ABOUT THE REPORT


Disclaimer

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

Pre-approved by the Board of Directors of PJSC TransContainer dated 28 April 2021.
Minutes No. 29 dated 29 April 2021.

Approved by the decision of the sole shareholder of PJSC TransContainer dated 30 April 2021.

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Corporative Governance Code recommended for application by joint stock companies by the letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014, the Procedure For Submission of Information and Reports to Public Joint-Stock Company “Moscow Exchange MICEX-RTS” dated 24 July 2015, the Bank of Russia’s Information Letter No. IN-06-52/8 “On Disclosure of the Corporate Governance Code Compliance Report in the Public Joint Stock Company’s Annual Report” dated 17 February 2016, and the GRI’s Sustainability Reporting Guidelines. The information provided in the Report has been subjected to an internal audit and reviewed by the Audit Committee and the Nominations and Remuneration Committee of the Company’s Board of Directors.

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Synergy effect

Cooperation with stevedoring and freight forwarding assets of Delo Group enhances our opportunities on land and at sea.
COMPANY TODAY

LEADERSHIP IN KEY MARKET SEGMENTS

- Russia’s largest intermodal container operator
- No. 1 in Russia in terms of rail container transportation volume
- No. 1 in Russia in terms of the flatcar fleet size
- No. 1 in Russia in terms of terminal handling of containers on the railway

No. 1 in Russia
in terms of terminal handling of containers on the railway

No. 1 in Russia
in terms of the flatcar fleet size

Russia’s largest
intermodal container operator

Footprint
in Russia, Europe and Asia

The integrated business model aims to achieve the maximum synergy of assets and create a range of services

FULL RANGE OF CONTAINER LOGISTICS SERVICES FOR CUSTOMERS

- "Turnkey" multimodal delivery of containerised cargo on short notice from the sender’s to the recipient’s warehouse using own assets of TransContainer and Delo Group companies, as well as the services of co-contractors

- “Turnkey” multimodal delivery of containerised cargo on short notice from the sender’s to the recipient’s warehouse using own assets of TransContainer and Delo Group companies, as well as the services of co-contractors

- Rail transportation of cargo with the provision of a Company’s railcar and container for loading with terminal handling of containers and cargo at the departure and destination stations

- Terminal cargo handling, bonded warehousing services, last-mile services, including trucking services and customs clearance

- Logistic consulting, tracking of container cargo, assistance with the cross-border document flow, insurance, customs clearance, other value-added services
## KPI TRENDS

### FINANCIAL INDICATORS
- **Revenue (RUB mln)**
  - 2020: 103,497.0
  - 2019: 86,179.0
  - 2018: 76,959.0
  - 2017: 65,567.0
  - 2016: 51,483.0
- **Adjusted revenue (RUB mln)**
  - 2020: 40,776.0
  - 2019: 37,896.0
  - 2018: 31,288.0
  - 2017: 27,782.0
  - 2016: 21,988.0

### OPERATING PERFORMANCE
- **Domestic and international transportation volumes controlled by the Company ('000 TEU)**
  - 2020: 2,405
  - 2019: 2,050
  - 2018: 1,958
  - 2017: 1,873
  - 2016: 1,613
- **Handling volumes at container terminals (with subsidiaries) ('000 TEU)**
  - 2020: 1,574
  - 2019: 1,471
  - 2018: 1,279
  - 2017: 1,293
  - 2016: 1,229
- **EBITDA (RUB mln)**
  - 2020: 40,776.0
  - 2019: 37,896.0
  - 2018: 31,288.0
  - 2017: 27,782.0
  - 2016: 21,988.0

### CORPORATE RESPONSIBILITY INDICATORS
- **Staff training and development costs (RUB mln)**
  - 2020: 6.3
  - 2019: 4.9
  - 2018: 2.0
  - 2017: 2.4
  - 2016: 1.4
- **Expenses for social programmes under the Collective Agreement (RUB mln)**
  - 2020: 170.9
  - 2019: 193.1
  - 2018: 197.8
  - 2017: 178.5
  - 2016: 260.5
- **Health and safety expenses (RUB mln)**
  - 2020: 51.8
  - 2019: 51.0
  - 2018: 63.4
  - 2017: 66.6
  - 2016: 85.9
- **Charity expenses (RUB mln)**
  - 2020: 292.5
  - 2019: 154.3
  - 2018: 166.5
  - 2017: 133.9
  - 2016: 254.0
CORE BUSINESS LINES

RAIL CONTAINER TRANSPORTATION
• Providing rolling stock to transport customer’s cargo in the Company’s containers
• Providing rolling stock to transport customer’s containers
• Leasing railcars and containers
• Providing services to transport cargo in specialised containers

INTEGRATED FREIGHT FORWARDING AND LOGISTICS SERVICES
• Freight forwarding, including the preparation of transportation documents, customs clearance, etc.
• Tracking container cargo, planning and optimising the delivery schedule
• Organising multimodal container deliveries door-to-door at a uniform tariff

TERMINAL SERVICES AND AGENCY FEES, BONDED WAREHOUSING SERVICES
• Loading, unloading, container storage (as part of an agency agreement with Russian Railways)
• Additional terminal services (loading/unloading cargo to/from a container, preparing a container for loading, etc.)
• Bonded warehousing services

CONTAINER TRUCK DELIVERIES
• Container transportation between the railway terminal and the customer’s warehouse
• Transportation under customs control and delivery of containers from the customs post to the customer’s warehouse

2,405 thousand TEUs
containers transported by the Company’s rolling stock

33.9
RUB billion
adjusted revenue from integrated transportation and freight forwarding services

1,574 thousand TEUs
in Russia handled

34,194
flatcars
87,810
ISO-containers

143
tractor units;
257
semi-trailers

90
sales offices in Russia
Overseas presence

>20
countries of presence

4
representative offices abroad

14
branch offices across the Russian Railways network

3
joint ventures

7
subsidiaries

400
trucks in Russia:

At the Company’s terminals and terminals of subsidiaries

at 38
Company’s container terminals
railway stations in Russia

3
container terminals
operated by the Company’s subsidiaries and joint ventures in Russia

202
units of lifting equipment in Russia

2,405 thousand TEUs
containers transported by the Company’s rolling stock

33.9
RUB billion
adjusted revenue from integrated transportation and freight forwarding services

1,574 thousand TEUs
in Russia handled

267
thousand TEUs
The Company transported including 80 thousand TEUs by own trucks

34,194
flatcars
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joint ventures

7
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143
tractor units;
257
semi-trailers

400
trucks in Russia:
TRANSCONTAINER’S STRUCTURE
AS OF 31 DECEMBER 2020

PJSC TransContainer

Subsidiaries

100%

TransContainer Europe GmbH (Austria)

100%

TransContainer Asia Pacific Ltd (South Korea)

100%

LLC SpecTransContainer (Russia)

100%

CJSC Logistics-Terminal (Russia)

100%

TransContainer Freight Forwarding (Shanghai) Co., Ltd (China)

100%

TransContainer Mongolia LLC (Mongolia)

100%

Oy ContainerTrans Scandinavia Ltd (Finland)

100%

Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co., Ltd (China)

100%

JSC BaziS (Russia)

100%

JSC TASKOM (Russia)

100%

Joint ventures

Ownership ratio
Other shareholders
AN EXTENSIVE NETWORK CONTRIBUTES TO THE SUSTAINABILITY OF THE COMPANY’S BUSINESS

TransContainer delivers container cargoes to any destination in Russia, CIS countries, Europe and Asia, transports cargoes on more than 300,000 routes in Russia and abroad.

GEOGRAPHIC POLICY:
- Footprint in the regions where container flows originate towards the Russian Federation and the CIS;
- Control of “points of entry” of the 1,520 gauge railway network;
- Combination of oncoming flows to optimise empty runs.

Legend
- TransContainer’s branch offices in Russia
- TransContainer’s representative offices, joint ventures, subsidiaries abroad
- Land delivery routes
- Shipping routes
MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear colleagues!

A little more than a year has passed since the day when Delo Group unexpectedly acquired 50% of shares of the largest container operator TransContainer. In 2020, the Group became its sole owner by consolidating 100% of the shares. Today I would like to take stock of the first full year of TransContainer’s operation as part of the Group. This is indeed a significant period, which allowed us to assess the rationality and reasoning of the decisions associated with this major asset.

I have always stressed that the acquisition of TransContainer was not an end in itself, although we have been striving towards this for many years. And today we can state that our expectations and intuition did not fail us; the Company fits perfectly into the Group’s business model and its further development strategy. The acquisition of 100% of TransContainer not only formally strengthened the Group, but also raised it to a completely different qualitative level, thus allowing it to claim the leadership role in the industry at least at the federal level.

Even in the former composition, the right blend of assets within the Group gave high synergy expectations. And the acquisition of TransContainer has greatly contributed to this potential. This effect did not manifest itself automatically. It required painstaking work, creating new and changing old organisational ties.

Looking at the Company’s operating numbers for 2020, we can be cautiously optimistic that this has been a success. For the first time since 2016, the downward trend in the Company’s presence in this market has been reversed: the share of such transportation in 2020 increased to 36.4% and reached almost 40% in the last months of the past year. At the same time, the presence of our operator TransContainer has shown sustainable growth in almost all major operating activities. The volume of revenue generating transportation reached an absolute record compared to 2019, it grew by more than 16% and amounted to almost 2 mln TEUs.

in the export transportation market rose from 40 to almost 44%, in the import transportation market - from 37.6 to almost 41%.

TransContainer has shown an increase in loaded traffic of all types year-on-year: significant growth in loaded transit - by almost half; loaded exports - by 17.5%; domestic traffic - by 9.2% (with an overall growth of domestic traffic by 10.9%); loaded imports - by 8.9%.

I am very pleased to witness the implementation of those ideas and concepts, which our team has been pursuing since the acquisition of TransContainer. We should also mention the unfavourable circumstances: a pandemic, serious sanitary restrictions, almost a collapse of the world economy.

But there are evident operational records, and they testify to one thing: despite all the objective and subjective difficulties, we managed to successfully integrate such a large asset into the system of the Group’s holdings, preserve all the best existing working practices and successfully introduce new ones.

This is also a direct result of the Group’s selected strategy aimed at integrating the business of assets and achieving a synergistic effect from the operation of stevedoring, rail and freight forwarding assets within the Group.

Despite all the right words on paper, it would mean nothing without a highly skilled and hardworking team of like-minded professionals of TransContainer, and I appreciate it!

I state that the implementation of objectives I have outlined for 2020 is proceeding successfully.

At the same time, we should not forget that we work in a highly competitive environment, which sometimes has nothing to do with fair market competition, and it is increasing monthly. So again, to survive, we need to be the best in everything. The Group has unique opportunities for this.

Summing up the above, the main remaining focus areas for TransContainer for the next year include: increasing the Company’s market share in the segment of revenue generating transportation, implementing a large-scale investment program, further developing synergies with other assets of the Group, promoting a customer-oriented approach and expanding work on introducing a digital platform.

I am confident that the Company’s most experienced team is fully prepared to move forward.

Once again I thank you all, dear colleagues, I wish you good health, success and all the best!

Sergey Shishkarev
Chairman of the Board of Directors
P JSC TransContainer
A NEW STATUS
In 2020, TransContainer became a completely private company, with 100% shares held by Delo Group.

A NEW TEAM
In March, TransContainer was headed by Aleksandr Isurins. Within a year, the composition of the Company's Management Board was almost completely changed. The team was joined by:
- Sergey Dolgov, Vice President for Internal Control and Business Support;
- Boris Kipkeev, Vice President for External Relations;
- Sergey Mushkin, Commercial Vice President;
- Vyacheslav Tar-Khachaturov, Vice President of Safety;
- Pavel Starchkov, Vice-President of Economics and Finance;
- Vadim Trifonov, Vice-President of Personnel.

A NEW REALITY
Digital transformation and automation remained at the top of global trends in recent years. The COVID-19 pandemic has accelerated these processes.

March. Since March 19, the majority of employees of TransContainer’s headquarters and the Moscow branch office work remotely. Due to the developed IT infrastructure, the format change has not affected the stability and quality of services, communications both within the Company and with customers and partners. Thus, in March-April 2020 alone, the number of new unique users of the online sales service Sales was doubled.

July. TransContainer and Sibur launched a pilot project for the integration of transport management systems (TMS) to organise a single end-to-end process for the planning and control of multimodal transportation. TransContainer became the first logistics company to successfully establish information exchange with Sibur at all stages of multimodal transportation.

In 2020, TransContainer initiated new transportation routes to expand the geography of services.

January. Delivery of dangerous cargo in refrigerated containers from the Republic of Korea to Poland via the Russian Far East and Brest. The partners were the Korean company Pyontos Logistics and container terminal operator Global Ports (30.75% held by Delo Group), which owns Vostochnaya Slavodoring Company LLC in Nakhodka.

February. Expedited service for delivery of petrochemical products in tank containers from Salavat (Bashkiria) to Kotka (Finland).

March. Transportation of export poultry meat in refrigerated containers on the loop route from Novinskymysk to Novorossiysk. The products are then shipped by sea to the Gulf countries and China.

April. A regular container train to deliver imported consumer goods from Novorossiysk to Rostov-on-Don. It was organised in cooperation with Ruscon (part of Delo Group).

May. Regular service from China to Ekaterinburg via Zabakalsk for importing machinery and equipment.

July. A regular container train from St. Petersburg to Perm and back.

August. Regular service from Nakhodka to the Moscow Region (Electrogorsk station). It was organised in cooperation with Global Ports (30.75% held by Delo Group).

August. A container train for exporting food products from Krasnodar to Daoy (China) via Naushki. It was organised in cooperation with Maxima Logistics.

September. A container train from St. Petersburg to Shenyang (China) via Zabakalsk for exporting timber products.

September. A container train from the Krasnoyarsk Region to the central provinces of China via Zabakalsk for exporting aluminium alloys produced by Rusal.

September. The first shipment of vegetable oil in flexitanks from Penza to China via Zabakalsk.

September. A container train for exporting timber products from the Kemerovo Region to China via Dostyk. It was organised in cooperation with AllianceTransLog and with the support of Russian Railways and KTZ Express.

September. A container train for exporting beer products from Novosibirsk to China via the border crossing Grodekovo - Suifenhe.

November. Container service from Togliatti to India via Novorossiysk for exporting grain products in liner bags. It was organised in cooperation with Russian Railways and EUROPACK Ltd.

November. Expedited delivery of fuel pallets from the Krasnoyarsk region to Nordic countries via St. Petersburg. Organised in cooperation with Global Ports (30.75% held by Delo Group).

One of the trends in 2020 was the containerisation of cargo that had been previously transported using other types of containers and rolling stock (timber, cargo, coal, oils, etc.).

February. The first container train with zinc-lead concentrate was dispatched from the Nove-Toljoloy field in Zabakalsk region to China.

April. Transportation of mineral oil in flexitanks was initiated together with RUSCON (part of Delo Group) on the Sarape - Novorossiysk route and further to the ports of Turkey.

May. The delivery of metal concentrates to China using specialised open-top containers was provided in cooperation with Russian Railways and Chinese Railway.

In January 2021, the Company started transporting coal in open-top containers from Zabakalsk region to China via Zabakalsk.
MESSAGE FROM THE PRESIDENT

The past 2020 was the first year when TransContainer operated as a completely private company, a part of Delo Group. Already in Q1 2020, with a focus on preventing the spread of coronavirus infection, we, like the rest of the world, faced serious changes in our professional and private life. To ensure the safety of employees and their families, the administrative staff has been almost entirely shifted to remote work, and we have provided additional protective measures for the operational staff. Due to the developed IT infrastructure and online services, the changes have not affected operations and our interactions with customers and partners, while helping to ensure effective control of COVID-19.

In the face of uncertainty, supply chain disruptions and severe macroeconomic instability, the Russian container market has demonstrated resilience and the ability to quickly adapt to new challenges: challenges: the rail container transportation volume increased by 16.3% in 2020 and reached a record of 5,801 thousand TEUs. The main drivers were international transportations, which grew by 37.5%. A key factor in the growth of containerisation of cargoes transported by rail is the transfer to the railway segment for cargoes, which were transported by other modes of transport before the closure of borders and the imposition of other restrictions. Subsidies by the Chinese government of land transportation between China and Europe also continued to have a positive impact. Containers remain the fastest growing and promising segment of transportation for Russian Railways. By the end of 2020, the growth of containerisation of cargoes transported via the network increased to 9.8% against 8.3% in 2019.

Working in a dynamic market, we grew at a faster pace – the transportation volume of TransContainer increased by 17.3% year-on-year to 2,405 thousand TEUs.

This is an absolute record that we are proud of. Using the high potential of the transit market and the mechanism of subsidies provided mid-year by the Government of the Russian Federation, we began transporting transit containers from the Republic of Korea to Europe via the NUTEP terminal, which is owned by DeloPorts. As a result, the mass transit from the Republic of Korea to Europe via the network increased to 9.8% against 8.3% in 2019.

In 2020, we were the leaders of containerisation processes: we were among the first to start transporting export coal in open top containers, launched new services for the transportation of oil in flexitanks.

The success of operating activities contributed to the financial growth – our revenue for the first time exceeded RUB 100 billion, increased by 20.1% year-on-year. Net profit grew by 7.7% and amounted to RUB 12,659,000, EBITDA increased by 13.3% and reached RUB 22,645,000. Also in the past year, we achieved record levels of revenue-generating transportation volume, operational efficiency and labour productivity; we streamlined the rolling stock management and introduced several new technologies and business solutions.

This is all the result of the well-coordinated work of the renewed team. During the year, the best specialists in their segments reinforced the team that stood at the origins of TransContainer. I am sure that the unique combination of professional competence, deep knowledge of the market and the Company’s leadership in the container industry in Russia and 1,520 gauge. The implemented organisational and management changes are designed to further transform the Company into an effective market player.

Our key priority is to be closer to the client and improve the quality of services. One of the first steps in this direction is the launch of a monthly survey in 2020, in order to respond quickly to customer requests, as well as accelerate the development of electronic services. The online sales service iSales now accounts for 99% of customer orders, 97% of transportation volumes and 98% of revenue.

Together with the largest container terminal operator in Russia, Global Ports, we launched weekly trains from their terminal in Nakhodka to Poland. Together with RUSCON (part of Delo Group) and the Danish shipping company Maersk, we launched a regular train to Moscow from Novorossiysk, from the NUTEP terminal, which is owned by DeloPorts.

The main growth drivers were international container transportation volumes and 98% of revenue.

In 2020, we started developing integration processes with other assets of our shareholder – Delo Group.

In 2020, the Company enlarged its fleet both by purchasing new equipment and acquiring under lease to meet the growing demand and eliminate the shortage of containers and flatcars. TransContainer is by far the largest company in the industry in Russia with a fleet of 87,810 containers and 32,119 railcars.

Early in 2021, there is a continuing shortage of equipment in key locations abroad, but also a gradual return to the usual rhythm of life and business activity. With the recovery of pre-pandemic supply chains, the regularity of shipping and the resumption of air cargo transportation, which we expect by the end of 2021, there are no prerequisites for the same high growth rates as in 2020. At the same time, we believe in long-term market potential and we assume that transit, export and import will remain the key drivers in the next 3–5 years. The annual growth rate of the Russian rail container transportation market will stay within 10%. We also expect increased competition and further digital transformation of the industry.

TransContainer, while remaining a vertically integrated logistics holding, will continue to operate within the existing business model, which has proven to be effective. To make the most of our potential, we are committed to promoting digital transformation, providing undeniably high quality services, reducing costs and finding growth points through horizontal integration with our partners in Delo Group. We believe that these efforts will give an additional boost to the development in the next 3–5 years, and a well-coordinated proactive team will ensure the achievement of all the objectives for the benefit of our shareholder and customers.

Alexandrs Isurins
President of TransContainer
GLOBAL CONTAINER TRANSPORTATION MARKET

In 2020, a major reduction in volumes prevailed, forcing carriers to cancel an unprecedented number of transportations. In H2, demand rebounded sharply, and the pace of this recovery came as a surprise to everyone, including large cargo owners. According to Drewry estimates, the global container transportation market contracted by 6% in H1 and then grew by more than 10% year-on-year in H2.

Among the drivers behind the dynamic growth of volumes for Q3, Alphaliner names the effect of deferred demand, the problems of the air transport market and therefore, reassignment of part of the volume to ocean transportation, substantial growth in demand for hygiene and respiratory protection products and an increase in consumption of goods owing to the budget saved due to inability to travel and unavailability of a whole range of services under quarantine restrictions.

Despite the discouraging forecasts at the beginning of the pandemic in the spring of 2020, by the end of the year, the market almost completely made up for the H1 losses in terms of volumes. As of the end of November, the volumes were only 1.7% (or 2.6 mn TEUs) less year-on-year.

According to BIMCO preliminary estimates, the volume of the global container market in total in 2020 is down by 1.5% year-on-year. Effective capacity management in the context of falling demand allowed carriers to minimise losses, with low bunker prices also reducing their costs.

SERVICE QUALITY

The container service reliability (i.e. carrier schedule reliability) fell to a record low last year.

According to the latest release of the Sea-Intelligence monthly report covering the container service reliability for November 2020, the global average quality of container line service decreased to 50.1%. This is the lowest value of the index since the monitoring report release in 2011 (down by 80% year-on-year). In the Asia-North America corridor, less than 30% of ships arrived at ports on schedule.

PORTS

In 2020, the largest ports in Asia and the United States faced congestion. The world’s largest container port of Shanghai handled 43.5 mn TEUs in 2020, up 200 thousand TEUs year-on-year. Congestions at Chinese ports were reported regularly since summer and increased in the last quarter of the year. The shortage of outlets for refrigerated containers was acute due to increased control over food imports to prevent the import of products contaminated with COVID-19.

RATES

Despite the declining quality of service, the demand growth and the shortage of capacity led to an unprecedented increase in rates.

SCFI Spot Rate Index in 2010–2020

The port’s turnover declined year-on-year from December 2019 to June 2020, growth resumed from July, and double-digit volume growth in the last three months of the year fully compensated for the losses in H1. In October and November, Shanghai became the first port in the world to handle 4 mn TEUs per month.

The turnover of Los Angeles/Long Beach, the largest container port complex in the United States, in 2020 also exceeded the volume of 2019, despite a sharp decline in H1. In the first 11 months, the complex handled 15.63 mn TEUs, up 0.5% year-on-year.

The congestion situation has gradually deteriorated since September. In November, 12 container ships were idle to enter the port, in December 2020 and in the second decade of January – 34 already. The container turnover of the port complex in November amounted to 1.67 mn TEUs, increasing 26% year-on-year.
The average value of the Shanghai Stock Exchange spot rate index (SCFI) at 31 December 2020 exceeded 2,700 points, which is almost three times higher than before the outbreak of the pandemic in February.

The cost of shipping a 20-foot container to ports in Europe rose beyond USD 4,000. Amid the shortage of containers, the rates on the European trade have grown 3.5 times over the last three months of the year.

**CONTAINER FLEET**

Drewry estimates that by the end of 2020 the global fleet of shipping container equipment amounted to 39.9 mln TEUs, down 11% year-on-year. Since the volume of the port container transhipment market reduced by 3.3% last year compared to 2019, the supply-demand balance should not have deteriorated.

However, despite the huge demand, due to the acute shortage of empty containers in November, some ships were not fully loaded from Asia to Europe.

Meanwhile, much-needed empty containers were scattered in warehouses and depots across Europe, particularly in the UK, where catastrophic congestions forced the lines to restrict empty equipment returning to ports.

The boom in demand for container shipping led to increased investment in new container equipment. Global container production has already fully recovered after a 35% decrease in Q1 2020 and, according to Drewry estimates, will amount to 2.67 mln TEUs at the end of the year, down 5% year-on-year. At the same time, demand remains high, and manufacturers report fully booked capacities for Q1 2021 in the portfolio of orders. According to analysts, production in 2021 will grow by 40% and the upward trend will continue in the subsequent years.

**OUTLOOK FOR 2021**

Analysts are cautious in their forecasts. Despite the reached compromise in the trade war between China and the United States, experts note that the reached truce is very fragile, and the probability of a resumption of "hostilities" is very high — the existing contradictions are almost insoluble.

The coronavirus pandemic has driven profound transformations in the shipping industry and related supply chains. To cope with the disruptions caused by the pandemic, the participants of the shipping market had to review their business and financial processes, labour safety and health protocols, and amend the formats of labour organisation.

The beginning of 2021 for the container market was marked by large imbalances in the availability of container equipment among suppliers and consumers, resulting in a considerable increase in the shipping rates.

Maersk predicts normalization of the container transportation market in 2021. It is noted that, despite the challenges due to the global pandemic, the Company expects container transportation volumes to normalize in 2021.

Danish transport and logistics company A.P. Moeller-Maersk AS observes the imbalance in the global container shipping market amid a shortage of containers in China and expects it to recover in 2021. Analysts anticipate the key factors affecting freight rates to mitigate (shortage of containers, chartered ships and free warehouse space in ports).

According to the UNCTAD forecast, the market will grow by 4.8% in 2021. UNCTAD notes that the shipping industry has been very successful in dealing with the crisis. At the height of the pandemic, when a sharp drop in demand exacerbated the traditional structural imbalance of the market, the container transportation market players showed great discipline by reducing capacity and cutting costs to ensure profitability without trying to take a market share. As a result, despite the drop in demand, it was possible to ensure the stability of freight rates.

For shippers, however, these strategies meant a serious compromise in the trade war between China and the United States, experts note that the reached truce is very fragile, and the probability of a resumption of "hostilities" is very high — the existing contradictions are almost insoluble.

The coronavirus pandemic has driven profound transformations in the shipping industry and related supply chains. To cope with the disruptions caused by the pandemic, the participants of the shipping market had to review their business and financial processes, labour safety and health protocols, and amend the formats of labour organisation.

The beginning of 2021 for the container market was marked by large imbalances in the availability of container equipment among suppliers and consumers, resulting in a considerable increase in the shipping rates.

**FLEET**

**DATA ON THE CAPACITY OF THE GLOBAL CONTAINER SHIP FLEET IN 2020**

At the peak of the pandemic in Q2 2020, the drop in demand, rates and the inability to predict the further development of the situation urged the lines to abandon the construction of new ships. This period also saw a peak in demand for the disposal of obsolete ships and a record amount of idle fleet. Massive cancellations of transportations meant that more than 2.7 mln TEUs of capacity (about 12% of the global container fleet) were idle by the end of spring, according to Alphaliner. This is an absolute record high over the entire history of the industry. By the end of the summer, the capacity of idle tonnage decreased to about 1 mln TEUs, in September - to 650 thousand TEUs, or only 2.7% of the operating fleet.

**World Port Container Turnover Index**

The increasing equipment production volume will certainly contribute to reducing the shortage. However, it is of primary importance to normalize the demand for transportation and the shipping schedules, as the negative impact due to the pandemic diminishes.

**Idle Fleet (’000 TEU)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Idle Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec</td>
<td>391</td>
</tr>
<tr>
<td>Nov</td>
<td>360</td>
</tr>
<tr>
<td>Oct</td>
<td>450</td>
</tr>
<tr>
<td>Sep</td>
<td>490</td>
</tr>
<tr>
<td>Aug</td>
<td>650</td>
</tr>
<tr>
<td>Jul</td>
<td>770</td>
</tr>
</tbody>
</table>

**Source:** Drewry

However, by the autumn the container ship recycling market slowed to a minimum, while the lines resumed orders of new tonnage.
RUSSIAN RAIL CONTAINER TRANSPORTATION MARKET

RUSSIAN MARKET DEVELOPMENT

In 2020, the Russian rail container transportation market remained on a strong upward trajectory: 2019 saw a 12.4% growth rate, while in 2020 it grew by 16.3% and reached a new historical high of 5.8 million TEUs. The market growth rate exceeded the initial forecasts of industry analysts, who expected a greater negative effect from the pandemic.

In 2020, according to the Ministry of Economic Development of the Russian Federation, Russia’s GDP decreased by 3.1%, the retail turnover reduced by 4.1% under quarantine restrictions, and industrial production dynamics dropped by 2.6% compared to the previous year.

Despite the deteriorating economic conditions and a decrease in cargo turnover in road and sea transport, the rail container transportation segment demonstrated advanced growth in the reporting period. This was driven by the following factors:

- transfer of the freight volumes to the rail container transportation segment. This became possible, among other things, due to the transfer of freight volumes, which were previously handled by other types of transport (air, road, sea), to the container segment amid the closure of borders, restrictive quarantine measures and the cancellation of air traffic;
- improvement of the rail container transportation service quality by speeding up the delivery, meeting the delivery terms, and simplifying the customer-and-operator interaction;
- the ongoing growth of transit transportation through the territory of the Russian Federation in the China–Europe–China corridor as part of the Silk Road Chinese project with a high containerisation rate.

By the end of 2020, the containerisation rate of cargoes transported via the Russian Railways network increased to 9.8% against 8.3% in 2019.

TRANSPORTATION BREAKDOWN

The reporting year saw growth in all types of railway transportation: domestic shipments increased by 12.0% year-on-year, while the share of container transportation on international routes grew by 19.4%. The leaders in terms of international transportation were transit, which grew by 37.5%, or by 219 thousand TEU, and import, which grew by 15.6%, or by 165 thousand TEUs, the increase in export shipments amounted to 14.3%, or 183 thousand TEUs.

With the rapid growth of international transportation in 2020, the share of domestic transportation declined from 41.5% in 2019 to 40.0%. Due to the growth in transit, the share of imports decreased by 0.1% and amounted to 21.1%, the share of exports reduced by 0.4% year-on-year and reached 25.1%. The share of transits increased from 11.7 to 13.8%.

In 2020, the transit transportation growth amounted to **37.5%**

As a result, the share of transit transportation in 2020 equaled **13.8%** compared to 11.7% in 2019.

The annual trend in the market was also that of strong growth year-on-year.
Russian Rail Container Transportation Market by Traffic Type (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Export</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>41.5</td>
<td>25.6</td>
<td>12.2</td>
</tr>
<tr>
<td>2019</td>
<td>42.8</td>
<td>25.5</td>
<td>12.5</td>
</tr>
<tr>
<td>2018</td>
<td>46.5</td>
<td>24.8</td>
<td>10.7</td>
</tr>
<tr>
<td>2017</td>
<td>51.5</td>
<td>26.5</td>
<td>7.9</td>
</tr>
<tr>
<td>2016</td>
<td>50.6</td>
<td>25.0</td>
<td>7.3</td>
</tr>
<tr>
<td>2015</td>
<td>49.6</td>
<td>26.0</td>
<td>7.6</td>
</tr>
<tr>
<td>2014</td>
<td>50.0</td>
<td>25.4</td>
<td>7.8</td>
</tr>
<tr>
<td>2013</td>
<td>49.5</td>
<td>25.4</td>
<td>7.8</td>
</tr>
<tr>
<td>2012</td>
<td>49.5</td>
<td>26.0</td>
<td>7.6</td>
</tr>
<tr>
<td>2011</td>
<td>50.6</td>
<td>26.0</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

The share of loaded container transportation in the Russian Railways network increased by 1% and amounted to 68.7%. During the reporting period, the transportation of loaded and empty containers grew by 18.1% and 12.7% year-on-year, respectively.

Transportation in the Russian Railways Network ('000 TEU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loaded containers</th>
<th>Empty containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2,986</td>
<td>1,816</td>
</tr>
<tr>
<td>2019</td>
<td>2,976</td>
<td>1,661</td>
</tr>
<tr>
<td>2018</td>
<td>2,608</td>
<td>1,255</td>
</tr>
<tr>
<td>2017</td>
<td>2,010</td>
<td>1,022</td>
</tr>
<tr>
<td>2016</td>
<td>1,920</td>
<td>1,034</td>
</tr>
<tr>
<td>2015</td>
<td>2,104</td>
<td>993</td>
</tr>
<tr>
<td>2014</td>
<td>1,952</td>
<td>992</td>
</tr>
<tr>
<td>2013</td>
<td>1,794</td>
<td>888</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

Domestic container transportation totalled 2,321 thousand TEUs in 2020, up 12.0% year-on-year. Domestic shipments were supported by more intense import substitution, reallocation of cargo traffic from other types of transport to rail container transportation, development of container services by Russian operators, as well as by global logistics operators and sea shippers still returning to the Russian market.

In 2020, loaded containers accounted for 47.3% of the Russian domestic rail container transportation, down 1.2% year-on-year. During the reporting period, the transportation of loaded and empty containers grew by 9.2% and 14.7% year-on-year, respectively.

Domestic Container Transportation in the Russian Railways Network ('000 TEU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loaded containers</th>
<th>Empty containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,098</td>
<td>1,223</td>
</tr>
<tr>
<td>2019</td>
<td>1,006</td>
<td>1,066</td>
</tr>
<tr>
<td>2018</td>
<td>943</td>
<td>956</td>
</tr>
<tr>
<td>2017</td>
<td>906</td>
<td>899</td>
</tr>
<tr>
<td>2016</td>
<td>843</td>
<td>835</td>
</tr>
<tr>
<td>2015</td>
<td>780</td>
<td>781</td>
</tr>
<tr>
<td>2014</td>
<td>841</td>
<td>638</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

Across all commodity groups, the highest increase in 2020 was seen in the container transportation of car parts (+41.7%), metal products (+22.3%) and food products (+16.4%).

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

In 2020, import rail container transportation increased by 15.6% to 1,222 thousand TEUs due to the growing international trade, including via online services. The growth of loaded traffic was 8.9%.

### Import Container Transportation in the Russian Railways Network ('000 TEU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loaded containers</th>
<th>Empty containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>760</td>
<td>462</td>
</tr>
<tr>
<td>2019</td>
<td>697</td>
<td>360</td>
</tr>
<tr>
<td>2018</td>
<td>649</td>
<td>323</td>
</tr>
<tr>
<td>2017</td>
<td>528</td>
<td>194</td>
</tr>
<tr>
<td>2016</td>
<td>376</td>
<td>153</td>
</tr>
<tr>
<td>2015</td>
<td>350</td>
<td>153</td>
</tr>
<tr>
<td>2014</td>
<td>468</td>
<td>129</td>
</tr>
</tbody>
</table>

**Sources:** Russian Railways, Company data

### Import Container Transportation in the Russian Railways Network by Key Commodity Group in 2020 (%)

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>Share of cargo in total transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>26.9%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12.9%</td>
</tr>
<tr>
<td>Food products</td>
<td>7.0%</td>
</tr>
<tr>
<td>Paper and pulp</td>
<td>5.4%</td>
</tr>
<tr>
<td>Timber products</td>
<td>3.2%</td>
</tr>
<tr>
<td>Nonferrous metals</td>
<td>3.0%</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

**Sources:** Russian Railways, Company data

In the reporting year, loaded containers accounted for 62.2% of import rail container transportation, down 3.8% on the back of higher growth rates of empty traffic. Empty container traffic grew by 28.5% (to 462 thousand TEUs) amid the growing loaded container exports.

### Export Transportation

In 2020, export rail container transportation increased by 14.3% to reach 1,458 thousand TEUs. The share of export loaded containers increased to 94.0% from 91.5% year-on-year due to the strong growth in exports of loaded containers (+17.5%) and reduced empty container traffic (-19.9%). The share of export empty containers dropped by 2.6%.

### Export Container Transportation in the Russian Railways Network ('000 TEU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loaded containers</th>
<th>Empty containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,371</td>
<td>87</td>
</tr>
<tr>
<td>2019</td>
<td>1,317</td>
<td>101</td>
</tr>
<tr>
<td>2018</td>
<td>1,285</td>
<td>128</td>
</tr>
<tr>
<td>2017</td>
<td>840</td>
<td>126</td>
</tr>
<tr>
<td>2016</td>
<td>792</td>
<td>89</td>
</tr>
<tr>
<td>2015</td>
<td>653</td>
<td>194</td>
</tr>
<tr>
<td>2014</td>
<td>113.7</td>
<td>–13.6</td>
</tr>
</tbody>
</table>

**Sources:** Russian Railways, Company data

### Export Container Transportation in the Russian Railways Network by Key Commodity Group in 2020 (%) (§)

- Timber products: 20.6%
- Construction materials: 15.7%
- Paper and pulp: 18.7%
- Petroleum products: 18.0%
- Car parts: 13.0%
- Machinery and equipment: 13.0%
- Other: 13.0%
- Nonferrous metals: 9.0%
- Foods products: 8.9%
- Food products: 8.2%
- Paper and pulp: 7.0%
- Chemicals: 5.4%
- Construction materials: 3.2%
- Other: 3.0%
- Timber products: 2.5%
- Paper and pulp: 2.0%
- Chemicals: 1.9%
- Construction materials: 1.7%
- Machinery and equipment: 1.5%
- Other: 1.4%
- Nonferrous metals: 1.3%
- Foods products: 1.0%
- Food products: 0.8%

**Sources:** Russian Railways, Company data

In 2020, the Russian rail container export was dominated by timber products (38.0%), paper and pulp (20.6%), chemicals (20.6%).

### Export Container Transportation in the Russian Railways Network by Key Commodity Group in 2019–2020 (TEU)

<table>
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</tr>
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<td>–13.6</td>
</tr>
</tbody>
</table>

**Sources:** Russian Railways, Company data

Across all commodity groups, the highest increase in 2020 was seen in the container transportation of nonferrous metals (+81.1%), machinery and equipment (+32.2%), timber products (+25.3%), and food products (+19.0%).

The main domestic rail container flows came to the Russian Federation from the countries of the Asia-Pacific region and Central and Eastern Europe.
Export Container Transportation in the Russian Railways Network by Key Commodity Group in 2019–2020 (TEU)

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>2019 % of growth</th>
<th>2020 % of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>4.7</td>
<td>518.4</td>
</tr>
<tr>
<td>Paper and pulp</td>
<td>15.1</td>
<td>281.9</td>
</tr>
<tr>
<td>Chemicals</td>
<td>39.2</td>
<td>281.1</td>
</tr>
<tr>
<td>Nonferrous metals</td>
<td>34.3</td>
<td>284.9</td>
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<tr>
<td>Food products</td>
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<td>285.1</td>
</tr>
<tr>
<td>Construction materials</td>
<td>8.1</td>
<td>272.9</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>3.7</td>
<td>244.9</td>
</tr>
<tr>
<td>Car parts</td>
<td>283.9</td>
<td>281.9</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>7.7</td>
<td>202.1</td>
</tr>
<tr>
<td>Other</td>
<td>2.3</td>
<td>108.9</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

Among commodity groups, export container transportation of food (+141.0%), other cargoes - mainly light and printing industry (+66.9%), machinery and equipment (+47.6%) and chemical products (+39.2%) accounted for the highest share of transportation in 2020.

In the reporting year, the majority of export containers in the Russian Railways network was transported to the countries of the Asia-Pacific region, as well as to Eastern and Western Europe (Germany, Switzerland, the Czech Republic, the Netherlands, Finland, Slovakia).

Export Container Transportation in the Russian Railways Network by Key Commodity Group in 2019–2020 (TEU)

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</tr>
<tr>
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</tr>
<tr>
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<td>108.9</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

In 2020, the main contribution to transit traffic was made by machinery and equipment (30.7%), other cargoes - mainly light and printing industry (16.7%), chemicals (13.8%), and car parts (13.0%).

Transit Transportation in the Russian Railways Network by Key Commodity Group in 2020 (%)

In 2020, transit transportation between China and Europe continued to grow, and a project of transit from Korea to Europe was launched. The total volume of transit container transportation in the China–Europe segment amounted to 642 thousand TEUs that is up 60% year-on-year. The China–Europe traffic increased by 69% (from 267 to 452 thousand TEUs), while the Europe–China traffic surged by 43% (from 133 thousand TEUs in 2019 to 190 thousand TEUs in 2020). Thus, container transit transportation showed an increase of imbalance on the East–West route.

Transit Transportation in the Russian Railways Network by Key Commodity Group in 2019–2020 (TEU)

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<tr>
<th>Commodity Group</th>
<th>2019 % of growth</th>
<th>2020 % of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>15.5</td>
<td>223.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5.3</td>
<td>141.3</td>
</tr>
<tr>
<td>Car parts</td>
<td>11.2</td>
<td>30.7</td>
</tr>
<tr>
<td>Metalware</td>
<td>5.3</td>
<td>223.6</td>
</tr>
<tr>
<td>Timber products</td>
<td>13.0</td>
<td>30.7</td>
</tr>
<tr>
<td>Food products</td>
<td>30.7</td>
<td>13.8</td>
</tr>
<tr>
<td>Nonferrous metals</td>
<td>16.7</td>
<td>223.6</td>
</tr>
<tr>
<td>Paper and pulp</td>
<td>5.3</td>
<td>11.2</td>
</tr>
<tr>
<td>Construction materials</td>
<td>6.9</td>
<td>11.2</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>10.0</td>
<td>13.0</td>
</tr>
<tr>
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<td>5.3</td>
<td>223.6</td>
</tr>
</tbody>
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Transit Transportation in the Russian Railways Network by Key Commodity Group in 2020 (%)

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Transit Transportation in the Russian Railways Network by Key Commodity Group in 2019–2020 (TEU)

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>2019 % of growth</th>
<th>2020 % of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>15.5</td>
<td>223.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5.3</td>
<td>141.3</td>
</tr>
<tr>
<td>Car parts</td>
<td>11.2</td>
<td>30.7</td>
</tr>
<tr>
<td>Metalware</td>
<td>5.3</td>
<td>223.6</td>
</tr>
<tr>
<td>Timber products</td>
<td>13.0</td>
<td>30.7</td>
</tr>
<tr>
<td>Food products</td>
<td>30.7</td>
<td>13.8</td>
</tr>
<tr>
<td>Nonferrous metals</td>
<td>16.7</td>
<td>223.6</td>
</tr>
<tr>
<td>Paper and pulp</td>
<td>5.3</td>
<td>11.2</td>
</tr>
<tr>
<td>Construction materials</td>
<td>6.9</td>
<td>11.2</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>10.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Other</td>
<td>5.3</td>
<td>223.6</td>
</tr>
</tbody>
</table>

Sources: Russian Railways, Company data

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OUTLOOK FOR 2021

Market participants expect that in 2021 Russia’s economy will be able to adapt or begin to recover from the fall in 2020. Against this background, the development of containerisation processes of the Russian rail transportation will continue, including through the introduction of container technologies by manufacturers of industrial products, the use of specialised containers, the geographical transformation of distribution networks of large retail operators. Thus, the Company expects positive market performance to continue into 2021.

At the same time, the growth rates may slow down due to the weakening of the effect of transfer of the freight volumes to the railway container segment from other transport segments, or even a partial return to other segments as quarantine restrictions are lifted in the Russian Federation and around the world.

The Company expects high growth rates of transit traffic to be maintained on the back of the development of existing transit services and the emergence of new ones, along with increasing competitiveness of the land corridor Asia-Pacific–Europe compared to the deep sea route.

Export and import transportation will be largely driven by the rouble exchange rate performance, the Russian export market environment, and expansion of Russian export geography.

Among the main risk factors for the market, the Company sees a possible prolongation of the COVID-19 pandemic, possible decisions of the Chinese government to cancel subsidies for international rail container transportation, greater geopolitical tensions, imposition of the new ones and expansion of the existing economic sanctions, and trade barriers that can cause the downside risks in the global economy. These events may have an adverse impact on the Russian economy and international trade, and, accordingly, on the Russian container transportation market.

Given the expected slowdown of the market growth rates and taking into account the significant growth of the flatcar fleet at the Russian Railways Network in 2018–2020, the Company anticipates maintaining tough competition both among rolling stock operators and between the railway and motor segments of the Russian transportation market.

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

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

THE COMPANY’S POSITION IN THE INDUSTRY

In 2020, the Company reaffirmed its leadership in the domestic railway container transportation market supplying flatcars and containers to its customers.

The Company performs transportation using its own rolling stock, agency rolling stock or third-party rolling stock.

Transportation operated by the Company includes container shipments by their own rolling stock, container shipments by the agency rolling stock, and container shipments by the third-party rolling stock.

The overall volume of traffic operated by the Company amounted to 2,405 mln TEUs.

TransContainer’s market share went up from 41.5% in 2020.

The Company’s Share of Total Container Traffic in the Russian Railways Network by Traffic Type (%)
INTEGRATED BUSINESS MODEL

High-revenue logistics solutions based on synergy of own transport assets with the assets of Delo Group

OUR COMPETITIVE ADVANTAGES

The largest fleet of rolling stock – 39% of the entire fleet in operation within the Russian Railways network

Branches and terminals at all 16 railways of the Russian Railways network, representative offices and subsidiaries in 10 countries, including China, South Korea, Austria, Slovakia and Belarus

Effective management of our large-scale business is carried out with the use of modern digital technologies. We are constantly improving our IT systems

Active development of niche markets with their own specifics: transportation of petrochemicals in tank containers, bulk cargo in open top containers

SCALE AND LEADERSHIP

For shareholders
- Staying the largest container operator in Russia and CIS
- Taking advantage of the network scale of the business
- Economic growth potential in Asia

For clients
- Improving the service quality continuously
- Promoting containerisation by offering new products and services
- Becoming preferable supplier for clients
- Developing digital technologies

EFFICIENCY

For employees
- Optimising the asset structure
- Enhancing asset use efficiency
- Increasing the labour productivity
- Improving management efficiency
- Effective cost monitoring

SOCIAL RESPONSIBILITY

For the community
- Promote economic development by ensuring nation-wide accessibility to high-quality transport services
- Support corporate social responsibility

CREATION OF VALUE BY MUTUAL INTEGRATION OF ASSETS

RUB 40,776 billion
Adjusted revenue

RUB 33,944 billion
Integrated freight forwarding and logistics services

RUB 3,480 billion
Agency fees (terminal handling on behalf of Russian Railways)

RUB 3,352 billion
Other revenues
STRATEGY

NEW LONG-TERM STRATEGY

TransContainer is involved in the Russia’s largest transportation and logistics Delo Group holding, which brings together the Delo Ports and Global Ports - market leaders of the port container shipping company, the freight forwarding business of LLC RUSCON and PJSC TransContainer - the largest rail container operator at the 1,520 gauge railway.

The strategic goal of the Delo Group is to become a champion in container logistics in the Eurasian space.

The development of TransContainer’s business is one of the key elements in achieving this goal. In 2020, the Company started operation on the development of a new long-term Strategy, which was in the process of being approved at the beginning of 2021. The need to update the Development Strategy is related with the membership of the Delo Group and the transformation into a fully private company, and large-scale changes in the economy and industry.

The aim of the Company’s new long-term Strategy is to maintain and strengthen its leadership position in the Russian container shipping market. Priority areas of development: rapid growth of market share and increase of the share of freight forwarding services in revenue.

Target Indicators

2025

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing share of freight forwarding services in revenue</td>
<td>Target Indicators</td>
</tr>
<tr>
<td>Growth of market share</td>
<td>Increase in share of freight forwarding services in revenue</td>
</tr>
<tr>
<td>2020</td>
<td>2020</td>
</tr>
<tr>
<td>3.75%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Target-2025</td>
<td>Target-2025</td>
</tr>
<tr>
<td>15.0%</td>
<td>50.4%</td>
</tr>
</tbody>
</table>

THE UPDATED STRATEGY WILL BE BASED ON THE FOLLOWING INITIATIVES

Initiative | Implementation
--- | ---
Expanding business boundaries by switching to integrated logistics services | Transition from a transactional model with a focus on transportation to managing and developing a portfolio of transportation and logistics products; forming a long-term partnership with clients.
Further digitalisation of operating business and client communication channels | A cardinal update of the Company’s IT landscape with automation of production processes and algorithmisation of management processes.
Operational efficiency through end-to-end internal processes within the company and with the assets of Delo Group | Achieving synergy effect in optimising the interaction of Delo Group asset functions.
Reduction of operating costs | Introducing modern practices for the organisation of transactional back-office functions in order to improve efficiency and cost management, procurement activities (digitalisation and transition to category procurement).
Development of promising segments | Continued geographical expansion of operating offices in key foreign markets in Asia-Pacific region and near abroad.
Scaling up the core business by acquiring rolling stock and developing the terminal network | Developing the core business based on the heavy-asset model, which includes investment in railway rolling stock, containers and infrastructure.

LOOKING INTO THE FUTURE

Forecast of the Growth of Container Traffic by Railways in the Russian Federation (billion TEUs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit</td>
<td>0.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Import</td>
<td>1.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Export</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Domestic</td>
<td>2.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>5.8</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Total rail container transportation in the Russian Federation will grow at a rate of approximately 7% to 2030.

REPORT ON IMPLEMENTATION OF STRATEGIC CYCLE OF 2013–2020

TransContainer assesses the previous strategic cycle as a successful one, the Company has managed to maintain its market leadership.

Growth factors:
- Transit
  - Incentive Chinese subsidies;
  - Increased interest of South Korea and Japan to land transit through the Russian Federation;
  - Construction of new border crossings and modernization of existing ones;
  - Reduction of capacity and increase of tariffs of airfreight due to COVID-19;
- Export
  - The medium-term effect of the rouble weakening (10% fall in 2020);
  - Government incentivising of non-commodity non-energy exports (forestry and chemical industries);
  - Growth of containerisation.
- Import
  - Reduction of purchasing power and re-orientation of demand for goods from the Asia-Pacific region;
  - Re-orientation of industrial imports to the countries of the Asia-Pacific region.

Dynamics of Company’s Key Indicators from 2013 to 2020

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2020</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic volume in the Russian Federation (mln TEUs)</td>
<td>4.09</td>
<td>4.70</td>
<td>17</td>
</tr>
<tr>
<td>Rolling stock in the Russian Federation (thousand of units)</td>
<td>26.3</td>
<td>36.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Container fleet (thousand of units)</td>
<td>62.3</td>
<td>95.9</td>
<td>8.4</td>
</tr>
</tbody>
</table>

COMPANY’S KEY PROJECTS IMPLEMENTED IN 2013–2020:
- Development of transit transportation through the territory of the Russian Federation;
- Participation in the establishment of JSC UTLC
- Sales – online sales service;
- Development of products door-to-door and right on time;
- Development of the terminal network (Kleshchykov, Zabaki, Bataev, etc.);
- Opening of a subsidiary in China – TransContainer Freight Forwarding in Shanghai.
STRATEGIC RISKS

Our strategic development priorities are exposed to a number of key factors that may adversely affect delivery on the Company’s strategic goals and financial and operational targets.

GLOBAL ECONOMIC AND POLITICAL ENVIRONMENT

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

- restrictions imposed by most countries in connection with the COVID-19 pandemic;
- fluctuations in the prices of oil and other commodities;
- China’s economic slowdown;
- trade war between China and the United States;
- trade war between China and Australia;
- UK exit from the European Union;
- geopolitical situation.

The specified factors may slow down the global economy and trade, which would have a negative knock-on effect on Russia’s GDP, national currency and national and international transportation volumes.

The COVID-19 pandemic was the most significant challenge for the world economy. At the end of February 2020, the World Health Organization raised the threat level of the coronavirus epidemic to ‘very high’ (the highest risk level). At the end of May 2021, the threat level of the coronavirus epidemic to ‘very high’ (the highest risk level).

Since 2014, sanctions pressure on Russia has been steadily increasing.

In 2014, Russian entities and individuals have been subject to both individual and sectoral sanctions imposed by the US, the European Union and a number of other countries, with effects including limited access to debt and equity capital markets, and restricted technology transfers. In August 2017, the US Congress passed the Countering America’s Adversaries Through Sanctions Act, which identifies state-owned entities operating in the railway or metals and mining sector as potential subjects of US sectoral sanctions and provides for potential sanctions against Russian sovereign debt, public officials, and business persons.

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

In 2020, US sanctions policy remained at a high level of activity. At the same time, the United States have switched from direct sanctions to sanctions affecting Russia’s partners in international investment projects. The most significant ones were the sanctions against Nord Stream 2 and TurkStream, provided by the country’s defense budget (NDAA) for 2020. The sanctions can be put in force for companies participating in the construction of gas pipelines, as well as for top managers of these companies. Despite some softening of the position, the European Union has not yet lifted sanctions against Russia and links their withdrawal with the full implementation of the so-called Minsk Agreements.

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

In order to minimise the negative impact of macroeconomic factors, the Company implements an investment programme based on performance adjustments taking into account changing demand structure, corrects price policy, implements a cost minimisation programme and takes other measures to improve competitiveness in the domestic and foreign markets. In 2021, the Company will focus on developing a service component to respond more flexibly to client requests and expand its presence in the Asia-Pacific region.

RUSSIAN GOVERNMENT REDUCING OR TERMINATING SUPPORT FOR TRANSIT RAIL CONTAINER TRANSPORTATION

Russia provides state support for the development of rail container transportation in West – East and East – West directions. These subsidies are a significant factor in the price competitiveness of transit transportation compared to sea freight.

The Company has publicly advocated for increased government support for transit transportation.

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

With regard to poor predictability of the factors specified above, the Company monitors the sanctions environment and adjusts its debt and financial policy to factor in potential adverse effects from new or revised sanctions.
The Chinese government supports international rail transportation, including transit routes. Government subsidies are a strong driver of the pricing attractiveness of rail shipments from China in comparison to sea freight. Cancellation of, or reductions in the government support may have an adverse effect on rail container transportation on relevant routes.

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

**COMPETITION FROM ALTERNATIVE TRANSPORTATION**

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

From January to December 2020, the generalised Shanghai Containerized Freight Index (SCFI index) rose from almost 1,000 to 2,783 points as at 31 December 2020. Such unprecedented increase in rates led to the demands of forwarders and shippers to antitrust regulators in Europe, the United States to intervene in the situation. In September 2020, the Ministry of Transport of the People’s Republic of China urged the representatives of sea lines not to raise spot rates on routes from China to the United States. This led to an immediate rate growth restraint. In the future, with a significant drop in sea rates, the attractiveness of rail transportation will decrease.

To minimise sequences of this risk, the Company takes measures to bolster the competitive edge of existing services, expand the network of international routes, develop sales network in China and Europe using subsidies and optimise logistics.

**STRONGER COMPETITION IN THE RAIL CONTAINER TRANSPORTATION MARKET**

Increase in the market demand usually leads to a mid-term competition growth driven by existing companies actively purchasing rolling stock and new players entering into the market. In the short term, this has led to a rapid increase in rolling stock prices. In the medium to long term, when the market enters the downward phase of the economic cycle, it can result in lower prices of operator services due to accumulating supply and demand imbalances.

The Company plans to minimise the impact of this risk by taking measures to improve the price competitiveness, client service, and rolling stock efficiency, as well as by a prudent flatcar purchasing policy ensuring an adequate supply-and-demand balance.

**INVESTMENTS**

In 2020, RUB 12.9 billion were invested, in particular:
- 3.2 thousands of flatcars, 7.3 thousands of ISO containers were purchased;
- the project of reconstruction of one of the key terminals of the Company at Zabaikalsk station has been completed, as well as works to improve the terminal infrastructure at Kirov, Lagernaya, Kleshchikha, Khabarovsky and Chita stations have been carried out;
- complexes of computer and server equipment have been significantly updated, as well as the Company’s information complex has been developed in terms of sales and payments with clients, logistics, terminal operations, electronic paperwork.

In 2021, the Company plans to continue investing in the expansion and modernisation of key assets. By increasing container transportation volumes using own and third-party transport assets, PJSC TransContainer seeks to bring best value for the money to its clients by offering integrated intermodal transportation services. The actual ratio of own and third-party assets is determined by economic considerations (profitability or alternative costs).
Europe – Asia
Building efficient routes and convenient services in the Eurasian space
In 2020, the Company developed its core business in accordance with the strategic priorities, increasing the scale of activity and its efficiency.

The growth of container transportation volumes is achieved by the Company by increasing the scope and optimization of the structure of the railcar and container fleet, developing new in-demand services, including cooperation with other companies of the Delo Group, as well as enhancing the operations in the growing market segments and improving the quality of customer service and competitive pricing. Also, the growth of the Company’s transportation volumes was influenced by the improvement in operational efficiency: the railcar turnover decreased to 11.9 days (−3.9% year-on-year), and the use of flatcar capacity increased to 89.1% (+0.2 p.p. year-on-year).

The volume of rail container transportation using the Company's rolling stock and containers went up to 2,405 thousand TEUs, up 17.3% year-on-year. The increase in volumes was mainly due to the active development of operations in international transportation, the volume of which grew by 22.6% year-on-year and amounted to 1,370 thousand TEUs, including transportation to China and the countries of the Asia-Pacific region through Zabaikalsk border crossing in amount of 321 thousand TEUs (+23.1% year-on-year). Import volumes grew by 24.9%, while export grew by 25.1% year-on-year. The volume of transit transportation using the Company's rolling stock increased by 9.2% year-on-year.

Domestic container transportation totalled 1,035 thousand TEUs in 2020, up 11.0% year-on-year. The Company’s share in the rail container transportation market in 2020 as regards the Company’s rolling stock amounted to 41.5% (compared to 41.1% in 2019). The Company’s share amounted to 44.6% (compared to 45.0% in 2019) in domestic traffic, and 39.4% (compared to 38.3% in 2019) in international traffic.

The Company maintains a strong presence in the Russian domestic market segment, using the competitive advantages, i.e. expansive geographic footprint, network coverage, competitive prices, reliability and quality of service.

The 24.9% increase in TransContainer’s transportation volumes (to 536 thousand TEUs) is a result of the Company’s management focused efforts on interaction with clients and partners in the Asia-Pacific and Europe, as well as active cooperation with sea lines and companies belonging to Delo Group in international traffic. The Company’s market share in the import transportation segment increased from 40.6% in 2019 to 43.3% in 2020.

In export destinations, the Company delivered a 25.1% increase in volumes in 2020 by developing new multimodal services that are popular among exporters, applying a flexible pricing policy and ensuring the reliability of the Company’s services. In 2020, the Company’s share of export shipments increased to 44.6% compared to 40.8% in 2019.

The Company’s transit shipments rose by 9.2%. However, the Company’s share in the transit transportation segment in 2020 decreased to 22.9% (28.9% in 2019), which was a result of the outstripping growth of competitors in this segment of the market. The most significant increase in transit transportation in 2020 was China – Europe direction through Kazakhstan, where JSC UTLC ERA dominates.

The above factors in 2020 brought the Company’s share of the Russian railway container transportation market (shipments by the Company’s rolling stock) up from 41.1% to 41.5% year-on-year.
RAIL CONTAINER TRANSPORTATION BREAKDOWN

In 2020, in response to changes in the container market, the Company continued to provide transportation services to its clients using both its own and third-party rolling stock and containers. The Company discloses operating statistics that includes these operations.

Container Transportation by the Company’s Rolling Stock (‘000 TEU)

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,413.3</td>
<td>1,872.6</td>
<td>1,958.4</td>
<td>2,049.9</td>
<td>2,405.1</td>
</tr>
<tr>
<td>Client containers on the Company’s rolling stock</td>
<td>618.2</td>
<td>810.9</td>
<td>891.8</td>
<td>938.0</td>
<td>1,026.0</td>
</tr>
<tr>
<td>The Company’s empty containers on the Company’s rolling stock</td>
<td>304.9</td>
<td>309.9</td>
<td>314.5</td>
<td>354.3</td>
<td>432.2</td>
</tr>
<tr>
<td>The Company’s loaded containers on the Company’s rolling stock</td>
<td>502.7</td>
<td>544.3</td>
<td>599.4</td>
<td>661.1</td>
<td>870.9</td>
</tr>
<tr>
<td>The Company’s loaded containers on the agency rolling stock</td>
<td>72.3</td>
<td>71.0</td>
<td>52.9</td>
<td>29.4</td>
<td>48.5</td>
</tr>
<tr>
<td>The Company’s empty containers on the agency rolling stock</td>
<td>45.0</td>
<td>41.2</td>
<td>27.0</td>
<td>20.2</td>
<td>26.7</td>
</tr>
<tr>
<td>The Clients’ containers on the agency rolling stock</td>
<td>70.2</td>
<td>95.3</td>
<td>72.9</td>
<td>36.9</td>
<td>53.9</td>
</tr>
</tbody>
</table>

Source: Company data

Transportation of client containers (including empty ones) by the Company’s rolling stock, as well as transportation of freight in the Company’s containers (regardless of who owns the rolling stock or containers) is paid for by the clients and generates revenues.

Volume of the Company’s revenue-generating transportation in 2020 amounted to 1,946 thousand TEUs, up 16.2% year-on-year.

Volume of Revenue-Generating Transportation (‘000 TEU)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,946.1</td>
<td>1,746.4</td>
<td>1,467.0</td>
<td>1,312.5</td>
<td>1,263.5</td>
</tr>
</tbody>
</table>

When transporting the Company’s empty containers (including leased and third-party ones), the railway tariff set by the Russian Railways and other railway administrations is paid for by the Company increasing the costs.

In 2020, the Company’s empty container transportation (including those using third-party rolling stock) increased by 22.5% year-on-year and amounted to 459 thousand TEUs. The main factor in the growth of the Company’s empty containers transportation was the increase in provision of freight services in the Company’s containers requiring empty containers runs for loading. At the same time, in the reporting year the ratio of the transportation volumes of empty/loaded containers of the Company decreased to 53.0% compared to 53.5% in 2019 as a result of optimization of fleet management. Also, the increase in the Company’s empty containers transportation was due to a significant imbalance in container cargo flows in export and import traffic in 2020.

Breakdown of Loaded Container Shipments by Own Rolling Stock in 2019-2020, by Cargo Type (percent shares based on transportation volumes in TEUs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7,7</td>
<td>8.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>22.4</td>
<td>16.3</td>
</tr>
<tr>
<td>Timber products</td>
<td>8.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Metalware</td>
<td>7.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Paper and pulp</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>9.2</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Source: Company data

In 2020, the largest product groups in the breakdown of shipments were chemicals (16.4% of the total loaded container shipments), timber and metal products (16.0% and 10.6% correspondingly). Compared to 2019, the breakdown of shipments using the Company’s transport assets showed an increase in chemicals, machinery and equipment. The share of timber and metal products, as well as car parts, has decreased.

RAIL CONTAINER TRANSPORTATION USING SPECIALISED CONTAINERS

In 2020, the volume of LLC SpecTransContainer’s tank container transportation exceeded 30 thousand TEUs (+53% year-on-year). Gross revenue rose beyond RUB 1 billion (+58% year-on-year). Number of TransContainer’s railcars used in transportations for LLC SpecTransContainer projects amounted to over 500 units.

In 2020 LLC SpecTransContainer entered top-four largest operators of tank containers market. Currently, the fleet of tank containers in operation is more than 1,000 units.

The strategy implemented by LLC SpecTransContainer provides a balance between high rates of growth and business profitability. The business model is focused on getting the maximum synergies for the parent company.

A wide customer base has been formed in the segment of tank containers transportation by own fleet. The systematic construction of long-term relationships with customers creates the basis for dynamic and sustainable business growth. LLC SpecTransContainer has become a recognizable company in the market and has established itself as a reliable partner with customer-oriented approach attracting new customers.

RAIL CONTAINER TRANSPORTATION IN KAZAKHSTAN AND CENTRAL ASIA

In accordance with the Minutes of the Board of Directors of PJSC TransContainer dated November 26, 2019, it was decided to terminate PJSC TransContainer participation in Logistic System Management B.V., which owns 100% of the share capital of JSC Kedentransservice. The transaction on the sale of shares of JSC Kedentransservice was closed in the second quarter of 2020.

After that, the Company began to develop the market segment of China – Europe transit traffic through the railway border crossings China – Kazakhstan (Dostyk and Atyntikyl stations). Transit services in this transport corridor were carried out directly by the Company using the own rolling stock through the Isov and Batyev stations to Poland and Hungary respectively, where the Company can offer more attractive transportation conditions to shippers. In 2020, more than 3,000 TEU containers were transported from Dostyk station.

CONTAINER TERMINAL HANDLING

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

In 2020, the volumes handled at the Company’s container terminals in Russia increased by 78% to 1,423.3 thousand TEUs with main volume belonging to ISO containers. The most intensive growth in processing volumes took place...
at the terminals of Zabaikalsk station (+31.4 thousand TEUs, i.e. +19.7% year-on-year), Kleshchikha station (+27.3 thousand TEUs, i.e. +13.6% year-on-year), Ekaterinburg-Tovarnyi station (+21.1 thousand TEUs, i.e. +19.1% year-on-year). A number of terminals showed a decrease in volumes due to changes in the geography of transport in the market, namely Chita (-12.2 thousand TEUs, i.e. -20.9% year-on-year), Khabarovsk (-71 thousand TEUs, i.e. -8.2% year-on-year), Kaliningrad-Sortirovnoi (-27 thousand TEUs, i.e. -16.3% year-on-year).

In addition to its own terminals, TransContainer uses the terminals of subsidiaries and dependent companies as intermediate regional terminals for the development of terminals of subsidiaries and dependent companies as

The Company acquired 100% of the shares of CJSC Logistics-Terminal, which owns and operates the largest “rear” terminal in the St. Petersburg railway hub, in September 2018. The export ship consignments are formed at the St. Petersburg railway hub, in September 2018.

The Company acquired a 30% stake in LLC Freight Village Kaluga North, which owns and operates the largest “rear” terminal in the St. Petersburg railway hub, Bronka and Ust-Luga as part of shuttle trains. Empty containers are transported from ports as part of the same shuttle trains.

The Company acquired a 30% stake in LLC Freight Village Kaluga North, which owns and operates the terminal assets in the Vorsino and Rosva industrial parks in July 2017. The terminal is the largest hub dealing with acceptance and distribution of import containers coming from all directions: St. Petersburg, Novorossiysk, Dostyk, Naushki, Zabaikalsk and the Far Eastern ports. The terminal consolidates and ships the cargoes to the largest Siberian cities – Krasnoyarsk, Irkutsk, Blagoveschensk and Chita – by high-speed container trains.

A cargo-handling village (Vorsino) of federal significance is located on the border of New Moscow and the Kaluga region along the Ukraine federal highway (M3), 67 km from the Moscow Ring Road. The project is a part of the Vorsino industrial park.

By the results of 2020, the volume of containers processing at the Shushary station terminal in the railway transportation increased by 151,000 TEUs. Regular container trains with imported and local goods are sent from the terminal to major Russian cities: Krasnoyarsk, Ekaterinburg, Novosibirsk. Linear empty containers are consolidated and sent for loading to pulp and paper plants.

In the reporting year, the volume of containers processing at the Vorsino station terminal of LLC Freight Village Kaluga North in the railway transportation increased by 2% and amounted to 143,000 TEUs.

The total volume of containers processing at the terminals of the Company, its subsidiaries and dependent companies amounted to 1,574 thousand TEUs (+7.0% year-on-year). The lower dynamics of ISO containers processing at the Company’s terminals compared to the dynamics of the container market in general is associated with an increase in the share of shipments in domestic and export transportation carried out directly from the access roads of manufacturing enterprises.

Using its own and third-party trucks, the Company transported a total of 267,000 TEUs in 2020, down 6.1% year-on-year.

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

The quality of the service is an important competitive strength in the market of transport and logistics services, and especially in the segment of containerised cargo transportation. Those who offer integrated and

### Container Handling Volumes at the Company’s Terminals in the Russian Federation (ISO + medium-capacity containers) (’000 TEUs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unloading</td>
<td>549.2</td>
<td>648.4</td>
<td>684.2</td>
<td>657.2</td>
<td>634.6</td>
</tr>
<tr>
<td>Sorting</td>
<td>79.5</td>
<td>42.4</td>
<td>56.4</td>
<td>49.1</td>
<td>48.4</td>
</tr>
<tr>
<td>Loading</td>
<td>24.9</td>
<td>24.9</td>
<td>24.9</td>
<td>24.9</td>
<td>24.9</td>
</tr>
</tbody>
</table>

**Source:** Russian Railways, Company data

### Trucking Services

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

### Logistics and Freight Forwarding

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

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

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

Experience shows that the demand for integrated transportation and freight forwarding services from customers is steadily growing. This type of service provides:
- high quality (the Company’s commitment to deliver the cargo);
- simplicity (single price for the whole range of services);
- reliability (every key stage of container transportation can be covered by the Company’s own assets).

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

Adjusted revenue from integrated transportation and freight forwarding services in 2020 amounted to RUB 33,944 mln, that is 7.4% increase year-on-year. Share of adjusted revenue in the total revenue from integrated transportation and freight forwarding services of the Company amounted to 83.2% in 2020, i.e. the same level, as in 2019 (83.4%).

<table>
<thead>
<tr>
<th>Item</th>
<th>20-foot</th>
<th>40-foot</th>
<th>80-foot</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired</td>
<td>1,289</td>
<td>1,333</td>
<td>0</td>
<td>1,622</td>
</tr>
<tr>
<td>Replenished</td>
<td>1,033</td>
<td>0</td>
<td>2,225</td>
<td>3,288</td>
</tr>
<tr>
<td>Own truck fleet at the end of the year</td>
<td>13,162</td>
<td>5,705</td>
<td>13,272</td>
<td>32,139</td>
</tr>
<tr>
<td>Capacity, TEU</td>
<td>26,244</td>
<td>17115</td>
<td>53,168</td>
<td>96,527</td>
</tr>
<tr>
<td>Average age, years</td>
<td>5.9</td>
<td>29.9</td>
<td>6.8</td>
<td>10.4</td>
</tr>
</tbody>
</table>

The capacity of the Company’s fleet increased by 7% to 96,527 TEUs, and the average age of the fleet decreased to 10.4 years compared to 11.2 in 2019.

**CONTAINER FLEET**

As at 31 December 2020, the Company had a fleet of 87,810 containers including 85,964 own ones and 1,846 leased. To eliminate the shortage of containers, in 2020 the Company has made a significant replenishment of its container fleet both by purchasing new containers and by leasing and renting for a freight. These measures along with modernisation of the container fleet allowed to provide equipment required for increasing client demand for container transportsations.

By the end of 2020, the total number of containers in the Company’s fleet increased by 4,326 containers year-on-year. 4,726 containers have been retired within the year for fleet improvement. At the same time, the fleet was replenished with 7,018 containers, 6,557 units of 20-foot and 961 units of 40-foot containers.

<table>
<thead>
<tr>
<th>Item</th>
<th>20-foot</th>
<th>ISO containers</th>
<th>40-foot</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired</td>
<td>-4,563</td>
<td>163</td>
<td>-4,726</td>
<td></td>
</tr>
<tr>
<td>Replenished</td>
<td>6,557</td>
<td>961</td>
<td>7,518</td>
<td></td>
</tr>
<tr>
<td>Own truck fleet at the end of the year</td>
<td>48,152</td>
<td>75,624</td>
<td>123,776</td>
<td></td>
</tr>
<tr>
<td>Capacity, TEU</td>
<td>48,152</td>
<td>75,624</td>
<td>123,776</td>
<td></td>
</tr>
<tr>
<td>Average age, years</td>
<td>8.4</td>
<td>7.3</td>
<td>7.9</td>
<td></td>
</tr>
</tbody>
</table>

The capacity of the Company’s fleet increased by 3%, and the average age of the fleet decreased to 7.9 years compared to 8.4 in 2019.

**OPERATING PERFORMANCE**

In the reporting period, the turnover of platforms reduced from 12.3 days to 11.9 days year-on-year. The containers turnover also enhanced from 34.1 to 33.4 days due to the Company efforts aimed to optimise the fleet management, make tariff policy flexible and raise the volume or regular container services.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover of the Company’s Containers and Flatcars (days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.9</td>
<td>12.1</td>
<td>12.5</td>
<td>33.4</td>
<td></td>
</tr>
<tr>
<td>Containers</td>
<td>11.9</td>
<td>12.1</td>
<td>12.5</td>
<td>33.4</td>
<td></td>
</tr>
<tr>
<td>Flatcars</td>
<td>11.9</td>
<td>12.1</td>
<td>12.5</td>
<td>33.4</td>
<td></td>
</tr>
</tbody>
</table>

* Replenishment according to accounting data

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**Breakdown of the Company’s Flatcar Fleet**

**Breakdown of the Company’s Containers Fleet**

**ASSETS**

**ROLLING STOCK**

**FLATCAR FLEET**

As at 31 December 2020, the Company had 32,119 container flatcars. Also the Company used 2,075 railcars on a lease term, about 2 thousand railcars under agency agreements and 2,067 leased railcars.

Following strong demand for container transportation, the Company purchased new flatcars and used third-party’s rolling stock to transport the containers throughout 2020. Supported by measures to increase rolling stock efficiency, this helped the Company to satisfy the growing demand for container transportation as regards required rolling stock.

By the end of 2020, the Company’s total fleet increased by 3,238 railcars. A total of 1289 40-foot and 1,333 60-foot flatcars. At the same time, the fleet was replenished with 1,013 40-foot and 2,225 80-foot flatcars.
Empty Run Ratio of the Company’s Containers and Flatcars, (%)  

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Containers</td>
<td>21.5</td>
<td>19.2</td>
<td>17.6</td>
<td>17.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Flatcars</td>
<td>2.7</td>
<td>3.9</td>
<td>3.0</td>
<td>4.2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

The containers empty run index reduced from 17.2 to 17.0% year-on-year, and the flatcars empty run index reduced from 4.2 to 3.4% due to improved accuracy of operations planning, use of flexible tariff policy, activity of the Company's sales network, and optimised adjustments in the East – West corridor.

The Company’s Transportation Volumes as part of Container Trains, (’000 TEU)  

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transported by ISO containers trains of the Company (total)</td>
<td>699.9</td>
<td>930.0</td>
<td>1,067</td>
<td>1,061</td>
<td>1,430</td>
</tr>
<tr>
<td>Transported by ISO containers trains of the Company (loaded)</td>
<td>575.1</td>
<td>774.9</td>
<td>834.4</td>
<td>945.8</td>
<td>1,194</td>
</tr>
<tr>
<td>Transported by ISO containers trains of the Company (empty)</td>
<td>124.8</td>
<td>156.0</td>
<td>233.3</td>
<td>216.1</td>
<td>235.6</td>
</tr>
<tr>
<td>Dynamics (totally transported, %)</td>
<td>16.5</td>
<td>33.0</td>
<td>44.7</td>
<td>8.8</td>
<td>23.1</td>
</tr>
<tr>
<td>Share of transportations by the Company's railcars and containers (%)</td>
<td>45.4</td>
<td>52.4</td>
<td>56.8</td>
<td>57.7</td>
<td>60.8</td>
</tr>
</tbody>
</table>

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

The Company’s terminals located in Russia host five temporary storage warehouses with a total area of 13.8 thousand square metres to provide additional services for international, particularly inbound, transportation. The number of temporary storage warehouses at the Company’s terminals decreased in 2019.

Starting from 2018, as a result of acquisition of shares in the companies operating Voronezh and Shushary terminals, the Company can offer customers the services of two temporary storage warehouses located on these stations.

All Russian terminals owned by the Company have a "Site of Common Use" status in accordance with the Federal Law No. 17-FZ dated 10 January 2003 on Rail Transport in the Russian Federation. In its terminals, the Company provides services categorised as "rail infrastructure services" (container loading/unloading operations, container sorting, etc.) acting as an agent of Russian Railways, as well as other terminal services at clients’ requests.

DeveloPment of the terminal network in 2020  

During 2020, the Company continued its efforts in upgrading its terminal network. For example, TransContainer has completed reconstruction of the container terminal at the Zabaikalsk station, which has reduced the time of containers handling between the railway tracks of different gauges from 270 to 180 minutes, and increased the processing capacity of the terminal from 220 to 280 thousand TEUs per year. Since 2020, the Company has been enjoying a new successfully-adopted technology for paving the container yards with terminal stones (blocks), which gives a noteworthy cut of expenses for further repairs of the pavement, increases the service life of lifting equipment and, accordingly, reduces the equipment repair costs. The above technology was utilised to reconstruct the yards at Khabarovsk-2, Kleshchikha, Zabaikalsk and Shushary st. container terminals.

Also the projects of container terminals reconstruction have been launched/are being worked out for Blochnaya, Bazaiha, Kleshchikha and Khabarovsk-2 stations.

Vehicles, Lifting Mechanisms And Equipment  

As at 31 December 2020, the vehicles fleet amounted to 460 units, among which there are 104 truck tractors, 234 semi-trailer trucks, 37 cars (considering the Company’s executive office cars) and 65 units of specialised equipment.

In 2019, 55 units were retired/sold (fleet upgrading). Number of frame cranes was 79 units as at 31 December 2019, including 11 preserved and 1 leased cranes. Number of reach stackers was 51 units, including 5 leased stackers and 1 under retirement. Number of other lifting mechanisms is 87 units.

MEASURES TAKEN IN 2020  

- The technical specialists of the Company have developed the Terms of Reference for creating the automated system based on “IC-Holding Management”. Complete integration with the automated Fixed Asset Operation and Replacement System and coming complex of satellite monitoring for TransContainer vehicles, stackers, automobile fuel stations and diesel power plants (with production run of the complex planned for the year 2021).
- It was the second time the Company implemented a project on centralised replenishment of the tires annual reserve (593 pcs) for reach stackers and truck transport (the main goal is to obtain minimum level of tires supply and to save the 10% budget/year-on-year).

PLeNs For 2021  

- Creation of an information and analytical tool to monitor the transport operations, condition of vehicles and fuel consumption in real time by equipping the fleet of tractors, reach stackers and fuel stations of the Company with monitoring means and subscribing to the monitoring platform (SaaS) are planned for the third and fourth quarters of 2021.
- Upgrade of the lifting and specialised vehicles at the West Siberian and Krasnoyarsk branches.
- Systematic upgrade of crane equipment at container terminals. It is planned to commission two cranes in 2023, the delivery of which began in 2020, and to sign contracts for the supply of three more in 2022. The cranes to be purchased have higher capacity and efficiency.

Optimisation Of Non-Core Assets  

According to non-core asset identification and sale guidelines set by Government Directive No. 894-r dated 10 May 2017, the Board of Directors has accepted the Company’s Non-core Asset Disposal Programme (Minutes No. 3 dated 18 October 2017). The Plan of Non-core Assets Sale and the Register of Non-core Assets are approved on an annual basis. Information on the Company’s non-core assets is available on its website, the Avito website, and the website of Russian Railways in the Property Transactions section (property.rzd.ru). To reduce the maintenance costs of non-core immovable assets, it is leased under the corresponding agreements.

The Company continues to increase the volume of traffic in container trains. The share of such traffic in 2020 increased to 60.8% compared to 57.7% in 2019.

Transportation of containers by the high-speed trains having high priority in the Russian Railways network guarantees significant increase of the container average speed, make the delivery date more accurate and the service more attractive for a client.

TERMINALS AND TRUCKS  

CONTAINER TERMINALS  

As at 31 December 2020, the Company owned 38 railway container terminals located in all the key Russian industrial areas and transportation hubs. The Company also operates two terminals through a joint venture LLC Freight Village Kaluga North and one terminal through its subsidiary CJSC Logistics-Terminal.

• PSIC TransContainer has launched full-service maintenance of reach stackers at Zabaikalsk terminal. Such kind of maintenance allows to increase the equipment serviceability level to 0.9 and reduce the operating costs. A new reach stacker was purchased for Zabaikalsk terminal. A bidding took place with further signing of contracts for two reach stackers supply at Kleshchikha terminal, one stacker for Bazaiha and one for Batareyanna terminals. The reach stackers are planned to be maintained according to full service system.

• Contracts were signed for the supply of two container cranes with a capacity of 45 tons with Henan Yufei Crane Im Ex Co., Ltd., a Chinese company.

• Two stackers were purchased for the needs of the Ural branch.

• In Ex Co., Ltd., a Chinese company.

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• Two stackers were purchased for the needs of the Ural branch.
Since the shareholders have been changed and the Company has withdrawn the Russian Railways, a part of provisions in the regulations on engagement of non-core immovable assets to civil turnover are not relevant any more. Work is under way to change the regulations, providing for the expansion of the criteria and the list of immovable assets of the Company, which can be classified as non-core.

CLIENT SERVICE AND SALES

With increasing market competition, PJSC TransContainer continues to improve its transport and logistics services for customers following a continuous efficiency strategy.

CLIENT BASE

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

The top 10 clients in 2020 accounted for 29.2% of customer payments, while the largest client of RusAlTrans LLC, a subsidiary of the leading company in the global aluminium industry RUSAL, provided 4.5% of all customer payments.

SALES AND CLIENT SERVICE

TransContainer’s sales network covers the entire territory of Russia and key transport hubs in Europe and Asia. The Company maintains its traditional footprint through sales offices, representative offices and joint ventures complemented with the e-commerce channels. TransContainer operates based on the standard freight forwarding services contract. This ensures consistent quality standards across the 1,520 gauge railway network and beyond, wherever the client and our points of sale are located.

DEVELOPING CLIENT SERVICE

Russia

As at 31 December 2020, the Company operated 90 sales offices across Russia. The sales network relies on the central office in Moscow, key freight traffic clusters, regional administrative centres, and transport hubs.

International Sales Network

The international footprint includes six subsidiaries, three joint ventures, four representative offices and covers countries of the CIS, Central and Eastern Europe, and Asia Pacific.

The Company’s Top 10 Clients in 2020 by Revenue (%)

<table>
<thead>
<tr>
<th>Client Name</th>
<th>Revenue from Top-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>RusAlTrans</td>
<td>29.2</td>
</tr>
<tr>
<td>Transcontainer Freight Forwarding</td>
<td>18.1</td>
</tr>
<tr>
<td>Ace Creative Asia Corporation</td>
<td>18.1</td>
</tr>
<tr>
<td>Unico Logistics Co.</td>
<td>15.5</td>
</tr>
<tr>
<td>VSK</td>
<td>11.5</td>
</tr>
<tr>
<td>VOSK</td>
<td>4.2</td>
</tr>
<tr>
<td>Other clients</td>
<td>4.2</td>
</tr>
<tr>
<td>Ace Creative Asia Corporation</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Client-Oriented Service

Customers can choose required type of transportation or a combination of them depending on their needs (including car delivery to a warehouse or a store).

Container supply chain management

- A customer is provided with a personal manager
- Customer requirements analysis and determination of quantities, budget, scope and frequency of container supplies
- Development of optimal route and transportation technology
- An option of cargo transportation in special containers is provided
- Development of communication technologies for logistics chain participants and design of container transportation management systems

Services

- Customs clearance
- Brokerage services
- Assistance in transport documentation
- Handling operations
- Containers storage
- Sorting, regrouping, overloading containers from one flatcar to another (in case of rail gauge change)

Terminal services

- Cargo security and insurance during transportation (if required)
- Informing on container location during transportation

Freight forwarding and logistics

- By sea
- By car
- By train
- By Customer’s instruction

Transportation to a warehouse or store

- By Customer’s instruction
- By sea
- By car
- By train

Order

Warehouse

Port

Terminal 1

Terminal 2

Customer
Companies, arranged and carried out new transportations 15 days, as well as the transportation costs of shippers. The train runs without reforming on the entire route, that for export of products of domestic agricultural producers. and Novosibirsk regions from Novosibirsk to Chungking. Railways. The train delivered a batch of 82 twenty-foot container train, and JSC RZD Logistics agreed the terms Globus-Trans, TransContainer acted as an operator of border crossing Zabaikalsk – Manchuria. The exporter was Globus-Trans, TransContainer’s branch at Station to China via the land border crossing Zabaikalsk – Manchuria. On 13 December 2020, the TransContainer’s branch at the West Siberian together with JSC RZD Logistics and Globus-Trans company sent the first full-length flexitank train from Kleshchikha Station to China via the land border crossing Zabaikalsk – Manchuria. The exporter was Globus-Trans, TransContainer acted as an operator of container train, and JSC RZD Logistics agreed the terms of transportation on the Russian Railways and Chinese Railways. The train delivered a batch of 62 twenty-foot containers of flexitanks with rapeseed oil produced in Altai and Novosibirsk regions from Novosibirsk to Chungking. Transportation is carried out under the AgroExpress project for export of products of domestic agricultural producers. The train runs without reforming on the entire route, that reduces the delivery time of the cargo from two months to 15 days, as well as the transportation costs of shippers. Switching flows from competitive routes via the ports of St. Petersburg and attracting new volumes of shipments to China through land border crossings TransContainer, together with clients of Luzales LLC, Nadyzhozn Construction Company, ULK Group of Companies, arranged and carried out new transportations to China via land border crossings instead of those passing through the ports of St. Petersburg. This has resulted in an increase in the share of TransContainer’s revenue- generating loadings in the export of universal loaded containers, i.e. 12.2%, or 37,940 TEUs year-on-year. The first public container train on the Battery-Nakhodka-Vostochnaya route In February 2020, the first public container train was sent along the Batareynaya – Nakhodka-Vostochnaya route. In 2020, 1,656 TFUs were transported by this route. Regular monthly container service has not only become the best price offer, but also allowed customers to more accurately plan booking for sea vessels when exporting, as evidenced by the consistently high share (over 85%) of TransContainer shipments on this route. Switching from own rolling stock to TransContainer’s railcars Together with Voskholz LLC, the Company switched transportations from own rolling stock to TransContainer’s railcars. The market rates have been agreed at the level of other owners, which allowed to switch the entire volume to TransContainer’s fleet. Main routes: St. Petersburg/ Khorovino – Iakovlevka – St. Petersburg (21,442 TEUs), St. Petersburg – Sestroretsk – St. Petersburg (4,956 TEUs), St. Petersburg/Moscow – Syktyvkar – St. Petersburg (15,112 TEUs), St. Petersburg/Moscow – Tobolsk – St. Petersburg (10,473 TEUs), St. Petersburg/Moscow – Kirov-Kotlassky – St. Petersburg (5,194 TEUs), St. Petersburg (5,194 TEUs). Totally 56,877 TEUs. As a result, the increase in the share of the October branch’s revenue-generating loading was about 3%. First transportations of grain crops in bulk in containers In 2020, the Company for the first time arranged the transportation of grain crops in bulk in containers using a new service on the route Blagoveschensk - Nakhodka, and then to China/Petropavlovsk-Kamchatsky. The total amount was 812 TEUs. Development of transport traffic through the Vostochny port Transit traffic from the Asia-Pacific to Europe via the Vostochny port, including through subsidies provided by the Government of the Russian Federation, on the route Asia-Pacific – Vostochny – Malaszewicz has reached 5,370 TEUs. New transport solutions for manufacturing plants As part of TransContainer’s cooperation with the enterprises of the Tyumen region, new transport solutions have been developed and implemented to ensure the bulk delivery of polyethylene and polypropylene both inside and outside the Russian Federation. Thus, a transport solution for the delivery of cargo to the Kaluga region at Vorsino Station was developed with the further delivery of the customer’s cargo to the distribution centre located in the Vorsino Industrial Park. In 2020, more than 21 thousand TEUs were transported in this direction. A solution for cargo delivery from an enterprise in the Tyumen region to Europe has also been developed for the customer. This solution allowed to switch part of the cargo’s flow both from sea and road transport. As a result of 2020, 1,076 TEUs were transported as part of the service. Transport solutions facilitating containerisation In order to switch the cargo flow from covered railcars to containers, as well as according to the plan for the development of transportation from Kazakhstan, TransContainer launched a project to transport aluminium from Kazakhstan to Turkey through the ports of Novorossiysk and Temryuk in May 2020. More than 5,6 thousand TEUs have been transported as part of this project. Developing cooperation with existing key customers As part of cooperation with RUSAL, a new volume has been obtained in export shipments on the following routes: Baguilnaya, Bazaikha, Kamyshta, Obnorskaya – Kaohsiung (387 ISO containers) – Kamyshta – Kuchetkan – Shanghai (573 ISO containers). Besides, the following routes show additional volume and continued development in import shipments: Tianjin (Xingang) – Krasnoyarsk-Seversky – Tashkent (525 ISO containers, October – December). Rastarka – Bazaikha – Blucher (988 ISO containers) – Baguilnaya, Bazaikha, Kamyshta, Kuchetkan, Goncharovo – Rybinsk (Rastarka) (464 ISO containers, May – November). The fruitful cooperation with the long-time partner of the Company Fintrans GL on the route Bratsk/Ust-Ilimsk – Zabaikalsk (export) and then China TC/TC’ allowed to reach the volume of 6,149 ISO containers, 73% higher year-on-year. As part of cooperation with Lorus Intermodal, in 2020 the Company launched a project on transportation of Mazda cars from the Far East (Haydamak / Pervaya Rechka) to Moscow (Selyatino). The first train was sent in August 2020. Totally seven trains were sent (644 TEUs). In November 2020, Lorus SCM commissioned two trains each of 38 80-foot railcars on a continuous route involving shipments of SIBUR to ensure continuous supplies of Mazda cars from Haydamak (Silikatnaya/ Selyatino/Ulyanovsk – Tobolsk – Haydamak – Selyatino). ONLINE SERVICES In the face of the new coronavirus infection pandemic in 2020 and associated restrictions, TransContainer’s online services have enabled continuous and effective interaction with customers at no additional cost. In addition, the technologies introduced in 2020 have provided support for new customers. Thus, from January to December 2020, the number of new unique users more than doubled, exceeding 30,000 unique users per month. Thanks to the online service /Sales, the customer can order a container service from TransContainer in a few clicks almost all over the Eurasian continent. The service has allowed the customer to have quick and easy access to a wide range of services and information about their cost. * Transportation of TransContainer’s containers on TransContainer’s railcars.
The functionality of the online service allows any client, even without special knowledge in the transport and logistics business, independently to:
- calculate the cost of services;
- make orders without leaving home or office;
- pay for ordered services (including a bank card);
- track the order statuses;
- monitor the containers location in real-time mode;
- have access to contract documentation.

In 2020, the number of orders made using iSales reached 99%. The project to further develop iSales was launched in order to meet the increasing needs of customers and improve the level of the Company digitalisation. The key effect of the project should be a new level of speed and transparency of interaction between TransContainer and its customers, as well as the provision of scaling opportunities for distribution channels, including those beyond the Russian Federation.

FEEDBACK

One of the main principles of the Company’s interaction with a client is to provide prompt and transparent feedback.

The feedback system comprises:
- 24/7 call centre;
- dedicated e-mail accounts (with automatic generation of electronic messages sorted by subject and sender and addressed to relevant corporate teams);
- client feedback forms and on-line questionnaires on the Company’s website;
- regular service quality surveys.

CALL CENTRE

In 2020, the call centre processed 189,950 queries, with phone calls accounting for 38%. The level of call centre service averaged 91.9% (91.5% in 2019), which indicates that the required level of prompt response to subscribers is maintained: the average response waiting time was reduced to 12 seconds in 2020.

The ratio of operators independent work on targeted topics is kept at 97%. The level of customer service quality was 94.6%, +0.3% year-on-year.

The stable speed and quality characteristics of the process in 2020 allowed to receive and process 4,191 requests more than in 2019, as relates to the targeted topics converted into orders.

In the reporting year, the division was shifted to Mango services, which allowed to introduce new options improving the conversion and convenience of communication with the Company, such as a call from the site, automatic call back on missed calls, chat, post-call assessment of the quality of ACSi call processing.

In 2020, the survey involved 2,4 thousand respondents. The total volume of questionnaires was 42% compared to 48% in 2019 (the average ratio in such studies is more than 10%). The average customer satisfaction score across the TransContainer totalled 8.8 compared to 8.6 in 2019. The entire Company shows a positive dynamics in service quality. In particular, the respondents of the October branch note significant increase in the level of service compared to the previous year. Customers mention positive changes in competence and efficiency of the managers of the Moscow branch. The average score of the quality of the Company’s terminals operation increased by 0.2 points and amounted to 8.4 points. The least satisfied are the clients of the West Siberian (7.6), Krasnoyarsk (7.7) and Zabaikal (7.8) branches. Gorky (9.0), South-Eastern (8.8) and Ural (8.7) branches coming out on top. The October branch (8.2) and Moscow branch (8.4) have significantly improved work process.

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In 2020, the process of transition to a modern microservice architecture has begun to ensure the rapid development, scalability and stable operation of the Company’s services and, as a result, to improve the quality of services provided to customers. The introduction of a corporate integration bus has created a single unified mechanism for transmitting information to all key information systems of the Company, as well as simplifying interaction with external partners.

The transition to new cloud telephony and developed IT infrastructure ensured the instant transition (within 24 hours) of all employees of the Company to remote work and retained the cross-functional interaction of all structural units of the Company. This minimised the number of cases of COVID-19. Use of the SaaS model has significantly reduced the cost of upgrading and maintaining IT infrastructure and providing access to modern online communications technologies. The introduction of electronic document management within the Company and with external counterparties has led us to reduction in the volume of paper documentation and processing time for primary accounting documents.

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

The effectiveness of the comprehensive quality management system stems from the uniform principles outlined in the Company’s Quality Management Policy and applied across the production chain. The quality management issues are under the responsibility of the Director of Strategy and Business Development of the Company.

The said principles are underpinned by a set of core values guiding the Company’s employees in their workplace pursuits. In particular, TransContainer focuses on creating new transportation services for clients in response to their needs and expectations as regards cargo transportation services.

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

TransContainer provides services to its business units, partners and external customers in line with introduced standards. TransContainer also has a system that allows for rapid changes in management processes and technologies, including consolidation of the results of analysis of customer, partner and supervisory appeals.

TransContainer is constantly dealing with customers notifications on deviations in the execution of orders. Online information is currently provided at all stages of transportation, that has significantly reduced the number of complaints received.

**DEVELOPMENT OF QUALITY MANAGEMENT SYSTEM IN 2020**

In 2020, the concept of process management has been significantly reworked and a campaign has been launched to revise the map of processes and update the Company’s procedures. The Company’s goals are to improve the efficiency of its current activities, extend the culture of continuous improvement and create a basis for synergies in the Delo Group.

Every year TransContainer conducts a survey to investigate customers’ satisfaction with the services provided on a 10-point scale. The value of this index is included in the KPI system of executive office and branches. The index of the Company’s customers satisfaction increased from 8.6 in 2019 to 8.8 in 2020. The customers noted improved quality of service and terminals operations. The score of managers work remained at 9.1 level according to questionnaire results.

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

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

TransContainer has successfully passed a certification audit of the management system to meet the requirements of the international standard ISO 9001:2015.

**Audits of the Quality Management System**

<table>
<thead>
<tr>
<th>Audit Type</th>
<th>Audited Target</th>
<th>Purpose</th>
<th>Outcome</th>
</tr>
</thead>
</table>

For 2020, special consideration was given to the development of TransContainer’s information systems and their integration with the systems of customers and subcontractors. To date, integration with SIBUR Holding systems has been completed. Integration with RUCCON systems is underway aimed to improve services quality level in the port of Novorossysk.

The development of automatic notifications option for the client’s personal account was started in 2020 to inform about the beginning of excessive use of flatcars and/or containers of TransContainer.

TransContainer invests in the development of its terminals in order to maintain a consistently high level of services for its customers.
The key indicators of the Company’s economic efficiency - net profit margin and return on equity – were 31.0 and 56.2% correspondingly.

As at 31 December 2020, the Company’s total debt was RUB 63,223 mln with net debt of only RUB 54,631 mln, bringing the net debt to EBITDA ratio to 2.4x.

Key Financial Indicators of the Company (RUB mln)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>Year-on-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>103,497</td>
<td>86,179</td>
<td>17,318</td>
</tr>
<tr>
<td>Other operating income</td>
<td>12,544</td>
<td>11,611</td>
<td>933</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-85,425</td>
<td>-71,549</td>
<td>-13,876</td>
</tr>
<tr>
<td>Operating profit</td>
<td>18,099</td>
<td>15,771</td>
<td>2,328</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>-1,816</td>
<td>-1,118</td>
<td>-698</td>
</tr>
<tr>
<td>Interest income</td>
<td>520</td>
<td>368</td>
<td>152</td>
</tr>
<tr>
<td>Foreign exchange gain, net</td>
<td>292</td>
<td>-229</td>
<td>521</td>
</tr>
<tr>
<td>Share of result of associates and JVs</td>
<td>100</td>
<td>583</td>
<td>-481</td>
</tr>
<tr>
<td>Other financial results, net</td>
<td>1,881</td>
<td>21</td>
<td>1,840</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>16,220</td>
<td>15,396</td>
<td>824</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>-3,561</td>
<td>-3,646</td>
<td>85</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>12,659</td>
<td>11,750</td>
<td>909</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>1,239</td>
<td>-565</td>
<td>1,804</td>
</tr>
<tr>
<td>Share of result of associates and JVs</td>
<td>102</td>
<td>583</td>
<td>-481</td>
</tr>
<tr>
<td>Foreign exchange gain, net</td>
<td>292</td>
<td>-229</td>
<td>521</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>13,898</td>
<td>11,195</td>
<td>2,703</td>
</tr>
</tbody>
</table>

ADJUSTMENTS AND ADDITIONAL FINANCIAL INFORMATION

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

Third-party expenses, including railway tariff, are included in operating expenses on the services of third-parties belonging to core activities.

For analytical purposes, the Company includes the third parties’ share in the Company’s revenues and expenses.
### Adjusted Revenue (RUB mln)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
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<td>17,318</td>
</tr>
<tr>
<td>Third-party charges related to principal activities</td>
<td>-62,721</td>
<td>-48,283</td>
<td>-14,438</td>
</tr>
<tr>
<td>Adjusted revenue&lt;sup&gt;1&lt;/sup&gt;</td>
<td>40,776</td>
<td>37,896</td>
<td>2,880</td>
</tr>
</tbody>
</table>

### Adjusted Revenue Related to Integrated Freight Forwarding and Logistics Services (RUB mln)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>Year-on-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated freight forwarding and logistics services</td>
<td>96,665</td>
<td>79,895</td>
<td>16,770</td>
</tr>
<tr>
<td>Third-party charges related to integrated freight forwarding and logistics services</td>
<td>-62,721</td>
<td>-48,283</td>
<td>-14,438</td>
</tr>
<tr>
<td>Adjusted revenue related to integrated freight forwarding and logistics services</td>
<td>33,944</td>
<td>31,612</td>
<td>2,332</td>
</tr>
</tbody>
</table>

### Operating Expenses Adjustment (RUB mln)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>Year-on-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>89,422</td>
<td>71,569</td>
<td>17,853</td>
</tr>
<tr>
<td>Third-party charges related to principal activities</td>
<td>-62,721</td>
<td>-48,283</td>
<td>-14,438</td>
</tr>
<tr>
<td>Adjusted operating expenses</td>
<td>26,701</td>
<td>23,286</td>
<td>3,415</td>
</tr>
</tbody>
</table>

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

### TOTAL REVENUE

The revenue includes three main components: integrated freight forwarding and logistics services, agency services and other services. Integrated freight forwarding and logistics services are a package of services that includes container transportation, processing at container terminals, trucking, forwarding and logistics services. As relates to the method of provision, it is an all-inclusive single price service.

Integrated freight forwarding and logistics services

The Company acts on behalf of the Russian Railways as an agent in providing mandatory rail services to all users of the railways at the Group’s terminals defined by the legislation of the Russian Federation as sites of common use. The Company acts as an intermediary (agent) between the customers and the Russian Railways for a commission.

Other services of the Company include the following: rolling stock and container fleet operation, terminal service, other freight forwarding, trucking.

### Revenue Breakdown (RUB mln)

<table>
<thead>
<tr>
<th>Item</th>
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<td>Integrated freight forwarding and logistics services</td>
<td>96,665</td>
<td>79,895</td>
<td>16,770</td>
</tr>
<tr>
<td>Agency fees</td>
<td>3,480</td>
<td>3,217</td>
<td>263</td>
</tr>
<tr>
<td>Other revenues</td>
<td>3,152</td>
<td>3,067</td>
<td>85</td>
</tr>
<tr>
<td>Total revenue</td>
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<tr>
<td>Agency fees</td>
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<tr>
<td>Other revenues</td>
<td>3,152</td>
<td>3,067</td>
<td>85</td>
</tr>
<tr>
<td>Total adjusted revenue</td>
<td>40,776</td>
<td>37,896</td>
<td>2,880</td>
</tr>
</tbody>
</table>

### AGENCY FEES

Revenue from agency fees increased by 8.2% year-on-year to RUB 3,480 mln in 2020 compared to RUB 3,217 mln in 2019. The increased is caused by raised volumes of terminal processing and indexation of tariffs for the services under the agency agreements with the Russian Railways.

### INTEGRATED FREIGHT FORWARDING AND LOGISTICS SERVICES

Revenue from the integrated freight forwarding and logistics services increased by 21.0% to RUB 96,665 mln over 2020.

Adjusted revenue from the integrated freight forwarding and logistics services was up by 7.4% year-on-year to RUB 33,944 mln in 2020, mainly on the back of growing revenue-generating volumes and dynamics of customers’ preferences towards complex and integrated transportation services.
**OTHER SERVICES**

Other services of the Company include the following: rolling stock and container fleet operation, terminal service, other freight forwarding, trucking.

Revenue from other services in 2020 increased by 9.3% to RUB 3,352 mln compared to RUB 3,067 mln in 2019. The key reason is growth in business volumes.

**OTHER OPERATING INCOME**

Other operating income in 2020 amounted to RUB 1,224 mln compared to RUB 3,067 mln in 2019. The key reason is growth of business volumes.

**OPERATING EXPENSES**

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>Year-on-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight and transportation services</td>
<td>7,994</td>
<td>6,202</td>
<td>1,792 (28.9%)</td>
</tr>
<tr>
<td>Payroll and related charges</td>
<td>6,545</td>
<td>6,492</td>
<td>53 (0.8%)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4,569</td>
<td>3,473</td>
<td>1,096 (31.6%)</td>
</tr>
<tr>
<td>Materials, repair, and maintenance</td>
<td>4,632</td>
<td>3,692</td>
<td>940 (25.5%)</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>688</td>
<td>383</td>
<td>305 (79.6%)</td>
</tr>
<tr>
<td>Rent</td>
<td>160</td>
<td>149</td>
<td>11 (7.4%)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,113</td>
<td>2,895</td>
<td>-782 (-27.0%)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>89,422</td>
<td>71,569</td>
<td>17,853 (24.9%)</td>
</tr>
</tbody>
</table>

The Company’s operating expenses increased by RUB 17,853 mln, or 24.9% year-on-year, to RUB 89,422 mln compared to RUB 71,569 mln in 2019. This rise was mainly due to a significant increase in the volume of operations related to principal activities.

### THIRD-PARTY CHARGES RELATED TO PRINCIPAL ACTIVITIES

The third-party charges related to principal activities increased from RUB 48,283 mln to RUB 62,721 mln in 2020, up 29.9% year-on-year. This was primarily driven by a higher volume of the Company’s operations, tariff indexing by the Russian Railways and other subcontractors, and growth in international transportations with the involvement of outsourced transportation services. The weakening of the Russian rouble against the US dollar and the euro in 2020 has also had an impact on the amount of tariffs paid by foreign railway administrations and international maritime lines set in foreign currency.

### ADJUSTED OPERATING EXPENSES

Adjusted operating expenses (as defined in the Adjustments and Additional Financial Information section) raised by 14.7% year-on-year, to RUB 28,701 mln compared to RUB 23,286 mln in 2019. The greatest contribution to dynamics of adjusted operating costs was from items Freight and transportation services, Materials, repair, and maintenance and Depreciation and amortisation. The Other expenses item shows decrease in absolute value.

### FREIGHT AND TRANSPORTATION SERVICES

Expenses related to freight and transportation services increased by RUB 1,792 mln, or 26.9%, year-on-year, to RUB 7,994 mln in 2020, that is caused by growth of business volumes, tariff indexing by subcontractors, wider footprint of the Company beyond the 1,520 gauge railway network.

### DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased by RUB 1,096 mln, or 31.6% year-on-year, to RUB 4,569 mln compared to RUB 3,473 mln in 2019. The growth is caused by raised sum of the fixed assets due to 2020 Investment Programme implementation and shift of the great part of the 2019 investments to the fourth quarter.

### MATERIALS, REPAIR, AND MAINTENANCE

Expenses related to materials, repair, and maintenance were up by 25.5% year-on-year to RUB 4,632 mln compared to RUB 3,692 mln in 2019. This was mainly due to an increase in the number of railcar repairs resulted from a higher fleet utilisation (378 thousand compared to 29.9 thousand in 2019). Another significant factor was the increase in the cost of materials used for repairs.

### PAYROLL AND RELATED CHARGES

Payroll and related charges increased by RUB 53 mln, or 0.8% year-on-year, from RUB 6,492 mln in 2019 to RUB 6,545 mln in 2020. Wage indexing and the changes in reserves for staff payments were partially compensated by 2.2% decrease in the average number of staff to 3,229 persons compared to 3,301 in 2019.
TAXES OTHER THAN INCOME TAX

Taxes, excluding income tax, increased by 79.6% year-on-year to RUB 688 mln compared to 383 mln in 2019, mainly due to dynamics of VAT calculations.

RENT

Rental payments increased by RUB 11 mln, or 7.4% year-on-year, from RUB 149 mln to RUB 160 mln, due to the increase of operational leasing of the low-cost assets. At the same time, according to IFRS 16 financial statements “Lease”, leasing of assets with value exceeding RUB 350 thousand must be reflected in the IFRS statements in the form of right to use and leasing obligations.

OTHER OPERATING EXPENSES

Other operating expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication service and loss of sale of fixed assets, etc. In 2020, other operating expenses decreased from RUB 2,895 mln to RUB 2,113 mln, down 27.0% year-on-year. This decrease is mainly due to the lack of accruals of reserves for depreciation of fixed assets, as well as a decrease in costs under the items such as security, consulting expenses.

INTEREST EXPENSES

Interest expenses increased by RUB 738 mln, or 66.0% year-on-year, from RUB 1,118 mln to RUB 1,856 mln, mainly due to the increase in principal and use of usage factoring.

INTEREST INCOME

The increase in interest income by RUB 154 mln, or 41.8% year-on-year, from RUB 368 mln to RUB 522 mln, is due to an increase in the amount of loans provided.

PROFIT BEFORE INCOME TAX

As a result of the reasons described above, the Company’s profit before income tax increased by RUB 824 mln, or 5.4% year-on-year, from RUB 15,396 mln in 2019 to RUB 16,220 mln in 2020.

INCOME TAX EXPENSES

Income tax expenses decreased by RUB 85 mln, or 2.3% year-on-year, from RUB 3,646 mln in 2019 to RUB 3,561 mln in 2020, due to a reduction in taxable profit. The effective tax rate for 2020 was down to 22.0% from 23.7% in 2019.

TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD

As a result of the factors discussed above, the profit for the full year of 2020 increased by RUB 909 mln, or 7.7% year-on-year, to RUB 12,659 mln compared to RUB 11,750 mln for the same period of 2019. Taking into account the exchange rate differences relating to foreign operations, as well as other effects, the total comprehensive income of the Company for the reporting period increased by 24.1% and amounted to RUB 13,915 mln for the full year of 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Company’s net cash and cash equivalents increased from RUB 8,592 mln to RUB 13,915 mln, due to the decrease in exchange rate differences relating to foreign operations, as well as capital expenditures from RUB 6,587 mln to RUB 14,935 mln, granting of loans (RUB 14,500 mln) and withdrawal of joint venture (RUB 5,830 mln).

Cash flow generated by operating activities increased by RUB 12,575 mln, or 103.7% year-on-year, from RUB 12,122 mln to RUB 24,697 mln.

Cash flow used in investing activities decreased by RUB 904 mln, or 85.9%, from RUB 1,052 mln to RUB 148 mln, mainly due to the attraction of loans of RUB 44 billion, payment of the principal of RUB 3,500 mln, as well as payment of dividends of RUB 59,823 mln.
The Company’s current operations and capital expenditure are financed by the Company’s own cash flow and proceeds from issuing domestic debt. As at 31 December 2020, the Company’s receivables consisted of three outstanding bond issues, long-term and short-term credits in rubles totalling RUB 61,897 mln compared to RUB 21,428 mln as at 31 December 2019.

The Company’s debt is rouble-denominated.

**CREDITS**

**Long-term Credit**

In December 2020, under the non-revolving credit facility agreement with Sberbank, a ruble loan with a face value of RUB 40 billion was received by the Company with an annual interest rate of 6.25% as at 31 December 2020 and maturity no later than 9 June 2022.

According to the agreement, the interest rate is floating (the key rate of the Bank of Russia is +2% per annum on the date of the loan). The interest payment date is the 25th of each month.

As at 31 December 2020, the total carrying value of the long-term credit was RUB 3,003 mln (RUB 0 mln as at 31 December 2019), including accrued interest of RUB 3 mln (RUB 0 mln as at 31 December 2019), which were noted in the Consolidated Financial Statements as part of short-term loans.

In accordance with the terms of the non-revolving credit facility agreement with Sberbank, the Company has financial obligations (covenants) to maintain a certain level of debt-load ratio and times-interest-earned ratio. If the covenant is not fulfilled by the Company, Raiffeisen Bank may stop issuing the loan and/or demand an early repayment of the entire loan amount, as well as payment of interest and penalties provided by the agreement.

**CREDIT RATINGS**

The Company has credit ratings by the international rating agencies (Fitch and Moody’s) and a Russian rating agency (Expert RA). In 2020 the Company actively interacted with the rating agencies and held events to confirm ratings at investment-attractive levels.

The credit rating by Expert RA downgraded by two levels from ruAA+ to ruAA− due to uncertainty of the rail container transportation market growth rate linked with COVID-19 pandemic restrictions, but still is within AA category confirming the high credit capacity and financial stability.

**Short-term Credits**

As at 31 December 2020, the Group’s short-term credits are represented by six rouble loans received by the Company in March, April and November 2020 under the renewable credit line agreement with Raiffeisen Bank, par value of which amounted to 500 mln, 700 mln, 500 mln, 300 mln, 600 mln and 400 mln with an annual interest rate of 5.15% to 6.9% as at 31 December 2020 and maturity date not later than 23 September 2021, 27 September 2021, 27 September 2021, 1 October 2021, 1 October 2021 and 1 October 2021 correspondingly. According to the agreement, the interest rate is floating (the key rate of the Bank of Russia is +0.9% per annum on the date of the loan). The interest payment date is the 25th of each month.

As at 31 December 2020, the total carrying value of the short-term credit was RUB 3,003 mln (RUB 0 mln as at 31 December 2019), including accrued interest of RUB 3 mln (RUB 0 mln as at 31 December 2019), which were noted in the Consolidated Financial Statements as part of short-term loans.

According to the agreement, the interest rate is floating (the key rate of the Bank of Russia is +2% per annum on the date of the loan). The interest payment date is the 25th of each month.

As at 31 December 2020, the total carrying value of the short-term credit was RUB 3,003 mln (RUB 0 mln as at 31 December 2019), including accrued interest of RUB 3 mln (RUB 0 mln as at 31 December 2019), which were noted in the Consolidated Financial Statements as part of short-term loans.

In accordance with the terms of the non-revolving credit facility agreement with Sberbank, the Company has financial obligations (covenants) to maintain a certain level of debt-load ratio and times-interest-earned ratio. If the covenant is not fulfilled by the Company, Raiffeisen Bank may stop issuing the loan and/or demand an early repayment of the entire loan amount, as well as payment of interest and penalties provided by the agreement.

**Rating agencies**

- **Fitch**: B+, stable 16.06.2020
- **Moody’s**: Ba3, stable 07.08.2020
- **Expert RA**: ruAA−, stable 03.06.2020

For more details on credit ratings see the Company’s website at: https://trcont.com/investor-relations/additional-info/ratings

**BONDS**

**Ruble-denominated Five-year Bonds PBO-01 series**

On 23 October 2019, the Company issued non-convertible five-year bonds for a total amount of RUB 10 billion at a par value of RUB 1 thousand each. Proceeds from the issuance after the deduction of related offering costs amounted to RUB 9,974.5 mln. The annual coupon rate of the five-year bonds is 7.3%. The annual coupon rate is paid semi-annual.

The series PBO-01 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are included in the long-term bond issue at the reporting date.

As at 31 December 2020, the carrying value of the bonds amounted to RUB 10,117 mln (RUB 10,113 mln as at 31 December 2019), including accrued coupon rate of RUB 142 mln (RUB 138 mln as at 31 December 2019). The coupon rate was reflected in the Consolidated Financial Statements as part of the short-term portion of long-term bond issues.

**RUB-denominated Bonds series BO-01**

On 25 January 2018, the Company issued non-convertible five-year bonds for a total amount of RUB 6 billion at a par value of RUB 1 thousand each. Proceeds from the issuance after the deduction of related offering costs amounted to RUB 5,985 mln. The annual coupon rate of the five-year bonds is 7.5%. The annual coupon rate is paid semi-annual.

The series BO-01 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are included in the short-term portion of long-term bond issue at the reporting date.

In March and September 2020, the Company fulfilled their obligations in the first and second periods of payment of the principal amount of debt totalling RUB 2.5 billion.

As at 31 December 2020, the company issued non-convertible five-year bonds for a total amount of RUB 2.5 billion (RUB 2.4 billion as at 31 December 2019), including accrued coupon rate of RUB 65 mln (RUB 133 mln as at 31 December 2019). The coupon rate was reflected in the Consolidated Financial Statements as part of the short-term portion of long-term bond issues.
Intelligent container terminal

Full automation of container handling processes
COOPERATION WITH STAKEHOLDERS

Shareholders and Investors

Cooperation principles | Cooperation forms | Main lines of cooperation / key events of 2020
---|---|---
Respect for rights and legitimate interests of the shareholders | Meetings and presentations | On 10 April 2020, LLC Delo-Center acquired the right to execute 13,844,902 ordinary registered uncertificated shares of the PJSC TransContainer, representing 99.641045% of the issuer’s share capital, as part of the implementation of the mandatory offer to purchase the issue-grade securities, which was submitted to the Company on 15 January 2020
Trust between shareholders and the Company in the relationship related to the management of the Company | Conference calls, video calls | On 12 August 2020, LLC Delo Center repurchased the Company’s securities in accordance with the Article 84.8 of the Federal Law of the Russian Federation On Joint-Stock Companies No. 208-FZ dated 26 December 1995 by buying 0.358955% of the shares from minority shareholders, thereby increasing its shareholding in the Company from 99.641045% to 100%. The value of one share was RUB 8,679.52
Timely disclosure of full and reliable information about the Company, including its financial state, economic performance, ownership and management structure, in order to ensure reasonable decisions made by the shareholders | Annual general meetings of shareholders and obligatory statements | Publication of 158 reports as part of mandatory disclosure to 100%. The value of one share was RUB 8,679.52
Equal conditions for all shareholders – owners of shares of one category (type), including minority shareholders and foreign shareholders, and equal treatment of them by the Company, particularly, at execution of their rights to participate in management of the Company and receive dividends | Hotline for shareholders | Publication of 158 reports as part of mandatory disclosure of information in the Russian Federation through the Interfax Corporate Disclosure Centre
Effective use of the Company’s assets aimed at increasing the value of securities and raising the investment attractiveness of the Company | Official correspondence, telephone conversations | Publication of 11 press releases through the UK regulator’s state Corporate Disclosure Centre
Ensuring a reliable and effective way to account for share rights, as well as possibility of free and unhindered disposal of shares | Press releases, reports as part of mandatory disclosure | Publication of 11 press releases through the UK regulator’s state Corporate Disclosure Centre

Business partners (suppliers, customers and other counterparties)

Cooperation principles | Cooperation forms | Main lines of cooperation / key events of 2020
---|---|---
Honesty and decency in business dealings with clients and partners are the foundation for building long-term relationships. By respecting this principle, the Company maintains a positive reputation and creates a favourable environment for development of relationships with clients and partners, thus creating a strong and mutually beneficial conditions for cooperation | Clients | Activities that promote geography of transport solutions that meet the needs of users
Trust between the Company and clients and strives to establish constructive cooperation | Regular client satisfaction surveys | Client support and provision of all available land routes in the face of changing sea lanes caused by the coronavirus pandemic and the imposition of necessary restrictions
Compliance with contractual obligations and respect for the interests of clients and partners. The Company respects the interests of the clients and partners and strives to establish constructive cooperation | 24-hour continuous client support by the Company’s call centre | Implementation and development of electronic paperwork between the Company and clients to optimize the operating expenses of both parties
Aware of personal responsibility for the quality of services provided, the Company aims to provide each client with a high level of service and individual approach | Online consultations on the Company’s website and online meetings with clients | Launching and supporting transport solutions aimed at containerizing of industrial client manufactures and those supporting their entry into international markets
Cooperation principles | Cooperation forms | Main lines of cooperation / key events of 2020
---|---|---
Respect for rights and legitimate interests of the shareholders | Correspondence via email | Suppliers | | Personal accounts for clients on iSales service
Trust between shareholders and the Company in the relationship related to the management of the Company | Telephone conversations | Suppliers | Feedback forms on the Company’s website and iSales online service
Timely disclosure of full and reliable information about the Company, including its financial state, economic performance, ownership and management structure, in order to ensure reasonable decisions made by the shareholders | Meetings via video conferences | Clients | \n
PJSC TransContainer strives to achieve long-term sustainable business profitability based on a balance between its economic and social interests. The Company is interested in building constructive relations with all its stakeholders.
Competitors

Cooperation principles
• The Company respects its competitors and executes its activity standing by principles of fair and conscientious competition. In case of disagreements and disputes with competitors, the Company always seeks to find an acceptable solution for both sides. Disputes, for which no agreement has been reached, are resolved in accordance with applicable laws of the Russian Federation
• The Company does not accept actions (inactions) that could potentially lead to violation of the Russian Federation competition law, including unfair competition, restriction of competition and abuse of dominant position in the market by distorting, misleading, miscomparison, (illegal) use of exclusive rights over the means of differentiation, as well as the results of intellectual activity, confusion acts, (illegal) receipt, use, disclosure of commercial or any other information being confidential and protected by law, concerted actions

Cooperation forms
• Official website of the Company
• Public reporting of the Company
• Publication of statements on container transportation market on the TransContainer’s website

Main lines of cooperation / key events of 2020
• Review of competitions, market analysis
• Competitor news monitoring, forecasts, plans, and news on new projects, container trains
• Analysis, comparison of competitors’ tariff rates with TransContainer’s ones in certain directions, routes

Social environment

Cooperation principles
• The Company strictly adheres to the principles of social responsibility, which are creation of new jobs, sponsorship and charitable activities, educational actions, etc
• The Company is deeply engaged in charitable activities

Cooperation forms
Forms of cooperation with employees:
• collective agreements;
• staff development programmes;
• surveys among employees;
• meetings with managers
Forms of cooperation with social institutions:
• conducting negotiations;
• signing agreements;
• collecting reports
Implementation of charitable programmes:
• children support;
• help to the Company’s employees in terms of expensive treatment of employees and their families;
• aid to victims of emergencies;
• promoting physical education and sports;
• promoting education, science, culture, arts and spiritual development;
• support for industry-wide charitable programmes of national importance

Main lines of cooperation / key events of 2020
• Charitable assistance for the development of the travel and recreational cluster in Kronstadt, “Land of Forts”
• Donation for the purchase of individual protective equipment for the employees of the Federal State Budgetary Institution “National Medical Research Center of Surgery named after A. Vlasievsky”
• Helping the Autonomous Non-profit Organization “Capital Handball Development Centre” to realize the goals and objectives of promoting sport
• Charitable assistance to the State Budgetary Institution of Moscow “Stanislavski and Nemirovich-Danchenko Moscow Academic Music Theatre” to implement the planned projects aimed at preserving and developing Russia’s cultural heritage
• Providing charitable assistance to the Company’s employees, their families, unemployed pensioners, veterans of the Great Patriotic War and workers of the home front
• Helping within the TransContainer for Children charitable programme

State and municipal authorities

Cooperation principles
• Building and maintaining constructive relations with state (municipal) structures in accordance with the requirements of the applicable laws of the Russian Federation
• Compliance with the requirements of the legislation of the Russian Federation, the regulations of international and foreign legislation and municipal regulations directly related to the Company’s activities
• The Company is committed to paying federal, regional and local taxes in a timely manner
• The Company does not participate in political movements or organisations. The Company discloses information on its activities in accordance with the requirements of the legislation of the Russian Federation, rules of the stock exchanges, Charter and internal documents of the Company

Cooperation forms
• Participation in public-private partnership projects
• Participation in intergovernmental commission meetings
• Responding to state authority requests
• Participation in meetings of profession-oriented associations
• Execution of standard-setting initiatives to organise container transportation

Main lines of cooperation / key events of 2020
• Signing of agreements with the Ministry of Transport of the Russian Federation by the Government of the Sverdlovsk Region and the Russian Railways on cooperation in the implementation of the federal project “Transport and Logistics Centres” in the region, which is part of the Comprehensive Plan for the modernization and expansion of trunk infrastructure for the period up to 2024 approved by the Government of the Russian Federation
• Signing of an agreement with the Ministry of Transport of the Russian Federation by the Government of the Novosibirsk Region, the Russian Railways and Novosibirsk Transport Terminal on cooperation in the implementation of the project “Transport and Logistics Centres” in the region, which is part of the Comprehensive Plan for the modernization and expansion of trunk infrastructure for the period up to 2024 approved by the Government of the Russian Federation
• Participation in the XIV Meeting of the Subcommission for Customs Cooperation of the Russian-Chinese Commission for the preparation of regular meetings between heads of governments

Analysis, comparison of competitors’ tariff rates with TransContainer’s ones in certain directions, routes
• Official website of the Company
• Public reporting of the Company
• Publication of statements on container transportation market on the TransContainer’s website

Corporate Responsibility
**PROCUREMENT**

PJSC TransContainer conducts its procurement activities in accordance with the Regulation on Procurement, the updated version of which was approved by the Company’s Board of Directors on 30 April 2020. Procurement announced before approval of the revised Regulation on Procurement were implemented in accordance with standards effective at the moment of announcement.

In December 2019, the rights to the controlling stake in PJSC TransContainer were transferred to LLC Delo-Center, so from that moment the Company’s procurement activities are not subject to the Federal Law of the Russian Federation No.223-FZ dated 18 July 2011 “On Procurement of Goods, Works and Services by Certain Types of Legal Entities”. At the same time, the main objectives and principles of the procurement activities set out in the said law have been preserved in the Regulation on Procurement of the Company.

Procurement goals:
- creating the conditions for timely and complete satisfaction of the Company’s product needs, including ones for commercial use, with the necessary indicators of price, quality and reliability;
- efficient use of funds used to purchase such products;
- market pricing for purchased products and contributing to the reasonable reduction of Company’s costs;
- expanding procurement opportunities and encouraging participation in the Company’s procurement;
- developing fair competition;
- ensuring transparency in procurement;
- preventing corruption and other abuses.

Procurement principles:
- intended and efficient use of funds allocated for purchasing goods, works and services (taking into account their life cycle cost, where applicable), and implementation of cost-cutting initiatives of the Company;
- availability of procurement information;
- equality and fairness, with no discrimination or unreasonable restrictions on competition among the participants;
- compliance with the laws of the Russian Federation.

**2020 RESULTS**

In 2020, the Company posted information on 298 procurement procedures (lots) with total amount of RUB 36.9 billion (hereinafter - excluding VAT).

As a result of the procurement procedures provided by the Regulation on Procurement, contracts with total amount exceeding RUB 35.8 billion were signed in 2020, including contracts for transportation and freight forwarding services outside the Russian Federation, i.e. from the suppliers, which cannot be classified as SMEs.

The vast majority of suppliers of goods, works and services are residents of the Russian Federation, including small and medium-sized enterprises (SMEs).

The share of Russian suppliers among the TransContainer’s counterparties under contracts concluded in 2018-2020 (GRI 204-1) amounted to 75 and 99% in monetary and quantitative terms, respectively, including small and medium enterprises (SME) – 15 and 67%, respectively.

**TALENT DEVELOPMENT**

**MANAGEMENT APPROACH**

At the moment, TransContainer is working on systematisation of strategic goals in the field of human resources management.

Based on the TransContainer’s Strategy, the Company outlines the main long-term objectives in the field of human resources management:
- ensure a competitive level of productivity;
- attract, hire and retain competitive specialists;
- ensure a system of continuous training for the staff;
- ensure the development of employees who meet the profile of the position and professional standards;
- improve the remuneration system that contributes to the achievement of the Company’s goals.

Directions of work with staff:
- selection, adaptation, training, development, assessment and formation of HR pool;
- implementation of HR policy in accordance with the TransContainer Strategy;
- management of the pay system and motivation of employees, effective functioning of the KPI system, development of labour standards, development and monitoring of implementation of the obligations of the Collective Agreement;
- management of social guarantees of employees, administration of benefits and compensations provided by the Collective Agreement (material assistance and/or compensation, voluntary health insurance, provision of health resort treatment, non-state pension for employees, implementation of the housing programme).

PJSC TransContainer is guided by:
- labour laws of the Russian Federation;
- HR Management Policy;
- Code of Business Ethics;
- regulations of the Company;
- Collective Agreement.

**STAFF BREAKDOWN**

Company’s headcount as at 31 December 2020 is 3,456 people.

Staff breakdown by category (people):

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Top Managers</th>
<th>Heads of the structural units</th>
<th>Specialists</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,356</td>
<td>18</td>
<td>325</td>
<td>1,405</td>
<td>604</td>
</tr>
<tr>
<td>Male</td>
<td>710</td>
<td>18</td>
<td>325</td>
<td>1,405</td>
<td>302</td>
</tr>
<tr>
<td>Female</td>
<td>646</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>302</td>
</tr>
</tbody>
</table>

* The low proportion of SME suppliers in monetary terms is connected with the fact that a large proportion of the costs is related to the purchase of railcars, containers, transportation and freight forwarding services outside the Russian Federation, i.e. from the suppliers, which cannot be classified as SMEs.
Staff breakdown by education (people)

<table>
<thead>
<tr>
<th>Education level</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher professional education, including employees of the following categories (total):</td>
<td>2,348</td>
</tr>
<tr>
<td>Workers</td>
<td>170</td>
</tr>
<tr>
<td>specialists, office employees, and process owners</td>
<td>1,534</td>
</tr>
<tr>
<td>managers</td>
<td>664</td>
</tr>
<tr>
<td>Two higher educations, including employees of the following categories (total):</td>
<td>180</td>
</tr>
<tr>
<td>workers</td>
<td>4</td>
</tr>
<tr>
<td>specialists, office employees, and process owners</td>
<td>95</td>
</tr>
<tr>
<td>managers</td>
<td>82</td>
</tr>
<tr>
<td>academic degree</td>
<td>16</td>
</tr>
<tr>
<td>Secondary vocational education, initial vocational education, including employees of the following categories (total):</td>
<td>610</td>
</tr>
<tr>
<td>workers</td>
<td>527</td>
</tr>
<tr>
<td>specialists, office employees, and process owners</td>
<td>251</td>
</tr>
<tr>
<td>managers</td>
<td>36</td>
</tr>
<tr>
<td>Secondary (complete) general education, basic general education (incomplete secondary) (total):</td>
<td>478</td>
</tr>
<tr>
<td>Total headcount as at 31 December 2020</td>
<td>3,456</td>
</tr>
</tbody>
</table>

Headcount of staff by type of employment and employment contracts as at 31 December 2020 (people)

<table>
<thead>
<tr>
<th>Type of Employment</th>
<th>Full Employment</th>
<th>Part-time Employment</th>
<th>Permanent Contract</th>
<th>Temporary Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,347</td>
<td>9</td>
<td>1,325</td>
<td>31</td>
</tr>
<tr>
<td>Female</td>
<td>2,012</td>
<td>8</td>
<td>2,017</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>3,439</td>
<td>17</td>
<td>3,342</td>
<td>114</td>
</tr>
</tbody>
</table>

Headcount of staff by type of employment and employment contracts as at 31 December 2020 (people)

Staff breakdown by age, total headcount (people)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Below 30</th>
<th>31–40 years</th>
<th>41–50 years</th>
<th>51–55 years</th>
<th>55+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>65</td>
<td>55</td>
<td>69</td>
<td>48</td>
<td>15</td>
</tr>
<tr>
<td>Female</td>
<td>55</td>
<td>69</td>
<td>48</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>124</td>
<td>90</td>
<td>63</td>
<td>18</td>
</tr>
</tbody>
</table>

STAFF APPOINTMENTS

Effective HR policy and a variety of recruitment methods traditionally used at TransContainer keep staffing at a high level of 96.5%.

The staff turnover rate for dismissed employees is steadily decreasing and was 4.6% in 2020.

Total number of employed and dismissed employees in 2020 by age and gender (people)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Below 30</th>
<th>31–40 years</th>
<th>41–50 years</th>
<th>51–55 years</th>
<th>55+ years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>65</td>
<td>55</td>
<td>69</td>
<td>48</td>
<td>15</td>
<td>120</td>
</tr>
<tr>
<td>Female</td>
<td>55</td>
<td>69</td>
<td>48</td>
<td>15</td>
<td>3</td>
<td>124</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>124</td>
<td>90</td>
<td>63</td>
<td>18</td>
<td>391</td>
</tr>
</tbody>
</table>

Staff Turnover Rate (%) GRI 401-1

<table>
<thead>
<tr>
<th>Year</th>
<th>Below 30</th>
<th>31–40 years</th>
<th>41–50 years</th>
<th>51–55 years</th>
<th>55+ years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>4.6</td>
<td>5.9</td>
<td>5.0</td>
<td>4.7</td>
<td>5.3</td>
<td>4.6</td>
</tr>
<tr>
<td>2019</td>
<td>5.3</td>
<td>4.2</td>
<td>4.4</td>
<td>4.5</td>
<td>4.9</td>
<td>4.6</td>
</tr>
<tr>
<td>2018</td>
<td>4.7</td>
<td>4.4</td>
<td>4.5</td>
<td>4.7</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>2017</td>
<td>5.3</td>
<td>4.2</td>
<td>4.4</td>
<td>4.5</td>
<td>4.9</td>
<td>4.6</td>
</tr>
<tr>
<td>2016</td>
<td>5.5</td>
<td>5.0</td>
<td>4.7</td>
<td>4.5</td>
<td>4.9</td>
<td>4.6</td>
</tr>
</tbody>
</table>

In the reporting year, 391 people were dismissed, including:
- resigned – 37.3%;
- retired – 12.5%;
- reduced – 6.6%;
- dismissed as agreed by the parties – 24.3%;
- re-appointed within the Company (to the executive office, from branch to branch) – 6.6%;
- dismissed for violation of labor discipline – 0.3%;
- dismissed for appointment to another employer – 1%;
- took leave to care for children up to 14 years – 0.8%;
- dismissed for health reasons – 0.8%;
- dismissed for reasons not subject to influence (expiration of employment contract, conscription, death of employee, change of residence, decision of the Board of Directors) – 9.2%.
RECRUITMENT POLICY

The main task of recruitment is the timely and proper staffing of the Company’s departments. PJSC TransContainer carefully approaches the selection of candidates using various methods to assess their competence: tests of professional knowledge, tests of skills and potential, motivation questionnaires, interviews with experts. The system of search, recruitment and selection of candidates for work at TransContainer is controlled by local regulations.

When recruiting staff, the Company uses an official website, a corporate portal, specialised recruitment websites in the internet, media, social networks, recruitment agencies.

The heads of divisions take an active part in the professional assessment of candidates and HR decisions making. At HR selection, preference is given to internal candidates, employees included in the talent pool. Thus, the Company expands the career opportunities for the employees.

In 2020, the process of recruitment and hiring was automated, which allowed to switch to electronic paperwork and reduce the terms of the agreement by 1.5 times.

STAFF ONBOARDING

Staff onboarding is one of the components of the candidate selection and hiring process. The success of the probationary period and comfortable adaptation of an employee at new position are the proofs of correct recruitment procedure.

In 2020, the index “quality of staff recruitment and adaptation” was 98%. The index determines the ratio of hired employees and those who successfully passed adaptation process and probationary period being hired in the reporting period, i. e. 98% of employees successfully completed adaptation in 2020.

In 2020, a new service was launched on the intranet portal “Guide to the Company” for new employees, where all useful information, which can be required in the first months of work, was collected. The guide helps new employees to immerse themselves in the culture and atmosphere of PJSC TransContainer from the first day and join the team as quickly as possible.

Breakdown of vacancies closed in 2020 by category (%):

- Senior management: 7%
- Management positions: 19%
- Specialists: 20%
- Workers: 39%
- Unique specialists: 8%

Closed vacancies including internal re-appointments in 2020:
- in the executive office - 150 vacancies;
- in the branches - 210 vacancies.

A total of 360 vacancies were closed by the Company, 60% of them were closed by external candidates and 40% - by internal ones.

YOUTH POLICY OF THE COMPANY

The youth policy is an integral part of working with the HR resource of PJSC TransContainer. In 2020, the Company implemented a number of measures to establish and maintain the status of PJSC TransContainer as an attractive employer supporting the interest of the new generation in the field of rail container transportation, which in the future will become an asset of the Company.

There are activities that have become systemic under the Company’s youth policy: participation of managers of PJSC TransContainer in the state examination commissions of specialised universities, working with students during practical training and mentoring for young specialists, open online meetings with students of specialised universities.

In 2020, PJSC TransContainer took part in the career day of the Russian University of Transport (MIIT). The event was held in a new digital format, more than 70 students took part in the broadcast organised by the Company.

TRAINING AND PROFESSIONAL DEVELOPMENT

GENERAL APPROACH TO STAFF TRAINING AND DEVELOPMENT

- Developing strategic vision and business management skills
- Developing corporate competencies and management skills
- Developing key competencies to promote transformations in the Company
- Developing professional competencies
- Ensuring compliance with the law

Business education

Developing managerial competencies

Short-term educational programmes

The TransContainer Academy

Guidance, coaching, mentoring

Advanced training and developing professional competencies of operational staff. Training of contract students

Compulsory training (in Health and Safety, etc.)
THE TRANSCONTAINER ACADEMY: INTERNAL DISTANCE TRAINING AND TESTING

TransContainer Academy is a modern unified HR platform for adaptation, training and development of employees. Its main goal is to improve the efficiency of the Company’s activities through the creation of a system of continuous training, assessment and development of the staff.

The main task of the TransContainer Academy is to involve managers in the development of their subordinates, and to motivate the subordinates themselves to achieve a common result. A big step within this task was the development of the school of internal coaches. Within the school, the Company selected internal experts and trainers able to provide training of any complexity for the employees of the Company, i.e. to give them functional knowledge and form necessary skills for the work, as well as to inform about the corporate rules adopted in the Company, methods of work and the instruments used.

Internal trainers and experts from among experienced employees and functional managers are actively involved in the creation of a corporate knowledge base. All distance courses in 2020 were developed by means of the Company’s own resources. They reflect the needs and specifics of the business as much as possible.

Electronic courses library of the TransContainer Academy has more than 50 courses in various fields: professional subjects, software, management and personal efficiency. 2020 the TransContainer Academy launched new courses that were completed by more than 500 people.

On the TransContainer Academy platform, employees can undergo professional testing and assess their level of competencies.

In 2020, more than 30 professional tests have been developed, updated and placed:

- tests by profession (rolling stock repair mechanic, crane driver, forklift driver and other working specialties);
- health and safety tests;
- tests on knowledge of business process regulations;
- tests on topic “Services and service procedures of PJSC TransContainer”.

Tests can identify bottlenecks in the knowledge of employees and allow to arrange required training and development programmes. In total, more than 1.9 thousand employees have been tested on professional competences in 2020.

EXTERNAL TRAINING, ADVANCED TRAINING AND RETRAINING

In order to improve the level of professional competence and development of the personal and business qualities of employees, the focus of PJSC TransContainer is on the issues of professional development and systematic updating of the knowledge and skills of the employees at external events - trainings, seminars, specialised conferences. In 2020, 2,375 people upgraded their qualification and participated in external information and consultation activities.

Distribution of Budget Funds in 2020 for Training and Development in the Areas

<table>
<thead>
<tr>
<th>Training area</th>
<th>% of the total budget for training</th>
<th>Quality of trained employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced training and development training</td>
<td>23.91</td>
<td>163</td>
</tr>
<tr>
<td>Delegate training</td>
<td>72.44</td>
<td>2,210</td>
</tr>
<tr>
<td>Receiving the second higher education by employees of the Company, higher education in specialised universities for students</td>
<td>3.65</td>
<td>3</td>
</tr>
</tbody>
</table>

Total training hours (h)

<table>
<thead>
<tr>
<th>Employee category</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>30,516</td>
<td>37,953</td>
<td>37,282</td>
</tr>
<tr>
<td>Specialists</td>
<td>17,597</td>
<td>19,513</td>
<td>18,384</td>
</tr>
<tr>
<td>Workers</td>
<td>36,283</td>
<td>51,515</td>
<td>24,082</td>
</tr>
<tr>
<td>Male</td>
<td>53,835</td>
<td>70,152</td>
<td>50,520</td>
</tr>
<tr>
<td>Female</td>
<td>30,603</td>
<td>29,985</td>
<td>29,228</td>
</tr>
<tr>
<td>Total</td>
<td>86,438</td>
<td>108,997</td>
<td>82,370</td>
</tr>
</tbody>
</table>

Average number of training hours per one employee per year

<table>
<thead>
<tr>
<th>Employee category</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>53.88</td>
<td>57.43</td>
<td>42.08</td>
</tr>
<tr>
<td>Specialists + workers</td>
<td>41.96</td>
<td>51.93</td>
<td>38.82</td>
</tr>
<tr>
<td>Male</td>
<td>59.16</td>
<td>66.50</td>
<td>43.31</td>
</tr>
<tr>
<td>Female</td>
<td>48.56</td>
<td>57.16</td>
<td>36.29</td>
</tr>
<tr>
<td>Total</td>
<td>53.87</td>
<td>61.88</td>
<td>45.13</td>
</tr>
</tbody>
</table>

Investments in the training and development of employees (RUB, thousand)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14,223</td>
<td>24,306</td>
<td>20,920</td>
<td>49,478</td>
<td>6,393</td>
<td>12.92</td>
</tr>
</tbody>
</table>

Corporate Responsibility
STAFF ASSESSMENT

The main goals and objectives of assessing the capacity and professional competencies of employees remain important for maintaining the staffing HR potential of the Company and improving standards of work. The results of the assessment are used for decisions on appointment, displacement of employees, effective planning of training and development activities.

In 2020:
- more than 70 employees were assessed in terms of their leadership and management potential by the method of testing at the formation of the HR reserve.
- Strengths and development zones have been identified; individual development plans have been formed and recommendations for competence development have been made on the basis of the assessment results;
- at hiring/appointment, the procedure of assessing corporate and professional competencies by experts/managers has been carried out – more than 100 candidates have been assessed for compliance with the profile of the position;
- tests are being set up for internal re-appointments to new positions to assess professional competence. More than 100 tests have been automated.

For example, the following courses are prescribed for a new Call centre employee with mandatory testing:
- client-oriented approach;
- service standards and appeal processing systems;
- services and service procedures.

The managers of a new employee include courses and tests in adaptation plans.

1,974 thousand employees have been tested on professional competences in 2020.

INCENTIVES

FINANCIAL INCENTIVES

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

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

Employees’ salaries are set on the basis of an approved staffing schedule and are indexed in accordance with the TransContainer Collective Agreement:
- the salary ranges for managers and specialists are differentiated in view of the complexity and importance of the work functions performed and the importance in the organisational structure of TransContainer’s management;
- workers are paid by hourly rates determined on the basis of the tariff grid of wages.

The bonus system implies payment of remuneration based on the Company’s operating and financial results, as well as employees personal contribution. Bonus payment performances are established in the context of the business units, professions and job positions. We have developed and are continuously improving the scheme which links the bonus amount to the achievement of target KPIs.

To attract and retain qualified staff, the Company pays one-off loyalty bonuses. In addition, in 2020 the wage indexation of 3% for all employees was implemented pursuant to the TransContainer’s Collective Agreement.

CANDIDATES have been assessed for compliance with the profile of the position;
- tests are being set up for internal re-appointments to new positions to assess professional competence. More than 100 tests have been automated.

For example, the following courses are prescribed for a new Call centre employee with mandatory testing:
- client-oriented approach;
- service standards and appeal processing systems;
- services and service procedures.

The managers of a new employee include courses and tests in adaptation plans.

1,974 thousand employees have been tested on professional competences in 2020.

Average Wage in PJSC TransContainer (RUB)

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>116,118</td>
</tr>
<tr>
<td>2019</td>
<td>113,263</td>
</tr>
<tr>
<td>2018</td>
<td>114,649</td>
</tr>
<tr>
<td>2017</td>
<td>100,416</td>
</tr>
</tbody>
</table>

SYSTEM OF BONUSES AND KEY PERFORMANCE INDICATORS

The system of key performance indicators (KPI) is used in the Company and best reflects the extent to which the Company’s management is meeting both short- and medium-term objectives (budget parameters) and achieving the long-term strategic objectives established by the Board of Directors. KPIs are used to assess the performance of management, Branch Directors, as well as managers of TransContainer’s Executive Office and branches.

Assessment of Management and Branch Directors

Target KPIs of the management and branch Directors are set out by the President on the basis of parameters that have been enshrined in the Company’s Development Strategy and budget.

The production and economic activities of the Directors of TransContainer branches are further assessed in accordance with the positions achieved in calculating the rating of TransContainer branches.

The results of the rating are taken into account:
- when deciding whether to rotate branch Directors;
- when distributing the amount of payroll in the event of additional remuneration of branch employees on the results of the year.

Experience with this management approach has shown that the performance system and quarterly monitoring through the TransContainer branch rating are sufficiently effective to improve core production, management and development processes.

SOCIAL GUARANTEES

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

In accordance with the Labour Code of the Russian Federation, the Collective Agreement of PJSC TransContainer applies to all employees of the Company.

All our employees are granted voluntary health insurance policies and can get free medical care at Russia’s best healthcare facilities listed in insurance policies. Also, employees and their families are entitled to partial compensation of their health resort treatment packages and reimbursement of railway tickets.
Retiring employees receive a one-off payment, and our staff can also take advantage of corporate pension plans.

The Company provides financial aid to its employees in specific life circumstances, including hardship payments. There is also a one-off childbirth allowance.

The following social programmes were developed during the year:

**VOLUNTARY HEALTH INSURANCE**

For all employees of the Company there is a voluntary health insurance programme, which includes outpatient and polyclinic care, inpatient care, preventive vaccination, dental care, medical procedures, 24h trauma care, diagnostic research, home care, emergency medical care.

The cost of voluntary health insurance amounted to RUB 49.3 mln in 2020.

**HEALTH RESORT TREATMENT**

Employees of the Company and their families are given vouchers for health resort treatment, as well as vouchers to children’s health camp.

Despite the severe epidemiological situation associated with the spread of the new coronavirus infection, more than 6% of employees benefited from this guarantee in 2020.

In order to prevent the spread of the new coronavirus infection causing COVID-19 disease, TransContainer has carried out the following activities:
- creating a COVID-19 Prevention Commission to promptly address issues and make decisions;
- transferring to remote work for workers not directly involved in the maintenance and operation of hazardous production facilities to ensure compliance with the self-isolation regime;
- providing remote access for employees (for functions implementation) to information resources, software, public information and telecommunications networks, internet, exchange of electronic documents using enhanced qualified electronic signature;
- arranging meetings, negotiations in the format of video conferencing (Zoom);
- arranging approvals for hiring/re-appointment of candidates on-line (Huntflow system);
- posting visual information (a memo on the rules of employees behaviour during the pandemic, notices) on the corporate portal and information panels;
- installing dispensers for sanitary treatment of hands with antiseptic:
- disinfecting rooms,
- providing workers with masks, gloves,
- arranging social distancing in the workplace,
- arranging daily temperature measurements for employees not moved to remote work;
- monitoring the incidence of disease among employees;
- laboratory diagnostics of employees by PCR-based method to detect RNA infectious agent causing COVID-19 disease;
- other activities in accordance with the recommendations of the Federal Service for Surveillance on Consumers Rights Protection and Human Wellbeing.

The cost of the above-mentioned events amounted to RUB 71.6 mln.

**COMPENSATION FOR EXPENSES**

The Company provides compensation for costs of rail travel to and from work, to and from the place of resort. The expenses for compensation for travel amounted to RUB 4.5 thousand per employee in 2020.

**NON-STATE CORPORATE PENSION PLAN**

On the basis of the contract with JSC Blagosostoyanie Non-State Pension Fund, the Company operates a corporate system of non-state pension provision.

The payment of the non-state pension is carried out in accordance with the Regulation on the Non-state Pension Plan for Employees of the Company.

**ENSURING THE ORGANISATION’S LIABILITIES RELATED TO THE DEFINED BENEFIT PENSION PLAN**

The number of unemployed pensioners receiving the corporate pension as at 31 December 2020 is 785 people (48.2% of the total number of unemployed pensioners).

The average corporate pension is RUB 8,492.58.

**EXPENSES FOR SOCIAL PROGRAMMES UNDER THE COLLECTIVE AGREEMENT OF PJSC TRANSCONTAINER IN 2020 (RUB mln)**

<table>
<thead>
<tr>
<th>Social guarantee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary health insurance of employees</td>
<td>49.28</td>
</tr>
<tr>
<td>Health resort treatment for employees and their children</td>
<td>91.84</td>
</tr>
<tr>
<td>Recreational activities of employees’ children (children’s health camps)</td>
<td>3.69</td>
</tr>
<tr>
<td>Compensation for the cost of pre-school institutions for employees’ children</td>
<td>8.15</td>
</tr>
<tr>
<td>Compensation for the cost of travel for employees and their families</td>
<td>14.41</td>
</tr>
<tr>
<td>Payment of allowance for employees on leave to care for children from 1.5 to 3 years</td>
<td>8.04</td>
</tr>
<tr>
<td>Child-birth payment</td>
<td>0.58</td>
</tr>
<tr>
<td>Financial aid due to family circumstances</td>
<td>13.99</td>
</tr>
<tr>
<td>Expenses for social guarantees for unemployed pensioners</td>
<td>4.50</td>
</tr>
<tr>
<td>Total</td>
<td>170.92</td>
</tr>
</tbody>
</table>

**NUMBER OF EMPLOYEES WHO HAVE RETURNED FROM PARENTAL LEAVE TO WORK, AS WELL AS THE EMPLOYEES REMAINING IN THE ORGANISATION AFTER THE PARENTAL LEAVE, BY GENDER, PEOPLE (GDR 401–3)**

<table>
<thead>
<tr>
<th>Employees on maternity and child care leave as at 31.12.2020</th>
<th>Employees on maternity and child care leave during the period from 01.01.2020 to 31.12.2020</th>
<th>Employees back from maternity and child care leave during the period from 01.01.2020 to 31.12.2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Female</td>
<td>Male Female</td>
<td>Male Female</td>
</tr>
<tr>
<td>52 1</td>
<td>14 2</td>
<td>13 10</td>
</tr>
<tr>
<td>188 1</td>
<td>273 0</td>
<td>50 50</td>
</tr>
</tbody>
</table>
In 2020, TransContainer actively developed a system of additional incentives for the best employees. 

**Rewarding the Best Employees**

In 2020, TransContainer actively developed a system of additional incentives for the best employees.

- **Letters of award and acknowledgments**
  - Russian Railways
  - P JSC TransContainer
- TransContainer’s Honorary Employee award
- Acknowledgement of Minister of Transport of the Russian Federation
- Watch with name engraving of the CEO - Chairman of the Management Board of the Russian Railways

**Total** 58

**Non-financial incentives – awards**

<table>
<thead>
<tr>
<th>Award type</th>
<th>Awarded (people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters of award and acknowledgments</td>
<td>54</td>
</tr>
<tr>
<td>P JSC TransContainer</td>
<td>1</td>
</tr>
<tr>
<td>TransContainer’s Honorary Employee award</td>
<td>1</td>
</tr>
<tr>
<td>Acknowledgement of Minister of Transport of the Russian Federation</td>
<td>1</td>
</tr>
<tr>
<td>Watch with name engraving of the CEO - Chairman of the Management Board of the Russian Railways</td>
<td>1</td>
</tr>
</tbody>
</table>

**TRADE UNION ORGANISATIONS**

Almost all (99%) of the Company’s employees are members of the primary trade union organisation under the Russian Trade Union of Railway Workers and Transport Builders (ROSPROFZHEL).

It defends interests of the employees at signing the Collective Agreement and monitors its implementation, liaises with the employer on matters related to workplace discipline, work and rest regime, health, safety and working conditions, increase in real wages, social guarantees provided to employees, their families and unemployed pensioners. The relationship with the employer is based on the principle of social partnership. The social guarantees that are provided to the staff are an instrument to ensure the efficiency of the Company’s work. Every year, the results of the implementation of the Collective Agreement of P JSC TransContainer and the Industry Agreement on rail transport organisations are summed up. In 2020, there were no conflicts over labour obligations and breaches of pay terms.

**In 2020, in conditions of remote work, with the active support of the trade union organisation and the management of P JSC TransContainer, the Company held a number of events in online format:**

- Corporate event - intellectual game “TC-QUIZ” with participation of employees of the branches and executive office, more than 1000 employees were involved;
- TransContainer’s drawings competition for employees’ children for the 75th anniversary of the victory in the Great Patriotic War;
- Actions “Immortal Regiment” and “Kind Doctor Aibolit”;
- Photo contest “On a distance” and creative competition “Our talents”.

In 2020, the tradition of organising New Year parties for children of employees, events for the International Children’s Day, Knowledge Day and giving gifts to first-graders was also continued in the online format.

At the expense of the trade union budget, employees of the Company have the opportunity to receive compensation for the payment of sports clubs or the opportunity to hold sports events (rent of gyms, playgrounds, lanes in swimming pools). The trade union organisation also provides social support for the registration of marriage and the birth of children.

At the request of the trade union organisation, as part of the charity activities, in 2020, the Company provided assistance to families raising disabled children and multi-child families.

**HEALTH AND SAFETY**

P JSC TransContainer’s health and safety system is regulated by labour protection legislation and internal regulations:

- Enterprise Standard STP TK 001-2008 “Health and Safety Management System in P JSC TransContainer”;
- Regulation on Monitoring Health and Safety in P JSC TransContainer;
- Process Regulation RP TK B.17-60-2021 “Work Safety and Environmental Protection in P JSC TransContainer”;
- other local regulations of the executive office and branches of the Company.

**Injury Rates in 2019–2020**

<table>
<thead>
<tr>
<th>Severity</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatal</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Heavy</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Fatat</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Breakdown of Health and Safety Costs (RUB miln)**

<table>
<thead>
<tr>
<th>Use of funds for health and safety activities</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount spent on health and safety activities not considering individual protective equipment</td>
<td>45,022</td>
<td>48,558</td>
</tr>
</tbody>
</table>
| Including:
  - Activities on labour conditions improvement | 27,079 | 30,345 |
  - Activities on injury reduction | 17,944 | 18,193 |
| Individual protective equipment (IPE) | 18,756 | 14,231 |

**Total** 63,800 62,800

In 2020, the Company allocated RUB 62,789 miln to health and safety improvement.

In accordance with the Collective Agreement, TransContainer’s annual health and safety expenses account for at least 0.3% of costs attributable to the cost of revenue. This serves as a basis for the Company’s branches to plan their occupational safety measures. In 2020, health and safety expenses, net of IPE expenses, amounted to RUB 48,558 miln against the annual target of RUB 47,281 miln (around 0.31% of costs attributable to the cost of revenue). The funds were used to purchase hand-held radio units, sets of tools with insulated handles for electric works, fire extinguishers, prohibitory information and mandatory safety signs and fire doors, to measure the insulation resistance of electric equipment, and carry out a number of process control initiatives.
The Company spent RUB 30.365 mln to improve working conditions and prevent occupational diseases (up 12% year-on-year). For better microclimatic conditions, the Company installed heaters, air conditioning systems, ionisers, and window blinds. TransContainer also purchased labour-saving devices to reduce workload and physical effort. As part of its efforts to enhance employee welfare, the Company furnished individual lockers, electrical appliances, and bottled water.

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

As part of preventive measures to avoid the spread of the new coronavirus infection (COVID-19), additional measures were provided to disinfect the premises and purchase individual protective equipment (protective masks, gloves, disinfectant wipes, skin antiseptics for hand treatment, disinfectants).

The Company spent RUB 0.71 mln, including the purchase of state-of-the-art tools, machines, and other production equipment.

The following regulations were developed in 2020:

- Regulation on Behavioural Safety Audit (BSA) has been developed and put into effect. The BSA system is new to the Company. The aim of the system is to create a culture of conscious safety among employees and prevent industrial injuries, accidents and incidents at container terminals.
- work has been carried out to assess the operational risks of key professions at the container terminals of Ekaterinburg-Tovarniy Station and Chelyabinsk-Gruzovoi, with the involvement of experts of the specialised organisations; the Regulation on System of Assessment and Management of Professional Risks has been developed and approved.
- Pursuant to the Collective Agreement and the special assessment results, employees exposed to harmful and/or hazardous environment factors receive compensations. The employees get bonuses in addition to standard wages and extra leave days.

The main principles of the Company’s environmental activities are:

- ensuring compliance of the Company’s activity with the Constitution of the Russian Federation, federal laws and other regulations of the Russian Federation, international regulations governing environmental protection and sustainable use of natural resources, and strict compliance with the rules intended to ensure personnel, community and environment safety by all employees;
- constantly improving and enhancing our environmental performance and environmental management system;
- prioritising activities set to reduce the impact of hazardous operations on people and the environment;
- staying alert and taking immediate action to prevent and manage any environmental accidents, incidents, occurrences, disasters or other emergencies;
- taking a consistent and holistic approach to ensuring environmental safety.

The following regulations were developed in 2020:

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

Since 1 January 2016, 64% of the Company’s road vehicles use Euro-5 fuel, ensuring reduced harmful air emissions.

In 2019, PJSC TransContainer was certified for compliance of the environmental management system for transportation and logistics services for delivery and freight forwarding of cargo with requirements of GOST R ISO 14001-2016 (ISO 14001:2015). The registration number of the Compliance Certificate is OLIMP-RU.0001. C000090 dated 26 July 2019. In 2020, the auditor of the certification body decided to confirm the effect of this Certificate of Compliance of the Environmental Management System based on the inspection audit.

TRAINING AND ASSESSMENT

To prevent workplace injuries, PJSC TransContainer organises annual scheduled training for managers and specialists. In 2020, 279, 57 and 49 people were trained in occupational, industrial and electrical safety, respectively, with approximately RUB 2.4 mln allocated for the purpose.

In 2020, the Company conducted a special assessment of working conditions at 19 workplaces across the Company’s branch offices.

Working conditions at 83 workplaces have been improved. The costs for improvement of working conditions at workplaces with harmful factors amounted to RUB 0.71 mln, including the purchase of state-of-the-art tools, machines, and other production equipment.

Also, we installed new air filters and air conditioning systems to improve the microclimate in our premises.

As part of the planned health and safety activities, the following pilot projects/activities have been implemented in the Ural branch:

- Regulation on Behavioural Safety Audit (BSA) has been developed and put into effect. The BSA system is new to the Company. The aim of the system is to create a culture of conscious safety among employees and prevent industrial injuries, accidents and incidents at workplaces with harmful factors. The costs for improvement of working conditions at 19 workplaces across the Company’s branch offices.
- Assessments of working conditions at 83 workplaces have been improved. The costs for improvement of working conditions at workplaces with harmful factors amounted to RUB 0.71 mln, including the purchase of state-of-the-art tools, machines, and other production equipment.
- As part of preventive measures to avoid the spread of the new coronavirus infection (COVID-19), additional measures were provided to disinfect the premises and purchase individual protective equipment (protective masks, gloves, disinfectant wipes, skin antiseptics for hand treatment, disinfectants).

ENVIRONMENTAL PROTECTION

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

Breakdown of expenses for environmental measures in the container terminals of PJSC TransContainer (RUB thousand)

<table>
<thead>
<tr>
<th>Target area (terminal)</th>
<th>Event</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gorky Branch</td>
<td>Construction of rain storm sewers</td>
<td>2,200.0</td>
</tr>
<tr>
<td>North Caucasus Branch</td>
<td>Measuring pollutants at emission sources</td>
<td>40.5</td>
</tr>
<tr>
<td></td>
<td>Waste certificates of I–IV hazard classes have been developed</td>
<td>47.0</td>
</tr>
<tr>
<td></td>
<td>Projects of emission limits have been developed</td>
<td>55.0</td>
</tr>
<tr>
<td>Rostov-Tovarny, Skachki, Vladikavkaz, Krasnodar</td>
<td>Maintenance (pothole repair) of the asphalt road pavements</td>
<td>830.5</td>
</tr>
<tr>
<td>Krasnoyarsk branch</td>
<td>The Company set up temporary sites for waste storage</td>
<td>27.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,200.0</td>
</tr>
</tbody>
</table>

In the West Siberian branch, amount of RUB 1 mln for the design and exploration work on the reconstruction of the building of mechanical workshops of the container terminal Kleshchyha is planned to switch from diesel heating to gas.

Breakdown of environmental expenditures in 2020 (RUB thousand)

<table>
<thead>
<tr>
<th>Field</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste management and emission treatment</td>
<td>29.0</td>
</tr>
<tr>
<td>Environmental impact prevention</td>
<td>3,030.5</td>
</tr>
<tr>
<td>Third party services for environmental management system</td>
<td>40.5</td>
</tr>
<tr>
<td>Total</td>
<td>3,200.0</td>
</tr>
</tbody>
</table>

Environmental expenditures in 2020 (RUB mln)

<table>
<thead>
<tr>
<th>Period</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.20</td>
</tr>
<tr>
<td>2019</td>
<td>6.00</td>
</tr>
<tr>
<td>2018</td>
<td>28.32</td>
</tr>
</tbody>
</table>

Currently, all branches are complying with the legislation of the Russian Federation in the field of environmental protection. Significant capital investments and investment costs were not provided.

SOLID WASTE

In 2020:
- In accordance with Article 1 of the Federal Law of the Russian Federation No. 89-FZ date 04 June 1998 “On Production and Consumption Wastes”, the Company executed temporary storage of waste in places (on sites) arranged in accordance with the requirements of the legislation of the Russian Federation in the field of environmental protection and legislation of the Russian Federation in the field of sanitary and epidemiological welfare of the population, in order to use, dispose, locate, transport them later;
- in accordance with Clauses 4 and 5 of Accounting Procedure in Terms of Wastes approved by the order of the Ministry of Natural Resources and Environment of the Russian Federation, the Company kept records in the field of waste management based on actual measurements of the amount of waste used, disposed, transferred to others or received from others. All types of wastes of I-V hazard classes generated, used, disposed, transferred to others or received from others, as well as those placed during the Company’s operations during the accounting period are to be accounted;
- in accordance to Clause 20 of the Accounting Procedure the Company has ensured the completeness, continuity and reliability of the accounting of the waste generated, used, disposed, transferred to others or received from others, as well as the waste placed.

WASTE BY TYPE AND TREATMENT METHOD GRI 306-2

<table>
<thead>
<tr>
<th>Hazard class</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0.50</td>
</tr>
<tr>
<td>II</td>
<td>27.8</td>
</tr>
<tr>
<td>III</td>
<td>19.21</td>
</tr>
<tr>
<td>IV</td>
<td>649.00</td>
</tr>
<tr>
<td>V</td>
<td>5,144.71</td>
</tr>
<tr>
<td>Total</td>
<td>5,727.21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treatment method</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-used</td>
<td>0.18</td>
</tr>
<tr>
<td>Disposed</td>
<td>0.60</td>
</tr>
<tr>
<td>Transferred to others</td>
<td>5,806.74</td>
</tr>
<tr>
<td>Received from others</td>
<td>0.00</td>
</tr>
<tr>
<td>Placed on a landfill</td>
<td>0.00</td>
</tr>
</tbody>
</table>
ENERGY EFFICIENCY

In 2020, the Company conducted a wide-over analysis of energy sources rational use. The terminals were measured in terms of the light standards of container sites and insulation resistance of electrical installations, equipment and buildings. The discrepancies identified have been corrected.

Due to the pandemic, energy consumption decreased compared to 2019. Thus, consumption of electricity decreased by 9%, gasoline - by 43%, heat - by 66%, which in monetary terms amounted to about RUB 24 mln.

Energy consumption in 2020

<table>
<thead>
<tr>
<th>Energy type</th>
<th>Physical volume</th>
<th>Volume in monetary terms (RUB thousand)</th>
<th>Volume (tons of equivalent fuel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, total (thousand kW • h)</td>
<td>15,681.51</td>
<td>76,222.15</td>
<td>1,928.83</td>
</tr>
<tr>
<td>Diesel fuel (tons)</td>
<td>3,400.18</td>
<td>149,785.10</td>
<td>4,930.26</td>
</tr>
<tr>
<td>Petrol (tons)</td>
<td>109.75</td>
<td>5,093.29</td>
<td>163.53</td>
</tr>
<tr>
<td>Natural gas (thousand m3)</td>
<td>53.63</td>
<td>888.87</td>
<td>61.89</td>
</tr>
<tr>
<td>Heat (Gcal)</td>
<td>9,712.53</td>
<td>38,100.39</td>
<td>1,388.89</td>
</tr>
</tbody>
</table>

Energy savings in 2020

<table>
<thead>
<tr>
<th>Energy type</th>
<th>Physical volume</th>
<th>Volume in monetary terms (RUB thousand)</th>
<th>Volume (tons of equivalent fuel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, total (thousand kW • h)</td>
<td>404.17</td>
<td>1,715.26</td>
<td>49.71</td>
</tr>
<tr>
<td>Diesel fuel (tons)</td>
<td>33.08</td>
<td>1,455.06</td>
<td>47.96</td>
</tr>
<tr>
<td>Petrol (tons)</td>
<td>8.54</td>
<td>344.79</td>
<td>12.73</td>
</tr>
<tr>
<td>Natural gas (thousand m3)</td>
<td>5.15</td>
<td>32.14</td>
<td>5.94</td>
</tr>
</tbody>
</table>

REMOTE TERMINAL MONITORING

In order to increase fuel control in some of the Company’s branches (Kuibyshev, West Siberian, East Siberian), as well as in the executive office, remote monitoring of vehicles is provided. The system of vehicles remote monitoring is used for a more efficient and seamless operation of vehicles – from dispatch and traffic to fuel consumption control. Smart vehicle route planning and installation of fuel level sensors translate into a significant reduction in empty mileage and fuel consumption. At the moment, the project of introducing the unified system of monitoring of the Company’s main assets (vehicles, stackers, gas stations, diesel generators) in the amount of 193 units is under agreement.

SOCIAL ACTIVITIES

PJSC TransContainer is involved in the charity activities to support vulnerable social groups and improve the living standards in general.

Charity System Management

Key elements of this charitable programme include:
- focus on long-term projects;
- targeting of assistance;
- transparency;
- monitoring the targeted use of aid funds;
- cooperation with authorities, businesses and charitable non-profit organisations.

Focus areas for the charity support provision:
- assistance for children;
- sports and healthy lifestyle promotion;
- preservation of Russia’s cultural heritage;
- aid to victims of emergencies;
- support to the employees and their families.

In 2020, expenses for charitable activities amounted to RUB 292.5 MLN, including the following areas of assistance.
Charitable Expenses in 2020

<table>
<thead>
<tr>
<th>Charity area</th>
<th>Description an area for the charity support provision</th>
<th>Amount (RUB mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry charitable programmes</td>
<td>Charity events together with the Company’s shareholders</td>
<td>54.2</td>
</tr>
<tr>
<td>Sports support</td>
<td>Support of sports non-commercial organisations</td>
<td>177.0</td>
</tr>
<tr>
<td>Employees support</td>
<td>Providing charitable assistance to employees raising children with disabilities; for expensive treatment for them and their family members; assisting the veterans of the Great Patriotic War</td>
<td>6.3</td>
</tr>
<tr>
<td>Implementation of the TransContainer for</td>
<td>Providing charitable assistance for the treatment of children to individuals, children social and medical institutions, children sports schools, for treatment of children through charitable foundations.</td>
<td>55.0</td>
</tr>
<tr>
<td>Children charitable programme</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>292.5</strong></td>
</tr>
</tbody>
</table>

Key Projects in 2020

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount (RUB mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable assistance for the development of the travel and recreational</td>
<td>31.8</td>
</tr>
<tr>
<td>cluster in Kronstadt, “Land of Forts”</td>
<td></td>
</tr>
<tr>
<td>Donation for the purchase of individual protective equipment for the</td>
<td>5.0</td>
</tr>
<tr>
<td>employees of the Federal State Budjetary Institution “National Medical</td>
<td></td>
</tr>
<tr>
<td>Research Center of Surgery named after A. Vishnevsky”</td>
<td></td>
</tr>
<tr>
<td>Helping the Autonomous Non-profit Organisation “Capital Handball</td>
<td>177.0</td>
</tr>
<tr>
<td>Development Centre” to realize the goals and objectives of promoting</td>
<td></td>
</tr>
<tr>
<td>sport</td>
<td></td>
</tr>
<tr>
<td>Charitable assistance to the State Budjetary Institution of Moscow</td>
<td>16.5</td>
</tr>
<tr>
<td>“Stanislavsky and Nemirovich-Danchenko Moscow Academic Music Theatre” to</td>
<td></td>
</tr>
<tr>
<td>implement the planned projects aimed at preserving and developing</td>
<td></td>
</tr>
<tr>
<td>Russia’s cultural heritage</td>
<td></td>
</tr>
<tr>
<td>Providing charitable assistance to the Company’s employees, their</td>
<td>6.3</td>
</tr>
<tr>
<td>families, unemployed pensioners, veterans of the Great Patriotic War</td>
<td></td>
</tr>
<tr>
<td>and workers of the home front</td>
<td></td>
</tr>
<tr>
<td>Implementation of the TransContainer for Children charitable programme</td>
<td>55.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>292.5</strong></td>
</tr>
</tbody>
</table>

**TRANSCONTAINER FOR CHILDREN**

In line with the long-term targeted charitable programme TransContainer for Children, the Company provides sponsorship to children’s social and healthcare institutions, sports schools and clubs, and supports physically disabled children with serious health problems.

The programme was launched in 2015, and RUB 200 mln were allocated for the implementation of the programme’s projects.

**Key Lines of the Programme:**
- education, science, culture, art, spiritual development;
- patriotic and moral education among children and young people;
- preventative measures and protection of children’s health;
- promoting children’s healthy lifestyle, physical education and sports;
- providing social rehabilitation assistance to orphans, disabled and disadvantaged children, and children without parental care.

**HANDBALL**

Since 2020, TransContainer has been a sponsor of CSKA men’s and women’s handball clubs. For many years, there were no professional handball clubs in Moscow, and thanks to the initiative and support of Delo Group, handball returned to the capital in 2018-2019. Now the clubs successfully conduct in the Russian arena taking leading positions in the national championship and representing Russia in the main European competitions.

In the 2020/2021 season, the CSKA women’s handball club participates for the first time in the most prestigious club tournament in Europe – DELO EHF Champions League, where it shows excellent results. CSKA players in the national teams represent our country at the World, European and Olympic Games.

Sponsorship contributes to the development and promotion of handball and sports in Russia, and a healthy lifestyle in general. Employees of the Company can attend CSKA home matches for free.

«We have always focused on the development of sports - children’s and professional. Team spirit is one of the core values of our corporate culture. Since 2015, Delo Group has been supporting handball. During this time we managed to restore the audience’s interest in this wonderful sport. Handball is back on TV screens, and judging by the ratings, the audience is expanding. The creation of the CSKA women’s and men’s clubs in Moscow is a great achievement: we have revived handball in the capital with a great potential for development. We appreciate the strong performance of our teams in the Russian and international competitions. Each member of the Group contributes to the overall victories.»

Chairman of the Board of Directors of TransContainer
S.Shishkarev

«Team sport is the perfect embodiment of collaboration, which is vital not only in sports, but also in business. Handball is a beautiful, dynamic and promising sport. Our shareholders pay great attention to its development, and we decided to support them in this. We believe that the prospects of this sport in our country will only improve, we hope that with our help.»

President of TransContainer
A. Isurins
Effective solutions

Information and analytical support for making management decisions
The Company’s corporate governance system takes into account the recommendations outlined in the Corporate Governance Code approved by the Bank of Russia’s Board of Directors on 21 March 2014, and the global best practices in corporate governance, including the OECD Principles of Corporate Governance. It relies on the following concepts:

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

The key change in the Company’s corporate governance system in 2020 was the consolidation of 100% of the Company’s shares by Delo Group1. For more details on the transaction with Delo Group see p. 106–107 and p. 149.

Despite the changes in the shareholding structure, the Company remains committed to the best applicable corporate governance practices. In particular, during 2020 the following has been implemented:

- the revised version of the Charter of the Company, as well as internal documents regulating the activities of the Company’s governance bodies were approved by the extraordinary general meeting of shareholders (Minutes No. 43 dated 30 April 2020)²; 
- Regulation on Procurement; 
- Regulation on the Company’s Management Board; 
- Regulation on the sole executive bodies of the Company.

The Board of Directors approved the following internal regulations³,
- Regulation on Procurement; 
- Regulation on Incentives for the Management; 
- Regulation on the Internal Audit Service; 
- Regulation on Charity; 
- Regulation on Information Policy.

The Regulation on Assessment of Performance of the Board of Directors and committees of the Board of Directors of TransContainer and the Corporate Governance Code provide for an annual self-assessment of the Board of Directors and its committees conducted in the form of questionnaires of the Board members and committee members, and every three years – an independent external assessment.

In addition, the Company’s Internal Audit Service conducts an internal assessment of the corporate governance system.

The level of actual implementation of the recommendations of the Corporate Governance Code by the Company is reflected in the Annual Report, which is approved by the Board of Directors as Appendix (see Appendix “Report on Compliance with the Corporate Governance Code Included in the TransContainer’s Annual Report” on page 233). Compliance with the Corporate Governance Code approved by the Bank of Russia.

### Compliance with the Corporate Governance Code

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder rights and equal conditions for shareholders in exercising their rights</td>
<td>13</td>
<td>11</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Board of Directors, competence, independence, committees of the Board of Directors</td>
<td>36</td>
<td>29</td>
<td>31</td>
<td>23</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Corporate Secretary</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The remuneration system for members of the Board of Directors, executives bodies and other key employees</td>
<td>10</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Risk management and internal control system</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Disclosure of information about the Company, information policy</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Significant corporate actions</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>65</td>
<td>67</td>
<td>59</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
</tbody>
</table>

---

1 For more details on the transaction with Delo Group see p. 106–107 and p. 149.
2 The revised documents are available on the Company’s website at: [https://transcont.com/investor-relations/charter-and-bylaws](https://transcont.com/investor-relations/charter-and-bylaws)

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**Corporate Governance System**

**Corporate Governance Quality**

**Compliance with the Corporate Governance Code**

The Regulation on Assessment of Performance of the Board of Directors and committees of the Board of Directors of TransContainer and the Corporate Governance Code provide for an annual self-assessment of the Board of Directors and its committees conducted in the form of questionnaires of the Board members and committee members, and every three years – an independent external assessment.

In addition, the Company’s Internal Audit Service conducts an internal assessment of the corporate governance system.

The level of actual implementation of the recommendations of the Corporate Governance Code by the Company is reflected in the Annual Report, which is approved by the Board of Directors as Appendix (see Appendix “Report on Compliance with the Corporate Governance Code Included in the TransContainer’s Annual Report” on page 233). Compliance with the Corporate Governance Code approved by the Bank of Russia.
In 2020, the Company changed the assessment of the implementation of certain principles.

<table>
<thead>
<tr>
<th>Corporate governance principle</th>
<th>Status of compliance with the corporate governance principle in 2020</th>
<th>Explanations of deviations from the criteria for compliance with the corporate governance principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.1</td>
<td>Partially compliant</td>
<td>Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company’s Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company’s Board of Directors for 2020/2021 corporate year is scheduled for 2021.</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Not compliant</td>
<td></td>
</tr>
<tr>
<td>2.3.4</td>
<td>Not compliant</td>
<td></td>
</tr>
<tr>
<td>2.5.2</td>
<td>Not compliant</td>
<td></td>
</tr>
<tr>
<td>2.6.3</td>
<td>Partially compliant</td>
<td></td>
</tr>
<tr>
<td>2.8.4</td>
<td>Not compliant</td>
<td></td>
</tr>
<tr>
<td>2.9.1</td>
<td>Not compliant</td>
<td></td>
</tr>
<tr>
<td>2.9.2</td>
<td>Not compliant</td>
<td>In 2020, the Company’s Board of Directors included four independent directors. By the decision of the sole shareholder dated 25 November 2020, a new Board of Directors of the Company was elected. It included two members of the Board of Directors meeting the criteria of independence. An independent assessment of the quality of the Board of Directors’ work is stipulated by internal documents (the Regulation on Assessment of Performance of the Board of Directors and committees of the Board of Directors of PJSC TransContainer). The assessment was planned for 2020, but due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company’s Board of Directors before the end of the corporate year, as well as the introduction of epidemiological restrictions in the Company, the assessment has not been carried out.</td>
</tr>
</tbody>
</table>

### INDEPENDENT ASSESSMENT

An independent corporate governance assessment is implemented every three years. According to the results of the latest assessment conducted in 2019 by the Russian Institute of Directors, the Company was assigned with a 7+ rating – “Developed Corporate Governance Practice”. This means complying with the Russian corporate governance legislation and following a significant number of recommendations of the Russian Corporate Governance Code. The Company has negligible shareholders’ loss risks associated with the quality of corporate governance.¹

### INTERNAL ASSESSMENT

The Company’s Internal Control and Audit Service regularly conducts corporate governance quality assessment in accordance with the Procedure for Corporate Governance Quality Self-Assessment in Companies with Government Participation developed by the Federal Agency for State Property Management. In 2020, the assessment of corporate governance quality decreased to 88% against 89% year-on-year due to the Board of Directors component. This decrease is associated with the organisational and structural changes that occurred in the Company in 2020.

### Assessment of the Corporate Governance Quality in 2020

<table>
<thead>
<tr>
<th>Components</th>
<th>Number of items in overall assessment</th>
<th>Weight of component</th>
<th>Actual score</th>
<th>Maximum score</th>
<th>Compliance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder rights</td>
<td>12</td>
<td>26</td>
<td>73</td>
<td>79</td>
<td>92</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>56</td>
<td>37</td>
<td>162</td>
<td>202</td>
<td>80</td>
</tr>
<tr>
<td>Executive management</td>
<td>5</td>
<td>7</td>
<td>36</td>
<td>38</td>
<td>95</td>
</tr>
<tr>
<td>Transparency and information disclosure</td>
<td>15</td>
<td>25</td>
<td>125</td>
<td>135</td>
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<tr>
<td>Risk management, internal control, and internal audit</td>
<td>16</td>
<td>11</td>
<td>62</td>
<td>63</td>
<td>98</td>
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<tr>
<td>Corporate social responsibility, ethics</td>
<td>6</td>
<td>6</td>
<td>23</td>
<td>31</td>
<td>74</td>
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<tr>
<td>Overall assessment</td>
<td>120</td>
<td>100</td>
<td>481</td>
<td>548</td>
<td>88</td>
</tr>
</tbody>
</table>

The results of all conducted corporate governance quality assessments are reviewed by the Audit Committee of the Company and used by the Company to determine the key steps for further improvement in this area.

### GOVERNANCE AND OVERSIGHT STRUCTURE

- **General meeting of shareholders**
- **President and Director/Management Board**
- **Corporate Secretary**
- **Board of Directors**
- **Audit Committee**
- **Strategy Committee**
- **Nominations and Remuneration Committee**
- **Internal Control and Audit Service**

On 10 April 2020, Delo-Center LLC acquired the right for 13,844,902 Shares of TransContainer, which amounted to 99,641,045% of the issuer’s share capital.

On 1 June 2020, the Company received a request to repurchase the Company’s Shares from Delo-Center LLC (TransContainer’s shareholder).

The repurchase request met all the requirements of the current legislation.

The Board of Directors estimated the purchase price of RUB 8,679.52 per Share of TransContainer given in the repurchase request as reasonable and compliant to Clause 4 of Article 84.8 of the Law On Joint-Stock Companies, in particular:

• the proposed price of the Shares repurchased on the basis of the repurchase request exceeded the market value of the Shares repurchased as defined by the appraiser. The market value of one Share of 100% stake in PJSC TransContainer as at 31 March 2020 according to the Report was RUB 7,666 per Share;

• the proposed price of the Shares repurchased on the basis of the repurchase request is not lower than the price, at which the Shares were purchased based on the mandatory offer, which resulted in LLC Deal-Center owning more than 95% of the total number of TransContainer Shares;

• the proposed price of the Shares repurchased on the basis of the repurchase request is not lower than the highest price, at which Delo-Center LLC and its affiliates purchased or committed to purchase the Shares after the expiry of the mandatory offer, which resulted in Deal-Center LLC owning more than 95% of the total number of TransContainer Shares.

HOLDING GENERAL MEETINGS OF SHAREHOLDERS

Traditionally, at the general meeting, shareholders have the opportunity to meet members of the Company’s management and supervisory bodies and ask them questions. PJSC TransContainer is among the first businesses in Russia to have adopted telecommunications solutions to provide remote access for shareholders wishing to attend general meetings (streamed live on the official internet website) During webcasting the shareholders have an opportunity to ask questions in real time.

In 2020, due to the unfavourable epidemiological situation in Moscow, the annual general meeting of shareholders was held in the form of absentee voting with ballots. Since 2010, the Company’s registrar, Registrar Society STATUS, Joint-Stock Company (STATUS), has been acting as the counting board during general meetings of shareholders.

On 12 August 2020, Delo Center LLC repurchased the Company’s securities in accordance with the Article 84.8 of the Law On Joint-Stock Companies by buying 0.358955% of the shares from minority shareholders, thereby increasing its shareholding in the Company from 99.641045 to 100%.

Payments for ordinary shares represented by the GDRs were transferred and received by the Bank of New York Mellon (BNY Mellon), the depository under the Company’s global bank receipts program, as a registered holder of ordinary shares represented by the GDRs. According to the report of BNY Mellon’s announcement, which came into force on 26 August 2020, the holders of the GDRs of PJSC TransContainer were obliged to transfer their GDRs to BNY Mellon for cancellation and exchange, and the GDR holders in brokerage accounts were to automatically exchange their GDRs for cash. BNY Mellon also notified the holders of the TransContainer’s GDRs that the agreement between BNY Mellon and the GDR holders was immediately terminated. BNY Mellon closed the account books for all transactions.

SHAREHOLDER RIGHTS

As in previous years, in 2020, the Company adhered to the current information policy and best practices in respecting shareholder rights. The approaches and principles of their implementation in this period are described in the 2019 Annual Report published on the Company’s website:https://trcont.com/ru/investor-relations/reporting/annual-reports/

The most pressing issue for the next phase was securing the rights of shareholders during the share repurchase of ordinary registered uncertified shares (hereinafter – Shares) of the Company.

On 15 January 2020, the Company received a mandatory offer from Delo-Center LLC (shareholder of TransContainer) to acquire 6,947,387 ordinary registered uncertified shares (hereinafter – Shares) of the Company.

The repurchase request met all the requirements of the current legislation.

On 12 August 2020, Delo-Center LLC completed a 100% consolidation of TransContainer, therefore, all decisions that fall within the competences of the general meeting of shareholders are taken by the sole shareholder and issued in writing.

For additional information about the transaction see Section “Equity and Securities”. 
GENERAL MEETINGS OF SHAREHOLDERS IN 2020

In 2020, one annual general meeting of shareholders and five extraordinary general meetings of shareholders (two of them in the form of a sole shareholder decision) were held1.

Matters discussed at general meetings of shareholders in 2020

<table>
<thead>
<tr>
<th>Meeting format</th>
<th>Date</th>
<th>Discussed matters</th>
<th>Quorum (%)</th>
</tr>
</thead>
</table>
| Extraordinary general meeting of shareholders in the form of absentee voting with ballots | 26.03.2020       | 1. On the early termination of the powers of the members of the Company’s Board of Directors  
2. On the election of members of the Company’s Board of Directors | 99.579     |
| Extraordinary general meeting of shareholders in the form of absentee voting with ballots | 26.03.2020       | 1. On the early termination of the powers of the members of the TransContainer’s Revision Commission  
2. On the election of members of the TransContainer’s Revision Commission | 50.000014 |
| Extraordinary general meeting of shareholders in the form of absentee voting with ballots | 30.04.2020       | 1. Approval of the revised Charter of the Company  
2. Approval of an internal document regulating the performance of the Company’s governance body (Regulation on the Company’s Board of Directors)  
3. Approval of an internal document regulating the performance of the Company’s governance body (Regulation on the Company’s Management Board)  
4. Approval of an internal document regulating the performance of the Company’s governance body (Regulation on the Sole Executive Bodies of the Company) | 99.6440 |
| Annual general meeting of shareholders in the form of absentee voting with ballots | 14.05.2020       | 1. Approval of PJSC TransContainer’s annual accounting (financial) statements of 2019  
2. Approval of PJSC TransContainer’s Annual Report of 2019  
3. Distribution of the Company’s profits and losses as per the results of the reporting year 2019  
4. Payment (announcement) of dividends as per the results of the reporting year 2019  
5. On revision of the Regulation on Payment of Remuneration and Compensation to the Members of TransContainer’s Board of Directors  
6. Payment of remuneration and compensation to the members of the Company’s Board of Directors  
7. Payment of remuneration and compensation to the members of the Company’s Revision Commission  
8. On the approval of the auditor of PJSC TransContainer for 2020  
9. On the accession of TransContainer to the Russian Association of Freight Forwarding and Logistic Organizations  
10. On the termination of TransContainer’s membership in the Association of Commercial Sea Ports  
11. On the election of members of the TransContainer’s Board of Directors  
12. On the election of the TransContainer’s Revision Commission | 99.6441 |

1 The competence of the Board of Directors is defined in the Company’s Charter. The TransContainer’s Charter is available on the Company’s website: https://trcont.com/investor-relations/charter.
INDEPENDENT DIRECTORS AND THEIR ROLE

Independent directors use their knowledge, experience and qualification to bring an independent view to the work of the Board of Directors. The Company highly values the contribution they make to improving the efficiency of the Board of Directors.

The Board of Directors analyses the Directors’ compliance with the independence criteria on an annual basis. This item is first reviewed by the Nominations and Remuneration Committee, which then submits its opinion on each Director’s compliance with the independence criteria to the Board of Directors.

Despite changes in the shareholder structure, TransContainer remains a public company, and its securities are admitted to trading on the Moscow Exchange. When deciding on the independence of the members of the Board of Directors, the Board of Directors and the Nominations and Remuneration Committee are guided by the criteria for determining independence established in the Listing Rules of the Moscow Exchange, as well as in the Corporate Governance Code of the Bank of Russia, recommended for use by joint stock companies by the letter of the Bank of Russia No. 06–52/2463 dated 10 April 2014.

INDUCTION

Since 2013, the Company has been implementing the Induction Programme for newly elected members of the Board of Directors.

Due to the significant renewal of the Company’s Board of Directors in 2020, the quality and timeliness of the preparation and conduct of the induction course was of particular importance.

As part of the induction course, the following activities were carried out:
- meetings with the Chairman of the Board of Directors and the executive bodies of the Company;
- acquaintance with the key managers of the Company;
- visiting of the Company’s office;
- the management gave a presentation on the core business lines of the Company (strategic development, corporate governance, financial statements, operations, management incentives, risk management system, information technologies, terminal complex development strategy and other key focus areas of the Company);
- all members of the Company’s Board of Directors were provided with key internal documents of the Company, both on paper and electronic media.

The induction course facilitated the rapid involvement of newly elected members of the Board of Directors in the work, their immersion in the specifics of the Company’s business, as well as the creation of effective communications between the Board of Directors and the Company’s management.

MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors is comprised of 11 members. The members of the Board of Directors are elected by the general meeting of shareholders for a period extending until the next annual general meeting of shareholders. The Chairman and the Deputy Chairman are elected by the members of the Board of Directors in accordance with Clause 171 of the TransContainer’s Charter.

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

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

<table>
<thead>
<tr>
<th>Full name</th>
<th>Industry experience</th>
<th>Finance, economics, audit</th>
<th>Strategy</th>
<th>Risk management</th>
<th>Corporate governance and legal matters</th>
<th>Transport and logistics (industry-specific)</th>
<th>HR management</th>
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<tr>
<td>I. Shcherbakov</td>
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</tbody>
</table>
Sergey Shishkarev  
Non-Executive Director, Chairman of the Board of Directors, Member of the Strategy Committee

Born: 1968  
Education: The Military Red Banner Institute of the Ministry of Defence of USSR, Russian Academy of Public Administration under the President of the Russian Federation, Doctor of Law

Elected three times to the State Duma of the Russian Federation (third - fifth convocations). Author of more than 50 bills, in the fifth convocation - served as Chairman of the Transport Committee.

In 1993 - established Delo Group. Since 2014 - President and Member of the Board of Directors of Delo Group and several companies that are part of Delo Group.

Since 2015 - Head of the Handball Federation of Russia.

In 2020, after the consolidation of shares of PJSC TransContainer, he was elected Chairman of the Company’s Board of Directors.

Since 2021 - Member of the Government Commission on Transport.

Citizenship: Russian Federation

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

Petr Baskakov  
Non-Executive Director, Deputy Chairman of the Board of Directors, Deputy Chairman of the Strategy Committee, Member of the Nominations and Remuneration Committee

Born: 1961  
Education: Moscow State University of Railway Engineering. A PhD degree in Technology


Since 2018 - Head of the Board of Directors of FVKS LLC.

Since 2019 - Advisor to the President of LLC Management Company Delo, and also since 2019 – Member of the Boards of Directors of several companies that are part of Delo Group.

Since 2020 – Member of the Board of Directors of TransContainer.

Citizenship: Russian Federation

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

Ivan Besedin
Non-Executive Director, Member of the Strategy Committee, Member of the Nominations and Remuneration Committee

Born: 1954  
Education: Moscow State University of Railway Engineering. A PhD degree in Technology, Assistant Professor

1976 –1985 - worked at Moscow State University of Railway Engineering.

1985 – 1999 - rose through the ranks in the Ministry of Railways from chief expert to First Deputy Minister.


2011 – 2014 – Head of the Moscow Metro.


Since 2019 – Advisor to the President of LLC Management Company Delo, and also since 2019 – Member of the Boards of Directors of several companies that are part of Delo Group.

Since 2020 – Member of the Board of Directors of TransContainer.

Citizenship: Russian Federation

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

Vladimir Bychkov  
Non-Executive Director, Member of the Strategy Committee, Member of the Audit Committee

Born: 1968  
Education: Dzerzhinsky Higher School of the KGB of USSR, Finance Academy under the Government of the Russian Federation

2000–2003 – Deputy CEO, Delo LLC.  
2010–2014 - President, RUSCON.  
2014–2020 – CEO of several companies that are part of Delo Group.

2018–2020 – CEO, Global Ports Management LLC.

Since 2020 – Vice-President of MC Delo LLC and Member of the Board of Directors of TransContainer.

Citizenship: Russian Federation

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

1 According to the resolution of TransContainer’s Board of Directors dated 02 April 2021 (Minutes No. 26), he was elected Chairman of the Audit Committee of TransContainer.

According to the resolution of TransContainer’s Board of Directors dated 02 April 2021 (Minutes No. 26), he was elected Chairman of the Audit Committee of TransContainer.
Corporate Governance

Sergey Gushchin

Independent Member of the Board of Directors, Member of the Strategy Committee, Member of the Audit Committee.

Born: 1966

Education: Voronezh State Technical University, the Russian Presidential Academy of National Economy


Member of the Coordination Council and Chairman of the Engineering Committee of All-Russian Public Organization “Business Russia”, as well as Chairman of the Supervisory Board of the Railway Car Repair Association.

Since 2020 - Member of the Board of Directors of P JSC TransContainer.

Citizenship: Russian Federation

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

Sergey Dolgov

Executive Director, Audit Committee’s chairman

Born: 1975

Education: Rostov State University

2008–2018 – Deputy Chairman of the Board of Directors of LLC Commercial Bank "Financial and Industrial Capital". Since 2020 – Member of the Board of Directors of PVKS LLC.

Since 2020 – Member of the Board of Directors, Vice President for Internal Control and Business Support of PJSC TransContainer.

Citizenship: Russian Federation

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

Vitaly Evdokimenko

Non-Executive Director, Chairman of the Strategy Committee, Member of the Audit Committee

Born: 1962

Education: Rostov State University of Railway Engineering


Citizenship: Russian Federation

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

Alexandrs Isurins

Executive Director, Member of the Strategy Committee, Member of the Nominations and Remuneration Committee

Born: 1976

Education: Baltic Russian Institute (Latvia), Maersk International Shipping Education (Denmark), Strategic Management Swedish School of Economics (Riga, Latvia), professional development programme for key managers at Singularity University (California, USA)

1995-2001 – worked for Maersk, 2001-2014 - Head of MSC’s representative office in Russia. 2014-2016 – Vice President and Senior Vice President of FESCO Transportation Group, 2016–2020 – President of FESCO. Since 2020 – Member of the Board of Directors of Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co., Ltd and Oy ContainerTrans Scandinavia Ltd.

Since 2020 – Member of the Board of Directors, President, Chairman of the Management Board of TransContainer.

Citizenship: The Republic of Latvia

Does not hold shares or any other securities of the Company.
Non-Executive Director, Chairman of the Nominations and Remuneration Committee, Member of the Audit Committee

Dmitriy Pankov

Born: 1979

Education: Humanities University (Institute), Ekaterinburg

2014-2015 - CEO of DP Consulting LLC. Since 2014 - held senior positions and was the member of the governance bodies of several companies that are part of Delo Group.

Since 2019 - CEO of Orion Partners Law Firm LLC.

Since 2020 - Member of the Board of Directors of PJSC TransContainer.

Citizenship: Russian Federation

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

Senior Independent Member of the Board of Directors, Deputy Chairman of the Nominations and Remuneration Committee

Irina Shytkina

Born: 1965

Education: Lomonosov Moscow State University Professor, Doctor of Law

2010-2017 - Member of the Board of Directors of TransContainer, Professor, Department of Entrepreneurial Law, Law Faculty, Lomonosov Moscow State University, Advisor to the CEO and Chairman of the Board of Directors of JSC Elkmar.

Since 2013 - Member of the governance bodies of companies of the railway sector, including the structures of Russian Railways; since 2019 - Member of the Board of Directors of JSC Management Company of Moscow State University’s Voinovsky Gory Innovative Science and Technology Center.

Since 2020 - Member of the Board of Directors of PJSC TransContainer.

Citizenship: Russian Federation

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

Non-Executive Director, Member of the Strategy Committee

Igor Yakovenko

Born: 1974


Since 2015 - held senior positions and was the member of the Boards of Directors and executive bodies of several companies that are part of Delo Group.

Since 2020 - Member of the Board of Directors of PJSC TransContainer.

Citizenship: Russian Federation

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

To 26 March 2020, the Board of Directors included:

1) Andrey Starikov
2) Sergey Ludin
3) David Davydovich
4) Alexey Bakalya
5) Vladimir Govonko
6) Alexey Tatsyher
7) Aleksandr Halyanov
8) Viktor Shendrik
9) Lea Verri
10) Maxim Gauvilenko
11) Evgeniy Zaitzman

Under the resolution of the Extraordinary General Meeting of Shareholders dated 26 March 2020, the following persons were elected to the Company’s Board of Directors:

1) David Davydovich
2) Sergey Ludin
3) Lea Verri
4) Maxim Gauvilenko
5) Ramil Zainettadinov
6) Petr Baskakov
7) Ivan Besedin
8) Sergey Dolgov
9) Dmitry Pankov
10) Artem Polyakov
11) Sergey Shishkarev

Under the resolution of the Annual General Meeting of Shareholders dated 14 May 2020, the following persons were elected to the Company’s Board of Directors:

1) Petr Baskakov
2) Ivan Besedin
3) Sergey Gushchin
4) Sergey Dolgov
5) Alexandrs Isurins
6) Elena Kunayeva
7) Dmitry Pankov
8) Artem Polyakov
9) Stasen Hallman
10) Irina Shytkina
11) Sergey Shishkarev

A retirement of the Board of Directors on the basis of a written notification of PJSC TransContainer on the abdication of powers of the member of the Board of Directors

•-Sergey Shishkarev
•-Igor Yakovenko
•-Maksim Gavrilenko

General information on the members of the Board of Directors:

• in the opinion of the Company, all members of the Board of Directors have sufficient experience and expertise to effectively work on the Company’s Board of Directors;

• in the reporting year, there were no loans (credits) extended by the Company to the Chairman and members of the Board of Directors;

• the members of the Board of Directors did not hold shares of the Company in the reporting year; did not conduct share acquisitions and disposals;

• according to the Company, no lawsuits were brought against the members of the Board of Directors;

• consent to the processing and disclosure of personal data has been obtained from all members of the Board of Directors.

Citizenship: Russian Federation

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

* A retirement of the Board of Directors on the basis of a written notification of PJSC TransContainer on the abdication of powers of the member of the Board of Directors

•-Sergey Shishkarev
•-Igor Yakovenko
•-Maksim Gavrilenko

Under the resolution of the sole shareholder dated 25 November 2020, the following persons were elected to the Company’s Board of Directors:

1) Sergey Shishkarev
2) Petr Baskakov
3) Ivan Besedin
4) Vladimir Bychkov
5) Sergey Gushchin
6) Sergey Dolgov
7) Vitaly Evdokimenko
8) Alexandrs Isurins
9) Dmitry Pankov
10) Irina Shytkina
11) Igor Yakovenko

General information on the members of the Board of Directors:
REPORT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS

The members of the Company’s Board of Directors act in line with the interests of the Company and all of its shareholders and take into account the interests of the employees, customers, partners and other stakeholders. Diligent and efficient fulfillment of responsibilities by the members of the Board of Directors requires, inter alia, sufficient free time to work for the Company’s Board of Directors and its committees. Each member’s contribution is important in ensuring the efficiency of the Board of Directors.

In 2020 34 meetings of the Board of Directors were held, 16 of which were in-person meetings, and the other 18 were conducted in the form of absentee voting. 179 issues were considered at these meetings.

Key items reviewed by the Board of Directors in 2020:
• the approval of the revised TransContainer’s Charter, Regulation on the Company’s Board of Directors, revised Regulation on the Company’s Management Board and Regulation on the Sole Executive Bodies of TransContainer was recommended to the general meeting of shareholders;
• recommendations regarding the mandatory offer from Delo-Center LLC for the acquisition of issue-grade securities of PJSC TransContainer were considered;
• the deletion of the GDRs representing the rights to ordinary shares of PJSC TransContainer from London and Moscow Exchanges was approved;
• the powers of the CEO were terminated prematurely, the President and Director were elected;
• members of the Management Board were elected;
• the overlapping of the positions of the President of PJSC TransContainer was agreed;
• the Company’s Budget and Investment Program for 2021 was approved;
• adjustments to the Company’s Budget and Investment Program for 2020 were approved;
• the key performance indicators (KPIs) for the management team of PJSC TransContainer for 2020 were approved;
• the executive office’s positions appointed upon approval by the Company’s Board of Directors were determined;
• nominees to the senior positions of the executive office and branches were approved;
• the Directors’ compliance with the independence criteria was reviewed;
• the list of controlled companies determined by the Board of Directors of PJSC TransContainer was approved;
• reports on the implementation of the project on TransContainer’s participation in LLC SpecTransContainer, CJSC Logistics-Terminal, LLC TransContainer-Mongolia and FVKIS LLC in 2019 were reviewed;
• Budgets and budget implementation reports of the controlled entities included in the annual list approved by the Board of Directors were reviewed;
• the uniform requirements for the organization and conduct of external audit of TransContainer group companies were approved;
• the reports on the Company’s performance in 2019 and on implementation of resolutions adopted by the Company’s Board of Directors and annual general meeting of shareholders were approved;
• the report on the related party transactions consummated by TransContainer in 2019 was approved;
• changes in TransContainer’s Corporate Risk Management System Policy were approved;
• the report on the implementation of the action plan of the Company’s Internal Audit Service for 2019 was reviewed;
• the action plan of the Internal Control and Audit Service of TransContainer for 2021 was reviewed;
• the work of the Board of Directors and its committees for the corporate year was summed up, and the performance of the Corporate Secretary in the corporate year was assessed;
• matters related to the Company’s charitable support for children (TransContainer for Children programme) and its employees, sports non-profit organisations, preservation of Russia’s cultural heritage, contribution to the industry-wide charitable programmes were considered;
• conclusion of the sponsorship agreement between PJSC TransContainer and the Autonomous Non-profit Organisation Professional Handball Club was approved.

SELF-ASSESSMENT

The results of the Board of Directors’ self-assessment are highly important for determining how to improve its performance: they allow to identify the focus areas where the activities of the Board and its committees can be improved, factors that reduce the effectiveness of the Board of Directors, and contribute to the development of proposals to improve the performance of the Board of Directors and its committees.

Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company’s Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company’s Board of Directors for 2020/2021 corporate year is planned in 2021.

Attendance at the Meetings of the Board of Directors and its Committees in 2020

<table>
<thead>
<tr>
<th>Full-name</th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Nominations and Remuneration Committee</th>
<th>Strategy Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>S. Shishkarev</td>
<td>25 (3) / 34</td>
<td>-</td>
<td>-</td>
<td>7 (2) / 12</td>
</tr>
<tr>
<td>P. Baskakov</td>
<td>25 / 34</td>
<td>-</td>
<td>20 / 23</td>
<td>9 / 12</td>
</tr>
<tr>
<td>I. Besedin</td>
<td>25 / 34</td>
<td>17 / 20</td>
<td>17 / 23</td>
<td>9 / 12</td>
</tr>
<tr>
<td>V. Bychkov</td>
<td>4 / 34</td>
<td>2 / 20</td>
<td>-</td>
<td>1 / 12</td>
</tr>
<tr>
<td>S. Gushchin</td>
<td>20 / 34</td>
<td>14 / 20</td>
<td>-</td>
<td>7 / 12</td>
</tr>
<tr>
<td>A. Dolgov</td>
<td>25 / 34</td>
<td>17 / 20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>V. Endrakenko</td>
<td>4 / 34</td>
<td>2 / 20</td>
<td>-</td>
<td>1 / 12</td>
</tr>
<tr>
<td>A. Isurins</td>
<td>20 / 34</td>
<td>-</td>
<td>16 / 23</td>
<td>7 / 12</td>
</tr>
<tr>
<td>D. Pankov</td>
<td>25 / 34</td>
<td>17 / 20</td>
<td>20 / 23</td>
<td>-</td>
</tr>
<tr>
<td>S. Shishkarev (3) / 34</td>
<td>-</td>
<td>-</td>
<td>16 / 23</td>
<td>-</td>
</tr>
<tr>
<td>I. Yakovenko</td>
<td>4 / 34</td>
<td>-</td>
<td>-</td>
<td>1 / 12</td>
</tr>
</tbody>
</table>

The Board of Directors as of 31 December 2020

The self-assessment data is presented in the “8 (1) / 10” format, which means that the Director attended eight out of ten meetings of the Board (committee) in person, including one meeting via a written opinion or a questionnaire (in case of an absentee meeting).
The Board of Directors has three committees set up by the Company’s Board for preliminary review of the most critical aspects of the Company’s operations. The Committees’ activities, competencies and functions, the procedure to convene and hold the Committee meetings and issue resolutions, and the rights and responsibilities of the Committee members are all set out in the Regulation on the Committees of PJSC TransContainer1.

Nominations and Remuneration Committee

- Preliminary review of matters related to the development of an efficient and transparent remuneration policy and framework, HR planning, expertise and effectiveness of the Board of Directors, executive bodies and other key managers of the Company.

Strategy Committee

- Preliminary review of matters related to the drafting and implementation of the Company’s development strategy and determination of its priorities and strategic goals, monitoring of progress on the Company’s strategy, and provision of recommendations on adjustment of the existing development strategy.

Corporate Governance

SECRETARY OF THE AUDIT COMMITTEE – D. Knyazhev

In 2020, the Audit Committee held 14 in-person meetings and 6 meetings in form of absentee voting, and discussed a total of 61 issues.

The Audit Committee’s agendas were drafted based on the Board’s instructions and the Committee’s Work Schedule approved at the first meeting of the newly elected Committee. The issues included those related to financial (accounting) statements, risk management, internal control, corporate governance, internal and external audit, combating misconduct by the Company’s employees or third parties, and handling of the Audit Committee’s organisational matters were discussed. The unscheduled issues related to the conclusion of consulting contracts for the development and implementation of antitrust compliance in TransContainer, consideration of recommendations for optimizing the Company’s business processes.

INTERACTION WITH THE EXTERNAL AUDITOR AND THE INTERNAL AUDIT AND CONTROL SERVICE

In order to increase the efficiency of interaction, the Chairman of the Audit Committee invites the Head of the Internal Audit and Control Service to attend the meetings, the agenda of which includes reporting and auditing issues. Hence, the members of the Audit Committee have an opportunity to get timely feedback from the auditors on the issues discussed at the meetings of the Audit Committee. Moreover, the Company seeks to ensure the highest level of transparency and make information on the Company’s operations available to all stakeholders.

The Audit Committee holds confidential meetings with the Head of the Internal Audit and Control Service without inviting the representatives of the management.

In 2020, with a view to ensuring independence and impartiality of external audit function, the Audit Committee suggested that the Company’s Board of Directors submits a recommendation to the Annual General Meeting of shareholders encouraging it to approve PricewaterhouseCoopers Audit (hereinafter – PwC) as a TransContainer’s auditor to carry out an audit of the Company’s RAS and IFRS financial (accounting) statements for 2020. The Audit Committee gave recommendations to the Board of Directors with regard to the amount of remuneration for the external auditor.

**REPORT ON THE AUDIT COMMITTEE’S PERFORMANCE**

<table>
<thead>
<tr>
<th>Period</th>
<th>Membership of the Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>To 27.03.2020</td>
<td>S. Ludin – Audit Committee’s chairman, independent Director</td>
</tr>
<tr>
<td></td>
<td>V. Gaponko – Deputy Chairman of the Audit Committee, Non-Executive Director</td>
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<tr>
<td></td>
<td>D. Davydovich – Member of the Audit Committee, independent Director</td>
</tr>
<tr>
<td></td>
<td>M. Gavrilova – Member of the Audit Committee, independent Director</td>
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<tr>
<td></td>
<td>V. Shendrik – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td></td>
<td>A. Khayyaran – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td>27.03.2020–20.05.2020</td>
<td>S. Dolgov – Audit Committee’s chairman, Executive Director</td>
</tr>
<tr>
<td></td>
<td>I. Besedin – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td></td>
<td>D. Parkov – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td>21.05.2020–26.11.2020</td>
<td>S. Dolgov – Audit Committee’s chairman, Executive Director</td>
</tr>
<tr>
<td></td>
<td>I. Besedin – Deputy Chairman of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td></td>
<td>S. Gushchin – Member of the Audit Committee, independent Director</td>
</tr>
<tr>
<td></td>
<td>E. Kunayeva – Member of the Audit Committee, independent Director</td>
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<tr>
<td></td>
<td>D. Parkov – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td>27.11.2020–31.12.2020</td>
<td>S. Dolgov – Audit Committee’s chairman, Executive Director</td>
</tr>
<tr>
<td></td>
<td>I. Besedin – Deputy Chairman of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td></td>
<td>V. Bychkov – Member of the Audit Committee, Non-Executive Director</td>
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<tr>
<td></td>
<td>S. Gushchin – Member of the Audit Committee, independent Director</td>
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<td></td>
<td>V. Evtukhov – Member of the Audit Committee, Non-Executive Director</td>
</tr>
<tr>
<td></td>
<td>D. Parkov – Member of the Audit Committee, Non-Executive Director</td>
</tr>
</tbody>
</table>

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1 The document is available on the Company’s official website: https://trcont.com/documents/20143/69792/180621-%D0%9F%D1%80%D0%B8%D0%BB.%E2%80%93-%D0%BE-%D0%BA%D0%BE%D0%BC%D0%B8%D1%82%D0%B7%D0%B0%D0%BC%D0%BE%D0%B2%D1%8B-%D0%BF%D0%BE%D0%BB%D0%BE%D0%B6%D0%B5%D0%BD%D0%B8%D0%B5-%D0%BE-%D0%BA%D0%BE%D0%BC%D0%B8%D1%82%D0%B7%D0%B0%D0%BC%D0%BE%D0%B2%D1%8B/

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**Items reviewed by the Audit Committee in 2020 (%)**

- Accounting (financial) statements
- Risk management, internal control, corporate governance
- Internal and external audit
- Combating misconduct by the Company’s employees or third parties
- Organisation issues of the Audit Committee
- Other
REPORT ON THE NOMINATIONS AND REMUNERATION COMMITTEE’S PERFORMANCE

Period Membership of the Nominations and Remuneration Committee
To 27.03.2020
V. Gaponko – Chairman of the Nominations and Remuneration Committee, Non-Executive Director
M. Gaivienko – Deputy Chairman of the Nominations and Remuneration Committee, independent Director
D. Davidovich – Member of the Nominations and Remuneration Committee, independent Director
E. Zaitman – Member of the Nominations and Remuneration Committee, independent Director
S. Ludin – Member of the Nominations and Remuneration Committee, independent Director
V. Shendrik – Member of the Nominations and Remuneration Committee, Non-Executive Director
27.03.2020–20.05.2020
A. Polyakov – Chairman of the Nominations and Remuneration Committee, Non-Executive Director
P. Basakov – Member of the Nominations and Remuneration Committee, Non-Executive Director
D. Parkov – Member of the Nominations and Remuneration Committee, Non-Executive Director
21.05.2020–28.11.2020
I. Shchitina – Chairman of the Nominations and Remuneration Committee, independent Director
D. Parkov – Deputy Chairman of the Nominations and Remuneration Committee, Non-Executive Director
P. Basakov – Member of the Nominations and Remuneration Committee, Non-Executive Director
I. Besedin – Member of the Nominations and Remuneration Committee, Non-Executive Director
A. Isurins – Member of the Nominations and Remuneration Committee, Executive Director
A. Polievsky – Chairman of the Nominations and Remuneration Committee, Non-Executive Director
I. Shchitina – Deputy Chairman of the Nominations and Remuneration Committee, independent Director
P. Basakov – Member of the Nominations and Remuneration Committee, Non-Executive Director
I. Besedin – Member of the Nominations and Remuneration Committee, Non-Executive Director
A. Isurins – Member of the Nominations and Remuneration Committee, Executive Director

Secretary of the Nominations and Remuneration Committee – A. Eragina

In 2020, the Nominations and Remuneration Committee held 17 in-person meetings and 6 in form of absentee voting, and discussed a total of 93 issues.

The Nominations and Remuneration Committee’s agendas were drafted based on the Board’s instructions and the Committee’s Work Schedule approved at the first meeting of the newly elected Committee.

The Nominations and Remuneration Committee reviewed the issues related to the policy and practices of remuneration and management, HR planning, nominations, and composition of the Company’s governance bodies, executive bodies, other key managers of the Company. The unscheduled issues related to the preliminary consideration of candidates for positions.

Items reviewed by the Nominations and Remuneration Committee in 2020 (%)

- Remuneration policy and practice for the members of the Board of Directors and the management of the Company
- HR planning, appointments, and membership of the management bodies, executive bodies, other key executives of the Company
- Other

To approve nominees to key Company positions, in 2020, the Nominations and Remuneration Committee continued to conduct face-to-face interviews with said candidates. Staging of face-to-face interviews with candidates, along with the in-depth analysis of the candidates’ professional and personal background, helped members of the Nominations and Remuneration Committee get a better understanding of the candidates’ professional and personal qualities and their suitability for the Company’s key positions.

REPORT ON THE STRATEGY COMMITTEE’S PERFORMANCE

Period Membership of the Strategy Committee
To 27.03.2020
A. Starkov – Chairman of the Strategy Committee, Non-Executive Director
S. Ludin – Deputy Chairman of the Strategy Committee, independent Director
A. Belyk – Member of the Strategy Committee, Non-Executive Director
M. Gaivienko – Member of the Strategy Committee, independent Director
E. Zaitman – Member of the Strategy Committee, independent Director
A. Taycher – Member of the Strategy Committee, Non-Executive Director
A. Khalyantsev – Member of the Strategy Committee, Non-Executive Director
27.03.2020–20.05.2020
S. Shashkarov – Chairman of the Strategy Committee, Non-Executive Director
P. Basakov – Member of the Strategy Committee, Non-Executive Director
I. Besedin – Member of the Strategy Committee, Non-Executive Director
A. Polyakov – Member of the Strategy Committee, Non-Executive Director
21.05.2020–28.11.2020
S. Shashkarov – Chairman of the Strategy Committee, Non-Executive Director
P. Basakov – Member of the Strategy Committee, Non-Executive Director
I. Besedin – Member of the Strategy Committee, Non-Executive Director
A. Khalyantsev – Member of the Strategy Committee, Non-Executive Director
A. Polyakov – Member of the Strategy Committee, Non-Executive Director
V. Evdokimenko – Chairman of the Strategy Committee, Non-Executive Director
P. Basakov – Deputy Chairman of the Strategy Committee, Non-Executive Director
I. Besedin – Member of the Strategy Committee, Non-Executive Director
V. Bychkov – Member of the Strategy Committee, Non-Executive Director
A. Guzhchin – Member of the Strategy Committee, independent Director
S. Shashkarov – Member of the Strategy Committee, Non-Executive Director
I. Yakovenko – Member of the Strategy Committee, Non-Executive Director

INTERVIEWS WITH CANDIDATES TO KEY COMPANY POSITIONS

To approve nominees to key Company positions, in 2020, the Nominations and Remuneration Committee continued to conduct face-to-face interviews with said candidates. Staging of face-to-face interviews with candidates, along with the in-depth analysis of the candidates’ professional and personal background, helped members of the Nominations and Remuneration Committee get a better understanding of the candidates’ professional and personal qualities and their suitability for the Company’s key positions.
Secretary of the Strategy Committee – D. Knyazhev

In 2020, the Strategy Committee held 8 in-person meetings and 4 in form of absentee voting, and discussed a total of 40 issues.

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

Key functions of the Company’s Corporate Secretary are to:
• organise the preparation and hold general meetings of the Company’s shareholders;
• ensure the work of the Board of Directors and its committees;
• contribute to the implementation of the Company’s information disclosure policy;
• provide the storage of Company’s corporate documents;
• ensure the interaction with the Company’s shareholders;
• prevent corporate conflicts;
• ensure Company’s interaction with authorities, registrar, and other traders of the securities market;
• ensure the implementation of procedures prescribed by the Russian legislation and the Company’s internal documents, which guarantee exercising of the rights and legitimate interests of shareholders and monitor compliance;
• inform the Board of Directors about any detected violations of Russian laws, as well as breaches of any provisions of the Company’s internal documents, compliance with which falls under the competence of the Corporate Secretary;
• contribute to improvement of the Company’s corporate governance system and practices.

To ensure independence, the Company’s corporate secretary is subordinate to the Company’s Board of Directors. There were no cases of conflict of interest in the work of the Company’s Corporate Secretary. The Corporate Secretary’s duties are provided for by the Regulation on the Corporate Secretary of PJSC TransContainer.

Since August 2019, the functions of the Corporate Secretary are vested in the Head of the Corporate Governance Department Andrey Bobonin.

Andrey Bobonin

Born in 1976.

Citizenship: Russian Federation


Completed the Corporate Secretary in a Joint-Stock Company retraining programme at the Higher School of Economics in 2007 and the Corporate Director programme in 2008.

Professional experience:
• 2008 – present – Head, TransContainer’s Corporate Governance Department;
• 2016 – present – Secretary, TransContainer’s Management Board;
• 2016 – present – Insider specialist at TransContainer;
• 2019 – present – Corporate Secretary, PJSC TransContainer.

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

The document is available on the Company’s official website https://trcont.com/investor-relations/charter-and-bylaws.
EXECUTIVE BODIES

ROLE OF THE EXECUTIVE BODIES

The Company’s executive bodies include the collective executive body (the Management Board) and the sole executive bodies (the President and Director), who are responsible for managing the Company’s ongoing operations.

The President ensures:
• achievement of strategic goals and objectives as defined by the Company’s Board of Directors;
• implementation of the Company’s long-term plans and programmes;
• development and support of an efficient risk management and internal control system;
• personnel management, motivation and incentives, HR planning;
• management of the Company’s branches, subsidiaries, and affiliates.

The Director manages the Company’s ongoing activities related to the use of state secrets, their protection, the implementation of works related to the use of such information, and the decision-making regarding personal data processing when using information that constitutes a state secret.

ACCOUNTABILITY OF EXECUTIVE BODIES

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

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

The responsibilities of the Company’s Management Board, President and CEO are set out in the Charter, Regulation on the Management Board and Regulation on the Sole Executive Bodies of PJSC TransContainer.

From 29 June 2018 to 14 February 2020, the CEO of the Company was V. Sarayev.

From 15 February to 13 May 2020, the CEO of the Company was V. Markov.

On 13 May 2020, A. Isurins was appointed the President of the Company, V. Markov was appointed the Director of the Company according to the resolution of the TransContainer’s Board of Directors effective from 14 May 2020. The decision was taken within the framework of corporate procedures related to changes in the Company’s Charter adopted at the extraordinary general meeting of shareholders on 30 April 2020.

The Management Board of PJSC TransContainer was established in November 2014.
MEMBERSHIP OF THE MANAGEMENT BOARD

Alexandrs Isurins
President, Chairman of the Management Board

First elected to the Management Board in 2020.
Born: 1976
Education: Baltic Russian Institute (Latvia), Maersk International Shipping Education (Denmark), Strategic Management Swedish School of Economics (Riga, Latvia), professional development programme for key managers at Singularity University (California, USA)
2014-2016 – Vice President and Senior Vice President of FESCO Transportation Group.
2014–2016 – Head of MSC’s representative office in Russia.
2014–2016 – Vice President and Senior Vice President of FESCO Transportation Group.
2016–2014 – Head of MSC’s representative office in Russia.
2016–2020 – President of FESCO, Member of the Group’s Board of Directors.
Since 2020 – Member of the Board of Directors of Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co., Ltd and Oy ContainerTrans Scandinavia Ltd.
Since 2020 – Director, First Vice President, Chairman of the Management Board of P JSC TransContainer.
Citizenship: The Republic of Latvia
Does not hold shares or any other securities of the Company.

Viktor Markov
Director, First Vice President, Member of the Management Board

First elected to the Management Board in 2014.
Born: 1976
Education: Gubkin State Academy of Oil and Gas
1995–2003 – rose through the ranks in the Ministry of Railways from chief specialist to Deputy Head of Legal Department. 2003–2006 – First Deputy Head of Legal Department, Russian Railways.
Since 2006 – held senior positions and was the member of the governance bodies of TransContainer and several companies that are part of the Company. 2014–2016 – Vice President and Member of the Management Board of JSC UTLC.
Since 2020 – Director, First Vice President, Member of the Management Board of TransContainer.
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.

Sergey Dolgov
Vice President for Internal Control and Business Support, Member of the Management Board

First elected to the Management Board in 2020.
Born: 1975
Education: Rostov State University
Since 2020 – Member of the Board of Directors of PVKS LLC.
Since 2020 – Director, First Vice President, Member of the Management Board of P JSC TransContainer.
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.

Boris Kipkeev
Vice President for External Relations, Member of the Management Board

First elected to the Management Board in 2020.
Born: 1969
Education: Michurinsk State Pedagogical University
Since 1999 – worked for ITAR-TASS and rose through the ranks from the Head of the Security Department of the Agency, Military Law Editor-in-Chief to Deputy Editor-in-Chief of the News Service. 2006–2013 – held the position of the First Deputy Editor-in-Chief at the main office of TASS-Center of public affairs of ITAR-TASS.
Since 2013 – special representative of ITAR-TASS in the North Caucasus, since 2014 – Advisor to the CEO of the Agency.
Since 2019 – Deputy Chairman of the Board of trustees of the CSKA Professional Handball Club.
He was awarded the Medal of the Order of Merit to the Fatherland I class, the Silver Medal of the Security Council of the Russian Federation “For Courage in Working in Hotspots”.
Since 2020 – Vice President for External Relations, Member of the Management Board of TransContainer.
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.
Corporate Governance

Annual Report for 2020

Sergey Mukhin
Commercial Vice President, Member of the Management Board
First elected to the Management Board in 2020.
Born: 1977
Education: LCC International University (Klaipeda, Lithuania), Maersk International Shipping Education (Denmark)
Citizenship: The Republic of Lithuania
Does not hold shares or any other securities of the Company.

Pavel Skachkov
Vice-President of Economics and Finance, Member of the Management Board
First elected to the Management Board in 2020.
Born: 1973
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.

Vyacheslav Ter-Khachaturov
Vice President of Safety, Member of the Management Board
First elected to the Management Board in 2020.
Born: 1968
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.

Vadim Trifonov
Vice President of Personnel, Member of the Management Board
First elected to the Management Board in 2020.
Born: 1959
Education: N.I. Pirogov Second Moscow State Medical Institute
After graduation, he worked as an expert in the All-Russian Research Institute of General and Forensic Psychiatry named after V.P. Serbsky. Prior to 1998, he practiced medicine in various medical institutions, as well as at the Spartak Football Club (Moscow). 1999–2011 – held various positions in commercial organizations, 2011–2020 – Chief Medical Officer at Federal State Budgetary Institution “Istra Health Center for Employees of Public Prosecution Bodies of the Russian Federation”. Since 2020 – Vice President of Personnel, Member of the Management Board of TransContainer. Also in 2020 – Deputy CEO of TransContainer.
Citizenship: Russian Federation
Does not hold shares or any other securities of the Company.
Key Competencies of the Management Board Members

<table>
<thead>
<tr>
<th>Full name</th>
<th>Finance, economics, audit</th>
<th>Strategy</th>
<th>Risk management</th>
<th>Corporate governance and legal matters</th>
<th>Transport and logistics (industry-specifics)</th>
<th>HR management</th>
<th>Interaction with government authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Isurin</td>
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<tr>
<td>V. Markov</td>
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<tr>
<td>S. Dolgov</td>
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<td>B. Kipkov</td>
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<td>S. Mukhin</td>
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<td>I. Sverkina</td>
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<tr>
<td>V. Ter-Khachaturov</td>
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<tr>
<td>V. Trifonov</td>
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</tbody>
</table>

REPORT ON THE MANAGEMENT BOARD’S PERFORMANCE

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

In 2020, the Company’s Management Board held 34 meetings and reviewed a total of 135 matters.

In 2020, 20 matters related to the approval of the budgets of companies controlled by the Company, 22 reports on the activities of these companies and 18 matters in terms of making changes to the organizational structure of the central office and branches of the Company aimed at improving the efficiency of business processes in the Company. Among other matters, the Management Board reviewed the following significant issues:

- the Company’s budget and investment programme for 2021 were preliminarily approved;
- preliminary consideration was given to the creation of a freight forwarding company to cover container transportation in Republic of Belarus as a 100% owned subsidiary;
- the issues related to updating the management system of the companies of the Company group were considered;
- TransContainer’s Insurance Protection Policy was preliminary approved;
- conclusion of 2020 transactions involving the provision of bank guarantees to the Federal Customs Service was approved;
- a number of investment projects aimed at increasing the efficiency of the Company’s activities and improving the quality of the Company’s services were considered.

Meetings of both the Management Board and the Board of Directors are held using the AIS designed to offer greater convenience for members of the Management Board during preparation for the meetings and consideration of issues on the agenda.

REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The remuneration system for members of the Board of Directors, sole executive bodies, members of the Management Board and the governance body of the Company is aimed at acquiring, incentivising and long-term retaining of persons who have the required competencies and qualification to steer the Company efficiently towards its strategic goals and objectives.

PROCEDURE FOR DETERMINING REMUNERATION FOR BOARD MEMBERS

The remuneration is calculated according to the basic (maximum) amount and depends on the number of meetings attended by the member of the Board of Directors during the reporting period.

The annual remuneration of a Board member is calculated as per the following formula: $K = 4,700,000 \times K_1$, where RUB 4,700,000 – the base for calculating the amount of annual remuneration; $K_1$ – a coefficient that takes into account the participation of a member of the Board of Directors in Board meetings (regardless of the form of participation). The K coefficient is calculated as per the following formula:

$$K = \frac{\text{The number of Board meetings attended by the member of the Board of Directors (regardless of the form of participation) / Total number of meetings during the reporting period)}{\text{K coefficient}}$$

REMUNERATION AND COMPENSATIONS PAID TO MEMBERS OF THE BOARD OF DIRECTORS IN 2015–2020 (RUB)

<table>
<thead>
<tr>
<th>Year</th>
<th>Remuneration</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>72,493,270.00</td>
<td>436,429.38</td>
</tr>
<tr>
<td>2019</td>
<td>72,528,040.70</td>
<td>581,109.30</td>
</tr>
<tr>
<td>2018</td>
<td>65,499,034.30</td>
<td>1,290,935.26</td>
</tr>
<tr>
<td>2017</td>
<td>64,844,204.90</td>
<td>3,342,311.08</td>
</tr>
<tr>
<td>2016</td>
<td>47,900,076.80</td>
<td>3,718,584.12</td>
</tr>
<tr>
<td>2015</td>
<td>54,388,080.00</td>
<td>2,972,918.35</td>
</tr>
</tbody>
</table>

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

Annual Report for 2020
Additional annual remuneration is paid for membership in the Board of Directors. The amount of additional remuneration paid to a member of the Board of Directors who is a member of the Board of Directors’ committee is calculated as follows: Dyear = 4,700,000 × K2 × K3, where K – a coefficient that takes into account the participation of a member of the Board of Directors in the Committee meeting (regardless of the form of participation), K3 – an additional coefficient that takes into account the contribution of a member of the Board of Directors to the committee (committee member, Chairman of the committee), K2 coefficient is calculated as per the following formula: K2 = The number of Board Director’ committee meetings attended by the member of the Board of Directors (regardless of the form of participation) / Total number of meetings during the reporting period. K3 coefficient is equal to: 25% – if the member of the Board of Directors is a member or Deputy Chairman of the committee; 33% - if the member of the Board of Directors is the Chairman of the committee.

If the member of the Board of Directors participates in several committees, the additional annual remuneration is calculated and paid for participation in each committee meeting.

Annual remuneration to members of the Board of Directors is paid pursuant to the final resolution of the general meeting of shareholders.

Members of PJSC TransContainer’s Board of Directors do not participate in pension, insurance, option and investment programmes or receive any other benefits and privileges. In the reporting period, there were no loans (credits) extended by the Company to members of the Board of Directors.

### Remuneration of Members of the Executive Bodies and the Management

<table>
<thead>
<tr>
<th>Item</th>
<th>Fixed part of the remuneration salaries &amp; wages</th>
<th>Variable part of the remuneration (bonuses)</th>
<th>Purpose</th>
<th>Description</th>
<th>Terms of payments</th>
<th>Maximum possible payments</th>
<th>Terms of payments</th>
<th>Maximum possible payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Monthly</td>
<td>Determined in the manager’s employment agreement</td>
<td>President - 0.25x of the fixed part of annual remuneration managers - 1.5x of the fixed part of quarterly remuneration</td>
<td>Full-year bonus at 100% of the fixed part of annual remuneration. For calculating an additional full-year bonus, the maximum percent of meeting the net income target is 25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quarterly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>After the Board of Directors has decided to pay a one-off bonus</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Purpose**

- Competitive basic incentives package to attract and retain highly qualified managers
- Bonuses are paid subject to the Company’s and each manager’s performance in the labour market
- Full-year bonuses are paid subject to meeting KPIs
- The amount of a one-off bonus is determined by the Board of Directors depending on the significance, complexity, and achievement of the strategic objective

**Description**

- The fixed part of remuneration is determined based on the manager’s knowledge, experience, role in the Company and the level of remuneration in the labour market
- Bonuses are paid subject to the Company’s and each manager’s performance in the reporting quarter
- Full-year bonuses are paid subject to meeting KPIs.
- The amount of each manager’s full-year bonus is determined as the product of the fixed part of the remuneration and the sum of coefficients that assess the manager in terms of meeting corporate, process and project KPIs

**Terms of payments**

- Monthly
- Quarterly
- Annually
- After the Board of Directors has decided to pay a one-off bonus

**Maximum possible payments**

- Determined in the manager’s employment agreement
- President - 0.25x of the fixed part of annual remuneration managers - 1.5x of the fixed part of quarterly remuneration
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</tr>
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<tbody>
<tr>
<td></td>
<td>salaries &amp; wages</td>
<td>other types of remuneration</td>
</tr>
<tr>
<td></td>
<td>quarterly</td>
<td>annual</td>
</tr>
<tr>
<td>Total amount paid as remuneration to members of the Company's Management Board (including the CEO, President and Director) in 2020 (RUB)</td>
<td>141,260,505.33</td>
<td>55,471,224.79</td>
</tr>
<tr>
<td>Total remuneration for 2020 (RUB)</td>
<td>377,774,834.57</td>
<td></td>
</tr>
<tr>
<td>Total amount paid as remuneration to managers of the Company (including the CEO, President and Director) in 2020 (RUB)</td>
<td>229,024,709.63</td>
<td>110,406,534.43</td>
</tr>
<tr>
<td>Total remuneration for 2020 (RUB)</td>
<td>637,316,614.98</td>
<td></td>
</tr>
</tbody>
</table>

ASSESSING THE PERFORMANCE OF THE PRESIDENT AND DIRECTOR

According to the resolution of the TransContainer’s Board of Directors, the President’s performance is assessed based on the following indicators:

- corporate (with equal amount in the KPI system – 40%):
  - net profit,
  - EBITDA;

- process (with equal amount in the KPI system – 10%):
  - market share of revenue generating rail container transportation
  - service sales volume (TEU) of PJSC TransContainer.

According to the resolution of the TransContainer’s Board of Directors, the Director’s performance is assessed based on two corporate indicators (with equal amount in the KPI system – 50%):

- net profit;
- EBITDA.

Market capitalisation depends on improving the efficiency of the Company’s current activities, so KPIs are included in the assessment of the performance of the sole executive bodies: net profit, EBITDA, market share of revenue generating rail container transportation, service sales volume (TEU) of PJSC TransContainer, transport and logistics margin, etc., the target values of which are set in accordance with the Company’s budget approved by the Board of Directors as of the reporting date.

SYSTEM OF KEY PERFORMANCE INDICATORS

The system of KPI used in the Company best reflects the extent to which the Company’s management is meeting both short- and medium-term objectives (budget parameters) and achieving the long-term strategic objectives established by the Board of Directors. KPIs are used to assess the performance of management, Branch Directors, as well as managers of TransContainer’s Executive Office and branches.

The KPI system comprises three groups of indicators: corporate, process and project KPIs. Corporate KPIs are indicators that characterize the general performance of the Company. Process KPIs are indicators that measure the performance of a functional area or a process of the Company. Project KPIs are fixed-term indicators that measure the degree of achieving the goals of projects (project stages) of the Company / functional area. Each indicator has KPI description, which determines the methodology used to calculate the KPI target value, as well as the method for calculating the value achieved.

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CONTROL AND MONITORING

INTERNAL CONTROL

TransContainer’s Internal Control Policy provides for the effective management of the Company’s internal controls through efficient day-to-day interaction of the all participants including:

- the Board of Directors;
- committees of the Board of Directors;
- executive bodies of the Company;

- collective operating bodies set up by the Company’s executive bodies to perform specific functions;
- heads of the Company’s structural units;
- Company’s employees, whose job it is to carry out control procedures.

** Until 05 May 2020, the sole executive body in the Company was the CEO.**
INTERNAL CONTROL AND AUDIT SERVICE

The Internal Control and Audit Service was established in order to assist the Board of Directors and the executive bodies in increasing the efficiency of the Company’s management, improving its financial and operational activities. The objectives of the Internal Control and Audit Service include a systematic and consistent approach to analysis and assessment of the risk management and internal control systems, as well as corporate governance, therefore providing reasonable assurance that the Company will achieve its goals.

The Internal Control and Audit Service is guided by the Regulation on the Internal Control and Audit Service of PJSC TransContainer, Russian laws, Regulation on the Internal Control and Audit Service of the Company, the Company’s by-laws, internal auditing guidance as per the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

The Head of the Internal Control and Audit Service reports to the Audit Committee and the Board of Directors on the performance of the Internal Control and Audit Service throughout the reporting quarter and annually, and on the current state of the internal control risk management and corporate governance systems, progress against the annual action plan and budget of the Internal Control and Audit Service.

The Head of the Internal Control and Audit Service is E. Ustilova, whose biography is published in the Annual Report for 2019.

Key projects of the Internal Control and Audit Service in 2020:
- assessment of control procedures in the health and labour safety process;
- assessment of the effectiveness of the risk management and internal control system;
- audit of financial and operational activities of the Company’s four branches;
- assessment of the internal control system when organising process management;
- check of the procedure for concluding rolling stock lease contracts;
- assessment of control procedures in calculating (determining) the rate for the provision of the Company’s equipment for transportation of cargo;
- check of planned and actual expenses for R&D;
- assessment of control procedures when concluding consulting and advertising services contracts;
- assessment of implementation of the project on TransContainer’s participation in FVKS LLC;
- assessment of control procedures when contracting for the purchase of rolling stock;
- assessment of TransContainer’s client service performance;
- assessment of the effectiveness of the maintenance and repair system for railcars, containers and lifting equipment;
- assessment of the internal control system in terms of legal support of the Company’s activities;
- check of the efficiency of using TransContainer’s non-core assets;
- check of the procedure for concluding and controlling settlements under lease agreements of TransContainer, subsidiaries and affiliates;
- check of the feasibility of the creation and the efficiency of the Company’s collective and advisory bodies;
- assessment of the efficiency of the processes of write-off, cutting and delivery of scrap metal;
- check of control procedures when using fuel and energy resources.

ADDRESSING POTENTIAL CONFLICT OF INTEREST

Prevention and management of conflicts of interest are an essential tool of the Company and shareholder protection. The Board of Directors plays a key role in preventing, identifying and regulating internal conflicts between the governance bodies, shareholders and employees of the Company.

The Company has taken measures to prevent potential conflict of interest involving executive bodies and key managers, including:
- a requirement set out in the Regulation on the Sole Executive Bodies and the Regulation on the Management Board of the Company, as well as employment contracts with the President, Director and members of the Management Board obliging them to refrain from any actions that can or may potentially lead to a conflict of interest and report any such conflict arising to the Board of Directors of the Company;
- authorising the Company’s Board of Directors to approve overlapping and other paid positions held by the President, Director and members of the Management Board in the governance bodies of other organisations;
- approval by the Board of Directors of a corporate risk map envisaging initiatives to prevent the employee wrongdoing risk – “Wrongful acts of the Company’s employees”. The initiatives aimed at minimising this risk include checking the key employees and candidates for key roles for potential conflict of interest;
- review by the Audit Committee of a report on violations of the Company’s Code of Ethics, including the situations related to the conflict of interest, prepared by the Company’s Internal Control and Audit Service.

The Company pays special attention to insider information viewing this as another element of the conflict of interest prevention.

A range of measures undertaken to identify and prevent conflicts of interest help to minimise the probability of negative consequences for the Company.

The Company has adopted documents that apply to all employees of the Company and are available on the corporate website:
- Corporate Governance Code;
- Code of Ethics;
- Anti-Corruption Policy;
- Anti-Corruption Programme (available to all TransContainer’s employees on its corporate website);
- Regulation on Insider Information;
- Revised Regulation on the Procedure for Addressing Conflict (or Potential Conflict) of Interest at PJSC TransContainer (available to all TransContainer’s employees on its corporate website).

These documents define the principles and procedures of preventing, identifying and minimising possible risks of a conflict of interest, including the employee’s obligation to disclose information about a real or potential conflict of interest, respecting the balance of interests of the Company and the employee, protecting the employee from prosecution in connection with the report on a conflict of interest.

Members of the Board of Directors and the Management Board had no conflicts of interest in the reporting period.

To protect its interests in case of a potential conflict of interest, the Company has implemented measures to make sure that all interested-party transactions are reviewed by the Board of Directors; monitoring of all transactions made by the Company for the existence of interest, maintaining and updating information about the persons interested in the transactions.

The document is available on the Company’s website at: https://trcont.com/investor-relations/charter-and-bylaws.
COMBATING CORRUPTION

Based on the high ethical standards of behaviour adopted by the Company, TransContainer fully shares the approach to pursuing zero tolerance to any form of corruption.

TransContainer adheres to the principle of zero tolerance to corruption in all its forms and manifestations in all activities. This principle means a total ban on corruption by managers and employees of TransContainer, as well as by Company’s counterparts, either directly or through the third parties, including mediation in its implementation regardless of the established business practice in a particular country.

Since 2015, TransContainer is a member of the Anti-Corruption Charter of the Russian Business (hereinafter – the Charter). The basic idea of the Charter is the introduction by companies of special anti-corruption programmes and practices, which relate not only to the situation within companies, but also to relations with business partners and the state. The Charter provides for the renunciation of preferential, sealed-bid purchasing, financial control, staff training, law enforcement assistance and other measures. Participation in the Charter and consistent implementation of its provisions confirm that appropriate measures have been taken by the Company to prevent corruption, which, pursuant to the requirements of Article 13.3 of the Federal Law No. 273-FZ dated 25 December 2008 On Combating Corruption, shall be taken by any organisation regardless of the form of ownership, and which are crucial for TransContainer in the pursuit of improving the anti-corruption and corporate fraud prevention system.

At the same time, this increases the confidence in the Company on the part of customers, partners and other stakeholders.

The Company’s management develops and improves the anti-corruption system with a focus on world experience and domestic developments. The most important aspects of the anti-corruption system are its support by the Board of Directors, immediate communication between employees, the security service and the management of the Company, the presence of a collective body which handles complicated situations and can be appealed to in the event of a conflict of interest.

TransContainer does not tolerate any actions that are directly or indirectly associated with the offering, giving, promising, soliciting or receiving bribes, assisting in bribery, and any payments seeking to facilitate administrative, bureaucratic and other formalities made in any form by or to any persons/organisations, including government officials, public organisations, private companies, and political figures. This standing is confirmed by the CEO’s anti-corruption statement on the Company’s corporate website proclaiming zero tolerance to any form of corruption.

The Company has in place and regularly conducts training of its employees in anti-corruption and corporate fraud. All newly published and amended regulatory documents are communicated to all employees via e-mail and by placing them in the relevant sections of the corporate website.

TransContainer’s anti-corruption activities are governed by the following internal documents:
- TransContainer’s Anti-Corruption Policy;
- The list of functions, which are most sensitive to corruption, corporate fraud, and embezzlement;
- The Register of Corruption Risks and the List of Positions Related to Corruption Risks.

ANTI-CORRUPTION POLICY

TransContainer’s Anti-Corruption Policy is a set of interrelated principles, procedures and specific measures aimed at preventing and suppressing corruption offences in the Company’s activities and is based on the following aspects:
- Compliance with applicable laws and generally accepted principles.
- Personal example given by managers (“the tone from the top”).
- Zero tolerance to corruption.
- Regular assessment of corruption risks.
- Use of adequate anti-corruption procedures.
- Due diligence in the implementation of activities and management decisions.
- Continuous communication and training.
- Regular monitoring of the efficiency of anti-corruption procedures.
- Inevitability of punishment.
- Rejection of retaliatory sanctions.

The Anti-Corruption Policy is obligatory for all TransContainer’s managers and employees who are in labour relations with the Company, as well as for members of the TransContainer’s Board of Directors. TransContainer’s anti-corruption procedures may determine the cases and conditions, under which the Anti-Corruption Policy applies to other associates (with whom the organisation enters into other contracts). The Anti-Corruption Policy is advisory for members of the governance bodies and employees of the subsidiaries of TransContainer, as well as other companies, in which TransContainer is directly or indirectly involved. Regardless of the position, the managers and employees of TransContainer are responsible for compliance with the Anti-Corruption Policy, as well as for the actions (inaction) of their subordinates. This responsibility is reflected in the formal duties of the TransContainer managers and employees. Those responsible for violations of the requirements of the Anti-Corruption Policy may be brought to disciplinary, administrative, civil or criminal responsibility on the initiative of TransContainer, law authorities or other persons in accordance with the grounds provided by the legislation of the Russian Federation, local regulations and labour contracts.

In 2020, the functions of two collective bodies (the Conflict of Interest Review Commission and the Working Group on Anti-Corruption, Corporate Fraud and Theft) were combined by the governance bodies of TransContainer to promptly review and make timely decisions.

No cases of corruption in the Company were detected in 2020.
EXTERNAL AUDIT

To ensure an independent and unbiased audit of the Company’s financial statements, the Company has approved the Policy on Interaction with External Auditor of PJSC TransContainer. The nominee of the external auditor of RAS accounting (financial) statements and IFRS consolidated financial statements of PJSC TransContainer is approved by the general meeting of shareholders of the Company on the recommendation of the Board of Directors. The nominee of the external auditor is selected at least once every five years from among the auditors of the Big Four audit firms. The Company makes requests for proposals in the manner defined in the Regulation on the Procedure for the Procurement of Goods, Works, and Services for the needs of PJSC TransContainer and submits the proposals to the Audit Committee. The Audit Committee evaluates the nominees for the Company’s auditors, selects the best proposal and makes a decision on recommendations to the Board of Directors on the auditor nominee.

In April 2020, the Audit Committee made an offer to the Board of Directors to recommend to the Company’s general meeting of shareholders to approve the nominee of JSC PricewaterhouseCoopers Audit to conduct an audit of RAS accounting (financial) statements and IFRS consolidated financial statements of TransContainer for 2020. In May 2020, on the recommendation of the Company’s Board of Directors the annual general meeting of shareholders of PJSC TransContainer approved JSC PricewaterhouseCoopers Audit as the Company’s auditor of RAS accounting (financial) statements and IFRS consolidated financial statements for 2020.

In accordance with the audit contract, the auditor provided services as follows:

- overview of the Company’s interim condensed consolidated financial statements for three and six months as at 30 June 2020 under IFRS 34;
- audit of the Company’s and its subsidiaries’ consolidated IFRS financial statements for the reporting year ended 31 December 2020;
- audit of the Company’s RAS accounting (financial) statements for 2020.

In accordance with the audit contract, the auditor provided services as follows:

- Overview of interim financial statements for six months of 2020 under IFRS 1,200,000
- Advance payments for the audit of consolidated financial statements for 2020 under IFRS 3,450,000
- Advance payments for the audit of RAS accounting (financial) statements for 2020 4,620,000

Total 18,026,160

Type of non-audit services Remuneration (including VAT)

- Non-audit services 0

Total 0

OVERSIGHT OF NON-AUDIT SERVICES PROVIDED BY THE AUDITOR

To ensure the independence of the external auditor, the Company strives to avoid engaging auditors for the provision of non-audit services. In exceptional cases where this seems appropriate, according to the Policy on Interaction with Auditor, the Auditor provides non-audit services only upon the preliminary approval of the Audit Committee, except for services on staff training, workshops, corporate qualification training programmes, accounting and recording, and on other training types for Company’s employees and members of the Board of Directors, and consulting in accounting and reporting. These non-audit services are considered to be preapproved by the Audit Committee providing that the amount for a non-audit service does not exceed RUB 5 mln per each service. If the non-audit service cost exceeds RUB 5 mln, a preapproval of the Audit Committee is required.

The Audit Committee preliminarily reviews the feasibility of engaging the audit organisation, the type, and scope of non-audit services, and the auditor’s remuneration for the provision of any such services.

In 2020, the Company had no agreements for non-audit services with PwC.

COST OF AUDITOR SERVICES

The amount of payment for the auditor’s services was determined by the Board of Directors in May 2020 and totalled RUB 14,450 mln (excluding VAT and overhead costs).

Remuneration paid to the JSC PricewaterhouseCoopers Audit (the Company’s auditor) in 2020 (RUB)

<table>
<thead>
<tr>
<th>Type of audit services</th>
<th>Remuneration (including VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of consolidated financial statements for 2019 under IFRS (part of remuneration still outstanding)</td>
<td>4,361,760</td>
</tr>
<tr>
<td>Audit of RAS accounting (financial) statements for 2019 (part of remuneration still outstanding)</td>
<td>4,394,400</td>
</tr>
<tr>
<td>Overview of interim financial statements for six months of 2020 under IFRS</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Advance payments for the audit of consolidated financial statements for 2020 under IFRS</td>
<td>3,450,000</td>
</tr>
<tr>
<td>Advance payments for the audit of RAS accounting (financial) statements for 2020</td>
<td>4,620,000</td>
</tr>
<tr>
<td>Total</td>
<td>18,026,160</td>
</tr>
</tbody>
</table>

Non-audit services 0

Total 0
RISK MANAGEMENT

The risk management approaches are formulated in the Concept and Policy of the Corporate Risk Management System approved by the Company’s Board of Directors on 18 November 2013, taking into account changes and supplements as at 31 December 2020.

Principles of risk management:
- systematic approach;
- continuity;
- balance, depth and completeness of the process;
- clear distinction of powers and decision-making levels;
- integration with the internal control system;
- comprehensive system type.

Risk Management System

In 2020, the Company established the Risk Management and Business Process Optimisation Service in order to further improve the risk management system. The main objective of the Service in terms of the Company’s corporate risk management system is to ensure the continuous functioning and timely development of the system for achievement of the Company’s goals.

In 2020, the Company’s main efforts in improving the corporate risk management system were aimed at further integrating risk management into the Company’s business process system. In 2021, it is planned to introduce a new automated risk management system and improve the internal risk regulatory documentation based on the updated COSO ERM 2017 concept and changes in international risk management standards ISO 31000:2018.

ROLES OF CORPORATE RISK MANAGEMENT SYSTEM MEMBERS

Board of Directors
Management and monitoring of the Company’s critical risks, approval of risk maps and risk management measures, and adoption of governing documents on risk management

Audit Committee
Recommendations for the Board of Directors on the operation of the risk management system, review of the report on realised risks, recommendations for the Board of Directors on the approval of the corporate risk map

President, Director, Management Board
Responsible for the effective management of the Company’s risks

Risk Committee
Preliminary consideration of all issues related to the system operation, management of minor and acceptable risks, preliminary consideration of critical risks, review of risk reports, prior approval of the corporate risk map

Risk Owners (Management)
Identification, assessment, description, prevention and management of risks

Employees of the Company
Identification and prevention of risks, implementation of risk management initiatives

Risk Management and Business Process Optimisation Service
Organising and maintaining the risk management system and coordinating its processes, preparation of materials for meetings of the Audit Committee and the Board of Directors, consolidation of information, and working with risks, risk owners, creation of the corporate risk map

Internal Control and Audit Service
Assessment of the risk management system in the Company

Independent External Auditor
Recommendations on organising the risk management system

DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

In 2020, the Company’s main efforts in improving the corporate risk management system were aimed at further integrating risk management into the Company’s business process system. In 2021, it is planned to introduce a new automated risk management system and improve the internal risk regulatory documentation based on the updated COSO ERM 2017 concept and changes in international risk management standards ISO 31000:2018.
CORPORATE RISK MAP

TransContainer defines three risk types: critical, acceptable and minor ones depending on the likelihood of their occurrence and the potential damage from their realisation.

<table>
<thead>
<tr>
<th>Category</th>
<th>Management control</th>
<th>Risk assessment based on the amount of material damage and the likelihood of occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical risks</td>
<td>Board of Directors</td>
<td>more than 380 million rubles with any probability of occurrence; or more than 200 million rubles with a probability of occurrence of more than 5%; or more than 100 million rubles with a probability of more than 80%</td>
</tr>
<tr>
<td>Acceptable risks</td>
<td>Audit Committee</td>
<td>from 100 million to 380 million rubles with a probability of 0 to 5%; or from 50 million to 200 million rubles with a probability of 5 to 80%; or less than 100 million rubles with a probability of more than 50%</td>
</tr>
<tr>
<td>Minor risks</td>
<td>Risk Committee</td>
<td>less than 100 million rubles with a probability of less than 5%; less than 50 million rubles with a probability of less than 50%</td>
</tr>
</tbody>
</table>

In 2020, the corporate risk map saw the following changes.

The risk “Sanctions and restrictions imposed by customs authorities related to international cargo transportation” (minor risk) is excluded.

Included risks:
- “Adjustment of customs value” that may occur when purchasing large-capacity containers (critical risk);
- “Failure by customers to provide customs authorities with transportation documents with preliminary information on cargo and transit declarations until the import cargo arrives to the checkpoint” (acceptable risk).

In line with the generally accepted standards, the risks are classified into strategic, operational, regulatory and financial.

DYNAMICS OF CORPORATE RISK MAP STRUCTURE

Early in November 2020, Russian Railways Logistics (a subsidiary of Russian Railways) registered a new operator in the container market – Russian Railways Business Asset. The creation of a new container operator by a monopoly can have a significant impact on the container transportation market. The Company monitors the situation with changes in competition and takes steps to increase the competitiveness of its own services.

DISCLOSE AND SHAREHOLDER AND INVESTOR RELATIONS

INFORMATION POLICY

Transparency is a key principle of the Company’s corporate governance framework ensuring regular, full, timely and accurate disclosure of the information on Company’s operations.

Key tasks of the Company’s Information Policy:
- protection of rights and legitimate interests of the Company’s shareholders;
- full, timely and unbiased disclosure of reliable information about the Company sufficient for the shareholders, potential investors and other stakeholders to make investment and management decisions related to their participation in the Company;
- compliance with the Russian laws and requirements set by the stock exchanges where the Company’s securities are traded.

Key Principles of the Information Policy

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularity</td>
<td>Timely disclosure through coordination of work performed by respective functions.</td>
</tr>
<tr>
<td>Consistency</td>
<td>Simultaneous and equivalent disclosure of significant information in Russia and abroad given that the Company’s securities are traded on the Moscow and London stock exchanges.</td>
</tr>
<tr>
<td>Promptness</td>
<td>Prompt communication of the Company’s position with respect to any rumours or speculations creating a misleading view of the Company’s valuation and the price of its securities.</td>
</tr>
<tr>
<td>Accessibility</td>
<td>Prompt disclosure of information that could significantly affect the Company’s valuation and the price of its securities.</td>
</tr>
<tr>
<td>Completeness</td>
<td>Disclosure of transparent, consistent and comparable information.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Provision of reliable and balanced information without evading from disclosing negative facts that are material for shareholders and investors.</td>
</tr>
<tr>
<td>Comparability</td>
<td>Disclosure of neutral disclosed information (financial and other) independent of any stakeholders’ interests.</td>
</tr>
<tr>
<td>Neutrality</td>
<td>Free and unhindered access of stakeholders to the information disclosed by the Company.</td>
</tr>
</tbody>
</table>
The Company complies with the disclosure requirements of the Law on Joint Stock Companies, Bank of Russia and Moscow Exchange, the Company is guided by the principles of the Corporate Governance Code. In addition, to 29 September 2020. The Company complied with the applicable regulations of the Financial Conduct Authority (FCA), provisions of the ESG-Factors Disclosure Guideline of the London Stock Exchange.

The Board of Directors controls the timeliness of disclosure of reliable information on all material issues of the Company’s activities. The corporate secretary participates in the disclosure procedures by implementing and updating the Company’s information policy, as well as submitting a report on its compliance to the Board of Directors.

The Company actively interacts with the media maximizing the rights of stakeholders to obtain information. Along with this, the Company protects its own interests restricting access to insider and confidential information, including commercial information or other classified data protected by law.

The Company has adopted documents aimed at protecting the rights and interests of the Company’s shareholders in transactions involving the Company’s securities, as well as preventing and combating the illegal use of insider information in accordance with the Russian laws and requirements of the authorities in the securities market. The Company regularly implements a range of measures for keeping and updating the insider list. Compliance with insider information requirements is checked by the insider information expert who reports to the Board of Directors.

The Company uses all possible channels of communication, including information systems www.a-disclosure.ru (for Russia) and on the page of the RNS website of the London Stock Exchange www.londonstockexchange.com (in accordance with the requirements of the FSA, EU Transparency Directive and the London Stock Exchange) to 29 September 2020.

All material information is available on the Company’s website (www.trcont.com), including investor presentations and news releases on operating and financial results, and other important corporate developments. The corporate website offers additional means of communication to reach out to stakeholders, including hotlines and the feedback system.

Year after year, the Company adhered to webcasting of general meetings of shareholders, but in 2020, due to the unfavourable epidemiological situation in Moscow, all general meetings of shareholders were held in the form of absentee voting by sending ballots.

The Company maintains regular dialogue with institutional investors and financial analysts, providing feedback between the Company’s management and the investment community. The Company’s representatives take part in investor conferences and forums hosted by the Moscow Exchange and Russian and international banks and companies. IFRS statements are followed by feedback between the Company’s management and analysts. The Company’s representatives follow up on the information published by PJSC TransContainer about the request on Shares repurchase submitted to the issuer in accordance with Article X.1 of the Law on Joint Stock Companies.

On 1 June 2020, the Company received the corresponding notification on the right to request the repurchase of shares under Article 84.7 of the Law on Joint Stock Companies. Earlier, on 10 April 2020, Delo-Center LLC acquired the right to dispose of 13,844,902 ordinary registered uncertificated shares of the Company, representing 99.641045% of the issuer’s share capital, as part of the implementation of the mandatory offer submitted to the Company on 15 January 2020 to purchase the issue-grade securities.

On 12 August 2020, LLC Delo Center repurchased the Company’s securities in accordance with Article 84.8 of the Law on Joint-Stock Companies and increased its shareholding in the Company from 99.641045% to 100%.

**SHARE CAPITAL AND SECURITIES**

TransContainer’s share capital is RUB 13,894,778,000 divided into 13,894,778 ordinary registered shares with a par value of RUB 1,000.

**Information about Each Category (Type) of Shares**

<table>
<thead>
<tr>
<th>Share type and category</th>
<th>Ordinary registered shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of issuance</td>
<td>Uncertificated</td>
</tr>
<tr>
<td>Number of shares outstanding</td>
<td>13,894,778</td>
</tr>
<tr>
<td>Par value of 1 (one) share (RUB)</td>
<td>1,000</td>
</tr>
<tr>
<td>State registration of the securities issue</td>
<td>dated 11.05.2006, No. 1-01-55194-Ye</td>
</tr>
</tbody>
</table>

The key event of 2020 was the change of the shareholder and consolidation of the shares of the Company by Delo Group.

In April 2020, LLC Enisey Capital and VTB Bank (PJSC) ceased their participation in the Company’s share capital. The right to dispose of more than 49% of the share capital was acquired by Delo-Center LLC as part of the mandatory offer to acquire the Shares.

As a result of the repurchase of the Company’s shares in accordance with Article 84.2 of the Law on Joint Stock Companies, Delo-Center LLC increased its shareholding in the Company’s share capital to 99.641045%.

As at 12 August 2020, Delo-Center LLC has the right to exercise 100% of the Company’s share capital.

**SHARES**

As at 31 December 2020, the Company’s ordinary registered uncertificated shares (registration number of issuance 1-01-55194-Ye dated 11 May 2006, hereafter - Shares) are admitted for trading on the Moscow Exchange and included in Level 3 of securities, ticker: TRCN. At the same time, the Moscow Exchange suspended the trading of Shares from 20 July 2020 in connection with the information published by PJSC TransContainer about the request on Shares repurchase submitted to the issuer in accordance with Article X.1 of the Law on Joint Stock Companies.

On 1 June 2020, the Company received the corresponding notification on the right to request the repurchase of securities under Article 84.7 of the Law on Joint Stock Companies. Earlier, on 10 April 2020, Delo-Center LLC acquired the right to dispose of 13,844,902 ordinary registered uncertificated shares of the Company, representing 99.641045% of the issuer’s share capital, as part of the implementation of the mandatory offer submitted to the Company on 15 January 2020 to purchase the issue-grade securities.

On 12 August 2020, LLC Delo Center repurchased the Company’s securities in accordance with Article 84.8 of the Law on Joint-Stock Companies and increased its shareholding in the Company from 99.641045% to 100%.  

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1. The terminology of the GDR programme of The Bank of New York Mellon—the depositary of the GDR programme.
2. Environmental, social and management factors.
3. As per TransContainer’s share register as at 12 August 2020, its equity is based on long-term investments. These data reflect the information disclosed to the Company based on the share register maintained by the Company’s registrar, and information publicly disclosed by the Company’s shareholders.
4.  As per TransContainer’s share register as at 12 August 2020, its equity is based on long-term investments. These data reflect the information disclosed to the Company based on the share register maintained by the Company’s registrar, and information publicly disclosed by the Company’s shareholders.
6. 11.05.2006, No. 1-01-55194-Ye
GLOBAL DEPOSITORY RECEIPTS

TransContainer has GDRs issued for its shares, with ten GDRs representing one share. Since 2010, the depository bank has been BNY Mellon (Cyprus) Nominees Limited, part of The Bank of New York Mellon. Starting from 16 December 2015, the depository functions under the GDR programme were transferred directly to the New York division of The Bank of New York Mellon.

GDRs were traded on the main market of the London Stock Exchange (LSE) until 29 September 2020, ticker: TRCN. On 5 May 2014, the Company’s GDRs were also included into the Unlisted Securities section of the list of securities admitted for trading on the Moscow Exchange by the relevant order of the MICEX Stock Exchange. On [2 September 2020], the Company’s GDRs were excluded from the list of the Moscow Exchange and the trading on them was terminated.

TERMINATION OF THE GDR PROGRAMME AND DELISTING FROM THE LONDON STOCK EXCHANGE

As of the end of the trading day on August 26, 2020, the number of ordinary shares of PJSC TransContainer underlying GDRs was zero and the number of GDRs issued under the programme was also zero; the GDR programme was closed and the depository agreement between PJSC TransContainer and The Bank of New York Mellon dated 15 September 2010 was terminated.

On 28 August 2020, the Depository sent a letter confirming the termination of the GDR programme and the absence of outstanding GDRs, as well as the absence of contractual and other obligations and requirements.

On 31 August 2020, the Board of Directors of TransContainer decided to approve the delisting of the GDRs from the London Stock Exchange.

On 17 September 2020, in accordance with Clause 4.13 of the regulation of the Bank of Russia No. 708-P dated 24 December 2019, PJSC TransContainer notified the Bank of Russia on the termination of the depository agreement.

On 29 September 2020, the procedure of GDR delisting of the Company’s shares from the London Stock Exchange was completed.

DIVIDEND POLICY

As stated in TransContainer’s Dividend Policy Regulation, the target dividend payout ratio is 25% of the Company’s net profit in accordance with the RAS (net of income from the revaluation of financial investments). At the same time, the actual share of net profit to be distributed in the form of dividends may be above or below 25% depending on the Company’s financial and business plan and the Board of Directors’ recommendations.

The Company’s dividend policy relies on the following principles:

- annually distribute part of the Company’s net profit, if any, among its shareholders in the form of dividends, while using the retained profits mainly for CAPEX projects and repayment of debt due and payable in the next reporting period;
- maintain the balance of interests between the Company and its shareholders;
- aim at maximising the Company’s capitalisation and investment appeal;
- respect shareholder rights as provided for by the Russian laws and best corporate governance practices;
- ensure transparency of the dividend calculation and payment procedures.

On 14 December 2020, the sole shareholder decided to direct the Company’s net profit based on the results of nine months of 2020 and the Company’s net profit for previous years (undistributed profit of previous years) to pay dividends, which amounted to a total of RUB 39,823,267,434.68.

Dividends Accrued and Paid by the Company from 2015 to 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of dividends (RUB)</td>
<td>1,081,407</td>
<td>2,161,524</td>
<td>3,156,130</td>
<td>4,077,810</td>
<td>6,674,632</td>
<td>2,147,702</td>
</tr>
<tr>
<td>Dividend per share (RUB)</td>
<td>70.96</td>
<td>251.84</td>
<td>95.76</td>
<td>46.81</td>
<td>293.04</td>
<td>480.37</td>
</tr>
<tr>
<td>Dividend (as % of net profit)</td>
<td>25.0</td>
<td>14.2</td>
<td>100.0</td>
<td>50.0</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Dividend (as % of net profit)</td>
<td>25.0</td>
<td>14.2</td>
<td>100.0</td>
<td>50.0</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Unpaid dividends* (RUB)</td>
<td>141,921</td>
<td>503,682</td>
<td>191,522</td>
<td>1,017,602</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>


** Dividends were transferred to the Company’s registrar in full. Dividends were not paid to shareholders who failed to submit the data required by Clause 4.13 of the Law on Joint-Stock Companies.
APPENDICES

STATEMENT OF THE AUDIT COMMITTEE

REGARDING THE ASSESSMENT OF THE COMPANY’S AUDITOR PERFORMANCE AND CONCLUSIONS DRAWN FROM THE AUDITS OF ACCOUNTING (FINANCIAL) STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS UNDER THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Audit Committee of PJSC TransContainer is confident that PwC, the auditor of the accounting (financial) statements prepared under the Russian Laws and the consolidated financial statements prepared under the International Financial Reporting Standards of PJSC TransContainer (hereinafter referred to as the Company) for 2020 acted independently, professionally and objectively, based on the following:

• The Audit Committee was directly involved in tender procedures for selecting the Auditor.
• When selecting the Auditor, all the procedures provided in the Company’s internal documents were followed.
• The amount of remuneration paid to the Auditor corresponded to the volume of services provided and current market rates.
• The Audit Committee monitored the audit with a view to early identification and prevention of problems in the relationship between the parties to the audit process.

The relationship between the Auditor and the Company’s management was very constructive. The Audit Committee did not identify any facts, which might have affected the Auditor’s objectivity.

• The audit was conducted under the terms and conditions of the audit services contracts and complied with the agreed schedules and audit procedures.
• In the course of the audit, the Audit Committee received from the Company’s auditor in a timely manner all necessary information, clarifications and answers to its questions.
• The auditor promptly informed the Audit Committee of its opinion on any risks that the Company might face in connection with its financial and economic activities.
• The Audit Committee believes that the audit was conducted under the Russian laws on auditing and the International Standards on Auditing.

Having examined the conclusions of the Company’s Auditor, the Audit Committee believes the audit provides a reasonable basis for the auditor’s opinion that the Company’s accounting (financial) and consolidated financial statements under IFRS are an accurate reflection, in all material respects, of the Company’s financial position as at 31 December 2020, and the results of its financial and economic activities in 2020.

Audit Committee, PJSC TransContainer

CONSOLIDATED FINANCIAL STATEMENTS

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

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:

A. Isurins
President

P.A. Skachkov
Vice-President of Economics and Finance
AUDITORS’ REPORT

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

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company Center for Cargo Container Traffic TransContainer (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 changes in equity 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.

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.

Overall Group materiality: Russian Rubles (“RUB”) 811 million, which represents 5% of profit before income tax.

Overview
- 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.

<table>
<thead>
<tr>
<th>Overall Group materiality</th>
<th>RUB 811 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>How we determined it</td>
<td>5% of profit before income tax</td>
</tr>
</tbody>
</table>

Rationale for the materiality benchmark applied
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.

Timing of revenue recognition

See notes 3 and 6 to the consolidated financial statements for relevant disclosures, accounting policies and judgments.

The Group’s revenue for the year ended 31 December 2020 was RUB 103,497 million, including RUB 86,665 million of revenue from integrated freight forwarding and logistics services. In practice, the above type of services is carried out over a long time and the Group has not completed its performance obligations under some of those services at the reporting date.

For integrated freight forwarding and logistics services, acts of works performed are prepared at the date of waybill issuance, i.e. on the date when the cargo is provided to the consignee at the destination point, delivered to a temporary storage warehouse, transferred to a foreign railroad, or transferred for further transportation by other means of transport.

In accordance with IFRS 15, Revenue from Contracts with Customers, an entity recognises revenue over time if the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs.

The Group’s management estimates the stage of completion in respect of transportation services that are outstanding at the reporting date on the basis of information available at the date of the consolidated financial statements’ authorisation. The accuracy of management’s estimates depends on the analysed period, level of details used in calculations and on a number of judgments used.

We paid special attention to determining the timing of recognition of revenue from integrated freight forwarding and logistics services due to the fact that the process of assigning revenue from these services to the current period is complex and involves management’s judgment.

Our procedures for verifying appropriateness of the cut-off assumption for revenues from integrated freight forwarding and logistics services included the following:

- analysis of the average duration of transportation, resulting in confirmation of sufficiency of the period of services rendered by the Group that was used by the Group management in its estimate of progress in performing those services;
- recalculation of revenue related to outstanding transportation services at the reporting date based on acts of services rendered and applicable appendices signed in the following accounting period to assess the amount of revenue recognised in the Group’s consolidated financial statements in accordance with management’s estimations;
- analysis of the Group’s operating expenses, and accounts receivable and payable balances related to outstanding transportation services recognised in the Group’s consolidated financial statements in accordance with management’s estimations;
- sample testing of the documents used by management in estimating the stage of transportation services completion; for example, acts on the services rendered and appendices to them that were issued in the following accounting period and confirm services rendered in prior accounting period;
- obtaining written representations from management on correctness of the completion stage determined for transportation services outstanding as at the reporting date and correctness of corresponding revenue calculations.

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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 Fegetsyyn.

18 March 2021

Moscow, Russian Federation

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

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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.
Independent Auditor’s Report

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

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company Center for Cargo Container Traffic TransContainer (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.

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.
## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020:

### PJSC TRANSCONTAINER

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AMOUNTS IN MILLIONS OF RUSSIAN ROUBLES**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7</td>
<td>71,857</td>
</tr>
<tr>
<td>Advances for acquisition of non-current assets</td>
<td>7</td>
<td>427</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>17</td>
<td>1,163</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>8</td>
<td>574</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>9</td>
<td>394</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>13</td>
<td>10,000</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>42</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>84,662</td>
<td>64,837</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>10</td>
<td>681</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>11</td>
<td>2,686</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>12</td>
<td>6,464</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>13</td>
<td>4,546</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14</td>
<td>8,592</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>22,973</td>
<td>19,522</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>107,635</td>
<td>84,359</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>15</td>
<td>(1,828)</td>
</tr>
<tr>
<td>Reserve fund</td>
<td>9,341</td>
<td>36,482</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>22,509</td>
<td>48,434</td>
</tr>
<tr>
<td>Other reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>16</td>
<td>54,469</td>
</tr>
<tr>
<td>Total equity attributable to the Company’s owners</td>
<td>17</td>
<td>776</td>
</tr>
<tr>
<td>Employee benefit liability</td>
<td>18</td>
<td>902</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>107,635</td>
<td>84,359</td>
</tr>
</tbody>
</table>

### APPENDICES

**A. Isurins**  
President  
17 March 2021

**P.A. Skachkov**  
Vice-President of Economics and Finance  
17 March 2021
CONSOLIDATED STATEMENT OF CASH FLOWS (AMOUNTS IN MILLIONS OF RUSSIAN ROUBLES)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>103,497</td>
<td>86,179</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1,224</td>
<td>1,581</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(89,422)</td>
<td>(71,597)</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss), net</td>
<td>27</td>
<td>(1,856)</td>
</tr>
<tr>
<td>Finance expense</td>
<td>522</td>
<td>368</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>102</td>
<td>583</td>
</tr>
<tr>
<td>Gain from disposal of joint venture</td>
<td>1,833</td>
<td></td>
</tr>
<tr>
<td>Gain from disposal of lease rights</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Revaluations of investment property</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>16,220</td>
<td>15,396</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(3,561)</td>
<td>(3,646)</td>
</tr>
<tr>
<td>Profit for the year attributable to the Company’s owners</td>
<td>12,659</td>
<td>11,750</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) (net of income tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluations of post-employment benefit plans liabilities</td>
<td>23</td>
<td>(128)</td>
</tr>
<tr>
<td>Revaluations of investment property upon transfer from property, plant and equipment</td>
<td>118</td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of translation of financial information of joint ventures to presentation currency</td>
<td>883</td>
<td>(346)</td>
</tr>
<tr>
<td>Exchange differences on translating of other foreign operations</td>
<td>22</td>
<td>(71)</td>
</tr>
<tr>
<td>Share of other comprehensive income/(loss) of joint venture</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year</td>
<td>1,239</td>
<td>(555)</td>
</tr>
<tr>
<td>Total comprehensive income for the year attributable to the Company’s owners</td>
<td>13,898</td>
<td>11,195</td>
</tr>
<tr>
<td>Earnings per share, basic and diluted (in Russian Roubles)</td>
<td>9.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>13,894,778</td>
<td>13,894,778</td>
</tr>
</tbody>
</table>

Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>16,220</td>
<td>15,396</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4,569</td>
<td>3,473</td>
</tr>
<tr>
<td>Change in credit loss allowance</td>
<td>44</td>
<td>11</td>
</tr>
<tr>
<td>Gain from disposal of property, plant and equipment</td>
<td>(681)</td>
<td>(704)</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>(100)</td>
<td>(584)</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss), net</td>
<td>272</td>
<td>229</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>75</td>
<td>409</td>
</tr>
<tr>
<td>Gain from disposal of joint venture</td>
<td>(1,836)</td>
<td></td>
</tr>
<tr>
<td>Other income/expenses, net</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</td>
<td>19,236</td>
<td>19,640</td>
</tr>
<tr>
<td>Working capital changes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in inventories</td>
<td>484</td>
<td>417</td>
</tr>
<tr>
<td>Increase in trade and other receivables</td>
<td>(854)</td>
<td>(719)</td>
</tr>
<tr>
<td>Increase in inventories and other assets</td>
<td>400</td>
<td>(2,914)</td>
</tr>
<tr>
<td>Increase in trade and other payables and contracts liabilities</td>
<td>2,733</td>
<td>167</td>
</tr>
<tr>
<td>Change in trade finance liability</td>
<td>6,21</td>
<td>7,20</td>
</tr>
<tr>
<td>Change in tax other than income tax</td>
<td>64</td>
<td>(81)</td>
</tr>
<tr>
<td>Decrease in tax expenses and provisions</td>
<td>38</td>
<td>(244)</td>
</tr>
<tr>
<td>Decrease in employee benefit liabilities</td>
<td>55</td>
<td>(660)</td>
</tr>
<tr>
<td>Net cash from operating activities before income tax and interest</td>
<td>29,712</td>
<td>16,391</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1,828)</td>
<td>(919)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>24,697</td>
<td>12,552</td>
</tr>
</tbody>
</table>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (AMOUNTS IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED BELOW)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Other operating income</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss), net</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Finance expense</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Finance income</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Change of credit loss allowance</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Gain from disposal of property, plant and equipment</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Gain from disposal of lease rights</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Revaluations of investment property</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Profit before income tax</td>
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<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss:</td>
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<td></td>
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</tr>
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<td>(3)</td>
</tr>
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<td>(555)</td>
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<td>8.4</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>13,894,778</td>
<td>13,894,778</td>
</tr>
</tbody>
</table>
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AMOUNTS IN MILLIONS OF RUSSIAN ROUBLES)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of intangible assets</td>
<td>-166</td>
<td>-170</td>
</tr>
<tr>
<td>Dividends received from joint ventures</td>
<td>17</td>
<td>325</td>
</tr>
<tr>
<td>Interest received</td>
<td>509</td>
<td>333</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(20,260)</td>
<td>(18,818)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>18</td>
<td>(5,718)</td>
</tr>
<tr>
<td>Proceeds from issuance of short-term debt</td>
<td>2,000</td>
<td>2,560</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term bonds</td>
<td>42,000</td>
<td>-</td>
</tr>
<tr>
<td>Repayments of lease obligations</td>
<td>17</td>
<td>(2,500)</td>
</tr>
<tr>
<td>Principal payments on short-term part of long-term bonds</td>
<td>16</td>
<td>(529)</td>
</tr>
<tr>
<td>Principal payments on short-term debt</td>
<td>16</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>148</td>
<td>1,052</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>4,585</td>
<td>(5,644)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>8,592</td>
<td>9,527</td>
</tr>
<tr>
<td>Foreign exchange effect on cash and cash equivalents</td>
<td>427</td>
<td>(103)</td>
</tr>
<tr>
<td>Net cash and cash equivalents at end of the year</td>
<td>14</td>
<td>3,580</td>
</tr>
</tbody>
</table>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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, flats, 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, Onzhensky per. 107, Moscow, 125047, Russian Federation (since 26 February 2001 the Company’s registered address is: 6th 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:

<table>
<thead>
<tr>
<th>Name of Entity</th>
<th>Type</th>
<th>Country</th>
<th>Activity</th>
<th>Interest held, %</th>
<th>Voting rights, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC TransContainer-Slovakia, a.s.</td>
<td>Subsidiary</td>
<td>Slovakia</td>
<td>Container shipments</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TransContainer Europe GmbH</td>
<td>Subsidiary</td>
<td>Austria</td>
<td>Container shipments</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TransContainer Asia Pacific Ltd</td>
<td>Subsidiary</td>
<td>Korea</td>
<td>Container shipments</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TransContainer Freight Forwarding (Shanghai) Co., Ltd.</td>
<td>Subsidiary</td>
<td>China</td>
<td>Container shipments</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TransContainer Mongolia</td>
<td>Subsidiary</td>
<td>Mongolia</td>
<td>Container shipments</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Sky Container Trans Scandinavia Ltd</td>
<td>Joint venture</td>
<td>Finland</td>
<td>Container shipments</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>China-Russian Rail Cargo System Joint venture</td>
<td>China</td>
<td>Container shipments</td>
<td>49</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>JSC Kedentransservice (Note 9)</td>
<td>Joint venture</td>
<td>Kazakhstan</td>
<td>Container shipments</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>JSC Logofe-Trans (Note 9)</td>
<td>Subsidiary</td>
<td>Russia</td>
<td>Special container transportation</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>LLC FXK Serv (FXK Service Group) (Note 9)</td>
<td>Joint venture</td>
<td>Russia</td>
<td>Special container transportation</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>LLC OceanTransContainer</td>
<td>Subsidiary</td>
<td>Russia</td>
<td>Special container transportation</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Logistics System Management BV (Note 9)</td>
<td>Joint venture</td>
<td>Netherlands</td>
<td>Investment activity</td>
<td>-</td>
<td>50</td>
</tr>
</tbody>
</table>

APPENDICES
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.

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 fair valuation of financial assets 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 assets and liabilities 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 specific 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 Rubles (hereinafter “RUR”), except where specifically stated otherwise.

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 have a power to direct relevant activities of the investees that significantly affect their returns, (i) has exposure, or rights, to variable returns from its involvement with the investees; and (ii) has the ability to use its power over the investee 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 the rights to participate in extraordinary meetings of the investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of the acquiree’s interest in any transaction 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.

Intercorporate 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 fundamental changes to the activities or to the fundamental changes to the activities and events that could significantly affect the amounts presented on the face of the financial statements 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 venture’s) 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 venture).

Unrealised gains on transactions between the Group and its associates (joint ventures) are eliminated to the extent of the Group’s equity interest in the associate (joint venture). 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.

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 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.
The estimated useful lives for property, plant and equipment are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20-25</td>
</tr>
<tr>
<td>Constructions</td>
<td>7-10</td>
</tr>
<tr>
<td>Containers</td>
<td>10-20</td>
</tr>
<tr>
<td>Flatcars</td>
<td>28-40</td>
</tr>
<tr>
<td>Cranes and loaders</td>
<td>5-15</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3-18</td>
</tr>
<tr>
<td>Other equipment</td>
<td>2-25</td>
</tr>
</tbody>
</table>

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 reclassified in the consolidated profit or loss for the year.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in consolidated profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs of disposal.

**Depreciation.**

Owned land plots and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is charged to the consolidated profit or loss so as to write off the cost of assets less their estimated residual values, using the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The 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.

Earnings from property rental are 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.

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 associated with 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 asset.**

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.
Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability on an orderly transaction between market participants at the reporting 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 measurements are 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

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

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 value of the related items in the consolidated statement of financial position.

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 is determined by discounting future cash flows of interest-bearing variables 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 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

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:

• the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
• 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 has classified 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”), (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 (iii) a combination thereof. 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 the objective set for the portfolio at the date of the assessment.

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 uncertainties 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 exhausts 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 asset is derecognised in the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification
The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and the Group makes the original 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 Group 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 at such 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.

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 asset is derecognised or the goods or services relating to the prepayment are no longer expected to be received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Trade and other payables
Trade and other payables are accrued when the counterparty performs its obligations under the contract and are 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 any loss that 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 re-assessed to determine 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 released to production or other disposal is determined on the weighted average cost 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 is determined using the projected unit credit method. This method considers each year of service as giving rise to an obligation that includes the prior service cost 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 servicing costs of the services relating to the past years in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows. Service cost is the difference between 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 from the moment 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 the employee.

**Value added tax**

Output value added tax (“VAT”) related to revenues is payable to tax authorities on the earlier of (a) delivery of the goods or services to customers, (b) collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for taxes on 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:

- full-service under a single contract at a single price or;
- incomplete set of services. In this case services rendered by the Company at a single price represent only a part of the logistic chain while remaining services are provided on a stand-alone basis separately.

Revenues from integrated freight forwarding and logistics services are recognised in the accounting period in which the services are rendered based on the stage of completion of an individual transaction determined by the actual number of days of transportation spent in the reporting period relative to the total number of days of transportation.

**Agency fees and other services**

The Group acts as an agent on behalf of RZD in providing related services as part of the logistic chain while remaining services are provided by RZD. The Group is entitled to the commissions and fees and other 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.

As such, 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.

**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, flats, 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, 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful life in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, buildings and constructions</td>
<td>1-60</td>
</tr>
<tr>
<td>Containers and flats</td>
<td>1-6</td>
</tr>
<tr>
<td>Cranes and loaders</td>
<td>1-5</td>
</tr>
<tr>
<td>Vehicles and other equipment</td>
<td>1-5</td>
</tr>
</tbody>
</table>
Lease liabilities
Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the 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 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 if it does not exceed RUR 350 thousand. 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 considered to be low if it does not exceed RUR 350 thousand. 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 considered to be low if it does not exceed RUR 350 thousand.

In determining the lease the Group applies the practical expedient of IFRS 16, Leases, which allows not to separate non-lease component 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 transfer 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:
- interest expense calculated by the effective interest method;
- interest in respect of lease obligations;
- any change in the initial recognition of foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale are capitalised as part of the cost of those assets.

The commencement date for capitalisation is when:
- the Group incurs expenditures for the qualifying asset;
- it incurring borrowing costs; and 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 rate on a straight-line basis over the lease term).

In the case where the Group enters into a lease that is an operating lease for the purpose of obtaining a qualifying asset, where it 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 the 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 expected to apply at the balance sheet date. The tax rate expected to apply to 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 legal 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 is 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.

Uncertain tax positions
The Group’s uncertain income 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 recognised in other comprehensive income.

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 for 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.

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 2020 and effective for annual periods beginning on or after 1 January 2021).
• Classification of liabilities as current or non-current, Amendments to IAS 1 (issued on 3rd January 2020 and effective for annual periods beginning on or after 1 January 2020).
• 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).

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• 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).

The amendment does not apply to amendments 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).
• 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).
• 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.

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”.

Impairment of property, plant and equipment
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.

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.

Wherever 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 introduced or substantively enacted at the end of the reporting period, is subject to varying interpretations when applied to the transactions and activities of the Group. Consequently, tax positions taken by management for the formation of 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 tax audits without a clear business purpose or with tax incompliant counterparts. 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

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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 a projection and discount 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.

Lease obligations
The Group follows the definitions 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 effect of exercising extension and termination options was a decrease 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 an increase 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).

Revenue from integrated freight forwarding and logistics services
In case the Group provides integrated freight forwarding and logistics 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.

The Group provides 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 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.

APPENDICES
The item “Land, buildings and constructions” includes the amounts of RUR 1275m and RUR 1275m, 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 RUR 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 691m 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 1012m 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 under lease in the amount of RUR 10,290m and RUR 3,356m, 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.

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 177m (RUR 177m 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>2,841</td>
<td>1,275</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-352</td>
<td>-372</td>
</tr>
<tr>
<td>Impairment</td>
<td>-64</td>
<td>-64</td>
</tr>
<tr>
<td>Transfer to investment property</td>
<td>-68</td>
<td>-68</td>
</tr>
<tr>
<td>Net book value</td>
<td>192</td>
<td>259</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>2,781</td>
<td>1,002</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-285</td>
<td>-372</td>
</tr>
<tr>
<td>Impairment</td>
<td>-107</td>
<td>-107</td>
</tr>
<tr>
<td>Net book value</td>
<td>192</td>
<td>259</td>
</tr>
</tbody>
</table>

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 1m 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).

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.
In 2017, the Company acted as a guarantor for the execution of LLC Freight Village Kaluga Sever (FVK) 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 change in the terms of the loan agreement, the Group may require early repayment of obligations under the loan agreement if the Company or other entities providing security fails to fulfil covenants, and also violate the guarantees under the loan agreement.

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

Profit resulting from sale of joint venture is:

| 22 May 2020 | Carrying amount of disposed net assets | (3,153) |
| — | 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 | 486 |
| — | Gain on sale of joint ventures | 1,836 |

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.

Furthermore, as part of the acquisition of the ownership of 30% of share capital of joint venture FVK 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 LLC Freight Village Kaluga (hereinafter, FVK), which has 70% ownership through LLC JV 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 410m.

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

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

<table>
<thead>
<tr>
<th>Joint venture</th>
<th>LLC Freight Village Kaluga Sever</th>
<th>Other joint ventures</th>
<th>Total joint ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>488</td>
<td>590</td>
<td>1,078</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>4,337</td>
<td>4,125</td>
<td>8,462</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>331</td>
<td>354</td>
<td>685</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>4,956</td>
<td>5,032</td>
<td>10,088</td>
</tr>
<tr>
<td>Net assets (462)</td>
<td>(671)</td>
<td>373</td>
<td>270</td>
</tr>
<tr>
<td>Revenue</td>
<td>1954</td>
<td>2,097</td>
<td>1822</td>
</tr>
<tr>
<td>Profit</td>
<td>211</td>
<td>128</td>
<td>77</td>
</tr>
</tbody>
</table>

In 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 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 fulfil covenants, and also violate the guarantees under the loan agreement. As at 31 December 2020 and for 2019 and for 2019, the Company complied with covenants under the guarantee agreement.
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).

<table>
<thead>
<tr>
<th>Joint venture LLC Freight Village Kaluga Sever</th>
<th>Other joint ventures</th>
<th>Total joint ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets (2020)</td>
<td>(462)</td>
<td>373</td>
</tr>
<tr>
<td>Interest held, %</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Goodwill</td>
<td>351</td>
<td>351</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>212</td>
<td>149</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Joint ventures: JSC Kedentransservice and Logistic System Management B.V.</th>
<th>Joint venture LLC Freight Village Kaluga Sever</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>304</td>
<td>351</td>
</tr>
<tr>
<td>Current financial liabilities (excluding trade and other payables and provisions)</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Non-current financial liabilities (excluding trade and other payables and provisions)</td>
<td>6,565</td>
<td>5,032</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>199</td>
<td>192</td>
</tr>
<tr>
<td>Interest expense</td>
<td>303</td>
<td>25</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>32</td>
<td>37</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Expected credit loss allowance of trade receivables</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>(37)</td>
<td>(31)</td>
</tr>
<tr>
<td>Credit loss allowance creation</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(0)</td>
<td>3</td>
</tr>
<tr>
<td>Total credit loss allowance charge in profit or loss for the period</td>
<td>4</td>
<td>(14)</td>
</tr>
<tr>
<td>Write-off</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>(20)</td>
<td>(37)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected credit loss allowance of other receivables</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>(89)</td>
<td>(73)</td>
</tr>
<tr>
<td>Credit loss allowance creation</td>
<td>(46)</td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Total credit loss allowance charge in profit or loss for the period</td>
<td>(48)</td>
<td>3</td>
</tr>
<tr>
<td>Write-off</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>(156)</td>
<td>(89)</td>
</tr>
</tbody>
</table>

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).
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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term loans</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Long-term loans</td>
<td>10,000</td>
<td>-</td>
</tr>
</tbody>
</table>

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 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.

### CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Ruble denominated bank deposits</td>
<td>5,936</td>
<td>1,529</td>
</tr>
<tr>
<td>Foreign currency denominated bank deposits</td>
<td>48</td>
<td>75</td>
</tr>
<tr>
<td>Cash and Russian Ruble denominated current accounts with banks</td>
<td>322</td>
<td>899</td>
</tr>
<tr>
<td>Foreign currency denominated current accounts with banks</td>
<td>2,151</td>
<td>1,137</td>
</tr>
<tr>
<td>Foreign currency denominated letters of credit</td>
<td>159</td>
<td></td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>8,592</td>
<td>3,580</td>
</tr>
</tbody>
</table>

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 P JSC Bank VTB, a related party of the Group (Note 29). The letters of credit matured in January 2021.

As at 31 December 2019 as Russian Ruble denominated short-term bank deposits in the amount of RUR 1,937m 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 (PJSBC), a related party of the Group (Note 29). Total amount of accrued interest on Russian Ruble 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 P JSC Bank VTB, a related party of the Group (Note 29). The letters of credit matured in August 2021.
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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank balances payable on demand</td>
<td>Term deposits</td>
</tr>
<tr>
<td>A- to A+ rated</td>
<td>89</td>
<td>11</td>
</tr>
<tr>
<td>BBB to A rated</td>
<td>2,354</td>
<td>4,573</td>
</tr>
<tr>
<td>Lower than BBB rated</td>
<td>30</td>
<td>1,400</td>
</tr>
<tr>
<td>Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,473</td>
<td>5,984</td>
</tr>
</tbody>
</table>

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.

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).

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 70,3m (RUR 70,3m as at 31 December 2019).

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 70,3m (RUR 70,3m as at 31 December 2019).

EQUITY

SHARE CAPITAL

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

<table>
<thead>
<tr>
<th>Number of ordinary shares</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares (par value: RUR 1,000)</td>
<td>13,894,778 RUR 13,895</td>
</tr>
</tbody>
</table>

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 99.641045%.

During the year ended 31 December 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.
Short-term debt of the Group are denominated in Russian Rubles. 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, RUR 700m, 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 29 September 2021, 27 September 2021, 27 September 2021, 1 October 2022 and 30 September 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 25th 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. 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 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 20th 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.

**Current portion of long-term debt**

<table>
<thead>
<tr>
<th>Effective interest rate</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sberbank loan</td>
<td>6.25%</td>
<td>20</td>
</tr>
<tr>
<td>Bonds, series PBO-01</td>
<td>7.34%</td>
<td>18</td>
</tr>
<tr>
<td>Bonds, series BO-01</td>
<td>7.65%</td>
<td>16</td>
</tr>
<tr>
<td>Bonds, series BO-02</td>
<td>9.45%</td>
<td>2.62%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,469</strong></td>
<td><strong>18,461</strong></td>
</tr>
</tbody>
</table>
As at 31 December 2020 and during 2020 there were no breaches of the debt covenants of the Group’s debt (Note 31).

RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Leases – Group is the lessee

The Group leases flatcars, certain production buildings and office premises, tank-container 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 flatcarts for 1 year, production buildings and office premises for 5 years, tank-container 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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, buildings and constructions</td>
<td>362</td>
<td>361</td>
</tr>
<tr>
<td>Containers and flatcars</td>
<td>765</td>
<td>503</td>
</tr>
<tr>
<td>Vehicles and other equipment</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total right-of-use assets</strong></td>
<td>1,163</td>
<td>873</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, buildings and constructions</td>
<td>80</td>
<td>94</td>
</tr>
<tr>
<td>Containers and flatcars</td>
<td>545</td>
<td>70</td>
</tr>
<tr>
<td>Vehicles and other equipment</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total depreciation charge</strong></td>
<td>647</td>
<td>165</td>
</tr>
</tbody>
</table>

Lease obligations

Liabilities under long-term lease were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease obligations, current maturities</td>
<td>550</td>
<td>274</td>
</tr>
<tr>
<td>Lease obligations, net of current maturities</td>
<td>776</td>
<td>650</td>
</tr>
<tr>
<td><strong>Total lease obligations</strong></td>
<td>1,326</td>
<td>924</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>647</td>
<td>165</td>
</tr>
<tr>
<td>Interest expense on lease obligations</td>
<td>12</td>
<td>51</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>602</td>
<td>346</td>
</tr>
<tr>
<td>Within one to three years</td>
<td>438</td>
<td>294</td>
</tr>
<tr>
<td>Within three to five years</td>
<td>427</td>
<td>305</td>
</tr>
<tr>
<td>After five years</td>
<td>140</td>
<td>358</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,622</td>
<td>1,293</td>
</tr>
</tbody>
</table>

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):

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operating lease of property, plant and equipment owned by the Group</td>
<td>117</td>
<td>175</td>
</tr>
<tr>
<td>Income from sublease of right-of-use assets</td>
<td>64</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>181</td>
<td>272</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>171</td>
<td>291</td>
</tr>
<tr>
<td>Within one to two years</td>
<td>115</td>
<td>160</td>
</tr>
<tr>
<td>Within two to three years</td>
<td>120</td>
<td>137</td>
</tr>
<tr>
<td>Within three to four years</td>
<td>122</td>
<td>125</td>
</tr>
<tr>
<td>Within four to five years</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>After five years</td>
<td>9</td>
<td>163</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash outflows for leases, included in interest paid</td>
<td>641</td>
<td>151</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,292</td>
<td>1,293</td>
</tr>
</tbody>
</table>

APPENDICES
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.

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 consisted of the following:

<table>
<thead>
<tr>
<th>Services cost</th>
<th>2020</th>
<th>2019</th>
<th>Other long-term benefits</th>
<th>2020</th>
<th>2019</th>
<th>Total 2020</th>
<th>Total 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>38</td>
<td>76</td>
<td>141</td>
<td>18</td>
<td>15</td>
<td>259</td>
<td>275</td>
</tr>
<tr>
<td>Past service cost</td>
<td>11</td>
<td>11</td>
<td>22</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on the defined benefit liability</td>
<td>45</td>
<td>12</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses/gain:</td>
<td>(132)</td>
<td>19</td>
<td>(113)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from changes in demographic assumptions</td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from changes in financial assumptions</td>
<td>130</td>
<td>137</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>12</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses arising on transfer of employees*</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement of liability</td>
<td>(166)</td>
<td>(136)</td>
<td>(302)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation as at 1 January 2019</td>
<td>681</td>
<td>275</td>
<td>956</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>40</td>
<td>78</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>40</td>
<td>141</td>
<td>181</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past service cost</td>
<td>11</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on the defined benefit liability</td>
<td>45</td>
<td>12</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses/gain:</td>
<td>(23)</td>
<td>(33)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from changes in demographic assumptions</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from changes in financial assumptions</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>14</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement of liability</td>
<td>(97)</td>
<td>(135)</td>
<td>(232)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation as at 31 December 2019</td>
<td>695</td>
<td>252</td>
<td>947</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 128 m 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:

<table>
<thead>
<tr>
<th>Post-employment benefits</th>
<th>Other long-term benefits</th>
<th>Total 2020</th>
<th>Total 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>695</td>
<td>252</td>
<td>947</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(45)</td>
<td>(55)</td>
<td>(100)</td>
</tr>
<tr>
<td>Net employee benefit liability</td>
<td>650</td>
<td>677</td>
<td>252</td>
</tr>
</tbody>
</table>

Movements in the present value of defined benefit obligation are as follows:
Movements in the fair value of defined benefit pension plan assets:

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

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:

<table>
<thead>
<tr>
<th>Share in total plan assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds and stocks of Russian legal entities</td>
<td>64%</td>
<td>63%</td>
</tr>
<tr>
<td>Shares in closed investment funds</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>Before year</th>
<th>1 to 2 years</th>
<th>2 to 5 years</th>
<th>5 years or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-employment benefits</td>
<td>49</td>
<td>45</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>98</td>
<td>74</td>
<td>103</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>145</td>
<td>119</td>
<td>217</td>
<td></td>
</tr>
</tbody>
</table>

CONTRACTS LIABILITIES

The increase in advances from customers 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.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade payables</strong></td>
<td>804</td>
<td>762</td>
</tr>
<tr>
<td><strong>Amounts payable for the acquisition of property, plant and equipment</strong></td>
<td>145</td>
<td>2,205</td>
</tr>
<tr>
<td><strong>Amounts payable for the intangible assets</strong></td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td>194</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total financial liabilities within trade and other payable</strong></td>
<td>1,071</td>
<td>3,133</td>
</tr>
</tbody>
</table>

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 718.3m, 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 6250m 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 91,295m.

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).

TAXES OTHER THAN INCOME TAX PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social insurance contribution</strong></td>
<td>384</td>
<td>324</td>
</tr>
<tr>
<td><strong>Property tax</strong></td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Personal income tax</strong></td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td><strong>Other taxes</strong></td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total taxes other than income tax payable</strong></td>
<td>474</td>
<td>410</td>
</tr>
</tbody>
</table>
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.

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.

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

Analysis of revenue by category

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated freight forwarding and logistics services</td>
<td>96,665</td>
<td>79,895</td>
</tr>
<tr>
<td>Agency fees</td>
<td>3,480</td>
<td>3,217</td>
</tr>
<tr>
<td>Other</td>
<td>3,152</td>
<td>3,083</td>
</tr>
<tr>
<td>Total revenue</td>
<td>103,497</td>
<td>86,179</td>
</tr>
</tbody>
</table>

Analysis of revenue by location of customers

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from external customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>83,440</td>
<td>67,669</td>
</tr>
<tr>
<td>China</td>
<td>9,062</td>
<td>6,563</td>
</tr>
<tr>
<td>Korea</td>
<td>4,671</td>
<td>5,923</td>
</tr>
<tr>
<td>Germany</td>
<td>2,346</td>
<td>2,292</td>
</tr>
<tr>
<td>Austria</td>
<td>998</td>
<td>537</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>933</td>
<td>1,026</td>
</tr>
<tr>
<td>Other</td>
<td>2,101</td>
<td>2,171</td>
</tr>
<tr>
<td>Total revenue</td>
<td>103,497</td>
<td>86,179</td>
</tr>
</tbody>
</table>

OTHER OPERATING INCOME

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain from disposal of property, plant and equipment</td>
<td>681</td>
<td>705</td>
</tr>
<tr>
<td>Gain from the sale of inventory and from the reuse of spare parts</td>
<td>172</td>
<td>158</td>
</tr>
<tr>
<td>Other operating income</td>
<td>177</td>
<td>210</td>
</tr>
<tr>
<td>Total other operating income</td>
<td>1,224</td>
<td>1,161</td>
</tr>
</tbody>
</table>

FINANCE EXPENSE

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on RUR bonds</td>
<td>1,528</td>
<td>1,058</td>
</tr>
<tr>
<td>Interest expense on bank loans</td>
<td>152</td>
<td>9</td>
</tr>
<tr>
<td>Interest expense on lease obligations</td>
<td>102</td>
<td>97</td>
</tr>
<tr>
<td>Trade finance expense</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Total finance expense</td>
<td>1,856</td>
<td>1,118</td>
</tr>
</tbody>
</table>
INCOME TAX

2020 2019
Current income tax expense (3,502) (2,996)
Deferred income tax expense (59) (460)
Income tax expense (3,561) (3,466)

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:

2020 2019
Profit before income tax 16,220 15,396
Theoretical tax charge at statutory rate of 20% (3,244) (3,079)
Tax effect of items which are not deductible or assessable for taxation purposes and other effects:
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 effect from non-current assets held for sale (56) (114)
The effect from non-current assets classified as held for sale - (211)
Other effects, net (205) (292)
Income tax expense (3,561) (3,646)

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the consolidated statements of financial position give rise to the following deferred tax effects:

1 January 2020 Charged to profit or loss Charged to other comprehensive income 31 December 2020
Non-current assets classified as held for sale 211 (211) - -
Investment property 78 6 30 115
Property, plant and equipment 2,219 191 - 2,401
Employee benefits liability (82) 20 (52) -
Trade and other receivables (10) (120) - (130)
Trade and other payables (99) 182 - 84
Right-of-use assets (92) 28 (120) -
Accruals and other current liabilities 114 (9) - 105
Other 6 - 6 -
Total net deferred tax liability 2,431 43 30 2,504

Non-current assets classified as held for sale
1 January 2019 Charged to profit or loss Charged to other comprehensive income 31 December 2019
Non-current assets classified as held for sale - 211 - -
Investment property 78 1 - 79
Property, plant and equipment 2,059 180 - 2,239
Employee benefits liability (84) 11 (9) (82)
Trade and other receivables (216) 226 - (10)
Trade and other payables (13) (48) - (61)
Right-of-use assets 92 - - 92
Lease obligations - (100) - (100)
Accruals and other current liabilities 114 - - 114
Other 2 8 8 8
Total net deferred tax liability 1,782 658 (9) 2,431
Deferred tax assets (11) (8) - (19)

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.
BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 31 December 2020 and 31 December 2019, are disclosed below:

<table>
<thead>
<tr>
<th>Related party</th>
<th>Nature of relationship</th>
<th>31 December 2020</th>
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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 into 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 entities” 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.

In consideration of these related-party transactions, 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 railcar 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.

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

Relationships with JSC RZD, its subsidiaries, joint ventures and associates

The Group enters into significant 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 railcar 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.

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

### Related parties

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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.

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 93m, expenses – RUR 11m.

Dividends 14 December 2020 the Group declared dividends payable to immediate parent company LLC Delo-Centrum 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 651m and RUR 1,658m, respectively, which were paid in June 2019.

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.

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 93m, expenses – RUR 11m.
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 2,500m (including social contributions and before withholding of personal income tax, amounted to RUR 2,500m as at 31 December 2019).

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).

LIABILITIES ARISING FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>As at 1 January 2020</th>
<th>Cash flow</th>
<th>Reclassification of current portion of long-term debt</th>
<th>Non-monetary changes</th>
<th>As at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>18,461</td>
<td>42,000</td>
<td>1,066</td>
<td>2,500</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>2,967</td>
<td>(4,216)</td>
<td>4,000</td>
<td>1,674</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>-</td>
<td>1,000</td>
<td>3</td>
<td>3,003</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>924</td>
<td>(529)</td>
<td>921</td>
<td>1,326</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>(39,823)</td>
<td>-</td>
<td>29,823</td>
</tr>
<tr>
<td>Total</td>
<td>22,352</td>
<td>(1,568)</td>
<td>42,439</td>
<td>63,223</td>
</tr>
</tbody>
</table>

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.

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

Compilance 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 Server (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 continues to take 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.

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 (Rm 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.

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 with the shareholders 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.

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.

The Group’s financial assets and liabilities as at 31 December 2020 are shown in the following table:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 14)</td>
<td>8,592</td>
<td>3,580</td>
</tr>
<tr>
<td>Short-term investments (Note 13)</td>
<td>4,546</td>
<td>2,900</td>
</tr>
<tr>
<td>Long-term debt (Note 16)</td>
<td>10,006</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,674</td>
<td>1,852</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>25,863</td>
<td>8,315</td>
</tr>
</tbody>
</table>

The Group’s financial assets and liabilities as at 31 December 2019 are shown in the following table:

<table>
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<th>Financial liabilities</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables (Note 20)</td>
<td>1,071</td>
<td>3,193</td>
</tr>
<tr>
<td>Trade finance liabilities (Note 21)</td>
<td>7,183</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt (Note 16)</td>
<td>54,489</td>
<td>18,441</td>
</tr>
<tr>
<td>Short-term debt (Note 16)</td>
<td>1,405</td>
<td>2,967</td>
</tr>
<tr>
<td>Lease obligations (Note 17)</td>
<td>1,326</td>
<td>924</td>
</tr>
<tr>
<td>Financial guarantee for investment in joint venture (Note 9)</td>
<td>133</td>
<td>181</td>
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<tr>
<td>Total financial liabilities</td>
<td>71,610</td>
<td>25,638</td>
</tr>
</tbody>
</table>

## APPENDICES
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.

<table>
<thead>
<tr>
<th>Maturity</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective interest rate</td>
<td>2020</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest bearing liabilities (including trade and other payables)</td>
<td>-</td>
<td>-</td>
<td>794</td>
<td>282</td>
</tr>
<tr>
<td>Trade finance liabilities</td>
<td>-</td>
<td>-</td>
<td>3,363</td>
<td>3,820</td>
</tr>
<tr>
<td>Bonds 7.34%-9.45%</td>
<td>-</td>
<td>-</td>
<td>224</td>
<td>1,167</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>-</td>
<td>-</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>Lease obligations 2-11%</td>
<td>-</td>
<td>-</td>
<td>51</td>
<td>103</td>
</tr>
<tr>
<td>Financial guarantee for investment in joint venture</td>
<td>-</td>
<td>-</td>
<td>2,204</td>
<td>2,204</td>
</tr>
<tr>
<td>Total</td>
<td>2,204</td>
<td>4,415</td>
<td>6,213</td>
<td>9,192</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(606)</td>
<td>(131)</td>
<td>(93)</td>
<td>(71)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

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 25 January 2018 is set at 9.45% 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 23 October 2019 is set at 7.3% 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 73% for five years without any further changes. The effective interest rate of the bonds, series PBO-01 is 73.4%.

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 disclosed in the table below:

<table>
<thead>
<tr>
<th>Master scale credit risk grade</th>
<th>Corresponding internal ratings</th>
<th>Corresponding ratings of external rating agencies (where possible)</th>
<th>Corresponding PD interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default</td>
<td>Counterparties with the highest risk of default and strong ability to fulfill their contractual obligations, for which the Group has relevant data and performs periodic financial analysis</td>
<td>AAA – BB -</td>
<td>D - 10%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>Counterparties with the moderate risk of default and payments overdue from 30 to 90 days</td>
<td>CCC+ – CC</td>
<td>10 – 20%</td>
</tr>
<tr>
<td>Special monitoring</td>
<td>Counterparties with the high risk of default and payments overdue from 30 to 90 days</td>
<td>C – SD</td>
<td>20 – 80%</td>
</tr>
<tr>
<td>Default</td>
<td>Counterparties with the payments (interest or principal amount) overdue for more than 90 days</td>
<td>D</td>
<td>80 – 100%</td>
</tr>
</tbody>
</table>

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.

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 counterparties 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 counterparties is a related party: 23%).
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:

### Financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>19,183</td>
<td>21,204</td>
</tr>
<tr>
<td>Total</td>
<td>19,183</td>
<td>21,204</td>
</tr>
</tbody>
</table>

### 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.

### 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 474m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.

### Amortement 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 at the central Bank of Russia official exchange rate of 2.5% per annum and at a fixed maturity not later than December 2021. Under this agreement in February 2021 the Company provided the first tranche in the amount of RUR 55m.

### 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 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.

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 Sevor 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 Level 1, 2 and 3.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUSC RZD</td>
<td>423</td>
<td>407</td>
</tr>
<tr>
<td>DB Cargo Logistics GmbH (DB Schenker Rail Automotive GmbH)</td>
<td>258</td>
<td>312</td>
</tr>
<tr>
<td>China Railway (CF)</td>
<td>196</td>
<td>165</td>
</tr>
<tr>
<td>Sibur</td>
<td>124</td>
<td>222</td>
</tr>
<tr>
<td>LLC TransportDevelopmentGroup</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>LLC DML</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Pantos Logistics</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>LLC Rail CargoLogistics – RUS</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>JSC RZD Logistics</td>
<td>63</td>
<td>21</td>
</tr>
<tr>
<td>Shanghai Manli International Freight Forwarding Co., Ltd</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>LLC Porters</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>UNICO LOGISTICS</td>
<td>48</td>
<td>26</td>
</tr>
<tr>
<td>Metrans a.s.</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>OOO «T-K VTK»</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>JSC RailLogistics PET.LTD.</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>JSC Kuznetskie Ferrosplavy</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Fintrans GL LLC</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>LLC MAERSK SOLUTIONS</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>JSC R1-Logistics</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>China Mobile Hong Kong</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>OJSC Volgskiy Trubniy Zavod</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>WR Logistics GmbH</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,745</td>
<td>1,379</td>
</tr>
</tbody>
</table>

The largest trade and other receivables outstanding as at the balance sheet date are as follows:
THE CORPORATE GOVERNANCE CODE COMPLIANCE REPORT
INCLUDED IN THE TRANSCONTAINER’S ANNUAL REPORT FOR 2020

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate governance principles</th>
<th>Criteria for evaluating compliance with corporate governance principles</th>
<th>Status of compliance with corporate governance principles</th>
<th>Explanations 1 of deviations from criteria for evaluating compliance with corporate governance principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>111</td>
<td>The Company shall create the most advantageous conditions for shareholders to participate in the General Meeting of Shareholders; conditions to enable the development of well-founded positions on agenda items at the General Meeting of Shareholders; coordination of their actions; and the opportunity to express their opinion on the issues under consideration.</td>
<td>1. The Company's internal document approved by the general meeting of shareholders that governs the procedures for conducting the general meeting is openly available.</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>112</td>
<td>The procedure for notification of the general meeting and for submitting information to the general meeting shall enable shareholders to prepare properly for participation in it.</td>
<td>1. The notification of the general meeting of shareholders was posted (published) on the website at least 30 days before the date of the general meeting.</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>113</td>
<td>The Company provided an accessible means of communicating with the Company such as a hotline, an email address or an internet forum, through which shareholders can express their opinion and submit questions on the agenda during preparations for the general meeting. The Company took these actions on the eve of each General Meeting held during the reporting period.</td>
<td>1. During the reporting period, shareholders were able to submit questions to the Company’s executive bodies and members of the Board of Directors before and during the annual general meeting.</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>114</td>
<td>The exercising by a shareholder of the right to call a general meeting, to nominate candidates for executive bodies and to make suggestions for inclusion on the agenda for a general meeting shall not entail undue difficulties.</td>
<td>1. During the reporting period, shareholders were able to submit proposals for inclusion on the agenda of the annual general meeting for at least 60 days after the end of the relevant calendar year.</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>115</td>
<td>Each shareholder shall be able to exercise their right to vote simply and conveniently without impediment.</td>
<td>1. The Company’s internal document (Internal Policy) contains provisions according to which each participant in a general meeting may request a copy of the ballot, which he/she filled out, certified by the Ballot Committee, before the end of the meeting.</td>
<td>Compliant</td>
<td></td>
</tr>
</tbody>
</table>

1 The “Compliant” status is indicated only if the Company meets all the criteria for assessing compliance with corporate governance principles. Otherwise, the “Partially compliant” or “Not compliant” status is indicated.

2 These statuses are assigned for each criterion that is used to assess compliance with corporate governance principles. The Company meets only part of the criteria or does not meet any of the criteria for assessing compliance with the principle. If the Company has indicated the “Compliant” status, then no further explanations are required.
No. | Corporate governance principles | Status of compliance with corporate governance principles | Criteria for evaluating compliance with corporate governance principles | Explanations 1 of deviations from criteria for evaluating compliance with corporate governance principles |
--- | --- | --- | --- | --- |
1.2.1 | The Company has developed and introduced a transparent and understandable mechanism for determining and paying dividends. | Partially compliant | 1. A Dividend Policy has been developed by the Company, approved by the Board of Directors and disclosed. | The Company has a Dividend Policy, which sets out the conditions for determining and paying dividends. |
1.2.3 | The Company makes no decisions to pay dividends, if such a decision, although not formally in violation of legal requirements, is not economically justified and may lead to a false impression of the Company’s operations. | Compliant | 1. The Company’s Dividend Policy contains clear instructions on the financial and economic circumstances, under which the Company shall not pay dividends. | The policy clearly states the conditions under which dividends will not be paid. |
1.2.6 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Compliant | 1. At general meetings of shareholders held during the reporting period, in the form of a meeting with shareholders jointly present, sufficient time was provided for listening to reports on agenda items and discussing these items. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.7 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Compliant | 2. Issues outside the scope of the Work Schedule included preliminary consideration of non-mass to the subsidiaries’ governance bodies, structure of management remuneration, market research to determine management remuneration levels among transport sector peers, and participation of members of the Board of Directors in professional development programmes for Directors. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.8 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Compliant | 3. When making decisions relating to preparing for and holding general meetings of shareholders, the Board of Directors examined the issue of using telecommunications technologies to provide shareholders with remote access to general meetings during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.9 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 4. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.10 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 5. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.11 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 6. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.12 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 7. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.13 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 8. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.14 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 9. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.15 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 10. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.16 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 11. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.17 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 12. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.18 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 13. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.19 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 14. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.20 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 15. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.21 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 16. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.22 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 17. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.23 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 18. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.24 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 19. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.25 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 20. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.26 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 21. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.27 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 22. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.28 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 23. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.29 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 24. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
1.2.30 | The procedure established by the Company for conducting a general meeting shall ensure that all persons present at the meeting have the equal right to express their opinion and ask questions of interest to them. | Partially compliant | 25. The Company does not permit or it was not involved in voting during the reporting period. | The Company ensures that shareholders have sufficient time to ask questions during meetings. |
No. | Corporate governance principles | Criteria for evaluating compliance with corporate governance principles | Status of compliance with corporate governance principles | Explanations of deviations from criteria for evaluating compliance with corporate governance principles
--- | --- | --- | --- | ---
2.1 | The Board of Directors shall exercise strategic governance of the Company, determine the fundamental principles and approaches to the Company's risk management and internal control system, oversee the activities of the Company's executive bodies, and also perform other key functions. | | |
2.1.1 | The Board of Directors shall determine the principles and approaches to the Company's risk management and internal control system. | | |
2.1.2 | The Board of Directors shall define the benchmarks for the Company's operations over the long term; evaluate and approve key performance indicators and the primary business goals of the Company, and assess and approve the Strategy and Business Plans for the Company's primary operations. | | |
2.1.3 | The Board of Directors shall define the principles and approaches to the Company's risk management and internal control system. | Compliant | |
2.1.4 | The Board of Directors shall define the Company's policy on remuneration and/or reimbursement of expenses of the members of the Board of Directors, executive bodies and other key managers of the Company. | | |
2.1.5 | The Board of Directors shall play a key role in preventing, identifying and regulating internal conflicts between the Company's bodies, shareholders and employees. | | |
2.1.6 | The Board of Directors shall play a key role in ensuring the transparency of the Company, timely and complete disclosure of information by the Company and the unhindered access of shareholders to the Company's documents. | | |
2.2 | The Board of Directors shall be accountable to the Company's shareholders. | | |
2.2.1 | Information on the work of the Board of Directors is disclosed and provided to shareholders. | Partially compliant | |
2.2.2 | The Chairman of the Board of Directors shall be accessible for communication with the Company's shareholders. | Compliant | |
2.3 | The Board of Directors is an effective and professional management body of the Company, capable of making objective, independent judgments and decisions meeting the interests of the Company and its shareholders. | | |
2.3.1 | Only persons with impeccable business and personal reputations, having the knowledge, skills and experience necessary for making decisions under the purview of the Board of Directors and required for the effective performance of its functions shall be selected as members of the Board of Directors. | Compliant | |
2.3.2 | The Board of Directors has approved the Regulations on information policy. | Compliant | |
2.3.3 | The Annual Report contains information on the performance of the Board of Directors. | Not compliant | Due to the changes in the shareholding structure in the reporting year and the subsequent complete renewal of the Board of Directors, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is planned in 2021.

APPENDICES

Annual Report for 2020

For the reporting period, the Board of Directors reviewed the Board's annual report for 2020.

Criteria for evaluating compliance with corporate governance principles

| No. | Corporate governance principles | Criteria for evaluating compliance with corporate governance principles | Status of compliance with corporate governance principles | Explanations of deviations from criteria for evaluating compliance with corporate governance principles
--- | --- | --- | --- | ---
2.1.6 | The Board of Directors shall play a key role in ensuring the transparency of the Company, timely and complete disclosure of information by the Company and the unhindered access of shareholders to the Company's documents. | | |
2.2.1 | Information on the work of the Board of Directors is disclosed and provided to shareholders. | | |
2.2.2 | The Chairman of the Board of Directors shall be accessible for communication with the Company's shareholders. | | |
2.3 | The Board of Directors is an effective and professional management body of the Company, capable of making objective, independent judgments and decisions meeting the interests of the Company and its shareholders. | | |
2.3.1 | Only persons with impeccable business and personal reputations, having the knowledge, skills and experience necessary for making decisions under the purview of the Board of Directors and required for the effective performance of its functions shall be selected as members of the Board of Directors. | | |
2.3.2 | The Board of Directors has approved the Regulations on information policy. | Compliant | |
2.3.3 | The Annual Report contains information on the performance of the Board of Directors. | Not compliant | Due to the changes in the shareholding structure in the reporting year and the subsequent complete renewal of the Board of Directors, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is planned in 2021.

Compliant

Partially compliant

Not compliant

Due to the changes in the shareholding structure in the reporting year and the subsequent complete renewal of the Board of Directors, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is planned in 2021.
<table>
<thead>
<tr>
<th>No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2.3.2</td>
<td>Members of the Company’s Board of Directors shall be elected by a transparent procedure that enables shareholders to obtain sufficient information on the candidates to gain an idea of their personal and professional qualities.</td>
<td>At all general meetings of shareholders during the reporting period for which the agenda included items regarding the election of the Board of Directors, the Company provided shareholders with biographical information on all candidates for the Board of Directors, the results of the evaluation of such candidates conducted by the Board of Directors (or its Nomination Committee), and information about whether the candidates met the independence criteria, according to recommendations 102-107 of the Code and the written consent of the candidates for the Board of Directors.</td>
<td>Compliant</td>
<td></td>
</tr>
<tr>
<td>2.3.3</td>
<td>The membership of the Board of Directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and have the trust of the shareholders.</td>
<td>As part of the procedure for evaluating the work of the Board of Directors during the reporting period, the Board of Directors has analysed its own needs in terms of professional qualifications, experience and business skills.</td>
<td>Not compliant</td>
<td>Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company's Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is planned in 2021. However, the analysis of professional qualifications, experience, knowledge and business qualities was carried out as part of the consideration of including candidates nominated by TransContainer shareholders in the list of candidates for voting.</td>
</tr>
<tr>
<td>2.3.4</td>
<td>The quantitative composition of the Company’s Board of Directors shall make it possible to organise the activity of the Board of Directors in the most efficient manner, including the ability to establish Committees of the Board of Directors, and shall also enable significant minority shareholders of the Company to elect the candidate they vote for to the Board of Directors.</td>
<td>As part of the procedure for evaluating the Board of Directors carried out during the reporting period, the Board of Directors has reviewed the issue of the conformity of the quantitative composition of the Board of Directors to the needs of the Company and the interests of its shareholders.</td>
<td>Not compliant</td>
<td>Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company's Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is planned in 2021.</td>
</tr>
</tbody>
</table>

2.4.1 An independent Director is a person who has sufficient professionalism, experience and independence to determine his or her own position, who is capable of making objective and conscientious judgements that are independent of the influence of the Company’s executive bodies, groups of shareholders or other interested parties. It must be noted here that, under normal conditions, a candidate (elected member of the Board of Directors) who is connected to the Company, a significant shareholder, significant contractual counterparty or competitor of the Company, or who has connections to the Government, cannot be deemed independent.

1. During the reporting period, all independent members of the Board of Directors met all criteria indicated in recommendations 102-107 of the Code or were declared independent by the decision of the Board of Directors.

2.2.4 The conformity of the candidates for the Board of Directors to the independence criteria shall be evaluated, and the conformity of independent members of the Board of Directors to the independence criteria shall be analysed regularly. Content must take precedence over form when conducting such an evaluation.

1. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) formed an opinion of the independence of each candidate for the Board of Directors and submitted its conclusions to the shareholders.

2. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) reviewed the independence of the current members of the Board of Directors, whom the Company lists as independent Directors in the Annual Report, at least once.

3. The Company has developed procedures defining the necessary actions of a member of the Board of Directors in the event that he or she ceases to be independent, including the responsibility to inform the Board of Directors of this fact in a timely manner.

1. At least one-third of the members of the Board of Directors shall be independent Directors.

1. At least one-third of the members of the Board of Directors shall be independent Directors.

In 2020 the Company’s Board of Directors included four independent Directors. By the decision of the sole shareholder dated 25 November 2020, a new Board of Directors of the Company was elected. It included two members of the Board of Directors meeting the criteria of independence.
2.4.4 Independent directors shall play a key role in preventing internal conflicts in the Company and in material corporate actions by the Company.

2.5.1 An independent Director shall:

- Play a key role in preventing internal conflicts in the Company and in material corporate actions by the Company.

2.5 The Chairman of the Board of Directors shall promote the most efficient exercise of the functions assigned to the Board of Directors.

2.5.2 The Chairman of the Board of Directors shall take the steps necessary to provide members of the Board of Directors with the information required to make decisions on agenda items in a timely manner.

2.6 The members of the Board of Directors shall act conscientiously and reasonably in the interests of the Company and its shareholders on the basis of sufficient information, and act with due diligence and prudence.

### APPENDICES

#### Status of compliance

- **Compliant**
- **Partially compliant**
- **Not compliant**
- **Compliant due to change in the shareholding structure**
- **Partially compliant due to change in the shareholding structure**
- **Explanations**

#### Criteria for evaluating compliance

- Performance of the Chairman of the Board of Directors has not been evaluated.
- Performance of the Chairman of the Board of Directors has been evaluated as part of the procedure for evaluating the performance of the Board of Directors during the reporting period.
- Individual attendance at meetings of the Board and its Committees, as well as the time devoted to preparing for participation in meetings, have been considered in the process of evaluating the performance of the Board of Directors in the reporting period.
- According to the Company’s internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intent to become members of governance bodies of other entities (other than entities controlled by the Company and its subsidiaries), as well as of the fact of such appointment.
- The Company’s internal documents specify that a member of the Board of Directors must abstain from voting on any issue with which he or she has a conflict of interest.
- The Company’s internal documents specify that a member of the Board of Directors is obliged to notify the Board of Directors of any change in the Company’s Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated.
- The Board has not decided to take the steps necessary to provide members of the Board of Directors in a timely manner.
- The Company’s internal documents specify that a member of the Board of Directors is obliged to notify the Board of Directors if he or she has a conflict of interest concerning any agenda item of a meeting of the Board of Directors or Committee of the Board of Directors.
- The Company’s internal documents specify that a member of the Board of Directors must abstain from voting on any issue with which he or she has a conflict of interest.

2.7 Meetings of the Board of Directors, preparation for them and participation in them by members of the Board of Directors shall ensure the effective functioning of the Board of Directors.

2.7.1 Meetings of the Board of Directors shall be held as necessary, depending on the scale of operations and the tasks facing the Company in a given period.

1. The Board of Directors held at least six meetings in the reporting year.

2. The Company has approved an internal document on the procedure for preparing for and holding meetings of the Board of Directors, ensuring that the members of the Board of Directors are able to prepare for them properly.

3. The format of the Board of Directors' meeting shall be determined taking into account the importance of the agenda items. Decisions on the most important issues shall be taken at in-person meetings.

4. Decisions on the most important issues of the Company's operations shall be made at meetings of the Board of Directors by a qualified majority or majority of votes of all elected members of the Board of Directors.

1. According to the Company's internal documents, members of the Board of Directors have the right to access documents and to ask questions about the Company and its subsidiaries, while the Company's governance bodies are obliged to provide the applicable information and documents.

2. The Company has a formalised induction programme for newly elected members of the Board of Directors.

The format of the Board of Directors' meetings shall be determined taking into account the importance of the agenda items. Decisions on the most important issues shall be taken at in-person meetings.

The Company has approved an internal document on the procedure for preparing for and holding meetings of the Board of Directors, ensuring that the members of the Board of Directors are able to prepare for them properly.

Decisions on the most important issues of the Company's operations shall be made at meetings of the Board of Directors by a qualified majority or majority of votes of all elected members of the Board of Directors.

1. The Company's Charter or a regulation stipulates that the most important issues (according to the list provided in Recommendation 168 of the Code) shall be reviewed at in-person meetings of the Board.

2. The Company's Charter stipulates that decisions on the most important issues listed in Recommendation 170 of the Code shall be made at meetings of the Board of Directors by a qualified majority of at least three-quarters of the votes, or by a majority of the votes of all elected members of the Board of Directors.

2.8 The Board of Directors shall establish Committees for a preliminary review of the most important issues of the Company's operations.

2.8.1 The Audit Committee consisting of independent directors shall be created for a preliminary review of matters related to the financial and business operations of the Company.

1. The Board of Directors has created the Audit Committee consisting of independent directors only.

2. The Company's internal documents define the tasks of the Audit Committee, including the tasks listed in Recommendation 172 of the Code.

3. At least one member of the Audit Committee, who is an independent Director, has knowledge and experience in preparing, analysing, assessing and auditing the accounting (financial) statements.

4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.

The Audit Committee consists of independent directors. As at the end of 2020, the Company's Nominations and Remuneration Committee had one independent director. While composing its Committees, the Board of Directors takes into account the Director's independence along with expertise, experience, and desire to work in a certain committee, which makes his/her engagement in the Audit Committee's work more effective.

1. The Board of Directors has created the Remuneration Committee consisting of independent directors only.

2. The Remuneration Committee consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors shall be created for a preliminary review of issues relating to the establishment of an effective and transparent remuneration practice.

3. The Remuneration Committee is an independent committee. As at the end of 2020, the Company's Nominations and Remuneration Committee had four independent directors. As at the end of 2020, the Company's Nominations and Remuneration Committee had one independent director. While composing its Committees, the Board of Directors takes into account the Director's independence along with expertise, experience, and desire to work in a certain Committee, which makes his/her engagement in the Nominations and Remuneration Committee's work more effective.
2.8.3 The Nominations Committee (appointments, HR), in which the majority of members are independent directors, shall be created for a preliminary review, with various opinions considered. The composition of committees fully matches the goals of the Company’s operations. Additional committees shall be either created or declared unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).

### Table 2.8.3: Nominations Committee

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>2.8.3</td>
<td>The Nominations Committee is an independent director who is not the Chairman of the Board of Directors.</td>
<td>Partially compliant</td>
<td>The Company has created the Nominations Committee (or the tasks indicated in Recommendation 186 of the Code, which complete the tasks similar to those of the Nominations Committee (see the comments to para 2.8.2).</td>
<td>The Company has created the Nominations Committee, which completes the tasks indicated in Recommendation 186 of the Code, which complete the tasks similar to those of the Nominations Committee (see the comments to para 2.8.2).</td>
</tr>
<tr>
<td>3.</td>
<td>The tasks of the Remuneration Committee, including the tasks listed in Recommendation 186 of the Code, are defined in the Company’s internal documents.</td>
<td>Compliant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2.8.5: Nominations Committee

<table>
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<tbody>
<tr>
<td>2.8.5</td>
<td>The composition of committees shall be determined so as to enable thorough discussion of the issues under preliminary review, with various opinions considered.</td>
<td>Partially compliant</td>
<td>Between 27 March 2020, the Audit Committee was chaired by an independent director. As at the end of 2020, the Strategy Committee and the Nominations and Remuneration Committees were chaired by non-executive directors. The Audit Committee is chaired by the Executive Director. The Company’s deviation from this recommendation ensues from the fact that while selecting chairs of the committees, the Board of Directors also pays attention to the relevant expertise, skills and experience of Directors pertinent to the respective committee, as well as their desire to work as a chairman of the respective committees, which makes their engagement in the committee’s work more effective.</td>
<td>Not compliant</td>
</tr>
<tr>
<td>1.</td>
<td>The Committees of the Board of Directors are chaired by independent directors.</td>
<td>Compliant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>The Company’s internal documents (policies) include provisions according to which persons who are not members of the Audit Committee, Nominations Committee or Remuneration Committee may only attend meetings of these committees at the invitation of the Chairman of the respective committee.</td>
<td>Compliant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Committee chairs shall regularly inform the Board of Directors and/or chair about the work of their committees.</td>
<td>Compliant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Committee chairs regularly inform the Board of Directors about the work of their committees during the reporting period.</td>
<td>Compliant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.8.4 In view of the activity scope and risk levels, the Company’s Board of Directors shall be confident that the composition of its committees fully matches the goals of the Company’s operations. Additional committees shall be either created or declared unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).

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<tbody>
<tr>
<td>2.8.4</td>
<td>In the reporting period, the Company’s Board of Directors has considered the issue of its committees’ composition compliance with the tasks of the Board of Directors and the goals of the Company’s operations. Additional committees were either created or were not deemed necessary.</td>
<td>Not compliant</td>
<td>Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company’s Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company’s Board of Directors for 2020/2021 corporate year is planned in 2021.</td>
<td></td>
</tr>
</tbody>
</table>
2.9 The Board of Directors shall evaluate the performance of the Board of Directors, its Committees and members of the Board of Directors.

2.9.1 The evaluation of the quality of performance can be improved.

1. The self-assessment or external evaluation of the work of the Board of Directors conducted during the reporting period included a performance evaluation of committees, individual members of the Board of Directors and the Board of Directors as a whole.

2. The results of the self-assessment or external evaluation of the work of the Board of Directors conducted during the reporting period were reviewed at an in-person meeting of the Board of Directors.

2.9.2 The work of the Board of Directors, its committees and members of the Board of Directors shall be evaluated regularly, at least once per year. An external entity (consultant) shall be hired to conduct an independent evaluation of the work of the Board of Directors at least once every three years.

3.1 The Company’s Corporate Secretary is responsible for conducting all ongoing communications with shareholders, coordinating activities to protect the rights and interests of shareholders, and supporting effective action by the Board of Directors.

3.1.1 The Corporate Secretary has sufficient knowledge, experience and expertise to execute his or her duties. This official enjoys an impeccable reputation and the confidence of shareholders.

1. The Corporate Secretary has adopted and disclosed a regulation listing the Corporate Secretary with the same level of detail that is afforded to members of the Company’s Board of Directors and executive management team.

3.1.2 The Company’s website and Annual Report provide biographical information about the Corporate Secretary.

1. Not compliant
2. Not compliant
3. Not compliant

APPENDICES

4.1 The level of remuneration paid by the Company shall be sufficient to enable it to attract, motivate, and retain employees having the required skills and qualifications. Remuneration shall be paid to Board members, the executive bodies, and other key executives at the Company in accordance with the remuneration policy adopted by the Company.

4.1.1 The level of remuneration paid to members of the Board of Directors, executive bodies, and other key executives (regulations) governing the remuneration policy (policies) for members of the Board of Directors, executive bodies, and other key executives, which clearly define the approaches governing the remuneration of these persons.

1. The Board of Directors approves decisions to appoint and dismiss the Corporate Secretary, as well as all decisions to award additional remuneration to the Corporate Secretary.

1. Compliant
2. Compliant
3. Compliant

4.1.2 The Company’s remuneration policy shall be determined by the remuneration committee and approved by the Board of Directors. The Board of Directors, with the support of the Remuneration Committee, shall monitor the introduction and implementation of the Company’s remuneration policy, and if necessary review and make adjustments to it.

1. During the reporting period, the Remuneration Committee has reviewed the remuneration policy (policies) and how such policies are implemented in practice, and, when necessary, it has presented appropriate recommendations to the Board of Directors.

1. Compliant
2. Compliant
3. Compliant

4.1.3 The Company’s remuneration policy shall contain transparent mechanisms for determining the amount of remuneration paid to members of the Board of Directors, executive bodies and other key executives at the Company, and regulations (regulations) all kinds of payments, benefits and privileges provided to such persons.

1. The Company’s remuneration policy (policies) contains (contain) transparent mechanisms for determining the amount of remuneration paid to members of the Board of Directors, executive bodies and other key executives at the Company, and regulations (regulations) all kinds of payments, benefits and privileges provided to such persons.

1. Compliant
2. Compliant
3. Compliant
4.2 The system of remuneration for members of the Board of Directors shall ensure that the financial interests of the Directors are in line with the long-term financial interests of shareholders.

4.2.1 The Company shall pay an annual base salary to the members of the Board of Directors. The Company shall not pay a fee for participation in individual meetings of the Board or of Board Committees. The Company shall not use forms of short-term motivation or additional material incentives for members of the Board of Directors.

1. An annual base salary was the only form of monetary remuneration that members of the Board of Directors received for their work on the Board during the reporting period.

Compliant

4.2.2 Long term ownership of Company shares is the best way to ensure the convergence of the financial interests of the members of the Board of Directors with the long-term interests of shareholders. For this reason, the Company shall not make the right to dispose of shares dependent on the achievement of certain performance results, and members of the Board of Directors do not participate in option programmes.

1. If a regulation (regulations) detailing remuneration policy (policies) include a provision allowing Company’s shares to be granted to members of the Board of Directors, then clear rules are stipulated and disclosed regulating the ownership by Board members of those shares, intended to promote the long-term holding of such shares.

Compliant

4.2.3 The Company shall not provide any additional payments or compensation in the event of the early termination of the authorities of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.

1. The Company shall not provide any additional payments or compensation in the event of the early termination of the authorities of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.

Compliant

4.2.4 The Company shall define other circumstances.

Corporate governance principles

Criteria for evaluating compliance with corporate governance principles

Status of compliance with corporate governance principles

Explanations of deviations from criteria for evaluating compliance with corporate governance principles

1. The policy (policies) on remuneration of the Company’s other by-laws establish expense reimbursement rules for members of the Board of Directors, executive bodies and other key executives at the Company.

Compliant

The system of remuneration for members of the Executive Bodies and other key executives of the Company shall provide for their remuneration to be dependent on the Company’s performance and their personal contributions to achieving it.

4.3 The Company shall define other circumstances.

Corporate governance principles

Criteria for evaluating compliance with corporate governance principles

Status of compliance with corporate governance principles

Explanations of deviations from criteria for evaluating compliance with corporate governance principles

1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable compensation awarded to members of executive bodies and other key executives at the Company.

Compliant

4.3.1 Compensation for members of executive bodies and other key executives at the Company shall be determined in such a way as to ensure a reasonable and justified ratio between base salary and variable remuneration depending on the Company’s performance and the personal (individual) contribution of each employee to the final result.

Compliant

1. An annual base salary was the only form of monetary remuneration that members of the Board of Directors received for their work on the Board during the reporting period.

Compliant

1. If a regulation (regulations) detailing remuneration policy (policies) include a provision allowing Company’s shares to be granted to members of the Board of Directors, then clear rules are stipulated and disclosed regulating the ownership by Board members of those shares, intended to promote the long-term holding of such shares.

Compliant

1. The Company shall not provide any additional payments or compensation in the event of the early termination of the authorities of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.

Compliant

Regulation on Annual Performance Examination of Executives of the Company

Corporate governance principles

Criteria for evaluating compliance with corporate governance principles

Status of compliance with corporate governance principles

Explanations of deviations from criteria for evaluating compliance with corporate governance principles

The Regulation on Annual Performance Examination of Executives of the Company does not provide for a procedure to reclaim funds wrongfully obtained by members of executive bodies and other key executives at the Company, as no such cases have been identified.

The Company has a clear mechanism in place to determine remuneration for members of executive bodies and other executives, eliminating the possibility of unreasonable payments. Should the fact be confirmed, bonus payments wrongfully obtained by members of executive bodies (members of the Executive Board and chief executives) and other key executives of the Company are returned under the applicable Russian laws.
<table>
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</thead>
<tbody>
<tr>
<td>5.1.1</td>
<td>The Board of Directors shall</td>
<td></td>
<td>Compliant</td>
<td>1. The Company has approved an anti-corruption policy.</td>
</tr>
<tr>
<td>5.1.2</td>
<td>The Company shall implement a long-term incentive programme for members of the executive bodies and other key executives of the Company using the Company’s shares (or options or other derivative instruments whose underlying asset is Company shares).</td>
<td>1. The Company has implemented a long-term incentive programme for members of the executive bodies and other key executives of the Company using the Company’s shares (or financial instruments based on Company shares).</td>
<td>Not compliant</td>
<td>Currently, the Company does not develop any long-term incentive programme for members of the executive bodies and other key executives of the Company using the Company’s shares (or financial instruments based on Company shares).</td>
</tr>
<tr>
<td>5.2.1</td>
<td>The Company shall create and organise an internal audit to ensure a systematic, independent evaluation of the reliability and effectiveness of the Company’s risk management and internal control system and its corporate governance practices.</td>
<td></td>
<td>Compliant</td>
<td>1. The Company has created a separate structural unit to conduct internal audits that is functionally subordinate to the Board of Directors or the Audit Committee.</td>
</tr>
<tr>
<td>5.2.2</td>
<td>The internal audit unit shall evaluate the effectiveness of the internal control system and assess the effectiveness of the risk management and corporate governance systems. The Company shall apply generally accepted standards in the field of internal auditing.</td>
<td></td>
<td>Compliant</td>
<td>1. During the reporting period, the effectiveness of the internal control and risk management systems was assessed as part of the internal audit process.</td>
</tr>
<tr>
<td>6.1</td>
<td>The Company shall disseminate information on changes in its operations to shareholders, investors and other interested parties.</td>
<td>1. The Company has disseminated information on changes in its operations to shareholders, investors and other interested parties.</td>
<td>Compliant</td>
<td>1. The Board of Directors has approved the Company’s information policy, which is designed to meet the recommendations of the Code.</td>
</tr>
</tbody>
</table>

APPENDICES

Annual Report for 2020
### 6.2.1 The Company shall disclose information in accordance with the principles of regularity, consistency and efficiency, as well as the accessibility, accuracy, completeness and comparability of the data disclosed.

1. The Company’s information policy defines approaches and criteria for identifying information that could materially affect the Company’s valuation, the value of its securities and the procedures that ensure the timely disclosure of such information.
   - **Compliant**

2. If the Company’s securities are traded on foreign organized markets, then equivalent amounts of material information shall be disclosed in the Russian Federation and on these foreign markets at the same time during the reporting year.
   - **Compliant**

3. If foreign shareholders hold a substantial number of shares in the Company, then during the reporting year, information was disclosed not only in Russian but also in one of the more commonly spoken foreign languages.
   - **Compliant**

### 6.2.2 The Company shall disclose information about its corporate governance system and the general principles of corporate governance applied at the Company, including on the Company’s website.

1. The Company discloses information about its corporate governance system and the general principles of corporate governance applied at the Company, including on the Company’s website.
   - **Compliant**

2. The Company discloses information on the composition of the executive bodies and the Board of Directors, as well as the independence of the members of the Board of Directors and their membership on the Committees of the Board of Directors (in accordance with the definitions provided in the Code).
   - **Compliant**

3. In the event that a person should assume control of the Company, the Company publishes a memorandum by the controlling person concerning the plans of the person for the corporate governance of the Company.
   - **Not compliant**

   In the reporting period, the Company published no memorandum by the controlling shareholder since the controlling shareholder did not inform the Company of their plans concerning the corporate governance in the Company. If the Company receives from the controlling person any statement of their plans regarding corporate governance in the Company, the Company undertakes to publish the same on its website and in the Annual Report. The Company’s business priorities and development prospects, along with planned corporate governance initiatives are described in the Annual Report approved annually by its shareholders.

### 6.2.3 The Company shall avoid taking a formal approach to the disclosure of information, and shall disclose material information about its activities even when such disclosure is not required by law.

1. During the reporting period, the Company disclosed its annual and semi-annual financial statements prepared according to IFRS.

   The Company’s Annual Report for the reporting period included annual financial statements that were prepared in accordance with IFRS together with the Auditor’s Report.

   - **Compliant**

2. The Company discloses full information on the capital structure of the Company in accordance with Recommendation 290 of the Code in the Annual Report and on the Company’s website.
   - **Compliant**

3. The Annual Report, which is one of the most important tools for sharing information with shareholders and other interested parties, shall contain information that makes it possible to assess the Company’s activities for the year.

   - **Compliant**

### 6.3 The Company shall provide information and documents at the request of shareholders in accordance with the principle of equal and unhindered access.

1. The Company’s Annual Report contains information on the key aspects of the Company’s operations and its financial performance.

   - **Compliant**

2. The Company’s Annual Report contains information about the environmental and social aspects of the Company’s activities.

   - **Compliant**

### 6.3.1 The Company shall provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.

1. During the reporting period, the Company did not refuse to provide information to shareholders, including information about the Company’s subsidiaries, at the request of shareholders.

   - **Compliant**

2. In cases determined by the Company’s information policy, shareholders are warned about the confidential nature of the information that is disclosed and assume responsibility to preserve its confidentiality.

   - **Compliant**
### 7.1 Any actions that may materially affect the Company’s share capital structure and its financial position and, accordingly, the position of its shareholders (“material corporate actions”) shall be taken under fair terms and conditions that ensure that the rights and interests of shareholders as well as other interested parties, are observed.

#### 7.1.1 Material corporate actions include the reorganization of the Company, the acquisition of 30 percent or more of the voting shares (takeover), material transactions by the Company an increase or decrease in the Company’s share capital, the listing and delisting of Company shares and other actions that may lead to a significant change in the rights of shareholders or a violation of their interests. The Company’s charter shall include a list of (or criteria for identifying) transactions or other actions falling within the category of material corporate actions. These actions fall within the purview of the Company’s Board of Directors.

1. The Company’s Charter shall include a list of transactions or other actions falling within the category of material corporate actions and criteria for their determination. Decisions regarding material corporate actions fall within the purview of the Board of Directors. In cases where the authority to perform these corporate actions is invested by law in the general meeting of shareholders, the Board of Directors provides shareholders with appropriate recommendations.

   - **Compliant**

2. At a minimum, the Company’s Charter recognizes the following to be material corporate actions: the reorganization of the Company, the acquisition of 30 percent or more of voting shares (takeover), material transactions by the Company; an increase or decrease in the Company’s share capital and the listing and delisting of Company’s shares.

   - **Compliant**

#### 7.1.2 The Board of Directors shall play a key role in making decisions or making recommendations about material corporate actions. The Board of Directors shall rely on the position of the Company’s independent directors.

1. The Company has determined a procedure under which the independent directors declare their positions on material corporate actions prior to their approval.

   - **Partially compliant**

   The Company does not have a special procedure where independent directors state their opinion on material corporate actions before their approval. Material corporate actions are also considered at meetings of the Board of Directors and the Committees of the Board of Directors, which include independent directors. Materials to the meetings of the Board of Directors and the Committees shall be provided within the term that allows taking a stand on items on the agenda. Thus, independent directors will be able to assess material corporate actions involving potential conflicts of interest in advance and provide the results of such an assessment to the Board of Directors.

#### 7.2 The Company shall provide a procedure for material corporate actions which allows shareholders to receive timely and complete information on such actions, provides them with the opportunity to influence decision making about such actions and ensures compliance and an adequate level of protection of shareholder rights in the performance of such actions.

1. During the reporting period, all material corporate actions were approved before they were carried out.

   - **Compliant**

   The Company does not have a special procedure where independent directors state their opinion on material corporate actions before their approval. Material corporate actions are also considered at meetings of the Board of Directors and the Committees of the Board of Directors, which include independent directors. Materials to the meetings of the Board of Directors and the Committees shall be provided within the term that allows taking a stand on items on the agenda. Thus, independent directors will be able to assess material corporate actions involving potential conflicts of interest in advance and provide the results of such an assessment to the Board of Directors.

#### 7.2.1 Information about material corporate actions shall be disclosed together with the reasons, conditions and consequences of such actions.

1. During the reporting period, the Company promptly and thoroughly disclosed information on the Company’s material corporate actions, including the reasons for and timing of such actions.

   - **Compliant**

### APPENDICES

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate governance principles</th>
<th>Criteria for evaluating compliance with corporate governance principles</th>
<th>Status of compliance with corporate governance principles</th>
<th>Explanations of deviations from criteria for evaluating compliance with corporate governance principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>71.3</td>
<td>When carrying out material corporate actions that affect the rights and lawful interests of shareholders, equal conditions shall be afforded to all shareholders. If the mechanisms protecting the rights of shareholders under the law are insufficient, then further measures to protect the rights and lawful interests of the Company’s shareholders shall be taken. In doing so, the Company shall be governed not only by compliance with the formal requirements of law but also by the principles of corporate governance set out in the Code.</td>
<td>Compliant</td>
<td>1. Considering the nature of the Company’s business, the Company’s Charter establishes lower criteria than the minimum provided for under law for classifying the Company’s transactions as material corporate actions.</td>
<td></td>
</tr>
<tr>
<td>72</td>
<td>The Company shall provide a procedure for material corporate actions which allows shareholders to receive timely and complete information on such actions, provides them with the opportunity to influence decision making about such actions and ensures compliance and an adequate level of protection of shareholder rights in the performance of such actions.</td>
<td>Compliant</td>
<td>2. During the reporting period, all material corporate actions were approved before they were carried out.</td>
<td></td>
</tr>
</tbody>
</table>
### Related Party Transactions and Major Transactions

#### Related Party Transactions

In line with the effective procedure for notifying members of executive bodies of an impending related party transaction as defined in Article 83 of Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies, the Company’s Board of Directors approved the procedure and form for the Company to send electronic copies of notices of such transactions (from the e-mail address of the Company’s Corporate Secretary) to the e-mail addresses of members of the Board of Directors and members of the Executive Board, as well as shareholders of the Company (Minutes No. 10 dated 17 March 2017).

In 2020, two notices were sent.

By virtue of Clause 1, Article 83 of the Law On Joint-Stock Companies, a member of the Company’s Board of Directors and Management Board has the right to request that the Board of Directors or the general meeting of shareholders approve a related party transaction before its execution. In this case, the request shall be sent to the Corporate Secretary’s e-mail address.

In total, in 2020, the Company consummated six related party transactions.
<table>
<thead>
<tr>
<th>No.</th>
<th>Type of transaction</th>
<th>Contractor</th>
<th>Subject and other essential terms</th>
<th>Price</th>
<th>Validity term</th>
<th>Governance body in charge</th>
<th>Related party</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contract No. 3765732 dated 17 January 2020</td>
<td>Russian Railways</td>
<td>The agent, for the remuneration provided for by the contract, by order of the principal on its own behalf (but at the expense of the principal), undertakes to perform legal and other actions related to the involvement of railcars and containers for the transportation of cargoes of customers and personnel baggage of military personnel</td>
<td>The amount of agent remuneration is 0.01% of the fee paid by customers for the use of third-party railcars and containers (net of VAT)</td>
<td>30.03.2021</td>
<td>Notice to the members of the Board of Directors and the Management Board on the planned related party transaction under Item 1, Clause 1, Article 81 of the Law On Joint-Stock Companies</td>
<td>Andrey Starkov</td>
<td>Member (Chairman) of the TransContainer's Board of Directors Andrey Starkov held the position in the management body of a legal entity that is a party to the transaction (member of the Management Board of Russian Railways)</td>
</tr>
<tr>
<td>2</td>
<td>Contract No. 3765646 dated 17 January 2020</td>
<td>Russian Railways</td>
<td>The agent, for the remuneration provided for by the contract, by order of the principal on its own behalf (but at the expense of the principal), undertakes to perform legal and other actions related to the involvement of railcars and containers for the transportation of cargoes of customers and personnel baggage of military personnel</td>
<td>The amount of agent remuneration is 0.01% of the fee paid by customers for the use of third-party railcars and containers (net of VAT)</td>
<td>30.03.2021</td>
<td>Notice to the members of the Board of Directors and the Management Board on the planned related party transaction under Item 1, Clause 1, Article 81 of the Law On Joint-Stock Companies</td>
<td>Andrey Starkov</td>
<td>Member (Chairman) of the TransContainer's Board of Directors Andrey Starkov held the position in the management body of a legal entity that is a party to the transaction (member of the Management Board of Russian Railways)</td>
</tr>
<tr>
<td>3</td>
<td>Addendum No. 7 dated 16 January 2020 to Contract No. TKtz/18/02/001 dated 09 February 2018 for transportation and forwarding services</td>
<td>Russian Railways</td>
<td>Change in the level of quotas for storage of empty TransContainer's containers at the terminals of Russian Railways and the cost of terminal services provided at the terminals of Russian Railways due to indexation</td>
<td>None</td>
<td>During the term of the contract</td>
<td>Notice to the members of the Board of Directors and the Management Board on the planned related party transaction under Item 11, Clause 1, Article 81 of the Law On Joint-Stock Companies</td>
<td>Andrey Starkov</td>
<td>Member (Chairman) of the TransContainer's Board of Directors Andrey Starkov held the position in the management body of a legal entity that is a party to the transaction (member of the Management Board of Russian Railways)</td>
</tr>
<tr>
<td>4</td>
<td>Pledge agreement of the share of FVKS LLC between PJSC GTLK and PJSC TransContainer dated 17 March 2020.</td>
<td>PJSC GTLK, FVKS LLC</td>
<td>Pledge in the amount of 30% of the share capital of LLC Freight Village Kaluga North owned by TransContainer (further - Pledgor) on the right of ownership</td>
<td>The price of the share pledge agreement is the nominal cost of the share of RUB 945,984,300.</td>
<td>The agreement is valid until the earlier of the following dates: - the date of full performance of the secured obligations; - the date of actual receipt of all proceeds due to the pledge holder from the sale of the pledged item to the pledge holder's account or the date of the transfer of ownership of the pledged item to the pledge holder</td>
<td>Notice to the members of the Board of Directors and the Management Board on the planned related party transaction under Item 11, Clause 1, Article 81 of the Law On Joint-Stock Companies. The transaction was approved by the TransContainer's Board of Directors (Minutes No. 8 dated 12 December 2019)</td>
<td>Maksim Gavrilenko</td>
<td>Member of the TransContainer's Board of Directors Maksim Gavrilenko was a member of the Board of Directors of FVKS LLC, the beneficiary of the transaction</td>
</tr>
<tr>
<td>No.</td>
<td>Type of transaction</td>
<td>Contractor</td>
<td>Subject and other essential terms</td>
<td>Price</td>
<td>Validity term</td>
<td>Governance body in charge</td>
<td>Related party</td>
<td>Affiliation</td>
</tr>
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<tr>
<td>5</td>
<td>Agreement No. 3876884 (on arrangements under the contacts No. 3437168 and No. 3437191 dated 08 May 2019) dated 19 March 2020</td>
<td>Russian Railways</td>
<td>Bringing the relations of the parties to the actual circumstances when in 2019, during the period until 31 December 2019, Russian Railways involved additional specialised rolling stock and containers owned by TransContainer for transportation in the interests of power structures (departments) Using the terms of the contracts No. 3437168 and 3437191 dated 08 May 2019 concluded based on the results of the public online auction No. 142/OAE-17/20/91 in settlements for involving additional railcars and containers for military and special domestic transportation Determining the fee limit for involving additional railcars and containers in the amount not exceeding RUB 540,266,991.36 (net of VAT)</td>
<td>The fee limit for involving additional railcars and containers in the amount not exceeding RUB 540,266,991.36 (net of VAT)</td>
<td>31.03.2020</td>
<td>Notice to the Company's shareholders on the planned related party transaction under Item 1.1, Clause 1, Article 81 of the Law On Joint-Stock Companies</td>
<td>Andrey Starkov</td>
<td>Member (Chairman) of the TransContainer's Board of Directors Andrey Starkov held the position in the management body of a legal entity that is a party to the transaction (member of the Management Board of Russian Railways)</td>
</tr>
<tr>
<td>6</td>
<td>Loan Agreement No. TKd/20/07/0.006 dated 21 July 2020</td>
<td>TransContainer Europe GmbH</td>
<td>The Lender undertakes to provide the Borrower with a loan of EUR 5,000,000 (five million) (hereafter referred to as Loan) and the Borrower undertakes to repay the Loan and pay interest on the Loan in the amount of 4.0 (four) % per annum</td>
<td>Loan amount: EUR 5,000,000 (five million)</td>
<td>The Loan amount with interest on the Loan amount of 4.0 (four) % per annum: 5,089,617.49 (five million eighty-nine thousand six hundred and seventeen euro and forty-nine euro cents)</td>
<td>The Borrower is obliged to repay the Loan and pay the accrued interest to the Lender not later than 31 December 2020 (inclusive). The obligation of the Lender to provide the Loan shall be deemed fulfilled from the date of receipt of the Loan amount to the Borrower’s current account specified in the Loan Agreement. The Lender notifies the Borrower in writing about the fact of transferring the Loan to the Borrower</td>
<td>Notice to the members of the Board of Directors and the Management Board on the planned related party transaction under Item 11, Clause 1, Article 81 of the Law On Joint-Stock Companies; the transaction was approved by the TransContainer’s Board of Directors (Minutes No. 6 dated 20 July 2020)</td>
<td>MC Delo LLC</td>
</tr>
</tbody>
</table>
The main feature of a major transaction is its going beyond the ordinary business of the company, regardless of whether such transactions were made by this company before, if such transactions may lead to the termination of the company’s activities or a change in its type or a significant change in its scale.

In 2020, the Company made one major transaction:

<table>
<thead>
<tr>
<th>Type of transaction</th>
<th>Contractor</th>
<th>Subject and other essential terms</th>
<th>Transaction price</th>
<th>Issuer’s asset balance at the end of the last completed reporting period before the date of transaction (RUB)</th>
<th>Validity term</th>
<th>Governance body in charge</th>
<th>Person (persons) who is (are) a party (parties) and beneficiary (beneficiaries) in the transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-revolving Credit Facility Agreement No. 7567 dated 25 December 2020</td>
<td>Sberbank</td>
<td>The Lender (Sberbank) undertakes to open a nonrevolving credit line to the Borrower (TransContainer) for the period to 09 June 2022 (inclusive). The loan limit is RUB 40,000,000,000 (forty billion). The Borrower undertakes to repay the loan and pay interest for the use of it and other payments in the amount, on time and under the terms of the Agreement.</td>
<td>The maximum price of the agreement consists of the loan limit of RUB 40,000,000,000.00 (forty billion) and interest for the use of the loan based on the current interest rate of the Bank of Russia plus 2 (two) % per annum. The maximum amount of the agreement is RUB 43,616,382,214.24 (forty-three billion six hundred and sixteen million three hundred and eighty-two thousand two hundred and fourteen) and 24 kopecks. As a percentage of the value of TransContainer’s assets as of the last reporting date, the price is 48.7%</td>
<td>89,630,662,000</td>
<td>As at 09.06.2022 (inclusive)</td>
<td>The decision to agree to a major transaction was made at the meeting of the Board of Directors of TransContainer held on 22 December 2020 (Minutes No. 19 dated 24 December 2020)</td>
<td>Sberbank is a lender, and PJSC TransContainer is a borrower.</td>
</tr>
</tbody>
</table>
## CORPORATE RISK MAP

<table>
<thead>
<tr>
<th>Risk area (process)</th>
<th>Risk area (subprocess)</th>
<th>Risk No.</th>
<th>Risk</th>
<th>Risk drivers</th>
<th>Risk impact</th>
<th>Mitigators</th>
<th>Criticality</th>
<th>Risk management method</th>
<th>High-level TransContainer’s process</th>
</tr>
</thead>
<tbody>
<tr>
<td>S01. Corporate Governance</td>
<td>01.1. Corporate Governance Model</td>
<td>01.1</td>
<td>Breach of corporate law</td>
<td>Corporate governance noncompliant with market operator requirements as needed to maintain the current listing of the Company’s securities. Decision-making processes in the Company’s governance bodies non-compliant with the Russian laws, Charter, and the Company’s internal documents. Delays in providing the Company’s shareholders with materials required to prepare for the general meeting of shareholders. Delays in providing the Company’s shareholders with documents and information when such provision is mandatory under the Russian laws. Failure to follow the procedure and time limits for issuing official resolutions by the Company’s governance bodies. Failure to fulfil the Company’s obligation to pay dividends to shareholders in full and on time. Failure to disclose information, fully or timely, about the Company’s operations under the laws of the Russian Federation and the United Kingdom. Disclosure process insufficiently formalised.</td>
<td>A decline in market valuation of the Company’s securities (lower liquidity, higher financing costs). De-listing of the Company’s securities, suspension of trading. Invalidation of resolutions adopted by the governance bodies (Board of Directors, general meeting of shareholders) and/or completed transactions Regulatory fines. Lower investor appeal Shareholder’s claims against the Company and its Directors.</td>
<td>Monitoring of the corporate laws and the market operator requirements, the Company’s Regulation on Information Disclosure and best practices of information disclosure, alignment of the Company’s corporate governance practices with said requirements (on an ongoing basis). Control over compliance with the corporate laws and market operator requirements in order to keep the Company’s securities listed under the relevant category (on an ongoing basis). Monitoring of compliance with disclosure procedures and timelines as per the Federal Law of the Russian Federation No. 39-FZ on Securities Market dated 22 April 1996 and Regulation On Information Disclosure by the Issuers of Issue-Grade Securities approved by the Bank of Russia’s order No. 454-P dated 30 December 2014 (on an ongoing basis). Staff development/training in disclosure matters as required by the laws of the Russian Federation (on an ongoing basis).</td>
<td>Acceptable risk</td>
<td>Control and prevention</td>
<td>G.6. Corporate governance</td>
</tr>
</tbody>
</table>

| 01.2. Shareholder relations | 01.2.1 Decline in the Company’s capitalisation | Market environment | Decline in the corporate governance quality Low free float Lower financial performance of the Company | Lower financial result for the shareholders Damage to reputation | Compliance with listing requirements of the Moscow Exchange (on an ongoing basis). Maintaining the information disclosure standards (on an ongoing basis). Carrying out the activities on liquidity enhancement on the Moscow Exchange (on an ongoing basis). | Minor risk | Control and prevention | G.2. Interaction with the securities market and investor relations |

<p>| 01.2.2 Shareholder conflict | Disagreements or disputes between the Company and its shareholders, as well as disputes between shareholders when such disputes affect interests of the Company. Inadequate mechanisms for identification, prevention, and settlement of corporate conflicts | Obstruction of decision-making Loss recovery claims lodged by shareholders Lower investor appeal Declining stock value | Timely identification and prevention of corporate conflicts (on an ongoing basis). Control over compliance with the Company’s corporate procedures (on an ongoing basis). | Acceptable risk | Control and prevention | G.6. Corporate governance |</p>
<table>
<thead>
<tr>
<th>Risk area (process)</th>
<th>Risk area (subprocess)</th>
<th>Risk No.</th>
<th>Risk</th>
<th>Risk drivers</th>
<th>Risk impact</th>
<th>Mitigators</th>
<th>Criticality</th>
<th>Risk management method</th>
<th>High-level TransContainer’s process</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.4.1</td>
<td>Corporate</td>
<td>Minor risk</td>
<td></td>
<td>Departure of management (all least two key managers)</td>
<td>Change of control, Non-competitive remuneration terms for the top managers</td>
<td>Delays in management decision-making, Decline in market valuation of the Company’s securities, Weaker competitiveness, Lower efficiency of the Company’s operations and business management, Lower operating performance, Lower financial performance</td>
<td>Monitoring of the Company's business-plan implementation and analysis of deviation reasons (quarterly)</td>
<td>Control and prevention</td>
<td>G.7. Management of TransContainer Group Companies</td>
</tr>
<tr>
<td>01.2.1</td>
<td>Subsidiary and branch management</td>
<td>Minor risk</td>
<td></td>
<td>Change of control</td>
<td>Non-competitive remuneration terms for the top managers</td>
<td>Delays in management decision-making, Decline in market valuation of the Company’s securities, Weaker competitiveness, Lower efficiency of the Company’s operations and business management, Lower operating performance, Lower financial performance</td>
<td>Monitoring of the Company’s business-plan implementation and analysis of deviation reasons (quarterly)</td>
<td>Control and prevention</td>
<td>G.7. Management of TransContainer Group Companies</td>
</tr>
<tr>
<td>01.3.1</td>
<td>Prolongation of investments payback periods / Depreciation of investments into subsidiaries and associates / failure to achieve the Project’s goals</td>
<td>Minor risk</td>
<td></td>
<td>Insufficient expenditure of investments</td>
<td>Decline in ROE and ROIC indices, Additional load to the Company’s liquidity due to the surety commitment on the projects, Deterioration of the Company’s financial position</td>
<td>Alternation of market conditions, Forecasting errors in subsidiaries’ and affiliates’ business plans, Incomplete due diligence, Subsidiary and branch management, Conflict of interests with other subsidiaries’ and affiliates’ members</td>
<td>Monitoring of the Company’s business-plan implementation and analysis of deviation reasons (quarterly)</td>
<td>Control and prevention</td>
<td>G.7. Management of TransContainer Group Companies</td>
</tr>
<tr>
<td>01.4</td>
<td>Corporate structure and allocation of powers</td>
<td>Minor risk</td>
<td></td>
<td>Mismatch between the organisational and functional model and the Company’s goals</td>
<td>A decline in performance and inefficiency of business units and cost rising (overlapping functions), Deteriorating working environment across the Company and internal conflicts.</td>
<td>Violation of power/ responsibility allocation principles, Organisational structure of the Company not adapted to changes in the external/internal environment (business process landscape)</td>
<td>Annual audit of processes in line with the approved audit schedule (on an ongoing basis)</td>
<td>Control and prevention</td>
<td>D.5. Organisational development management</td>
</tr>
<tr>
<td>02.3</td>
<td>Strategic planning</td>
<td>Minor risk</td>
<td></td>
<td>Failure to achieve the strategic goals</td>
<td>Insufficient or inadequate marketing researches, Unpredictable changes in the external environment, Insufficient assessment of the influence of counterparties, Insufficient or inadequate analysis of existing or potential markets for services, Insufficient assessment of the influence of government and regulators, Insufficient or inadequate assessment of the Company’s status or needs, Lack of or underdeveloped human resource management strategy</td>
<td>Lower revenues, Lower business efficiency, Lower business efficiency of marketing and tariff policies, asset management, service quality, etc., Failure to achieve the strategic goals, Insufficient assessment of the influence of counterparties, Insufficient or inadequate analysis of existing or potential markets for services, Making the wrong strategic decisions, Failure to meet budget targets</td>
<td>Compliance with the Strategic Management Procedure for developing, updating, and controlling the implementation of TransContainer’s Strategy (on an ongoing basis)</td>
<td>Acceptable risk</td>
<td>G.1. Strategic management</td>
</tr>
<tr>
<td>Risk area (process)</td>
<td>Subprocess</td>
<td>Risk No</td>
<td>Risk</td>
<td>Risk drivers</td>
<td>Risk impact</td>
<td>Mitigators</td>
<td>Criticality</td>
<td>Risk management method</td>
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</tr>
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</tr>
<tr>
<td>S.03. Investment project management</td>
<td>03.1. Project management</td>
<td>03.11</td>
<td>Failure to deliver on the investment programme in terms of quality of work</td>
<td>Errors in project cost estimation, inadequate sequencing and scheduling of project tasks, tougher regulatory requirements for investment projects (HSE, etc.) The discrepancy between the work scope and the design and cost estimates, breach of obligations by contractors, late funding, project suspension for economic reasons</td>
<td>Additional unforeseen costs for project financing, failure to execute the investment programme, fines, penalties, sanctions, and counterparties’ claims regarding supply and service agreements made under the construction projects, wrong priorities</td>
<td>Diversification of suppliers (tenders for service/goods/works purchases in excess of RUB 1,000,000 including VAT pursuant to the Regulation on the procurement for TransContainer’s needs approved by TransContainer’s Board of Directors on 30 April 2020. For any purchases in excess of RUB 1,000,000 including VAT, the initiator shall conduct market research (when needed). Resource price projections (to be provided by the initiator) (when needed). Procurement of additional information to select investment project contractors (when needed). Compliance with the procedures to prepare budget estimates (on an ongoing basis). Compliance with the tender procedures and timelines set out in TransContainer’s internal documents (on an ongoing basis). Inclusion of investment project costs in the budget (on an ongoing basis). Contractor evaluation at the stage of contract execution (on an ongoing basis). Construction oversight and field supervision of investment projects (when needed). Bank guarantee for the contractor’s obligations to eliminate the defects during the warranty period (when needed).</td>
<td>Acceptable risk</td>
<td>Control and prevention</td>
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| C.04. Pooling, acquisition, and divestment of assets | 04.1. Divestment of assets | 04.11 | Hostile takeover of a subsidiary, including by asset-grabbing | Inefficient corporate control of subsidiaries from both TransContainer as the shareholder and subsidiary management. Uncontrolled divestment of assets by the subsidiary’s management. | Loss of the subsidiary’s control, changes in the shareholding structure, damage to the Company’s reputation, lower business efficiency | Successful advocacy of the Company’s interests in relations with government agencies and courts (on an ongoing basis). Training in opposing hostile takeovers (when needed). | Minor risk | Control and prevention |

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APPENDICES

Annual Report for 2020

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APPENDICES

Annual Report for 2020
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<td>Deteriorating or negative changes in the political environment</td>
<td>Loss of the Company's assets, problems with investment projects, breach of obligations, fines, claims from anti-monopoly agencies, failure to achieve strategic goals, higher investment project costs.</td>
<td>Monitoring of political environment in the Russian Federation and legislative changes in other footprint countries, including customs and tax laws (on an ongoing basis); membership in industry associations, including the international ones (on an ongoing basis); notification of TransContainer’s management of negative political changes and associated factors (to the extent such information becomes available).</td>
<td>Acceptable risk</td>
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<td>05.2. Industry- specific factors</td>
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<td>Deteriorating market conditions</td>
<td>Drop in transportation volumes, drop in prices, lower financial results.</td>
<td>Monitoring and analysis of the market environment (on an ongoing basis); daily control over the execution of orders in terms of providing the rolling stock and container fleet (on an ongoing basis).</td>
<td>Critical risk</td>
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<td>05.2.2</td>
<td>Growth in prices for other materials and fixed assets (except for rolling stock repair)</td>
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<td>Strong dependence on monopolic suppliers, higher energy prices, rising prices for components</td>
<td>Higher procurement costs, lower margins, lost profits.</td>
<td>Energy price monitoring across Russian regions (on an ongoing basis); industry price projections (on an ongoing basis); active targeted marketing (on an ongoing basis).</td>
<td>Minor risk</td>
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<td>B.7. Equipment procurement, maintenance, and repair</td>
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<td>Dependence on the price and conditions of co-contractors</td>
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<td>Changes in the cost of co-contractors’ services, changes in the market environment, changes in transportation geography (indexation of rates of Russian Railways, undeveloped infrastructure and related services (transportation, ports, terminals, etc.).</td>
<td>Weaker competitiveness, drop in transportation volumes, drop in transportation profitability.</td>
<td>Constant monitoring and forecasting of the container transportation market (on an ongoing basis); expansion of presence in key markets through the development of an agent network (on an ongoing basis); provides a possibility of rates indexation with notification period of two months minimum when concluding contracts by branches (on an ongoing basis); procurement of services on the basis of a tender and competition on long-term fixed price agreements with subcontractors (on an ongoing basis); buildup of specific risk.</td>
<td>Acceptable risk</td>
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<td>O.6. Development, support and pricing of transportation solutions</td>
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<td>Infrastructure limitations</td>
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<td>Single service provider at any route (railway, terminal/ port/depot, sea, road), improper performance of duties by co-contractors, railway infrastructure not meeting market demand, excessive idle time of rail flatcars, failure to consider all transportation factors and conditions, delays in issuing transportation documents.</td>
<td>Drop-in volumes, delivery delays, lower rolling stock turnover, lower customer satisfaction, damage to reputation, fines and penalties payable to customers that cannot be recovered from the carrier, higher transportation costs and fixed payments received from customers, damage to cargo at terminals or during transportation, excessive idle time of rail flatcars.</td>
<td>Use of new logistics arrangements (on an ongoing basis); careful route coordination with co-contractors and service providers (on an ongoing basis); proposals on engaging new co-contractors for the route in case of force majeure or unacceptable limitations (when needed); development of the response plan (when needed); assets (rail flatcars and containers) management in line with resource requests from the Logistics Centre / sales team (when needed); processing of requests with a focus on rolling stock availability, individual shipment requirements, technical capabilities of the loading and offloading yards, regulatory restrictions, seasonal changes in shipment patterns, throughput capacities of the border crossing and ports (on an ongoing basis); timely provision of information required for request approval, control over the approval process (on an ongoing basis); timely distribution of orders and instructions related to shipment management (on an ongoing basis).</td>
<td>Acceptable risk</td>
<td>Control and prevention</td>
<td>O.4. Rail flatcar and container fleet management</td>
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- O.7. Road vehicles management
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GENERAL INFORMATION ON TRANSCONTAINER

Full name of the Company in Russian:
Публичное акционерное общество «Центр по перевозке грузов в контейнерах «ТрансКонтейнер».

Abbreviated name of the Company in Russian:
ПАО «ТрансКонтейнер»

Full name of the Company in English:
Public Joint Stock Company «Center for cargo container traffic «TransContainer»

Abbreviated name of the company in English:
P JSC «TransContainer»

Location of the Company:
Moscow Region, Khimki

Postal address:
19 Oruzheyniy Pereulok, Moscow, 125047.

Date of state registration:
4 March 2006 (OGRN: 1067746341024)

Website:
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e-mail: trcont@trcont.com

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+7 (499) 262 77 00

President’s reception:
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Media relations:
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Maria Kobzeva
Director of Public Relations
Phone: +7 (495) 788 17 17 ext. 1049

Shareholder and investor relations:
Andrey Bobonin
Corporate Secretary
Phone: +7 (495) 788 17 17, ext. 1380

Sales and customer relations:
e-mail: Sales@trcont.ru
Customer hotline:
8,800,100 22 20 (24hr)
For calls from Russia only

Company’s registrar
JSC STATUS, the Registrar Society
Location: Ring Park Business Centre, 23/1 ul. Novokhokhlovksya, Moscow, Russia, 109052
Phone/fax: +7 (495) 974 83 50, 974 83 45
Email: office@rostatus.ru
Licence: No. 10–000–1-00304 dated 12 March 2004

Issued by: Federal Commission for the Securities Market
Licence term: unrestricted
Date on which STATUS began to maintain securities registers: 20 June 1997.

the Company’s auditor
JSC PricewaterhouseCoopers Audit
Location: 10 ul. Butyrsky Val, Moscow, Russia, 125047
OGRN: 1027700148431
INN: 7705051102
Phone/fax: +7 (495) 967 60 00, 967 60 01
Website:
http://www.pwc.ru.

Member of the non-commercial partnership Audit Chamber of Russia, a self-regulating organisation of auditors: 10201003683