

# **OPEN JOINT STOCK COMPANY TRANSCONTAINER**

**Interim Condensed Consolidated  
Financial Information**

For the Three-Month Period Ended 31 March 2012

# OJSC TRANSCONTAINER

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of OJSC TransContainer (the "Company"), its joint ventures and subsidiaries (the "Group") as at 31 March 2012 and the results of its operations, cash flows and changes in equity for the three-month period then ended, in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

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

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

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the 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 for the three-month period ended 31 March 2012 was approved on 25 June 2012 by:



**P. V. Baskakov**  
General Director

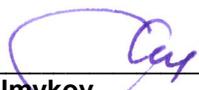


**K. S. Kalmykov**  
Chief Accountant

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

	Notes	31 March 2012	31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	28,828	29,216
Advances for acquisition of non-current assets	3	2,130	2,205
Trade receivables	6	652	728
Intangible assets other than goodwill	4	589	653
Goodwill		216	216
Investments in associates	5	40	55
Other non-current assets		96	103
Deferred tax asset		4	4
<b>Total non-current assets</b>		<b>32,555</b>	<b>33,180</b>
<b>Current assets</b>			
Inventory		275	278
Trade and other receivables	6	1,353	1,152
Prepayments and other current assets	7	2,891	3,702
Prepaid income tax		132	193
Short-term investments	8	547	941
Cash and cash equivalents	9	3,836	2,300
<b>Total current assets</b>		<b>9,034</b>	<b>8,566</b>
<b>TOTAL ASSETS</b>		<b>41,589</b>	<b>41,746</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	13,895	13,895
Treasury shares	14	(514)	(514)
Reserve fund		304	304
Translation reserve		14	193
Equity-settled employee benefits reserve	14	177	148
Other reserves		(2,221)	(2,221)
Retained earnings		12,363	11,161
<b>Total equity attributable to equity holders of the parent</b>		<b>24,018</b>	<b>22,966</b>
Non-controlling interest		882	962
<b>Total equity</b>		<b>24,900</b>	<b>23,928</b>
<b>Non-current liabilities</b>			
Long-term debt	11	5,232	8,301
Finance lease obligations, net of current maturities	12	10	15
Employee benefit liability	13	1,021	990
Deferred tax liability		1,682	1,742
Deferred income		-	1
<b>Total non-current liabilities</b>		<b>7,945</b>	<b>11,049</b>
<b>Current liabilities</b>			
Trade and other payables	15	3,613	4,593
Short-term debt	11	3,532	553
Income tax payable		193	134
Taxes other than income tax payable	16	309	303
Provisions		5	5
Finance lease obligations, current maturities	12	414	479
Accrued and other current liabilities	17	666	689
Deferred income		12	13
<b>Total current liabilities</b>		<b>8,744</b>	<b>6,769</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,589</b>	<b>41,746</b>

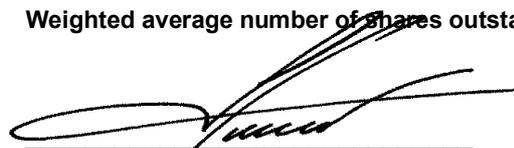
  
**P. V. Baskakov**  
 General Director

  
**K. S. Kalmykov**  
 Chief Accountant

25 June 2012

**OJSC TRANSCONTAINER**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

	Notes	<u>2012</u>	<u>2011</u>
Revenue	18	8,534 145	6,402 61
Other operating income			
Operating expenses	19	<u>(6,828)</u>	<u>(5,522)</u>
<b>Operating income</b>		<b>1,851</b>	<b>941</b>
Interest expense	20	(215)	(178)
Interest income		42	9
Foreign exchange loss, net		(128)	(9)
Share of result of associates	5	<u>(12)</u>	<u>(14)</u>
<b>Profit before income tax</b>		<b>1,538</b>	<b>749</b>
Income tax expense	21	<u>(336)</u>	<u>(163)</u>
<b>Profit for the period</b>		<b><u>1,202</u></b>	<b><u>586</u></b>
<b>Attributable to:</b>			
Equity holders of the parent		1,202	582
Non-controlling interest		-	4
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		<u>(259)</u>	<u>(29)</u>
<b>Total comprehensive income for the period</b>		<b><u>943</u></b>	<b><u>557</u></b>
<b>Attributable to:</b>			
Equity holders of the parent		1,023	562
Non-controlling interest		(80)	(5)
<b>Earnings per share, basic and diluted (Russian Roubles)</b>		<b><u>87</u></b>	<b><u>42</u></b>
<b>Weighted average number of shares outstanding</b>		<b><u>13,818,749</u></b>	<b><u>13,894,778</u></b>



**P. V. Baskakov**  
General Director

25 June 2012



**K. S. Kalmykov**  
Chief Accountant

**OJSC TRANSCONTAINER**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles)*

	Notes	2012	2011
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>1,538</b>	<b>749</b>
Adjustments for:			
Depreciation and amortisation	19	681	580
Change in provision for impairment of receivables	19	(15)	64
Loss/(gain) on disposal of property, plant and equipment	19	3	(12)
Share of result of associates	5	12	14
Interest expense, net		173	169
Equity-settled employee benefits reserve	14	29	-
Foreign exchange loss, net		128	9
Other non-cash operating costs		38	3
<b>Operating profit before working capital changes</b>		<b>2,587</b>	<b>1,576</b>
Decrease in inventory		25	59
Increase in trade and other receivables		(181)	(306)
Decrease in prepayments and other current assets		739	345
Decrease in trade and other payables		(861)	(204)
Increase in taxes other than income tax		7	30
(Decrease)/increase in accrued expenses and other current liabilities		(18)	160
Increase/(decrease) in employee benefit liabilities	13	31	(15)
<b>Net cash from operating activities before income tax</b>		<b>2,329</b>	<b>1,645</b>
Interest paid		(212)	(191)
Income tax paid		(239)	(151)
<b>Net cash provided by operating activities</b>		<b>1,878</b>	<b>1,303</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(601)	(618)
Proceeds from disposal of property, plant and equipment		1	-
Acquisition of subsidiary, net of cash acquired of RUR 304 million		-	(1,197)
Sale of short-term investments		902	-
Purchases of long-term investments		-	(39)
Purchases of short-term investments		(507)	(59)
Purchases of intangible assets		(5)	-
Interest received		39	9
<b>Net cash used in investing activities</b>		<b>(171)</b>	<b>(1,904)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term borrowings		-	1,483
Repayments of finance lease obligations		(68)	(74)
Principal payments on long-term borrowings		(2)	-
<b>Net cash provided by financing activities</b>		<b>(70)</b>	<b>1,409</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,637</b>	<b>808</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>2,300</b>	<b>1,291</b>
Foreign exchange effect on cash and cash equivalents		(101)	(70)
<b>Net cash and cash equivalents at end of the period</b>		<b>3,836</b>	<b>2,029</b>

  
**P. V. Baskafov**  
 General Director

  
**K. S. Kalmykov**  
 Chief Accountant

25 June 2012

# 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
<b>Balance at 1 January 2011</b>		<b>13,895</b>	-	<b>284</b>	<b>7</b>	-	<b>(2,221)</b>	<b>7,411</b>	<b>19,376</b>	-	<b>19,376</b>
Profit for the period		-	-	-	-	-	-	582	582	4	586
Other comprehensive income for the period		-	-	-	(20)	-	-	-	(20)	(9)	(29)
<b>Total comprehensive income for the period</b>		-	-	-	<b>(20)</b>	-	-	<b>582</b>	<b>562</b>	<b>(5)</b>	<b>557</b>
Acquisition of subsidiary		-	-	-	-	-	-	-	-	856	856
<b>Balance at 31 March 2011</b>		<b>13,895</b>	-	<b>284</b>	<b>(13)</b>	-	<b>(2,221)</b>	<b>7,993</b>	<b>19,938</b>	<b>851</b>	<b>20,789</b>
Profit for the period		-	-	-	-	-	-	3,228	3,228	29	3,257
Other comprehensive income for the period		-	-	-	206	-	-	-	206	95	301
<b>Total comprehensive income for the period</b>		-	-	-	<b>206</b>	-	-	<b>3,228</b>	<b>3,434</b>	<b>124</b>	<b>3,558</b>
Acquisition of treasury shares		-	(514)	-	-	-	-	-	(514)	-	(514)
Equity-settled employee benefits reserve		-	-	-	-	148	-	-	148	-	148
Dividends		-	-	-	-	-	-	(40)	(40)	(13)	(53)
Transfer to reserve fund		-	-	20	-	-	-	(20)	-	-	-
<b>Balance at 31 December 2011</b>		<b>13,895</b>	<b>(514)</b>	<b>304</b>	<b>193</b>	<b>148</b>	<b>(2,221)</b>	<b>11,161</b>	<b>22,966</b>	<b>962</b>	<b>23,928</b>
Profit for the period		-	-	-	-	-	-	1,202	1,202	-	1,202
Other comprehensive income for the period		-	-	-	(179)	-	-	-	(179)	(80)	(259)
<b>Total comprehensive income for the period</b>		-	-	-	<b>(179)</b>	-	-	<b>1,202</b>	<b>1,023</b>	<b>(80)</b>	<b>943</b>
Equity-settled employee benefits reserve	14	-	-	-	-	29	-	-	29	-	29
<b>Balance at 31 March 2012</b>		<b>13,895</b>	<b>(514)</b>	<b>304</b>	<b>14</b>	<b>177</b>	<b>(2,221)</b>	<b>12,363</b>	<b>24,018</b>	<b>882</b>	<b>24,900</b>

  
P. V. Baskaikov  
General Director

  
K. S. Kalmykov  
Chief Accountant

25 June 2012

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (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 31 March 2012, the Company operated 17 branches in Russia. The Company’s registered address is 12 Novoryazanskaya Street, Moscow, 107228, Russian Federation. Its principal place of business is 19 Oruzheiny pereulok, Moscow, 125047, Russian Federation.

The Company has ownership in the following entities:

Name of Entity	Type	Country	Activity	% interest held		% voting rights	
				31 March 2012	31 December 2011	31 March 2011	31 December 2011
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	Investment activity	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
Far East Land Bridge Ltd.	Associate	Cyprus	Container shipments	10	10	25	25
LLC Prostor Invest Group (Note 14)	Subsidiary	Russia	Share option programme operator	100	100	100	100
JSC Kedentransservice	Subsidiary	Kazakhstan	Handling	67	67	67	67
Helme's Development Company Ltd.	Subsidiary	British Virgin Isles	Investment activity	100	100	100	100
Helme's Operation UK Limited	Subsidiary	Great Britain	Investment activity	100	100	100	100
Logistic Investment SARL	Subsidiary	Luxemburg	Investment activity	100	100	100	100
Logistic System Management B.V.	Subsidiary	Netherlands	Investment activity	100	100	100	100

The interim condensed consolidated financial information of OJSC TransContainer, its subsidiaries and its joint ventures (the “Group”) as at 31 March 2012 and for the three-month period then ended was authorized for issue by the General Director of the Company on 25 June 2012.

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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

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

The consolidated statement of financial position as at 31 December 2011, 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 2011. 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 2011 and for the year then ended, as described in those annual consolidated financial statements.

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

**Estimates** – The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

1) In case the Company provides integrated freight forwarding and logistic services the customers do not interact with other transportation organisations. A full service is charged by the Company 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 Company 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 Company bears the credit risk and controls the flow of receipts and payments and is independent in its own pricing policy.

Management believes that the Company acts as a principal in these arrangements and the Company 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 2,081m for the three-month period ended 31 March 2012 (RUR 1,998m for the three-month period ended 31 March 2011).

2) In cases where Rail-based container shipping services are provided, the Company agrees with the customer the transport fee as above, excluding the railroad tariff which is paid by the Company and re 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 2011, with the exception of changes in estimates that are required in determining the provision for income taxes (see above).

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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

**Seasonality** – The business of the Group is subject to significant 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. To mitigate the impact of seasonal swings, during the low season, the Group offers its clients favourable tariffs and seeks to schedule flatcars and containers maintenance and repair. In accordance with IFRS, revenue and the related expenses are recognized in the period in which they are realized 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 2011, 21% of revenues accumulated in the first quarter of the year, with 79% accumulating in the subsequent three quarters.

**3. PROPERTY, PLANT AND EQUIPMENT**

	<u>Land, buildings and constructions</u>	<u>Locomotives, containers and flatcars</u>	<u>Cranes and loaders</u>	<u>Vehicles and other equipment</u>	<u>Construction in-progress</u>	<u>Total</u>
<b>Cost</b>						
<b>1 January 2011</b>	<b>4,896</b>	<b>24,425</b>	<b>1,290</b>	<b>1,924</b>	<b>1,332</b>	<b>33,867</b>
Additions	-	131	46	-	63	240
Acquisition through business combination	1,448	396	132	334	26	2,336
Transfers	316	15	59	109	(499)	-
Disposals	(26)	(137)	-	(8)	(2)	(173)
Exchange difference	(15)	(4)	(2)	(3)	-	(24)
<b>31 March 2011</b>	<b>6,619</b>	<b>24,826</b>	<b>1,525</b>	<b>2,356</b>	<b>920</b>	<b>36,246</b>
<b>Accumulated depreciation</b>						
<b>1 January 2011</b>	<b>(1,146)</b>	<b>(5,447)</b>	<b>(673)</b>	<b>(954)</b>	<b>(3)</b>	<b>(8,223)</b>
Depreciation charge	(64)	(384)	(29)	(83)	-	(560)
Disposals	-	112	-	2	-	114
<b>31 March 2011</b>	<b>(1,210)</b>	<b>(5,719)</b>	<b>(702)</b>	<b>(1,035)</b>	<b>(3)</b>	<b>(8,669)</b>
<b>Cost</b>						
<b>1 January 2012</b>	<b>7,332</b>	<b>27,027</b>	<b>1,515</b>	<b>2,627</b>	<b>941</b>	<b>39,442</b>
Additions	-	367	11	74	53	505
Transfers	-	176	-	1	(177)	-
Capitalised borrowing costs	-	-	-	-	10	10
Disposals	-	(98)	-	(11)	-	(109)
Exchange difference	(148)	(37)	(16)	(36)	(3)	(240)
<b>31 March 2012</b>	<b>7,184</b>	<b>27,435</b>	<b>1,510</b>	<b>2,655</b>	<b>824</b>	<b>39,608</b>
<b>Accumulated depreciation</b>						
<b>1 January 2012</b>	<b>(1,447)</b>	<b>(6,775)</b>	<b>(770)</b>	<b>(1,230)</b>	<b>(4)</b>	<b>(10,226)</b>
Depreciation charge	(94)	(422)	(52)	(94)	-	(662)
Disposals	-	71	-	10	-	81
Exchange difference	9	10	3	5	-	27
<b>31 March 2012</b>	<b>(1,532)</b>	<b>(7,116)</b>	<b>(819)</b>	<b>(1,309)</b>	<b>(4)</b>	<b>(10,780)</b>
<b>Net book value</b>						
<b>1 January 2012</b>	<b>5,885</b>	<b>20,252</b>	<b>745</b>	<b>1,397</b>	<b>937</b>	<b>29,216</b>
<b>31 March 2012</b>	<b>5,652</b>	<b>20,319</b>	<b>691</b>	<b>1,346</b>	<b>820</b>	<b>28,828</b>

**OJSC TRANSCONTAINER**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (UNAUDITED)**  
*(Amounts in millions of Russian Roubles, unless otherwise stated below)*

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**3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Included under Land, buildings and constructions are the amounts of RUR 690m and RUR 744m, which represent the value of land plots owned by the Group as at 31 March 2012 and 31 December 2011, respectively.

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries in the gross carrying amount of RUR 1,012m and RUR 1,011m as at 31 March 2012 and 31 December 2011, respectively.

Construction in-progress as at 31 March 2012 consisted mainly of the capital expenditures incurred for the expansion, reconstructions and maintenance of container terminals in Novosibirsk, Krasnoyarsk and Moscow region amounting to RUR 449m, RUR 131m and RUR 60m, respectively.

As at 31 March 2012, property, plant and equipment include interest expenses on bonds and other related proceeds from borrowed funds in connection with the construction of property, plant and equipment items. The total amount of interest capitalised for the three-month period ended 31 March 2012 was RUR 10m at a rate of capitalisation of 9.68% and RUR 43m for the year ended 31 December 2011 at a rate of capitalisation of 9.84%.

Leased assets as at 31 March 2012 and 31 December 2011, for which the Group is a lessee under finance leases, comprised the following:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Cost	1,757	1,759
Accumulated depreciation	<u>(422)</u>	<u>(398)</u>
<b>Net book value</b>	<b><u>1,335</u></b>	<b><u>1,361</u></b>

See Note 12 for further details regarding finance leases.

*Advance for acquisition of non-current assets*

As at 31 March 2012 and 31 December 2011, advances for the acquisition of non-current assets consisted of: 1) security deposits paid in accordance with a preliminary purchase-and-sale agreement with LLC Ladya River for the acquisition of premises in a Moscow office building (RUR 1,942m and RUR 1,642m, respectively), 2) advances for the acquisition of rolling stock (RUR 1m and RUR 140m, respectively), and 3) advances for the acquisition of other PPE (RUR 178m and RUR 123m, respectively).

Under the preliminary purchase-and-sale agreement for acquisition of premises with LLC Ladya River, the security deposits should be returned to the Company after the signing of the principal purchase-and-sale agreement for acquisition of premises, or if the preliminary purchase-and-sale agreement is cancelled. As the principal purchase-and-sale agreement will stipulate advance payment for acquisition of premises in an amount equalling the security deposits, the security deposits are classified as an advances for the acquisition of non-current assets. The Company expects to enter into the principal purchase-and-sale agreement in 2012.

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**4. INTANGIBLE ASSETS OTHER THAN GOODWILL**

	<u>Lease agreements</u>	<u>Software</u>	<u>Patents</u>	<u>Licenses</u>	<u>Total</u>
<b>Cost</b>					
<b>1 January 2011</b>	-	151	-	-	151
Additions	-	-	-	3	3
Acquisition through business combination	545	-	-	-	545
Exchange difference	(4)	-	-	-	(4)
<b>31 March 2011</b>	<b>541</b>	<b>151</b>	<b>-</b>	<b>3</b>	<b>695</b>
<b>Accumulated amortisation</b>					
<b>1 January 2011</b>	-	(66)	-	-	(66)
Amortisation charge	(6)	(10)	-	(2)	(18)
Exchange difference	2	-	-	-	2
<b>31 March 2011</b>	<b>(4)</b>	<b>(76)</b>	<b>-</b>	<b>(2)</b>	<b>(82)</b>
<b>Cost</b>					
<b>1 January 2012</b>	<b>618</b>	<b>177</b>	<b>1</b>	<b>-</b>	<b>796</b>
Additions	-	-	-	-	-
Disposals	-	(30)	-	-	(30)
Exchange difference	(49)	-	-	-	(49)
<b>31 March 2012</b>	<b>569</b>	<b>147</b>	<b>1</b>	<b>-</b>	<b>717</b>
<b>Accumulated amortisation</b>					
<b>1 January 2012</b>	<b>(39)</b>	<b>(104)</b>	<b>-</b>	<b>-</b>	<b>(143)</b>
Disposals	-	30	-	-	30
Amortisation charge	(10)	(6)	(1)	-	(17)
Exchange difference	3	-	-	-	3
<b>31 March 2012</b>	<b>(46)</b>	<b>(81)</b>	<b>(1)</b>	<b>-</b>	<b>(128)</b>
<b>Net book value</b>					
<b>1 January 2012</b>	<b>579</b>	<b>73</b>	<b>1</b>	<b>-</b>	<b>653</b>
<b>31 March 2012</b>	<b>523</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>589</b>

JSC Kedentransservice entered into five lease agreements dated 1 January 2011 according to which the lessor is KTZ, the second shareholder of Kedentransservice. According to these agreements the Company leases five loading platforms at Dostyk Station.

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

Thus, according to IFRS 3 the five lease agreements with KTZ as at the date of acquisition of JSC Kedentransservice have been identified as intangible asset as these agreements bring the Company an additional benefit. As at 31 March 2012 the carrying value of intangible asset under lease arrangements amounted to RUR 523m.

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**5. INVESTMENTS IN ASSOCIATES**

Name of Entity	Investment		Share in the profit / (loss)	
	31 March 2012	31 December 2011	2012	2011
Far East Land Bridge Ltd.	32	47	(12)	(15)
Trans-Eurasia Logistics GmbH	8	8	-	1
<b>Total</b>	<b>40</b>	<b>55</b>	<b>(12)</b>	<b>(14)</b>

In June 2008 the Group acquired 20% share in the associate Trans-Eurasia Logistics GmbH (Note 1). This entity was formed in order to arrange the rail-based container traffic between Western Europe and Russia. The associate transactions were immaterial as at 31 March 2012 and for the period then ended.

The Group acquired 10% interest in Far East Land Bridge (FELB) during 2010 in order to facilitate the expansion of its operations into European markets (Note 1). The Group has significant influence on FELB through 25% of votes in the Board of Directors. The transactions of this associate were immaterial as at 31 March 2012 and for the period then ended, except for services provided to FELB in the amount of RUR 74m and accounts payable to the Company in the amount of RUR 811m.

**6. TRADE AND OTHER RECEIVABLES**

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
<b>31 March 2012</b>			
Trade receivables	1,404	(135)	1,269
Other receivables	99	(15)	84
<b>Total trade and other receivables</b>	<b>1,503</b>	<b>(150)</b>	<b>1,353</b>
<b>31 December 2011</b>			
Trade receivables	1,221	(157)	1,064
Other receivables	104	(16)	88
<b>Total trade and other receivables</b>	<b>1,325</b>	<b>(173)</b>	<b>1,152</b>

The Group has conducted the restructuring of the accounts receivable of FELB for the period of three years. As at 31 March 2012 and 31 December 2011 the fair value of impaired long-term trade accounts receivable of FELB amounted to RUR 652m and RUR 728m respectively. During the three-month period ended 31 March 2012 trade receivables in the amount of RUR 76m was reclassified in short-term trade receivables. Discounting rate of 7.9% has been used for the fair value determination.

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

<b>Balance as at 1 January 2011</b>	<b>(84)</b>
Additional provision, recognised in the period	(64)
Acquisition of Kedentransservice	(104)
Exchange differences on translating foreign operations	7
<b>Balance as at 31 March 2011</b>	<b>(245)</b>
Additional provision, recognised in the current period	(73)
Release of provision	21
Utilisation of provision	31
Exchange differences on translating foreign operations	(17)
<b>Balance as at 31 December 2011</b>	<b>(283)</b>
Release of provision	15
Exchange differences on translating foreign operations	12
<b>Balance as at 31 March 2012</b>	<b>(256)</b>

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

As at 31 March 2012 and 31 December 2011 provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 157m and RUR 181m respectively), advances to suppliers (RUR 77m and RUR 81m respectively), advances for acquisition of non-current assets (RUR 21m and RUR 21m respectively).

**7. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
VAT receivable	1,286	1,255
Advances to suppliers	1,430	2,216
Other current assets	175	231
<b>Total prepayments and other current assets</b>	<b>2,891</b>	<b>3,702</b>

**8. SHORT-TERM INVESTMENTS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Russian Rouble denominated bank deposits	507	811
Foreign currency denominated bank deposits	40	130
<b>Total short-term investments</b>	<b>547</b>	<b>941</b>

As at 31 March 2012 short-term investments of the Company are presented by following investments in the Russian banks with an initial maturity over three months, but less than one year:

- Russian Rouble-denominated short-term bank deposit in the amount of RUR 250m bearing interest at annual rate of 8.5% in JSC TransCreditBank, a related party (Note 22). The deposit matured on 30 July 2012. The amount of accrued interest is RUR 3m 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 annual rate of 8.85% in OJSC Gazprombank, a related party (Note 22). The deposit matured on 4 February 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.

Also as at 31 March 2012 short-term investments of the Company are presented by Kazakh Tenge-denominated short-term bank deposit in SB JSC Sberbank in the amount of KZT 200m (RUR 40m respectively at the Central Bank of Russia exchange rate as at 31 March 2012) bearing interest at annual rate of 4.5% in SB JSC Sberbank. The deposit matured on 3 December 2012.

**9. CASH AND CASH EQUIVALENTS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Cash and Russian Rouble denominated current accounts with banks	1,149	248
Foreign currency denominated current accounts with banks	649	718
Russian Rouble denominated bank deposits	1,822	1,334
Foreign currency denominated bank deposits	216	-
<b>Total cash and cash equivalents</b>	<b>3,836</b>	<b>2,300</b>

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**9. CASH AND CASH EQUIVALENTS (CONTINUED)**

The terms of Russian Rouble-denominated short-term bank deposits vary from nine days to three months, depending on the Company's immediate cash requirements. Five Russian Rouble-denominated short-term bank deposits in the amount of RUR 350m, 450m, 300m, 350m and 350m, bearing interest at annual rates of 6.06%, 8%, 8.1%, 7.75% and 7.25% respectively, were placed with JSC TransCreditBank, a related party, as at 31 March 2012 (Note 22). The amount of accrued interest amounted to RUR 2m, 7m, 4m, 2m and 0.3m, respectively. The deposits matured on 2 April 2012, 22 April 2012, 1 May 2012, 28 May 2012 and 25 June 2012 respectively.

Also Kazakh Tenge-denominated short-term bank deposit in the amount of KZT 887m (RUR 176m at the Central Bank of Russia exchange rate as at 31 March 2012), bearing interest at annual rate of 0.5%, was placed with SB JSC Sberbank, as at 31 March 2012. This deposit was matured on 31 March 2012 and has been redeemed on 2 April 2012.

Also two Kazakh Tenge-denominated short-term bank deposits in the amount of KZT 35m and KZT 200m (RUR 7m and RUR 40m respectively at the Central Bank of Russia exchange rate as at 31 March 2012) bearing interest at annual rate of 4% and 0.85% respectively were placed with JSC ATFBank, as at 31 March 2012. These deposits are matured on 2 April 2012 and 5 April 2012 respectively.

**10. EQUITY**

***Share Capital***

As at 31 March 2012, the Company's authorized and issued share capital as well as its shareholder structure has not changed since 31 December 2011.

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

***Long-term debt***

	<u>Effective interest rate</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
Bonds	8.8%	2,982	5,978
Bank loans	9.75-9.5%	2,250	2,323
<b>Total</b>		<b><u>5,232</u></b>	<b><u>8,301</u></b>

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

The Group obtained loans from OJSC Alfa Bank for the total amount of RUR 1,822m during the year ended 31 December 2011 to finance the acquisition of JSC Kedentransservice. The amount of accrued interest is RUR 2m, and has been included as short-term debt in the interim condensed consolidated statement of financial position. The loans mature in seven years. As at 31 March 2012 the total amount of loans was RUR 1,751m.

As in February 2013 the part of loan of OJSC Alfa Bank will be repaid in the amount of RUR 71m this amount has been included as short-term debt in the interim condensed consolidated statement of financial position as at 31 March 2012.

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 14). The loan matures in five years. As at 31 March 2012 the amount of loan was RUR 499m.

***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.

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

The series 2 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

The carrying value of the bonds as at 31 March 2012 amounted to RUR 2,982m (RUR 2,978m at 31 December 2011). The amount of accrued interest is RUR 84m (RUR 21m at 31 December 2011), and has been included as short-term debt in the interim condensed consolidated statement of financial position.

**Short-term debt**

	<u>Effective interest rate</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
Bonds	9.5-8.9 %	3,375	371
Short-term portion of long-term bonds	-	84	117
Sale and repurchase agreements	-	-	63
Short-term portion of long-term bank loans	9.5%	<u>73</u>	<u>2</u>
<b>Total</b>		<b><u>3,532</u></b>	<b><u>553</u></b>

Short-term borrowings of the Group denominated in:

	<u>31 March 2012</u>	<u>31 December 2011</u>
- Kazakh Tenge	350	371
- Russian Roubles	3,182	119
- US Dollars	<u>-</u>	<u>63</u>
<b>Total</b>	<b><u>3,532</u></b>	<b><u>553</u></b>

**Five-year RUR bonds, series 1** – On 4 March 2008, 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. The coupon rate for the year ended 31 March 2012 is 9.5% per annum (9.5% per annum for the year ended 31 December 2011).

As these bonds will mature in February 2013 they are classified as short-term debt as at 31 March 2012.

The carrying value of the bonds as at 31 March 2012 amounted to RUR 3,000m (RUR 3,000m at 31 December 2011). The amount of accrued interest is RUR 25m (RUR 96m at 31 December 2011), and has been included as short-term debt in the consolidated statement of financial position.

Due to the acquisition of the subsidiary, the Group accepted obligations on bonds issued on 3 March 2006 amounting to 1,694,320 coupon bonds at a par value of Kazakh Tenge (KZT) 1,000 each without any security. As at 31 March 2012 the carrying value of the bonds amounted to RUR 333m and the amount of accrued interest was RUR 17m. The weighted average coupon rate for the three-month period ended 31 March 2012 is 10.3% per annum.

The bonds were redeemed on 3 April 2012 and were included as short-term liabilities in the consolidated statement of financial position as at the reporting date.

As at 31 March 2012 the Group redeemed financial obligation under the repurchase of previously sold shares for the amount of RUR 63m in accordance with repurchase agreements between LLC Prostor Invest Group and CJSC Investment company Troika Dialog (Note 14).

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**12. FINANCE LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
Due within one year	446	534	414	479
Due after one year but not more than five years	12	17	10	15
Due within one year	458	551	424	494
Due after one year but not more than five years	(34)	(57)	-	-
<b>Present value of minimum lease payments</b>	<b>424</b>	<b>494</b>	<b>424</b>	<b>494</b>

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.

**13. EMPLOYEE BENEFIT LIABILITY**

*Defined contribution plans*

The total amount recognized as an expense in respect of payments to defined contribution plans for the three-month periods ended 31 March 2012 and 2011 consisted of the following:

	2012	2011
Pension Fund of the Russian Federation	143	142
Defined contribution plan "Blagosostoyanie"	3	3
<b>Total expense for defined contribution plans</b>	<b>146</b>	<b>145</b>

*Defined benefit plans*

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2011 by an independent actuary. The present value of the defined benefit obligations, and related current service costs and past service cost, were measured using the projected unit credit method. The Group determined employee benefit liabilities as at 31 March 2012 and related costs for the three-month period then ended by means of making adjustments to the amounts as at 31 December 2011 to reflect significant changes in the number of plan participants, level of salary and other significant events.

The amounts recognized in the interim condensed consolidated statement of comprehensive income for the three-month periods ended 31 March 2012 and 2011 in respect of these defined benefit plans, which are included in Payroll and related charges, are as follows:

	2012	2011
Current service cost	36	10
Interest on obligation	22	14
Expected return on plan assets	(1)	(1)
Actuarial gains recognized during the period	(3)	(12)
Past service cost	1	1
<b>Net expense recognized in the consolidated profit or loss</b>	<b>55</b>	<b>12</b>

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

The amounts recognised in Statement of financial position as at 31 March 2012 and 31 December 2011 in respect of these defined benefit plans are as follows:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Present value of funded defined benefit obligation	1,072	1,042
Fair value of plan assets	(47)	(47)
Surplus	1,025	995
Unrecognised past service cost	(4)	(5)
<b>Net employee benefit liability</b>	<b>1,021</b>	<b>990</b>

The principal assumptions used in computation of the Group's defined benefit obligation as at 31 March 2012 have not changed from those used in preparation of the annual consolidated financial statements for the year ended 31 December 2011.

The current period actuarial gains related to the defined benefit obligation due to the retirement of Company's employees greater than expected.

**14. EMPLOYEE SHARE OPTION PLAN**

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

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

The options are to be vested in four annual installments over the next four years. 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 Prostor Invest Group, 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.

As at 31 March 2012, 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 Prostor Invest Group.

In December 2011 LLC Prostor Invest Group concluded a repurchase agreements with CJSC Investment company Troika Dialog. Under these agreements LLC Prostor Invest Group has transferred 50,000 of the Company's treasury shares with the subsequent obligation on their return in January, 2012. All the risks and rewards related to ownership of transferred shares, remain with LLC Prostor Invest Group. In January 2012 the arrangement was terminated and the shares were returned.

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

As at 31 March 2012 the following number of share options is outstanding:

	<u>Number of shares</u>
Options outstanding at 1 January 2012	208,421
Options granted during the three months 2012	-
<b>Options outstanding at 31 March 2012</b>	<b><u>208,421</u></b>

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

	<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	4.6%-7.4%
<b>Fair value at measurement date (in Russian Roubles)</b>	<b><u>1,308-1,462</u></b>

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 three-month period ended 31 March 2012, the Group recognised expenses of RUR 29m related to the options. These expenses were included into payroll and related charges disclosed in Note 19.

No options were exercised during the three-month period ended 31 March 2012.

**15. TRADE AND OTHER PAYABLES**

	<u>31 March 2012</u>	<u>31 December 2011</u>
Trade payables	524	656
Amounts payable for the acquisition of property, plant and equipment	68	246
Liabilities to customers	3,021	3,691
<b>Total trade and other payables</b>	<b><u>3,613</u></b>	<b><u>4,593</u></b>

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

	<u>31 March 2012</u>	<u>31 December 2011</u>
VAT	14	43
Property tax	116	116
Social insurance contribution	144	105
Personal income tax	32	32
Other taxes	3	7
<b>Total taxes other than income tax payable</b>	<b><u>309</u></b>	<b><u>303</u></b>

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

	<u>31 March 2012</u>	<u>31 December 2011</u>
Settlements with employees	596	501
Payable for acquisition of Kedentransservice's shares	-	113
Other liabilities	70	75
<b>Total accrued expenses and other current liabilities</b>	<b><u>666</u></b>	<b><u>689</u></b>

Settlements with employees as at 31 March 2012 and 31 December 2011 comprised accrued salaries and bonuses of RUR 422m and RUR 352m, respectively, and accruals for unused vacation of RUR 174m and RUR 149m, respectively.

**18. SEGMENT INFORMATION**

The Company's General Director is its chief operating decision-maker. The Group's business activities are interdependent in providing customers with rail-based container shipping and other logistics services. As such, the Group's internal reporting, as reviewed by the General Director to assess performance and allocate resources, is prepared 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>2012</u>	<u>2011</u>
Integrated freight forwarding and logistics services	4,117	3,446
Rail-based container shipping services	2,632	1,777
Terminal services and agency fees	587	549
Truck deliveries	362	371
Other freight forwarding services	706	146
Bonded warehousing services	100	89
Other	30	24
<b>Total revenue</b>	<b><u>8,534</u></b>	<b><u>6,402</u></b>

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

	<u>2012</u>	<u>2011</u>
<b>Revenue from external customers</b>		
Russia	6,685	5,745
Korea	473	119
Kazakhstan	416	86
Germany	279	167
Uzbekistan	208	-
China	152	113
Other	321	172
<b>Total revenue</b>	<b><u>8,534</u></b>	<b><u>6,402</u></b>

During the period ended 31 March 2012 and 31 March 2011 no single customer accounted for over 10% of the Group's revenue. The largest customer, RZD, accounted for RUR 730m and RUR 550m, respectively (9% and 9% of total revenue, respectively) of Group revenues.

More than 90% of the Group's non-current assets are located in Russia, approximately 9% of non-current assets (mainly represented by property plant and equipment and intangible assets other than goodwill) are owned by Kedentransservice and are located in Kazakhstan.

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**19. OPERATING EXPENSES**

	<u>2012</u>	<u>2011</u>
Cost of integrated freight forwarding and logistics services	2,081	1,998
Freight and transportation services	1,718	1,079
Payroll and related charges	1,170	921
Depreciation and amortisation	681	580
Materials, repair and maintenance	556	382
Taxes other than income tax	127	162
Rent	125	71
Security	74	56
Fuel costs	44	44
License and software	43	19
Consulting services	36	39
Communication costs	24	23
Change in provision for impairment of receivables	-	64
Other expenses	149	84
<b>Total operating expenses</b>	<b><u>6,828</u></b>	<b><u>5,522</u></b>

**20. INTEREST EXPENSE**

	<u>2012</u>	<u>2011</u>
Interest expense on RUR bonds	128	138
Interest expense on finance lease obligations	18	35
Interest expense on bank loans	67	5
Discounting of accounts receivables	2	-
<b>Total interest expense</b>	<b><u>215</u></b>	<b><u>178</u></b>

**21. INCOME TAX**

	<u>2012</u>	<u>2011</u>
Current income tax charge	(358)	(203)
Deferred income tax benefit	22	40
<b>Income tax</b>	<b><u>(336)</u></b>	<b><u>(163)</u></b>

**22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

In accordance with IAS 24 "Related party disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or 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.

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

The nature of the related-party relationships for those related parties with which the Group has entered into significant transactions, or had significant balances outstanding as at 31 March 2012, are disclosed below:

<b>Related party</b>	<b>Nature of relationship</b>
OJSC Russian Railways (RZD)	Parent company
OJSC TransCreditBank	Associate of RZD
CJSC Sberbank Leasing	Subsidiary of Sberbank
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. (FELB)	Associate of the Company
JSC Wagon Repair Company - 1	Subsidiary of RZD
JSC Wagon Repair Company - 2	Subsidiary of RZD
JSC Wagon Repair Company - 3	Subsidiary of RZD
JSC The incorporated electrotechnical plants (ELTEZA)	Subsidiary of RZD
OJSC RZD Logistics	Subsidiary of RZD
LLC TMKH Vagonostroenie	Associate of RZD
Fund Blagosostoyanie	Post-employment benefit plan for Company employees

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 majority of related-party transactions are with OJSC Russian Railways (RZD), its subsidiaries, joint ventures and associates, 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 Group, RZD engaged the Company to act as its agent in the performance of these functions. Group revenues generated from such transactions with RZD is reported as agency fees in the accompanying interim condensed consolidated statement of comprehensive income.

The Group maintains several bank accounts at OJSC TransCreditBank.

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

Transactions and balances with related parties as at and for the period ended 31 March 2012 are shown below:

	Total	Parent company (RZD)	Other RZD Group entities	Group associates	Group joint ventures	Other related parties
<b>ASSETS</b>						
<b>Non-current assets</b>						
Advances for acquisition of non-current assets	6	-	6	-	-	-
Trade receivables	652	-	-	652	-	-
	<b>658</b>	<b>-</b>	<b>6</b>	<b>652</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>						
Short-term investments	507	-	253	-	-	254
Cash and cash equivalents	3,285	-	3,285	-	-	-
Trade receivables	450	217	92	133	5	3
Other receivables	17	4	11	-	-	2
Advances to suppliers	1,199	1,151	45	-	-	3
	<b>5,458</b>	<b>1,372</b>	<b>3,686</b>	<b>133</b>	<b>5</b>	<b>262</b>
<b>Total assets</b>	<b>6,116</b>	<b>1,372</b>	<b>3,692</b>	<b>785</b>	<b>5</b>	<b>262</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	42	12	5	7	12	6
Liabilities to customers	125	33	22	3	2	65
Other payables	53	8	1	-	6	38
Finance lease obligations, current maturities	331	-	-	-	-	331
	<b>551</b>	<b>53</b>	<b>28</b>	<b>10</b>	<b>20</b>	<b>440</b>
<b>Total liabilities</b>	<b>551</b>	<b>53</b>	<b>28</b>	<b>10</b>	<b>20</b>	<b>440</b>
<b>Revenue</b>						
Rail-based container shipping services	146	53	10	51	1	31
Agency fees	412	409	2	-	-	1
Integrated freight forwarding and logistics services	326	2	231	18	60	15
Other services	59	13	10	23	1	12
	<b>943</b>	<b>477</b>	<b>253</b>	<b>92</b>	<b>62</b>	<b>59</b>
Interest income on deposits	36	-	29	-	-	7
Other interest income	3	-	3	-	-	-
	<b>39</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>Total income</b>	<b>982</b>	<b>477</b>	<b>285</b>	<b>92</b>	<b>62</b>	<b>66</b>
<b>Operating Expenses</b>						
Freight and transportation services	932	922	1	2	-	7
Third-party charges relating to integrated freight forwarding and logistics services	1,576	1,526	2	14	31	3
Repair services	296	72	223	-	-	1
Rent of property and equipment	10	10	-	-	-	-
Other expenses	64	22	18	3	1	20
	<b>2,878</b>	<b>2,552</b>	<b>244</b>	<b>19</b>	<b>32</b>	<b>31</b>
Interest expense on finance lease obligations	13	-	-	-	-	13
Discounting of accounts receivables	38	-	-	38	-	-
	<b>51</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>13</b>
<b>Total expenses</b>	<b>2,929</b>	<b>2,552</b>	<b>244</b>	<b>57</b>	<b>32</b>	<b>44</b>
Acquisition of property, plant and equipment	26	1	25	-	-	-
Purchase of materials	2	-	-	-	-	2
Contributions to non-state pension funds	71	-	-	-	-	71
<b>Total other transactions</b>	<b>99</b>	<b>1</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>73</b>

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

Transactions and balances with related parties as at 31 December 2011 and for the period ended 31 March 2011 are shown below:

	Total	Parent company (RZD)	Other RZD Group entities	Group associates	Group joint ventures	Other related parties
<b>ASSETS</b>						
<b>Non-current assets</b>						
Advances for acquisition of non-current assets	5	-	5	-	-	-
Trade receivables	728	-	-	728	-	-
	<u>733</u>	<u>-</u>	<u>5</u>	<u>728</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>						
Short-term investments	811	-	304	-	-	507
Cash and cash equivalents	1,657	-	1,657	-	-	-
Trade receivables	413	251	88	70	-	4
Other receivables	27	1	16	-	-	10
Advances to suppliers	1,816	1,753	60	-	-	3
	<u>4,724</u>	<u>2,005</u>	<u>2,125</u>	<u>70</u>	<u>-</u>	<u>524</u>
<b>Total assets</b>	<u><b>5,457</b></u>	<u><b>2,005</b></u>	<u><b>2,130</b></u>	<u><b>798</b></u>	<u><b>-</b></u>	<u><b>524</b></u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade payables	45	25	2	5	9	4
Liabilities to customers	101	34	20	-	25	22
Other payables	51	3	-	-	6	42
Finance lease obligations, current maturities	374	-	-	-	-	374
	<u>571</u>	<u>62</u>	<u>22</u>	<u>5</u>	<u>40</u>	<u>442</u>
<b>Total liabilities</b>	<u><b>571</b></u>	<u><b>62</b></u>	<u><b>22</b></u>	<u><b>5</b></u>	<u><b>40</b></u>	<u><b>442</b></u>
<b>Revenue</b>						
Rail-based container shipping services	132	122	2	4	1	3
Agency fees	406	405	-	-	-	1
Integrated freight forwarding and logistics services	37	2	3	25	4	3
Other services	28	9	7	5	-	7
	<u>603</u>	<u>538</u>	<u>12</u>	<u>34</u>	<u>5</u>	<u>14</u>
Interest income on deposits	5	-	5	-	-	-
Other interest income	3	-	3	-	-	-
	<u>8</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total income</b>	<u><b>611</b></u>	<u><b>538</b></u>	<u><b>20</b></u>	<u><b>34</b></u>	<u><b>5</b></u>	<u><b>14</b></u>
<b>Operating Expenses</b>						
Freight and transportation services	776	747	-	28	-	1
Third-party charges relating to integrated freight forwarding and logistics services	1,499	1,424	-	63	12	-
Repair services	202	199	2	-	-	1
Rent of property and equipment	9	9	-	-	-	-
Other expenses	54	44	(10)	-	-	20
	<u>2,540</u>	<u>2,423</u>	<u>(8)</u>	<u>91</u>	<u>12</u>	<u>22</u>
Interest expense on finance lease obligations	27	-	8	-	-	19
	<u>2,567</u>	<u>2,423</u>	<u>-</u>	<u>91</u>	<u>12</u>	<u>41</u>
<b>Total expenses</b>	<u><b>2,567</b></u>	<u><b>2,423</b></u>	<u><b>-</b></u>	<u><b>91</b></u>	<u><b>12</b></u>	<u><b>41</b></u>
Acquisition of property, plant and equipment	10	-	-	-	-	10
Purchase of materials	3	-	-	-	-	3
Contributions to non-state pension funds	20	-	-	-	-	20
	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>
<b>Total other transactions</b>	<u><b>33</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>33</b></u>

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

The amounts outstanding to and from related parties are unsecured except as disclosed for finance leases (Note 12) 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.

***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 18 persons as at 31 March 2012 and 31 March 2011, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 37m (including total insurance contributions of RUR 4m) and RUR 25m (including total insurance contributions of RUR 1m) for the years ended 31 March 2012 and 2011, respectively. This compensation is included under payroll and related charges in the consolidated profit and loss and comprises primarily short-term benefits.

As stated in Note 14, during the year ended 31 March 2012, the Group recognised expenses of RUR 29m 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 16m.

**23. COMMITMENTS UNDER OPERATING LEASES**

As at 31 March 2012, the Group leases a loading platform at Dostyk Station in Kazakhstan. The remaining period of agreement validity is 14 years.

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.

The Group continues to rent flatcars from OJSC RusTransVagon under an operating lease agreement.

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Within one year	284	236
Within two to five years	490	332
After five years	925	705
<b>Total minimum lease payments</b>	<b>1,699</b>	<b>1,273</b>

**24. CAPITAL COMMITMENTS**

The Group's capital commitments as at 31 March 2012 and 31 December 2011 consisted of the following, including VAT:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Acquisition of containers and flatcars	828	1,037
Construction of container terminal complexes and modernisation of existing assets	116	349
Acquisition of premisses in office building	204	204
Acquisition of lifting machines and other equipment	253	14
<b>Total capital commitments</b>	<b>1,401</b>	<b>1,604</b>

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**25. SUBSEQUENT EVENTS**

**Contract for purchase of flatcars** – In April 2012 the Group entered into an agreement with LLC Speccompany on the purchase of 400 flatcars for the total amount of RUR 1,018m (plus VAT in the amount of RUR 183m). In April-June 2012 208 flatcars for a total amount of RUR 529m (plus VAT in the amount of RUR 95m) have been delivered.

**Kedentransservice's bonds redemption** – In April 2012 JSC Kedentransservice redeemed its obligations on bonds for the sum of KZT 1,677m (RUR 333m at the Central Bank of Russia exchange rate as at 31 March 2012).

**The agreement on terminal building** - In April 2012 the Group entered into an agreement with LLC SybKomStroy on container terminal building at Kleshchiha station. Cost of works under this agreement amounted to RUR 249m (plus VAT in the amount of RUR 95m).

**Contract for purchase of the container yard** – In June 2012 the Group entered into an agreement with LLC Aurit on the purchase of the container yard at Moscow-Tovarnaya-Paveletskaya station for the total amount of RUR 120m (plus VAT in the amount of RUR 22m).

**Liquidation of Helme's Development Company Limited** - In June 2012 the company Helme's Development Company Limited was liquidated. In relation to the liquidation on 24 May 2012 1 share of Helme's Operation UK Limited, possessing 46.9 % of shares of JSC Kedentransservice, was transferred by Helme's Development Company Limited to the Company.