PUBLIC JOINT STOCK COMPANY TRANSCONTAINER

Interim Condensed Consolidated Financial Statements

For the Three- and Nine-Month Periods Ended
30 September 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- AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 September 2018 and the results of its operations for the three-month and nine-month periods then ended and cash flows and changes in equity for the nine-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The interim condensed consolidated financial statements of the Group for the three- and nine-month periods ended 30 September 2018 were approved on 27 November 2018 by.

V.G. Saraev	**M. V. Usenko**
General Director	Chief Accountant

(Amounts in millions of Russian Roubles)

	Notes	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	45,204	41,701
Advances for acquisition of non-current assets	4	572	119
Investment property		291	294
Intangible assets	5	383	384
Investments in joint ventures	6	3,551	3,403
Other non-current assets		71	82
Total non-current assets		**50,072**	**45,983**
Current assets			
Inventory		229	287
Trade and other receivables	7	1,318	1,323
Prepayments and other current assets	8	3,333	3,975
Short-term investments	9	554	-
Cash and cash equivalents	10	8,482	4,171
Total current assets		**13,916**	**9,756**
TOTAL ASSETS		**63,988**	**55,739**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	13,895	13,895
Reserve fund		703	703
Translation reserve		(295)	(468)
Other reserves, including investment property's revaluation reserve		(2,025)	(2,025)
Retained earnings		30,844	28,262
Total equity attributable to the Company's owners		**43,122**	**40,367**
Non-current liabilities			
Long-term debt	12	10,979	4,987
Employee benefit liability	13	1,003	1,103
Deferred tax liability		2,011	1,635
Financial guarantee for investment in joint venture	6	154	154
Total non-current liabilities		**14,147**	**7,879**
Current liabilities			
Contracts liabilities	2	4,044	-
Trade and other payables	14	1,323	4,562
Current portion of long-term debt	12	94	1,425
Income tax payable		195	87
Taxes other than income tax payable	15	338	370
Accruals and other current liabilities	16	725	1,049
Total current liabilities		**6,719**	**7,493**
TOTAL EQUITY AND LIABILITIES		**63,988**	**55,739**

V.G. Saraev

General Director

M. V. Usenko

Chief Accountant

27 November 2018

PJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017	Three-month period ended 30 September 2018	Three-month period ended 30 September 2017
Revenue	17	55,720	48,242	20,389	17,569
Other operating income	18	492	445	147	219
Operating expenses	19	(48,346)	(42,512)	(17,056)	(14,988)
Gain from early termination of finance lease		-	7	-	-
Interest expense	20	(665)	(491)	(232)	(141)
Interest income		336	247	115	66
Foreign exchange gain, net		274	(4)	83	(29)
Share of result of associates and joint ventures	6	435	493	758	189
Excess of the fair value of net assets over cost of acquisition of subsidiary	3	154	-	154	-
Gain on disposal of associate		-	41	-	41
Profit before income tax		**8,400**	**6,468**	**4,358**	**2,926**
Income tax expense	21	(1,757)	(1,282)	(906)	(576)
Profit for the period attributable to the Company's owners		**6,643**	**5,186**	**3,452**	**2,350**
Other comprehensive income/(loss) (net of income tax)					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit plans liabilities	13	49	(30)	35	(14)
Revaluation of investment property		-	(3)	-	(3)
Items that may be reclassified subsequently to profit or loss:					
Share of translation of financial information of associates and joint ventures to the presentation currency	6	142	(193)	(58)	(215)
Exchange differences on translating foreign operations		31	9	16	3
Other comprehensive income/(loss) for the period		**222**	**(217)**	**(7)**	**(229)**
Total comprehensive income for the period attributable to the Company's owners		**6,865**	**4,969**	**3,445**	**2,121**
Earnings per share, basic and diluted (in Russian Roubles)		**478**	**373**	**248**	**169**
Weighted average number of shares outstanding		**13,894,778**	**13,894,778**	**13,894,778**	**13,894,778**

V.G. Saraev

General Director

M. V. Usenko

Chief Accountant

27 November 2018

(Amounts in millions of Russian Roubles)

	Notes	Nine-month period ended 30 September 2018	2017
Cash flows from operating activities:			
Profit before income tax		**8,400**	**6,468**
Adjustments for:			
Depreciation and amortisation	19	2,145	1,977
Change in provision for impairment of receivables		9	(49)
Gain on disposal of property, plant and equipment	18	(253)	(153)
(Reversal)/loss on impairment of property, plant and equipment	4	(1)	6
Share of result of associates and joint ventures	6	(435)	(493)
Interest expense, net		329	244
Foreign exchange (gain)/loss, net		(274)	4
Excess of the fair value of net assets over cost of acquisition of subsidiary	3	(154)	-
Gain on disposal of associate		-	(41)
Gain on remeasurement of other long-term obligations to employees	13	(7)	(3)
Other expenses		7	7
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		**9,766**	**7,967**
Working capital changes:			
Decrease in inventory		351	126
Decrease/(increase) in trade and other receivables		57	(417)
Decrease/(increase) in prepayments and other assets		730	(863)
Increase in trade and other payables and contracts liabilities		345	1,277
Decrease in taxes other than income tax		(52)	(109)
Decrease in accruals and other current liabilities		(418)	(293)
(Decrease)/increase in employee benefit liabilities		(32)	3
Net cash from operating activities before income tax and interest		**10,747**	**7,691**
Interest paid		(745)	(723)
Income tax paid		(1,426)	(1,019)
Net cash provided by operating activities		**8,576**	**5,949**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(3,588)	(3,483)
Proceeds from disposal of property, plant and equipment		14	32
Acquisition of investment in joint venture		-	(10)
Sale of long-term investments		-	43
Sale of short-term investments		2,000	1,499
Purchases of short-term investments		(2,550)	(1,460)
Acquisition of subsidiary, net of cash acquired of RUR 32 million	3	(1,788)	-
Purchases of intangible assets		(54)	(81)
Dividends received from joint ventures		372	14
Interest received		332	232
Net cash used in investing activities		**(5,262)**	**(3,214)**
Cash flows from financing activities:			
Dividends	11	(4,072)	(650)
Repayments of finance lease obligations		-	(132)
Proceeds from issuance of long-term bonds	12	5,985	-
Principal payments on short-term part of long-term bonds	12	(1,250)	(2,500)
Net cash from/(used in) financing activities		**663**	**(3,282)**
Net increase/(decrease) in cash and cash equivalents		3,977	(547)
Cash and cash equivalents at beginning of the period		**4,171**	**5,525**
Foreign exchange effect on cash and cash equivalents		334	33
Cash and cash equivalents at end of the period		**8,482**	**5,011**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in millions of Russian Roubles)

	Notes	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		-	-	-	-	5,186	5,186
Other comprehensive loss for the period		-	-	(184)	(3)	(30)	(217)
Total comprehensive (loss)/income for the period		**-**	**-**	**(184)**	**(3)**	**5,156**	**4,969**
Dividends	11	-	-	-	-	(650)	(650)
Balance at 30 September 2017		**13,895**	**697**	**(524)**	**(2,136)**	**26,896**	**38,828**
Balance at 31 December 2017		**13,895**	**703**	**(468)**	**(2,025)**	**28,262**	**40,367**
The impact of the new standard IFRS 9	6	-	-	-	-	(38)	(38)
Total restated at 1 January 2018		**13,895**	**703**	**(468)**	**(2,025)**	**28,224**	**40,329**
Profit for the period		-	-	-	-	6,643	6,643
Other comprehensive income for the period		-	-	173	-	49	222
Total comprehensive income for the period		**-**	**-**	**173**	**-**	**6,692**	**6,865**
Dividends	11	-	-	-	-	(4,072)	(4,072)
Balance at 30 September 2018		**13,895**	**703**	**(295)**	**(2,025)**	**30,844**	**43,122**

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 container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company operates 40 container terminals along the Russian railway network. As at 30 September 2018, the Company operated 14 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**	**30 September 2018**	**31 December 2017**	**30 September 2018**	**31 December 2017**
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
LLC TransContainer Mongolia	Subsidiary	Mongolia	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 6)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
JSC Logistika-Terminal (Note 3)	Subsidiary	Russia	Terminal operations	100	-	100	-
LLC FVKS (FVKS Group) (Note 6)	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

Establishment of a subsidiary. On 7 September 2018 100% subsidiary - LLC TransContainer Mongolia was registered on the territory of Mongolia.

The interim condensed consolidated financial statements of PJSC TransContainer and its subsidiaries (the "Group") as at 30 September 2018 and for the three- and nine-month periods then ended were authorised for issue by the General Director of the Company on 27 November 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The consolidated statement of financial position as at 31 December 2017, included in these interim condensed consolidated financial statements, has been derived from the audited consolidated financial

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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 for the year ended 31 December 2017.

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 for the year ended 31 December 2017, as described in those annual consolidated financial statements.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the application of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018 and income taxes accrual using the expected weighted average tax rate that would be applicable to expected total annual profit or loss.

IFRS 9, Financial Instruments: Classification and Measurement – accounting policies and the impact of the adoption.

The accounting policy was amended to bring it into compliance with IFRS 9, which replaces the requirements of IAS 39 relating to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

Classification. From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

All the Group's financial liabilities are measured as amortised cost.

Measurement. At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments. Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset.
There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

All the Group's debt instruments are measured at amortised cost.

Impairment. From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Reclassification of financial assets and liabilities. On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. All financial assets classified previously as loans and receivables have been classified as financial assets measured at amortised cost. All financial liabilities of the Group have been classified as financial liability measured at amortised cost.

In accordance with the application of IFRS 9 relating to the recognition of allowance for expected credit losses as at 1 January 2018, the cost of investment in JSC Kedentransservice decreased by RUR 38m (Note 6).

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

IFRS 15, Revenue from Contracts with Customers – accounting policies and the impact of the adoption.

The Group has adopted IFRS 15 from 1 January 2018, which resulted in change in accounting policies and change in presentation of contract liabilities as described below.

The Group has changed its accounting policy relating to revenue recognition in accordance with the core principles of the standard. In the normal course of business, the Group renders the following categories of services: integrated freight forwarding and logistics services and agency services.

Revenue for all of the above types of services is recognised over time in accordance with the stage of completion of the transaction in the accounting period in which the services are rendered.

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered a contract asset is recognised. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration in relation to services provided as trade receivables because only the passage of time is required before the payment is due.

Changes in presentation due to the adoption of IFRS 15

The Group has applied the simplified method of transition to IFRS 15. The Group has elected to apply IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

The Group has changed presentation of contract liabilities in the interim condensed consolidated statement of financial position as at 1 January 2018. Contract liabilities consist of advances from customers and were included in trade and other payables as at 31 December 2017. As at 1 January 2018 contract liabilities were reclassified from trade and other payables and are presented separately.

	IAS 18 carrying amount at 31 December 2017	Reclassification	IFRS 15 carrying amount at 1 January 2018	IFRS 15 carrying amount at 30 September 2018
Contract liabilities	-	3,706	3,706	4,044
Trade and other payables	4,562	(3,706)	856	1,323

Except as described above, the adoption of IFRS 15 did not have a significant impact on the financial position or financial performance of the Group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

IFRS 16, Leases, (issued in January 2016 and effective for the periods beginning on or after 1 January 2019).

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases (not exceeding 12 months) and leases where leased object (the underlying asset) has a low value. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RUR 312m. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The Group does not intend to adopt the standard before its effective date and is currently assessing the impact of the new standard on its consolidated financial statements.

Other new standards and interpretations. The Group has adopted all other new standards and interpretations that were effective from 1 January 2018. Except for IFRS 9 and IFRS 15, the impact of the adoption of these new standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

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 for the year ended 31 December 2017, except as described below.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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 amounts of assets and liabilities, income and expense, reported in interim condensed consolidated financial statements. 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 21) and some actuarial assumptions (Note 13). 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.

Key judgments applicable in the current period to the accounting policy in recognition of revenue 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 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 33,306m for the nine-month period ended 30 September 2018. For the nine-month period ended 30 September 2017 the effect was RUR 27,815m (including RUR 25,773m for integrated freight forwarding and logistics services and RUR 2,042m for management of cargo transportation and handling with involvement of third parties).

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

For the three-month period ended 30 September 2018 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 12,016m. For the three months ended 30 September 2017 the effect was RUR 10,127m (including RUR 9,921m for integrated freight forwarding and logistics services, and RUR 206m 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 2017 74% of revenues accumulated in the first three quarters of the year, with 26% accumulating in the fourth quarter of the year.

3. ACQUISITION OF SUBSIDIARY

JSC Logistika-Terminal

On 3 September 2018, after receiving the necessary approvals from the regulatory authorities, the Company acquired from JSC First Container Terminal, a subsidiary of Global Ports Investments PLC, 100% ownership interest in JSC Logistika-Terminal, operator of one of the most modern container terminals in the North-Western region of Russia. The transaction amounted to RUR 1.9 billion.

The fair value of assets and liabilities of JSC Logistika-Terminal at the date of acquisition was:

	Fair value as recognised on acquisition
Property, plant and equipment	2,178
Other non-current assets	2
Inventory	6
Trade and other receivables	38
Prepayments and other current assets	13
Cash and cash equivalents	32
Total assets	**2,269**
Deferred tax liability	157
Trade and other payables	24
Taxes other than income tax payable	20
Accruals and other current liabilities	14
Total liabilities	**215**
Net assets acquired	**2,054**
Excess of the fair value of net assets over cost of acquisition	(154)
Cost of acquisition:	**1,900**
Cash consideration paid	1,820
Accounts payable related to acquisition	80
Net cash outflow from acquisition	
Cash compensation	1,820
Cash and cash equivalents acquired	(32)
Total net cash outflow from acquisition	**1,788**

As a result of this transaction, the Company recognised income from acquisition in the amount of RUR 154m received as a result of excess of the fair value of the identifiable assets less liabilities at the date of acquisition of JSC Logistika-Terminal over the cash consideration transferred to the buyer. The reason for income recognised from the acquisition is insufficient loading of the design capacity of the acquired asset, which has an impact on the amount of its future cash flows. The Company considers to significantly increase the load of JSC Logistika-Terminal by transferring cargo flows from the closing terminal at the station St. Petersburg-Tovarniy-Vitebskiy station.

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

3. ACQUISITION OF SUBSIDIARY (CONTINUED)

The acquired subsidiary contributed revenue of RUR 55m and loss of RUR 2m to the Group from the date of acquisition to 30 September 2018. If the acquisition had occurred on 1 January 2018, Group revenue for the nine-month period ended 30 September 2018 would have been RUR 56,126m and profit for the nine-month period ended 30 September 2018 would have been RUR 6,611m.

4. 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 2018	**12,676**	**42,345**	**3,059**	**2,834**	**411**	**61,325**
Additions	31	3,155	146	63	68	**3,463**
Acquisition in a business combination (Note 3)	2,022	-	126	30	-	**2,178**
Transfers	31	52	3	14	(100)	**-**
Disposals	(42)	(459)	(3)	(79)	-	**(583)**
30 September 2018	**14,718**	**45,093**	**3,331**	**2,862**	**379**	**66,383**
Accumulated depreciation and impairment						
1 January 2018	**(2,735)**	**(13,705)**	**(1,177)**	**(2,007)**	**-**	**(19,624)**
Depreciation charge for the period	(226)	(1,529)	(166)	(174)	-	**(2,095)**
Reversal of Impairment	1	-	-	-	-	**1**
Disposals	4	425	3	107	-	**539**
30 September 2018	**(2,956)**	**(14,809)**	**(1,340)**	**(2,074)**	**-**	**(21,179)**
Net book value						
1 January 2018	**9,941**	**28,640**	**1,882**	**827**	**411**	**41,701**
30 September 2018	**11,762**	**30,284**	**1,991**	**788**	**379**	**45,204**

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Cost						
1 January 2017	**12,388**	**36,615**	**2,692**	**2,891**	**473**	**55,059**
Additions	97	3,521	141	63	77	**3,899**
Transfers	61	51	29	37	(178)	**-**
Capitalised borrowing costs	-	-	-	-	12	**12**
Disposals	(33)	(267)	(43)	(123)	(23)	**(489)**
30 September 2017	**12,513**	**39,920**	**2,819**	**2,868**	**361**	**58,481**
Accumulated depreciation and impairment						
1 January 2017	**(2,490)**	**(12,238)**	**(1,053)**	**(1,961)**	**-**	**(17,742)**
Depreciation charge for the period	(213)	(1,390)	(134)	(201)	-	**(1,938)**
Impairment	(3)	(3)	-	-	-	**(6)**
Disposals	21	251	38	106	-	**416**
30 September 2017	**(2,685)**	**(13,380)**	**(1,149)**	**(2,056)**	**-**	**(19,270)**

The item "Land, buildings and constructions" includes the amounts of RUR 112m and RUR 112m, which represent the net book value of land plots owned by the Group as at 30 September 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 698m and RUR 709m as at 30 September 2018 and 31 December 2017, respectively.

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

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

For the nine-month period ended 30 September 2018 there were additions of flatcars and containers with gross carrying amount of RUR 3,094m and RUR 61m, respectively (for the nine-month period ended 30 September 2017 – RUR 2,458m and RUR 1,063m, respectively).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,098m and RUR 1,142m as at 30 September 2018 and 31 December 2017, respectively.

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

	30 September 2018	31 December 2017
Cost	735	398
Accumulated deprecation	(275)	(199)
Impairment	(114)	(115)
Net book value	**346**	**84**

Construction in-progress as at 30 September 2018 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 55m respectively, and RUR 106m for the construction of the new container terminal in Primorsky Region.

Construction in-progress as at 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 30 September 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 303m and RUR 12m, respectively), advances for the acquisition of rolling stock (RUR 256m and RUR 49m, respectively) and advances for the acquisition of other non-current assets (RUR 3m and RUR 7m, respectively).

5. INTANGIBLE ASSETS

Company's intangible assets are comprised of software with initial cost of RUR 505m and accumulated depreciation of RUR 122m as at 30 September 2018 (RUR 456m and RUR 72m as at 31 December 2017 respectively).

For the nine-month period ended 30 September 2018 the amount of accumulated depreciation on intangible assets amounted to RUR 50m (RUR 39m for the nine-month period ended 30 September 2017).

Included in intangible assets are assets not ready for intended use with historical cost of RUR 250m as at 30 September 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 a straight line basis. Economic lives length of the assets is from 2 to 8 years.

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

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	Joint ventures JSC Kedentransservice and Logistic System Management B.V.	Joint venture LLC FVKS	Other joint ventures	Total joint ventures
Carrying amount as at 31 December 2017	3,132	163	108	3,403
The impact of the new standard IFRS 9	(38)	-	-	**(38)**
Total restated at 1 January 2018	3,094	163	108	3,365
Share of profit/(losses) of joint ventures	431	(9)	13	**435**
Dividends received from joint ventures	(384)	-	(7)	**(391)**
Share of translation to presentation currency	131	-	11	**142**
Carrying amount as at 30 September 2018	3,272	154	122	3,551

In 2017, the Company acted as a guarantor for the execution of FVKS obligations under the loan agreement with Vnesheconombank. As at 30 September 2018 the debt of FVKS secured by the guarantee under the loan agreement amounted to RUR 2.3bn. As at 30 September 2018 and 31 December 2017 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 154m.

Furthermore, as part of the transaction, the following pledge agreements came into force, providing a number of obligations of the parties to each other:

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

As at 30 September 2018 the amount of pledge agreements have not changed.

	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 and associates	470	-	24	(1)	**493**
Dividends received from joint venture	-	-	(14)	-	**(14)**
Fair value of net assets related to the acquisition of the joint venture	-	(210)	-	-	**(210)**
Goodwill arising on the acquisition of joint ventures	-	382	-	-	**382**
Disposal	-	-	-	(8)	**(8)**
Share of translation to presentation currency	(190)	-	2	1	**(187)**
Carrying amount as at 30 September 2017	2,864	172	105	-	3,141

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

7. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
30 September 2018			
Trade receivables	1,286	(24)	1,262
Other receivables	146	(90)	56
Total trade and other receivables, classified as financial assets	**1,432**	**(114)**	**1,318**
31 December 2017			
Trade receivables	1,247	(25)	1,222
Other receivables	187	(86)	101
Total 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:

Balance as at 1 January 2017	**(168)**
Additional provision, recognised in the current period	(4)
Release of provision	52
Utilisation of provision	2
Foreign currency translation	3
Balance as at 30 September 2017	**(115)**
Balance as at 1 January 2018	**(111)**
Additional provision, recognised in the current period	(12)
Release of provision	3
Utilisation of provision	6
Balance as at 30 September 2018	**(114)**

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2018	31 December 2017
VAT receivable	2,399	2,928
Advances to suppliers (net of provision)	856	939
Other current assets	78	108
Total prepayments and other current assets	**3,333**	**3,975**

As at 30 September 2018 and 31 December 2017 provision for impairment of advances to suppliers was recognised in the amount of RUR 2m and RUR 2m, respectively.

9. SHORT-TERM INVESTMENTS

	30 September 2018	31 December 2017
Russian Rouble denominated bank deposits	554	-
Total short-term investments	**554**	**-**

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

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

9. SHORT-TERM INVESTMENTS (CONTINUED)

As at 30 September 2018 two Russian Rouble-denominated bank deposits in the total amount of RUR 550m, bearing interest at annual rates 6.82% and 7.10%, were placed with JSC Alfa-Bank and PJSC Bank VTB, a related party as at 30 September 2018 (Note 22). The total amount of accrued interest amounted to RUR 4m. The deposits mature in November 2018 and December 2018.

10. CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Russian Rouble denominated bank deposits	6,143	1,067
Foreign currency denominated current accounts with banks	2,091	2,324
Cash and Russian Rouble denominated current accounts with banks	248	780
Total cash and cash equivalents	**8,482**	**4,171**

Seventeen Russian Rouble denominated short-term bank deposits in the total amount of RUR 6,121m bearing interest at annual rates in a range from 4.8% to 7.5% were placed with JSC Alfa-Bank, JSC UniCredit Bank and PJSC Bank VTB, a related party as at 30 September 2018 (Note 22). The total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 22m.The deposits matured in October - November 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.

11. EQUITY

Share Capital

As at 30 September 2018, the Company's authorised, issued and paid share capital has not changed since 31 December 2017. 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 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. In June 2018 the dividends have been fully paid.

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.

12. LONG-TERM DEBT

Long-term debt

	Effective interest rate	30 September 2018	31 December 2017
Bonds, series BO-01	7,55%	5,987	-
Bonds, series BO-02	9,45%	4,992	4,987
Total		**10,979**	**4,987**

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

12. LONG-TERM DEBT (CONTINUED)

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.

As at 30 September 2018 the carrying value of the bonds amounted to RUR 6,069m (RUR 0m as at 31 December 2017), including the amount of accrued interest of RUR 82m (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 30 September 2018 the carrying value of the bonds amounted to RUR 5,005m (RUR 5,117m as at 31 December 2017), including the amount of accrued interest of RUR 13m (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 25.

Current portion of long-term debt

	Effective interest rate	30 September 2018	31 December 2017
Bonds, series BO-01	7,55%	81	-
Bonds, series BO-02	9,45%	13	130
Bonds, series 4	8,40%	-	1,295
Total		**94**	**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 in the amount of RUR 1,295m (including the amount of accrued interest of RUR 45m).

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

13. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the nine-month periods ended 30 September 2018 and 30 September 2017 consisted of the following:

	2018	2017
Pension Fund of the Russian Federation	631	573
Defined contribution plan “Blagosostoyanie”	23	19
Total expense for defined contribution plans	**654**	**592**

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 30 September 2018 and 30 September 2017 consisted of the following:

	2018	2017
Pension Fund of the Russian Federation	171	159
Defined contribution plan “Blagosostoyanie”	10	7
Total expense for defined contribution plans	**181**	**166**

Defined benefit plans

Principal actuarial assumptions as at 30 September 2018 were substantially the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 with the exception of changes in discount rate, which increased to 8.5% as at 30 September 2018 (as at 31 December 2017: 7.5%) and the projected average annual consumer price inflation in 2018-2020, which was 4.2% as at 30 September 2018 (as at 31 December 2017: 4.1%).

The amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income for the nine-month periods ended 30 September 2018 and 30 September 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	24	20	106	102	130	122
Net interest on obligation	40	45	10	10	50	55
Remeasurements of the net defined benefit liability	-	-	(7)	(3)	(7)	(3)
Net expense recognised in the consolidated profit or loss	**64**	**65**	**109**	**109**	**173**	**174**

The amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month periods ended 30 September 2018 and 30 September 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	4	36	34	44	38
Net interest on obligation	12	15	1	1	13	16
Remeasurements of the net defined benefit liability	-	-	(4)	1	(4)	1
Net expense recognised in the consolidated profit or loss	**20**	**19**	**33**	**36**	**53**	**55**

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

13. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Net gain recognised in other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 49m for the nine-month period ended 30 September 2018 and net loss recognised in other comprehensive income constitute RUR 30m for the nine-month period ended 30 September 2017.

Net gain recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit liability and constitutes RUR 35m for the three-month period ended 30 September 2018 and net loss recognised in other comprehensive income constitute RUR 14m for the three-month period ended 30 September 2017.

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 September 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	787	875	282	294	1,069	1,169
Fair value of plan assets	(66)	(66)	-	-	(66)	(66)
Net employee benefit liability	**721**	**809**	**282**	**294**	**1,003**	**1,103**

14. TRADE AND OTHER PAYABLES

	30 September 2018	31 December 2017
Trade payables	789	704
Amounts payable for the acquisition of property, plant and equipment	527	139
Amounts payable for the intangible assets	7	13
Total financial liabilities within trade and other payable	**1,323**	**856**
Liabilities to customers (advances)	-	3,706
Total trade and other payables	**1,323**	**4,562**

15. TAXES OTHER THAN INCOME TAX PAYABLE

	30 September 2018	31 December 2017
Social insurance contribution	172	216
Property tax	123	113
Personal income tax	37	35
Other taxes	6	6
Total taxes other than income tax payable	**338**	**370**

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	30 September 2018	31 December 2017
Settlements with employees	573	1,023
Provisions for liabilities	2	2
Other liabilities (financial liabilities)	147	11
Other liabilities	3	13
Total accruals and other current liabilities	**725**	**1,049**

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

16. ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

Settlements with employees as at 30 September 2018 and 31 December 2017 comprised accrued salaries and bonuses of RUR 391m and RUR 838m, respectively, and accruals for unused vacation of RUR 182m and RUR 185m, respectively.

17. 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 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.

Analysis of revenue by category	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Integrated freight forwarding and logistics services	51,678	40,990	18,781	15,929
Cargo transportation and handling services with involvement of third parties	-	2,042	-	206
Agency fees	2,134	1,872	796	731
Other	1,908	3,338	812	703
Total revenue	**55,720**	**48,242**	**20,389**	**17,569**

During the nine-month period ended 30 September 2018 the Group provided more integrated freight forwarding and logistics services to the customers and stopped providing cargo transportation and handling services with involvement of third parties.

Analysis of revenue by location of customers	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Revenue from external customers				
Russia	47,435	41,498	17,109	15,009
Korea	3,704	2,652	1,464	1,151
China	1,661	788	789	397
Germany	1,362	1,215	521	362
Finland	334	247	100	105
Latvia	316	360	117	108
Great Britain	286	682	45	249
Kazakhstan	279	368	110	73
Other	343	432	134	115
Total revenue	**55,720**	**48,242**	**20,389**	**17,569**

During the nine-month period ended 30 September 2018, OJSC RZD ("RZD") and its subsidiaries accounted for RUR 4,899m or 9% of the Group's total revenue (for the nine-month period ended 30 September 2017: RUR 4,074m or 8% of the Group's total revenue).

During the three-month period ended 30 September 2018, OJSC RZD and its subsidiaries accounted for RUR 1,929m or 9% of the Group's total revenue (for the three-month period ended 30 September 2017: RUR 1,769m or 10% of the Group's total revenue).

During the nine-month period ended 30 September 2018, UNICO LOGISTICS accounted for RUR 3,803m or 7% of the Group's total revenue (for the nine-month period ended 30 September 2017: RUR 2,386m or 5% of the Group's total revenue).

During the three-month period ended 30 September 2018, UNICO LOGISTICS accounted for RUR 1,534m or 8% of the Group's total revenue (for the three-month period ended 30 September 2017: RUR 1,021m or 6% of the Group's total revenue).

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

18. OTHER OPERATING INCOME

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Gain on the sale and disposal of property, plant and equipment	253	153	77	89
Gain on the sale of inventory and from the reuse of spare parts	147	138	50	68
Change in provision for impairment of receivables	-	49	-	14
Other operating income	92	105	20	48
Total other operating income	**492**	**445**	**147**	**219**

19. OPERATING EXPENSES

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Third-party charges related to principal activities	33,306	27,815	12,016	10,127
Payroll and related charges	4,257	3,932	1,360	1,231
Freight and transportation services	4,058	4,869	1,295	1,623
Materials, repair and maintenance	2,463	2,201	883	867
Depreciation and amortisation	2,145	1,977	732	677
Taxes other than income tax	624	405	243	2
Rent	229	200	99	72
Consulting and information services	165	175	68	77
Security	135	145	43	48
License and software	124	97	29	35
Fuel costs	122	112	42	35
Charity	113	68	93	55
Communication costs	52	50	16	18
Other expenses	553	466	137	121
Total operating expenses	**48,346**	**42,512**	**17,056**	**14,988**

20. INTEREST EXPENSE

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Interest expense on RUR bonds	665	485	232	141
Interest expense on finance lease obligations	-	6	-	-
Total interest expense	**665**	**491**	**232**	**141**

21. INCOME TAX

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2018	2017	2018	2017
Current income tax expense	(1,552)	(1,173)	(732)	(529)
Deferred income tax expense	(205)	(109)	(174)	(47)
Income tax	**(1,757)**	**(1,282)**	**(906)**	**(576)**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the nine-month period ended 30 September 2018 was 20.9% (for the nine-month period ended 30 September 2017: 19.9%).

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

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 30 September 2018 and 31 December 2017, are disclosed below:

	Nature of relationship	
Related party	**30 September 2018**	**31 December 2017**
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 11)	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 6)	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
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
LLC Enysei Capital	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.

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)

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances with related parties as at 30 September 2018 are shown below:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
ASSETS					
Non-current assets					
Advances for acquisition of non-current assets	-	-	-	1	**1**
Current assets					
Short-term investments	-	-	-	253	**253**
Cash and cash equivalents	-	-	-	5,680	**5,680**
Trade receivables	438	3	-	-	**441**
Other receivables	2	4	19	35	**60**
Advances to suppliers	485	28	-	4	**517**
Total assets	**925**	**35**	**19**	**5,973**	**6,952**
LIABILITIES					
Current liabilities					
Trade payables	18	44	73	13	**148**
Contracts liabilities	-	69	131	72	**272**
Other payables	8	3	-	6	**17**
Total liabilities	**26**	**116**	**204**	**91**	**437**

In 2017, the Company acted as a guarantor for the execution of FVKS obligations under the loan agreement with Vnesheconombank. As at 30 September 2018 the debt of FVKS secured by the guarantee under the loan agreement amounted to RUR 2.3bn (RUR 2.2bn as at 31 December 2017). As at 30 September 2018 and 31 December 2017 the financial guarantee for investment in joint venture recognised in the interim condensed consolidated statement of financial position was RUR 154m (Note 6).

The income and expense items with related parties for the nine-month period ended 30 September 2018 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	1	2,482	580	368	**3,431**
Agency fees	2,134	-	-	-	**2,134**
Other services	252	77	5	6	**340**
Interest income on deposits	-	-	-	185	**185**
Other interest income	-	-	-	21	**21**
Dividends received from joint ventures	-	-	372	-	**372**
Other operating income	7	6	1	1	**15**
Total income	**2,394**	**2,565**	**958**	**581**	**6,498**
Operating Expenses					
Freight and transportation services	3,152	-	184	58	**3,394**
Third-party charges related to principal activities	26,465	30	2,397	119	**29,011**
Repair services	302	1,187	26	1	**1,516**
Rent of property and equipment	16	1	-	3	**20**
Other expenses	102	20	9	98	**229**
Total expenses	**30,037**	**1,238**	**2,616**	**279**	**34,170**
Purchases of property, plant and equipment	-	1		10	**11**
Purchases of materials	2	237		12	**251**
Contributions to non-state pension funds	-	-		66	**66**
Total other transactions	**2**	**238**		**88**	**328**

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

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the three-month period ended 30 September 2018 were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
Revenue					
Integrated freight forwarding and logistics services	1	959	193	163	**1,316**
Agency fees	796	-	-	-	**796**
Other services	142	32	2	5	**181**
Interest income on deposits	-	-	-	70	**70**
Other interest income	-	-	-	2	**2**
Other operating income	1	1	-	-	**2**
Total income	**940**	**992**	**195**	**240**	**2,367**
Operating Expenses					
Freight and transportation services	958	-	75	15	**1,048**
Third-party charges related to principal activities	9,531	16	937	22	**10,506**
Repair services	104	459	9	-	**572**
Rent of property and equipment	5	1	-	1	**7**
Other expenses	30	4	7	44	**85**
Total expenses	**10,628**	**480**	**1 028**	**82**	**12,218**
Purchases of property, plant and equipment	-	1		1	**2**
Purchases of materials	-	64		4	**68**
Contributions to non-state pension funds	-	-		32	**32**
Total other transactions	**-**	**65**		**37**	**102**

As at 31 December 2017, the outstanding balances with related parties were as follows:

	Ultimate parent company (RZD)	Other RZD group entities	Group's joint ventures	Other related parties	Total
ASSETS					
Current assets					
Cash and cash equivalents	-	-	-	3,632	**3,632**
Trade receivables	352	195	20	-	**567**
Other receivables	10	17	2	47	**76**
Advances to suppliers	798	40	46	4	**888**
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**

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

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Integrated freight forwarding and logistics services	2	2,133	98	677	159	**3,069**
Agency fees	1,872	-	-	-	-	**1,872**
Cargo transportation and handling services with involvement of third parties	-	34	-	-	4	**38**
Other services	167	34	-	13	109	**323**
Interest income on deposits	-	-	-	-	57	**57**
Other interest income	-	-	-	-	3	**3**
Dividends received from joint ventures	-	-	-	14	-	**14**
Other operating income	19	80	-	2	1	**102**
Total income	**2,060**	**2,281**	**98**	**706**	**333**	**5,478**
Operating Expenses						
Freight and transportation services	3,265	-	-	113	1	**3,379**
Third-party charges related to principal activities	22,853	32	-	1,814	82	**24,781**
Repair services	339	955	-	-	5	**1,299**
Rent of property and equipment	19	2	-	-	2	**23**
Other expenses	80	32	-	13	81	**206**
Total expenses	**26,556**	**1,021**	**-**	**1,940**	**171**	**29,688**
Purchases of property, plant and equipment	3	2	-	-	93	**98**
Purchases of materials	-	101	-	-	9	**110**
Contributions to non-state pension funds	-	-	-	-	51	**51**
Total other transactions	**3**	**103**	**-**	**-**	**153**	**259**

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

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Integrated freight forwarding and logistics services	1	1,044	22	199	101	**1,367**
Agency fees	731	-	-	-	-	**731**
Cargo transportation and handling services with involvement of third parties	-	11	(2)	-	-	**9**
Other services	112	13	(2)	1	27	**151**
Interest income on deposits	-	-	-	-	37	**37**
Dividends received from joint ventures	-	-	-		1	**1**
Other operating income	12	28	-	2	1	**43**
Total income	**856**	**1,096**	**18**	**202**	**167**	**2,339**
Operating Expenses						
Freight and transportation services	1,047	-	-	46	-	**1,093**
Third-party charges related to principal activities	8,254	15	(2)	695	28	**8,990**
Repair services	141	349	-	-	3	**493**
Rent of property and equipment	6	1	-	-	-	**7**
Other expenses	29	10	-	6	32	**77**
Total expenses	**9,477**	**375**	**(2)**	**747**	**63**	**10,660**

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

22. 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	-	2	-	-	31	**33**
Purchases of materials	(1)	-	-	-	3	**2**
Contributions to non-state pension funds	-	-	-	-	15	**15**
Total other transactions	**(1)**	**2**	**-**	**-**	**49**	**50**

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

15 May 2018 the Group declared dividends payable to JSC UTLC, FAR-EASTERN SHIPPING COMPANY PLC. and LLC Enysei Capital in the amount of RUR 2,036m, RUR 1,021m and RUR 998m, respectively, which were paid in June 2018.

In July 2017 dividends paid to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 325m and RUR 163m, respectively.

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, Committee's members and Chief Accountant, and comprised 19 and 18 persons as at 30 September 2018 and 30 September 2017.

Total gross compensation, including social contributions and before withholding of personal income tax, to key management personnel amounted to RUR 336m (including total social contributions of RUR 45m) and RUR 221m (including total social contributions of RUR 28m) for the nine-month periods ended 30 September 2018 and 30 September 2017, respectively. Such compensation for the three-month periods ended 30 September 2018 and 30 September 2017 amounted to RUR 88m (including total social contributions of RUR 11m) and RUR 70m (including total social contributions of RUR 8m), respectively.

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

As at 30 September 2018 payables to Key management personnel in accruals and other current liabilities amounted to RUR 69m, and on employee benefit liability amounted to RUR 7m (RUR 249m and RUR 24m respectively as at 31 December 2017).

23. COMMITMENTS UNDER OPERATING LEASES

As at 30 September 2018, the Group leases 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 relevant lease agreements have terms varying from one to four years. Additionally, the Group leases the land on which its container terminals are located.

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

23. COMMITMENTS UNDER OPERATING LEASES (CONTINUED)

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

	30 September 2018	31 December 2017
Within one year	117	123
Within two to five years	171	213
After five years	24	38
Total minimum lease payments	**312**	**374**

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

24. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 September 2018 and 31 December 2017 consisted of the following, including VAT:

	30 September 2018	31 December 2017
Acquisition of containers and flatcars	7,018	2,906
Acquisition of lifting machines and other equipment	135	132
Construction of container terminal complexes and modernisation of existing assets	171	133
Total capital commitments	**7,324**	**3,171**

As at 30 September 2018 the main significant counterparties with which the Group entered into the new agreements on purchase of containers and flatcars in 2018 were as follows:

- JSC Roslavlskiy vagonoremontniy zavod, the total amount under the agreements is RUR 945m;
- OJSC Transportnoye Mashinostroyeniye, the total amount under the agreements is RUR 2,511m;
- LLC Speccompany, the total amount under the agreements is RUR 2,266m;
- LLC RailAlliance, the total amount under the agreement is RUR 756m;
- Taicang CIMC special logistic equipment Co., Ltd, the total amount under the agreements is USD 16m (RUR 1,021m at the Central Bank of Russia official exchange rate as at the reporting date).

25. RISK MANAGEMENT ACTIVITIES AND FAIR VALUE

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 is negatively impacted by a decline in oil prices, ongoing political tension and international sanctions against certain Russian companies and individuals. Financial markets remain volatile This economic environment has a significant impact on the Group's operations and financial position. Management takes the necessary steps to ensure stable operations of the Group. Nevertheless, the future implications of the current economic situation is difficult to predict, and Management's current expectations and assessment may differ from actual results.

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

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

25. RISK MANAGEMENT ACTIVITIES AND FAIR VALUE (CONTINUED)

During the nine-month period ended 30 September 2018 there was the weakening of the Russian Rouble against USD while the CBRF official exchange rate increased from RUR 57.6002 per USD as at 31 December 2017 to RUR 65,5906 per USD as at 30 September 2018, EUR while the CBRF official exchange rate increased from RUR 68.8668 per EUR as at 31 December 2017 to RUR 76,2294 per EUR as at 30 September 2018 and Kazakhstan Tenge while the CBRF official exchange rate increased from RUR 17.3184 per 100 Tenge as at 31 December 2017 to RUR 18,0626 per 100 Tenge as at 30 September 2018.

As at 30 September 2018 the Group received financial guarantees from Bank of China, Rail Cargo - Austria GmbH, Shinhan Bank, JSC Gazprombank, JSC Ilim Group and CB LOCKO-Bank (JSC) in the total amount of RUR 1,934m 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 30 September 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 nine-month period ended 30 September 2018, except for the Group's application of IFRS 9 Financial Instruments effective from 1 January 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. As on the reporting date the Group had financial assets and liabilities classified as Level 1, Level 2 and Level 3.

During the nine-month period ended 30 September 2018 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, financial guarantees. Except for cash and cash equivalents and short-term investments, these financial assets and liabilities and financial guarantee for the investment in joint venture relate to Level 3 in the fair value hierarchy. Cash in hand refers to the Level 1 in the fair value hierarchy, other cash and 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:

	30 September 2018	31 December 2017
Financial liabilities		
Bonds	10,919	6,493
Total	**10,919**	**6,493**

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.

26. SUBSEQUENT EVENTS

Change in a significant shareholder of the Company. In October 2018, PJSC Bank VTB acquired from FAR-EASTERN SHIPPING COMPANY PLC 24.84% ownership interest in the Company. As a result, FAR-EASTERN SHIPPING COMPANY PLC has lost significant influence on the Company.

Acquisition of flatcars. In October-November 2018 the Group obtained under the previously signed agreements:

- 64 flatcars from JSC Roslavlskiy vagonoremontniy zavod for the total amount of RUR 141m (plus VAT in the amount of RUR 25m);
- 266 flatcars from OJSC Transportnoye Mashinostroyeniye for the total amount of RUR 657m (plus VAT in the amount of RUR 118m);
- 104 flatcars from LLC Speccompany for the total amount of RUR 297m (plus VAT in the amount of RUR 54m);
- 87 flatcars from LLC RailAlliance for the total amount of RUR 249m (plus VAT in the amount of RUR 45m).

Acquisition of containers. In October-November 2018 the Group obtained under the previously signed agreements:

- 668 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 115m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT;
- 78 containers from DG ORDEREASY LTD for the total amount of RUR 21m at the Central Bank of Russia official exchange rate as at the date of purchase, net of VAT.