

OPEN JOINT STOCK COMPANY TRANSCONTAINER

Interim Condensed Consolidated Financial Information

For the Nine-Month Period Ended 30 September 2013

OJSC TRANSCONTAINER

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

Management is responsible for the preparation of interim condensed consolidated financial information that present fairly the financial position of OJSC TransContainer (the "Company") and its subsidiaries (the "Group") as at 30 September 2013 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 information, management is responsible for:

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2013 was approved on 25 November 2013 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

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

	Notes	30 September 2013	31 December 2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	36,233	34,233
Investment property		30	-
Advances for acquisition of non-current assets	4	144	358
Trade receivables	7	501	452
Intangible assets other than goodwill	5	655	591
Goodwill		216	216
Investments in associates and joint ventures	6	60	54
Other non-current assets		82	97
Deferred tax asset		1	1
Total non-current assets		37,922	36,002
Current assets			
Inventory		434	334
Trade and other receivables	7	2,025	1,262
Prepayments and other current assets	8	3,449	4,434
Prepaid income tax		156	132
Short-term investments	9	1,121	1,339
Cash and cash equivalents	10	4,212	1,318
Total current assets		11,397	8,819
TOTAL ASSETS		49,319	44,821
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	13,895	13,895
Treasury shares		(484)	(490)
Reserve fund	11	697	478
Translation reserve		148	49
Equity-settled employee benefits reserve	15	213	188
Other reserves		(2,221)	(2,221)
Retained earnings		17,952	14,725
Total equity attributable to equity holders of the parent		30,200	26,624
Non-controlling interest		983	937
Total equity		31,183	27,561
Non-current liabilities			
Long-term debt	12	6,958	2,731
Finance lease obligations, net of current maturities	13	491	668
Employee benefit liability	14	1,239	1,266
Deferred tax liability		1,793	1,700
Total non-current liabilities		10,481	6,365
Current liabilities			
Trade and other payables	16	4,737	3,773
Short-term debt	12	1,656	5,695
Income tax payable		289	167
Taxes other than income tax payable	17	296	367
Provisions		2	10
Finance lease obligations, current maturities	13	73	94
Dividends payable		41	-
Accrued and other current liabilities	18	561	789
Total current liabilities		7,655	10,895
TOTAL EQUITY AND LIABILITIES		49,319	44,821


P. V. Baskakov
 General Director


K. S. Kalmykov
 Chief Accountant

25 November 2013

OJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	2013	2012 (restated)
Revenue	19	28,793	27,334
Other operating income	20	499	226
Operating expenses	21	(23,178)	(21,605)
Operating profit		6,114	5,955
Interest expense	22	(569)	(674)
Interest income		182	173
Foreign exchange gain, net		62	2
Share of result of associates and joint ventures	6	5	(20)
Gain from disposal of associate		-	72
Gain from early termination of finance lease obligations	13	32	-
Profit before income tax		5,826	5,508
Income tax expense	23	(1,160)	(1,225)
Profit for the period		4,666	4,283
Attributable to:			
Equity holders of the parent		4,606	4,268
Non-controlling interest		60	15
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit plans	14	19	(28)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		135	(152)
Other comprehensive income for the period		154	(180)
Total comprehensive income for the period		4,820	4,103
Attributable to:			
Equity holders of the parent		4,724	4,135
Non-controlling interest		96	(32)
Earnings per share, basic and diluted (Russian Roubles)		332	308
Weighted average number of shares outstanding		13,891,246	13,851,658



P. V. Baskakov
 General Director


K. S. Kalmykov
 Chief Accountant

25 November 2013

OJSC TRANSCONTAINER
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles)

	Notes	2013	2012 (restated)
Cash flows from operating activities:			
Profit before income tax		5,826	5,508
Adjustments for:			
Depreciation and amortisation	21	1,442	2,047
Change in provision for impairment of receivables		45	(21)
Profit on disposal of property, plant and equipment		(33)	(1)
Loss on impairment of property, plant and equipment	4	27	-
Share of result of associates	6	(5)	20
Gain from disposal of associate		-	(72)
Interest expense, net		386	521
Equity-settled employee benefits reserve	15	33	72
Foreign exchange gain, net		(62)	(2)
Gain from early termination of finance lease obligations		(32)	-
Other gains and losses		11	(8)
Operating profit before working capital changes		7,638	8,064
Decrease in inventory		83	11
Increase in trade and other receivables		(801)	(2)
Decrease in prepayments and other assets		1,097	247
Decrease in trade and other payables		(327)	(645)
Decrease in taxes other than income tax		(88)	(61)
(Decrease)/increase in accrued expenses and other current liabilities		(227)	26
(Decrease)/increase in employee benefit liabilities	14	(8)	84
Net cash from operating activities before income tax		7,367	7,724
Interest paid		(531)	(643)
Income tax paid		(987)	(1,078)
Net cash provided by operating activities		5,849	6,003
Cash flows from investing activities:			
Purchases of property, plant and equipment		(2,317)	(3,386)
Proceeds from disposal of property, plant and equipment		7	4
Acquisition of subsidiary, net of cash acquired		-	(103)
Sale of short-term investments		3,926	1,191
Purchases of long-term investments		-	(1)
Purchases of short-term investments		(3,706)	(1,379)
Purchases of intangible assets		(50)	(20)
Interest received		178	153
Net cash used in investing activities		(1,962)	(3,541)
Cash flows from financing activities:			
Repayments of finance lease obligations		(158)	(455)
Proceeds from long-term bonds	12	4,988	-
Dividends		(1,188)	(1,228)
Principal payments on long-term borrowings	12	(15)	(2)
Principal payments on short-term borrowings	12	(1,830)	-
Principal payments on short-term bonds	12	(3,000)	(346)
Net cash used in financing activities		(1,203)	(2,031)
Net increase in cash and cash equivalents		2,684	431
Cash and cash equivalents at beginning of the year		1,318	2,257
Foreign exchange effect on cash and cash equivalents		69	(45)
Net cash and cash equivalents at end of the year		4,071	2,643



P. V. Baskakov
 General Director
 25 November 2013


K. S. Kalmykov
 Chief Accountant

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

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	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	13,895	(514)	304	193	148	(2,221)	11,161	22,966	962	23,928
Effect of changes in accounting policies	-	-	-	-	-	-	(141)	(141)	-	(141)
Balance at 1 January 2012 (restated)	13,895	(514)	304	193	148	(2,221)	11,020	22,825	962	23,787
Profit for the period (restated)	-	-	-	-	-	-	4,268	4,268	15	4,283
Other comprehensive income for the period	-	-	-	(105)	-	-	(28)	(133)	(47)	(180)
Total comprehensive income for the period	-	-	-	(105)	-	-	4,240	4,135	(32)	4,103
Equity-settled employee benefits reserve	-	-	-	-	72	-	-	72	-	72
Exercised options under option plan	-	24	-	-	(47)	-	13	(10)	-	(10)
Dividends	-	-	-	-	-	-	(1,218)	(1,218)	(10)	(1,228)
Transfer to reserve fund	-	-	174	-	-	-	(174)	-	-	-
Balance at 30 September 2012 (restated)	13,895	(490)	478	88	173	(2,221)	13,881	25,804	920	26,724
Profit for the period	-	-	-	-	-	-	915	915	34	949
Other comprehensive income for the period	-	-	-	(39)	-	-	(71)	(110)	(17)	(127)
Total comprehensive income for the period	-	-	-	(39)	-	-	844	805	17	822
Equity-settled employee benefits reserve	-	-	-	-	15	-	-	15	-	15
Balance at 31 December 2012 (restated)	13,895	(490)	478	49	188	(2,221)	14,725	26,624	937	27,561
Profit for the period	-	-	-	-	-	-	4,606	4,606	60	4,666
Other comprehensive income for the period	-	-	-	99	-	-	19	118	36	154
Total comprehensive income for the period	-	-	-	99	-	-	4,625	4,724	96	4,820
Equity-settled employee benefits reserve	15	-	-	-	33	-	-	33	-	33
Exercised options under option plan	15	6	-	-	(8)	-	8	6	-	6
Dividends	11	-	-	-	-	-	(1,187)	(1,187)	(50)	(1,237)
Transfer to reserve fund	-	-	219	-	-	-	(219)	-	-	-
Balance at 30 September 2013	13,895	(484)	697	148	213	(2,221)	17,952	30,200	983	31,183


P.V. Baskakov
 General Director
 25 November 2013


K. S. Kalmykov
 Chief Accountant

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

OJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (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 owns and operates 46 container terminals along the Russian railway network. As at 30 September 2013, the Company operated 17 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 2013	31 December 2012	30 September 2013	31 December 2012
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 (renamed LLC Prostor Invest Group) (Note 15)	Subsidiary	Russia	Share option programme operator	100	100	100	100
JSC Kedentransservice	Subsidiary	Kazakhstan	Container shipments	67	67	67	67
Helme’s Operation UK Limited	Subsidiary	Great Britain	Investment activity	67	100	67	100
Logistic Investment SARL	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Logistic System Management B.V.	Subsidiary	Netherlands	Investment activity	67	100	67	100

In May 2013 Logistic System Management B.V. issued additional shares in exchange for shares of JSC Kedentransservice. As a result the company’s shareholders became Logistic Investment SARL (67%) and JSC National Company Kazakhstan Temir Zholy (“KZT”) (33%) that did not affect financial results of the Group.

The interim condensed consolidated financial information of OJSC TransContainer and its subsidiaries (the “Group”) as at 30 September 2013 and for the nine-month period then ended was authorised for issue by the General Director of the Company on 25 November 2013.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

OJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION (CONTINUED)

The consolidated statement of financial position as at 31 December 2012, included in this interim condensed consolidated financial information, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2012. This interim condensed consolidated financial information 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 information are consistent with those used in the preparation of the Group's annual financial statements as at 31 December 2012 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.

In the interim condensed consolidated financial information, the Group adopted the following new standards and interpretations which are mandatory for application for accounting periods beginning from 1 January 2013 and had an impact on the measurement and disclosure of the information:

- IAS 19 "Employee Benefits" (Note 3);
- IFRS 11 "Joint Arrangements" (Note 3).

New standards and interpretations – Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the Group's annual financial statements as at 31 December 2012, are effective for annual periods beginning 1 January 2014 and which the Group has not early adopted.

In addition, the Amendments to IAS 36 "Impairment of Assets" – Recoverable amount disclosures for non-financial assets, have been issued in May 2013 and are effective for annual periods beginning 1 January 2014 (earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period) and which the Group has not early adopted. The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

New standards and interpretations effective for annual periods beginning on or after 1 January 2014 do not have significant impact on the Group's consolidated financial statements.

Estimates – The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012 with the exception of changes in estimates that are required in determining the provision for income taxes and reassessment of depreciable lives of property, plant and equipment.

Depreciable lives of property, plant and equipment – As at 31 December 2012 the Group reassessed the remaining useful lives of items of property, plant and equipment and accounted these changes as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" (Note 4).

OJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION (CONTINUED)

The estimated useful economic lives for property, plant and equipment are as follows (number of years):

	Revised starting from 1 January 2013	Used before 1 January 2013
Buildings	20-82	20-80
Constructions	5-50	5-45
Containers	10-20	10-15
Flatcars	28-38	28-32
Cranes and loaders	5-23	5-15
Vehicles	3-15	3-10
Other equipment	2-25	2-25

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

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

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

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

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

Had the railway tariff directly attributable to such services been excluded from revenue and expenses both would have decreased by RUR 9,977m for the nine-month period ended 30 September 2013 (RUR 8,010m for the nine-month period ended 30 September 2012).

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes and useful lives of fixed assets (see above).

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. During this period the Group seeks to schedule flatcars and containers maintenance and repair. 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 2012, 75% of revenues accumulated in the first three quarters of the year, with 25% accumulating in the fourth quarter.

OJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. CHANGES IN ACCOUNTING POLICY

Employee Benefits - From 1 January 2013 the Group has applied the amendments to IAS 19 retrospectively in accordance with the transition provisions of the standard. Amended IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits. The material impacts of IAS 19 (revised) on the Group's interim condensed consolidated financial information are as follows:

- "Actuarial gains and losses" are included to "remeasurements" and now are recognised immediately in other comprehensive income and thus, will no longer be recognised in profit or loss;
- Past-services costs are recognised immediately through profit and loss when they occur;
- The annual expense for the funded benefit plan now include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This replaces the interest costs and expected return on plan assets.

Interests in Joint Ventures - Due to the implementation of a new standard IFRS 11 "Joint Arrangements" as at 1 January 2013, the comparative data was adjusted by the Group as at 31 December 2012, 1 January 2012 and for the period ended 30 September 2012. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated by the standard. Equity accounting is mandatory for participants in joint ventures. As a result in the interim condensed consolidated financial information the Company's interest in joint ventures is accounted using equity method.

Impact on the consolidated statement of financial position as at 31 December 2012:

	Amount as originally presented	Restated amount	Restatement
Property, plant and equipment	34,234	34,233	(1)
Intangible assets other than goodwill	592	591	(1)
Investments in associates and joint ventures	11	54	43
Total non-current assets	<u>35,961</u>	<u>36,002</u>	<u>41</u>
Trade and other receivables	1,284	1,262	(22)
Prepayments and other current assets	4,435	4,434	(1)
Cash and cash equivalents	1,365	1,318	(47)
Total current assets	<u>8,889</u>	<u>8,819</u>	<u>(70)</u>
TOTAL ASSETS	<u>44,850</u>	<u>44,821</u>	<u>(29)</u>
EQUITY AND LIABILITIES			
Retained earnings	14,884	14,725	(159)
Total equity attributable to equity holders of the parent	<u>26,783</u>	<u>26,624</u>	<u>(159)</u>
Total equity	<u>27,720</u>	<u>27,561</u>	<u>(159)</u>
Employee benefit liability	1,093	1,266	173
Deferred tax liabilities	1,713	1,700	(13)
Total non-current liabilities	<u>6,205</u>	<u>6,365</u>	<u>160</u>
Trade and other payables	3,788	3,773	(15)
Income tax payable	169	167	(2)
Accrued and other current liabilities	802	789	(13)
Total current liabilities	<u>10,925</u>	<u>10,895</u>	<u>(30)</u>
TOTAL EQUITY AND LIABILITIES	<u>44,850</u>	<u>44,821</u>	<u>(29)</u>

OJSC TRANSCONTAINER
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)
(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on the consolidated statement of financial position as at 1 January 2012:

	<u>Amount as originally presented</u>	<u>Restated amount</u>	<u>Restatement</u>
Property, plant and equipment	29,216	29,214	(2)
Investments in associates and joint ventures	55	101	46
Total non-current assets	<u>33,180</u>	<u>33,224</u>	<u>44</u>
Trade and other receivables	1,152	1,138	(14)
Cash and cash equivalents	2,300	2,257	(43)
Total current assets	<u>8,566</u>	<u>8,509</u>	<u>(57)</u>
TOTAL ASSETS	<u>41,746</u>	<u>41,733</u>	<u>(13)</u>
EQUITY AND LIABILITIES			
Retained earnings	11,161	11,019	(142)
Total equity attributable to equity holders of the parent	22,966	22,824	(142)
Total equity	<u>23,928</u>	<u>23,786</u>	<u>(142)</u>
Employee benefit liability	990	1,143	153
Deferred tax liabilities	1,742	1,730	(12)
Total non-current liabilities	<u>11,049</u>	<u>11,190</u>	<u>141</u>
Trade and other payables	4,593	4,581	(12)
Total current liabilities	<u>6,769</u>	<u>6,757</u>	<u>(12)</u>
TOTAL EQUITY AND LIABILITIES	<u>41,746</u>	<u>41,733</u>	<u>(13)</u>

Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2012:

	<u>Amount as originally presented</u>	<u>Restated amount</u>	<u>Restatement</u>
Revenue	27,353	27,334	(19)
Integrated freight forwarding and logistics services	14,357	14,375	18
Rail-based container shipping services	7,668	7,638	(30)
Other freight forwarding services	647	640	(7)
Operating expenses	<u>(21,636)</u>	<u>(21,605)</u>	<u>31</u>
Cost of integrated freight forwarding and logistics services	(8,002)	(8,010)	(8)
Freight and transportation services	(3,810)	(3,800)	10
Payroll and related charges	(3,673)	(3,651)	22
Rent	(420)	(418)	2
Other expenses	<u>(709)</u>	<u>(704)</u>	<u>5</u>
Operating profit	5,943	5,955	12
Foreign exchange gain, net	4	2	(2)
Share of result of associates and joint ventures	<u>(21)</u>	<u>(20)</u>	<u>1</u>

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3. CHANGES IN ACCOUNTING POLICY (CONTINUED)

	Amount as originally presented	Restated amount	Restatement
Profit before income tax	5,497	5,508	11
Income tax expense	(1,224)	(1,225)	(1)
Profit for the period	<u>4,273</u>	<u>4,283</u>	<u>10</u>
Attributable to:			
Equity holders of the parent	4,258	4,268	10
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit plans	-	(28)	(28)
Total comprehensive income for the period	<u>4,121</u>	<u>4,103</u>	<u>(18)</u>
Attributable to:			
Equity holders of the parent	<u>4,153</u>	<u>4,135</u>	<u>(18)</u>

Impact on the interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2012:

	Amount as originally presented	Restated amount	Restatement
Cash flows from operating activities	5 993	6 003	10
Net increase in cash and cash equivalents	<u>421</u>	<u>431</u>	<u>10</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Locomotives, containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in progress	Total
Cost						
1 January 2012	<u>7,332</u>	<u>27,027</u>	<u>1,515</u>	<u>2,627</u>	<u>941</u>	<u>39,442</u>
Additions	2,730	1,553	43	194	1,135	5,655
Transfers	64	396	9	13	(482)	-
Capitalised borrowing costs	-	-	-	-	29	29
Disposals	(5)	(261)	(1)	(35)	-	(302)
Exchange difference	(89)	(23)	(7)	(21)	(2)	(142)
30 September 2012	<u>10,032</u>	<u>28,692</u>	<u>1,559</u>	<u>2,778</u>	<u>1,621</u>	<u>44,682</u>
Accumulated depreciation						
1 January 2012	<u>(1,447)</u>	<u>(6,775)</u>	<u>(770)</u>	<u>(1,230)</u>	<u>(4)</u>	<u>(10,226)</u>
Depreciation charge for the period	(288)	(1,276)	(132)	(287)	-	(1,983)
Disposals	-	186	-	33	-	219
Exchange difference	6	6	2	2	-	16
30 September 2012	<u>(1,729)</u>	<u>(7,859)</u>	<u>(900)</u>	<u>(1,482)</u>	<u>(4)</u>	<u>(11,974)</u>

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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land, buildings and constructions	Locomotives, and containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in progress	Total
Cost						
1 January 2013	10,464	30,229	1,680	2,917	1,482	46,772
Additions	91	1,709	141	195	1,289	3,425
Transfers	1,057	408	106	34	(1,605)	-
Capitalised borrowing costs	-	-	-	-	65	65
Disposals	(72)	(391)	(6)	(45)	-	(514)
Exchange difference	68	23	10	20	-	121
30 September 2013	11,608	31,978	1,931	3,121	1,231	49,869
Accumulated depreciation						
1 January 2013	(1,791)	(8,255)	(932)	(1,557)	(4)	(12,539)
Depreciation charge for the period	(182)	(861)	(78)	(253)	-	(1,374)
Impairment charge	(21)	(1)	-	(2)	(3)	(27)
Disposals	42	249	3	37	-	331
Exchange difference	(9)	(10)	(3)	(5)	-	(27)
30 September 2013	(1,961)	(8,878)	(1,010)	(1,780)	(7)	(13,636)
Net book value						
1 January 2013	8,673	21,974	748	1,360	1,478	34,233
30 September 2013	9,647	23,100	921	1,341	1,224	36,233

Included under land, buildings and constructions are the amounts of RUR 725m and RUR 701m, which represent the value of land plots owned by the Group as at 30 September 2013 and 31 December 2012, respectively.

During the nine-month period ended 30 September 2013 container terminal in Novosibirsk was put into operation in the amount of RUR 723m.

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries with gross carrying amount of RUR 1,129m and RUR 1,105m as at 30 September 2013 and 31 December 2012, respectively.

As at 31 December 2012 the Group revised the useful lives of all fixed assets. As a result, the amount of depreciation charges for the nine-month period ended 30 September 2013 decreased by RUR 690m in comparison with the one that would have been charged under the previous useful life.

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to RUR 1,911m and RUR 1,930m as at 30 September 2013 and 31 December 2012, respectively.

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

	30 September 2013	31 December 2012
Cost	728	431
Accumulated depreciation	(294)	(191)
Net book value	434	240

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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Construction in-progress as at 30 September 2013 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Krasnoyarsk, Yekaterinburg, Moscow and Nizhny Novgorod amounting to RUR 239m, RUR 180m, RUR 307m and RUR 62m, respectively.

Amounts related to construction in-progress include capitalised interest expenses on bonds in connection with the construction and reconstructions of property, plant and equipment items. The total amount of interest capitalised for the nine-month period ended 30 September 2013 was RUR 65m at a rate of capitalisation of 8.83% and RUR 45m capitalised for the year ended 31 December 2012 at a rate of capitalisation of 9.52%.

Leased assets, for which the Group is a lessee under finance leases, comprised the following:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Cost	596	778
Accumulated depreciation	<u>(14)</u>	<u>(8)</u>
Net book value	<u>582</u>	<u>770</u>

During the nine-month period ended 30 September 2013 the Group bought out a part of non-residential premises in a Moscow head office building, previously acquired under a finance lease agreement. The cost of the bought out building part was RUR 185m. The remaining premises at a value of RUR 575m continued to be used by the Group under the finance lease agreement.

See Note 13 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 30 September 2013 and 31 December 2012, advances for the acquisition of non-current assets consisted of advances for the acquisition and modernisation of the rolling stock (RUR 44m and RUR 59m, respectively), advances for the acquisition of power hoisting equipment (RUR 15m and RUR 146m, respectively), advances for the acquisition of containers (RUR 30m and RUR 45m, respectively), advances for construction-and-assembling operations (RUR 39m and RUR 38m, respectively) and advances for the acquisition of other non-current assets (RUR 16 and RUR 70m, respectively).

5. INTANGIBLE ASSETS OTHER THAN GOODWILL

	<u>Lease agreements</u>	<u>Software</u>	<u>Total</u>
Cost			
1 January 2012	<u>618</u>	<u>178</u>	<u>796</u>
Additions	-	45	45
Disposals	-	(26)	(26)
Exchange difference	<u>(57)</u>	<u>-</u>	<u>(57)</u>
30 September 2012	<u>561</u>	<u>197</u>	<u>758</u>
Accumulated amortisation			
1 January 2012	<u>(39)</u>	<u>(104)</u>	<u>(143)</u>
Disposals	-	29	29
Amortisation charge for the period	(28)	(36)	(64)
Exchange difference	<u>8</u>	<u>-</u>	<u>8</u>
30 September 2012	<u>(59)</u>	<u>(111)</u>	<u>(170)</u>

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5. INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

	<u>Lease agreements</u>	<u>Software</u>	<u>Total</u>
Cost			
1 January 2013	613	168	781
Additions	-	147	147
Disposals	-	(57)	(57)
Exchange difference	26	-	26
30 September 2013	639	258	897
Accumulated amortisation			
1 January 2013	(80)	(110)	(190)
Disposals	-	26	26
Amortisation charge for the period	(28)	(40)	(68)
Exchange difference	(10)	-	(10)
30 September 2013	(118)	(124)	(242)
Net book value			
1 January 2013	533	58	591
30 September 2013	521	134	655

In 2011, prior to the consolidation within the Group, JSC Kedentransservice entered into five lease agreements with the lessor JSC National Company Kazakhstan Temir Zholy ("KTZ"), the second shareholder of JSC Kedentransservice. According to these agreements the company leases five loading platforms at Dostyk Station.

The rent under these agreements is several times lower than market indicator and also is preferential owing to the fact that JSC Kedentransservice and the lessor are related parties that leads to annual economy of expenses for the Group during the period of agreement validity (15 years).

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's share in results of its associates and joint ventures and their summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

<u>Name of Entity</u>	<u>Investment</u>		<u>Effect of translation to presentation currency</u>		<u>Share in profit / (loss)</u>	
	<u>30 September 2013</u>	<u>31 December 2012</u>	<u>Nine-month period ended 30 September</u>		<u>Nine-month period ended 30 September</u>	
			<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Far East Land Bridge Ltd. (FELB)	-	-	-	-	-	(21)
Oy ContainerTrans Scandinavia Ltd. Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	14	11	1	-	2	-
Trans-Eurasia Logistics GmbH	35	32	-	1	3	1
	11	11	-	-	-	-
Total	60	54	1	1	5	(20)

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6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of Entity	30 September 2013		Nine-month period ended 30 September 2013	
	Total assets	Total liabilities	Revenue	Profit/ (loss)
Oy ContainerTrans Scandinavia Ltd. Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	38	13	113	3
Trans-Eurasia Logistics GmbH	79	9	22	5
	175	123	631	(1)
Total	292	145	766	7

Name of Entity	31 December 2012		Nine-month period ended 30 September 2012	
	Total assets	Total liabilities	Revenue	Profit/ (loss)
Far East Land Bridge Ltd.	-	-	897	(219)
Oy ContainerTrans Scandinavia Ltd. Chinese-Russian Rail-Container International Freight Forwarding (Beijing) Co, Ltd.	33	12	76	(4)
Trans-Eurasia Logistics GmbH	153	87	22	7
	167	118	829	8
Total	353	217	1,824	(208)

7. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
30 September 2013			
Trade receivables	1,928	(133)	1,795
Other receivables	249	(19)	230
Total trade and other receivables	2,177	(152)	2,025
31 December 2012			
Trade receivables	1,228	(87)	1,141
Other receivables	137	(16)	121
Total trade and other receivables	1,365	(103)	1,262

In July 2012 the Company, OJSC RZD Logistics and FELB signed an agreement on the transfer of FELB's debt. As a result accounts receivable from FELB in the amount of USD 22.5m (RUR 732m at the Central Bank of Russia exchange rate as at the date of agreement) were transferred to OJSC RZD Logistics and in accordance with a debt repayment schedule will be fully repaid in June 2016. A discounting rate of 8.6 % has been used for the fair value determination. As at 30 September 2013 the fair value of impaired long-term trade accounts receivable of OJSC RZD Logistics (transferred from FELB) amounted to RUR 501m (RUR 452m as at 31 December 2012). During the nine-month period ended 30 September 2013 trade receivables in the amount of RUR 113m were recognised in short-term trade receivables.

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

Balance as at 1 January 2012	(283)
Additional provision, recognised in the current period	(20)
Release of provision	41
Utilisation of provision	30
Exchange differences on translating foreign operations	7
Balance as at 30 September 2012	(225)

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7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Additional provision, recognised in the current period	(2)
Release of provision	(8)
Utilisation of provision	50
Exchange differences on translating foreign operations	1
Balance as at 31 December 2012	(184)
Additional provision, recognised in the current period	(51)
Release of provision	6
Utilisation of provision	7
Exchange differences on translating foreign operations	(4)
Balance as at 30 September 2013	(226)

As at 30 September 2013 and 31 December 2012 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 152m and RUR 104m, respectively), advances to suppliers (RUR 66m and RUR 65m, respectively), advances for acquisition of non-current assets (RUR 4m and RUR 11m, respectively) and other non-current assets (RUR 4m and RUR 4m, respectively).

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2013	31 December 2012
VAT receivable	1,827	2,577
Advances to suppliers	1,498	1,674
Other current assets	124	183
Total prepayments and other current assets	3,449	4,434

9. SHORT-TERM INVESTMENTS

	30 September 2013	31 December 2012
Russian Rouble denominated bank deposits	1,070	1,293
Foreign currency denominated bank deposits	51	46
Total short-term investments	1,121	1,339

As at 30 September 2013 short-term investments of the Group are presented by deposits with a Russian bank with a maturity over three months:

- Three Russian Rouble-denominated short-term bank deposits in the amount of RUR 300m bearing interest at an annual rate of 7.25% in OJSC TransCreditBank, a related party (Note 24). The deposit matures on 15 November 2013. The amount of accrued interest is RUR 7m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.
- Russian Rouble-denominated short-term bank deposit in the amount of RUR 250m bearing interest at an annual rate of 7% in OJSC Alfa Bank. The deposit matures on 2 December 2013. The amount of accrued interest is RUR 4m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.

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9. SHORT-TERM INVESTMENTS (CONTINUED)

- Two Russian Rouble-denominated short-term bank deposits in the total amount of RUR 500m bearing interest at an annual rate of 6.97% in OJSC Bank VTB, a related party (Note 24). The deposit matures on 2 December 2013. The amount of accrued interest is RUR 9m and has been included as the portion of short-term investments in the interim condensed consolidated statement of financial position.

USD-denominated short-term bank deposit in the amount of USD 1.5m (RUR 48m at the Central Bank of Russia exchange rate as at 30 September 2013) bearing interest at an annual rate of 0.25% was placed by the Group with JSC Nurbank, as at 30 September 2013. The deposit matures on 8 October 2013.

Also Kazakh Tenge-denominated short-term bank deposit in the amount of KZT 13m (RUR 3m at the Central Bank of Russia exchange rate as at 30 September 2013) bearing interest at annual rates of 2.8%, was placed by the Group with SB JSC Sberbank as at 30 September 2013. The deposit matures on 22 October 2013.

10. CASH AND CASH EQUIVALENTS

	<u>30 September 2013</u>	<u>31 December 2012</u>
Cash and Russian Rouble denominated current accounts with banks	1,431	770
Foreign currency denominated current accounts with banks	885	433
Russian Rouble denominated bank deposits	1,755	112
Russian Rouble denominated letter of credit	<u>141</u>	<u>3</u>
Total cash and cash equivalents	<u>4,212</u>	<u>1,318</u>

Five Russian Rouble-denominated short-term bank deposits in the total amount of RUR 1 750m, bearing interest at annual rates from 5.85% to 6.68%, were placed with OJSC Bank VTB, a related party, as at 30 September 2013 (Note 24). The total amount of accrued interest amounted to RUR 5m. The deposits matured on October-November 2013.

11. EQUITY

Share Capital

As at 30 September 2013, the Company's authorized and issued share capital has not changed since 31 December 2012. 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 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 Kedentransservice JSC National Company "Kazakh Temir Zholy" (share of ownership 33%).

Reserve fund

According to its charter, the Company is required to establish a legal reserve fund through the allocation of 5 percent of net profit as computed under the Russian accounting regulations. The total amount of reserve fund is limited to 5 percent of the nominal registered amount of the Company's issued share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem issued bonds or purchase treasury shares and can not be distributed to shareholders. As at 30 September 2013 and 31 December 2012 the Company's reserve fund is RUR 697m and RUR 478m, respectively.

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12. LONG-TERM AND SHORT-TERM DEBT

Long-term debt

	Effective interest rate	30 September 2013	31 December 2012
Bonds	8.35-8.8%	6,474	2,232
Other borrowings	9.75-9.5%	484	499
Total		6,958	2,731

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 501m to finance the acquisition of ordinary nominal shares in OJSC TransContainer in order to carry out a Share Option Plan for the Company's management (Note 15). The loan matures in five years. As at 30 September 2013 the amount of loan was RUR 484m.

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

The series 2 bonds 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 September 2013 the carrying value of the bonds amounted to RUR 2,986m (RUR 2,982m as at 31 December 2012).

As at 30 September 2013 short-term portion of long-term bonds equals RUR 1,500m (RUR 750m as at 31 December 2012) and this amount has been included as short-term debt in the interim condensed consolidated statement of financial position.

The amount of accrued interest is RUR 87m (RUR 22m as at 31 December 2012), and has been included as short-term debt in the interim condensed consolidated statement of financial position.

Five-year RUR bonds, series 4 – On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUR 5,000m at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 4,988m. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

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

As at 30 September 2013 the carrying value of the bonds amounted to RUR 4,988m. The amount of accrued interest is RUR 69m and has been included as short-term debt in the interim condensed consolidated statement of financial position.

Short-term debt

	Effective interest rate	30 September 2013	31 December 2012
Bonds	9.5-8.9%	-	3,098
Short-term portion of long-term bonds	-	1,656	772
Bank loans	9.5%	-	1,825
Total		1,656	5,695

Short-term borrowings of the Group denominated in Russian Rubles.

In February 2013 the Company fully prepaid its loans to OJSC Alfa Bank and also redeemed its short-term obligations on bonds series 1.

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13. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Due within one year	77	99	73	94
Due after one year but not more than five years	723	369	491	279
More than five years	-	659	-	389
	800	1,127	564	762
Less future finance charges	(236)	(365)	-	-
Present value of minimum lease payments	564	762	564	762

As at 30 September 2013 the Group leases a part of non-residential premises in a Moscow head office building. The lease agreement is for a six-year period with an effective interest rate of 9.65%. In accordance with the lease agreement if the Group does not use the right to acquire the leased premises during the lease period or does not entitle third parties to use the right to acquire the leased premises, the Group is obliged to acquire the leased premises for the amount of RUR 596m at the end of lease period.

During the nine-month period ended 30 September 2013, the Group bought back part of the non-residential premises of the building and redeemed its obligation in the amount of RUR 185m in advance that resulted in recognition of income from early termination of finance lease obligations for a total amount of RUR 32m in the consolidated profit or loss.

All leases are denominated in Russian Roubles and Kazakh Tenge. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

14. EMPLOYEE BENEFIT LIABILITY

Defined contribution plans

The total amount recognized as an expense in respect of payments to defined contribution plans for the nine-month periods ended 30 September 2013 and 30 September 2012 consisted of the following:

	2013	2012
Pension Fund of the Russian Federation	436	428
Defined contribution plan "Blagosostoyanie"	13	12
Total expense for defined contribution plans	449	440

Defined benefit plans

In 2013, the Group has changed some conditions of the defined benefit pension plans administered non-state pension fund "Blagosostoyanie". One of the plans was eliminated. The number of payments on the other plan was increased. The total gain of RUR 32m recognised in the service cost.

Principal actuarial assumptions as at 30 September 2013 were substantially the same as those that applied to the consolidated financial statements as at 31 December 2012 with the exception of changes in discount rate, which increased up to 7.6% as at 30 September 2013 (as at 31 December 2012: 7.2%).

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14. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The amounts recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2013 and 30 September 2012 in respect of these defined benefit plans, which are recognised as follows:

	<u>2013</u>	<u>2012</u>
Service cost	92	130
Net interest on obligation	64	67
Remeasurements of the net defined benefit	<u>(20)</u>	<u>6</u>
Net expense recognized in the consolidated profit or loss	<u>136</u>	<u>203</u>

Net income/expenses recognized in other comprehensive income related mainly to remeasurements of the net defined benefit constitute RUR 19m of income and RUR 32m of expenses (net of income tax: RUR 28m) for the nine-month periods ended 30 September 2013 and 30 September 2012, respectively.

The amounts recognised in interim condensed consolidated statement of financial position as at 30 September 2013 and 31 December 2012 in respect of these defined benefit plans are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Present value of defined benefit obligation	1,302	1,324
Fair value of plan assets	<u>(63)</u>	<u>(58)</u>
Net employee benefit liability	<u>1,239</u>	<u>1,266</u>

15. EMPLOYEE SHARE OPTION PLAN

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

The Plan provides for granting share options to the members of the Group's management (the "Plan Participants"). All Plan Participants had signed relevant agreements by the end of June 2011.

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

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

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

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

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

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15. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

The following number of share options is outstanding:

	<u>Number of shares</u>
Options outstanding at 1 January 2012	208,421
Options exercised during the year	<u>(36,548)</u>
Options outstanding at 31 December 2012	<u>171,873</u>
Options exercised during the period	(6,696)
Options outstanding at 30 September 2013	<u>165,177</u>

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.

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

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

During the nine-month period ended 30 September 2013, the Group recognised expenses of RUR 33m related to the options. These expenses were included into payroll.

During the nine-month period ended 30 September 2013 6,696 options in respect of shares were exercised, the weighted average exercise price was RUR 2,721 and the weighted average share price at the date of exercise was RUR 3,894.

Movements in the reserve held for Share-based option plan during the nine-month period ended 30 September 2013 and 30 September 2012:

	<u>2013</u>	<u>2012</u>
Reserve as at 1 January	188	148
Expense recognised for the period	33	72
Exercised options under option plan	<u>(8)</u>	<u>(47)</u>
Reserve as at 30 September	<u>213</u>	<u>173</u>

16. TRADE AND OTHER PAYABLES

	<u>30 September 2013</u>	<u>31 December 2012</u>
Trade payables	605	601
Amounts payable for the acquisition of property, plant and equipment	1,258	153
Advances received from customers	<u>2,874</u>	<u>3,019</u>
Total trade and other payables	<u>4,737</u>	<u>3,773</u>

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17. TAXES OTHER THAN INCOME TAX PAYABLE

	<u>30 September 2013</u>	<u>31 December 2012</u>
VAT	10	40
Property tax	149	144
Social insurance contribution	97	144
Personal income tax	29	29
Other taxes	11	10
Total taxes other than income tax payable	<u>296</u>	<u>367</u>

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 September 2013</u>	<u>31 December 2012</u>
Settlements with employees	466	704
Other liabilities	95	85
Total accrued expenses and other current liabilities	<u>561</u>	<u>789</u>

Settlements with employees as at 30 September 2013 and 31 December 2012 comprised accrued salaries and bonuses of RUR 273m and RUR 516m, respectively, and accruals for unused vacation of RUR 193m and RUR 188m, respectively.

19. SEGMENT INFORMATION

The Company's General Director is its chief operating decision-maker. The Group's business activities are interdependent in providing customers with rail-based container shipping and other logistics services. As such, the Group's internal reporting, as reviewed by the General Director to assess performance and allocate resources, is prepared on a consolidated basis as a single reportable segment. The Group's internal management reports are prepared on the same basis as this interim condensed consolidated financial information.

Analysis of revenue by category

	<u>2013</u>	<u>2012</u>
Integrated freight forwarding and logistics services	17,429	14,375
Rail-based container shipping services	6,270	7,638
Terminal services and agency fees	3,051	3,110
Truck deliveries	1,055	1,198
Other freight forwarding services	446	640
Bonded warehousing services	301	303
Other	241	70
Total revenue	<u>28,793</u>	<u>27,334</u>

Analysis of revenue by location of customers

	<u>2013</u>	<u>2012</u>
Revenue from external customers		
Russia	21,236	21,531
Kazakhstan	3,870	1,861
Korea	1,349	1,215
Germany	831	794
China	445	469
Estonia	228	450
Cyprus	145	197
Uzbekistan	140	285
Great Britain	124	54
Switzerland	64	180
Other	361	294
Total revenue	<u>28,793</u>	<u>27,334</u>

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19. SEGMENT INFORMATION (CONTINUED)

During the nine-month period ended 30 September 2013, OJSC RZD and its subsidiaries accounted for RUR 1,760m or 6% of the Group's total revenue. During the nine-month period ended 30 September 2012, OJSC RZD and its subsidiaries accounted for RUR 2,325m or 8% of the Group's total revenue.

More than 90% of the Group's non-current assets are located in Russia, approximately 8% of non-current assets (mainly represented by property plant and equipment and intangible assets other than goodwill) are owned by JSC Kedentransservice and are located in Kazakhstan.

20. OTHER OPERATING INCOME

For the nine-month period ended 30 September 2013 the Group received income from the sale of inventory and from the reuse of spare parts for the amount of RUR 281m (for the nine-month period ended 30 September 2012: RUR 120m), income from the sale of containers and flatcars for the amount of RUR 33m (for the nine-month period ended 30 September 2012: RUR 1m), refund of VAT on the sale of services by applying the tax rate 0% for the amount of RUR 130m (for the nine-month period ended 30 September 2012: RUR 37m) and other operating income for the amount of RUR 55m (for the nine-month period ended 30 September 2012: RUR 68m).

21. OPERATING EXPENSES

	<u>2013</u>	<u>2012</u>
Cost of integrated freight forwarding and logistics services	9,977	8,010
Payroll and related charges	3,404	3,651
Freight and transportation services	3,180	3,799
Materials, repair and maintenance	2,132	1,904
Depreciation and amortisation	1,442	2,047
Rent	1,224	419
Taxes other than income tax	494	417
Security	224	222
Consulting services	163	109
Fuel costs	155	138
License and software	92	110
Communication costs	67	73
Other expenses	624	706
Total operating expenses	<u>23,178</u>	<u>21,605</u>

During the nine-month period ended 30 September 2013 JSC Kedentransservice leased flatcars from the company JSC Kaztemirtrans and JSC Kaztransservice (Note 25).

22. INTEREST EXPENSE

	<u>2013</u>	<u>2012</u>
Interest expense on RUR bonds	465	387
Interest expense on finance lease obligations	56	59
Interest expense on bank loans and borrowings	48	179
Discounting of accounts receivables	-	49
Total interest expense	<u>569</u>	<u>674</u>

23. INCOME TAX

	<u>2013</u>	<u>2012</u>
Current income tax charge	(1,084)	(1,229)
Deferred income tax (expense) / benefit	(76)	4
Income tax	<u>(1,160)</u>	<u>(1,225)</u>

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23. 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 nine-month period ended 30 September 2013 was 20% (for the nine-month period ended 30 September 2012: 22%).

24. 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 September 2013, are disclosed below:

Related party	Nature of relationship
OJSC Russian Railways (RZD)	Parent company
OJSC TransCreditBank	State-controlled entity
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
JSC Wagon Repair Company - 1	Subsidiary of RZD
JSC Wagon Repair Company - 2	Subsidiary of RZD
JSC Wagon Repair Company - 3	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD
LLC GEFCO (CIS)	Subsidiary of RZD
OJSC Bank VTB	State-controlled entity
Fund Blagosostoyanie	Post-employment benefit plan for Company employees
FAR-EASTERN SHIPPING COMPANY PLC.	Significant shareholder

The Group's ultimate controlling party is the Russian Federation Government and, therefore, all companies controlled by the Russian Federation Government are also treated as related parties of the Group for the purposes of this interim condensed consolidated financial information.

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

Relationships with RZD, its subsidiaries, joint ventures and associates

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

Under current Russian regulations, only RZD can perform certain functions associated with arranging the container transportation process. As the assets required for performing such functions were transferred to the Company, RZD engaged the Company to act as its agent in the performance of these functions.

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24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Transactions and balances with related parties as at and for the period ended 30 September 2013 are shown below:

	Total	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties
ASSETS						
Non-current assets						
Trade receivables	501	-	501	-	-	-
Current assets						
Short-term investments	816	-	-	-	-	816
Cash and cash equivalents	3,883	-	-	-	-	3,883
Trade receivables	678	251	391	12	21	3
Other receivables	152	47	94	-	-	11
Advances to suppliers	1,243	1,221	16	2	-	4
	6,772	1,519	501	14	21	4,717
Total assets	7,273	1,519	1,002	14	21	4,717
LIABILITIES						
Current liabilities						
Trade payables	36	9	6	1	16	4
Liabilities to customers	88	1	24	2	3	58
Other payables	61	1	-	-	-	60
Total liabilities	185	11	30	3	19	122
Revenue						
Rail-based container shipping services	474	104	248	6	12	104
Terminal services and agency fees	1,266	1,252	9	2	-	3
Integrated freight forwarding and logistics services	485	4	282	89	33	77
Other services	115	23	48	16	3	25
	2,340	1,383	587	113	48	209
Interest income on deposits	159	-	-	-	-	159
Other interest income	11	-	-	-	-	11
Other operating income	133	95	33	2	-	3
	303	95	33	2	-	173
Total income	2,643	1,478	620	115	48	382
Operating Expenses						
Freight and transportation services	2,274	2,267	1	-	-	6
Third-party charges relating to integrated freight forwarding and logistics services	6,436	6,390	4	3	16	23
Repair services	1,065	258	805	-	-	2
Rent of property and equipment	32	29	-	-	-	3
Other expenses	237	98	45	-	-	94
Total expenses	10,044	9,042	855	3	16	128
Purchases of property, plant and equipment	144	6	93	-	-	45
Contributions to non-state pension funds	63	-	-	-	-	63
Total other transactions	207	6	93	-	-	108

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24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with related parties as at 31 December 2012 and for the nine-month period ended 30 September 2012 are shown below:

	Total	Parent company (RZD)	Other RZD group entities	Group's associates	Group's joint ventures	Other related parties
ASSETS						
Non-current assets						
Advances for acquisition of non-current assets	40	-	3	-	-	37
Trade receivables	452	-	452	-	-	-
	492	-	455	-	-	37
Current assets						
Short-term investments	1,293	-	-	-	-	1,293
Cash and cash equivalents	948	-	-	-	-	948
Trade receivables	604	210	358	11	23	2
Other receivables	91	7	81	-	-	3
Advances to suppliers	1,458	1,431	23	1	-	3
	4,394	1,648	462	12	23	2,249
Total assets	4,886	1,648	917	12	23	2,286
LIABILITIES						
Current liabilities						
Trade payables	114	52	7	2	26	27
Liabilities to customers	70	1	30	1	4	34
Other payables	44	1	-	-	-	43
	228	54	37	3	30	104
Revenue						
Rail-based container shipping services	427	176	103	95	6	47
Terminal services and agency fees	1,374	1,365	4	1	-	4
Integrated freight forwarding and logistics services	753	4	601	56	36	56
Other services	164	34	54	52	1	23
	2,718	1,579	762	204	43	130
Interest income on deposits	133	-	95	-	-	38
Other interest income	12	-	12	-	-	-
Gain recognised on disposal of interest in former associate	72	-	72	-	-	-
Other operating income	59	37	15	-	-	7
	276	37	194	-	-	45
Total income	2,994	1,616	956	204	43	175
Operating Expenses						
Freight and transportation services	2,651	2,629	4	2	-	16
Third-party charges relating to integrated freight forwarding and logistics services	5,152	5,084	5	33	9	21
Repair services	1,025	146	877	-	-	2
Rent of property and equipment	30	29	-	-	-	1
Other expenses	235	86	75	4	-	70
	9,093	7,974	961	39	9	110
Interest expense on finance lease obligations	29	-	-	-	-	29
Discounting of accounts receivables	86	-	86	-	-	-
	115	-	86	-	-	29
Total expenses	9,208	7,974	1,047	39	9	139
Purchases of property, plant and equipment	136	-	128	-	-	8
Purchase of materials	2	-	-	-	-	2
Contributions to non-state pension funds	54	-	-	-	-	54
	192	-	128	-	-	64

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

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24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Dividends

During the nine-month period ended 30 September 2013 RUR 602m and RUR 270m of dividends were paid to RZD and the Group FAR-EASTERN SHIPPING COMPANY PLC., accordingly (for the nine-month period ended 30 September 2012 RUR 609m and RUR 257m, respectively) (Note 11).

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 September 2013 and 30 September 2012, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 133m (including total insurance contributions of RUR 9m) and RUR 187m (including total insurance contributions of RUR 13m) for the nine-month periods ended 30 September 2013 and 30 September 2012, respectively. This compensation is included under payroll and related charges and other expenses in the consolidated profit and loss and comprises primarily short-term benefits.

As stated in Note 15, during the year ended 30 September 2013, the Group recognised expenses of RUR 33m (72m as at 30 September 2012) related to the Share Option Plan approved by the Board of Directors in October 2010. Expenses related to options provided to the General Director and his deputies comprised RUR 19m (RUR 38m as at 30 September 2012).

25. COMMITMENTS UNDER OPERATING LEASES

As at 30 September 2013, the Group leases a loading platform at Dostyk Station in Kazakhstan and container terminal Dobra in Slovakia. The remaining period of agreements validity is 13 and 12 years, respectively.

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

As at 30 September 2013 the Group leases 4,122 flatcars (500 flatcars as at 31 December 2012) from JSC Kaztemirtrans. The expiry date of the lease is 31 December 2013.

Also in February 2013 the Group entered into agreement to lease 477 flatcars from JSC Kaztransservice. The expiry date of the lease is 31 December 2013.

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

	<u>30 September 2013</u>	<u>31 December 2012</u>
Within one year	724	358
Within two to five years	571	381
After five years	849	614
Total minimum lease payments	<u>2,144</u>	<u>1,353</u>

26. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 September 2013 and 31 December 2012 consisted of the following, including VAT:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Acquisition of containers and flatcars	1,173	853
Construction of container terminal complexes and modernisation of existing assets	447	715
Acquisition of lifting machines and other equipment	44	52
Total capital commitments	<u>1,664</u>	<u>1,620</u>

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27. RISK MANAGEMENT ACTIVITIES

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements of the Group, prepared for the year ended 31 December 2012. The information disclosed in the interim condensed consolidated financial information as at 30 September 2013 should be considered in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. There have been no significant changes in the Group's risk management policy during the nine-month period ended 30 September 2013.

Fair value of financial assets and liabilities measured at amortised cost

The following table shows the fair value of the Group's bonds:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Financial liabilities		
Bonds	<u>8,050</u>	<u>6,026</u>
	<u>8,050</u>	<u>6,026</u>

The fair value of the following financial assets and liabilities approximately equals to their carrying value: trade and other receivables, other financial assets, cash and cash equivalents, trade and other payables.

28. SUBSEQUENT EVENTS

Acquisition of ISO containers - In October-November 2013 the Group obtained 1,885 ISO containers from Yang Zhou Runyang Logistic Equipment Co.,Ltd, for a total amount of RUR 232m (not subject to VAT). The agreement concerning payment and delivery is executed in full.

Acquisition of flatcars – In October 2013 the Group obtained 100 flatcars from OJSC Roslavskiy vagonoremontniy zavod for the total amount of RUR 172m (plus VAT in the amount of RUR 31m). The agreement concerning payment and delivery is executed in full.

Also in October-November 2013 the Group obtained 100 flatcars from LLC Speccompany for the total amount of RUR 185m (plus VAT in the amount of RUR 33m) and 312 flatcars from CJSC Torgoviy dom TMH for the total amount of RUR 577m (plus VAT in the amount of RUR 104m).

Agreement on acquisition of ISO containers - In October 2013 the Group entered into an agreement with LLC TekhProektInvest for the purchase of 400 40-foot ISO containers for the total amount of RUR 76m (plus VAT in the amount of RUR 14m). Delivery of containers is expected in December 2013.