

# **OPEN JOINT STOCK COMPANY TRANSCONTAINER**

## **Interim Condensed Consolidated Financial Statements**

For the Six-Month Period Ended 30 June 2014

# OJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the financial position of OJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 June 2014 and the results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".


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

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

Management is also responsible for:

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

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2014 were approved on 28 August 2014 by:

  
\_\_\_\_\_  
**V.N. Drachev**  
Acting General Director

  
\_\_\_\_\_  
**K. S. Kalmykov**  
Chief Accountant



## ***Report on Review of Interim Condensed Consolidated Financial Statements***

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company TransContainer and its subsidiaries (the "Group") as of 30 June 2014 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

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

### **Conclusion**

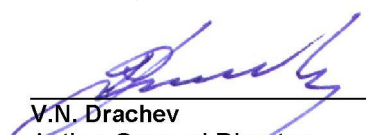
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*ZAO PricewaterhouseCoopers Audit*

28 August, 2014  
Moscow, Russian Federation

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

	Notes	30 June 2014	31 December 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	37,921	36,326
Advances for acquisition of non-current assets	3	149	243
Investment property		86	74
Intangible assets	4	168	150
Investments in associates and joint ventures	5	2,095	2,330
Trade receivables and other receivables	6	415	365
Other non-current assets		64	76
<b>Total non-current assets</b>		<b>40,898</b>	<b>39,564</b>
<b>Current assets</b>			
Inventory		331	358
Trade and other receivables	6	1,307	1,621
Prepayments and other current assets	7	2,838	3,435
Prepaid income tax		40	114
Short-term investments		-	1
Cash and cash equivalents	8	2,700	1,883
<b>Total current assets</b>		<b>7,216</b>	<b>7,412</b>
<b>TOTAL ASSETS</b>		<b>48,114</b>	<b>46,976</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	13,895	13,895
Treasury shares		(488)	(484)
Reserve fund		697	697
Translation reserve		(308)	10
Equity-settled employee benefits reserve	13	240	221
Other reserves, including investment property's revaluation reserve		(2,157)	(2,165)
Retained earnings		20,294	19,305
<b>Total equity</b>		<b>32,173</b>	<b>31,479</b>
<b>Non-current liabilities</b>			
Long-term debt	10	5,459	6,194
Finance lease obligations, net of current maturities	11	358	485
Employee benefit liability	12	1,034	1,096
Deferred tax liability		1,539	1,445
<b>Total non-current liabilities</b>		<b>8,390</b>	<b>9,220</b>
<b>Current liabilities</b>			
Trade and other payables	14	3,657	3,216
Short-term debt and current portion of long-term debt	10	1,671	1,693
Income tax payable		101	77
Taxes other than income tax payable	15	323	372
Provisions		19	19
Finance lease obligations, current maturities	11	167	66
Dividends payable	9	1,117	-
Accrued and other current liabilities	16	496	834
<b>Total current liabilities</b>		<b>7,551</b>	<b>6,277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,114</b>	<b>46,976</b>

  
V.N. Drachev  
Acting General Director


  
K. S. Kalmykov  
Chief Accountant

28 August 2014

**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	Six-month period ended 30 June		Three-month period ended 30 June	
		2014	2013	2014	2013
Revenue	17	17,534	18,162	9,074	9,604
Other operating income	18	341	347	183	139
Operating expenses	19	(15,194)	(14,783)	(8,164)	(7,612)
Gain from early termination of finance lease	11	18	32	2	32
Interest expense	20	(339)	(385)	(162)	(177)
Interest income		95	141	71	75
Foreign exchange gain, net		33	72	(112)	72
Share of result of associates and joint ventures	5	90	5	62	4
<b>Profit before income tax</b>		<b>2,578</b>	<b>3,591</b>	<b>954</b>	<b>2,137</b>
Income tax expense	21	(499)	(814)	(184)	(468)
<b>Profit for the period</b>		<b>2,079</b>	<b>2,777</b>	<b>770</b>	<b>1,669</b>
<b>Attributable to:</b>					
Equity holders of the parent		2,079	2,786	770	1,687
Non-controlling interest		-	(9)	-	(18)
<b>Other comprehensive income (net of income tax)</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of post-employment benefit plans		27	(8)	(13)	(9)
Remeasurements of investment property		8	-	8	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(318)	208	(177)	153
<b>Other comprehensive income for the period</b>		<b>(283)</b>	<b>200</b>	<b>(182)</b>	<b>144</b>
<b>Total comprehensive income for the period</b>		<b>1,796</b>	<b>2,977</b>	<b>588</b>	<b>1,813</b>
<b>Attributable to:</b>					
Equity holders of the parent		1,796	2,927	588	1,755
Non-controlling interest		-	50	-	58
<b>Earnings per share, basic and diluted (Russian Roubles)</b>		<b>149</b>	<b>201</b>	<b>55</b>	<b>121</b>
<b>Weighted average number of shares outstanding</b>		<b>13,915,562</b>	<b>13,886,987</b>	<b>13,915,293</b>	<b>13,886,887</b>


  
V.N. Drachev  
Acting General Director

  
K. S. Kalmykov  
Chief Accountant

28 August 2014

**OJSC TRANSCONTAINER**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH**  
**PERIOD ENDED 30 JUNE 2014 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles)*

	Notes	2014	2013
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>2,578</b>	<b>3,591</b>
Adjustments for:			
Depreciation and amortisation	19	1,190	940
Change in provision for impairment of receivables		(2)	6
(Profit)/loss on disposal of property, plant and equipment	18,19	(137)	23
Loss on impairment of property, plant and equipment	3	68	44
Share of result of associates	5	(90)	(5)
Interest expense, net		244	244
Equity-settled employee benefits reserve	13	19	28
Foreign exchange gain, net		(33)	(72)
Gain from early termination of finance lease	11	(18)	(32)
Other gains and losses		-	6
<b>Operating profit before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>3,819</b>	<b>4,773</b>
Decrease in inventory		204	3
Decrease/(increase) in trade and other receivables		298	(750)
Decrease in prepayments and other assets		748	506
(Decrease)/increase in trade and other payables		(422)	15
Decrease in taxes other than income tax		(49)	(33)
Decrease in accrued expenses and other current liabilities		(336)	(227)
(Decrease)/increase in employee benefit liabilities		(32)	13
<b>Net cash from operating activities before income tax</b>		<b>4,230</b>	<b>4,300</b>
Interest paid		(345)	(315)
Income tax paid		(315)	(520)
<b>Net cash provided by operating activities</b>		<b>3,570</b>	<b>3,465</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(2,083)	(1,276)
Proceeds from disposal of property, plant and equipment		32	5
Sale of long-term investments		18	-
Sale of short-term investments		751	1,543
Purchases of short-term investments		(750)	(3,503)
Purchases of intangible assets		(43)	(32)
Interest received		47	116
<b>Net cash used in investing activities</b>		<b>(2,028)</b>	<b>(3,147)</b>
<b>Cash flows from financing activities:</b>			
Repayments of finance lease obligations		(9)	(38)
Proceeds from long-term bonds		-	4,988
Principal payments on long-term borrowings		(1)	-
Principal payments on short-term borrowings		-	(1,830)
Principal payments on short-term bonds		(750)	(3,000)
<b>Net cash (used in)/ provided by financing activities</b>		<b>(760)</b>	<b>120</b>
<b>Net increase in cash and cash equivalents</b>		<b>782</b>	<b>438</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,883</b>	<b>1,318</b>
Foreign exchange effect on cash and cash equivalents		35	73
<b>Net cash and cash equivalents at end of the period</b>		<b>2,700</b>	<b>1,829</b>


  
 V.N. Drachev  
 Acting General Director

  
 K. S. Kalmykov  
 Chief Accountant

28 August 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	-	-	-	-	-	-	2,786	2,786	(9)	2,777
Other comprehensive income for the period	-	-	-	149	-	-	(8)	141	59	200
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>2,778</b>	<b>2,927</b>	<b>50</b>	<b>2,977</b>
Acquisition of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Equity-settled employee benefits reserve	-	-	-	-	28	-	-	28	-	28
Dividends	-	-	-	-	-	-	(1,187)	(1,187)	(50)	(1,237)
Transfer to reserve fund	-	-	219	-	-	-	(219)	-	-	-
<b>Balance at 30 June 2013</b>	<b>13,895</b>	<b>(491)</b>	<b>697</b>	<b>198</b>	<b>216</b>	<b>(2,221)</b>	<b>16,097</b>	<b>28,391</b>	<b>937</b>	<b>29,328</b>
Profit for the period	-	-	-	-	-	-	3,079	3,079	118	3,197
Other comprehensive income for the period	-	-	-	(188)	-	56	121	(11)	(11)	(22)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(188)</b>	<b>-</b>	<b>56</b>	<b>3,200</b>	<b>3,068</b>	<b>107</b>	<b>3,175</b>
Equity-settled employee benefits reserve	-	-	-	-	13	-	-	13	-	13
Disposal of controlling interest in subsidiary	-	-	-	-	-	-	-	-	(1,044)	(1,044)
Exercised options under option plan	-	7	-	-	(8)	-	8	7	-	7
<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	-	-	-	-	-	-	2,079	2,079	-	2,079
Other comprehensive income for the period	-	-	-	(318)	-	8	27	(283)	-	(283)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(318)</b>	<b>-</b>	<b>8</b>	<b>2,106</b>	<b>1,796</b>	<b>-</b>	<b>1,796</b>
Equity-settled employee benefits reserve	13	-	-	-	19	-	-	19	-	19
Acquisition of treasury shares	-	(4)	-	-	-	-	-	(4)	-	(4)
Dividends	9	-	-	-	-	-	(1,117)	(1,117)	-	(1,117)
<b>Balance at 30 June 2014</b>	<b>13,895</b>	<b>(488)</b>	<b>697</b>	<b>(308)</b>	<b>240</b>	<b>(2,157)</b>	<b>20,294</b>	<b>32,173</b>	<b>-</b>	<b>32,173</b>

  
V.N. Drachev  
Acting General Director

  
K. S. Kalmykov  
Chief Accountant

28 August 2014

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



**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 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	
				30 June 2014	31 December 2013	30 June 2014	31 December 2013
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 13)	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	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.	Joint venture	Netherlands	Investment activity	50	50	50	50

Significant impact on the financial indicators of the Group’s performance for the six-month period ended 30 June 2014 compared to the same time period ended 30 June 2013 have been made by the change in the accounting method of investment in JSC Kedentransservice due to the loss of control over it in December 2013. As a result of loss of the control, JSC Kedentransservice was recognised as an investment in joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures.

The interim condensed consolidated financial statements of OJSC TransContainer and its subsidiaries (the “Group”) as at 30 June 2014 and for the six-month period then ended were authorised for issue by the Acting General Director of the Company on 28 August 2014.

**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”.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014 (UNAUDITED)**  
***(Amounts in millions of Russian Roubles, unless otherwise stated below)***

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

The consolidated statement of financial position as at 31 December 2013, 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 2013. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

**Going concern** – These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realisation of assets and settlement of liabilities in the normal course of business. As at 30 June 2014 the Group's current liabilities exceeded its current assets by RUR 335m. The main factor for such exceeding is the Group's liability for payment of dividends to shareholders for the year 2013 in the total amount of RUR 1,117m as well as current liabilities to suppliers of capital goods. Although the current economic environment might affect the profitability of the Group's operations in the near term, management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern.

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

The Group has adopted all new standards and interpretations that were effective from 1 January 2014. The impact of the adoption of these new standards and interpretations has not been significant with respect to this 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 2013, have been issued but are not effective for the financial year beginning 1 January 2014 and which the Group has not early adopted.

***New and revised standards and interpretations***

New standards and interpretations those are mandatory for reporting periods beginning on or after 1 January 2015 or later periods that are applicable for the Group's activity and which the Group has not early adopted, are as follows:

***IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)***. Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014 (UNAUDITED)**  
***(Amounts in millions of Russian Roubles, unless otherwise stated below)***

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

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

***Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016)***. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

***Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016)***. In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

***IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017)***. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group is currently assessing the impact of the abovementioned new standards and amendments on its consolidated financial statements.

***Estimates*** – The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 21), some actuarial assumptions (Note 12) and useful lives of property, plant and equipment (Note 3).

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

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 2013. For the six-month period ended 30 June 2014 had the railway tariff directly attributable to integrated freight forwarding and logistics services that have certain characteristics of agency services been excluded from revenue and expenses both would have decreased by RUR 7,465m for the six-month period ended 30 June 2014 (RUR 6,128m for the six-month period ended 30 June 2013). For the three-month period ended 30 June 2014 had the railway tariff directly attributable to such services been excluded from revenue and expenses both would have decreased by RUR 3,889m for the six-month period ended 30 June 2014 (RUR 3,203m for the six-month period ended 30 June 2013).

**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, 46% of revenues accumulated in the first half of the year, with 54% accumulating in the second half.

**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	Constructi on in progress	Total
<b>Cost</b>						
<b>1 January 2013</b>	<b>10,464</b>	<b>30,229</b>	<b>1,680</b>	<b>2,917</b>	<b>1,482</b>	<b>46,772</b>
Additions	2	961	17	130	650	1,760
Transfers	99	400	6	7	(512)	-
Capitalised borrowing costs	-	-	-	-	41	41
Disposals	(67)	(257)	(6)	(27)	-	(357)
Exchange difference	112	35	17	33	1	198
<b>30 June 2013</b>	<b>10,610</b>	<b>31,368</b>	<b>1,714</b>	<b>3,060</b>	<b>1,662</b>	<b>48,414</b>
Additions	136	3,118	133	191	1,182	4,760
Transfers	1,898	9	120	33	(2,060)	-
Capitalised borrowing costs	-	-	-	-	46	46
Disposals	(27)	(302)	(32)	(176)	(6)	(543)
Disposal the of controlling interest in subsidiary	(1,887)	(561)	(280)	(561)	(31)	(3,320)
Exchange difference	(19)	(7)	(3)	(5)	(1)	(35)
<b>31 December 2013</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	2,722	-	28	115	2,872
Transfers	46	417	-	2	(465)	-
Capitalised borrowing costs	-	-	-	-	10	10
Disposals	(2)	(269)	(1)	(36)	-	(308)
<b>30 June 2014</b>	<b>10,762</b>	<b>36,495</b>	<b>1,651</b>	<b>2,536</b>	<b>452</b>	<b>51,896</b>

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

	Land, buildings and construction s	Locomotives, containers and flatcars	Cranes and loaders	Vehicles and other equipment	Constructi on in progress	Total
<b>Accumulated depreciation and impairment</b>						
<b>1 January 2013</b>	<b>(1,791)</b>	<b>(8,255)</b>	<b>(932)</b>	<b>(1,557)</b>	<b>(4)</b>	<b>(12,539)</b>
Depreciation charge for the period	(118)	(564)	(50)	(164)	-	(896)
Impairment charge	(22)	(16)	-	(2)	(4)	(44)
Disposals	39	152	3	24	-	218
Exchange difference	(15)	(17)	(6)	(7)	-	(45)
<b>30 June 2013</b>	<b>(1,907)</b>	<b>(8,700)</b>	<b>(985)</b>	<b>(1,706)</b>	<b>(8)</b>	<b>(13,306)</b>
Depreciation charge for the period	(111)	(604)	(56)	(182)	-	(953)
Impairment charge	4	(76)	(3)	(11)	7	(79)
Disposals	20	225	30	146	-	421
Disposal the of controlling interest in subsidiary	261	356	120	175	1	913
Exchange difference	2	3	2	1	-	8
<b>31 December 2013</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	(122)	(857)	(38)	(149)	-	(1,166)
Impairment charge	(4)	(5)	(14)	(45)	-	(68)
Disposals	1	225	1	28	-	255
<b>30 June 2014</b>	<b>(1,856)</b>	<b>(9,433)</b>	<b>(943)</b>	<b>(1,743)</b>	<b>-</b>	<b>(13,975)</b>
<b>Net book value</b>						
<b>31 December 2013</b>	<b>8,980</b>	<b>24,829</b>	<b>760</b>	<b>965</b>	<b>792</b>	<b>36,326</b>
<b>30 June 2014</b>	<b>8,906</b>	<b>27,062</b>	<b>708</b>	<b>793</b>	<b>452</b>	<b>37,921</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 30 June 2014 and 31 December 2013, respectively.

The vehicles and other equipment group includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 837m and RUR 845m as at 30 June 2014 and 31 December 2013, respectively.

As at 31 December 2013 the Group revised the useful lives of individual fixed assets mainly within a group of flatcars. As a result, the amount of depreciation charges for the period ended 30 June 2014 increased by RUR 220m in comparison with the one that would have been charged under the previous useful life, ranges of economic useful lives for property, plant and equipment groups remain unchanged. The estimation of the effect on further periods is impracticable.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,628m and RUR 1,678m as at 30 June 2014 and 31 December 2013, respectively.

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Cost	551	792
Accumulated depreciation	(198)	(285)
<b>Net book value</b>	<b>353</b>	<b>507</b>

Construction in-progress as at 30 June 2014 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 59m, RUR 56m and RUR 57m, respectively, and containers acquired for the amount of RUR 12m.

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

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 54m and RUR 57m, respectively, and containers acquired for the amount of RUR 367m.

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Cost	575	575
Accumulated depreciation	<u>(16)</u>	<u>(12)</u>
<b>Net book value</b>	<b><u>559</u></b>	<b><u>563</u></b>

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

See Note 11 for further details regarding finance leases.

*Advances for acquisition of non-current assets*

As at 30 June 2014 and 31 December 2013, 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 147m and RUR 147m, respectively), advances for the acquisition of containers (RUR 0m and RUR 85m, respectively) and advances for the acquisition of other non-current assets (RUR 2m and RUR 11m, respectively).

As at 30 June 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).

**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>169</b>	<b>782</b>
Additions	-	121	121
Disposals	-	(40)	(40)
Exchange difference	41	-	41
<b>30 June 2013</b>	<b>654</b>	<b>250</b>	<b>904</b>
<b>1 January 2014</b>	<b>-</b>	<b>287</b>	<b>287</b>
Additions	-	42	42
Disposals	-	(118)	(118)
<b>30 June 2014</b>	<b>-</b>	<b>211</b>	<b>211</b>
<b>Accumulated amortisation</b>			
<b>1 January 2013</b>	<b>(80)</b>	<b>(110)</b>	<b>(190)</b>
Disposals	-	19	19
Amortisation charge for the period	(23)	(21)	(44)
Exchange difference	(6)	-	(6)
<b>30 June 2013</b>	<b>(109)</b>	<b>(112)</b>	<b>(221)</b>
<b>1 January 2014</b>	<b>-</b>	<b>(137)</b>	<b>(137)</b>
Disposals	-	118	118
Amortisation charge for the period	-	(24)	(24)
<b>30 June 2014</b>	<b>-</b>	<b>(43)</b>	<b>(43)</b>
<b>Net book value</b>			
<b>1 January 2014</b>	<b>-</b>	<b>150</b>	<b>150</b>
<b>30 June 2014</b>	<b>-</b>	<b>168</b>	<b>168</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 Kedentrans-service	Other joint ventures	Associates	Total associates and joint ventures	Joint Venture JSC Kedentrans-service	Other joint ventures	Associates	Total associates and joint ventures
Carrying amount as at 1 January	2,270	50	10	2,330	-	43	11	54
Share of financial result of associates and joint ventures	88	3	(1)	90	-	5	-	5
Effect of translation to presentation currency	(326)	1	-	(325)	-	4	-	4
Carrying amount as at 30 June	2,032	54	9	2,095	-	52	11	63

**6. TRADE AND OTHER RECEIVABLES**

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
<b>30 June 2014</b>			
Trade receivables	1,238	(149)	1,089
Other receivables	227	(9)	218
<b>Total trade and other receivables, classified as financial assets</b>	<b>1,465</b>	<b>(158)</b>	<b>1,307</b>
<b>31 December 2013</b>			
Trade receivables	1,365	(162)	1,203
Other receivables	427	(9)	418
<b>Total trade and other receivables, classified as financial assets</b>	<b>1,792</b>	<b>(171)</b>	<b>1,621</b>

Long-term receivables are represented mainly by accounts receivable of OJSC RZD Logistics, which expected to be fully repaid till March 2018. A discount rate of 8.6% has been used for the receivables' fair value determination. As at 30 June 2014 the fair value of long-term accounts receivable of OJSC RZD Logistics amounted to RUR 415m (RUR 364m as at 31 December 2013).

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

<b>Balance as at 1 January 2013</b>	<b>(184)</b>
Additional provision, recognised in the current period	(12)
Release of provision	6
Utilisation of provision	7
Exchange differences on translating foreign operations	(9)
<b>Balance as at 30 June 2013</b>	<b>(192)</b>
Additional provision, recognised in the current period	(189)
Release of provision	1
Utilisation of provision	10
Disposal of controlling interest in subsidiary	104
Exchange differences on translating foreign operations	7
<b>Balance as at 31 December 2013</b>	<b>(259)</b>

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

Additional provision, recognised in the current period	(4)
Release of provision	6
Utilisation of provision	17
Exchange differences on translating foreign operations	(2)
	<hr/>
<b>Balance as at 30 June 2014</b>	<b>(242)</b>

As at 30 June 2014 and 31 December 2013 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 158m and RUR 171m, respectively), advances to suppliers (RUR 37m 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**

	<b>30 June 2014</b>	<b>31 December 2013</b>
VAT receivable	1,623	1,674
Advances to suppliers	1,132	1,633
Other current assets	83	128
	<hr/>	<hr/>
<b>Total prepayments and other current assets</b>	<b>2,838</b>	<b>3,435</b>

**8. CASH AND CASH EQUIVALENTS**

	<b>30 June 2014</b>	<b>31 December 2013</b>
Cash and Russian Rouble denominated current accounts with banks	340	742
Foreign currency denominated current accounts with banks	818	1,141
Russian Rouble denominated bank deposits	1,542	-
	<hr/>	<hr/>
<b>Total cash and cash equivalents</b>	<b>2,700</b>	<b>1,883</b>

Five Russian Rouble-denominated short-term bank deposits in the total amount of RUR 1,530m, bearing interest at annual rates in a range from 7.75% to 9.31%, were placed with OJSC Bank VTB, a related party, as at 30 June 2014 (Note 22). The total amount of accrued interest amounted to RUR 12m. The deposits matured on July 2014.

**9. EQUITY**

***Share Capital***

As at 30 June 2014, the Company's authorised, issued and paid 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.

***Dividends***

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 Group's results for the year ended 31 December 2013. In July 2014 the dividends have been fully paid.

Dividends of RUR 86.67 per share (RUR 1,187m in total) were approved at the annual shareholders' meeting on 26 June 2013 relating to the Group's results for the year ended 31 December 2012. In August 2013 the dividends have been fully paid.

Dividends of KZT 561.31 per share were approved at the annual shareholders' meeting of JSC Kedentransservice on 27 June 2013 relating to the results for the year ended 31 December 2012. Dividends for the total amount of KZT 233m (RUR 50m at the Central Bank of Russia exchange rate as at 27 June 2013) were accrued to the shareholder of JSC Kedentransservice JSC National Company "Kazakh Temir Zholy".



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

***Long-term debt***

	Effective interest rate	30 June 2014	31 December 2013
Bonds	8.35%-8.8%	4,990	5,724
Other borrowings	9.5%	469	470
<b>Total</b>		<b>5,459</b>	<b>6,194</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 13). The loan matures in five years. As at 30 June 2014 the amount of loan was RUR 469m (RUR 470m as at 31 December 2013).

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

Company made the first and second principal repayments in December 2013 and June 2014 for the total amount of RUR 1,500m.

As at 30 June 2014 the carrying value of the bonds amounted to RUR 1,490m and this amount was included as short-term debt in the interim condensed consolidated statement of financial position.

As at 31 December 2013 the carrying value of the bonds amounted to RUR 2,236m. Short-term portion of long-term bonds was 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 as at 30 June 2014 was RUR 9m (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***

The series 4 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 30 June 2014 the carrying value of the bonds amounted to RUR 4,990m (RUR 4,988m as at 31 December 2013). The amount of accrued interest is RUR 172m (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	30 June 2014	31 December 2013
Short-term portion of long-term bonds	8.8%	1,671	1,693
<b>Total</b>		<b>1,671</b>	<b>1,693</b>

**11. FINANCE LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Due within one year	172	69	167	66
Due after one year but not more than five years	501	703	358	485
	673	772	525	551
Less future finance charges	(148)	(221)	-	-
<b>Present value of minimum lease payments</b>	<b>525</b>	<b>551</b>	<b>525</b>	<b>551</b>

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

As at 30 June 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 30 June 2014 a part of obligation in the amount of RUR 116m was reclassified as current liabilities in connection with the partial acquisition of premises planned to be carried out until the end of 2014, that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 18m 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.

**12. EMPLOYEE BENEFIT LIABILITY**

*Defined contribution plans*

The total amount recognised as an expense in respect of payments to defined contribution plans for the six-month periods ended 30 June 2014 and 30 June 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Pension Fund of the Russian Federation	325	307
Defined contribution plan "Blagosostoyanie"	9	5
<b>Total expense for defined contribution plans</b>	<b><u>334</u></b>	<b><u>312</u></b>

The total amount recognised as an expense in respect of payments to defined contribution plans for the three-month periods ended 30 June 2014 and 30 June 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Pension Fund of the Russian Federation	179	153
Defined contribution plan "Blagosostoyanie"	4	2
<b>Total expense for defined contribution plans</b>	<b><u>183</u></b>	<b><u>155</u></b>

*Defined benefit plans*

Principal actuarial assumptions as at 30 June 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 8.3% as at 30 June 2014 (as at 31 December 2013: 7.8%) and the projected consumer price inflation in 2014, which as at 30 June 2014 was 6.7% (as at 31 December 2013: 5.8%).

The amounts recognised in the interim condensed consolidated statement of profit or loss for the six-month period ended 30 June 2014 and 30 June 2013 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Service cost	11	(9)	61	60	72	51
Net interest on obligation	27	33	10	11	37	44
Remeasurements of the net defined benefit	-	-	(5)	(5)	(5)	(5)
<b>Net expense recognised in the consolidated profit or loss</b>	<b><u>38</u></b>	<b><u>24</u></b>	<b><u>66</u></b>	<b><u>66</u></b>	<b><u>104</u></b>	<b><u>90</u></b>

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

The amounts recognised in the interim condensed consolidated statement of profit or loss for the three-month period ended 30 June 2014 and 30 June 2013 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2014	2013	2014	2013	2014	2013
Service cost	8	(20)	31	29	39	9
Net interest on obligation	13	18	5	5	18	23
Remeasurements of the net defined benefit	-	-	(1)	(4)	(1)	(4)
<b>Net expense recognised in the consolidated profit or loss</b>	<b>21</b>	<b>(2)</b>	<b>35</b>	<b>30</b>	<b>56</b>	<b>28</b>

Net income recognised in other comprehensive income related mainly to remeasurements of the net defined benefit constitute RUR 27m for the six-month periods ended 30 June 2014 and net expense recognised in other comprehensive income constitute RUR 8m for the six-month periods ended 30 June 2013.

The amounts recognised in interim condensed consolidated statement of financial position as at 30 June 2014 and 31 December 2013 in respect of these defined benefit plans, include the following:

	Post-employment benefits		Other long-term benefits		Total	
	2014	2013	2014	2013	2014	2013
Present value of defined benefit obligation	774	837	320	321	1,094	1,158
Fair value of plan assets	(60)	(62)	-	-	(60)	(62)
<b>Net employee benefit liability</b>	<b>714</b>	<b>775</b>	<b>320</b>	<b>321</b>	<b>1,034</b>	<b>1,096</b>

**13. 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 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.

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

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

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

At 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
<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>
Options granted during the period	11,708
Options cancelled during the period	(1,953)
<b>Options outstanding at 30 June 2014</b>	<b>174,932</b>

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

	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%
<b>Fair value at measurement date (in Russian Roubles)</b>	<b>845 - 938</b>	<b>1,308 - 1,462</b>

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

During the six-month period ended 30 June 2014 and three-month period ended 30 June 2014, the Group recognised expenses of RUR 19m and RUR 15m, respectively, related to the options. These expenses were included into payroll.

During the six-month period ended 30 June 2014 no options were exercised.

Movements in the reserve held for Share-based option plan during the six-month period ended 30 June 2014 and 30 June 2013:

	2014	2013
<b>Reserve as at 1 January</b>	<b>221</b>	<b>188</b>
Expense recognised for the period	19	28
<b>Reserve as at 30 June</b>	<b>240</b>	<b>216</b>

**14. TRADE AND OTHER PAYABLES**

	30 June 2014	31 December 2013
Trade payables	341	505
Amounts payable for the acquisition of property, plant and equipment	922	90
<b>Total financial liabilities within trade and other payable</b>	<b>1,263</b>	<b>595</b>
Liabilities to customers (advances)	2,394	2,621
<b>Total trade and other payables</b>	<b>3,657</b>	<b>3,216</b>

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Property tax	137	148
Social insurance contribution	129	171
Personal income tax	34	26
VAT	21	22
Other taxes	2	5
<b>Total taxes other than income tax payable</b>	<b>323</b>	<b>372</b>

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Settlements with employees	405	740
Other liabilities (financial liabilities)	91	94
<b>Total accrued expenses and other current liabilities</b>	<b>496</b>	<b>834</b>

Settlements with employees as at 30 June 2014 and 31 December 2013 comprised accrued salaries and bonuses of RUR 213m and RUR 580m, respectively, and accruals for unused vacation of RUR 192m and RUR 160m, respectively.

**17. 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***

	<b>Six-month period ended 30 June</b>		<b>Three-month period ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Integrated freight forwarding and logistics services	13,141	10,766	6,786	5,755
Rail-based container shipping services	2,608	4,130	1,338	2,151
Terminal services and agency fees	994	1,964	528	996
Truck deliveries	477	676	257	362
Other freight forwarding services	141	285	78	153
Bonded warehousing services	118	191	56	98
Other	55	150	31	89
<b>Total revenue</b>	<b>17,534</b>	<b>18,162</b>	<b>9,074</b>	<b>9,604</b>

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

	<b>Six-month period ended 30 June</b>		<b>Three-month period ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenue from external customers</b>				
Russia	13,526	13,425	7,103	6,951
Korea	1,840	696	947	434
Germany	1,023	488	465	256
Kazakhstan	499	2,655	192	1,484
Latvia	171	40	133	22
China	149	224	76	116
Cyprus	76	69	44	56
Switzerland	72	25	30	21
Estonia	-	227	-	110
Other	178	313	84	154
<b>Total revenue</b>	<b>17,534</b>	<b>18,162</b>	<b>9,074</b>	<b>9,604</b>

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**17. SEGMENT INFORMATION (CONTINUED)**

During the six-month period ended 30 June 2014, UNICO LOGISTICS CO. LTD accounted for RUR 1,681m or 10% of the Group's total revenue (for the six-month period ended 30 June 2013: RUR 544m or 3% of the Group's total revenue). During the six-month period ended 30 June 2014, OJSC RZD and its subsidiaries accounted for RUR 1,186m or 7% of the Group's total revenue (for the six-month period ended 30 June 2013: RUR 1,189m or 7% of the Group's total revenue).

**18. OTHER OPERATING INCOME**

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
Income from the sale of inventory and from the reuse of spare parts	81	169	46	82
Income from the sale and disposal of property, plant and equipment	137	-	71	20
Refund of VAT on the sale of services by applying the tax rate 0%	18	147	18	22
Other operating income	105	31	48	15
<b>Total operating income</b>	<b>341</b>	<b>347</b>	<b>183</b>	<b>139</b>

**19. OPERATING EXPENSES**

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
Cost of integrated freight forwarding and logistics services	7,465	6,128	3,889	3,203
Freight and transportation services	2,367	2,085	1,280	974
Payroll and related charges	2,095	2,242	1,141	1,099
Depreciation and amortisation	1,190	940	727	473
Materials, repair and maintenance	906	1,301	489	691
Taxes other than income tax	292	447	146	247
Rent	202	744	106	461
Security	102	148	51	73
Consulting services	87	103	48	53
Fuel costs	83	107	39	49
License and software	45	62	22	36
Communication costs	33	45	16	22
Loss on sale of property, plant and equipment	-	23	-	-
Other expenses	327	408	210	231
<b>Total operating expenses</b>	<b>15,194</b>	<b>14,783</b>	<b>8,164</b>	<b>7,612</b>

**20. INTEREST EXPENSE**

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
Interest expense on RUR bonds	291	267	138	152
Interest expense on finance lease obligations	26	38	13	19
Interest expense on bank loans and borrowings	22	80	11	6
<b>Total interest expense</b>	<b>339</b>	<b>385</b>	<b>162</b>	<b>177</b>

**21. INCOME TAX**

	Six-month period ended 30 June		Three-month period ended 30 June	
	2014	2013	2014	2013
Current income tax charge	(413)	(614)	(151)	(328)
Deferred income tax expense	(86)	(200)	(33)	(140)
<b>Income tax</b>	<b>(499)</b>	<b>(814)</b>	<b>(184)</b>	<b>(468)</b>

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**21. INCOME TAX (CONTINUED)**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six-month period ended 30 June 2014 was 19.4% (for the six-month period ended 30 June 2013: 22.7%). Decrease in the estimated average annual expected tax rate is mainly due to the decrease of the ownership interest in JSC Kedentransservice occurred in December 2013 and the corresponding change of the method of accounting for JSC Kedentransservice in the Group's consolidated financial statements.

**22. 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 30 June 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 these interim condensed consolidated financial statements.

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with state-controlled entities and governmental bodies, which are shown as "Other related parties" in the tables below. The Group also enters in transactions with government entities for equisition of goods and providing services like electricity, taxes and post services. These transactions are conducted on commercial terms. The majority of related-party transactions are with OJSC Russian Railways, its subsidiaries, joint ventures and associates (shown as "Other RZD group entites" in the table below), and OJSC Bank VTB, which are also state-controlled.

*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.

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

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.

As at 30 June 2014, the outstanding balances with related parties were as follows:

	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	-	415	-	-	-	<b>415</b>
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	2,588	<b>2,588</b>
Trade receivables	317	262	21	23	2	<b>625</b>
Other receivables	4	96	-	6	32	<b>138</b>
Advances to suppliers	967	30	-	34	3	<b>1,034</b>
	1,288	388	21	63	2,625	<b>4,385</b>
<b>Total assets</b>	<b>1,288</b>	<b>803</b>	<b>21</b>	<b>63</b>	<b>2,625</b>	<b>4,800</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	17	296	1	17	11	<b>342</b>
Liabilities to customers	1	16	1	10	51	<b>79</b>
Other payables	-	-	-	-	30	<b>30</b>
Dividends payable	566	-	-	-	232	<b>798</b>
<b>Total liabilities</b>	<b>584</b>	<b>312</b>	<b>2</b>	<b>27</b>	<b>324</b>	<b>1 249</b>

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

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	43	22	3	70	24	<b>162</b>
Terminal services and agency fees	798	3	-	-	2	<b>803</b>
Integrated freight forwarding and logistics services	2	332	66	104	118	<b>622</b>
Other services	9	15	2	1	9	<b>36</b>
	852	372	71	175	153	<b>1,623</b>
Interest income on deposits	-	-	-	-	55	<b>55</b>
Other interest income	-	-	-	-	3	<b>3</b>
Other operating income	39	64	-	2	-	<b>105</b>
	39	64	-	2	58	<b>163</b>
<b>Total income</b>	<b>891</b>	<b>436</b>	<b>71</b>	<b>177</b>	<b>211</b>	<b>1,786</b>
<b>Operating Expenses</b>						
Freight and transportation services	1,561	-	-	297	4	<b>1,862</b>
Third-party charges relating to integrated freight forwarding and logistics services	5,692	1	17	754	27	<b>6,491</b>
Repair services	140	322	-	-	1	<b>463</b>
Rent of property and equipment	15	1	-	-	1	<b>17</b>
Other expenses	44	37	1	-	56	<b>138</b>
<b>Total expenses</b>	<b>7,452</b>	<b>361</b>	<b>18</b>	<b>1,051</b>	<b>89</b>	<b>8,971</b>
Purchases of property, plant and equipment	-	861	-	-	51	<b>912</b>
Contributions to non-state pension funds	-	-	-	-	59	<b>59</b>
<b>Total other transactions</b>	<b>-</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>971</b>



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

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

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	24	10	2	31	12	<b>79</b>
Terminal services and agency fees	430	2	-	-	1	<b>433</b>
Integrated freight forwarding and logistics services	1	197	36	53	57	<b>344</b>
Other services	5	11	1	-	5	<b>22</b>
	<u>460</u>	<u>220</u>	<u>39</u>	<u>84</u>	<u>75</u>	<u><b>878</b></u>
Interest income on deposits	-	-	-	-	34	<b>34</b>
Other interest income	-	-	-	-	1	<b>1</b>
Other operating income	24	51	-	2	(1)	<b>76</b>
	<u>24</u>	<u>51</u>	<u>-</u>	<u>2</u>	<u>34</u>	<u><b>111</b></u>
<b>Total income</b>	<u><b>484</b></u>	<u><b>271</b></u>	<u><b>39</b></u>	<u><b>86</b></u>	<u><b>109</b></u>	<u><b>989</b></u>
<b>Operating Expenses</b>						
Freight and transportation services	837	-	-	157	(41)	<b>953</b>
Third-party charges relating to integrated freight forwarding and logistics services	2,963	-	5	395	16	<b>3,379</b>
Repair services	81	165	-	-	-	<b>246</b>
Rent of property and equipment	7	1	-	-	-	<b>8</b>
Other expenses	18	26	1	(1)	25	<b>69</b>
	<u>3,906</u>	<u>192</u>	<u>6</u>	<u>551</u>	<u>-</u>	<u><b>4,655</b></u>
Purchases of property, plant and equipment	-	624	-	-	9	<b>633</b>
Contributions to non-state pension funds	-	-	-	-	18	<b>18</b>
	<u>-</u>	<u>624</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u><b>651</b></u>
<b>Total other transactions</b>	<u><b>-</b></u>	<u><b>624</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>27</b></u>	<u><b>651</b></u>

As at 31 December 2013, the outstanding balances with related parties were as follows:

	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>	<u><b>1,768</b></u>	<u><b>917</b></u>	<u><b>23</b></u>	<u><b>87</b></u>	<u><b>1,910</b></u>	<u><b>4,705</b></u>
<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>14</u>	<u>33</u>	<u>2</u>	<u>164</u>	<u>151</u>	<u><b>364</b></u>
<b>Total liabilities</b>	<u><b>14</b></u>	<u><b>33</b></u>	<u><b>2</b></u>	<u><b>164</b></u>	<u><b>151</b></u>	<u><b>364</b></u>

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

The income and expense items with related parties for the six-month period ended 30 June 2013 were as follows:

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	53	170	4	8	64	299
Terminal services and agency fees	791	7	1	-	2	801
Integrated freight forwarding and logistics services	3	239	52	18	43	355
Other services	16	30	9	2	17	74
	<u>863</u>	<u>446</u>	<u>66</u>	<u>28</u>	<u>126</u>	<u>1,529</u>
Interest income on deposits	-	-	-	-	108	108
Other interest income	-	-	-	-	8	8
Other operating income	55	42	2	-	2	101
	<u>55</u>	<u>42</u>	<u>2</u>	<u>-</u>	<u>118</u>	<u>217</u>
<b>Total income</b>	<u>918</u>	<u>488</u>	<u>68</u>	<u>28</u>	<u>244</u>	<u>1,746</u>
<b>Operating Expenses</b>						
Freight and transportation services	1,482	-	-	-	5	1,487
Third-party charges relating to integrated freight forwarding and logistics services	3,985	3	2	13	18	4,021
Repair services	163	524	-	-	2	689
Rent of property and equipment	19	-	-	-	4	23
Other expenses	72	32	-	-	59	163
	<u>5,721</u>	<u>559</u>	<u>2</u>	<u>13</u>	<u>88</u>	<u>6,383</u>
Purchases of property, plant and equipment	6	93	-	-	36	135
Contributions to non-state pension funds	-	-	-	-	29	29
<b>Total other transactions</b>	<u>6</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>164</u>

The income and expense items with related parties for the three-month period ended 30 June 2013 were as follows:

	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties	Total
<b>Revenue</b>						
Rail-based container shipping services	27	107	2	6	33	175
Terminal services and agency fees	414	5	1	-	1	421
Integrated freight forwarding and logistics services	2	144	29	8	19	202
Other services	8	18	4	1	10	41
	<u>451</u>	<u>274</u>	<u>36</u>	<u>15</u>	<u>63</u>	<u>839</u>
Interest income on deposits	-	-	-	-	59	59
Other interest income	-	-	-	-	4	4
Other operating income	29	22	-	-	1	52
	<u>29</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>115</u>
<b>Total expenses</b>	<u>480</u>	<u>296</u>	<u>36</u>	<u>15</u>	<u>127</u>	<u>954</u>
<b>Operating Expenses</b>						
Freight and transportation services	765	(4)	-	-	3	764
Third-party charges relating to integrated freight forwarding and logistics services	2,029	2	2	9	9	2,051
Repair services	90	256	-	-	1	347
Rent of property and equipment	9	-	-	-	1	10
Other expenses	29	14	-	-	28	71
	<u>2,922</u>	<u>268</u>	<u>2</u>	<u>9</u>	<u>42</u>	<u>3,243</u>
Purchases of property, plant and equipment	-	31	-	-	6	37
Contributions to non-state pension funds	-	-	-	-	6	6
<b>Total other transactions</b>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>43</u>

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**22. 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 June 2014 dividends payable to RZD and FAR-EASTERN SHIPPING COMPANY PLC. amounted to RUR 566m and RUR 232m, respectively, and were paid in July 2014.

***Compensation of key management personnel***

Key management personnel consist of members of the Company's Board of Directors, as well as the General Director and his deputies, and comprised 20 and 20 persons as at 30 June 2014 and 30 June 2013, respectively.

Total gross compensation, including insurance contributions and before withholding of personal income tax, to key management personnel amounted to RUR 103m (including total insurance contributions of RUR 7m) and RUR 93m (including total insurance contributions of RUR 5m) for the six-month periods ended 30 June 2014 and 30 June 2013, respectively. Such compensation for the three-month periods ended 30 June 2014 and 30 June 2013 amounted to RUR 71m (including total insurance contributions of RUR 2m) and RUR 71m (including total insurance contributions of RUR 2m), respectively.

This compensation is included under payroll and related charges in the consolidated profit and loss 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 13, during the six-month period ended 30 June 2014, the Group recognised expenses of RUR 19m (RUR 28m during the six-month period ended 30 June 2013) related to the Share Option Plan approved by the Board of Directors in October 2010. During the three-month period ended 30 June 2014 the Group recognised these expenses in the amount of RUR 15m (RUR 14m during the three-month period ended 30 June 2013).

Expenses related to options provided to the General Director and his deputies comprised RUR 6m during the six-month period ended 30 June 2014 (RUR 15m during the six-month period ended 30 June 2013) and RUR 3m during the three-month period ended 30 June 2014 (RUR 7m during the three-month period ended 30 June 2013).

**23. COMMITMENTS UNDER OPERATING LEASES**

As at 30 June 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, including VAT, are as follows:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Within one year	178	199
Within two to five years	226	195
After five years	195	221
<b>Total minimum lease payments</b>	<b>599</b>	<b>615</b>

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**24. CAPITAL COMMITMENTS**

The Group's capital commitments as at 30 June 2014 and 31 December 2013 consisted of the following, including VAT:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Acquisition of containers and flatcars	940	961
Construction of container terminal complexes and modernisation of existing assets	162	230
Acquisition of lifting machines and other equipment	<u>238</u>	<u>234</u>
<b>Total capital commitments</b>	<b><u>1,340</u></b>	<b><u>1,425</u></b>

**25. RISK MANAGEMENT ACTIVITIES**

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

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

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

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and any other price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management statements and disclosures required in the annual consolidated financial statements of the Group, prepared for the year ended 31 December 2013. The information disclosed in the interim condensed consolidated financial statements as at 30 June 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 six-month period ended 30 June 2014.

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

Management uses its judgment to the assessment and classification of financial instruments by category using the fair value measurement hierarchy. Fair value of financial assets and liabilities is analysed and distributed by level in the fair value hierarchy as described in Note 3. As at the reporting date the Group had financial assets and liabilities classified as Level 1 and Level 3 only.

***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.

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**25. 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, 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>30 June 2014</u>	<u>31 December 2013</u>
<b>Financial liabilities</b>		
Bonds	<u>6,360</u>	<u>7,308</u>
<b>Total</b>	<u><u>6,360</u></u>	<u><u>7,308</u></u>

**26. SUBSEQUENT EVENTS**

**Acquisition of containers** – In July 2014 the Group has signed an agreement with Yang Zhou Runyang Logistic Equipment Co., Ltd. for the purchase of 500 containers for the total amount of USD 1m (RUR 41m at the Central Bank of Russia exchange rate as at the reporting date), not subject to VAT. In August 2014 98 containers for a total amount of RUR 9m (not subject to VAT) were delivered.

**Agreements on acquisition of containers.** In July 2014 the Group has signed two agreements with LLC Con-service for the purchase of 250 containers for the total amount of RUR 47m (plus VAT in the amount of RUR 8m), the completion of the delivery is expected no later than September 2014 and 750 containers for the total amount of RUR 139m (plus VAT in the amount of RUR 25m), the completion of the delivery is expected no later than December 2014.

**Acquisition of flatcars.** In July-August 2014 the Group obtained from LLC SpetsTransServis 71 flatcars for the total amount of RUR 127m (plus VAT in the amount of RUR 23m) under the previously signed agreement. The agreement was executed in full.

**Acquisition of container cranes.** In July-August 2014 the Group has signed the following agreements:

- with TopKraft for the purchase of container cranes for a total amount of RUR 19m (plus VAT in the amount of RUR 3m). The agreement was executed in full.
- with SoyuzKomplekt for the purchase of container cranes for a total amount of RUR 19m (plus VAT in the amount of RUR 3m), the completion of the delivery is expected no later than September 2014.