

**PUBLIC JOINT STOCK COMPANY  
TRANSCONTAINER**

**Interim Condensed Consolidated Financial  
Statements**

For the Nine-Month Period Ended 30 September 2016

# PJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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The management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 September 2016 and the results of its operations, cash flows and changes in equity for the nine-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

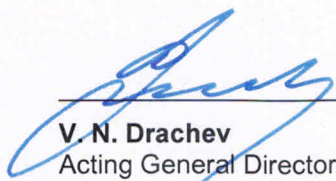
In preparing the interim condensed consolidated financial statements, the management is responsible for:

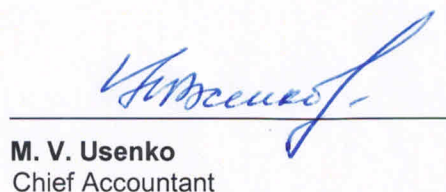
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient 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.

The management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with International Accounting Standard 34 "Interim Financial Reporting";
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking necessary steps to safeguard the Group's assets;
- Preventing and detecting fraud and other irregularities.


The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2016 were approved on 25 November 2016 by:

  
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**V. N. Drachev**  
Acting General Director

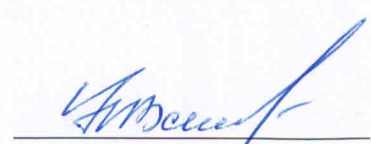
  
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**M. V. Usenko**  
Chief Accountant

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

	Notes	30 September 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	37,469	37,636
Advances for acquisition of non-current assets	3	10	431
Investment property		105	105
Intangible assets		272	246
Investments in associates and joint ventures	4	3,002	3,023
Trade and other receivables	5	234	212
Other non-current assets		57	86
<b>Total non-current assets</b>		<b>41,149</b>	<b>41,739</b>
<b>Current assets</b>			
Inventory		246	315
Trade and other receivables	5	1,256	1,392
Prepayments and other current assets	6	3,515	3,527
Prepaid income tax		2	84
Short-term investments		67	7
Cash and cash equivalents	7	9,180	2,110
<b>Total current assets</b>		<b>14,266</b>	<b>7,435</b>
<b>TOTAL ASSETS</b>		<b>55,415</b>	<b>49,174</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	8	13,895	13,895
Treasury shares	8	-	(494)
Reserve fund		697	697
Translation reserve		(188)	210
Equity-settled employee benefits reserve	12	-	240
Other reserves, including investment property's revaluation reserve		(2,140)	(2,140)
Retained earnings		21,830	23,779
<b>Total equity attributable to the owners of the parent</b>		<b>34,094</b>	<b>36,187</b>
<b>Non-current liabilities</b>			
Long-term debt	9	6,234	3,744
Finance lease obligations, net of current maturities	10	122	126
Employee benefit liability	11	1,016	904
Deferred tax liability		1,466	1,466
<b>Total non-current liabilities</b>		<b>8,838</b>	<b>6,240</b>
<b>Current liabilities</b>			
Trade and other payables	13	4,244	3,405
Current portion of long-term debt	9	2,564	1,893
Income tax payable		71	99
Taxes other than income tax payable	14	289	634
Finance lease obligations, current maturities	10	18	18
Dividends payable	8	4,830	-
Accruals and other current liabilities	15	467	698
<b>Total current liabilities</b>		<b>12,483</b>	<b>6,747</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55,415</b>	<b>49,174</b>

  
**V. N. Drachev**  
Acting General Director

25 November 2016


  
**M. V. Usenko**  
Chief Accountant



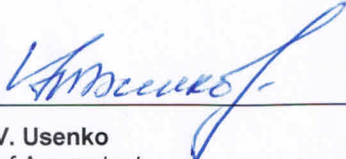
**PJSC TRANSCONTAINER**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME (UNAUDITED)**

*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

	Notes	Nine-month period ended 30 September		Three-month period ended 30 September	
		2016	2015	2016	2015
Revenue	16	36,900	31,065	13,357	11,059
Other operating income	17	511	487	168	159
Operating expenses	18	(34,539)	(28,995)	(12,363)	(10,104)
Gain from early termination of finance lease		-	14	-	-
Interest expense	19	(290)	(384)	(77)	(115)
Interest income		190	107	103	38
Foreign exchange (loss)/gain, net		(167)	(97)	(31)	21
Share of result of associates and joint ventures	4	545	249	225	72
<b>Profit before income tax</b>		<b>3,150</b>	<b>2,446</b>	<b>1,382</b>	<b>1,130</b>
Income tax expense	20	(509)	(521)	(223)	(244)
<b>Profit for the period attributable to the owners of the parent</b>		<b>2,641</b>	<b>1,925</b>	<b>1,159</b>	<b>886</b>
<b>Other comprehensive loss (net of income tax)</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurement of post-employment benefit plans liabilities	11	(84)	(53)	(38)	(6)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Share in translation of financial information on associates and joint ventures to the presentation currency	4	(359)	(559)	(16)	(473)
Exchange differences on translating foreign operations		(39)	43	5	68
<b>Other comprehensive loss for the period</b>		<b>(482)</b>	<b>(569)</b>	<b>(49)</b>	<b>(411)</b>
<b>Total comprehensive income for the period attributable to the owners of the parent</b>		<b>2,159</b>	<b>1,356</b>	<b>1,110</b>	<b>475</b>
<b>Earnings per share, basic and diluted (in Russian Roubles)</b>		<b>191</b>	<b>141</b>	<b>83</b>	<b>65</b>
<b>Weighted average number of shares outstanding</b>		<b>13,796,979</b>	<b>13,693,786</b>	<b>13,892,831</b>	<b>13,693,604</b>


  
**V. N. Drachev**  
 Acting General Director

25 November 2016

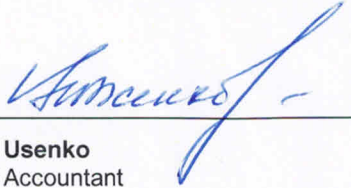
  
**M. V. Usenko**  
 Chief Accountant

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

	Notes	Nine-month period ended 30 September	
		2016	2015
<b>Cash flows from operating activities:</b>			
Profit before income tax		3,150	2,446
Adjustments for:			
Depreciation and amortisation	18	1,858	1,830
Change in provision for impairment of receivables		(82)	-
Gain on disposal of property, plant and equipment	17	(233)	(272)
Reversal on impairment of property, plant and equipment	3	(30)	(9)
Share of result of associates and joint ventures	4	(545)	(249)
Interest expense, net		100	277
Foreign exchange loss, net		167	97
Gain from early termination of finance lease		-	(14)
Loss on revaluation of other long-term obligations to employees	11	14	12
Other income		2	10
<b>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</b>		<b>4,401</b>	<b>4,128</b>
<b>Working capital changes:</b>			
Decrease in inventory		357	423
Decrease/(increase) in trade and other receivables		129	(134)
Decrease in prepayments and other assets		41	420
Increase/(decrease) in trade and other payables		913	(39)
Decrease in taxes other than income tax		(345)	(76)
Decrease in accrued expenses and other current liabilities		(228)	(407)
Increase/(decrease) in employee benefit liabilities		14	(7)
<b>Net cash from operating activities before income tax and interest</b>		<b>5,282</b>	<b>4,308</b>
Interest paid		(401)	(492)
Income tax paid		(455)	(509)
<b>Net cash from operating activities</b>		<b>4,426</b>	<b>3,307</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(1,326)	(886)
Proceeds from disposal of property, plant and equipment		24	36
Sale of long-term investments		28	61
Sale of short-term investments		207	113
Purchases of short-term investments		(267)	(115)
Purchases of intangible assets		(58)	(50)
Dividends received from joint ventures	4	207	-
Interest received		168	80
<b>Net cash used in investing activities</b>		<b>(1,017)</b>	<b>(761)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from sale of treasury shares		578	-
Repayments of finance lease obligations		(4)	(126)
Dividends		-	(974)
Proceeds from issuance of long-term bonds		4,999	-
Principal payments on short-term borrowings		(468)	-
Principal payments on short-term part of long-term bonds		(1,250)	(750)
<b>Net cash from/(used in) financing activities</b>		<b>3,855</b>	<b>(1,850)</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,264</b>	<b>696</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>2,110</b>	<b>1,904</b>
Foreign exchange effect on cash and cash equivalents		(194)	148
<b>Cash and cash equivalents at end of the period</b>		<b>9,180</b>	<b>2,748</b>

  
**V. N. Drachev**  
 Acting General Director


25 November 2016

  
**M. V. Usenko**  
 Chief Accountant




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

	Notes	Share capital	Treasury shares	Reserve fund	Translation reserve	Equity-settled employee benefits reserve	Other reserves, including investment property's revaluation reserve	Retained earnings	Total
<b>Balance at 1 January 2015</b>		<u>13,895</u>	<u>(493)</u>	<u>697</u>	<u>1,081</u>	<u>240</u>	<u>(2,156)</u>	<u>21,981</u>	<u>35,245</u>
Profit for the period		-	-	-	-	-	-	1,925	1,925
Other comprehensive loss for the period		-	-	-	(516)	-	-	(53)	(569)
<b>Total comprehensive (loss)/income for the period</b>		-	-	-	<b>(516)</b>	-	-	<b>1,872</b>	<b>1,356</b>
Acquisition of treasury shares		-	(1)	-	-	-	-	-	(1)
Dividends		-	-	-	-	-	-	(974)	(974)
<b>Balance at 30 September 2015</b>		<u>13,895</u>	<u>(494)</u>	<u>697</u>	<u>565</u>	<u>240</u>	<u>(2,156)</u>	<u>22,879</u>	<u>35,626</u>
Profit for the period		-	-	-	-	-	-	906	906
Other comprehensive (loss)/income for the period		-	-	-	(355)	-	16	(6)	(345)
<b>Total comprehensive (loss)/income for the period</b>		-	-	-	<b>(355)</b>	-	<b>16</b>	<b>900</b>	<b>561</b>
<b>Balance at 31 December 2015</b>		<u>13,895</u>	<u>(494)</u>	<u>697</u>	<u>210</u>	<u>240</u>	<u>(2,140)</u>	<u>23,779</u>	<u>36,187</u>
Profit for the period		-	-	-	-	-	-	2,641	2,641
Other comprehensive loss for the period	4,11	-	-	-	(398)	-	-	(84)	(482)
<b>Total comprehensive (loss)/income for the period</b>		-	-	-	<b>(398)</b>	-	-	<b>2,557</b>	<b>2,159</b>
Execution of share option plan	8,12	-	43	-	-	(240)	-	197	-
Sale of treasury shares	8	-	451	-	-	-	-	127	578
Dividends	8	-	-	-	-	-	-	(4,830)	(4,830)
<b>Balance at 30 September 2016</b>		<u>13,895</u>	<u>-</u>	<u>697</u>	<u>(188)</u>	<u>-</u>	<u>(2,140)</u>	<u>21,830</u>	<u>34,094</u>

  
**V. N. Drachev**  
Acting General Director

25 November 2016

  
**M. V. Usenko**  
Chief Accountant

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

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**1. NATURE OF THE BUSINESS**

PJSC TransContainer (the “Company” or “TransContainer”) was incorporated in Moscow, Russian Federation on 4 March 2006.

The Company’s principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company operates 45 container terminals along the Russian railway network. As at 30 September 2016, the Company operated 15 branches in Russia. The Company’s registered address is 19 Oruzheiny pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				30 September 2016	31 December 2015	30 September 2016	31 December 2015
TransContainer-Slovakia, a.s.	Subsidiary	Slovakia	Container shipments	100	100	100	100
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
Oy ContainerTrans Scandinavia Ltd.	Joint venture	Finland	Container shipments	50	50	50	50
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture	China	Container shipments	49	49	50	50
JSC Kedentransservice (Note 4)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
Trans-Eurasia Logistics GmbH	Associate	Germany	Container shipments	20	20	20	20
LLC TransContainer Finance (Note 12)	Subsidiary	Russia	Share option programme operator	100	100	100	100
Logistic Investment S.a r.l.	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Helme’s Operation UK Limited	Joint venture	Great Britain	Investment activity	50	50	50	50
Logistic System Management B.V.	Joint venture	Netherlands	Investment activity	50	50	50	50

The interim condensed consolidated financial statements of PJSC TransContainer and its subsidiaries (the “Group”) as at 30 September 2016 and for the nine-month period then ended were authorised for issue by the Acting General Director of the Company on 25 November 2016.

**2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS**

**Statement of compliance.** The annual consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards (“IFRS”). These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”.

The consolidated statement of financial position as at 31 December 2015, included in these interim condensed consolidated financial statements, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2015. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

**Significant accounting policies.** Except as discussed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in



**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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**2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

the preparation of the Group's annual consolidated financial statements as at 31 December 2015 and for the year then ended, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**Reclassifications.** Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

**New standards and interpretations.** The Group has adopted all new standards and interpretations that were effective from 1 January 2016. The impact of the adoption of these new standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements as at and for the year ended 31 December 2015, have been issued but are not effective for the financial year beginning 1 January 2016 and have not been applied early by the Group.

New standards and interpretations that are mandatory for reporting periods beginning on or after 1 January 2017 or later periods that are applicable for the Group's activity and which the Group has not early adopted were presented in the annual consolidated financial statements of the Group as at 31 December 2015 and for the year then ended. The following additional amendments applicable to the Group were issued in 2016.

**Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).** The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group is currently assessing the impact of the amendment on its financial statements.

**Estimates.** The preparation of interim condensed consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 20) and some actuarial assumptions (Note 11). As at 31 December 2015 the Group revised the remaining useful lives of items of property, plant and equipment, the ranges of useful lives for each group of items have not changed.

Methods of revenue recognition and the key judgments applicable in the current period comply with the basic principles used in preparing the consolidated financial statements for the year ended 31 December 2015.

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services and other services that have certain characteristics of agency services have been excluded from both revenue and expenses, then revenue from integrated freight forwarding and logistics services and management of cargo transportation and handling with involvement of third parties and third-party charges related to principal activities would have decreased by RUR 21,205m for the nine-month period ended 30 September 2016 (including RUR 17,582m for integrated freight forwarding and logistics services and RUR 3,623m for management of cargo transportation and handling with involvement of third parties). For the nine-month period ended 30 September 2015 the effect was RUR 15,912m (including RUR 13,863m for integrated freight forwarding and logistics services and RUR 2,049m for management of cargo transportation and handling with involvement of third parties).

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

For the three-month period ended 30 September 2016 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 7,619m (including RUR 6,404m for integrated freight forwarding and logistics services, RUR 1,215m for management of cargo transportation and handling with involvement of third parties). For the three months ended 30 September 2015 the effect was RUR 5,793m (including RUR 4,874m for integrated freight forwarding and logistics services, and RUR 919m for management of cargo transportation and handling with involvement of third parties).

**Seasonality.** The business of the Group is subject to seasonal fluctuations. Revenue and income from current operations are affected by such factors as river transport seasonality, the summer shipping season (for Northern regions) and consumer market cycles. Typically, the number of orders received between January and February is below the annual average. In accordance with IFRS, revenue and the related expenses are recognised in the period in which they are realised and incurred respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results. In the financial year ended 31 December 2015 73% of revenues accumulated in the first three quarters of the year, with 27% accumulating in the fourth quarter of the year.

**3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS**

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
<b>Cost</b>						
<b>1 January 2016</b>	<u>11,482</u>	<u>36,206</u>	<u>2,119</u>	<u>2,893</u>	<u>1,207</u>	<u>53,907</u>
Additions	-	844	251	82	480	1,657
Transfers	23	40	209	-	(272)	-
Capitalised borrowing costs	-	-	-	-	45	45
Disposals	(7)	(516)	(77)	(146)	-	(746)
<b>30 September 2016</b>	<u>11,498</u>	<u>36,574</u>	<u>2,502</u>	<u>2,829</u>	<u>1,460</u>	<u>54,863</u>
<b>Accumulated depreciation and impairment</b>						
<b>1 January 2016</b>	<u>(2,276)</u>	<u>(11,059)</u>	<u>(1,080)</u>	<u>(1,856)</u>	-	<u>(16,271)</u>
Depreciation charge for the period	(198)	(1,277)	(114)	(233)	-	(1,822)
(Impairment) / reversal of impairment	(4)	27	7	-	-	30
Disposals	5	453	71	140	-	669
<b>30 September 2016</b>	<u>(2,473)</u>	<u>(11,856)</u>	<u>(1,116)</u>	<u>(1,949)</u>	-	<u>(17,394)</u>
<b>Net book value</b>						
<b>1 January 2016</b>	<u>9,206</u>	<u>25,147</u>	<u>1,039</u>	<u>1,037</u>	<u>1,207</u>	<u>37,636</u>
<b>30 September 2016</b>	<u>9,025</u>	<u>24,718</u>	<u>1,386</u>	<u>880</u>	<u>1,460</u>	<u>37,469</u>
<b>Cost</b>						
<b>1 January 2015</b>	<u>11,164</u>	<u>36,408</u>	<u>2,025</u>	<u>2,528</u>	<u>333</u>	<u>52,458</u>
Additions	4	205	2	128	385	724
Transfers	56	10	21	26	(113)	-
Capitalised borrowing costs	-	-	-	-	17	17
Disposals	(71)	(678)	(3)	(101)	-	(853)
<b>30 September 2015</b>	<u>11,153</u>	<u>35,945</u>	<u>2,045</u>	<u>2,581</u>	<u>622</u>	<u>52,346</u>
<b>Accumulated depreciation and impairment</b>						
<b>1 January 2015</b>	<u>(2,043)</u>	<u>(10,009)</u>	<u>(965)</u>	<u>(1,723)</u>	-	<u>(14,740)</u>
Depreciation charge for the period	(199)	(1,336)	(80)	(184)	-	(1,799)
(Impairment) / reversal of impairment	(39)	52	-	(4)	-	9
Disposals	67	555	2	100	-	724
<b>30 September 2015</b>	<u>(2,214)</u>	<u>(10,738)</u>	<u>(1,043)</u>	<u>(1,811)</u>	-	<u>(15,806)</u>

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

The item "Land, buildings and constructions" includes the amounts of RUR 112m and RUR 112m, which represent the net book value of land plots owned by the Group as at 30 September 2016 and 31 December 2015, respectively.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 721m and RUR 791m as at 30 September 2016 and 31 December 2015, respectively.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,325m and RUR 1,513m as at 30 September 2016 and 31 December 2015, respectively.

The carrying amount of temporarily idle property, plant and equipment is as follows:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Cost	47	243
Accumulated depreciation	(34)	(106)
<b>Net book value</b>	<b>13</b>	<b>137</b>

Construction in-progress as at 30 September 2016 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Krasnoyarsk, Yekaterinburg, Irkutsk and Moscow amounting to RUR 358m, RUR 223m, RUR 217m and RUR 168m respectively, and acquired realty for construction of the new container terminal in Primorsky Region for the amount of RUR 90m and crane equipment for the amount of RUR 255m which is not ready for intended use as at the reporting date.

Construction in-progress as at 31 December 2015 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Krasnoyarsk, Yekaterinburg, Moscow and Irkutsk amounting to RUR 201m, RUR 194m, RUR 93m and RUR 86m respectively, and acquired realty for construction of the new container terminal in Primorsky Region for the amount of RUR 86m and crane equipment for the amount of RUR 404m which is not ready for intended use as at the reporting date.

Leased assets for which the Group is a lessee under finance leases primarily related to land, buildings and constructions are as follows:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Cost	160	160
Accumulated depreciation	(8)	(7)
<b>Net book value</b>	<b>152</b>	<b>153</b>

The Group leases a part of non-residential premises in the Moscow head office building, under a finance lease agreement. The Group owns the remaining premises. The office building is included in the "Land, buildings and constructions" item as at 30 September 2016. See Note 10 for further details regarding finance leases.

*Advances for acquisition of non-current assets*

As at 30 September 2016 and 31 December 2015, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of cranes and loaders (RUR 0m and RUR 114m, respectively), advances for the acquisition of containers (RUR 0m and RUR 259m, respectively), advances for the acquisition of rolling stock (RUR 0m and RUR 37m, respectively) and advances for the acquisition of other non-current assets (RUR 10m and RUR 21m, respectively).

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**4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

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

	2016				2015			
	Joint Venture JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associates	Total associates and joint ventures	Joint Venture JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associates	Total associates and joint ventures
Carrying amount as at 1 January	2,910	105	8	3,023	3,246	80	17	3,343
Share of profit of associates and joint ventures	537	7	1	545	257	5	(13)	249
Dividends received from associates and joint ventures	(205)	(2)	-	(207)	-	-	-	-
Effect of translation to presentation currency	(342)	(16)	(1)	(359)	(570)	12	(1)	(559)
Carrying amount as at 30 September	2,900	94	8	3,002	2,933	97	3	3,033

**5. TRADE AND OTHER RECEIVABLES**

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
<b>30 September 2016</b>			
Trade receivables	1,323	(173)	1,150
Other receivables	111	(5)	106
<b>Total trade and other receivables, classified as financial assets</b>	<b>1,434</b>	<b>(178)</b>	<b>1,256</b>
<b>31 December 2015</b>			
Trade receivables	1,440	(252)	1,188
Other receivables	209	(5)	204
<b>Total trade and other receivables, classified as financial assets</b>	<b>1,649</b>	<b>(257)</b>	<b>1,392</b>

Long-term receivables are represented by accounts receivable due from JSC RZD Logistics, which are expected to be fully repaid till April 2018. A 8.6% discount rate has been used for the receivables' fair value determination at the date of recognition. As at 30 September 2016 the carrying value of long-term accounts receivable of JSC RZD Logistics amounted to RUR 234m (RUR 212m as at 31 December 2015). As at 30 September 2016 a part of trade receivables of JSC RZD Logistics in the amount of RUR 138m (RUR 138m as at 31 December 2015), was recognised as a part of short-term trade receivables.



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

Movement in the impairment provision for trade and other receivables is as follows:

<b>Balance as at 1 January 2015</b>	<b>(250)</b>
Additional provision, recognised in the current period	(1)
Release of provision	2
Utilisation of provision	1
Foreign currency translation	(26)
<b>Balance as at 30 September 2015</b>	<b>(274)</b>
Additional provision, recognised in the current period	(10)
Release of provision	14
Utilisation of provision	13
<b>Balance as at 31 December 2015</b>	<b>(257)</b>
Additional provision, recognised in the current period	(20)
Release of provision	95
Utilisation of provision	4
<b>Balance as at 30 September 2016</b>	<b>(178)</b>

**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>30 September 2016</b>	<b>31 December 2015</b>
VAT receivable	1,731	1,731
Advances to suppliers (net of provision)	1,707	1,719
Other current assets	77	77
<b>Total prepayments and other current assets</b>	<b>3,515</b>	<b>3,527</b>

As at 30 September 2016 and 31 December 2015 provision for impairment of advances to suppliers was recognised in the amount of RUR 2m and RUR 18m, respectively.

**7. CASH AND CASH EQUIVALENTS**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Russian Rouble denominated bank deposits	6,574	210
Cash and Russian Rouble denominated current accounts with banks	1,343	984
Foreign currency denominated current accounts with banks	1,263	916
<b>Total cash and cash equivalents</b>	<b>9,180</b>	<b>2,110</b>

Five Russian Rouble denominated short-term bank deposits in the total amount of RUR 6,563m bearing interest at annual rates in a range from 9.25% to 10.58% were placed with PJSC Bank VTB, a related party as at 30 September 2016 (Note 21), AO ALFA-BANK and PJSC CB Absolut Bank. The total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 11m. The deposits matured in October-November 2016.

**8. EQUITY**

***Share Capital***

As at 30 September 2016, the Company's authorised, issued and paid share capital has not changed since 31 December 2015. JSC United Transportation and Logistics Company (JSC "UTLC") is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

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**8. EQUITY (CONTINUED)**

***Dividends***

Dividends of RUR 251.84 per share from retained earnings of the previous years and dividends of RUR 95.76 per share relating to the Company's results for the six-month period ended 30 June 2016 (RUR 4,830m in total) were approved at the annual shareholders' meeting on 9 September 2016. In October 2016 the dividends have been fully paid.

Dividends of RUR 70.96 per share (RUR 974m in total) were approved at the annual shareholders' meeting on 24 June 2015 relating to the Company's results for the year ended 31 December 2014. In July 2015 the dividends have been fully paid.

***Treasury shares***

	<u>Number of treasury shares</u>
<b>Treasury shares as at 31 December 2015</b>	<b>201,306</b>
Payments under share option plan	(17,189)
<i>Sale of treasury shares under share option plan (Note 12)</i>	(167,123)
<i>Repurchase of treasury shares under share option plan</i>	149,934
Acquisition of treasury shares during the period	2,612
Sale of treasury shares during the period	<u>(186,729)</u>
<b>Treasury shares as at 30 September 2016</b>	<b><u><u>-</u></u></b>

During the nine-month period ended 30 September 2016 options were exercised and treasury shares were repurchased by the Group under share option plan for the total amount of RUR 43m, and thereafter treasury shares were sold for the total amount of RUR 451m.

During the year ended 31 December 2015 no treasury shares were sold and no options were exercised.

**9. LONG-TERM DEBT**

	<u>Effective interest rate</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Bonds, series 4	8.35%	1,247	3,744
Bonds, series BO-02	9.45%	4,987	-
<b>Total</b>		<b><u><u>6,234</u></u></b>	<b><u><u>3,744</u></u></b>

All the long-term borrowings of the Group are denominated in Russian Roubles.

***Five-year RUR bonds, series 4***

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 4,988m. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. The Company made repayment of its obligation under the first installment in July 2016 year.

As at 30 September 2016 the carrying value of the bonds, including accrued interest amounted to RUR 3,801m (RUR 5,169m as at 31 December 2015) and has been included as long-term debt in the interim condensed consolidated statement of financial position in the amount of RUR 1,247m (RUR 3,744m as at 31 December 2015). The amount of current portion of long-term bond is RUR 2,554m (RUR 1,425m as at 31 December 2015) including the accrued interest amounted to RUR 54m (RUR 176m as at 31 December 2015) and has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

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**9. LONG-TERM DEBT (CONTINUED)**

**Five-year RUR bonds, series BO-02**

On 22 September 2016, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 4,987m. The annual coupon rate of the bonds for five years is 9.4% with interest paid semi-annually.

The series BO-02 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 30 September 2016 the carrying value of the bonds amounted to RUR 4,987m. The amount of accrued interest is RUR 10m and has been included as short-term debt in the consolidated statement of financial position.

The fair value of Company's bond is disclosed in Note 24.

**Current portion of long-term debt**

	<b>Effective interest rate</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Current portion of long-term bonds	8.35% - 9.45%	2,564	1,425
Other borrowings	9.5% - 12.0%	-	468
<b>Total</b>		<b>2,564</b>	<b>1,893</b>

In July 2016 the Group fully repaid of its obligation under the loan from LLC TrustUnion Asset Management which was obtained in 2011 year to finance the acquisition of ordinary shares in PJSC TransContainer in order to carry out a Share Option Plan for the Company's management (Note 12).

**10. FINANCE LEASE OBLIGATIONS**

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Due within one year	19	19	18	18
Due after one year but not more than five years	144	158	122	126
	163	177	140	144
Less future finance charges	(23)	(33)	-	-
<b>Present value of minimum lease payments</b>	<b>140</b>	<b>144</b>	<b>140</b>	<b>144</b>

During the year ended 31 December 2012 the Group entered into a finance lease agreement on the acquisition of non-residential premises in a Moscow office building. The lease agreement is for a six-year period with an effective interest rate of 9.65%.

In accordance with the lease agreement if the Group does not exercise the right to acquire the leased premises during the lease period or does not entitle third parties to exercise the right to acquire the leased premises, the Group is obliged to acquire the leased premises for the amount of RUR 130m at the end of the lease period.

All leases are denominated in Russian Roubles. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

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**11. EMPLOYEE BENEFIT LIABILITY**

*Defined contribution plans*

The total amount recognised as an expense in respect of payments to defined contribution plans for the nine-month periods ended 30 September 2016 and 30 September 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Pension Fund of the Russian Federation	503	493
Defined contribution plan "Blagosostoyanie"	<u>15</u>	<u>17</u>
<b>Total expense for defined contribution plans</b>	<b><u>518</u></b>	<b><u>510</u></b>

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 30 September 2016 and 30 September 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Pension Fund of the Russian Federation	154	136
Defined contribution plan "Blagosostoyanie"	<u>8</u>	<u>5</u>
<b>Total expense for defined contribution plans</b>	<b><u>162</u></b>	<b><u>141</u></b>

*Defined benefit plans*

Principal actuarial assumptions as at 30 September 2016 were substantially the same as those applied to the consolidated financial statements as at 31 December 2015 with the exception of changes in discount rate, which decreased to 8.3% as at 30 September 2016 (as at 31 December 2015: 9.8%) and the projected average annual consumer price inflation in 2016-2017, which equaled to 6.3% as at 30 September 2016 (as at 31 December 2015: 7.3%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the nine-month periods ended 30 September 2016 and 30 September 2015 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Service cost	17	11	81	89	98	100
Net interest on obligation	44	52	12	22	56	74
Remeasurements of the net defined benefit liability	-	-	14	<u>12</u>	14	12
<b>Net expense recognised in the consolidated profit or loss</b>	<b><u>61</u></b>	<b><u>63</u></b>	<b><u>107</u></b>	<b><u>123</u></b>	<b><u>168</u></b>	<b><u>186</u></b>

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 30 September 2016 and 30 September 2015 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Service cost	4	2	27	27	31	29
Net interest on obligation	14	15	1	4	15	19
Remeasurements of the net defined benefit liability	-	-	7	4	7	4
<b>Net expense recognised in the consolidated profit or loss</b>	<b><u>18</u></b>	<b><u>17</u></b>	<b><u>35</u></b>	<b><u>35</u></b>	<b><u>53</u></b>	<b><u>52</u></b>



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

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitute RUR 84m for the nine-month period ended 30 September 2016 and net expense recognised in other comprehensive income constitute RUR 53 for the nine-month period ended 30 September 2015.

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 38m for the three-month period ended 30 September 2016 and net expense recognised in other comprehensive income constitutes RUR 6m for the three-month period ended 30 September 2015.

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 September 2016 and 31 December 2015 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2016	2015	2016	2015	2016	2015
Present value of defined benefit obligation	805	690	270	269	1,075	959
Fair value of plan assets	(59)	(55)	-	-	(59)	(55)
<b>Net employee benefit liability</b>	<b>746</b>	<b>635</b>	<b>270</b>	<b>269</b>	<b>1,016</b>	<b>904</b>

**12. EMPLOYEE SHARE OPTION PLAN**

In October 2010, the Board of Directors approved a Share Option Plan for the Company's management (the "Plan"). In general, 1.5% of the Company's outstanding ordinary shares may be allocated under this Plan, which has been in effect since 20 May 2011. The management participation in the Plan and the number of shares in individual manager's share option agreements are determined by the Board of Directors.

The Plan provides for granting share options to the members of the Group's management (the "Plan Participants"). The options are vested in four annual installments at the end of each of four next years after June 2011. Each Plan Participant obtains the right to a certain quantity of share options for each year of service with the Company.

Under certain circumstances, including breach of specific labour agreement provisions, Plan Participants can forfeit their right to purchase shares.

Ordinary shares are allocated from treasury shares purchased by the Group for this purpose on the open market by a special-purpose entity, LLC TransContainer Finance, which is fully controlled by the Group.

Plan participants may be entitled to sell the shares acquired through exercise of options to the Group by market price. Options related to the shares repurchased under the Plan from participants and shares in respect of which the participants forfeited their right to purchase, could be granted to other or new Plan participants.

Active Participants of the Plan have had up until June 2016 to exercise their share options.

In relation to the Plan, at the date of its recognition the Group had purchased 208,421 treasury shares. Their purchase cost was RUR 514m. The shares were purchased by LLC TransContainer Finance.

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**12. EMPLOYEE SHARE OPTION PLAN (CONTINUED)**

The following number of share options is outstanding:

	<u>Number of shares</u>
<b>Options outstanding at 1 January 2015</b>	<b>174,935</b>
<b>Options outstanding at 31 December 2015</b>	<b>174,935</b>
Options exercised during the period	(167,123)
Options cancelled during the period	(7,812)
<b>Options outstanding at 30 September 2016</b>	<b>-</b>

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The Black-Scholes-Merton model is used to estimate the fair value of the share option granted.

	<u>Options granted as at 13 May 2014</u>	<u>Options granted as at 20 May 2011</u>
Share price (in Russian Roubles)	2,878	3,116
Exercise price (in Russian Roubles) (including expenses related to implementation of the Plan)	2,367 - 2,853	2,464 - 3,145
Expected volatility	47%	37%
Option life	1 - 2 years	1 - 5 years
Risk-free interest rate	7.9% - 8.4%	4.6% - 7.4%
<b>Fair value at measurement date (in Russian Roubles)</b>	<b>845 - 938</b>	<b>1,308 - 1,462</b>

The measure of volatility used in the Black-Scholes-Merton model is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility has been determined on the basis of the historical volatility of the share price over the last six months before grant date.

During the nine-month periods ended 30 September 2016 and 30 September 2015 no expenses were incurred.

During the nine-month period ended 30 September 2016 167,123 options in respect of shares were exercised, the weighted average exercise price was RUR 3,032 and the weighted average share price at the date of exercise was RUR 3,380.

Movements in the reserve held for Share-based option plan during the nine-month periods ended 30 September 2016 and 30 September 2015:

	<u>2016</u>	<u>2015</u>
<b>Reserve as at 1 January</b>	<b>240</b>	<b>240</b>
Exercised options	(231)	-
Cancelled options	(9)	-
<b>Reserve as at 30 September</b>	<b>-</b>	<b>240</b>

Share option plan was exercised as at 30 September 2016.

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**13. TRADE AND OTHER PAYABLES**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade payables	748	645
Amounts payable for the acquisition of property, plant and equipment	105	157
Amounts payable for the intangible assets	4	-
<b>Total financial liabilities within trade and other payable</b>	<b>857</b>	<b>802</b>
Liabilities to customers (advances)	3,387	2,603
<b>Total trade and other payables</b>	<b>4,244</b>	<b>3,405</b>

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Social insurance contribution	127	164
Property tax	116	117
Personal income tax	33	30
VAT	5	313
Other taxes	8	10
<b>Total taxes other than income tax payable</b>	<b>289</b>	<b>634</b>

**15. ACCRUALS AND OTHER CURRENT LIABILITIES**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Settlements with employees	408	583
Other liabilities (financial liabilities)	59	115
<b>Total accrued expenses and other current liabilities</b>	<b>467</b>	<b>698</b>

Settlements with employees as at 30 September 2016 and 31 December 2015 comprised accrued salaries and bonuses of RUR 248m and RUR 399m, respectively, and accruals for unused vacation of RUR 160m and RUR 184m, respectively.

**16. REVENUE AND SEGMENT INFORMATION**

The Company's General Director is its chief operating decision-maker. The Group's business activities are interdependent in providing customers with rail-based container shipping and other logistics services. As such, the Group's internal reporting, as reviewed by the General Director to assess performance and allocate resources, is prepared on a consolidated basis as a single reportable segment. The Group's internal management reports are prepared on the same basis as these interim condensed consolidated financial statements.

<b>Analysis of revenue by category</b>	<b>Nine-month period ended 30 September</b>		<b>Three-month period ended 30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Integrated freight forwarding and logistics services	27,453	23,192	10,096	8,041
Cargo transportation and handling services with involvement of third parties	3,623	2,049	1,215	919
Rail-based container shipping services	3,057	3,291	1,042	1,162
Terminal services and agency fees	1,723	1,580	629	593
Truck deliveries	657	633	238	234
Other freight forwarding services	159	102	60	32
Bonded warehousing services	147	141	52	49
Other	81	77	25	29
<b>Total revenue</b>	<b>36,900</b>	<b>31,065</b>	<b>13,357</b>	<b>11,059</b>

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**16. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

<i>Analysis of revenue by location of customers</i>	<b>Nine-month period ended 30 September</b>		<b>Three-month period ended 30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenue from external customers</b>				
Russia	31,467	25,382	11,523	9,329
Korea	1,898	3,145	669	858
Germany	1,074	957	291	269
Kazakhstan	628	409	292	82
Great Britain	550	341	130	191
Latvia	443	226	110	88
China	362	267	151	129
Other	478	338	191	113
<b>Total revenue</b>	<b>36,900</b>	<b>31,065</b>	<b>13,357</b>	<b>11,059</b>

During the nine-month period ended 30 September 2016, OJSC Russian Railways (“RZD”) and its subsidiaries accounted for RUR 2,594m or 7% of the Group’s total revenue (for the nine-month period ended 30 September 2015: RUR 2,304m or 7% of the Group’s total revenue).

During the three-month period ended 30 September 2016, OJSC Russian Railways (“RZD”) and its subsidiaries accounted for RUR 997m or 7% of the Group’s total revenue (for the three-month period ended 30 September 2015: RUR 900m or 8% of the Group’s total revenue).

During the nine-month period ended 30 September 2016, UNICO LOGISTICS CO. LTD accounted for RUR 1,690m or 5% of the Group’s total revenue (for the nine-month period ended 30 September 2015: RUR 2,880m or 9% of the Group’s total revenue).

During the three-month period ended 30 September 2016, UNICO LOGISTICS CO. LTD accounted for RUR 583m or 4% of the Group’s total revenue (for the three-month period ended 30 September 2015: RUR 727m or 7% of the Group’s total revenue).

**17. OTHER OPERATING INCOME**

	<b>Nine-month period ended 30 September</b>		<b>Three-month period ended 30 September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Gain on the sale and disposal of property, plant and equipment	233	272	74	78
Gain on the sale of inventory and from the reuse of spare parts	107	90	36	7
Refund of VAT on the sale of services by applying the tax rate 0%	-	73	-	40
Other operating income	171	52	58	34
<b>Total operating income</b>	<b>511</b>	<b>487</b>	<b>168</b>	<b>159</b>

Other operating income for the nine-month period ended 30 September 2016 includes reversal of impairment of property, plant and equipment and release of provision for accounts receivables in amounts of RUR 31m and RUR 82m, respectively (RUR 9m and RUR 0m for the nine-month period ended 30 September 2015).

Other operating income for the three-month period ended 30 September 2016 includes reversal of impairment of property, plant and equipment and release of provision for accounts receivables in amounts of RUR 4m and RUR 36m, respectively (RUR 17m and RUR 0m for the three-month period ended 30 September 2015).



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**18. OPERATING EXPENSES**

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2016	2015	2016	2015
Third-party charges related to principal activities	21,205	15,912	7,619	5,793
Freight and transportation services	4,312	4,374	1,555	1,464
Payroll and related charges	3,530	3,378	1,117	1,088
Materials, repair and maintenance	1,861	1,570	797	549
Depreciation and amortisation	1,858	1,830	647	611
Taxes other than income tax	411	393	122	133
Rent	227	530	65	137
Charity	192	19	125	6
Security	158	156	52	52
Fuel costs	121	117	36	37
Consulting services	116	148	34	42
License and software	81	88	33	34
Communication costs	54	53	17	17
Other expenses	413	427	144	141
<b>Total operating expenses</b>	<b>34,539</b>	<b>28,995</b>	<b>12,363</b>	<b>10,104</b>

**19. INTEREST EXPENSE**

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2016	2015	2016	2015
Interest expense on RUR bonds	261	325	74	97
Interest expense on bank loans and borrowings	19	33	-	11
Interest expense on finance lease obligations	10	26	3	7
<b>Total interest expense</b>	<b>290</b>	<b>384</b>	<b>77</b>	<b>115</b>

**20. INCOME TAX**

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2016	2015	2016	2015
Current income tax charge	(509)	(467)	(247)	(252)
Deferred income tax expense	-	(54)	24	8
<b>Income tax</b>	<b>(509)</b>	<b>(521)</b>	<b>(223)</b>	<b>(244)</b>

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the nine-month period ended 30 September 2016 was 16.2% (for the nine-month period ended 30 September 2015: 21.3%).

**21. 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 are disclosed below:

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

Related party	Nature of relationship	
	30 September 2016	31 December 2015
OJSC Russian Railways (RZD)	Ultimate controlling company	Ultimate controlling company
JSC UTLC (Note 8)	Parent company	Parent company
JSC Kedentransservice	Joint venture of the Company	Joint venture of the Company
Oy ContainerTrans Scandinavia Ltd.	Joint venture of the Company	Joint venture of the Company
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture of the Company	Joint venture of the Company
Trans-Eurasia Logistics GmbH	Associate of the Company	Associate of the Company
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC	Significant shareholder	Significant shareholder

The Group's ultimate controlling party is the Russian Federation and, therefore, all companies controlled by the Russian Federation, jointly or ultimately or under significant influence of the government of the Russian Federation are also treated as related parties of the Group for the purposes of these consolidated financial statements.

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with government-related entities and governmental bodies, which are shown as "Other related parties" in the tables below. The Group also enters in transactions with government-related entities for acquisition of goods and providing services like electricity, taxes and post services. These transactions are conducted on commercial terms. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entities" in the table below), and PJSC Bank VTB, which is also state-controlled. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Services are provided on market terms.

*Relationships with RZD, its subsidiaries, joint ventures and associates*

The Group carries out various transactions with RZD, which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Furthermore, RZD owns the vast majority of rail-car repair facilities in Russia, which the Group uses to maintain its rolling stock in operating condition.

Under current Russian regulations, only RZD can perform certain functions associated with arranging the container transportation process. As the assets required for performing such functions were transferred to the Company, RZD engaged the Company to act as its agent in the performance of these functions. Company's revenue generated from such transactions with RZD is reported as agency fees in the consolidated profit or loss.

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

Outstanding balances with related parties as at 30 September 2016 are shown below:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Trade receivables	-	234	-	-	-	234
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	7,604	7,604
Trade receivables	240	296	3	19	-	558
Other receivables	7	23	-	5	41	76
Advances to suppliers	1,456	11	-	36	3	1,506
<b>Total assets</b>	<b>1,703</b>	<b>564</b>	<b>3</b>	<b>60</b>	<b>7,648</b>	<b>9,978</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	6	11	-	28	14	59
Liabilities to customers (advances)	-	30	7	62	21	120
Other payables	5	3	-	-	16	24
<b>Total liabilities</b>	<b>11</b>	<b>44</b>	<b>7</b>	<b>90</b>	<b>51</b>	<b>203</b>

The income and expense items with related parties for the nine-month period ended 30 September 2016 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	88	33	-	40	29	190
Terminal services and agency fees	1,378	15	-	-	4	1,397
Integrated freight forwarding and logistics services	1	1,040	160	635	29	1,865
Cargo transportation and handling services with involvement of third parties	-	43	-	-	7	50
Other services	11	27	3	-	12	53
Interest income on deposits	-	-	-	-	84	84
Other interest income	-	-	-	-	5	5
Other operating income	57	94	-	4	2	157
<b>Total income</b>	<b>1,535</b>	<b>1,252</b>	<b>163</b>	<b>679</b>	<b>172</b>	<b>3,801</b>
<b>Operating Expenses</b>						
Freight and transportation services	2,885	3	-	81	6	2,975
Third-party charges related to principal activities	17,222	1	5	999	133	18,360
Repair services	252	721	-	-	4	977
Rent of property and equipment	22	2	-	-	2	26
Other expenses	105	33	-	-	59	197
<b>Total expenses</b>	<b>20,486</b>	<b>760</b>	<b>5</b>	<b>1,080</b>	<b>204</b>	<b>22,535</b>
Purchases of property, plant and equipment	2	-	-	-	71	73
Purchases of materials	-	80	-	-	10	90
Contributions to non-state pension funds	-	-	-	-	33	33
<b>Total other transactions</b>	<b>2</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>196</b>

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

As at 30 September 2016 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, in respect of trade receivables balance is RUR 131m.

The income and expense items with related parties for the three-month period ended 30 September 2016 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	47	5	-	13	11	76
Terminal services and agency fees	510	7	-	-	2	519
Integrated freight forwarding and logistics services	1	416	40	269	15	741
Cargo transportation and handling services with involvement of third parties	-	13	-	-	3	16
Other services	4	7	-	-	4	15
Interest income on deposits	-	-	-	-	45	45
Other interest income	-	-	-	-	2	2
Other operating income	10	42	-	(1)	1	52
<b>Total income</b>	<b>572</b>	<b>490</b>	<b>40</b>	<b>281</b>	<b>83</b>	<b>1,466</b>
<b>Operating Expenses</b>						
Freight and transportation services	1,038	2	-	35	2	1,077
Third-party charges related to principal activities	6,300	(1)	5	318	27	6,649
Repair services	71	322	-	-	1	394
Rent of property and equipment	8	1	-	-	-	9
Other expenses	31	9	-	-	24	64
<b>Total expenses</b>	<b>7,448</b>	<b>333</b>	<b>5</b>	<b>353</b>	<b>54</b>	<b>8,193</b>
Purchases of property, plant and equipment	-	1	-	-	27	28
Purchases of materials	-	38	-	-	3	41
Contributions to non-state pension funds	-	-	-	-	15	15
<b>Total other transactions</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>84</b>

As at 31 December 2015, the outstanding balances with related parties were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Trade receivables	-	212	-	-	-	212
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	1,123	1,123
Trade receivables	210	351	2	39	-	602
Other receivables	41	46	-	20	87	194
Advances to suppliers	1,440	10	-	122	1	1,573
<b>Total assets</b>	<b>1,691</b>	<b>619</b>	<b>2</b>	<b>181</b>	<b>1,211</b>	<b>3,704</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	13	114	1	13	32	173
Liabilities to customers (advances)	-	31	4	32	22	89
Other payables	-	-	-	-	7	7
<b>Total liabilities</b>	<b>13</b>	<b>145</b>	<b>5</b>	<b>45</b>	<b>61</b>	<b>269</b>



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

As at 31 December 2015 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, in respect of trade receivables balance was RUR 202m.

The income and expense items with related parties for the nine-month period ended 30 September 2015 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	103	34	1	1	38	177
Terminal services and agency fees	1,217	11	-	-	4	1,232
Integrated freight forwarding and logistics services	1	888	102	344	56	1,391
Cargo transportation and handling services with involvement of third parties	-	41	-	-	6	47
Other services	16	15	2	2	13	48
Interest income on deposits	-	-	-	-	73	73
Other interest income	-	-	-	-	2	2
Other operating income	69	29	1	-	1	100
<b>Total income</b>	<b>1,406</b>	<b>1,018</b>	<b>106</b>	<b>347</b>	<b>193</b>	<b>3,070</b>
<b>Operating Expenses</b>						
Freight and transportation services	2,901	2	-	370	44	3,317
Third-party charges related to principal activities	12,242	26	10	1,488	129	13,895
Repair services	264	525	-	-	4	793
Rent of property and equipment	23	1	-	-	2	26
Other expenses	131	53	-	42	83	309
<b>Total expenses</b>	<b>15,561</b>	<b>607</b>	<b>10</b>	<b>1,900</b>	<b>262</b>	<b>18,340</b>
Purchases of property, plant and equipment	1	24	-	-	10	35
Purchases of materials	-	2	-	-	8	10
Contributions to non-state pension funds	-	-	-	-	66	66
<b>Total other transactions</b>	<b>1</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>111</b>

The income and expense items with related parties for the three-month period ended 30 September 2015 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	49	13	-	-	9	71
Terminal services and agency fees	450	6	-	-	2	458
Integrated freight forwarding and logistics services	-	350	24	171	8	553
Cargo transportation and handling services with involvement of third parties	-	27	-	-	3	30
Other services	6	8	1	1	5	21
Interest income on deposits	-	-	-	-	23	23
Other operating income	28	9	-	-	-	37
<b>Total income</b>	<b>533</b>	<b>413</b>	<b>25</b>	<b>172</b>	<b>50</b>	<b>1,193</b>

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

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Operating Expenses</b>						
Freight and transportation services	1,027	1	-	59	-	<b>1,087</b>
Third-party charges related to principal activities	4,560	1	-	476	53	<b>5,090</b>
Repair services	98	185	-	-	1	<b>284</b>
Rent of property and equipment	8	-	-	-	-	<b>8</b>
Other expenses	35	8	-	-	30	<b>73</b>
<b>Total expenses</b>	<b>5,728</b>	<b>195</b>	<b>-</b>	<b>535</b>	<b>84</b>	<b>6,542</b>
Purchases of property, plant and equipment	1	-	-	-	2	<b>3</b>
Purchases of materials	-	2	-	-	2	<b>4</b>
Contributions to non-state pension funds	-	-	-	-	26	<b>26</b>
<b>Total other transactions</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>33</b>

The amounts outstanding to and from related parties are unsecured and expected to be settled by cash or supplies of goods or services (in respect of advances to suppliers and liabilities to customers) in the normal course of business.

**Dividends**

Dividends payable to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 2,415m and RUR 1,165m, respectively, and were paid in October 2016 for 2015.

Dividends payable to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 493m and RUR 238m, respectively, and were paid in July 2015 for 2014.

**Compensation of key management personnel**

Key management personnel consists of members of the Company's Board of Directors, as well as the General Director and his deputies, and comprised 21 and 21 persons as at 30 September 2016 and 30 September 2015.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to Key management personnel amounted to RUR 207m (including total insurance contributions of RUR 26m) and RUR 159m (including total insurance contributions of RUR 15m) for the nine-month periods ended 30 September 2016 and 30 September 2015, respectively. Such compensation for the three-month periods ended 30 September 2016 and 30 September 2015 amounted to RUR 46m (including total insurance contributions of RUR 10m) and RUR 35m (including total insurance contributions of RUR 4m), respectively.

This compensation is included under payroll and related charges in the consolidated profit and loss. Major part of compensation for Key management personnel is generally short-term excluding future payments under pension plans with defined benefits. Defined benefit payments to Key management of the Group are calculated based on the same terms as for the other employees.

As stated in Note 12, for the nine-month period ended 30 September 2016 and for the three-month period ended 30 September 2016, the Group did not have any expenses related to the Share Option Plan and to options provided to the General Director and his deputies (there were no expenses related to the Share Option Plan and to options provided to the General Director and his deputies for the nine-month period ended 30 September 2015 and for the three-month period ended 30 September 2015).

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**22. COMMITMENTS UNDER OPERATING LEASES**

Since 2009 the Group has been leasing the container terminal Dobra in Slovakia. As at 30 September 2016 the remaining period of agreements validity is 8 years.

The Group leases certain production buildings and office premises in Russia. The relevant lease agreements have terms varying from one to three years. Additionally, the Group leases the land on which its container terminals are located.

Future minimum lease payments under contracted operating leases, including VAT, are as follows:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Within one year	125	152
Within two to five years	252	335
After five years	131	232
<b>Total minimum lease payments</b>	<b>508</b>	<b>719</b>

Decrease in minimum lease payments under contracted operating leases relates to the termination and expiry of lease agreements.

**23. CAPITAL COMMITMENTS**

The Group's capital commitments as at 30 September 2016 and 31 December 2015 consisted of the following, including VAT:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Acquisition of containers and flatcars	1,405	1,901
Acquisition of lifting machines and other equipment	58	143
Construction of container terminal complexes and modernisation of existing assets	102	632
<b>Total capital commitments</b>	<b>1,565</b>	<b>2,676</b>

**24. RISK MANAGEMENT ACTIVITIES**

**Operating environment of the Group.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations. The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. The Group has no assets or significant operations in Ukraine; therefore, these events have no direct impact on the Group. However, there is still uncertainty as to the future economic growth, access to the capital markets and the cost of capital.

A number of sanctions have been introduced against the Russian Federation and Russian officials and their effects are difficult to determine at this stage. In addition, there is a threat that additional sanctions will be introduced. There is a high level of uncertainty and volatility on the financial markets.

These and other events may have a material impact on the Group's operations, its prospective financial position, operational results and business perspectives, and the management is unable to foresee the outcome of such impact at this stage. The management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and any other price risk), credit risk and liquidity risk.

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**24. RISK MANAGEMENT ACTIVITIES (CONTINUED)**

During the nine-month period ended 30 September 2016 there was the strengthening of the Russian Rouble against major foreign currencies while the CBRF exchange rate reduced from RUR 72.8827 per USD as at 31 December 2015 to RUR 63.1581 per USD as at 30 September 2016, respectively (from RUR 79.6972 to RUR 70.8823 per EUR).

The interim condensed consolidated financial statements do not include all financial risk management statements and disclosures required in the annual consolidated financial statements of the Group, prepared for the year ended 31 December 2015. The information disclosed in the interim condensed consolidated financial statements as at 30 September 2016 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. There have been no significant changes in the Group's risk management policy during the nine-month period ended 30 September 2016.

***Fair value of assets and liabilities***

The management uses its judgment to the assessment and classification of financial instruments by category using the fair value measurement hierarchy. As on the reporting date the Group had financial assets classified as Level 1 and Level 3, and also financial liabilities classified as Level 1, Level 2 and Level 3.

During the nine-month period ended 30 September 2016 no significant changes in the assessment methods, input data and assumptions to estimate the fair value have occurred.

For financial assets and liabilities not measured at fair value but for which fair value is disclosed, the management believes that the fair value of the following assets and liabilities approximates their carrying value: cash, trade and other receivables (excluding long-term receivables of JSC RZD Logistics), other financial assets, trade and other payables, finance lease obligations. Except for cash, these financial assets and liabilities relate to Level 3 in the fair value hierarchy.

The fair value of investment property as Level 3 in the fair value measurement hierarchy approximates its carrying value.

As at 30 September 2016 the fair value of long-term accounts receivable of JSC RZD Logistics, categorized at Level 3 of fair value measurement hierarchy (Note 5) accounts for RUR 232m (RUR 200m as at 31 December 2015). The calculation is based on the use of a weighted average interest rate, published by the Central Bank of Russia for August 2016 on deposits of non-financial entities attracted by credit institutions in rubles for a period from 1 to 3 years.

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

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

	<u>30 September 2016</u>	<u>31 December 2015</u>
<b>Financial liabilities</b>		
Bonds	<u>8,729</u>	<u>4,800</u>
<b>Total</b>	<u><b>8,729</b></u>	<u><b>4,800</b></u>

***Financial assets carried at amortised cost.*** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

***Liabilities carried at amortised cost.*** The fair value of bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and maturity.

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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**25. SUBSEQUENT EVENTS**

**Agreements on acquisition of containers.** In October 2016 the Group entered into the following agreements with:

- Engineering Solutions OU on the purchase of 400 containers for the total amount of USD 1.2m (RUR 75m at the Central Bank of Russia exchange rate as at the reporting date), net of VAT and paid in advance USD 0.4m (RUR 23m at the Central Bank of Russia exchange rate as at the date of payment) under the purchase-and-sale agreement. Delivery of containers is expected no later than 28 February 2017;
- Taicang CIMC special logistic equipment Co.,Ltd on the purchase of 400 containers for the total amount of USD 0.7m (RUR 46m at the Central Bank of Russia exchange rate as at the reporting date), net of VAT and paid in advance USD 0.2m (RUR 14m at the Central Bank of Russia exchange rate as at the date of payment) under the purchase-and-sale agreement. Delivery of containers is expected no later than 31 March 2017.

**Transfer of JSC Kedentransservice shares from Helme's Operation UK Limited to Logistic System Management B.V.** In October 2016, in accordance with the Agreement of cooperation between JSC TransContainer and JSC KTZ based on a joint venture, the JSC Kedentransservice shares held by Helme's Operation UK Limited, were transferred to Logistic System Management BV company.

**Decision to terminate the participation in the Trans-Eurasia Logistics GmbH.** In November 2016 the Company's Board of Directors decided to discontinue the participation of PJSC TransContainer in the Trans-Eurasia Logistics GmbH by selling 20% of TransContainer's shares subject to certain conditions precedent (receiving a copy of the legally binding offer from DB Cargo AG to be sent to OJSC Russian Railways ("RZD") to purchase a 30% of Trans-Eurasia Logistics GmbH's shares owned by RZD at a cost calculated pro rata the cost of sale of 20% of Trans-Eurasia Logistics GmbH's shares owned by PJSC TransContainer).