

**PUBLIC JOINT STOCK COMPANY  
TRANSCONTAINER**

**Interim Condensed Consolidated Financial  
Statements**

For the Three-Month Period Ended 31 March 2017

# PJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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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 2017 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 2017 were approved on 29 May 2017 by:

**P. V. Baskakov**

General Director

**M. V. Usenko**

Chief Accountant



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

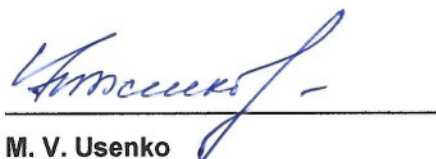
	Notes	31 March 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	37,437	37,317
Advances for acquisition of non-current assets	3	250	346
Investment property		115	115
Intangible assets		289	290
Investments in associates and joint ventures	4	2,748	2,685
Other non-current assets		51	69
<b>Total non-current assets</b>		<b>40,890</b>	<b>40,822</b>
<b>Current assets</b>			
Inventory		260	209
Trade and other receivables	5	1,860	1,605
Prepayments and other current assets	6	3,687	3,584
Prepaid income tax		27	5
Short-term investments	7	926	78
Cash and cash equivalents	8	4,500	5,525
<b>Total current assets</b>		<b>11,260</b>	<b>11,006</b>
<b>TOTAL ASSETS</b>		<b>52,150</b>	<b>51,828</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	13,895	13,895
Reserve fund		697	697
Translation reserve		(402)	(340)
Other reserves, including investment property's revaluation reserve		(2,133)	(2,133)
Retained earnings		23,441	22,390
<b>Total equity attributable to the Company's owners</b>		<b>35,498</b>	<b>34,509</b>
<b>Non-current liabilities</b>			
Long-term debt	10	4,988	6,236
Finance lease obligations, net of current maturities	11	119	121
Employee benefit liability	12	1,091	1,067
Deferred tax liability		1,560	1,523
<b>Total non-current liabilities</b>		<b>7,758</b>	<b>8,947</b>
<b>Current liabilities</b>			
Trade and other payables	13	4,884	4,279
Current portion of long-term debt	10	2,546	2,762
Income tax payable		33	21
Taxes other than income tax payable	14	439	378
Finance lease obligations, current maturities	11	18	18
Accruals and other current liabilities	15	974	914
<b>Total current liabilities</b>		<b>8,894</b>	<b>8,372</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52,150</b>	<b>51,828</b>



**P. V. Baskakov**

General Director

29 May 2017



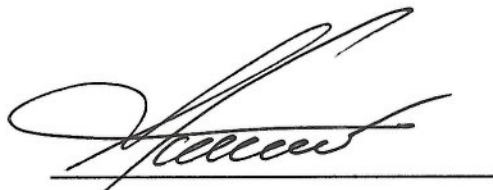
**M. V. Usenko**

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	2017	2016
Revenue	16	14,062	11,059
Other operating income	17	79	145
Operating expenses	18	(12,765)	(10,511)
Foreign exchange loss, net		(69)	(100)
Interest expense	19	(178)	(118)
Interest income		89	42
Share of result of associates and joint ventures	4	106	57
<b>Profit before income tax</b>		<b>1,324</b>	<b>574</b>
Income tax expense	20	(258)	(127)
<b>Profit for the year attributable to the Company's owners</b>		<b>1,066</b>	<b>447</b>
<b>Other comprehensive loss (net of income tax)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit plans liabilities	12	(15)	(19)
<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	(43)	(236)
Exchange differences on translating of other foreign operations		(19)	(17)
<b>Other comprehensive loss for the period</b>		<b>(77)</b>	<b>(272)</b>
<b>Total comprehensive income for the period attributable to the Company's owners</b>		<b>989</b>	<b>175</b>
<b>Earnings per share, basic and diluted (in Russian Roubles)</b>		<b>77</b>	<b>33</b>
<b>Weighted average number of shares outstanding</b>		<b>13,894,778</b>	<b>13,693,468</b>



**P. V. Baskakov**

General Director

29 May 2017



**M. V. Usenko**

Chief Accountant

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

	Notes	2017	2016
<b>Cash flows from operating activities:</b>			
Profit before income tax		1,324	574
Adjustments for:			
Depreciation and amortisation	18	640	615
Change in provision for impairment of receivables		(20)	(15)
Gain on disposal of property, plant and equipment	17	(14)	(73)
Loss/(reversal) of impairment of property, plant and equipment	3	12	(16)
Share of result of associates and joint ventures	4	(106)	(57)
Interest expense, net		89	76
Foreign exchange loss, net		69	100
<b>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</b>		<b>1,994</b>	<b>1,204</b>
<b>Working capital changes:</b>			
(Increase)/decrease in inventory		(18)	101
Increase in trade and other receivables		(225)	(92)
(Increase)/decrease in prepayments and other assets		(77)	377
Increase in employee benefit liabilities		11	18
Increase in trade and other payables		439	31
Increase/(decrease) in taxes other than income tax		61	(302)
Increase/(decrease) in accrued expenses and other current liabilities		60	(42)
<b>Net cash from operating activities before income tax and interest</b>		<b>2,245</b>	<b>1,295</b>
Interest paid		(394)	(222)
Income tax paid		(229)	(114)
<b>Net cash provided by operating activities</b>		<b>1,622</b>	<b>959</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(536)	(245)
Proceeds from disposal of property, plant and equipment		1	17
Sale of long-term investments		-	9
Sale of short-term investments		78	7
Purchases of short-term investments		(921)	(200)
Purchases of intangible assets		(7)	(24)
Dividends received from joint venture	4	-	206
Interest received		79	32
<b>Net cash used in investing activities</b>		<b>(1,306)</b>	<b>(198)</b>
<b>Cash flows from financing activities:</b>			
Repayments of finance lease obligations		(2)	(2)
Principal payments on short-term part of long-term bonds		(1,250)	-
<b>Net cash used in financing activities</b>		<b>(1,252)</b>	<b>(2)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(936)</b>	<b>759</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>5,525</b>	<b>2,110</b>
Foreign exchange effect on cash and cash equivalents		(89)	(101)
<b>Cash and cash equivalents at end of the period</b>		<b>4,500</b>	<b>2,768</b>



**P. V. Baskakov**

General Director

29 May 2017




**M. V. Usenko**

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
<b>Balance at 1 January 2016</b>		<b>13,895</b>	<b>(494)</b>	<b>697</b>	<b>210</b>	<b>240</b>	<b>(2,140)</b>	<b>23,779</b>	<b>36,187</b>
Profit for the period		-	-	-	-	-	-	447	447
Other comprehensive loss for the period		-	-	-	(253)	-	-	(19)	(272)
<b>Total comprehensive (loss)/income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(253)</b>	<b>-</b>	<b>-</b>	<b>428</b>	<b>175</b>
<b>Balance at 31 March 2016</b>		<b>13,895</b>	<b>(494)</b>	<b>697</b>	<b>(43)</b>	<b>240</b>	<b>(2,140)</b>	<b>24,207</b>	<b>36,362</b>
Profit for the period		-	-	-	-	-	-	2,797	2,797
Other comprehensive income/(loss) for the period		-	-	-	(297)	-	7	(108)	(398)
<b>Total comprehensive income/(loss) for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(297)</b>	<b>-</b>	<b>7</b>	<b>2,689</b>	<b>2,399</b>
Execution of share option plan		-	43	-	-	(240)	-	197	-
Sale of treasury shares		-	451	-	-	-	-	127	578
Dividends		-	-	-	-	-	-	(4,830)	(4,830)
<b>Balance at 31 December 2016</b>		<b>13,895</b>	<b>-</b>	<b>697</b>	<b>(340)</b>	<b>-</b>	<b>(2,133)</b>	<b>22,390</b>	<b>34,509</b>
Profit for the period	12	-	-	-	-	-	-	1,066	1,066
Other comprehensive loss for the period		-	-	-	(62)	-	-	(15)	(77)
<b>Total comprehensive income/(loss) for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>1,051</b>	<b>989</b>
<b>Balance at 31 March 2017</b>		<b>13,895</b>	<b>-</b>	<b>697</b>	<b>(402)</b>	<b>-</b>	<b>(2,133)</b>	<b>23,441</b>	<b>35,498</b>

  
**P.V. Baskakov**

General Director  
29 May 2017

  
**M. V. Usenko**

Chief Accountant

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

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**1. NATURE OF THE BUSINESS**

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

The Company's principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 44 container terminals along the Russian railway network. As at 31 March 2017, the Company operated 15 branches in Russia. The Company's registered address is 19 Oruzheiniy pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following major entities:

Name of Entity	Type	Country	Activity	Interest held, %		Voting rights, %	
				2017	2016	2017	2016
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	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 2017 and for the three-month period then ended were authorised for issue by the General Director of the Company on 29 May 2017.

**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 2016, included in these interim condensed consolidated financial statements, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2016. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

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



**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

the preparation of the Group's annual consolidated financial statements as at 31 December 2016 and for the year then ended, as described in those annual consolidated financial statements.

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

***New standards and interpretations***

The Group has adopted all new standards and interpretations that were effective from 1 January 2017. The impact of the adoption of these new standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements as at and for the year ended 31 December 2016, have been issued but are not effective for the financial year beginning 1 January 2017 and have not been applied early by the Group.

New standards and interpretations that are mandatory for reporting periods beginning on or after 1 January 2018 or later periods that are applicable for the Group's activity and which the Group has not early adopted were presented in the annual consolidated financial statements of the Group as at 31 December 2016 and for the year then ended.

***Estimates*** – The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 20) and some actuarial assumptions (Note 12). As at 31 December 2016 the Group revised the remaining useful lives of items of property, plant and equipment, the ranges of useful lives for each group of items have not changed.

Methods of revenue recognition and the key judgments applicable in the current period comply with the basic principles used in preparing the consolidated financial statements as at and for the year ended 31 December 2016.

Had the railway tariff and third-party services directly attributable to integrated freight forwarding and logistics services and other services that have certain characteristics of agency services have been excluded from both revenue and expenses, then revenue from integrated freight forwarding and logistics services, and management of cargo transportation and handling with involvement of third parties and third-party charges related to principal activities would have decreased by RUR 8,046m for the three-month period ended 31 March 2017 (including RUR 7,085m for integrated freight forwarding and logistics services and RUR 961m for management of cargo transportation and handling with involvement of third parties). For the three-month period ended 31 March 2016 this effect would be RUR 6,462m (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).

***Seasonality*** – The business of the Group is subject to seasonal fluctuations. Revenue and income from current operations are affected by such factors as river transport seasonality, the summer shipping season (for Northern regions) and consumer market cycles. Typically, the number of orders received between January and February is below the annual average. In accordance with IFRS, revenue and the related expenses are recognised in the period in which they are realised and incurred respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results. In the financial year ended 31 December 2016 21% of revenues accumulated in the first quarter of the year, with 79% 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 2017 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS**

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
<b>Cost</b>						
31 December 2016	12,388	36,615	2,692	2,891	473	55,059
Additions	3	650	65	13	46	777
Transfers	15	46	-	1	(62)	-
Disposals	(15)	(56)	-	(45)	-	(116)
31 March 2017	12,391	37,255	2,757	2,860	457	55,720
<b>Accumulated depreciation</b>						
31 December 2016	(2,490)	(12,238)	(1,053)	(1,961)	-	(17,742)
Depreciation charge for the period	(69)	(447)	(43)	(68)	-	(627)
Impairment	-	(12)	-	-	-	(12)
Disposals	9	53	-	36	-	98
31 March 2017	(2,550)	(12,644)	(1,096)	(1,993)	-	(18,283)
<b>Net book value</b>						
31 December 2016	9,898	24,377	1,639	930	473	37,317
31 March 2017	9,841	24,611	1,661	867	457	37,437
<b>Cost</b>						
1 January 2016	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
<b>Accumulated depreciation</b>						
1 January 2016	(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)

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 2017 and 31 December 2016 respectively.

The item "Vehicles and other equipment group" includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 710m and RUR 714m as at 31 March 2017 and 31 December 2016 respectively.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,281m and RUR 1,301m as at 31 March 2017 and 31 December 2016 respectively.



**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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

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

	<u>31 March 2017</u>	<u>31 December 2016</u>
Cost	68	44
Accumulated depreciation	<u>(43)</u>	<u>(27)</u>
<b>Net book value</b>	<b><u>25</u></b>	<b><u>17</u></b>

The carrying amount of property, plant and equipment not in use and not classified as held for sale is the following:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Cost	322	339
Accumulated depreciation	(143)	(152)
Impairment	<u>(101)</u>	<u>(101)</u>
<b>Net book value</b>	<b><u>78</u></b>	<b><u>86</u></b>

Construction in-progress as at 31 March 2017 consisted mainly of the capital expenditures incurred for the reconstruction and expansion of container terminals in Moscow, Irkutsk and Yekaterinburg amounting to RUR 158m, RUR 57m and RUR 28m, respectively, and RUR 91m for the construction of the new container terminal in Primorsky Region.

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

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 2017 and 31 December 2016 is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Cost	160	160
Accumulated depreciation	<u>(9)</u>	<u>(9)</u>
<b>Net book value</b>	<b><u>151</u></b>	<b><u>151</u></b>

See Note 11 for further details regarding finance leases.

*Advances for acquisition of non-current assets*

As at 31 March 2017 and 31 December 2016, advances for the acquisition of non-current assets, net of VAT, consisted of advances for the acquisition of cranes and loaders (RUR 119m and RUR 153m, respectively), advances for the acquisition of containers (RUR 129m and RUR 183m, respectively) and advances for the acquisition of other non-current assets (RUR 2m and RUR 10m, respectively).



**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**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.

	2017				2016			
	Joint Ventures JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associa-tes	Total associates and joint ventures	Joint Ventures JSC Kedentrans-service and Logistic System Management B.V.	Other joint ventures	Associa-tes	Total associates and joint ventures
Carrying amount as at 1 January	2,584	93	8	2,685	2,910	105	8	3,023
Share of result of associates and joint ventures	95	11	-	106	54	2	1	57
Dividends received from joint venture	-	-	-	-	(206)	-	-	(206)
Effect of translation to presentation currency	(38)	(5)	-	(43)	(228)	(7)	(1)	(236)
Carrying amount as at 31 March	2,641	99	8	2,748	2,530	100	8	2,638

**5. TRADE AND OTHER RECEIVABLES**

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
<b>31 March 2017</b>			
Trade receivables	1,781	(62)	1,719
Other receivables	227	(86)	141
<b>Total trade and other receivables, classified as financial assets</b>	<b>2,008</b>	<b>(148)</b>	<b>1,860</b>
<b>31 December 2016</b>			
Trade receivables	1,508	(78)	1,430
Other receivables	265	(90)	175
<b>Total trade and other receivables, classified as financial assets</b>	<b>1,773</b>	<b>(168)</b>	<b>1,605</b>

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

Balance as at 1 January 2016	(257)
Release of provision	14
<b>Balance as at 31 March 2016</b>	<b>(243)</b>
Additional provision, recognised in the current period	(100)
Release of provision	107
Utilisation of provision	39
Foreign currency translation	29
<b>Balance as at 31 December 2016</b>	<b>(168)</b>
Release of provision	15
Foreign currency translation	5
<b>Balance as at 31 March 2017</b>	<b>(148)</b>

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**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>31 March 2017</u>	<u>31 December 2016</u>
VAT receivable	2,017	1,818
Advances to suppliers (net of provision)	1,577	1,668
Other current assets	93	98
<b>Total prepayments and other current assets</b>	<b><u>3,687</u></b>	<b><u>3,584</u></b>

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

**7. SHORT-TERM INVESTMENTS**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Russian Rouble denominated bank deposits	926	78
<b>Total short-term investments</b>	<b><u>926</u></b>	<b><u>78</u></b>

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

Six Russian Rouble-denominated bank deposits in the total amount of RUR 921m, bearing interest at annual rates in a range from 10.21% to 10.49%, were placed with PJSC Bank Otkritie Financial Corporation and PJSC CB Absolut Bank. The total amount of accrued interest amounted to RUR 5m 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 2017.

**8. CASH AND CASH EQUIVALENTS**

	<u>31 March 2017</u>	<u>31 December 2016</u>
Cash and Russian Rouble denominated current accounts with banks	1,691	2,392
Foreign currency denominated current accounts with banks	1,458	1,496
Russian Rouble denominated bank deposits	1,351	1,637
<b>Total cash and cash equivalents</b>	<b><u>4,500</u></b>	<b><u>5,525</u></b>

Four Russian Rouble denominated short-term bank deposits in the total amount of RUR 1,350m bearing interest at annual rates in a range from 9.00% to 10.20% were placed with PJSC Bank Otkritie Financial Corporation and PJSC Bank VTB, a related party as at 31 March 2017 (Note 21). The total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 1m. The deposits matured in April-May 2017.

**9. EQUITY**

***Share Capital***

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



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**10. LONG-TERM DEBT**

*Long-term debt*

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

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

*Five-year RUR bonds, series BO-02*

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

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

As at 31 March 2017 the carrying value of the bonds amounted to RUR 4,997m (RUR 5,116m as at 31 December 2016), including the amount of accrued interest of RUR 10m (RUR 129m as at 31 December 2016). The amount of accrued interest has been included as current portion of long-term debt in the consolidated statement of financial position.

*Current portion of long-term debt*

	Effective interest rate	31 March 2017	31 December 2016
Current portion of long-term bonds, series 4	8,40%	2,536	2,629
Current portion of long-term bonds, series BO-02	9,45%	10	133
<b>Total</b>		<b>2,546</b>	<b>2,762</b>

*Five-year RUR bonds, series 4*

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 4,988m. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. The Company made repayment of its obligation under the first and second installment in July 2016 and January 2017 year respectively.

As at 31 March 2017 the carrying value of the bonds amounted to RUR 2,536m (RUR 3,882m as at 31 December 2016), including the amount of accrued interest of RUR 36m (RUR 133m as at 31 December 2016) and have been included as current portion of long-term debt in the consolidated statement of financial position.

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



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**11. FINANCE LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Due within one year	19	19	18	18
Due after one year but not more than five years	134	139	119	121
	153	158	137	139
Less future finance charges	(16)	(19)	-	-
<b>Present value of minimum lease payments</b>	<b>137</b>	<b>139</b>	<b>137</b>	<b>139</b>

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.

**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 2017 and 31 March 2016 consisted of the following:

	2017	2016
Pension Fund of the Russian Federation	225	163
Defined contribution plan "Blagosostoyanie"	6	3
<b>Total expense for defined contribution plans</b>	<b>231</b>	<b>166</b>

*Defined benefit plans*

Principal actuarial assumptions as at 31 March 2017 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2016 with the exception of changes in discount rate, which decreased down to 8.0% as at 31 March 2017 (as at 31 December 2016: 8.3%) and the projected average annual consumer price inflation in 2017-2018, which as at 31 March 2017 was 4.5% (as at 31 December 2016: 4.9%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 31 March 2017 and 31 March 2016 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2017	2016	2017	2016	2017	2016
Service cost	9	7	34	27	43	34
Net interest on obligation	15	16	5	6	20	22
Remeasurements of the net defined benefit	-	-	(2)	1	(2)	1
<b>Net expense recognised in the consolidated profit or loss</b>	<b>24</b>	<b>23</b>	<b>37</b>	<b>34</b>	<b>61</b>	<b>57</b>

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**12. EMPLOYEE BENEFIT LIABILITY (CONTINUED)**

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 15m for the three-month period ended 31 March 2017 and net expense recognised in other comprehensive income constitutes RUR 19m for the three-month period ended 31 March 2016.

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

	Post-employment benefits		Other long-term benefits		Total	
	2017	2016	2017	2016	2017	2016
Present value of defined benefit obligation	875	855	280	275	1,155	1,130
Fair value of plan assets	(64)	(63)	-	-	(64)	(63)
<b>Net employee benefit liability</b>	<b>811</b>	<b>792</b>	<b>280</b>	<b>275</b>	<b>1,091</b>	<b>1,067</b>

**13. TRADE AND OTHER PAYABLES**

	31 March 2017	31 December 2016
Trade payables	1,012	829
Amounts payable for the acquisition of property, plant and equipment	233	61
Amounts payable for intangible assets	7	8
<b>Total financial liabilities within trade and other payable</b>	<b>1,252</b>	<b>898</b>
Liabilities to customers (advances)	3,632	3,381
<b>Total trade and other payables</b>	<b>4,884</b>	<b>4,279</b>

**14. TAXES OTHER THAN INCOME TAX PAYABLE**

	31 March 2017	31 December 2016
Social insurance contribution	219	208
Property tax	125	110
Personal income tax	77	33
VAT	15	22
Other taxes	3	5
<b>Total taxes other than income tax payable</b>	<b>439</b>	<b>378</b>

**15. ACCRUALS AND OTHER CURRENT LIABILITIES**

	31 March 2017	31 December 2016
Settlements with employees	870	846
Provisions for liabilities	38	38
Other liabilities (financial liabilities)	66	30
<b>Total accruals and other current liabilities</b>	<b>974</b>	<b>914</b>

Settlements with employees as at 31 March 2017 and 31 December 2016 comprised accrued salaries and bonuses of RUR 633m and RUR 657m, respectively, and accruals for unused vacation of RUR 237m and RUR 189m, respectively.



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**16. 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***

	<u>2017</u>	<u>2016</u>
Integrated freight forwarding and logistics services	11,203	8,236
Cargo transportation and handling services with involvement of third parties	961	1,067
Rail-based container shipping services	868	943
Terminal services and agency fees	683	508
Truck deliveries	177	182
Bonded warehousing services	72	49
Other freight forwarding services	66	44
Other	32	30
<b>Total revenue</b>	<b><u>14,062</u></b>	<b><u>11,059</u></b>

***Analysis of revenue by location of customers***

	<u>2017</u>	<u>2016</u>
<b>Revenue from external customers</b>		
Russia	12,212	9,144
Korea	656	739
Germany	431	394
Great Britain	213	202
China	149	100
Kazakhstan	130	179
Other	271	301
<b>Total revenue</b>	<b><u>14,062</u></b>	<b><u>11,059</u></b>

During the three-month period ended 31 March 2017, OJSC RZD and its subsidiaries accounted for RUR 939m or 7% of the Group's total revenue (for the three-month period ended 31 March 2016: RUR 747m or 7% of the Group's total revenue).

During the three-month period ended 31 March 2017, UNICO LOGISTICS CO. LTD accounted for RUR 611m or 4% of the Group's total revenue (for the three-month period ended 31 March 2016: RUR 667m or 6% of the Group's total revenue).

**17. OTHER OPERATING INCOME**

	<u>2017</u>	<u>2016</u>
Gain from disposal of property, plant and equipment	14	73
Gain from the sale of inventory and from the reuse of spare parts	24	31
Other operating income	41	41
<b>Total operating income</b>	<b><u>79</u></b>	<b><u>145</u></b>



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**18. OPERATING EXPENSES**

	<u>2017</u>	<u>2016</u>
Third-party charges related to principal activities	8,046	6,462
Freight and transportation services	1,610	1,259
Payroll and related charges	1,328	1,104
Depreciation and amortisation	640	615
Materials, repair and maintenance	580	430
Taxes other than income tax	131	164
Rent	67	89
Security	49	54
Consulting and information services	56	48
Fuel costs	42	47
License and software	28	35
Communication costs	16	19
Other expenses	172	185
<b>Total operating expenses</b>	<b><u>12,765</u></b>	<b><u>10,511</u></b>

**19. INTEREST EXPENSE**

	<u>2017</u>	<u>2016</u>
Interest expense on RUR bonds	175	104
Interest expense on bank loans and borrowings	-	11
Interest expense on finance lease obligations	3	3
<b>Total interest expense</b>	<b><u>178</u></b>	<b><u>118</u></b>

**20. INCOME TAX**

	<u>2017</u>	<u>2016</u>
Current income tax charge	(219)	(122)
Deferred income tax expense	(39)	(5)
<b>Income tax expense</b>	<b><u>(258)</u></b>	<b><u>(127)</u></b>

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 2017 was 19.5% (for the three-month period ended 31 March 2016: 21.9%).

**21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

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

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

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**21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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

Related party	Nature of relationship	
	31 March 2017	31 December 2016
OJSC Russian Railways (RZD)	Ultimate parent company	Ultimate parent company
JSC UTLC (Note 9)	Immediate parent company	Immediate parent company
JSC Kedentransservice	Joint venture of the Company	Joint venture of the Company
Oy ContainerTrans Scandinavia Ltd.	Joint venture of the Company	Joint venture of the Company
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture of the Company	Joint venture of the Company
Trans-Eurasia Logistics GmbH	Associate of the Company	Associate of the Company
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity
Non-state Pension Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC	Significant shareholder	Significant shareholder

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

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with government related entities and governmental bodies, which are shown as "Other related parties" in the tables below. The Group also enters in transactions with government entities for acquisition of goods and providing services like electricity, taxes and post services. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entites" in the table below), and PJSC Bank VTB, which is a state-controlled entity. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Transactions with government related entities conducted on commercial terms.

*Relationships with RZD, its subsidiaries, joint ventures and associates*

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

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.



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**21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	2,063	2,063
Trade receivables	258	444	3	19	-	724
Other receivables	4	23	-	7	57	91
Advances to suppliers	1,196	66	-	72	2	1,336
<b>Total assets</b>	<b>1,458</b>	<b>533</b>	<b>3</b>	<b>98</b>	<b>2,122</b>	<b>4,214</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	10	74	3	63	10	160
Liabilities to customers (advances)	-	33	1	105	21	160
Other payables	3	22	-	-	22	47
<b>Total liabilities</b>	<b>13</b>	<b>129</b>	<b>4</b>	<b>168</b>	<b>53</b>	<b>367</b>
<b>Revenue</b>						
Rail-based container shipping services	19	8	1	5	34	67
Terminal services and agency fees	473	3	-	-	1	477
Integrated freight forwarding and logistics services	-	431	36	192	25	684
Cargo transportation and handling services with involvement of third parties	-	11	1	-	1	13
Other services	3	4	-	-	4	11
Interest income on deposits	-	-	-	-	10	10
Other interest income	-	-	-	-	2	2
Other operating income	2	22	-	-	-	24
<b>Total income</b>	<b>497</b>	<b>479</b>	<b>38</b>	<b>197</b>	<b>77</b>	<b>1,288</b>
<b>Operating Expenses</b>						
Freight and transportation services	1,147	-	-	26	3	1,176
Third-party charges related to principal activities	6,556	1	-	550	24	7,131
Repair services	92	277	-	-	1	370
Rent of property and equipment	7	1	-	-	1	9
Other expenses	27	13	-	8	30	78
<b>Total expenses</b>	<b>7,829</b>	<b>292</b>	<b>-</b>	<b>584</b>	<b>59</b>	<b>8,764</b>
Purchases of property, plant and equipment	-	-	-	-	18	18
Purchases of inventory	1	51	-	-	3	55
Contributions to non-state pension funds	-	-	-	-	14	14
<b>Total other transactions</b>	<b>1</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>87</b>

As at 31 March 2017 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, in respect of trade receivables balance is RUR 43m.



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**21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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

	Ultimate parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Trade and other receivables	-	15	-	-	-	15
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	2,504	2,504
Trade receivables	221	421	3	16	-	661
Other receivables	24	22	-	3	96	145
Advances to suppliers	1,251	86	-	59	2	1,398
<b>Total assets</b>	<b>1,496</b>	<b>544</b>	<b>3</b>	<b>78</b>	<b>2,602</b>	<b>4,723</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	13	64	3	33	9	122
Liabilities to customers (advances)	-	38	2	67	23	130
Other payables	-	-	-	-	13	13
<b>Total liabilities</b>	<b>13</b>	<b>102</b>	<b>5</b>	<b>100</b>	<b>45</b>	<b>265</b>
<b>Revenue</b>						
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
<b>Total income</b>	<b>451</b>	<b>351</b>	<b>51</b>	<b>151</b>	<b>35</b>	<b>1,039</b>
<b>Operating Expenses</b>						
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
<b>Total expenses</b>	<b>6,056</b>	<b>158</b>	<b>-</b>	<b>597</b>	<b>84</b>	<b>6,895</b>
Purchases of property, plant and equipment	1	(1)	-	-	33	33
Purchases of inventory	-	12	-	-	3	15
Contributions to non-state pension funds	-	-	-	-	7	7
<b>Total other transactions</b>	<b>1</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>55</b>

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

The 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.

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**21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

***Dividends***

Dividends payable to JSC UTLC and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 2,415m and RUR 1,165m, respectively, and were paid in October 2016 for 2015.

In the first quarter of 2017 dividends were not approved and not paid off.

***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 19 and 21 persons as at 31 March 2017 and 31 March 2016, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 51m (including total insurance contributions of RUR 8m) and RUR 42m (including total insurance contributions of RUR 6m) for the three-month periods ended 31 March 2017 and 31 March 2016, 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.

As at 31 March 2017 liabilities on accrued expenses and other current assets amounted to RUR 134m, and on employee benefit liability amounted to RUR 19m (RUR 177m and RUR 19m respectively as at 31 December 2016).

**22. COMMITMENTS UNDER OPERATING LEASES**

As at 31 March 2017, the Group leases container terminal Dobra in Slovakia. The remaining period of agreements validity is 7 years.

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

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

	<u>31 March 2017</u>	<u>31 December 2016</u>
Within one year	93	117
Within two to five years	170	234
After five years	<u>54</u>	<u>111</u>
<b>Total minimum lease payments</b>	<b><u>317</u></b>	<b><u>462</u></b>

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



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**23. CAPITAL COMMITMENTS**

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

	31 March 2017	31 December 2016
Acquisition of containers and flatcars	1,565	2,339
Acquisition of lifting machines and other equipment	184	229
Construction of container terminal complexes and modernisation of existing assets	101	108
<b>Total capital commitments</b>	<b>1,850</b>	<b>2,676</b>

**24. 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. 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 2017 there was the appreciation of the Russian Rouble against major foreign currencies while the CBRF exchange rate fluctuated between RUR 60.6569 and RUR 56.3779 per USD as at 31 December 2016 and 31 March 2017, respectively (between RUR 63.8111 and RUR 60.5950 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 2016. The information disclosed in the interim condensed consolidated financial statements as at 31 March 2017 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. There have been no significant changes in the Group's risk management policy during the three-month period ended 31 March 2017.

**Fair value of assets and liabilities**

Management uses its judgment to the assessment and classification of financial instruments by category using the fair value measurement hierarchy. As on the reporting date the Group had financial assets and liabilities classified as Level 1 and Level 3.

During the three-month period ended 31 March 2017 no significant changes in the assessment methods, input data and assumptions to estimate the fair value have occurred.

For financial assets and liabilities not measured at fair value but for which fair value is disclosed, management believes that the fair value of the following assets and liabilities approximates their carrying value: cash, trade and other receivables, 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.

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.

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**24. RISK MANAGEMENT ACTIVITIES (CONTINUED)**

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

	<u>31 March 2017</u>	<u>31 December 2016</u>
<b>Financial liabilities</b>		
Bonds	7,538	8,750
<b>Total</b>	<u><b>7,538</b></u>	<u><b>8,750</b></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.

**25. SUBSEQUENT EVENTS**

**Agreement on acquisition of containers.** In April 2017 the Group entered into the agreement with Taicang CIMC special logistic equipment Co.,Ltd on the purchase of 2,100 containers for the total amount of USD 5.5m (RUR 307m 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 31 December 2017.

**Acquisition of containers.** In April - May 2017 the Group obtained under the previously signed agreements:

- 1,321 containers from Taicang CIMC special logistic equipment Co.,Ltd for the total amount of RUR 156m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT;
- 48 containers from STORYHILLS LTD for the total amount of RUR 5m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), net of VAT;
- 170 containers from LLC Trading Company RM Rail for the total amount of RUR 29m (net of VAT in the amount of RUR 5m).

**Agreement on acquisition of flatcars.** In April-May 2017 the Group entered into the following agreements with:

- OJSC Transportnoye Mashinostroyeniye on the purchase of 800 flatcars for the total amount of RUR 1,680m (plus VAT in the amount of RUR 302m) and paid in advance RUR 440m. During the period 62 flatcars were delivered for the total amount of RUR 130m (plus VAT in the amount of RUR 24m). Completion of the delivery is expected no later than 30 November 2017;
- LLC Speccompany on the purchase of 900 flatcars for the total amount of RUR 1,728m (plus VAT in the amount of RUR 311m). Delivery is expected no later than 30 November 2017.

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