

Public Joint Stock Company «RPC UWC»

**Interim Condensed Consolidated
Financial Statements for
the six months ended 30 June 2015 (unaudited)**

PJSC «RPC UWC»

CONTENTS


	Page
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	5-19

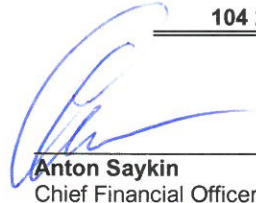
PJSC «RPC UWC»

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015 (UNAUDITED)**

(in thousands of Roubles, if not stated otherwise)

	Note	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	7	65 618 491	68 483 344
Prepayments for non-current assets		1 559 473	2 336 192
Intangible assets		3 022 689	2 838 785
Deferred tax assets		2 079 856	1 852 555
Investment in joint ventures		360 470	158 838
Loans receivable	11	792 653	1 658 939
Other receivables	9	-	30 000
Finance lease receivables		252 452	260 818
Total non-current assets		73 686 084	77 619 471
Current assets			
Inventories	8	6 923 853	266 972
Trade and other accounts receivables	9	1 275 785	7 578 533
Finance lease receivables		15 892	8 803
Loans receivable	11	15 989 305	16 255 261
Prepayments to suppliers and other assets	10	1 138 430	705 374
VAT receivable		2 107 734	1 653 166
Cash and cash equivalents	12	3 134 360	2 386 595
Total current assets		30 585 359	28 854 704
TOTAL ASSETS		104 271 443	106 474 175
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital issued	13	105 636	10
Share capital issued but not registered	13	-	99 990
Additional paid-in capital	13	16 158 788	12 428 965
Accumulated loss		(10 112 805)	(4 969 137)
Total equity attributable to shareholders		6 151 619	7 559 828
Non-controlling interests		1 170	668
Total equity		6 152 789	7 560 496
Non-current liabilities			
Borrowings	14	43 413 472	44 493 124
Bonds – non-current portion	15	25 142 709	27 891 700
Finance lease liabilities – non-current portion		2 830	2 637
Deferred tax liabilities		1 230 126	1 200 984
Total non-current liabilities		69 789 137	73 588 445
Current liabilities			
Borrowings	14	17 051 525	16 953 742
Trade and other payables	16	7 821 407	6 357 576
Advances received and other current liabilities	17	2 587 782	1 395 571
Finance lease – current portion		10 602	19 384
Bonds – current portion	15	858 201	598 961
Total current liabilities		28 329 517	25 325 234
TOTAL LIABILITIES		98 118 654	98 913 679
TOTAL LIABILITIES AND EQUITY		104 271 443	106 474 175


Roman Savushkin
 Chief Executive Officer
 PJSC «RPC UWC»
 28 August 2015


Anton Saykin
 Chief Financial Officer
 PJSC «RPC UWC»
 28 August 2015

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

PJSC «RPC UWC»

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) (in thousands of Roubles, if not stated otherwise)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue	18	17 028 353	2 129 176
Cost of sales	19	(15 456 078)	(1 438 376)
Gross profit		1 572 275	690 800
Selling, general and administrative expenses	20	(1 270 824)	(568 185)
Other operating income, net		28 680	19 611
Operating profit		330 131	142 226
Finance income		585 927	156 967
Finance costs	21	(4 626 139)	(2 595 475)
Foreign exchange (loss)/income		(1 584 576)	6 236
Loss before income tax		(5 294 657)	(2 290 046)
Income tax benefit	22	150 729	355 320
Net loss and total comprehensive loss for the period		(5 143 928)	(1 934 726)
Total comprehensive loss attributable to:			
Owners of the Group		(5 143 668)	(1 926 673)
Non-controlling interests		(260)	(8 053)

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

PJSC «RPC UWC»

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)**
(in thousands of Roubles, if not stated otherwise)

	Share capital issued	Share capital issued but not registered	Additional paid-in capital	Accumulated loss	Non-controlling interests	Total equity
Balance at 1 January 2014	10	-	9 005 233	(5 526 510)	78 721	3 557 454
Loss for the period	-	-	-	(1 926 673)	(8 053)	(1 934 726)
Contribution from shareholders	-	-	3 488 518	-	-	3 488 518
Effect of the acquisition of entity under common control	-	-	35 526	-	-	35 526
Purchase of non-controlling interests	-	-	-	-	(70 000)	(70 000)
Balance at 30 June 2014	10	-	12 529 277	(7 453 183)	668	5 076 772
Balance at 1 January 2015	10	99 990	12 428 965	(4 969 137)	668	7 560 496
Loss for the period	-	-	-	(5 143 668)	(260)	(5 143 928)
Registration of additional issue of shares as part of re-organization	99 990	(99 990)	-	-	-	-
Issue of additional shares during initial public offering, net of issuance costs (Note13)	5 636	-	3 729 823	-	-	3 735 459
Increase of non-controlling interests	-	-	-	-	762	762
Balance at 30 June 2015	105 636	-	16 158 788	(10 112 805)	1 170	6 152 789

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

PJSC «RPC UWC»

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) (in thousands of Rubles, if not stated otherwise)

	<u>Six months ended 30 June 2015</u>	<u>Six months ended 30 June 2014</u>
OPERATING ACTIVITIES		
Loss before tax	(5 294 657)	(2 290 046)
Adjustments for:		
Depreciation and amortization	2 521 256	697 514
Impairment loss	-	-
Change in provision for doubtful accounts receivable	-	-
Loss on disposal of property, plant and equipment	-	-
Loss on joint venture	(1 860)	18 270
Non-operating foreign exchange (gain)/loss, net	1 584 576	(6 236)
Loss on valuation of derivative	-	-
Finance costs	4 640 232	2 595 475
Finance income	(585 927)	(156 967)
Operating profit before working capital changes	2 863 620	858 012
Movements in working capital:		
Decrease/(increase) in trade and other accounts receivable	6 335 083	(445 219)
Increase in prepayments and other current assets	(433 056)	(849 635)
Decrease/(increase) in VAT receivable	(454 568)	(322 362)
Decrease/(increase) in inventories	(1 520 789)	(31 132)
Increase/(decrease) in trade and other payables	1 456 588	753 507
Increase in advances received and other current liabilities	1 192 210	(1 056)
Cash from / (used in) operations	9 439 088	(37 885)
Income tax paid	(39 806)	(10 416)
Finance costs paid	(4 293 625)	(1 900 713)
Net cash generated by operating activities	5 105 657	(1 949 014)
INVESTING ACTIVITIES		
Payments for property, plant and equipment, including prepayments	(3 901 405)	(12 524 022)
Proceeds from disposal of property, plant and equipment	32 899	1 451
Purchase of intangible assets	(332 318)	(60 226)
Loans granted	(14 151 247)	(6 136 255)
Cash proceeds from redemption of loans granted	13 767 918	668 875
Interest received	583 832	89 730
Net cash outflow on acquisition of subsidiaries and joint ventures	(199 010)	(490 415)
Net cash used in investing activities	(4 199 331)	(18 450 862)
FINANCING ACTIVITIES		
Shareholder's capital contribution	3 735 459	3 488 518
Proceeds from borrowings	4 029 645	19 434 229
Repayment of borrowings	(5 163 879)	(6 747 989)
Purchase of own bonds	(2 748 991)	-
Proceeds from issuance of bonds	-	4 970 006
Finance lease payments	(10 838)	-
Net cash used in financing activities	(158,604)	21 144 764
Net increase in cash and cash equivalents	747 722	744 888
Effect of exchange rate changes	43	(7 519)
Cash and cash equivalents at the beginning of the period	2 386 595	710 807
Cash and cash equivalents at the end of the period	3 134 360	1 448 176

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

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 *(in thousands of Roubles, if not stated otherwise)*

1. GENERAL INFORMATION

Public Joint Stock Company «Research and Production Corporation «United Wagon Company» (PJSC «RPC UWC» or the «Company») is incorporated and domiciled in Russian Federation on 16 December 2011 and is public joint stock company. Legal and actual address of the Company is - Moscow, 5 Stariy Tolmachevskiy per.

As at 30 June 2015 the Company is a holding entity for the group of companies (PJSC «RPC UWC» or the «Group») incorporated in British Virgin Islands («BVI»), Cyprus and Russia.

Principal activities of the Group are:

- Production of railway cars at the manufacturing facility located in the town of Tikhvin, Leningrad region, Russian Federation;
- Operating lease of the railway cars to transportation and manufacturing companies in Russia.

Before 2015 most of the railway cars, manufactured at the facility located in the town of Tikhvin, were used internally in the operating lease business unit. During the six months ended 30 June 2015 the Group increased sales of railway cars to third parties considerably making them the prevailing type of sales.

As at the reporting dates, the Company's shareholders' structure was as follows:

	30 June 2015	31 December 2014
Shareholders	Interest, %	Interest, %
United Wagon PLC	77.91%	100.00%
Other shareholders	22.09%	-

As at 30 June 2015 Alexander Nesis is the largest beneficiary shareholder.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 «*Interim financial reporting*».

These financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2014 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition

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 realization of assets and settlement of liabilities in the normal course of business.

For the six months ended 30 June 2015 and for the year ended 31 December 2014 the Group incurred losses before income tax.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in thousands of Rubles, if not stated otherwise)**

The Group continued its production activity in 2015. The volume of production for the first half of 2015 (5 897 railcars) was in line with the initially budgeted plans and significantly higher than is required by a covenant on TVSZ (the Group's subsidiary comprising the railcar manufacturing plant) credit facilities (5 000 railcars). Based on management forecasts, the minimum expected production volume in 2015 of TVSZ will amount to 12 000 railcars.

Management also plans to implement the following measures to improve its working capital position: maximization of prepayment terms with customers, work with suppliers on post payment basis, applying contracted deferred payments and use of factoring, renegotiation of bank loans repayment terms.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

The Group has adopted all of the new and revised International Financial Reporting Standards and Interpretations that are mandatory for adoption in annual periods beginning on 1 January 2015. The adoption did not have a material impact on the Group's consolidated financial statements.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS («IFRS»), IN ISSUE BUT YET NOT EFFECTIVE

At the date of authorization of these interim condensed consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective, and have not been early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
Amendments to IAS 1 " <i>Presentation of Financial Statements</i> " – Disclosure Initiative	1 January 2016
Amendments to IAS 16 " <i>Property, Plant and Equipment</i> " and IAS 38 " <i>Intangible Assets</i> " – Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 27 " <i>Separate Financial Statements</i> " (2011) – Equity Method in Separate Financial Statements	1 January 2016
IFRS 9 " <i>Financial Instruments</i> "	1 January 2018
Amendments to IFRS 10 " <i>Consolidated Financial Statements</i> " and IAS 28 " <i>Investments in Associates and Joint Ventures</i> " (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRS 10 " <i>Consolidated Financial Statements</i> ", IFRS 12 " <i>Disclosure of Interests in Other Entities</i> " and IAS 28 " <i>Investments in Associates and Joint Ventures</i> " (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to IFRS 11 " <i>Joint Arrangements</i> " – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14 " <i>Regulatory Deferral Accounts</i> "	1 January 2016
IFRS 15 " <i>Revenue from Contracts with Customers</i> "	1 January 2018
Annual Improvements 2012-2014 Cycle	1 January 2016

The Group is currently assessing the impact of the new standards on its consolidated financial statements and plans to adopt these pronouncements when they become effective or earlier if early application is permitted and it enhances fair presentation of the consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in thousands of Roubles, if not stated otherwise)**

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2014 prepared in accordance with IFRS, except for the following new significant judgment:

Classification of inventories and trade accounts payables of CJSC «TVSZ»

Before 2015 most of the railway cars, manufactured at the facility located in the town of Tikhvin, were used internally in the operating lease business unit. Consequently inventories of CJSC «TVSZ», represented by raw and other materials used for railcars production, were classified as construction-in-progress, and relevant trade accounts payable were presented as accounts payable for acquisition of property, plant and equipment.

In the first half of 2015 the Group increased sales of railway cars to third parties considerably making them the prevailing type of sales, and correspondingly reclassified inventories and trade accounts payable of CJSC «TVSZ» into operating activities.

6. SEGMENT INFORMATION

For management purposes the Group is divided into business units on the basis of goods manufactured and services rendered, and incorporates two reportable segments:

- The Production segment is involved in manufacturing and sale of freight railcars with improved technical and economic characteristics and fitted with innovative wheelsets;
- The Sales segment provides operating and finance lease of freight railcars.

The Group's principal business activities are within the Russian Federation. Other activities of the Group do not constitute a separate reportable segment and are included in the Other category.

Accounting principles of the reportable segments are consistent with the Group accounting policies described in Note 2. The management of the Group assesses performance of operating segments based on profit before tax, finance costs and income, foreign exchange differences, depreciation and amortization and impairment loss ("EBITDA"). Segment income is used by the chief operating decision maker for the purposes of resource allocation and evaluation of segment results.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

Segment information for the six months ended 30 June 2015 and 2014 is presented as follows:

	Production segment	Sales segment	Other	Total segments	Adjustments and eliminations	Consolidated
30 June 2015						
Revenue	15 015 234	2 194 945	3 610 950	20 821 129	(3 792 776)	17 028 353
including inter-segment revenue	1 858 264	407 469	1 439 203	3 704 937	(3 704 937)	-
Cost of sales, including:	(14 221 174)	(1 357 197)	(3 327 651)	(18 906 022)	3 449 944	(15 456 078)
- Raw materials	(9 619 775)	-	-	-	-	-
- Payroll and social funds	(1 910 875)	-	-	-	-	-
- Property tax	-	(321 853)	-	-	-	-
- Maintenance and repairs	-	(121 741)	-	-	-	-
- Depreciation and amortization	(1 726 489)	(860 053)	-	-	-	-
- Other	(964 035)	(53 550)	-	-	-	-
EBITDA	1 639 948	1 560 715	(153 602)	3 047 061	(280 361)	2 766 699
Finance income	8 769	976 116	2 219 156	3 204 241	(2 618 114)	585 927
Finance costs	(1 013 547)	(3 996 549)	(2 235 517)	(7 245 613)	2 619 474	(4 626 139)
Depreciation and amortization	(1 726 489)	(860 053)	(65 418)	(2 651 959)	215 389	(2 436 570)
Foreign exchange gain/(loss)	-	-	-	-	-	(1 584 576)
Loss before income tax						(5 294 659)
30 June 2014						
Revenue	10 568 167	1 961 793	963 996	13 493 956	(11 364 780)	2 129 176
including inter-segment revenue	10 456 359	172 541	276 739	10 905 640	(10 905 640)	-
Cost of sales, including:	(11 607 918)	(1 104 661)	(1 056 668)	(13 769 247)	12 342 047	(1 427 200)
- Raw materials	(7 679 653)	(296 070)	-	-	-	-
- Payroll and social funds	(1 747 777)	-	-	-	-	-
- Property tax	-	(108 792)	-	-	-	-
- Maintenance and repairs	-	(9 844)	-	-	-	-
- Depreciation and amortization	(1 507 901)	(655 581)	-	-	-	-
- Other	(672 587)	(34 373)	-	-	-	-
EBITDA	213 669	1 393 578	(271 632)	1 335 615	(471 761)	863 854
Finance income	4 940	326 052	702 135	1 033 128	(876 161)	156 967
Finance costs	(645 516)	(1 923 073)	(857 209)	(3 425 798)	830 322	(2 595 477)
Depreciation and amortization	(1 507 901)	(655 581)	(41 112)	(2 204 594)	1 494 144	(710 451)
Foreign exchange gain/(loss)	-	-	-	-	-	6 236
Loss before income tax						(2 278 870)

Breakdown of the Group's revenue by types of goods and services is presented in Note 18. In the first half of 2015, the key external customer of the Production segment was LLC NitroChemProm which accounted for 100% of the segment's external sales and the key external customer of the Sales segment was SUEK OJSC which accounted for approximately 40% of the segment's external sales.

Segment assets and liabilities are not disclosed, as this information is not provided to the chief operating decision maker.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

7. PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group continued construction of railcar-cisterns manufacturing facility in town of Tikhvin, expansion of current production and other capital projects. Total amount of capital investments in the reporting period was approximately RUB 4.9 billion. There were no material disposals of assets in the reporting period, except for reclassification of inventories of CJSC «TVSZ» (Note 5).

Information on capitalized borrowing costs and interest rates used for calculation is presented in Note 21. Information on property, plant and equipment pledged as collateral is also disclosed in Note 14.

8. INVENTORIES

Inventories were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Raw materials and components for railcars production	6 067 231	-
Finished goods	675 849	-
Other inventories	<u>180 773</u>	<u>266 972</u>
Total inventories	<u>6 923 853</u>	<u>266 972</u>

Material increase in inventories relates to reclassification of raw materials and components for railcars production (Note 5).

9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade accounts receivable	1 190 943	1 432 920
Receivables from sale of railcars to LLC «NitroChemProm»	7 097	6 094 610
Other accounts receivable	<u>77 745</u>	<u>81 002</u>
Total trade and other accounts receivable	<u>1 275 785</u>	<u>7 608 532</u>

Management determines the provision for impairment of receivables based on assessment of customers' credit quality, changes in industry trends, subsequent receipts and historical experience.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

10. PREPAYMENTS TO SUPPLIERS AND OTHER ASSETS

Prepayments to suppliers and other assets were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Prepayments to suppliers	769 433	353 671
Prepayments to customs	124 617	90 334
Prepaid expenses	226 143	197 832
Government grants receivable	-	35 441
Taxes receivable	18 237	28 096
Total prepayments to suppliers and other assets	<u>1 138 430</u>	<u>705 374</u>

11. LOANS RECEIVABLE

Loans receivable were as follows:

	<u>Currency</u>	<u>Interest rate, %</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Loans to related parties				
Re Test Cyprus LTD	USD	6.4%	180 796	104 742
Re Test LTD	USD	6.4%	2 570	2 027
United Wagon PLC	USD	6.4%	170 923	168 118
United Wagon PLC	USD	7%	203 375	11 133 877
Tikhvin Railway Engineering Test Center	RUB	7.5%	26 167	26 286
Test Centre Holding	USD	6.4%	24 604	24 019
Trade House Railway Casted Components	USD	6.4%	389 029	310 390
Loans to third parties				
Doland Business Limited	USD	3.5%	-	5 046 574
Doland Business Limited	RUB	10-12%	15 703 330	-
Doland Business Limited	RUB	0.5%	7 031	260
BLK-Proekt	RUB	10%	38 611	34 418
SZIPK	RUB	9%	32 981	31 590
NitroChemProm	RUB	9%	-	1 029 553
LLC Investros	RUB	6%	2 100	2 100
Other			441	246
Total loans receivable			<u>16 781 958</u>	<u>17 914 200</u>
Current			<u>15 989 305</u>	<u>16 255 261</u>
Non-current			<u>792 653</u>	<u>1 658 939</u>
Total loans receivable			<u>16 781 958</u>	<u>17 914 200</u>

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Current accounts in USD	1 240 855	10 599
Current accounts in RUB	1 520 970	490 467
Current accounts in EUR	46 666	6 505
Deposits in RUB	325 795	1 879 003
Cash in transit	74	21
Total cash and cash equivalents	<u>3 134 360</u>	<u>2 386 595</u>

In the first half of 2015 the Group was placing cash deposits “Overnight” on a regular basis in order to receive interest income. The range of interest rate on such deposits varies from 5% to 15,5%.

13. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

In April 2015 the Group made initial public offering of its shares on Moscow Stock Exchange, offering additionally issued 5 556 thousand shares for 3 888 358 thousand Roubles (based on the price of 700 Roubles per share with nominal value of share equal to 1 Rouble).

14. BORROWINGS

Borrowings were as follows:

	<u>Maturity</u>		<u>Interest rate (as at 30 June 2015)</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Secured borrowings, at amortized cost, including:					
<i>RUB-denominated</i>					
Sberbank	2015-2023	Fixed	10.2%-11%*	18 590 163	19 699 565
Bank Otkritie	2016	Floating	MosPrime 3m+4% 10,5%- key rate of CBR	9 332 774	9 238 192
Bank Otkritie	2020	Floating	+1,5%	498 606	-
Bank Otkritie	2022	Fixed	10,5%	232 095	-
Gazprombank	2022	Fixed	12.15%	2 250 363	2 290 783
Khanty-Mansiyskiy Bank Otkritie	2015	Fixed	13%-25.85%	1 953 745	1 515 380
Khanty-Mansiyskiy Bank Otkritie	2017-2020	Fixed	13.5%-26.1%	2 351 603	1 135 475
Rosnano	2016-2017	Fixed	14%	909 060	996 954
Eurasian Development Bank (EDB)	2015	Fixed	12%	1 663 414	3 010 000
VEB and EDB	2022	Fixed	11.8%	17 646 986	17 910 686
<i>EUR-denominated</i>					
Bank Otkritie	2022	Fixed	10%	5 028 620	5 642 481
Unsecured borrowings, at amortized cost, including:					
<i>USD-denominated</i>					
UWC PLC	2018	Fixed	6.5%	7 568	7 350
Total borrowings				<u>60 464 997</u>	<u>61 446 866</u>
Less current portion				<u>17 051 525</u>	<u>16 953 742</u>
Long-term borrowings				<u>43 413 472</u>	<u>44 493 124</u>

* From 18 August 2018 maximum rate will be - MosPrime 3m+6%

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

The schedule of repayments of long-term debt for the five years ending 30 June 2020 and thereafter is as follows:

Year ended 30 June	
2016	17 051 525
2017	5 002 909
2018	5 340 662
2019	5 060 895
2020	8 337 026
Thereafter	<u>19 671 980</u>
Total	<u><u>60 464 998</u></u>

Covenants

Under the terms of the above agreements, the Group is required to comply with a number of covenants and restrictions, including maintenance of certain financial ratios and other financial and non-financial conditions. Non-compliance with these covenants may result in negative consequences for the Group, including default declaration. As at 30 June 2015 the Group complied with these covenants.

15. BONDS

The bonds carrying value was as follows:

	<u>Due date</u>	<u>Effective interest rate</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Series 01	30.11.2016	CPI + 3%	15 000 000	15 000 000
Series BO 01	10.09.2019	CBR REPO + 3.5%	<u>10 142 709</u>	<u>12 891 700</u>
Total			<u><u>25 142 709</u></u>	<u><u>27 891 700</u></u>

At the end of the reporting period one of the company's subsidiaries held bonds for 4 857 291 thousand Roubles. These bonds were loaned to Doland Business Limited under securities loan agreement. Title to these securities was not transferred.

The amount of accrued interest at 30 June 2015 and 31 December 2014 is 858 201 thousand Roubles and 598 961 thousand Roubles respectively, and has been included as the short-term portion of the bonds in the interim condensed consolidated statement of financial position.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 *(in thousands of Roubles, if not stated otherwise)*

16. TRADE AND OTHER PAYABLES

Trade and other payables were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Payables for property, plant and equipment	902 556	5 842 041
Trade accounts payable	<u>6 918 851</u>	<u>515 535</u>
Total trade and other payables	<u>7 821 407</u>	<u>6 357 576</u>

Material change in payables for property, plant and equipment and trade accounts payable relates to change in classification of payables for acquisition of raw materials and components for railcars production (Note 5).

17. ADVANCES RECEIVED AND OTHER CURRENT LIABILITIES

Advances received and other current liabilities were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Advances from customers	1 089 445	381 843
Property tax and other taxes payable	979 562	562 311
Payroll and related accruals	437 731	351 972
Provisions and accrued expenses	<u>81 044</u>	<u>99 445</u>
Total advances received and other current liabilities	<u>2 587 782</u>	<u>1 395 571</u>

18. REVENUE

Revenue comprised the following:

	<u>Six months ended 30 June 2015</u>	<u>Six months ended 30 June 2014</u>
Sales of goods (railcars)	13 119 448	289 654
Rail-based cargo transportation services	2 061 861	214 609
Operating lease of railway cars	1 787 476	1 479 793
Other services	<u>59 568</u>	<u>145 120</u>
Total revenue	<u>17 028 353</u>	<u>2 129 176</u>

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

19. COST OF SALES

Cost of sales comprised the following:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Raw materials used in production	8 473 007	308 373
Depreciation and amortization	2 413 735	697 763
Payroll and social funds	1 665 043	67 941
Freight, transportation and maintenance service	1 069 027	156 905
Operating lease of railway cars	651 132	-
Property taxes	321 863	108 815
Insurance	5 009	3 497
Other	857 262	95 082
Total cost of sales	15 456 078	1 438 376

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprised the following:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Operating lease expense	356 428	73 434
Payroll and social funds	338 409	189 194
Other staff costs	90 259	42 273
Information, consulting and audit services	47 800	101 081
Depreciation and amortization	22 835	12 688
Transportation expenses related to railcars delivery to clients	99 038	-
Travel expenses	21 860	26 339
Advertising expenses	11 751	14 747
Loss on disposal of raw materials	31 930	9 438
Other	250 514	98 991
Total selling, general and administrative expenses	1 270 824	568 185

21. FINANCE COSTS

Finance costs comprised the following:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest expense on borrowings	5 647 338	3 180 853
Bank charges	98 486	191 958
Government grants	(863 123)	(596 789)
Less: amounts included in the cost of qualifying assets		
Capitalized interest expense	(258 897)	(227 248)
Capitalized government grants	2 335	46 701
Total of finance costs	4 626 139	2 595 475

The Group receives subsidies from the Ministry of Industry and Trade of the Russian Federation, granted within the state-run program on partial compensation of the interest payable on bank loans

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**
(in thousands of Roubles, if not stated otherwise)

used for modernization of the equipment to the extent that such equipment is compliant with certain requirements. From 2014 onwards the Group also receives subsidies for partial compensation of the interest payable on bank loans used for acquisition of innovative railcars.

22. INCOME TAX

During the reporting period, the income tax rates applicable to the entities of the Group were 20% for Russian companies and 12,5% for Cyprus companies. The Group companies registered in BVI were exempted from taxes. Effective income tax rates for the six months ended 30 June 2015 and 2014 were 5% and 15.5%, respectively.

The difference between theoretical and effective income tax rates is mainly due to exemption from taxation of foreign exchange gains and losses in foreign jurisdictions as well as generation of main loss by companies registered in BVI.

23. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties 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 or operational decisions, as defined by IAS 24 "Related Party Disclosures". 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 Group, in the ordinary course of business, enters into various transactions with related parties, such as sale and purchase of railcars spare parts, or financing and investing transactions.

The nature of the related party relationships for those related parties, with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2015 are the entities under common control with the Group, parent company and joint ventures.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (in thousands of Roubles, if not stated otherwise)

As at 30 June 2015 and 31 December 2014 the Group had the following balances with its related parties:

	30 June 2015	31 December 2014
Trade and other accounts receivable		
Parent company	23 411	-
Entities under common control	579 532	668 781
Prepayments for property, plant and equipment		
Entities under common control	3 638	103 868
Loans receivable		
Parent company	374 298	11 301 995
Entities under common control	623 168	467 718
Prepayments		
Entities under common control	68 953	11 136
TOTAL ASSETS	1 673 000	12 553 498
Borrowings		
Parent company	7 568	7 349
Trade and other payables		
Parent company	-	189
Entities under common control	914 283	748 660
Advances received		
Entities under common control	-	-
TOTAL LIABILITIES	921 851	756 198

For the six months ended 30 June 2015 and 2014 the Group's transactions with its related parties were as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Sales of railcars and raw materials		
Entities under common control	89 862	149 085
Sales of energy		
Entities under common control	426	32 529
Income from consulting activities		
Joint venture	11 087	8 326
Entities under common control	86	45
Purchase of raw materials		
Entities under common control	342 850	338 267
Operating lease expenses		
Entities under common control	40	20 023
Cost of sales - other		
Entities under common control	97 146	52 143
Interest income		
Parent company	218 526	120 012
Entities under common control	6 204	564
Interest expenses		
Parent company	220	114 887
Foreign exchange gain		
Parent company	34 402	1 438

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in thousands of Roubles, if not stated otherwise)**

Compensation to key management personnel

Compensation to key management personnel for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results. The total amount of the Groups' key management personnel compensation accrued for the six months ended 30 June 2015 was 41 348 thousand Roubles (30 June 2014: 23 172 thousand Roubles), including social funds expenses of 7 961 thousand Roubles (30 June 2014: 4 341 thousand Roubles).

24. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

As at 30 June 2015 the Group had contractual capital expenditure commitments in respect of property, plant and equipment totaling 82 636 thousand Roubles (31 December 2014: 1 036 789 thousand Roubles).

Operating lease

The Group as lessor

Operating leases relate to the railcars owned by the Group with lease terms of between 5 to 10 years, with an option to extend at the discretion of the lessee. All operating lease contracts contain market review clauses in the event of changes in market conditions. The lease contracts do not contain step up rent increases during the lease period. The lessee does not have an option to purchase the railcar at the expiry of the lease period.

Non-cancellable operating lease receivables are presented as follows:

	30 June 2015	31 December 2014
Not later than 1 year	3 143 234	3 550 120
Later than 1 year and not longer than 5 years	9 268 850	10 654 131
Later than 5 years	3 472 503	3 479 508
	15 884 587	17 683 759

Operating environment

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in thousands of Roubles, if not stated otherwise)**

Economic situation in Russia is more stable in 2015, however circumstances mentioned above inhibited access of national business to foreign capital markets, led to inflation increase and slowdown in economic growth and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Taxation

Commercial legislation of Russia, including tax legislation, is subject to varying interpretations and frequent changes. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider a transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayer has obstructed or hindered a tax inspection.

Management believes that it has accrued for all taxes that are applicable based on its interpretations of the tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. The management also estimates the maximum exposure to tax risks, estimated as less than probable but more than remote, and believes that the amount of such risk is significant only for income tax and will not exceed the amount of unrecognized deferred tax assets for losses of previous periods. No provisions were recorded with respect to these tax risks. Management continues to monitor closely any developments related to tax risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of such matters will not have a material impact on the Group's financial position or operating results.

Environmental issues

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. The Group undertook monitoring of the environment at the construction site and within the limits of its impact on the natural environment at an environmental survey stage. No adverse impact of the dump operations on the environment has been found.

PJSC «RPC UWC»

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 *(in thousands of Roubles, if not stated otherwise)*

25. EVENTS AFTER THE REPORTING DATE

On 17 August 2015 the Group signed a new amendment to the agreement with Sberbank with restructuring of repayment schedule under the Loan agreement РЕЙЛ1520 №1968.

No other material events occurred after the reporting date.