

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**Interim Condensed Consolidated Financial
Statements**

For the Three- and Six-Month Periods Ended 30 June 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 SIX-MONTH PERIODS ENDED 30 JUNE 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 June 2017 and the results of its operations for the three-month and six-month periods then ended and cash flows and changes in equity for the six-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 six-month periods ended 30 June 2017 were approved on 25 August 2017 by:

P. V. Baskakov

General Director

M. V. Usenko

Chief Accountant



Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company TransContainer:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company TransContainer and its subsidiaries (the “Group”) as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

28 August 2017

Moscow, Russian Federation



A.A. Okishev, certified auditor (licence no. 01-000170), AO PricewaterhouseCoopers Audit

Audited entity: PJSC TransContainer

Certificate of inclusion in the Unified State Register of Legal Entities issued on 4 March 2006 under registration № 1067746341024

Russian Federation, 125047, Moscow, Oruzheiniy pereulok, 19

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

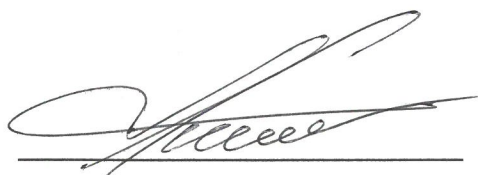
Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

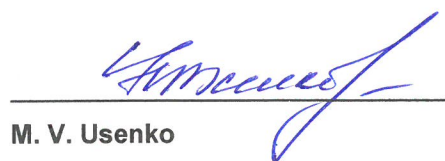
PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	3	37,864	37,317
Advances for acquisition of non-current assets	3	156	346
Investment property		115	115
Intangible assets		303	290
Investments in associates and joint ventures	4	2,997	2,685
Other non-current assets		48	69
Total non-current assets		41,483	40,822
Current assets			
Inventory		248	209
Trade and other receivables	5	2,040	1,605
Prepayments and other current assets	6	4,142	3,584
Prepaid income tax		5	5
Short-term investments	7	1,498	78
Cash and cash equivalents	8	4,913	5,525
Total current assets		12,846	11,006
TOTAL ASSETS		54,329	51,828
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	13,895	13,895
Reserve fund		697	697
Translation reserve		(312)	(340)
Other reserves, including investment property's revaluation reserve		(2,133)	(2,133)
Retained earnings		24,560	22,390
Total equity attributable to the Company's owners		36,707	34,509
Non-current liabilities			
Long-term debt	10	4,988	6,236
Finance lease obligations, net of current maturities	11	-	121
Employee benefit liability	12	1,097	1,067
Deferred tax liability		1,585	1,523
Total non-current liabilities		7,670	8,947
Current liabilities			
Trade and other payables	13	5,495	4,279
Current portion of long-term debt	10	2,716	2,762
Income tax payable		160	21
Taxes other than income tax payable	14	334	378
Finance lease obligations, current maturities	11	-	18
Dividends payable	9	650	-
Accruals and other current liabilities	15	597	914
Total current liabilities		9,952	8,372
TOTAL EQUITY AND LIABILITIES		54,329	51,828



P. V. Baskakov

General Director



M. V. Usenko

Chief Accountant

25 August 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	Six-month period ended 30 June		Three-month period ended 30 June	
		2017	2016	2017	2016
Revenue	16	30,673	23,543	16,611	12,484
Other operating income	17	226	343	147	198
Operating expenses	18	(27,524)	(22,176)	(14,759)	(11,681)
Gain from early termination of finance lease	11	7	-	7	-
Interest expense	19	(350)	(213)	(172)	(95)
Interest income		181	87	92	45
Foreign exchange gain/(loss), net		25	(136)	94	(20)
Share of result of associates and joint ventures	4	304	320	198	263
Profit before income tax		3,542	1,768	2,218	1,194
Income tax expense	20	(706)	(356)	(448)	(238)
Profit for the period attributable to the Company's owners		2,836	1,412	1,770	956
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		(16)	(46)	(1)	(27)
<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	4	22	(343)	65	(107)
Exchange differences on translating foreign operations		6	(44)	25	(27)
Other comprehensive income/(loss) for the period		12	(433)	89	(161)
Total comprehensive income for the period attributable to the Company's owners		2,848	979	1,859	795
Earnings per share, basic and diluted (in Russian Roubles)		204	103	127	69
Weighted average number of shares outstanding		13,894,778	13,748,526	13,894,778	13,803,584



P. V. Baskakov

General Director

25 August 2017



M. V. Usenko

Chief Accountant

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

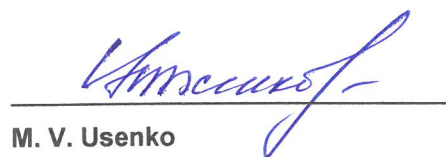
	Notes	Six-month period ended	
		30 June	
		2017	2016
Cash flows from operating activities:		3,542	1,768
Profit before income tax			
Adjustments for:			
Depreciation and amortisation	18	1,300	1,211
Change in provision for impairment of receivables	17	(35)	(46)
Gain on disposal of property, plant and equipment	17	(64)	(159)
Loss/(reversal) on impairment of property, plant and equipment	3	16	(27)
Share of result of associates and joint ventures	4	(304)	(320)
Interest expense, net		169	126
Foreign exchange (gain)/loss, net		(25)	136
Gain from early termination of finance lease	11	(7)	-
(Gain)/loss on revaluation of other long-term obligations to employees	12	(4)	7
Other expenses/(income)		25	(2)
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		4,613	2,694
Working capital changes:			
Decrease in inventory		47	243
(Increase)/decrease in trade and other receivables		(376)	92
(Increase)/decrease in prepayments and other assets		(543)	264
Increase in trade and other payables		1,000	487
Decrease in taxes other than income tax		(44)	(325)
Decrease in accruals and other current liabilities		(316)	(148)
Increase in employee benefit liabilities		18	35
Net cash from operating activities before income tax and interest		4,399	3,342
Interest paid		(397)	(213)
Income tax paid		(505)	(200)
Net cash provided by operating activities		3,497	2,929
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,574)	(860)
Proceeds from disposal of property, plant and equipment		4	22
Sale of long-term investments		-	22
Sale of short-term investments		78	7
Purchases of short-term investments		(1,460)	(200)
Purchases of intangible assets		(34)	(35)
Dividends received from joint ventures	4	14	207
Interest received		133	63
Net cash used in investing activities		(2,839)	(774)
Cash flows from financing activities:			
Proceeds from sale of treasury shares		-	323
Repayments of finance lease obligations		(67)	(3)
Principal payments on short-term borrowings		-	(333)
Principal payments on short-term part of long-term bonds	10	(1,250)	-
Net cash used in financing activities		(1,317)	(13)
Net (decrease)/increase in cash and cash equivalents		(659)	2,142
Cash and cash equivalents at beginning of the period		5,525	2,110
Foreign exchange effect on cash and cash equivalents		47	(176)
Cash and cash equivalents at end of the period		4,913	4,076



P. V. Baskakov

General Director

25 August 2017



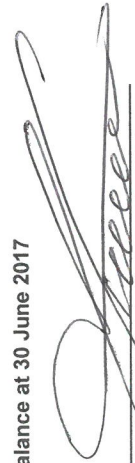
M. V. Usenko

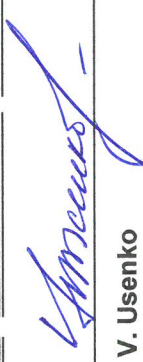
Chief Accountant

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
	<u>13,895</u>	<u>(494)</u>	<u>697</u>	<u>210</u>	<u>240</u>	<u>(2,140)</u>	<u>23,779</u>	<u>36,187</u>
Balance at 1 January 2016								
Profit for the period	-	-	-	-	-	-	1 412	1 412
Other comprehensive loss for the period	-	-	-	(387)	-	-	(46)	(433)
Total comprehensive (loss)/income for the period				(387)			1,366	979
Execution of share option plan	-	43	-	-	(240)	-	197	-
Sale of treasury shares	-	311	-	-	-	-	89	400
Balance at 30 June 2016	<u>13,895</u>	<u>(140)</u>	<u>697</u>	<u>(177)</u>		<u>(2,140)</u>	<u>25,431</u>	<u>37,566</u>
Profit for the period	-	-	-	(163)	-	-	1,832	1,832
Other comprehensive (loss)/income for the period	-	-	-	-	-	7	(81)	(237)
Total comprehensive (loss)/income for the period				(163)		7	1,751	1,595
Sale of treasury shares	-	140	-	-	-	-	38	178
Dividends	-	-	-	-	-	-	(4,830)	(4,830)
Balance at 31 December 2016	<u>13,895</u>		<u>697</u>	<u>(340)</u>		<u>(2,133)</u>	<u>22,390</u>	<u>34,509</u>
Profit for the period	-	-	-	28	-	-	2,836	2,836
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	(16)	12
Total comprehensive income for the period				28			2,820	2,848
Dividends	-	-	-	-	-	-	(650)	(650)
Balance at 30 June 2017	<u>13,895</u>		<u>697</u>	<u>(312)</u>		<u>(2,133)</u>	<u>24,560</u>	<u>36,707</u>


P. V. Baskakov
 General Director


M. V. Usenko
 Chief Accountant

25 August 2017

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 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 June 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 June 2017	31 December 2016	30 June 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
Trans-Eurasia Logistics GmbH	Associate	Germany	Container shipments	20	20	20	20
LLC TransContainer Finance	Subsidiary	Russia	Share option programme operator	100	100	100	100
Logistic Investment S.a r.l.	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Helme’s Operation UK Limited	Joint venture	Great Britain	Investment activity	50	50	50	50
Logistic System Management B.V.	Joint venture	Netherlands	Investment activity	50	50	50	50

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 June 2017 and for the three- and six-month periods then ended were authorised for issue by the General Director of the Company on 25 August 2017.

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”.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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 June 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 financial statements.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 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 20) and some actuarial assumptions (Note 12). 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 17,688m for the six-month period ended 30 June 2017 (including RUR 15,852m for integrated freight forwarding and logistics services and RUR 1,836m for management of cargo transportation and handling with involvement of third parties). For the six-month period ended 30 June 2016 the effect was RUR 13,586m (including RUR 11,178m for integrated freight forwarding and logistics services and RUR 2,408m for management of cargo transportation and handling with involvement of third parties).

For the three-month period ended 30 June 2017 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 9,642m (including RUR 8,767m for integrated freight forwarding and logistics services, RUR 875m for management of cargo transportation and handling with involvement of third parties). For the three months ended 30 June 2016 the effect was RUR 7,124m (including RUR 5,783m for integrated freight forwarding and logistics services, and RUR 1,341m 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 46% of revenues accumulated in the first half of the year, with 54% accumulating in the second half of the year.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE- AND SIX-MONTH PERIODS ENDED 30 JUNE 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 2016	11,482	36,206	2,119	2,893	1,207	53,907
Additions	-	542	250	51	269	1,112
Transfers	23	-	-	-	(23)	-
Capitalised borrowing costs	-	-	-	-	21	21
Disposals	(3)	(424)	(72)	(96)	-	(595)
30 June 2016	11,502	36,324	2,297	2,848	1,474	54,445
Additions	64	429	68	165	363	1,089
Transfers	883	38	447	7	(1,375)	-
Capitalised borrowing costs	-	-	-	-	24	24
Disposals	(61)	(176)	(120)	(129)	(13)	(499)
31 December 2016	12,388	36,615	2,692	2,891	473	55,059
Additions	3	1,630	140	39	73	1,885
Transfers	18	51	-	-	(69)	-
Disposals	(16)	(147)	(14)	(72)	(23)	(272)
30 June 2017	12,393	38,149	2,818	2,858	454	56,672
Accumulated depreciation and impairment						
1 January 2016	(2,276)	(11,059)	(1,080)	(1,856)	-	(16,271)
Depreciation charge for the period (Impairment) / reversal of impairment	(129)	(829)	(72)	(154)	-	(1,184)
Disposals	(5)	25	7	-	-	27
	2	372	65	91	-	530
30 June 2016	(2,408)	(11,491)	(1,080)	(1,919)	-	(16,898)
Depreciation charge for the period	(142)	(904)	(88)	(161)	-	(1,295)
Reversal of impairment	5	4	-	-	-	9
Disposals	55	153	115	119	-	442
31 December 2016	(2,490)	(12,238)	(1,053)	(1,961)	-	(17,742)
Depreciation charge for the period	(141)	(909)	(88)	(134)	-	(1,272)
Impairment	(5)	(10)	-	(1)	-	(16)
Disposals	9	137	13	63	-	222
30 June 2017	(2,627)	(13,020)	(1,128)	(2,033)	-	(18,808)
Net book value						
31 December 2016	9,898	24,377	1,639	930	473	37,317
30 June 2017	9,766	25,129	1,690	825	454	37,864

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

The item “Land, buildings and constructions” includes the amounts of RUR 112m and RUR 112m, which represent the net book value of land plots owned by the Group as at 30 June 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 708m and RUR 714m as at 30 June 2017 and 31 December 2016, respectively.

For the six-month period ended 30 June 2017 there were additions of flatcars and containers with gross carrying amount of RUR 900m and RUR 730m, respectively (for the six-month period ended 30 June 2016 – RUR 34m and RUR 508m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,238m and RUR 1,301m as at 30 June 2017 and 31 December 2016, respectively.

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

	30 June 2017	31 December 2016
Cost	55	44
Accumulated depreciation	(34)	(27)
Net book value	21	17

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

	30 June 2017	31 December 2016
Cost	304	339
Accumulated depreciation	(139)	(152)
Impairment	(101)	(101)
Net book value	64	86

Construction in-progress as at 30 June 2017 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow and in Irkutsk amounting to RUR 158m and RUR 72m respectively, and RUR 94m 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 June 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 11 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 30 June 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 75m and RUR 153m, respectively), advances for the acquisition of containers (RUR 0m and RUR 183m, respectively), advances for the acquisition of rolling stock (RUR 75m and RUR 0m, respectively) and advances for the acquisition of other non-current assets (RUR 6m 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:

	2017				2016			
	Joint Venture JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associa-tes	Total associates and joint ventures	Joint Venture JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associa-tes	Total associates and joint ventures
Carrying amount as at 1 January	2,584	93	8	2,685	2,910	105	8	3,023
Share of profit of associates and joint ventures	283	20	1	304	315	4	1	320
Dividends received from associates and joint ventures	-	(14)	-	(14)	(205)	(2)	-	(207)
Effect of translation to presentation currency	35	(13)	-	22	(327)	(15)	(1)	(343)
Carrying amount as at 30 June	2,902	86	9	2,997	2,693	92	8	2,793

5. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
30 June 2017			
Trade receivables	1,947	(42)	1,905
Other receivables	222	(87)	135
Total trade and other receivables, classified as financial assets	2,169	(129)	2,040
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:

Balance as at 1 January 2016	(257)
Additional provision, recognised in the current period	(13)
Release of provision	53
Utilisation of provision	4
Balance as at 30 June 2016	(213)
Additional provision, recognised in the current period	(87)
Release of provision	68
Utilisation of provision	35
Foreign currency translation	29
Balance as at 31 December 2016	(168)
Additional provision, recognised in the current period	(4)
Release of provision	38
Utilisation of provision	2
Foreign currency translation	3
Balance as at 30 June 2017	(129)

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2017	31 December 2016
VAT receivable	2,162	1,818
Advances to suppliers (net of provision)	1,896	1,668
Other current assets	84	98
Total prepayments and other current assets	4,142	3,584

As at 30 June 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. SHORT-TERM INVESTMENTS

	30 June 2017	31 December 2016
Russian Rouble denominated bank deposits	1,498	78
Total short-term investments	1,498	78

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

As at 30 June 2017 nine Russian Rouble-denominated bank deposits in the total amount of RUR 1,460m, bearing interest at annual rates in a range from 9.77% to 10.49%, were placed with PJSC Bank Otkritie Financial Corporation and PJSC CB Absolut Bank. The total amount of accrued interest amounted to RUR 38m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position. The deposits placed with PJSC Bank Otkritie Financial Corporation were repaid in July 2017. The deposits placed with PJSC CB Absolut Bank matured in July 2017 and October 2017.

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8. CASH AND CASH EQUIVALENTS

	<u>30 June 2017</u>	<u>31 December 2016</u>
Russian Rouble denominated bank deposits	2,359	1,637
Foreign currency denominated current accounts with banks	2,084	1,496
Cash and Russian Rouble denominated current accounts with banks	470	2,392
Total cash and cash equivalents	<u>4,913</u>	<u>5,525</u>

Nine Russian Rouble denominated short-term bank deposits in the total amount of RUR 2,350m bearing interest at annual rates in a range from 8.25% to 9.75% were placed with PJSC Bank Otkritie Financial Corporation and PJSC Bank VTB, a related party as at 30 June 2017 (Note 21). The total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 9m. The deposits were repaid in July 2017.

9. EQUITY

Share Capital

As at 30 June 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 June 2017 relating to the Company's results for the year ended 31 December 2016. In July 2017 the dividends have been fully paid.

There were no dividends declared or paid during the six-month period ended 30 June 2016.

10. LONG-TERM DEBT

Long-term debt

	<u>Effective interest rate</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
Bonds, series 4	8,40%	-	1,249
Bonds, series BO-02	9,45%	4,988	4,987
Total		<u>4,988</u>	<u>6,236</u>

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

As at 30 June 2017 the carrying value of the bonds amounted to RUR 2,588m (RUR 3,882m as at 31 December 2016), including the amount of accrued interest of RUR 88m (RUR 133m as at 31 December 2016), that has been included as current portion of long-term debt in the consolidated statement of financial position.

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10. LONG-TERM DEBT (CONTINUED)

Five-year RUR bonds, series BO-02

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

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

As at 30 June 2017 the carrying value of the bonds amounted to RUR 5,116m (RUR 5,116m as at 31 December 2016), including the amount of accrued interest of RUR128m (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 24.

Current portion of long-term debt

	Effective interest rate	30 June 2017	31 December 2016
Bonds, series 4	8,40%	2,588	2,633
Bonds, series BO-02	9,45%	128	129
Total		2,716	2,762

11. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Due within one year	-	19	-	18
Due after one year but not more than five years	-	139	-	121
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.

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12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

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

	<u>2017</u>	<u>2016</u>
Pension Fund of the Russian Federation	414	349
Defined contribution plan "Blagosostoyanie"	<u>12</u>	<u>7</u>
Total expense for defined contribution plans	<u>426</u>	<u>356</u>

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

	<u>2017</u>	<u>2016</u>
Pension Fund of the Russian Federation	189	186
Defined contribution plan "Blagosostoyanie"	<u>6</u>	<u>4</u>
Total expense for defined contribution plans	<u>195</u>	<u>190</u>

Defined benefit plans

Principal actuarial assumptions as at 30 June 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 7.8% as at 30 June 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 June 2017 (as at 31 December 2016: 4.9%).

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

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Service cost	16	13	68	54	84	67
Net interest on obligation	30	30	9	11	39	41
Remeasurements of the net defined benefit liability	-	-	(4)	7	(4)	7
Net expense recognised in the consolidated profit or loss	<u>46</u>	<u>43</u>	<u>73</u>	<u>72</u>	<u>119</u>	<u>115</u>

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

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Service cost	7	6	34	27	41	33
Net interest on obligation	15	14	4	5	19	19
Remeasurements of the net defined benefit liability	-	-	(2)	6	(2)	6
Net expense recognised in the consolidated profit or loss	<u>22</u>	<u>20</u>	<u>36</u>	<u>38</u>	<u>58</u>	<u>58</u>

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12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Net expense recognised in other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 16m for the six-month period ended 30 June 2017 and RUR 46m for the six-month period ended 30 June 2016.

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 1m for the three-month period ended 30 June 2017 and RUR 27m for the three-month period ended 30 June 2016.

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 June 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	876	855	284	275	1,160	1,130
Fair value of plan assets	(63)	(63)	-	-	(63)	(63)
Net employee benefit liability	813	792	284	275	1,097	1,067

13. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
Trade payables	1,095	829
Amounts payable for the acquisition of property, plant and equipment	252	61
Amounts payable for the intangible assets	19	8
Total financial liabilities within trade and other payable	1,366	898
Liabilities to customers (advances)	4,129	3,381
Total trade and other payables	5,495	4,279

14. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2017	31 December 2016
Social insurance contribution	164	208
Property tax	121	110
Personal income tax	31	33
VAT	15	22
Other taxes	3	5
Total taxes other than income tax payable	334	378

15. ACCRUALS AND OTHER CURRENT LIABILITIES

	30 June 2017	31 December 2016
Settlements with employees	538	846
Provisions for liabilities	37	38
Other liabilities (financial liabilities)	22	30
Total accruals and other current liabilities	597	914

Settlements with employees as at 30 June 2017 and 31 December 2016 comprised accrued salaries and bonuses of RUR 314m and RUR 657m, respectively, and accruals for unused vacation of RUR 224m and RUR 189m, respectively.

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16. REVENUE AND SEGMENT INFORMATION

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

<i>Analysis of revenue by category</i>	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Integrated freight forwarding and logistics services	25,061	17,357	13,858	9,121
Cargo transportation and handling services with involvement of third parties	1,836	2,408	875	1,341
Rail-based container shipping services	1,648	2,015	780	1,072
Terminal services, bonded warehousing services and agency fees	1,624	1,189	869	632
Truck deliveries	346	419	169	237
Other	158	155	60	81
Total revenue	30,673	23,543	16,611	12,484

<i>Analysis of revenue by location of customers</i>	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Revenue from external customers				
Russia	26,489	19,944	14,277	10,800
Korea	1,501	1,229	845	490
Germany	853	783	422	389
Great Britain	433	420	220	218
China	391	211	242	111
Kazakhstan	295	336	165	157
Latvia	252	333	154	148
Finland	142	92	89	56
Other	317	195	197	115
Total revenue	30,673	23,543	16,611	12,484

During the six-month period ended 30 June 2017, OJSC RZD ("RZD") and its subsidiaries accounted for RUR 2,305m or 8% of the Group's total revenue (for the six-month period ended 30 June 2016: RUR 1,597m or 7% of the Group's total revenue).

During the three-month period ended 30 June 2017, OJSC RZD and its subsidiaries accounted for RUR 1,366m or 8% of the Group's total revenue (for the three-month period ended 30 June 2016: RUR 850m or 7% of the Group's total revenue).

During the six-month period ended 30 June 2017, UNICO LOGISTICS CO. LTD accounted for RUR 1,365m or 4% of the Group's total revenue (for the six-month period ended 30 June 2016: RUR 1,107m or 5% of the Group's total revenue).

During the three-month period ended 30 June 2017, UNICO LOGISTICS CO. LTD accounted for RUR 754m or 5% of the Group's total revenue (for the three-month period ended 30 June 2016: RUR 440m or 4% of the Group's total revenue).

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17. OTHER OPERATING INCOME

	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Gain on the sale of inventory and from the reuse of spare parts	70	71	46	40
Gain on the sale and disposal of property, plant and equipment	64	159	50	86
Change in provision for impairment of receivables	35	46	15	31
Other operating income	57	67	36	41
Total operating income	226	343	147	198

18. OPERATING EXPENSES

	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Third-party charges related to principal activities	17,688	13,586	9,642	7,124
Freight and transportation services	3,246	2,757	1,636	1,498
Payroll and related charges	2,701	2,413	1,373	1,309
Materials, repair and maintenance	1,334	1,064	754	634
Depreciation and amortisation	1,300	1,211	660	596
Taxes other than income tax	403	289	272	125
Rent	128	162	61	73
Consulting and information services	98	82	42	34
Security	97	106	48	52
Fuel costs	77	85	35	38
License and software	62	48	34	13
Communication costs	32	37	16	18
Charity	13	67	11	18
Other expenses	345	269	175	149
Total operating expenses	27,524	22,176	14,759	11,681

19. INTEREST EXPENSE

	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Interest expense on RUR bonds	344	187	169	83
Interest expense on bank loans and borrowings	-	19	-	8
Interest expense on finance lease obligations	6	7	3	4
Total interest expense	350	213	172	95

20. INCOME TAX

	Six-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
Current income tax expense	(644)	(262)	(425)	(140)
Deferred income tax expense	(62)	(94)	(23)	(98)
Income tax	(706)	(356)	(448)	(238)

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 six-month period ended 30 June 2017 was 19.9% (for the six-month period ended 30 June 2016: 20.5%).

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 “Related party disclosures”, parties are considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 30 June 2017 and 31 December 2016, are disclosed below:

Related party	Nature of relationship	
	30 June 2017	31 December 2016
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 9)	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	Associate of the Company	Associate of the Company
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity
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 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 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.

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 June 2017 are shown below:

	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	-	1	-	-	-	1
Current assets						
Cash and cash equivalents	-	-	-	-	2,665	2,665
Trade receivables	372	451	7	20	-	850
Other receivables	4	24	-	6	55	89
Advances to suppliers	1,591	91	-	9	1	1,692
Total assets	1,967	567	7	35	2,721	5,297
LIABILITIES						
Current liabilities						
Trade payables	11	103	6	38	7	165
Liabilities to customers (advances)	-	30	3	141	28	202
Other payables	2	2	-	-	15	19
Total liabilities	13	135	9	179	50	386

The income and expense items with related parties for the six-month period ended 30 June 2017 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	51	12	2	12	73	150
Terminal services, bonded warehousing services and agency fees	1,141	4	-	-	2	1,147
Integrated freight forwarding and logistics services	1	1,089	76	478	58	1,702
Cargo transportation and handling services with involvement of third parties	-	23	2	-	4	29
Other services	4	5	-	-	7	16
Interest income on deposits	-	-	-	-	20	20
Other interest income	-	-	-	-	2	2
Dividends received from joint ventures	-	-	-	14	-	14
Other operating income	7	52	-	-	-	59
Total income	1,204	1,185	80	504	166	3,139
Operating Expenses						
Freight and transportation services	2,218	-	-	67	1	2,286
Third-party charges related to principal activities	14,599	17	2	1,119	54	15,791
Repair services	198	606	-	-	2	806
Rent of property and equipment	13	1	-	-	2	16
Other expenses	51	22	-	7	49	129
Total expenses	17,079	646	2	1,193	108	19,028

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Purchases of property, plant and equipment	3	-	-	-	62	65
Purchases of materials	1	101	-	-	6	108
Contributions to non-state pension funds	-	-	-	-	36	36
Total other transactions	4	101	-	-	104	209

As at 30 June 2017 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, in respect of trade receivables balance is RUR 22m.

The income and expense items with related parties for the three-month period ended 30 June 2017 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	32	4	1	7	39	83
Terminal services, bonded warehousing services and agency fees	668	1	-	-	1	670
Integrated freight forwarding and logistics services	1	658	40	286	33	1,018
Cargo transportation and handling services with involvement of third parties	-	12	1	-	3	16
Other services	1	1	-	-	3	5
Interest income on deposits	-	-	-	-	10	10
Dividends received from joint ventures	-	-	-	14	-	14
Other operating income	5	30	-	-	-	35
Total income	707	706	42	307	89	1,851
Operating Expenses						
Freight and transportation services	1,071	-	-	41	(2)	1,110
Third-party charges related to principal activities	8,043	16	2	569	30	8,660
Repair services	106	329	-	-	1	436
Rent of property and equipment	6	-	-	-	1	7
Other expenses	24	9	-	(1)	19	51
Total expenses	9,250	354	2	609	49	10,264
Purchases of property, plant and equipment	3	-	-	-	44	47
Purchases of materials	-	50	-	-	3	53
Contributions to non-state pension funds	-	-	-	-	22	22
Total other transactions	3	50	-	-	69	122

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21. 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., subsidiary of RZD, in respect of trade receivables balance was 59m.

The income and expense items with related parties for the six-month period ended 30 June 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	41	28	-	27	18	114
Terminal services, bonded warehousing services and agency fees	868	8	-	-	2	878
Integrated freight forwarding and logistics services	-	624	120	366	14	1,124
Cargo transportation and handling services with involvement of third parties	-	30	-	-	4	34
Other services	7	20	3	-	8	38
Interest income on deposits	-	-	-	-	39	39
Other interest income	-	-	-	-	3	3
Dividends received from joint ventures	-	-	-	207	-	207
Other operating income	47	52	-	3	1	103
Total income	963	762	123	603	89	2,540
Operating Expenses						
Freight and transportation services	1,847	1	-	46	4	1,898
Third-party charges related to principal activities	10,922	2	-	681	106	11,711
Repair services	181	399	-	-	3	583
Rent of property and equipment	14	1	-	-	2	17
Other expenses	74	24	-	-	35	133
Total expenses	13,038	427	-	727	150	14,342
Purchases of property, plant and equipment	2	(1)	-	-	44	45
Purchases of materials	-	42	-	-	7	49
Contributions to non-state pension funds	-	-	-	-	18	18
Total other transactions	2	41	-	-	69	112

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the three-month period ended 30 June 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	24	16	-	10	11	61
Terminal services, bonded warehousing services and agency fees	462	6	-	-	1	469
Integrated freight forwarding and logistics services	-	340	70	237	9	656
Cargo transportation and handling services with involvement of third parties	-	10	-	-	3	13
Other services	2	9	2	-	5	18
Interest income on deposits	-	-	-	-	23	23
Other interest income	-	-	-	-	1	1
Dividends received from joint ventures	-	-	-	207	-	207
Other operating income	24	30	-	-	1	55
Total income	512	411	72	454	54	1,503
Operating Expenses						
Freight and transportation services	977	-	-	15	-	992
Third-party charges related to principal activities	5,873	-	-	115	47	6,035
Repair services	88	256	-	-	1	345
Rent of property and equipment	7	-	-	-	1	8
Other expenses	37	13	-	-	17	67
Total expenses	6,982	269	-	130	66	7,447
Purchases of property, plant and equipment	1	-	-	-	11	12
Purchases of materials	-	30	-	-	4	34
Contributions to non-state pension funds	-	-	-	-	11	11
Total other transactions	1	30	-	-	26	57

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 June 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 19 and 22 persons as at 30 June 2017 and 30 June 2016.

Total gross compensation, including social contributions and before withholding of personal income tax, to key management personnel amounted to RUR 151m (including total social contributions of RUR 20m) and RUR 161m (including total social contributions of RUR 16m) for the six-month periods ended 30 June 2017 and 30 June 2016, respectively. Such compensation for the three-month periods ended 30 June 2017 and 30 June 2016 amounted to RUR 100m (including total social contributions of RUR 12m) and RUR 119m (including total social contributions of RUR 10m), respectively.

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 June 2017 payables to Key management personnel on accruals and other current liabilities amounted to RUR 52m, and on employee benefit liability amounted to RUR 19m (RUR 177m and RUR 19m respectively as at 31 December 2016).

22. COMMITMENTS UNDER OPERATING LEASES

As at 30 June 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 June 2017	31 December 2016
Within one year	110	117
Within two to five years	240	234
After five years	51	111
Total minimum lease payments	401	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.

23. CAPITAL COMMITMENTS

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

	30 June 2017	31 December 2016
Acquisition of containers and flatcars	5,064	2,339
Acquisition of lifting machines and other equipment	151	229
Construction of container terminal complexes and modernisation of existing assets	157	108
Total capital commitments	5,372	2,676

24. 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. Financial markets are still 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.

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24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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 six-month period ended 30 June 2017 there was 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 59.0855 per USD as at 30 June 2017, respectively. 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 67.4993 per EUR as at 30 June 2017. During the six-month period ended 30 June 2017 there was the weakening of the Russian Rouble against Kazakhstan Tenge while the CBRF exchange rate increased from RUR 18.1637 per 100 Tenge as at 31 December 2016 to RUR 18.3752 per 100 Tenge as at 30 June 2017, respectively.

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 June 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 six-month period ended 30 June 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 six-month period ended 30 June 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, finance lease obligations. 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 June 2017</u>	<u>31 December 2016</u>
Financial liabilities		
Bonds	7,402	8,750
Total	<u><u>7,402</u></u>	<u><u>8,750</u></u>

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

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

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25. SUBSEQUENT EVENTS

Acquisition of 30% shares of LLC Freight Village Kaluga Sever. At the end of June 2017 the Company signed an agreement with JSC Freight Village Kaluga (hereinafter, FVK) on acquisition of share in LLC Freight Village Kaluga Sever (hereinafter, FVK Sever) as a joint venture.

The Company acquired ownership of 30% of FVK Sever share capital in July 2017. As part of this transaction in July 2017, the Company fully paid RUR 1 for the shares and acted as a guarantor for the fulfillment of obligations under the loan agreement of FVK Sever to the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank). The guarantee is 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 payable to Vnesheconombank in cases, provided by the loan agreement.

Furthermore, as part of the transaction, the pledge agreements, which the Company signed in June 2017(enforceable from the state registration date), came into force, providing a number of obligations of the parties to each other:

- with FVK, 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 the issue of these interim condensed consolidated financial statements purchase price allocation of FVK Sever was not finalised.

Agreement on sale of 20% of PJSC TransContainer's shares in Trans-Eurasia Logistics GmbH. In July 2017 the Company signed the agreement on sale of 20% of its shares in Trans-Eurasia Logistics GmbH. The transfer of shares to the buyer is subject to certain conditions precedent, which are under the implementation as of the date of signing these interim condensed consolidated financial statements. Effect of this sale on these interim condensed consolidated financial statements is not significant.

Agreement on acquisition of 100% stake in CJSC Logistika-Terminal. In August 2017 the Company has signed an agreement with JSC First Container Terminal Inc. (FCT, part of Global Ports Group) to purchase a 100% stake in CJSC Logistika-Terminal. Transaction price will not exceed RUR 1.9bn. The transfer of shares to the buyer and cash payment will be upon receiving all the relevant regulatory approvals. As at the date of the issue of these interim condensed consolidated financial statements purchase price allocation of CJSC Logistika-Terminal was not finalised.

Acquisition of containers. In July - August 2017 the Group obtained under the previously signed agreement 1 257 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 191m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT.

Acquisition of flatcars. In July-August 2017 the Group obtained under the previously signed agreements:

- 159 flatcars from OJSC Transportnoye Mashinostroyeniye for the total amount of RUR 334m (plus VAT in the amount of RUR 60m);
- 246 flatcars from LLC Speccompany for the total amount of RUR 470m (plus VAT in the amount of RUR 84m).

Agreement on acquisition of flatcars. In August 2017 the Group entered into the agreement with LLC Speccompany on the purchase of 100 flatcars for the total amount of RUR 220m (plus VAT in the amount of RUR 40m). Delivery is expected no later than 30 November 2017.