

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**Interim Condensed Consolidated Financial
Statements**

For the Three- and Nine-Month Periods Ended
30 September 2017

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 THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

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 2017 and the results of its operations for the three-month and nine-month periods then ended and 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, 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 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 three- and nine-month periods ended 30 September 2017 were approved on 27 November 2017 by:

A handwritten signature in black ink, appearing to read 'P. V. Baskakov', written over a horizontal line.

P. V. Baskakov

General Director

A handwritten signature in blue ink, appearing to read 'M. V. Usenko', written over a horizontal line.

M. V. Usenko

Chief Accountant

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

| | Notes | 30 September 2017 | 31 December 2016 |
|---|-------|----------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 39,211 | 37,317 |
| Advances for acquisition of non-current assets | 3 | 80 | 346 |
| Investment property | | 106 | 115 |
| Intangible assets | | 333 | 290 |
| Investments in associates and joint ventures | 4 | 3,141 | 2,685 |
| Other non-current assets | | 62 | 69 |
| Total non-current assets | | 42,933 | 40,822 |
| Current assets | | | |
| Inventory | | 246 | 209 |
| Trade and other receivables | 5 | 2,113 | 1,605 |
| Prepayments and other current assets | 6 | 4,447 | 3,589 |
| Short-term investments | | 39 | 78 |
| Cash and cash equivalents | 7 | 5,011 | 5,525 |
| Total current assets | | 11,856 | 11,006 |
| TOTAL ASSETS | | 54,789 | 51,828 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 8 | 13,895 | 13,895 |
| Reserve fund | | 697 | 697 |
| Translation reserve | | (524) | (340) |
| Other reserves, including investment property's revaluation reserve | | (2,136) | (2,133) |
| Retained earnings | | 26,896 | 22,390 |
| Total equity attributable to the Company's owners | | 38,828 | 34,509 |
| Non-current liabilities | | | |
| Long-term debt | 9 | 4,987 | 6,236 |
| Finance lease obligations, net of current maturities | 10 | - | 121 |
| Employee benefit liability | 11 | 1,097 | 1,067 |
| Deferred tax liability | | 1,634 | 1,523 |
| Financial guarantee for investment in joint venture | 4 | 155 | - |
| Total non-current liabilities | | 7,873 | 8,947 |
| Current liabilities | | | |
| Trade and other payables | 12 | 5,758 | 4,279 |
| Current portion of long-term debt | 9 | 1,280 | 2,762 |
| Income tax payable | | 170 | 21 |
| Taxes other than income tax payable | 13 | 293 | 378 |
| Finance lease obligations, current maturities | 10 | - | 18 |
| Accruals and other current liabilities | 14 | 587 | 914 |
| Total current liabilities | | 8,088 | 8,372 |
| TOTAL EQUITY AND LIABILITIES | | 54,789 | 51,828 |



P. V. Baskakov

General Director



M. V. Usenko

Chief Accountant

27 November 2017

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 | |
|---|-------|---|-------------------|--|-------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Revenue | 15 | 48,242 | 36,900 | 17,569 | 13,357 |
| Other operating income | 16 | 445 | 511 | 219 | 168 |
| Operating expenses | 17 | (42,512) | (34,539) | (14,988) | (12,363) |
| Gain from early termination of finance lease | 10 | 7 | - | - | - |
| Interest expense | 18 | (491) | (290) | (141) | (77) |
| Interest income | | 247 | 190 | 66 | 103 |
| Foreign exchange loss, net | | (4) | (167) | (29) | (31) |
| Share of result of associates and joint ventures | 4 | 493 | 545 | 189 | 225 |
| Gain on disposal of associate | 4 | 41 | - | 41 | - |
| Profit before income tax | | 6,468 | 3,150 | 2,926 | 1,382 |
| Income tax expense | 19 | (1,282) | (509) | (576) | (223) |
| Profit for the period attributable to the Company's owners | | 5,186 | 2,641 | 2,350 | 1,159 |
| Other comprehensive income/(loss) (net of income tax) | | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | | |
| Remeasurement of post-employment benefit plans liabilities | 11 | (30) | (84) | (14) | (38) |
| Revaluation of investment property | | (3) | - | (3) | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Share of translation of financial information of associates and joint ventures to the presentation currency | | (193) | (359) | (215) | (16) |
| Exchange differences on translating foreign operations | | 9 | (39) | 3 | 5 |
| Other comprehensive loss for the period | | (217) | (482) | (229) | (49) |
| Total comprehensive income for the period attributable to the Company's owners | | 4,969 | 2,159 | 2,121 | 1,110 |
| Earnings per share, basic and diluted (in Russian Roubles) | | 373 | 191 | 169 | 83 |
| Weighted average number of shares outstanding | | 13,894,778 | 13,796,979 | 13,894,778 | 13,892,831 |



P. V. Baskakov

General Director

27 November 2017



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 | |
|--|-------|---|----------------|
| | | 2017 | 2016 |
| Cash flows from operating activities: | | | |
| Profit before income tax | | 6,468 | 3,150 |
| Adjustments for: | | | |
| Depreciation and amortisation | 17 | 1,977 | 1,858 |
| Change in provision for impairment of receivables | 16 | (49) | (82) |
| Gain on disposal of property, plant and equipment | 16 | (153) | (233) |
| Loss/(reversal) on impairment of property, plant and equipment | 3 | 6 | (30) |
| Share of result of associates and joint ventures | 4 | (493) | (545) |
| Gain on disposal of associate | 4 | (41) | - |
| Interest expense, net | | 244 | 100 |
| Foreign exchange loss, net | | 4 | 167 |
| (Gain)/loss on revaluation of other long-term obligations to employees | 11 | (3) | 14 |
| Other expenses | | 7 | 2 |
| Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities | | 7,967 | 4,401 |
| Working capital changes: | | | |
| Decrease in inventory | | 126 | 357 |
| (Increase)/decrease in trade and other receivables | | (417) | 129 |
| (Increase)/decrease in prepayments and other assets | | (863) | 41 |
| Increase in trade and other payables | | 1,277 | 913 |
| Decrease in taxes other than income tax | | (109) | (345) |
| Decrease in accruals and other current liabilities | | (293) | (228) |
| Increase in employee benefit liabilities | | 3 | 14 |
| Net cash from operating activities before income tax and interest | | 7,691 | 5,282 |
| Interest paid | | (723) | (401) |
| Income tax paid | | (1,019) | (455) |
| Net cash provided by operating activities | | 5,949 | 4,426 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | | (3,483) | (1,326) |
| Proceeds from disposal of property, plant and equipment | | 32 | 24 |
| Acquisition of investment in joint venture | | (10) | - |
| Sale of long-term investments | | 43 | 28 |
| Sale of short-term investments | | 1,499 | 207 |
| Purchases of short-term investments | | (1,460) | (267) |
| Purchases of intangible assets | | (81) | (58) |
| Dividends received from joint ventures | 4 | 14 | 207 |
| Interest received | | 232 | 168 |
| Net cash used in investing activities | | (3,214) | (1,017) |
| Cash flows from financing activities: | | | |
| Proceeds from sale of treasury shares | | - | 578 |
| Dividends | 8 | (650) | - |
| Repayments of finance lease obligations | | (132) | (4) |
| 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 | 9 | (2,500) | (1,250) |
| Net cash (used in)/ provided by financing activities | | (3,282) | 3,855 |
| Net (decrease)/increase in cash and cash equivalents | | (547) | 7,264 |
| Cash and cash equivalents at beginning of the period | | 5,525 | 2,110 |
| Foreign exchange effect on cash and cash equivalents | | 33 | (194) |
| Cash and cash equivalents at end of the period | | 5,011 | 9,180 |



P. V. Baskakov

General Director

27 November 2017



M. V. Usenko

Chief Accountant

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

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 equity attributable to the Company's owners |
|---|-------|---------------|-----------------|--------------|---------------------|--|---|-------------------|---|
| Balance at 1 January 2016 | | 13,895 | (494) | 697 | 210 | 240 | (2,140) | 23,779 | 36,187 |
| Profit for the period | | - | - | - | - | - | - | 2,641 | 2,641 |
| Other comprehensive loss for the period | | - | - | - | (398) | - | - | (84) | (482) |
| Total comprehensive (loss)/income for the period | | - | - | - | (398) | - | - | 2,557 | 2,159 |
| Execution of share option plan | | - | 43 | - | - | (240) | - | 197 | - |
| Sale of treasury shares | | - | 451 | - | - | - | - | 127 | 578 |
| Dividends | 8 | - | - | - | - | - | - | (4,830) | (4,830) |
| Balance at 30 September 2016 | | 13,895 | - | 697 | (188) | - | (2,140) | 21,830 | 34,094 |
| Profit for the period | | - | - | - | - | - | - | 603 | 603 |
| Other comprehensive (loss)/income for the period | | - | - | - | (152) | - | 7 | (43) | (188) |
| Total comprehensive (loss)/income for the period | | - | - | - | (152) | - | 7 | 560 | 415 |
| Balance at 31 December 2016 | | 13,895 | - | 697 | (340) | - | (2,133) | 22,390 | 34,509 |
| Profit for the period | | - | - | - | - | - | - | 5,186 | 5,186 |
| Other comprehensive loss for the period | | - | - | - | (184) | - | (3) | (30) | (217) |
| Total comprehensive (loss)/income for the period | | - | - | - | (184) | - | (3) | 5,156 | 4,969 |
| Dividends | 8 | - | - | - | - | - | - | (650) | (650) |
| Balance at 30 September 2017 | | 13,895 | - | 697 | (524) | - | (2,136) | 26,896 | 38,828 |


P. V. Baskakov
 General Director


M. V. Usenko
 Chief Accountant

27 November 2017

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017 (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 42 container terminals along the Russian railway network. As at 30 September 2017, 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 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| TransContainer-Slovakia, a.s. | Subsidiary | Slovakia | Container shipments | 100 | 100 | 100 | 100 |
| TransContainer Europe GmbH | Subsidiary | Austria | Container shipments | 100 | 100 | 100 | 100 |
| TransContainer Asia Pacific Ltd. | Subsidiary | Korea | Container shipments | 100 | 100 | 100 | 100 |
| TransContainer Freight Forwarding (Shanghai) Co., Ltd. | Subsidiary | China | Container shipments | 100 | - | 100 | - |
| 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 |
| LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 4) | Joint venture | Russia | Terminal operations | 30 | - | 50 | - |
| Trans-Eurasia Logistics GmbH (Note 4) | Associate | Germany | Container shipments | - | 20 | - | 20 |
| LLC TransContainer Finance (Note 24) | 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 |
| Logistic System Management B.V. | Joint venture | Netherlands | Investment activity | 50 | 50 | 50 | 50 |

Establishment of a subsidiary. On 12 May 2017 100% subsidiary - TransContainer Freight Forwarding (Shanghai) Co., Ltd was registered on the territory of the People's Republic of China in Shanghai.

The interim condensed consolidated financial statements of PJSC TransContainer and its subsidiaries (the "Group") as at 30 September 2017 and for the three- and nine-month periods then ended were authorised for issue by the General Director of the Company on 27 November 2017.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance. The annual consolidated financial statements of the Group are prepared in accordance with 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 2016, 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 2016. 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 the preparation of the Group's annual consolidated financial statements as at 31 December 2016 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.

New standards and interpretations. The Group has adopted all new standards and interpretations that were effective from 1 January 2017. 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 2016, have been issued but are not effective for the financial year beginning 1 January 2017 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 2018 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 2016 and for the year then ended.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 September 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

The Group is currently assessing the impact of the new interpretation on its interim condensed consolidated financial statements.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Estimates. The preparation of interim condensed consolidated financial statements requires 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 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 2016 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 19) and some actuarial assumptions (Note 11). As at 31 December 2016 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 2016.

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 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 27,815m for the nine-month period ended 30 September 2017 (including RUR 25,773m for integrated freight forwarding and logistics services and RUR 2,042m for management of cargo transportation and handling with involvement of third parties). For the nine-month period ended 30 September 2016 the effect was RUR 21,205m (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 three-month period ended 30 September 2017 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 10,127m (including RUR 9,921m for integrated freight forwarding and logistics services, RUR 206m for management of cargo transportation and handling with involvement of third parties). For the three-month period ended 30 September 2016 the effect was RUR 7,619m (including RUR 6,404m for integrated freight forwarding and logistics services, and RUR 1,215m 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 2016 72% of revenues accumulated in the first three quarters of the year, with 28% accumulating in the fourth quarter of the year.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

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 |
|--|---|-------------------------------|--------------------------|------------------------------------|-----------------------------|----------|
| Cost | | | | | | |
| 1 January 2017 | 12,388 | 36,615 | 2,692 | 2,891 | 473 | 55,059 |
| Additions | 97 | 3,521 | 141 | 63 | 77 | 3,899 |
| Transfers | 61 | 51 | 29 | 37 | (178) | - |
| Capitalised borrowing costs | - | - | - | - | 12 | 12 |
| Disposals | (33) | (267) | (43) | (123) | (23) | (489) |
| 30 September 2017 | 12,513 | 39,920 | 2,819 | 2,868 | 361 | 58,481 |
| Accumulated depreciation and impairment | | | | | | |
| 1 January 2017 | (2,490) | (12,238) | (1,053) | (1,961) | - | (17,742) |
| Depreciation charge for the period | (213) | (1,390) | (134) | (201) | - | (1,938) |
| Impairment | (3) | (3) | - | - | - | (6) |
| Disposals | 21 | 251 | 38 | 106 | - | 416 |
| 30 September 2017 | (2,685) | (13,380) | (1,149) | (2,056) | - | (19,270) |
| Net book value | | | | | | |
| 1 January 2017 | 9,898 | 24,377 | 1,639 | 930 | 473 | 37,317 |
| 30 September 2017 | 9,828 | 26,540 | 1,670 | 812 | 361 | 39,211 |
| Cost | | | | | | |
| 1 January 2016 | 11,482 | 36,206 | 2,119 | 2,893 | 1,207 | 53,907 |
| Additions | - | 844 | 251 | 82 | 480 | 1,657 |
| Transfers | 23 | 40 | 209 | - | (272) | - |
| Capitalised borrowing costs | - | - | - | - | 45 | 45 |
| Disposals | (7) | (516) | (77) | (146) | - | (746) |
| 30 September 2016 | 11,498 | 36,574 | 2,502 | 2,829 | 1,460 | 54,863 |
| Accumulated depreciation and impairment | | | | | | |
| 1 January 2016 | (2,276) | (11,059) | (1,080) | (1,856) | - | (16,271) |
| 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 |
| 30 September 2016 | (2,473) | (11,856) | (1,116) | (1,949) | - | (17,394) |

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

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 2017 and 31 December 2016, respectively.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 702m and RUR 714m as at 30 September 2017 and 31 December 2016, respectively.

For the nine-month period ended 30 September 2017 there were additions of flatcars and containers with gross carrying amount of RUR 2,458m and RUR 1,063m, respectively (for the nine-month period ended 30 September 2016 – RUR 69m and RUR 775m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,188m and RUR 1,301m as at 30 September 2017 and 31 December 2016, respectively.

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

| | <u>30 September 2017</u> | <u>31 December 2016</u> |
|--------------------------|------------------------------|-----------------------------|
| Cost | 55 | 44 |
| Accumulated depreciation | <u>(34)</u> | <u>(27)</u> |
| Net book value | <u>21</u> | <u>17</u> |

The carrying amount of property, plant and equipment not in use and not classified as held for sale as at 30 September 2017 and 31 December 2016 comprised the following:

| | <u>30 September 2017</u> | <u>31 December 2016</u> |
|--------------------------|------------------------------|-----------------------------|
| Cost | 304 | 339 |
| Accumulated depreciation | (142) | (152) |
| Impairment | <u>(101)</u> | <u>(101)</u> |
| Net book value | <u>61</u> | <u>86</u> |

Construction in-progress as at 30 September 2017 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminal in Moscow amounting to RUR 158m, and RUR 95m for the construction of the new container terminal in Primorsky Region.

Construction in-progress as at 31 December 2016 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and Irkutsk amounting to RUR 158m and RUR 56m respectively, and RUR 90m for the construction of the new container terminal in Primorsky Region.

In May 2017 the Group bought out non-residential premises in Moscow head office building, previously acquired under a finance lease agreement. The cost of the bought out building part was RUR 160m. As at 30 September 2017 premises are owned by the Company and included in the category land, buildings and constructions. As at 31 December 2016 these premises were held under finance lease and were recognised in the same group. See Note 10 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 30 September 2017 and 31 December 2016, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition and modernisation of cranes and loaders (RUR 68m and RUR 153m, respectively), advances for the acquisition of containers (RUR 0m and RUR 183m, respectively), and advances for the acquisition of other non-current assets (RUR 12m and RUR 10m, 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 investments in associates and joint ventures:

| | Joint Venture JSC Kedentrans-service and Logistic System Management B.V. | Joint Venture LLC Freight Village Kaluga Sever | Other joint ventures | Associates | Total associates and joint ventures |
|---|--|--|----------------------|------------|-------------------------------------|
| Carrying amount as at 1 January 2017 | 2,584 | - | 93 | 8 | 2,685 |
| Share of profit of associates and joint ventures | 470 | - | 24 | (1) | 493 |
| Dividends received from associates and joint ventures | - | - | (14) | - | (14) |
| Fair value of net assets of acquired joint ventures | - | (210) | - | - | (210) |
| Goodwill arising on acquisition of joint ventures | - | 382 | - | - | 382 |
| Disposal | - | - | - | (8) | (8) |
| Effect of translation to presentation currency | (190) | - | 2 | 1 | (187) |
| Carrying amount as at 30 September 2017 | 2,864 | 172 | 105 | - | 3,141 |

| | Joint Venture JSC Kedentrans-service and Logistic System Management B.V. | Joint Venture LLC Freight Village Kaluga Sever | Other joint ventures | Associates | Total associates and joint ventures |
|---|--|--|----------------------|------------|-------------------------------------|
| Carrying amount as at 1 January 2016 | 2,910 | - | 105 | 8 | 3,023 |
| Share of profit of associates and joint ventures | 537 | - | 7 | 1 | 545 |
| Dividends received from associates and joint ventures | (205) | - | (2) | - | (207) |
| Effect of translation to presentation currency | (342) | - | (16) | (1) | (359) |
| Carrying amount as at 30 September 2016 | 2,900 | - | 94 | 8 | 3,002 |

Acquisition of LLC Freight Village Kaluga Sever. In July 2017 the Company acquired ownership of 30% of share capital of joint venture LLC Freight Village Kaluga Sever (hereinafter, FVK Sever).

In course of this transaction in July 2017, the Company fully paid RUR 1 for the shares and provided a guarantee in respect of obligations under the loan agreement of FVK Sever to the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) in the amount equivalent. 50% of principal debt of FVK Sever under this loan agreement in the amount of RUR 3.7bn plus 50% of the interest, commissions, penalties (fines) and other monetary obligations to be payable to Vnesheconombank in accordance with terms and conditions of the loan agreement. As at 30 September 2017 the debt secured by the guarantee under the loan agreement amounted to RUR 2.1bn and was included in the interim condensed consolidated statement of financial position as a financial guarantee for investment in joint venture in the amount of RUR 155m.

Under the terms of the guarantee agreement, the Company has certain financial and non-financial covenants, including the maintenance of a certain level of debt ratio and times interest earned ratio or maintenance of a certain level of long-term credit rating. Vnesheconombank may require early repayment of obligations under the loan agreement if the Company or other entities providing security fails to fulfill covenants, and also violates the obligations of FVK Sever under this loan agreement.

As of 30 September 2017, the Company performs covenants under the guarantee agreement.

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4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Furthermore, as part of the transaction, the pledge agreements, which the Company signed in July-August 2017 came into force, providing a number of obligations of the parties to each other:

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

As at the date of issue of these interim condensed consolidated financial statements the fair value of the Group's interest in the identifiable assets and liabilities of FVK Sever was determined in the preliminary assessment, as the Group has not completed the allocation of the transaction value.

Below is the aggregated financial information of FVK Sever in the preliminary assessment according to fair value as at the date of acquisition:

| | <u>10 July 2017</u> |
|-------------------------------|---------------------|
| Non-current assets | 3,290 |
| Current assets | 451 |
| Long-term liabilities | (3,879) |
| Short-term liabilities | (560) |
| Net assets | (699) |
| Net assets share (30%) | (210) |

Selling of Trans-Eurasia Logistics GmbH

In September 2017 the Company ceased to participate in associates company Trans-Eurasia Logistics GmbH by selling 20% of its shares to DB Cargo AG. Profit resulting from sell of the associates company is:

| | <u>12 September 2017</u> |
|---|--------------------------|
| Proceeds from the sell | 43 |
| Carrying amount of disposed net assets | (8) |
| Exchange differences on translating foreign operations recycled from other comprehensive income to profit | 6 |
| Gain on sold of the associates company | 41 |

5. TRADE AND OTHER RECEIVABLES

| | <u>Outstanding balance, gross</u> | <u>Provision for impairment</u> | <u>Outstanding balance, net</u> |
|--|---------------------------------------|-------------------------------------|-------------------------------------|
| 30 September 2017 | | | |
| Trade receivables | 2,017 | (29) | 1,988 |
| Other receivables | 211 | (86) | 125 |
| Total trade and other receivables, classified as financial assets | 2,228 | (115) | 2,113 |
| 31 December 2016 | | | |
| Trade receivables | 1,508 | (78) | 1,430 |
| Other receivables | 265 | (90) | 175 |
| Total trade and other receivables, classified as financial assets | 1,773 | (168) | 1,605 |

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5. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Balance as at 1 January | (168) | (257) |
| Additional provision, recognised in the current period | (4) | (20) |
| Release of provision | 52 | 95 |
| Utilisation of provision | 2 | 4 |
| Foreign currency translation | 3 | - |
| Balance as at 30 September | <u>(115)</u> | <u>(178)</u> |

6. PREPAYMENTS AND OTHER CURRENT ASSETS

| | <u>30 September 2017</u> | <u>31 December 2016</u> |
|---|------------------------------|-----------------------------|
| VAT receivable | 2,735 | 1,818 |
| Advances to suppliers (net of provision) | 1,635 | 1,668 |
| Other current assets | 77 | 103 |
| Total prepayments and other current assets | <u>4 447</u> | <u>3,589</u> |

As at 30 September 2017 and 31 December 2016 provision for impairment of advances to suppliers was recognised in the amount of RUR 2m and RUR 1m, respectively.

7. CASH AND CASH EQUIVALENTS

| | <u>30 September 2017</u> | <u>31 December 2016</u> |
|---|------------------------------|-----------------------------|
| Russian Rouble denominated bank deposits | 2,151 | 1,637 |
| Foreign currency denominated current accounts with banks | 2,513 | 1,496 |
| Cash and Russian Rouble denominated current accounts with banks | 347 | 2,392 |
| Total cash and cash equivalents | <u>5,011</u> | <u>5,525</u> |

Seven Russian Rouble denominated short-term bank deposits in the total amount of RUR 2,150m bearing interest at annual rates in a range from 7.75% to 7.80% were placed with PJSC Bank VTB, a related party as at 30 September 2017 (Note 20). The total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 1m. The deposits were repaid in October 2017.

8. EQUITY

Share Capital

As at 30 September 2017, the Company's authorised, issued and paid share capital has not changed since 31 December 2016. JSC United Transportation and Logistics Company (JSC UTLC) is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

Dividends

Dividends of RUR 46.81 per share (RUR 650m in total) were approved at the annual shareholders' meeting on 22 September 2017 relating to the Company's results for the year ended 31 December 2016. In July 2017 the dividends have been fully paid.

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.

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9. LONG-TERM DEBT

Long-term debt

| | <u>Effective interest rate</u> | <u>30 September 2017</u> | <u>31 December 2016</u> |
|---------------------|------------------------------------|------------------------------|-----------------------------|
| Bonds, series 4 | 8,40% | - | 1,249 |
| Bonds, series BO-02 | 9,45% | 4,987 | 4,987 |
| Total | | 4,987 | 6,236 |

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, the second and the third installment in July 2016, in January 2017 and in July 2017.

As at 30 September 2017 the carrying value of the bonds amounted to RUR 1,268m (RUR 3,882m as at 31 December 2016), including the amount of accrued interest of RUR 18m (RUR 133m as at 31 December 2016), that has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

Five-year RUR bonds, series BO-02

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

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

As at 30 September 2017 the carrying value of the bonds amounted to RUR 4,999m (RUR 5,116m as at 31 December 2016), including the amount of accrued interest of RUR 12m (RUR 129m as at 31 December 2016), that has been included as current portion of long-term debt in the consolidated statement of financial position.

The fair value of Company's bond is disclosed in Note 23.

Current portion of long-term debt

| | <u>Effective interest rate</u> | <u>30 September 2017</u> | <u>31 December 2016</u> |
|---------------------|------------------------------------|------------------------------|-----------------------------|
| Bonds, series 4 | 8,40% | 1,268 | 2,633 |
| Bonds, series BO-02 | 9,45% | 12 | 129 |
| Total | | 1,280 | 2,762 |

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10. FINANCE LEASE OBLIGATIONS

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|------------------|---|------------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| Due within one year | - | 19 | - | 18 |
| Due after one year but not more than five years | - | 139 | - | 121 |
| | - | 158 | - | 139 |
| Less future finance charges | - | (19) | - | - |
| Present value of minimum lease payments | - | 139 | - | 139 |

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 May 2017, the Group bought back the non-residential premises of the building and redeemed its obligation in the amount of RUR 130m in advance that resulted in recognition of a gain from early termination of finance lease obligations for a total amount of RUR 7m in the consolidated profit or loss.

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 2017 and 30 September 2016 consisted of the following:

| | 2017 | 2016 |
|---|------------|------------|
| Pension Fund of the Russian Federation | 573 | 503 |
| Defined contribution plan "Blagosostoyanie" | 19 | 15 |
| Total expense for defined contribution plans | 592 | 518 |

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 30 September 2017 and 30 September 2016 consisted of the following:

| | 2017 | 2016 |
|---|------------|------------|
| Pension Fund of the Russian Federation | 159 | 154 |
| Defined contribution plan "Blagosostoyanie" | 7 | 8 |
| Total expense for defined contribution plans | 166 | 162 |

Defined benefit plans

Principal actuarial assumptions as at 30 September 2017 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2016 with the exception of changes in discount rate, which decreased to 7.6% as at 30 September 2016 (as at 31 December 2016: 8.3%) and the projected average annual consumer price inflation in 2017-2018, which was 4.1% as at 30 September 2017 (as at 31 December 2016: 4.9%).

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11. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income for the nine-month periods ended 30 September 2017 and 30 September 2016 in respect of these defined benefit plans, include the following:

| | Post-employment benefits | | Other long-term benefits | | Total | |
|--|--------------------------|-----------|--------------------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service cost | 20 | 17 | 102 | 81 | 122 | 98 |
| Net interest on obligation | 45 | 44 | 10 | 12 | 55 | 56 |
| Remeasurements of the net defined benefit liability | - | - | (3) | 14 | (3) | 14 |
| Net expense recognised in the consolidated profit or loss | 65 | 61 | 109 | 107 | 174 | 168 |

The amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month periods ended 30 September 2017 and 30 September 2016 in respect of these defined benefit plans, include the following:

| | Post-employment benefits | | Other long-term benefits | | Total | |
|--|--------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service cost | 4 | 4 | 34 | 27 | 38 | 31 |
| Net interest on obligation | 15 | 14 | 1 | 1 | 16 | 15 |
| Remeasurements of the net defined benefit liability | - | - | 1 | 7 | 1 | 7 |
| Net expense recognised in the consolidated profit or loss | 19 | 18 | 36 | 35 | 55 | 53 |

Net expense recognised in other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 30m for the nine-month period ended 30 September 2017 and RUR 84m for the nine-month period ended 30 September 2016.

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 14m for the three-month period ended 30 September 2017 and RUR 38m for the three-month period ended 30 September 2016.

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 September 2017 and 31 December 2016 in respect of these defined benefit plans, include the following:

| | Post-employment benefits | | Other long-term benefits | | Total | |
|---|--------------------------|------------|--------------------------|------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Present value of defined benefit obligation | 888 | 855 | 275 | 275 | 1,163 | 1,130 |
| Fair value of plan assets | (66) | (63) | - | - | (66) | (63) |
| Net employee benefit liability | 822 | 792 | 275 | 275 | 1,097 | 1,067 |

12. TRADE AND OTHER PAYABLES

| | 30 September 2017 | 31 December 2016 |
|--|-------------------|------------------|
| Trade payables | 1,197 | 829 |
| Amounts payable for the acquisition of property, plant and equipment | 234 | 61 |
| Amounts payable for the intangible assets | 10 | 8 |
| Total financial liabilities within trade and other payable | 1,441 | 898 |
| Liabilities to customers (advances) | 4,317 | 3,381 |
| Total trade and other payables | 5,758 | 4,279 |

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13. TAXES OTHER THAN INCOME TAX PAYABLE

| | 30 September 2017 | 31 December 2016 |
|--|----------------------|---------------------|
| Social insurance contribution | 122 | 208 |
| Property tax | 121 | 110 |
| Personal income tax | 30 | 33 |
| VAT | 18 | 22 |
| Other taxes | 2 | 5 |
| Total taxes other than income tax payable | 293 | 378 |

14. ACCRUALS AND OTHER CURRENT LIABILITIES

| | 30 September 2017 | 31 December 2016 |
|---|----------------------|---------------------|
| Settlements with employees | 494 | 846 |
| Provisions for liabilities | 4 | 38 |
| Other liabilities (financial liabilities) | 89 | 30 |
| Total accruals and other current liabilities | 587 | 914 |

Settlements with employees as at 30 September 2017 and 31 December 2016 comprised accrued salaries and bonuses of RUR 309m and RUR 657m, respectively, and accruals for unused vacation of RUR 185m and RUR 189m, respectively.

15. 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.

| <i>Analysis of revenue by category</i> | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|--|---|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Integrated freight forwarding and logistics services | 40,990 | 27,453 | 15,929 | 10,096 |
| Cargo transportation and handling services with involvement of third parties | 2,042 | 3,623 | 206 | 1,215 |
| Rail-based container shipping services | 1,992 | 3,057 | 344 | 1,042 |
| Terminal services, bonded warehousing services and agency fees | 2,588 | 1,870 | 964 | 681 |
| Truck deliveries | 376 | 657 | 30 | 238 |
| Other | 254 | 240 | 96 | 85 |
| Total revenue | 48,242 | 36,900 | 17,569 | 13,357 |

| <i>Analysis of revenue by location of customers</i> | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|---|---|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue from external customers | | | | |
| Russia | 41,498 | 31,467 | 15,009 | 11,523 |
| Korea | 2,652 | 1,898 | 1,151 | 669 |
| Germany | 1,215 | 1,074 | 362 | 291 |
| China | 788 | 362 | 397 | 151 |
| Great Britain | 682 | 550 | 249 | 130 |
| Kazakhstan | 368 | 628 | 73 | 292 |
| Latvia | 360 | 443 | 108 | 110 |
| Finland | 247 | 125 | 105 | 33 |
| Belarus | 121 | 73 | 34 | 39 |
| Estonia | 117 | 58 | 20 | 49 |
| Other | 194 | 222 | 61 | 70 |
| Total revenue | 48,242 | 36,900 | 17,569 | 13,357 |

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15. REVENUE AND SEGMENT INFORMATION (CONTINUED)

During the nine-month period ended 30 September 2017, OJSC RZD ("RZD") and its subsidiaries accounted for RUR 4,074m or 8% of the Group's total revenue (for the nine-month period ended 30 September 2016: RUR 2,594m or 7% of the Group's total revenue).

During the three-month period ended 30 September 2017, OJSC RZD and its subsidiaries accounted for RUR 1,769m or 10% of the Group's total revenue (for the three-month period ended 30 September 2016: RUR 997m or 7% of the Group's total revenue).

During the nine-month period ended 30 September 2017, UNICO LOGISTICS CO. LTD accounted for RUR 2,386m or 5% of the Group's total revenue (for the nine-month period ended 30 September 2016: RUR 1,690m or 5% of the Group's total revenue).

During the three-month period ended 30 September 2017, UNICO LOGISTICS CO. LTD accounted for RUR 1,021m or 6% of the Group's total revenue (for the three-month period ended 30 September 2016: RUR 583m or 4% of the Group's total revenue).

16. OTHER OPERATING INCOME

| | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|---|---|------------|--|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Gain on the sale of inventory and from the reuse of spare parts | 138 | 107 | 68 | 36 |
| Gain on the sale and disposal of property, plant and equipment | 153 | 233 | 89 | 74 |
| Change in provision for impairment of receivables | 49 | 82 | 14 | 36 |
| Other operating income | 105 | 89 | 48 | 22 |
| Total operating income | 445 | 511 | 219 | 168 |

17. OPERATING EXPENSES

| | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|---|---|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Third-party charges related to principal activities | 27,815 | 21,205 | 10,127 | 7,619 |
| Freight and transportation services | 4,869 | 4,312 | 1,623 | 1,555 |
| Payroll and related charges | 3,932 | 3,530 | 1,231 | 1,117 |
| Materials, repair and maintenance | 2,201 | 1,861 | 867 | 797 |
| Depreciation and amortisation | 1,977 | 1,858 | 677 | 647 |
| Taxes other than income tax | 405 | 411 | 2 | 122 |
| Rent | 200 | 227 | 72 | 65 |
| Consulting and information services | 175 | 116 | 77 | 34 |
| Security | 145 | 158 | 48 | 52 |
| Fuel costs | 112 | 121 | 35 | 36 |
| License and software | 97 | 81 | 35 | 33 |
| Communication costs | 50 | 54 | 18 | 17 |
| Charity | 68 | 192 | 55 | 125 |
| Other expenses | 466 | 413 | 121 | 144 |
| Total operating expenses | 42,512 | 34,539 | 14,988 | 12,363 |

18. INTEREST EXPENSE

| | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|---|---|------------|--|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense on RUR bonds | 485 | 261 | 141 | 74 |
| Interest expense on bank loans and borrowings | - | 19 | - | - |
| Interest expense on finance lease obligations | 6 | 10 | - | 3 |
| Total interest expense | 491 | 290 | 141 | 77 |

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19. INCOME TAX

| | Nine-month period ended 30 September | | Three-month period ended 30 September | |
|-----------------------------|---|--------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Current income tax expense | (1,173) | (509) | (529) | (247) |
| Deferred income tax expense | (109) | - | (47) | 24 |
| Income tax | (1,282) | (509) | (576) | (223) |

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 2017 was 19.9% (for the nine-month period ended 30 September 2016: 16.2%).

20. 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 30 September 2017 and 31 December 2016, are disclosed below:

| Related party | Nature of relationship | |
|--|---|---|
| | 30 September 2017 | 31 December 2016 |
| OJSC Russian Railways (RZD) | Ultimate parent company | Ultimate parent company |
| JSC UTLC (Note 8) | Immediate parent company | Immediate parent company |
| JSC Kedentransservice | Joint venture of the Company | Joint venture of the Company |
| Oy ContainerTrans Scandinavia Ltd. | Joint venture of the Company | Joint venture of the Company |
| Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd. | Joint venture of the Company | Joint venture of the Company |
| Trans-Eurasia Logistics GmbH (Note 4) | - | Associate of the Company |
| LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 4) | Joint venture of the Company | - |
| Far East Land Bridge Ltd. | Subsidiary of RZD | Subsidiary of RZD |
| JSC Carriage Repair Company - 1 | Subsidiary of RZD | Subsidiary of RZD |
| JSC Carriage Repair Company - 2 | Subsidiary of RZD | Subsidiary of RZD |
| JSC Carriage Repair Company - 3 | Subsidiary of RZD | Subsidiary of RZD |
| JSC RZD Logistics | Subsidiary of RZD | Subsidiary of RZD |
| PJSC Bank VTB | State-controlled entity | State-controlled entity |
| Non-state Pension Fund Blagosostoyanie | Post-employment benefit plan for Company employees | Post-employment benefit plan for Company employees |
| FAR-EASTERN SHIPPING COMPANY PLC | Significant shareholder | Significant shareholder |

The Group's ultimate controlling party is the Russian Federation and, therefore, all companies controlled by the Russian Federation are also treated as related parties of the Group for the purposes of these interim condensed 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 entities for acquisition

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20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

of goods and providing services like electricity, taxes and post services. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entities" in the table below), and PJSC Bank VTB, which is a state-controlled entity. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Transactions with government related entities conducted on commercial terms.

Relationships with RZD, its subsidiaries, joint ventures and associates

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

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

Outstanding balances with related parties as at 30 September 2017 are shown below:

| | Ultimate parent company (RZD) | Other RZD group entities | Group's joint ventures | Other related parties | Total |
|---|--|--------------------------------|------------------------------|-----------------------------|--------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | - | - | - | 4,690 | 4,690 |
| Trade receivables | 414 | 605 | 7 | - | 1,026 |
| Other receivables | 11 | 24 | 4 | 40 | 79 |
| Advances to suppliers | 1,429 | 54 | 23 | 4 | 1,510 |
| Total assets | 1,854 | 683 | 34 | 4,734 | 7,305 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Financial guarantee for investment in joint venture | - | - | 155 | - | 155 |
| Current liabilities | | | | | |
| Trade payables | 9 | 116 | 70 | 8 | 203 |
| Liabilities to customers (advances) | 1 | 40 | 104 | 34 | 179 |
| Other payables | 2 | 11 | - | 16 | 29 |
| Total liabilities | 12 | 167 | 329 | 58 | 566 |

The income and expense items with related parties for the nine-month period ended 30 September 2017 were as follows:

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates (Note 4) | Group's joint ventures | Other related parties | Total |
|--|--|-----------------------------------|-----------------------------------|------------------------------|-----------------------------|--------------|
| Revenue | | | | | | |
| Rail-based container shipping services | 162 | 17 | - | 13 | 97 | 289 |
| Terminal services, bonded warehousing services and agency fees | 1,872 | 7 | - | - | 4 | 1,883 |
| Integrated freight forwarding and logistics services | 2 | 2,133 | 98 | 677 | 159 | 3,069 |
| Cargo transportation and handling services with involvement of third parties | - | 34 | - | - | 4 | 38 |
| Other services | 5 | 10 | - | - | 8 | 23 |
| Interest income on deposits | - | - | - | - | 57 | 57 |
| Other interest income | - | - | - | - | 3 | 3 |
| Dividends received from joint ventures | - | - | - | 14 | - | 14 |
| Other operating income | 19 | 80 | - | 2 | 1 | 102 |
| Total income | 2,060 | 2,281 | 98 | 706 | 333 | 5,478 |

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20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates (Note 4) | Group's joint ventures | Other related parties | Total |
|---|--|-----------------------------------|-----------------------------------|------------------------------|-----------------------------|---------------|
| Operating Expenses | | | | | | |
| Freight and transportation services | 3,265 | - | - | 113 | 1 | 3,379 |
| Third-party charges related to principal activities | 22,853 | 32 | - | 1,814 | 82 | 24,781 |
| Repair services | 339 | 955 | - | - | 5 | 1,299 |
| Rent of property and equipment | 19 | 2 | - | - | 2 | 23 |
| Other expenses | 80 | 32 | - | 13 | 81 | 206 |
| Total expenses | 26,556 | 1,021 | - | 1,940 | 171 | 29,688 |
| Purchases of property, plant and equipment | | | | | | |
| Purchases of property, plant and equipment | 3 | 2 | - | - | 93 | 98 |
| Purchases of materials | - | 101 | - | - | 9 | 110 |
| Contributions to non-state pension funds | - | - | - | - | 51 | 51 |
| Total other transactions | 3 | 103 | - | - | 153 | 259 |

As at 30 September 2017 provision for impairment of accounts receivable of Far East Land Bridge Ltd., an entity controlled by RZD, in respect of trade receivables balance is RUR 7m.

The income and expense items with related parties for the three-month period ended 30 September 2017 were as follows:

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates (Note 4) | Group's joint ventures | Other related parties | Total |
|--|--|-----------------------------------|-----------------------------------|------------------------------|-----------------------------|---------------|
| Revenue | | | | | | |
| Rail-based container shipping services | 111 | 5 | (2) | 1 | 24 | 139 |
| Terminal services, bonded warehousing services and agency fees | 731 | 3 | - | - | 2 | 736 |
| Integrated freight forwarding and logistics services | 1 | 1,044 | 22 | 199 | 101 | 1,367 |
| Cargo transportation and handling services with involvement of third parties | - | 11 | (2) | - | - | 9 |
| Other services | 1 | 5 | - | - | 1 | 7 |
| Interest income on deposits | | | | | | |
| Interest income on deposits | - | - | - | - | 37 | 37 |
| Dividends received from joint ventures | | | | | | |
| Dividends received from joint ventures | - | - | - | - | 1 | 1 |
| Other operating income | | | | | | |
| Other operating income | 12 | 28 | - | 2 | 1 | 43 |
| Total income | 856 | 1,096 | 18 | 202 | 167 | 2,339 |
| Operating Expenses | | | | | | |
| Freight and transportation services | 1,047 | - | - | 46 | - | 1,093 |
| Third-party charges related to principal activities | 8,254 | 15 | (2) | 695 | 28 | 8,990 |
| Repair services | 141 | 349 | - | - | 3 | 493 |
| Rent of property and equipment | 6 | 1 | - | - | - | 7 |
| Other expenses | 29 | 10 | - | 6 | 32 | 77 |
| Total expenses | 9,477 | 375 | (2) | 747 | 63 | 10,660 |
| Purchases of property, plant and equipment | | | | | | |
| Purchases of property, plant and equipment | - | 2 | - | - | 31 | 33 |
| Purchases of materials | (1) | - | - | - | 3 | 2 |
| Contributions to non-state pension funds | - | - | - | - | 15 | 15 |
| Total other transactions | (1) | 2 | - | - | 49 | 50 |

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20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As at 31 December 2016, the outstanding balances with related parties were as follows:

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates | Group's joint ventures | Other related parties | Total |
|-------------------------------------|--|-----------------------------------|-----------------------|------------------------------|-----------------------------|--------------|
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| Trade and other receivables | - | 15 | - | - | - | 15 |
| Current assets | | | | | | |
| Cash and cash equivalents | - | - | - | - | 2,504 | 2,504 |
| Trade receivables | 221 | 421 | 3 | 16 | - | 661 |
| Other receivables | 24 | 22 | - | 3 | 96 | 145 |
| Advances to suppliers | 1,251 | 86 | - | 59 | 2 | 1,398 |
| Total assets | 1,496 | 544 | 3 | 78 | 2,602 | 4,723 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Trade payables | 13 | 64 | 3 | 33 | 9 | 122 |
| Liabilities to customers (advances) | - | 38 | 2 | 67 | 23 | 130 |
| Other payables | - | - | - | - | 13 | 13 |
| Total liabilities | 13 | 102 | 5 | 100 | 45 | 265 |

As at 31 December 2016 provision for impairment of accounts receivable of Far East Land Bridge Ltd., an entity controlled by RZD, in respect of trade receivables balance was 59m.

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

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates | Group's joint ventures | Other related parties | Total |
|--|--|-----------------------------------|-----------------------|------------------------------|-----------------------------|---------------|
| Revenue | | | | | | |
| Rail-based container shipping services | 88 | 33 | - | 40 | 29 | 190 |
| Terminal services, bonded warehousing 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 |
| Dividends received from joint ventures | - | - | - | 207 | - | 207 |
| Other operating income | 57 | 94 | - | 4 | 2 | 157 |
| Total income | 1,535 | 1,252 | 163 | 886 | 172 | 4,008 |
| Operating Expenses | | | | | | |
| 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 |
| Total expenses | 20,486 | 760 | 5 | 1,080 | 204 | 22,535 |
| Purchases of property, plant and equipment | 2 | - | - | - | 71 | 73 |
| Purchases of materials | - | 80 | - | - | 10 | 90 |
| Contributions to non-state pension funds | - | - | - | - | 33 | 33 |
| Total other transactions | 2 | 80 | - | - | 114 | 196 |

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20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

| | Ultimate parent company (RZD) | Other RZD group entities | Group's associates | Group's joint ventures | Other related parties | Total |
|--|-------------------------------|--------------------------|--------------------|------------------------|-----------------------|--------------|
| Revenue | | | | | | |
| Rail-based container shipping services | 47 | 5 | - | 13 | 11 | 76 |
| Terminal services, bonded warehousing 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 |
| Total income | 572 | 490 | 40 | 281 | 83 | 1,466 |
| Operating Expenses | | | | | | |
| 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 |
| Total expenses | 7,448 | 333 | 5 | 353 | 54 | 8,193 |
| Purchases of property, plant and equipment | - | 1 | - | - | 27 | 28 |
| Purchases of materials | - | 38 | - | - | 3 | 41 |
| Contributions to non-state pension funds | - | - | - | - | 15 | 15 |
| Total other transactions | - | 39 | - | - | 45 | 84 |

As at 30 September 2017 the debt secured by the guarantee under the loan agreement between FVK Sever, joint venture of the Company, and Vnesheconombank amounted to RUR 2.1bn (Note 4). Otherwise, 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 ordinary course of business.

Dividends

As at 30 September 2017 dividends payable to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 325m and RUR 163m, respectively, and were paid in July 2017.

In October 2016 dividends paid to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 2,415m and RUR 1,165m, respectively.

Compensation of key management personnel

Key management personnel consist of members of the Company's Board of Directors, Executive Board and Chief Accountant, and comprised 18 and 21 persons as at 30 September 2017 and 30 September 2016.

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20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Total gross compensation, including social contributions and before withholding of personal income tax, to key management personnel amounted to RUR 221m (including total social contributions of RUR 28m) and RUR 207m (including total social contributions of RUR 26m) for the nine-month periods ended 30 September 2017 and 30 September 2016, respectively. Such compensation for the three-month periods ended 30 September 2017 and 30 September 2016 amounted to RUR 70m (including total social contributions of RUR 8m) and RUR 46m (including total social contributions of RUR 10m), 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 except for benefits 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 at 30 September 2017 payables to Key management personnel on accruals and other current liabilities amounted to RUR 46m, and on employee benefit liability amounted to RUR 20m (RUR 177m and RUR 19m respectively as at 31 December 2016).

21. COMMITMENTS UNDER OPERATING LEASES

As at 30 September 2017, the Group leases container terminal Dobra in Slovakia. The remaining period of agreements validity is 7 years.

The Group leases certain production buildings and office premises in Russia. The relevant lease agreements have terms varying from one to five 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:

| | 30 September 2017 | 31 December 2016 |
|-------------------------------------|------------------------------|-----------------------------|
| Within one year | 109 | 117 |
| Within two to five years | 223 | 234 |
| After five years | 46 | 111 |
| Total minimum lease payments | 378 | 462 |

Decrease of minimum lease payments under contracted operating leases relates to the termination and expiry of lease agreements and to the decrease in the amount of lease payments for the container terminal Dobra in Slovakia.

22. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 September 2017 and 31 December 2016 consisted of the following, including VAT:

| | 30 September 2017 | 31 December 2016 |
|---|------------------------------|-----------------------------|
| Acquisition of containers and flatcars | 3,754 | 2,339 |
| Acquisition of lifting machines and other equipment | 228 | 229 |
| Construction of container terminal complexes and modernisation of existing assets | 139 | 108 |
| Total capital commitments | 4,121 | 2,676 |

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23. RISK MANAGEMENT ACTIVITIES

Operating environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It has a high sensitivity to oil and gas materials prices. The legal, tax and regulatory frameworks continue to develop, they are subject to changes and varying interpretations. The Russian economy was negatively impacted by a decline in oil prices, ongoing political tension and international sanctions against certain Russian companies and individuals. During recent years financial markets have been characterised by a lack of stability, frequent and significant changes in prices. This economic environment has a significant impact on the Group's operations and financial position. Management takes the necessary steps to ensure stable operations of the Group. Nevertheless, the future implications of the current economic situation is difficult to predict, and Management's current expectations and assessment may differ from actual results.

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.

During the nine-month period ended 30 September 2017 there were the appreciation of the Russian Rouble against USD, while the CBRF exchange rate reduced from RUR 60.6569 per USD as at 31 December 2016 to RUR 58.0169 per USD as at 30 September 2017, and against Kazakhstan Tenge, while the CBRF exchange rate reduced from RUR 18.1637 per 100 Tenge as at 31 December 2016 to RUR 17.0075 per 100 Tenge as at 30 September 2017. At the same time there was the weakening of the Russian Rouble against EUR while the CBRF exchange rate increased from RUR 63.8111 per EUR as at 31 December 2016 to RUR 68,4483 per EUR as at 30 September 2017.

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 2016. The information disclosed in the interim condensed consolidated financial statements as at 30 September 2017 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. There have been no significant changes in the Group's risk management policy during the nine-month period ended 30 September 2017.

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. As on the reporting date the Group had financial assets and liabilities classified as Level 1, Level 2 and Level 3.

During the nine-month period ended 30 September 2017 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, management believes that the fair value of the following assets and liabilities approximates their carrying value: cash and cash equivalents, trade and other receivables, short-term investments, trade and other payables. Except for cash and cash equivalents and short-term investments, these financial assets and liabilities relate to Level 3 in the fair value hierarchy.

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

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

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

| | <u>30 September 2017</u> | <u>31 December 2016</u> |
|------------------------------|------------------------------|-----------------------------|
| Financial liabilities | | |
| Bonds | <u>6,488</u> | <u>8,750</u> |
| Total | <u><u>6,488</u></u> | <u><u>8,750</u></u> |

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23. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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.

24. SUBSEQUENT EVENTS

Termination of participation in Logistic Investment S.a.r.l. In October 2017 the Board of Directors decided to discontinue participation in subsidiary Logistic Investment S.a.r.l. with the transfer of assets (50% of Logistic System Management B.V. shares, which owns 100% of JSC Kedentransservice shares) in favor of PJSC TransContainer. In November 2017 Logistic Investment S.a.r.l. was liquidated. The management believes that liquidation of Logistic Investment S.a.r.l. will not affect the Group's operating and financial activities.

Changes in principal activity of LLC TransContainer Finance. In October 2017 a subsidiary company LLC TransContainer Finance changed the main line of business from the share option programme operator to special container transportation and was renamed to LLC SpecTransContainer.

Agreement on acquisition of containers. In October 2017 the Group entered into the agreement with Taicang CIMC special logistic equipment Co.,Ltd on the purchase of 500 containers for the total amount of USD 2m (RUR 117m at the Central Bank of Russia exchange rate as at the reporting date), net of VAT. Delivery of containers is expected no later than December 2017.

Agreement on acquisition of flatcars. In October 2017 the Group entered into the agreement with JSC Roslavskiy vagonoremontniy zavod on the purchase of 191 flatcars for the total amount of RUR 372m (plus VAT in the amount RUR 67m). Delivery is expected no later than December 2017.

Acquisition of containers. In October - November 2017 the Group obtained under the previously signed agreement with Taicang CIMC special logistic equipment Co.,Ltd 417 containers for the total amount of RUR 62m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT.

Acquisition of flatcars. In October-November 2017 the Group obtained under the previously signed agreements:

- 234 flatcars from OJSC Transportnoye Mashinostroyeniye for the total amount of RUR 480m (plus VAT in the amount of RUR 86m);
- 342 flatcars from LLC Speccompany for the total amount of RUR 667m (plus VAT in the amount of RUR 120m).

Agreement on sale of property. In November 2017, the Company signed a contract for the sale of immovable and movable property located at St Petersburg-Tovarny-Vitebsk station for the total amount of RUR 1,100m (including VAT in the amount of RUR 168m). Transfer of property to the buyer is subject to the following suspensive condition: before the signing of the delivery and acceptance acts, the Company retains the right to own and use this property. As of the date of signing these interim condensed consolidated financial statements the delivery and acceptance acts were not signed.