

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**Interim Condensed Consolidated Financial
Statements**

For the Three-Month Period Ended 31 March 2016

PJSC TRANSCONTAINER

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016

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 31 March 2016 and the results of its operations, cash flows and changes in equity for the three-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

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

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

Management is also responsible for:

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

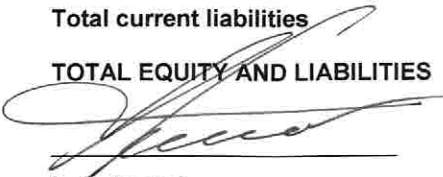
The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2016 were approved on 27 May 2016 by:

P. V. Baskakov
General Director

M. V. Usenko
Acting Chief Accountant

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

	Notes	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	3	37,653	37,636
Advances for acquisition of non-current assets	3	227	431
Investment property		105	105
Intangible assets		258	246
Investments in associates and joint ventures	4	2,638	3,023
Trade and other receivables	5	220	212
Other non-current assets		85	86
Total non-current assets		41,186	41,739
Current assets			
Inventory		299	315
Trade and other receivables	5	1,463	1,392
Prepayments and other current assets	6	3,188	3,527
Prepaid income tax		43	84
Short-term investments	7	203	7
Cash and cash equivalents	8	2,768	2,110
Total current assets		7,964	7,435
TOTAL ASSETS		49,150	49,174
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	13,895	13,895
Treasury shares		(494)	(494)
Reserve fund		697	697
Translation reserve		(43)	210
Equity-settled employee benefits reserve	13	240	240
Other reserves, including investment property's revaluation reserve		(2,140)	(2,140)
Retained earnings		24,207	23,779
Total equity		36,362	36,187
Non-current liabilities			
Long-term debt	10	2,493	3,744
Finance lease obligations, net of current maturities	11	124	126
Employee benefit liability	12	946	904
Deferred tax liability		1,465	1,466
Total non-current liabilities		5,028	6,240
Current liabilities			
Trade and other payables	14	3,648	3,405
Current portion of long-term debt	10	3,039	1,893
Income tax payable		66	99
Taxes other than income tax payable	15	332	634
Provisions		12	12
Finance lease obligations, current maturities	11	18	18
Accruals and other current liabilities	16	645	686
Total current liabilities		7,760	6,747
TOTAL EQUITY AND LIABILITIES		49,150	49,174


P. V. Baskakov
 General Director

27 May 2016


M. V. Usenko
 Acting Chief Accountant

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

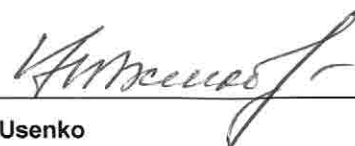
(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	2016	2015
Revenue	17	11,059	10,095
Other operating income	18	145	146
Operating expenses	19	(10,511)	(9,263)
Foreign exchange (loss)/gain, net		(100)	57
Interest expense	20	(118)	(140)
Interest income		42	28
Share of result of associates and joint ventures	4	57	27
Profit before income tax		574	950
Income tax expense	21	(127)	(194)
Profit for the period attributable to the owners of the parent		447	756
Other comprehensive (loss)/income (net of income tax)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit plans liabilities	12	(19)	(25)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of translation of financial information of associates and joint ventures to presentation currency	4	(236)	191
Exchange differences on translating of other foreign operations		(17)	(17)
Other comprehensive (loss)/income for the period		(272)	149
Total comprehensive income for the period attributable to the owners of the parent		175	905
Earnings per share, basic and diluted (in Russian Roubles)		33	55
Weighted average number of shares outstanding		13,693,468	13,693,961



P. V. Baskakov
 General Director

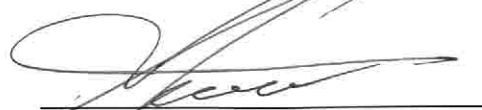
27 May 2016



M. V. Usenko
 Acting Chief Accountant

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

	Notes	2016	2015
Cash flows from operating activities:			
Profit before income tax		574	950
Adjustments for:			
Depreciation and amortisation	19	615	532
Change in provision for impairment of receivables	5	(15)	-
Gain on disposal of property, plant and equipment	18	(73)	(79)
Reversal of impairment of property, plant and equipment	3	(16)	(12)
Share of result of associates and joint ventures	4	(57)	(27)
Interest expense, net		76	112
Foreign exchange loss/(gain),net		100	(57)
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		1,204	1,419
Working capital changes:			
Decrease in inventory		101	140
Increase in trade and other receivables		(92)	(64)
Decrease in prepayments and other assets		377	570
Increase/(decrease) in trade and other payables		31	(380)
(Decrease)/increase in taxes other than income tax		(302)	8
Decrease in accrued expenses and other current liabilities		(42)	(59)
Increase in employee benefit liabilities		18	17
Net cash from operating activities before income tax and interest		1,295	1,651
Interest paid		(222)	(229)
Income tax paid		(114)	(234)
Net cash provided by operating activities		959	1,188
Cash flows from investing activities:			
Purchases of property, plant and equipment		(245)	(137)
Proceeds from disposal of property, plant and equipment		17	1
Sale of long-term investments		9	53
Sale of short-term investments		7	8
Purchases of short-term investments		(200)	(109)
Purchases of intangible assets		(24)	(8)
Dividends received from joint ventures		206	-
Interest received		32	17
Net cash used in investing activities		(198)	(175)
Cash flows from financing activities:			
Repayments of finance lease obligations		(2)	(4)
Net cash used in financing activities		(2)	(4)
Net increase in cash and cash equivalents		759	1,009
Cash and cash equivalents at beginning of the period		2,110	1,904
Foreign exchange effect on cash and cash equivalents		(101)	2
Cash and cash equivalents at end of the period		2,768	2,915



P. V. Baskakov
General Director


27 May 2016



M. V. Usenko
Acting Chief Accountant

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

	Notes	Share capital	Treasury shares	Reserve fund	Translation reserve	Equity-settled employee benefits reserve	Other reserves, including investment property's revaluation reserve	Retained earnings	Total
Balance at 1 January 2015		13,895	(493)	697	1,081	240	(2,156)	21,981	35,245
Profit for the period		-	-	-	-	-	-	756	756
Other comprehensive income/(loss) for the period		-	-	-	174	-	-	(25)	149
Total comprehensive income for the period		-	-	-	174	-	-	731	905
Balance at 31 March 2015		13,895	(493)	697	1,255	240	(2,156)	22,712	36,150
Profit for the period		-	-	-	-	-	-	2,075	2,075
Other comprehensive income/(loss) for the period		-	-	-	(1,045)	-	16	(34)	(1,063)
Total comprehensive income/(loss) for the period		-	-	-	(1,045)	-	16	2,041	1,012
Acquisition of treasury shares		-	(1)	-	-	-	-	-	(1)
Dividends		-	-	-	-	-	-	(974)	(974)
Balance at 31 December 2015		13,895	(494)	697	210	240	(2,140)	23,779	36,187
Profit for the period	12	-	-	-	-	-	-	447	447
Other comprehensive loss for the period		-	-	-	(253)	-	-	(19)	(272)
Total comprehensive income/(loss) for the period		-	-	-	(253)	-	-	428	175
Balance at 31 March 2016		13,895	(494)	697	(43)	240	(2,140)	24,207	36,362


P. V. Baskakov
 General Director
 27 May 2016


M. V. Usenko
 Acting Chief Accountant

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS

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

The Company’s principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 45 container terminals along the Russian railway network. As at 31 March 2016, the Company operated 15 branches in Russia. The Company’s registered address is 19 Oruzheiny pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				2016	2015	2016	2015
JSC TransContainer-Slovakia	Subsidiary	Slovakia	Container shipments	100	100	100	100
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
Oy ContainerTrans Scandinavia Ltd.	Joint venture	Finland	Container shipments	50	50	50	50
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture	China	Container shipments	49	49	50	50
JSC Kedentransservice (Note 4)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
Trans-Eurasia Logistics GmbH	Associate	Germany	Container shipments	20	20	20	20
LLC TransContainer Finance (Note 13)	Subsidiary	Russia	Share option programme operator	100	100	100	100
Logistic Investment S.a.r.l.	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Helme’s Operation UK Limited	Joint venture	Great Britain	Investment activity	50	50	50	50
Logistic System Management B.V.	Joint venture	Netherlands	Investment activity	50	50	50	50

The interim condensed consolidated financial statements of PJSC TransContainer and its subsidiaries (the “Group”) as at 31 March 2016 and for the three-month period then ended were authorised for issue by the General Director of the Company on 27 May 2016.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

New standards and interpretations

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

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

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

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 2015 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 21) and some actuarial assumptions (Note 12). As at 31 December 2015 the Group revised the remaining useful lives of items of property, plant and equipment, the ranges of useful lives for each group of items have not changed.

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

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services and other services that have certain characteristics of agency services have been excluded from both revenue and expenses, then revenue from integrated freight forwarding and logistics services, and management of cargo transportation and handling with involvement of third parties and third-party charges related to principal activities would have decreased by RUR 6,462m for the three-month period ended 31 March 2016 (including RUR 5,395m for integrated freight forwarding and logistics services and RUR 1,067m for management of cargo transportation and handling with involvement of third parties). For the three-month period ended 31 March 2015 this effect would be RUR 5,051m (including RUR 4,543m for integrated freight forwarding and logistics services and RUR 508m for management of cargo transportation and handling with involvement of third parties).

Seasonality – The business of the Group is subject to seasonal fluctuations. Revenue and income from current operations are affected by such factors as river transport seasonality, the summer shipping season (for Northern regions) and consumer market cycles. Typically, the number of orders received between January and February is below the annual average. In accordance with IFRS, revenue and the related expenses are recognised in the period in which they are realised and incurred respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results. In the financial year ended 31 December 2015 24% of revenues accumulated in the first quarter of the year, with 76% accumulating in the next three quarters of the year.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (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						
31 December 2015	11,482	36,206	2,119	2,893	1,207	53,907
Additions	-	337	192	32	69	630
Transfers	1	39	-	-	(40)	-
Disposals	-	(155)	(17)	(73)	-	(245)
31 March 2016	11,483	36,427	2,294	2,852	1,236	54,292
Accumulated depreciation						
31 December 2015	(2,276)	(11,059)	(1,080)	(1,856)	-	(16,271)
Depreciation charge for the period	(65)	(428)	(32)	(77)	-	(602)
Reversal of impairment	-	16	-	-	-	16
Disposals	-	133	17	68	-	218
31 March 2016	(2,341)	(11,338)	(1,095)	(1,865)	-	(16,639)
Net book value						
31 December 2015	9,206	25,147	1,039	1,037	1,207	37,636
31 March 2016	9,142	25,089	1,199	987	1,236	37,653
Cost						
1 January 2015	11,164	36,408	2,025	2,528	333	52,458
Additions	2	143	-	10	23	178
Transfers	1	10	-	-	(11)	-
Disposals	-	(152)	-	(35)	-	(187)
31 March 2015	11,167	36,409	2,025	2,503	345	52,449
Accumulated depreciation						
1 January 2015	(2,043)	(10,009)	(965)	(1,723)	-	(14,740)
Depreciation charge for the period	(66)	(371)	(26)	(59)	-	(522)
Reversal of impairment	-	12	-	-	-	12
Disposals	-	124	-	35	-	159
31 March 2015	(2,109)	(10,244)	(991)	(1,747)	-	(15,091)

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

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 738m and RUR 791m as at 31 March 2016 and 31 December 2015, respectively.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,486m and RUR 1,513m as at 31 March 2016 and 31 December 2015, respectively.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

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

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
Cost	226	243
Accumulated depreciation	<u>(125)</u>	<u>(106)</u>
Net book value	<u>101</u>	<u>137</u>

Construction in-progress as at 31 March 2016 and 31 December 2015 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Krasnoyarsk, Yekaterinburg and Irkutsk amounting to RUR 201m, RUR 194m and RUR 86m, respectively, RUR 86m acquired realty for construction the new container terminal in Primorsky Krai and crane equipment acquired for the amount of RUR 404m not ready for intended use as at reporting dates.

Below is the information about office premises related to the group Buildings as part of property, plant and equipment leased by the Group under the agreement of finance lease as at 31 March 2016 and 31 December 2015:

	<u>31 March 2016</u>	<u>31 December 2015</u>
Cost	160	160
Accumulated depreciation	<u>(7)</u>	<u>(7)</u>
Net book value	<u>153</u>	<u>153</u>

See Note 11 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 31 March 2016 and 31 December 2015, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of cranes and loaders (RUR 21m and RUR 114m, respectively), advances for the acquisition of containers (RUR 161m and RUR 259m, respectively), advances for the acquisition of rolling stock (RUR 34m and RUR 37m, respectively) and advances for the acquisition of other non-current assets (RUR 11m and RUR 21m, respectively).

4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	<u>2016</u>				<u>2015</u>			
	Joint Venture JSC Kedentrans- service	Other joint ventures	Associa- tes	Total associates and joint ventures	Joint Venture JSC Kedentrans- service	Other joint ventures	Associa- tes	Total associates and joint ventures
Carrying amount as at 1 January	<u>2,910</u>	<u>105</u>	<u>8</u>	<u>3,023</u>	<u>3,246</u>	<u>80</u>	<u>17</u>	<u>3,343</u>
Share of result of associates and joint ventures	54	2	1	57	30	4	(7)	27
Dividends received from joint venture	(206)	-	-	(206)	-	-	-	-

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	2016				2015			
	Joint Venture JSC Kedentrans-service	Other joint ventures	Associates	Total associates and joint ventures	Joint Venture JSC Kedentrans-service	Other joint ventures	Associates	Total associates and joint ventures
Effect of translation to presentation currency	(228)	(7)	(1)	(236)	189	2	-	191
Carrying amount as at 31 March	<u>2,530</u>	<u>100</u>	<u>8</u>	<u>2,638</u>	<u>3,465</u>	<u>86</u>	<u>10</u>	<u>3,561</u>

5. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 March 2016			
Trade receivables	1,554	(238)	1,316
Other receivables	<u>152</u>	<u>(5)</u>	<u>147</u>
Total trade and other receivables, classified as financial assets	<u>1,706</u>	<u>(243)</u>	<u>1,463</u>
31 December 2015			
Trade receivables	1,440	(252)	1,188
Other receivables	<u>209</u>	<u>(5)</u>	<u>204</u>
Total trade and other receivables, classified as financial assets	<u>1,649</u>	<u>(257)</u>	<u>1,392</u>

Long-term receivables are represented by accounts receivable of JSC RZD Logistics, which are expected to be fully repaid till April 2018. A discount rate of 8.6% has been used for the receivables' present value determination. As at 31 March 2016 the present value of long-term accounts receivable of JSC RZD Logistics amounted to RUR 220m (RUR 212m as at 31 December 2015). As at 31 March 2016 a part of trade receivables of JSC RZD Logistics in the amount of RUR 138m (RUR 138m as at 31 December 2015), was recognised as a part of short-term trade receivables.

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

Balance as at 1 January 2015	(250)
Foreign currency translation	<u>(1)</u>
Balance as at 31 March 2015	<u>(251)</u>
Additional provision, recognised in the current period	(11)
Release of provision	16
Utilisation of provision	14
Foreign currency translation	<u>(25)</u>
Balance as at 31 December 2015	<u>(257)</u>
Release of provision	<u>14</u>
Balance as at 31 March 2016	<u>(243)</u>

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>31 March 2016</u>	<u>31 December 2015</u>
VAT receivable	1,791	1,731
Advances to suppliers (net of provision)	1,336	1,719
Other current assets	61	77
Total prepayments and other current assets	<u>3,188</u>	<u>3,527</u>

As at 31 March 2016 and 31 December 2015 provision for impairment of advances to suppliers was recognised in the amount of RUR 17m and RUR 18m, respectively.

7. SHORT-TERM INVESTMENTS

	<u>31 March 2016</u>	<u>31 December 2015</u>
Russian Rouble denominated bank deposits	203	7
Total short-term investments	<u>203</u>	<u>7</u>

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

Four Russian Rouble-denominated bank deposits in the amount of RUR 200m, bearing interest at annual rate 10.65%, were placed with AO ALFA-BANK. The total amount of accrued interest amounted to RUR 3m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position. The deposits matured in July 2016.

8. CASH AND CASH EQUIVALENTS

	<u>31 March 2016</u>	<u>31 December 2015</u>
Cash and Russian Rouble denominated current accounts with banks	875	984
Foreign currency denominated current accounts with banks	742	916
Russian Rouble denominated bank deposits	813	210
Foreign currency denominated bank deposits	338	-
Total cash and cash equivalents	<u>2,768</u>	<u>2,110</u>

Five Russian Rouble denominated short-term bank deposits in the total amount of RUR 812m bearing interest at annual rates in a range from 10.50% to 10.65% and two USD-denominated short-term bank deposits in the total amount of USD 5m (RUR 338m at the Central Bank of Russia exchange rate as at 31 March 2016) bearing interest at annual rates in a range from 0.50% to 0.75% were placed with PJSC Bank VTB, a related party as at 31 March 2016 (Note 22) and AO ALFA-BANK. The total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 1m. The deposits matured in April-May 2016.

9. EQUITY

Share Capital

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

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10. LONG-TERM DEBT

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. As a result, these bonds are classified as long-term borrowings.

As at 31 March 2016 the carrying value of the bonds amounted to RUR 4,993m (RUR 4,993m as at 31 December 2015) and has been included as long-term debt in the interim condensed consolidated statement of financial position in the amount of RUR 2,493m (RUR 3,744m as at 31 December 2015). The amount of Current portion of long-term bond is RUR 2,571m (RUR 1,425m as at 31 December 2015) including the accrued interest amounted to RUR 71m (RUR 176m as at 31 December 2015) and has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position. The fair value of Company's bond is disclosed in Note 25.

Current portion of long-term debt

	Effective interest rate	31 March 2016	31 December 2015
Current portion of long-term bond	8.35%	2,571	1,425
Current portion of long-term borrowings	9.5%	468	468
Total		3,039	1,893

During the year ended 31 December 2011 the Group obtained borrowed funds from LLC TrustUnion Asset Management for the amount of RUR 514m to finance the acquisition of ordinary shares in PJSC TransContainer in order to carry out a Share Option Plan for the Company's Management (Note 13). The loan matures in five years. As at 31 March 2016 the amount of loan was RUR 468m (RUR 468m as at 31 December 2015) and has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

11. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Due within one year	19	19	18	18
Due after one year but not more than five years	153	158	124	126
	172	177	142	144
Less future finance charges	(30)	(33)	-	-
Present value of minimum lease payments	142	144	142	144

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

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

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

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12. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 31 March 2016 and 31 March 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Pension Fund of the Russian Federation	163	163
Defined contribution plan "Blagosostoyanie"	3	5
Total expense for defined contribution plans	<u>166</u>	<u>168</u>

Defined benefit plans

Principal actuarial assumptions as at 31 March 2016 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2015 with the exception of changes in discount rate, which decreased down to 9.1% as at 31 March 2016 (as at 31 December 2015: 9.8%) and the projected average annual consumer price inflation in 2015-2017, which as at 31 March 2016 was 5.0% (as at 31 December 2015: 5.3%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 31 March 2016 and 31 March 2015 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Service cost	7	6	27	32	34	38
Net interest on obligation	16	18	6	10	22	28
Remeasurements of the net defined benefit	-	-	1	1	1	1
Net expense recognised in the consolidated profit or loss	<u>23</u>	<u>24</u>	<u>34</u>	<u>43</u>	<u>57</u>	<u>67</u>

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 19m for the three-month period ended 31 March 2016 and net expense recognised in other comprehensive income constitutes RUR 25m for the three-month period ended 31 March 2015.

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

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Present value of defined benefit obligation	732	690	274	269	1,006	959
Fair value of plan assets	(61)	(55)	-	-	(61)	(55)
Net employee benefit liability	<u>671</u>	<u>635</u>	<u>274</u>	<u>269</u>	<u>945</u>	<u>904</u>

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13. EMPLOYEE SHARE OPTION PLAN

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

The Plan provides for granting share options to the members of the Group's management (the "Plan Participants").

The options are vested in four annual installments at the end of each of four next years after June 2011. Each Plan Participant obtains the right to a certain quantity of share options for each year of service with the Company.

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

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

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

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

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

The number of options outstanding during the period from 1 January 2015 until 31 March 2016 has not changed and amounts to 174,935.

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

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

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

During the three-month period ended 31 March 2016 no expenses were incurred.

During the three-month period ended 31 March 2016 no options were exercised.

There were no movements in the reserve held for Share-based option plan during the period from 1 January 2015 to 31 March 2016. The reserve amounts to RUR 240m.

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14. TRADE AND OTHER PAYABLES

	31 March 2016	31 December 2015
Trade payables	674	645
Amounts payable for the acquisition of property, plant and equipment	376	157
Total financial liabilities within trade and other payable	1,050	802
Liabilities to customers (advances)	2,598	2,603
Total trade and other payables	3,648	3,405

15. TAXES OTHER THAN INCOME TAX PAYABLE

	31 March 2016	31 December 2015
Social insurance contribution	170	164
Property tax	119	117
Personal income tax	30	30
VAT	10	313
Other taxes	3	10
Total taxes other than income tax payable	332	634

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 March 2016	31 December 2015
Settlements with employees	595	583
Other liabilities (financial liabilities)	50	103
Total accruals and other current liabilities	645	686

Settlements with employees as at 31 March 2016 and 31 December 2015 comprised accrued salaries and bonuses of RUR 408m and RUR 399m, respectively, and accruals for unused vacation of RUR 187m and RUR 184m, respectively.

17. 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.

Analysis of revenue by category

	2016	2015
Integrated freight forwarding and logistics services	8,236	7,657
Cargo transportation and handling services with involvement of third parties	1,067	508
Rail-based container shipping services	943	1,090
Terminal services and agency fees	508	507
Truck deliveries	182	192
Bonded warehousing services	49	52
Other freight forwarding services	44	55
Other	30	34
Total revenue	11,059	10,095

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17. SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by location of customers

	<u>2016</u>	<u>2015</u>
Revenue from external customers		
Russia	9,144	7,830
Korea	739	1,268
Germany	394	469
Great Britain	202	15
Latvia	185	100
Kazakhstan	179	236
China	100	73
Other	116	104
Total revenue	<u><u>11,059</u></u>	<u><u>10,095</u></u>

During the three-month period ended 31 March 2016, OJSC RZD and its subsidiaries accounted for RUR 747m or 7% of the Group's total revenue (for the three-month period ended 31 March 2015: RUR 677m or 7% of the Group's total revenue).

During the three-month period ended 31 March 2016, UNICO LOGISTICS CO. LTD accounted for RUR 667m or 6% of the Group's total revenue (for the three-month period ended 31 March 2015: RUR 1,175m or 12% of the Group's total revenue).

18. OTHER OPERATING INCOME

	<u>2016</u>	<u>2015</u>
Gain from disposal of property, plant and equipment	73	79
Gain from the sale of inventory and from the reuse of spare parts	31	41
Other operating income	41	26
Total operating income	<u><u>145</u></u>	<u><u>146</u></u>

19. OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
Third-party charges related to principal activities	6,462	5,051
Freight and transportation services	1,259	1,300
Payroll and related charges	1,104	1,075
Depreciation and amortisation	615	532
Materials, repair and maintenance	430	486
Taxes other than income tax	164	138
Rent	89	194
Security	54	51
Charity	49	7
Consulting and information services	48	62
Fuel costs	47	45
License and software	35	21
Communication costs	19	17
Other expenses	136	284
Total operating expenses	<u><u>10,511</u></u>	<u><u>9,263</u></u>

20. INTEREST EXPENSE

	<u>2016</u>	<u>2015</u>
Interest expense on RUR bonds	104	119
Interest expense on bank loans and borrowings	11	11
Interest expense on finance lease obligations	3	10
Total interest expense	<u><u>118</u></u>	<u><u>140</u></u>

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21. INCOME TAX

	<u>2016</u>	<u>2015</u>
Current income tax charge	(122)	(184)
Deferred income tax expense	(5)	(10)
Income tax expense	<u>(127)</u>	<u>(194)</u>

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the three-month period ended 31 March 2016 was 21.9% (for the three-month period ended 31 March 2015: 21.1%).

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 are disclosed below:

Related party	Nature of relationship		
	<u>31 March 2016</u>	<u>31 December 2015</u>	<u>31 March 2015</u>
OJSC Russian Railways (RZD)	Ultimate controlling company	Ultimate controlling company	Ultimate controlling company
JSC UTLC (Note 9)	Parent company	Parent company	Parent company
JSC Kedentransservice	Joint venture of the Company	Joint venture of the Company	Joint venture of the Company
Oy ContainerTrans Scandinavia Ltd.	Joint venture of the Company	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	Joint venture of the Company
Trans-Eurasia Logistics GmbH	Associate of the Company	Associate of the Company	Associate of the Company
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC	Significant shareholder	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 consolidated financial statements.

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with state-controlled 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. These transactions are conducted

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

on commercial terms. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entities" in the table below), and PJSC Bank VTB, which is also state-controlled. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Services are provided on market terms.

Relationships with RZD, its subsidiaries, joint ventures and associates

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

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

Transactions and outstanding balances with related parties as at and for the three-month period ended 31 March 2016 are shown below:

	Ultimate controlling 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	-	220	-	-	-	220
Current assets						
Cash and cash equivalents	-	-	-	-	1,494	1,494
Trade receivables	357	412	2	40	-	811
Other receivables	31	43	-	9	58	141
Advances to suppliers	988	16	-	224	1	1,229
Total assets	1,376	691	2	273	1,553	3,895
LIABILITIES						
Current liabilities						
Trade payables	14	138	-	10	21	183
Liabilities to customers (advances)	-	28	4	42	24	98
Other payables	9	1	-	-	13	23
Total liabilities	23	167	4	52	58	304
Revenue						
Rail-based container shipping services	17	12	-	17	7	53
Terminal services and agency fees	406	2	-	-	1	409
Integrated freight forwarding and logistics services	-	284	50	129	5	468
Cargo transportation and handling services with involvement of third parties	-	20	-	-	1	21
Other services	5	11	1	-	3	20
Interest income on deposits	-	-	-	-	16	16
Other interest income	-	-	-	-	2	2
Other operating income	23	22	-	5	-	50
Total income	451	351	51	151	35	1,039
Operating Expenses						
Freight and transportation services	870	1	-	31	4	906
Third-party charges related to principal activities	5,049	2	-	566	59	5,676
Repair services	93	143	-	-	2	238
Rent of property and equipment	7	1	-	-	1	9
Other expenses	37	11	-	-	18	66
Total expenses	6,056	158	-	597	84	6,895

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Purchases of property, plant and equipment	1	(1)	-	-	33	33
Purchases of inventory	-	12	-	-	3	15
Contributions to non-state pension funds	-	-	-	-	7	7
Total other transactions	1	11	-	-	43	55

As at 31 March 2016 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, in respect of trade receivables balance is RUR 187m.

Transactions and outstanding balances with related parties as at 31 December 2015 and for the three-month period ended 31 March 2015 are shown below:

	Ultimate controlling 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	-	212	-	-	-	212
Current assets						
Cash and cash equivalents	-	-	-	-	1,123	1,123
Trade receivables	210	351	2	39	-	602
Other receivables	41	46	-	20	87	194
Advances to suppliers	1,440	10	-	122	1	1,573
Total assets	1,691	619	2	181	1,211	3,704
LIABILITIES						
Current liabilities						
Trade payables	13	114	1	13	32	173
Liabilities to customers (advances)	-	31	4	32	22	89
Other payables	-	-	-	-	7	7
Total liabilities	13	145	5	45	61	269
Revenue						
Rail-based container shipping services	23	16	-	1	17	57
Terminal services and agency fees	357	2	-	-	1	360
Integrated freight forwarding and logistics services	-	279	58	87	33	457
Other services	5	3	1	1	4	14
Interest income on deposits	-	-	-	-	17	17
Other interest income	-	-	-	-	1	1
Other operating income	22	10	-	-	-	32
Total income	407	310	59	89	73	938
Operating Expenses						
Freight and transportation services	925	-	-	176	21	1,122
Third-party charges related to principal activities	3,718	-	3	538	39	4,298
Repair services	79	176	-	-	1	256
Rent of property and equipment	7	-	-	-	1	8
Other expenses	42	27	-	41	13	123
Total expenses	4,771	203	3	755	75	5,807
Purchases of property, plant and equipment	-	19	-	-	8	27
Purchases of inventory	-	-	-	-	3	3
Contributions to non-state pension funds	-	-	-	-	18	18
Total other transactions	-	19	-	-	29	48

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

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

Compensation of key management personnel

Key management personnel consist of members of the Company's Board of Directors, as well as the General Director and his deputies, and comprised 21 and 20 persons as at 31 March 2016 and 31 March 2015, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 42m (including total insurance contributions of RUR 6m) and RUR 31m (including total insurance contributions of RUR 4m) for the three-month periods ended 31 March 2016 and 31 March 2015, respectively.

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

For the three-month periods ended 31 March 2016 and 31 March 2015, the Group did not have any expenses related to the Share Option Plan approved by the Board of Directors in October 2010 (Note 13). There were no expenses related to options provided to the General Director and his deputies for the three-month periods ended 31 March 2016 and 31 March 2015.

23. COMMITMENTS UNDER OPERATING LEASES

Since 2009 the Group leases container terminal Dobra in Slovakia. As at 31 March 2016 the remaining period of agreements validity is 8 years.

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

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
Within one year	143	152
Within two to five years	318	335
After five years	209	232
Total minimum lease payments	<u>671</u>	<u>719</u>

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

24. CAPITAL COMMITMENTS

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
Acquisition of containers and flatcars	1,608	1,901
Construction of container terminal complexes and modernisation of existing assets	554	632
Acquisition of lifting machines and other equipment	102	143
Total capital commitments	<u>2,264</u>	<u>2,676</u>

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25. RISK MANAGEMENT ACTIVITIES

Operating environment of the Group. The Russian Federation economy 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. Decline in oil prices, ongoing political tension and international sanctions against certain Russian companies and individuals had a negative impact on the Russian Federation economy. These factors contributed to the economic recession characterised by the falling index of gross domestic product was a result of these factors. Financial markets are still characterised by a lack of stability, frequent and significant changes in prices and increase in spreads on trading operations. This economic environment has a significant impact on the Group's operations and financial position. Management takes the necessary steps to ensure stable operations of the Group. Nevertheless, the future implications of the current economic situation is difficult to predict, and Management's current expectations and assessment may differ from actual results.

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

During the three-month period ended 31 March 2016 there was the strengthening of the Russian Rouble against major foreign currencies while the CBRF exchange rate fluctuated between RUR 72.8827 and RUR 67.6076 per USD as at 31 December 2015 and 31 March 2016, respectively (between RUR 79.6972 and RUR 76.5386 per EUR).

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

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 and Level 3, and also financial liabilities classified as Level 2.

During the three-month period ended 31 March 2016 no significant changes in the assessment methods, input data and assumptions to estimate the fair value have occurred.

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

As at 31 March 2016 the fair value of long-term accounts receivable of JSC RZD Logistics (Note 5) accounts for RUR 212m (RUR 200m as at 31 December 2015). The calculation is based on the use of a weighted average interest rate, published by the Central Bank of Russia for February 2016 on deposits of non-financial entities attracted by credit institutions in rubles for a period from 1 to 3 years.

The fair value of short-term debt classified as Level 2 in the fair value measurement hierarchy approximates their carrying value.

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

PJSC TRANSCONTAINER
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25. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
Financial liabilities		
Bonds	4,875	4,800
Total	<u>4,875</u>	<u>4,800</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.

Financial 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

Liquidation of Helme's Operation UK Limited. In April 2016, in accordance with the joint venture cooperation Agreement of 17 March 2011, Logistic System Management B.V. decided to initiate liquidation of Helme's Operation UK Limited and appoint the liquidator. The management believes that Helme's Operation UK Limited liquidation will not affect the Group's operational and financial activities.

Acquisition of containers. In April-May 2016 the Group obtained under the previously signed agreements:

- 144 containers from Yang Zhou Runyang Logistic Equipment Co.,Ltd for the total amount of RUR 20m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT;
- 270 containers from Feilcon Holding Ltd for the total amount of RUR 55m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT;
- 84 containers from LLC Con-service for the total amount of RUR 14m (plus VAT in the amount of RUR 2m).

Agreement on acquisition of containers. In May 2016 the Group entered into the agreement with Taicang CIMC special logistic equipment Co.,Ltd on the purchase of 600 containers for the total amount of USD 1.1m (RUR 73m at the Central Bank of the Russian Federation exchange rate as at the reporting date), net of VAT. Delivery of containers is expected no later than 30 September 2016.