

**PUBLIC JOINT STOCK COMPANY  
TRANSCONTAINER**

**Interim Condensed Consolidated Financial  
Statements**

For the Three-Month Period Ended 31 March 2015

# PJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

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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 2015 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 IFRS;
- 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 2015 were approved on 27 May 2015 by:

A handwritten signature in blue ink, appearing to be 'P. V. Baskakov', written over a horizontal line.

**P. V. Baskakov**  
General Director

A handwritten signature in blue ink, appearing to be 'K. S. Kalmykov', written over a horizontal line.

**K. S. Kalmykov**  
Chief Accountant

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

	Notes	31 March 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	37,358	37,718
Advances for acquisition of non-current assets	3	194	206
Investment property		86	86
Intangible assets	4	211	210
Investments in associates and joint ventures	5	3,561	3,343
Trade and other receivables	6	363	353
Other non-current assets		86	96
<b>Total non-current assets</b>		<b>41,859</b>	<b>42,012</b>
<b>Current assets</b>			
Inventory		315	340
Trade and other receivables	6	1,617	1,542
Prepayments and other current assets	7	2,399	2,958
Prepaid income tax		81	113
Short-term investments	8	111	8
Cash and cash equivalents	9	2,915	1,904
		<b>7,438</b>	<b>6,865</b>
Non-current assets held for sale		100	100
<b>Total current assets</b>		<b>7,538</b>	<b>6,965</b>
<b>TOTAL ASSETS</b>		<b>49,397</b>	<b>48,977</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	13,895	13,895
Treasury shares		(493)	(493)
Reserve fund		697	697
Translation reserve		1,255	1,081
Equity-settled employee benefits reserve	14	240	240
Other reserves, including investment property's revaluation reserve		(2,156)	(2,156)
Retained earnings		22,712	21,981
<b>Total equity</b>		<b>36,150</b>	<b>35,245</b>
<b>Non-current liabilities</b>			
Long-term debt	11	5,458	5,458
Finance lease obligations, net of current maturities	12	336	340
Employee benefit liability	13	987	939
Deferred tax liability		1,417	1,414
<b>Total non-current liabilities</b>		<b>8,198</b>	<b>8,151</b>
<b>Current liabilities</b>			
Trade and other payables	15	2,774	3,084
Current portion of long-term debt	11	830	919
Income tax payable		107	189
Taxes other than income tax payable	16	409	401
Provisions		16	16
Finance lease obligations, current maturities	12	60	60
Accruals and other current liabilities	17	853	912
<b>Total current liabilities</b>		<b>5,049</b>	<b>5,581</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>49,397</b>	<b>48,977</b>

  
P. V. Baskakov

General Director

  
K. S. Kalmykov

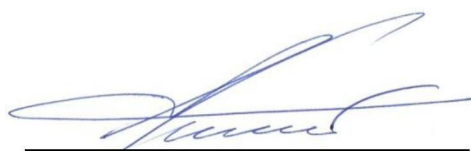
Chief Accountant

27 May 2015

**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	2015	2014
Revenue	18	10,095	8,460
Other operating income	19	146	158
Operating expenses	20	(9,263)	(7,030)
Foreign exchange gain, net		57	145
Gain from early termination of finance lease		-	16
Interest expense	21	(140)	(177)
Interest income		28	24
Share of result of associates and joint ventures	5	27	28
<b>Profit before income tax</b>		<b>950</b>	<b>1,624</b>
Income tax expense	22	(194)	(315)
<b>Profit for the period</b>		<b>756</b>	<b>1,309</b>
<b>Other comprehensive income (net of income tax)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit plans liabilities	13	(25)	40
<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	5	191	(157)
Exchange differences on translating foreign operations		(17)	16
<b>Other comprehensive income for the period</b>		<b>149</b>	<b>(101)</b>
<b>Total comprehensive income for the period</b>		<b>905</b>	<b>1,208</b>
<b>Earnings per share, basic and diluted (in Russian Roubles)</b>		<b>55</b>	<b>94</b>
<b>Weighted average number of shares outstanding</b>		<b>13,693,961</b>	<b>13,902,516</b>



**P. V. Baskakov**  
 General Director




**K. S. Kalmykov**  
 Chief Accountant

27 May 2015

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

	Notes	2015	2014
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>950</b>	<b>1,624</b>
Adjustments for:			
Depreciation and amortisation	20	532	463
Change in provision for impairment of receivables		-	(5)
Gain on disposal of property, plant and equipment	19	(79)	(66)
Reversal of impairment of property, plant and equipment	3	(12)	(4)
Share of result of associates and joint ventures	5	(27)	(28)
Interest expense, net		112	153
Equity-settled employee benefits reserve		-	5
Foreign exchange gain, net		(57)	(145)
Gain from early termination of finance lease		-	(16)
<b>Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities</b>		<b>1,419</b>	<b>1,981</b>
<b>Working capital changes:</b>			
Decrease in inventory		140	72
(Increase)/decrease in trade and other receivables		(64)	173
Decrease in prepayments and other assets		570	482
Decrease in trade and other payables		(380)	(532)
Increase/(decrease) in taxes other than income tax		8	(116)
(Decrease)/increase in accrued expenses and other current liabilities		(59)	77
Increase/(decrease) in employee benefit liabilities		17	(41)
<b>Net cash from operating activities before income tax and interest</b>		<b>1,651</b>	<b>2,096</b>
Interest paid		(229)	(232)
Income tax paid		(234)	(150)
<b>Net cash provided by operating activities</b>		<b>1,188</b>	<b>1,714</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(137)	(286)
Proceeds from disposal of property, plant and equipment		1	22
Sale of long-term investments		53	18
Sale of short-term investments		8	1
Purchases of short-term investments		(109)	(758)
Purchases of intangible assets		(8)	(3)
Interest received		17	24
<b>Net cash used in investing activities</b>		<b>(175)</b>	<b>(982)</b>
<b>Cash flows from financing activities:</b>			
Repayments of finance lease obligations		(4)	(4)
Principal payments on long-term borrowings		-	(1)
<b>Net cash used in financing activities</b>		<b>(4)</b>	<b>(5)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,009</b>	<b>727</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,904</b>	<b>1,883</b>
Foreign exchange effect on cash and cash equivalents		2	116
<b>Cash and cash equivalents at end of the period</b>		<b>2,915</b>	<b>2,726</b>

  
 P. V. Baskakov  
 General Director

  
 K. S. Kalmykov  
 Chief Accountant

27 May 2015

**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 2014</b>		<b>13,895</b>	<b>(484)</b>	<b>697</b>	<b>10</b>	<b>221</b>	<b>(2,165)</b>	<b>19,305</b>	<b>31,479</b>
Profit for the period		-	-	-	-	-	-	1,309	1,309
Other comprehensive income for the period		-	-	-	(141)	-	-	40	(101)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(141)</b>	<b>-</b>	<b>-</b>	<b>1,349</b>	<b>1,208</b>
Acquisition of treasury shares		-	(1)	-	-	-	-	-	(1)
Equity-settled employee benefits reserve		-	-	-	-	5	-	-	5
<b>Balance at 31 March 2014</b>		<b>13,895</b>	<b>(485)</b>	<b>697</b>	<b>(131)</b>	<b>226</b>	<b>(2,165)</b>	<b>20,654</b>	<b>32,691</b>
Profit for the period		-	-	-	-	-	-	2,349	2,349
Other comprehensive income for the period		-	-	-	1,212	-	9	95	1,316
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,212</b>	<b>-</b>	<b>9</b>	<b>2,444</b>	<b>3,665</b>
Equity-settled employee benefits reserve		-	-	-	-	14	-	-	14
Acquisition of treasury shares		-	(8)	-	-	-	-	-	(8)
Dividends		-	-	-	-	-	-	(1,117)	(1,117)
<b>Balance at 31 December 2014</b>		<b>13,895</b>	<b>(493)</b>	<b>697</b>	<b>1,081</b>	<b>240</b>	<b>(2,156)</b>	<b>21,981</b>	<b>35,245</b>
Profit for the period		-	-	-	-	-	-	756	756
Other comprehensive income for the period	13	-	-	-	174	-	-	(25)	149
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>731</b>	<b>905</b>
<b>Balance at 31 March 2015</b>		<b>13,895</b>	<b>(493)</b>	<b>697</b>	<b>1,255</b>	<b>240</b>	<b>(2,156)</b>	<b>22,712</b>	<b>36,150</b>

  
**P. V. Baskakov**  
 General Director

  
**K. S. Kalmykov**  
 Chief Accountant

27 May 2015

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 2015 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

**1. NATURE OF THE BUSINESS**

PJSC TransContainer (the “Company” or “TransContainer”) was incorporated as an open joint stock company in Moscow, Russian Federation on 4 March 2006. On 20 November 2014 Open Joint Stock Company TransContainer was renamed as Public Joint Stock Company.

The Company’s principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company operates 46 container terminals along the Russian railway network. As at 31 March 2015, 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, %	
				31 March 2015	31 December 2014	31 March 2015	31 December 2014
Oy ContainerTrans Scandinavia Ltd. (Note 5)	Joint venture	Finland	Container shipments	50	50	50	50
JSC TransContainer-Slovakia	Subsidiary	Slovakia	Container shipments	100	100	100	100
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co. Ltd. (Note 5)	Joint venture	China	Container shipments	49	49	50	50
TransContainer Europe GmbH	Subsidiary	Austria	Container shipments	100	100	100	100
TransContainer Asia Pacific Ltd.	Subsidiary	Korea	Container shipments	100	100	100	100
Trans-Eurasia Logistics GmbH (Note 5)	Associate	Germany	Container shipments	20	20	20	20
LLC TransContainer Finance (Note 14)	Subsidiary	Russia	Share option programme operator	100	100	100	100
JSC Kedentransservice (Note 5)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
Helme’s Operation UK Limited (Note 5)	Joint venture	Great Britain	Investment activity	50	50	50	50
Logistic Investment S.a.r.l.	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Logistic System Management B.V. (Note 5)	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 2015 and for the three-month period then ended were authorised for issue by the General Director of the Company on 27 May 2015.

**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 2014, 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 2014. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

**Significant accounting policies** – Except as discussed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual consolidated financial statements as at 31 December 2014 and for the year then ended, as described in those annual consolidated financial statements.



**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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

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

The Group has adopted all new standards and interpretations that were effective from 1 January 2015. The impact of the adoption of these new standards and interpretations has not been significant with respect to this interim condensed consolidated financial statements.

**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 2014 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 22) and some actuarial assumptions (Note 13). As at 31 December 2014 the Group reassessed the remaining useful lives of items of property, plant and equipment, the ranges of terms 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 2014.

In 2015 the Group started to provide services (including third-party services) that have certain characteristics of agency services presented within revenue from rail-based container shipping services, terminal services, other freight forwarding services and other revenue and correspondingly presented within expenses as "Third-party charges related to principal activities". Management believes that the Group acts as a principal providing these services as the Group's customers do not interact with third-parties having a contractual relationships with the Group and the Group bears the credit risk, controls the flow of receipts and payments and is independent in its own pricing policy.

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, than revenue from integrated freight forwarding and logistics services, rail-based container shipping services, terminal services, other freight forwarding services, other revenue and third-party charges related to principal activities would have decreased by RUR 5,051m for the three-month period ended 31 March 2015 (including RUR 4,543m for integrated freight forwarding and logistics services, RUR 384m for rail-based container shipping services, RUR 114m for terminal services, RUR 2m for other freight forwarding services and RUR 8m for other revenue) (RUR 3,576m for integrated freight forwarding and logistics services for the three-month period ended 31 March 2014).

**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 2014 23% of revenues accumulated in the first quarter of the year, with 77% accumulating in the rest three quarters.

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (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>						
<b>31 December 2014</b>	<b>11,164</b>	<b>36,408</b>	<b>2,025</b>	<b>2,528</b>	<b>333</b>	<b>52,458</b>
Additions	2	143	-	10	23	178
Transfers	1	10	-	-	(11)	-
Disposals	-	(152)	-	(35)	-	(187)
<b>31 March 2015</b>	<b>11,167</b>	<b>36,409</b>	<b>2,025</b>	<b>2,503</b>	<b>345</b>	<b>52,449</b>
<b>Accumulated depreciation</b>						
<b>31 December 2014</b>	<b>(2,043)</b>	<b>(10,009)</b>	<b>(965)</b>	<b>(1,723)</b>	<b>-</b>	<b>(14,740)</b>
Depreciation charge for the period	(66)	(371)	(26)	(59)	-	(522)
Reversal of impairment	-	12	-	-	-	12
Disposals	-	124	-	35	-	159
<b>31 March 2015</b>	<b>(2,109)</b>	<b>(10,244)</b>	<b>(991)</b>	<b>(1,747)</b>	<b>-</b>	<b>(15,091)</b>
<b>Net book value</b>						
<b>31 December 2014</b>	<b>9,121</b>	<b>26,399</b>	<b>1,060</b>	<b>805</b>	<b>333</b>	<b>37,718</b>
<b>31 March 2015</b>	<b>9,058</b>	<b>26,165</b>	<b>1,034</b>	<b>756</b>	<b>345</b>	<b>37,358</b>
<b>Cost</b>						
<b>1 January 2014</b>	<b>10,711</b>	<b>33,625</b>	<b>1,652</b>	<b>2,542</b>	<b>792</b>	<b>49,322</b>
Additions	7	509	-	4	104	624
Transfers	32	344	-	12	(388)	-
Disposals	-	(75)	(1)	(12)	-	(88)
<b>31 March 2014</b>	<b>10,750</b>	<b>34,403</b>	<b>1,651</b>	<b>2,546</b>	<b>508</b>	<b>49,858</b>
<b>Accumulated depreciation</b>						
<b>1 January 2014</b>	<b>(1,731)</b>	<b>(8,796)</b>	<b>(892)</b>	<b>(1,577)</b>	<b>-</b>	<b>(12,996)</b>
Depreciation charge for the period	(60)	(297)	(19)	(73)	-	(449)
Reversal of impairment	-	4	-	-	-	4
Disposals	-	61	1	11	-	73
<b>31 March 2014</b>	<b>(1,791)</b>	<b>(9,028)</b>	<b>(910)</b>	<b>(1,639)</b>	<b>-</b>	<b>(13,368)</b>

Included under land, buildings and constructions are the amounts of RUR 109m and RUR 109m, which represent the value of land plots owned by the Group as at 31 March 2015 and 31 December 2014, respectively.

The vehicles and other equipment group includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 801m and RUR 814m as at 31 March 2015 and 31 December 2014, respectively.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,587m and RUR 1,588m as at 31 March 2015 and 31 December 2014, respectively.

The carrying amount of temporarily idle property, plant and equipment the following:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Cost	205	224
Accumulated depreciation	(89)	(93)
<b>Net book value</b>	<b>116</b>	<b>131</b>

**PJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (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)**

Construction in-progress as at 31 March 2015 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg and Irkutsk amounting to RUR 140m and RUR 88m, respectively.

Construction in-progress as at 31 December 2014 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg and Irkutsk amounting to RUR 145m and RUR 88m, respectively.

Leased assets for which the Group is a lessee under finance leases primarily related to land, buildings and constructions the following:

	<u>31 March 2015</u>	<u>31 December 2014</u>
Cost	431	431
Accumulated depreciation	(16)	(15)
<b>Net book value</b>	<b><u>415</u></b>	<b><u>416</u></b>

The Group leases a part of non-residential premises in a Moscow head office building, under a finance lease agreement. The remaining premises are owned by the Group. The office building included in the group land, buildings and constructions as at the 31 March 2015. See Note 12 for further details regarding finance leases.

*Advances for acquisition of non-current assets*

As at 31 March 2015 and 31 December 2014, advances for the acquisition of non-current assets, net of VAT and impairment provisions, consisted of advances for the acquisition of cranes and loaders (RUR 178m and RUR 155m, respectively), advances for the acquisition of containers (RUR 8m and RUR 41m, respectively) and advances for the acquisition of other non-current assets (RUR 8m and RUR 10m, respectively).

As at 31 March 2015 and 31 December 2014 provision was recognised for impairment of advances for acquisition of non-current assets in the amount of RUR 43m and RUR 43m, respectively (Note 6).

**4. INTANGIBLE ASSETS**

	<u>Software</u>	<u>Total</u>
<b>Cost</b>		
<b>1 January 2014</b>	<b><u>287</u></b>	<b><u>287</u></b>
Additions	30	30
Disposals	(80)	(80)
<b>31 March 2014</b>	<b><u>237</u></b>	<b><u>237</u></b>
<b>Accumulated amortisation</b>		
<b>1 January 2014</b>	<b><u>(137)</u></b>	<b><u>(137)</u></b>
Disposals	81	81
Amortisation charge for the period	(14)	(14)
<b>31 March 2014</b>	<b><u>(70)</u></b>	<b><u>(70)</u></b>
<b>Cost</b>		
<b>1 January 2015</b>	<b><u>249</u></b>	<b><u>249</u></b>
Additions	11	11
<b>31 March 2015</b>	<b><u>260</u></b>	<b><u>260</u></b>

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**4. INTANGIBLE ASSETS (CONTINUED)**

	<u>Software</u>	<u>Total</u>
<b>Accumulated amortisation</b>		
1 January 2015	<u>(39)</u>	<u>(39)</u>
Amortisation charge for the period	<u>(10)</u>	<u>(10)</u>
31 March 2015	<u>(49)</u>	<u>(49)</u>
<b>Net book value</b>		
1 January 2015	<u>210</u>	<u>210</u>
31 March 2015	<u>211</u>	<u>211</u>

**5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

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

	<u>2015</u>				<u>2014</u>			
	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
<b>Carrying amount as at 1 January</b>	<u>3,246</u>	<u>80</u>	<u>17</u>	<u>3,343</u>	<u>2,270</u>	<u>50</u>	<u>10</u>	<u>2,330</u>
Share of result of associates and joint ventures	30	4	(7)	27	24	4	-	28
Effect of translation to presentation currency	189	2	-	191	(161)	4	-	(157)
<b>Carrying amount as at 31 March</b>	<u>3,465</u>	<u>86</u>	<u>10</u>	<u>3,561</u>	<u>2,133</u>	<u>58</u>	<u>10</u>	<u>2,201</u>

**6. TRADE AND OTHER RECEIVABLES**

	<u>Outstanding balance, gross</u>	<u>Provision for impairment</u>	<u>Outstanding balance, net</u>
<b>31 March 2015</b>			
Trade receivables	1,735	(240)	1,495
Other receivables	<u>133</u>	<u>(11)</u>	<u>122</u>
<b>Total trade and other receivables, classified as financial assets</b>	<u>1,868</u>	<u>(251)</u>	<u>1,617</u>
<b>31 December 2014</b>			
Trade receivables	1,650	(239)	1,411
Other receivables	<u>142</u>	<u>(11)</u>	<u>131</u>
<b>Total trade and other receivables, classified as financial assets</b>	<u>1,792</u>	<u>(250)</u>	<u>1,542</u>

Long-term receivables are represented mainly by accounts receivable of OJSC RZD Logistics, which is expected to be fully repaid till December 2018. A discount rate of 8.6% has been used for the receivables' present value determination. As at 31 March 2015 the present value of long-term accounts receivable of OJSC RZD Logistics amounted to RUR 322m (RUR 313m as at 31 December 2014). As at 31 March 2015 a part of trade receivables of OJSC RZD Logistics in the amount of RUR 119m (RUR 119m as at 31 December 2014), was recognised as a part of short-term trade receivables.

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**6. TRADE AND OTHER RECEIVABLES (CONTINUED)**

As at 31 March 2015 long-term accounts receivable of OJSC RZD Logistics under the contract of purchase of Far East Land Bridge Ltd. shares accounted for RUR 41m (RUR 40m as at 31 December 2014).

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

<b>Balance as at 1 January 2014</b>	<b>(259)</b>
Release of provision	5
Foreign currency translation	(11)
<b>Balance as at 31 March 2014</b>	<b>(265)</b>
Additional provision, recognised in the current period	(31)
Release of provision	4
Utilisation of provision	23
Foreign currency translation	(67)
<b>Balance as at 31 December 2014</b>	<b>(336)</b>
Foreign currency translation	(1)
<b>Balance as at 31 March 2015</b>	<b>(337)</b>

As at 31 March 2015 and 31 December 2014 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 251m and RUR 250m, respectively), advances to suppliers (RUR 43m and RUR 43m, respectively, Note 7), advances for acquisition of non-current assets (RUR 43m and RUR 43m, respectively, Note 3).

**7. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>31 March 2015</b>	<b>31 December 2014</b>
VAT receivable	1,371	1,428
Advances to suppliers	908	1,383
Other current assets	120	147
<b>Total prepayments and other current assets</b>	<b>2,399</b>	<b>2,958</b>

**8. SHORT-TERM INVESTMENTS**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Russian Rouble denominated bank deposits	111	8
<b>Total short-term investments</b>	<b>111</b>	<b>8</b>

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

Russian Rouble-denominated bank deposit in the amount of RUR 100m, bearing interest at annual rate 15.8%, was placed with OJSC Bank VTB, a related party, as at 31 March 2015 (Note 23). The amount of accrued interest amounted to RUR 2m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position. The deposit matured on June 2015.

Three Russian Rouble-denominated short-term bank deposits in the total amount of RUR 9m bearing interest at annual rates in a range from 13.53% to 13.68% were placed with OJSC Alfa Bank, as at 31 March 2015. The deposits matured on June-December 2015.

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**9. CASH AND CASH EQUIVALENTS**

	<u>31 March 2015</u>	<u>31 December 2014</u>
Cash and Russian Rouble denominated current accounts with banks	313	392
Foreign currency denominated current accounts with banks	1,678	1,512
Russian Rouble denominated deposits in banks	<u>924</u>	<u>-</u>
<b>Total cash and cash equivalents</b>	<b><u>2,915</u></b>	<b><u>1,904</u></b>

Four Russian Rouble denominated short-term bank deposits in the total amount of RUR 921m bearing interest at annual rates in a range from 13.25% to 15.75%, were placed with OJSC Bank VTB, a related party, as at 31 March 2015 (Note 23). The total amount of accrued interest amounted to RUR 3m. The deposits matured on April-June 2015.

**10. EQUITY**

***Share Capital***

As at 31 March 2015, the Company's authorised, issued and paid share capital has not changed since 31 December 2014. JSC United Transportation and Logistics Company (JSC "UTLC") is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

**11. LONG-TERM DEBT**

***Long-term debt***

	<u>Effective interest rate</u>	<u>31 March 2015</u>	<u>31 December 2014</u>
Bonds	8.35%	4,990	4,990
Other borrowings	9.5%	<u>468</u>	<u>468</u>
<b>Total</b>		<b><u>5,458</u></b>	<b><u>5,458</u></b>

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

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 14). The loan matures in five years. As at 31 March 2015 the amount of loan was RUR 468m (RUR 468m as at 31 December 2014).

***Five-year RUR bonds, series 2***

In accordance with the terms of issue the Company made a partial principal repayment on bonds, series 2 in December 2013, June 2014 and December 2014, respectively, for the total amount of RUR 2,250m.

As at 31 March 2015 the carrying value of the bonds amounted to RUR 740m (RUR 740m as at 31 December 2014) and this amount was included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

The amount of accrued interest as at 31 March 2015 was RUR 21m (RUR 5m as at 31 December 2014), and was included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

***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 the reporting date.

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**11. LONG-TERM DEBT (CONTINUED)**

As at 31 March 2015 the carrying value of the bonds amounted to RUR 4,990m (RUR 4,990m as at 31 December 2014). The amount of accrued interest is RUR 69m (RUR 174m as at 31 December 2014) and has been included as current portion of long-term debt in the interim condensed consolidated statement of financial position.

**Current portion of long-term debt**

	Effective interest rate	31 March 2015	31 December 2014
Current portion of long-term bonds	8.35-8.8%	830	919
<b>Total</b>		<b>830</b>	<b>919</b>

**12. FINANCE LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Due within one year	64	64	60	60
Due after one year but not more than five years	449	463	336	340
	513	527	396	400
Less future finance charges	(117)	(127)	-	-
<b>Present value of minimum lease payments</b>	<b>396</b>	<b>400</b>	<b>396</b>	<b>400</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 349m 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.

**13. 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 2015 and 31 March 2014 consisted of the following:

	2015	2014
Pension Fund of the Russian Federation	163	146
Defined contribution plan "Blagosostoyanie"	5	5
<b>Total expense for defined contribution plans</b>	<b>168</b>	<b>151</b>

*Defined benefit plans*

Principal actuarial assumptions as at 31 March 2015 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2014 with the exception of changes in discount rate, which decreased down to 12% as at 31 March 2015 (as at 31 December 2014: 13%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 31 March 2015 and 31 March 2014 in respect of these defined benefit plans, include the following:

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

	Post-employment benefits		Other long-term benefits		Total	
	2015	2014	2015	2014	2015	2014
Service cost	6	3	32	30	38	33
Net interest on obligation	18	14	10	5	28	19
Remeasurements of the net defined benefit	-	-	1	(4)	1	(4)
<b>Net expense recognised in the consolidated profit or loss</b>	<b>24</b>	<b>17</b>	<b>43</b>	<b>31</b>	<b>67</b>	<b>48</b>

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitute RUR 25m for the three-month period ended 31 March 2015 and net income recognised in other comprehensive income constitute RUR 40m for the three-month period ended 31 March 2014.

The amounts recognised in the interim condensed consolidated statement of financial position as at 31 March 2015 and 31 December 2014 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligation	709	672	342	328	1,051	1,000
Fair value of plan assets	(64)	(61)	-	-	(64)	(61)
<b>Net employee benefit liability</b>	<b>645</b>	<b>611</b>	<b>342</b>	<b>328</b>	<b>987</b>	<b>939</b>

**14. 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 will be 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 up until June 2016 to exercise their share options.

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.

On 13 May 2014 the Board of Directors amended the list of Plan Participants and the number of share options for some Plan Participants. These changes are disclosed as granted and cancelled options.



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**14. EMPLOYEE SHARE OPTION PLAN (CONTINUED)**

The following number of share options is outstanding:

	<b>Number of shares</b>
<b>Options outstanding at 1 January 2014</b>	<b>165,177</b>
Options granted during the period	11,708
Options cancelled during the period	(1,953)
<b>Options outstanding at 31 December 2014</b>	<b>174,932</b>
<b>Options outstanding at 31 March 2015</b>	<b>174,932</b>

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.

	<b>Options granted as at 13 May 2014</b>	<b>Options granted as at 20 May 2011</b>
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%
<b>Fair value at measurement date (in Russian Roubles)</b>	<b>845-938</b>	<b>1,308 – 1,462</b>

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 2015 no expenses were incurred.

During the three-month period ended 31 March 2015 no options were exercised.

Movements in the reserve held for Share-based option plan during the three-month periods ended 31 March 2015 and 31 March 2014:

	<b>2015</b>	<b>2014</b>
<b>Reserve as at 1 January</b>	<b>240</b>	<b>221</b>
Expense recognised for the period	-	5
<b>Reserve as at 31 March</b>	<b>240</b>	<b>226</b>

**15. TRADE AND OTHER PAYABLES**

	<b>31 March 2015</b>	<b>31 December 2014</b>
Trade payables	661	662
Amounts payable for the acquisition of property, plant and equipment	69	34
Amounts payable for the intangible assets	5	17
<b>Total financial liabilities within trade and other payable</b>	<b>735</b>	<b>713</b>
Liabilities to customers (advances)	2,039	2,371
<b>Total trade and other payables</b>	<b>2,774</b>	<b>3,084</b>

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

	<b>31 March 2015</b>	<b>31 December 2014</b>
Social insurance contribution	211	197
Property tax	129	127
VAT	34	42
Personal income tax	29	29
Other taxes	6	6
<b>Total taxes other than income tax payable</b>	<b>409</b>	<b>401</b>

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**17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>31 March 2015</u>	<u>31 December 2014</u>
Settlements with employees	798	812
Other liabilities (financial liabilities)	55	100
<b>Total accrued expenses and other current liabilities</b>	<b><u>853</u></b>	<b><u>912</u></b>

Settlements with employees as at 31 March 2015 and 31 December 2014 comprised accrued salaries and bonuses of RUR 609m and RUR 628m, respectively, and accruals for unused vacation of RUR 189m and RUR 184m, respectively.

**18. 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>2015</u>	<u>2014</u>
Integrated freight forwarding and logistics services	7,657	6,355
Rail-based container shipping services	1,474	1,270
Terminal services and agency fees	621	466
Truck deliveries	192	220
Other freight forwarding services	57	63
Bonded warehousing services	52	62
Other	42	24
<b>Total revenue</b>	<b><u>10,095</u></b>	<b><u>8,460</u></b>

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

	<u>2015</u>	<u>2014</u>
<b>Revenue from external customers</b>		
Russia	7,830	6,423
Korea	1,268	893
Germany	469	558
Kazakhstan	236	307
Latvia	100	38
China	73	73
Other	119	168
<b>Total revenue</b>	<b><u>10,095</u></b>	<b><u>8,460</u></b>

During the three-month period ended 31 March 2015, UNICO LOGISTICS CO. LTD accounted for RUR 1,175m or 12% of the Group's total revenue (for the three-month period ended 31 March 2014: RUR 794m or 9% of the Group's total revenue).

During the three-month period ended 31 March 2015, OJSC RZD and its subsidiaries accounted for RUR 677m or 7% of the Group's total revenue (for the the three-month period ended 31 March 2014: RUR 530m or 6% of the Group's total revenue).

**19. OTHER OPERATING INCOME**

	<u>2015</u>	<u>2014</u>
Income from the sale and disposal of property, plant and equipment	79	66
Income from the sale of inventory and from the reuse of spare parts	41	35
Other operating income	26	57
<b>Total operating income</b>	<b><u>146</u></b>	<b><u>158</u></b>

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**20. OPERATING EXPENSES**

	<u>2015</u>	<u>2014</u>
Third-party charges related to principal activities	5,051	3,576
Freight and transportation services	1,300	1,087
Payroll and related charges	1,075	954
Depreciation and amortisation	532	463
Materials, repair and maintenance	486	417
Rent	194	96
Taxes other than income tax	138	146
Consulting and information services	62	39
Security	51	51
Fuel costs	45	44
License and software	21	23
Communication costs	17	17
Other expenses	291	117
<b>Total operating expenses</b>	<b><u>9,263</u></b>	<b><u>7,030</u></b>

**21. INTEREST EXPENSE**

	<u>2015</u>	<u>2014</u>
Interest expense on RUR bonds	119	153
Interest expense on finance lease obligations	10	13
Interest expense on bank loans and borrowings	11	11
<b>Total interest expense</b>	<b><u>140</u></b>	<b><u>177</u></b>

**22. INCOME TAX**

	<u>2015</u>	<u>2014</u>
Current income tax charge	(184)	(262)
Deferred income tax expense	(10)	(53)
<b>Income tax</b>	<b><u>(194)</u></b>	<b><u>(315)</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 2015 was 21.1% (for the three-month period ended 31 March 2014: 19.4%).

**23. 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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**23. 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 are disclosed below:

Related party	Nature of relationship		
	31 March 2015	31 December 2014	31 March 2014
OJSC Russian Railways	Ultimate controlling company	Ultimate controlling company	Parent company
JSC UTLC (Note 10)	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
CJSC Torgovy'y dom TMH	-	Associate of RZD	Associate of RZD
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Wagon Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Wagon Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Wagon Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Bank VTB	State-controlled entity	State-controlled entity	State-controlled entity
OJSC Sberbank of Russia	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 Government and, therefore, all companies controlled by the Russian Federation Government 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 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 equisition of goods and providing services like electricity, taxes and post services. These transactions are conducted 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 entites" in the table below), and OJSC Bank VTB, which are also state-controlled. OJSC 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 revenues generated from such transactions with RZD is reported as agency fees in the consolidated profit or loss.

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**23. 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 2015 are shown below:

	Ultimate controlling 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 receivables	-	363	-	-	-	363
<b>Current assets</b>						
Short-term investments	-	-	-	-	102	102
Cash and cash equivalents	-	-	-	-	2,679	2,679
Trade receivables	221	274	22	5	2	524
Other receivables	2	27	-	10	32	71
Advances to suppliers	713	11	-	73	2	799
	936	312	22	88	2,817	4,175
<b>Total assets</b>	<b>936</b>	<b>675</b>	<b>22</b>	<b>88</b>	<b>2,817</b>	<b>4,538</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	13	36	-	19	36	104
Liabilities to customers	-	31	3	14	33	81
Other payables	5	2	-	-	24	31
<b>Total liabilities</b>	<b>18</b>	<b>69</b>	<b>3</b>	<b>33</b>	<b>93</b>	<b>216</b>
<b>Revenue</b>						
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
	385	300	59	89	55	888
Interest income on deposits	-	-	-	-	17	17
Other interest income	-	-	-	-	1	1
Other operating income	22	10	-	-	-	32
	22	10	-	-	18	50
<b>Total income</b>	<b>407</b>	<b>310</b>	<b>59</b>	<b>89</b>	<b>73</b>	<b>938</b>
<b>Operating Expenses</b>						
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
<b>Total expenses</b>	<b>4,771</b>	<b>203</b>	<b>3</b>	<b>755</b>	<b>75</b>	<b>5,807</b>
Purchases of property, plant and equipment	-	19	-	-	8	27
Purchases of inventory	-	-	-	-	3	3
Contributions to non-state pension funds	-	-	-	-	18	18
<b>Total other transactions</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>48</b>

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

As at 31 March 2015 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, was recognised in respect of trade receivables balance in the amount of RUR 179m.

Transactions and outstanding balances with related parties as at 31 December 2014 and for the three-month period ended 31 March 2014 are shown below:

	Ultimate controlling 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 receivables	-	313	-	-	-	313
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	1,638	1,638
Trade receivables	241	430	26	83	1	781
Other receivables	40	123	-	7	24	194
Advances to suppliers	1,239	10	-	-	1	1,250
	1,520	563	26	90	1,664	3,863
<b>Total assets</b>	<b>1,520</b>	<b>876</b>	<b>26</b>	<b>90</b>	<b>1,664</b>	<b>4,176</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	16	27	3	62	16	124
Liabilities to customers	-	32	5	-	47	84
Other payables	1	-	-	1	20	22
<b>Total liabilities</b>	<b>17</b>	<b>59</b>	<b>8</b>	<b>63</b>	<b>83</b>	<b>230</b>
<b>Revenue</b>						
Rail-based container shipping services	19	12	1	39	12	83
Terminal services and agency fees	368	1	-	-	1	370
Integrated freight forwarding and logistics services	1	135	30	51	61	278
Other services	4	4	1	1	4	14
	392	152	32	91	78	745
Interest income on deposits	-	-	-	-	21	21
Other interest income	-	-	-	-	2	2
Other operating income	15	13	-	-	1	29
	15	13	-	-	24	52
<b>Total income</b>	<b>407</b>	<b>165</b>	<b>32</b>	<b>91</b>	<b>102</b>	<b>797</b>
<b>Operating Expenses</b>						
Freight and transportation services	724	-	-	140	45	909
Third-party charges related to principal activities	2,729	1	12	359	11	3,112
Repair services	59	157	-	-	1	217
Rent of property and equipment	8	-	-	-	1	9
Other expenses	26	11	-	1	31	69
<b>Total expenses</b>	<b>3,546</b>	<b>169</b>	<b>12</b>	<b>500</b>	<b>89</b>	<b>4,316</b>
Purchases of inventory	-	237	-	-	42	279
Contributions to non-state pension funds	-	-	-	-	41	41
<b>Total other transactions</b>	<b>-</b>	<b>237</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>320</b>

As at 31 December 2014 provision for impairment of accounts receivable of Far East Land Bridge Ltd., subsidiary of RZD, was recognised in respect of trade receivables balance in the amount of RUR 175m.

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

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 20 and 20 persons as at 31 March 2015 and 31 March 2014, respectively. Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 31m (including total insurance contributions of RUR 4m) and RUR 32m (including total insurance contributions of RUR 4m) for the three-month periods ended 31 March 2015 and 31 March 2014, respectively. This compensation is included under payroll and related charges in the consolidated profit and loss and comprises primarily short-term benefits. Major part of compensation for Key management personnel is generally 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 stated in Note 14, for the three-month period ended 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 (RUR 5m for the three-month period ended 31 March 2014). There were no expenses related to options provided to the General Director and his deputies for the three-month period ended 31 March 2015 (RUR 3m for the three-month period ended 31 March 2014).

**24. COMMITMENTS UNDER OPERATING LEASES**

As at 31 March 2015, the Group leases container terminal Dobra in Slovakia. The remaining period of agreements validity is 9 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 2015</u>	<u>31 December 2014</u>
Within one year	570	362
Within two to five years	1,269	753
After five years	232	259
<b>Total minimum lease payments</b>	<b><u>2,071</u></b>	<b><u>1,374</u></b>

Increase of minimum lease payments under contracted operating leases relates to the conclusion of new lease agreements.

**25. CAPITAL COMMITMENTS**

The Group's capital commitments as at 31 March 2015 and 31 December 2014 consisted of the following, including VAT:

	<u>31 March 2015</u>	<u>31 December 2014</u>
Acquisition of containers and flatcars	1,258	1,453
Acquisition of lifting machines and other equipment	371	317
Construction of container terminal complexes and modernisation of existing assets	73	5
<b>Total capital commitments</b>	<b><u>1,702</u></b>	<b><u>1,775</u></b>

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**26. RISK MANAGEMENT ACTIVITIES**

**Operating environment of the Group.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations. The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. The Group has no assets or significant operations in Ukraine; therefore, these events have no direct impact on the Group. However, there is still uncertainty as to the future economic growth, access to the capital markets and the cost of capital.

A number of sanctions have been introduced against the Russian Federation and Russian officials and their effects are difficult to determine at this stage. In addition, there is a threat that additional sanctions will be introduced. There is a high level of uncertainty and volatility on the financial markets.

These and other events may have a material impact on the Group's operations, its prospective financial position, operational results and business perspectives, and the management is unable to foresee the outcome of such impact at this stage. Management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

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.

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 2014. The information disclosed in the interim condensed consolidated financial statements as at 31 March 2015 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. There have been no significant changes in the Group's risk management policy during the three month period ended 31 March 2015.

***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 at 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.

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: trade and other receivables (excluding long-term receivables of OJSC RZD Logistics), other financial assets, trade and other payables. These financial assets and liabilities relate to Level 3 in the fair value hierarchy.

The fair value of investment property as Level 3 in the fair value measurement hierarchy approximates its carrying value.

As at 31 March 2015 and 31 December 2014 the fair value of assets for sale is RUR 433m. These financial assets relate to Level 3 in the fair value hierarchy.

As at 31 March 2015 the fair value of long-term accounts receivable of OJSC RZD Logistics (Note 6) accounts for RUR 268m. The calculation is based on the use of a weighted average interest rate of 13.78% established by the Central Bank of Russia for February 2015 on attracted by credit institutions deposits of non-financial entities in rubles for a period from 1 to 3 years.

The fair value of long-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.



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

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

	<u>31 March 2015</u>	<u>31 December 2014</u>
<b>Financial liabilities</b>		
Bonds	5,196	5,327
<b>Total</b>	<u><b>5,196</b></u>	<u><b>5,327</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.

**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.