

# **OPEN JOINT STOCK COMPANY TRANSCONTAINER**

## **Interim Condensed Consolidated Financial Information**

For the Three-Month Period Ended 31 March 2014

# OJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

Management is responsible for the preparation of interim condensed consolidated financial information that present fairly the financial position of OJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 31 March 2014 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 information, 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 information 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 information of the Group for the three-month period ended 31 March 2014 was approved on 29 May 2014 by:

A blue ink signature of P. V. Baskakov, written in a cursive style, positioned above a horizontal line.

**P. V. Baskakov**  
General Director

A blue ink signature of K. S. Kalmykov, written in a cursive style, positioned above a horizontal line.

**K. S. Kalmykov**  
Chief Accountant

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

	Notes	31 March 2014	31 December 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	36,490	36,326
Advances for acquisition of non-current assets	3	150	243
Investment property		74	74
Intangible assets	4	167	150
Investments in associates and joint ventures	5	2,201	2,330
Trade receivables	6	365	365
Other non-current assets		70	76
<b>Total non-current assets</b>		<b>39,517</b>	<b>39,564</b>
<b>Current assets</b>			
Inventory		355	358
Trade and other receivables	6	1,500	1,621
Prepayments and other current assets	7	3,007	3,435
Prepaid income tax		86	114
Short-term investments	8	758	1
Cash and cash equivalents	9	2,726	1,883
<b>Total current assets</b>		<b>8,432</b>	<b>7,412</b>
<b>TOTAL ASSETS</b>		<b>47,949</b>	<b>46,976</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	13,895	13,895
Treasury shares		(485)	(484)
Reserve fund		697	697
Translation reserve		(131)	10
Equity-settled employee benefits reserve	14	226	221
Other reserves, including investment property's revaluation reserve		(2,165)	(2,165)
Retained earnings		20,654	19,305
<b>Total equity</b>		<b>32,691</b>	<b>31,479</b>
<b>Non-current liabilities</b>			
Long-term debt	11	6,199	6,194
Finance lease obligations, net of current maturities	12	361	485
Employee benefit liability	13	1,007	1,096
Deferred tax liability		1,507	1,445
<b>Total non-current liabilities</b>		<b>9,074</b>	<b>9,220</b>
<b>Current liabilities</b>			
Trade and other payables	15	3,038	3,216
Short-term debt	11	1,631	1,693
Income tax payable		161	77
Taxes other than income tax payable	16	255	372
Provisions		18	19
Finance lease obligations, current maturities	12	170	66
Accrued and other current liabilities	17	911	834
<b>Total current liabilities</b>		<b>6,184</b>	<b>6,277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,949</b>	<b>46,976</b>

  
**P. V. Baskakov**  
 General Director

29 May 2014

  
**K. S. Kalmykov**  
 Chief Accountant

**OJSC 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	<u>2014</u>	<u>2013</u>
Revenue	18	8,460	8,558
Other operating income	19	158	228
Operating expenses	20	(7,030)	(7,191)
Gain from early termination of finance lease	12	16	-
Interest expense	21	(177)	(208)
Interest income		24	66
Foreign exchange gain, net		145	-
Share of result of associates and joint ventures	5	28	1
<b>Profit before income tax</b>		<b>1,624</b>	<b>1,454</b>
Income tax expense	22	(315)	(346)
<b>Profit for the period</b>		<b>1,309</b>	<b>1,108</b>
<b>Attributable to:</b>			
Equity holders of the parent		1,309	1,099
Non-controlling interest		-	9
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit plans	13	49	1
Income tax effect		(9)	-
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		(141)	55
<b>Other comprehensive income for the period</b>		<b>(101)</b>	<b>56</b>
<b>Total comprehensive income for the period</b>		<b>1,208</b>	<b>1,164</b>
<b>Attributable to:</b>			
Equity holders of the parent		1,208	1,172
Non-controlling interest		-	(8)
<b>Earnings per share, basic and diluted (Russian Roubles)</b>		<b>94</b>	<b>79</b>
<b>Weighted average number of shares outstanding</b>		<b>13,902,516</b>	<b>13,877,768</b>



**P. V. Baskakov**  
General Director

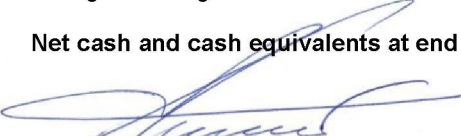
29 May 2014



**K. S. Kalmykov**  
Chief Accountant

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

	Notes	2014	2013
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>1,624</b>	<b>1,454</b>
Adjustments for:			
Depreciation and amortisation	20	463	467
Change in provision for impairment of receivables		(5)	(4)
(Profit)/loss on disposal of property, plant and equipment		(66)	43
(Reversal)/loss on impairment of property, plant and equipment	3	(4)	26
Share of result of associates	5	(28)	(1)
Interest expense, net		153	142
Equity-settled employee benefits reserve	14	5	14
Foreign exchange gain, net		(145)	-
Gain from early termination of finance lease	12	(16)	-
Other gains and losses		-	21
<b>Operating profit before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>1,981</b>	<b>2,162</b>
Decrease in inventory		72	3
Decrease/(increase) in trade and other receivables		173	(659)
Decrease in prepayments and other assets		482	760
(Decrease) in trade and other payables		(532)	(211)
(Decrease)/increase in taxes other than income tax		(116)	38
Increase/(decrease) in accrued expenses and other current liabilities		77	(36)
(Decrease)/increase in employee benefit liabilities		(41)	18
<b>Net cash from operating activities before income tax</b>		<b>2,096</b>	<b>2,075</b>
Interest paid		(232)	(178)
Income tax paid		(150)	(182)
<b>Net cash provided by operating activities</b>		<b>1,714</b>	<b>1,715</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(286)	(305)
Proceeds from disposal of property, plant and equipment		22	3
Sale of long-term investments		18	1
Sale of short-term investments		1	1,293
Purchases of short-term investments		(758)	(2,151)
Purchases of intangible assets		(3)	(4)
Interest received		24	53
<b>Net cash used in investing activities</b>		<b>(982)</b>	<b>(1,110)</b>
<b>Cash flows from financing activities:</b>			
Repayments of finance lease obligations		(4)	(51)
Proceeds from long-term bonds		-	4,987
Principal payments on long-term borrowings		(1)	(1,830)
Principal payments on short-term bonds		-	(3,000)
<b>Net cash used in financing activities</b>		<b>(5)</b>	<b>106</b>
<b>Net increase in cash and cash equivalents</b>		<b>727</b>	<b>711</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,883</b>	<b>1,318</b>
Foreign exchange effect on cash and cash equivalents		116	8
<b>Net cash and cash equivalents at end of the year</b>		<b>2,726</b>	<b>2,037</b>

  
**P. V. Baskakov**  
 General Director


  
**K. S. Kalmykov**  
 Chief Accountant

29 May 2014



**OJSC 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	Non-controlling interest	Total equity
<b>Balance at 1 January 2013</b>	<b>13,895</b>	<b>(490)</b>	<b>478</b>	<b>49</b>	<b>188</b>	<b>(2,221)</b>	<b>14,725</b>	<b>26,624</b>	<b>937</b>	<b>27,561</b>
Profit for the period	-	-	-	-	-	-	1,099	1,099	9	1,108
Other comprehensive income for the period	-	-	-	72	-	-	1	73	(17)	56
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>1,172</b>	<b>(8)</b>	<b>1,164</b>
Acquisition of treasury shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Equity-settled employee benefits reserve	-	-	-	-	14	-	-	14	-	14
<b>Balance at 31 March 2013</b>	<b>13,895</b>	<b>(492)</b>	<b>478</b>	<b>121</b>	<b>202</b>	<b>(2,221)</b>	<b>15,825</b>	<b>27,808</b>	<b>929</b>	<b>28,737</b>
Profit for the period	-	-	-	-	-	-	4,766	4,766	100	4,866
Other comprehensive income for the period	-	-	-	(111)	-	56	112	57	65	122
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111)</b>	<b>-</b>	<b>56</b>	<b>4,878</b>	<b>4,823</b>	<b>165</b>	<b>4,988</b>
Equity-settled employee benefits reserve	-	-	-	-	27	-	-	27	-	27
Disposal of controlling interest in subsidiary	-	-	-	-	-	-	-	-	(1,044)	(1,044)
Exercised options under option plan	-	8	-	-	(8)	-	8	8	-	8
Dividends	-	-	-	-	-	-	(1,187)	(1,187)	(50)	(1,237)
Transfer to reserve fund	-	-	219	-	-	-	(219)	-	-	-
<b>Balance at 31 December 2013</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>	<b>-</b>	<b>31,479</b>
Profit for the period	-	-	-	-	-	-	1,309	1,309	-	1,309
Other comprehensive income for the period	-	-	-	(141)	-	-	40	(101)	-	(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>	<b>-</b>	<b>1,208</b>
Equity-settled employee benefits reserve	-	-	-	-	5	-	-	5	-	5
Acquisition of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
<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>	<b>-</b>	<b>32,691</b>

  
**P. V. Baskakov**  
 General Director

  
**K. S. Kalmykov**  
 Chief Accountant

29 May 2014

The accompanying notes are an integral part of this interim condensed consolidated financial information.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 (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.

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 2014, 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 2014	31 December 2013	31 March 2014	31 December 2013
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 SARL	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 information of OJSC TransContainer and its subsidiaries (the “Group”) as at 31 March 2014 and for the three-month period then ended was authorised for issue by the General Director of the Company on 29 May 2014.

**2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

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

The consolidated statement of financial position as at 31 December 2013, included in this interim condensed consolidated financial information, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2013. This interim condensed consolidated financial information should be read in conjunction with the audited annual consolidated financial statements.



**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 (UNAUDITED)**  
***(Amounts in millions of Russian Roubles, unless otherwise stated below)***

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

**Significant accounting policies** – Except as discussed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements as at 31 December 2013 and for the year then ended, as described in those annual consolidated financial statements.

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

**Estimates** – The preparation of interim condensed consolidated financial information 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 this interim condensed consolidated financial information, 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 2013 with the exception of changes in estimates that are required in determining the provision for income taxes and reassessment of depreciable lives of property, plant and equipment.

**Revenue from integrated freight forwarding and logistics services** – There are two types of the Group's services for which critical accounting judgments are involved in revenue recognition:

1) In case the Group provides integrated freight forwarding and logistic services the customers do not interact with other transportation organisations. A full service is charged by the Group to its customers for its services including rail-based container transportation, terminal handling, trucking, etc. and the full third-party charges, including railway tariff.

There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that railway tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by the transportation organisations.

However, the Group bears the credit risk and controls the flow of receipts and payments and is independent in its own pricing policy.

Management believes that the Group acts as a principal in these arrangements and the Group accounts for receipts from customers as sales revenue. Third-party charges, including the railroad tariff is included in third-party charges relating to integrated freight forwarding and logistics services.

Had the railway tariff directly attributable to such services been excluded from revenue and expenses both would have decreased by RUR 3,576m for the three-month period ended 31 March 2014 (RUR 2,925m for the three-month period ended 31 March 2013).

2) In cases where Rail-based container shipping services are provided, the Group agrees with the customer the transport fee as above, excluding the railroad tariff which is paid by the Group and invoiced to the client as reimbursement of rail infrastructure and locomotive services. Management believes that railroad tariff should not be included in revenue and expenses, as any variation in the tariff will be borne by the client.

**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 2013, 22% of revenues accumulated in the first quarter of the year, with 78% accumulating in the subsequent three quarters.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 (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	Locomotives, containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in progress	Total
<b>Cost</b>						
<b>1 January 2013</b>	<b>10,464</b>	<b>30,229</b>	<b>1,680</b>	<b>2,916</b>	<b>1,482</b>	<b>46,771</b>
Additions	14	3	18	44	261	340
Transfers	31	307	-	8	(346)	-
Capitalised borrowing costs	-	-	-	-	16	16
Disposals	(45)	(150)	-	(9)	-	(204)
Exchange difference	32	10	5	9	1	57
<b>31 March 2013</b>	<b>10,496</b>	<b>30,399</b>	<b>1,703</b>	<b>2,968</b>	<b>1,414</b>	<b>46,980</b>
<b>Accumulated depreciation</b>						
<b>1 January 2013</b>	<b>(1,791)</b>	<b>(8,255)</b>	<b>(932)</b>	<b>(1,556)</b>	<b>(4)</b>	<b>(12,538)</b>
Depreciation charge for the period	(60)	(278)	(26)	(81)	-	(445)
Impairment charge	(24)	-	-	(2)	-	(26)
Disposals	5	82	-	6	-	93
Exchange difference	(5)	(6)	-	(3)	-	(14)
<b>31 March 2013</b>	<b>(1,875)</b>	<b>(8,457)</b>	<b>(958)</b>	<b>(1,636)</b>	<b>(4)</b>	<b>(12,930)</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)
Impairment charge	-	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>
<b>Net book value</b>						
<b>1 January 2014</b>	<b>8,980</b>	<b>24,829</b>	<b>760</b>	<b>965</b>	<b>792</b>	<b>36,326</b>
<b>31 March 2014</b>	<b>8,959</b>	<b>25,375</b>	<b>741</b>	<b>907</b>	<b>508</b>	<b>36,490</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 2014 and 31 December 2013, respectively.

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 845m and RUR 845m as at 31 March 2014 and 31 December 2013, respectively.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
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**3. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES FOR ACQUISITION OF NON-CURRENT ASSETS (CONTINUED)**

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,683m and RUR 1,678m as at 31 March 2014 and 31 December 2013, respectively.

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Cost	699	792
Accumulated depreciation	<u>(257)</u>	<u>(285)</u>
<b>Net book value</b>	<b><u>442</u></b>	<b><u>507</u></b>

Included under construction in-progress as at 31 March 2014 are the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg, Khabarovsk, Irkutsk and Moscow region amounting to RUR 140m, RUR 57m, RUR 57m and RUR 57m, respectively, and containers acquired for the amount of RUR 74m.

Construction in-progress as at 31 December 2013 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg, Khabarovsk, Irkutsk and Moscow region amounting to RUR 143m, RUR 56m, RUR 35m and RUR 57m, respectively, and containers acquired for the amount of RUR 367m.

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Cost	575	575
Accumulated depreciation	<u>(14)</u>	<u>(12)</u>
<b>Net book value</b>	<b><u>561</u></b>	<b><u>563</u></b>

The Group continues to use under the finance lease agreement a part of non-residential premises in a Moscow head office building. The remaining premises at gross carrying amount of RUR 2,479m are owned by the Group and included in the interim condensed consolidated statement of financial position as land, buildings and constructions.

See Note 12 for further details regarding finance leases.

*Advances for acquisition of non-current assets*

As at 31 March 2014 and 31 December 2013, net amount of advances for the acquisition of non-current assets consisted of advances for the acquisition of cranes and loaders (RUR 147m and RUR 147m, respectively), advances for the acquisition of containers (RUR 0m and RUR 85m, respectively) and nil, respectively) and advances for the acquisition of other non-current assets (RUR 3m and RUR 11m, respectively).

As at 31 March 2014 and 31 December 2013 provision was recognised for impairment of advances for acquisition of non-current assets in the amount of RUR 47m and RUR 48m, respectively (Note 6).

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**4. INTANGIBLE ASSETS**

	<u>Lease agreements</u>	<u>Software</u>	<u>Total</u>
<b>Cost</b>			
<b>1 January 2013</b>	<b>613</b>	<b>168</b>	<b>781</b>
Additions	-	92	92
Disposals	-	(20)	(20)
Exchange difference	11	-	11
<b>31 March 2013</b>	<b>624</b>	<b>240</b>	<b>864</b>
<b>Accumulated amortisation</b>			
<b>1 January 2013</b>	<b>(80)</b>	<b>(110)</b>	<b>(190)</b>
Disposals	-	20	20
Amortisation charge for the period	(11)	(11)	(22)
Exchange difference	(2)	-	(2)
<b>31 March 2013</b>	<b>(93)</b>	<b>(101)</b>	<b>(194)</b>
<b>Cost</b>			
<b>1 January 2014</b>	<b>-</b>	<b>287</b>	<b>287</b>
Additions	-	30	30
Disposals	-	(80)	(80)
<b>31 March 2014</b>	<b>-</b>	<b>237</b>	<b>237</b>
<b>Accumulated amortisation</b>			
<b>1 January 2014</b>	<b>-</b>	<b>(137)</b>	<b>(137)</b>
Disposals	-	81	81
Amortisation charge for the period	-	(14)	(14)
<b>31 March 2014</b>	<b>-</b>	<b>(70)</b>	<b>(70)</b>
<b>Net book value</b>			
<b>1 January 2014</b>	<b>-</b>	<b>150</b>	<b>150</b>
<b>31 March 2014</b>	<b>-</b>	<b>167</b>	<b>167</b>

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**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.

	2014				2013			
	Joint Venture JSC Kedentransservice	Other joint ventures	Associates	Total associates and joint ventures	Joint Venture JSC Kedentransservice	Other joint ventures	Associates	Total associates and joint ventures
Carrying amount as at 1 January	2,270	50	10	2,330	-	43	11	54
Share of profit of associates and joint ventures	24	4	-	28	-	1	-	1
Effect of translation to presentation currency	(161)	4	-	(157)	-	1	-	1
Carrying amount as at 31 March	2,133	58	10	2,201	-	45	11	56

As at 31 March 2014 the interim condensed consolidated statement of financial position presents the amount of investment in JSC Kedentransservice at fair value, including fair value of net assets in amount of RUR 1,824m and RUR 309m of goodwill (RUR 1,961m and RUR 309m as at 31 December 2013, respectively).

Summarised financial information of each associate and joint venture is as follows as at 31 March 2014 and 31 December 2013:

	Joint Venture JSC Kedentransservice		Other joint ventures		Associates		Total associates and joint ventures	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	2014	2013	2014	2013	2014	2013	2014	2013
Current assets	1,093	1,078	173	185	216	210	1,482	1,473
Non-current assets	3,789	4,022	7	7	9	6	3,805	4,035
Current liabilities	599	544	63	92	172	163	834	799
Non-current liabilities	635	635	-	-	-	-	635	635
<b>Net assets</b>	<b>3,648</b>	<b>3,921</b>	<b>117</b>	<b>100</b>	<b>53</b>	<b>53</b>	<b>3,818</b>	<b>4,074</b>
<b>Translation reserve</b>	<b>(332)</b>	<b>(28)</b>	<b>21</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>(298)</b>	<b>(8)</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenue	1,810	-	43	35	143	175	1,996	210
Profit/(loss)	48	-	7	3	(5)	1	50	4
Other comprehensive income	(304)	-	8	2	6	(1)	(290)	1

The only reconciling difference between the above amounts and the carrying amount of the investments in associates and joint ventures is elimination of the ownership interest held by the other investors in the associates and joint ventures.

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**6. TRADE AND OTHER RECEIVABLES**

	<u>Outstanding balance, gross</u>	<u>Provision for impairment</u>	<u>Outstanding balance, net</u>
<b>31 March 2014</b>			
Trade receivables	1,335	(171)	1,164
Other receivables	<u>345</u>	<u>(9)</u>	<u>336</u>
<b>Total trade and other receivables, classified as financial assets</b>	<b><u>1,680</u></b>	<b><u>(180)</u></b>	<b><u>1,500</u></b>
<b>31 December 2013</b>			
Trade receivables	1,365	(162)	1,203
Other receivables	<u>427</u>	<u>(9)</u>	<u>418</u>
<b>Total trade and other receivables, classified as financial assets</b>	<b><u>1,792</u></b>	<b><u>(171)</u></b>	<b><u>1,621</u></b>

Long-term trade receivables are represented mainly by accounts receivable of OJSC RZD Logistics, which expected to be fully repaid till December 2018. A discount rate of 8.6% has been used for the receivables' fair value determination. As at 31 March 2014 the fair value of long-term accounts receivable of OJSC RZD Logistics amounted to RUR 364m (RUR 364m as at 31 December 2013).

Movement in the impairment provision for accounts receivable is as follows:

<b>Balance as at 1 January 2013</b>	<b>(184)</b>
Release of provision	4
Exchange differences on translating foreign operations	<u>(2)</u>
<b>Balance as at 31 March 2013</b>	<b><u>(182)</u></b>
Additional provision, recognised in the current period	(201)
Release of provision	3
Utilisation of provision	17
Exchange differences on translating foreign operations	<u>104</u>
<b>Balance as at 31 December 2013</b>	<b><u>(259)</u></b>
Release of provision	5
Exchange differences on translating foreign operations	<u>(11)</u>
<b>Balance as at 31 March 2014</b>	<b><u>(265)</u></b>

As at 31 March 2014 and 31 December 2013 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 180m and RUR 171m, respectively), advances to suppliers (RUR 38m and RUR 40m, respectively), advances for acquisition of non-current assets (RUR 47m and RUR 48m, respectively, Note 3).

**7. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>31 March 2014</u>	<u>31 December 2013</u>
VAT receivable	1,678	1,674
Advances to suppliers	1,227	1,633
Other current assets	<u>102</u>	<u>128</u>
<b>Total prepayments and other current assets</b>	<b><u>3,007</u></b>	<b><u>3,435</u></b>

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**8. SHORT-TERM INVESTMENTS**

	<u>31 March 2014</u>	<u>31 December 2013</u>
Russian Rouble denominated bank deposits	758	1
<b>Total short-term investments</b>	<b><u>758</u></b>	<b><u>1</u></b>

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

Three Russian Rouble-denominated bank deposits in the total amount of RUR 750m, bearing interest at annual rates from 6.82% to 6.9%, were placed with OJSC Bank VTB, a related party, as at 31 March 2014 (Note 23). The total amount of accrued interest amounted to RUR 8m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position. The deposits mature on June 2014.

Russian Rouble-denominated short-term bank deposit in the amount of RUR 1m bearing interest at an annual rate of 6% was placed with OJSC Alfa Bank, as at 31 December 2013. The deposit matured on 27 March 2014.

**9. CASH AND CASH EQUIVALENTS**

	<u>31 March 2014</u>	<u>31 December 2013</u>
Cash and Russian Rouble denominated current accounts with banks	426	742
Foreign currency denominated current accounts with banks	1,319	1,141
Russian Rouble denominated bank deposits	981	-
<b>Total cash and cash equivalents</b>	<b><u>2,726</u></b>	<b><u>1,883</u></b>

Two Russian Rouble-denominated short-term bank deposits in the total amount of RUR 980m, bearing interest at annual rates of 7.4% and 7.65%, respectively, were placed with OJSC Bank VTB, a related party, as at 31 March 2014 (Note 23). The total amount of accrued interest amounted to RUR 1m. The deposits matured on April-May 2014.

**10. EQUITY**

***Share Capital***

As at 31 March 2014, the Company's authorised and issued share capital has not changed since 31 December 2013. OJSC Russian Railways (OJSC "RZD" or "RZD") is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

**11. LONG-TERM AND SHORT-TERM DEBT**

***Long-term debt***

	Effective interest rate	<u>31 March 2014</u>	<u>31 December 2013</u>
Bonds	8.35-8.8%	5,730	5,724
Other borrowings	9.5%	469	470
<b>Total</b>		<b><u>6,199</u></b>	<b><u>6,194</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 OJSC TransContainer in order to carry out a Share Option Plan for the Company's management (Note 14).



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

The loan matures in five years. As at 31 March 2014 the amount of loan was RUR 469m (RUR 470m as at 31 December 2013).

**Five-year RUR bonds, series 2** – On 10 June 2010, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 2,975m. The annual coupon rate of the bonds for five years is 8.8% with interest paid semi-annually.

The series 2 bonds should be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds were classified as long-term borrowings as at 31 December 2013. Company made the first principal repayment in December 2013 in amount of RUR 750m.

As at 31 March 2014 the carrying value of the bonds amounted to RUR 2,240m (RUR 2,236m as at 31 December 2013).

As at 31 March 2014 short-term portion of long-term bonds equals RUR 1,500m (RUR 1,500m as at 31 December 2013) and this amount was included as short-term debt in the interim condensed consolidated statement of financial position.

The amount of accrued interest is RUR 63m (RUR 18m as at 31 December 2013), and was included as short-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.

As at 31 March 2014 the carrying value of the bonds amounted to RUR 4,989m (RUR 4,988m as at 31 December 2013). The amount of accrued interest is RUR 68m (RUR 175m as at 31 December 2013) and has been included as short-term debt in the interim condensed consolidated statement of financial position.

**Current portion of long-term debt**

	Effective interest rate	31 March 2014	31 December 2013
Short-term portion of long-term bonds	-	1,631	1,693
Total		1,631	1,693

**12. FINANCE LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Due within one year	172	69	170	66
Due after one year but not more than five years	514	703	361	485
	686	772	531	551
Less future finance charges	(155)	(221)	-	-
<b>Present value of minimum lease payments</b>	<b>531</b>	<b>551</b>	<b>531</b>	<b>551</b>

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**12. FINANCE LEASE OBLIGATIONS (CONTINUED)**

As at 31 March 2014 the Group continues to use a part of non-residential premises in a Moscow head office building under the lease agreement. 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 465m at the end of lease period.

As at 31 March 2014 the Group recognised the obligation for buying-out of a part of building in the amount of RUR 116m, which will take place during 2014, as current liability that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 16m in the profit or loss.

All leases are denominated in Russian Roubles. The Group's obligations under finance lease 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 2014 and 31 March 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Pension Fund of the Russian Federation	146	154
Defined contribution plan "Blagosostoyanie"	5	3
<b>Total expense for defined contribution plans</b>	<b><u>151</u></b>	<b><u>157</u></b>

*Defined benefit plans*

Principal actuarial assumptions as at 31 March 2014 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2013 with the exception of changes in discount rate, which increased up to 8.8% as at 31 March 2014 (as at 31 December 2013: 7.8%) and the projected consumer price inflation in 2014, which as at 31 March 2014 was 6.0% (as at 31 December 2013: 5.8%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month period ended 31 March 2014 and 31 March 2013 in respect of these defined benefit plans, which are recognised as follows:

	<u>Post-employment benefits</u>		<u>Other long-term benefits</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Service cost	3	11	30	31	33	42
Net interest on obligation	14	15	5	6	19	21
Remeasurements of the net defined benefit	-	-	(4)	(1)	(4)	(1)
<b>Net expense recognised in the consolidated profit or loss</b>	<b><u>17</u></b>	<b><u>26</u></b>	<b><u>31</u></b>	<b><u>36</u></b>	<b><u>48</u></b>	<b><u>62</u></b>

Net income recognised in other comprehensive income related mainly to remeasurements of the net defined benefit constitute RUR 49m and RUR 1m for the three-month periods ended 31 March 2014 and 31 March 2013, respectively.

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

The amounts recognised in interim condensed consolidated statement of financial position as at 31 March 2014 and 31 December 2013 in respect of these defined benefit plans are as follows:

	Post-employment benefits		Other long-term benefits		Total	
	2014	2013	2014	2013	2014	2013
Present value of defined benefit obligation	766	837	303	321	1,069	1,158
Fair value of plan assets	(62)	(62)	-	-	(62)	(62)
<b>Net employee benefit liability</b>	<b>704</b>	<b>775</b>	<b>303</b>	<b>321</b>	<b>1,007</b>	<b>1,096</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"). All Plan Participants had signed relevant agreements by the end of June 2011.

The options are to be 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.

The exercise price will be RUR 2,464 per share plus certain costs and expenses related to Plan implementation. Active Participants of the Plan will have up until June 2016 to exercise their share options

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

The following number of share options is outstanding:

	<u>Number of shares</u>
<b>Options outstanding at 1 January 2013</b>	<b>171,873</b>
Options exercised during the year	(6,696)
<b>Options outstanding at 31 December 2013</b>	<b>165,177</b>
<b>Options outstanding at 31 March 2014</b>	<b>165,177</b>

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

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 20 May 2011</b>
Share price (in Russian Roubles)	3,116
Exercise price (in Russian Roubles) (including expenses related to implementation of the Plan)	2,464-3,145
Expected volatility	37%
Option life	1-5 years
Risk-free interest rate	4.6%-7.4%
<b>Fair value at measurement date (in Russian Roubles)</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 most recent period (last six months before grant date).

During the three-month period ended 31 March 2014, the Group recognised expenses of RUR 5m related to the options. These expenses were included into payroll.

During the three-month period ended 31 March 2014 no options were exercised.

Movements in the reserve held for Share-based option plan during the three-month period ended 31 March 2014 and 31 March 2013:

	<b>2014</b>	<b>2013</b>
<b>Reserve as at 1 January</b>	<b>221</b>	<b>188</b>
Expense recognised for the period	5	14
<b>Reserve as at 31 March</b>	<b>226</b>	<b>202</b>

**15. TRADE AND OTHER PAYABLES**

	<b>31 March 2014</b>	<b>31 December 2013</b>
Trade payables	449	505
Amounts payable for the acquisition of property, plant and equipment	389	90
Amounts payable for the acquisition of intangible assets	22	-
<b>Total financial liabilities within trade and other payable</b>	<b>860</b>	<b>595</b>
Liabilities to customers (advances)	2,178	2,621
<b>Total trade and other payables</b>	<b>3,038</b>	<b>3,216</b>

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
Property tax	143	148
Social insurance contribution	64	171
Personal income tax	24	26
VAT	21	22
Other taxes	3	5
<b>Total taxes other than income tax payable</b>	<b>255</b>	<b>372</b>

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
Settlements with employees	838	740
Other liabilities (financial liabilities)	73	94
<b>Total accrued expenses and other current liabilities</b>	<b>911</b>	<b>834</b>

Settlements with employees as at 31 March 2014 and 31 December 2013 comprised accrued salaries and bonuses of RUR 670m and RUR 580m, respectively, and accruals for unused vacation of RUR 168m and RUR 160m, 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 this interim condensed consolidated financial information.

***Analysis of revenue by category***

	<b>2014</b>	<b>2013</b>
Integrated freight forwarding and logistics services	6,355	5,011
Rail-based container shipping services	1,270	1,979
Terminal services and agency fees	466	968
Truck deliveries	220	314
Other freight forwarding services	63	132
Bonded warehousing services	62	93
Other	24	61
<b>Total revenue</b>	<b>8,460</b>	<b>8,558</b>

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

	<b>2014</b>	<b>2013</b>
<b>Revenue from external customers</b>		
Russia	6,423	6,474
Korea	893	262
Germany	558	232
Kazakhstan	307	1,171
China	73	108
Switzerland	42	4
Latvia	38	18
Cyprus	32	13
Gibraltar	24	23
Finland	16	13
Other	53	241
<b>Total revenue</b>	<b>8,460</b>	<b>8,558</b>

During the three-month period ended 31 March 2014, UNICO LOGISTICS CO. LTD accounted for RUR 794m or 9% of the Group's total revenue (for the three-month period ended 31 March 2013: RUR 201m or 2% of the Group's total revenue). During the three-month period ended 31 March 2014, OJSC RZD and its subsidiaries accounted for RUR 530m or 6% of the Group's total revenue (for the three-month period ended 31 March 2013: RUR 552m or 6% of the Group's total revenue).

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**19. OTHER OPERATING INCOME**

For the three-month period ended 31 March 2014 the Group received income from the sale of inventory and from the reuse of spare parts for the amount of RUR 35m (for the three-month period ended 31 March 2013: RUR 87m), income from the sale and disposal of property, plant and equipment for the amount of RUR 66m (for the three-month period ended 31 March 2013: nil) and other operating income for the amount of RUR 57m (for the three-month period ended 31 March 2013: RUR 16m). During the reporting period the Group has not received any income from the refund of VAT on the sale of services by applying the tax rate 0% (for the three-month period ended 31 March 2013 it amounted to RUR 125m).

**20. OPERATING EXPENSES**

	<u>2014</u>	<u>2013</u>
Cost of integrated freight forwarding and logistics services	3,576	2,925
Freight and transportation services	1,087	1,111
Payroll and related charges	954	1,143
Depreciation and amortisation	463	467
Materials, repair and maintenance	417	610
Taxes other than income tax	146	200
Rent	96	283
Security	51	75
Fuel costs	44	58
Consulting services	39	50
License and software	23	26
Communication costs	17	23
Loss on sale of property, plant and equipment	-	43
Other expenses	117	177
<b>Total operating expenses</b>	<b><u>7,030</u></b>	<b><u>7,191</u></b>

**21. INTEREST EXPENSE**

	<u>2014</u>	<u>2013</u>
Interest expense on RUR bonds	153	115
Interest expense on finance lease obligations	13	19
Interest expense on bank loans and borrowings	11	74
<b>Total interest expense</b>	<b><u>177</u></b>	<b><u>208</u></b>

**22. INCOME TAX**

	<u>2014</u>	<u>2013</u>
Current income tax charge	(262)	(286)
Deferred income tax expense	(53)	(60)
<b>Income tax</b>	<b><u>(315)</u></b>	<b><u>(346)</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 2014 was 19,4% (for the three-month period ended 31 March 2013: 22,9%).

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**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.

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 31 March 2014, are disclosed below:

<b>Related party</b>	<b>Nature of relationship</b>
OJSC Russian Railways	Parent company
JSC Kedentransservice	Joint venture of the Company
Oy ContainerTrans ScandinaviaLtd	Joint venture of the Company
Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	Joint venture of the Company
Trans-Eurasia Logistics GmbH	Associate of the Company
Far East Land Bridge Ltd.	Associate of the RZD
CJSC Torgovy'y dom TMH	Associate of the RZD
OJSC Wagon Repair Company - 1	Subsidiary of RZD
OJSC Wagon Repair Company - 2	Subsidiary of RZD
OJSC Wagon Repair Company - 3	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD
OJSC Bank VTB	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC.	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 this interim condensed consolidated financial information.

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” in the tables below. The Group also enters in transactions with government entities for goods and 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.

*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.



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

Company's revenues generated from such transactions with RZD is reported as agency fees in the consolidated profit or loss.

Transactions and balances with related parties as at and for the period ended 31 March 2014 are shown below:

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Trade receivables	-	364	-	-	-	<b>364</b>
<b>Current assets</b>						
Short-term investments	-	-	-	-	758	<b>758</b>
Cash and cash equivalents	-	-	-	-	2,616	<b>2,616</b>
Trade receivables	188	229	19	52	2	<b>490</b>
Other receivables	47	92	-	3	36	<b>178</b>
Advances to suppliers	1,108	53	-	-	3	<b>1,164</b>
	<u>1,343</u>	<u>374</u>	<u>19</u>	<u>55</u>	<u>3,415</u>	<u><b>5,206</b></u>
<b>Total assets</b>	<b><u>1,343</u></b>	<b><u>738</u></b>	<b><u>19</u></b>	<b><u>55</u></b>	<b><u>3,415</u></b>	<b><u>5,570</u></b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	16	286	11	22	9	<b>344</b>
Liabilities to customers	1	21	1	13	62	<b>98</b>
Other payables	-	-	-	-	44	<b>44</b>
	<u>17</u>	<u>307</u>	<u>12</u>	<u>35</u>	<u>115</u>	<u><b>486</b></u>
<b>Total liabilities</b>	<b><u>17</u></b>	<b><u>307</u></b>	<b><u>12</u></b>	<b><u>35</u></b>	<b><u>115</u></b>	<b><u>486</u></b>
<b>Revenue</b>						
Rail-based container shipping services	19	12	1	39	12	<b>83</b>
Terminal services and agency fees	368	1	-	-	1	<b>370</b>
Integrated freight forwarding and logistics services	1	135	30	51	61	<b>278</b>
Other services	4	4	1	1	4	<b>14</b>
	<u>392</u>	<u>152</u>	<u>32</u>	<u>91</u>	<u>78</u>	<u><b>745</b></u>
Interest income on deposits	-	-	-	-	21	<b>21</b>
Other interest income	-	-	-	-	2	<b>2</b>
Other operating income	15	13	-	-	1	<b>29</b>
	<u>15</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u><b>52</b></u>
<b>Total income</b>	<b><u>407</u></b>	<b><u>165</u></b>	<b><u>32</u></b>	<b><u>91</u></b>	<b><u>102</u></b>	<b><u>797</u></b>
<b>Operating Expenses</b>						
Freight and transportation services	724	-	-	140	45	<b>909</b>
Third-party charges relating to integrated freight forwarding and logistics services	2,729	1	12	359	11	<b>3,112</b>
Repair services	59	157	-	-	1	<b>217</b>
Rent of property and equipment	8	-	-	-	1	<b>9</b>
Other expenses	26	11	-	1	31	<b>69</b>
	<u>3,546</u>	<u>169</u>	<u>12</u>	<u>500</u>	<u>89</u>	<u><b>4,316</b></u>
<b>Total expenses</b>	<b><u>3,546</u></b>	<b><u>169</u></b>	<b><u>12</u></b>	<b><u>500</u></b>	<b><u>89</u></b>	<b><u>4,316</u></b>
Purchases of property, plant and equipment	-	237	-	-	42	<b>279</b>
Contributions to non-state pension funds	-	-	-	-	41	<b>41</b>
	<u>-</u>	<u>237</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u><b>320</b></u>
<b>Total other transactions</b>	<b><u>-</u></b>	<b><u>237</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>83</u></b>	<b><u>320</u></b>

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

Transactions and balances with related parties as at 31 December 2013 and for the three-month period ended 31 March 2013 are shown below:

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Trade receivables	-	364	-	-	-	<b>364</b>
<b>Current assets</b>						
Short-term investments	-	-	-	-	1,811	<b>1,811</b>
Cash and cash equivalents	228	400	21	85	2	<b>736</b>
Trade receivables	65	94	-	2	96	<b>257</b>
Other receivables	1,475	59	2	-	1	<b>1,537</b>
	<u>1,768</u>	<u>553</u>	<u>23</u>	<u>87</u>	<u>1,910</u>	<u><b>4,341</b></u>
<b>Total assets</b>	<b><u>1,768</u></b>	<b><u>917</u></b>	<b><u>23</u></b>	<b><u>87</u></b>	<b><u>1,910</u></b>	<b><u>4,705</u></b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	12	5	1	156	9	<b>183</b>
Liabilities to customers	2	28	1	8	69	<b>108</b>
Other payables	-	-	-	-	73	<b>73</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u><b>73</b></u>
<b>Total liabilities</b>	<b><u>14</u></b>	<b><u>33</u></b>	<b><u>2</u></b>	<b><u>164</u></b>	<b><u>151</u></b>	<b><u>364</u></b>
<b>Revenue</b>						
Rail-based container shipping services	26	63	2	2	31	<b>124</b>
Terminal services and agency fees	377	2	-	-	1	<b>380</b>
Integrated freight forwarding and logistics services	1	95	23	10	24	<b>153</b>
Other services	8	12	5	1	7	<b>33</b>
	<u>412</u>	<u>172</u>	<u>30</u>	<u>13</u>	<u>63</u>	<u><b>690</b></u>
Interest income on deposits	-	-	-	-	49	<b>49</b>
Other interest income	-	-	-	-	4	<b>4</b>
Other operating income	26	20	2	-	1	<b>49</b>
	<u>26</u>	<u>20</u>	<u>2</u>	<u>-</u>	<u>54</u>	<u><b>102</b></u>
<b>Total income</b>	<b><u>438</u></b>	<b><u>192</u></b>	<b><u>32</u></b>	<b><u>13</u></b>	<b><u>117</u></b>	<b><u>792</u></b>
<b>Operating Expenses</b>						
Freight and transportation services	717	4	-	-	2	<b>723</b>
Third-party charges relating to integrated freight forwarding and logistics services	1,956	1	-	4	9	<b>1,970</b>
Repair services	73	268	-	-	1	<b>342</b>
Rent of property and equipment	10	-	-	-	3	<b>13</b>
Other expenses	43	18	-	-	31	<b>92</b>
	<u>2,799</u>	<u>291</u>	<u>-</u>	<u>4</u>	<u>46</u>	<u><b>3,140</b></u>
<b>Total expenses</b>	<b><u>2,799</u></b>	<b><u>291</u></b>	<b><u>-</u></b>	<b><u>4</u></b>	<b><u>46</u></b>	<b><u>3,140</u></b>
Purchases of property, plant and equipment	6	62	-	-	30	<b>98</b>
Contributions to non-state pension funds	-	-	-	-	23	<b>23</b>
	<u>6</u>	<u>62</u>	<u>-</u>	<u>-</u>	<u>53</u>	<u><b>121</b></u>
<b>Total other transactions</b>	<b><u>6</u></b>	<b><u>62</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>53</u></b>	<b><u>121</u></b>

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.

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

***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 19 persons as at 31 March 2014 and 31 March 2013, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 32m (including total insurance contributions of RUR 4m) and RUR 22m (including total insurance contributions of RUR 3m) for the three-month periods ended 31 March 2014 and 31 March 2013, 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, during the three-month period ended 31 March 2014, the Group recognised expenses of RUR 5m (14m during the three-month period ended 31 March 2013) related to the Share Option Plan approved by the Board of Directors in October 2010. Expenses related to options provided to the General Director and his deputies comprised RUR 3m (RUR 8m during the three-month period ended 31 March 2013).

**24. COMMITMENTS UNDER OPERATING LEASES**

As at 31 March 2014, the Group leases container terminal Dobra in Slovakia. The remaining period of agreements validity is 10 years.

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

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
Within one year	194	179
Within two to five years	173	176
After five years	184	196
<b>Total minimum lease payments</b>	<b>551</b>	<b>551</b>

**25. CAPITAL COMMITMENTS**

The Group's capital commitments as at 31 March 2014 and 31 December 2013 consisted of the following, including VAT:

	<b>31 March 2014</b>	<b>31 December 2013</b>
Acquisition of containers and flatcars	2,255	961
Construction of container terminal complexes and modernisation of existing assets	167	230
Acquisition of lifting machines and other equipment	234	234
<b>Total capital commitments</b>	<b>2,656</b>	<b>1,425</b>

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**26. RISK MANAGEMENT ACTIVITIES**

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 information does not include all financial risk management information and disclosures required in the annual consolidated financial statements of the Group, prepared for the year ended 31 December 2013. The information disclosed in the interim condensed consolidated financial information as at 31 March 2014 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. There have been no significant changes in the Group's risk management policy during the three-month period ended 31 March 2014.

***Fair value of financial assets and liabilities measured at amortised cost***

For 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: investment property, trade and other receivables, cash and cash equivalents, other financial assets, trade and other payables. These financial assets and liabilities relate to Level 3 in the fair value hierarchy. Investments in associates and joint ventures fair value, determined at the date of recognition as non-recurring measurement approximates their carrying value and refer to the Level 3 in the fair value hierarchy.

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:

	<u>31 March 2014</u>	<u>31 December 2013</u>
<b>Financial liabilities</b>		
Bonds	<u>7,279</u>	<u>7,308</u>
<b>Total</b>	<u><u>7,279</u></u>	<u><u>7,308</u></u>

**27. SUBSEQUENT EVENTS**

***Agreement on acquisition of flatcars.*** In April-May 2014 the Group has signed the following agreements:

- with LLC Speccompany for the purchase of 172 flatcars for the total amount of RUR 309m (plus VAT in the amount of RUR 56m) and obtained 45 flatcars for a total amount of RUR 81m (plus VAT in the amount of RUR 15m). Completion of delivery is expected no later than June 2014;
- with CJSC Torgovy'y dom TMH for the purchase of 172 flatcars for the total amount of RUR 314m (plus VAT in the amount of RUR 56m) and obtained 50 flatcars for a total amount of RUR 91m (plus VAT in the amount of RUR 16m). Completion of delivery is expected no later than June 2014;
- with LLC SpetsTransServis for the purchase of 172 flatcars for the total amount of RUR 308m (plus VAT in the amount of RUR 55m). Delivery of flatcars is expected no later than June 2014;
- with OJSC Roslavskiy vagonoremontniy zavod for the purchase of 200 flatcars for the total amount of RUR 344m (plus VAT in the amount of RUR 62m). The agreement was executed in full.

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**27. SUBSEQUENT EVENTS (CONTINUED)**

*Also in April-May 2014 the Group obtained under the previously signed agreements that were executed in full:*

- from LLC Speccompany 246 flatcars for the total amount of RUR 449m (plus VAT in the amount of RUR 81m);
- from CJSC Torgovy'y dom TMH 170 flatcars for the total amount of RUR 310m (plus VAT in the amount of RUR 56m);
- from LLC SpetsTransServis 165 flatcars for the total amount of RUR 301m (plus VAT in the amount of RUR 55m).