

**PUBLIC JOINT STOCK COMPANY
TRANSCONTAINER**

**Interim Condensed Consolidated Financial
Statements**

For the Nine-Month Period Ended 30 September 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2015 and the results of its operations, cash flows and changes in equity for the nine-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 nine-month period ended 30 September 2015 were approved on 25 November 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

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

	Notes	30 September 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	3	36,540	37,718
Advances for acquisition of non-current assets	3	390	206
Investment property		86	86
Intangible assets		237	210
Investments in associates and joint ventures	4	3,033	3,343
Trade and other receivables	5	387	353
Other non-current assets		85	96
Total non-current assets		40,758	42,012
Current assets			
Inventory		303	340
Trade and other receivables	5	1,428	1,542
Prepayments and other current assets	6	2,553	2,958
Prepaid income tax		103	113
Short-term investments		10	8
Cash and cash equivalents	7	2,748	1,904
		7,145	6,865
Non-current assets held for sale		100	100
Total current assets		7,245	6,965
TOTAL ASSETS		48,003	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		565	1,081
Equity-settled employee benefits reserve	12	240	240
Other reserves, including investment property's revaluation reserve		(2,156)	(2,156)
Retained earnings		22,879	21,981
Total equity		35,626	35,245
Non-current liabilities			
Long-term debt	9	3,742	5,458
Finance lease obligations, net of current maturities	10	228	340
Employee benefit liability	11	1,012	939
Deferred tax liability		1,453	1,414
Total non-current liabilities		6,435	8,151
Current liabilities			
Trade and other payables	13	3,139	3,084
Current portion of long-term debt	9	1,788	919
Income tax payable		137	189
Taxes other than income tax payable	14	325	401
Provisions		9	16
Finance lease obligations, current maturities	10	32	60
Accruals and other current liabilities	15	512	912
Total current liabilities		5,942	5,581
TOTAL EQUITY AND LIABILITIES		48,003	48,977


P. V. Baskakov
 General Director

25 November 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	Nine-month period ended 30 September		Three-month period ended 30 September	
		2015	2014	2015	2014
Revenue	16	31,065	26,984	11,059	9,450
Other operating income	17	487	518	159	195
Operating expenses	18	(28,995)	(23,445)	(10,104)	(8,269)
Gain from early termination of finance lease	10	14	18	-	-
Interest expense	19	(384)	(495)	(115)	(156)
Interest income		107	118	38	23
Foreign exchange (loss)/gain, net		(97)	239	21	206
Share of result of associates and joint ventures	4	249	148	72	58
Profit before income tax		2,446	4,085	1,130	1,507
Income tax expense	20	(521)	(784)	(244)	(285)
Profit for the period		1,925	3,301	886	1,222
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		(53)	30	(6)	3
Remeasurement of investment property		-	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	(559)	42	(473)	367
Exchange differences on translating foreign operations		43	25	68	18
Other comprehensive (loss)/income for the period		(569)	105	(411)	388
Total comprehensive income for the period		1,356	3,406	475	1,610
Earnings per share, basic and diluted (in Russian Roubles)					
		141	237	65	88
Weighted average number of shares outstanding					
		13,693,786	13,914,986	13,693,604	13,913,854


P. V. Baskakov
 General Director

25 November 2015


K. S. Kalmykov
 Chief Accountant

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

	Notes	Nine-month period ended 30 September	
		2015	2014
Cash flows from operating activities:			
Profit before income tax		2,446	4,085
Adjustments for:			
Depreciation and amortisation	18	1,830	1,829
Change in provision for impairment of receivables		-	(5)
Gain on disposal of property, plant and equipment	17	(272)	(261)
(Reversal)/loss on impairment of property, plant and equipment	3	(9)	56
Share of result of associates and joint ventures	4	(249)	(148)
Interest expense, net		277	377
Equity-settled employee benefits reserve	12	-	19
Foreign exchange loss/(gain), net		97	(239)
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		4,116	5,695
Working capital changes:			
Decrease in inventory		423	394
(Increase)/decrease in trade and other receivables		(134)	390
Decrease in prepayments and other assets		420	998
Decrease in trade and other payables		(39)	(515)
Decrease in taxes other than income tax		(76)	(62)
Decrease in accrued expenses and other current liabilities		(407)	(252)
Increase/(decrease) in employee benefit liabilities		5	(38)
Net cash from operating activities before income tax and interest		4,308	6,610
Interest paid		(492)	(569)
Income tax paid		(509)	(613)
Net cash provided by operating activities		3,307	5,428
Cash flows from investing activities:			
Purchases of property, plant and equipment		(886)	(3,238)
Proceeds from disposal of property, plant and equipment		36	58
Sale of long-term investments		61	18
Sale of short-term investments		113	751
Purchases of short-term investments		(115)	(757)
Purchases of intangible assets		(50)	(63)
Interest received		80	72
Net cash used in investing activities		(761)	(3,159)
Cash flows from financing activities:			
Repayments of finance lease obligations		(126)	(14)
Dividends	8	(974)	(1,117)
Principal payments on long-term borrowings		-	(2)
Principal payments on short-term part of long-term bonds		(750)	(750)
Net cash used in financing activities		(1,850)	(1,883)
Net increase in cash and cash equivalents		696	386
Cash and cash equivalents at beginning of the period		1,904	1,883
Foreign exchange effect on cash and cash equivalents		148	183
Cash and cash equivalents at end of the period		2,748	2,452



P. V. Baskakov
General Director

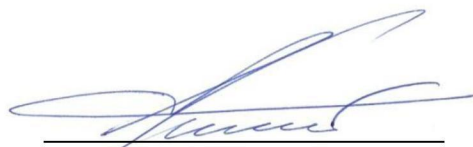
25 November 2015



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	-	-	-	-	-	-	3,301	3,301
Other comprehensive income for the period	-	-	-	67	-	8	30	105
Total comprehensive income for the period	-	-	-	67	-	8	3,331	3,406
Acquisition of treasury shares	-	(9)	-	-	-	-	-	(9)
Equity-settled employee benefits reserve	-	-	-	-	19	-	-	19
Dividends	-	-	-	-	-	-	(1,117)	(1,117)
Balance at 30 September 2014	13,895	(493)	697	77	240	(2,157)	21,519	33,778
Profit for the period	-	-	-	-	-	-	357	357
Other comprehensive income for the period	-	-	-	1,004	-	1	105	1,110
Total comprehensive income for the period	-	-	-	1,004	-	1	462	1,467
Balance at 31 December 2014	13,895	(493)	697	1,081	240	(2,156)	21,981	35,245
Profit for the period	-	-	-	-	-	-	1,925	1,925
Other comprehensive loss for the period	-	-	-	(516)	-	-	(53)	(569)
Total comprehensive (loss)/income for the period	-	-	-	(516)	-	-	1,872	1,356
Acquisition of treasury shares	-	(1)	-	-	-	-	-	(1)
Dividends	-	-	-	-	-	-	(974)	(974)
Balance at 30 September 2015	13,895	(494)	697	565	240	(2,156)	22,879	35,626



P. V. Baskakov
General Director

25 November 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 THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 owns and operates 46 container terminals along the Russian railway network. As at 30 September 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 September 2015	31 December 2014	30 September 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 September 2015 and for the nine-month period then ended were authorised for issue by the General Director of the Company on 25 November 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 THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 15,912m for the nine-month period ended 30 September 2015 (including RUR 13,863m for integrated freight forwarding and logistics services, and RUR 2,049m for management of cargo transportation and handling with involvement of third parties). For the nine-month period ended 30 September 2014 this effect would be RUR 11,572m attributable to integrated freight forwarding and logistics services. For the three-month period ended 30 September 2015 had the railway tariff directly attributable to such services, been excluded from both revenues and expenses, they would have decreased by RUR 5,793m (including RUR 4,874m for integrated freight forwarding and logistics services, RUR 919m for management of cargo transportation and

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

handling with involvement of third parties). For the three months ended 30 September 2014 this effect would be RUR 4,107m attributable to integrated freight forwarding and logistics services.

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 average annual rate. 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, 74% of revenues accumulated in the first three quarters of the year, with 26% accumulating in the fourth quarter 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 2015	11,164	36,408	2,025	2,528	333	52,458
Additions	4	205	2	128	385	724
Transfers	56	10	21	26	(113)	-
Capitalised borrowing costs	-	-	-	-	17	17
Disposals	(71)	(678)	(3)	(101)	-	(853)
30 September 2015	11,153	35,945	2,045	2,581	622	52,346
Accumulated depreciation and impairment						
1 January 2015	(2,043)	(10,009)	(965)	(1,723)	-	(14,740)
Depreciation charge for the period (Impairment) / reversal of impairment	(199)	(1,336)	(80)	(184)	-	(1,799)
Disposals	(39)	52	-	(4)	-	9
	67	555	2	100	-	724
30 September 2015	(2,214)	(10,738)	(1,043)	(1,811)	-	(15,806)
Net book value						
1 January 2015	9,121	26,399	1,060	805	447	37,718
30 September 2015	8,939	25,207	1,002	770	622	36,540

PJSC TRANSCONTAINER

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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)

	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	12	2,896	38	80	201	3,227
Transfers	130	430	-	-	(560)	-
Capitalised borrowing costs	-	-	-	-	17	17
Disposals	(19)	(505)	(8)	(58)	(3)	(593)
30 September 2014	10,834	36,446	1,682	2,564	447	51,973
Accumulated depreciation and impairment						
1 January 2014	(1,731)	(8,796)	(892)	(1,577)	-	(12,996)
Depreciation charge for the period	(184)	(1,333)	(58)	(222)	-	(1,797)
(Impairment) / reversal of impairment	(4)	4	(14)	(42)	-	(56)
Disposals	13	423	6	50	-	492
30 September 2014	(1,906)	(9,702)	(958)	(1,791)	-	(14,357)
Net book value						
1 January 2014	8,980	24,829	760	965	792	36,326
30 September 2014	8,928	26,744	724	773	447	37,616

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 September 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 803m and RUR 814m as at 30 September 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 1,536m and RUR 1,588m as at 30 September 2015 and 31 December 2014, respectively.

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

	30 September 2015	31 December 2014
Cost	239	224
Accumulated depreciation	(94)	(93)
Net book value	145	131

Construction in-progress as at 30 September 2015 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Yekaterinburg, Irkutsk and Krasnoyarsk amounting to RUR 167m, RUR 212m and RUR 117m, 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, Irkutsk and Krasnoyarsk amounting to RUR 145m, RUR 88m and RUR 12m, respectively.

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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)

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

	30 September 2015	31 December 2014
Cost	288	431
Accumulated depreciation	(12)	(15)
Net book value	276	416

The Group leases a part of non-residential premises in a Moscow head office building, under a finance lease agreement. During the nine-month period ended 30 September 2015 the Group bought out a part of non-residential premises, previously acquired under a finance lease agreement. The cost of the bought out building part was RUR 143m. Remaining premises are owned by the Group. The office building is included in the group "Land, buildings and constructions" as at 30 September 2015. See Note 10 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 30 September 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 194m and RUR 41m, respectively) and advances for the acquisition of other non-current assets (RUR 41m and RUR 10m, respectively).

As at 30 September 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.

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	Associa- tes	Total associates and joint ventures	Joint Venture JSC Kedentrans- service	Other joint ventures	Associa- tes	Total associates and joint ventures
Carrying amount as at 1 January	3,246	80	17	3,343	2,270	50	10	2,330
Share of result of associates and joint ventures	257	5	(13)	249	147	2	(1)	148
Share of translation of financial information to presentation currency	(570)	12	(1)	(559)	32	9	1	42
Carrying amount as at 30 September	2,933	97	3	3,033	2,449	61	10	2,520

PJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. TRADE AND OTHER RECEIVABLES

	<u>Outstanding balance, gross</u>	<u>Provision for impairment</u>	<u>Outstanding balance, net</u>
30 September 2015			
Trade receivables	1,588	(263)	1,325
Other receivables	114	(11)	103
Total trade and other receivables, classified as financial assets	<u>1,702</u>	<u>(274)</u>	<u>1,428</u>
31 December 2014			
Trade receivables	1,650	(239)	1,411
Other receivables	142	(11)	131
Total trade and other receivables, classified as financial assets	<u>1,792</u>	<u>(250)</u>	<u>1,542</u>

Long-term receivables are represented mainly by accounts receivable of JSC RZD Logistics, which are expected to be fully repaid till April 2018. A discount rate of 8.6% has been used for the receivables' present value determination. As at 30 September 2015 the present value of long-term accounts receivable of JSC RZD Logistics amounted to RUR 340m (RUR 313m as at 31 December 2014). As at 30 September 2015 a part of trade receivables of JSC 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 September 2015 long-term accounts receivable of JSC RZD Logistics under the contract of purchase of Far East Land Bridge Ltd. shares accounted for RUR 47m (RUR 40m as at 31 December 2014).

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

Balance as at 1 January 2014	(171)
Additional provision, recognised in the current period	(4)
Release of provision	6
Utilisation of provision	16
Foreign currency translation	(23)
Balance as at 30 September 2014	<u>(176)</u>
Additional provision, recognised in the current period	(21)
Utilisation of provision	3
Foreign currency translation	(56)
Balance as at 31 December 2014	<u>(250)</u>
Additional provision, recognised in the current period	(1)
Release of provision	2
Utilisation of provision	1
Foreign currency translation	(26)
Balance as at 30 September 2015	<u>(274)</u>

As at 30 September 2015 and 31 December 2014 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 274m and RUR 250m, respectively).

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 September 2015</u>	<u>31 December 2014</u>
VAT receivable	1,277	1,428
Advances to suppliers (net of provision)	1,192	1,383
Other current assets	84	147
Total prepayments and other current assets	<u>2,553</u>	<u>2,958</u>

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6. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

As at 30 September 2015 and 31 December 2014 provision was recognised in respect of advances to suppliers in the amount of RUR 44m and RUR 43m, respectively.

7. CASH AND CASH EQUIVALENTS

	<u>30 September 2015</u>	<u>31 December 2014</u>
Cash and Russian Rouble denominated current accounts with banks	840	392
Foreign currency denominated current accounts with banks	1,237	1,512
Russian Rouble denominated bank deposits	671	-
Total cash and cash equivalents	<u>2,748</u>	<u>1,904</u>

Three Russian Rouble denominated short-term bank deposits in the total amount of RUR 670m bearing interest at annual rates in a range from 10.25% to 10.5% were placed with PJSC Bank VTB, a related party (Note 21) and AO "ALFA-BANK", as at 30 September 2015. The total amount of accrued interest on Russian Rouble denominated short-term bank deposits amounted to RUR 1m. The deposits matured in October 2015.

8. EQUITY

Share Capital

As at 30 September 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

	<u>Effective interest rate</u>	<u>30 September 2015</u>	<u>31 December 2014</u>
Bonds	8.35%	3,742	4,990
Other borrowings	9.5%	-	468
Total		<u>3,742</u>	<u>5,458</u>

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).

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9. LONG-TERM DEBT (CONTINUED)

The loan matures in five years. As at 30 September 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.

As at 30 September 2015 the carrying value of the bonds amounted to RUR 4,992m (RUR 4,990m as at 31 December 2014). 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 in amount of RUR 3,742m and as current portion of long-term debt in amount of RUR 1,250m at the reporting date. The amount of accrued interest payable is RUR 70m (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 September 2015	31 December 2014
Current portion of long-term bonds	8.35%-8.8%	1,320	919
Other borrowings	9.5%	468	-
Total		1,788	919

10. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Due within one year	34	64	32	60
Due after one year but not more than five years	292	463	228	340
Less future finance charges	(66)	(127)	-	-
Present value of minimum lease payments	260	400	260	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 September 2015 Group bought back part of the non-residential premises of the building and redeemed its obligation in the amount of RUR 143m in advance that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 14m in the consolidated profit or loss.

During the year ended 31 December 2014, the Group bought back part of the non-residential premises of the building and redeemed its obligation in the amount of RUR 144m in advance that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 18m in the consolidated profit or loss.

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10. FINANCE LEASE OBLIGATIONS (CONTINUED)

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 nine-month periods ended 30 September 2015 and 30 September 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Pension Fund of the Russian Federation	493	450
Defined contribution plan "Blagosostoyanie"	17	14
Total expense for defined contribution plans	<u>510</u>	<u>464</u>

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

	<u>2015</u>	<u>2014</u>
Pension Fund of the Russian Federation	136	125
Defined contribution plan "Blagosostoyanie"	5	5
Total expense for defined contribution plans	<u>141</u>	<u>130</u>

Defined benefit plans

Principal actuarial assumptions as at 30 September 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 September 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 September 2015 (as at 31 December 2014: 6.7%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the nine-month periods ended 30 September 2015 and 30 September 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	11	19	89	91	100	110
Net interest on obligation	52	39	22	13	74	52
Remeasurements of the net defined benefit	-	-	12	-	12	-
Net expense recognised in the consolidated profit or loss	<u>63</u>	<u>58</u>	<u>123</u>	<u>104</u>	<u>186</u>	<u>162</u>

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 53m for the nine-month period ended 30 September 2015 and net income recognised in other comprehensive income constitutes RUR 30m for the nine-month period ended 30 September 2014.

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11. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

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

	Post-employment benefits		Other long-term benefits		Total	
	2015	2014	2015	2014	2015	2014
Service cost	2	8	27	30	29	38
Net interest on obligation	15	12	4	3	19	15
Remeasurements of the net defined benefit	-	-	4	5	4	5
Net expense recognised in the consolidated profit or loss	17	20	35	38	52	58

Net expense recognised in the other comprehensive income related mainly to remeasurements of the net defined benefit constitutes RUR 6m for the three-month period ended 30 September 2015 and net income recognised in other comprehensive income constitutes RUR 3m for the three-month period ended 30 September 2014.

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

	Post-employment benefits		Other long-term benefits		Total	
	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligation	726	670	345	328	1,071	998
Fair value of plan assets	(64)	(61)	-	-	(64)	(61)
Net employee benefit liability	662	609	345	328	1,007	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.

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12. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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	165,180
Options granted during the period	11,708
Options cancelled during the period	(1,953)
Options outstanding as at 31 December 2014	174,935
Options outstanding as at 30 September 2015	174,935

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

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

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

During the nine-month period ended 30 September 2015 no expenses were incurred.

During the nine-month period ended 30 September 2015 no options were exercised.

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

	2015	2014
Reserve as at 1 January	240	221
Expense recognised for the period	-	19
Reserve as at 30 September	240	240

13. TRADE AND OTHER PAYABLES

	30 September 2015	31 December 2014
Trade payables	724	662
Amounts payable for the acquisition of property, plant and equipment	81	34
Amounts payable for the intangible assets	5	17
Total financial liabilities within trade and other payable	810	713
Liabilities to customers (advances)	2,329	2,371
Total trade and other payables	3,139	3,084

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14. TAXES OTHER THAN INCOME TAX PAYABLE

	30 September 2015	31 December 2014
VAT	37	42
Social insurance contribution	125	197
Property tax	125	127
Personal income tax	30	29
Other taxes	8	6
Total taxes other than income tax payable	325	401

15. ACCRUALS AND OTHER CURRENT LIABILITIES

	30 September 2015	31 December 2014
Settlements with employees	462	812
Other liabilities (financial liabilities)	50	100
Total accrued expenses and other current liabilities	512	912

Settlements with employees as at 30 September 2015 and 31 December 2014 comprised accrued salaries and bonuses of RUR 282m and RUR 628m, respectively, and accruals for unused vacations of RUR 180m 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

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Integrated freight forwarding and logistics services	23,192	20,106	8,041	6,965
Rail-based container shipping services	3,291	4,082	1,162	1,474
Cargo transportation and handling services with involvement of third parties	2,049	-	919	-
Terminal services and agency fees	1,580	1,584	593	590
Truck deliveries	633	734	234	257
Other freight forwarding services	102	210	32	69
Bonded warehousing services	141	179	49	61
Other	77	89	29	34
Total revenue	31,065	26,984	11,059	9,450

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16. SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by location of customers

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Revenue from external customers				
Russia	25,382	21,250	9,329	7,724
Korea	3,145	2,678	858	838
Germany	957	1,356	269	333
Kazakhstan	409	627	82	128
Great Britain	341	11	191	11
China	267	240	129	91
Latvia	226	344	88	173
Other	338	478	113	152
Total revenue	31,065	26,984	11,059	9,450

During the nine-month period ended 30 September 2015, UNICO LOGISTICS CO. LTD accounted for RUR 2,880m or 9% of the Group's total revenue (for the nine-month period ended 30 September 2014: RUR 2,404m or 9% of the Group's total revenue).

During the three-month period ended 30 September 2015, UNICO LOGISTICS CO. LTD accounted for RUR 727m or 7% of the Group's total revenue (for the three-month period ended 30 September 2014: RUR 723m or 8% of the Group's total revenue).

During the nine-month period ended 30 September 2015, OJSC RZD ("RZD") and its subsidiaries accounted for RUR 2,304m or 7% of the Group's total revenue (for the nine-month period ended 30 September 2014: RUR 1,933m or 7% of the Group's total revenue).

During the three-month period ended 30 September 2015, OJSC RZD and its subsidiaries accounted for RUR 900m or 8% of the Group's total revenue (for the three-month period ended 30 September 2014: RUR 747m or 8% of the Group's total revenue).

17. OTHER OPERATING INCOME

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Gain on the sale and disposal of property, plant and equipment	272	261	78	124
Gain on the sale of inventory and from the reuse of spare parts	90	127	7	46
Refund of VAT on the sale of services by applying the tax rate 0%	73	-	40	-
Other operating income	52	130	34	25
Total operating income	487	518	159	195

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18. OPERATING EXPENSES

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Third-party charges related to principal activities	15,912	11,572	5,793	4,107
Freight and transportation services	4,374	3,605	1,464	1,238
Payroll and related charges	3,378	3,159	1,088	1,064
Depreciation and amortisation	1,830	1,829	611	639
Materials, repair and maintenance	1,570	1,552	549	646
Rent	530	309	137	107
Taxes other than income tax	393	461	133	187
Consulting services	148	140	42	53
Security	156	155	52	53
Fuel costs	117	122	37	39
License and software	88	74	34	29
Communication costs	53	50	17	17
Other expenses	446	417	147	90
Total operating expenses	28,995	23,445	10,104	8,269

19. INTEREST EXPENSE

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Interest expense on RUR bonds	325	424	97	133
Interest expense on bank loans and borrowings	33	33	11	11
Interest expense on finance lease obligations	26	38	7	12
Total interest expense	384	495	115	156

20. INCOME TAX

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2015	2014	2015	2014
Current income tax charge	(467)	(751)	(252)	(338)
Deferred income tax expense	(54)	(33)	8	53
Income tax	(521)	(784)	(244)	(285)

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 nine-month period ended 30 September 2015 was 21.3% (for the nine-month period ended 30 September 2014: 19.2%).

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:

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Related party	Nature of relationship		
	30 September 2015	31 December 2014	30 September 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
JSC RZD Logistics	Subsidiary of RZD	Subsidiary of RZD	Subsidiary of RZD
PJSC Bank VTB	State-controlled entity	State-controlled entity	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC	Significant shareholder	Significant shareholder	Significant shareholder

The Group's ultimate controlling party is the Russian Federation 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 deposit operations for free funds placement. Services are provided on market terms.

Relationships with RZD, its subsidiaries, joint ventures and associates

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

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

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances with related parties as at 30 September 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						
Advances for acquisition of non-current assets	-	13	-	-	-	13
Trade receivables	-	387	-	-	-	387
Current assets						
Cash and cash equivalents	-	-	-	-	1,802	1,802
Trade receivables	222	327	2	72	1	624
Other receivables	29	26	-	15	24	94
Advances to suppliers	929	12	-	84	2	1,027
Total assets	1,180	765	2	171	1,829	3,947
LIABILITIES						
Current liabilities						
Trade payables	14	48	-	24	21	107
Liabilities to customers (advances)	-	36	-	4	27	67
Other payables	3	3	-	-	23	29
Total liabilities	17	87	-	28	71	203

The income and expense items with related parties for the nine-month period ended 30 September 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	103	34	1	1	38	177
Terminal services and agency fees	1,217	11	-	-	4	1,232
Integrated freight forwarding and logistics services	1	888	102	344	56	1,391
Cargo transportation and handling services with involvement of third parties	-	41	-	-	6	47
Other services	16	15	2	2	13	48
Interest income on deposits	-	-	-	-	73	73
Other interest income	-	-	-	-	2	2
Other operating income	69	29	1	-	1	100
Total income	1,406	1,018	106	347	193	3,070
Operating Expenses						
Freight and transportation services	2,901	2	-	370	44	3,317
Third-party charges related to principal activities	12,242	26	10	1,488	129	13,895
Repair services	264	525	-	-	4	793
Rent of property and equipment	23	1	-	-	2	26
Other expenses	131	53	-	42	83	309
Total expenses	15,561	607	10	1,900	262	18,340
Purchases of property, plant and equipment	1	24	-	-	10	35
Purchases of materials	-	2	-	-	8	10
Contributions to non-state pension funds	-	-	-	-	66	66
Total other transactions	1	26	-	-	84	111

As at 30 September 2015 transactions under the item "Advances to suppliers" in the amount of RUR 30m were entered into with the JSC UTLC, the parent company.

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As at 30 September 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 203m.

The income and expense items with related parties for the three-month period ended 30 September 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	49	13	-	-	9	71
Terminal services and agency fees	450	6	-	-	2	458
Integrated freight forwarding and logistics services	-	350	24	171	8	553
Cargo transportation and handling services with involvement of third parties	-	27	-	-	3	30
Other services	6	8	1	1	5	21
Interest income on deposits	-	-	-	-	23	23
Other operating income	28	9	-	-	-	37
Total income	533	413	25	172	50	1,193
Operating Expenses						
Freight and transportation services	1,027	1	-	59	-	1,087
Third-party charges related to principal activities	4,560	1	-	476	53	5,090
Repair services	98	185	-	-	1	284
Rent of property and equipment	8	-	-	-	-	8
Other expenses	35	8	-	-	30	73
Total expenses	5,728	195	-	535	84	6,542
Purchases of property, plant and equipment	1	-	-	-	2	3
Purchases of materials	-	2	-	-	2	4
Contributions to non-state pension funds	-	-	-	-	26	26
Total other transactions	1	2	-	-	30	33

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

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 nine-month period ended 30 September 2014 were as follows:

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	98	29	4	80	44	255
Terminal services and agency fees	1,259	5	-	-	4	1,268
Integrated freight forwarding and logistics services	2	568	106	172	161	1,009
Other services	14	23	2	2	14	55
Interest income on deposits	-	-	-	-	68	68
Other interest income	-	-	-	-	4	4
Other operating income	65	77	-	2	1	145
Total income	1,438	702	112	256	296	2,804
Operating Expenses						
Freight and transportation services	2,386	1	-	425	8	2,820
Third-party charges related to principal activities	8,863	2	18	1,138	48	10,069
Repair services	241	522	-	-	2	765
Rent of property and equipment	23	1	-	-	2	26
Other expenses	65	57	1	-	77	200
Total expenses	11,578	583	19	1,563	137	13,880
Purchases of property, plant and equipment	-	861	-	-	56	917
Contributions to non-state pension funds	-	-	-	-	89	89
Total other transactions	-	861	-	-	145	1,006

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

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
Revenue						
Rail-based container shipping services	55	7	1	10	20	93
Terminal services and agency fees	461	2	-	-	2	465
Integrated freight forwarding and logistics services	-	234	40	68	43	385
Other services	5	8	-	1	5	19
Interest income on deposits	-	-	-	-	13	13
Other interest income	-	-	-	-	1	1
Other operating income	26	13	-	-	1	40
Total income	547	264	41	79	85	1,016
Operating Expenses						
Freight and transportation services	824	1	-	114	4	943
Third-party charges related to principal activities	3,167	1	1	353	21	3,543
Repair services	101	200	-	-	1	302
Rent of property and equipment	8	-	-	-	1	9
Other expenses	21	20	-	-	21	62
Total expenses	4,121	222	1	467	48	4,859
Purchases of property, plant and equipment	-	-	-	-	5	5
Contributions to non-state pension funds	-	-	-	-	30	30
Total other transactions	-	-	-	-	35	35

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21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Dividends

As at 30 September 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 September 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 21 and 20 persons as at 30 September 2015 and 30 September 2014, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 159m (including total insurance contributions of RUR 15m) and RUR 162m (including total insurance contributions of RUR 11m) for the nine-month periods ended 30 September 2015 and 30 September 2014, respectively.

Such compensation for the three-month periods ended 30 September 2015 and 30 September 2014 amounted to RUR 35m (including total insurance contributions of RUR 4m) and RUR 59m (including total insurance contributions of RUR 4m), respectively.

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

As stated in Note 12, for the nine-month period ended 30 September 2015 and for the three-month period ended 30 September 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 nine-month period ended 30 September 2014 and during the three-month period ended 30 September 2014 there were no expenses related to the options).

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

22. COMMITMENTS UNDER OPERATING LEASES

Since 2009 the Group leases container terminal Dobra in Slovakia. As at 30 September 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:

	30 September 2015	31 December 2014
Within one year	318	362
Within two to five years	589	753
After five years	235	259
Total minimum lease payments	1,142	1,374

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23. CAPITAL COMMITMENTS

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

	30 September 2015	31 December 2014
Acquisition of containers and flatcars	1,693	1,453
Acquisition of lifting machines and other equipment	359	317
Construction of container terminal complexes and modernisation of existing assets	589	5
Total capital commitments	2,641	1,775

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.

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 nine-month period ended 30 September 2015 there was a weakening of the Russian Rouble against major foreign currencies while the Central Bank of the Russian Federation exchange rates were RUR 56.2584 and RUR 66.2367 per USD as at 31 December 2014 and 30 September 2015, respectively (RUR 68.3427 and RUR 74.5825 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 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2015 no significant changes in the assessment methods, input data and assumptions to estimate the fair value have occurred.

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24. RISK MANAGEMENT ACTIVITIES (CONTINUED)

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 JSC 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 September 2015 the fair value of long-term accounts receivable of JSC RZD Logistics (Note 5) accounts for RUR 329m. The calculation is based on the use of a weighted average interest rate of 10.55% published by the Central Bank of the Russian Federation for August 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:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Financial liabilities		
Bonds	4,725	5,327
Total	<u>4,725</u>	<u>5,327</u>

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. The fair value of bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and maturity.

25. SUBSEQUENT EVENTS

Agreement on delivery and commissioning of server hardware. In November 2015 the Group entered into the agreements with LLC Infoage on delivery and commissioning of server hardware for the total amount of RUR 90m (plus VAT in the amount of RUR 16m). Delivery is expected no later than 31 January 2016.

Agreement on acquisition of containers. In November 2015 the Group entered into the agreement with Feilcon Holding Ltd on the purchase of 500 containers for the total amount of USD 2m (RUR 103m at the Central Bank of the Russian Federation exchange rate as at the reporting date), not subject to VAT. Delivery of containers is expected no later than 31 March 2016.

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25. SUBSEQUENT EVENTS (CONTINUED)

Acquisition of containers. In October-November 2015 the Group obtained under the previously signed agreements:

- 410 containers from Yang Zhou Runyang Logistic Equipment Co.,Ltd for the total amount of RUR 61m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), not subject to VAT.
- 54 containers from LLC Con-service for the total amount of RUR 9m (plus VAT in the amount of RUR 1m).
- 364 containers from Feilcon Holding Ltd for the total amount of RUR 53m (at the Central Bank of the Russian Federation exchange rate as at the date of purchase), not subject to VAT.