

# **PJSC TRANSCONTAINER**

## **International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report**

31 December 2020

# PJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 2020 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:

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

Management is also responsible for:

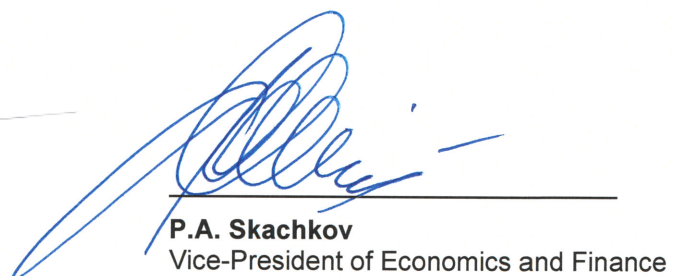
- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of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

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved on 17 March 2021 by:



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**A. Isurins**  
President



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**P.A. Skachkov**  
Vice-President of Economics and Finance



## Independent Auditor's Report

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

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### 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 (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and 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:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### 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.

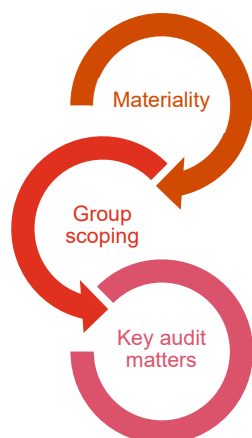
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and 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: Russian Roubles (“RUB”) 811 million, which represents 5% of profit before income tax.

- We conducted audit work at the Company, considered to be the only significant component of the Group based on individual share in revenue of the Group (97%).
- Our audit scope addressed 97% of the Group’s revenue and 97% of the Group’s total carrying value of property, plant and equipment.
- Timing of revenue recognition

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.

<b>Overall Group materiality</b>	RUB 811 million
<b>How we determined it</b>	5% of profit before income tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.



## 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
<p><i>Timing of revenue recognition</i></p> <p>See notes 3 and 6 to the consolidated financial statements for relevant disclosures, accounting policies and judgments.</p> <p>The Group's revenue for the year ended 31 December 2020 was RUB 103,497 million, including RUB 96,665 million of revenue from integrated freight forwarding and logistics services.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>Our procedures for verifying appropriateness of the cut-off assumption for revenues from integrated freight forwarding and logistics services included the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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;</li><li>• 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;</li><li>• 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;</li><li>• obtaining written representations from management on correctness of the completion stage determined for transportation services outstanding as at</li></ul>



Key audit matter	How our audit addressed the key audit matter
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services to the current period is complex and involves management's judgment.

the reporting date and correctness of corresponding revenue calculations.

### 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 profit before income tax. The Company 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 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 Annual report for 2020 and the Issuer's Report (quarterly report) of the Company for the 1st Quarter of 2021 (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 Annual report for 2020 and the Issuer's Report (quarterly report) of the Company for the 1st Quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### 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.

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### 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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.



- 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, actions taken to eliminate threats or safeguards applied.

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 Alexey Yakovlevich Fegetsyn.

*AO PricewaterhouseCoopers Audit*

18 March 2021

Moscow, Russian Federation



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

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

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

Taxpayer Identification Number 7708591995

Russian Federation, 141402, Moscow region, Khimki city district,  
Khimki, Leningradskaya str., vld. 39, str. 6, office 3 (floor 6)

Independent auditor:  
AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association  
«Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors  
and Audit Organizations – 12006020338

**PJSC TRANSCONTAINER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Amounts in millions of Russian Roubles)*

	Notes	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	71,857	62,630
Advances for acquisition of non-current assets	7	427	382
Right-of-use assets	17	1,163	873
Investment property		574	395
Intangible assets	8	203	219
Investments in joint ventures	9	396	283
Long-term loans	13	10,000	-
Other non-current assets		42	55
<b>Total non-current assets</b>		<b>84,662</b>	<b>64,837</b>
<b>Current assets</b>			
Inventory	10	681	630
Trade and other receivables	11	2,686	1,799
Prepayments and other current assets	12	6,468	7,641
Short-term loans	13	4,546	-
Short-term investments	13	-	2,900
Cash and cash equivalents	14	8,592	3,580
		<b>22,973</b>	<b>16,550</b>
Non-current assets held for sale	9	-	2,972
<b>Total current assets</b>		<b>22,973</b>	<b>19,522</b>
<b>TOTAL ASSETS</b>		<b>107,635</b>	<b>84,359</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	15	13,895	13,895
Reserve fund	15	703	703
Translation reserve		398	(697)
Other reserves	15	(1,828)	(1,949)
Retained earnings		9,341	36,482
<b>Total equity attributable to the Company's owners</b>		<b>22,509</b>	<b>48,434</b>
<b>Non-current liabilities</b>			
Long-term debt	16	54,469	18,461
Lease obligations, net of current maturities	17	776	650
Employee benefit liability	18	902	988
Deferred tax liability	28	2,504	2,431
Trade finance liability	21	900	-
Financial guarantee for investment in joint venture	9	133	151
<b>Total non-current liabilities</b>		<b>59,684</b>	<b>22,681</b>
<b>Current liabilities</b>			
Contracts liabilities	19	7,565	4,590
Trade and other payables	20	1,071	3,133
Trade finance liability	21	6,283	-
Short-term debt	16	3,003	-
Current portion of long-term debt	16	4,425	2,967
Lease obligations, current maturities	17	550	274
Income tax payable		460	139
Taxes other than income tax payable	22	474	410
Other current liabilities		370	421
Settlements with employees	23	1,241	1,310
<b>Total current liabilities</b>		<b>25,442</b>	<b>13,244</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>107,635</b>	<b>84,359</b>

  
**A. Isurins**  
 President

  
**P.A. Skachkov**  
 Vice-President of Economics and Finance

17 March 2021

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

	Notes	2020	2019
Revenue	24	103,497	86,179
Other operating income	25	1,224	1,161
Operating expenses	26	(89,422)	(71,569)
Foreign exchange gain/(loss), net		292	(229)
Finance expense	27	(1,856)	(1,118)
Finance income		522	368
Share of result of joint ventures	9	102	583
Gain from disposal of joint venture	9	1,836	-
Gain from disposal of lease rights		2	14
Remeasurements of investment property		23	7
<b>Profit before income tax</b>		<b>16,220</b>	<b>15,396</b>
Income tax expense	28	(3,561)	(3,646)
<b>Profit for the year attributable to the Company's owners</b>		<b>12,659</b>	<b>11,750</b>
<b>Other comprehensive income/(loss) (net of income tax)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit plans liabilities	18	23	(128)
Remeasurements of investment property upon transfer from property, plant and equipment	15	118	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of translation of financial information of joint ventures to presentation currency	9	883	(349)
Exchange differences on translating of other foreign operations		212	(75)
Share of other comprehensive income/(loss) of joint venture	9	3	(3)
<b>Other comprehensive income/(loss) for the year</b>		<b>1,239</b>	<b>(555)</b>
<b>Total comprehensive income for the year attributable to the Company's owners</b>		<b>13,898</b>	<b>11,195</b>
<b>Earnings per share, basic and diluted (in Russian Roubles)</b>		<b>911</b>	<b>846</b>
<b>Weighted average number of shares outstanding</b>	15	<b>13,894,778</b>	<b>13,894,778</b>

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

**PJSC TRANSCONTAINER**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(Amounts in millions of Russian Roubles)*

	Notes	2020	2019
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>16,220</b>	<b>15,396</b>
Adjustments for:			
Depreciation and amortisation	26	4,569	3,473
Change in credit loss allowance		44	11
Gain from disposal of property, plant and equipment	25	(681)	(705)
Share of result of joint ventures	9	(102)	(583)
Finance expense, net		1,334	750
Foreign exchange (gain)/loss, net		(292)	229
(Reversal)/loss on impairment of property, plant and equipment	7, 26	(64)	644
Change in provisions		75	409
Gain from disposal of joint venture	9	(1,836)	-
Other (income)/expenses, net		(31)	16
<b>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</b>		<b>19,236</b>	<b>19,640</b>
<b>Working capital changes:</b>			
Decrease in inventory		684	417
Increase in trade and other receivables		(856)	(739)
Decrease/(increase) in prepayments and other assets		820	(2,914)
Increase in trade and other payables and contracts liabilities		2,733	162
Change in trade finance liability	6, 21	7,120	-
Increase/(decrease) in taxes other than income tax		64	(81)
Decrease in settlements with employees		(38)	(34)
Decrease in employee benefit liabilities		(51)	(60)
<b>Net cash from operating activities before income tax and interest</b>		<b>29,712</b>	<b>16,391</b>
Interest paid		(1,828)	(976)
Income tax paid		(3,187)	(3,293)
<b>Net cash provided by operating activities</b>		<b>24,697</b>	<b>12,122</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(14,935)	(17,257)
Proceeds from disposal of property, plant and equipment		14	679
Disposal of short-term investments		2,865	-
Purchases of short-term investments		-	(2,865)
Proceeds from disposal of joint venture	9	5,830	-
Issue of long-term loans	13	(10,000)	-
Issue of short-term loans	13	(4,500)	-
Purchases of intangible assets		(60)	(33)
Dividends received from joint ventures		17	325
Interest received		509	333
<b>Net cash used in investing activities</b>		<b>(20,260)</b>	<b>(18,818)</b>
<b>Cash flows from financing activities:</b>			
Dividends	15	(39,823)	(8,822)
Proceeds from issuance of short-term debt		2,000	2,560
Proceeds from issuance of long-term debt		42,000	-
Proceeds from issuance of long-term bonds	16	-	9,974
Repayments of lease obligations	17	(529)	(100)
Principal payments on short-term part of long-term bonds	16	(2,500)	-
Principal payments on short-term debt	16	(1,000)	(2,560)
<b>Net cash provided by financing activities</b>		<b>148</b>	<b>1,052</b>
Net increase/(decrease) in cash and cash equivalents		4,585	(5,644)
<b>Cash and cash equivalents at beginning of the year</b>		<b>3,580</b>	<b>9,527</b>
Foreign exchange effect on cash and cash equivalents		427	(303)
<b>Net cash and cash equivalents at end of the year</b>	14	<b>8,592</b>	<b>3,580</b>

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

**PJSC TRANSCONTAINER**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(Amounts in millions of Russian Roubles)*

	Notes	Share capital	Reserve fund	Translation reserve	Other reserves	Retained earnings	Total equity attributable to the Company's owners
<b>Balance at 1 January 2019</b>		<b>13,895</b>	<b>703</b>	<b>(273)</b>	<b>(1,946)</b>	<b>33,682</b>	<b>46,061</b>
Profit for the year		-	-	-	-	11,750	11,750
Other comprehensive loss for the year		-	-	(424)	(3)	(128)	(555)
<b>Total comprehensive (loss)/income for the year</b>		<b>-</b>	<b>-</b>	<b>(424)</b>	<b>(3)</b>	<b>11,622</b>	<b>11,195</b>
Dividends	15	-	-	-	-	(8,822)	(8,822)
<b>Balance at 31 December 2019</b>		<b>13,895</b>	<b>703</b>	<b>(697)</b>	<b>(1,949)</b>	<b>36,482</b>	<b>48,434</b>
Profit for the year		-	-	-	-	12,659	12,659
Other comprehensive income for the year		-	-	1,095	121	23	1,239
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>1,095</b>	<b>121</b>	<b>12,682</b>	<b>13,898</b>
Dividends	15	-	-	-	-	(39,823)	(39,823)
<b>Balance at 31 December 2020</b>		<b>13,895</b>	<b>703</b>	<b>398</b>	<b>(1,828)</b>	<b>9,341</b>	<b>22,509</b>

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

**PJSC TRANSCONTAINER**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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*(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 38 container terminals along the Russian railway network. As at 31 December 2020, the Company operated 14 branches in Russia. The Company’s registered address is bld. 19, Oruzheiniy pereulok, Moscow, 125047, Russian Federation (since 26 February 2021 the Company’s registered address is: 6<sup>th</sup> floor, office 3, bld. 6, estate 39, Leningradskaya st., Khimki, Moscow region, 141402, Russian Federation).

As at 31 December 2020 and 31 December 2019 LLC Delo-Center is the immediate parent of the Company, holding 100% of its ordinary shares as at 31 December 2020 (50%+2 of its ordinary shares as at 31 December 2019).

The Company’s ultimate parent company is LLC UK Delo, and the ultimate controlling party is S.N. Shishkarev.

PJSC TransContainer has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				2020	2019	2020	2019
JSC TransContainer-Slovakia, a.s.	Subsidiary	Slovakia	Container shipments	100	100	100	100
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
TransContainer Freight Forwarding (Shanghai) Co., Ltd.	Subsidiary	China	Container shipments	100	100	100	100
LLC TransContainer Mongolia	Subsidiary	Mongolia	Container shipments	100	100	100	100
Oy ContainerTrans Scandinavia Ltd.	Joint venture	Finland	Container shipments	50	50	50	50
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture	China	Container shipments	49	49	50	50
JSC Kedentransservice (Note 9)	Joint venture	Kazakhstan	Container shipments	-	50	-	50
JSC Logistika-Terminal	Subsidiary	Russia	Terminal operations	100	100	100	100
LLC FVK Sever (FVK Sever Group) (Note 9)	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. (Note 9)	Joint venture	Netherlands	Investment activity	-	50	-	50

**PJSC TRANSCONTAINER  
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**1. NATURE OF THE BUSINESS (CONTINUED)**

The consolidated financial statements of PJSC TransContainer and its subsidiaries (the “Group”) as at 31 December 2020 and for the year then ended were authorised for issue by the General Director of the Company on 17 March 2021.

**2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 interests which are not owned, directly or indirectly, by the Group. 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.

**Disposals of subsidiaries, associates or joint ventures.** When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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:

- all assets and liabilities are translated at the closing rate at the date of each presented statement of financial position;
- 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;
- components of equity are translated at historical rates;
- all resulting exchange differences are recognised as other comprehensive income.

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	<u>Number of years</u>
Buildings	20-84
Constructions	5-70
Containers	10-20
Flatcars	28-40
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 owned or held by the Group as a right-of-use assets 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.

Investment property held by the Group as a right-of-use asset is measured in accordance with IFRS 16 Leases.

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 to 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**Amortised cost** is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

**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 2020 and 31 December 2019 the Group classifies all financial assets as subsequently measured at amortised cost.

**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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. There were no such reclassifications during the reporting periods.

**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 32. Note 32 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 assess 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 2020 and 31 December 2019 the Group classifies all financial liabilities as subsequently measured at amortised cost, except for the financial guarantee.

**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.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Inventories.** Inventories shall be measured 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 when release to production or other disposal 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 from other long-term benefits 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 are provided in a bundle and are 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 relative 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. By the method of providing, these services are provided at an integrated rate 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

- (a) the Group's right to receive payment is established;
- (b) it is probable that any future economic benefit associated with dividends will flow to the Group; and
- (c) 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 identified asset for a period of time in exchange for consideration. The Group leases land, flatcars, certain production buildings and office premises, tank-containers and handling equipment. Rental contracts are typically made for fixed periods of 1 to 49 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and interest expenses. Interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**Right-of-use assets.** Assets arising from a lease are initially measured on a present value basis.

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives or lease terms as follows:

	<u>Useful lives in years</u>
Land, buildings and constructions	1-68
Containers and flatcars	1-5
Cranes and loaders	1
Vehicles and other equipment	1-5

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Lease liabilities*

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

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

Extension and termination options are included in a number of leases across the Group. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

The Group leases land on which Group's property is located, the rent for which is determined using the lease rate as a percentage of the cadastral value of such land. Under such land lease agreements, the Group recognises rents as variable lease payments that are not included in the assessment of lease obligations.

Lease payments are allocated between lease principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

*Lessor's accounting*

The Group as a lessor classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Group had no finance leases as at 31 December 2020 and as at 31 December 2019.

*Operating leases*

Where the Group is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis.

**Borrowing costs.** Borrowing costs include:

- (a) interest expense calculated by the effective interest method;
- (b) interest in respect of lease obligations;
- (c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 budget 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.

At initial recognition the right-of-use asset and liability recognised in respect of the lease are considered to be interrelated and deferred tax effect in respect of right-of-use asset and liability are presented on a net basis. Accordingly, net temporary difference at initial recognition is nil.

The Group controls the reversal of temporary differences relating to dividends from subsidiaries or 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, 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.

**4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.** The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

The Group decided not to apply this amendment to IFRS 16 due to its insignificant impact on the Group's consolidated financial statements.

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- 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).

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**4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

- 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).
- 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).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

New standards and improvements mandatory for annual periods beginning on or after 1 January 2021 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:

- 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.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendments have not been endorsed for application in the Russian Federation.
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The amendments have not been endorsed for application in the Russian Federation.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments have not been endorsed for application in the Russian Federation.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). 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.

**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.



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**5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

As at 31 December 2019 and 31 December 2020 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 significantly.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2020 would be to increase it by RUR 397m or decrease it by RUR 325m (for the year ended 31 December 2019: to increase by RUR 330m or decrease by RUR 269m).

**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 fair value less cost of disposal is less than asset's carrying value, 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 2020 there are no indicators of impairment of property, plant and equipment.

As at 31 December 2019 there were no indicators of impairment of the Group's property, plant and equipment, except for the impairment of part of the real estate of JSC Logistika-Terminal (subsidiary of the Group, Note 1) and part of the Company's real estate and construction-in-progress (Note 7).

**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 non-compliant 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-current 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 18).

**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 29.

**Depreciation of right-of-use assets.** In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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**5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

As at 31 December 2020 and 31 December 2019, potential future cash outflows of RUR 208m and RUR 603m (undiscounted), respectively, have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the year ended 31 December 2020, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of RUR 15m.

During the year ended 31 December 2019, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of RUR 71m.

**Discount rates used for determination of lease liabilities.** The Group uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined.

The weighted average rate of additional borrowing applied by the Group to lease obligations as at 31 December 2020 and 31 December 2019 was 7.05% and 7.58%, respectively. A 10% increase in discount rate at 31 December 2020 would result in decrease in lease liabilities of RUR 17m (31 December 2019: RUR 18m). A 10% decrease in discount rate at 31 December 2020 would result in an increase in lease liabilities of RUR 17m (31 December 2019: RUR 19m).

**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.

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

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

**Discount rate.** The incremental borrowing rate is used as a discount rate when calculating the present value of lease payments the discount rate is determined for each asset based on the Group's incremental borrowing rate at the beginning of the contract. The Company's incremental borrowing rate is based on the rate given in the Bank of Russia Statistical Bulletin and the rates given in the Central banks of the countries where the subsidiaries are located. The range of discount rates for the Group's additional borrowing for 31 December 2020 is from 2% to 11%, and for 31 December 2019 is from 2% to 11%.

**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.

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**6. CRITICAL ACCOUNTING JUDGEMENTS (CONTINUED)**

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 62,721m for the year ended 31 December 2020. For the year ended 31 December 2019 this effect would be RUR 48,283m.

**Trade finance liability.** In 2020, the Company entered into an service agreement with a bank (an Agent), according to which an Agent undertakes to make payments in favor of the Company's counterparties for the remuneration, as well as keep records of monetary claims for which the Agent has made payments. The Company, in turn, undertakes to compensate the Agent for the amount of payments made by the Agent and pay the Agent remuneration.

The Management considers the provision of services under this agreement as the provision of services under an agency agreement within the core business activity (operating activity) in which the Company acts as a principal.

The Group records the transactions under this agreement as follows:

- liabilities are represented as Trade finance liabilities in the Consolidated Statement of Financial Position;
- agency fees are represented as Trade finance expenses within the Finance expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income;
- in the Consolidated Statement of Cash Flows transactions to compensate for incurred expenses in the form of payments previously made by the Agent in favor of the Company's counterparties are represented in the working capital in a separate line "Increase / (decrease) in trade finance liabilities" and payment of agency fees in "Cash flows from operating activities", except for the amounts previously paid by the Agent in favor of the Principal's counterparties for the purchases of property, plant and equipment and loans issued, which are reflected in cash flows from investment activities.

**7. 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 2019</b>	<b>14,502</b>	<b>47,912</b>	<b>3,330</b>	<b>2,925</b>	<b>331</b>	<b>69,000</b>
Additions	6	19,001	-	58	134	19,199
Transfers	37	57	-	1	(95)	-
Disposals	(23)	(817)	(87)	(144)	(110)	(1,181)
<b>31 December 2019</b>	<b>14,522</b>	<b>66,153</b>	<b>3,243</b>	<b>2,840</b>	<b>260</b>	<b>87,018</b>
Additions	121	11,646	70	1,155	109	13,101
Transfers	117	19	-	2	(138)	-
Transfer to investment property	(23)	-	-	-	-	(23)
Transfer to right-of-use assets	-	-	-	(9)	-	(9)
Disposals	(3)	(1,208)	(44)	(119)	(4)	(1,378)
<b>31 December 2020</b>	<b>14,734</b>	<b>76,610</b>	<b>3,269</b>	<b>3,869</b>	<b>227</b>	<b>98,709</b>

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

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in progress	Total
<b>Accumulated depreciation</b>						
<b>1 January 2019</b>	<b>(2,866)</b>	<b>(15,185)</b>	<b>(1,407)</b>	<b>(2,089)</b>	-	<b>(21,547)</b>
Depreciation charge for the year	(352)	(2,395)	(254)	(229)	-	<b>(3,230)</b>
Impairment	(463)	-	(53)	(11)	(117)	<b>(644)</b>
Disposals	12	798	87	136	-	<b>1,033</b>
<b>31 December 2019</b>	<b>(3,669)</b>	<b>(16,782)</b>	<b>(1,627)</b>	<b>(2,193)</b>	<b>(117)</b>	<b>(24,388)</b>
Depreciation charge for the year	(342)	(3,078)	(238)	(193)	-	<b>(3,851)</b>
Transfer to investment property	12	-	-	-	-	<b>12</b>
Impairment	69	(1)	(4)	-	-	<b>64</b>
Disposals	3	1,149	44	115	-	<b>1,311</b>
<b>31 December 2020</b>	<b>(3,927)</b>	<b>(18,712)</b>	<b>(1,825)</b>	<b>(2,271)</b>	<b>(117)</b>	<b>(26,852)</b>
<b>Net book value</b>						
<b>31 December 2019</b>	<b>10,853</b>	<b>49,371</b>	<b>1,616</b>	<b>647</b>	<b>143</b>	<b>62,630</b>
<b>31 December 2020</b>	<b>10,807</b>	<b>57,898</b>	<b>1,444</b>	<b>1,598</b>	<b>110</b>	<b>71,857</b>

The item "Land, buildings and constructions" includes the amounts of RUR 1,275m and RUR 1,275m, which represent the net book value of land plots owned by the Group as at 31 December 2020 and 31 December 2019, respectively.

As at 31 December 2020 and 31 December 2019 the item "Land, buildings and constructions" includes the amounts of RUR 322m and RUR 108m, respectively, which represent the gross carrying amounts of land, buildings and construction under lease (Note 17 Leases - Group is the lessor) that were leased out by the Group under operating lease agreements.

As at 31 December 2020 and 31 December 2019 the item "Containers and flatcars" includes the amounts of RUR 314m and 375m, respectively, which represent the gross carrying amounts of containers and flatcars under lease (Note 17 – Group is the lessor) that were leased out by the Group under operating lease agreements.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 619m and RUR 650m as at 31 December 2020 and 31 December 2019, respectively. The item "Vehicles and other equipment group" as at 31 December 2020 also including the aircraft in the amount of USD 13.8m (RUR 1,012m at the Central Bank of the Russia exchange rate as at 31 December 2020) which is not available for use.

During the year ended 31 December 2020 according to the investment program for 2020 provided for the renewal of the fleet of flatcars and containers there were additions of flatcars and containers in the amount of RUR 10,290m and RUR 1,356m, respectively (during the year ended 31 December 2019 – RUR 15,654m and RUR 3,347m, respectively).

As at 31 December 2019, 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 2020 decreased by RUR 51m 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 873m and RUR 920m as at 31 December 2020 and 31 December 2019, respectively.

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

As at 31 December 2020 Group's provision for impairment of property, plant and equipment amounted to RUR 580m (RUR 644m as at 31 December 2019), mainly for real estate of JSC Logistika-Terminal (Group's subsidiary, Note 1) in the amount of RUR 274 million (RUR 274m as at 31 December 2019), as well as for real estate of the Company located in the cargo yard of the Moscow-Tovarnaya-Paveletskaya station in the amount of RUR 263m (RUR 249m as at 31 December 2019) and for the Company's construction-in-progress facility at Uglovaya station in the amount of RUR 117m (RUR 117m as at 31 December 2019). Company recognised the impairment due to the lack of economic benefits for the Company in the form of future cash flows from these facilities.

The carrying amount of temporarily idle property, plant and equipment as at 31 December 2020 and 31 December 2019 comprised the following:

	<u>2020</u>	<u>2019</u>
Cost	781	1,002
Accumulated depreciation	(282)	(372)
Impairment	<u>(307)</u>	<u>(371)</u>
<b>Net book value</b>	<b><u>192</u></b>	<b><u>259</u></b>

*Advances for acquisition of non-current assets*

As at 31 December 2020 and 31 December 2019, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of containers (RUR 0m and RUR 74m, respectively), advances for the purchase of rolling stock (RUR 425m and RUR 306m, respectively) and advances for the acquisition of other non-current assets (RUR 2m and RUR 2m, respectively).

**8. INTANGIBLE ASSETS**

Group's intangible assets are comprised of software with initial cost of RUR 356m and accumulated depreciation of RUR 153m as at 31 December 2020 (RUR 344m and RUR 125m as at 31 December 2019 respectively).

For the year ended 31 December 2020 depreciation charge for intangible assets amounted to RUR 71m (for the year ended 31 December 2019 RUR 78m).

Intangible assets are mostly comprised of railway services operations software, logistics services rendering software, software for tax, management and financial accounting.

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**9. INVESTMENTS IN JOINT VENTURES**

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

	<b>Joint ventures JSC Kedentransservice and Logistic System Management B.V.</b>	<b>Joint venture LLC Freight Village Kaluga Sever</b>	<b>Other joint ventures</b>	<b>Total joint ventures</b>
<b>Carrying amount as at 31 December 2018</b>	<b>3,127</b>	<b>111</b>	<b>132</b>	<b>3,370</b>
Share of profit of joint ventures	526	38	19	583
Dividends received from joint ventures	(346)	-	-	(346)
Share of translation to presentation currency	(332)	-	(17)	(349)
Share of other comprehensive loss of joint venture	(3)	-	-	(3)
Reclassification to assets for sale under IFRS 5	(2,972)	-	-	(2,972)
<b>Carrying amount as at 31 December 2019</b>	<b>-</b>	<b>149</b>	<b>134</b>	<b>283</b>
Share of profit of joint ventures	-	63	39	102
Dividends received from joint ventures	-	-	(31)	(31)
Share of translation to presentation currency	-	-	42	42
<b>Carrying amount as at 31 December 2020</b>	<b>-</b>	<b>212</b>	<b>184</b>	<b>396</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. Since 28 June 2019 the creditor's rights under the loan agreement have passed to PJSC State Transport Leasing Company (PJSC GTLK), a related party of the Group (Note 29). On 23 December 2019 an additional agreement was signed to the current loan agreement, as a result due to a significant change in the terms of the loan agreement, the Group derecognised the original financial liability and recognised a new financial liability.

As at 31 December 2020 the debt of FVKS was secured by the guarantee under the loan agreement amounted to RUR 2.2bn (2.2bn as at 31 December 2019). As at 31 December 2020 the financial guarantee for investment in joint venture recognised in the consolidated statement of financial position was RUR 133m (RUR 151m as at 31 December 2019).

Under the terms of the guarantee agreement, the Company has a number of certain financial and non-financial liabilities (covenants), including the maintenance of a certain level of debt ratio and interest coverage ratio or maintenance of a certain level of long-term credit rating. PJSC GTLK may require early repayment of obligations under the loan agreement if the Company or other entities providing security fails to fulfill covenants, and also violate the obligations of FVKS under this loan agreement. As of 31 December 2020 and for 2020 and as of 31 December 2019 and for 2019, the Company complied with covenants under the guarantee agreement.

Furthermore, as part of the acquisition of the ownership of 30% of share capital of joint venture FVKS in July 2017, the following pledge agreements came into force in July-August 2017, providing a number of obligations of the parties to each other:

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

As at 31 December 2020 and 31 December 2019 the amount of pledge agreements have not changed.

**Selling of Logistic System Management B. V. and JSC Kedentransservice.** In May 2020 the Company ceased to participate in a joint venture Logistic System Management B. V., which owns 100% of the share capital of JSC Kedentransservice, by selling 50% of its share to JSC National Company Kazakhstan Temir Zholy ("KTZ") (as at 31 December 2019 the investment in joint ventures of Logistic System Management B. V. and JSC Kedentransservice were classified as assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations).

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**9. INVESTMENTS IN JOINT VENTURES (CONTINUED)**

Profit resulting from sale of joint venture is:

	<u>22 May 2020</u>
Proceeds from sale	5,344
Carrying amount of disposed net assets	(3,150)
Share of other comprehensive loss of joint venture recycled from other comprehensive income to profit	(3)
Exchange differences on translating foreign operations recycled from other comprehensive income to profit	(841)
Dividends paid as part of the completion of the sale of a joint venture	<u>486</u>
<b>Gain on sale of joint ventures</b>	<b><u>1,836</u></b>

Summarised financial information of joint ventures for the years ended 31 December 2020 and 31 December 2019, and as at 31 December 2020 and 31 December 2019:

	<b>Joint venture LLC Freight Village Kaluga Sever</b>		<b>Other joint ventures</b>		<b>Total joint ventures</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current assets	488	590	532	329	<b>1,020</b>	<b>919</b>
Non-current assets	4,337	4,125	17	18	<b>4,354</b>	<b>4,143</b>
Current liabilities	331	354	170	66	<b>501</b>	<b>420</b>
Non-current liabilities	4,956	5,032	6	11	<b>4,962</b>	<b>5,043</b>
<b>Net assets</b>	<b>(462)</b>	<b>(671)</b>	<b>373</b>	<b>270</b>	<b>(89)</b>	<b>(401)</b>
Revenue	1,954	2,097	1,822	1,071	<b>3,776</b>	<b>14,959</b>
Profit	211	128	77	39	<b>288</b>	<b>1,316</b>

For 2019 JSC Kedentransservice and Logistic System Management B.V. revenue amounted to RUR 11,791m, profit – RUR 1,149m.

During the year ended 31 December 2019, Logistic System Management B.V. paid dividends to shareholders in the amount of RUR 649m (50% to PJSC TransContainer and 50% to JSC KTZ).

	<b>Joint venture LLC Freight Village Kaluga Sever</b>		<b>Other joint ventures</b>		<b>Total joint ventures</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net assets	(462)	(671)	373	270	<b>(89)</b>	<b>(401)</b>
Interest held, %	30%	30%	49%,50%	49%,50%	-	-
Goodwill	351	351	-	-	<b>351</b>	<b>351</b>
<b>Investments in joint ventures</b>	<b><u>212</u></b>	<b><u>149</u></b>	<b><u>184</u></b>	<b><u>134</u></b>	<b><u>396</u></b>	<b><u>283</u></b>

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 2020 and 31 December 2019, and as at 31 December 2020 and 31 December 2019 is as follows:

	<b>Joint ventures JSC Kedentransservice and Logistic System Management B.V.</b>		<b>Joint venture LLC Freight Village Kaluga Sever</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	-	-	304	358
Current financial liabilities (excluding trade and other payables and provisions)	-	-	8	8
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	4,655	5,032
Depreciation and amortisation	-	349	195	192
Interest income	-	6	12	34
Interest expense	-	92	517	459
Income tax expense	-	303	(25)	37



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**10. INVENTORIES**

	<u>2020</u>	<u>2019</u>
Spare parts	537	512
Raw materials	74	69
Fuel	16	17
Other inventories	54	32
<b>Total</b>	<b><u>681</u></b>	<b><u>630</u></b>

**11. TRADE AND OTHER RECEIVABLES**

	<u>Outstanding balance, gross</u>	<u>Credit loss allowance</u>	<u>Outstanding balance, net</u>
<b>31 December 2020</b>			
Trade receivables	2,585	(29)	2,556
Other receivables	266	(136)	130
<b>Total current trade and other receivables, classified as financial assets</b>	<b><u>2,851</u></b>	<b><u>(165)</u></b>	<b><u>2,686</u></b>

**31 December 2019**

Trade receivables	1,788	(37)	1,751
Other receivables	137	(89)	48
<b>Total current trade and other receivables, classified as financial assets</b>	<b><u>1,925</u></b>	<b><u>(126)</u></b>	<b><u>1,799</u></b>

The following table shows the changes in the credit loss allowance for trade and other receivables under simplified ECL model:

	<u>2020</u>	<u>2019</u>
<b>Expected credit loss allowance of trade receivables</b>		
<b>Balance at 1 January</b>	<b><u>(37)</u></b>	<b><u>(31)</u></b>
Credit loss allowance creation	(6)	(17)
Other movements	10	3
<i>Total credit loss allowance charge in profit or loss for the period</i>	<u>4</u>	<u>(14)</u>
Write-off	4	8
<b>Balance at 31 December</b>	<b><u>(29)</u></b>	<b><u>(37)</u></b>
<b>Expected credit loss allowance of other receivables</b>		
<b>Balance at 1 January</b>	<b><u>(89)</u></b>	<b><u>(93)</u></b>
Credit loss allowance creation	(48)	-
Other movements	-	3
<i>Total credit loss allowance charge in profit or loss for the period</i>	<u>(48)</u>	<u>3</u>
Write-off	1	1
<b>Balance at 31 December</b>	<b><u>(136)</u></b>	<b><u>(89)</u></b>

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**11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

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 receivables. To assess expected credit losses allowance, trade 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 2020 and before 31 December 2019, 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 32).

	31 December 2020		31 December 2019	
	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL
Good	2,589	9	1,709	10
Satisfactory	84	11	92	13
Default	178	145	124	103
<b>Total trade and other receivables (gross carrying amount)</b>	<b>2,851</b>	<b>-</b>	<b>1,925</b>	<b>-</b>
ECL allowance	-	(165)	-	(126)
<b>Total trade and other receivables (carrying amount)</b>	<b>2,686</b>	<b>-</b>	<b>1,799</b>	<b>-</b>

**12. PREPAYMENTS AND OTHER CURRENT ASSETS**

	2020	2019
VAT receivable	4,954	6,252
Advances to suppliers (net of provision)	1,317	1,226
Other current assets	197	163
<b>Total prepayments and other current assets</b>	<b>6,468</b>	<b>7,641</b>

As at 31 December 2020 and 31 December 2019 provision for impairment of advances to suppliers was recognised in the amount of RUR 1m and RUR 1m, respectively.

The decrease in VAT recoverable in 2020 compared to 2019 is due to refund of VAT from the budget in 2020 due to large purchases of platforms and containers in accordance with the investment program at the end of 2019 year.

**13. SHORT-TERM INVESTMENTS, LONG-TERM AND SHORT-TERM LOANS**

**Short-term investments**

	2020	2019
Russian Rouble denominated bank deposits	-	2,900
<b>Total short-term investments</b>	<b>-</b>	<b>2,900</b>

Short-term investments of the Group are presented by deposits with a Russian banks with a maturity over three months.

**Short-term loans**

	2020	2019
Short term-loans	4,546	-
<b>Short-term loans</b>	<b>4,546</b>	<b>-</b>

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**13. SHORT-TERM INVESTMENTS, LONG-TERM AND SHORT-TERM LOANS (CONTINUED)**

In 2020 the Company issued short-term loans to a related party of the Group in the total amount of RUR 2,100m with the floating annual interest rate (the Central Bank of Russia Key Rate + 2.5% per annum at the dates of the loans) and maturity not later than 30 June 2021 (Note 29). Interest is accrued and paid quarterly on the last business day of each quarter.

Also in 2020 the Company issued short-term loans to a third party in the total amount of RUR 2,400m with the annual interest rate of 7.5% per annum and maturity not later than 30 June 2021. Interest is accrued monthly and fully repaid at the end of the loan term and amounted to RUR 46m as at 31 December 2020.

**Long-term loans**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Long term-loans	10,000	-
<b>Long-term loans</b>	<b><u>10,000</u></b>	<b><u>-</u></b>

In 2020 the Company issued long-term loans to a related party of the Group in the total amount of RUR 10,000m with the floating annual interest rate (the Central Bank of Russia Key Rate + 2.5% per annum as at 31 December 2020) and maturity not later than 30 June 2025 (Note 29). Interest is accrued and paid quarterly on the last business day of each quarter.

**14. CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
Russian Rouble denominated bank deposits	5,936	1,529
Foreign currency denominated bank deposits	48	15
Cash and Russian Rouble denominated current accounts with banks	322	899
Foreign currency denominated current accounts with banks	2,151	1,137
Foreign currency denominated letters of credit	135	-
<b>Total cash and cash equivalents</b>	<b><u>8,592</u></b>	<b><u>3,580</u></b>

As at 31 December 2020 ten Russian Rouble denominated short-term bank deposits in the amount of RUR 5,935m bearing interest at annual rates in a range from 2.13% to 4.25%, one Chinese Yuan denominated short-term deposit in the amount of RMB 1.0m (RUR 11m at the Central Bank of Russia exchange rate as at 31 December 2020) bearing interest at annual rate in a range from 2.4% and one USD-denominated short-term bank deposit in the amount of USD 0,5m (RUR 37m at the Central Bank of Russia exchange rate as at 31 December 2020) bearing interest at annual rate in a range from 0.01% were placed with «Bank Otkritie Financial Corporation» (PJSC), Bank GPB (JSC), JSC Raiffeisenbank, JSC UniCredit Bank, Bank of China and Bank VTB (PJSC), a related party of the Group (Note 29). Total amount of accrued interest on Russian Rouble denominated, USD-denominated and Chinese Yuan denominated short-term bank deposits amounted to RUR 1m. The deposits matured in January 2021.

As at 31 December 2019 six Russian Rouble denominated short-term bank deposits in the amount of RUR 1,513m bearing interest at annual rates in a range from 1.59% to 6.6% and one USD-denominated short-term bank deposit in the amount of USD 0,2m (RUR 15m at the Central Bank of Russia exchange rate as at 31 December 2019) bearing interest at annual rate in a range from 0.65% were placed with JSC Alfa-Bank, AO UniCredit Bank and Bank VTB (PJSC), a related party of the Group (Note 29). Total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 16m. The deposits matured in January 2020.

As at 31 December 2020 the Company issued two irrevocable letters of credit in USD for a total amount of USD 1.8m (RUR 135m at the Central Bank of Russia exchange rate as at 31 December 2020) with PJSC Bank VTB, a related party of the Group (Note 29). The letters of credit matured in August 2021.

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**14. CASH AND CASH EQUIVALENTS (CONTINUED)**

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 2020 and 31 December 2019:

	2020			2019	
	Bank balances payable on demand	Term deposits	Letters of credit	Bank balances payable on demand	Term deposits
<i>A- to A+ rated</i>	89	11	-	26	-
<i>BBB to A- rated</i>	2,354	4,573	135	1,713	1,364
<i>Lower than BBB rated</i>	30	1,400	-	297	180
<i>Unrated</i>	-	-	-	-	-
<b>Total</b>	<b>2,473</b>	<b>5 984</b>	<b>135</b>	<b>2,036</b>	<b>1,544</b>

The amounts of the expected credit loss allowance based on the results of credit quality analysis of cash and cash equivalents balances based on credit risk levels as at 31 December 2020 and 31 December 2019 are insignificant.

**15. EQUITY**

***Share Capital***

The Company's authorised, issued and paid share capital as at 31 December 2020 and 31 December 2019 comprises:

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

As at 31 December 2019 LLC Delo-Center was the immediate parent of the Company, holding 50%+2 of its ordinary shares.

On 10 April 2020 LLC Delo-Center acquired 13,844,902 ordinary shares of the Company, thus increasing its interest in the Company's share capital to 99.641045%.

On 21 August 2020 LLC Delo-Center acquired 49,876 ordinary shares of the Company, thus increasing its interest in the Company's share capital to 100%.

As at 31 December 2020 LLC Delo-Center was the immediate parent of the Company, holding 100% of its ordinary shares.

During the year ended 31 December 2020 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 2019).

***Other Reserves***

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 2020 Other Reserves amounted to RUR 1,828m (RUR 1,949m as at 31 December 2019).

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 2020 the investment property's revaluation was recognised in other comprehensive income for the amount of RUR 118m (RUR 275m during the years 2013-2019).

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**15. EQUITY (CONTINUED)**

***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 2020 and 31 December 2019 the Company had RUR 3,004m and RUR 28,949m of undistributed earnings, respectively.

Dividends accrued from the retained earnings relating to previous years in the amount of RUR 2,083.43 per share and relating to the results of nine-month period ended 30 September 2020 in the amount of RUR 782.63 per share (for a total amount of RUR 39,823m) were approved by the decision of the Company's sole shareholder on 14 December 2020. In December 2020 the dividends have been fully paid to shareholder.

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

Dividends of RUR 480.37 per share (RUR 6,674m in total) were approved at the annual shareholders' meeting on 21 May 2019 relating to the Company's results for the year ended 31 December 2018. In June 2019 the dividends have been fully paid.

***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 2020 reserve fund was RUR 703m (RUR 703m as at 31 December 2019).

**16. SHORT-TERM DEBT, LONG-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

***Short-term debt***

	<u>Effective interest rate</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Raiffeisenbank loan, 3 <sup>rd</sup> installment	6.9%-5.15%	501	-
Raiffeisenbank loan, 4 <sup>th</sup> installment	6.9%-5.15%	701	-
Raiffeisenbank loan, 5 <sup>th</sup> installment	6.9%-5.15%	500	-
Raiffeisenbank loan, 6 <sup>th</sup> installment	6.9%-5.15%	300	-
Raiffeisenbank loan, 7 <sup>th</sup> installment	6.9%-5.15%	601	-
Raiffeisenbank loan, 8 <sup>th</sup> installment	6.9%-5.15%	<u>400</u>	<u>-</u>
<b>Total</b>		<u><b>3,003</b></u>	<u><b>-</b></u>

Short-term loans of the Group are denominated in Russian Roubles.

As at 31 December 2020 Group's short-term debt are presented by six RUR-denominated loans, received by the Company in March, April and November 2020 under the credit line agreement revolved with JSC Raiffeisenbank with a nominal value of RUR 500m, RUR700m, RUR 500m, RUR 300m, RUR 600m and RUR 400m, with an annual interest rate of 5.15% as at 31 December 2020, and a maturity date no later than 23 September 2021, 27 September 2021, 27 September 2021, 1 October 2021, 1 October 2021 and 1 October 2021, respectively. According to the credit line agreement the interest rate is floating (the Central Bank of Russia Key Rate + 0.9% per annum at the date of loan). The interest is payable on the 25<sup>th</sup> of each month.

As at 31 December 2020 the total carrying value of short-term loans amounted to RUR 3,003m (RUR 0m as at 31 December 2019), including the amount of accrued interest of RUR 3m (RUR 0m as at 31 December 2019) and was included in the consolidated statement of financial position as short-term debt.

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**16. SHORT-TERM DEBT, LONG-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT  
(CONTINUED)**

Under the credit line agreement revolved with JSC Raiffeisenbank, the Company has financial obligations (covenants) to maintain a certain level of debt ratio and the interest payment coverage ratio. If the Company fails to fulfill covenants JSC Raiffeisenbank may terminate loan issuing and / or require an early repayment of the total loan amount as well as payment of the due interest and penalties stipulated in the agreement.

***Long-term debt***

	<u>Effective interest rate</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Sberbank loan	6.25%	40 000	-
Bonds, series PBO-01	7.34%	9,975	9,974
Bonds, series BO-01	7.55%	4,494	5,992
Bonds, series BO-02	9.45%	-	2,495
<b>Total</b>		<b><u>54,469</u></b>	<b><u>18,461</u></b>

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

***Long-term loan of PJSC Sberbank***

In December 2020 under the credit line agreement non-revolved with PJSC Sberbank, a related party of the Group (Note 29), a RUR-denominated loan was obtained by the Company with a nominal value of RUR 40,000m with an annual interest rate of 6.25% as at 31 December 2020 and a maturity date no later than 9 June 2022. According to the credit line agreement the interest rate is floating (the Central Bank of Russia Key Rate + 2% per annum at the date of loan). The interest is payable quarterly on the 20<sup>th</sup> of the last month of each quarter.

As at 31 December 2020 the total carrying value of long-term loan amounted to RUR 40,020m (RUR 0m as at 31 December 2019), including the amount of accrued interest RUR 20m (RUR 0m as at 31 December 2019) that has been included as current portion of long-term debt in the consolidated statement of financial position.

Under the credit line agreement non-revolved with PJSC Sberbank, the Company has financial obligations (covenants) to maintain a certain level of debt ratio and the interest payment coverage ratio. If the Company fails to fulfill covenants PJSC Sberbank may terminate loan issuing and / or require an early repayment of the total loan amount as well as payment of the due interest and penalties stipulated in the agreement.

***Five-year RUR bonds, series PBO-01***

On 23 October 2019, the Company issued non-convertible five-year bonds for a total amount of RUR 10,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 9,974m. The annual coupon rate of the bonds for five years is 7.3% with interest paid semi-annually.

The series PBO-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 2020 the carrying value of the bonds amounted to RUR 10,117m (RUR 10,112m as at 31 December 2019), including the amount of accrued interest of RUR 142m (RUR 138m as at 31 December 2019). 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-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.

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**16. SHORT-TERM DEBT, LONG-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT  
(CONTINUED)**

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, except the first principal repayment to be made in July 2021 in the amount of RUR 1,500m.

As at 31 December 2020 the carrying value of the bonds amounted to RUR 6,192m (RUR 6,188m as at 31 December 2019), including the current portion of long-term debt in the amount of RUR 1,500m (RUR 0m as at 31 December 2019) and the amount of accrued interest of RUR 198m (RUR 196m as at 31 December 2019). The amount of current portion of long-term debt and the amount of accrued interest have been included as current portion of long-term debt in the 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 current portion of long-term debt as at the reporting date. In March and September 2020 the Company made repayment of its obligations under the first and second installments in the amount of RUR 2,500m.

As at 31 December 2020 the carrying value of the bonds amounted to RUR 2,565m (RUR 5,128m as at 31 December 2019), including the current portion of long-term debt in the amount of RUR 2,500m (RUR 2,500m as at 31 December 2019) and the amount of accrued interest of RUR 65m (RUR 133m as at 31 December 2019). 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 32.

**Current portion of long-term debt**

	Effective interest rate	31 December 2020	31 December 2019
Sberbank loan	6.25%	20	-
Bonds, series PBO-01	7.34%	142	138
Bonds, series BO-01	7.55%	1,698	196
Bonds, series BO-02	9.45%	2,565	2,633
<b>Total</b>		<b>4,425</b>	<b>2,967</b>

As at 31 December 2020 and during 2020 there were no breaches of the debt covenants of the Group's debt (Note 31).

**17. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS**

**Leases – Group is the lessee**

The Group leases flatcars, certain production buildings and office premises, tank-containers and handling equipment. Additionally, the Group leases the land on which its container terminals are located. The remaining terms of the relevant lease agreements as at 31 December 2020, including extension options (Notes 3, 6), are from 1 year to 68 years, including the lease of railway flatcars for 1 year, production buildings and office premises for 5 years, tank-containers for 5 years, handling equipment for 1 year, land for 68 years.

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

	2020	2019
Land, buildings and constructions	387	367
Containers and flatcars	765	504
Vehicles and other equipment	11	2
<b>Total right-of-use assets</b>	<b>1,163</b>	<b>873</b>

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**17. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)**

The additions of the Group's right-of-use assets for the year ended 31 December 2020 amounted to RUR 866m (for the year ended 31 December 2019 RUR 637m).

Depreciation of the rights-of-use assets for the year period ended 31 December 2020 and 31 December 2019 included in depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income was as follows:

	<u>2020</u>	<u>2019</u>
Land, buildings and constructions	80	94
Containers and flatcars	565	70
Vehicles and other equipment	2	1
<b>Total depreciation charge</b>	<b><u>647</u></b>	<b><u>165</u></b>

**Lease obligations**

Liabilities under long-term lease were as follows:

	<u>2020</u>	<u>2019</u>
Lease obligations, current maturities	550	274
Lease obligations, net of current maturities	776	650
<b>Total lease obligations</b>	<b><u>1,326</u></b>	<b><u>924</u></b>

The following table presents expenses related to lease, recognised in the consolidated statement of profit and loss and other comprehensive income for year ended 31 December 2020 and 31 December 2019:

	<u>2020</u>	<u>2019</u>
Depreciation of right-of-use assets	647	165
Interest expense on lease obligations	112	51
Expense relating to short-term leases (except of the expense relating to leases with a lease term of one month or less), which are exempt under IFRS 16	116	122
Expense relating to leases of low-value assets that are exempt under IFRS 16	31	13
Variable lease payments not included in the measurement of lease obligations under IFRS 16	13	14

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

	<u>2020</u>	<u>2019</u>
Within one year	617	336
Within one to three years	438	294
Within three to five years	427	305
After five years	140	358
<b>Total</b>	<b><u>1,622</u></b>	<b><u>1,293</u></b>



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**17. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)**

The following table presents Total cash outflows for leases for the year ended 31 December 2020 and 31 December 2019.

	<u>2020</u>	<u>2019</u>
Total cash outflows for leases,	641	151
included in interest paid	<u>112</u>	<u>51</u>

***Leases – Group is the lessor***

For the year ended 31 December 2020 and 31 December 2019, income from operating lease of property, plant and equipment owned by the Group (Note 7) and income from sublease of right-of-use assets amounted (Note 24):

	<u>2020</u>	<u>2019</u>
Income from operating lease of property, plant and equipment owned by the Group	117	175
Income from sublease of right-of-use assets	<u>64</u>	<u>97</u>
<b>Total income</b>	<b><u>181</u></b>	<b><u>272</u></b>

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

	<u>2020</u>	<u>2019</u>
Within one year	171	231
Within one to two years	115	160
Within two to three years	112	157
Within three to four years	112	155
Within four to five years	110	155
After five years	<u>9</u>	<u>163</u>
<b>Total</b>	<b><u>629</u></b>	<b><u>1,021</u></b>

**18. 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 one fifth 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 plans provided though the Fund Blagosostoyanie were 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.

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**18. EMPLOYEE BENEFIT LIABILITY (CONTINUED)**

*Defined contribution plans*

The total amount recognised as an expense in respect of payments to defined contribution plans for the years ended 31 December 2020 and 31 December 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Pension Fund of the Russian Federation	827	804
Defined contribution plan Blagosostoyanie	<u>23</u>	<u>27</u>
<b>Total expense for defined contribution plans</b>	<b><u>850</u></b>	<b><u>831</u></b>

*Defined benefit plans*

There were 37 employees as at 31 December 2020 (as at 31 December 2019: 53) eligible for defined benefit pension plan with benefits depending on salary and years of service. In addition, there were 54 and 56 retired employees eligible for the post-retirement benefit program of the Group through Fund Pochet as at 31 December 2020 and 31 December 2019, respectively. Other retirement and post-employment defined benefit plans cover substantially all employees of the Group.

During the period the Group changed the terms of the benefit for dedication to the Company. The corresponding change in the present value of the defined benefit obligation is taken into account as part of the past services cost.

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2020 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 2020 and 31 December 2019 in respect of these defined benefit plans are as follows:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Service cost	40	38	78	141	<b>118</b>	<b>179</b>
Net interest on obligation	38	40	10	12	<b>48</b>	<b>52</b>
Remeasurements of the net defined benefit	-	-	(11)	19	<b>(11)</b>	<b>19</b>
<b>Net expense recognised in the consolidated profit or loss</b>	<b><u>78</u></b>	<b><u>78</u></b>	<b><u>77</u></b>	<b><u>172</u></b>	<b><u>155</u></b>	<b><u>250</u></b>

Net gain recognised in the other comprehensive income for post-employment benefits constitute RUR 23 m for the year ended 31 December 2020. Net loss recognised in the other comprehensive income for post-employment benefits constitute RUR 128m for the year ended 31 December 2019.

The amounts recognised in the consolidated statement of financial position as at 31 December 2020 and 31 December 2019 in respect of these defined benefit plans are as follows:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation	695	732	252	311	<b>947</b>	<b>1,043</b>
Fair value of plan assets	(45)	(55)	-	-	<b>(45)</b>	<b>(55)</b>
<b>Net employee benefit liability</b>	<b><u>650</u></b>	<b><u>677</u></b>	<b><u>252</u></b>	<b><u>311</u></b>	<b><u>902</u></b>	<b><u>988</u></b>

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**18. EMPLOYEE BENEFIT LIABILITY (CONTINUED)**

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 2019</b>	<b>681</b>	<b>275</b>	<b>956</b>
Service cost:	38	141	179
<i>Current service cost</i>	27	141	168
<i>Past service cost</i>	11	-	11
Interest on the defined benefit liability	45	12	57
Actuarial losses/(gain):	132	19	151
<i>from changes in demographic assumptions</i>	7	-	7
<i>from changes in financial assumptions</i>	130	7	137
<i>other</i>	(5)	12	7
Losses arising on transfer of employees*	2	-	2
Settlement of liability	(166)	(136)	(302)
<b>Present value of defined benefit obligation as at 31 December 2019</b>	<b>732</b>	<b>311</b>	<b>1,043</b>
Service cost:	40	78	118
<i>Current service cost</i>	40	141	181
<i>Past service cost</i>	-	(63)	(63)
Interest on the defined benefit liability	41	10	51
Actuarial losses/(gain):	(21)	(12)	(33)
<i>from changes in demographic assumptions</i>	2	-	2
<i>from changes in financial assumptions</i>	(9)	1	(8)
<i>other</i>	(14)	(13)	(27)
Settlement of liability	(97)	(135)	(232)
<b>Present value of defined benefit obligation as at 31 December 2020</b>	<b>695</b>	<b>252</b>	<b>947</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 RZD Group.

Net losses are the difference between the losses arising from transfer of employees and the assets arising from transfer of employees.

Movements in the fair value of defined benefit pension plan assets:

	2020	2019
<b>Fair value of plan assets as at 1 January</b>	<b>(55)</b>	<b>(67)</b>
Income on plan assets:	(2)	(1)
<i>interest on the plan assets</i>	(3)	(5)
<i>the return on plan assets, excluding amounts included in net interest on the net defined benefit liability</i>	1	4
Contributions from the employer (funded plans)	(85)	(79)
Settlement of liability (funded plans)	97	92
<b>Fair value of plan assets as at 31 December</b>	<b>(45)</b>	<b>(55)</b>

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	
	2020	2019
Corporate bonds and stock of Russian legal entities	64%	63%
Shares in closed investment funds	22%	25%
Bank deposits	-	1%
Other	14%	11%
	<b>100%</b>	<b>100%</b>

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**18. EMPLOYEE BENEFIT LIABILITY (CONTINUED)**

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:

	<u>2020</u>	<u>2019</u>
Discount rate	6.3%	6.4%
Average rate of employee turnover	Based on the industry average rates	Based on the industry average rates
Projected average annual growth of consumer prices	4.0%	4.0%
Life expectancy table	Russia, 2019, with probability corrected to 80% of the initial level	Russia, 2018, with probability corrected to 80% of the initial level

As at 31 December 2020 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 2020 and 31 December 2019:

	<u>Change in assumption</u>	<u>Change in liabilities</u>	
		<u>2020</u>	<u>2019</u>
Discount rate	-1%	81	79
	+1%	(68)	(67)
Rate of employee turnover	-1%	33	31
	+1%	(30)	(31)
Projected average growth of consumer prices	-1%	(74)	(74)
	+1%	87	86
Average life expectancy after retirement	-1 year	5	5
	+1 year	(5)	(4)

Weighted average duration of the defined benefit obligation is 8.8 years (2019: 7.9 years).

The maturity profile of the defined benefit obligation as at 31 December 2020:

	<u>Before year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Post-employment benefits	49	45	114
Other long-term benefits	96	74	103
<b>Total</b>	<b>145</b>	<b>119</b>	<b>217</b>

**19. CONTRACTS LIABILITIES**

Contracts liabilities as at 31 December 2020 and 31 December 2019 consist mainly of advances from customers in the amount of RUR 7,565m and RUR 4,590m, respectively.

The increase in advances from customers as at 31 December 2020 compared to 31 December 2019 is mainly due to an increase in the volume and cost of transportation services during the 2020 year.

RUR 4,590m of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2019, all of which related to advances.

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**20. TRADE AND OTHER PAYABLES**

	<u>2020</u>	<u>2019</u>
Trade payables	804	762
Amounts payable for the acquisition of property, plant and equipment	145	2,205
Amounts payable for the intangible assets	8	14
Other liabilities	114	152
<b>Total financial liabilities within trade and other payable</b>	<b><u>1,071</u></b>	<b><u>3,133</u></b>

**21. TRADE FINANCE LIABILITIES**

In September 2020 the Company entered into a service agreement with JSC ALFA-BANK, according to which JSC ALFA-BANK makes payments in favor of the Company's counterparties for the remuneration. The maximum payment limit amount cannot exceed RUR 10bn. As at 31 December 2020 the Company's obligation to JSC ALFA-BANK under this agreement in the amount of RUR 7,183m, including liability in the amount of RUR 900m with a maturity date no later than October 2022 that has been included in the long-term Trade finance liabilities, liability in the amount of RUR 6,250m with a maturity date no later than December 2021 and remuneration liability in the amount of RUR 33m with a maturity date no later than January 2021 that have been included in the short-term Trade finance liabilities.

For the purposes of recording in the Consolidated Statement of Cash Flows transactions of JSC ALFA-BANK with the Company's counterparties are non-cash transactions, and therefore the item "Change in trade finance liability" contains a transfer of funds by JSC ALFA-BANK in favor of JSC RZD and other contractors within the framework of the Company's principal (operating) activities in the amount of RUR 9,295m.

During the reporting period JSC ALFA-BANK transferred to the Company's counterparties funds for the total amount of RUR 10,393m, including the above payments to JSC RZD for operating activities, as well as advances for acquisition of non-current assets and loans to the related parties of the Group, of which the Company repaid RUR 3,243m.

In accordance with the terms of this service agreement the Company has obligations (covenants) to maintain a number of economic indicators, including level of debt ratio and the interest payment coverage ratio. If the Company fails to fulfill covenants JSC ALFA-BANK has the right not to make payments until the values of the financial covenants are brought to the standard indicators established by the agreement and / or require early repayment of part of the obligations and / or terminate a contract unilaterally. As at 31 December 2020 and during 2020, there were no breaches of the debt covenants of this service agreement (Note 31).

**22. TAXES OTHER THAN INCOME TAX PAYABLE**

	<u>2020</u>	<u>2019</u>
Social insurance contribution	384	324
Property tax	44	43
VAT	1	2
Personal income tax	37	34
Other taxes	8	7
<b>Total taxes other than income tax payable</b>	<b><u>474</u></b>	<b><u>410</u></b>

**23. SETTLEMENTS WITH EMPLOYEES**

Settlements with employees as at 31 December 2020 and 31 December 2019 comprised accrued salaries and bonuses of RUR 1,025m and RUR 1,117m, respectively, and accruals for unused vacation of RUR 216m and RUR 193m, respectively.

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**24. REVENUE AND SEGMENT INFORMATION**

The Company's President 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 President 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***

	<u>2020</u>	<u>2019</u>
Integrated freight forwarding and logistics services	96,665	79,895
Agency fees	3,480	3,217
Other	3,352	3,067
<b>Total revenue</b>	<b><u>103,497</u></b>	<b><u>86,179</u></b>

***Analysis of revenue by location of customers***

	<u>2020</u>	<u>2019</u>
<b>Revenue from external customers</b>		
Russia	83,440	67,669
China	9,062	6,567
Korea	4,617	5,923
Germany	2,346	2,292
Austria	998	531
Kazakhstan	933	1,026
Other	2,101	2,171
<b>Total revenue</b>	<b><u>103,497</u></b>	<b><u>86,179</u></b>

Performance obligations under revenue contracts are short-term in nature. All contract liabilities at 31 December 2019 were recognised as Revenue in 2020.

**25. OTHER OPERATING INCOME**

	<u>2020</u>	<u>2019</u>
Gain from disposal of property, plant and equipment	681	705
Gain from the sale of inventory and from the reuse of spare parts	172	158
Other operating income	371	298
<b>Total other operating income</b>	<b><u>1,224</u></b>	<b><u>1,161</u></b>

**26. OPERATING EXPENSES**

	<u>2020</u>	<u>2019</u>
Third-party charges related to principal activities	62,721	48,283
Freight handling and transportation services	7,994	6,202
Payroll and related charges	6,545	6,492
Materials, repair and maintenance	4,632	3,692
Depreciation and amortisation	4,569	3,473
Taxes other than income tax	688	383
Fuel costs	206	208
Consulting and information services	189	304
Security	184	178
License and software	171	141
Rent	160	149
Change in provision for impairment of property, plant and equipment	-	644
Other expenses	1,363	1,420
<b>Total operating expenses</b>	<b><u>89,422</u></b>	<b><u>71,569</u></b>

The increase of third-party charges related to principal activities is mainly due to an increase in the volume of profitable transportation, the indexation of the Russian Railways tariff and an increase in tariffs for the other co-executors services.

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**27. FINANCE EXPENSE**

	<u>2020</u>	<u>2019</u>
Interest expense on RUR bonds	1,528	1,058
Interest expense on bank loans	152	9
Interest expense on lease obligations	112	51
Trade finance expense	64	-
<b>Total finance expense</b>	<b><u>1,856</u></b>	<b><u>1,118</u></b>

**28. INCOME TAX**

	<u>2020</u>	<u>2019</u>
Current income tax expense	(3,502)	(2,996)
Deferred income tax expense	(59)	(650)
<b>Income tax expense</b>	<b><u>(3,561)</u></b>	<b><u>(3,646)</u></b>

The statutory tax rate applied to the profit of the Group was 20% for the years ended 31 December 2020 and 31 December 2019.

Profit before income tax for financial reporting purposes is reconciled to income tax expense as follows:

	<u>2020</u>	<u>2019</u>
<b>Profit before income tax</b>	<b><u>16,220</u></b>	<b><u>15,396</u></b>
Theoretical tax charge at statutory rate of 20%	(3,244)	(3,079)
<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	(18)	(36)
Non-deductible charitable donations	(58)	(31)
Non-taxable income of result of joint ventures	20	117
The effects of unrecognised deferred tax assets	(56)	(114)
The effect from non-current assets held for sale	-	(211)
Other effects, net	(205)	(292)
<b>Income tax expense</b>	<b><u>(3,561)</u></b>	<b><u>(3,646)</u></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:

	<u>1 January 2020</u>	<u>Charged to profit or loss</u>	<u>Charged to other comprehensive income</u>	<u>31 December 2020</u>
Non-current assets classified as held for sale	211	(211)	-	-
Investment property	79	6	30	115
Property, plant and equipment	2,219	191	-	2,410
Employee benefits liability	(82)	20	-	(62)
Trade and other receivables	(10)	(120)	-	(130)
Trade and other payables	(98)	182	-	84
Right-of-use assets	92	28	-	120
Lease obligations	(100)	(44)	-	(144)
Accruals and other current liabilities	114	(9)	-	105
Other	6	-	-	6
<b>Total net deferred tax liability</b>	<b><u>2,431</u></b>	<b><u>43</u></b>	<b><u>30</u></b>	<b><u>2,504</u></b>
<b>Deferred tax assets</b>	<b><u>(19)</u></b>	<b><u>16</u></b>	<b><u>-</u></b>	<b><u>(3)</u></b>

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**28. INCOME TAX (CONTINUED)**

	<u>1 January 2019</u>	<u>Charged to profit or loss</u>	<u>Charged to other comprehensive income</u>	<u>31 December 2019</u>
Non-current assets classified as held for sale	-	211	-	211
Investment property	78	1	-	79
Property, plant and equipment	2,059	160	-	2,219
Employee benefits liability	(84)	11	(9)	(82)
Trade and other receivables	(216)	206	-	(10)
Trade and other payables	(53)	(45)	-	(98)
Right-of-use assets	-	92	-	92
Lease obligations	-	(100)	-	(100)
Accruals and other current liabilities	-	114	-	114
Other	(2)	8	-	6
<b>Total net deferred tax liability</b>	<b><u>1,782</u></b>	<b><u>658</u></b>	<b><u>(9)</u></b>	<b><u>2,431</u></b>
<b>Deferred tax assets</b>	<b><u>(11)</u></b>	<b><u>(8)</u></b>	<b><u>-</u></b>	<b><u>(19)</u></b>

The Group did not recognise a deferred tax liability for temporary differences of RUR 1,083m (31 December 2019: RUR 888m) 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 potential reversal of taxable temporary difference 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.

**29. 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.



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**29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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 2020 and 31 December 2019, are disclosed below:

Related party	Nature of relationship	
	31 December 2020	31 December 2019
LLC UK Delo	Ultimate parent company	Ultimate parent company
LLC Delo-Centr	Immediate parent company	Immediate parent company
JSC Atomenergoprom	Significant shareholder	Significant shareholder
LLC Enysei Capital	-	Significant shareholder
Bank VTB (PJSC)	State-controlled Company	Significant shareholder
PJSC Sberbank	State-controlled Company	State-controlled Company
Bank GPB (JSC)	State-controlled Company	-
OJSC Russian Railways (RZD)	State-controlled Company	State-controlled Company
JSC Kedentransservice	-	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 9)	Joint venture of the Company	Joint venture of the Company
JSC Carriage Repair Company - 1	State-controlled Company	State-controlled Company
JSC Carriage Repair Company - 2	-	State-controlled Company
JSC RZD Logistics	State-controlled Company	State-controlled Company
Non-state Pension Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees

The Group's ultimate controlling party until 12 December 2019 was the Russian Federation and, therefore, all companies related to the Russian Federation are also treated as related parties of the Group until that date.

Since 13 December 2019 LLC Delo-Center was the immediate parent of the Group. LLC UK Delo, its subsidiaries, associates and joint ventures (Delo Group) are the Group's related parties. The Group's ultimate parent company is LLC UK Delo. The significant shareholder of Delo Group is the Group Atomenergoprom, which is controlled by 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 (RZD Group), its joint ventures and associates shown in the table below as "Other RZD group entites" until 12 December 2019 (as "Other related parties" from 19 December 2019), and PJSC Bank VTB, which is a state-controlled entity. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Transactions with government related entities are conducted on commercial terms.

*Relationships with JSC 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 Group 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. RZD engages the Company to act as its agent in the performance of these functions.

Group's revenue generated from such transactions with JSC RZD is reported as agency fees in the consolidated statement of profit or loss and other comprehensive income.

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**29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Transactions and outstanding balances with related parties as at and for the year ended 31 December 2020 are shown below:

	Ultimate parent company (LLC UK Delo)	Immediate parent company (LLC Delo-Center)	Other Delo group entities	Group's Joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Right-of-use assets	-	-	237	-	161	398
Long-term loans	10,000	-	-	-	-	10,000
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	7,588	7,588
Trade receivables	-	-	57	28	483	568
Advances to suppliers	-	-	11	-	743	754
Short-term loans	-	2,100	-	-	-	2,100
Other assets	-	-	-	28	22	50
<b>Total assets</b>	<b>10,000</b>	<b>2,100</b>	<b>305</b>	<b>56</b>	<b>8,997</b>	<b>21,458</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Long-term debt	-	-	-	-	40,000	40,000
Long-term lease obligations	-	-	2	-	145	147
<b>Current liabilities</b>						
Contracts liabilities	-	-	545	20	91	656
Current portion of long-term debt	-	-	-	-	20	20
Short-term lease obligations	-	-	348	-	24	372
Other payables	-	-	83	28	81	192
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>978</b>	<b>48</b>	<b>40,361</b>	<b>41,387</b>
<b>Revenue</b>						
Integrated freight forwarding and logistics services	-	-	5,140	586	3,108	8,834
Agency fees	-	-	-	-	3,410	3,410
Other services	-	-	733	4	356	1,093
Interest income on deposits	-	-	-	-	131	131
Interest income on long-term loan	277	36	-	-	-	313
Dividends	-	-	-	517	-	517
Other income	-	-	-	-	27	27
<b>Total income</b>	<b>277</b>	<b>36</b>	<b>5,873</b>	<b>1,107</b>	<b>7,032</b>	<b>14,325</b>
<b>Operating Expenses</b>						
Third-party charges related to principal activities	-	-	325	1,611	51,030	52,966
Freight and transportation services	-	-	-	149	6,334	6,483
Repair services	-	-	10	233	1,456	1,699
Other expenses	-	-	-	34	387	421
Interest expense on lease obligations	-	-	41	-	15	56
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>376</b>	<b>2,027</b>	<b>59,222</b>	<b>61,625</b>
Purchases of property, plant and equipment	-	-	-	-	114	114
Purchases of inventory	-	-	-	-	418	418
Contributions to non-state pension funds	-	-	-	-	77	77
<b>Total other transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>609</b>	<b>609</b>

Long-term and short-term loans to related parties, as well as their key terms, are summarized in Note 13.

Information regarding settlements under the non-revolved credit line agreement PJSC Sberbank presented in Note 16.

Information on the financial guarantee issued by the Company for the Joint venture LLC Freight Village Kaluga Sever under the loan agreement with related party PJSC GTLK is disclosed in Note 9.

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**29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Transactions and outstanding balances with related parties as at and for the year ended 31 December 2019 are shown below:

	RZD (till 12 December 2019 ultimate parent company)	Other RZD group entities	Group's Joint ventures	Other related parties	Total
<b>ASSETS</b>					
Cash and cash equivalents	-	257	-	2,694	2,951
Short-term investments	-	-	-	2,900	2,900
Trade receivables	402	2	(3)	-	401
Advances to suppliers	927	46	51	4	1,028
Other assets	5	3	22	18	48
<b>Total assets</b>	<b>1,334</b>	<b>308</b>	<b>70</b>	<b>5,616</b>	<b>7,328</b>
<b>LIABILITIES</b>					
Contracts liabilities	28	13	105	20	166
Other liabilities	32	93	18	16	159
<b>Total liabilities</b>	<b>60</b>	<b>106</b>	<b>123</b>	<b>36</b>	<b>325</b>
<b>Revenue</b>					
Agency fees	3,159	-	-	-	3,159
Integrated freight forwarding and logistics services	-	3,465	737	151	4,353
Other revenue	335	93	14	1	443
Interest income on deposits	-	4	-	197	201
Dividends from joint ventures	-	-	329	-	329
Other income	11	83	-	8	102
<b>Total income</b>	<b>3,505</b>	<b>3,645</b>	<b>1,080</b>	<b>357</b>	<b>8,587</b>
<b>Operating Expenses</b>					
Freight and transportation services	4,953	-	275	-	5,228
Third-party charges related to principal activities	38,623	(11)	3,356	3	41,971
Repair services	378	1,624	34	2	2,038
Other expenses	145	76	53	234	508
<b>Total expenses</b>	<b>44,099</b>	<b>1,689</b>	<b>3,718</b>	<b>239</b>	<b>49,745</b>
Purchases of property, plant and equipment	-	2	-	285	287
Purchases of inventory	-	168	-	34	202
Contributions to non-state pension funds	-	-	-	111	111
<b>Total other transactions</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>430</b>	<b>600</b>

Transactions with Russian Railways for the period from 13 December 2019 to 18 December 2019 are not related party transactions.

Transactions with Delo Group's companies for the period from 13 to 31 December 2019 (from the date of sale of a controlling interest in the Company) and outstanding balances with related parties as at and for the year ended 31 December 2019 amounted to: accounts receivables – RUR 10m, accounts payable – RUR 141m, revenue – RUR 93m, expenses – RUR 11m.

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**29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**Dividends**

14 December 2020 the Group declared dividends payable to immediate parent company LLC Delo-Centr in the amount of RUR 39,823m which were paid in December 2020.

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

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

**Compensation of key management personnel**

Key management personnel consist of members of the Company's Board of Directors of the Company, as well as the President of the Company, his deputies (first vice-president, vice-presidents) and directors of the central office who are under direct control of the President in accordance with the Company's existing organisational structure and comprised 20 and 21 persons as at 31 December 2020 and 31 December 2019, respectively.

Total gross compensation to key management personnel, including social contributions and before withholding of personal income tax, amounted to RUR 676m (including total social contributions of RUR 87m) and RUR 846m (including total social insurance contributions of RUR 113m) for the years ended 31 December 2020 and 31 December 2019, respectively.

This compensation is included under payroll and related charges in the consolidated profit and loss and comprises primarily short-term benefits. Major part of compensation for Key management personnel is generally short-term except for 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 2020 liabilities in respect of Key management personnel recognised in settlements with employees amounted to RUR 360m, and on employee benefit liability amounted to RUR 1m (RUR 512m and RUR 2m respectively as at 31 December 2019).

**30. LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	As at 1 January 2020	Cash flow	Reclassification of current portion of long-term debt	Non-monetary changes	As at 31 December 2020
Long-term debt	18,461	42,000	(6,000)	8	54,469
Current portion of long-term debt	2,967	(4,216)	4,000	1,674	4,425
Short-term debt	-	1,000	2,000	3	3,003
Lease obligations	924	(529)	-	931	1,326
Dividends paid	-	(39,823)	-	39,823	-
<b>Total</b>	<b>22,352</b>	<b>(1,568)</b>	<b>-</b>	<b>42,439</b>	<b>63,223</b>

The cash flow of the current portion of long-term debts for the year ended 31 December 2020 includes interest paid in the amount of RUR 1,716m.

	As at 1 January 2019	Cash flow	Reclassification of current portion of long-term debt	Non-monetary changes	As at 31 December 2019
Long-term debt	10,980	9,974	(2,500)	7	18,461
Current portion of long-term debt	326	(925)	2,500	1,066	2,967
Lease obligations	-	(100)	-	1,024	924
Dividends paid	-	(8,822)	-	8,822	-
<b>Total</b>	<b>11,306</b>	<b>127</b>	<b>-</b>	<b>10,919</b>	<b>22,352</b>

The cash flow of the current portion of long-term debts for the year ended 31 December 2019 includes interest paid in the amount of RUR 925m.

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**31. COMMITMENTS, OPERATING RISKS AND CONTINGENCIES**

The Group's capital commitments as at 31 December 2020 and 31 December 2019 consisted of the following, including VAT:

	<u>2020</u>	<u>2019</u>
Acquisition of containers and flatcars	7 349	25,945
Construction of container terminal complexes and modernisation of existing assets	7	6
Acquisition of lifting machines and other equipment	<u>146</u>	<u>-</u>
<b>Total capital commitments</b>	<b><u>7 502</u></b>	<b><u>25,951</u></b>

Decrease in capital commitments is mainly relates to the contracts execution.

**Compliance with the terms of agreements (covenants).** Company has an obligations to comply with certain terms of the agreements (covenants) related to the existing guarantee agreement for the execution of LLC Freight Village Kaluga Sever (FVKS) obligations under the loan agreement with PJSC GTLK (Note 9), credit line agreement revolved with JSC Raiffeisenbank (Note 16), credit line agreement non-revolved with PJSC Sberbank (Note 16) and service agreement with JSC ALFA-BANK (Note 21). Failure to comply with these conditions may lead to negative consequences for the Company, including requirements for early repayment of obligations. As at 31 December 2020 and as at 31 December 2019 the Company was in compliance with all the terms of the agreements.

**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 frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

Further, on 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

During the year ended 31 December 2020 the Group largely compensated the impact of the coronavirus on its activity and its financial position through a diversified customer base and wide geography of operations, which ensured stability in the Group's performance.

The Group's management is taking necessary precautions to protect the safety and well-being of employees, contractors and their families against the infectious spread of COVID-19, while maintaining business continuity and commitment to meet the needs of customers domestically and internationally. The Group's management continues to work closely with authorities, as well as partners, to contain the spread of the coronavirus and to take appropriate actions, where necessary, to minimize the possible disruptions of the Group's business operations.

Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

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**31. COMMITMENTS, OPERATING RISKS AND CONTINGENCIES (CONTINUED)**

**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 Russian tax TP legislation.

Russian tax legislation does not contain clear guidance on some issues, the solution of which is complicated, including the lack of established law enforcement practice. In such cases, the Group applies professional judgment, which, if necessary, will be substantiated and confirmed.

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. As a result of the 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 Russian tax legislation, the Group can use the provisions of the tax law in the interpretation that differs from the applicable by regulatory authorities. While management 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. The impact of any such challenge cannot be reliably estimated, however, it may be significant to the financial position and/or the overall operations of the Group.

**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 liabilities related to environmental protection have been recognised 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.

**Provisions and contingencies.** On 3 December 2019, a fire broke out in the territory of JSC Logistics Terminal, the subsidiary of the Group (Note 1), as a result of which material damage was caused to the third parties (customers) related to compensation of damage to them.

The amount of the estimated liability for the future compensation of actual damage caused to third parties as a result of the fire was determined based on the quantity and value of the cargo completely destroyed by the fire and amounted to RUR 353m as at 31 December 2020 (RUR 419m as at 31 December 2019) and disclosed in "Other current liabilities" line of consolidated statement of financial position.

The amount of the estimated liability for the future compensation of actual damage caused to third parties in relation to partially damaged cargo up to the maximum amount of RUR 304m as at 31 December 2019 (0m as at 31 December 2020) could not be reliably estimated and therefore, the Group recognised a contingent liability as at 31 December 2019.

**Insurance.** The Group pursues the policy of increasing the volume of voluntary insurance of its own property while maintaining compulsory types of vehicle insurance, liability in the implementation of production activities at hazardous production facilities, and insurance of additional costs aimed at taking measures to eliminate and localise emergencies. However, 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.

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**32. RISK MANAGEMENT ACTIVITIES AND FAIR VALUE OF ASSETS AND LIABILITIES**

***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 2020 (total equity attributable to the Company's owners per consolidated statement of financial position) was RUR 22,509m (as at 31 December 2019: RUR 48,434m).

The capital structure of the Group consists of issued capital, reserves and retained earnings as disclosed in Note 15.

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, short-term investments, short-term and long-term loans issued and other non-current assets. All financial assets are carried at amortised cost.

	<u>2020</u>	<u>2019</u>
<b>Financial assets</b>		
Cash and cash equivalents (Note 14)	8,592	3,580
Short-term investments (Note 13)	-	2,900
Short-term loans (Note 13)	4,546	-
Long-term loans (Note 13)	10,000	-
Trade and other receivables	2,694	1,812
Other non-current assets	31	23
<b>Total financial assets</b>	<b><u>25,863</u></b>	<b><u>8,315</u></b>

The Group's principal financial liabilities are trade and other payables, trade finance liabilities, short-term and long-term debt, which includes bonds, lease obligations and financial guarantee for investment in joint venture. All financial liabilities, excluding financial guarantee for investment in joint venture (Note 3), are carried at amortised cost.

	<u>2020</u>	<u>2019</u>
<b>Financial liabilities</b>		
Trade and other payables (Note 20)	1,071	3,133
Trade finance liabilities (Note 21)	7,183	-
Long-term debt (Note 16)	54,469	18,461
Current portion of long-term debt (Note 16)	4,425	2,967
Short-term debt (Note 16)	3,003	-
Lease obligations (Note 17)	1,326	924
Financial guarantee for investment in joint venture (Note 9)	133	151
<b>Total financial liabilities</b>	<b><u>71,610</u></b>	<b><u>25,636</u></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.

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

As at 31 December 2020 the Group's working capital deficit amounted to RUR 2,469m. The Group's management believes that, taking into account the expected operating results and the attraction of external financing, the Group will be able to settle its obligations on time and will continue its operations in the foreseeable future, accordingly, the consolidated financial statements have been prepared on a going concern basis.

In March and September 2021 the Company will make the third and fourth principal repayments under five-year RUR bonds, series BO-02 in the total amount of RUR 2,500m that have been included as current portion of long-term debt in the consolidated statement of financial position as at 31 December 2020 and affected current liquidity ratio of the Group.

In July 2021 the Company will make the first principal repayment under five-year RUR bonds, series BO-01 in the amount of RUR 1,500m that have been included as current portion of long-term debt in the consolidated statement of financial position as at 31 December 2020 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, lease obligations and short-term and long-term debt. 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. Information presented 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	More than 5 year	Total
<b>2020</b>								
Non-interest bearing liabilities (including trade and other payables)	-	-	764	282	5	20	-	<b>1,071</b>
Trade finance liabilities	-	-	3,363	3,820	-	-	-	<b>7,183</b>
Bonds	7.34%-9.45%	-	224	1,367	3,761	16,475	-	<b>21,827</b>
Short-term debt	-	-	13	25	3,079	-	-	<b>3,117</b>
Long-term debt	-	-	-	616	1,884	41,096	-	<b>43,596</b>
Lease obligations	2%-11%	-	51	103	463	865	140	<b>1,622</b>
Financial guarantee for investment in joint venture	-	2,204	-	-	-	-	-	<b>2,204</b>
<b>Total</b>		<b>2,204</b>	<b>4,415</b>	<b>6,213</b>	<b>9,192</b>	<b>58,456</b>	<b>140</b>	<b>80,620</b>
<b>2019</b>								
Non-interest bearing liabilities (including trade and other payables)	-	-	2,894	189	44	6	-	<b>3,133</b>
Bonds	7.34%-9.45%	-	224	1,484	2,376	21,827	-	<b>25,911</b>
Lease obligations	2%-11%	-	17	34	151	538	397	<b>1,137</b>
Financial guarantee for investment in joint venture	-	2,204	-	-	-	-	-	<b>2,204</b>
<b>Total</b>		<b>2,204</b>	<b>3,135</b>	<b>1,707</b>	<b>2,571</b>	<b>22,371</b>	<b>397</b>	<b>32,385</b>

Maturity analysis of lease liabilities presented in Note 17.

**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 2020 and 31 December 2019 the Group's financial assets denominated in foreign currency have exceeded its foreign currency financial liabilities.

As at 31 December 2020 there was the weakening of the Russian Rouble against the USD by 19% and against the EUR by 31% (as at 31 December 2019 was the strengthening of the Russian Rouble against the USD by 11% and against the EUR by 13%). The Group does not have or use any formal arrangements to manage foreign currency risk exposure (derivatives).



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

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	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Cash and cash equivalents	1,870	912	262	193	19	32
Trade and other receivables	344	264	152	118	451	342
<b>Total assets</b>	<b>2,214</b>	<b>1,176</b>	<b>414</b>	<b>311</b>	<b>470</b>	<b>374</b>
<b>Liabilities</b>						
Trade and other payables	194	738	102	74	58	145
<b>Total liabilities</b>	<b>194</b>	<b>738</b>	<b>102</b>	<b>74</b>	<b>58</b>	<b>145</b>

The information 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	
	2020	2019	2020	2019
<b>Total</b>	<b>(606)</b>	<b>(131)</b>	<b>(93)</b>	<b>(71)</b>

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 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 assets and liabilities with both floating and fixed interest rates, and maintaining an appropriate mix between debt and equity.

As at 31 December 2020 loans issued by the Group consist of long-term loans issued (Note 13) and short-term loans issued (Note 13).

Company issued short-term loans to a third party with the fixed annual interest rate of 7.5% per annum (Note 13). Interest is accrued monthly and fully repaid at the end of the loan term. As these short-term loans were granted at fixed interest rate, therefore they do not subject the Group to the additional interest risk.

Company issued short-term loans to a related party of the Group with the floating annual interest rate (the Central Bank of Russia Key Rate + 2.5% per annum at the dates of the loans) (Note 13, 29). Interest is accrued and paid quarterly on the last business day of each quarter.

Company issued long-term loans to a related party of the Group with the floating annual interest rate (the Central Bank of Russia Key Rate + 2.5% per annum as at 31 December 2020) (Note 13, 29). Interest is accrued and paid quarterly on the last business day of each quarter.

As at 31 December 2020 the Group's borrowed funds consist of long-term debt, current portion of long-term debt (Note 16), short-term debt (Note 16) and lease obligations (Note 17) (of long-term debt, current portion of long-term debt and lease obligations as at 31 December 2019).

As at 31 December 2020 and 31 December 2019 all lease obligations are bearing a fixed interest rate, therefore the Group is not exposed to the additional interest rate risk.

As at 31 December 2020 long-term debt and current portion of long-term debt consist of bonds and loan received from PJSC Sberbank, short-term debt consist of loans received from JSC Raiffeisenbank.

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

As at 31 December 2019 long-term debt and current portion of long-term debt consist of bonds only.

All bonds are granted at fixed interest rates as at 31 December 2020 and 31 December 2019, therefore they do not subject the Group to the additional interest risk.

The annual coupon rate of the five-year RUR bonds, series BO-02 issued on 22 September 2016 is 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 is set at 7.5% for five years without any further changes. The effective interest rate of the bonds, series BO-01 is 7.55%.

The annual coupon rate of the five-year RUR bonds, series PBO-01 issued on 23 October 2019 is set at 7.3% for five years without any further changes. The effective interest rate of the bonds, series PBO-01 is 7.34%.

Long-term loan received from PJSC Sberbank is received at a floating interest rate (the Central Bank of Russia Key Rate + 2% per annum at the date of loan).

Short-term loan received from JSC Raiffeisenbank are received at a floating interest rate (the Central Bank of Russia Key Rate + 0.9% per annum at the date of loans).

The increase/decrease in the Central Bank of Russia Key Rate by 50 basis points will not have a significant effect on the Group's consolidated profit for the year ended 31 December 2020.

**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 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 s disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external rating agencies (where possible)	Corresponding PD interval
Good	Counterparties with the lowest risk of default and strong ability to fulfil their contractual obligations, for which the Group has relevant data and performs periodic financial analysis	AAA – B -	0% - 10%
Satisfactory	Counterparties with the moderate risk of default and payments overdue from 30 to 90 days	CCC+ – CC	10% - 20%
Special monitoring	Counterparties with the high risk of default and payments overdue from 30 to 90 days	C – SD	20% - 80%
Default	Counterparties with the payments (interest or principal amount) overdue for more than 90 days	D	80% - 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.

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.

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

The carrying amount of accounts receivable, net of expected credit loss allowance of receivables (Note 11), carrying amount of cash and cash equivalents (Note 14), short-term investments (Note 13), short-term and long-term loans issued (Note 13) and financial part of other non-current assets represents the maximum amount of financial assets exposed to credit risk. The amounts of expected credit loss allowance based on the results of credit quality analysis of cash and cash equivalents and short-term investments balances based on credit risk levels as at 31 December 2020 and 31 December 2019 are insignificant. 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 expected credit loss allowance 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 2020 65% of the total net amount of trade and other receivables related to nineteen largest counterparties of the Group (as at 31 December 2019: 77% related to twelve largest counterparties) of which as at 31 December 2020 three of the largest counterparty are related parties and account for 20% of the total amount of trade receivables and other receivables (as at 31 December 2019 one of the largest counterparty is a related party: 23%).

The largest trade and other receivables outstanding as at the balance sheet date are as follows:

	<b>Outstanding balance, net</b>	
	<b>2020</b>	<b>2019</b>
OJSC RZD	423	407
DB Cargo Logistics GmbH (DB Schenker Rail Automotive GmbH)	258	311
China Railway (CR)	198	165
SIBUR	126	222
LCC TansportDevelopmentGroup	78	-
LLC DML	78	-
Pantos Logistics	77	-
LLC Rail Cargo Logistics – RUS	67	-
JSC RZD Logistics	63	21
Shanghai Mairui International Freight Forwarding Co., Ltd	57	-
LLC Ruscon	54	-
UNICO LOGISTICS	48	26
Metrans a.s.	47	-
ООО «ГК «УЛК»	40	-
AYADA LOGISTICS PET.LTD.	40	-
JSC Kuznetskie Ferrosplavy	31	32
Fintrans GL LLC	26	30
LLC MAERSK SOLUTIONS	21	-
JSC RT-Logistics	13	18
China Mobile Hong Kong	-	85
OJSC Volgskiy Trubniy Zavod	-	33
WR Logistik GmbH	-	29
<b>Total</b>	<b>1,745</b>	<b>1,379</b>

Financial assets with a good level of credit risk are primarily receivables from related parties (Note 29) 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 2020 the Group received financial guarantees in the total amount of RUR 2,337m in order to ensure the proper performance of contractual obligations and minimise risks of collecting receivables (as at 31 December 2019: RUR 2,557m).

The Group's management monitors balances of receivables with default level of credit risk and provides credit quality analysis as disclosed in Note 11.

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

Credit risk on liquid funds is limited because these funds are placed only with financial organisations with minimal level of default risk. As at 31 December 2020 76% of total cash and cash equivalents were held with one bank which is related to the Group (as at 31 December 2019: 75%) (Note 14, Note 29).

As part of the financial guarantee issued by the Company for FVK Sever under a loan agreement with PJSC GTLK, as of 31 December 2020, the credit risk is represented by a maximum amount of RUR 2.2 billion (as of 31 December 2019: RUR 2.2 billion.), which the Company will have to pay if the joint venture fails to settle its obligations under a loan agreement (Note 9).

***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, short-term investments, short-term and long-term loans issued, trade and other receivables, other financial assets, trade and other payables, trade finance liabilities, short-term and long-term loans received and financial guarantee for the investment in joint venture. These financial assets and liabilities, except for cash and cash equivalents, short-term investments and short-term and long-term loans received relate to Level 3 in the fair value hierarchy.

Cash refers to the Level 1 in the fair value hierarchy, cash equivalents, short-term investments and short-term and long-term loans received refer to the Level 2 in the fair value hierarchy.

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

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

	<u>2020</u>	<u>2019</u>
<b>Financial liabilities</b>		
Bonds	19,183	21,204
<b>Total</b>	<u><b>19,183</b></u>	<u><b>21,204</b></u>

***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.

***Financial 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.

**33. SUBSEQUENT EVENTS**

***Agreements on acquisition of handling equipment.*** In January-March 2021 the Group entered into the following agreements on acquisition of handling equipment:

- with LLC TopCraft on the purchase of 3 reachstacker container cranes for a total amount of RUR 99m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT. Delivery of reachstacker container cranes is completed in full in March 2021;
- with JSC Technoros for the manufacture and delivery of a container gantry crane, as well as for the assembling and putting into operation of this crane for a total amount of RUR 150m, net of VAT. Completion of the delivery of the crane is expected no later than December 2021, completion of assembling and putting into operation is expected no later than March 2022.

***Acquisition of flatcars.*** In January-March 2021 the Group obtained under the previously signed agreement 380 flatcars from LLC Torgoviy dom RM Rail for the total amount of RUR 1,133m, net of VAT.

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**33. SUBSEQUENT EVENTS (CONTINUED)**

**Acquisition of containers.** In January-March 2021 the Group obtained under the previously signed agreements 1,796 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 471m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.

**Agreement on acquisition of flatcars.** In February 2021 the Group entered into the agreement with LLC CTG on the purchase of 80 flatcars for the total amount of RUR 206m net of VAT, under which a partial delivery of 45 flatcars was made for the total amount of RUR 115m, net of VAT. Delivery is expected no later than April 2021.

**Short-term loan issue.** In February 2021 the Company entered into a short-term loan agreement with a related party of the Group for a total amount of RUR 2,060m with a floating interest rate (the Central Bank of Russia Key Rate + 2.5% per annum) and a maturity not later than December 2021. Under this agreement in February 2021 the Company provided the first tranche in the amount of RUR 550m.

**Conclusion of the loan agreement.** In March 2021 a revolving credit line agreement was signed between the Company and Bank Saint-Petersburg PJSC with a limit of RUR 5bn, a maturity date no later than 7 March 2024 and at a fixed interest rate declared by the Company in the application for a loan but not more than 9% per annum or at a floating interest rate not more than the Central Bank of Russia Key Rate + 3% per annum.