implemented in 2018, RUB mln

Charity project	Charitable contribution
Target payments for medical treatment in Russian and foreign healthcare institutions and rehabilitation facilities	23.9
Purchase of special-purpose medical equipment for sustaining children's life at home (equipment for children with ICP, diabetes, serious genetic diseases)	14.2
Material and welfare support of children's healthcare and social institutions (furniture and equipment for children's social and healthcare facilities under the patronage), as well as support to the families of TransContainer's employees having disabled children and families with many children	15.2
Charitable assistance to Lokomotiv Hockey Club (Yaroslavl) for support of two youth sports schools	45
A donation to "Regional Platform" Regional Development Fund for support and its statutory activities execution	40
Support to the employees and their families for medical treatment and social rehabilitation	7.7
Total charitable contributions in 2018	146.3

Visits to orphanages and boarding schools were organised as a part of charity events. The employees of TransContainer, the Russian Railways, and ROSPROFZHEL primary trade union organisation take part in traditional clean-up days and events devoted to the anniversary of Victory in the Great Patriotic War.

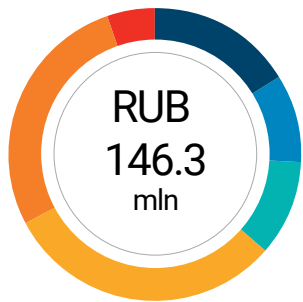
- providing social rehabilitation assistance to orphans, disabled and disadvantaged children, and children without parental care;
- promoting patriotic and moral education among children and young people.

Since 2015, the Company has been implementing TransContainer for Children, a dedicated long-term programme aimed at:

- promoting education, science, culture, arts and spiritual development among children;
- supporting children's health protection and preventive healthcare, raising awareness about a healthy lifestyle;
- promoting children's physical education and sports;

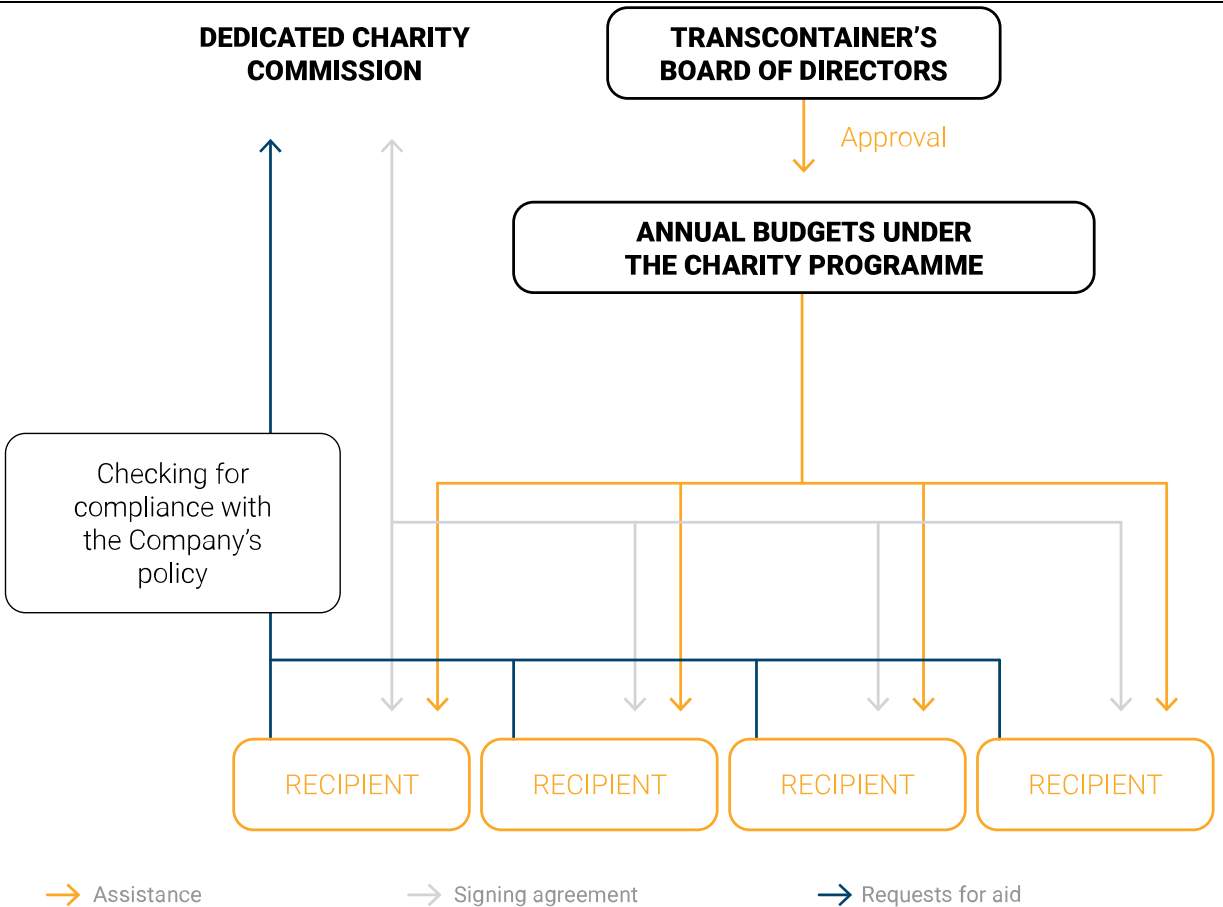
In line with the programme, the Company provides sponsorship to children's social and healthcare institutions, sports schools and clubs, and supports physically disabled children with serious health problems. Since the launch of the programme, above RUB 150 mln have been allocated for charitable purposes, including RUB 53.3 mln in 2018.

## Breakdown of funds allocated for charitable purposes, RUB mln



Target payments for medical treatment in Russian and foreign healthcare institutions and rehabilitation facilities	23.9
Purchase of special-purpose medical equipment for sustaining children's life at home (equipment for children with ICP, diabetes, serious genetic diseases)	14.2
Material and welfare support of children's healthcare and social institutions (furniture and equipment for children's social and healthcare facilities under the patronage), as well as support to the families of TransContainer's employees having disabled children and families with many children	15.2
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Support to the employees and their families for medical treatment and social rehabilitation	7.7

## Charity scheme





# Financial Results

## Operating and Financial Performance Review

PJSC TransContainer is the major Russian intermodal container operator. As of 31 December 2018, the Company owned and leased 25,457 flatcars and 70,478 high-capacity containers, while the share of shipments by the Company's assets in the rail container transportation market totalled approximately 42%. TransContainer owns 40 terminals in Russia, including one terminal owned through its subsidiary CJSC Logistika-Terminal. Besides, the Company operates one terminal in Slovakia under a long-term lease through its subsidiaries and joint ventures, two terminals through a joint venture LLC Freight Village Kaluga North and one terminal through a subsidiary CJSC Logistika-Terminal. A joint venture between TransContainer and Kazakhstan Temir Zholy – JSC Kedentransservice – operates 19 railway terminals in Kazakhstan. The Company's sales network comprises about 95 sales offices in Russia providing the footprint in the CIS, as well as in Europe and Asia.

In 2018, the Russian rail container transportation market went up by 14.4% year-on-year and achieved 4,441 thousand TEUs. The growth was observed in all types of transportation: domestic shipments increased by 5.1% year-on-year, while the share of export transportation grew by 17.3% year-on-year, import and transit traffic increase amounted to 22.0 and 35.1% respectively.

The Company managed to achieve record high financial and operational results throughout its history due to the implementation of the Company's strategic goals aimed at bolstering the competitive edge and operating performance. Taking into account the favourable market conditions, the Company focused on providing high-quality client service and pursuing a moderate pricing policy. Special attention was paid to fleet management optimisation, logistics improvement, and cost reduction.

As a result, in 2018, the volumes transported by the Company's flatcars and containers grew by 6.1% year-on-year to 1,886 thousand TEUs. Revenue-generating volumes increased by 8.4% year-on-year to 1,544 thousand TEUs. The adjusted revenue increased by 12.6% year-on-year to RUB 31,288 million; the operating profit surged by 48.6% year-on-year to RUB 11,559 million and net profit grew by 45.5% year-on-year amounting to RUB 9,509 million.

## Key Performance Indicators (KPI) of the Company

The net profit margin (30.4%) and return on equity (20.6%) met the targets outlined in the Company's strategy.

Key financial indicators of the Company are given in the table below.

TransContainer's Key Financial Indicators

Item	2018	2017	Year-on-year change	
			RUB mln	Percent
Total revenue	76,959	65,567	+11,392	+17.4
Adjusted revenue <sup>1</sup>	31,288	27,782	+3,506	+12.6
Adjusted expenses <sup>2</sup>	21,215	20,653	+562	+2.7
EBITDA <sup>3</sup>	13,342	10,252	+3,090	+30.1
Adjusted EBITDA margin <sup>4</sup> (%)	42.6	36.9		+6 p. p.
Profit for the period	9,509	6,534	+2,975	+45.5
Adjusted net profit margin <sup>4</sup> (%)	30.4	23.5		+7 p. p.
Debt (including the interest)	11,306	6,412	+4,894	+76.3
Net debt <sup>5</sup>	1,779	2,241	(462)	(20.6)
LTM EBITDA <sup>6</sup>	13,342	10,252	+3,090	+30.1
Net debt / LTM EBITDA (%)	13.0	22.0		9 p. p.

<sup>1</sup> Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services.  
<sup>2</sup> Adjusted Operating Expenses are calculated as operating expenses less cost of integrated freight forwarding and logistics services.  
<sup>3</sup> EBITDA is calculated as profit for the period before income tax, interest expense, depreciation and amortisation less interest income, foreign exchange gain (loss), share of result of associates and joint ventures, excess of the fair value of subsidiary net assets over its purchase cost, profit from fixed assets disposal.  
<sup>4</sup> Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.  
<sup>5</sup> Net Debt is calculated as long-term debt, finance lease obligations, short-term debt and current portion of the long-term debt less cash and cash equivalents and short-term investments.  
<sup>6</sup> LTM EBITDA is calculated as EBITDA for the past 12 months.

Considering the on-going increase of the customer demand for the Company's services, TransContainer's Investment Plan for 2018 was increased threefold. Thereat, the reporting period results showed that the investment volume was below the budget level and totalled RUB 8.9 billion due to delayed delivery of flatcars by the manufacturers. Major investments were spent on purchasing containers and flatcars.

And thus, the Company has increased the Investment Programme share in 2019 Budget to RUB 13.3 billion. The funds will be spent mainly on purchasing containers and flatcars. Considering the risk of the flatcar price growing due to higher demand of the operators and limited production capacities of Russian manufacturers, the Company is planning to further improve the existing fleet management efficiency to meet the customers' demand.

As of 31 December 2018, the Company's total debt was RUB 11,306 million with net debt of only RUB 1,779 million, bringing the Net debt to EBITDA ratio to 13%.

Trends of the container transportation market justify the Company's view that the Russian container transportation market has a significant potential of future long-term growth through higher containerisation level, Russia's economic advance in the medium term, as well as increase of the transit transportation volume between China and European countries. In the current situation, TransContainer is going to further implement the expanded Investment Programme, advance the business operational and management performances, improve the fleet management and enhance the client experience in order to attract new customers.

## Current Situation and Trends

In Q1 2019, the Russian rail container transportation market continues to grow at a 12% rate year-on-year. Based on the market conditions in Q1 2019, the Company currently expects the growth rate of the rail container transportation market in the reporting year to be nearly 5–10% year-on-year. TransContainer pays close attention to ongoing market trends and events.

## Key Operating Results

### Rail Container Transportation

The volume of containers transported by the Company's shipping assets in 2018 went up by 6.1% year-on-year and totalled 1,886 thousand TEUs mainly due to higher levels of imports and exports.

#### Container Transportation by the Company's Assets in 2018 (loaded and empty high-capacity containers)

Item	2018	2017	Change	
			'000 TEU	%
Domestic traffic	886.6	903.7	(17.2)	(1.9)
Export	476.7	432.1	+44.6	+10.3
Import	355.5	315.5	+40.0	+12.7
Transit	166.7	126.0	+40.7	+32.3
<b>All routes</b>	<b>1,885.5</b>	<b>1,777.3</b>	<b>+108.1</b>	<b>+6.1</b>

The container volume transported by TransContainer's rolling stock in 2018 grew by 8.4% to 1,806 thousand TEUs from 1,665 thousand TEUs in a similar period in 2017. The volume of the Company's revenue-generating transportation in 2018 went up by 8.4% year-on-year and reached 1,544 thousand TEUs. The volume transported in 2018 by rolling stock operated by the Company totalled 1,958 thousand TEUs, + 4.6% year-on-year.

### Container Terminal Handling

By the end of 2018, the volume of container terminal handling reduced by 1.1% year-on-year and amounted to 1,279 thousand TEUs from 1,294 thousand TEUs in 2017.

A lag in the growth of the Company's terminal handling volume behind the overall container market performance is attributable to a major share of export and transit transportation volumes, including those shipped through Mongolia and Kazakhstan. Moreover, the Company's terminal handling volumes were affected by the shutdown of two terminals in the Moscow region in 2H 2017 related to the Moscow Government's plans to reduce the number of terminals in the city centre.

### Production Efficiency Indicators

The empty run ratio of containers in 2018 decreased from 19.2 to 17.6%. The empty run ratio of flatcars reduced from 3.9 to 3.0% due to the fleet management optimisation and favourable market conditions.

#### Empty Run Ratio of Containers and Flatcars in 2017–2018

Item	2018	2017
Container turnover (days)	32.5	37.8
Flatcar turnover (days)	11.9	12.1
Empty run ratio <sup>1</sup> of containers (%)	17.6	19.2
Empty run ratio <sup>2</sup> of flatcars (%)	3.0	3.9

<sup>1</sup> The empty run ratio is calculated as the average distance of a container empty run divided by the total average distance of container runs (both loaded and empty).

<sup>2</sup> The empty run ratio is calculated as the average distance of a flatcar empty run divided by the total average distance of flatcar runs (both loaded and empty).

By the end of 2018, the flatcar turnover declined from 12.1 days in 2017 to 11.9 days in the reporting period, while the container turnover increased from 37.8 to 32.5 days through the Company's activities on fleet management optimisation.

## Key Financial Indicators

#### Key Financial Indicators of the Company in 2017–2018

Item	2018	2017	Year-on-year change	
			RUB mln	%
Total revenue	76,959	65,567	+11,392	+17.4
Other operating income	1,486	647	+839	+129.7
Operating expenses	(66,886)	(58,438)	(8,448)	+14.5
<b>Operating profit</b>	<b>11,559</b>	<b>7,776</b>	<b>+3,783</b>	<b>+48.6</b>
Interest expenses	(885)	(634)	(251)	+39.6
Interest income	465	301	+164	+54.5
Foreign exchange gain, net	417	(23)	+440	
Share of result of associates and JVs	268	704	(436)	(61.9)
Other financial results, net	154	48	+106	
<b>Profit before income tax</b>	<b>11,978</b>	<b>8,172</b>	<b>+3,806</b>	<b>+46.6</b>
Income tax expenses	(2,469)	(1,638)	(831)	+50.7
<b>Profit for the period</b>	<b>9,509</b>	<b>6,534</b>	<b>+2,975</b>	<b>+45.5</b>
<b>Other comprehensive income</b>	<b>312</b>	<b>(26)</b>	<b>+338</b>	
Remeasurements and other reserves for post-employment benefit plans	117	102	+15	+14.7
Exchange differences on translating foreign operations (TransContainer)	49	14	+35	+250.0
Exchange differences on translating foreign operations (subsidiaries and JVs)	146	(142)	+288	
<b>Other comprehensive income</b>	<b>9,821</b>	<b>6,508</b>	<b>+3,313</b>	<b>+50.9</b>

### Adjustments and Additional Financial Information

The majority of the Company's services are provided with the use of third-party services. Accordingly, third-party charges for such services are presented within the Company's revenues and expenses. In particular, such charges include the value of railway tariffs and the third-party charges related to principal activities.

All third-party services are presented as "Third-party charges related to principal activities".

#### Summary of Third-party Charges Included in the Company's Revenues

Item	2018	2017	Year-on-year change	
			RUB mln	%
Third-party charges related to integrated freight forwarding and logistics services	45,671	35,805	9,866	+27.6
Cargo transportation and handling services with involvement of third parties	0	1,980	(1,980)	(100.0)
<b>Third-party charges related to principal activities</b>	<b>45,671</b>	<b>37,785</b>	<b>+7,886</b>	<b>+20.9</b>

For analytical purposes, the Company includes the third parties' share in the Company's revenues and expenses.



**Adjusted Revenue**

Item	2018	2017	Year-on-year change	
			RUB mln	%
Total revenue	76,959	65,567	+11,392	+17.4
Third-party charges related to principal activities	(45,671)	(37,785)	(7,886)	+20.9
<b>Adjusted revenue<sup>3</sup></b>	<b>31,288</b>	<b>27,782</b>	<b>+3,506</b>	<b>+12.6</b>

**Integrated Freight Forwarding and Logistics Services Revenue Adjustment**

Item	2018	2017	Year-on-year change	
			RUB mln	%
Integrated freight forwarding and logistics services	71,158	57,052	+14,106	+24.7
Third-party charges related to integrated freight forwarding and logistics services	(45,671)	(35,805)	(9,866)	+27.6
<b>Adjusted revenue related to integrated freight forwarding and logistics services</b>	<b>25,487</b>	<b>21,247</b>	<b>+4,240</b>	<b>+20.0</b>

**Operating Expenses Adjustment**

Item	2018	2017	Year-on-year change	
			RUB mln	%
Operating expenses	66,886	58,438	+8,448	+14.5
Third-party charges related to principal activities	(45,671)	(37,785)	(7,886)	+20.9
<b>Adjusted operating expenses</b>	<b>21,215</b>	<b>20,653</b>	<b>+562</b>	<b>+2.7</b>

Some items used, such as adjusted revenue, adjusted operating expenses, EBITDA, adjusted EBITDA margin and adjusted net profit margin, are not IFRS financial metrics and constitute supplementary indices of the Company's operating activities. They are used as additional analytical tools with limited applicability, so they shall be used neither separately nor together instead of IFRS metrics.

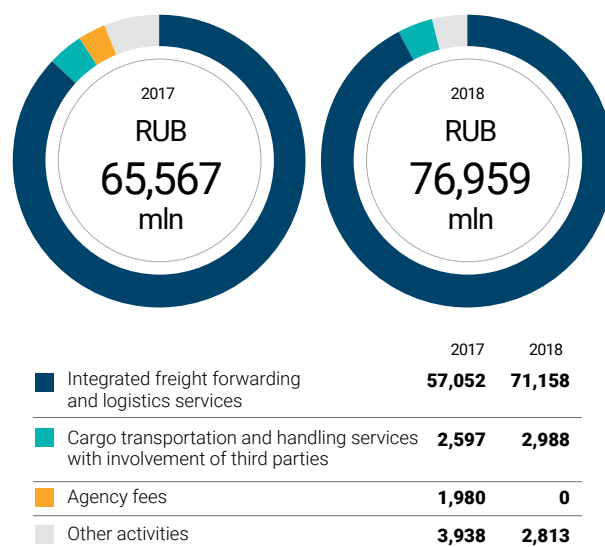
The reporting period was generally characterised by a significant nonrecurrent effect related to the revenue from the fixed assets sales and disposals. Within this context, EBITDA was adjusted by the nonrecurrent effect value to represent the Company's outcomes more precisely.

**Total Revenue**

The revenue structure in the reporting period includes three major categories: revenue from integrated freight forwarding and logistics services, agency fees and revenue from other activities. Such change is due to a noticeable increase in the freight forwarding and logistics services volume and the respective share in the Company's total revenue.

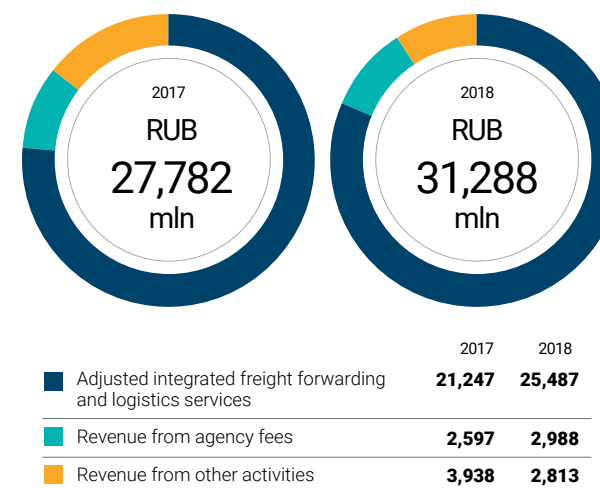
Revenue from the agency fees was previously included in the revenue from terminal services, bonded warehousing services, and agency fees.

Revenue from other activities comprises revenues from rail container transportation, cargo transportation and handling services with involvement of third parties, truck deliveries, etc.

**Revenue Breakdown in 2017–2018**

The Company's revenue in 2018 increased by RUB 11,392 million, or 17.4% year-on-year, to RUB 76,959 million from RUB 65,567 million in 2017. Such revenue growth primarily resulted from an increase in transportation volumes by the Company's assets, as well as terminal handling volumes on the back of the growing rail container transportation market. In 2018, the Company ramped up the provision of integrated freight forwarding and logistics services and stopped the provision of cargo transportation services with involvement of third parties.

The adjusted revenue breakdown in 2018 and 2017 respectively is shown in the table below.

**Adjusted Revenue Breakdown**

The adjusted revenue increased in 2018 by 12.6% year-on-year to RUB 31,288 million from RUB 27,782 million in 2017. It reflects the growth of the integrated logistics services volume driven by a greater volume of revenue-generating transportation, as well as the flexible pricing policy.

**Integrated Freight Forwarding and Logistics Services**

Revenue from the integrated freight forwarding and logistics services increased by 24.7% to RUB 71,158 million over 2018.

Adjusted revenue from the integrated freight forwarding and logistics services was up by 20.0% year-on-year to RUB 25,487 million in 2018, mainly on the back of growing revenue-generating volumes and changing the customers' preferences towards complex and integrated transportation services.

**Agency Fees**

The agency fees increased by 15% year-on-year to RUB 2,988 million in 2018 compared to RUB 2,597 million in 2017. This was primarily driven by tariff indexing and restructuring the services under the agency agreement with the Russian Railways.

**Revenue from Other Activities**

Revenue from other activities includes the revenue components previously allocated separately: revenue from rail-based container transportation, revenue from truck deliveries, revenue from cargo transportation and handling services with involvement of third parties, and revenue from other freight forwarding and logistics services.

In 2018, revenue from other services was down by 28.4% to RUB 2,813 million, compared to RUB 3,927 million in 2017. The decline was mainly due to customer demand to shift towards integrated transportation and logistics services.

**Other Operating Income**

In 2018, other operating income amounted to RUB 1,486 million compared to RUB 647 million in 2017. The growth was mainly due to the sale of Saint Petersburg-Tovarny-Vitebsky terminal in December 2018.

## Operating Expenses

The structure of the Company's operating expenses for 2018 and 2017 respectively is given below.

### Operating Expenses

Item	2018			2017		
	RUB mln	share of operating expenses, %	share of revenue, %	RUB mln	share of operating expenses, %	share of revenue, %
Third-party charges related to principal activities	45,671	68.3	59.3	37,785	64.7	57.6
Payroll and related charges	6,422	9.6	8.3	5,809	9.9	8.9
Freight and transportation services	5,407	8.1	7.0	6,549	11.2	10.0
Materials, repair, and maintenance	3,427	5.1	4.5	3,182	5.4	4.9
Depreciation and amortisation	2,927	4.4	3.8	2,668	4.6	4.1
Taxes other than income tax	725	1.1	0.9	581	1.0	0.9
Rent	410	0.6	0.5	279	0.5	0.4
Other expenses	1,897	2.8	2.5	1,585	2.7	2.4
<b>Total operating expenses</b>	<b>66,886</b>	<b>100.0</b>	<b>86.9</b>	<b>58,438</b>	<b>100.0</b>	<b>89.1</b>

The Company's operating expenses increased by RUB 8,448 million, or 14.5% year-on-year, to RUB 66,886 million compared to RUB 58,438 million in 2017. This rise was due to a significant increase in the third-party charges related to principal activities.

### Third-party Charges Related to Principal Activities

Costs of third-party charges related to principal activities increased from RUB 37,785 million to RUB 45,671 million, up 20.9% year-on-year. This was primarily driven by a higher volume of the Company's operations, tariff indexing by the Russian Railways and other subcontractors, and growth in international transportations with the involvement of outsourced transportation services. The weakening of the Russian rouble against the US dollar and Euro in 2018 had an impact on the cost of currency payments with foreign railway administrations and sea shipping companies.

## Adjusted Operating Expenses

In 2018, adjusted operating expenses, as defined in the Adjustments and Additional Financial Information section above, grew by 2.7% year-on-year, from RUB 20,653 million to RUB 21,215 million. This was primarily due to the increase in payroll costs and costs for taxes other than income tax, as well as an increase in rent payments.

### Adjusted Operating Expenses Structure and Dynamics for 2018 and 2017

Item	2018		2017		Change for period	
	RUB mln	%	RUB mln	%	RUB mln	%
Payroll and related charges	6,422	30.3	5,809	28.1	+613	+10.6
Freight and transportation services	5,407	25.5	6,549	31.7	(1,142)	(17.4)
Materials, repair, and maintenance	3,427	16.2	3,182	15.4	+245	+7.7
Depreciation and amortisation	2,927	13.8	2,668	12.9	+259	+9.7
Taxes other than income tax	725	3.4	581	2.8	+144	+24.8
Rent	410	1.9	279	1.4	+131	+47.0
Other expenses	1,897	8.9	1,585	7.7	+312	+19.7
<b>Adjusted operating expenses</b>	<b>21,215</b>	<b>100.0</b>	<b>20,653</b>	<b>100.0</b>	<b>+562</b>	<b>+2.7</b>

### Freight and Transportation Services

Expenses related to freight and transportation services decreased by RUB 1,142 million, or 17.4% year-on-year, to RUB 5,407 million for the full year of 2018. This is due to several reasons: 1) thanks to the Company's efforts on optimisation of the fleet management, the savings on empty run costs offset the impact of tariff indexing by the Russian Railways; 2) due to changing the customers' preferences towards the integrated freight forwarding and logistics services.

### Payroll and Related Charges

Payroll and related charges increased by RUB 613 million, or 10.6% year-on-year, from RUB 5,809 million in 2017 to RUB 6,422 million in 2018. This increase was mainly due to the base salary indexing and performance-linked payments on the back of improved financial and operating results. The growth was partially offset by a decrease in the average headcount from 3,533 to 3,502 employees.

### Depreciation and Amortisation

Depreciation and amortisation increased by RUB 259 million, or 9.7% year-on-year, to RUB 2,927 million compared to RUB 2,668 mln in 2017, reflecting an increase in capital expenditures in 2018, and also the contribution of CJSC Logistics-Terminal and LLC SpecTransContainer consolidation.

### Materials, Repair, and Maintenance

Expenses related to materials, repair, and maintenance were up by 7.7% year-on-year to RUB 3,427 million for the full year of 2018, compared to RUB 3,182 million in 2017. This was mainly due to an increase in the number of flatcar repairs resulted from a higher fleet utilisation. The other factor was a higher average repair price also contributed to this increase mainly as prices for flatcars components went up amid the growing customer demand in Russia.

### Taxes Other Than Income Tax

Taxes other than income tax increased from RUB 581 million to RUB 725 million, up 24.8% year-on-year, mainly due to an increase in the amount of accrued value added tax (VAT) for international transportation, justifiability of the application of 0% rate for which has not been documented.

### Rent

Rental payments increased by RUB 131 million, or 47.0% year-on-year, from RUB 279 million to RUB 410 million, due to the increase of operational leasing of the flatcars.

### Other Operating Expenses

Other operating expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication service and loss of sale of fixed assets, etc. In 2018, other operating expenses increased from RUB 1,585 million to RUB 1,897 million, up 19.7% year-on-year. This primarily resulted from an increase in fuel, licences, and software and was partially offset by a decrease in consulting expenses and security costs.



Interest Expenses

Interest expenses increased by RUB 251 million, or 39.6% year-on-year, from RUB 634 million in 2017 to RUB 885 million in 2018, mainly due to an increase in principal.

Interest Income

Growth of interest income by RUB 164 million, or 54.5% year-on-year, from RUB 301 million in 2017 to RUB 465 million in 2018, was mainly driven by an increase in the balances in deposit accounts due to the lag of actual capital expenditures from the target ones.

Profit before Income Tax

As a result of the reasons described above, the Company's profit before income tax increased by RUB 3,806 million, or 46.6% year-on-year, from RUB 8,172 million in 2017 to RUB 11,978 million in 2018.

Income Tax Expenses

Income tax expenses increased by RUB 831 million, or 50.7% year-on-year, from RUB 1,638 million in 2017 to RUB 2,469 million in 2018, due to an increase in taxable profit.

Total Profit and Comprehensive Income for the Period

As a result of the factors discussed above, the profit for the full year of 2018 increased by RUB 2,975 million, or 45.5% year-on-year, to RUB 9,509 million compared to RUB 6,534 million for the same period of 2017. Taking into account the exchange rate differences relating to foreign operations, as well as other effects, the total comprehensive income of the Company for the reporting period increased by 50.9% and amounted to RUB 9,821 million, compared to RUB 6,508 million for the full year of 2017.

Liquidity and Capital Resources

As of 31 December 2018, the Company's net cash and cash equivalents amounted to RUB 9,527 million, while its current assets exceeded current liabilities by RUB 7,727 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for the purchase of flatcars and containers, for the development and modernising its terminals and other assets. During the reporting period, the Company's operations and its capital expenditures were financed from its own cash flows.

Cash flows

Company's Cash Flows Structure, 2018-2017, RUB mln

Item	2018	2017
Net cash provided by operating activities	11,390	8,466
Net cash used in investing activities	(7,197)	(6,568)
Net cash provided by financing activities	663	(3,282)
Net increase in cash and cash equivalents	4,856	(1,384)
Foreign exchange effect on cash and cash equivalents	500	30
Net cash and cash equivalents at the end of the period	9,527	4,171

Cash Flow Generated by Operating Activities

Cash flow generated by operating activities increased by RUB 2,924 million, or 34.5% year-on-year, from RUB 8,466 million in 2017 to RUB 11,390 million in 2018, mainly due to an increase in operating profit, as discussed above.

Cash Flow Used in Investing Activities

Cash flow used in investing activities increased by RUB 629 million, or 9.6% year-on-year, from RUB 6,568 million in 2017 to RUB 7,197 million in 2018. This primarily resulted from an increase in capital expenditures from RUB 6,869 million to RUB 7,032 million, respectively, and from completing the deal to acquire CJSC Logistics-Terminal.

Cash Flow Used in Financing Activities

Cash flow used in financing activities increased by RUB 3,945 million, or 120.2% year-on-year, to RUB 663 million, compared to negative RUB 3,282 million in 2017. It was mainly due to the issue of RUB-denominated bonds in the amount of RUB 6 billion in January 2018.

Capital Expenditure

Capital expenditure increased by RUB 136 million, or 2.0% year-on-year, from RUB 6,896 million in 2017 to RUB 7,032 million in 2018. The majority of the capital expenditure was spent on acquiring new ISO containers and flatcars.

Planned Capital Expenditure for 2019

The Company's capital expenditure programme is aimed at maintaining its position as a market leader in the Russian container sector, strengthening its competitive advantages, as well as optimising its asset structure and key operational metrics.

The total capital expenditure of the Company for 2019 is budgeted at RUB 13.3 billion (excluding VAT) but the real volume of investments will depend on market conditions. The 2019 investment programme is focused on the acquisition of flatcars and containers and further improvement of terminal infrastructure.

Capital Resources

The Company's current operations and capital expenditure have historically been financed by the Company's own cash flow and proceeds from issuing domestic debt. As of 31 December 2018, the Company's financial indebtedness consisted of two outstanding bond issues in an aggregate amount of RUB 11 billion. The total debt (including the accrued coupon) amounted to RUB 11,306 million, compared to RUB 6,412 million as of 31 December 2017. The Company's net debt as of 31 December 2018 was RUB 1,779 million.

As of 31 December 2018, almost all the Company's financial indebtedness was unsecured. The Company's debt is rouble-denominated and has a fixed interest rate.

RUB-denominated Bonds series BO-01

On 25 January 2018, the Company issued non-convertible five-year bonds for a total amount of RUB 6 billion at a par value of RUB 1 thousand each. Proceeds from the issuance after the deduction of related offering costs amounted to RUB 5,985 million. 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 instalments within the fourth and fifth years. As a result, these bonds are included in the long-term bond issue at the reporting date.

As of 31 December 2018, the bonds carrying value amounted to RUB 6,183 million, including the accrued coupon income in the amount of RUB 195 million. The coupon income was reflected as the short-term portion of the long-term bond issues.

RUB-denominated Bonds series BO-02

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

The issuance is to be redeemed in four equal instalments within the fourth and fifth years, respectively. These bonds are classified as long-term borrowings as at the reporting date.

As of 31 December 2018, the bonds carrying value amounted to RUB 5,123 million, including the accrued coupon income in the amount of RUB 131 million. The coupon income was reflected as the short-term portion of the long-term bond issues.

RUB-denominated Bonds series 4

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUB 5 billion at a par value of RUB 1 thousand each. Net proceeds from the issuance after the deduction of related offering costs amounted to RUB 4,988 million. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds are to be redeemed in four equal semi-annual instalments within the fourth and fifth years. On January 2018, the Company completely discharged its obligations on the redemption of bonds series 4 in the amount of RUB 1,295 million (including accrued coupon income in the amount of RUB 45 million).

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. Working capital structure as of 31 December 2018 and 2017 are given in the table below.

Working Capital Structure as of 31 December 2018 and 2017, RUB mln

Item	31.12.2018	31.12.2017
Current assets		
Inventory	222	287
Trade and other receivables	1,744	1,323
Prepayments and other current assets	4,480	3,975
Cash and cash equivalents	9,527	4,171
Total current assets	15,973	9,756
Current liabilities		
Liabilities under the contracts	4,510	–
Trade and other payables	975	4,562
Short-term credits and loans	326	1,425
Income tax payable	440	87
Taxes other than income tax payable	491	370
Accrued and other current liabilities	1,504	1,049
Total current liabilities	8,246	7,493
Working capital	7,727	2,263

Working capital increased by RUB 5,464 million, from RUB 2,263 million as of 31 December 2017 to RUB 7,727 million as of 31 December 2018.

Downloads

The consolidated financial statements of PJSC TransContainer for the full year of 2018 are available via the National Storage Mechanism at: <http://www.morningstar.co.uk/uk/NSM> or at the Company's website: <http://www.trcont.com/> .



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## High degree of professionalism

in the Board of Directors and its active involvement in strategic planning, management and oversight of the Company's business-processes.



# CORPORATE GOVERNANCE

## Corporate Governance System

The Company's corporate governance system takes into account the recommendations outlined in the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014, and the global best practices in corporate governance, including the OECD Principles of Corporate Governance. It relies on the following principles:

- equitable and fair treatment of shareholders;
- leadership, effectiveness, and responsibility of the Board of Directors;
- accountability of the Board of Directors and executive bodies;
- effective, transparent and fair remuneration system;
- transparent and responsible disclosure policy;
- social responsibility and cooperation with stakeholders.

To boost the quality of its corporate governance, the Company has developed a programme to improve its corporate governance practices and procedures. The programme is approved by the Company's Board of Directors on the recommendation of the relevant committee. The Board of Directors is also responsible for overseeing the implementation of the corporate governance improvement programme.

### Corporate Governance Quality

#### External Assessment of the Corporate Governance Quality

The Russian Institute of Directors (RID) assessed TransContainer's corporate governance practices and assigned its National Corporate Governance Rating at 7+ (Developed Corporate Governance Practice).

Actually, RID experts reaffirmed TransContainer's National Corporate Governance Rating at 8 (Best Corporate Governance Practice). However, in line with the current procedure of National Corporate Governance Rating, a prerequisite to receiving a high rating (from 7++ and above) is listing the Company's shares in the Quotation List Level 1 according to the Moscow Exchange Listing Rules.

With regard to changes in the Company's shareholding structure and substantial reduction of its free float, the TransContainer's shares were transferred from the Quotation List Level 1 to Level 3.

Therefore, the Company cannot be assigned with a National Corporate Governance Rating of higher than 7+ (Developed Corporate Governance Practice).

For more details on the Company's National Corporate Governance Rating visit <http://rid.ru/news/press-reliz-podtverzhdenie-nrku-pao-transkontejner>.

According to the assigned National Corporate Governance Rating 7+, the Company complies with the Russian corporate governance laws and the majority of recommendations set out in the Russian Corporate Governance Code. The Company has negligible shareholders' loss risks associated with the quality of corporate governance.

#### Internal Assessment of the Corporate Governance Quality in 2018

Starting from 2015, the Company's Internal Audit Service regularly conducts independent corporate governance quality assessments in accordance with the Procedure for Corporate Governance Quality Self-Assessment in Companies with Government Participation developed by the Federal Agency for State Property Management.

In 2018, the quality of the Company's corporate governance was assessed at 88%, remaining the same year-on-year. This confirms the high level of compliance with the principles and recommendations of the Corporate Governance Code.

Components	Number of items	Weight of component in overall assessment, %	Actual score	Maximum score	Compliance level, %
Shareholder rights	22	14	73	79	92
Board of Directors	56	37	166	202	82
Executive management	5	7	36	38	95
Transparency and information disclosure	15	25	120	135	89
Risk management, internal control, and internal audit	16	11	62	63	98
Corporate social responsibility, business ethics	6	6	23	31	74
Overall assessment	120	100	480	548	88

The results of the corporate governance quality assessment will serve to determine the key steps for further improvement in this area.

#### Improvement of the Corporate Government System

In 2018, the Company took the following steps to improve its corporate governance system, including those based on the recommendations of the Russian Institute of Directors and assessment of TransContainer's corporate governance practices in 2017:

- approving a revised version of the Regulation on Payment of Remuneration and Compensation to the Members of TransContainer's Board of Directors that states that the Company shall not pay a fee for participation in individual meetings of the Board or of Board Committees.

The remuneration is calculated according to the basic (maximum) amount and depends on the number of meetings attended by the member of the Board of Directors (for more information, see p. );

- developing a revised version of the Regulation on the Procedure for Addressing Conflict (or Potential Conflict) of Interest at TransContainer<sup>1</sup>;
- approving a new version of the Regulations on the Committees of TransContainer in order to optimise the domestic regulatory control in the Company; the updated version combines the sections of the previous Regulations on each Committee having similar content and governing the method of electing members of the Committee, their rights and responsibilities, as well as establishing the Committees' activities.

#### Governance and Oversight Structure



1. Approved by order No. 182 dated 18 July 2018 as part of the Anti-corruption Programme at TransContainer validated by the Company's Executive Board on 23 December 2016.

# General Meeting of Shareholders

### Equitable and fair treatment of the shareholders

is the Company's key corporate governance principle which ensures equal, fair and favourable conditions for all shareholders to exercise their rights in managing the Company and participating in its profit through dividends.

The General Meeting of Shareholders is the Company's supreme governance body. The functions of, and the procedure to convene, prepare and hold a general meeting of shareholders, along with the shareholder rights, are established by the Russian laws and the following by-laws of TransContainer:

- the TransContainer's Charter;
- the Corporate Governance Code;
- the Regulation on the Procedure of Preparation and Holding of the General Meeting of Shareholders;
- the Code of Business Ethics.

## Shareholder Rights

The Company is committed to maintaining a constructive dialogue with its shareholders, including minority ones, and gives no preferential treatment to the interests of any shareholder(s) to the detriment of others. We rely on this approach to help us build confidence in the Company on the part of the investment community.

We have created equal and favourable conditions for all the shareholders to exercise their rights in managing the Company, including:

- a right to participate in the general meeting of shareholders;
- timely notification of the date, time and venue of the general meeting of shareholders, as well as the documents required for participant registration;
- unhindered access to the premises where the general meeting of shareholders is held;
- unrestricted and timely access to any relevant information and materials relating to the agenda of the general meeting of shareholders;
- access to the list of persons entitled to attend the general meeting of shareholders;
- a right to nominate candidates to the Company's governance bodies and propose items for the agenda of the general meeting of shareholders;
- a right to request the convening of a general meeting of shareholders;
- a right to vote on agenda items at general meetings of shareholders in a way that the shareholder finds fit and simplest;

- equal opportunity for all persons present at the general meeting of shareholders to express their opinions and ask questions to the members of the Company's governance and supervisory bodies;
- engagement of the Company's registrar in the capacity of the Counting Board to ensure the accuracy of voting results;
- announcement of voting results before the General Meeting of Shareholders is closed.

The Company has created equal and fair conditions for all its shareholders to participate in the Company's profit through dividends, including:

- a clear and transparent mechanism for determining the amount and payment of dividends;
- payment of dividends in cash only;
- measures to prevent shareholders from receiving any profit (income) from the Company other than dividends or liquidation value.

In addition, all shareholders, including the minority and foreign ones, enjoy equal conditions and relations with the Company, including through

- equitable treatment of all shareholders by the Company's governance bodies and controlling persons;
- prevention of minority shareholders from being prejudiced by the abuse of majority power;
- reliable and effective ways to record their rights to shares;
- a right to free and unhindered disposal of their shares.

To ensure respect of the shareholder right to participate in the Company's profit through dividends, we have approved the Dividend Policy Regulation, which outlines key dividend payout principles and the decision-making, calculation, accrual, and payment procedures. The decision to pay dividends contains full information for shareholders regarding the dividend amount, payment procedure and dates.

## Providing Information on General Meetings of Shareholders

The right to access documents that the Company is required to provide under its Regulation on Information Policy is an important safeguard for the shareholder right to participate in managing the Company.

The Company publicly discloses the following:

- notices of general meetings of shareholders and agenda materials (including voting ballots) at least 30 days prior to the meeting;
- the Board of Directors' recommendations on agenda items for the general meeting of shareholders in the form of press releases, material facts, and extracts from the Board of Directors meeting minutes;
- a record date (at least seven days in advance in line with the recommendations of the Corporate Governance Code);
- minutes of the General Meeting of Shareholders and minutes of the Counting Board.

If needed, shareholders may send a written request for additional information and materials to the Company's Corporate Secretary. Contact details and the relevant procedure are available on the corporate website.

Information about the General Meeting of Shareholders and agenda materials are provided to shareholders in the Russian and English languages.

## Holding General Meetings of Shareholders

Persons with substantial shareholdings (at least 2% of the charter capital) may propose items for the general meeting agenda and nominate candidates to the Company's governance and supervisory bodies. Proposed items for the agenda of an annual general meeting of shareholders (together with any supplementary materials) should be submitted in writing within 60 days after the end of the calendar year.

At the general meeting, shareholders have the opportunity to meet members of the Company's governance and supervisory bodies and ask them questions. The Annual General Meeting of Shareholders held in May 2018 was attended by the Deputy Chairman of the Board of Directors, the Company's CEO, CFO, representatives of the external auditor, Head of the Internal Audit Service, and Chief Accountant.

TransContainer is among the first businesses in Russia to have adopted telecommunications solutions to provide remote access for shareholders wishing to attend general meetings (streamed live on its website) and give an opportunity to ask questions in real time.

In the run-up to the general meeting of shareholders, the Company creates a forum for shareholders on its official website, which, among other things, gives an opportunity to ask the Company's management questions about the general meeting of shareholders. On top of that, the Company provides a dedicated hotline to answer questions on preparation and holding of the general meeting of shareholders. The above communication channels become available at least 30 days prior to the date of the general meeting of shareholders.

At the general meeting, shareholders are invited to vote on proposed draft resolutions for each item of the agenda. The voting ballots enable shareholders to express their opinions on the agenda items and vote for or against the proposed draft resolution or abstain from voting. The voting results are announced before the end of the meeting and disclosed as required by the Russian laws.

Since 2010, the Company's registrar, Registrar Society STATUS, Joint-Stock Company (STATUS), has been acting as the counting board during general meetings of shareholders.



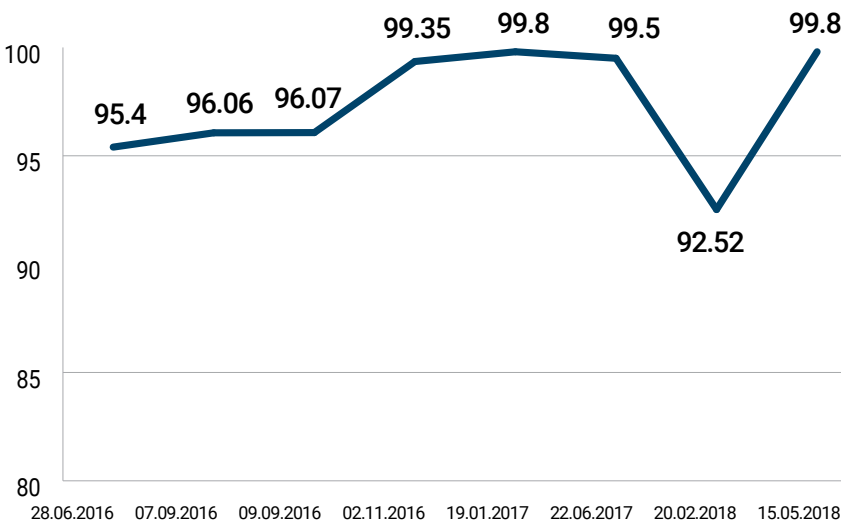
General Meetings of Shareholders in 2018

In 2018, the Company held two general meetings of shareholders:

20 February 2018 Extraordinary general meeting of shareholders in person, with voting ballots distributed in advance	15 May 2018 Annual general meeting of shareholders
Matters discussed at general meetings of shareholders in 2018	
<ul style="list-style-type: none"><li>election of a new Board of Directors.</li></ul>	<ul style="list-style-type: none"><li>approval of the Company's 2017 Annual Report and financial statements;</li><li>approval of the Company's amended Charter and the Regulation on Payment of Remuneration and Compensation to the Members of TransContainer's Board of Directors;</li><li>election of the Board of Directors and the Revision Commission;</li><li>approval of the Company's auditor</li></ul>

All materials relating to the General Meeting of Shareholders are available on the Company's website <https://trcont.com/investor-relations/shareholder-meetings> .

Quorum at TransContainer's general meetings of shareholders, %



Board of Directors

The Board of Directors is an efficient and professionally run governance body capable of making decisions that benefit the Company and its shareholders.

The Board of Directors is a body ensuring strategic governance by providing general guidance for the Company's operations and discharging supervisory and control duties. The Board of Directors is responsible for running the Company, including by shaping the Company's development strategy, performing investment planning and budgeting activities, putting in place a management incentive and assessment framework, overseeing the Company's assets, and ensuring the reliability and efficiency of the risk management, internal control, internal audit and corporate governance systems<sup>1</sup>.

Members of the Board of Directors

The Board of Directors is comprised of 11 members who are elected by the general meeting of shareholders for a period extending until the next annual general meeting of shareholders. The Chairman and the Deputy Chair are elected by the members of the Board of Directors in accordance with Clause 17 of TransContainer's Charter.

Under the resolution of the Extraordinary General Meeting of Shareholders dated 18 January 2019, the following persons were elected to the Company's Board of Directors:

- 1. David Davidovich;
- 2. Sergey Ludin;
- 3. Andrey Starkov;
- 4. Alexey Belsky;
- 5. Vladimir Gaponko;
- 6. Aleksey Taycher;
- 7. Sergey Tugarinov;
- 8. Viktor Shendrik;
- 9. Lea Verni;
- 10. Maksim Gavrilenko;
- 11. Evgeny Zaltsman.

In this Report, the information on the members of the Board of Directors and its committees is valid as of 31 December 2018.

1. The competencies of the Board of Directors are set out in TransContainer's Charter and are clearly differentiated from the remit of the Company's executive bodies responsible for managing the Company's ongoing operations. The TransContainer's Charter is available on the Company's website:<https://trcont.com/ru/investor-relations/charter-and-bylaws/charter>.



ANDREY STARKOV

Chairman of the Board of Directors  
Non-executive Director

First elected to the Company's Board of Directors in 2017.

Born in 1969.

Graduated from the Kosygin Moscow Textile Institute with a degree in Heat and Power Engineering in 1992, and from the Moscow State University of Economics, Statistics and Informatics with a master's degree in Business Administration (MBA) in 2008.

Professional experience:

- 2017–present – Deputy CEO, Russian Railways;
- 2016–2017 – Vice President, Russian Railways;
- 2016 – Senior Advisor to the President, Russian Railways;
- 2011–2015 – Corporate Secretary, Russian Railways.

Chairman of the Board of Directors of JSC UTLC ERA, JSC Federal Freight Company, JSC Russian Railways Logistics, member of the Board of Directors of Gefco S. A., JSC Investment Company RZD-Invest.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



SERGEY TUGARINOV

Deputy Chairman of the Board of Directors, Non-executive Director,  
Chairman of the Strategy Committee, Member of the Audit Committee

First elected to the Company's Board of Directors in 2016.

Born in 1970.

Graduated from the Moscow State Aviation Institute (Technical Department) with a degree in Spacecraft and Boosters in 1995.

Professional experience:

- 2017–present – First Deputy Head, Centre for Corporate Transport Service, Branch of Russian Railways;
- 2016 – Deputy CEO, Centre for Corporate Transport Service, Branch of Russian Railways;
- 2012–2014 – Advisor to the CEO, LLC Sevtehnотrans;
- 2004–2012 – Deputy Director of the Department of State Policy for Railway, Marine and River Transport, Director of the Department of State Policy for Railway Transport of the Ministry of Transport of the Russian Federation.

Chairman of the Board of JSC Refservis, member of the Board of Directors of JSC Russian Railways Logistics, BSF Ltd, JSC EURO RAIL TRANS.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



VLADIMIR GAPONKO

Non-executive Director, Chairman of the Nominations and Remuneration Committee,  
Member of the Strategy Committee

First elected to the Company's Board of Directors in 2018.

Born in 1979.

Graduated from the Moscow State University of Railway Engineering with a degree in Finance and Credit in 2001.

Professional experience:

- 2017–present – Head, Economics Department, Russian Railways;
- 2015–2017 – Head, Department of Management Accounting and Reporting, Russian Railways;
- 2010–2015 – Head, Management Accounting and Reporting Administration, Russian Railways.

Member of the Board of Directors of JSC Federal Passenger Company, JSC Federal Freight Company, JSC Institute of Transport Economics and Development (IERT), CJSC South Caucasus Railway.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



SERGEY LUDIN

Independent Director, Chairman of the Audit Committee,  
Member of the Strategy Committee

First elected to the Company's Board of Directors in 2018.

Born in 1981.

Graduated from the Lobachevsky State University of Nizhni Novgorod with a degree in Economics and Enterprise Management (in Mechanical Engineering) in 2003; the State University Higher School of Economics with a master's degree in Economics in 2006; the Moscow School of Management SKOLKOVO with Executive Master of Business Administration degree in 2011. Expert of the SKOLKOVO Club of Independent Directors.

Professional experience:

- 2017–2018 – CEO, LLC Magic World;
- 2017–present – Managing Director, LLC CIS Investment Advisors;
- 2014–2016 – Director of Investments, LLC CIS Investment Advisors;
- 2013–2016 – Senior Vice-President, LLC CIS Investment Advisors.

Chairman of the Board of Directors of LLC Kanchalano-Amguemskaya Area, LLC Mine Valunistiy, JSC EVRAZ Nakhodka Sea Trade Port, member of the Board of Directors of LLC Regional Mining Company, LLC MKM-Logistics.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.





ALEXANDER PANCHENKO

Non-executive Director, Member of the Strategy Committee, the Audit Committee, and the Nominations and Remuneration Committee

First elected to the Company's Board of Directors in 2014.

Born in 1989.

Graduated from the Lomonosov Moscow State University in 2011.

Professional experience:

- 2016–June 2018 – First Deputy CEO, LLC Summa Group;
- 2013–2016 – Advisor to the Head of the Representative Office, Baronetta Investments Limited.

Member of the Board of Directors at FESCO.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



IGOR KOVAL

Non-executive Director, Member of the Nominations and Remuneration Committee, Member of the Strategy Committee

First elected to the Company's Board of Directors in 2018.

Born in 1984.

Graduated from the Texas State University with a degree in Business Administration (Bachelor of Management Studies) in 2005, with a master's degree in Economics in 2007; graduated from the Rostov State University of Economics in 2012, holds a PhD in Economic Sciences.

Professional experience:

- 2017–2018 – Head, Foreign Projects and International Cooperation Department, Russian Railways;
- 2012–2017 – Director, Department for Investment Policy and Development of Private/Public Partnership, Ministry of Economic Development of the Russian Federation.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



TATIANA ORLOVA

Non-executive Director, Deputy Chair of the Audit Committee

First elected to the Company's Board of Directors in 2018.

Born in 1978.

Graduated from the Plekhanov Russian University of Economics with a degree in Economics in 2000, and with a degree in Marketing in 2002.

Professional experience:

- 2015–present – Deputy Head of the Corporate Finance Department, Russian Railways;
- 2013–2015 – Deputy Head of the Corporate Finance Department, Russian Railways, Head of Capital Market and Investor Relations Department.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



DAVID DAVIDOVICH

Independent Director, Member of the Audit Committee and the Nominations and Remuneration Committee

First elected to the Company's Board of Directors in 2018.

Born in 1962.

Graduated from the All-Union Polytechnic Institute in 1989.

Professional experience:

- 2006–present – Deputy CEO, LLC Millhouse.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



MARK GARBER

Non-executive Director, Member of the Audit Committee

First elected to the Company's Board of Directors in 2018.

Born in 1958.

Graduated from the Second Moscow Pirogov Medical Institute in 1981, holds a PhD in Medicine.

Professional experience:

- 2013–2018 – UC RUSAL Plc;
- 2012–present – Chairman of the Board of Directors, GHP GROUP.

Member of the Board of Directors of Amber Beverage Group, FESCO.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



LEILA MAMMED ZADE

Non-executive Director, Member of the Strategy Committee, Member of the Nominations and Remuneration Committee

First elected to the Company's Board of Directors in 2016.

Born in 1975.

Graduated from the Texas A&M University (USA) with a degree in Finance and Oil Industry in 2002.

Professional experience:

- 2013–2016 – Creative Director, Russia Restaurant Group;
- 2012 – Executive Director, APEC Business Advisory Council, Russian presidency.

Member of the Boards of Directors of PJSC Novorossiysk Grain Plant, PJSC Yakutsk Fuel and Energy, PJSC Novorossiysk Commercial Sea Port, OJSC United Grain Company, FESCO, OJSC Yakutsk Fuel and Energy, and PJSC Novorossiysk Center of Grain Production.

Citizenship: Azerbaijan.

Does not hold shares or any other securities of the Company.



EVGENY CHARKIN

Non-executive Director, Member of the Nominations and Remuneration Committee

First elected to the Company's Board of Directors in 2018.

Born in 1977.

Graduated from the Finance Academy of the Russian Government with a degree in Finance and Credit in 1999.

Professional experience:

- 2015–present – Chief Information Officer, Russian Railways;
- 2014–2015 – Chief Information Officer, Metalloinvest Management Company LLC;
- 2012–2014 – Director, Department of Information Technology, The State Atomic Energy Corporation ROSATOM.

Chairman of the Board of Directors of JSC NIILAS, JSC Company TransTeleCom, LLC Industry Center for Development and Implementation of Information Systems, LLC Industry Service Company InfoTrans.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



Efficiency of the Board of Directors

Strong performance of the Board of Directors is ensured through:

- **Annual planning of the Board's activities.**

During the corporate year's first meeting, the Board of Directors approves its work schedule for a period extending until the convocation of the annual general meeting of shareholders. The Board's performance under such work schedule is reviewed at the last meeting of the corporate year.

- **Availability of independent Directors.**

Impartiality of independent Directors and their constructive criticism are of great value to the Board of Directors and the Company in general. The inquisitive professional mind of independent Directors and their ability to ask meaningful questions and request additional materials on the items under review bring the quality of discussions within the Board of Directors to a brand new level.

- **Balanced composition.**

The Company's Board of Directors achieves impressive performance thanks to the balanced mix of professional skills, knowledge and experience of the Board members.

- **Budgets approval.**

Annual budgets approved by the Company include expenses to support activities of the Board of Directors. This gives Directors an opportunity to seek professional advice on relevant matters at the Company's expense.

- **Active involvement of the members in the work of the Board of Directors and its committees (see page 97 - Table of Involvement).**

- **Rollout of an automated information system.**

Since 2015, the meetings of the Board of Directors and its committees have been prepared and held using an automated information system (AIS), which can be accessed by every Board member through an individual electronic device.

- **Induction programmes for newly elected Board member.**

Newly elected Board members are required to take a one-day induction course, with the key managers giving them a brief overview of the Company's operations by way of a presentation.

- **Liability insurance for Board members and managers.**

Starting from 2009, annual liability insurance policies provide financial protection for the Company, its Directors and managers against potential third party lawsuits arising out of accidental and (or) erroneous actions of the officers.

- **Regular assessment of performance by the Board of Directors and its committees.**

Chairman of the Board of Directors and his Role

The Chairman of the Board of Directors is responsible for arranging the activities of the Board of Directors and overseeing implementation of resolutions adopted by the Board of Directors and general meeting of shareholders. The Chairman is also personally responsible for managing operations of the Board of Directors, ensuring its overall efficiency and maintaining a focus on the strategic governance of the Company.

Independent Directors and their Role

Independent Directors draw on their knowledge, experience and expertise to bring an independent perspective on the Board's operations. The Company highly values the contribution independent Directors make to improving the efficiency of the Board of Directors.

The Board of Directors analyses the Directors' compliance with the independence criteria on an annual basis. This item is first reviewed by the Nominations and Remuneration Committee, which then submits its opinion on each Director's compliance with the independence criteria to the Board of Directors. As TransContainer is a public company and its shares are traded on the Moscow Exchange, the Board of Directors and the Nominations and Remuneration Committee take into account the independence criteria set forth in the Listing Rules and the Corporate Governance Code when making a decision on the independence of Directors.

In May 2018, the Board of Directors analysed compliance of its members with the independence criteria and deemed David Davidovich and Sergey Ludin to be independent Directors.

Balanced Composition of the Board of Directors and its Committees

In 2018, the composition of the Board Directors was changed twice. To 20 February 2018, the Board of Directors included:

1. Andrey Starkov (Chairman);
2. Richard Andreas Werner;
3. Irina Kostenets;
4. Yuri Novozhilov;
5. Leila Mammed Zade;
6. Peter Lloyd O'Brien;
7. Alexander Panchenko;
8. Andrey Tonkikh;
9. Sergey Tugarinov;
0. Steven Hellman;
1. Irina Shytkina.

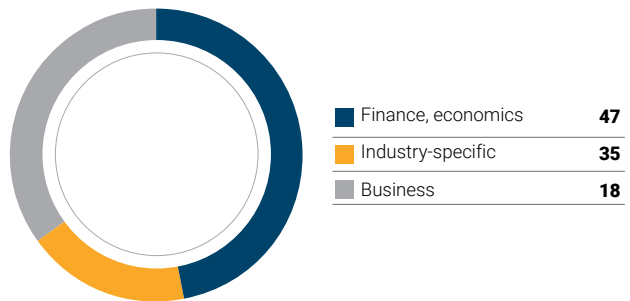
On 20 February 2018, seven new members joined the Board of Directors. As a result, the Board of Directors had the following composition effective till the end of 2018:

1. Andrey Starkov (Chairman);
2. Vladimir Gaponko;
3. Mark Garber;
4. David Davidovich;
5. Igor Koval;
6. Sergey Ludin;
7. Leila Mammed Zade;
8. Tatiana Orlova;
9. Alexander Panchenko;
0. Sergey Tugarinov;
1. Evgeny Charkin.

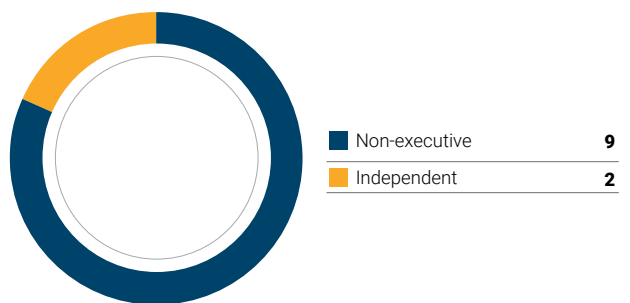
The balanced mix of experience, competencies, age, gender and ethnicity within the Board of Directors enables its members to review and discuss the agenda items more effectively and thoroughly by drawing on their varied sociocultural backgrounds. The resulting decisions take greater account of stakeholder interests and contribute to the Company's sustainable development in the long run.

Item	2017	2018
Finance, economics	4	8
Industry-specific	2	6
Law	3	0
Business	3	3

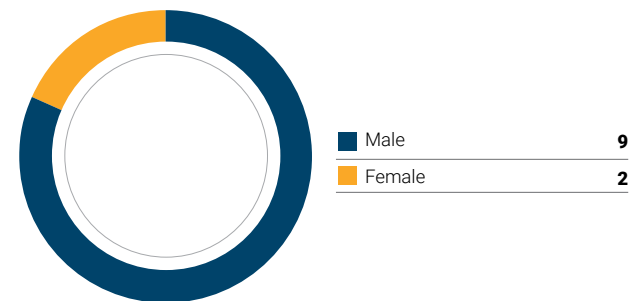
Educational Background of the Board Members<sup>1</sup>(%)



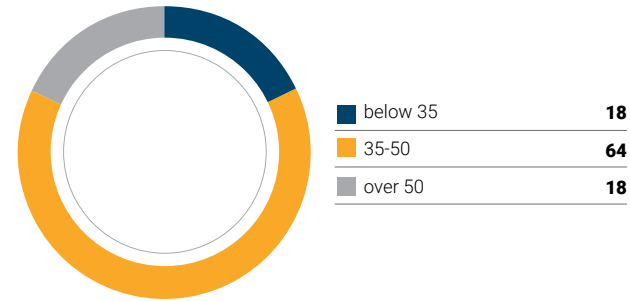
The Correlation Between the Number of Independent and Non-independent Directors (%)



Board of Directors: Breakdown by Gender (%)



Board of Directors: Breakdown by Age (%)



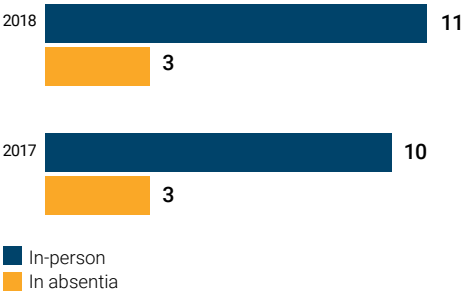
1. Igor Koval, Sergey Ludin, Leila Mammed Zade, Tatiana Orlova, and Andrey Starkov have two or more university degrees or areas of expertise. Mark Garber and Alexander Panchenko have an academic degree.

Key Competencies of the Board Members by Professional Area and their Relevant Track Record

No.	Full name	Track record as a member of the Company's Board of Directors	Professional experience in the transportation industry	Finance, economics, audit	Strategy	Risk management	Corporate governance and legal matters	Transportation and logistics (industry-specific)	HR management
1.	Andrey Starkov	1 year and 11 months	Over 5 years		+		+	+	
2.	Sergey Tugarinov	4.5 years	Over 20 years		+			+	
3.	Vladimir Gaponko	11 months	Over 5 years	+	+	+			+
4.	Mark Garber	11 months	–	+	+	+			
5.	David Davidovich	11 months	–	+	+	+			
6.	Igor Koval	11 months	Over 5 years	+	+	+			+
7.	Sergey Ludin	11 months	–	+	+	+			
8.	Leila Mammed Zade	2.5 years	–	+	+	+		+	
9.	Tatiana Orlova	11 months	Over 5 years	+		+			
10.	Alexander Panchenko	4.5 years	–	+	+	+		+	+
11.	Evgeny Charkin	11 months	Over 4 years						+

Report on the Performance of the Board of Directors

In 2018, the Board of Directors held 14 meetings: 11 of which were in-person meetings, and the other 3 were conducted in the form of absentee voting.



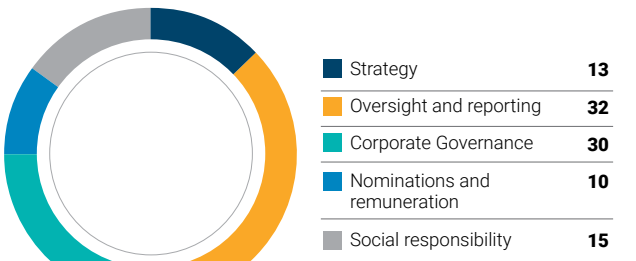
The meetings dealt with 142 matters pertaining to strategy, oversight and reporting, appointments and remuneration of members of the Company's governance bodies and key managers, corporate governance, and social responsibility.

- The Board of Directors paid special attention to the following aspects:
- **Strategy:**
    - > approval of 100% participation of PJSC TransContainer in CJSC Logistics-Terminal;
    - > approval of 100 % participation of PJSC TransContainer in subsidiary Chinese Joint Venture TransContainer-Mongolia (Ulaanbaatar, Mongolia);
    - > review of the report on progress of PJSC TransContainer subsidiary establishment in China;
    - > approval of the list of corporate and individual KPIs and their weights;
    - > review of the reports “On the Company's Plans for Development of the Terminal Business Segment”, as well as “On implementation of the Project of Container Terminal Reconstruction at the Kuntsevo-II Station”;
    - > approval of updated TransContainer's Investment Programme for 2018 concerning increase in the budget of capital expenditure to rolling stock fleet.
  - **Oversight and reporting:**
    - > approval of the report on results of TransContainer's Internal Audit Service in 2017, as well plan of Internal Audit Service for 2018;
    - > approval of the report on the Company's performance in 2017 and on implementation of resolutions adopted by the Company's Board of Directors and annual general meeting of shareholders;
    - > approval of the overlapping positions held by the members of TransContainer's Executive Board and top-management in the governance bodies of other organisations;
    - > approval of initiatives to improve the procurement system;
    - > review of the key subsidiaries' performance in 2017.

- **Corporate governance:**
  - > round-up of the Board's self-assessment results for 2018;
  - > review of the Directors' compliance with the independence criteria.
- **Nominations and remuneration:**
  - > review of nominees to the subsidiaries' governance bodies;
  - > approval of nominees to the executive office's senior positions;
  - > election of the Executive Board members.
- **Social responsibility:**
  - > consideration of matters related to the Company's charitable support for children (TransContainer for Children programme) and its employees (aid for those in need of expensive treatment), promotion of sports among children and adolescents, preservation of Russia's cultural heritage, contribution to the industry-wide charitable programmes and aid for people affected by emergencies.

Diligent and efficient fulfilment of responsibilities by the members of the Board of Directors requires, inter alia, sufficient free time to work for the Board of Directors and its committees. Each member's contribution is important in ensuring the efficiency of the Board of Directors.

Key Items Reviewed by the Board of Directors in 2018 by Business Lines (%)



The members of the Company's Board of Directors exercise their rights and perform their duties reasonably and in good faith, acting in line with the interests of the Company and all of its shareholders and taking into account the interests of the employees, customers, partners and other stakeholders.

Attendance at the Meetings of the Board of Directors and its Committees in 2018<sup>1</sup>

Full name	Board of Directors	Audit Committee	Nominations and Remuneration Committee	Strategy Committee
Andrey Starkov	14 (2) / 14	–	–	–
Sergey Tugarinov	12 (4) / 14	8 (–) / 8	–	10 (–) / 10
Vladimir Gaponko	12 (2) / 12	–	9 (–) / 9	8 (5) / 8
Mark Garber	8 (6) / 12	5 (1) / 8	–	–
David Davidovich	11 (10) / 12	7 (6) / 8	8 (8) / 9	–
Igor Koval	12 (4) / 12	–	9 (2) / 9	6 (3) / 6
Sergey Ludin	12 (4) / 12	8 (–) / 8	–	6 (2) / 6
Leila Mammed Zade	10 (6) / 14	–	4 (3) / 5	4 (2) / 4
Tatiana Orlova	12 (5) / 12	5 (–) / 8	–	–
Alexander Panchenko	13 (2) / 14	6 (–) / 8	9 (–) / 9	4 (1) / 6
Evgeny Charkin	10 (5) / 14	–	7 (2) / 9	0 (–) / 4
Richard Werner	2 (–) / 2	2 (–) / 2	2 (2) / 2	2 (1) / 2
Peter Lloyd O'Brien	2 (–) / 2	2 (–) / 2	2 (–) / 2	–
Irina Kostenets	2 (–) / 2	2 (1) / 2	2 (1) / 2	–
Yuri Novozhilov	2 (1) / 2	–	–	–
Andrey Tonkikh	2 (–) / 2	–	–	2 (2) / 2
Steven Hellman	2 (1) / 2	–	–	1 (–) / 2
Irina Shytkina	2 (1) / 2	1 (–) / 2	–	–
Petr Baskakov	–	–	–	4 (–) / 4
Sergey Avseikov	–	–	–	6 (4) / 6

93.2% average quorum at the meetings of TransContainer's Board of Directors in 2018.

1. The table presents data in the “8 (1) / 10”format, which means that the Director attended eight out of ten meetings of the Board (committee) in person, including one meeting via a written opinion or a questionnaire (in case of an in-absentia meeting).



Assessment of Performance by the Board of Directors

The performance of the Board of Directors is regularly assessed in line with global best practices: self-assessment is conducted on an annual basis, while the external independent assessment takes place every three years.

in 2017, the Independent Directors Association (IDA) carried out an independent assessment of the Board's performance. The results of this assessment are presented in the Company's Annual Report for 2017.

Self-assessment of performance of the Board of Directors and its committees in 2018 was conducted in December 2018.

As stated in the TransContainer's Regulations on Assessment of Performance by the Board of Directors and its Committees,<sup>1</sup>the evaluation of the quality of the Board of Directors' work shall be aimed at determining the performance of the Board of Directors, its committees and members of the Board of Directors, the conformity of their work to the company's development needs, updating the work of the Board of Directors and determining areas in which their performance can be improved.

The Board of Directors and its committees was self assessed remotely through anonymous questionnaires, with participation of six members of the Board of Directors.

The assessment was designed to provide reliable information on the performance of the Board of Directors and its committees (as well as individual members thereof) and help identify areas for improving corporate governance practices.

As part of the survey, the members of the Board of Directors used a 5-point rating scale to assess the performance of the Board of Directors and its committees.

- Key areas of assessment:
- role and functions of the Board of Directors and its committees;
  - professional qualifications of the Board members;
  - analysis of the Board composition based on the Company's needs in the realm of professional qualifications, experience and business skills;

TransContainer's D&O Policy Terms and Conditions in 2011–2019, USD

Item	2011	2012	2013	2014	2015	2016–2018	2018–2019
Insurance premium	142,764.30	139,872.27	132,700.00	72,000.00	89,000.00	111,000.00 (for 18 months)	73,000.00 (for 12 months)
The insured amount (liability limit)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000

- adequacy of the number of Board members to cater for the needs of the Company and the interests of its shareholders;
- performance of the Chairman of the Board of Directors;
- individual meeting attendance rates and time spent to prepare for such meetings.

Most of members of the Board of Directors participated in the assessment noted that the Board of Directors is the “base” for development of effective management solutions. Discussion of agenda items is constructive, and number and regularity of meetings, as well as ratio of in-person and in-absentia meetings, are sufficient.

Directors’ and Officers’ Liability Insurance

Since 2009, the Company has been purchasing liability insurance policies for the members of the Board of Directors and the Company's management on an annual basis. Insurance provides financial protection for the Company, its Directors and managers against potential third party lawsuits arising out of accidental and/or erroneous actions of the officers.

The D&O policy covers legal costs incurred by the Directors in court and financial expenses arising from any claims lodged against Directors in connection with the performance of their responsibilities.

The Company selects the insurer through a tender procedure, with the Nominations and Remuneration Committee approving the tender terms.

In 2018, the Company concluded the liability insurance contract for Directors, officers and companies between TransContainer and Ingosstrakh Insurance Company, effective from 7 July 2018 to 6 July 2019.

The insured amount (liability limit) is USD 100 mln with worldwide coverage.

TransContainer's D&O policy terms and conditions are in line with best domestic and international D&O liability insurance practices.

Corporate Governance Model

Committees of the Board of Directors

The Board of Directors has three committees:

Audit Committee	Nominations and Remuneration Committee	Strategy Committee
Functions of the Board of Directors committees		
Key role in monitoring the completeness, accuracy and credibility of the Company's financial statements, reliability and efficiency of the risk management system, internal control framework and corporate governance, and in ensuring independence and impartiality of internal and external audits	Preliminary review of matters related to the development of an efficient and transparent remuneration policy and framework, HR planning, expertise and effectiveness of the Board of Directors, executive bodies and other key managers of the Company	Preliminary review of matters related to the drafting and implementation of the Company's development strategy and determination of its priorities and strategic goals, monitoring of progress on the Company's strategy, and provision of recommendations on adjustment of the existing development strategy

Report on the Audit Committee's Performance

The Board of Directors set up the Audit Committee, the Nominations and Remuneration Committee and the Strategy Committee for preliminary review of the most critical aspects of the Company's operations.

The Committees' activities, competencies and functions, the procedure to convene and hold the Committee meetings and issue resolutions, and the rights and responsibilities of the Committee members are all set out in the Regulation on the Committees of TransContainer<sup>1</sup>.

Membership of the Audit Committee before 20.02.2018	Membership of the Audit Committee from 05.03.2018 to 15.05.2018	Membership of the Audit Committee from 23.05.2018 to 31.12.2018
<ul style="list-style-type: none"><li>• Richard Werner - Chairman, Independent Director;</li><li>• Alexander Panchenko - Deputy Chairman, Non-executive Director;</li><li>• Irina Kostenets - Member of the Audit Committee, Non-executive Director;</li><li>• Peter Lloyd O'Brien - Member of the Audit Committee, Independent Director;</li><li>• Irina Shytkina - Member of the Audit Committee, Independent Director</li></ul>	<ul style="list-style-type: none"><li>• Sergey Ludin – Chairman, Independent Director;</li><li>• Tatiana Orlova - Deputy Chair, Non-executive Director;</li><li>• David Davidovich - Member of the Audit Committee, Independent Director;</li><li>• Sergey Tugarinov - Member of the Audit Committee, Non-executive Director;</li><li>• Mark Garber - Member of the Audit Committee, Non-executive Director</li></ul>	<ul style="list-style-type: none"><li>• Sergey Ludin – Chairman, Independent Director;</li><li>• Tatiana Orlova - Deputy Chair, Non-executive Director;</li><li>• David Davidovich - Member of the Audit Committee, Independent Director;</li><li>• Sergey Tugarinov - Member of the Audit Committee, Non-executive Director;</li><li>• Mark Garber - Member of the Audit Committee, Non-executive Director;</li><li>• Alexander Panchenko - Member of the Audit Committee, Non-executive Director</li></ul>

Kristina Galkina - Secretary of the Audit Committee

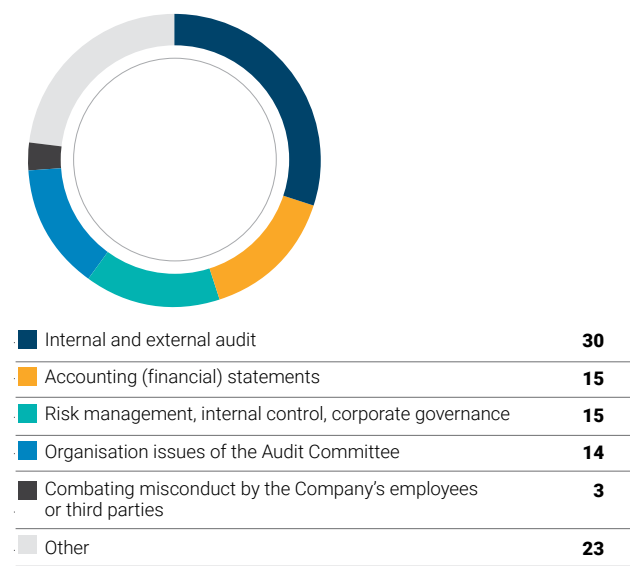
1. Reference to document:[https://trcont.com/documents/20143/69792/180621-%D0%9F%D1%80%D0%B8%D0%BB.+%E2%84%96+5\\_%D0%9F%D0%BE%D0%BB%D0%BE%D0%B6%D0%B5%D0%BD%D0%B8%D0%B5-%D0%BE-%D0%BA%D0%BE%D0%BC%D0%B8%D1%82%D0%B5%D1%82%D0%B0%D1%85-%D0%A2%D0%9A.pdf/a3b0e8eb-c6ca-0c94-bd54-1b2d8bd17241](https://trcont.com/documents/20143/69792/180621-%D0%9F%D1%80%D0%B8%D0%BB.+%E2%84%96+5_%D0%9F%D0%BE%D0%BB%D0%BE%D0%B6%D0%B5%D0%BD%D0%B8%D0%B5-%D0%BE-%D0%BA%D0%BE%D0%BC%D0%B8%D1%82%D0%B5%D1%82%D0%B0%D1%85-%D0%A2%D0%9A.pdf/a3b0e8eb-c6ca-0c94-bd54-1b2d8bd17241)

1. Approved by the Board of Directors (Minutes No.5 dated 18 November 2015).

In 2018, the Audit Committee held 9 in-person meetings and 1 in form of absentee voting, and discussed a total of 65 issues.

The Audit Committee's agendas were drafted based on the Board's instructions and the Committee's Work Schedule approved at the first meeting of the newly elected Committee. In accordance with the Audit Committee's Work Schedule, 55 issues were discussed, including those related to financial (accounting) statements, risk management, internal control, corporate governance, internal and external audit, combating misconduct by the Company's employees or third parties, and handling of the Committee's organisational matters. Issues outside the scope of the Work Schedule included the financial and legal audit of TransContainer, measures to improve the performance of Kedentransservice, use of materiality criteria for filtering the immovable assets not covered by the Company's Non-Core Asset Disposal Programme (postponed), and approval of non-audit service contracts with PricewaterhouseCoopers Audit ( PwC Audit) and other members of the same global network.

Items Reviewed by the Audit Committee in 2018 by Business Lines (%)



Number of the Audit Committee's Confidential Meetings with the External Auditor and Head of the Company's Internal Audit Service in 2014-2018.

Item	2014	2015	2016	2017	2018
External Auditor	3	3	4	4	2
Head of Internal Audit Service	1	3	4	5	2

Interaction with the Revision Commission

The Chairman of the Audit Committee invites the representatives of the Revision Commission to attend the Audit Committee's meetings held to review matters related to the audit of the Company's financial and business operations, seeking to engage in a constructive and detailed discussion about the audit findings and identified violations. The Audit Committee considers opinions of the Revision Commission members on the materiality of identified violations and management comments on the reasons behind such violations and proposed remedial actions. The Audit Committee is also charged with monitoring the steps taken to eliminate the violations identified by the Revision Commission.

Interaction with the External Auditor and the Internal Audit Service

The Chairman of the Audit Committee invites the representatives of the Company's auditor and head of the Internal Audit Service to attend most Audit Committee's meetings in order to improve interaction between the Audit Committee and the Company's external auditor / Internal Audit Service. Hence, the members of the Audit Committee have an opportunity to get timely feedback from the auditors on the items discussed at the meetings of the Audit Committee. Moreover, the Company seeks to ensure the highest level of transparency and make information on the Company's operations available to all stakeholders, including the Audit Committee, the external auditor and the Internal Audit Service.

In addition, the Audit Committee holds regular confidential meetings with the external auditor and head of the Internal Audit Service without inviting the representatives of the management. Such meetings are held pursuant to the approved schedule for confidential meetings of the Audit Committee with the external auditor and head of the Company's Internal Audit Service. In 2018, the Audit Committee held four meetings, including two meetings with the representatives of PwC Audit, the Company's external auditor, and two meetings with head of the Internal Audit Service.

In 2018, with a view to ensuring independence and impartiality of external audit function, the Audit Committee suggested that the Board of Directors submit a recommendation to the Annual General Meeting of shareholders encouraging it to approve PwC Audit as a TransContainer's auditor to carry out an audit of the Company's RAS and IFRS financial (accounting) statements for 2018. The Audit Committee gave recommendations to the Board of Directors with regard to amount of remuneration for the external auditor.

Report on the Nominations and Remuneration Committee's Performance

Membership of the Nominations and Remuneration Committee before 20.02.2018

- Irina Shytkina - Chair, Senior Independent Director;
- Irina Kostenets - Deputy Chairman, Non-executive Director;
- Richard Werner - Member of the Nominations and Remuneration Committee, Independent Director;
- Peter Lloyd O'Brien - Member of the Nominations and Remuneration Committee, Independent Director;
- Leila Mammed Zade - Member of the Nominations and Remuneration Committee, Non-executive Director

Membership of the Nominations and Remuneration Committee from 05.03.2018 to 15.05.2018

- Alexander Panchenko – Chairman, Non-executive Director;
- Vladimir Gaponko - Deputy Chairman, Non-executive Director;
- David Davidovich - Member of the Nominations and Remuneration Committee, Independent Director;
- Leila Mammed Zade - Member of the Nominations and Remuneration Committee, Non-executive Director;
- Igor Koval - Member of the Nominations and Remuneration Committee, Non-executive Director;
- Evgeny Charkin - Member of the Nominations and Remuneration Committee, Non-executive Director

Membership of the Nominations and Remuneration Committee from 23.05.2018 to 31.12.2018

- Vladimir Gaponko – Chairman, Non-executive Director;
- Igor Charkin - Deputy Chairman, Non-executive Director;
- David Davidovich - Member of the Nominations and Remuneration Committee, Independent Director;
- Igor Koval - Member of the Nominations and Remuneration Committee, Non-executive Director;
- Alexander Panchenko - Member of the Nominations and Remuneration Committee, Non-executive Director

Kristina Galkina – Secretary of the Nominations and Remuneration Committee till 5 September, 2018;  
Maria Nikolaeva – Secretary of the Nominations and Remuneration Committee from 5 September to 31 December 2018 r.

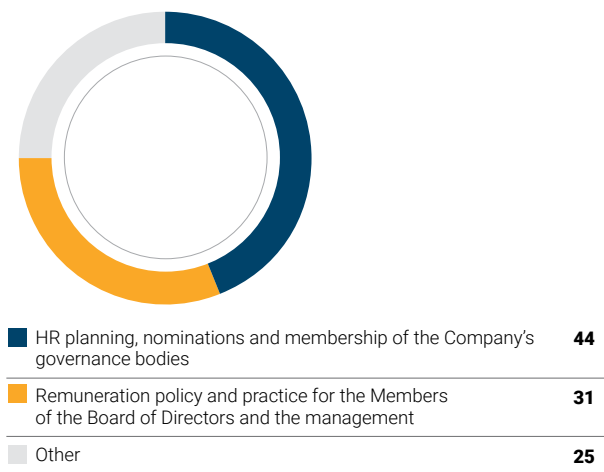
In 2018, the Nominations and Remuneration Committee held 10 in-person meetings discussing a total of 52 matters.

The Nominations and Remuneration Committee's agendas were drafted based on the Board's instructions and the Committee's Work Schedule approved at the first meeting of the newly elected Committee. The Nominations and Remuneration Committee reviewed items related to the policy and practices of remunerating members of the Company's management, HR planning, nominations, and composition of the Company's governance bodies. Issues outside the scope of the Work Schedule included preliminary consideration of nominees to the Executive Board and the subsidiaries governance bodies.

Interviews with Candidates to Key Company Positions

To approve nominees to key Company positions, in 2018, the Nominations and Remuneration Committee continued to conduct face-to-face interviews with said candidates. Staging of face-to-face interviews with candidates, along with the in-depth analysis of the candidates' educational and professional background, help members of the Nominations and Remuneration Committee get a better understanding of the candidates' professional and personal qualities and their suitability for the Company's key positions.

Items Reviewed by the Nominations and Remuneration Committee in 2018





Report on the Strategy Committee's Performance

Membership of the Strategy Committee before 20.02.2018	Membership of the Strategy Committee from 05.03.2018 to 15.05.2018	Membership of the Strategy Committee from 23.05.2018 to 31.12.2018
Sergey Tugarinov - Chairman, Non-executive Director; Leila Mammed Zade - Deputy Chair, Non-executive Director;	Sergey Tugarinov - Chairman, Non-executive Director; Leila Mammed Zade – Deputy Chair;	Sergey Tugarinov - Chairman, Non-executive Director; Sergey Avseikov - Deputy Chairman, Non-executive Director;
Petr Baskakov - Member of the Strategy Committee;	Petr Baskakov - Member of the Strategy Committee;	Vladimir Gaponko - Member of the Strategy Committee, Non-executive Director;
Andrey Tonkikh - Member of the Strategy Committee, Non-executive Director;	Vladimir Gaponko - Member of the Strategy Committee, Non-executive Director;	Igor Koval - Member of the Strategy Committee, Non-executive Director;
Richard Werner - Member of the Strategy Committee, Independent Director;	Sergey Ludin - Member of the Strategy Committee, Independent Director;	Sergey Ludin - Member of the Strategy Committee, Independent Director;
<b>Steven Hellman - Member of the Strategy Committee, Non-executive Director</b>	<b>Evgeny Charkin - Member of the Strategy Committee, Non-executive Director</b>	<b>Alexander Panchenko - Member of the Strategy Committee, Non-executive Director</b>
Dmitry Knyazhev - Secretary of the Strategy Committee		

In 2018, the Audit Committee held 9 in-person meetings and 1 in form of absentee voting, and discussed a total of 42 issues.

Items related to setting the Company's business priorities, budgeting and budget monitoring, managing the Company's subsidiaries, investing in other entities, and handling of the Committee's organisational matters were discussed. The Strategy Committee's agendas were drafted based on the Board's instructions and the Committee's Work Schedule approved at the first meeting of the newly elected Committee.

Corporate Secretary

In 2018, Kristina Galkina acted as the Corporate Secretary of TransContainer.

The Company's Corporate Secretary should ensure effective interaction with shareholders, coordinate the Company's efforts to protect shareholder rights and interests, and support the Board of Directors and its committees.

The Corporate Secretary's duties are provided for by the Regulation on the Corporate Secretary of TransContainer<sup>1</sup>.



KRISTINA GALKINA

Corporate Secretary (from September 2016)

Born in 1978.  
Graduated from the Moscow State University of Railways in 2000 with a degree in Industrial and Civil Construction.  
Completed the Corporate Secretary in a Joint-Stock Company retraining programme at the Higher School of Economics in 2007.  
Completed the Corporate Secretary training programme at the Institute of Stock Market and Management in 2016.

- Professional experience:**
- 2016–present - Corporate Secretary, TransContainer;
  - 2008–present - Deputy Head, TransContainer's Corporate Governance Department;
  - 2014–2016 - Secretary, TransContainer's Executive Board;
  - 2012–2016 - Secretary, TransContainer's Strategy Committee.

Member of the National Association of Corporate Secretaries (NACS).  
Citizenship: Russian Federation.  
Does not hold shares or any other securities of the Company.

1. The Regulations are available on the Company's website:<https://trcont.com/investor-relations/charter-and-bylaws/bylaws>

Executive Bodies

Accountability

is one of the underlying principles of the Company's corporate governance framework. The Company's executive bodies (the Executive Board and the CEO) report to the general meeting of shareholders and the Board of Directors. The CEO provides regular reports on the Company's operational efficiency and performance, while the Board of Directors reports to TransContainer's general meeting of shareholders.

Role of the Executive Bodies

The Company's executive bodies are the Chief Executive Officer (CEO) and the Executive Board, which are responsible for managing the Company's ongoing operations.

- The executive bodies play a key role in managing the Company, ensuring:
- achievement of strategic goals and objectives as defined by the Company's Board of Directors;
  - implementation of the Company's long-term plans and programmes;
  - implementation of resolutions adopted by the Board of Directors and the general meeting of shareholders;
  - development and support of an efficient risk management and internal control system;
  - personnel management, motivation and incentives, HR planning;
  - management of the Company's branches and subsidiaries.

Accountability of Executive Bodies

The CEO and the Executive Board report to the general meeting of shareholders and the Board of Directors and provide regular reports on their activities helping to assess the performance and efficiency of the Company's executive bodies.

- To ensure accountability of the Company's executive bodies, the Board of Directors:
- elects the Company's CEO;
  - determines the number of the Executive Board members;
  - elects members of the Executive Board as proposed by the Company's CEO;
  - determines the term of office for the Company's executive bodies;
  - determines the terms and conditions of employment contracts with the CEO and the Executive Board members;
  - approves overlapping and other paid positions held by the CEO and members of the Executive Board in the executive bodies of other organisations;
  - reviews reports on performance of the executive bodies.

Petr Baskakov has been the CEO of TransContainer from 2006 to 27 June 2018. His authorities were prematurely terminated by the Board of Directors resolution dated 28 June 2018 (Minutes No.3 dated 29 June 2018).

Since 29 June 2018, Vyacheslav Saraev is the Company's CEO elected for 1 year, to 1 July 2019.

The Executive Board of TransContainer was established in November 2014. For the current membership of the Company's Executive Board see p. 98.

Vyacheslav Sarayev, the Company's CEO, acts as the Chairman of the Executive Board.

The responsibilities of the Company's Executive Board and CEO are set out in the Charter, Regulation on the Executive Board and Regulation on the CEO of TransContainer.

Report on the Executive Board's Performance

In 2018, the Company's Executive Board held 31 meetings and reviewed a total of 139 matters.

The Executive Board sticks to the approved six-month action plan, which is aligned with the action plans of the Board of Directors and its committees, and proposals of the Company's management.

Given the sheer size of TransContainer's footprint, its extensive branch network and holding structure, and constant development and enhancement of a process-based approach to business activities, the top priorities of the Company's Executive Board in 2018 were to oversee operations of the Company's subsidiaries and to improve business processes across the Company's lines of business. In 2018, the Executive Board reviewed eight reports on the performance of companies controlled by TransContainer and 14 reports submitted by business process owners.

The Chairman of the Executive Board also invites the heads of subsidiaries to participate, either in person or through a video conference, in Executive Board meetings reviewing the performance of such subsidiaries.

- In 2018, the Executive Board also reviewed some other matters within its remit, including:
- pre-approval of the Company's budget for 2019;
  - approval of the establishment of a wholly owned freight forwarding company to cover container transportation in Mongolia;
  - approval of the Company's terminal development prospective plan at the Moscow transport hub;
  - approval of 2018 transactions involving the provision of bank guarantees to the Federal Customs Service;
  - approval of 2018 KPIs for the Company's management.

Meetings of both the Executive Board and the Board of Directors are held using the automated information system (AIS) designed to offer greater convenience for members of the Executive Board during preparation for the meetings and consideration of items on the agenda.

# EXECUTIVE BOARD



Vladimir  
Drachev

Ekaterina  
Burtseva

Vyacheslav  
Saraev

Sergey  
Kazakov

Pavel  
Polyakov

Viktor  
Markov



Information on the Members of the Executive Board<sup>1</sup>



VYACHESLAV SARAEV

Chairman of the Executive Board, CEO

First elected to the Executive Board in 2018.

Born in 1976.

Graduated from Kuzbass State Technical University in 1998 with a degree in Mining Engineering, holds a PhD degree in Technology.

Professional experience:

- 2018–present – CEO, TransContainer;
- 2017–2018 – CEO, LLC Mezhegeyugol;
- 2015–2017 – Managing Director, JSC EVRAZ Nakhodka Trade Sea Port;
- 2011–2015 – CEO, LLC Mezhegeyugol.

Member of the Boards of Directors of LLC Freight Village Kaluga North, Oy Container Trans Scandinavia Ltd.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



VLADIMIR DRACHEV

Member of the Executive BoardDeputy CEO

First elected to the Executive Board in 2014.

Born in 1951.

Graduated from the Irkutsk Institute of Railway Engineers in 1982 with a degree in Railway Operations.

Professional experience:

- 2018–present – Deputy CEO, TransContainer;
- 2008–2018 – First Deputy CEO, TransContainer;
- 2006–2008 – Deputy CEO for Production, TransContainer.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



VIKTOR MARKOV

Member of the Executive BoardDeputy CEO, Director for Legal Affairs and Property Management

First elected to the Executive Board in 2014.

Born in 1976.

Graduated from the Gubkin Russian State University of Oil and Gas in 1998 with a degree in Law.

Professional experience:

- 2017–present – Deputy CEO, Director for Legal Affairs and Property Management, TransContainer;
- 2017 – CEO, TransContainer Finance;
- 2006–2017 – Director for Legal Affairs and Property Management, TransContainer;
- 2014–2016 – Vice-President, member of UTLC's Executive Board.

Member of the Board of Directors at JSC Kedentransservice.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.



SERGEY KAZAKOV

Member of the Executive BoardDeputy CEO

First elected to the Executive Board in 2018.

Born in 1980.

Graduated from the St. Petersburg University of the Ministry of Internal Affairs of Russia in 2002 with a degree in Law.

Professional experience:

- 2017–present – Deputy CEO, TransContainer;
- 1997–2017 – civil servant of the Main Directorate of the Ministry of Internal Affairs of the Russian Federation in St. Petersburg and the Leningrad Region.

Citizenship: Russian Federation.

Does not hold shares or any other securities of the Company.

1. As at 31 December 2018.



EKATERINA BURTSEVA

Member of the Executive Board, Deputy CEO

First elected to the Executive Board in 2018.

Born in 1964.

Graduated from Maurice Thorez Moscow State Linguistic University with a degree in English and German Language Teaching in 1988; graduated from the Institute of Business and Business Administration of the Academy of National Economy under the Government of the Russian Federation with a degree in Economics and Finance in 2001.

Professional experience:

- 2018–present – Deputy CEO, TransContainer;
- 2000–2018 – Head of Land Transportation Department, CJSC MAERSK;

Citizenship: Russian Federation.  
Does not hold shares or any other securities of the Company.



PAVEL POLYAKOV

Member of the Executive Board, Deputy CEO

First elected to the Executive Board in 2018.

Born in 1980.

Graduated from the St. Petersburg University of Economics and Finance with a degree in Global Economics in 2002.

Professional experience:

- 2018–present – Deputy CEO, TransContainer;
- 2016–2018 – Director for Organisational Interaction and Partnership Communications, LLC Global Ports Management Company;
- 2015–2016 – Deputy Head of the Branch of the Federal State Unitary Enterprise Main Center for Special Communications.

Citizenship: Russian Federation.  
Does not hold shares or any other securities of the Company.

Key Competencies of the Executive Board Members

No.	Full name	Finance, economics, audit	Strategy	Risk management	Corporate governance and legal matters	Transportation and logistics (industry specific)	HR management
1.	V. Saraev	+	+	+		+	+
2.	V. Drachev				+	+	+
3.	V. Markov	+		+	+	+	
4.	S. Kazakov				+		
5.	E. Burtseva	+	+			+	
6.	P. Polyakov	+	+			+	+

Remuneration Report

The remuneration policy for members of the Board of Directors, the Chief Executive Officer, members of the Executive Board and the management is aimed at acquiring, incentivising and retaining persons who have the required competencies to steer the Company efficiently towards its strategic goals and objectives.

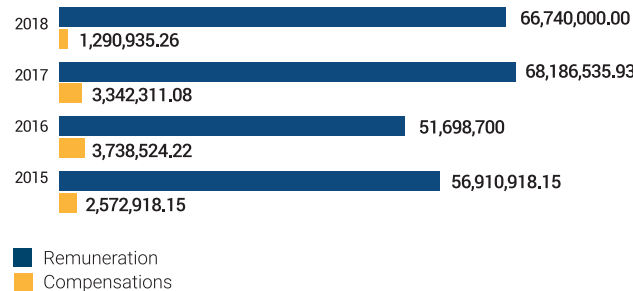
Remuneration Policy for Members of the Board of Directors and its Committees<sup>1</sup>

	For participating in a meeting of the Board of Directors	Annual remuneration for membership in the Board of Directors	Compensations
Total remuneration and compensations paid to members of the Board of Directors in 2018, RUB	(1,702,500.00)	65,037,500.00	(1,290,935.26)
Total, RUB	68,030,935.26		
Purpose	Incentivising members to participate in Board meetings in person	Offering competitive remuneration to attract highly qualified professionals to the Board of Directors	Compensating for expenses related to participation in Board and committee meetings
Description	RUB 30,000 for participating in a meeting in person; RUB 15,000 for submitting a written opinion or participating in a meeting in absentia.	The basis for calculating the annual remuneration in the amount of RUB 4.3 mln adjusted for a coefficient that takes into account the presence of a member of the Board of Directors at meetings. The basis for calculating additional remuneration for participating in the work of committees of the Board of Directors in the amount of RUB 4.3 mln adjusted for a coefficient that takes into account the presence of a member of the Board of Directors at committee meetings and an additional coefficient that takes into account the contribution of a member of the Board of Directors to the committee activities (member of the committee – 25%, Chair of the committee – 33%). Additional annual remuneration is calculated separately for participating in a meeting of each committee	Compensations are paid for the amount of actual documented expenses, including expenses on travel to the venue of a meeting of the Board of Directors, VIP services at airports and railway stations, hotel expenses, communication expenses and other expenses related to participation in meetings of the Board of Directors and its committees.
Additional payments for the performance of duties	Increased by:	Increased by:	–
Chair	100%	100%	
Deputy Chair	25%	25%	
Member of a committee of the Board of Directors	–	25%	
Chair of a committee of the Board of Directors	–	33%	
Terms of payments	Payable within one month after the Board meeting	Payable within one month after the annual general meeting of shareholders	Payable within a month after the submission of documents confirming the expenses incurred

1. Pursuant to the Regulation on Remuneration and Compensation to Members of TransContainer’s Board of Directors approved by the Annual General Meeting of Shareholders of the Company on 22 June 2017 (Minutes No. 6 dated 23 June 2017).



Remuneration Paid to Members of the Board of Directors in 2015-2018



In 2018, remuneration to members of the Board of Directors and committees was paid in accordance with the Regulation on Payment of Remuneration and Compensation to the Members of TransContainer’s Board of Directors approved by the Annual General Meeting of Shareholders of the Company on 22 June 2017 (Minutes No. 6 dated 23 June 2017)<sup>1</sup>, according to which remuneration is paid for the participation in meetings of the Board of Directors and annual remuneration is paid to members of the Board of Directors, depending on the participation of a member of the Board of Directors in meetings of the Board of Directors and the meetings of Board Committees during the corporate year.

The Annual General Meeting of Shareholders of the Company held on 15 May 2018 (Minutes No. 37 dated 16 May 2018) approved a revised version of the Regulation on Payment of Remuneration and Compensation to the Members of TransContainer’s Board of Directors<sup>2</sup> that states that the Company shall not pay a fee for participation in individual meetings of the Board or of Board Committees. The remuneration is calculated according to the basic (maximum) amount and depends on the number of meetings attended by the member of the Board of Directors during the reporting period. In 2018, there were no payments of remuneration and compensations in line with the revised Regulation.

Annual remuneration to members of the Board of Directors is paid pursuant to the resolution of the general meeting of shareholders.

Members of TransContainer’s Board of Directors do not participate in pension, insurance (except for D&O insurance), option and investment programmes or receive any other benefits and privileges.

In the reporting period, there were no loans extended by the Company to members of the Board of Directors.

Remuneration of Members of the Executive Bodies and the Management in 2018

Remuneration of the Company’s management is paid in accordance with the Regulation on Labour Incentives for the Management.

The Regulation sets forth the amount and procedure of remuneration payable to the CEO, First Deputy CEOs, Deputy CEOs, First Deputy CFO, executive officers in business lines, the Chief Accountant and the Chief Engineer (21 key executive officers).

- Incentives for the management are aimed at increasing management efficiency, achieving the Company’s strategic goals, and retaining qualified personnel based on the following key principles:
- transparency in determining the amount and the structure of total remuneration;
  - simplicity of calculating the amount of total remuneration;
  - competitiveness in terms of the level and the structure of remuneration;
  - striking a balance between the interests of shareholders and the management.

Total remuneration (the incentives package) of the management consists of a fixed part of the remuneration (basic salary or fixed wages) established by the employment contract and a variable part of the remuneration including bonuses and long-term incentives (employee stock plan), as well as other payments stipulated by labour legislation of the Russian Federation, the Collective Bargaining Agreement or local regulations.

The level of remuneration of the management is determined depending on the levels of remuneration observed in the labour market for positions that are comparable to those of the management.

Remuneration of Members of the Executive Bodies and the Management

Item	Fixed part of the remuneration (salary/wages and other types of remuneration)		Variable part of the remuneration (bonuses)		
			quarterly	annual	one-off
Total amount <sup>1</sup> paid as remuneration to members of the Executive Board (including the CEO) in 2018, RUB Total, RUB	Salaries & wages 76,972,990.00	Other types of remuneration 68,362,430.00	57,181,179.00	97,466,951.00	(45,000,000.00)
Total, RUB	199,648,130.00				
Total amount <sup>2</sup> paid as remuneration to the management (including the Executive Board and the CEO) in 2018, RUB Total, RUB	Salaries & wages 176,420,339.60	Other types of remuneration 95,968,604.61	117,460,645.86	186,226,427.74	(45,000,000.00)
Total, RUB	348,687,073.60				
Purpose	Competitive basic incentives package to attract and retain highly qualified managers	Incentives for the management to steer the Company towards short-term financial and production targets	Incentives for the management to meet corporate and individual key performance indicators (KPIs)	Incentives for achieving strategic objectives established by the Board of Directors, certain projects and/or key works of a nonsystematic nature	
Description	The fixed part of remuneration is determined based on the manager’s knowledge, experience, role in the Company and the level of remuneration in the labour market	Bonuses are paid subject to the Company’s and each manager’s performance in the reporting quarter	Full-year bonuses are paid subject to meeting KPIs. The amount of each manager’s full-year bonus is determined as the product of the fixed part of remuneration and the sum of coefficients that assess the manager in terms of meeting corporate and individual KPIs	The amount of a one-off bonus is determined by the Board of Directors depending on the significance, complexity, and achievement of the strategic objective	
Terms of payments	Monthly	Quarterly	Annually	After the Board of Directors has decided to pay a one-off bonus	
Maximum possible payments	Determined in the manager’s employment agreement	CEO – 3.5x of the fixed part of quarterly remuneration; managers – 1.5x of the fixed part of quarterly remuneration	Full-year bonus at 100% of the fixed part of annual remuneration. For calculating an additional full-year bonus, the maximum percent of meeting the net income target is 150%.	–	

In 2018, total remuneration of key executive officers stood at RUB 485,647,300.16, including the remuneration of the CEO and members of the Executive Board in the amount of RUB 257,827,507.56.

In 2018, total remuneration of key executive officers stood at RUB 621,076,017.87<sup>3</sup>, including the remuneration of the CEO and members of the Executive Board in the amount of RUB 344,983,550.00.

In the reporting period, there were no loans extended by the Company to members of the Executive Board.

1. Reference to document:[https://trcont.com/documents/20143/69792/170727-Amendments\\_to\\_Regul\\_on\\_Payments\\_to\\_BoD\\_rus+%281%29.pdf/74945fa2-fc3b-c4b0-93dd-11bceae01ec](https://trcont.com/documents/20143/69792/170727-Amendments_to_Regul_on_Payments_to_BoD_rus+%281%29.pdf/74945fa2-fc3b-c4b0-93dd-11bceae01ec)  
2. Reference to document:[https://trcont.com/documents/20143/474466/180517\\_Regulation\\_on\\_payment.pdf/333cc1a7-9c8e-cdb8-43d2-7976f1b53819](https://trcont.com/documents/20143/474466/180517_Regulation_on_payment.pdf/333cc1a7-9c8e-cdb8-43d2-7976f1b53819)

1. Total amount means the amount of wages payable excluding in-kind income before withholding taxes and other deductions in accordance with the Regulation on Labour Incentives for the Management. (Total amount paid to members of the Executive Board.)  
2. Total amount means the amount of wages payable excluding in-kind income before withholding taxes and other deductions in accordance with the Regulation on Labour Incentives for the Management. (Total amount paid to the management, including members of the Executive Board.)  
3. Total remuneration of 31 key executive officers of the Company during the reporting period (including staff changes in the Company).

# Control and Monitoring

## Internal Control System

TransContainer’s Internal Control Policy provides for the effective management of the Company’s internal controls through efficient day-to-day interaction of the following participants:

- Board of Directors;
- committees of the Board of Directors, including the Audit Committee;
- Company’s executive bodies (the Executive Board and the CEO);
- collective operating bodies set up by the Company’s executive bodies to perform specific functions, including the Risk Committee;
- heads of the Company’s structural units;
- Company’s employees engaged in control procedures as part of their duties;
- Revision Commission.

## Internal Audit Service

The Internal Audit Service was established to assist the Board of Directors and executive bodies in enhancing the Company’s management efficiency and improving its financial and economic operations through a systematic and consistent approach to the analysis and evaluation of risk management, internal control and corporate governance systems as tools to provide reasonable assurance that the Company will achieve its goals.

Committed to independence and neutrality, the Internal Audit Service is guided by the Regulation on the Internal Audit Service of TransContainer<sup>1</sup>, Russian laws, Regulation on the Audit Committee of TransContainer, resolutions of the general meeting of shareholders and the Board of Directors, the Company’s by-laws, internal auditing guidance as per the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

To ensure independence and prevent bias, the Internal Audit Service has a functional reporting line to the Board of Directors and an administrative reporting line to the Company’s CEO. The Head of the Internal Audit Service is appointed or terminated by the CEO upon resolution of the Board of Directors. The Head of the Internal Audit Service reports to the Audit Committee and the Board of Directors on the performance of the Internal Audit Service throughout the reporting quarter and annually, and on the current state of the internal control and risk management systems, progress against the annual action plan and budget of

the Internal Audit Service.

The Internal Audit Service is headed by Elena Ustinova.

Key projects of the Internal Audit Service in 2018:

- assessment of corporate governance;
- analysis of measures to eliminate the gaps identified by the Revision Commission during the audit of TransContainer’s operations in 2017;
- assessment of the effectiveness of the risk management and internal control framework;
- audit of financial and operational activities of the Company’s five branches;
- assessment of controls over the engagement of co-contractors under freight forwarding services contracts.

## Revision Commission

The Revision Commission is a permanent internal control body that monitors the Company’s financial and business activities, including those of the Company’s branches and representative offices, to ensure compliance with the existing Russian laws and the Company’s Charter and by-laws.

The Revision Commission acts in the interests of the Company’s shareholders and is accountable to the general meeting of shareholders. It is independent of the officers of the Company’s governance bodies, and its members are not the Company’s officers or employees. Members of the Revision Commission are not officials or employees of the Company.

From 18 February to 19 March 2019, the Revision Commission audited the Company’s 2018 operations.

In 2018, the Chairman of TransContainer’s Revision Commission was present at the meeting of the Audit Committee discussing a report on the 2017 audit results.

Remuneration of its members is paid in accordance with the Regulation on Remuneration and Compensation Payable to Members of TransContainer’s Revision Commission.

## Members of the Revision Commission Elected at the Annual General Meeting of Shareholders Held on 15 May 2018

1. Sergey Davydov, Deputy Head of the Department for Consolidated IFRS Financial Statements, part of Accounting Service, Russian Railways.
2. Olga Zorina, Deputy Head of the Internal Control Centre, Zheldorcontrol, Russian Railways.
3. Tatyana Tarynina, Chief Auditor of the Department for Control of Production and Financial Activities of Russian Railways’s structural units at the Internal Control Center, Zheldorkontrol, Russian Railways.
4. Yuri Fedosov, Head of Subsidiaries and Affiliates Management Department, Russian Railways.
5. Elena Yudina, Department Head at the Internal Control Centre, Zheldorcontrol, Russian Railways.

Olga Zorina was elected as the Chair of TransContainer’s Revision Commission in 2018.

## Remuneration Paid to the Revision Commission Active in 2018

No.	Position	Full name	Annual Remuneration, RUB
1	Chairman of the Revision Commission (until the Annual General Meeting of Shareholders held on 15 May 2018)	A. Red'kin	225,000
2	Member of the Revision Commission	S. Davydov	150,000
3	Member of the Revision Commission	Yu. Fedosov	150,000
4	Member of the Revision Commission (until the Annual General Meeting of Shareholders held on 15 May 2018)	A. Chernyavskaya	150,000
5	Member of the Revision Commission	E. Yudina	150,000
6	Member of the Revision Commission	O. Zorina	–
7	Member of the Revision Commission	T. Tarynina	–
Total			825,000

## Addressing Potential Conflict of Interest

Prevention and management of conflicts of interest are an essential tool of the Company and shareholder protection. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company’s bodies, shareholders and employees.

- The Company has taken measures to prevent potential conflict of interest involving executive bodies and key managers, including:
- a requirement set out in the Regulation on the Executive Board and the Regulation on the CEO of the Company obliging them to refrain from any actions that can or may potentially lead to a conflict of interest with the Company and report any such conflict arising to the Board of Directors. These obligations are also fixed in the employment contracts with the CEO and members of the Executive Board, the terms and conditions of which are determined by the Company’s Board of Directors;
  - authorising the Board of Directors to approve overlapping and other paid positions held by the CEO and members of the Executive Board in the governance bodies of other organisations;
  - approval by the Board of Directors of a corporate risk map envisaging initiatives to prevent the employee wrongdoing risk. The initiatives aimed at minimising this risk include checking the key employees and candidates for key roles for potential conflict of interest. A report on the occurrence of this risk is reviewed by the Audit Committee on a quarterly basis;

- an annual review by the Audit Committee of a report on violations of the Company’s Code of Ethics, including the situations related to the conflict of interest, prepared by the Company’s Internal Audit Service.

To protect its interests in case of a potential conflict of interest, the Company has implemented measures to make sure that all interested-party transactions are reviewed by the Board of Directors. These measures include monitoring of all transactions executed by the Company for the existence of interest, maintaining and updating information about the persons interested in the transactions.

On top of the above initiatives, the Company pays special attention to insider information requirements viewing this as another element of the conflict of interest prevention.

A range of measures undertaken to identify and prevent conflicts of interest helps to minimise the probability of negative consequences for the Company.

- In addition to the said measures, the Company has adopted and published on its corporate website the following documents, which are applicable to all the Company’s employees and which determine the principles and procedures for preventing, identifying, and minimising any potential conflict of interest:
- Corporate Governance Code;
  - Code of Ethics;

1. The Regulations are available on the Company’s website:<https://trcont.com/documents/20143/69792/Regulations-Internal-Audit-160517-eng.pdf/80622eaf-4686-d9e5-efb8-aa28bc26192e>.



- Anti-Corruption Policy;
- Anti-Corruption Programme (available to all TransContainer's employees on its corporate website);
- Regulation on Insider Information;
- Revised Regulation on the Procedure for Addressing Conflict (or Potential Conflict) of Interest at TransContainer (available to all TransContainer's employees on its corporate website).

Applicable to all TransContainer's employees and officers, these documents determine the rules and principles of managing a conflict of interest, including the employee obligation to disclose information on an existing or potential conflict of interest, balancing the interests of the Company and its employees, and non-retaliation for reporting a conflict of interest.

In accordance with internal documents, members of the Board of Directors and the Executive Board had no conflicts of interest in the reporting period.

Combating Corruption

Based on the high ethical standards of behaviour adopted by the Company, TransContainer fully shares the approach to pursuing zero tolerance to any form of corruption.

TransContainer is a member of the Anti-Corruption Charter of the Russian Business. Participation in the Charter and consistent implementation of its provisions bear witness that the Company has adopted appropriate measures to prevent corruption, which, pursuant to the requirements of Art. 13.3 of the Federal Law No. 273-FZ dated 25 December 2008 On Combating Corruption, shall be taken by any organisation.

TransContainer does not tolerate any actions that are directly or indirectly associated with the offering, giving, promising, soliciting or receiving bribes, assisting in bribery, and any payments seeking to facilitate administrative, bureaucratic and other formalities made in any form by or to any persons/organisations, including government officials, public organisations, private companies, and political figures. This standing is confirmed by the CEO's anti-corruption statement on the Company's corporate website proclaiming zero tolerance to any form of corruption.

The Company has in place and regularly conducts training of its employees in anti-corruption and corporate fraud. All newly published and amended regulatory documents are communicated to all employees via e-mail and by placing them in the relevant sections of the corporate website.

In accordance with the Anti-Corruption Programme at TransContainer approved by the decision of the Company's Executive Board<sup>1</sup>, the Company set up a working group to develop anti-corruption, anti-fraud, and anti-embezzlement measures<sup>2</sup>.

- TransContainer's anti-corruption activities are governed by the following internal documents:
- TransContainer's Anti-Corruption Policy<sup>3</sup>;
  - The list of functions, which are most sensitive to corruption, corporate fraud, and embezzlement<sup>4</sup>;
  - The Register of Corruption Risks and the List of Positions Related to Corruption Risks<sup>5</sup>.

Extension of Anti-corruption Activities in 2018

The Risk Committee agreed on the Register of Corruption Risks and included the risk group "corruption risks: conflict of interests, insider trading, bribery, commercial bribery" in the corporate risk map for 2018<sup>6</sup>.

The Regulation on the Procedure for Addressing Conflict (or Potential Conflict) of Interest at TransContainer<sup>7</sup> was revised.

Stop Corruption Hotline Activities

There is a special hotline ( anticorr@trcont.ru ) on the Company's intranet site and the Stop Corruption hotline on the corporate website. Complaints received through both lines are sent as e-mails to heads of the Economic Security Department and the Internal Audit Service.

In 2018, 357 complaints were registered, 176 calls of them were made to the hotline ( anticorr@trcont.ru ), 155 - to the call centre, and 26 - to director@trcont.ru e-mail. All the facts mentioned in the complaints were reviewed, 22 situations were closely and comprehensively addressed.

Extraordinary Transactions

Related Party Transactions

In line with the effective procedure for notifying members of executive bodies of an impending related party transaction as defined in Art. 83 of Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies, the Company's Board of Directors approved the procedure and form for the Company to send electronic copies of notices of such transactions (from the e-mail address of the Company's Corporate Secretary) to the e-mail addresses of members of the Board of Directors and members of the Executive Board, as well as shareholders of the Company (Minutes No. 10 dated 17 March 2017).

In 2018, 116 notices were sent, one of which (No. 78) was addressed to the Company's shareholders.

By virtue of Clause 1, Article 83 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995, a member of the Company's Board of Directors or Executive Board has the right to request that the Board of Directors or the general meeting of shareholders approve a related party transaction prior to its execution. In this case, the request shall be sent to the Corporate Secretary's e-mail address.

In 2018 (on 6 June 2018), one request was received for obtaining the consent of the Company's Board of Directors to enter into a related party transaction prior to its execution (Addendum No. 3 to Agreement No. TKtz/18/02/001 on Freight Forwarding Services dated 9 February 2018). This transaction was approved by the Company's Board of Directors (Minutes No. 5 dated 7 September 2018).

In total, in 2018, the Company consummated 113 related party transactions (see p. 189).

Major Transactions

Major transactions are those that go beyond the Company's ordinary course of business. The Board of Directors issues an opinion on the major transaction containing, among other things, information on potential consequences of such transaction for the Company's operations and feasibility assessment. This opinion shall be included in the materials for the general meeting of shareholders that will consider granting consent to, or subsequent approval of, the major transaction.

In the 2018 reporting year, the Company did not enter into major transactions.

Other Transactions Foreseen by the Charter

In the course of its business in 2018, the Company entered into a number of transactions that are reserved to the Company's Board of Directors in accordance with Art. 15.1 of the Company's Charter.

In 2018, the Company's Board of Directors reviewed eight transactions falling within its remit pursuant to Art. 15.1 of the Company's Charter.

External Audit

To ensure an independent and unbiased audit of the Company's financial statements, the Company has approved the Policy on Interaction with External Auditor of PJSC TransContainers<sup>1</sup>(hereinafter - the Policy on Interaction with Auditor).

Candidates to the position of the external auditor for TransContainer's RAS and IFRS financial statements are approved by the general meeting of shareholders from among the Big Four audit firms based on the recommendation of the Board of Directors and the results of tenders held by the Audit Committee at least once every five years. The Company also deems it reasonable to select a single auditor for TransContainer's RAS and IFRS financial statements.

In March 2018, the Audit Committee suggested that the Board of Directors submit a recommendation to the general meeting of shareholders encouraging it to approve PricewaterhouseCoopers Audit as TransContainer's external auditor responsible for the audit of the Company's RAS and IFRS financial statements for 2018.

In May 2018, TransContainer's annual general meeting of shareholders, based on the recommendation of the Board of Directors, approved PricewaterhouseCoopers Audit as TransContainer's external auditor responsible for the audit of RAS and IFRS financial statements for 2018.

- In accordance with the audit contract, the auditor provided services as follows:
- overview of the Company's interim condensed consolidated IFRS 34 financial statements as at 30 June 2018 and for 6M 2018;
  - overview of the Company's special financial statements as at 30 June 2018 and for 6M 2018 made in accordance with the instructions and the accounting policy of Russian Railways;
  - overview of the Company's special financial statements as at 30 June 2018 and for 6M 2018 made in accordance with the accounting policy of PJSC TransContainer;
  - audit of the Company's and its subsidiaries' consolidated IFRS financial statements for the reporting year ended 31 December 2018;
  - audit of the Company's special financial statements for the reporting year ended 31 December 2018 made in accordance with the instructions and the accounting policy of Russian Railways;
  - audit of the Company's special financial statements for the reporting year ended 31 December 2018 made in accordance with the accounting policy of PJSC TransContainer;
  - audit of the Company's RAS accounting statements for 2018.

1. Approved on 23 December 2016 (Minutes No. 34)  
2. CEO order No. 87 dated 4 April 2017  
3. Minutes No. 43 of TransContainer's Executive Board dated 16 May 2017.  
4. CEO order No. 52 dated 9 March 2017.  
5. Minutes No. 1 dated 24 August 2017.  
6. Minutes No. 6 dated 17 November 2017.  
7. Approved by Order No. 182 dated 18 July 2018.

1. The Policy is available on the Company's website

Cost of Auditor Services

The amount payable as a consideration for the auditor services was determined by the Board of Directors in May 2018 and totalled sixteen million and two hundred thousand roubles (RUB 16.2 mln), excluding VAT and overhead costs.

Remuneration Paid to the Company's Auditor (PricewaterhouseCoopers Audit) in 2018, RUB

Type of audit services	Remuneration amount (including VAT)
Audit of consolidated financial statements for 2017 under IFRS (part of remuneration still outstanding)	4,627,960
Audit of RAS accounting statements for 2017 (part of remuneration still outstanding)	3,820,840
Overview of interim financial statements for 6M 2018 under IFRS	1,416,000
Advance payments for the audit of consolidated financial statements for 2018 under IFRS	5,900,000
Advance payments for the audit of RAS accounting statements for 2018	5,310,000
Total	21,074,800
Type of non-audit services	Remuneration (including VAT) (RUB)
Non-audit services	0
Total	0

Oversight of Non-audit Services Provided by the Auditor

To ensure the independence of the external auditor, the Company strives to avoid engaging auditors for the provision of non-audit services. In exceptional cases, though, where engagement of an external auditor for the provision of non-audit services is justified, such engagement shall be preliminarily reviewed by the Audit Committee, as prescribed by the Policy on Interaction with Auditor. The Audit Committee preliminarily reviews the feasibility of engaging the audit organisation, the type, and scope of non-audit services, and the auditor's remuneration for the provision of any such services.

The Auditor provides non-audit services only upon the preliminary approval of the Audit Committee, except for services on staff training, workshops, corporate qualification training programs, accounting and recording, and on other training types for Company's employees and members of the Board of Directors, and consulting in accounting and reporting. These non-audit services are considered to be preapproved by the Audit Committee providing that the amount for a non-audit service does not exceed RUB 5 mln per each service. If the non-audit service cost exceeds RUB 5 mln, a preapproval of the Audit Committee is required.

In 2018, the Company had no agreements for non-audit services with PricewaterhouseCoopers Audit.

Risk Management

TransContainer considers its risk management system to be one of the key components of its corporate governance system. It is aimed at the early identification, assessment, prevention, and monitoring of risks that may affect the value, performance, and reputation of the Company.

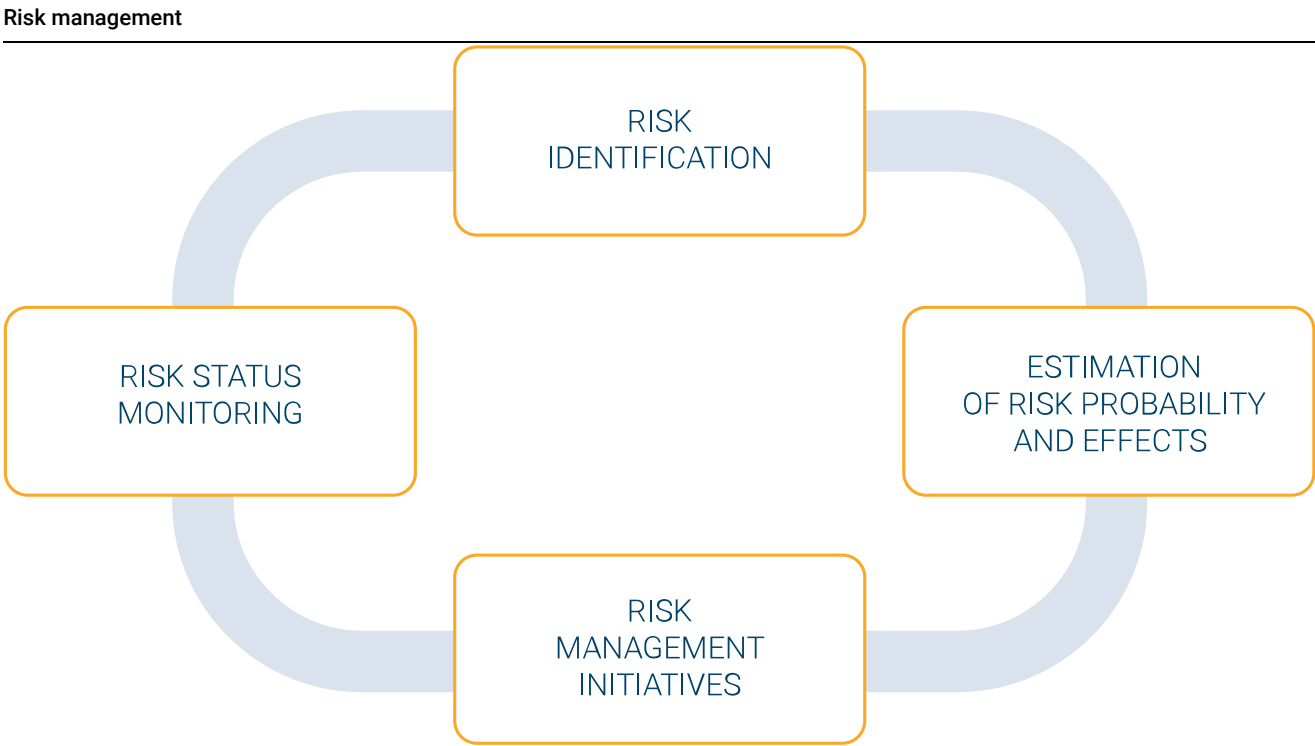
The Company outlines its risk management principles and approaches in the Concept of the Corporate Risk Management System and the Corporate Risk Management System Policy, as approved by the Board of Directors on 18 December 2013.

The risk management system relies on generally accepted conceptions and standards introduced by such organisations as The Committee of Sponsoring Organisations of the Treadway Commission (2004 Enterprise Risk Management – Integrated Framework, hereinafter referred to as COSO ERM 2004) and the International Organisation for Standardisation (ISO 31000:2009 "Risk management. Principles and guidelines" (ISO 31000:2009)).

In 2017 and Q1 2018, the two standards were significantly revised and updated. As a result, the Company is now aligning its risk management system with COSO ERM 2017 and ISO 31000:2018, respectively.

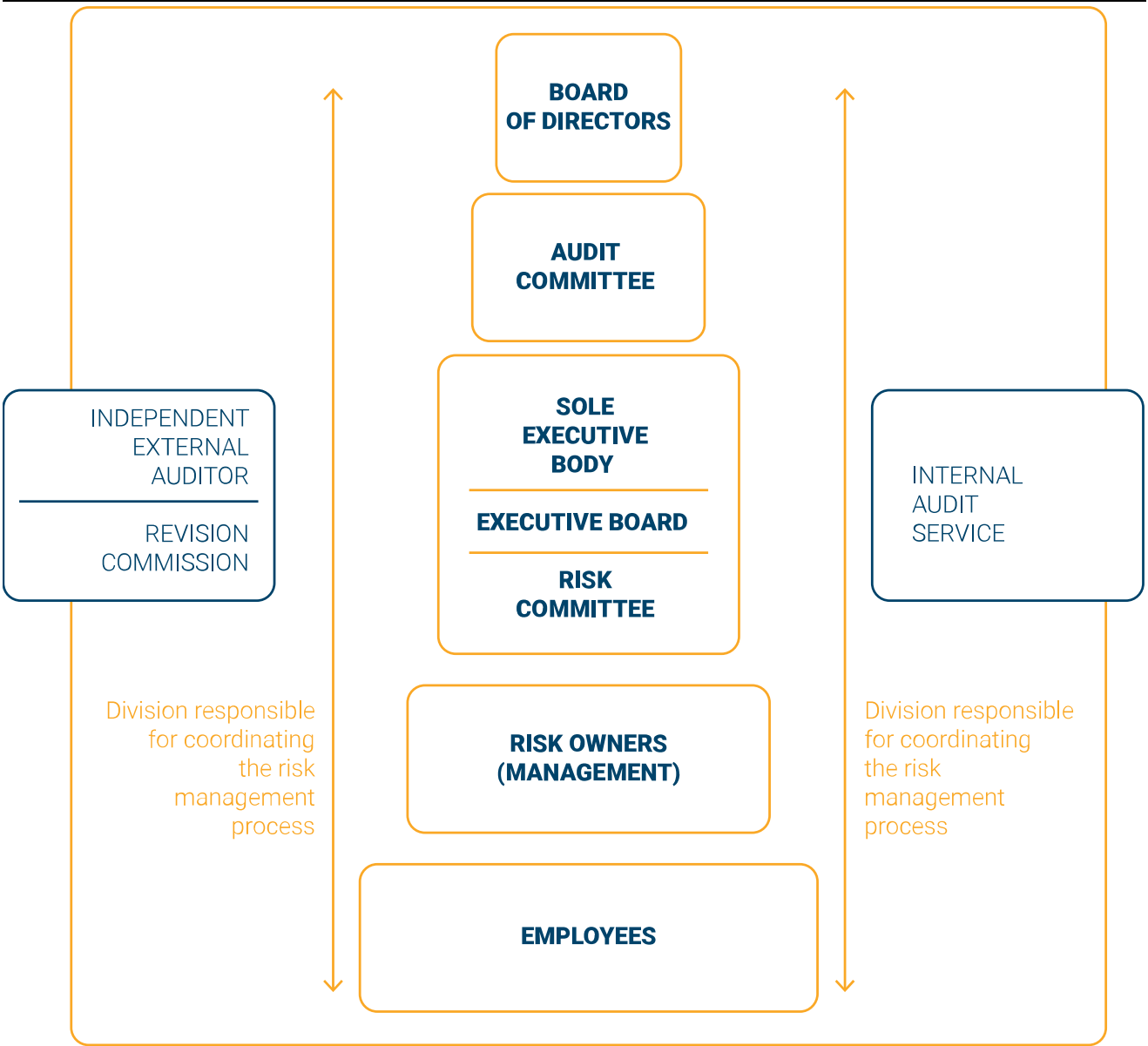
The Company is aligning its risk management system with COSO ERM 2017 and ISO 31000:2018

- Principles of risk management:
- systematic approach;
  - continuity of the process;
  - depth and completeness of the process;
  - a balanced approach to risk management;
  - a clear distinction of powers and decision-making levels;
  - integration with the internal control system.





Risk Management System



Development of the Risk Management System

TransContainer regularly identifies risks, annually reviews its risk map, and monitors the identified risks.

To improve the efficiency of the risk management system, the Company's IT experts developed an automated corporate risk management system launched in 2016.

In 2018, The Company elaborated the corporate risk management system to improve its functionality.

In 2018, the Company continued introducing elements of the risk-oriented budgeting. A financial model helped to identify the key drivers of financial results and to conduct stress tests against key financial and operational metrics.

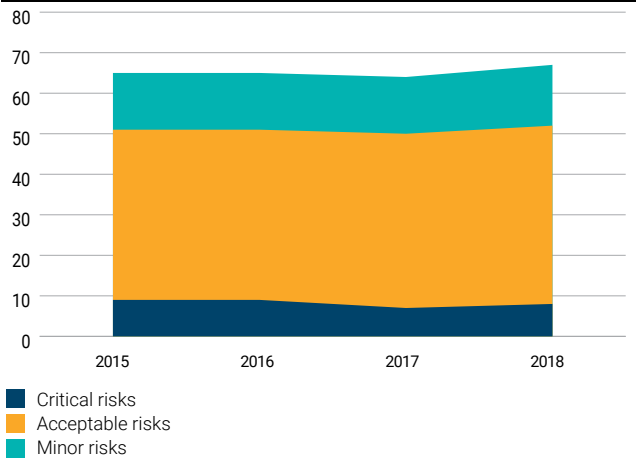
In 2019, the Company's efforts to improve the corporate risk management system will be focused on completing the alignment of the corporate risk management system with COSO ERM 2017 and ISO 31000:2018, further strengthening the role of quantitative methods in the risk management system, and integrating risk management deeper into the Company's business processes.

Corporate Risk Map

Contents of the Corporate Risk Map in 2018

TransContainer classifies all risks into critical, acceptable and minor ones depending on the likelihood of their occurrence and the potential damage from their realisation. The Board of Directors oversees the critical risk management, while the Audit and Risk Committees supervise the acceptable and minor risk management, respectively.

Corporate Risk Map



Category	Risk assessment based on the material impact and the likelihood of occurrence
Critical risks	Assessed risks that may inflict more than RUB 400 mln worth of damage with any likelihood of occurring; or that may inflict more than RUB 200 mln worth of damage with a likelihood of occurring of more than 5 percent; or that may inflict more than RUB 100 mln worth of damage with a likelihood of occurring of more than 80 percent.  In 2018, critical risk reports were submitted to the Board of Directors on a quarterly basis.
Acceptable risks	Assessed risks that may inflict between RUB 100 mln and RUB 400 mln worth of damage with a likelihood of occurring of between 0 percent and 5 percent; or that may inflict between RUB 50 mln and RUB 200 mln worth of damage with a likelihood of occurring of between 5 percent and 80 percent; or that may inflict less than RUB 100 mln worth of damage with a likelihood of occurring of more than 50 percent.
Minor risks	Assessed risks that may inflict less than RUB 100 mln worth of damage with a likelihood of occurring of less than 5 percent; or that may inflict less than RUB 50 mln worth of damage with a likelihood of occurring of less than 50 percent.

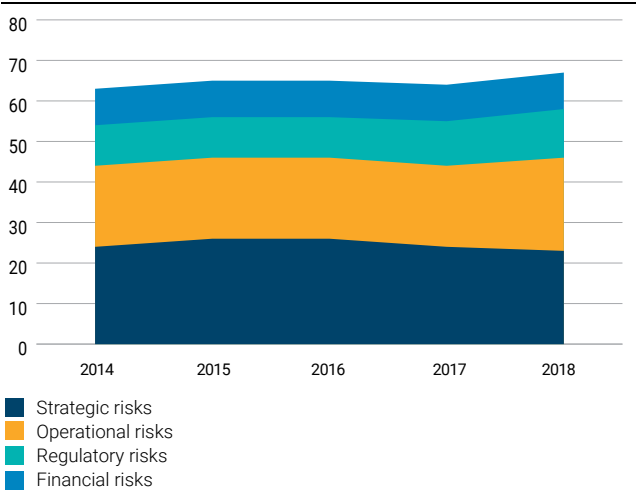
Structure of the Corporate Risk Map

In line with the generally accepted COSO ERM 2004 and ISO 31000:2009 standards, the risks are classified into four categories:

- 1. strategic risks,
- 2. operational risks,
- 3. regulatory risks,
- 4. financial risks.

The changes made to the structure of the corporate risk map in 2014–2018 are outlined below.

The Changes Made to the Structure of the Corporate Risk Map in 2014–2018



Critical Risks

No.	Risk	Risk impact	Manageability	Mitigators
1.	Prolongation of investments payback periods / Depreciation of investments into subsidiaries and associates	1. Inefficient investment management.  2. Decline in ROE and ROIC indices.  3. Additional load for the Company's liquidity due to the surety commitment on the projects.  4. Deterioration of the Company's financial position	Average	1. Monitoring of Company's business-plan implementation and analysis of deviation reasons.  2. Control over compliance with the corporate procedures in subsidiaries and associates.  3. Involvement of Company's expert managers in subsidiaries and associates business
2.	Departure of management (CEO and at least two key managers)	1. Delays in management decision-making.  2. Decline in the market valuation of the Company's securities.  3. Weaker competitiveness.  4. Decrease in the efficiency of the Company's operations and business management.  5. Deterioration of operating performance.  6. Deterioration of financial performance	High	1. Monitoring and development of the remuneration system for TransContainer's CEO and management (according to the Nominations and Remuneration Committee's work plan).  2. Approval by the Board of Directors of the CEO's proposal to pay one-off bonuses to employees of the executive office whose appointment requires the approval of the Board of Directors
3.	Stronger competition in the rail container transportation market	1. Discrepancies between the characteristics of the Company's products/services and market demand, declining sales.  2. Lost customers.  3. Declining revenues.  4. Declining income	Low	1. Targeted quarterly monitoring of rates charged for shipping services provided by operators of other means of transport.  2. Quarterly monitoring of market peers to be included in the CEO's quarterly report on the Company's performance.  3. Monitoring of changes in the flatcar market.  4. Monitoring of peer pricing policies using public information sources and, where needed, adjustment of TransContainer's rates.  5. Monitoring of the customer needs structure
4.	Deteriorating market conditions	1. Drop in transportation volumes.  2. Drop in prices.  3. Weaker financial results.  4. Lower profits	Low	1. Monitoring and analysis of the market environment

5.	Unpredictable changes in prices for rolling stock repair materials	1. Over-budget costs for rolling stock repair.  2. Lack of rolling stock availability.  3. Lost profits	Low	1. Industry prices projections.  2. Monitoring of market prices for spares.  3. Keeping up own stocks for rail flatcar repair (heavy flatcar casting, wheel sets)
6.	Decline in customer service quality	1. Poorer financial performance.  2. Decreased volume of services.  3. Lost customers	High	1. Improvement of sales forecasting software.  2.Improvement of software pertaining to sales relations with potential customers.  3. Sales planning across the Company.  4. Enquiry of customers.  5. Service quality analysis using a mystery shopping method.  6. Monitoring of amounts charged for transportation services.  7. Development and implementation of the service quality improvement plan (involving the concerned managers)
7.	Industrial injuries	1. Damage to personnel's health.  2. Administrative and criminal charges.  3. Litigation costs and expenses.  4. Damage to the Company's goodwill	High	1. Work safety training is conducted pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007.  2. Individual protective equipment is provided pursuant to Order of the Ministry of Health and Social Development of the Russian Federation No. 582n dated 22 October 2008 On Approval of Standards for Issuance of Certified Protective Clothing, Shoes and Other Protective Equipment to Russian Railway Personnel Exposed to Extreme Temperatures or Contamination.  3. Three-tier health and safety monitoring is carried out pursuant to the Regulation on TransContainer's Health and Safety Monitoring Procedures approved by TransContainer's order No. 200 dated 6 August 2007.  4. Special assessment of working conditions is conducted pursuant to Federal Law No. 426 dated 28 December 2013 On Special Assessment of Working Conditions once every five years and whenever new jobs are created. For this purpose, the Company engages a duly licensed organisation approved by the Ministry of Health and Social Development of the Russian Federation.  5. Issuance of job permits pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007.  6. Technical training programmes for employees pursuant to the Guidelines on Technical Training Programmes for TransContainer Employees approved by TransContainer's order No. 234 dated 18 September 2007.  7. Development and update of the relevant health and safety regulations to reflect changes in health and safety requirements set by applicable Russian laws and regulations



8.	Corruption risks: conflict of interests, insider trading, bribery, commercial bribery	1. Company's, officers' and employees' liability (including liability under the UK law).	Average	1. Interaction with the law, prosecution authorities, other government bodies and organisations, participation in the Anti-Corruption Charter of the Russian Business.
		2. Losses suffered by the Company, including lost assets.		2. Agitation, organisational, explanatory, and other activities on combating corruption (workshops, technical training, individual consulting and other measures).
		3. Damage to the Company's reputation		3. Inspection of incoming notifications on cases of inciting the Company's employees to commit a corruption offence and submission of inspection reports to prosecution authorities or other federal government bodies (if required).
				4. Provision of the Stop Corruption line (hotline) for the public.
				5. Analysis of appeals from the citizens and other persons on corruption cases among the employees of PJSC TransContainer and inadequate processing of the appeals.
				6. Familiarization of new staff with the Company's law and local acts on combating corruption.
				7. Regular control of compliance with the internal anti-corruption, anti-fraud and anti-embezzlement procedures.
				8. Monitoring the duties performed by the employees whose activities are related to the corruption risks, and informing the employees on the revealed corruption cases and (or) intentions of corporate fraud and embezzlement, and undertaken measures.
				9. Informing the concerned managers and CEO on indications (possible occurrence) of corruption, corporate fraud and embezzlement risks

Changes to Key Risks

- In 2018, the corporate risk map saw the following changes:
- the risk of "Confidential/proprietary information leaks" (acceptable risk), risk of "Wrongful acts of third parties against the Company's property or personnel" (acceptable risk), and "Wrongful acts of the Company's employees" (acceptable risk) were merged and included in the risk map for 2018 as the "Corruption risks: conflict of interests, insider trading, bribery, commercial bribery" (critical risk);
  - the acceptable risk of "Unpredictable changes in prices for rolling stock repair materials" was changed to the critical risk due to a high probability of strong growth of rolling stock repair costs;
  - the critical risk of "Violation of market operator requirements" was changed to the acceptable risk due to a low probability of such risk;
  - the risk of "Growth of debt portfolio value" (minor risk) was merged with the risk of "Inability to raise loans and borrowings at target rates" (minor risk) and included in the risk map for 2018 as "Interest rate risk" (acceptable risk).

Realised Risks

In 2018, the Company saw the realisation of one of its critical risks, the risk of "Industrial injuries". It was caused by an employee's failure to comply with the safety guidelines for working at heights, resulting in a minor injury (joint dislocation). The Company took the necessary preventative measures following the accident, including technical training for employees permitted to work at heights, and unscheduled assessments of health and safety competency of container terminal workers.

The Company faced a number of acceptable and minor risks that realised in connection with infrastructure limitations, third-party wrongdoings affecting the Company's property and employees, inadequate rolling stock and container repairs, IT systems and infrastructure failures, and other incidents without material implications. Each case prompted an inquiry into the causes and led to the development of an action plan to minimise the risk in the future.

The aggregate actual loss incurred as a result of realised risks in 2018 is estimated at RUB 300,000.

For the details of Risks Report see the Corporate Risk section on page XXX.

Disclosure and Shareholder and Investor Relations

Information Policy

Transparency

is an underlying principle of the Company's corporate governance framework ensuring full, timely and accurate disclosure of the information on TransContainer's operations.

- protection of rights and legitimate interests of the Company's shareholders;
- full, timely and unbiased disclosure of reliable information about TransContainer sufficient for the shareholders, potential investors and other stakeholders to make investment and management decisions related to their participation in the Company;
- compliance with the Russian laws and requirements set by the stock exchanges where the Company's securities are traded.

The Company's information policy seeks to ensure:

Key Principles of the Information Policy

Regularity Consistency Promptness	Timely disclosure through coordination of work performed by respective functions.
	Simultaneous and equivalent disclosure of significant information in Russia and abroad given that the Company's securities are traded on the Moscow and London stock exchanges.
	Prompt communication of its official position with respect to any rumours or speculations creating a misleading view of the Company's valuation and the price of its securities.
	Prompt disclosure of information that could significantly affect the Company's valuation and the price of its securities.
Accessibility	Use of disclosure channels and methods available to most stakeholders. Free and unhindered access of stakeholders to the information disclosed by the Company.
Completeness Reliability Comparability Neutrality	Disclosure of transparent, consistent and comparable information.
	Provision of reliable and balanced information without evading from disclosing negative facts that are material for shareholders and investors.
	Disclosure of neutral disclosed information (financial and other) independent of any stakeholders' interests.

With regard to disclosure, the Company complies with the requirements of the Federal Law On Joint-Stock Companies and the Bank of Russia, applicable regulations of the Financial Conduct Authority (FCA), and all relevant rules of the Russian and UK stock exchanges. The Company is also guided by the principles of the Corporate Governance Code approved by the Bank of Russia on 21 March 2014, and the ESG Reporting Guidance (environmental, social, and governance factors) of the London Stock Exchange.

The Company has adopted documents<sup>1</sup> aimed at protecting the rights and interests of the Company's shareholders in transactions involving the Company's securities, as well as preventing and combating the illegal use of insider information. The Company regularly implements a range of measures for keeping and updating the insider list. Compliance with insider information requirements is checked by the insider information expert who reports to the Board of Directors.

While granting its stakeholders extensive rights to obtain information on the Company's activities, TransContainer protects its own interests restricting access to insider and confidential information, including commercial information or other classified data protected by law.

1. These documents are available on the Company's website:<https://trcont.com/investor-relations/charter-and-bylaws/bylaws>.

The Company actively engages with the media, while also leveraging all available information channels, including electronic disclosure systems [www.e-disclosure.ru](http://www.e-disclosure.ru) (Russia) и [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) (the UK). All material information is available on the Company's website ( [www.trcont.com](http://www.trcont.com) ), including investor presentations and news releases on operating and financial results, and other important corporate developments. The Company's corporate website offers prompt updates for investors and additional means of communication to reach out to stakeholders, including hotlines and the feedback system.

In 2018, the Company continued webcasting general meetings of shareholders.

Along with transparency, the Company focuses on maintaining an ongoing dialogue with institutional investors and financial analysts to obtain feedback from the investment community. The Company takes part in investor conferences and forums hosted by the Moscow Exchange, London Stock Exchange, and Russian and international banks and companies. Financial disclosures are followed by conference calls with research analysts and investors held by the Company's management on a quarterly basis.

The Board of Directors oversees timely disclosure of reliable information on all material aspects of the Company's business, including financial and operating results, share capital structure, lists of the Company's affiliates, statements of material facts and other information in accordance with the laws of the Russian Federation and the United Kingdom.

The Company's Corporate Secretary contributes to the implementation of the Company's information disclosure policy, takes part in developing, introducing and updating of the Company's information policy, and submits a report on compliance with the same to the Board of Directors.

The Board of Directors meeting held on 12 April 2018 (Minutes No. 10) concluded that the Company complied with the procedure and timelines for compulsory disclosure established by the Russian laws, while also honouring voluntary disclosure obligations set out in its Regulation on Information Policy.

Quality of Information Disclosure in the Company's Annual Report

The quality of disclosure in TransContainer's annual reports is traditionally praised by Russian and international experts.

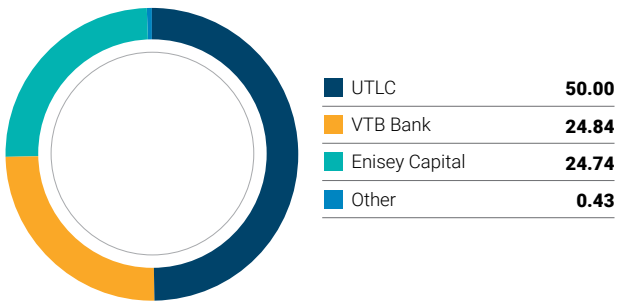
- 1. Since 2013, TransContainer's Annual Report is a prize-winner of the Moscow Exchange Annual Report Competition among the companies with a market cap of RUB 40-200 billion. The Company's Annual Report entered the Top 10 in this category in 2018.
- 2. TransContainer's Annual Report takes a strong position among the Best Annual Reports with a rating of "B+" according to ReportWatch (the fourth position out of ten).
- 3. In 2018, TransContainer's Annual Report for 2017 won nine prizes in LACP Awards (in comparison to four prizes year-on-year), including the Gold Award in the category Best Annual

Report in the Transportation Industry among the companies with a market cap over USD 1 billion, , the Gold Award in the Best Annual Integrated Reports among the companies with a market cap of USD 1-10 billion, and a special prize of Technical Achievement Award. For the first time, the Company's Annual Report won bronze in Most Improved Report category, entered the Top 30 Best Integrated Reports of Europe, the Middle East and Africa, the Top-100 World's Best Integrated Reports and the Top 20 Russian Best Integrated Reports.

- 4. TransContainer became a prize-winner of ARC Awards 2018 for annual Reports among the Logistics Companies.

Share Capital and Securities (%)

Shareholding Structure<sup>1</sup>



Ordinary Registered Shares

TransContainer's charter capital is RUB 13,894,778,000 divided into 13,894,778 ordinary registered shares with a par value of RUB 1,000.

Information about Each Category (Type) of Shares

Share type and category	Ordinary registered shares
Form of issuance	Uncertificated
Number of shares outstanding	13,894,778
Par value of one security, RUB	1,000
State registration of the securities issue	1-01-55194-E of 11 May 2006.

As at 31 December 2018, the Company's ordinary registered shares were admitted to trading on the Moscow Exchange (MOEX) top Level 3 list, ticker: TRCN.

Since 18 June 2018, Company's shares were transferred from Level 1 to Level 3 of securities admitted to trading on the Moscow Exchange by resolution of the Chairman of the Board of Moscow Exchange due to the Company's failure to eliminate the violation within the time period established by the Exchange (non-observance of corporate governance requirements, in particular, the reduction of number of independent directors in the Board of Directors).

Global Depositary Receipts

TransContainer has GDRs issued for its shares, with ten GDRs representing one share. Since 2010, the depositary bank has been BNY Mellon (Cyprus) Nominees Limited, part of The Bank of New York Mellon. Starting from 16 December 2015, the depositary functions under the GDR programme were transferred directly to the New York division of The Bank of New York Mellon.

The Company's GDRs are listed on the Main Market of the London Stock Exchange (LSE), ticker: TRCN. On 5 May 2014, the Company's GDRs were also included into the Unlisted Securities section of the list of securities admitted for trading on the MICEX Stock Exchange by the relevant order of the MICEX Stock Exchange.

Changes in the Shareholding Structure in 2018

As at 31 December 2018, Enisey Capital acquired 24.74% of the Company charter capital.

In October 2018, VTB Bank acquired 24,84% of the Company's share capital from FESCO Group.

As a result, the Company's free float is 0.4%.

At the same time, the acquisition of a stake in the Company by private long-term investors highlights its fundamental investment appeal and should help boost its future prospects.

Listing and Price Evolution

On 12 November 2010, TransContainer's shares were admitted to trading on the Moscow Exchange, and its GDRs are listed on the Main Market of the London Stock Exchange.

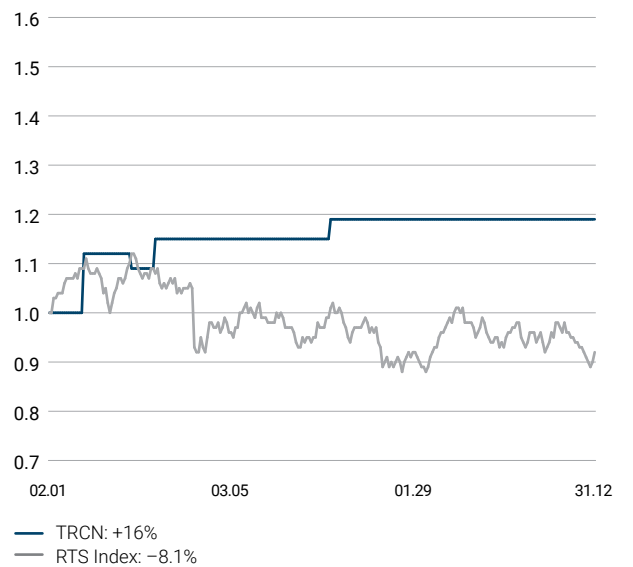
Share and GDR Prices

The upward trend in prices of the Company's securities is supported by the recovery of the railway container transportation market.

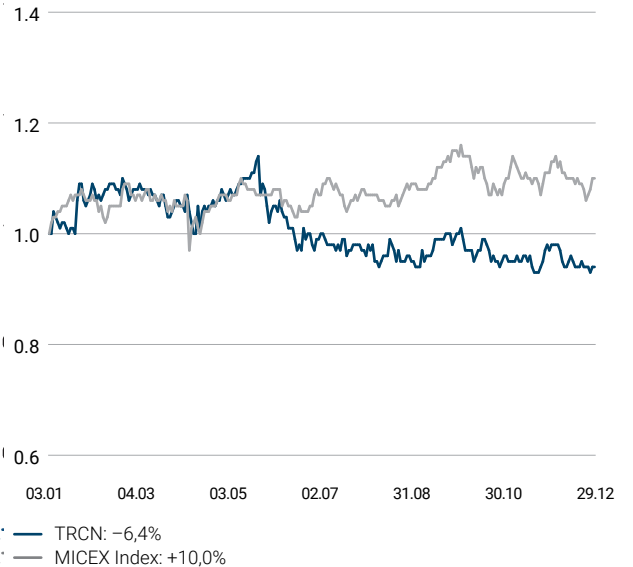
In 2018, the Company's shares prices decreased and GR prices continued their rise which started in mid-2016. On the Moscow Exchange, they reduced by 6.4% against the MOEX Russia Index rise by 10%. On the London Stock Exchange, they surged by 18.6% over the reporting year, while the RTS Index declined by 8.1% for the same period.

As a result, the total shareholder return on the Company's ordinary shares in 2018 improved by 1%, while for GDR holders the increase was 24.7%.

The Company's GDR Price Performance (TRCN GDR) on the London Stock Exchange in 2018



The Company's Shares Price Performance (Ticker: TRCN) on the Moscow Exchange in 2018



1. As per TransContainer's share register as at 30 November 2018, its equity is based on long-term investments. These data reflect the information available to the Company based on the share register maintained by the Company's registrar, and information publicly disclosed by the Company's shareholders.



London Stock Exchange (LSE)	US Dollars	Moscow Exchange (MOEX)	RUB
Price as at 29 December 2017	8.01	Price as at 29 December 2017	4,560
Year low (2 January 2018)	8.01	Year low (20 July 2018)	4,075
Year high (9 July 2018)	9.50	Year high (2 February 2018)	5,485
Price as at 31 December 2018	9.50	Price as at 29 December 2018	4,335

The Company's GDR Price Performance (TRCN GDR) on the London Stock Exchange for the period from the IPO date to 31 December 2018



Over the medium term, the Company's securities have been performing in line with general trends in the Russian stock market while outperforming its transport sector peers.

The total shareholder return since the IPO date amounted to 10.8% per annum for ordinary shares and 4.9% per annum for GDRs.

#### Measures to Maintain Liquidity

Although the key factor negatively affecting the liquidity of its securities is beyond the Company's control, during 2018, the Company continued its liquidity support efforts in the interests of market participants.

The Company's Shares Price Performance (Ticker: TRCN) on the Moscow Exchange for the period from the IPO date to 29 December 2018



Despite the Company's shares were transferred to Level 3 of securities admitted to trading on the Moscow Exchange, TransContainer supports two-way quotes using a market-making mechanism. In the reporting year, BCS and FINAM brokerage companies were chosen as the market makers for the Company's ordinary shares traded on the Moscow Exchange, while VTB Capital provided market-making services for the Company's GDRs listed on the London Stock Exchange.

In addition, the Company retained Edison, a global investment research company, to provide independent coverage for the Company's shares and GDRs.

## Dividend Policy

As stated in TransContainer's Dividend Policy Regulation,<sup>1</sup> the target dividend payout ratio is 25% of the Company's net profit in accordance with the RAS (net of income from the revaluation of financial investments). At the same time, the actual share of net profit to be distributed in the form of dividends may be above or below 25% depending on the Company's financial and business plan and the Board of Directors' recommendations.

The Company's dividend policy relies on the following principles:

- annually distribute part of the Company's net profit, if any, among its shareholders in the form of dividends, while using the retained profits mainly for CAPEX projects and repayment of debt due and payable in the next reporting period;

- maintain the balance of interests between the Company and its shareholders;
- aim at maximising the Company's capitalisation and investment appeal;
- respect shareholder rights as provided for by the Russian laws and best corporate governance practices;
- ensure transparency of the dividend calculation and payment procedures.

The Annual General Meeting of Shareholders held on 15 May 2018 (Minutes No.37 dated 16 May 2018) resolved to pay 75% of the net profit for TransContainer operations in 2017, or RUB 4,071,725,745.12 as dividends.

### Dividends Accrued and Paid by the Company from 2014 to 2018

Dividends	2014 (for 2013)	2015 (for 2014)			2016	2017 (for 2016)	2018 (for 2017)
	from the undistributed net profit of the previous years			1H 2016	2H 2016		
Total amount of dividends (RUB mln)	1,132.00	985.97	3,499.26	1,330.56	650.41	4,071.73	
Dividend per share, RUB	81.47	70.96	251.84	95.76	46.81	293.04	
Dividend (as % of net profit)	25	25	100	100	50	75	
Announcement date	24.06.2014	24.06.2015	09.09.2016	09.09.2016	22.06.2017	15.05.2018	
Payment date	22.07.2014	23.07.2015	04.10.2016	04.10.2016	24.07.2017	08.06.2018	
Unpaid dividends <sup>2</sup> , RUB	162.94	141.92	503.68	191.52	1,017,602.09	503.68	

1. For the Regulation visit:[https://trcont.com/documents/20143/69792/140219-Polozenie\\_o\\_dividendnoi\\_politike\\_\\_novaja\\_redakcija\\_.pdf/17585a5e-2bda-f9e1-a102-ec59038b334d](https://trcont.com/documents/20143/69792/140219-Polozenie_o_dividendnoi_politike__novaja_redakcija_.pdf/17585a5e-2bda-f9e1-a102-ec59038b334d).

2. Dividends were transferred to the Company's registrar in full. Dividends were not paid to shareholders who failed to submit the data required by Clause 5 of Article 44 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.



01

STRATEGIC  
REPORT

02

MARKET  
OVERVIEW

03

PERFORMANCE  
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04

CORPORATE  
GOVERNANCE

05

FINANCIAL  
REPORT

9.5

RUB billion

TransContainer's net profit under IFRS raised by 45.5% year-on-year and reached RUB 9 billion 509 million.



# FINANCIAL REPORT

## Statement of the Audit Committee on the Evaluation of the Company's Auditor Performance and the Conclusions Drawn from the Audits of Financial (Accounting) Statements

The Audit Committee of PJSC TransContainer is confident that JSC PwC Audit, the auditor of the Company's financial statements for 2018 prepared under the Russian Accounting Standards and International Financial Reporting Standards, acted independently, professionally and objectively, based on the following:

- The Audit Committee was directly involved in tender procedures for selecting the Auditor.
- When selecting the Auditor, all the procedures provided for in the Company's internal documents were followed.
- The amount of remuneration paid to the Auditor corresponded to the volume of services provided and current market rates. In 2018, the Auditor was not contracted to provide the Company with non-audit services. However, in 2018, the Company, upon approval by the Audit Committee, entered into contracts for training workshops with the companies of the PricewaterhouseCoopers International Limited global network and PricewaterhouseCoopers Audit Group of Companies.
- The Audit Committee monitored the audit with a view to early identification and prevention of problems in the relationship between the parties to the audit process. The relationship between the Auditor and the Company's management was very constructive. The Audit Committee did not identify any facts, which might have affected the Auditor's objectivity.
- The audit was conducted in accordance with the terms and conditions of the audit services contract and complied with the agreed schedule and audit procedures.
- In the course of the audit, the Audit Committee received from the Company's auditor in a timely manner all necessary information, clarifications and answers to its questions.
- The Audit Committee held confidential meetings (without inviting the Company's management) with the Company's auditor on a quarterly basis to discuss various matters, including those related to auditing the Company's financial (accounting) statements.
- The auditor promptly informed the Audit Committee of its opinion on any risks that the Company might face in connection with its financial and economic activities.
- The Audit Committee believes that the audit was conducted in accordance with the Russian laws on auditing and the International Standards on Auditing.

Having examined the conclusions of the Company's Auditor, the Audit Committee believes the audit provides a reasonable basis for the auditor's opinion that the Company's financial (accounting) statements are an accurate reflection, in all material respects, of the Company's financial position as at 31 December 2018, and the results of its financial and economic activities during the period from 1 January to 31 December 2018.

**Audit Committee, PJSC TransContainer**

## Directors' Responsibility Statement

Sergey Ludin, Senior Independent Director, Deputy Chairman of the Board of Directors and Chairman of the Audit Committee of TransContainer, confirms on behalf of the Board of Directors to the best of its knowledge as of the date of the Responsibility Statement that:

- (a) taking into account the Independent Auditor's Report produced by JSC PricewaterhouseCoopers Audit on 25 March 2019, the consolidated financial statements for 2018, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit or loss of PJSC TransContainer and its joint ventures and subsidiaries (hereinafter referred to as the Group);
- (b) the management report for 2018 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Neither TransContainer nor the Directors accept any liability to any person in relation to the management report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

**Sergey Ludin**  
**Senior Independent Director**  
**Deputy Chairman of the Board of Directors**  
**Chairman of the Audit Committee**

## Consolidated Financial Statements

### Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated financial statements for the year ended 31 December 2018

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 31 December 2018 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

1. Properly selecting and applying accounting policies;
2. Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
3. 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;
4. Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

1. Designing, implementing and maintaining an effective system of internal controls throughout the Group;
2. 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 consolidated financial statements of the Group comply with IFRS;
3. Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
4. Taking necessary steps to safeguard the Group's assets;
5. Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved on 25 March 2019 by:

**V. G. Saraev**  
**General Director**  
**M. V. Usenko**  
**Chief Accountant**

Independent Auditor’s Report



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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company Center for Cargo Container Traffic TransContainer (PJSC TransContainer) and its subsidiaries (together – the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group’s consolidated financial statements comprise:

- 1. the consolidated statement of financial position as at 31 December 2018;
- 2. the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- 3. the consolidated statement of cash flows for the year then ended;
- 4. the consolidated statement of changes in equity for the year then ended; and
- 5. the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

- Overall Group materiality: 541 million Russian Roubles (RUB million), which represents 1% of an average between revenue and adjusted revenue, representing revenue net of third parties charges related to principal activities (providing integrated freight forwarding and logistics services).
- We conducted audit of PJSC TransContainer, considered to be the only significant component of the Group based on individual share in Group revenue (99%).
- Our audit scope addressed 99% of the Group’s revenue and 95% of the Group’s total carrying value of property, plant and equipment.
- Timing of revenue recognition

AO PricewaterhouseCoopers Audit, 10 Butyrsky Val, Moscow, Russian Federation, 125047 T: +7 495 967 6000, F: +7 495 967 6001, [www.pwc.ru](http://www.pwc.ru)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 541 million
How we determined it	1% of an average between revenue and adjusted revenue determined as described above
Rationale for the materiality benchmark applied	We chose an average between revenue and adjusted revenue, determined as described above, as the benchmark because, in our view, this combined measure reflects the Group’s performance (due to the significant share of services of third parties in revenue, revenue taken alone does not fully reflect the effectiveness of the business). We chose 1% which is consistent with quantitative materiality thresholds, used for profit-oriented companies.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
------------------	--

Timing of revenue recognition

See notes 3 and 6 to the consolidated financial statements for relevant disclosures, accounting policies and judgments. The Group’s revenue for the year ended 31 December 2018 was RUB 76,959 million, including RUB 71,158 million of revenue from integrated freight forwarding and logistics services.

In practice, the above type of services is carried out over a long time and the Group has not completed its performance obligations under some of those services at the reporting date.

For integrated freight forwarding and logistics services acts of works performed are prepared at the date of waybill issuance (i.e. on the date when the cargo is provided to the consignee at the destination point, delivered to a temporary storage warehouse, transferred to a foreign railroad, or transferred for further transportation by other means of transport).

In accordance with IFRS 15, Revenue from Contracts with Customers, an entity recognises revenue over time if the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs.

The Group’s management estimates the stage of completion in respect of transportation services that are outstanding at the reporting date on the basis of information available at the date of the consolidated financial statements’ authorisation. The accuracy of management’s estimates depends on the analysed period, level of details used in calculations and on a number of judgments used.

We paid special attention to determining the timing of recognition of revenue from integrated freight forwarding and logistics services due to the fact that the process of assigning revenue from these services to the current period is complex and involves management’s judgment.

Our audit procedures for verifying appropriateness of the cut-off assumption for revenues from integrated freight forwarding and logistics services included the following:

- analysis of the average duration of transportation, resulting in confirmation of sufficiency of the period of services rendered by the Group that was used by the Group management in its estimates of progress in performing those services;
- recalculation of revenue related to outstanding transportation services at the reporting date based on acts of services rendered and applicable appendices signed in the following accounting period to assess the amount of revenue recognised in the Group’s consolidated financial statements in accordance with management’s estimations;
- analysis of the Group’s operating expenses, and accounts receivable and payable balances related to outstanding transportation services recognised in the Group’s consolidated financial statements in accordance with the management’s estimations;
- sample testing of the documents used by management in estimating the stage of transportation services completion, for example, acts on the services rendered and appendices to them that were issued in the following accounting period and confirm services rendered in prior accounting period;
- obtaining written representations from management on correctness of the completion stage determined for transportation services outstanding as at the reporting date and correctness of corresponding revenue calculations.

The Group management’s current estimate of the stage of completion of transportation services outstanding as at the reporting date in respect of revenue from integrated freight forwarding and logistics services recognised in the consolidated financial statements for the year ended 31 December 2018 has been considered acceptable. As a result of our procedures we have not identified any facts that would indicate that significant adjustments are required to the amount of revenue from these transactions recognised in the accompanying consolidated financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group’s reporting process is based on the financial information of its components - individual Group companies. If a component was considered to be significant, we performed an audit of its financial information, based on the level of materiality, set for such component.



Similar to the overall materiality determination, materiality of the components was estimated on the basis of their individual share in the Group's total revenue. PJSC TransContainer was considered to be the only significant component.

In case if procedures performed at the level of a significant component, in our view, did not provide us with sufficient evidence to express our opinion on the consolidated financial statements, we performed analytical procedures in respect of other Group components at the Group level and audited individual account balances and types of operations, subject to materiality.

Our choice of other components of the Group for the audit of individual balances and types of operations was carried out separately for each line of the Group consolidated financial statement included in the scope of the audit, and depended on such factors as level of audit evidence obtained from a significant component and concentration of balances and types of operations in the Group's structure.

In general, audit procedures that we performed at the level of significant and other components of the Group, including sample-based detailed testing, in our view, have provided sufficient coverage in respect of individual amounts of the consolidated financial statements of the Group.

Procedures were performed by the audit team with involvement of tax specialists, and experts in IFRS methodology, property, plant and equipment valuation and accounting for employee benefit liabilities.

Based on the results of our procedures carried out on a sampling basis at the level of the Group components, our analytical procedures at the Group level, as well as procedures with regard to the consolidation reporting process, we believe to have obtained sufficient appropriate audit evidence to form our opinion on the consolidated financial statements of the Group as a whole.

Other information

Management is responsible for the other information. The other information comprises the PJSC TransContainer Annual Report for 2018 and the Issuer's Report of PJSC TransContainer for the 1 Quarter 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the PJSC TransContainer Annual Report for 2018 and the Issuer's Report of PJSC TransContainer for the 1 Quarter 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Ekaterina Viktorovna Sidorova.

25 March 2019

Moscow, Russian Federation

E.V. Sidorova,

certified auditor (licence no. 01-000104), AO PricewaterhouseCoopers Audit

Audited entity	Independent auditor
	AO PricewaterhouseCoopers Audit
	Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Public Joint Stock Company Centre for Cargo Container Traffic TransContainer	Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
Record made in the Unified State Register of Legal Entities on 4 March 2006 under State Registration Number 1067746341024	Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
Russian Federation, 125047, Moscow, Oruzheiniy pereulok, 19	Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Consolidated statement of financial position

(amounts in millions of Russian Roubles)

	Notes	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	47,453	41,701
Advances for acquisition of non-current assets	8	590	119
Investment property		390	294
Intangible assets	9	269	384
Investments in joint ventures	10	3,370	3,403
Other non-current assets		67	82
<b>Total non-current assets</b>		<b>52,139</b>	<b>45,983</b>
<b>Current assets</b>			
Inventory		222	287
Trade and other receivables	11	1,744	1,323
Prepayments and other current assets	12	4,480	3,975
Cash and cash equivalents	13	9,527	4,171
<b>Total current assets</b>		<b>15,973</b>	<b>9,756</b>
<b>TOTAL ASSETS</b>		<b>68,112</b>	<b>55,739</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	13,895	13,895
Reserve fund	14	703	703
Translation reserve		(273)	(468)
Other reserves, including investment property's revaluation reserve	14	(1,946)	(2,025)
Retained earnings		33,682	28,262
<b>Total equity attributable to the company's owners</b>		<b>46,061</b>	<b>40,367</b>
<b>Non-current liabilities</b>			
Long-term debt	15	10,980	4,987
Employee benefit liability	16	889	1,103
Deferred tax liability	24	1,782	1,635
Financial guarantee for investment in joint venture	10	154	154
<b>Total non-current liabilities</b>		<b>13,805</b>	<b>7,879</b>
<b>Current liabilities</b>			
Contracts liabilities	17	4,510	-
Trade and other payables	17	975	4,562
Current portion of long-term debt	15	326	1,425
Income tax payable		440	87
Taxes other than income tax payable	18	491	370
Accruals and other current liabilities	19	1,504	1,049
<b>Total current liabilities</b>		<b>8,246</b>	<b>7,493</b>
<b>Total equity and liabilities</b>		<b>68,112</b>	<b>55,739</b>

V. G. Saraev

General Director

25 March 2019

M. V. Usenko

Chief Accountant

Consolidated statement of profit or loss and other comprehensive income

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

	Notes	2018	2017
Revenue	20	76,959	65,567
Other operating income	21	1,486	647
Operating expenses	22	(66,886)	(58,438)
Foreign exchange gain/(loss), net		417	(23)
Gain from early termination of finance lease		-	7
Interest expense	23	(885)	(634)
Interest income		465	301
Share of result of associates and joint ventures	10	268	704
Excess of the fair value of net assets of subsidiary over cost of its acquisition	7	154	-
Gain on disposal of associate		-	41
<b>Profit before income tax</b>		<b>11,978</b>	<b>8,172</b>
Income tax expense	24	(2,469)	(1,638)
<b>Profit for the year attributable to the Company's owners</b>		<b>9,509</b>	<b>6,534</b>
<b>Other comprehensive income/(loss) (net of income tax)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit plans liabilities	16	38	(9)
Remeasurements of investment property upon transfer from property, plant and equipment	14	79	111
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of translation of financial information of associates and joint ventures to presentation currency	10	146	(142)
Exchange differences on translating of other foreign operations		49	14
Other comprehensive income/(loss) for the year		312	(26)
<b>Total comprehensive income for the year attributable to the company's owners</b>		<b>9,821</b>	<b>6,508</b>
<b>Earnings per share, basic and diluted (in russian roubles)</b>		<b>684</b>	<b>470</b>
<b>Weighted average number of shares outstanding</b>	<b>14</b>	<b>13,894,778</b>	<b>13,894,778</b>

V. G. Saraev

General Director

25 March 2019

M. V. Usenko

Chief Accountant



Consolidated statement of cash flows

(amounts in millions of Russian Roubles)

	Notes	2018	2017
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>11,978</b>	<b>8,172</b>
Adjustments for:			
Depreciation and amortisation	22	2,927	2,668
Change in provision for impairment of receivables		23	(50)
Gain from disposal of property, plant and equipment	21	(1,144)	(240)
Share of result of associates and joint ventures	10	(268)	(704)
Excess of the fair value of net assets of subsidiary over cost of its acquisition	7	(154)	-
Gain on disposal of associate		-	(41)
Interest expense, net		420	333
Foreign exchange (gain)/loss, net		(417)	23
Other expenses/(income)		170	(5)
<b>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</b>		<b>13,535</b>	<b>10,156</b>
<b>Working capital changes:</b>			
Decrease in inventory		494	216
(Increase)/ decrease in trade and other receivables		(366)	350
Increase in prepayments and other assets		(450)	(389)
(Decrease)/increase in employee benefit liabilities		(150)	21
Increase in trade and other payables and contracts liabilities		712	186
Increase/(decrease) in taxes other than income tax		101	(32)
Increase in accrued expenses and other current liabilities		391	162
<b>Net cash from operating activities before income tax and interest</b>		<b>14,267</b>	<b>10,670</b>
Interest paid		(733)	(721)
Income tax paid		(2,144)	(1,483)
<b>Net cash provided by operating activities</b>		<b>11,390</b>	<b>8,466</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(7,032)	(6,896)
Proceeds from disposal of property, plant and equipment		950	63
Acquisition of investment in joint venture		-	(10)
Proceeds from disposal of investments in associates		-	43
Sale of short-term investments		2,550	1,538
Purchases of short-term investments		(2,550)	(1,460)
Acquisition of subsidiary, net of cash acquired of RUR 32m	7	(1,868)	-
Purchases of intangible assets		(84)	(141)
Dividends received from joint ventures		372	14
Interest received		465	281
<b>Net cash used in investing activities</b>		<b>(7,197)</b>	<b>(6,568)</b>

	Notes	2018	2017
<b>Cash flows from financing activities:</b>			
Repayments of finance lease obligations		-	(132)
Dividends	14	(4,072)	(650)
Proceeds from issuance of long-term bonds	15	5,985	-
Principal payments on short-term part of long-term bonds	15	(1,250)	(2,500)
<b>Net cash provided by/(used in) financing activities</b>		<b>663</b>	<b>(3,282)</b>
Net increase/(decrease) in cash and cash equivalents		4,856	(1,384)
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,171</b>	<b>5,525</b>
Foreign exchange effect on cash and cash equivalents		500	30
<b>Net cash and cash equivalents at end of the year</b>	<b>13</b>	<b>9,527</b>	<b>4,171</b>

Consolidated statement of changes in equity

(amounts in millions of Russian Roubles)

	Notes	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 2017		13,895	697	(340)	(2,133)	22,390	34,509
Profit for the year		-	-	-	-	6,534	6,534
Other comprehensive (loss)/income for the year		-	-	(128)	108	(6)	(26)
<b>Total comprehensive (loss)/income for the year</b>		<b>-</b>	<b>-</b>	<b>(128)</b>	<b>108</b>	<b>6,528</b>	<b>6,508</b>
Dividends	14	-	-	-	-	(650)	(650)
Allocation to reserve fund		-	6	-	-	(6)	-
Balance at 31 December 2017		13,895	703	(468)	(2,025)	28,262	40,367
The impact of the new standard IFRS 9	4, 10	-	-	-	-	(55)	(55)
<b>Total restated at 1 January 2018</b>		<b>13,895</b>	<b>703</b>	<b>(468)</b>	<b>(2,025)</b>	<b>28,207</b>	<b>40,312</b>
Profit for the year		-	-	-	-	9,509	9,509
Other comprehensive income for the year		-	-	195	79	38	312
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>195</b>	<b>79</b>	<b>9,547</b>	<b>9,821</b>
Dividends	14	-	-	-	-	(4,072)	(4,072)
<b>Balance at 31 December 2018</b>		<b>13,895</b>	<b>703</b>	<b>(273)</b>	<b>(1,946)</b>	<b>33,682</b>	<b>46,061</b>

Notes to the consolidated financial statements for the year ended 31 December 2018

(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 "PJSC TransContainer" or "Company" or "TransContainer") was incorporated in Moscow, Russian Federation on 4 March 2006.

The Company was formed as a result of a spin-off by Open Joint Stock Company "Russian Railways" ("RZD"), which is 100% owned by the Russian Federation, of some of its activities and certain assets and liabilities related to container transportation into a separate legal entity. In connection with this spin-off RZD contributed to the share capital of the Company containers, flatcars, buildings and constructions in the amount of RUR 13,057m, VAT receivable related to these assets of RUR 104m, and cash of RUR 991m, in exchange for the ordinary shares of the Company. Furthermore, certain employees previously employed by RZD were hired by the Company. The Company assumed related employee benefit liabilities from RZD. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a freight forwarding agent.

The Company's principal activities include arrangement of container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 40 container terminals along the Russian railway network. As at 31 December 2018, the Company operated 14 branches in Russia. The Company's registered address is 19 Oruzheiniy pereulok, Moscow, 125047, Russian Federation.

PJSC TransContainer has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				2018	2017	2018	2017
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	-
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 10)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
JSC Logistika-Terminal (Note 7)	Subsidiary	Russia	Terminal operations	100	-	100	-
LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 10)	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

Establishment of a subsidiary. On 7 September 2018 100% subsidiary - LLC TransContainer Mongolia was registered on the territory of Mongolia.

The consolidated financial statements of PJSC TransContainer and its subsidiaries (the "Group") as at 31 December 2018 and for the year then ended were authorised for issue by the General Director of the Company on 25 March 2019.

2. Basis of presentation of financial statements

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation. The Group's consolidated financial statements have been prepared using the historical cost convention, except for the effects of assets acquired and liabilities assumed at the formation of the Company, which were recorded at the estimated fair value at the date of transfer, initial recognition of financial instruments based on fair value and revaluation of investment properties.

The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered.The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.



The consolidated financial statements are presented in millions of Russian Roubles (hereinafter "RUR m"), except where specifically stated otherwise.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The accounting policies have been applied consistently by all entities of the Group.

Consolidated financial statements. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared as at 31 December of each year. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt; and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to equity instruments which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Investments in associates and joint ventures. Joint venture is a joint activity which implies that the parties, that have joint control over the activity, have the rights to the net assets of the activity. Joint control occurs in the case when decisions relating to the relevant activities require the unanimous consent of the parties sharing joint control in accordance with the contract.

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Dividends received from associates (joint ventures) reduce the carrying value of the investment in associates (joint ventures). Other post-acquisition changes in the Group's share of an associate's (joint ventures') net assets are recognised as follows: (i) the Group's share of profits or losses of associates (joint ventures) is recorded in the consolidated profit or loss for the period as the share of financial result of associates (joint ventures), (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates (joint ventures) are recognised in consolidated profit or loss within the share of financial result of associates (joint ventures).

When the Group's share of losses in an associate (joint venture) equals or exceeds its interest in the associate (joint venture), including unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate (joint ventures).

Unrealised gains on transactions between the Group and its associates (joint ventures) are eliminated to the extent of the Group's interest in the associates (joint ventures); unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency transactions and translation. Functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Russian Rouble is the functional currency of the Company and is also the currency in which these consolidated financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at exchange rate as at the end of the reporting period. Exchange differences arising from such translation are included in consolidated profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Russian Rouble at foreign exchange rates ruling at the dates the fair value was determined.

When the functional currency of an entity of the Group is not the presentation currency of the Company's consolidated financial statements, the results and financial position of the entity are translated into the presentation currency using the following procedures:

- 1. all assets and liabilities are translated at the closing rate at the date of each presented statement of financial position;
- 2. income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the period if fluctuation of exchange rates during the period was insignificant. Otherwise exchange rates at the dates of the transactions are used for translation to the presentation currency;
- 3. components of equity are translated at historical rates;
- 4. all resulting exchange differences are recognised as other comprehensive income.
- 5. When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Property, plant and equipment. Property, plant and equipment are recorded at acquisition or construction cost, less accumulated depreciation and provision for impairment. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, is expensed as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction in progress

Construction in progress includes, principally, capital expenditure incurred in relation to the construction of new container terminals and the reconstruction of existing terminals. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalised borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Subsequent costs

The cost of replacing a part of property, plant and equipment is included in the carrying amount when the cost is incurred, only if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognised in the consolidated profit or loss for the year.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in consolidated profit or loss for the year.

An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Depreciation

Owned land plots and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is charged to the consolidated profit or loss so as to write off the cost of assets less their estimated residual values, using the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for property, plant and equipment are as follows:

	Number of years
Buildings	20-84
Constructions	5-70
Containers	10-20
Flatcars	28-38
Cranes and loaders	5-31
Vehicles	3-15
Other equipment	2-25

The assets' useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

Leased assets improvements

Operating leasehold inseparable improvements are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

Earned rental income is recorded in profit or loss for the year within revenue. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes. If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer in another category is treated in the same way as a revaluation of property, plant and equipment. Any resulting increase in the carrying amount of the property is recognised in profit or loss for the year to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged against any revaluation surplus previously recognised in other comprehensive income, with any remaining decrease charged to profit or loss for the year as impairment.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Intangible assets. Intangible assets that are acquired by the Group represent mainly purchased software and are recorded at cost less accumulated amortisation and provision for impairment.

Amortisation is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives for existing assets vary from 2 to 8 years.

Useful lives and amortisation methods for intangible assets are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Impairment of non-financial assets. Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Financial instruments – initial recognition. Financial instruments measured at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: those to be measured at fair value through profit or loss, those to be measured at fair value through other comprehensive income and those to be measured at amortised cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at 31 December 2018 the Group classifies all financial assets as subsequently measured at amortised cost. As at 31 December 2017 the Group classifies all financial assets as loans and receivables.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – credit loss allowance for expected credit losses (ECL). The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortised cost are presented in the consolidated statement of financial position net of the allowance for ECL.

In accordance with IFRS 9, the Group applied a simplified approach to determining ECL in relation to trade accounts receivable that requires that full lifetime ECL are to be recognised.



The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 29. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets - derecognition.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

**Financial assets – modification.** The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading, contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

As at 31 December 2018 and 31 December 2017 the Group classifies all financial liabilities as subsequently measured at amortised cost.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**Financial liabilities – modifications.** Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Offsetting financial instruments.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

**Cash and cash equivalents.** Cash and cash equivalents comprise cash in hand, deposits held at call with banks and short-term interest-bearing deposits with original maturities of not more than three months (not more than 92 days).

**Trade and other receivables.** Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

**Borrowings.** Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

**Trade and other payables.** Trade and other payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

**Financial guarantees.** Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**Employee benefits.** Remuneration to employees in respect of services rendered by employees during the reporting period is recognised as an expense in that reporting period.

**Defined benefit plans**

The Group operates a defined benefit pension plan. Present value of obligation under the plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing pensions is charged to the consolidated profit or loss, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. The net obligation under this plan is assumed to be equal to the present value of the liabilities less the fair value of the assets under this plan. Remeasurements of the net defined benefit liability are recognised in other comprehensive income in full as they arise.

In addition, the Group provides certain retirement benefits, other post-employment and other long-term benefits to its employees. These benefits are not funded.

The obligation and cost of benefits for the other long-term benefits are determined using the projected unit credit method. Remeasurements of the net defined benefit liability are recognised in the profit and loss in full as they arise.

Upon introduction of a new plan or modification of an existing plan, past service costs are recognised in full as they arise in profit or loss.

**Defined contribution plans**

In addition to the defined benefit plan described above, the Group also sponsors a defined contribution plan for selected employees. The Group's contributions relating to the defined contribution plan are charged to the consolidated profit or loss in the year to which they relate.

**State Pension Plan**

In addition, the Group is legally obliged to make contributions to the retirement benefit plan run by the Pension Fund of the Russian Federation. The Group's only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions are charged to the consolidated profit or loss in the year in which services are provided. Contributions for each employee to the State Pension Fund of the Russian Federation vary from 10% to 22%, depending on the annual gross remuneration of employee.

**Value added tax.** Output value added tax ("VAT") related to revenues is payable to tax authorities on the earlier of (a) delivery of the goods or services to customers, (b) collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the provision is recorded for the gross amount of the debtor, including VAT.

**Revenue recognition.** Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns and value added taxes. Services provided in a bundle and recognised as a single performance obligation, as none of them is distinct.

The Group provides services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. When the Group has the right to consideration that is unconditional, a receivable is recognised. Contract liabilities are represented by advances from customers and are included in Contracts liabilities in the consolidated statement of financial position. The amounts of contract assets of the Group are generally not significant.

There is no variable consideration, consideration of the Group for services that it performs under the contracts with customers is fixed. Transaction price for services is determined in the orders (a standard primary document detailing the information on the nature of services and the amount of consideration, authorized by both parties). Each order represents a separate performance obligation of the Group.

No significant financing component is deemed present. In accordance with contracts with customers, payments are primarily made on a prepayment basis that is consistent with market practice for the industry. The Group requires prepayment for the transportation not for the purpose of obtaining financing but to mitigate risks associated with the provided services. The period between the moment when the payment is made and the moment when the service is rendered is less than one year.

The main Group revenues are the following categories of services: integrated forwarding and logistics services, Agency fees and other services.

**Integrated freight forwarding and logistics services**

Integrated freight forwarding and logistics services are service packages including rail container transportation, terminal handling, truck deliveries, freight forwarding and logistic services. According to the method of providing these services are the compound rate services at a single price.

As parts of the compound rate service the following services are available to customers:

(a) full-service under a single contract at a single price or;

(b) incomplete set of services. In this case services rendered by the Company at a single price represent only a part of the logistic chain while remaining services are provided on a stand-alone basis separately.

Revenues from integrated freight forwarding and logistics services are recognised in the accounting period in which the services are rendered based on the stage of completion of an individual transaction determined by the actual number of days of transportation spent in the reporting period relative to the total number of days of transportation.

**Agency fees and other services**

The Group acts as an agent on behalf of RZD in providing mandatory railroad services for all railway users at the Group's terminals, designated as the "sites of common use" by the legislation. In this capacity the Group provides some of its terminal services as a legal intermediary (agent) between clients and RZD and collects a commission.

The Group provides other services, such as: handling of rolling stock and container fleet, terminal services, other freight forwarding services, truck deliveries.

**Dividend and interest income**

Dividends from investments are recognised in consolidated profit or loss only if:

(i) the Group's right to receive payment is established;

(ii) it is probable that any future economic benefit associated with dividends will flow to the Group; and

(iii) dividend income can be measured with reliability.

Interest income is recorded on an accrual basis using the effective interest method.

Leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Finance leases**

The Group had no finance leases as at 31 December 2018 and as at 31 December 2017.

**Operating leases**

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a liability and as a reduction in expense on a straight-line basis.

Contingent rentals under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs. Borrowing costs include:

(a) interest expense calculated by the effective interest method;

(b) finance charges in respect of finance leases;

(c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when

(a) the Group incurs expenditures for the qualifying asset;

(b) it incurs borrowing costs; and

(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in consolidated profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Except for income tax related interest and fines, adjustments for uncertain income tax positions are recorded within the income tax charge. Income tax related interest and fines are recognised in finance expenses and operating expenses, respectively.

Share capital and other reserves. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares (other than on a business combination) are shown as a deduction from the proceeds in equity. The difference between the fair value of consideration received and the par value of shares issued is recognised as other reserves in equity.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the reporting period, except treasury shares. The Group does not have any potentially dilutive equity instruments.

Dividends. Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends are disclosed when they are declared after the reporting date but before the consolidated financial statements are authorised for issue.



Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Adoption of IFRS 9 Financial Instruments. The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

## 4. New and revised international financial reporting standards

The significant new accounting policies under IFRS 9 applied in the current period are described in Note 3. Accounting policies under IAS 39 applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 30.

At the IFRS 9 adoption date 1 January 2018 all financial assets of the Group were reclassified from loans and receivables measurement category under IAS 39 to amortised cost measurement category under IFRS 9. All financial liabilities of the Group that were included in the other financial liabilities measurement category under IAS 39 are accounted for at amortised cost under IFRS 9.

The Group management determined that the amount of expected credit losses as of 1 January 2018 has not changed significantly compared to the amount of recognised allowances in the consolidated financial statements as of 31 December 2017.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

In accordance with the application of IFRS 9 relating to the recognition of allowance for expected credit losses as at 1 January 2018, the cost of investment in JSC Kedentransservice decreased by RUR 55m (Note 10) due to accrual of additional expected credit loss allowance for financial assets of JSC Kedentransservice that were carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Adoption of IFRS 15 Revenue from Contracts with Customers. The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

The Group has changed presentation of contract liabilities in the consolidated statement of financial position as at 1 January 2018. Contract liabilities consist of advances from customers and were included in trade and other payables as at 31 December 2017. As at 1 January 2018 contract liabilities were reclassified from trade and other payables and are presented separately.

	IAS 18 carrying amount at 31 December 2017		Reclassification	IFRS 15 carrying amount at 1 January 2018	IFRS 15 carrying amount at 31 December 2018
Contract liabilities	-		3,706	3,706	4,510
Trade and other payables (Note 17)	4,562		(3,706)	856	975

Except as described above, the adoption of IFRS 15 did not have a significant impact on the financial position or financial performance of the Group.

In addition to IFRS 9 and IFRS 15 the following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

1. Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
2. Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
3. Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
4. IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
5. Amendments to IAS 40 – Transfers of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

New standards and improvements mandatory for annual periods beginning on or after 1 January 2019 or later periods that are applicable for the Group's activity and approved for adoption in the Russian Federation (unless stated otherwise) and which the Group has not early adopted, are as follows:

1. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The amendments have not been endorsed for application in the Russian Federation.
2. IFRIC 23, Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
3. Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
4. Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
5. Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
6. Amendments to IAS 19, Plan Amendment, Curtailment or Settlement (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
7. Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
8. Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments have not been endorsed for application in the Russian Federation.
9. Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments have not been endorsed for application in the Russian Federation.

Unless otherwise described above, these new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 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 will be required to recognise: (a) 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 consolidated statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. 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 Group decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. The Group will recognise 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 consolidated statement of financial position immediately prior to the date of initial application.

	1 January 2019
• Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	• 1,236
• Effect of discounting to present value	• (429)
<b>Total lease liabilities</b>	<b>807</b>

The Group expects to recognise right-of-use assets in the amount corresponding to the lease liabilities of RUR 807m. No impact on the overall net assets is expected.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Group does not expect any significant impact on the consolidated financial statements in respect of recognition of the Group's activities as a lessor. However, some additional disclosures will be required from next year.

## 5. Key Sources of estimation uncertainty

The key assumptions concerning the future and current year as well, and other key sources of estimation uncertainty at the reporting date, that can cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting year, are discussed below.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

As at 31 December 2017 and 31 December 2018 the Group reassessed the remaining useful lives of certain items of property, plant and equipment, the ranges of terms for each group of items of property, plant and equipment have not changed.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2018 would be to increase it by RUR 297m or decrease it by RUR 244m (for the year ended 31 December 2017: to increase by RUR 269m or decrease by RUR 221m).

Impairment of property, plant and equipment. The Group reviews at each reporting date the carrying amounts of its property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, change in current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs of disposal, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

As at 31 December 2018 and 31 December 2017 there were no indicators of impairment of property, plant and equipment.

Compliance with tax legislation. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. management believes that it has accrued all applicable taxes. management believes that it has adequately provided for tax liabilities based on its interpretations of tax legislation. However, there exists a possibility that relevant tax authorities may have differing interpretations than those of the management, and the effect of such differences could be significant.

Pension and other non-curent obligations. The Group uses projected unit credit method for measurement of the present value of post-employment benefit obligations and other long-term obligations to employees and related current service cost. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality after employment, rates of employee turnover etc.), as well as financial assumptions (discount rate, future salary and benefits levels, etc.). In the event that further changes in the key assumptions are required, the amounts of the pension benefit costs may be materially affected (Note 16).

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market conditions, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 25.

6. Critical accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements and may influence carrying amounts of assets and liabilities within the next financial year.

Accounting for leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In determining the accounting treatment of transactions that involve the legal form of a lease, all aspects and implications of an arrangements are evaluated to determine the substance of such transactions. At the same time special attention is given to those aspects and implications that have an economic effect. If the lease term is for longer than 75% of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, the lease is classified by the Group as a finance lease, unless it is clearly demonstrated otherwise.

Revenue from integrated freight forwarding and logistics services. In case the Group provides integrated freight forwarding and logistic services the customers do not interact with other transportation organisations. A full service fee is charged by the Group to its customers for its services including rail-based container transportation, terminal handling, trucking, etc. and the full third-party charges, including railway tariff. These services are offered to the client as one service at a single price and the Group considers them to be a single performance obligation, the performance of which reflects the period in which services are provided based on the number of days of transportation.

Management believes that the Group acts as a principal in these arrangements and the Group accounts for receipts from customers as sales revenue. Third-party charges, including the railroad tariff, is included in third-party charges related to principal activities in operating expenses.

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services 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 45,671m for the year ended 31 December 2018. For the year ended 31 December

2017 this effect would be RUR 37,785m (including RUR 35,805m for integrated freight forwarding and logistics services, and RUR 1,980m for management of cargo transportation and handling with involvement of third parties).

7. Acquisition of subsidiary

On 3 September 2018, after receiving the necessary approvals from the regulatory authorities, the Company acquired from JSC First Container Terminal, a subsidiary of Global Ports Investments PLC, 100% ownership interest in JSC Logistika-Terminal, operator of one of the most modern container terminals in the North-Western region of Russia. The transaction amounted to RUR 1.9 billion.

The fair value of assets and liabilities of JSC Logistika-Terminal at the date of acquisition was:

	Fair value as recognised on acquisition
Property, plant and equipment	2,178
Cash and cash equivalents	32
Other assets	59
<b>Total assets</b>	<b>2,269</b>
Deferred tax liability	157
Other liabilities	58
<b>Total liabilities</b>	<b>215</b>
<b>Net assets acquired</b>	<b>2,054</b>
Excess of the fair value of net assets over cost of acquisition	(154)
<b>Cost of acquisition:</b>	<b>1,900</b>
Cash consideration paid	1,900
<b>Net cash outflow from acquisition</b>	
Cash compensation	1,900
Cash and cash equivalents acquired	(32)
<b>Total net cash outflow from acquisition</b>	<b>1,868</b>

As a result of this transaction, the Company recognised gain from acquisition in the amount of RUR 154m as a result of excess of the fair value of the identifiable assets less liabilities at the date of acquisition of JSC Logistika-Terminal over the cash consideration transferred to the buyer. The reason for the gain from acquisition was insufficient loading of the design capacity of the acquired asset, which had an impact on the amount of its future cash flows. The Company plans to significantly increase the load of JSC Logistika-Terminal by transferring cargo flows from the terminal at the station St. Petersburg-Tovarniy-Vitebskiy station planned to be closed.

The acquired subsidiary contributed revenue of RUR 192m and loss of RUR 18m to the Group from the date of acquisition to 31 December 2018. If the acquisition had occurred on 1 January 2018, the Group revenue and profit would have amounted to RUR 77,358m and RUR 9,477m, respectively.



## 8. 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
<b>Cost</b>						
<b>1 January 2017</b>	<b>12,388</b>	<b>36,615</b>	<b>2,692</b>	<b>2,891</b>	<b>473</b>	<b>55,059</b>
Additions	87	6 137	393	178	381	<b>7,176</b>
Transfers	282	51	36	52	(421)	-
Transfer to investment property	(64)	-	-	-	-	<b>(64)</b>
Capitalised borrowing costs	-	-	-	-	14	<b>14</b>
Disposals	(17)	(458)	(62)	(287)	(36)	<b>(860)</b>
<b>31 December 2017</b>	<b>12,676</b>	<b>42,345</b>	<b>3,059</b>	<b>2,834</b>	<b>411</b>	<b>61,325</b>
Additions	39	6,146	146	176	154	<b>6,661</b>
Acquisition in a business combination (Note 7)	2,022	-	126	30	-	<b>2,178</b>
Transfers	90	52	3	15	(160)	-
Transfer to investment property	(13)	-	-	-	-	<b>(13)</b>
Capitalised borrowing costs	-	-	-	-	11	<b>11</b>
Disposals	(312)	(631)	(4)	(130)	(85)	<b>(1,162)</b>
<b>31 December 2018</b>	<b>14,502</b>	<b>47,912</b>	<b>3,330</b>	<b>2,925</b>	<b>331</b>	<b>69,000</b>
<b>Accumulated depreciation</b>						
<b>1 January 2017</b>	<b>(2,490)</b>	<b>(12,238)</b>	<b>(1,053)</b>	<b>(1,961)</b>	-	<b>(17,742)</b>
Depreciation charge for the year	(285)	(1 882)	(184)	(265)	-	<b>(2,616)</b>
Transfer to investment property	16	-	-	-	-	<b>16</b>
(Impairment) / reversal of impairment	(6)	-	4	17	-	<b>15</b>
Disposals	30	415	56	202	-	<b>703</b>
<b>31 December 2017</b>	<b>(2,735)</b>	<b>(13,705)</b>	<b>(1,177)</b>	<b>(2,007)</b>	-	<b>(19,624)</b>
Depreciation charge for the year	(317)	(2,069)	(232)	(239)	-	<b>(2,857)</b>
Transfer to investment property	13	-	-	-	-	<b>13</b>
Impairment)	(2)	-	-	-	-	<b>(2)</b>
Disposals	175	589	2	157	-	<b>923</b>
<b>31 December 2018</b>	<b>(2,866)</b>	<b>(15,185)</b>	<b>(1,407)</b>	<b>(2,089)</b>	-	<b>(21,547)</b>
<b>Net book value</b>						
<b>31 December 2017</b>	<b>9,941</b>	<b>28,640</b>	<b>1,882</b>	<b>827</b>	<b>411</b>	<b>41,701</b>
<b>31 December 2018</b>	<b>11,636</b>	<b>32,727</b>	<b>1,923</b>	<b>836</b>	<b>331</b>	<b>47,453</b>

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 December 2018 and 31 December 2017, respectively.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 696m and RUR 709m as at 31 December 2018 and 31 December 2017, respectively.

During the year ended 31 December 2018 there were additions of flatcars and containers in the amount of RUR 5,364 and RUR 782, respectively (during the year ended 31 December 2017 – RUR 4,893m and RUR 1,244m, respectively).

As at 31 December 2017, the Group reviewed the useful lives of certain property, plant and equipment. As a result, the amount of accrued depreciation for the year ended 31 December 2018 decreased by RUR 28m compared to what would have been accrued under the previous useful lives, the range of useful life values for the objects of various groups had not changed. Assessing the impact of revision on subsequent periods is impracticable.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,036m and RUR 1,142m as at 31 December 2018 and 31 December 2017, respectively.

The carrying amount of temporarily idle property, plant and equipment as at 31 December 2018 and 31 December 2017 comprised the following:

	2018	2017
Cost	785	398
Accumulated depreciation	(283)	(199)
Impairment	(118)	(115)
<b>Net book value</b>	<b>384</b>	<b>84</b>

Construction in-progress as at 31 December 2018 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and Yekaterinburg amounting to RUR 80m and RUR 26m, respectively, and RUR 115m for the construction of the new container terminal in Primorsky Region.

Construction in-progress as at 31 December 2017 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and Yekaterinburg amounting to RUR 160m and RUR 49m, respectively, and RUR 104m for the construction of the new container terminal in Primorsky Region.

Additions of construction in-progress include capitalised interest expenses on bonds in connection with the construction and reconstructions of property, plant and equipment items. The total amount of interest capitalised for the year ended 31 December 2018 was RUR 11m at a rate of capitalisation of 8.40% and RUR 14m capitalised for the year ended 31 December 2017 at a rate of capitalisation of 8.58%.

### Advances for acquisition of non-current assets

As at 31 December 2018 and 31 December 2017, 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 51m, respectively), advances for the acquisition of containers (RUR 243m and RUR 12m, respectively), advances for the purchase of rolling stock (RUR 335m and RUR 49m, respectively) and advances for the acquisition of other non-current assets (RUR 2m and RUR 7m, respectively).

## 9. Intangible assets

Company's intangible assets are comprised of software with initial cost of RUR 382m and accumulated depreciation of RUR 113m as at 31 December 2018 (RUR 456m and RUR 72m as at 31 December 2017 respectively).

For the year ended 31 December 2018 depreciation charge for intangible assets amounted to RUR 70 m (for the year ended 31 December 2017 RUR 52 m).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 16m as at 31 December 2018 (RUR 257m as at 31 December 2017).

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.

## 10. Investments in associates and joint ventures

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

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint ventures LLC Freight Village Kaluga Sever	Other joint ventures	Associates	Total associates and joint ventures
<b>Carrying amount as at 1 January 2017</b>	<b>2,584</b>	<b>-</b>	<b>93</b>	<b>8</b>	<b>2,685</b>
Share of profit/(losses) of associates and joint ventures	688	(9)	26	(1)	<b>704</b>
Fair value of net assets related to the acquisition of the joint venture	-	(179)	-	-	<b>(179)</b>
Goodwill arising on the acquisition of joint ventures	-	351	-	-	<b>351</b>
Dividends received from joint ventures	-	-	(14)	-	<b>(14)</b>
Disposal	-	-	-	(8)	<b>(8)</b>
Share of translation to presentation currency	(140)	-	3	1	<b>(136)</b>
<b>Carrying amount as at 31 December 2017</b>	<b>3,132</b>	<b>163</b>	<b>108</b>	<b>-</b>	<b>3,403</b>
The impact of the new standard IFRS 9	(55)	-	-	-	(55)
<b>Total restated at 1 January 2018</b>	<b>3,077</b>	<b>163</b>	<b>108</b>	<b>-</b>	<b>3,348</b>
Share of profit/(losses) of joint ventures	304	(52)	16	-	268
Dividends received from joint ventures	(385)	-	(7)	-	(392)
Share of translation to presentation currency	131	-	15	-	146
<b>Carrying amount as at 31 December 2018</b>	<b>3,127</b>	<b>111</b>	<b>132</b>	<b>-</b>	<b>3,370</b>

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 December 2018 the debt of FVKS secured by the guarantee under the loan agreement amounted to RUR 2.3bn (2.1bn as at 31 December 2017). As at 31 December 2018 and 31 December 2017 the financial guarantee for investment in joint venture recognised in the 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:

1. 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;
2. 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 December 2017 and 31 December 2018 the amount of pledge agreements have not changed.

In September 2017 the Company ceased to participate in an associate Trans-Eurasia Logistics GmbH by selling 20% of its shares to DB Cargo AG.

Summarised financial information of associates and joint ventures for the years ended 31 December 2018 and 31 December 2017, and as at 31 December 2018 and 31 December 2017:

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint venture LLC Freight Village Kaluga Sever	Other joint ventures	Associates	Total associates and joint ventures					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current assets	2,460	3,284	1,001	403	315	252	-	-	3,776	3,939
Non-current assets	4,344	3,652	3,438	3,567	8	9	-	-	7,790	7,228
Current liabilities	709	784	606	204	59	45	-	-	1,374	1,033
Non-current liabilities	361	386	4,632	4,394	-	-	-	-	4,993	4,780
Net assets	5,734	5,766	(799)	(628)	264	216	-	-	5,199	5,354
Revenue	10,625	9,493	1,573	512	934	761	-	2,455	13,132	13,221
Profit/(loss)	608	1,375	(172)	(29)	31	52	-	(5)	467	1,393

Net assets of Logistic System Management B.V. are RUR 2m as at 31 December 2018 (RUR 6m as at 31 December 2017) and are mainly comprised of cash and cash equivalents.

During the year ended 31 December 2018, Logistic System Management B.V. paid dividends to shareholders in the amount of RUR 730m (50% to PJSC TransContainer and 50% to JSC KTZ). During the year ended 31 December 2018 there were no dividend payments from Logistic System Management B.V.

The reconciling difference between the above amounts and the carrying amount of the investments in associates and joint ventures is elimination of the ownership interest held by the other investors and goodwill arising on acquisition of associates and joint ventures.

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint venture LLC Freight Village Kaluga Sever	Other joint ventures		Total associates and joint ventures			
	2018	2017	2018	2017	2018	2017	2018	2017
Net assets	5,734	5,766	(799)	(628)	264	216	5,199	5,354
Interest held, %	50%	50%	30%	30%	49%,50%	49%,50%	-	-
Goodwill	260	249	351	351	-	-	611	600
Investments in associates and joint ventures	3,127	3,132	111	163	132	108	3,370	3,403

Additional financial information of joint ventures JSC Kedentransservice, Logistic System Management B.V. and LLC Freight Village Kaluga Sever for the year ended 31 December 2018 and 31 December 2017, and as at 31 December 2018 and 31 December 2017 is as follows:

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint venture LLC Freight Village Kaluga Sever		
	2018	2017	2018	2017
Cash and cash equivalents	1,286	1,091	791	208
Current financial liabilities (excluding trade and other payables and provisions)	20	20	334	14
Non-current financial liabilities (excluding trade and other payables and provisions)	20	40	4,296	4,207
Depreciation and amortisation	248	298	147	62
Interest income	11	28	26	3
Interest expense	6	8	490	216
Income tax expense	297	351	139	(47)

## 11. Trade and other receivables

	Outstanding balance, gross	Credit loss allowance/provision for impairment	Outstanding balance, net
<b>31 December 2018</b>			
Trade receivables	1,736	(31)	1,705
Other receivables	132	(93)	39
<b>Total current trade and other receivables, classified as financial assets</b>	<b>1,868</b>	<b>(124)</b>	<b>1,744</b>
<b>31 December 2017</b>			
Trade receivables	1,247	(25)	1,222
Other receivables	187	(86)	101
<b>Total current trade and other receivables, classified as financial assets</b>	<b>1,434</b>	<b>(111)</b>	<b>1,323</b>

Included in the Group's total trade and other receivables are debtors with a carrying amount of RUR 215m as at 31 December 2017, which are past due at the respective reporting date and which the Group considers to be not impaired. The Group holds collateral over part of these outstanding balances (Note 29). The matrix of provision is presented below.

Analysis by credit quality of trade and other receivables as at 31 December 2017 is as follows:



31 December 2017

	Trade receivables	Other receivables
Neither past due nor impaired	1,056	52
<b>Total neither past due nor impaired</b>	<b>1,056</b>	<b>52</b>
Past due but not impaired		
less than 90 days	136	14
90-180 days	12	4
more than 180 days	18	31
<b>Total past due but not impaired</b>	<b>166</b>	<b>49</b>
Individually impaired		
less than 90 days	-	-
90-180 days	1	-
more than 180 days	24	86
<b>Total individually impaired</b>	<b>25</b>	<b>86</b>
<b>Less impairment provision</b>	<b>(25)</b>	<b>(86)</b>
<b>Total</b>	<b>1,222</b>	<b>101</b>

Movement in the impairment provision for trade and other receivables is as follows:

	2017
<b>Balance at beginning of the year</b>	<b>(168)</b>
Additional provision, recognised in the current year	(10)
Release of provision	59
Utilisation of provision	6
Foreign currency translation	2
<b>Balance at end of the year</b>	<b>(111)</b>

Change of credit loss allowance in 2018 is not significant.

The Group applies the simplified approach provided in IFRS 9 for assessment of expected credit losses using the estimated allowance for expected credit losses over the entire term for trade and other receivables. To assess expected credit losses allowance, trade and other receivables were grouped based on the general characteristics of credit risk and the number of days of late payment. The levels of expected credit losses are based on payment schedules for sales for 12 months before 31 December 2018 or 1 January 2018, respectively, and similar historical credit losses incurred during this period. The credit loss allowance for trade and other receivables is determined in accordance with the provision matrix presented in the table below. The matrix of provision is based on a credit risk assessment system (Note 29).

	Gross carrying amount	Lifetime ECL
Excellent	-	-
Good	1,556	5
Satisfactory	177	4
Special monitoring	-	-
Default	135	115
<b>Total trade and other receivables (gross carrying amount)</b>	<b>1,868</b>	<b>-</b>
ECL allowance	-	(124)
<b>Total trade and other receivables (carrying amount)</b>	<b>1,744</b>	<b>-</b>

## 12. Prepayments and other current assets

	2018	2017
VAT receivable	3,034	2,928
Advances to suppliers (net of provision)	1,341	939
Other current assets	105	108
<b>Total prepayments and other current assets</b>	<b>4,480</b>	<b>3,975</b>

As at 31 December 2018 and 31 December 2017 provision for impairment of advances to suppliers was recognised in the amount of RUR 2m and RUR 2m, respectively.

## 13. Cash and cash equivalents

	2018	2017
Foreign currency denominated current accounts with banks	1,198	2,324
Russian Rouble denominated bank deposits	5,380	1,067
Foreign currency denominated bank deposits	1,948	-
Cash and Russian Rouble denominated current accounts with banks	1,001	780
<b>Total cash and cash equivalents</b>	<b>9,527</b>	<b>4,171</b>

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, AO UniCredit Bank and PJSC Bank VTB, a related party as at 31 December 2018. 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.

Five Russian Rouble denominated short-term bank deposits in the amount of RUR 1,063m bearing interest at annual rates in a range from 7% to 7.40% were placed with PJSC JSCB Absolut Bank and PJSC Bank VTB, a related party as at 31 December 2017. Total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 4m. The deposits matured in January 2018.

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's long-term ratings or equivalents of Moody's or Fitch ratings as follows as at 31 December 2018 and 31 December 2017:

	2018		2017	
	Bank balancespayable ondemand	Term deposits	Bank balancespayable on demand	Term deposits
A- to A+ rated	43	-	34	-
BBB to A- rated	79	-	107	-
Lower than BBB rated	2,076	7,328	2,963	1,067
Unrated	1	-	-	-
<b>Total</b>	<b>2,199</b>	<b>7,328</b>	<b>3,104</b>	<b>1,067</b>

## 14. Equity

### Share Capital

The Company's authorised, issued and paid share capital as at 31 December 2018 and 31 December 2017 comprises:

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

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

During the year ended 31 December 2018 the weighted average number of outstanding ordinary shares, excluding treasury shares amounted to 13,894,778 shares (13,894,778 during the year ended 31 December 2017).

### Other Reserves, including investment property's revaluation reserve

As discussed in Note 1, the Company was formed as a result of a spin-off by RZD which involved the contribution by RZD of containers, flatcars, buildings and constructions, VAT receivable related to these assets, and cash, in exchange for ordinary shares of the Company.

As at 31 December 2018 Other Reserves, including investment property's revaluation reserve amounted to RUR 1,946m (RUR 2,025m as at 31 December 2017).

The difference between the fair value of net assets contributed and the nominal value of the shares issued by the Company, as well as differences arising from transactions with shareholders, of RUR 2,221m were recorded as other reserves as at 31 December 2012.

Due to the transfer of part of property, plant and equipment to the investment property during the year ended 31 December 2018 the investment property's revaluation was recognised in other comprehensive income for the amount of RUR 79m (RUR 196m during the years 2017 - 2013).

Retained Earnings, Dividends

In accordance with the Russian legislation, dividends may only be declared from the Company's accumulated undistributed and unreserved earnings as shown in the Company's statutory financial statements, which are prepared in accordance with Russian Accounting Rules. In accordance with the financial statements under Russian accounting standards, as at 31 December 2018 and 31 December 2017 the Company had RUR 25,948m and RUR 20,985m of undistributed earnings, respectively, including undistributed and unreserved earnings of the Company in the amount of RUR 9,592m and RUR 5,986m, respectively.

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.

Dividends of RUR 46.81 per share (RUR 650m in total) were approved at the annual shareholders' meeting on 22 June 2017 relating to the Company's results for the year ended 31 December 2016. In July 2017 the dividends have been fully paid.

Reserve Fund

According to its charter, the Company is required to establish a legal reserve fund through the allocation of 5 percent of net profit as computed under the Russian Accounting Rules. The total amount of the reserve fund is limited to 5 percent of the nominal registered amount of the Company's issued share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem issued bonds or purchase treasury shares and cannot be distributed to shareholders. As at 31 December 2018 reserve fund was RUR 703m (RUR 703m as at 31 December 2017).

15. Long-term debt and current portion of long-term debt

Long-term debt

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

	Effective interest rate	2018	2017
Bonds, series BO-01	7,55%	5,988	-
Bonds, series BO-02	9,45%	4,992	4,987
Total		10,980	4,987

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 December 2018 the carrying value of the bonds amounted to RUR 6,183m (RUR 0m as at 31 December 2017), including the amount of accrued interest of RUR 195m (RUR 0m as at 31 December 2017). The amount of accrued interest has been included as current portion of long-term debt in the 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.

As at 31 December 2018 the carrying value of the bonds amounted to RUR 5,123m (RUR 5,117m as at 31 December 2017), including the amount of accrued interest of RUR 131m (RUR 130m as at 31 December 2017). The amount of accrued interest has been included as current portion of long-term debt in the consolidated statement of financial position.

The fair value of Company's bond is disclosed in Note 29.

Current portion of long-term debt

	Effective interest rate	2018	2017
Bonds, series BO-01	7,55%	195	-
Bonds, series BO-02	9,45%	131	130
Bonds, series 4	8,40%	-	1,295
Total		326	1,425

Five-year RUR bonds, series 4

On 1 February 2013, 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 4,988m. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds were redeemed in four equal semi-annual installments within the fourth and fifth years. The Company made full repayment of its obligation in January 2018 in the amount of RUR 1,295m (including the amount of accrued interest of RUR 45m).

16. Employee benefit liability

The employees of the Group are members of a state-managed pension plan operated by the government of the Russian Federation. The Group is required to contribute a specified percentage of payroll costs as part of the contributions to the Pension Fund of the Russian Federation to fund the benefits.

The Group also provides supplementary defined benefit and defined contribution retirement benefit plans covering about a quarter of its employees, requiring contributions to be made to a separately administered non-state pension fund Blagosostoyanie ("Fund Blagosostoyanie"). The not-for-profit fund Pochet ("Fund Pochet") provides pensions to the Group's employees that retired before the defined benefit plan provided though the Fund Blagosostoyanie was introduced.

Benefits accrued through Fund Blagosostoyanie are partially funded, whilst benefits administered by the Fund Pochet are not funded. In addition, the Group provides other retirement and post-employment benefits to its employees, covering compensation for transportation costs on long-distance trains, a one-time bonus on retirement ranging from one to six monthly salaries, depending on the duration of the service period, a benefit for dedication to the Company and certain other benefits. These benefits are not funded.

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the years ended 31 December 2018 and 31 December 2017 included in payroll and related services within operating expenses and consisted of the following:

	2018	2017
Pension Fund of the Russian Federation	786	715
Defined contribution plan Blagosostoyanie	26	24
Total expense for defined contribution plans	812	739

Defined benefit plans

There were 84 employees as at 31 December 2018 (as at 31 December 2017: 105) eligible for defined benefit pension plan with benefits depending on salary and years of service. In addition, there were 64 and 72 retired employees eligible for the post-retirement benefit program of the Group through Fund Pochet as at 31 December 2018 and 31 December 2017, respectively. Other retirement and post-employment defined benefit plans cover substantially all employees of the Group.

During the reporting period the minimum age for the right to retirement and post-employment benefits was increased. In accordance with the terms of the plans this age is connected with the retirement age for the state-managed pension plan, which was increased in the period. This change of the minimal age is considered as the change to the defined benefit plans. The corresponding change in the present value of the defined benefit obligation is taken into account as part of the past services cost.

Changes in the retirement age in the state pension plan had no significant impact on the present value of the defined benefit obligation for other long-term employee benefits.

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2018 by an independent actuary. The present value of the defined benefit obligations, and related current service costs and past service cost, were measured using the projected unit credit method.

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income in Payroll and related charges for the year ended 31 December 2018 and 31 December 2017 in respect of these defined benefit plans are as follows:

	Post-employment benefits		Other long-term benefits		Total	
	2018	2017	2018	2017	2018	2017
Service cost	(94)	32	146	141	52	173
Net interest on obligation	52	58	10	11	62	69
Remeasurements of the net defined benefit	-	-	(18)	4	(18)	4
Net expense recognised in the consolidated profit or loss	(42)	90	138	156	96	246

Net gain recognised in the other comprehensive income for post-employment benefits related mainly to remeasurments of the net defined benefit constitute RUR 38m for the year ended 31 December 2018. Net loss recognised in the other comprehensive income for post-employment benefits related mainly to remeasurments of the net defined benefit constitute RUR 9m for the year ended 31 December 2017.



The amounts recognised in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 in respect of these defined benefit plans are as follows:

	Post-employment benefits		Other long-term benefits		Total	
	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation	681	875	275	294	956	1,169
Fair value of plan assets	(67)	(66)	-	-	(67)	(66)
<b>Net employee benefit liability</b>	<b>614</b>	<b>809</b>	<b>275</b>	<b>294</b>	<b>889</b>	<b>1,103</b>

Movements in the present value of defined benefit obligation are as follows:

	Post-employment benefits	Other long-term benefits	Total
<b>Present value of defined benefit obligation as at 1 January 2017</b>	<b>855</b>	<b>275</b>	<b>1,130</b>
Service cost:	32	141	173
<i>Current service cost</i>	32	141	173
Interest on the defined benefit liability	63	11	74
Actuarial losses/(gain):	9	4	13
<i>from changes in demographic assumptions</i>	(6)	-	(6)
<i>from changes in financial assumptions</i>	(25)	3	(22)
<i>other</i>	40	1	41
Losses arising on transfer of employees*	5	-	5
Settlement of liability	(89)	(137)	(226)
<b>Present value of defined benefit obligation as at 31 December 2017</b>	<b>875</b>	<b>294</b>	<b>1,169</b>
Service cost:	(94)	146	52
<i>Current service cost</i>	32	146	178
<i>Past service cost</i>	(126)	-	(126)
Interest on the defined benefit liability	57	10	67
Actuarial losses/(gain):	(52)	(18)	(70)
<i>from changes in demographic assumptions</i>	(1)	-	(1)
<i>from changes in financial assumptions</i>	(62)	(8)	(70)
<i>other</i>	11	(10)	1
Losses arising on transfer of employees*	6	-	6
Settlement of liability	(111)	(157)	(268)
<b>Present value of defined benefit obligation as at 31 December 2018</b>	<b>681</b>	<b>275</b>	<b>956</b>

Movements in the fair value of defined benefit pension plan assets:

	2018	2017
<b>Fair value of plan assets as at 1 January</b>	<b>(66)</b>	<b>(63)</b>
Income on plan assets:	(7)	(7)
<i>interest on the plan assets</i>	(5)	(5)
<i>the return on plan assets, excluding amounts included in net interest on the net defined benefit liability</i>	(2)	(2)
Contributions from the employer (funded plans)	(43)	(41)
Settlement of liability (funded plans)	49	45
<b>Fair value of plan assets as at 31 December</b>	<b>(67)</b>	<b>(66)</b>

\* The losses arising from transfer of employees represent the transfer of obligations on post-retirement benefits, which originated from the movement of employees from, as well as back to, the ultimate parent company.

Net losses are the difference between the losses arising from transfer of employees and the assets arising from transfer of employees.

The major categories of plan assets administered by Fund Blagosostoyanie as a percentage of the fair value of total plan assets as at the balance sheet date were as follows:

	Share in total plan assets	
	2018	2017
Corporate bonds and stock of Russian legal entities	66%	69%
Shares in closed investment funds	27%	24%
Bank deposits	1%	1%
Other	6%	6%
	<b>100%</b>	<b>100%</b>

Most benefits to employees and retired employees depend on wage growth and rising consumer prices. Besides inflation risk, post-employment benefits are also subject to demographic risk due to the dependence of payment duration to changes in life expectancy of retired employees.

Plan assets under the supplementary defined benefit pension plan are subject to investment risks. To reduce the risks in accordance with laws Fund Blagosostoyanie places the assets in a diversified portfolio with a statutory structure. Since retirement of a participant Fund Blagosostoyanie is exposed to all the risks of the plan with respect to this participant.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Discount rate	8,7%	7,5%
Average rate of employee turnover	Based on the industry average rates	Based on the industry average rates
Projected average annual growth of consumer prices	4,1%	4,1%
Life expectancy table	Russia, 2017, with probability corrected to 87% of the initial level	Russia, 2016, with probability corrected to 82% of the initial level

As at 31 December 2018 the Group assumed that wage and salary growth will be in line with the growth of consumer prices.

Results of sensitivity analysis of defined benefit obligation at 31 December 2018 and 31 December 2017:

	Change in assumption	Change in liabilities	
		2018	2017
Discount rate	-1%	52	68
	+1%	(45)	(58)
Rate of employee turnover	-1%	22	23
	+1%	(21)	(24)
Projected average growth of consumer prices	-1%	(52)	(67)
	+1%	62	76
Average life expectancy after retirement	-1 year	(3)	(4)
	+1 year	3	4

Weighted average duration of the defined benefit obligation is 6.0 years (2017: 6.2 years).

The maturity profile of the defined benefit obligation as at 31 December 2018:

	Before year	1 to 2 years	2 to 5 years
Post-employment benefits	114	67	140
Other long-term benefits	101	89	113
	<b>215</b>	<b>156</b>	<b>253</b>

## 17. Contract liabilities, trade and other payables

	2018	2017
Trade payables	691	704
Amounts payable for the acquisition of property, plant and equipment	275	139
Amounts payable for the intangible assets	9	13
<b>Total financial liabilities within trade and other payable</b>	<b>975</b>	<b>856</b>
Contract liabilities	4,510	-
Liabilities to customers (advances)	-	3,706
<b>Total contract liabilities, trade and other payables</b>	<b>5,485</b>	<b>4,562</b>

RUR 3,706m of revenue was recognized in the current reporting period related to the contract liabilities as at 1 January 2018, all of which related to advances.

Increase of contract liabilities as at 31 December 2018 in comparison to 31 December 2017 is consistent with an increase in the volume of freight forwarding services and corresponds to an increase in Revenue.

## 18. Taxes other than income tax payable

	2018	2017
Social insurance contribution	320	216
Property tax	116	113
VAT	6	-
Personal income tax	38	35
Other taxes	11	6
<b>Total taxes other than income tax payable</b>	<b>491</b>	<b>370</b>

## 19. Accruals and other current liabilities

	2018	2017
Settlements with employees	1,341	1,023
Other liabilities (financial liabilities)	97	11
Other liabilities	66	15
<b>Total accruals and other current liabilities</b>	<b>1,504</b>	<b>1,049</b>

Settlements with employees as at 31 December 2018 and 31 December 2017 comprised accrued salaries and bonuses of RUR 1,153m and RUR 838m, respectively, and accruals for unused vacation of RUR 188m and RUR 185m, respectively.

## 20. 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 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 consolidated financial statements.

### Analysis of revenue by category

	2018	2017
Integrated freight forwarding and logistics services	71,158	57,052
Cargo transportation and handling services with involvement of third parties	-	1,980
Agency fees	2,988	2,597
Other	2,813	3,938
<b>Total revenue</b>	<b>76,959</b>	<b>65,567</b>

### Analysis of revenue by location of customers

	2018	2017
<b>Revenue from external customers</b>		
Russia	65,056	56,315
Korea	6,020	3,816
China	2,051	1,118
Germany	1,889	1,596
Latvia	467	443
Finland	401	361
Kazakhstan	372	426
Great Britain	213	981
Other	490	511
<b>Total revenue</b>	<b>76,959</b>	<b>65,567</b>

Performance obligations under revenue contracts are short-term in nature. All contract liabilities at 31 December 2017 were recognised as Revenue in 2018.

## 21. Other operating income

	2018	2017
Gain from disposal of property, plant and equipment	1,144	240
Gain from the sale of inventory and from the reuse of spare parts	215	186
Change in provision for impairment of receivables	-	50
Change in provision for impairment of property, plant and equipment	-	15
Other operating income	127	156
<b>Total other operating income</b>	<b>1,486</b>	<b>647</b>

Gain from disposal of property, plant and equipment in 2018 is primarily due to the sale of assets of the Vitebsk terminal resulting in a gain of RUR 1,100m in December 2018.

## 22. Operating expenses

	2018	2017
Third-party charges related to principal activities	45,671	37,785
Payroll and related charges	6,422	5,809
Freight handling and transportation services	5,407	6,549
Materials, repair and maintenance	3,427	3,182
Depreciation and amortisation	2,927	2,668
Taxes other than income tax	725	581
Rent	410	279
Consulting and information services	205	232
Fuel costs	184	155
Security	179	192
License and software	169	130
Charity	146	134
Communication costs	70	69
Other expenses	944	673
<b>Total operating expenses</b>	<b>66,886</b>	<b>58,438</b>



## 23. Interest expense

	2018	2017
Interest expense on RUR bonds	885	628
Interest expense on finance lease obligations	-	6
<b>Total interest expense</b>	<b>885</b>	<b>634</b>

## 24. Income tax

	2018	2017
Current income tax expense	(2,511)	(1,551)
Deferred income tax expense	42	(87)
<b>Income tax expense</b>	<b>(2,469)</b>	<b>(1,638)</b>

The statutory tax rate applied to the profit of the Group was 20% for the years ended 31 December 2018 and 31 December 2017.

Profit before income tax for financial reporting purposes is reconciled to income tax expense as follows:

	2018	2017
<b>Profit before income tax</b>	<b>11,978</b>	<b>8,172</b>
Theoretical tax charge at statutory rate of 20%	(2,396)	(1,634)
<b>Tax effect of items which are not deductible or assessable for taxation purposes and other effects:</b>		
Benefits in-kind and other non-deductible payments to employees	(33)	(22)
Non-deductible charitable donations	(29)	(27)
Non-taxable income of result of associates and joint ventures	86	131
Other effects, net	(97)	(86)
<b>Income tax expense</b>	<b>(2,469)</b>	<b>(1,638)</b>

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the consolidated statements of financial position give rise to the following deferred tax effects:

	1 January 2018	Acquisition of JSC Logistika-Terminal	Charged to profit or loss	Charged to other comprehensive income	31 December 2018
Investment property	59	-	(1)	20	78
Property, plant and equipment	1,890	156	13	-	2,059
Employee benefits liability	(98)	-	6	8	(84)
Trade and other receivables	(174)	-	(42)	-	(216)
Trade and other payables	(28)	-	(25)	-	(53)
Other	(14)	-	12	-	(2)
<b>Total net deferred tax liability</b>	<b>1,635</b>	<b>156</b>	<b>(37)</b>	<b>28</b>	<b>1,782</b>
<b>Deferred tax assets</b>	<b>(6)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(11)</b>

	1 January 2017	Charged to profit or loss	Charged to other comprehensive income	31 December 2017
Investment property	23	9	27	59
Finance lease obligations	(28)	28	-	-
Property, plant and equipment	1,845	45	-	1,890
Employee benefits liability	(96)	-	(2)	(98)
Trade and other receivables	17	(191)	-	(174)
Trade and other payables	(224)	196	-	(28)
Other	(14)	-	-	(14)
<b>Total net deferred tax liability</b>	<b>1,523</b>	<b>87</b>	<b>25</b>	<b>1,635</b>
<b>Deferred tax assets</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>

The Group did not recognise a deferred tax liability for temporary differences of RUR 1,978m (31 December 2017: RUR 1,651m) in respect of investments in subsidiaries and joint ventures as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

Management has performed an analysis of the dividend policies at the Group's joint ventures with regard to the Group's potential deferred tax liabilities where the Group does not control reversal of the temporary difference or expects the reversal to occur in the foreseeable future. For all joint ventures, management expects that the carrying value of the investments would be recovered primarily through a sale and partially through dividends. No deferred taxes related to a future sale are recognised in respect of all joint ventures because any sale would occur in a tax free jurisdiction.

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and there is a legally enforceable right to offset current tax assets against current tax liabilities.

## 25. 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 December 2018 and 31 December 2017, are disclosed below:

Related party	Nature of relationship	
	31 December 2018	31 December 2017
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 14)	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 10)	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	State-controlled entity
Non-state Pension Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC	-	Significant shareholder
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 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 general commercial terms.

### Relationships with RZD, its subsidiaries, joint ventures and associates

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

Under current Russian regulations, only RZD can perform certain functions associated with arranging the container transportation process. As the assets required for performing such functions were transferred to the Company, RZD engaged the Company to act as its agent in the performance of these functions. Company's revenue generated from such transactions with RZD is reported as agency fees in the consolidated profit or loss.

Transactions and outstanding balances with related parties as at and for the year ended 31 December 2018 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's Joint ventures	Other related parties	Total
<b>ASSETS</b>					
Cash and cash equivalents	-	-	-	7,003	<b>7,003</b>
Trade receivables	367	3	13	-	<b>383</b>
Advances to suppliers	903	46	19	2	<b>970</b>
Other assets	6	3	18	17	<b>44</b>
<b>Total assets</b>	<b>1,276</b>	<b>52</b>	<b>50</b>	<b>7,022</b>	<b>8,400</b>
<b>LIABILITIES</b>					
Contracts liabilities	-	219	149	8	<b>376</b>
Other liabilities	28	33	8	18	<b>87</b>
<b>Total liabilities</b>	<b>28</b>	<b>252</b>	<b>157</b>	<b>26</b>	<b>463</b>
<b>Revenue</b>					
Agency fees	2,923	-	-	-	<b>2,923</b>
Integrated freight forwarding and logistics services	1	3,416	731	392	<b>4,540</b>
Other revenue	332	108	20	6	<b>466</b>
Interest income on deposits	-	-	-	268	<b>268</b>
Dividends from joint ventures	-	-	372	-	<b>372</b>
Other income	20	10	-	23	<b>53</b>
<b>Total income</b>	<b>3,276</b>	<b>3,534</b>	<b>1,123</b>	<b>689</b>	<b>8,622</b>
<b>Operating Expenses</b>					
Freight and transportation services	4,146	-	236	58	<b>4,440</b>
Third-party charges related to principal activities	36,350	1	3,602	120	<b>40,073</b>
Repair services	401	1,681	35	3	<b>2,120</b>
Other expenses	179	39	11	133	<b>362</b>
<b>Total expenses</b>	<b>41,076</b>	<b>1,721</b>	<b>3,884</b>	<b>314</b>	<b>46,995</b>
Purchases of property, plant and equipment	-	2	-	69	<b>71</b>
Purchases of inventory	2	324	-	17	<b>343</b>
Contributions to non-state pension funds	-	-	-	73	<b>73</b>
<b>Total other transactions</b>	<b>2</b>	<b>326</b>	<b>-</b>	<b>159</b>	<b>487</b>

In October 2018 as a result of the sale of its shareholding to PJSC Bank VTB FAR-EASTERN SHIPPING COMPANY PLC has lost significant influence on the Company. Operations with the Group of companies of FAR-EASTERN SHIPPING COMPANY prior to the date of sale of the Company's shares are reflected above as Other related parties transactions.

In 2017, the Company acted as a guarantor for the execution of FVK Sever obligations under the loan agreement with State Development Corporation "VEB.RF". As at 31 December 2018 the debt of FVK Sever secured by the guarantee under the loan agreement amounted to RUR 2.3bn (RUR 2.1bn as at 31 December 2017). As at 31 December 2018 and 31 December 2017 the financial guarantee recognised in the consolidated statement of financial position for investment in joint venture was RUR 154 (Note 10).

Transactions and outstanding balances with related parties as at and for the year ended 31 December 2017 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's Joint ventures	Other related parties	Total
<b>ASSETS</b>					
Cash and cash equivalents	-	-	-	3,632	<b>3,632</b>
Trade receivables	352	195	20	-	<b>567</b>
Other receivables	10	17	2	47	<b>76</b>
Advances to suppliers	798	40	46	4	<b>888</b>
<b>Total assets</b>	<b>1,160</b>	<b>252</b>	<b>68</b>	<b>3,683</b>	<b>5,163</b>
<b>LIABILITIES</b>					
Liabilities to customers (advances)	-	37	93	25	<b>155</b>
Other liabilities	10	40	20	27	<b>97</b>
<b>Total liabilities</b>	<b>10</b>	<b>77</b>	<b>113</b>	<b>52</b>	<b>252</b>
<b>Revenue</b>					
Agency fees	2,597	-	-	-	<b>2,597</b>
Integrated freight forwarding and logistics services	3	2,840	846	291	<b>3,980</b>
Other revenue	345	84	20	115	<b>564</b>
Interest income on deposits	-	-	-	96	<b>96</b>
Other income	34	93	33	7	<b>167</b>
<b>Total income</b>	<b>2,979</b>	<b>3,017</b>	<b>899</b>	<b>509</b>	<b>7,404</b>
<b>Operating Expenses</b>					
Freight and transportation services	4,417	-	173	1	<b>4,591</b>
Third-party charges related to principal activities	30,980	12	2,613	115	<b>33,720</b>
Repair services	479	1,399	3	6	<b>1,887</b>
Other expenses	162	44	16	146	<b>368</b>
<b>Total expenses</b>	<b>36,038</b>	<b>1,455</b>	<b>2,805</b>	<b>268</b>	<b>40,566</b>
Purchases of property, plant and equipment	4	14	-	109	<b>127</b>
Purchases of inventory	-	238	-	13	<b>251</b>
Contributions to non-state pension funds	-	-	-	68	<b>68</b>
<b>Total other transactions</b>	<b>4</b>	<b>252</b>	<b>-</b>	<b>190</b>	<b>446</b>

In September 2017 the Company ceased to participate in associate company Trans-Eurasia Logistics GmbH by selling 20% of its shares to DB Cargo AG. Revenue on integrated freight forwarding and logistics services from Trans-Eurasia Logistics GmbH amounted to RUR 98m for the year ended 31 December 2017.

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.

In July 2017 dividends paid to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC amounted to RUR 325m and RUR 163m, respectively.

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, Chief Engineering Officer 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 22 and 19 persons as at 31 December 2018 and 31 December 2017, respectively. Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 802m (including total social insurance contributions of RUR 106m) and RUR 447m (including total social insurance contributions of RUR 60m) for the years ended 31 December 2018 and 31 December 2017, 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 sort-term excluding contributions under pension plans with defined benefits. Defined benefits to Key management of the Group are calculated based on the same terms as for other employees.

As at 31 December 2018 liabilities in respect of Key management personnel on accrued expenses and other current assets amounted to RUR 411m, and on employee benefit liability amounted to RUR 1m (RUR 249m and RUR 24m respectively as at 31 December 2017).



26. Liabilities arising from financing activities

	As at 1 January 2018	Cash flow	Non-monetary changes	As at 31 December 2018
Long-term debt	4,987	5,985	8	10,980
Current portion of long-term debt	1,425	(1,995)	896	326
Dividends paid	-	(4,072)	4,072	-
<b>Total</b>	<b>6,412</b>	<b>(82)</b>	<b>4,976</b>	<b>11,306</b>

The cash flow of the current portion of long-term debts for the year ended 31 December 2018 consists of repayment of principal part in the amount of RUR 1,250m and interest paid in the amount of RUR 745m.

	As at 1 January 2017	Cash flow	Reclassification of current portion of long-term debt	Non-monetary changes	As at 31 December 2017
Long-term debt	6,236	-	(1,249)	-	4,987
Current portion of long-term debt	2,762	(3,229)	1,249	643	1,425
Finance lease obligations	139	(132)	-	(7)	-
Dividends paid	-	(650)	-	650	-
<b>Total</b>	<b>9,137</b>	<b>(4,011)</b>	<b>-</b>	<b>1,286</b>	<b>6,412</b>

The cash flow of the current portion of long-term debts for the year ended 31 December 2017 consists of repayment of principal part in the amount of RUR 2,500m and interest paid in the amount of RUR 729m.

27. Commitments under operating leases

As at 31 December 2018 and 31 December 2017, the Group leased container terminal Dobra in Slovakia. The remaining period of agreements validity at 31 December 2018 is 6 years.

The Group leases certain production buildings and office premises in Russia. The remaining terms of the relevant lease agreements are from one to four years. Additionally, the Group leases the land on which its container terminals are located.

Future minimum lease payments under contracted operating leases, excluding the possibility of prolongation, including VAT, are as follows:

	2018	2017
Within one year	109	123
Within two to five years	127	213
After five years	18	38
<b>Total future minimum lease payments</b>	<b>254</b>	<b>374</b>

Decrease of minimum lease payments under contracted operating leases relates to the termination and expiration of lease agreements.

28. Contingencies, commitments and operating risks

The Group's capital commitments as at 31 December 2018 and 31 December 2017 consisted of the following, including VAT:

	2018	2017
Acquisition of containers and flatcars	4,533	2,906
Construction of container terminal complexes and modernisation of existing assets	135	133
Acquisition of lifting machines and other equipment	67	132
<b>Total capital commitments</b>	<b>4,735</b>	<b>3,171</b>

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. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. 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.

Transfer pricing. Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented internal controls to comply with current TP legislation.

Since Russian tax legislation does not contain clear guidance on some issues, as well as the absence of established law enforcement practice on controversial issues, the Group may use such interpretations of legislation that could potentially lead to optimization of the total amount of taxes for the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation on profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). CFC's profits are subject to a 20% tax rate. However, as a result of the preliminary analysis of the relevant foreign companies' business and the structure of earnings, expenses, dividend policy, evaluation of tax residency status, management of the Group has not identified any liabilities for taxes to the Russian budget in respect of CFC's profits.

Because of the ambiguity of formulation of current legislation, the Group can use the provisions of the tax law in the interpretation that differs from the applicable by regulatory authorities. While management currently estimates that it is probable that the tax positions and interpretations that it has taken can be sustained, there is a possible risk that an incremental outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities.

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are immediately recognised in the consolidated financial statements. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. No provisions have been recognized in the consolidated financial statements at the reporting dates.

Legal proceedings. During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, beyond those already recognised in these consolidated financial statements.

Insurance. The Group holds no insurance policies in relation to its assets, operations and other insurable risks, with the exception of insurance policies that partially cover its vehicles, buildings and constructions, machinery, Directors and Officers liability insurance policy. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

29. Risk management activities and fair value

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's objectives when managing capital is to maintain an optimal capital structure to reduce the cost of capital and to provide the shareholders with an acceptable level of return respecting the interests of other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as at 31 December 2018 (Total equity attributable to Company's owners per consolidated statement of financial position) was RUR 46,061m (as at 31 December 2017: RUR 40,367m).

The capital structure of the Group consists of issued capital, reserves and retained earnings as disclosed in Note 14.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Major Categories of Financial Instruments

The Group's financial assets include trade and other receivables, cash and cash equivalents and other non-current assets. As at 1 January 2018 all classes of financial assets were reclassified from loans and receivables measurement category under IAS 39 to AC measurement category under IFRS 9.

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents (Note 13)	9,527	4,171
Trade and other receivables	1,760	1,340
Other non-current assets	7	6
<b>Total financial assets</b>	<b>11,294</b>	<b>5,517</b>

The Group's principal financial liabilities are trade and other payables, debt, which includes bonds and financial guarantee for investment in joint venture. All financial liabilities are carried at amortised cost.

	2018	2017
<b>Financial liabilities</b>		
Trade and other payables (Note 17)	975	856
Other current liabilities (Note 19)	97	11
Long-term debt (Note 15)	10,980	4,987
Current portion of long-term debt (Note 15)	326	1,425
Financial guarantee for investment in joint venture	154	154
<b>Total financial liabilities</b>	<b>12,532</b>	<b>7,433</b>

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due. Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

In 2018 the Company made full repayment of its obligation in the amount of RUR 1,295m (including the amount of accrued interest of RUR 45m) which was classified as current portion of long-term debt in the consolidated statement of financial position as at 31 December 2017 and affected current liquidity ratio of the Group.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of bond obligations. The non-interest bearing liabilities include trade and other payables and other financial liabilities.

The following table details the Group's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on undiscounted cash flows of financial liabilities, including future interest, based on the earliest date on which the Group can be required to pay or expect to make the payment.

	Effective interest rate	On demand	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
<b>2018</b>							
Non-interest bearing liabilities (including trade and other payables and other liabilities)	-	-	711	315	46	-	<b>1,072</b>
Bonds	7.55% - 9.45%	-	224	234	459	12,820	<b>13,737</b>
Financial guarantee for investment in joint venture	-	2,323	-	-	-	-	<b>2,323</b>
<b>Total</b>		<b>2,323</b>	<b>935</b>	<b>549</b>	<b>505</b>	<b>12,820</b>	<b>17,132</b>

	Effective interest rate	On demand	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
<b>2017</b>							
Non-interest bearing liabilities (including trade and other payables and other liabilities)	-		700	167	-	-	<b>867</b>
Bonds	8,40%-9,45%		1,302	234	234	6,054	<b>7,824</b>
Financial guarantee for investment in joint venture		2,111	-	-	-	-	<b>2,111</b>
<b>Total</b>		<b>2,111</b>	<b>2,002</b>	<b>401</b>	<b>234</b>	<b>6,054</b>	<b>10,802</b>

### Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue, and purchases third party transportation services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers, are denominated in currencies other than the Russian Rouble, the functional currency of the Company.

As at 31 December 2018 and 2017 the Group's financial assets denominated in foreign currency have exceeded its foreign currency financial liabilities.

As at 31 December 2018 there was the weakening of the Russian Rouble against the USD by 21% and against EUR by 15% (as at 31 December 2017 was the strengthening of the Russian Rouble against the USD by 5% and weakening of the Russian Rouble against the EUR by 8%). The Group does not have or use any formal arrangements to manage foreign currency risk exposure (derivatives).

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR		Other	
	2018	2017	2018	2017	2018	2017
Assets						
Cash and cash equivalents	808	1,710	365	610	25	4
Trade and other receivables	37	39	103	85	9	8
Total assets	845	1,749	468	695	34	12
Liabilities						
Trade and other payables	182	157	80	36	10	6
Total liabilities	182	157	80	36	10	6

The table below provides analysis of sensitivity of Group's profit and loss and capital to strengthening of the Russian Rouble against the USD and EUR by 30%, all other variables being held constant. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies:

	USD – impact		EUR – impact	
	2018	2017	2018	2017
Total	(199)	(478)	(116)	(197)

The weakening of the Russian Rouble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

### Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates, and maintaining an appropriate mix between debt and equity.

As at 31 December 2018 and 31 December 2017 the Group's borrowed funds consist of long-term debt, current portion of long-term debt (Note 15).

As at 31 December 2018 and 31 December 2017 long-term debt and current portion of long-term debt consist of bonds only. All bonds were granted at fixed interest rates, therefore the Group was not exposed to the additional interest risk.

The annual coupon rate of the five-year RUR bonds, series 4 issued on 1 February 2013 was set at 8.35% for five years without any further changes. The effective interest rate of the bonds, series 4 is 8.4%.

The annual coupon rate of the five-year RUR bonds, series BO-02 issued on 22 September 2016 was set at 9.4% for five years without any further changes. The effective interest rate of the bonds, series BO-02 is 9.45%.

The annual coupon rate of the five-year RUR bonds, series BO-01 issued on 25 January 2018 was set at 7.5% for five years without any further changes. The effective interest rate of the bonds, series BO-01 is 7.55%.

### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's, Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies (where possible)	Corresponding PD interval
Excellent	Counterparties with the lowest risk of default and strong ability to fulfil their contractual obligations, for which the Group has relevant data and regularly performs the financial analysis	AAA – BB+, B (Ba)	0% - 0,01%
Good	Counterparties with the low risk of default and strong ability to fulfil their contractual obligations, for which the Group has relevant data and periodically performs the financial analysis	BB- – BBB-	0,01% - 0,5%
Satisfactory	Counterparties with the moderate risk of default and payments overdue from 30 to 90 days	CCC+ – CC	0,5% - 5%
Special monitoring	Counterparties with the high risk of default and payments overdue from 30 to 90 days	CC- – C	5% - 99,9%
Default	Counterparties with the payments (interest or principal amount) overdue for more than 90 days	C, D-I, D-II	100%

The Group's exposure to credit risk arises primarily with respect to receivables in connection with container shipping activities and financial guarantee for investment in joint venture.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection and to minimize losses.

Credit exposure is managed by establishing credit limits for the most significant customers that are reviewed and approved by management. Deferred payment terms are offered only to the most significant customers of the Group with proven credit history. Sales to other customers are made on a prepayment basis.

The carrying amount of accounts receivable, net of provision for impairment of receivables (Note 11), carrying amount of cash and cash equivalents (Note 13) and financial part of other non-current assets represents the maximum amount of financial assets exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group's maximum exposure to credit risk by class of assets and liabilities is reflected in the carrying amounts of financial assets and financial guarantee in the consolidated statement of financial position, described below.

The Group's concentration of credit risk is dependent on a few large key customers. As at 31 December 2018 77% of the total net amount of trade and other receivables related to five largest counterparties of the Group (as at 31 December 2017: 68% related to seven largest counterparties) of which one of the largest counterparty is a related party and accounts for 21% of the total amount of trade receivables and other receivables (as at 31 December 2017: 42% related to two largest counterparties).

The largest trade and other receivables outstanding as at the balance sheet date are as follows:

Outstanding balance, net		
	2018	2017
LLC Liga Development	771	-
RZD	373	362
DB Cargo Logistics GmbH (DB Schenker Rail Automotive GmbH)	146	113
JSC Kuznetskie Ferrosplay	35	30
UNICO LOGISTICS	15	23
JSC RZD Logistics	1	196
Fintrans GL LLC	1	128
PJSC Chelyabinsk Pipe-Rolling Plant	-	57
JSC Vyksa Steel Works	-	8
Total	1,342	917

As at 31 December 2017 no impairment of accounts receivable has been identified for all these customers. The provision matrix presented in Note 11.

Financial assets neither past due nor impaired are primarily receivables from related parties (Note 25) and receivables from other companies in the transportation and logistics sector. Accounts receivable from related parties are characterised by a high degree of creditworthiness and the likelihood of recovery. Accounts receivable from other companies have similar rates of credit capacity and analysed on a regular basis by the Group for reliability and collectability.

As at 31 December 2018 the Group received financial guarantees in the total amount of RUR 2,697m in order to ensure the proper performance of contractual obligations and minimise risks of collecting receivables (as at 31 December 2017: RUR 344m).

The Group's management monitors past due balances of receivables and provides ageing analysis as disclosed in Note 11.

Credit risk on liquid funds is limited because these funds are placed only with financial organisations with minimal level if defolt risk. As at 31 December 2018 72% of total cash and cash equivalents were held with one bank which is related to the Group (as at 31 December 2017: 87%) (Note 13).

As part of the financial guarantee issued by the Company for FVK Sever under a loan agreement with the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), as of 31 December 2018, the credit risk is represented by a maximum amount of RUR 2.3 billion (as of 31 December 2017: RUR 2.1 billion.), which the Company will have to pay if the joint venture fails to settle its obligations under a loan agreement (Note 10).

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 (Note 3). 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,other payables 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:

	2018	2017
Financial liabilities		
Bonds	10,915	6,493
Total	10,915	6,493

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. The fair value of bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and maturity.

30. Accounting policies before 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

Financial instruments

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the market quotation in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity of assets and liabilities held by the Company and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (a) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (b) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (c) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.



Classification of financial assets. Financial assets have the following categories:

- (a) loans and receivables;
- (b) available-for-sale financial assets;
- (c) financial assets held to maturity, and
- (d) financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss have two sub-categories:

- (a) assets designated as such upon initial recognition, and
- (b) those classified as held for trading.

The Group has the following financial assets.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Classification of financial liabilities. Financial liabilities have the following measurement categories:

- (a) held for trading which also includes financial derivatives
- (b) other financial liabilities.

Other financial liabilities are carried at amortised cost. As at 31 December 2017 all financial liabilities are classified as other financial liabilities.

Initial recognition of financial instruments. Financial instruments of the Group are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liabilities. The Group derecognises financial assets when:

- (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire, or
- (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off:

- (1) must not be contingent on a future event and
- (2) must be legally enforceable in all of the following circumstances:
  - (a) in the normal course of business,
  - (b) in the event of default, and
  - (c) in the event of insolvency or bankruptcy.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- (a) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- (b) the counterparty considers bankruptcy or a financial reorganisation;
- (c) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- (d) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to wholly or partially recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Revenue recognition. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided, net of discounts, returns and value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from sales of inventories are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenues from services. Revenues from services are recognised in the accounting period in which the services are provided based on the stage of completion of the transaction at the end of the accounting period.

Interest income. Interest income is recorded on an accrual basis using the effective interest method.

31. Subsequent events

Acquisition of flatcars. In January - March 2019 the Group obtained under the previously signed agreements:

- 1. 276 flatcars from LLC Speccompany for the total amount of RUR 788m, net of VAT;
- 2. 247 flatcars from LLC RailAlliance for the total amount of RUR 778m, net of VAT;
- 3. 275 flatcars from JSC Roslavskiy vagonoremontniy zavod for the total amount of RUR 605m, net of VAT;
- 4. 205 flatcars from OJSC Transportnoye Mashinostroyeniye for the total amount of RUR 481m, net of VAT;
- 5. 125 flatcars from JSC Altaiskogo vagonostroenia for the total amount of RUR 330m, net of VAT.

Acquisition of containers. In January-March 2019 the Group obtained under the previously signed agreements:

- 1. 3,188 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 499m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT;
- 2. 757 containers from DG ORDEREASY LTD for the total amount of RUR 204m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.

Agreement on acquisition of flatcars. 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.

# APPENDICES

## Report on Compliance with the Corporate Governance Code

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
1.1.	The Company must ensure equal and fair treatment of all shareholders as they exercise their right to participate in the governance of the Company.			
1.1.1.	The Company shall create the most advantageous conditions for shareholders to participate in the General Meeting of Shareholders; conditions to enable the development of well-founded positions on agenda items at the General Meeting of Shareholders; coordination of their actions; and the opportunity to express their opinion on the issues under consideration.		Compliant	
		1. The internal company document approved by the general meeting of shareholders that governs the procedures for conducting the general meeting is openly available.	Compliant	
		2. The Company provides an accessible means of communicating with the Company such as a hotline, an email address or an Internet forum, through which shareholders can express their opinion and submit questions on the agenda during preparations for the General Meeting. The Company took these actions on the eve of each General Meeting held during the reporting period.	Compliant	
1.1.2.	The procedure for notification of the General Meeting and for submitting information to the General Meeting shall enable shareholders to prepare properly for participation in it.		Compliant	
		1. The notification of the General Meeting of Shareholders was posted (published) on the website at least 30 days prior to the date of the General Meeting.	Compliant	
		2. The notification of the General Meeting indicated the location of the meeting and the documents necessary for admission to the premises.	Compliant	
		3. Information on who proposed agenda items and who nominated candidates for the Company's Board of Directors and Revision Commission was provided to shareholders.	Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
1.1.3.	During preparations for the General Meeting of Shareholders and at the meeting itself, shareholders were given timely and unhindered access to information and materials on the meeting, and the opportunity to submit questions to the Company's executive bodies and members of the Board of Directors and to communicate with each other.		Compliant	
		1. During the reporting period, shareholders were able to submit questions to the Company's executive bodies and members of the Board of Directors before and during the Annual General Meeting.	Compliant	
		2. The positions of the Board of Directors (including special opinions included in the minutes) on each agenda item for General Meetings conducted during the reporting period were included in the materials for the General Meeting of Shareholders.	Compliant	
		3. The Company provided access to the list of persons having the right to participate in the General Meeting to all entitled shareholders, from the date on which this list was received by the Company, in all cases where General Meetings were held during the reporting period.	Compliant	
1.1.4.	The exercising by a shareholder of the right to call a General Meeting, to nominate candidates for executive bodies and to make suggestions for inclusion on the agenda for a general meeting shall not entail undue difficulties.		Compliant	
		1. During the reporting period, shareholders were able to submit proposals for inclusion on the agenda of the Annual General Meeting for at least 60 days after the end of the relevant calendar year.	Compliant	
		2. During the reporting period, the Company did not refuse to accept proposals from a shareholder on the agenda or candidates for corporate bodies due to typographical errors or other insignificant shortcomings in the shareholder's proposals.	Compliant	
1.1.5.	Each shareholder shall be able to exercise their right to vote in a simple and convenient manner without impediment.		Compliant	
		1. The Company's internal document (Internal Policy) contains provisions according to which each participant in a General Meeting may request a copy of the ballot, which he/she filled out, certified by the ballot committee, prior to the end of the Meeting.	Compliant	
1.1.6.	The procedure established by the Company for conducting a General Meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them.		Compliant	



No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. At General Meetings of Shareholders held during the reporting period in the form of a meeting (with shareholders jointly present), sufficient time was provided for reports on agenda items and for discussion of these items.	Compliant	
		2. The candidates for the Company's management and supervisory bodies were available to answer questions from shareholders at the meeting where their candidacies were raised for voting.	Compliant	
		3. When making decisions relating to preparing for and holding General Meetings of Shareholders, the Board of Directors examined the issue of using telecommunications technologies to provide shareholders with remote access to General Meetings during the reporting period.	Compliant	
1.2.	Shareholders shall be provided with equal and fair opportunities to share in the Company's profits by receiving dividends.			
1.2.1.	The Company has developed and introduced a transparent and understandable mechanism for determining and paying dividends.		Partially compliant	
		1. A Dividend Policy has been developed by the Company, approved by the Board of Directors and disclosed.	Compliant	
		2. If the Company's Dividend Policy uses the Company's reporting indicators to determine the amount of dividends, the corresponding provisions of the Dividend Policy account for consolidated financial statement indicators.	Not compliant	The TransContainer's Dividend Policy provides for dividend payouts as a percentage of the Company's net profit in accordance with RAS (net of income from the revaluation of financial investments). The Dividend Policy had been developed by the Company before the issue of the Corporate Governance Code recommended by the Bank of Russia and was in line with dividend calculation practices adopted by Russian Railways. The target dividend payout ratio is 25% of the Company's net profit under RAS, but in the reporting period, a total of 75% of net profit for 2017 was paid out as dividends, which is more than 60% of net profit under IFRS.
1.2.2.	The Company will not make a decision to pay dividends, if such a decision, although not formally in violation of legal requirements, is not economically justified and may lead to a false impression of the Company's operations.		Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Company's Dividend Policy contains clear instructions on the financial and economic circumstances, under which the Company shall not pay dividends.	Compliant	
1.2.3.	The Company does not permit the degradation of the dividend rights of existing shareholders.		Compliant	
		1. During the reporting period, the Company did not take actions leading to degradation of the dividend rights of existing shareholders.	Compliant	
1.2.4.	The Company will strive to prevent the use of methods for gaining profit (earnings) by shareholders at the Company's expense other than dividends and liquidation value.		Not compliant	
		1. To prevent the use of methods for gaining profit (earnings) by shareholders at the Company's expense other than dividends and liquidation value, the Company's internal documents have established controls that ensure timely identification and a procedure for approval of transactions with persons affiliated (associated) with significant shareholders (persons entitled to cast votes attached to voting shares) in cases where the law does not formally recognise such transactions as interested-party transactions.	Not compliant	Since no transactions have been identified in the course of audits and reviews of the Company, its internal documents do not provide for controls that ensure timely identification and a procedure for approval of transactions with persons affiliated (associated) with significant shareholders (persons entitled to cast votes attached to voting shares) in cases where the law does not formally recognise such transactions as interested-party transactions.
1.3.	The Corporate Governance system and practice ensure equal conditions for all shareholders – owners of shares of one category (type), including minority shareholders and foreign shareholders, and equal treatment of them by the Company.			
1.3.1.	The Company has created conditions for fair treatment of each shareholder by the Company's management and supervisory bodies, including conditions that prevent abuse of minority shareholders by majority shareholders.		Compliant	
		1. During the reporting period, procedures for managing potential conflicts of interest among significant shareholders were effective, while the Board of Directors paid proper attention to conflicts between shareholders if such existed.	Compliant	
1.3.2.	The Company does not take actions that lead or may lead to an artificial redistribution of corporate control.		Compliant	
		1. There was no quasi-reacquired stock, or it was not involved in voting during the reporting period.	Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
1.4.	Shareholders have been provided with reliable and effective means for accounting for rights to shares, as well as the opportunity to dispose of the shares belonging to them freely and without encumbrance.			
1.4.1.	Shareholders have been provided with reliable and effective means for accounting for rights to shares, as well as the opportunity to dispose of the shares belonging to them freely and without encumbrance.		Compliant	
		1. The quality and reliability of the work carried out by the Company's registrar to maintain a register of owners of securities conform to the requirements of the Company and its shareholders.	Compliant	
2.1.	The Board of Directors shall exercise strategic governance of the Company, determine the fundamental principles and approaches to the Company's risk management and internal control system, oversee the activities of the Company's executive bodies, and also perform other key functions.			
2.1.1.	The Board of Directors shall be responsible for making decisions about appointments to and dismissals from executive bodies, including due to failure to perform. The Board of Directors shall also exercise control to ensure that the Company's executive bodies act according to the approved Development Strategy and main areas of operations of the Company.		Compliant	
		1. The Board of Directors has powers defined in the Charter to appoint, dismiss and determine the terms and conditions of contracts for members of executive bodies.	Compliant	
		2. The Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body on fulfilment of the Company's strategy.	Compliant	
2.1.2.	The Board of Directors shall define the benchmarks for the Company's operations over the long term; evaluate and approve key performance indicators and the primary business goals of the Company, and assess and approve the Strategy and Business Plans for the Company's primary operations.		Compliant	
		1. Issues relating to the fulfilment and updating of the Strategy, approval of the Company's financial and business plan (budget), and criteria and indicators (including intermediate indicators) for implementation of the Company's Strategy and Business Plan, were reviewed at meetings of the Board of Directors during the reporting period.	Compliant	
2.1.3.	The Board of Directors shall define the principles and approaches to the Company's risk management and internal control system.		Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Board of Directors has defined the principles and approaches to the Company's risk management and internal control system.	Compliant	
		2. The Board of Directors has evaluated the Company's risk management and internal control system during the reporting period.	Compliant	
2.1.4.	The Board of Directors shall define the Company's Policy on remuneration and/or reimbursement of expenses of the members of the Board of Directors, executive bodies and other key managers of the Company.		Compliant	
		1. The Policy (policies) on remuneration and reimbursement of expenses of the members of the Board of Directors, executive bodies and other key managers of the Company was developed, approved by the Board of Directors and introduced.	Compliant	
		2. Issues relating to this Policy (policies) were reviewed at meetings of the Board of Directors during the reporting period.	Compliant	
2.1.5.	The Board of Directors shall play a key role in preventing, identifying and regulating internal conflicts between the Company's bodies, shareholders and employees.		Compliant	
		1. The Board of Directors plays a key role in preventing, identifying and regulating internal conflicts.	Compliant	
		2. The Company has created a system for identifying transactions involving a conflict of interest and a system of measures aimed at resolving such conflicts.	Compliant	
2.1.6.	The Board of Directors shall play a key role in ensuring the transparency of the Company, timely and complete disclosure of information by the Company and the unhindered access of shareholders to the Company's documents.		Compliant	
		1. The Board of Directors has approved the Regulations on information policy.	Compliant	
		2. The Company has assigned the persons responsible for implementing the information policy.	Compliant	
2.1.7.	The Board of Directors shall exercise oversight of Corporate Governance practice in the Company and play a key role in significant corporate events.		Compliant	
		1. The Board of Directors has reviewed the issue of Corporate Governance practice in the Company during the reporting period.	Compliant	
2.2.	The Board of Directors shall be accountable to the Company's shareholders.			
2.2.1.	Information on the work of the Board of Directors is disclosed and provided to shareholders.		Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Company's Annual Report for the reporting period includes information on the attendance of individual Directors at meetings of the Board of Directors and its committees.	Compliant	
		2. The Annual Report contains information on main results of the assessment of the Board of Directors' work conducted during the reporting period.	Compliant	
2.2.2.	The Chairman of the Board of Directors shall be accessible for communication with the Company's shareholders.		Compliant	
		1. The Company has a transparent procedure enabling shareholders to submit questions and their positions on them to the Chairman of the Board of Directors.	Compliant	
2.3.	The Board of Directors is an effective and professional management body of the Company, capable of making objective, independent judgements and decisions meeting the interests of the Company and its shareholders.			
2.3.1.	Only persons with impeccable business and personal reputations, having the knowledge, skills and experience necessary for making decisions under the purview of the Board of Directors and required for the effective performance of its functions shall be selected as members of the Board of Directors.		Compliant	
		1. The Company's procedure for evaluating the performance of the Board of Directors includes an assessment of the professional qualifications of the Board members.	Compliant	
		2. During the reporting period, the Board of Directors (or its Nomination Committee) evaluated candidates for the Board of Directors from the viewpoint of whether candidates possess the necessary experience, knowledge, business reputation, lack of conflicts of interest, etc.	Compliant	
2.3.2.	Members of the Company's Board of Directors shall be elected by a transparent procedure that enables shareholders to obtain sufficient information on the candidates to gain an idea of their personal and professional qualities.		Compliant	
		1. At all General Meetings of Shareholders during the reporting period for which the agenda included items regarding the election of the Board of Directors, the Company provided shareholders with biographical information on all candidates for the Board of Directors, the results of the evaluation of such candidates conducted by the Board of Directors (or its Nomination Committee), and information about whether the candidates met the independence criteria, according to recommendations 102–107 of the Code and the written consent of the candidates for the Board of Directors.	Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
2.3.3.	The membership of the Board of Directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and have the trust of the shareholders.		Compliant	
		1. As part of the procedure for evaluating the work of the Board of Directors during the reporting period, the Board of Directors has analysed its own needs in terms of professional qualifications, experience and business skills.	Compliant	
2.3.4.	The quantitative composition of the Company's Board of Directors shall make it possible to organise the activity of the Board of Directors in the most efficient manner, including the ability to establish committees of the Board of Directors, and shall also enable significant minority shareholders of the Company to elect the candidate they vote for to the Board of Directors.		Compliant	
		1. As part of the procedure for evaluating the Board of Directors carried out during the reporting period, the Board of Directors has reviewed the issue of the conformity of the quantitative composition of the Board of Directors to the needs of the Company and the interests of its shareholders.	Compliant	
2.4.	The Board of Directors shall include a sufficient number of independent directors.			
2.4.1.	An independent director is a person who has sufficient professionalism, experience and independence to determine his or her own position, who is capable of making objective and conscientious judgements that are independent of the influence of the Company's executive bodies, groups of shareholders or other interested parties. It must be noted here that, under normal conditions, a candidate (elected member of the Board of Directors) who is connected to the Company, a significant shareholder, significant contractual counterparty or competitor of the Company, or who has connections to the Government, cannot be deemed independent.		Compliant	
		1. During the reporting period, all independent members of the Board of Directors met all criteria indicated in recommendations 102–107 of the Code or were declared independent by the decision of the Board of Directors.	Compliant	
2.4.2.	The conformity of the candidates for the Board of Directors to the independence criteria shall be evaluated, and the conformity of independent members of the Board of Directors to the independence criteria shall be analysed regularly. Content must take precedence over form when conducting such an evaluation.		Compliant	



No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) formed an opinion of the independence of each candidate for the Board of Directors and submitted its conclusions to the shareholders.	Compliant	
		2. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) reviewed the independence of the current members of the Board of Directors, whom the Company lists as independent directors in the Annual Report, at least once.	Compliant	
		3. The Company has developed procedures defining the necessary actions of a member of the Board of Directors in the event that he or she ceases to be independent, including the responsibility to inform the Board of Directors of this fact in a timely manner.	Compliant	
2.4.3.	At least one-third of the elected members of the Board of Directors shall be independent directors.		Not compliant	
		1. At least one-third of the members of the Board of Directors shall be independent directors.	Not compliant	In 2018 the Company's Board of Directors included two independent directors. In the materials for the General Meeting of Shareholders, the Company provides information on the compliance of each candidate with the formal independence criteria and on the recommended number of independent directors.  During an Extraordinary General Meeting of Shareholders on 18 January 2019, a new Board of Directors was selected including five members of the Board of Director who meet the independence criteria.
2.4.4.	Independent directors shall play a key role in preventing internal conflicts in the Company and in material corporate actions by the Company.		Partially compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. Independent directors (who have no conflict of interest) assess in advance material corporate actions involving potential conflicts of interest, and the results of this assessment are submitted to the Board of Directors.	Partially compliant	As no material corporate actions involving potential conflicts of interest were identified, independent directors did not perform this procedure in the reporting period. If they arise, independent directors will be able to assess material corporate actions involving potential conflicts of interest in advance and provide the results of such an assessment to the Board of Directors. In practice, independent directors state their opinion on the approval of material corporate actions before and at the meeting of the Board of Directors. Material corporate actions are also considered at meetings of the Board Committees, which include independent directors.
2.5.	The Chairman of the Board of Directors shall promote the most efficient exercise of the functions assigned to the Board of Directors.			
2.5.1.	An independent director shall be elected as the Chairman of the Board of Directors, or a senior independent director shall be determined from among the elected independent directors to coordinate the work of the independent directors and interact with the Chairman of the Board of Directors.		Partially compliant	
		1. The Chairman of the Board of Directors is an independent director, or a senior independent director has been determined from among the independent directors.<3>	Not compliant	Considering that the Company's Board of Directors included two independent directors in 2018, their work did not require any coordination. The independent directors were able to interact directly with the Chairman and all members of the Board of Director. On 26 February 2019, the Board of Directors deemed five directors to be independent ones and determined the senior independent director.
		2. The role, rights and responsibilities of the Chairman of the Board of Directors (and the senior independent director, if applicable) are properly defined in the Company's internal documents.	Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
2.5.2.	The Chairman of the Board of Directors shall ensure a constructive atmosphere for conducting meetings, free discussion of the issues on the meeting agenda and oversight of the fulfilment of decisions made by the Board of Directors.		Compliant	
		1. The performance of the Chairman of the Board of Directors has been evaluated as part of the procedure for evaluating the performance of the Board of Directors during the reporting period.	Compliant	
2.5.3.	The Chairman of the Board of Directors shall take the steps necessary to provide members of the Board of Directors with the information required to make decisions on agenda items in a timely manner.		Compliant	
		1. The obligation of the Chairman of the Board of Directors to take the steps necessary to provide members of the Board of Directors with the information required to make decisions on agenda items for a meeting of the Board of Directors in a timely manner is specified in the Company's internal documents.	Compliant	
2.6.	The members of the Board of Directors shall act conscientiously and reasonably in the interests of the Company and its shareholders on the basis of sufficient information, and act with due diligence and prudence.			
2.6.1.	Members of the Board of Directors shall make decisions on the basis of all information available, without conflicts of interest, with consideration of the equal treatment of the Company's shareholders, within the scope of normal business risk.		Compliant	
		1. The Company's internal documents specify that a member of the Board of Directors is obliged to notify the Board of Directors, if he or she has a conflict of interest with respect to any agenda item of a meeting of the Board of Directors or committee of the Board of Directors before discussion of the applicable agenda item begins.	Compliant	
		2. The Company's internal documents specify that a member of the Board of Directors must abstain from voting on any issue with which he or she has a conflict of interest.	Compliant	
		3. A procedure has been established in the Company, which enables the Board of Directors to obtain professional advice on issues under its jurisdiction, at the Company's expense.	Compliant	
2.6.2.	The rights and responsibilities of members of the Board of Directors are clearly stated in the Company's internal documents.		Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Company has adopted and published a regulation that clearly defines the rights and responsibilities of members of the Board of Directors.	Compliant	
2.6.3.	Members of the Board of Directors shall have sufficient time to fulfil their obligations.		Compliant	
		1. Individual attendance at meetings of the Board and its committees, as well as the time devoted to preparing for participation in meetings, have been considered in the process of evaluating the Board of Directors in the reporting period.	Compliant	
		2. According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intent to become members of management bodies of other entities (other than entities controlled by the Company and its subsidiaries), as well as of the fact of such appointment.	Compliant	
2.6.4.	All members of the Board of Directors shall have equal access to the Company's documents and information. Newly elected members of the Board of Directors are provided with sufficient information on the Company and on the work of the Board of Directors as quickly as possible.		Compliant	
		1. According to the Company's internal documents, members of the Board of Directors have the right to access documents and to ask questions about the Company and its subsidiaries, while the Company's management bodies are obliged to provide the applicable information and documents.	Compliant	
		2. The Company has a formalised induction programme for newly elected members of the Board of Directors.	Compliant	
2.7.	Meetings of the Board of Directors, preparation for them and participation in them by members of the Board of Directors shall ensure the effective functioning of the Board of Directors.			
2.7.1.	Meetings of the Board of Directors shall be held as necessary, depending on the scale of operations and the tasks facing the Company in a given period.		Compliant	
		1. The Board of Directors held at least six meetings in the reporting year.	Compliant	
2.7.2.	The Company's internal documents shall define the procedure of preparing for and holding meetings of the Board of Directors ensuring that the members of the Board of Directors are able to prepare for them properly.		Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Company has approved an internal document on the procedure for preparing for and holding meetings of the Board of Directors specifying, among others, that notification of a meeting shall be usually provided at least five days in advance.	Compliant	
2.7.3.	The format of the Board of Directors' meeting shall be determined taking into account the importance of the agenda items. Decisions on the most important issues shall be taken at in-person meetings.		Compliant	
		1. The Company's Charter or a regulation stipulates that the most important issues (according to the list provided in Recommendation 168 of the Code) shall be reviewed at in-person meetings of the Board.	Compliant	
2.7.4.	Decisions on the most important issues of the Company's operations shall be made at meetings of the Board of Directors by a qualified majority or majority of votes of all elected members of the Board of Directors.		Compliant	
		1. The Company's Charter stipulates that decisions on the most important issues listed in Recommendation 170 of the Code shall be made at meetings of the Board of Directors by a qualified majority of at least three quarters of the votes, or by a majority of the votes of all elected members of the Board of Directors.	Compliant	
2.8.	The Board of Directors shall establish committees for a preliminary review of the most important issues of the Company's operations.			
2.8.1.	The Audit Committee consisting of independent directors shall be created for a preliminary review of matters related to the financial and business operations of the Company.		Partially compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Board of Directors has created the Audit Committee consisting of independent directors only.	Not compliant	In 2018, the Company's Audit Committee included two independent directors and the members of the Board of Directors – representatives of minority and majority shareholders. The Board of Directors seeks to maximise the involvement of independent directors in its committees. However, there is a natural limiting factor, i.e. the correlation between the number of independent directors and the number of committee members that exceeded the number of independent directors in the reporting period.  While composing its committees, the Board of Directors takes into account the Director' independence along with expertise, experience, and desire to work in a certain committee, which makes his/her engagement in the Audit Committee's work more effective.
		2. The Company's internal documents define the tasks of the Audit Committee, including the tasks listed in Recommendation 172 of the Code.	Compliant	
		3. At least one member of the Audit Committee, who is an independent director, has knowledge and experience in preparing, analysing, assessing and auditing the accounting (financial) statements.	Compliant	
		4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.	Compliant	
2.8.2.	The Remuneration Committee consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors shall be created for a preliminary review of issues relating to the establishment of an effective and transparent remuneration practice.		Partially compliant	



No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The Board of Directors created the Remuneration Committee consisting of independent directors only.	Not compliant	<p>In 2018, the Company's Nominations and Remuneration Committee included one independent director and the members of the Board of Directors – representatives of minority and majority shareholders. The Board of Directors seeks to maximise the involvement of independent directors in its committees. However, there is a natural limiting factor, i.e. the correlation between the number of independent directors and the number of committee members that exceeded the number of independent directors in the reporting period.</p> <p>While composing its committees, the Board of Directors takes into account the Director' independence along with expertise, experience, and desire to work in a certain committee, which makes his/her engagement in the Nominations and Remuneration Committee's work more effective.</p>
		2. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors.	Not compliant	<p>In 2018, the Chairman of the Nominations and Remuneration Committee of the Company was not qualified as an independent director. The Chairman of the Committee is a non-executive director and is not a Chairman of the Board of Directors.</p> <p>Though the Chairman of the Committee was not an independent director, it did not hinder the Committee from making objective recommendations for the Board of Directors and completing its tasks and functions.</p>
		3. The tasks of the Remuneration Committee, including the tasks listed in Recommendation 180 of the Code, are defined in the Company's internal documents.	Compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		2.8.3. The Nominations Committee (appointments, HR), in which the majority of members are independent directors, shall be created for a preliminary review of issues relating to workforce planning (succession planning) and the professional composition and performance of the Board of Directors.	Partially compliant	
		1. The Board of Directors has created the Nominations Committee (or the tasks indicated in Recommendation 186 of the Code are performed by a different committee <4>), in which the majority of members are independent directors.	Not compliant	The Company has created the Nominations and Remuneration Committee, which completes the tasks similar to those of the Nominations Committee (see the comments to para 2.8.2.).
		2. The Company's internal documents define the tasks of the Nominations Committee (or the corresponding committee with combined functions), including the tasks listed in Recommendation 186 of the Code.	Compliant	
		2.8.4. In view of the activity scope and risk levels, the Company's Board of Directors shall be confident that the composition of its committees fully matches the goals of the Company's operations. Additional committees shall be either created or declared unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).	Compliant	
		1. In the reporting period, the Company's Board of Directors has considered the issue of its committees' composition compliance with the tasks of the Board of Directors and the goals of the Company's operations. Additional committees were either created or were not deemed necessary.	Compliant	
		2.8.5. The composition of committees shall be determined so as to enable thorough discussion of the issues under preliminary review, with various opinions considered.	Partially compliant	

No.	Corporate governance principles	Criteria for evaluating compliance with corporate governance principles	Status <1> of compliance with corporate governance principles	Explanations <2> of deviations from criteria for evaluating compliance with corporate governance principles
		1. The committees of the Board of Directors are chaired by independent directors.	Partially compliant	The Audit Committee is chaired by an independent director. The Strategy Committee and the Nominations and Remuneration Committee are chaired by non-executive directors. The Company's deviation from this recommendation ensues from the fact that while selecting chairmen of the committees, the Board of Directors also pays attention to the relevant expertise, skills and experience of directors pertinent to the respective committee, as well as their desire to work as a chairman of the respective committee, which makes their engagement in the committee's work more effective.
		2. The Company's internal documents (policies) include provisions according to which persons who are not members of the Audit Committee, Nominations Committee or Remuneration Committee may only attend meetings of these committees at the invitation of the Chairman of the respective committee.	Compliant	

<1> The "Compliant" status is indicated only if the Company meets all the criteria for assessing compliance with corporate governance principles. Otherwise, the "Partially compliant" or "Not compliant" status is indicated.

<2> These statuses are assigned for each criterion that is used to assess compliance with corporate governance principles if the Company meets only part of the criteria or does not meet any of the criteria for assessing compliance with the principle. If the Company has indicated the "Compliant" status, then no further explanations are required.

<3> Specify which of the two alternative approaches permitted by the principle have been implemented at the Company and explain why this approach was chosen.

<4> When the functions of the Nominating Committee are carried out by another committee, specify its name.

<5> Specify the list of additionally created committees.

Major Transactions and Related Party Transactions

Information on the Company's transactions which the Federal Law "On Joint-Stock Companies" recognizes as major transactions and/or related party transactions, is available in the report on related party transactions concluded in 2018 on the website:


<https://trcont.com/ru/investor-relations/reporting/annual-reports/>.




In accordance with the Regulation on information disclosure by issuers of issue-grade securities No. 454-P approved by the Bank of Russia on 30 December 2014, the Company also discloses the information on such transactions in the quarterly reports and material facts that are available on the website:

<http://www.e-disclosure.ru/portal/company.aspx?id=11194>.

Corporate Risk Map for 2018

1. Strategic Risks


Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – S.01 Corporate governance			
Risk area (subprocess) – 01.1. Corporate governance model			
Breach of corporate law  Criticality:    <b>Acceptable risk</b> High-level Company's process <sup>1</sup> : G.6. Corporate governance  Risk management method: Control and prevention	1. Corporate governance noncompliant with market operator requirements as needed to maintain the current listing of the Company's securities 2. Decision-making processes in the Company's governance bodies non-compliant with the Russian laws, Charter and the Company's internal documents	1. A decline in market valuation of the Company's securities (lower liquidity, higher financing costs) 2. De-listing of the Company's securities, suspension of trading	1. Monitoring of the corporate laws and the market operator requirements, the Company's Regulation on Information Disclosure and best practices of information disclosure, alignment of the Company's corporate governance practices with said requirements (on an ongoing basis) 2. Control over compliance with the corporate laws and market operator requirements in order to keep the Company's securities listed under the relevant category (on an ongoing basis)
	3. Delays in providing the Company's shareholders with materials required to prepare for the General Meeting of Shareholders  4. Delays in providing the Company's shareholders with documents and information when such provision is mandatory in accordance with the Russian laws  5. Failure to follow the procedure and time limits for issuing official resolutions by the Company's governance bodies  6. Failure to fulfil the Company's obligation to pay dividends to shareholders in full and on time  7. Failure to disclose information, fully or timely, about the Company's operations in accordance with the laws of the Russian Federation and the United Kingdom  8. The insufficient formalisation of the disclosure process	3. Invalidation of resolutions adopted by the governance bodies (Board of Directors, General Meeting of Shareholders) and completed transactions  4. Regulatory fines  5. Lower investor appeal  6. Shareholder's claims against the Company and its Directors	3. Monitoring of compliance with disclosure procedures and timelines as per the Federal Law on Securities Market and the Regulation on information disclosure by the issuers of issue-grade securities approved by Order of the Bank of Russia No.454-P dated 30 December 2014 (on an ongoing basis)  4. Staff development/training in information disclosure matters as required by the law (on an ongoing basis)



Risk	Risk drivers	Risk impact	Mitigators
• > > - Violation of market operator requirements	1. Corporate governance noncompliant with market operator requirements as needed to maintain the current listing of the Company's securities	1. Exclusion of the Company's securities from Level 1 listing 2. Adverse effect on the Company's reputation	1. Retaining at least three independent directors (Q2 2018) 2. Election of independent directors only to the Nominations and Remuneration Committee and the Audit Committee, unless they make up the majority of said committees (Q2 2018)
Criticality:    <b>Acceptable risk</b> High-level Company's process: G.2. Interaction with the securities market and investor relations, G.6. Corporate governance  Risk management method: Control and prevention		3. The decrease in the Company's capitalisation and liquidity of its securities	
Risk area (subprocess) – 01.2. Shareholder relations			
01.2.1. - A decline in the Company's capitalisation Criticality:    <b>Acceptable risk</b> High-level Company's process: G.2. Interaction with the securities market and investor relations  Risk management method: Control and prevention	1. Market environment 2. Lower quality of the corporate governance 3. Low free float 4. Listing downgrade 5. Lower financial performance of the Company	1. Lower financial result for the shareholders 2. Damage to reputation	1. Compliance with Level 1 listing requirements of the Moscow Exchange (on an ongoing basis) 2. Ensuring sufficient free float of 7.5% (on an ongoing basis)  3. Maintaining the information disclosure standards (on an ongoing basis)
01.2.2 - Shareholder conflict Criticality:    <b>Acceptable risk</b> High-level Company's process: G.6. Corporate governance  Risk management method: Acceptance	1. Disagreements and disputes between the Company's body and shareholders, as well as disputes between shareholders when such disputes affect the Company's interests 2. Inadequate mechanisms for identification, prevention and settlement of corporate conflicts	1. Obstruction of decision-making 2. Loss recovery claims lodged by shareholders  3. Lower investor appeal  4. Declining stock value	1. Timely identification and prevention of corporate conflicts (on an ongoing basis) 2. Control over compliance with the Company's corporate procedures (on an ongoing basis)





Risk	Risk drivers	Risk impact	Mitigators
01.2.3 - Lawsuits from shareholders Criticality: <div></div>	1. Disagreements and disputes between the Company's body and shareholders, as well as disputes between shareholders when such disputes affect the Company's interests 2. Inadequate mechanisms for identification, prevention and settlement of corporate conflicts	1. Obstruction of decision-making 2. Court rulings obliging the Company and/or its Directors to repay losses to shareholders  3. Lower investor appeal  4. Declining stock value	1. Timely identification and prevention of corporate conflicts (on an ongoing basis) 2. Control over compliance with the Company's corporate procedures (on an ongoing basis)  3. Annual D&O insurance (Q3 2018)
01.2.4 - Departure of management (CEO and at least two key managers) Criticality: <div></div>	1. Change of the controlling shareholder 2. Non-competitive remuneration terms for the CEO and top managers.	1. Delays in management decision-making 2. Decline in market valuation of the Company's securities  3. Weaker competitiveness  4. Lower efficiency of the Company's operations and business management  5. Lower operating performance  6. Lower financial performance.	1. Monitoring and development of the remuneration system for TransContainer's CEO and management (according to the Nominations and Remuneration Committee's work plan) (when needed) 2. The Board of Directors' approval of the CEO's proposal to pay one-off bonuses to employees of the executive office whose appointment requires the approval of the Board of Directors (where needed)
Risk area (subprocess) - 01.3. Subsidiary and branch management			
01.3.1 - Prolongation of investments payback periods / Depreciation of investments into subsidiaries and associates Criticality: <div></div>	1. Alternation of market conditions 2. Forecasting errors in subsidiaries' business plans  3. Incomplete due diligence  4. Inefficient management of the subsidiaries  5. Conflict of interests with other subsidiary's members	1. Inefficient expenditure of investments 2. Decline in ROE and ROIC indices  3. Additional load to the Company's liquidity due to the surety commitment on the projects  4. Lower financial performance of the Company	1. Monitoring of the Company's business-plan implementation and analysis of deviation reasons (quarterly) 2. Control over compliance with the corporate procedures in subsidiaries and associations (on an on-going basis)  3. Involvement of Company's expert managers in subsidiaries and associates business (when applicable)
Risk area (subprocess) – 01.4. Corporate structure and allocation of powers			

Risk	Risk drivers	Risk impact	Mitigators
01.4.1 - Mismatch between the organisational and functional model and the Company's goals Criticality: <div></div>	1. Violation of power/ responsibility allocation principles 2. The Company's organisational structure does not adapt to changes in the external/internal environment (business process landscape)	1. A decline in performance and inefficiency of business units and cost rising (overlapping functions) 2. Deteriorating working environment across the Company and internal conflicts	1. Annual audit of processes in line with the approved Audit Schedule (on an ongoing basis) 2. Regular review of the Order on the allocation of powers among TransContainer's CEO, Deputy CEOs, Directors, Chief Engineer, Chief Accountant and First Deputy CFO (updates where needed)
01.4.1 - Mismatch between the organisational and functional model and the Company's goals Criticality: <div></div>	1. Violation of power/ responsibility allocation principles 2. The Company's organisational structure does not adapt to changes in the external/internal environment (business process landscape)	1. A decline in performance and inefficiency of business units and cost rising (overlapping functions) 2. Deteriorating working environment across the Company and internal conflicts	1. Annual audit of processes in line with the approved Audit Schedule (on an ongoing basis) 2. Regular review of the Order on the allocation of powers among TransContainer's CEO, Deputy CEOs, Directors, Chief Engineer, Chief Accountant and First Deputy CFO (updates where needed)
Risk area (subprocess) – 01.5. Quality management system			
01.5.1 - Non-compliance of TransContainer's quality management system with ISO 9001 requirements Criticality: <div></div>	1. Non-compliance of quality management documents with ISO 9001 requirements 2. Non-compliance of service quality records with the quality management system regulations  3. Failure to meet quality targets.	1. Failure to meet customer demands and/or mandatory service requirements, lower customer satisfaction 2. Deterioration in performance of an element (or a total of elements) within the quality management system  3. Suspension or revocation of the compliance certificate of TransContainer's quality management system	1. The annual internal audit of TransContainer's quality management system in line with the approved Annual Audit Schedule (on an ongoing basis) 2. Development of an annual action plan to achieve TransContainer's quality targets (on an ongoing basis)
Risk area (process) – S.02 Strategy			
Risk area (subprocess) – 02.1. Strategic planning			
02.1.1 - Failure to achieve the strategic goals Criticality: <div></div>	1. Challenging macroeconomic environment 2. Higher competition in the container transportation market  3. Lower business efficiency (marketing and tariff policies, asset management, service quality, etc.)	1. A shortfall in revenues from core businesses, such as railway transportation and terminal handling 2. A decline in the Company's market capitalisation  3. Drop in shareholders' dividend income	1. Compliance with the Strategic Management Procedure for developing, updating and controlling the implementation of TransContainer's Strategy (on an ongoing basis) 2. Initiation and implementation of strategic development projects as approved by the Company's shareholders (on an ongoing basis)
Risk area (process) - C.03 Investment project management			

Risk	Risk drivers	Risk impact	Mitigators
<b>Risk area (subprocess) - 03.1. Project management</b>			
03.1.1 - Failure to achieve the expected Investment Programme results in terms of work quality Criticality: 	1. Errors in project cost estimation 2. Inadequate sequencing and scheduling of project tasks	1. Additional unforeseen costs for project financing 2. Failure to execute the investment programme	1. Diversification of suppliers (tenders for service/goods/works purchases in excess of RUB 500,000 including VAT pursuant to the Regulation on the procedure for the procurement of goods, works and services for TransContainer's needs approved by TransContainer's Board of Directors on 8 July 2016. For any purchases in excess of RUB 500,000 including VAT, the initiator shall conduct a market research (where needed) 2. Resource price projections (to be provided by the initiator) (where needed)
	3. Tougher regulatory requirements for investment projects (HSE, etc.) 4. The discrepancy between the work scope and the design and cost estimates	3. Fines, penalties, sanctions, and counterparties' claims regarding supply and service agreements made under construction projects 4. Wrong priorities	3. Procurement of additional information to select investment project contractors (where needed) 4. Compliance with the procedures to prepare budget estimates (on an ongoing basis)
Risk management method: Control and prevention	5. Breach of obligations by contractors		5. Compliance with the tender procedures and timelines set out in TransContainer's internal documents (on an ongoing basis)
	6. Late funding 7. Project suspension for economic reasons		6. Inclusion of investment project costs in the budget (on an ongoing basis) 7. Contractor evaluation at the stage of contract execution (on an ongoing basis) 8. Construction oversight and field supervision of investment projects (where needed) 9. Bank guarantee for the contractor's obligations to eliminate the defects during the warranty period (where needed)
<b>Risk area (process) - S. 04 Mergers, acquisitions and divestments</b>			
<b>Risk area (subprocess) – 04.1. Divestment</b>			
04.1.1 - Hostile takeover of a subsidiary, including by asset-grabbing Criticality: 	1. Inefficient corporate control of subsidiaries from both TransContainer as the shareholder and subsidiary management	1. Loss of the subsidiary's control 2. Changes in the shareholding structure	1. Successful advocacy of the Company's interests in relations with government agencies and courts (on an ongoing basis) 2. Training in opposing hostile takeovers (where needed)
		3. Damage to the Company's reputation 4. Lower business efficiency	
Minor risk High-level Company's process: G.7. Management of TransContainer Group Companies  Risk management method: Control and prevention			
<b>Risk area (process) – S.05 Macroeconomic environment</b>			
<b>Risk area (subprocess) – 05.1 Political factors</b>			



Risk	Risk drivers	Risk impact	Mitigators
05.1.1 - Adverse impact of political factors on the Company's business and financial performance Criticality: 	1. The political situation in the Russian Federation or foreign jurisdictions that affects the Company's operations, including changes in legislation	1. Loss of the Company's assets 2. Problems with investment projects 3. Breach of obligations 4. Fines 5. Claims from anti-monopoly agencies 6. Failure to achieve the strategic goals 7. Higher investment project costs	1. Monitoring of the political situation in the Russian Federation and other footprint countries, legislative changes, including customs and tax laws (on an ongoing basis) 2. Membership in industry associations, including the international ones (on an ongoing basis) 3. Notification of TransContainer's management of negative political changes and associated factors (as soon as such information becomes available)
	Acceptable risk High-level Company's process: G.1. Strategic management  Risk management method: Control and prevention/Acceptance		
05.2.1 - Market environment deterioration Criticality: 	1. Lower consumer demand 2. Inflation 3. Slower GDP growth 4. Economic downturn	1. Drop in transportation volumes 2. Drop in prices 3. Lower financial results 4. Lower profits	1. Monitoring and analysis of the market environment (on an ongoing basis)
	Critical risk High-level Company's process: O.2. Marketing  Risk management method: Acceptance		

Risk	Risk drivers	Risk impact	Mitigators
05.2.2 - Growth in prices for other materials and fixed assets above the average market values (except for rolling stock repair)	1. Strong dependence on monopolistic suppliers 2. Higher energy prices 3. Rising prices for components	1. Higher procurement costs 2. Lower margins 3. Lost profits	1. Industry prices projections (on an ongoing basis) 2. Active targeted marketing (on an ongoing basis) 3. Energy prices monitoring across the Russian regions (on an ongoing basis)
Criticality:			
			
<b>Minor risk</b> High-level Company's process:			
B.7. Equipment procurement, maintenance, and repair			
B.15 Managing construction and operation of buildings and structures			
Risk management method: Control and prevention			
05.2.3. - Changes in prices for transportation subcontractor services Criticality:	1. Changes in the cost of co-contractors' services 2. Changes in the market environment 3. Changes in transportation geography 4. Switch to alternative means of transport, alternative routes, alternative types of rolling stock	1. Weaker competitiveness 2. Drop in transportation volumes 3. Drop in transportation profitability	1. Daily control over the orders execution in terms of providing the rolling stock and container fleet (on an ongoing basis) 2. Constant monitoring and forecasting of the container transportation market (on an ongoing basis) 3. Expansion of presence in key markets through the development of an agent network (on an ongoing basis) 4. Providing a possibility of rates indexation with notification period of 2 months minimum when concluding contracts by branches (on an ongoing basis) 5. Procurement of services on the basis of a tender (when needed) 6. Long-term fixed-price agreements with subcontractors (on an ongoing basis)
			
<b>Acceptable risk</b> High-level Company's process: 0.6. Development, support and pricing of transportation solutions			
Risk management method: Control and prevention/Acceptance			



Risk	Risk drivers	Risk impact	Mitigators
05.2.4. - Changes in specialised container shipment pricing Criticality:	1. Changes in the Russian Railways' tariff policy	1. Weaker competitiveness in the specialised shipments segment 2. Drop in transportation volumes 3. Drop in transportation profitability 4. Unprofitable shipments	1. Quarterly (seasonal as it applies to shipments with temperature control equipment) monitoring and forecasting of the specialised container transportation market (on an ongoing basis) 2. Individual tariff provisions (the Company's internal pricing policy) for each customer while organising transportation with specialised containers (where needed) 3. Monitoring the operation of TK Subsidiary established in 2017 and specialising in tank container shipments (on an ongoing basis)
			
<b>Acceptable risk</b> High-level Company's process: 0.6. Development, support and pricing of transportation solutions			
Risk management method: Control and prevention/Acceptance			
05.2.5. - Infrastructure limitations Criticality:	1. Single service provider at any route (railway, terminal/port/ depot, sea, road) 2. Improper performance of duties by co-contractors 3. Improper planning of services involving co-contractors 4. Railway infrastructure not meeting the market demand 5. Excessive idle time of rail flatcars 6. Order processing errors 7. Failure to consider all transportation factors and conditions 8. Long-term processing of applications by the Russian Railways 9. Delays in issuing transportation documents	1. Drop in transportation volumes 2. Delivery delays 3. Lower rolling stock turnover 4. Lower customer satisfaction 5. Lower revenues 6. Delays in delivery 7. Damage to reputation 8. Lost profits due to the rolling stock unavailability 9. Fines and penalties payable to customers that cannot be recovered from the carrier 10. Declining freight volumes 11. Higher transportation costs and fixed payments received from customers 12. Inflated costs 13. Loss or damage to cargo at terminals or during transportation 14. Improper order fulfilment	1. Use of new logistics arrangements (on an ongoing basis) 2. Careful route coordination with co-contractors and service providers (on an ongoing basis) 3. Proposals on engaging new co-contractors for the route in case of force majeure or unacceptable limitations (when needed) 4. Prompt response to the situation and search for new routes (when needed) 5. Assets (rail flatcars and containers) management in line with resource requests from the Logistics centre / sales team (where needed) 6. Optimisation of rail flatcars and container turnover, efficient management of rail flatcar and container flows (on an ongoing basis) 7. Processing of requests with a focus on rolling stock availability, individual shipment requirements, technical capabilities of the loading and offloading yards, regulatory restrictions, seasonal changes in shipment patterns, throughput capacities of the border crossing and ports (on an ongoing basis) 8. Timely provision of information required for request approval, control over the approval process (on an ongoing basis) 9. Timely distribution of orders and instructions related to shipment management, control over the order/request approval process (on an ongoing basis) 10. Review and analysis of the Company's rolling stock availability at the loading yards (daily)
			
<b>Acceptable risk</b> High-level Company's process: 0.4. Rail flatcar and container fleet management			
0.5. Order fulfilment			
0.7. Road vehicles management			
0.8. Terminal resource management			
Risk management method: Control and prevention/Acceptance			



Risk	Risk drivers	Risk impact	Mitigators
05.2.6. - Weaker competitiveness due to rail tariff indexation Criticality: 	1. Government regulated tariffs	1. Higher expenses of the Company for running loaded/empty flatcars and/or containers 2. Lower container transportation volumes	1. Cooperation with government agencies responsible for tariff regulations (on an ongoing basis) 2. Timely notification of the involved Company's employees about the upcoming price changes (the electronic document management system is implemented by Order No. 74 dated 13 August 2008) (when needed)
<b>Acceptable risk</b> High-level Company's process: O.6. Development, support and pricing of transportation solutions  Risk management method: Acceptance			
05.2.7. - Unpredictable changes in prices for rolling stock repair materials Criticality: 	1. Strong dependence on monopolistic suppliers 2. Advanced growth is prices of equipment repair parts (unpredictable increase of equipment repair costs) 3. Rising prices for components	1. Over-budget costs for rolling stock repair 2. Rolling stock unavailability 3. Lost profits	1. Industry prices projections (on an ongoing basis) 2. Monitoring of market prices for spares (on an ongoing basis) 3. Keeping up own minimum stocks for rail flatcar repair (heavy flatcar casting, wheel sets) (on an ongoing basis)
<b>Critical risk</b> High-level Company's process: B.7. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention			
<b>Risk area (subprocess) – 05.3. Competition</b>			
05.3.1 - Higher competition in the rail container transportation market Criticality: 	1. Seasonal demand for transportation 2. Changes in the structure of the economic environment and technologies 3. Competition with other related means of transport 4. Limited/outdated production capacities 5. Underdeveloped infrastructure and related services (transportation: ports, terminals, etc.) 6. High exposure to several major customers 7. Terminals in need of further revamp and upgrade 8. Cargo handling limitations in terminals	1. Discrepancies between the sold products/services and the market demand, declining sales 2. Lost customers 3. Lower revenues 4. Decline in income	1. Targeted quarterly monitoring of rates charged for transportation services provided by operators of other means of transport (where needed) 2. Quarterly monitoring of market peers to be included in the CEO's quarterly report on the Company's performance (on an ongoing basis) 3. Monitoring of changes in the flatcar market (on an ongoing basis) 4. Monitoring of competitors' pricing based on external sources of information and adjusting TransContainer's rates where needed (on an ongoing basis) 5. Monitoring of the customers' needs structure (Q3 2018)
<b>Critical risk</b> High-level Company's process: O.2. Marketing  Risk management method: Control and prevention			
<b>Risk area (process) – S.06 Corporate communications</b>			

Risk	Risk drivers	Risk impact	Mitigators
<b>Risk area (subprocess) – 06.1. Media relations</b>			
06.1.1 - Reputation risk Criticality: 	1. Unfair competition 2. Inefficient media relations 3. Implementation of other Company's risks	1. Damage to the Company's reputation 2. Decline in the Company's capitalisation 3. Weaker competitiveness	1. Ongoing cooperation with the media and disclosure of information on the Company's operations (on an ongoing basis) 2. Media monitoring: compilation of full-text news articles, analytic reviews and tables providing industry-wide insights and information about specific segments of the Company's operation (on an ongoing basis) 3. Media audits: evaluation of the Company's brand mentions in the media (Q4 2018) 4. Timely response to negative media coverage (on an ongoing basis) 5. Methodological corporate communications support as requested by the Company's branches and executive office (on an ongoing basis) 6. Media planning (where needed)
<b>Acceptable risk</b> High-level Company's process: B.1. Support of corporate communications and public relations  Risk management method: Control and prevention			
06.1.2 - Ineffective communication strategy Criticality: 	1. Inefficient investments to the Company's Communication Strategy	1. Low returns from investments in the Company's Communication Strategy; wrong brand perception by the target audience	1. Brand positioning: planning of campaigns focused on the selection of venues to deliver the brand message (conferences, business forums, round table discussions), advertising optimisation (coverage, costs, etc.) taking into account the Company's market presence (where needed)
<b>Minor risk</b> High-level Company's process:  B.1. Support of corporate communications and public relations  Risk management method: Control and prevention			

2. Operational Risks


Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – 0.07 Procurement			
Risk area (subprocess) – 07.1 Procurement, storage logistics			
07.1.1 - Inefficient procurement Criticality:	1. Infeasibility of procurement 2. Insufficient quality and quantity control in respect of purchased goods and services	1. Inefficient investment and resource management 2. Procurement of insufficient or low-quality goods/services/works 3. Higher operating expenses	1. Feasibility analysis of contracts being signed by supervisors (on an ongoing basis) 2. Monitoring of the goods/services/works market and suppliers, including use of market surveys (on an ongoing basis) 3. Keeping of an unreliable suppliers register (on an ongoing basis) 4. Asking suppliers of goods/services/works to provide, where needed, for compliance, product and other certificates and licences required for work execution under contracts (on an ongoing basis) 5. Planning of goods/works/services procurement based on the updated inventory protocol and the Company's needs (on an ongoing basis) 6. Functioning of an IT Expert Group (on an ongoing basis)
	<b>Acceptable risk</b> High-level Company's process: B.18. General and administrative support		
	Risk management method: Control and prevention		
Risk area (subprocess) – 07.2. Equipment procurement			
07.2.1. - Untimely putting the flatcar and container fleet into operation Criticality:	1. Improper control of the equipment procurement process (untimely procurement organisation) 2. Growth in equipment prices exceeding the forecast 3. Discrepancies between the manufacturers' capacities and the demand 4. Low operational discipline 5. Failure to submit a complete set of delivery documents	1. Failure to execute the investment programme 2. The inability to provide the required operating flatcars and container fleet 3. The inability to manage the equipment purchased 3. Fines, fees and other payments for storage, idle time on tracks and in common (private) areas 4. Fines for incorrect accounting, tax data	1. Control of the investment programme execution as per the approved titles (on an ongoing basis) 2. Monitoring of market prices for the rolling stock and associated industries (on an ongoing basis) 3. Monitoring of probable suppliers' capabilities (when needed). 4. Control of new flatcars and container fleet acceptance by the Department of Containers Operation and Repair, Department of Rolling Stock Repair and Inspectorate for the Flatcars and Container Fleet Integrity (when needed). 5. Review of the delivery documents submitted (when needed)
	<b>Acceptable risk</b> High-level Company's process: B.7. Equipment procurement, maintenance, and repair		
	Risk management method: Control and prevention		
Risk area (process) – 0.08 Shipment management			
Risk area (subprocess) – 08.1. Railway transportation			

Risk	Risk drivers	Risk impact	Mitigators
08.1.1 - Increase of empty runs Criticality:	1. Incorrect logistic decisions 2. Obsolescence of the flatcar fleet 3. Shortage of TransContainer's rolling stock on certain routes 4. Ineffective rates for certain routes 5. Imbalance of container flows 6. Inefficient planning in terms of routes and transportation types	1. Damage to reputation 2. Lost profits due to the equipment unavailability 3. Fines and penalties payable to customers that cannot be recovered from the carrier 4. Declining freight volumes 5. Decline in income 6. Higher transportation costs and fixed payments received from customers 7. Inflated costs	1. Approval of competitive rates charged for the Company's equipment based on detailed analysis of cargo flows and use of third-party rolling stock (on an ongoing basis) 2. Ensuring high-quality resource planning for the Company's equipment based on the approved sales and operational plan (on an ongoing basis) 3. Processing of requests with a focus on rolling stock availability, individual shipment requirements, technical capabilities of the loading and offloading yards, regulatory restrictions, seasonal changes in shipment patterns, throughput capacities of the border crossing and ports (on an ongoing basis) 4. Analysis of root causes of the failure (refusal) to provide equipment as per the customers' planned and approved orders (daily)
<div></div> <b>Acceptable risk</b> High-level Company's process: 0.9. TransContainer's sales and operational planning			
Risk management method: Control and prevention			
<b>Risk area (process) – 0.09 Sales</b>			
<b>Risk area (subprocess) - 09.1. Sales planning and order management</b>			
09.1.1 - Decline in customer service quality Criticality:	1. The discrepancy between the commercial terms and market environment 2. Significant deviations in the process of rendering a service 3. Inefficient provision of the clients with equipment and rolling stock, significant deviations in order processing	1. Lower financial performance 2. Decreased volume of services 3. Lost customers	1. Sales forecasting software improvement (on an ongoing basis) 2. Improvement of software pertaining to sales relations with potential customers (on an ongoing basis) 3. Sales planning across the Company (on an ongoing basis) 4. Execution of customer surveys (on an ongoing basis) 5. Service quality analysis using a mystery shopping method (on an ongoing basis) 6. Monitoring proper amounts charged for transportation services (on an ongoing basis) 7. Development and implementation of the service quality improvement plan (involving the concerned managers) (Q2 2018)
<div></div> <b>Critical risk</b> High-level Company's process: 0.3. Customer service			
Risk management method: Control and prevention			
<b>Risk area (subprocess) – 09.2. E-commerce channel management</b>			
09.2.1. - Risk of not reaching e-commerce sales targets by the Company Criticality:	1. Decline in the Company's total transportation volumes 2. Inadequacy of marketing and promoting efforts to transfer new and existing customers to e-commerce channels 3. Shortcomings in IT infrastructure and services related to e-commerce channels 4. Insufficient transportation resources to process e-commerce orders 5. Failure to meet or inadequate compliance with IT system automation requirements	1. Declining revenues from e-commerce orders 2. Failure to reach the strategic goal of transferring a significant part of clients to e-commerce 3. Damage to the Company's reputation among e-commerce clients 4. Loss of potential or existing e-commerce clients.	1. Implementation of measures to improve e-commerce services (when needed) 2. Efforts to promote the Company's e-commerce channels (where needed) 3. Prompt response to client complaints and suggestions to eliminate shortcomings and improve the e-commerce service (when needed) 4. Definition of priorities and monitoring of IT request processing in e-commerce support and development (when needed)
<div></div> <b>Acceptable risk</b> High-level Company's process: 0.1. Service sales			
Risk management method: Control and prevention			
<b>Risk area (subprocess) – 09.3. Call centre management</b>			

Risk	Risk drivers	Risk impact	Mitigators
09.3.1. - Failure to meet the targets for the call service quality Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: B.14. Call centre performance  Risk management method: Control and prevention	1. Replacement of over 50% of the Call centre employees 2. Lack of instruments to monitor the call service quality 3. Failure to meet targets for the headcount of active department employees 4. Unexpected load growth due to accidents or marketing efforts 5. Introduction of new department functions or objectives without sufficient headcount 6. Ineffective employee incentives 7. Technical incidents (accidents) affecting the call centre performance	1. Declining call service quality at the Call centre 2. Business process slowdown. 3. Declining client loyalty. 4. Clients' complaints about unsatisfactory servicing	1. Close control of the incoming load (on an ongoing basis) 2. On-line and monthly monitoring of the call service quality (on an ongoing basis) 3. Control of the headcount of the Call centre active employees (on an ongoing basis) 4. Establishment and control of compliance with the call service automation requirements (including as part of the CRM system implementation) (where needed) 5. Monthly monitoring for technical incidents (accidents) affecting the call centre performance. Prompt accident notification (on an ongoing basis)
<b>Risk area (process) – 0.10 Marketing</b>			
<b>Risk area (subprocess) – 10.1. Pricing</b>			
10.1.1 - Tariffs not in line with the transportation market pricing Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: 0.6. Development, support and pricing of transportation solutions  Risk management method: Control and prevention	1. Change in the transportation market in respect of container transportation 2. Competition with other market players 3. Competition with alternative transportation 4. Force majeure	1. Lack of demand and shrinking client base 2. Weaker competitiveness 3. Lower revenues and service profitability	1. Establishing base rates for the provision of TransContainer's flatcars and/or containers at a level that covers costs and ensures the competitiveness of the Company's services (on an ongoing basis) 2. Meetings of the task force on the efficient use of TransContainer's flatcars and/or containers / Logistics Centre's Expert Board at least twice a week and setting exclusive tariffs for the provision of TransContainer's flatcars and/or containers (where needed) 3. Monitoring of competitors' pricing based on external sources of information and adjusting TransContainer's rates where needed (on an ongoing basis)
<b>Risk area (process) – 0.11 Repair and maintenance</b>			
<b>Risk area (subprocess) – 11.1 Repair and maintenance</b>			


Risk	Risk drivers	Risk impact	Mitigators
11.1.1 - Inefficient repairs of rolling stock and containers Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: B.7. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Inadequate quality of the rolling stock and containers 2. Inflated repair prices 3. Insufficient diversification of the repair services 4. Insufficient analysis of the fleet condition 5. Lack of centralised tools to monitor fleet repair needs, possible risks and consequences, assignment and compliance with repair schedules 6. Inadequate quality of the depot, current uncoupling or overhaul repairs	1. Lower fleet reliability 2. Decrease in the number of available rail flatcars 3. Failure to meet safety requirements 4. Duplication of current uncoupling repair costs due to the low quality of the depot repair (higher overall repair costs)	1. Monitoring of the rolling stock and container repair quality by the Inspectorate for the Flatcars and Container Fleet Integrity and branch repair departments (on an ongoing basis) 2. Monitoring of the rolling stock and container repair costs by the Inspectorate for the Flatcars and Container Fleet Integrity and the department to prevent repair overpricing (on an ongoing basis) 3. Development of initiatives to diversify the repair services by the Department of Rolling Stock Repair and Department of Containers Operation and Repair (where needed) 4. Analysis of the fleet condition by the Department of Rolling Stock Repair and Department of Containers Operation and Repair (on an ongoing basis) 5. Analysis of fleet repair needs, possible risks and consequences, compliance with their repair schedule by the Department of Rolling Stock Repair and the Inspectorate for the Flatcars and Container Fleet Integrity (on an ongoing basis) 6. Selection of facilities for TransContainer's fleet repair providing the optimal combination of services and best repair quality (when needed) 7. Monitoring of registration of photographic records of container repairs, accounting for spare part and material inventories (on an ongoing basis) 8. Monitoring of compliance with TransContainer's internal regulations applicable to rail flatcar repairs (on an ongoing basis) 9. Recovery of substandard repair/maintenance costs from rail car repair companies (where needed)
11.1.2 - Inefficient other repairs (excluding rolling stock and containers) Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: B.15. Managing construction and operation of buildings and structures  B.07. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Discrepancy between the repair cost and the cost estimate documents 2. Lack of centralised tools to monitor equipment repair needs, possible risks and consequences, assignment and compliance with repair schedules 3. Violation of the preventive maintenance schedule	1. Failure to meet safety requirements	1. Signing the repair service agreement in a timely manner and in line with approved budgets for overhauls and current repairs (on an ongoing basis) 2. Using the automated Fixed Asset Operation and Replacement System (on an ongoing basis) 3. Conducting industrial safety audits pursuant to Federal Law No. 116-FZ dated 21 July 1997 On Industrial Safety at Hazardous Production Facilities (where needed) 4. Checking of repair cost estimates against the defects lists based on industry-specific unit price guidelines applicable to construction and specialised services (OERZh, Parts 1 to 47;OERZhm, Parts 1 to 40; OERZhp, Parts 1 to 16; Guidelines for construction cost estimation in Russia MDS81-35.2004, MDS 81-33.2004; Standard Cost Estimates for Temporary Buildings and Facilities GSN81-05-01-2001; Estimated Costs and Surcharges for Winter-Time Construction and Repairs GSNr81-05-02-2001; Urban Development Code of the Russian Federation No. 190-FZ dated 29 December 2004; Procedures for Estimating the Cost of Construction of RZD Rail Road Infrastructure and Other Facilities OPDS-2821.2011) (where needed) 5. Regular monitoring of repair quality and timing for compliance with construction rules and regulations SNiP2.03.11-85, SNiP2.03.13-88, SNiP2.04.01-85*, SNiP2.05.02-85*, SNiP31-03-2001, SNiP12-01-2004, SP13-102-2003; state standards GOST4.212-80, GOST4.251-79, GOST12.0.003-74, GOST4.230-83, federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20) (where needed)
<b>Risk area (subprocess) – 11.2. Repairs</b>			



Risk	Risk drivers	Risk impact	Mitigators
11.2.1 - Prolonged run between repairs Criticality:    <b>Acceptable risk</b> High-level Company's process: B.7. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Expiry of time between repairs of flatcars 2. Lack of control over the run between repairs 3. Inadequate qualification of the contractor's personnel, discrepancy between the declared worker category and the actual skill level	1. Fleet idling 2. Additional costs associated with involvement of additional flatcars 3. Financial losses related to redoing maintenance/repairs 4. Failure to meet safety requirements 5. Higher accident and incident rate	1. Monitoring of expiration of the flatcar time between repairs by the branch repair department and operations department (on an ongoing basis) 2. Repair quality control (acceptance of flatcars after repair) due to inadequate quality of the materials, equipment used, or outdated technologies (on an ongoing basis) 3. Repair quality control due to a low skill level of the contractor's personnel and the discrepancy between the declared worker category and the actual skill level (on an ongoing basis)


**Risk area (process) – 0.12 Personnel**


**Risk area (subprocess) – 12.1. HR management**

12.1.1 - Departure of key employees Criticality:    <b>Acceptable risk</b> High-level Company's process: B.8. HR management  Risk management method: Control and prevention	1. Unsatisfactory and uncompetitive remuneration. 2. Lack of career and professional growth opportunities 3. Unsatisfactory working conditions and staff atmosphere.Unsatisfactory working conditions and overall sentiment within the team	1. Additional costs related to new hires' training 2. Lower personnel performance 3. Potential leaks/loss of information 4. Damage to the employer's image 5. Failure to achieve the Company's goals	1. Monthly job satisfaction analysis (on an ongoing basis) 2. Talent pool building (on an ongoing basis) 3. Development of an employee training and further training plan (on an ongoing basis)
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**Risk area (process) – 0.13 Information technology**

**Risk area (subprocess) - 13.1. Information management systems**

13.1.1 - Non-compliance of IT systems and equipment with the Company's needs Criticality:    <b>Acceptable risk</b> High-level Company's process: B.11. Information resource management  Risk management method: Control and prevention	1. Outdated IT equipment 2. Outdated software 3. Deviations in IT strategy implementation 4. Insufficient integration of IT systems	1. Higher IT-related costs, overlapping functions, disruptions in operations	1. Scheduled replacement and upgrade of the outdated hardware (where needed) 2. Software updates and upgrades as defined by the IT Expert Group and IT system development, support and maintenance procedures (where needed) 3. Monitoring of the IT Strategy implementation in terms of the budget assigned and IT projects in progress, as well as updating of the IT Strategy (Q4 2018) 4. IT systems testing at branches, preparation of system operation reports and their submission to the Automated Systems Operation Service and Automated System Design and Development Department for analysis (on an ongoing basis) 5. Monitoring of the performance and degree of the developed and implemented IT solutions in use by end users (every six months)
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Risk	Risk drivers	Risk impact	Mitigators
13.1.2 - Failures of IT systems and infrastructure Criticality:    <b>Acceptable risk</b> High-level Company's process: B.11. Information resource management  Risk management method: Control and prevention	1. IT equipment failures, including due to external factors 2. Virus attacks 3. Unauthorised access 4. Software errors 5. Ineffective IT continuity plan 6. Communication service interruptions 7. Lack of contracts on hardware and software support and maintenance	1. Interruptions in the Company's operations 2. Loss of critical data	1. IT hardware redundancy, data backups (on an ongoing basis) 2. Timely anti-virus software updates (on an ongoing basis) 3. Monitoring and implementation of measures preventing unauthorised access to IT systems (on an ongoing basis) 4. Comparison of IT system user accounts not covered by Active Directory with the dismissed personnel lists (quarterly) 5. Acceptance and deployment of software in accordance with standards and regulations, timely software updates pursuant to approved specifications and procedures recommended by GOST 34.601 standard (on an ongoing basis) 6. Fulfilment of IT continuity requirements (on an ongoing basis) 7. Communication channels redundancy (on an ongoing basis) 8. Development of annual professional training plan (Q3 2018) 9. Recalculation of labour costs for IT business process servicing and determination of staff requirements (Q4 2018)

**Risk area (process) – 0.14 Economic security**

**Risk area (subprocess) – 14.1. Fraud prevention**

14.1.1 - Confidential/proprietary information leaks Criticality:    <b>Acceptable risk</b> High-level Company's process: B.4. Security measures  Risk management method: Control and prevention	1. Insufficient compliance with procedures applicable to confidential/proprietary data 2. Insufficient level of IT security 3. Violations of the established procedures of handling information and documents by the Company's employees (negligence) 4. Deliberate actions of the Company's employees or other parties that have gained legitimate access to confidential information with the aim of divulging such confidential information to competitors based on profiteering or other self-interest	1. Direct or indirect financial losses, including potential claims from third-party confidential data owners 2. Weaker competitiveness 3. Loss of reputation as a reliable partner in the container transportation market 4. Penalties for violation of personal data protection laws	1. Regular audits for compliance with the procedures applicable to confidential/ propriety data and internal security (as per a separate plan approved annually) 2. Regular information security audits to ensure data protection from external attacks and prevent the use of confidential information and Internet resources by Company employees (at least once a month) 3. Checking of inclusion of confidentiality clauses to all contracts, where applicable, or signing separate confidentiality agreements; audits for compliance with contractual provisions regarding confidentiality (where needed)
14.1.2 - Wrongful acts of third parties against the Company's property or personnel Criticality:    <b>Acceptable risk</b> High-level Company's process: B.4. Security measures  Risk management method: Control and prevention	1. Criminal intent to engage in fraud, commercial bribery, theft of the Company's property, deliberate or accidental damage to such property, or terrorist and/or other extremist acts 2. Incomplete (based on objective or subjective reasons) evaluation of contractors' reliability 3. Inadequate control of access to facilities: rail sidings, container terminals (sites), production and administrative buildings (premises), containers, flatcars, etc.	1. Damage related to lost assets, business recovery, lost profits due to suspension (interruption) of operations 2. Casualties, negative public opinion	1. Constant monitoring of security service providers operation to increase their readiness for detection and prevention of stripping down of railways, containers and flatcars, load-lifting equipment, as well as signs of terrorist act preparation (on an ongoing basis) 2. Ensuring continuous operation of video surveillance and security alarm systems at all TransContainer's facilities (on an ongoing basis) 3. Identification of those third party employees who probably have criminal intents or prepare crimes (on an ongoing basis) 4. Taking applicable legal actions against persons apprehended in the course of committing criminal acts and submitting the relevant information to law enforcement agencies in order to recover the losses (where needed) 5. Organising regular preventive training to teach the Company's personnel how to respond to suspected or actual terrorist acts, mitigate their impacts and to raise vigilance of all Company's employees irrespective of the position occupied (at least once a quarter) 6. Running "know your partner" checks (as part of bidding procedures, contract execution, credit approval, and verification of compliance with contractual obligations) (on an ongoing basis)

Risk	Risk drivers	Risk impact	Mitigators
14.1.3 - Wrongful acts of the Company's employees Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: B.4. Security measures  Risk management method: Control and prevention	1. Inadequate security measures 2. Insufficient level of employees' ethical maturity 3. A deliberate theft of the Company's money, assets and other property, including by fraud 4. The Company's employees deliberately arranging unfavourable contract terms based on mercenary or other self-interest 5. The internal political situation in the country, continuous threat from extremist groups	1. Losses suffered by the Company, including lost assets 2. Lost profits 3. Casualties 4. Damage to the Company's reputation	1. Checking the Company's key employees for detection of a probable conflict of interests, identification of persons who lobby for signing the contracts based on mercenary or other self-interest (on an ongoing basis) 2. Running thorough background checks on candidates applying for key jobs within the Company. Identifying persons with poor moral qualities and probable conditions for a conflict of interests (on an ongoing basis) 3. Identifying employees who have criminal intents to engage in funds theft, fraud, blackmailing, commercial bribery or bribing, and taking preventive measures (on an ongoing basis) 4. Investigating thefts and losses, identifying the culprits and their motivations, and assessing losses suffered by the Company (where needed) 5. Detecting facts and signs of manipulations with imprest amounts: overcharging in supporting documents, procurements of goods with inflated prices or payoff, etc. (on an ongoing basis) 6. Preventing a probable criminal conspiracy between the Company's employees and its customers or suppliers (on an ongoing basis) 7. Undertaking awareness-building and psychological initiatives: sending all partners a clear message on the Company's commitment to combating fraud, corruption and abuse; maintaining hotlines for whistle-blowers (including anonymous), publicising any measures taken against the culprits, etc. (on an ongoing basis) 8. Monitoring the observation of rules on collective decision-making and independent document approval (on an ongoing basis) 9. Identifying employees who have terrorist intentions (on an ongoing basis)

Risk area (process) – 0.15 Industrial safety

Risk area (subprocess) - 15.1. Incident management

15.1.1 - Technical incidents (accidents, emergencies while processing hazardous cargos) Criticality: <div></div> <b>Acceptable risk</b> High-level Company's process: B.17. Work safety and environmental protection  B.07. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Obsolescence of and damage to equipment 2. Manufacturing defects of the equipment 3. Low-quality repairs 4. Inadequate qualification of the employees/contractors	1. Production process interruptions 2. Costs related to business recovery 3. Fines, penalties and liquidated damages 4. Losses caused by accidents 5. Threat to the personnel's health and life 6. Damage to reputation	1. Taking measures to ensure timely repairs as prescribed by Federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20) (where needed) 2. Purchasing up-to-date equipment in line with the approved investment programme (where needed) 3. Conducting industrial safety audits pursuant to Federal Law No. 116-FZ dated 21 July 1997 On Industrial Safety at Hazardous Production Facilities (where needed) 4. Ensuring that repairs are compliant with applicable regulations (Federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20)) (on an ongoing basis) 5. Providing timely training for task owners pursuant to the Russian Labour Code, Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 37 dated 29 January 2007 On Training and Certification of Employees in Companies and Organisations Regulated by the Federal Environmental, Technological and Nuclear Energy Supervision Service, other regulations, rules and instructions, as well as approved training and professional development programmes (where needed)
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Risk	Risk drivers	Risk impact	Mitigators
15.1.2 - Workplace injuries Criticality: <div></div> <b>Critical risk</b> High-level Company's process: B.17. Work safety and environmental protection  Risk management method: Control and prevention	1. Employee non-compliance with occupational, industrial and fire safety requirements contained in the applicable laws and Company's by-laws 2. Equipment non-compliance with the safety requirements 3. Delayed personnel training on safe operating procedures 4. Non-compliance with the internal work regulations	1. Damage to personnel's health 2. Administrative and criminal charges 3. Litigation costs and expenses 4. Damage to the Company's reputation	1. Work safety training pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007 (where needed) 2. Individual protective equipment pursuant to Order of the Ministry of Health and Social Development of the Russian Federation No. 582n dated 22 October 2008 On Approval of Standards for Issuance of Certified Protective Clothing, Shoes and Other Protective Equipment to Russian Railway Personnel Exposed to Extreme Temperatures or Contamination (where needed) 3. Three-tier health and safety monitoring pursuant to the Regulation on TransContainer's Health and Safety Monitoring Procedures approved by TransContainer's order No. 200 dated 6 August 2007 (constantly) 4. Special assessment of working conditions is conducted pursuant to Federal Law No. 426 dated 28 December 2013 On Special Assessment of Working Conditions once every five years and whenever new jobs are created. For this purpose, the Company engages a duly licensed organisation approved by the Ministry of Health and Social Development (where needed) 5. Issuance of job permits pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007 (where needed) 6. Technical training programmes for employees pursuant to the Guidelines on Technical Training Programmes for TransContainer Employees approved by TransContainer's order No. 234 dated 18 September 2007 (where needed) 7. Development and update of the relevant health and safety regulations to reflect changes in health and safety requirements set by applicable Russian laws and regulations (on an ongoing basis)

Risk area (subprocess) - 15.2.Environmental Protection

15.2.1 Negative environmental footprint associated with the use of equipment and technology Criticality: <div></div> <b>Minor risk</b> High-level Company's process:  B.17. Work safety and environmental protection  B.07. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Untimely upgrade and replacement of obsolete and outdated equipment 2. Insufficient level of professional qualifications of designated officers 3. Non-compliance with conditions of use, wear and tear of, and damage to equipment, accidents	1. Damage to personnel's health 2. Administrative and criminal charges for damages to the environment and personnel's health 3. Litigation costs and expenses 4. Imposing obligations on environmental restoration	1. Development of environmental protection initiatives (on an ongoing basis) 2. Procurement of third-party liability insurance for hazardous production facilities pursuant to Federal Law No. 225-FZ dated 27 July 2010 On Mandatory Insurance of Third-Party Liability of Owners of Hazardous Facilities Caused by Accidents Thereat (certificate of hazardous industrial facility registration A01-08721 dated 24 February 2014) (Container Shipping Department - CSD) (on an ongoing basis) 3. Procurement of up-to-date equipment (including technical equipment) in line with the approved investment programme (where needed) 4. Compliance with the CSD approved production and process procedures (on an ongoing basis) 5. Personnel retraining pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007, and the approved retraining and professional development plan (on an ongoing basis) 6. Timely payments for permitted environmental discharges pursuant to Federal Laws No. 7-FZ dated 10 January 2002 On Environmental Protection, No. 96-FZ dated 4 May 1999 On Atmospheric Air Protection, and No. 89-FZ dated 24 June 1998 On Industrial Waste (when needed) 7. Timely development of the Company's internal environmental regulations and procurement of regulatory approvals thereof (MPE, WGDТ, МРD, SPZ, etc.) pursuant to Federal Laws No. 7-FZ dated 10 January 2002 On Environmental Protection, No. 96-FZ dated 4 May 1999 On Atmospheric Air Protection, and No. 89-FZ dated 24 June 1998 On Industrial Waste (on an ongoing basis)
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Risk area (process) – 0.16 Document management and document flow

Risk area (subprocess) – 16.1. Document management

Risk	Risk drivers	Risk impact	Mitigators
16.1.1 - Inefficient document management Criticality:   <b>Minor risk</b> High-level Company's process:  B.12. Case management  Risk management method: Control and prevention	1. Non-compliance with the Rules for Preparing and Designing Regulatory and Other Documents at TransContainer approved by TransContainer's Order No. 238 of 18 September 2007 applicable to all business units of the Company 2. Non-compliance with the Documentation Management Procedure approved by TransContainer's order applicable to all business units of the Company 3. Non-compliance with the Procedure for Arranging Operations of the Reception Office, Meetings, Business Travel, Storage and Use of the Corporate Seal at TransContainer (other than the documentation management subprocess) approved by TransContainer's order applicable to all business units of the Company	1. Decreased performance, unsatisfactory performance, unfulfilled obligations, slow-down in business processes, business process failures, negative impact on TransContainer's image	1. Monitoring business units' compliance with: TransContainer's Documentation Management Procedure, and the Procedure for Arranging Operations of the Reception Office, Meetings, Business Travel, Storage and Use of the Corporate Seal at TransContainer (other than the documentation management subprocess) (on an ongoing basis) 2. Daily execution progress and compliance monitoring for all documents being processed by TransContainer's corporate management bodies. Communicating relevant information to personnel (on an ongoing basis) 3.Document management procedure updates and, if necessary, improvements (where needed) 4. Issue of the "ABC of Russian Labour Code" digest (on an ongoing basis)


**Risk area (process) – 0.17 External threats (Force Majeure)**

**Risk area (subprocess) – 17.1. Force Majeure**

17.1.1 - Failures or interruptions in operations due to emergencies Criticality:   <b>Acceptable risk</b> High-level Company's process: B.17. Work safety and environmental protection  Risk management method: Control and prevention	1. Natural disasters, climate change 2. Challenging crime situation in certain localities 3. Inefficient protection of production assets 4. Accidents, explosions, fires at third-party facilities preventing the Company from performing its operations 5. Breach of production and process discipline 6. No formal procedures for critical incident response and crisis management	1. Lost assets, costs related to business recovery 2. Damage to personnel's health and life 3. Third-party injuries	1. Property, plant and equipment insurance as required by law (policies available at branches) and voluntary insurance pursuant to agreement No. 15 MV 2220/ TKd/15/08/0026 dated 14 August 2015 (where needed) 2. Regular civil defence and emergency response training sessions and safety briefings (where needed) 3. Emergency response plans (where needed) 4. Agreements for fire-fighting and emergency response services (on an ongoing basis)
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**Risk area (process) – 0.18 Fleet management**

**Risk area (subprocess) – 18.1. Rail flatcar and container fleet management**

Risk	Risk drivers	Risk impact	Mitigators
18.1.1 - Poor efficiency of the use of rail flatcar and container fleet Criticality:   <b>Minor risk</b> High-level Company's process:  O.4. Rail flatcar and container fleet management  Risk management method: Control and prevention	1. Insufficient control of the use of flatcar and container fleet	1. Drop in transportation volumes 2. Delivery delays 3. Lower rolling stock turnover 4. Losses suffered by the Company due to late provision of the information to bring suits related to loss of flatcars and containers	1. Monitoring flatcars and containers location (on an ongoing basis) 2. Timely provision of the information to bring suits related to the loss of flatcars and containers (where needed) 3. Accounting and analysis of flatcar and container fleet availability at branches, loading/unloading statons (on a daily basis) 4. Timely distribution of orders and instructions related to shipment management, control over orders implementation under the approved requests (on an ongoing basis) 5.Drop in flatcar and container turnover (on an ongoing basis)



**Risk area (process) – 0.19 Assets management**




**Risk area (subprocess) - 19.1. Non-core assets management**




19.1.1 - Failure to implement or untimely implementation of non-core assets disposal Criticality:   <b>Minor risk</b> High-level Company's process:  B.13 Assets management  Risk management method: Control and prevention	1. Untimely activity on non-core assets disposal 2. High cost of non-core assets approved in the Non-Core Assets Disposal Programme 3. Lack of demand for non-core assets at the market	1. Delayed implementation of the Non-Core Assets Disposal Programme 2. Dead expenses related to non-core assets	1. Identification and submission of assets, which are not involved in the business, for consideration by the Board of Directors (on an ongoing basis) 2. Timely non-core assets disposal in compliance with the approved Non-Core Assets Disposal Programme (auction proceeds, targeted sales) (where needed)
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3. Regulatory Risks


Risk	Risk drivers	Risk impact	Mitigators
<b>Risk area (process) – R.20 legal support of operations</b>			
<b>Risk area (subprocess) – 20.1. Legal support</b>			
20.1.1 - New regulations negatively affecting the Company's business, untimely adoption of the planned regulations and amendments to the existing regulations Criticality:    <b>Minor risk</b> High-level Company's process:  B.3. Legal support   Risk management method: Control and prevention	1. Inefficient government relations 2. Inadequate analysis of legislative developments and their consequences with an impact on the Company's operations 3. Inadequate representation of the Company before the government authorities	1. Significant decrease in the Company's operating and financial performance 2. Discontinuation of some business activities 3. Damage to business reputation	1. Continuous interaction and efficient dialogue with government agencies aimed at protecting the Company's interests that may be affected by proposed new laws and regulations in order to identify provisions and requirements that may be unfavourable to the Company's business (on an ongoing basis) 2. Participation in working groups, expert boards and other deliberative bodies working with the government, as well as in public organisations to monitor changes in the legislation and regulations applicable to the transportation industry and lobby relevant legislative changes (to the extent possible) 3. Provision of legal knowledge and clarifications related to legal provisions as requested by the Company's business units (where needed) 4. Ensuring professional development through updating legal staff (including both the executive office and branches) on changes in Russian laws and relevant legal precedents (where needed)
<b>Risk area (subprocess) - 20.2.Contractual</b>			
20.2.1 - Failure to serve the Company's interests when signing contracts with contractors Criticality:    <b>Acceptable risk</b> High-level Company's process: B.3. Legal support  B.10 Procurement of goods, works and services for TransContainer's needs  Risk management method: Control and prevention	1. Inadequate contractual framework for protecting the Company 2. Inadequate terms and conditions of transactions	1. Declaring a contract not concluded or declaring a contract or some of its terms invalid	1. Monitoring and enforcing compliance with all contract negotiation and review procedures (on an ongoing basis) 2. Monitoring and enforcing compliance with regulations related to contracts and agreements (on an ongoing basis) 3. Monitoring and enforcing compliance with procurement procedures (on an ongoing basis) - Acting Procurement Director Sergey Pronin 4. Ensuring professional development through updating legal staff (including both the executive office and branches) on changes in Russian laws and relevant legal precedents (where needed) 5. Providing guidance on contract execution matters to the executive office and branches (on an ongoing basis)
<b>Risk area (subprocess) - 20.3.Representing TransContainer in courts</b>			

Risk	Risk drivers	Risk impact	Mitigators
20.3.1 - Losing litigation cases related to contractors' or employees' claims, appeals against statements/decisions of authorities/officials on the imposition of administrative sanctions on the Company severely affecting its financial performance Criticality:    <b>Acceptable risk</b> High-level Company's process: B.3. Legal support  Risk management method: Control and prevention	1. Inadequate review of transaction terms and conditions by the initiator of the transaction 2. Absence of the required source documents or their improper execution by the Company's employees 3. Default by the Company or its contractors under agreements 4. Unreasonably refused partner claims 5. Non-compliance with law	1. Losses stemming from damages, fines, penalties, compensations, legal costs and expenses or damage to reputation	1. Developing solid legal reasoning and proper defence tactics (on an ongoing basis) 2. Recording litigations in the electronic document management system and monitoring legal precedents (on an ongoing basis) 3. Analysing and summarising cases involving TransContainer and providing summary reports to TransContainer's branches (where needed) 4. Ensuring professional development of legal staff through seminars and lectures on changes in Russian laws and relevant legal precedents (where needed)
<b>Risk area (process) – R.21 Regulatory matters</b>			
<b>Risk area (subprocess) - 21.1.Industry-specific regulations</b>			
21.1.1 - Non-observance of laws and regulations applicable to the Company's business as regards flatcar and container repairs Criticality:    <b>Acceptable risk</b> High-level Company's process: B.7. Equipment procurement, maintenance, and repair  Risk management method: Control and prevention	1. Non-conformity of the equipment, technologies, quality of products/services with regulatory requirements 2. No monitoring procedures to follow legislative developments 3. Incomplete/inaccurate documentation for the equipment in use	1. Tax authorities questioning depreciation in tax documents 2. Restrictions on transactions with assets (sale, lease, etc.) 3. Fleet idling 4. Restrictions on equipment operations	1. Monitoring and ensuring the compliance of equipment, technologies and quality of products/services with applicable railway transportation regulations by repair departments at branches and the container shipping centre (on an ongoing basis) 2. Monitoring regulatory changes. Analysing data provided by the Russian Railways and monitoring data available through the Automated Railway Legal Information System (ASPIZhT) (on an ongoing basis) 3. Monitoring the container shipping centre for signs of monopoly in container transportation, government regulation of repair tariffs (on an ongoing basis) 4. Monitoring and ensuring accuracy of documentation related to movable assets by branches' repair departments (CSD) (on an ongoing basis) 5. Monitoring and enforcing compliance with new regulations and promptly providing information on such regulations to branches (CSD) (on an ongoing basis)
21.1.2. - Violation of technical requirements as regards building/construction operation Criticality:    <b>Acceptable risk</b> High-level Company's process: B.15. Managing construction and operation of buildings and structures  Risk management method: Control and prevention	1. Non-compliance of operated facilities with applicable regulations 2. Untimely inspections and repairs of buildings and structures 3. Failure to communicate legislative developments to employees	1. Failure in utility systems operation 2. Repair/recovery costs 3. Deterioration of building/ construction performance 4. Loss of functionality of building/construction elements	1. Monitoring the state of facilities pursuant to Procedure for Inspection of Buildings and Constructions Operated by Russian Federal Railways No. TsUKS-788 dated 29 September 2000, and building codes (on an ongoing basis) 2. Repairing buildings and constructions pursuant to approved plans as prescribed by building codes VSN55-87(r) and VSN55-88(r) (where needed) 3. Informing personnel of any changes to regulations and standards in a timely manner (where needed)
<b>Risk area (subprocess) - 21.2.Customs laws and regulations</b>			

Risk	Risk drivers	Risk impact	Mitigators
<div>21.2.1 - Sanctions and restrictions imposed by customs authorities related to international cargo transportation</div> <div>Criticality:</div> <div></div> <div>Minor risk</div> <div>High-level Company's process:</div> <div>0.5 Order fulfilment.</div> <div>Risk management method: Control and prevention</div>	<div>1. Poor TransContainer's client awareness of existing restrictions and prohibitions on movement of specific goods across the Customs Union border</div> <div>2. Insufficient information in transportation documents when certain information is required for a relevant customs procedure</div>	<div>1. Delivery delays</div> <div>2. Extra costs at the customs border</div> <div>3. Drop in transportation volumes</div> <div>4. Lower rolling stock turnover</div> <div>5. Lower customer satisfaction</div> <div>6. Lower revenues</div>	<div>1. Upon request of the sales team, a statement is prepared by the Department of Customs Development on import/export suitability to/from the Customs Union and on the scope of information required in transportation documents for a relevant customs procedure (where needed)</div>
<div>21.2.2 - Failure to comply with the customs rules as per the Code of Administrative Offences of the Russian Federation</div> <div>Criticality:</div> <div></div> <div>Acceptable risk</div> <div>High-level Company's process 0.5 Order fulfilment</div> <div>Risk management method: Control and prevention</div>	<div>1. Failure by TransContainer's staff to comply with the customs rules and requirements of the Federal Customs Service</div> <div>2. Failure to meet customs deadlines</div>	<div>1. Lower profits due to fines</div>	<div>1. Analysing reports on administrative violations (where needed)</div> <div>2. Providing recommendations, training and/ or briefings to employees whose actions caused administrative proceedings against TransContainer (where needed)</div>
Risk area (subprocess) - 21.3.Tax legislation			
<div>21.3.1 - Non-observance of tax law requirements</div> <div>Criticality:</div> <div></div> <div>Acceptable risk</div> <div>High-level Company's process B.16. Tax management</div> <div>Risk management method: Control and prevention</div>	<div>1. Incorrect application of tax laws</div> <div>2. Ambiguous interpretations of tax law requirements</div>	<div>1. Additional taxes, fines and penalties</div> <div>2. Litigation costs and expenses</div> <div>3. Seizure of assets/accounts</div>	<div>1. Tax experts participating in the signing of contracts (on an ongoing basis)</div> <div>2. Monitoring inclusion of documents into tax accounting (on an ongoing basis)</div> <div>3. Training employees (continuous professional development) (where needed)</div> <div>4. Engaging consultants (where needed)</div> <div>5. Monitoring changes to tax legislation (on an ongoing basis)</div> <div>6. Monitoring arbitration case law related to tax disputes (on an ongoing basis)</div> <div>7. Internal control over the extent and credibility of tax obligations (on an ongoing basis)</div>

Risk	Risk drivers	Risk impact	Mitigators
<div>21.3.2 - Deteriorating tax regulations</div> <div>Criticality:</div> <div></div> <div>Acceptable risk</div> <div>High-level Company's process B.16. Tax management</div> <div>Risk management method: Acceptance/Control and prevention</div>	<div>1. Changes to the tax legislation implicating a significant increase in the Company's tax burden</div>	<div>1. Company's tax burden increase</div> <div>2. Lower financial results</div>	<div>1. Monitoring the tax legislation (on an ongoing basis)</div> <div>2. Timely reaction on changes to the tax legislation (when needed)</div>
Risk area (subprocess) - 21.4. Anti-fraud and anti-corruption legislation			

Risk	Risk drivers	Risk impact	Mitigators
<div>21.4.1 - Corruption risks: conflict of interests, insider trading, bribery, commercial bribery</div> <div>Criticality:</div> <div></div> <div><b>Critical risk</b> High-level Company's process: G.1 Strategic management; G.2. Interaction with the securities market and investor relations; G.3 Budget management; G.4. Economic accounting and planning of ongoing activities; G.5. Business audit; G.6. Corporate governance; G.7. Management of TransContainer group entities; G.8. Risk management; G.9. KPI management; G.10. Traffic safety management system; G.11. Capital expenditure management; O.1. Service sales; O.2. Marketing; O.3. Customer service; O.4. Rail flatcar and container fleet management; O.5. Order fulfilment; O.6. Development, support and pricing of transportation solutions; O.7. Road vehicles management; O.8. Terminal resource management; O.9. TransContainer's sales and operational planning; D.1. Business development project management; D.2. R&amp;D management; D.3. Quality management system; D.4. Transportation services development and updating; D.5.Organisational development management; D.6. Development of international business ties; B.1. Support for corporate communications and public relations; B.2. Accounting and reporting; B.3. Legal support; B.4. Security measures; B.5. Statistics, analysis and forecasting of the TransContainer performance; B.6. Finance management; B.7. Equipment procurement, maintenance and repair; B.8. Human resources; B.9. Technological support of the core production processes; B.10. Procurement of goods, works and services for TransContainer's needs; B.11. Information resource management; B.12. Case management; B.13. Assets management; B.14. Call centre performance; B.15. Managing construction and operation of buildings and structures; B.16. Tax management; B.17. Work safety and environmental protection; B.18. General and administrative support</div> <div>Risk management method: Control and prevention</div>	<div>1. Unavailability of information and documents governing the key principles and approaches of the Company to combating corruption</div> <div>2. Insufficient level of the ethical maturity of the Company's employees and/or third parties</div> <div>3. Conscious acts of corruption in respect of government (municipal) officials, extortion or commercial bribery, etc.</div>	<div>1. Company's officers' and employees' liability (including liability under the UK law)</div> <div>2. Losses suffered by the Company, including lost assets</div> <div>3. Damage to the Company's reputation</div>	<div>1. Interaction with the law, prosecution authorities, other government bodies and organisations, participation in the Anti-Corruption Charter of the Russian Business (on an ongoing basis)</div> <div>2. Agitation, organisational, explanatory, and other activities on combating corruption (workshops, technical training, individual consulting and other measures) (on an ongoing basis)</div> <div>3. Inspection of incoming notifications on cases of inciting the Company's employees to commit a corruption offence and submission of inspection reports to prosecution authorities or other federal government bodies (when needed)</div> <div>4. Provision of the Stop Corruption line (hotline) for the public (on an ongoing basis)</div> <div>5. Analysis of appeals from the citizens and other persons on corruption cases among the employees of PJSC TransContainer and inadequate processing of the appeals (when needed)</div> <div>6. Familiarization of new staff with the Company's law and local acts on combating corruption (on an ongoing basis)</div> <div>7. Regular control of compliance with the internal anti-corruption, anti-fraud and anti-embezzlement procedures (on an ongoing basis)</div> <div>8. Monitoring the duties performed by the employees whose activities are related to the corruption risks, and informing the employees on the revealed corruption cases and (or) intentions of corporate fraud and embezzlement, and undertaken measures (on an ongoing basis)</div> <div>9. Informing the concerned managers and CEO on indications (possible occurrence) of corruption, corporate fraud and embezzlement risks (when needed)</div>
<b>Risk area (subprocess) - 21.5.Other legal/regulatory requirements</b>			



Risk	Risk drivers	Risk impact	Mitigators
<div>21.5.1 - Non-compliance with employment laws</div> <div>Criticality:</div> <div></div> <div><b>Minor risk</b> High-level Company's process:</div> <div>B.8. HR management</div> <div>Risk management method: Control and prevention</div>	<div>1. Failure to fulfil obligations towards former employees (for example, in case of wrongful dismissal)</div> <div>2. Non-compliance with employment laws (for example, wrongful disciplinary action)</div> <div>3.Non-compliance with laws and regulations governing the provision of guarantees and benefits to certain categories of employees (pregnant women and women with children under the age of three; the disabled, minors; secondary job employees; employees exposed to harmful and/or hazardous environment factors; employees combining work and study, etc.)</div> <div>4.Unreasonable use of fixedterm contracts for employment</div> <div>5.Errors and inaccuracies in work record books</div> <div>6.Disregard of employee rights and entitlement to annual leave (basic or additional), educational leave, compensations, additional leave days</div> <div>7.Violations pertaining to work on weekends and holidays and overtime work</div> <div>8. Failure to provide guarantees and compensations relating to employment termination</div> <div>9.Non-compliance with personal data laws</div>	<div>1. Additional costs and expenses related to employees' claims</div> <div>2. Damage to reputation</div>	<div>1. Strict compliance with labour laws at employment contract termination regardless of its causes (on an ongoing basis)</div> <div>2. Consulting with legal staff on compliance with labour laws (where needed)</div> <div>3. Professional development programmes for HR departments at the executive office and branches, review of periodicals related to the application of labour laws (on an ongoing basis)</div> <div>4. Quarterly video conferences with branches' HR departments on compliance with labour laws (on an ongoing basis)</div> <div>5. Audits of HR activities in four branches pursuant to the approved plan (on an ongoing basis)</div>
<div>21.5.2 - Legal risks associated with the Company's deals related to operations in foreign jurisdictions</div> <div>Criticality:</div> <div></div> <div><b>Acceptable risk</b> High-level Company's process</div> <div>B.3. Legal support</div> <div>Risk management method: Acceptance/Control and prevention</div>	<div>1. Inadequate qualifications in international law</div> <div>2. Changes in the legislation of foreign states</div>	<div>1. Penalties and restrictions on international operations</div> <div>2. Damage to reputation</div>	<div>1. Professional development programmes for legal staff on foreign laws (where needed)</div> <div>2. Engaging foreign law experts (where needed)</div>




4. Financial Risks

Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – F.22 Capital market and liquidity			
Risk area (subprocess) - 22.1.Liquidity risk			
22.1.1 - Liquidity risk Criticality:	1.Unpredictable increase in spending, absence of reserves and provisions, lower income, tax claims, lack of access to funding	1. Fines, counterparty claims	1. Bringing the payment schedule to compliance with the TransContainer's Regulation for Finance Management (adopted by TransContainer's order No.37 dated 27 February 2015) (on an ongoing basis) 2. Supporting limits and credit facilities with banks (on an ongoing basis) 3. Adjusting budget processes (where needed)
<div><div></div></div> <div>Acceptable risk High-level Company's process</div>			
B.6. Finance management			
Risk management method: Control and prevention			
Risk area (subprocess) – 22.2. Currency risk			
22.2.1 - Currency risk Criticality:	1. Unpredictable changes in foreign exchange rates	1. Lower financial results	1. Monitoring exchange rates on a daily basis (on an ongoing basis) 2. Forecasting exchange rates on a quarterly basis for setting TransContainer's tariffs (on an ongoing basis) 3. Monthly downloading Bloomberg's exchange rate forecasts (on an ongoing basis) 4. Hedging (where needed) 5. Open currency position control (when needed)
<div><div></div></div> <div>Acceptable risk High-level Company's process</div>			
B.6. Finance management			
Risk management method: Acceptance/Control and prevention			
Risk area (subprocess) – 22.3. Credit risk			

Risk	Risk drivers	Risk impact	Mitigators
22.3.1 - Credit risk Criticality:	1. Financial standing of counterparties, adverse economic conditions 2. Misinformation about counterparties	1. Cash shortage 2. Lower financial performance 3. Increase in overdue receivables	1. Calculating, controlling and setting counterparty limits (on an ongoing basis) 2. Monitoring counterparty's credit standing (on an ongoing basis)
<div></div>			
Acceptable risk High-level Company's process			
B.6. Finance management			
Risk management method: Acceptance/Control and prevention			
Risk area (subprocess) – 22.4. Currency risk			
22.4.1 - Interest rate risk Criticality:	1. Deteriorating economic conditions 2. Rating downgrade 3. Lower financial performance of the Company 4. Mistakes in debt policy implementation 5. Budgeting mistakes	1. Cash shortage 2. Lower financial performance 3. Failure to meet budget targets	1. Doing market research (where needed) 2. Diversifying the lender and investor base (on an ongoing basis) 3. Hedging (where needed) 4. Ensuring professional development/training of employees in securities and stock markets (on an ongoing basis)
<div></div>			
Acceptable risk High-level Company's process			
B.6. Finance management			
Risk management method: Acceptance/Control and prevention			
Risk area (process) – F.23 Management accounts and reports			
Risk area (subprocess) – 23.1.Budgeting			
23.1.1 - Inefficient budgeting process Criticality:	1. Macroeconomic changes 2. Provision of inaccurate information for Company's budget planning/review by the financial responsibility centre 3. Inadequate automation of the budgeting process	1. Failure to meet strategic targets 2. Failure to meet budget targets	1. Initiating budget adjustments in accordance with the Regulation on Budgeting and Budget Execution Control (adopted by the Board of Directors, Minutes No. 6 dated 18 December 2013) (where needed) 2. Reviewing (adjusting) the financial responsibility centre budgets at the Budget Committee's meetings (where needed) 3. Budgeting for financial responsibility centres (on an ongoing basis) 4. Monitoring the macroeconomic environment (on an ongoing basis) 5. Verifying financial responsibility centres' budgets with the financial model (where needed)
<div></div>			
Acceptable risk High-level Company's process			
G3. Budget management			
Risk management method: Control and prevention			

Risk	Risk drivers	Risk impact	Mitigators
23.1.2 - Uncontrollable deviations from the budget Criticality:   <b>Acceptable risk</b> High-level Company's process  G3. Budget management  Risk management method: Control and prevention	1. Inefficient controlling system	1. Deviation of budget parameters 2. Shortage of cash to fund the company's operations	1. Broadening the perimeter of plan/actual gap analysis in terms of prices and volumes by accounting entity (Q3 2018) 2. Implementing end-to-end budgeting elements based on operations planning (Q3 2018) 3. Monitoring regular budget execution reports to CEO from heads of financial responsibility centres (on an ongoing basis) 4. The Budget Committee to control information submitted by financial responsibility centres when the budget is developed and/or adjusted (on an ongoing basis)
<b>Risk area (subprocess) – 23.2. Economic accounting and planning of ongoing activities</b>			
23.2.1 - Inefficient management of the Subsidiaries Criticality:   <b>Minor risk</b> High-level Company's process:  G.4 Economic accounting and planning of ongoing activities  Risk management method: Control and prevention	1. Untimely write-offs/disposal/non-use of stocks in production	1. Inflated Company's assets	1. Monthly control over the stocks balance as at the end of a reporting period, identification of reasons of stocks overbalance (on an ongoing basis) 2. Aligning the stocks with the approved TransContainer CEO's Order No.295 dated 21 December 2015 (on an ongoing basis)
<b>Risk area (process) – F.24 Accounting and reporting</b>			
<b>Risk area (subprocess) – 24.1.RAS accounting and reporting</b>			

Risk	Risk drivers	Risk impact	Mitigators
24.1.1 - Unreliable and/or untimely RAS accounting statements Criticality:   <b>Minor risk</b> High-level Company's process:  B.2. Accounting and reporting  Risk management method: Control and prevention	1. Untimely and inaccurate provision of information by departments and process owners 2. Lack of a documented contractor service distribution procedure 3. Execution of reconciliation reports despite discrepancies, or lack of reconciliation reports 4. Untimely and inaccurate accounting.	1. Misrepresentation of financial statements 2. Fines for late delivery 3. Breach of the Russian Railways' regulations, breach of shareholders' requirements	1. Participating in the signing of contracts (on an ongoing basis). 2. Accepting documents for records (on an ongoing basis) 3. Training employees (continuous professional development) 4. Ensuring that contracts are executed in a timely manner (on an ongoing basis) 5. Controlling subordinates (including for compliance with CSD's local regulations in terms of improving the quality, completeness and timeliness of reporting (CEO order No. 154 dated 17 November 2010) (on an ongoing basis) 6. Engaging consultants (where needed) 7. Maintaining relations with audit firms as part of the auditing process 8. Monitoring the accounting law development and the Russian Railways' clarifying reports (on an ongoing basis) 9. Monitoring the IT-systems compliance with the effective RAS accounting and reporting requirements: timely submission of applications to the IT department to update RAS accounting and reporting systems (on an ongoing basis) 10. Maintaining relations with Governance branches and business units (on an ongoing basis)
<b>Risk area (subprocess) – F.24.2 IFRS accounting and reporting</b>			

Risk	Risk drivers	Risk impact	Mitigators
24.2.1 - Unreliable and/or untimely IFRS consolidated financial statements Criticality:   <b>Minor risk</b> High-level Company's process:  B.2. Accounting and reporting  Risk management method: Control and prevention	1. Untimely and/or insufficient and/or unreliable provision of information and documents by: subsidiaries, branches, business units, advisors and process owners 2. Transformation and/or consolidation errors in financial statements 3. Untimely and/or insufficient and/or unreliable information on material transactions for the purposes of disclosure in consolidated financial statements 4. Untimely and/or insufficient and/or unreliable information on buying/selling stakes/shares in companies, incorporation/creation of new companies/joint ventures/associates/special purpose vehicles, or dissolution thereof 5. Reducing the time needed to prepare IFRS consolidated financial statements and special purpose financial statements for shareholders (the Russian Railways Group and FESCO Group), new requirements under Law 208-FZ 6. Disruptions in the Company's IFRS and other IT systems, untimely and/or insufficient IT support, maintenance or improvements of the IFRS by the Company's IT Department and/ or advisors 7. Untimely and/or insufficient and/or unreliable information and documentation: from branches, business units and subordinates due to transition to a new Oracle subsystem instead of PEREVOZKI information system 8. Changes to the frequency of preparing special purpose financial statements for shareholders, including record keeping in the Russian Railway's SAP system (greater work volumes) 9. Changes to the TransContainer structure (increase in subsidiaries within the Group)	1. Misrepresentation of TransContainer's consolidated financial statements under IFRS, misrepresentation of consolidated financial statements of Russian Railways Group and FESCO Group 2. Unreliability of TransContainer's consolidated financial statements under IFRS, unreliability of consolidated financial statements of Russian Railways Group and FESCO Group 3. Late preparation of TransContainer's consolidated financial statements under IFRS and consolidated financial statements of Russian Railways Group and FESCO Group 4. Decrease in users' (including company management, shareholders, investors, banks, counterparties, etc.) confidence in financial statements 5. Decrease in the market value of shares, breach of LSE and MOEX requirements, delisting 6. Breach of the Russian Railways' regulations, breach of shareholders' requirements 7. Breach of Law 208-FZ On Consolidated Financial Statements and Law 39-FZ On the Securities Market.	1. Participating in the signing of contracts (on an ongoing basis) 2. Accepting documents for records (on an ongoing basis) 3. Training employees (continuous professional development) 4. Timely provision of required staff (the Russian Railway's Regulations approved by the order No.398r dated 3 March 2017, the Regulation on CSC IFRS department). (when needed) 5. Ensuring timely execution of contracts, regulations and orders by telegrams by the Russian Railway and FESCO (on an ongoing basis) 6. Controlling subordinates (including for compliance with the subsidiaries and affiliates' internal regulations in terms of improving the quality, completeness and timeliness of accounts (on an ongoing basis) 7. Engaging advisors (on an ongoing basis and where needed) 8. Maintaining relations with subsidiaries and affiliates (on an ongoing basis). 9. Maintaining relations with the Russian Railway's and FESCO's shareholders (on an ongoing basis) 10. Maintaining relations with audit firms (PWC, E&Y, KPMG auditor) as part of the auditing process (where needed) 11. Maintaining relations with advisors on introducing the new Oracle system and improving the IFRS system and TransContainer's IT Department (where needed)

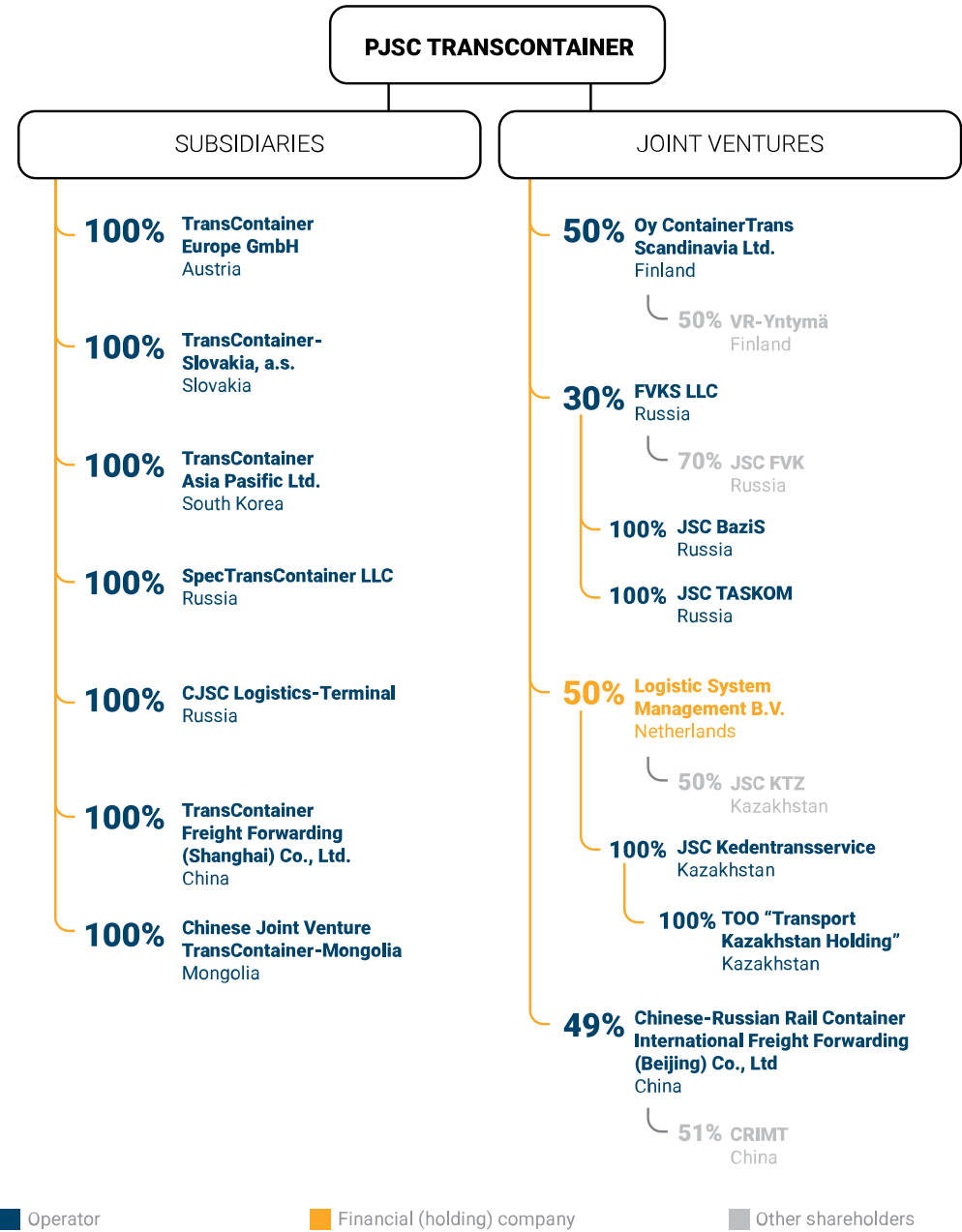
Global Sustainability Standards Board (GSSB/GRI)

GRI Standards	Content index	Content	Page/Comment
General	102-1	Name of the organization	Cover 2
	102-2	Activities, brands, products, and services	5
	102-3	Location of headquarters	224
	102-4	Location of operations	30
	102-5	Ownership and legal form	Cover 2
	102-6	Markets served	18
	102-7	Scale of the organization	34
	102-8	Information on employees and other workers	46
	102-9	Supply chain	58
	102-10	Significant changes to the organization and its supply chain	Without changes
	102-11	Precautionary Principle or approach	Applied locally for estimation of major projects.
	102-12	External initiatives	Under preparation for ISO 14001 certification
	102-13	Membership of associations	The Company has been a member of the RUIE since 2019
	102-14	Statement from senior decision-maker	6
	102-16	Values, principles, standards, and norms of behaviour	51
	102-18	Governance structure	75
	102-40	List of stakeholder groups	115
	102-41	Collective bargaining agreements	100%
	102-42	Identifying and selecting stakeholders	The Company refers to stakeholders that have a significant impact on the value chain and the environment in which its units operate.
	102-43	Approach to stakeholder engagement	41
	102-45	Entities included in the consolidated financial statements	133
	102-46	Defining report content and topic Boundaries	2 The structure of the report is consistent with the main elements of the Company's business model.
	102-47	List of material topics	The report reveals significant aspects for the major stakeholder groups in the areas of operational efficiency, financial sustainability, environmental and industrial safety, social responsibility and corporate governance.
	102-48	Restatements of information	Without changes
	102-49	Changes in reporting	Without changes
	102-50	Reporting period	01.01.2018 31.12.2018
	102-51	Date of most recent report	May 2018
	102-52	Reporting cycle	annual
	102-53	Contact point for questions regarding the report	224
	102-54	Claims of reporting in accordance with the GRI Standards	in accordance with the GRI Standards



	102-56	External assurance	The report passes the internal audit procedure. Confirmation of completeness of disclosure of GRI indicators by external parties is not carried out
Management Approach	103-1,2,3	Principles of the material topic management	46, 55, 60
Economic Performance	201-1	Direct economic value generated and distributed	65
Energy	302-1	Energy consumption within the organization	56
	302-4	Reduction of energy consumption	56
Water	303-1	Total consumed water	56
Effluents and Waste	306-2	Waste by type and disposal method	56
Employment	401-1	New employee hires and employee turnover employee	47
	401-3	Parental leave	47
Training and Education	404-1	Average hours of training per year per employee	49
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	46
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	60

Subsidiaries and joint ventures of PJSC TransContainer



Administrative Details

Full name of the Company in Russian:

Публичное акционерное общество «Центр по перевозке грузов в контейнерах «ТрансКонтейнер».

Abbreviated name of the Company in Russian:

ПАО «ТрансКонтейнер»

Full name of the Company in English:

Public Joint Stock Company "Centre for Cargo Container Traffic "TransContainer".

Abbreviated name of the company in English:

PJSC "TransContainer"

Location of the Company:

Moscow

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Date of state registration:

4 March 2006 (OGRN: 1067746341024)

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JSC STATUS, the Registrar Society

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**Email:** [office@rostatus.ru](mailto:office@rostatus.ru)

Licence: No. 10-000-1-00304 dated 12.03.2004

**Issued by:** Federal Commission for the Securities Market Licence  
TERM: unrestricted  
Date on which STATUS began to maintain securities registers: 20 June 1997.

JSC PricewaterhouseCoopers Audit,

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Member of the non-commercial partnership Audit Chamber of Russia, a self-regulating organisation of auditors. 10201003683