PUBLIC JOINT STOCK COMPANY TRANSCONTAINER

International Financial Reporting Standards Interim Condensed Consolidated Financial Statements

For the Three-Month Period ended 31 March 2018

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-MONTH PERIOD ENDED 31 MARCH 2018

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 31 March 2018 and the results of its operations, cash flows and changes in equity for the three-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-month period ended 31 March 2018 were approved on 28 May 2018 by:

P. V. Baskakov
General Director

M. V. Usenko
Chief Accountant

PJSC TRANSCONTAINER

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Amounts in millions of Russian Roubles)

	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	41,504	41,701
Advances for acquisition of non-current assets	3	17	119
Investment property		294	294
Intangible assets	4	383	384
Investments in associates and joint ventures	5	3,140	3,403
Other non-current assets		83	82
Total non-current assets		**45,421**	**45,983**
Current assets			
Inventory		229	287
Trade and other receivables	6	1,387	1,323
Prepayments and other current assets	7	3,920	3,975
Short-term investments	8	1,500	-
Cash and cash equivalents	9	9,192	4,171
Total current assets		**16,228**	**9,756**
TOTAL ASSETS		**61,649**	**55,739**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	13,895	13,895
Reserve fund		703	703
Translation reserve		(336)	(468)
Other reserves, including investment property's revaluation reserve		(2,025)	(2,025)
Retained earnings		29,378	28,262
Total equity attributable to the Company's owners		**41,615**	**40,367**
Non-current liabilities			
Long-term debt	11	10,972	4,987
Employee benefit liability	12	1,141	1,103
Deferred tax liability		1,675	1,635
Financial guarantee for investment in joint venture	21	154	154
Total non-current liabilities		**13,942**	**7,879**
Current liabilities			
Trade and other payables	13	4,414	4,562
Current portion of long-term debt	11	92	1,425
Income tax payable		38	87
Taxes other than income tax payable	14	452	370
Accruals and other current liabilities	15	1,096	1,049
Total current liabilities		**6,092**	**7,493**
TOTAL EQUITY AND LIABILITIES		**61,649**	**55,739**

P. V. Baskakov
General Director

M. V. Usenko
Chief Accountant

28 May 2018

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

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

	Notes	2018	2017
Revenue	16	16,493	14,062
Other operating income	17	128	79
Operating expenses	18	(15,045)	(12,765)
Foreign exchange loss, net		(10)	(69)
Interest expense	19	(204)	(178)
Interest income		92	89
Share of result of associates and joint ventures	5	(4)	106
Profit before income tax		**1,450**	**1,324**
Income tax expense	20	(304)	(258)
Profit for the period attributable to the Company's owners		**1,146**	**1,066**
Other comprehensive income/(loss) (net of income tax)			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit plans liabilities	12	(30)	(15)
Items that may be reclassified subsequently to profit or loss:			
Share of translation of financial information of associates and joint ventures to presentation currency	5	125	(43)
Exchange differences on translating of other foreign operations		7	(19)
Other comprehensive income/(loss) for the period		**102**	**(77)**
Total comprehensive income for the period attributable to the Company's owners		**1,248**	**989**
Earnings per share, basic and diluted (in Russian Roubles)		**82**	**77**
Weighted average number of shares outstanding		**13,894,778**	**13,894,778**

P. V. Baskakov
General Director

M. V. Usenko
Chief Accountant

28 May 2018

(Amounts in millions of Russian Roubles)

	Notes	2018	2017
Cash flows from operating activities:			
Profit before income tax		**1,450**	**1,324**
Adjustments for:			
Depreciation and amortisation	18	699	640
Change in provision for impairment of receivables		99	(20)
Gain on disposal of property, plant and equipment	17	(60)	(14)
Loss of impairment of property, plant and equipment	3	-	12
Share of result of associates and joint ventures	5	4	(106)
Interest expense, net		112	89
Foreign exchange loss, net		10	69
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		**2,314**	**1,994**
Working capital changes:			
Decrease/(increase) in inventory		143	(18)
Increase in trade and other receivables		(66)	(225)
Decrease/(increase) in prepayments and other assets		79	(77)
Increase in employee benefit liabilities		8	11
(Decrease)/increase in trade and other payables		(202)	439
Increase in taxes other than income tax		82	61
Increase in accrued expenses and other current liabilities		46	60
Net cash from operating activities before income tax and interest		**2,404**	**2,245**
Interest paid		(286)	(394)
Income tax paid		(313)	(229)
Net cash provided by operating activities		**1,805**	**1,622**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(378)	(536)
Proceeds from disposal of property, plant and equipment		2	1
Sale of short-term investments		-	78
Purchases of short-term investments		(1,500)	(921)
Purchases of intangible assets		(11)	(7)
Dividends received from joint ventures		365	-
Interest received		81	79
Net cash used in investing activities		**(1,441)**	**(1,306)**
Cash flows from financing activities:			
Proceeds from issuance of long-term bonds	11	5,985	-
Repayments of finance lease obligations		-	(2)
Principal payments on short-term part of long-term bonds		(1,250)	(1,250)
Net cash from/(used in) financing activities		**4,735**	**(1,252)**
Net increase/(decrease) in cash and cash equivalents		5,099	(936)
Cash and cash equivalents at beginning of the period		**4,171**	**5,525**
Foreign exchange effect on cash and cash equivalents		1	(89)
Provision for expected credit losses on cash and cash equivalents	9	(79)	-
Net cash and cash equivalents at end of the period		**9,192**	**4,500**

P. V. Baskakov
General Director
28 May 2018

M. V. Usenko
Chief Accountant

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in millions of Russian Roubles)

	Share capital	Reserve fund	Translation reserve	Other reserves, including investment property's revaluation reserve	Retained earnings	Total equity attributable to the Company's owners
Balance at 1 January 2017	**13,895**	**697**	**(340)**	**(2,133)**	**22,390**	**34,509**
Profit for the period	-	-	-	-	1,066	1,066
Other comprehensive loss for the period	-	-	(62)	-	(15)	(77)
Total comprehensive (loss)/income for the period	**-**	**-**	**(62)**	**-**	**1,051**	**989**
Balance at 31 March 2017	**13,895**	**697**	**(402)**	**(2,133)**	**23,441**	**35,498**
Profit for the period	-	-	-	-	5,468	5,468
Other comprehensive (loss)/ income for the period	-	-	(66)	108	9	51
Total comprehensive (loss)/income for the period	**-**	**-**	**(66)**	**108**	**5,477**	**5,519**
Dividends	-	-	-	-	(650)	(650)
Allocation to reserve fund	-	6	-	-	(6)	-
Balance at 31 December 2017	**13,895**	**703**	**(468)**	**(2,025)**	**28,262**	**40,367**
Profit for the period	-	-	-	-	1,146	1,146
Other comprehensive income/(loss) for the period	-	-	132	-	(30)	102
Total comprehensive income for the period	**-**	**-**	**132**	**-**	**1,116**	**1,248**
Balance at 31 March 2018	**13,895**	**703**	**(336)**	**(2,025)**	**29,378**	**41,615**

P. V. Baskakov
General Director
28 May 2018

M. V. Usenko
Chief Accountant

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

(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 owns and operates 41 container terminals along the Russian railway network. As at 31 March 2018, the Company operated 15 branches in Russia. The Company's registered address is 19 Oruzheiniy pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

				Interest held, %		Voting rights, %	
Name of Entity	Type	Country	Activity	31 March 2018	31 December 2017	31 March 2018	31 December 2017
JSC TransContainer-Slovakia, a.s.	Subsidiary	Slovakia	Container shipments	100	100	100	100
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
TransContainer Freight Forwarding (Shanghai) Co., Ltd.	Subsidiary	China	Container shipments	100	100	100	100
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 5)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 5)	Joint venture	Russia	Terminal operations	30	30	50	50
LLC SpecTransContainer	Subsidiary	Russia	Special container transportation	100	100	100	100
Logistic System Management B.V.	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 31 March 2018 and for the three-month period then ended were authorised for issue by the General Director of the Company on 28 May 2018.

2. BASIS OF PRESENTATION 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 2017, 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 2017. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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 2017 and for the year then ended, as described in those annual consolidated financial statements.

In these interim condensed consolidated financial statements the Group applied the following standards effective for annual periods beginning on or after 1 January 2018 which had no significant impact on these interim condensed consolidated financial statements:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

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 2018. 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 2017, have been issued but are not effective for the financial year beginning 1 January 2018 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 2019 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 2017 and for the year then ended.

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 2017 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 20) and some actuarial assumptions (Note 12). As at 31 December 2017 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 as at and for the year ended 31 December 2017.

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services have been excluded from both revenue and expenses, then revenue from integrated freight forwarding and logistics services, and third-party charges related to principal activities would have decreased by RUR 9,847m for the three-month period ended 31 March 2018.

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 8,046m for the three-month period ended 31 March 2017 (including RUR 7,085m for integrated freight forwarding and logistics services and RUR 961m for management of cargo transportation and handling with involvement of third parties).

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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 2017 21% of revenues accumulated in the first quarter of the year, with 79% accumulating in the next three quarters 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
Cost						
31 December 2017	12,676	42,345	3,059	2,834	411	61,325
Additions	-	392	-	108	11	511
Transfers	-	51	3	-	(54)	-
Disposals	(3)	(180)	-	(20)	-	(203)
31 March 2018	12,673	42,608	3,062	2,922	368	61,633
Accumulated depreciation						
31 December 2017	(2,735)	(13,705)	(1,177)	(2,007)	-	(19,624)
Depreciation charge for the period	(72)	(502)	(50)	(58)	-	(682)
Impairment	-	-	-	-	-	-
Disposals	1	158	-	18	-	177
31 March 2018	(2,806)	(14,049)	(1,227)	(2,047)	-	(20,129)
Net book value						
31 December 2017	9,941	28,640	1,882	827	411	41,701
31 March 2018	9,867	28,559	1,835	875	368	41,504
Cost						
31 December 2016	12,388	36,615	2,692	2,891	473	55,059
Additions	3	650	65	13	46	777
Transfers	15	46	-	1	(62)	-
Disposals	(15)	(56)	-	(45)	-	(116)
31 March 2017	12,391	37,255	2,757	2,860	457	55,720
Accumulated depreciation						
31 December 2016	(2,490)	(12,238)	(1,053)	(1,961)	-	(17,742)
Depreciation charge for the period	(69)	(447)	(43)	(68)	-	(627)
Impairment	-	(12)	-	-	-	(12)
Disposals	9	53	-	36	-	98
31 March 2017	(2,550)	(12,644)	(1,096)	(1,993)	-	(18,283)

(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 31 March 2018 and 31 December 2017 respectively.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 718m and RUR 709m as at 31 March 2018 and 31 December 2017 respectively.

During the period ended 31 March 2018 there were additions of flatcars and containers in the amount of RUR 340m and RUR 103m respectively (during the period ended 31 March 2017 – RUR 438m and RUR 258m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,118m and RUR 1,142m as at 31 March 2018 and 31 December 2017 respectively.

The carrying amount of temporarily idle property, plant and equipment as at 31 March 2018 and 31 December 2017 comprised the following:

	31 March 2018	31 December 2017
Cost	154	59
Accumulated deprecation	(70)	(32)
Net book value	**84**	**27**

The carrying amount of property, plant and equipment not in use and not classified as held for sale as at 31 March 2018 and 31 December 2017 comprised the following:

	31 March 2018	31 December 2017
Cost	245	245
Accumulated deprecation	(109)	(109)
Impairment	(80)	(80)
Net book value	**56**	**56**

Construction in-progress as at 31 March 2018 and 31 December 2017 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and Yekaterinburg amounting to RUR 160m and RUR 49m, respectively, and RUR 104m for the construction of the new container terminal in Primorsky Region.

Advances for acquisition of non-current assets

As at 31 March 2018 and 31 December 2017, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of cranes and loaders (RUR 10m and RUR 51m, respectively), advances for the acquisition of containers (RUR 0m and RUR 12m, respectively), advances for the purchase of rolling stock (RUR 0m and RUR 49m, respectively) and advances for the acquisition of other non-current assets (RUR 7m and RUR 7m, respectively).

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

4. INTANGIBLE ASSETS

Company's intangible assets are comprised of software with initial cost of RUR 472m and accumulated depreciation of RUR 89m as at 31 March 2018 (RUR 456m and RUR 72m as at 31 December 2017 respectively).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 230m as at 31 March 2018 (RUR 257m as at 31 December 2017), which are mostly comprised of ORACLE software development costs.

Other intangible assets are mostly comprised of railway services operations software, logistics services rendering software, software for tax, management and financial accounting. These assets are depreciated on linear basis. Economic lives length of the assets is from 3 to 8 years.

5. 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.

	Joint ventures JSC Kedentransservice 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 2018	**3,132**	**163**	**108**	**-**	**3,403**
Share of profit/(losses) of joint ventures	11	(21)	6	-	**(4)**
Dividends received from joint venture	(384)	-	-	-	**(384)**
Share of translation to presentation currency	122	-	3	-	**125**
Carrying amount as at 31 March 2018	**2,881**	**142**	**117**	**-**	**3,140**

	Joint ventures JSC Kedentransservice 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 joint ventures	95	-	11	-	**106**
Share of translation to presentation currency	(38)	-	(5)	-	**(43)**
Carrying amount as at 31 March 2017	**2,641**	**-**	**99**	**8**	**2,748**

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

6. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 March 2018			
Trade receivables	1,352	(31)	1,321
Other receivables	155	(89)	66
Total current trade and other receivables, classified as financial assets	**1,507**	**(120)**	**1,387**
31 December 2017			
Trade receivables	1,247	(25)	1,222
Other receivables	187	(86)	101
Total current trade and other receivables, classified as financial assets	**1,434**	**(111)**	**1,323**

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

	2018	2017
Balance at 1 January	**(111)**	**(168)**
Additional provision, recognised in the current year	(11)	-
Release of provision	2	15
Foreign currency translation	-	5
Balance at 31 March	**(120)**	**(148)**

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2018	31 December 2017
VAT receivable	2,981	2,928
Advances to suppliers (net of provision)	854	939
Other current assets	85	108
Total prepayments and other current assets	**3,920**	**3,975**

As at 31 March 2018 and 31 December 2017 provision for impairment of advances to suppliers was recognised in the amount of RUR 2m and RUR 2m, respectively.

8. SHORT-TERM INVESTMENTS

	31 March 2018	31 December 2017
Russian Rouble denominated bank deposits	1,511	-
	1,511	-
Provision for expected credit losses	(11)	-
Total short-term investments	**1,500**	-

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

Russian Rouble-denominated bank deposit in the amount of RUR 1,500m, bearing interest at annual rate 6.75%, was placed with JSC Alfa-Bank. The accrued interest amounted to RUR 11m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position. The deposit matured in May 2018.

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

9. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Russian Rouble denominated bank deposits	6,339	1,067
Foreign currency denominated current accounts with banks	2,349	2,324
Cash and Russian Rouble denominated current accounts with banks	583	780
	9,271	**4,171**
Provision for expected credit losses	(79)	-
Total cash and cash equivalents	**9,192**	**4,171**

Nine Russian Rouble denominated short-term bank deposits in the amount of RUR 6,319m bearing interest at annual rates in a range from 6% to 6.94% were placed with JSC Alfa-Bank, PJSC JSCB Absolut Bank and PJSC Bank VTB, a related party as at 31 March 2018. Total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 20m. The deposits matured in April-June 2018.

Five Russian Rouble denominated short-term bank deposits in the amount of RUR 1,063m bearing interest at annual rates in a range from 7% to 7.40% were placed with PJSC JSCB Absolut Bank and PJSC Bank VTB, a related party as at 31 December 2017. Total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 4m. The deposits matured in January 2018.

10. EQUITY

Share Capital

The Company's authorised, issued and paid share capital as at 31 March 2018 and 31 December 2017 comprises:

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

The JSC United Transportation and Logistics Company (JSC UTLC) is the immediate parent of the Company, holding 50%+2 of its ordinary shares.

11. LONG-TERM DEBT

Long-term debt

	Effective interest rate	31 March 2018	31 December 2017
Bonds, series BO-01	7,55%	5,985	-
Bonds, series BO-02	9,45%	4,987	4,987
Total		**10,972**	**4,987**

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

Five-year RUR bonds, series BO-01

On 25 January 2018, the Company issued non-convertible five-year bonds for a total amount of RUR 6,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 5,985m. The annual coupon rate of the bonds for five years is 7.5% with interest paid semi-annually.

The series BO-01 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

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

11. LONG-TERM DEBT (CONTINUED)

As at 31 March 2018 the carrying value of the bonds amounted to RUR 6,065m (RUR 0m as at 31 December 2017), including the amount of accrued interest of RUR 80m (RUR 0m as at 31 December 2017). The amount of accrued interest 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 31 March 2018 the carrying value of the bonds amounted to RUR 4,999m (RUR 5,117m as at 31 December 2017), including the amount of accrued interest of RUR 12m (RUR 130m as at 31 December 2017). The amount of accrued interest has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

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

Current portion of long-term debt

	Effective interest rate	31 March 2018	31 December 2017
Bonds, series BO-01	7,55%	80	-
Bonds, series BO-02	9,45%	12	130
Bonds, series 4	8,40%	-	1,295
Total		**92**	**1,425**

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 were redeemed in four equal semi-annual installments within the fourth and fifth years. The Company made full repayment of its obligation in January 2018.

12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 31 March 2018 and 31 March 2017 consisted of the following:

	2018	2017
Pension Fund of the Russian Federation	239	225
Defined contribution plan Blagosostoyanie	6	6
Total expense for defined contribution plans	**245**	**231**

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

12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Defined benefit plans

Principal actuarial assumptions as at 31 March 2018 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2017 with the exception of changes in discount rate, which decreased down to 7.0% as at 31 March 2018 (as at 31 December 2017: 7.5%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 31 March 2018 and 31 March 2017 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2018	2017	2018	2017	2018	2017
Service cost	8	9	35	34	43	43
Net interest on obligation	15	15	5	5	20	20
Remeasurements of the net defined benefit	-	-	-	(2)	-	(2)
Net expense recognised in the consolidated profit or loss	**23**	**24**	**40**	**37**	**63**	**61**

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 30m for the three-month period ended 31 March 2018 and net expense recognised in other comprehensive income constitutes RUR 15m for the three-month period ended 31 March 2017.

The amounts recognised in the interim condensed consolidated statement of financial position as at 31 March 2018 and 31 December 2017 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation	904	875	301	294	1,205	1,169
Fair value of plan assets	(64)	(66)	-	-	(64)	(66)
Net employee benefit liability	**840**	**809**	**301**	**294**	**1,141**	**1,103**

13. TRADE AND OTHER PAYABLES

	31 March 2018	31 December 2017
Trade payables	582	704
Amounts payable for the acquisition of property, plant and equipment	177	139
Amounts payable for the intangible assets	4	13
Total financial liabilities within trade and other payable	**763**	**856**
Liabilities to customers (advances)	3,651	3,706
Total trade and other payables	**4,414**	**4,562**

14. TAXES OTHER THAN INCOME TAX PAYABLE

	31 March 2018	31 December 2017
Social insurance contribution	248	216
Property tax	119	113
Personal income tax	84	35
Other taxes	1	6
Total taxes other than income tax payable	**452**	**370**

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

15. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 March 2018	31 December 2017
Settlements with employees	1,057	1,023
Provisions for liabilities	12	2
Other liabilities (financial liabilities)	26	11
Other liabilities	1	13
Total accruals and other current liabilities	**1,096**	**1,049**

Settlements with employees as at 31 March 2018 and 31 December 2017 comprised accrued salaries and bonuses of RUR 812m and RUR 838m, respectively, and accruals for unused vacation of RUR 245m and RUR 185m, 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 as a single reportable segment. The Group's internal management reports are prepared on the same basis as these interim condensed consolidated financial statements.

Analysis of revenue by category

	2018	2017
Integrated freight forwarding and logistics services	15,399	11,203
Cargo transportation and handling services with involvement of third parties	-	961
Agency fees	605	472
Other	489	1,426
Total revenue	**16,493**	**14,062**

Analysis of revenue by location of customers

	2018	2017
Revenue from external customers		
Russia	14,237	12,212
Korea	941	656
China	414	149
Germany	365	431
Great Britain	187	213
Finland	115	53
Other	234	348
Total revenue	**16,493**	**14,062**

During the three-month period ended 31 March 2018, RZD and its subsidiaries accounted for RUR 1,354m or 8% of the Group's total revenue (for the period ended 31 March 2017: RUR 939m or 7% of the Group's total revenue).

During the three-month period ended 31 March 2018, UNICO LOGISTICS CO. LTD accounted for RUR 834m or 5% of the Group's total revenue (for the period ended 31 March 2017: RUR 611m or 4% of the Group's total revenue).

17. OTHER OPERATING INCOME

	2018	2017
Gain from disposal of property, plant and equipment	60	14
Gain from the sale of inventory and from the reuse of spare parts	39	24
Change in provision for impairment of receivables	-	20
Other operating income	29	21
Total other operating income	**128**	**79**

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

18. OPERATING EXPENSES

	2018	2017
Third-party charges related to principal activities	9,847	8,046
Payroll and related charges	1,444	1,328
Freight handling and transportation services	1,440	1,610
Materials, repair and maintenance	702	580
Depreciation and amortisation	699	640
Taxes other than income tax	273	131
Rent	67	67
License and software	59	28
Security	47	49
Fuel costs	44	42
Consulting and information services	33	56
Communication costs	17	16
Other expenses	373	172
Total operating expenses	**15,045**	**12,765**

19. INTEREST EXPENSE

	2018	2017
Interest expense on RUR bonds	204	175
Interest expense on finance lease obligations	-	3
Total interest expense	**204**	**178**

20. INCOME TAX

	2018	2017
Current income tax expense	(263)	(219)
Deferred income tax expense	(41)	(39)
Income tax expense	**(304)**	**(258)**

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 three-month period ended 31 March 2018 was 21,0% (for the three-month period ended 31 March 2017: 19.5%).

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.

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

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 31 March 2018 and 31 December 2017, are disclosed below:

Related party	Nature of relationship 31 March 2018	Nature of relationship 31 December 2017
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 10)	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
LLC Freight Village Kaluga Sever (FVK Sever Group) (Note 5)	Joint venture of the Company	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
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 related to the Russian Federation are also treated as related parties of the Group for the purposes of these interim condensed consolidated financial statements.

In the ordinary course of business, the Group enters into various transactions and has outstanding balances with government related entities and governmental bodies, which are shown as "Other related parties" in the tables below. The Group also enters in transactions with government entities for acquisition of goods and providing services like electricity, taxes and post services. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entites" 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 are 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.

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

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and outstanding balances with related parties as at and for the three-month period ended 31 March 2018 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	-	-	-	7,109	**7,109**
Trade receivables	480	48	19	-	**547**
Other receivables	-	1	2	31	**34**
Advances to suppliers	714	31	62	3	**810**
Total assets	**1,194**	**80**	**83**	**7,143**	**8,500**
LIABILITIES					
Current liabilities					
Trade payables	20	45	10	18	**93**
Liabilities to customers (advances)	-	96	106	35	**237**
Other payables	1	4	-	14	**19**
Total liabilities	**21**	**145**	**116**	**67**	**349**
Revenue					
Integrated freight forwarding and logistics services	-	698	172	83	**953**
Agency fees	605	-	-	-	**605**
Other services	65	19	3	1	**88**
Interest income on deposits	-	-	-	46	**46**
Other interest income	-	-	-	17	**17**
Dividends received from joint ventures	-	-	365	-	**365**
Other operating income	5	3	1	-	**9**
Total income	**675**	**720**	**541**	**147**	**2,083**
Operating Expenses					
Freight and transportation services	1,175	-	59	12	**1,246**
Third-party charges related to principal activities	7,867	13	589	44	**8,513**
Repair services	101	303	7	-	**411**
Rent of property and equipment	5	-	-	1	**6**
Other expenses	24	7	-	30	**61**
Total expenses	**9,172**	**323**	**655**	**87**	**10,237**
Purchases of property, plant and equipment	-	-	-	9	**9**
Purchases of inventory	1	-	-	4	**5**
Contributions to non-state pension funds	-	-	-	17	**17**
Total other transactions	**1**	**-**	**-**	**30**	**31**

As at 31 March 2018, other non-current assets included the debt of FVK Sever for the acquisition of a fixed asset in the amount of RUR 15m (RUR 16m for the year ended 31 December 2017).

In 2017, the Company acted as a guarantor for the execution of FVK Sever obligations under the loan agreement with Vnesheconombank. As at 31 March 2018 the debt of FVK Sever secured by the guarantee under the loan agreement amounted to RUR 2.1bn. As at 31 March 2018 and 31 December 2017 the financial guarantee recognised in the consolidated statement of financial position for investment in joint venture was RUR 154m.

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

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and outstanding balances with related parties as at 31 December 2017 and for the three-month period ended 31 March 2017 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
ASSETS						
Current assets	-	-		-	3,632	**3,632**
Cash and cash equivalents	352	195	-	20	-	**567**
Trade receivables	10	17	-	2	47	**76**
Other receivables	798	40	-	46	4	**888**
Advances to suppliers			-			
Total assets	**1,160**	**252**	**-**	**68**	**3,683**	**5,163**
LIABILITIES						
Current liabilities						
Trade payables	10	39	-	20	10	**79**
Liabilities to customers (advances)	-	37	-	93	25	**155**
Other payables	-	1	-	-	17	**18**
Total liabilities	**10**	**77**	**-**	**113**	**52**	**252**
Revenue						
Integrated freight forwarding and logistics services	-	431	36	192	25	**684**
Cargo transportation and handling services with involvement of third parties	-	11	1	-	1	**13**
Agency fees	472	-	-	-	-	**472**
Other services	23	15	1	5	39	**83**
Interest income on deposits	-	-	-	-	10	**10**
Other interest income	-	-	-	-	2	**2**
Other operating income	2	22	-	-	-	**24**
Total income	**497**	**479**	**38**	**197**	**77**	**1, 288**
Operating Expenses						
Freight and transportation services	1,147	-	-	26	3	**1,176**
Third-party charges related to principal activities	6,556	1	-	550	24	**7,131**
Repair services	92	277	-	-	1	**370**
Rent of property and equipment	7	1	-	-	1	**9**
Other expenses	27	13	-	8	30	**78**
Total expenses	**7,829**	**292**	**-**	**584**	**59**	**8,764**
Purchases of property, plant and equipment	-	-	-	-	18	**18**
Purchases of inventory	1	51	-	-	3	**55**
Contributions to non-state pension funds	-	-	-	-	14	**14**
Total other transactions	**1**	**51**	**-**	**-**	**35**	**87**

Dividends

Dividends payable in respect of 2017 to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 325m and RUR 163m, respectively, and were paid in July 2017.

In the first quarter of 2018 dividends were not approved and not paid off.

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

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Compensation of key management personnel

Key management personnel consist of members of the Company's Board of Directors, as well as the General Director, his deputies and Chief Accountant, and comprised 19 and 19 persons as at 31 March 2018 and 31 March 2017, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 53m (including total social insurance contributions of RUR 7m) and RUR 51m (including total social insurance contributions of RUR 8m) and for the three-month period ended 31 March 2018 and 31 March 2017 respectively.

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

As at 31 March 2018 liabilities in respect of Key management personnel on accrued expenses and other current assets amounted to RUR 181m, and on employee benefit liability amounted to RUR 25m (RUR 249m and RUR 24m respectively as at 31 December 2017).

22. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2018, the Group leased container terminal Dobra in Slovakia. The remaining period of agreements validity is 6 years.

The Group leases certain production buildings and office premises in Russia. The remaining terms of the relevant lease agreements are from one to four 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:

	31 March 2018	31 December 2017
Within one year	117	123
Within two to five years	185	213
After five years	30	38
Total future minimum lease payments	**332**	**374**

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

23. CAPITAL COMMITMENTS

The Group's capital commitments as at 31 March 2018 and 31 December 2017 consisted of the following, including VAT:

	31 March 2018	31 December 2017
Acquisition of containers and flatcars	5, 508	2,906
Construction of container terminal complexes and modernisation of existing assets	131	133
Acquisition of lifting machines and other equipment	100	132
Total capital commitments	**5,739**	**3,171**

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 frequent changes and varying interpretations. The economy is negatively impacted by low oil prices, ongoing political tension and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could 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 three-month period ended 31 March 2018 there was the appreciation of the Russian Rouble against USD while the CBRF exchange rate reduced from RUR 57.6002 per USD as at 31 December 2017 to RUR 57.2649 per USD as at 31 March 2018, respectively. At the same time there was the weakening of the Russian Rouble against EUR while the CBRF exchange rate increased from RUR 68.8668 per EUR as at 31 December 2017 to RUR 70.5618 per EUR as at 31 March 2018 and Kazakhstan Tenge while the CBRF exchange rate increased from RUR 17.3184 per 100 Tenge as at 31 December 2017 to RUR 17.9829 per 100 Tenge as at 31 March 2018, respectively.

As at 31 March 2018 the Group received financial guarantees in the total amount of RUR 625m in order to ensure the proper performance of contractual obligations and minimise risks of collecting receivables and advance payments (as at 31 December 2017: RUR 344m).

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 2017. The information disclosed in the interim condensed consolidated financial statements as at 31 March 2018 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. There have been no significant changes in the Group's risk management policy during the three-month period ended 31 March 2018.

Fair value of assets and liabilities

Management uses its judgment to the assessment and classification of financial instruments by category using the fair value measurement hierarchy (Note 3). As at the reporting date the Group had financial assets and liabilities classified as Levels 1, 2 and 3.

For financial assets and liabilities not measured at fair value but for which fair value is disclosed, Management believes that the fair value of the following assets and liabilities approximates their carrying value: cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables. These financial assets and liabilities, except for cash and cash equivalents, and financial guarantee for the investment in joint venture, relate to Level 3 in the fair value hierarchy.

The fair value of the financial guarantee for the investment in joint venture at initial recognition was determined based on an analysis of the possible characteristics for long-term project financing for a similar loan. To this end, the terms of the guarantee, market interest rates with surety and without it were analysed. The most significant variable indicator affecting the fair value of the obligation is the difference between the market loan rate under the contract with the surety and the market loan rate under the contract without surety.

Cash refers to the Level 1 in the fair value hierarchy, cash equivalents 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.

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

24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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

	31 March 2018	31 December 2017
Financial liabilities		
Bonds	11,367	6,493
Total	**11,367**	**6,493**

25. SUBSEQUENT EVENTS

Acquisition of flatcars. In April - May 2018 the Group obtained under the previously signed agreement 175 flatcars from JSC Roslavlskiy vagonoremontniy zavod for the total amount of RUR 385m (plus VAT in the amount of RUR 69m).

Agreement on acquisition of flatcars. In April - May 2018 the Group entered into the agreement with OJSC Transportnoye Mashinostroyeniye on the purchase of 363 flatcars for the total amount of RUR 798m (plus VAT in the amount RUR 144m) and paid in advance RUR 283m. During the period 64 flatcars were delivered for the total amount of RUR 141m (plus VAT in the amount RUR 25m). Delivery is expected no later than 30 November 2018.

Dividends. Dividends of RUR 293.04 per share (RUR 4 072m in total) were approved at the annual shareholders' meeting on 15 May 2018 relating to the Company's results for the year ended 31 December 2017.