

Key Financial Indicators

Key Financial Indicators of the Company in 2017–2018

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

Adjustments and Additional Financial Information

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

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

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

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

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

Adjusted Revenue

Item	2018	2017	Year-on-year change	
			RUB mln	%
Total revenue	76,959	65,567	+11,392	+17.4
Third-party charges related to principal activities	(45,671)	(37,785)	(7,886)	+20.9
Adjusted revenue³	31,288	27,782	+3,506	+12.6

Integrated Freight Forwarding and Logistics Services Revenue Adjustment

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

Operating Expenses Adjustment

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

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

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

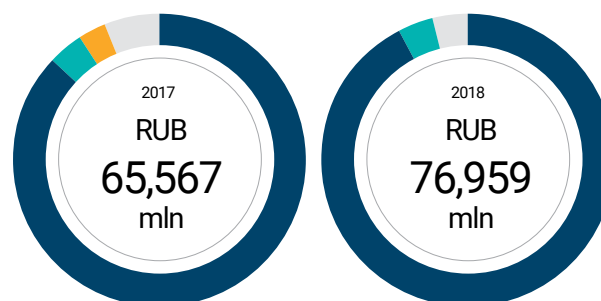
Total Revenue

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

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

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

Revenue Breakdown in 2017–2018

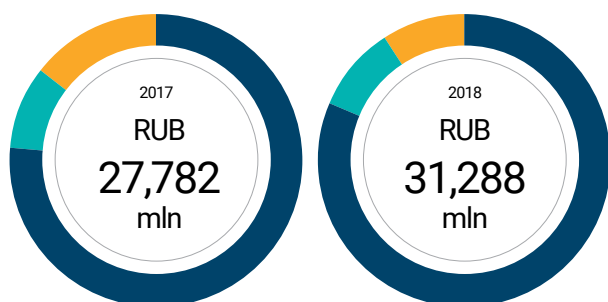


	2017	2018
Integrated freight forwarding and logistics services	57,052	71,158
Cargo transportation and handling services with involvement of third parties	2,597	2,988
Agency fees	1,980	0
Other activities	3,938	2,813

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

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

Adjusted Revenue Breakdown



	2017	2018
Adjusted integrated freight forwarding and logistics services	21,247	25,487
Revenue from agency fees	2,597	2,988
Revenue from other activities	3,938	2,813

The adjusted revenue increased in 2018 by 12,6% year-on-year to RUB 31,288 million from RUB 27,782 million in 2017. It reflects the growth of the integrated logistics services volume driven by a greater volume of revenue-generating transportation, as well as the flexible pricing policy.

Integrated Freight Forwarding and Logistics Services

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

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

Agency Fees

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

Revenue from Other Activities

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

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

Other Operating Income

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