

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**Interim Condensed Consolidated Financial
Statements**

For the Six-Month Period Ended 30 June 2015

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 SIX-MONTH PERIOD ENDED 30 JUNE 2015

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the financial position of PJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 June 2015 and the results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

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

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

Management is also responsible for:

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

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2015 were approved on 25 August 2015 by:

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

P. V. Baskakov
General Director

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

K. S. Kalmykov
Chief Accountant



Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company TransContainer and its subsidiaries (the "Group") as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

A handwritten signature in blue ink that reads "AO PricewaterhouseCoopers Audit".

27 August, 2015
Moscow, Russian Federation

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

	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	3	36,757	37,718
Advances for acquisition of non-current assets	3	179	206
Investment property		86	86
Intangible assets		225	210
Investments in associates and joint ventures	4	3,434	3,343
Trade and other receivables	5	369	353
Other non-current assets		84	96
Total non-current assets		41,134	42,012
Current assets			
Inventory		329	340
Trade and other receivables	5	1,463	1,542
Prepayments and other current assets	6	2,538	2,958
Prepaid income tax		5	113
Short-term investments		6	8
Cash and cash equivalents	7	3,043	1,904
		7,384	6,865
Non-current assets held for sale		94	100
Total current assets		7,478	6,965
TOTAL ASSETS		48,612	48,977
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	13,895	13,895
Treasury shares		(494)	(493)
Reserve fund		697	697
Translation reserve		970	1,081
Equity-settled employee benefits reserve	12	240	240
Other reserves, including investment property's revaluation reserve		(2,156)	(2,156)
Retained earnings		21,999	21,981
Total equity		35,151	35,245
Non-current liabilities			
Long-term debt	9	4,990	5,458
Finance lease obligations, net of current maturities	10	232	340
Employee benefit liability	11	1,025	939
Deferred tax liability		1,463	1,414
Total non-current liabilities		7,710	8,151
Current liabilities			
Trade and other payables	13	2,968	3,084
Current portion of long-term debt	9	641	919
Income tax payable		31	189
Taxes other than income tax payable	14	484	401
Dividends payable	8	974	-
Provisions		10	16
Finance lease obligations, current maturities	10	90	60
Accruals and other current liabilities	15	553	912
Total current liabilities		5,751	5,581
TOTAL EQUITY AND LIABILITIES		48,612	48,977


P. V. Baskakov
 General Director

25 August 2015


K. S. Kalmykov
 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	Six-month period ended 30 June		Three-month period ended 30 June	
		2015	2014	2015	2014
Revenue	16	20,006	17,534	9,911	9,074
Other operating income	17	342	341	210	183
Operating expenses	18	(18,905)	(15,194)	(9,580)	(8,164)
Gain from early termination of finance lease	10	14	18	14	2
Interest expense	19	(269)	(339)	(129)	(162)
Interest income		69	95	41	71
Foreign exchange (loss)/gain, net		(118)	33	(175)	(112)
Share of result of associates and joint ventures	4	177	90	150	62
Profit before income tax		1,316	2,578	442	954
Income tax expense	20	(277)	(499)	(99)	(184)
Profit for the period		1,039	2,079	343	770
Other comprehensive income (net of income tax)					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurement of post-employment benefit plans liabilities		(47)	27	(22)	(13)
Remeasurement of investment property		-	8	-	8
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Share of translation of financial information of associates and joint ventures to the presentation currency	4	(86)	(325)	(277)	(166)
Exchange differences on translating foreign operations		(25)	7	(8)	(11)
Other comprehensive loss for the period		(158)	(283)	(307)	(182)
Total comprehensive income for the period		881	1,796	36	588
Earnings per share, basic and diluted (in Russian Roubles)		76	149	25	55
Weighted average number of shares outstanding		13,693,879	13,915,562	13,693,798	13,915,293



P. V. Baskakov
General Director

25 August 2015



K. S. Kalmykov
Chief Accountant

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

	Notes	Six-month period ended 30 June	
		2015	2014
Cash flows from operating activities:		1,316	2,578
Profit before income tax			
Adjustments for:			
Depreciation and amortisation	18	1,219	1,190
Change in provision for impairment of receivables		(6)	(2)
Gain on disposal of property, plant and equipment	17	(194)	(137)
Loss on impairment of property, plant and equipment	3	8	68
Share of result of associates and joint ventures	4	(177)	(90)
Interest expense, net		200	244
Equity-settled employee benefits reserve	12	-	19
Foreign exchange loss/(gain), net		118	(33)
Gain from early termination of finance lease	10	(14)	(18)
Other expenses		10	-
Operating profit before working capital changes, paid income tax and interest and changes in other assets and liabilities		2,480	3,819
Working capital changes:			
Decrease in inventory		295	204
(Increase)/decrease in trade and other receivables		(53)	298
Decrease in prepayments and other assets		438	748
Decrease in trade and other payables		(140)	(422)
Increase/(decrease) in taxes other than income tax		83	(49)
Decrease in accrued expenses and other current liabilities		(364)	(336)
Increase/(decrease) in employee benefit liabilities		26	(32)
Net cash from operating activities before income tax and interest		2,765	4,230
Interest paid		(275)	(345)
Income tax paid		(265)	(315)
Net cash provided by operating activities		2,225	3,570
Cash flows from investing activities:			
Purchases of property, plant and equipment		(291)	(2,083)
Proceeds from disposal of property, plant and equipment		20	32
Sale of long-term investments		61	18
Sale of short-term investments		111	751
Purchases of short-term investments		(109)	(750)
Purchases of intangible assets		(23)	(43)
Interest received		51	47
Net cash used in investing activities		(180)	(2,028)
Cash flows from financing activities:			
Repayments of finance lease obligations		(65)	(9)
Principal payments on long-term borrowings		-	(1)
Principal payments on short-term part of long-term bonds		(750)	(750)
Net cash used in financing activities		(815)	(760)
Net increase in cash and cash equivalents		1,230	782
Cash and cash equivalents at beginning of the period		1,904	1,883
Foreign exchange effect on cash and cash equivalents		(91)	35
Cash and cash equivalents at end of the period		3,043	2,700



P. V. Baskakov
General Director

25 August 2015



K. S. Kalmykov
Chief Accountant

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

Notes	Share capital	Treasury shares	Reserve fund	Translation reserve	Equity-settled employee benefits reserve	Other reserves, including investment property's revaluation reserve	Retained earnings	Total
Balance at 1 January 2014	13,895	(484)	697	10	221	(2,165)	19,305	31,479
Profit for the period	-	-	-	-	-	-	2,079	2,079
Other comprehensive (loss)/income for the period	-	-	-	(318)	-	8	27	(283)
Total comprehensive (loss)/income for the period	-	-	-	(318)	-	8	2,106	1,796
Acquisition of treasury shares	-	(4)	-	-	-	-	-	(4)
Equity-settled employee benefits reserve	-	-	-	-	19	-	-	19
Dividends	-	-	-	-	-	-	(1,117)	(1,117)
Balance at 30 June 2014	13,895	(488)	697	(308)	240	(2,157)	20,294	32,173
Profit for the period	-	-	-	-	-	-	1,579	1,579
Other comprehensive income for the period	-	-	-	1,389	-	1	108	1,498
Total comprehensive income for the period	-	-	-	1,389	-	1	1,687	3,077
Acquisition of treasury shares	-	(5)	-	-	-	-	-	(5)
Balance at 31 December 2014	13,895	(493)	697	1,081	240	(2,156)	21,981	35,245
Profit for the period	-	-	-	-	-	-	1,039	1,039
Other comprehensive loss for the period	-	-	-	(111)	-	-	(47)	(158)
Total comprehensive (loss)/income for the period	-	-	-	(111)	-	-	992	881
Acquisition of treasury shares	-	(1)	-	-	-	-	-	(1)
Dividends	-	-	-	-	-	-	(974)	(974)
Balance at 30 June 2015	13,895	(494)	697	970	240	(2,156)	21,999	35,151



P. V. Baskakov
 General Director

25 August 2015



K. S. Kalmykov
 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 SIX-MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)

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

1. NATURE OF THE BUSINESS

OJSC 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 30 June 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, %	
				30 June 2015	31 December 2014	30 June 2015	31 December 2014
Oy ContainerTrans Scandinavia Ltd.	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.	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	Associate	Germany	Container shipments	20	20	20	20
LLC TransContainer Finance (Note 12)	Subsidiary	Russia	Share option programme operator	100	100	100	100
JSC Kedentransservice (Note 4)	Joint venture	Kazakhstan	Container shipments	50	50	50	50
Helme’s Operation UK Limited	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.	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 30 June 2015 and for the six-month period then ended were authorised for issue by the General Director of the Company on 25 August 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

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

the preparation of the Group's annual consolidated financial statements as at 31 December 2014 and for the year then ended, as described in those annual consolidated financial statements.

In 2015 the Group started to provide services (including third-party services) that have certain characteristics of agency services presented as revenue item "Cargo transportation and handling services with involvement of third parties" 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.

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 2015. 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 2014, have been issued but are not effective for the financial year beginning 1 January 2015 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 2016 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 2014 and for the year then ended. During the reporting period new standards and interpretations mandatory for the Group starting from 1 January 2016 or after that date have not been issued.

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 20) and some actuarial assumptions (Note 11). As at 31 December 2014 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 2014.

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 10,119m for the six-month period ended 30 June 2015 (including RUR 8,988m for integrated freight forwarding and logistics services, and RUR 1,130m for management of cargo transportation and handling with involvement of third parties) (RUR 7,465m for integrated freight forwarding and logistics services for the six-month period ended 30 June 2014). For the three-month period ended 30 June 2015 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 5,068m (including RUR 4,445m for integrated freight forwarding and logistics services, RUR 622m for management of cargo transportation and handling with involvement of third parties) (RUR 3,889m for integrated freight forwarding and logistics services for the three months ended 30 June 2014).

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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 48% of revenues accumulated in the first half of the year, with 52% accumulating in the second half of the year.

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

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Cost						
1 January 2014	10,711	33,625	1,652	2,542	792	49,322
Additions	7	2,722	-	28	115	2,872
Transfers	46	417	-	2	(465)	-
Capitalised borrowing costs	-	-	-	-	10	10
Disposals	(2)	(269)	(1)	(36)	-	(308)
30 June 2014	10,762	36,495	1,651	2,536	452	51,896
Additions	-	347	387	147	460	1,341
Transfers	485	13	10	9	(517)	-
Capitalised borrowing costs	-	-	-	-	10	10
Reclassification to non-current assets held for sale	(66)	-	(12)	(76)	-	(154)
Disposals	(17)	(447)	(11)	(88)	(72)	(635)
31 December 2014	11,164	36,408	2,025	2,528	333	52,458
Additions	4	188	2	71	59	324
Transfers	12	10	-	8	(30)	-
Capitalised borrowing costs	-	-	-	-	7	7
Disposals	(15)	(480)	(2)	(70)	-	(567)
30 June 2015	11,165	36,126	2,025	2,537	369	52,222
Accumulated depreciation and impairment						
1 January 2014	(1,731)	(8,796)	(892)	(1,577)	-	(12,996)
Depreciation charge for the period	(122)	(857)	(38)	(149)	-	(1,166)
Impairment	(4)	(5)	(14)	(45)	-	(68)
Disposals	1	225	1	28	-	255
30 June 2014	(1,856)	(9,433)	(943)	(1,743)	-	(13,975)
Depreciation charge for the period (Impairment) / reversal of impairment	(126)	(939)	(42)	(148)	-	(1,255)
Reclassification to non-current assets held for sale	(82)	8	6	47	-	(21)
Disposals	9	-	6	33	-	48
Disposals	12	355	8	88	-	463
31 December 2014	(2,043)	(10,009)	(965)	(1,723)	-	(14,740)

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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)

	<u>Land, buildings and constructions</u>	<u>Containers and flatcars</u>	<u>Cranes and loaders</u>	<u>Vehicles and other equipment</u>	<u>Construction in-progress</u>	<u>Total</u>
Depreciation charge for the period (Impairment) / reversal of impairment	(128)	(891)	(53)	(125)	-	(1,197)
Disposals	(39)	34	-	(3)	-	(8)
	13	395	2	70	-	480
30 June 2015	<u>(2,197)</u>	<u>(10,471)</u>	<u>(1,016)</u>	<u>(1,781)</u>	<u>-</u>	<u>(15,465)</u>
Net book value						
31 December 2014	<u>9,121</u>	<u>26,399</u>	<u>1,060</u>	<u>805</u>	<u>333</u>	<u>37,718</u>
30 June 2015	<u>8,968</u>	<u>25,655</u>	<u>1,009</u>	<u>756</u>	<u>369</u>	<u>36,757</u>

The item "Land, buildings and constructions" includes the amounts of RUR 110m and RUR 109m, which represent the value of land plots owned by the Group as at 30 June 2015 and 31 December 2014, respectively.

The item "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 30 June 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 1,585m and RUR 1,588m as at 30 June 2015 and 31 December 2014, respectively.

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

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cost	258	224
Accumulated depreciation	(79)	(93)
Net book value	<u>179</u>	<u>131</u>

Construction in-progress as at 30 June 2015 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg and Irkutsk amounting to RUR 147m and RUR 89m, 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, and containers acquired for the amount of RUR 8m.

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

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cost	431	431
Accumulated depreciation	(17)	(15)
Net book value	<u>414</u>	<u>416</u>

The Group leases a part of non-residential premises in a Moscow head office building, under a finance lease agreement. The Group owns the remaining premises. The office building is included in the group land, buildings and constructions as at 30 June 2015. See Note 10 for further details regarding finance leases.

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

Advances for acquisition of non-current assets

As at 30 June 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 155m and RUR 155m, respectively), advances for the acquisition of containers (RUR 1m and RUR 41m, respectively) and advances for the acquisition of other non-current assets (RUR 23m and RUR 10m, respectively).

As at 30 June 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 5).

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.

	2015				2014			
	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
Carrying amount as at 1 January	3,246	80	17	3,343	2,270	50	10	2,330
Share of result of associates and joint ventures	179	3	(5)	177	88	3	(1)	90
Share of translation of financial information to presentation currency	(82)	(2)	(2)	(86)	(326)	1	-	(325)
Carrying amount as at 30 June	3,343	81	10	3,434	2,032	54	9	2,095

5. TRADE AND OTHER RECEIVABLES

	<u>Outstanding balance, gross</u>	<u>Provision for impairment</u>	<u>Outstanding balance, net</u>
30 June 2015			
Trade receivables	1,585	(228)	1,357
Other receivables	117	(11)	106
Total trade and other receivables, classified as financial assets	1,702	(239)	1,463
31 December 2014			
Trade receivables	1,650	(239)	1,411
Other receivables	142	(11)	131
Total trade and other receivables, classified as financial assets	1,792	(250)	1,542

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5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Long-term receivables are represented mainly by accounts receivable of OJSC RZD Logistics, which are expected to be fully repaid till April 2018. A discount rate of 8.6% has been used for the receivables' present value determination. As at 30 June 2015 the present value of long-term accounts receivable of OJSC RZD Logistics amounted to RUR 331m (RUR 313m as at 31 December 2014). As at 30 June 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.

As at 30 June 2015 long-term accounts receivable of OJSC RZD Logistics under the contract of purchase of Far East Land Bridge Ltd. shares accounted for RUR 38m (RUR 40m as at 31 December 2014).

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

Balance as at 1 January 2014	(259)
Additional provision, recognised in the current period	(4)
Release of provision	6
Utilisation of provision	17
Foreign currency translation	(2)
Balance as at 30 June 2014	(242)
Additional provision, recognised in the current period	(27)
Release of provision	3
Utilisation of provision	6
Foreign currency translation	(76)
Balance as at 31 December 2014	(336)
Additional provision, recognised in the current period	(2)
Release of provision	8
Utilisation of provision	1
Foreign currency translation	10
Balance as at 30 June 2015	(319)

As at 30 June 2015 and 31 December 2014 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 239m and RUR 250m, respectively), advances to suppliers (RUR 37m and RUR 43m, respectively, Note 6), advances for acquisition of non-current assets (RUR 43m and RUR 43m, respectively, Note 3).

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2015	31 December 2014
VAT receivable	1,281	1,428
Advances to suppliers	1,159	1,383
Other current assets	98	147
Total prepayments and other current assets	2,538	2,958

7. CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
Cash and Russian Rouble denominated current accounts with banks	272	392
Foreign currency denominated current accounts with banks	1,022	1,512
Russian Rouble denominated bank deposits	1,137	-
Foreign currency denominated bank deposits	612	-
Total cash and cash equivalents	3,043	1,904

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7. CASH AND CASH EQUIVALENTS (CONTINUED)

Eight Russian Rouble denominated short-term bank deposits in the total amount of RUR 1,134m bearing interest at annual rates in a range from 11.09% to 11.88% and two USD-denominated short-term bank deposits in the total amount of USD 11m (RUR 611m at the Central Bank of Russia exchange rate as at 30 June 2015) bearing interest at annual rate of 1.35% were placed with PJSC Bank VTB and JSC Gazprombank, related parties, as at 30 June 2015 (Note 21). The total amount of accrued interest on Russian Rouble denominated and USD-denominated short-term bank deposits amounted to RUR 3m and RUR 1m, respectively. The deposits matured in July 2015.

8. EQUITY

Share Capital

As at 30 June 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.

Dividends

Dividends of RUR 70.96 per share (RUR 974m in total) were approved at the annual shareholders' meeting on 24 June 2015 relating to the Company's results for the year ended 31 December 2014. In July 2015 the dividends have been fully paid.

Dividends of RUR 81.47 per share (RUR 1,117m in total) were approved at the annual shareholders' meeting on 24 June 2014 relating to the Company's results for the year ended 31 December 2013. In July 2014 the dividends have been fully paid.

9. LONG-TERM DEBT

Long-term debt

	Effective interest rate	30 June 2015	31 December 2014
Bonds	8.35%	4,990	4,990
Other borrowings	9.5%	-	468
Total		4,990	5,458

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 12). The loan matures in five years. As at 30 June 2015 the amount of loan was RUR 468m (RUR 468m 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.

Five-year RUR bonds, series 2

In accordance with the terms of issue the Company fully redeemed its obligations on bonds, series 2 by four equal semi-annual installments in December 2013, June 2014, December 2014, and June 2015 for the total amount of RUR 3,000m.

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.

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9. LONG-TERM DEBT (CONTINUED)

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.

As at 30 June 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 173m (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	30 June 2015	31 December 2014
Current portion of long-term bonds	8.35-8.8%	173	919
Other borrowings	9.5%	468	-
Total		641	919

10. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Due within one year	92	64	90	60
Due after one year but not more than five years	302	463	232	340
	394	527	322	400
Less future finance charges	(72)	(127)	-	-
Present value of minimum lease payments	322	400	322	400

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%.

As at 30 June 2015 a part of obligation in the amount of RUR 58m was reclassified as current liabilities in connection with the partial acquisition of premises planned to be carried out until the end of 2015 year, that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 14m in the profit or loss.

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 233m 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.

11. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the six-month periods ended 30 June 2015 and 30 June 2014 consisted of the following:

	2015	2014
Pension Fund of the Russian Federation	357	325
Defined contribution plan "Blagosostoyanie"	12	9
Total expense for defined contribution plans	369	334

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11. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 30 June 2015 and 30 June 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Pension Fund of the Russian Federation	194	179
Defined contribution plan "Blagosostoyanie"	<u>7</u>	<u>4</u>
Total expense for defined contribution plans	<u>201</u>	<u>183</u>

Defined benefit plans

Principal actuarial assumptions as at 30 June 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 11% as at 30 June 2015 (as at 31 December 2014: 13%) and the projected average annual consumer price inflation in 2015-2017, which equaled to 6.3% as at 30 June 2015 (as at 31 December 2014: 6.7%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the six-month periods ended 30 June 2015 and 30 June 2014 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Service cost	9	11	62	61	71	72
Net interest on obligation	37	27	18	10	55	37
Remeasurements of the net defined benefit	-	-	8	(5)	8	(5)
Net expense recognised in the consolidated profit or loss	<u>46</u>	<u>38</u>	<u>88</u>	<u>66</u>	<u>134</u>	<u>104</u>

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month periods ended 30 June 2015 and 30 June 2014 in respect of these defined benefit plans, include the following:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Service cost	3	8	30	31	33	39
Net interest on obligation	19	13	8	5	27	18
Remeasurements of the net defined benefit	-	-	7	(1)	7	(1)
Net expense recognised in the consolidated profit or loss	<u>22</u>	<u>21</u>	<u>45</u>	<u>35</u>	<u>67</u>	<u>56</u>

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 47m for the six-month period ended 30 June 2015 and net income recognised in other comprehensive income constitutes RUR 27m for the six-month period ended 30 June 2014.

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 22m for the three-month period ended 30 June 2015 and net income recognised in other comprehensive income constitutes RUR 13m for the three-month period ended 30 June 2014.

The amounts recognised in the interim condensed consolidated statement of financial position as at 30 June 2015 and 31 December 2014 in respect of these defined benefit plans, include the following:

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11. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

	Post-employment benefits		Other long-term benefits		Total	
	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligation	730	670	357	328	1,087	998
Fair value of plan assets	(62)	(61)	-	-	(62)	(61)
Net employee benefit liability	668	609	357	328	1,025	937

12. EMPLOYEE SHARE OPTION PLAN

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

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

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

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

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

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

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

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

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.

The following number of share options is outstanding:

	Number of shares
Options outstanding as at 1 January 2014	165,177
Options granted during the period	11,708
Options cancelled during the period	(1,953)
Options outstanding as at 31 December 2014	174,932
Options outstanding as at 30 June 2015	174,932

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.

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12. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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

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 six-month period ended 30 June 2015 no expenses were incurred.

During the six-month period ended 30 June 2015 no options were exercised.

Movements in the reserve held for Share-based option plan during the six-month periods ended 30 June 2015 and 30 June 2014:

	<u>2015</u>	<u>2014</u>
Reserve as at 1 January	240	221
Expense recognised for the period	-	19
Reserve as at 30 June	<u>240</u>	<u>240</u>

13. TRADE AND OTHER PAYABLES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade payables	612	662
Amounts payable for the acquisition of property, plant and equipment	49	34
Amounts payable for the intangible assets	16	17
Total financial liabilities within trade and other payable	677	713
Liabilities to customers (advances)	2,291	2,371
Total trade and other payables	<u>2,968</u>	<u>3,084</u>

14. TAXES OTHER THAN INCOME TAX PAYABLE

	<u>30 June 2015</u>	<u>31 December 2014</u>
VAT	178	42
Social insurance contribution	136	197
Property tax	132	127
Personal income tax	35	29
Other taxes	3	6
Total taxes other than income tax payable	<u>484</u>	<u>401</u>

15. ACCRUALS AND OTHER CURRENT LIABILITIES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Settlements with employees	455	812
Other liabilities (financial liabilities)	98	100
Total accrued expenses and other current liabilities	<u>553</u>	<u>912</u>

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15. ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

Settlements with employees as at 30 June 2015 and 31 December 2014 comprised accrued salaries and bonuses of RUR 248m and RUR 628m, respectively, and accruals for unused vacation of RUR 207m and RUR 184m, respectively.

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

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Integrated freight forwarding and logistics services	15,151	13,141	7,494	6,786
Rail-based container shipping services	2,129	2,608	1,039	1,338
Cargo transportation and handling services with involvement of third parties	1,130	-	622	-
Terminal services and agency fees	987	994	480	528
Truck deliveries	399	477	207	257
Other freight forwarding services	70	141	15	78
Bonded warehousing services	92	118	40	56
Other	48	55	14	31
Total revenue	20,006	17,534	9,911	9,074

Analysis of revenue by location of customers

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Revenue from external customers				
Russia	16,053	13,526	8,223	7,103
Korea	2,287	1,840	1,019	947
Germany	688	1,023	219	465
Kazakhstan	327	499	91	192
Great Britain	150	-	135	-
Latvia	138	171	38	133
China	138	149	65	76
Other	225	326	121	158
Total revenue	20,006	17,534	9,911	9,074

During the six-month period ended 30 June 2015, UNICO LOGISTICS CO. LTD accounted for RUR 2,153m or 11% of the Group's total revenue (for the six-month period ended 30 June 2014: RUR 1,681m or 10% of the Group's total revenue).

During the three-month period ended 30 June 2015, UNICO LOGISTICS CO. LTD accounted for RUR 978m or 10% of the Group's total revenue (for the three-month period ended 30 June 2014: RUR 887m or 10% of the Group's total revenue).

During the six-month period ended 30 June 2015, OJSC RZD ("RZD") and its subsidiaries accounted for RUR 1,404m or 7% of the Group's total revenue (for the six-month period ended 30 June 2014: RUR 1,186m or 7% of the Group's total revenue).

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16. SEGMENT INFORMATION (CONTINUED)

During the three-month period ended 30 June 2015, OJSC RZD and its subsidiaries accounted for RUR 727m or 7% of the Group's total revenue (for the three-month period ended 30 June 2014: RUR 656m or 7% of the Group's total revenue).

17. OTHER OPERATING INCOME

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Gain on the sale and disposal of property, plant and equipment	194	137	115	71
Gain on the sale of inventory and from the reuse of spare parts	83	81	42	46
Refund of VAT on the sale of services by applying the tax rate 0%	33	18	34	18
Other operating income	32	105	19	48
Total operating income	342	341	210	183

18. OPERATING EXPENSES

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Third-party charges related to principal activities	10,119	7,465	5,068	3,889
Freight and transportation services	2,910	2,367	1,486	1,280
Payroll and related charges	2,290	2,095	1,215	1,141
Depreciation and amortisation	1,219	1,190	611	727
Materials, repair and maintenance	1,021	906	516	489
Rent	393	202	199	106
Taxes other than income tax	260	292	123	146
Consulting services	106	87	44	48
Security	104	102	53	51
Fuel costs	80	83	35	39
License and software	54	45	33	22
Communication costs	36	33	19	16
Other expenses	313	327	178	210
Total operating expenses	18,905	15,194	9,580	8,164

19. INTEREST EXPENSE

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Interest expense on RUR bonds	228	291	109	138
Interest expense on bank loans and borrowings	22	22	11	11
Interest expense on finance lease obligations	19	26	9	13
Total interest expense	269	339	129	162

20. INCOME TAX

	Six-month period ended 30 June		Three-month period ended 30 June	
	2015	2014	2015	2014
Current income tax charge	(215)	(413)	(31)	(151)
Deferred income tax expense	(62)	(86)	(68)	(33)
Income tax	(277)	(499)	(99)	(184)

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20. INCOME TAX (CONTINUED)

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six-month period ended 30 June 2015 was 21.0% (for the six-month period ended 30 June 2014: 19.4%).

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions or had significant balances outstanding are disclosed below:

Related party	Nature of relationship		
	30 June 2015	31 December 2014	30 June 2014
OJSC Russian Railways (RZD)	Ultimate controlling company	Ultimate controlling company	Parent company
JSC UTLC (Note 8)	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 dom TMH	Associate of RZD	Associate of RZD	Associate of RZD
Far East Land Bridge Ltd.	Subsidiary of RZD	Subsidiary of RZD	Associate of RZD
JSC Carriage Repair Company - 1	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
JSC Carriage Repair Company - 2	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC Carriage Repair Company - 3	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity	State-controlled entity
JSC Gazprombank	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 acquisition 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 entities" in the table below), and PJSC Bank VTB, which are also state-controlled. PJSC Bank VTB provides settlement and cash servicing of Company's bank accounts and carries out depository operations for free funds placement. Services are provided on market terms.

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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.

Outstanding balances with related parties as at 30 June 2015 are shown below:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
ASSETS						
Non-current assets						
Trade receivables	-	369	-	-	-	369
Current assets						
Cash and cash equivalents	-	-	-	-	2,754	2,754
Trade receivables	204	310	-	16	6	536
Other receivables	27	31	-	13	24	95
Advances to suppliers	904	17	-	122	2	1,045
Total assets	1,135	727	-	151	2,786	4,799
LIABILITIES						
Current liabilities						
Trade payables	13	39	-	13	32	97
Liabilities to customers (advances)	-	31	3	12	28	74
Other payables	7	2	-	-	25	34
Dividends payable	493	-	-	-	202	695
Total liabilities	513	72	3	25	287	900

The income and expense items with related parties for the six-month period ended 30 June 2015 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	54	35	1	1	32	123
Terminal services and agency fees	767	5	-	-	2	774
Integrated freight forwarding and logistics services	1	538	78	173	48	838
Other services	10	7	1	1	8	27
Interest income on deposits	-	-	-	-	50	50
Other interest income	-	-	-	-	2	2
Other operating income	41	20	1	-	1	63
Total income	873	605	81	175	143	1,877

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Operating Expenses						
Freight and transportation services	1,874	1	-	311	44	2,230
Third-party charges related to principal activities	7,682	25	10	1,012	76	8,805
Repair services	166	340	-	-	3	509
Rent of property and equipment	15	1	-	-	2	18
Other expenses	96	45	-	42	53	236
Total expenses	9,833	412	10	1,365	178	11,798
Purchases of property, plant and equipment	-	24	-	-	8	32
Purchases of materials	-	-	-	-	6	6
Contributions to non-state pension funds	-	-	-	-	40	40
Total other transactions	-	24	-	-	54	78

As at 30 June 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 170m.

The income and expense items with related parties for the three-month period ended 30 June 2015 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	31	19	1	-	15	66
Terminal services and agency fees	410	3	-	-	1	414
Integrated freight forwarding and logistics services	1	259	20	86	15	381
Other services	5	4	-	-	4	13
Interest income on deposits	-	-	-	-	33	33
Other interest income	-	-	-	-	1	1
Other operating income	19	10	1	-	1	31
Total income	466	295	22	86	70	939
Operating Expenses						
Freight and transportation services	949	1	-	135	23	1,108
Third-party charges related to principal activities	3,964	25	7	474	37	4,507
Repair services	87	164	-	-	2	253
Rent of property and equipment	8	1	-	-	1	10
Other expenses	54	18	-	1	40	113
Total expenses	5,062	209	7	610	103	5,991
Purchases of property, plant and equipment	-	5	-	-	-	5
Purchases of materials	-	-	-	-	3	3
Contributions to non-state pension funds	-	-	-	-	22	22
Total other transactions	-	5	-	-	25	30

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As at 31 December 2014, the outstanding balances with related parties were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
ASSETS						
Non-current assets						
Trade receivables	-	313	-	-	-	313
Current assets						
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
Total assets	1,520	876	26	90	1,664	4,176
LIABILITIES						
Current liabilities						
Trade payables	16	27	3	62	16	124
Liabilities to customers (advances)	-	32	5	-	47	84
Other payables	1	-	-	1	20	22
Total liabilities	17	59	8	63	83	230

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.

The income and expense items with related parties for the six-month period ended 30 June 2014 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	43	22	3	70	24	162
Terminal services and agency fees	798	3	-	-	2	803
Integrated freight forwarding and logistics services	2	332	66	104	118	622
Other services	9	15	2	1	9	36
Interest income on deposits	-	-	-	-	55	55
Other interest income	-	-	-	-	3	3
Other operating income	39	64	-	2	-	105
Total income	891	436	71	177	211	1,786
Operating Expenses						
Freight and transportation services	1,561	-	-	297	4	1,862
Third-party charges related to principal activities	5,692	1	17	754	27	6,491
Repair services	140	322	-	-	1	463
Rent of property and equipment	15	1	-	-	1	17
Other expenses	44	37	1	-	56	138
Total expenses	7,452	361	18	1,051	89	8,971
Purchases of property, plant and equipment	-	861	-	-	51	912
Contributions to non-state pension funds	-	-	-	-	59	59
Total other transactions	-	861	-	-	110	971

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The income and expense items with related parties for the three-month period ended 30 June 2014 were as follows:

	Ultimate controlling company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	24	10	2	31	12	79
Terminal services and agency fees	430	2	-	-	1	433
Integrated freight forwarding and logistics services	1	197	36	53	57	344
Other services	5	11	1	-	5	22
Interest income on deposits	-	-	-	-	34	34
Other interest income	-	-	-	-	1	1
Other operating income	24	51	-	2	(1)	76
Total income	484	271	39	86	109	989
Operating Expenses						
Freight and transportation services	837	-	-	157	(41)	953
Third-party charges related to principal activities	2,963	-	5	395	16	3,379
Repair services	81	165	-	-	-	246
Rent of property and equipment	7	1	-	-	-	8
Other expenses	18	26	1	(1)	25	69
Total expenses	3,906	192	6	551	-	4,655
Purchases of property, plant and equipment	-	624	-	-	9	633
Contributions to non-state pension funds	-	-	-	-	18	18
Total other transactions	-	624	-	-	27	651

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.

Dividends

As at 30 June 2015 dividends in the amount of RUR 493m and RUR 202m were accrued to RZD and FAR-EASTERN SHIPPING COMPANY PLC., respectively, and were paid in July 2015.

As at 30 June 2014 dividends in the amount of RUR 566m and RUR 232m were accrued to RZD and FAR-EASTERN SHIPPING COMPANY PLC., respectively, and were paid in July 2014.

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 persons as at 30 June 2015 and 30 June 2014.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 124m (including total insurance contributions of RUR 11m) and RUR 103m (including total insurance contributions of RUR 7m) for the six-month periods ended 30 June 2015 and 30 June 2014, respectively. Such compensation for the three-month periods ended 30 June 2015 and 30 June 2014 amounted to RUR 93m (including total insurance contributions of RUR 7m) and RUR 71m (including total insurance contributions of RUR 2m), 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.

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As stated in Note 12, for the six-month period ended 30 June 2015 and for the three-month period ended 30 June 2015, the Group did not have any expenses related to the Share Option Plan approved by the Board of Directors in October 2010 (RUR 19m for the six-month period ended 30 June 2014 and RUR 14m for the three-month period ended 30 June 2014).

There were no expenses related to options provided to the General Director and his deputies for the six-month period ended 30 June 2015 and for the three-month period ended 30 June 2015 (RUR 6m for the six-month period ended 30 June 2014 and RUR 3m for the three-month period ended 30 June 2014).

22. COMMITMENTS UNDER OPERATING LEASES

Since 2009 the Group leases container terminal Dobra in Slovakia. As at 30 June 2015 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>30 June 2015</u>	<u>31 December 2014</u>
Within one year	572	362
Within two to five years	1,187	753
After five years	<u>213</u>	<u>259</u>
Total minimum lease payments	<u>1,972</u>	<u>1,374</u>

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

23. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2015 and 31 December 2014 consisted of the following, including VAT:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Acquisition of containers and flatcars	1,184	1,453
Acquisition of lifting machines and other equipment	294	317
Construction of container terminal complexes and modernisation of existing assets	<u>69</u>	<u>5</u>
Total capital commitments	<u>1,547</u>	<u>1,775</u>

24. 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.

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24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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.

During the six-month period ended 30 June 2015 there was the strengthening of the Russian Rouble against major foreign currencies while the CBRF exchange rate fluctuated between RUR 56.2584 and RUR 55.5240 per USD as at 31 December 2014 and 30 June 2015, respectively (between RUR 68.3427 and RUR 61.5206 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 2014. The information disclosed in the interim condensed consolidated financial statements as at 30 June 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 six-month period ended 30 June 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 on the reporting date the Group had financial assets and liabilities classified as Level 1 and Level 3, and also financial liabilities classified as Level 2.

During the six-month period ended 30 June 2015 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: 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 30 June 2015 the fair value of long-term accounts receivable of OJSC RZD Logistics (Note 5) accounts for RUR 309m. The calculation is based on the use of a weighted average interest rate of 11.75% published by the Central Bank of Russia for May 2015 on deposits of non-financial entities attracted by credit institutions in rubles for a period from 1 to 3 years.

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

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

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

	30 June 2015	31 December 2014
Financial liabilities		
Bonds	4,710	5,327
Total	4,710	5,327

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24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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.

25. SUBSEQUENT EVENTS

Reconstruction of container terminals. In July 2015 the Group entered into the following agreements with:

- LLC SybKomStroy on reconstruction of container terminal Batareynaya station in 2015-2016. Cost of works under this agreement amounted to RUR 295m (plus VAT in the amount of RUR 53m). Accepted and paid works amounted to RUR 59m (plus VAT in the amount of RUR 11m).
- LLC Krasnoyarskaya transportnaya kompaniya on reconstruction of container terminal Bazaikha station in 2015-2016. Cost of works under this agreement amounted to RUR 356m (plus VAT in the amount of RUR 64m). Accepted works amounted to RUR 104m (plus VAT in the amount of RUR 19m) and the payment is made in the amount of RUR 39m (plus VAT in the amount of RUR 7m).

Agreements on acquisition of containers. In July-August 2015 the Group entered into the following agreements with:

- LLC Con-service on the purchase of 500 containers for the total amount of RUR 80m (plus VAT in the amount of RUR 14m) and paid in advance RUR 40m (plus VAT in the amount of RUR 7m) under the purchase-and-sale agreement. Delivery of containers is expected no later than December 2015;
- Yang Zhou Runyang Logistic Equipment Co.Ltd on the purchase of 2,000 containers for the total amount of USD 5m (RUR 258m at the Central Bank of Russia exchange rate as at the reporting date), net of VAT and paid in advance USD 2m (RUR 132m at the Central Bank of Russia exchange rate as at the date of payment) under the purchase-and-sale agreement. Delivery of containers is expected no later than 31 March 2016;
- Feilcon Holding Ltd on the purchase of 500 containers for the total amount of USD 1m (RUR 63m at the Central Bank of Russia exchange rate as at the reporting date), net of VAT and paid in advance USD 0.5m (RUR 32m at the Central Bank of Russia exchange rate as at the date of payment) under the purchase-and-sale agreement. Delivery of containers is expected no later than 31 December 2015.

The agreement for the purchase and installation of goliath crane for container handling. In August 2015 the Group entered into an agreement with LLC Torgovy Dom URALKRAN on the purchase of goliath crane for container handling for the total amount of RUR 53m (plus VAT in the amount of RUR 10m). Delivery is expected no later than 31 October 2015.