



TransContainer
Annual Report 2011

Leadership delivering value



About TransContainer

TransContainer is the leading intermodal container transportation company in Russia.

We own 60% of the total container flatcar fleet in Russia, hold 51% of the rail container transportation market and 30% of the container terminal handling market in Russia. We also own and operate more than 59,000 ISO containers, a network of rail-side container terminals – located at 46 railway stations in Russia – and operate container terminals in Slovakia and Kazakhstan.



For more information please visit www.trcont.ru

Liability Disclaimer

This annual report ("the Annual Report" hereinafter) was prepared with the use of information available to Open Joint Stock Company TransContainer Cargo Transportation Centre ("the Company" hereinafter) and its subsidiaries ("the Group" hereinafter) as of the time of preparing the Annual Report, including information obtained from third parties. The Company reasonably believes that the presented information is complete and accurate as of the date of publication of the Annual Report, but does not represent or warrant that this information will not be further refined, revised or otherwise altered.

This Annual Report may also contain certain forward-looking statements with respect to the business activities, economic indicators, financial condition and the results of economic and production activities of the Company and the Group, its plans, projects and expected results, the dividend and capital expenditure policies, as well as the trends in prices, tariffs, traffic volumes, terminal processing, production and consumption, costs, estimated costs, development prospects, useful lives of assets and other similar factors, economic forecasts with respect to the industry and markets, as well as the timing of the start and end of individual projects for acquisition, closing, preservation or sale of certain businesses (including associated costs).

Whenever the words "intend", "seek", "design", "expect", "estimate", "plan", "believe", "anticipate", "may", "must", "will", "continue" and other similar words are used in a statement, they normally imply that the respective statement has a forward-looking nature.

Forward-looking statements, by their very nature, involve inherent risks and uncertainties, both general and specific, and there is a possibility that predictions, forecasts, projects, and other forward-looking statements prove to be erroneous. Given the existence of such risks, uncertainties and assumptions, the Company cautions that actual results may differ materially from those projected, either directly or indirectly, in such forward-looking statements which are only valid as of the time of writing this Annual Report.

The Company does not represent nor does it warrant that the outcomes projected in the forward-looking statements as expected to result from activities will be achieved. The Company shall not be held liable for any damages that may be sustained by persons or entities as a result of acting in reliance upon such forward-looking statements. Each of such forward-looking statements represents only one of many potential scenarios and should not be regarded as the most probable one.

This is particularly the case as there are other factors capable of affecting the financial and operational performance of the Company or the Group, its plans, projects, capital expenditures and other aspects of its operations including: changes in macroeconomic or market conditions, the activities of state authorities in the Russian Federation and other jurisdictions where the Group is analysing, developing or using assets, including changes in tax, environmental and other laws and regulations. The above list of significant factors is not exhaustive. When taking into account the forward-looking statements one should carefully consider the above factors, particularly the economic, social and legal conditions in which the Company or the Group operates.

Except in cases expressly stipulated by applicable law, the Company assumes no obligation to publish updates or amendments, whether based on additional information available or future events, to any of the forward-looking statements.

What's inside

We are proud of our leaders, we have the best in business and they have the knowledge and experience to deliver value throughout all aspects of our business.

We believe our quality leadership has built the business success over the past five years, and they will continue to deliver value in the years to come.

About TransContainer

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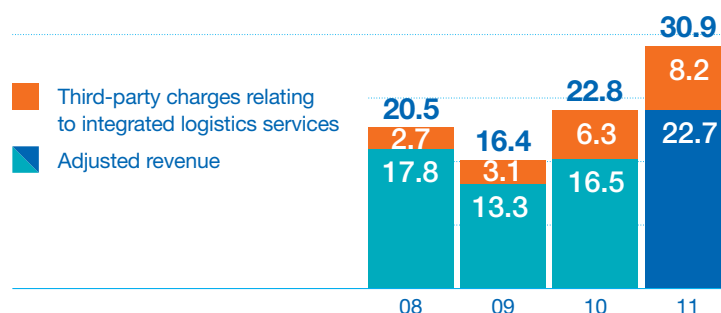
An impressive year

To grow our business, we have:

- Leveraged our diverse geographic spread to ensure strong foundations for growth
- Focused on the fundamental strengths of how we create value
- Continued to make substantial investments to create a stronger global business
- Invested in the right people to take TransContainer into the future

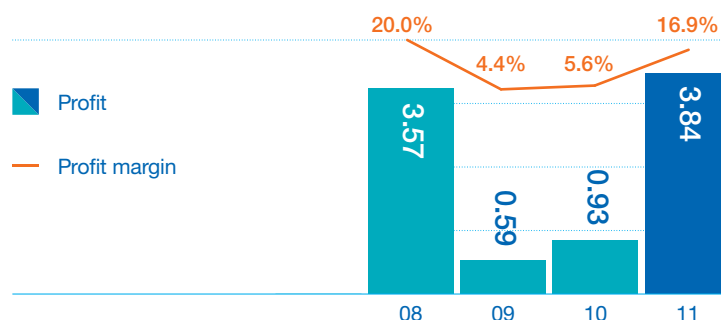
Total revenue and adjusted revenue
(RUR bln)

30.88 +35%



Profit for the year and Net Margin
(RUR bln)

3.84 increased more than 4×



Key Events of the Year

Acquisition of Kedentransservice JSC



The Company has acquired control of 67% of the shares of Kedentransservice JSC, a leading private operator of a network of rail terminals in Kazakhstan. The acquisition of Kedentransservice JSC is an important milestone in the implementation of the Company's strategy aimed at strengthening its presence in growing Asian markets and the development of its wide-gauge 1520mm gauge transit potential.

Cooperation agreement with MSC



On April 26, 2011, a cooperation agreement was signed between JSC TransContainer and Mediterranean Shipping Company (MSC), the second largest maritime container carrier in the world. This partnership with MSC has opened for the Company the opportunity of promoting multimodal services worldwide due to the broad geographical presence of the shipping line.

Launch of trial operation of articulated flatcars

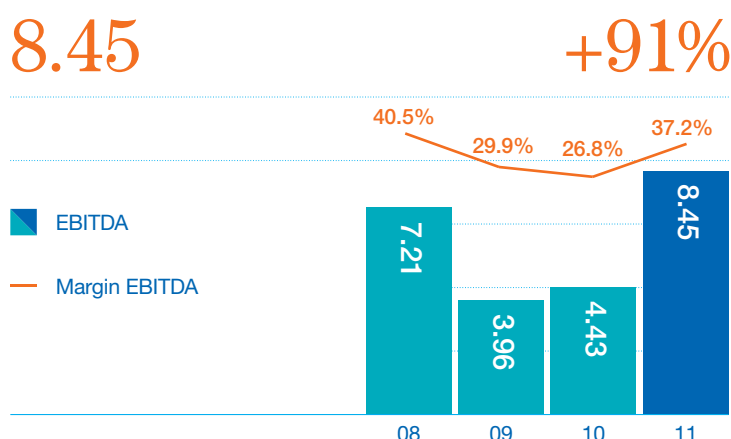


A trial consignment of articulated flatcars manufactured by Tatravagonka JSC for JSC TransContainer was taken over in Dobro (Slovakia). The new flatcars have a higher capacity (106 tonnes) and accept 45-foot containers.

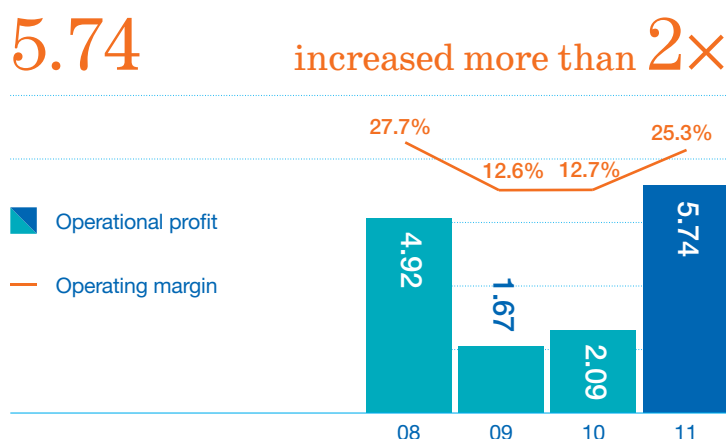
Key operation indicators

	2007	2008	2009	2010	2011
Transportation volumes by Company's flatcar fleet (thousand TEUs), including:					
Domestic transportation	1,302.5	1,448.6	1,097.9	1,202.2	1,361.8
International transportation	826.7	915.7	746.0	719.3	778.0
Container throughput at Company terminals (thousand TEUs)	475.8	532.9	351.9	482.9	583.8
	1,972.3	1,858.4	1,408.7	1,504.9	1,577.0

EBITDA and adjusted EBITDA margin (RUR bln)



Operating profit and adjusted operating margin (RUR bln)



Key financial indicators (RUB millions)*

	2007	2008	2009	2010	2011
Revenue	13,375	20,494	16,400	22,841	30,876
Adjusted revenue**	13,270	17,806	13,262	16,502	22,701
EBITDA	4,493	7,211	3,963	4,427	8,448
Operating profit	2,689	4,924	1,674	2,093	5,735
Net income	1,934	3,570	589	928	3,843
Adjusted EBITDA Margin***	33.9%	40.5%	29.9%	26.8%	37.2%
Operating margin***	20.3%	27.7%	12.6%	12.7%	25.3%
Net income margin****	14.6%	20.0%	4.4%	5.6%	16.9%
Shareholders' equity (as of end of period)	14,671	18,122	18,443	19,376	23,928
Gross debt (as of end of period)	388	4,277	6,581	7,026	9,348
Total assets	21,080	29,049	30,741	33,631	41,746

Ratings

	2007	2008	2009	2010	2011
Moody's credit ratings	–	–	Ba2	Ba2	Ba3
Fitch credit rating	–	–	BB+	BB+	BB+
GAMMA Corporate Governance Rating (Standard & Poor's)	–	5+	6	6	6
National Corporate Governance Rating	–	6	6+	7	7+

* Financial results provided in this Annual Report are in accordance with Company's IFRS financial statements

** Adjusted revenue: revenue less cost of co-contractors' services for integrated logistics services

*** As % of adjusted revenue

**** Net income as % of adjusted revenue

Petr Baskakov listed among best top managers in Russia

Petr Baskakov was listed among the top ten leaders in the Transport business category in Russia's 1000 Best Top Managers rating in the Russian Managers' Association and Kommersant business newspaper. The following Company executives were also listed among the 1000 Russian Top Managers: Andrey Zhemchugov in the Public and Corporate Relations Directors category; Olga Miller in the Corporate Governance Directors category; and Viktor Markov in the Directors for Government Relations category.

The Company's shares reassigned to MICEX Quotation List "B"

On September 1, 2011, MICEX Stock Exchange ZAO transferred the Company's shares from MICEX Quotation List "I" to MICEX Quotation List "B". This reflects the high level of corporate governance in the Company and facilitates the liquidity improvement of its shares.

JSC TransContainer Annual Report among the winners



In the XIV Annual Reports Competition held jointly by MICEX and RTS, JSC TransContainer was awarded second place in the category of "Best Information Disclosure in Annual Reports among Companies with Market Capitalisations of RUB 10 to 100 billion". The Company was also recognised as the best in the first "New Country Mile" Competition of Transport Companies' Annual Reports.

Leading the market

Rail-based container transportation



Key services

- Provision of rolling stock for transporting clients' cargoes in the Company's containers
- Provision of rolling stock for transporting clients' containers
- Provision of cars and containers for lease
- Provision of services for transporting specialised containers

Key operating results

- Total containers transported using Company rolling stock: 1.362 million TEU*

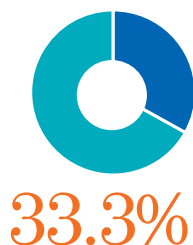
Assets as of 31/12/11

- 24,376 flatcars
- 59,116 ISO containers
- including 2,353 specialised containers
- and 40,755 medium-duty containers (MDCs)

Company's share in rail container transportation

51.1%

Share of revenue



* Including shipments under through-rate tariffs

Freight forwarding and logistics services



Key services

- Freight forwarding, including preparation of transport documents, customs clearance, etc.
- Container cargo tracking and delivery schedule development and optimisation
- Organisation of multimodal container door-to-door deliveries at through rates

Key operating results

- Freight transported under integrated logistics contracts: 419,000 TEU**

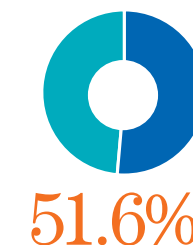
Assets as of 31/12/11

- 147 sales offices in Russia
- Presence abroad in 24 countries:
 - 8 representative offices, 3 joint ventures
 - 3 subsidiaries
 - 28 agents and regional partners abroad

Sales outlets in Russia

147

Share of revenue



** Loaded containers

Our business is composed of 4 synergistic operating divisions that complement each other to create a vertically integrated logistics company.

Terminal services



Key services

- Container loading, unloading and storage (by agency agreement with RZD JSC)
- Additional terminal services (cargo loading/unloading to/from containers, preparation of containers for loading, etc.)
- Temporary storage services

Key operating results

- Processed at Company terminals: 1.577 million TEU***
- of which 1.381 million are TEU ISO containers and
- 196,000 are TEU MDCs

Assets as of 31/12/11

- Own container terminals at 46 railway stations in Russia
- 1 container terminal in Slovakia (long-term lease)
- 11 bonded warehouses
- More than 246 units of lifting equipment

Company's share in container terminal services in Russian Railway network

30.3%

Share of revenue



*** Loaded and empty containers

Truck deliveries



Key services

- Truck deliveries between rail terminal and client warehouse
- Truck deliveries under customs control and delivery from customs office to client warehouse

Key operating results

- Transported: 657,000 TEU

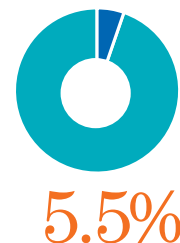
Assets as of 31/12/11

- 317 truck tractors
- 493 semi-trailers
- 81 lorries

Transportation with own truck fleet

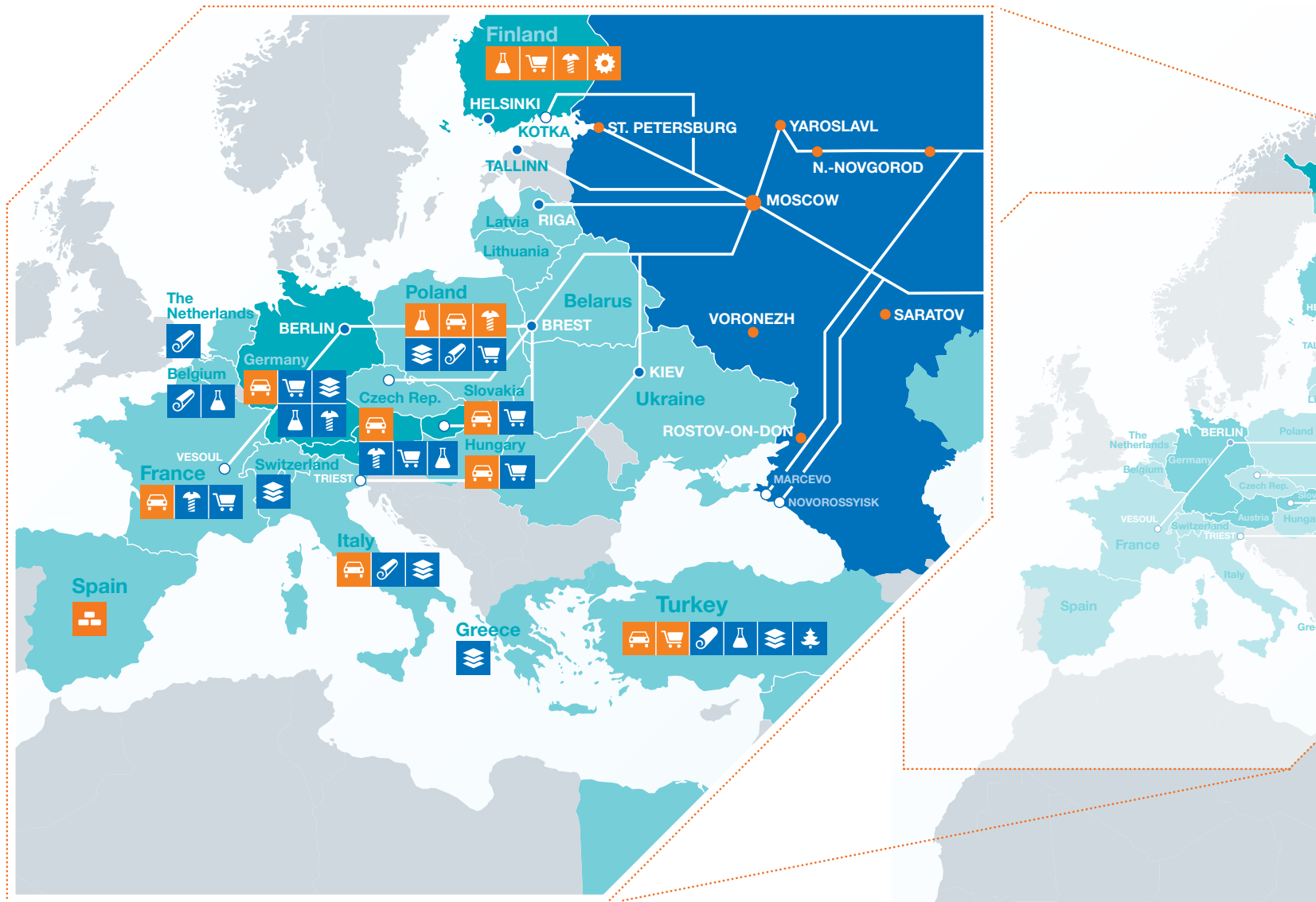
43.6%

Share of revenue



**** As a percentage of adjusted revenue, as described below

Well-positioned to connect key markets



Leveraging its wide sales network, extended asset base and presence in key markets TransContainer is uniquely positioned to facilitate rail container transportation between Europe and Asia.

Sales offices
across Russia

147

Branches
in Russia

15

Representative
offices abroad

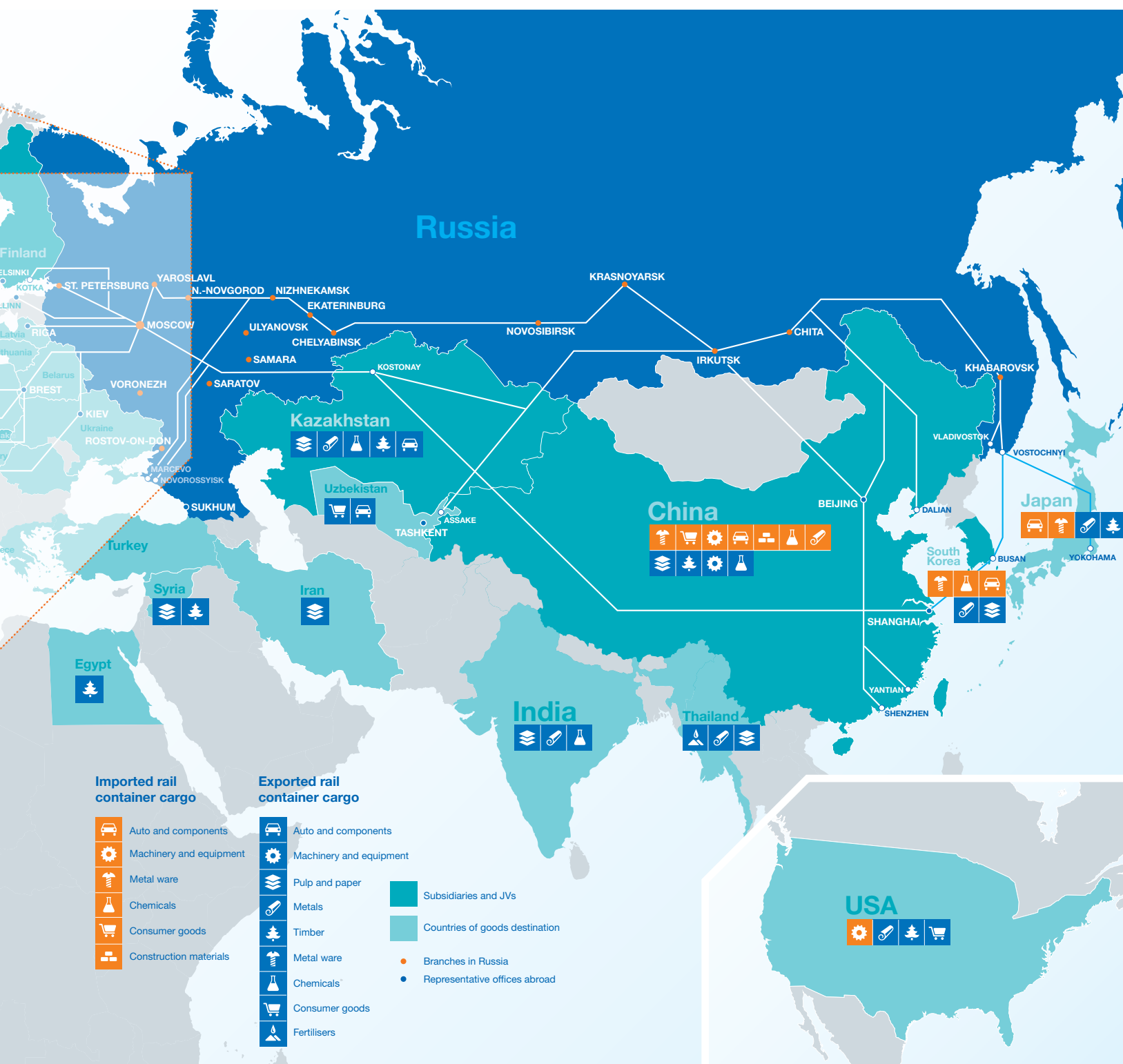
8

Agent
companies

28

Operating JVs
and subsidiaries

6



Quality leadership

Dear Shareholders,

I am very pleased to summarise the results of the Company's operations in 2011. JSC TransContainer has confirmed its position as a market leader not only in terms of business scale, but also in terms of increasing its business efficiency and reaching new frontiers in strategic development. The Company achieved, well ahead of schedule, pre-crisis operating and financial performance metrics, and in some cases greatly exceeded those. We succeeded in leveraging favourable market conditions with maximum efficiency and, furthermore, managed to achieve significant progress in our operating activities in key areas such as empty run management.

As a result of these concerted efforts, the Company's revenues grew by 35% in 2011, with EBITDA almost doubling, to total RUB 8.4 billion. Net profit, the key indicator of the Company's efficient performance, grew more than four times to reach RUB 3.8 billion.

Also in 2011, the Company achieved a breakthrough in its international performance with the acquisition of a controlling stake in Kedentransservice JSC, a leading operator of rail terminals in the Republic of Kazakhstan. This will allow the Company not only to obtain additional synergies from integration of carrier and terminal businesses in the Republic of Kazakhstan, but also to build, in cooperation with the other Kedentransservice shareholder Kazakh Railways, a platform for the development of integrated container cargo transportation linking China and a range of locations on an east-west axis.

The last year also saw noticeable improvements in corporate governance. Considerable progress was made in disclosure, with the Company commencing quarterly reporting under IFRS. The committees of the Board of Directors worked productively with the active participation of representatives of RZD OJSC, minority shareholders and independent directors. As a result, the level of corporate governance of JSC TransContainer has been recognised by independent analysts to be one of the best in the Russian transport sector.

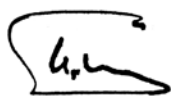
The Company's successful performance has also been confirmed by its share price. Despite the difficult market conditions, especially in the second half of 2011, the Company's shares and depositary receipts generally outperformed stock indices.

TransContainer OJSC has confirmed its position as a market leader not only in terms of business scale, but also in terms of increasing its business efficiency and reaching new levels in strategic development.

Market conditions remain encouraging in early 2012. However, one cannot ignore the macroeconomic risks and the growing instability in the global economy. The Company's shareholders and Board of Directors have every reason to expect the Company to display leadership in all market conditions. Such landmark events as the official accession of Russia into the WTO and the launch of the Common Economic Space by Russia, Kazakhstan and Belarus may give an additional impetus to the development of container transportation, especially in international traffic. I am sure that JSC TransContainer, as a leading container operator in the CIS area, will take full advantage of the new opportunities.

On behalf of the Company's Board of Directors, I would like to thank the shareholders, partners, and the staff of JSC TransContainer for the shared effort they have put into achieving the outstanding results of 2011. I look forward to new achievements in the coming year.

Sincerely yours,



Pavel Ilyichev
Chairman
TransContainer JSC



Proven performance

We are proud that we were able not only to fulfill the promises we made to our shareholders, but also to significantly exceed both market expectations and our own plans.

Dear shareholders, investors, colleagues and partners!

We are pleased to present you the results of operation of JSC TransContainer in 2011. And this is not just because this year we have got over the consequences of the recent economic crisis and the Company managed to show impressive growth in all key operating and financial results.

First of all, we are proud that we were able not only to fulfill the promises we made to our shareholders, but also to significantly exceed both market expectations and our own plans.

The work to improve the Company effectiveness launched during the crisis including flexible pricing policy, optimising of rolling stock management and cost control, has allowed us to achieve impressive results in 2011. Volumes of container transportation by the Company's rolling stocks have increased by 13.3% to 1,362 thousand TEU. The empty run ratio for containers was reduced from 39% to 34%, the empty run ratio for flatcars decreased from 8.8% to 8.3%, and the car fleet turnover has increased from 14.2 days to 13.1 days. In addition,



a new budgeting and controlling system was introduced, which made it possible to improve quality of cost control. The Company's management performance appraisal system based on key performance indicators has started working. As a result of these and other steps, the Company's revenues grew by 35% as compared to the previous year and reached RUR 30.9 billion, EBITDA doubled and amounted to RUR 8.4 billion, and a four-fold rise in net profit up to the level of RUR 3.8 billion has been achieved.

Last year we made an important step in implementing the Company's strategy: In March 2011, JSC Kedentransservice, a leading provider of rail terminals in Kazakhstan, complemented the Group structure. We believe that the integration of Kedentransservice's terminal business with the rolling stock and logistics technology of JSC TransContainer will allow us to achieve significant synergy both in Kazakhstan and in Russia as well as give us in future a substantial competitive advantage in dealing with the growing container flow from the central and north-western regions of China.

In 2011, as before, the Company's investment activities were aimed at improving efficiency of the car fleet and modernisation of key container terminals. During the year the Company has acquired ownership of 910 80-foot flatcars (net of lease buyout); the fleet capacity increased from 71.2 thousand TEU at the end of 2010 to 72.5 thousand TEU at the end of 2011. The share of high-efficient 80-foot flatcars in the fleet structure has increased from 24.7% to 29.3% in terms of TEU. The Company's total capital expenditures in 2011 amounted to RUR 4.2 billion. Another RUR 1.8 billion were invested into an acquisition of the controlling/majority stake of JSC Kedentransservice.

As always, the Company pursues an active social responsibility policy. We have continued implementing environmental programmes and have expanded the areas of charitable work. In 2011 JSC TransContainer was honoured to contribute to restoration of Russia's national treasure – Moscow St. Basil's Cathedral.

Last year JSC TransContainer celebrated its first jubilee – the Company is five years old. Looking back, we can say that despite all the difficulties, the national container operator project is successful. We have grown from one of the branches of JSC Russian Railways to a truly international company, whose shares are traded on major stock exchanges, and we steadily gain leadership positions in all major segments of the container transportation market.

At the same time, not stopping at what has been accomplished, we see future areas for development of our business and set new goals. We are confident that in cooperation with the Company's shareholders, with our customers and partners, powered by the professionalism and unity of our team, we will definitely be able to achieve our objectives.

Sincerely yours,



Petr Baskakov
CEO
OJSC TransContainer

Five years of exceptional delivery

JSC TransContainer was formed on 4 May 2006. Over the past five years we have gone through a journey from being a Russian rail operator to becoming an international transport and logistics company with presence in more than 20 countries. We also progressed from a branch office of JSC Russian Railways to a public company listed in Moscow and London, and have hundreds of shareholders worldwide.

Despite a complex situation with both global and Russian economies, during these five years the Company's profit increased 2.3 times; EBITDA and net profit almost doubled. Flatcar fleet capacity has increased by 24.5%; container fleet by 54.6%. The Company's terminal network quality has improved – in addition to 46 terminals in Russia, we operate in 18 terminals in Kazakhstan and in one terminal based in Dobra in Slovakia through our subsidiaries. We have created a business of complex logistic services from the ground up, which now contributes to one third of the total Company's returns.

2007

Business launched

- The contribution of fixed assets into the Company's capital by JSC Russian Railways was completed in 2007.
- In December 2007, successful private placement of 15% of the Company's shares marks the first equity capital transaction in the Russian railway sector.



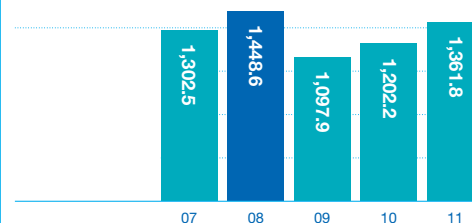
2008

Record highs

- In 2008, the Company achieves record levels of transportation volumes and profitability.
- A programme is initiated to develop terminals at key entry points on 1520mm gauge railway networks.
- The Company enters the Russian debt market and becomes only the second railway company (after RZD JSC) to issue domestic bonds.
- The Company receives Russian and international corporate governance ratings.

Transportation volumes ('000 TEUs)

1,448.6



2009

Crisis withstood

- In 2009, despite the global economic crisis, the Company manages to secure financial stability and achieve good financial results. The Company receives high credit ratings from two international agencies.
- In December 2009, a strategy laying the foundation for sustainable development of the Company following the economic crisis is adopted.



2010

Going public

- In November 2010, 36% of the Company's shares are listed in Moscow and London.
- Placement of 2nd bond issue significantly improves the structure of the Company's debt portfolio and reduces its cost.
- The Company begins to regain key pre-crisis operating and financial indicators.



2011

Beyond the borders

- In March 2011, the Company acquires a controlling stake in Kedentransservice JSC, a leading operator of rail terminals in Kazakhstan. The acquisition marks the start of the Company's international operations.
- The Company overcomes the impacts of the global economic crisis ahead of schedule, and some of the Company's financial and operating performance indicators surpass their pre-crisis levels.



A strategy designed to deliver value

The JSC TransContainer Development Strategy for the period up to 2015 sets out the Company's mission, key strategic goals and how these will be achieved.

Company mission

To provide effective business assistance to customers by addressing promptly, reliably and comprehensively their logistic and container cargo delivery tasks.

Strategic goal

To raise the Company's capitalisation by increasing the scale and efficiency of business development.

Target business model

A vertically integrated transport and logistics holding company, a containerised freight carrier and logistics services provider of choice in the Eurasian continent.

Strategy implementation results achieved in 2011

The Company's strategic goals are achieved through four key trends:

Increase container transportation volumes by continuing to invest in flatcar and container fleets	<ul style="list-style-type: none"> – More than 900 units of 80' flatcars were purchased in 2011 – Despite scheduled flatcar disposals, fleet capacity exceeded 72,000 TEU 	<ul style="list-style-type: none"> – Rail container transportation volumes increased by 13.3% year-on-year in 2011 – Revenue-generating transportation volumes grew by 17.2% year-on-year in 2011
Continue to grow intermodal container transportation and integrated logistics solutions	<ul style="list-style-type: none"> – Transportation volumes under integrated logistics contracts grew by 11.8% in 2011 – Revenue from Integrated Freight Forwarding and Logistics Services and Other Freight 	<ul style="list-style-type: none"> Forwarding Services represented 51.6% of Adjusted Revenue for the 12 months in 2011 – Revenue grew by 37.1% year-on-year in 2011
Expand customer base through development of sales and operational network	<ul style="list-style-type: none"> – Operational growth through subsidiaries established in South Korea, China and Austria in 2010 – The controlling stake of a leading Kazakh terminal operator was acquired in 1Q 2011 	<ul style="list-style-type: none"> – An MoU with Belarusian Railway was signed in December 2011
Continue to improve the efficiency of operations and increase profitability	<ul style="list-style-type: none"> – The key operational metrics: flatcar turnover and empty run ratios improved significantly in 2011 – Profitability metrics demonstrated recovery to the pre-crisis level in 2011 	<ul style="list-style-type: none"> – The share of 80-foot flatcars in the fleet increased from 24.7% to 29.3% in terms of TEU



Since 2011, the TransContainer business model, which has proved itself in Russia, has been successfully implemented in Kazakhstan, the second-largest container market in the CIS area.

Yuri Yuryev
Strategic Development Director

PURCHASE OF KEDENTRANSERVICE JSC AS THE KEY STRATEGIC EVENT OF THE YEAR

On 18 March 2011, JSC TransContainer acquired 67% of the equity of Kedentransservice JSC, a leading operator of rail network terminals in Kazakhstan. The acquired company has terminals in all regions of the republic and at the Dostyk Station China-Kazakhstan border crossing point. The transaction aims to increase the scale of the Company's business by substantially enhancing the presence of JSC TransContainer in Kazakhstan and Central Asia.

Kazakhstan is advantageously located in the heart of Eurasia at the crossroads of major routes serving as trade links between Asian and European countries and has the second largest container market after Russia in the 1520mm gauge zone. Two transcontinental and several international transportation corridors intersect Kazakhstan. When shipping containers from China to Russia's central regions via Kazakhstan, the delivery route is much shorter than when using the Trans-Siberian Railway.

The Dostyk Station functions as a key "entry point" for Chinese goods to Kazakhstan, Central Asia, Russia and Europe and serves more than 50% of Kazakhstan's rail container transportation market.

As a result of the transaction, the Company has:

- Established control over the major land "entry points" for Chinese goods into CIS countries;
- Gained access to the promising terminal services market of Kazakhstan and secured leading market positions in this segment;
- Created a foundation for further increasing the scale of the Company's freight forwarding business segment;
- Created conditions for expanding a business model involving container haulage with vertical integration of the rolling stock and terminal network in Kazakhstan, as well as for more efficient use of the Company's rolling stock in Kazakhstan and in Central Asia by way of providing back haulage;
- A strong partnership has been established with NC Kazakhstan Temir Zholy JSC, the National Railway Administration of the Republic of Kazakhstan that owns 33% of the shares of Kedentransservice JSC. Pursuant to the cooperation agreement signed between JSC TransContainer and NC Kazakhstan Temir Zholy JSC, equal participation of the partners in the capital of Kedentransservice JSC is to be established in 2012.

Strategy implementation results achieved in 2011

The Company's strategic goals are achieved through four key trends:

- Increase container transportation volumes by continuing to invest in flatcar and container fleets;
- Continue to grow intermodal container transportation and integrated logistics solutions;
- Expand customer base through development of sales and operational network;
- Continue to improve the efficiency of operations and increase profitability.

In 2011, the Company managed to make significant progress in implementing its development strategy in all major priorities.

ENSURE CONTAINER TRAFFIC GROWTH BY MEANS OF INCREASING ASSETS AND OPTIMISING THEIR STRUCTURE

What has been planned

The Company strategy provides for increasing container haulage and terminal processing through acquisition and modernisation of assets and optimisation of their structure.

What has been done

In 2011, despite the ongoing reduction of the fleet due to the acquisition of high-efficient 80-foot flatcars, the capacity of the fleet grew by 1.9%, from 71,170 TEUs to 72,547 TEUs, and the share of 80-foot flatcars increased from 24.7% to 29.3%.

The capacity of the ISO container fleet increased from 75.5 thousand TEUs to 77.1 thousand TEUs due to the acquisition of 40-foot containers.

In 2011, the container transportation volumes by the Company's flatcar fleet increased by 13.3% to 1,362,000 TEUs. The Company's revenue-generating transportation volumes grew by 17.2%.

The Company will continue implementing the overall development strategy that aims to increase the Company's volume of operations and effectiveness.

In 2011, a number of projects were also implemented with the aim of securing the Company's presence at key entry points to the 1520mm gauge zone, which should enable the Company to obtain additional benefits from serving container flows in international traffic:

- In March 2011, a controlling stake in Kedentransservice JSC, the largest operator in Kazakhstan's railway terminal network, was acquired;
- On 1 December 2011, JSC TransContainer and Belarussian Railway signed a Memorandum of Understanding for establishing a joint venture in the Republic of Belarus with the aim of providing integrated terminal services at the Brest Station on the border between Poland and Belarus.

Future plans

In 2012, acquisition of rolling stock will continue, with a focus primarily on 80-foot flatcars and 40-foot containers in order to ensure an optimal fleet structure and size. When planning procurement, the Company will maintain a balance between meeting production needs and securing economic efficiency of procurement in the light of market prices. Plans for 2012 to 2013 also include the manufacture of an articulated platform on the basis of modernisation of two of the Company's own standard 60-foot cars. Transportation of containerised cargo by specialised rolling stock will be further developed.

Work on the development of our terminal business will continue. A functional strategy of development of the Company's terminal business in the Russian Federation for the period until 2016 is set to be finalised by 2012.

The Company aims to continue integration of the Kedentransservice JSC business and will also work on launching a joint venture in Brest. The completion of this project will be the final step in the implementation of the strategic goal of establishing control over key container freight entry points to the 1520mm gauge zone.

DEVELOP VALUE-ADDED SERVICES, INCLUDING ASSET-BASED INTEGRATED LOGISTICS

What has been planned

An important element of the Company's strategy is to integrate its own assets in a single logistics chain and provide customers with integrated logistics services for transportation of containers at a single pass-through rate.

Achievements against plan

In 2011, 419,000 loaded TEUs were transported under integrated logistics contracts, or 41% of the total revenue-generating container transportation volumes. The volume of integrated logistics services increased by 11.8% in 2011 in comparison with 2010.

The revenue from the provision of integrated logistics services amounted to RUR 14,894 million, which is 32.5% more than the 2010 level.

Future plans

In 2012, the Company will continue offering customers new integrated services. The Company's priority projects include the construction of a vertically integrated business model for container haulage including the provision of integrated transport and logistics services in Kazakhstan and Central Asia on the basis of the Kedentransservice JSC terminal network and the JSC TransContainer rolling stock.

INCREASE THE CUSTOMER BASE BY DEVELOPING THE SALES NETWORK AND TRANSPORT PRODUCTS

What has been planned

The Company is making active efforts to expand its customer base by securing its presence in countries with mass production of containerised goods and by offering customers new transportation products.

What has been done

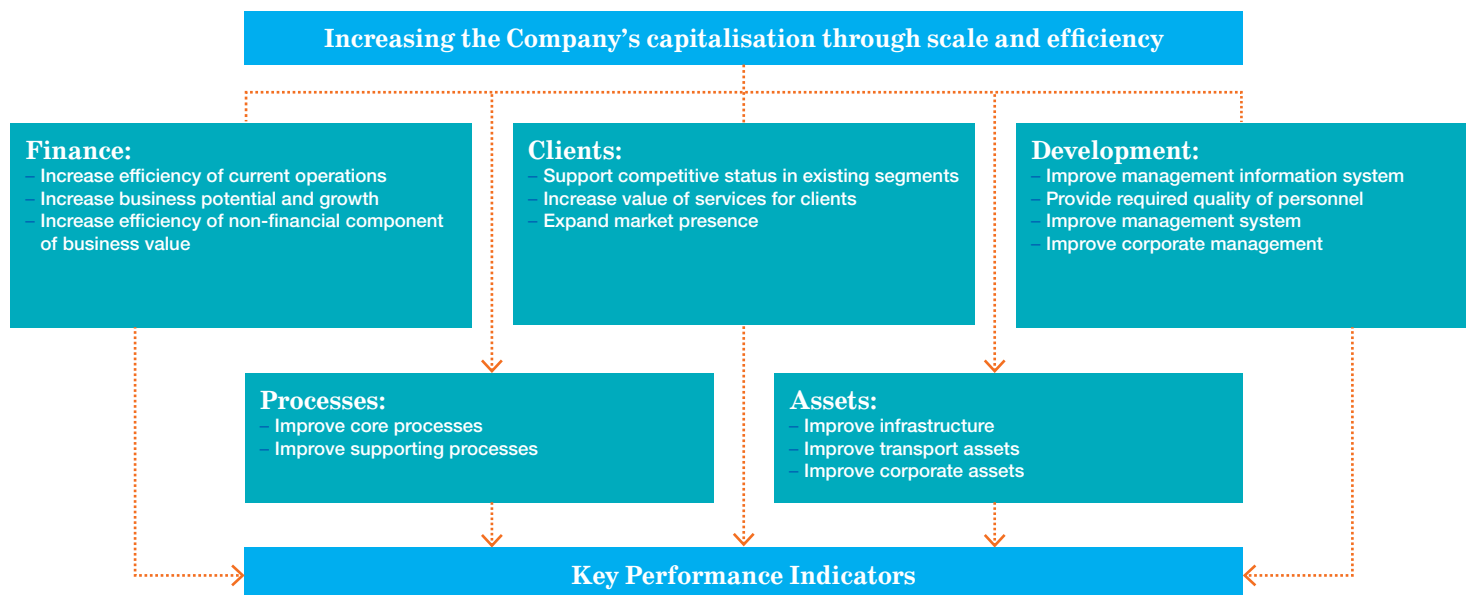
KOO Rail Container, a joint venture with CRIMT Co., LTD (China), was launched and started operation. KOO Rail Container offers transport services on land and via sea routes from China to Russia and European countries. During the 12 months of 2011, the volume of containers contracted by KOO Rail Container for servicing by JSC TransContainer totalled 14.9 thousand TEUs.

TransContainer Asia Pacific, a 100% subsidiary company of JSC TransContainer, started business operations in South Korea. The company provides customers with containerised cargo transportation services between the Republic of Korea and other Asia-Pacific countries and CIS countries at a flat door-to-door pass-through rate. During the 12 months of 2011, the volume of containers contracted by TransContainer Asia Pacific for servicing by JSC TransContainer totalled 11.9 thousand TEUs.

In February 2011, an agreement for the establishment of a joint venture was signed between JSC TransContainer and DB Schenker Rail Automotive GmbH. The project aims to provide services in the field of contract logistics to automotive manufacturers and suppliers in the Kaluga region of Russia. The joint venture will create a terminal and logistics centre for the provision of a wide range of warehousing and integrated logistics services.

Future plans

The Company's main objective for 2012 is to ensure the newly created subsidiary companies achieve planned financial and economic performance indicators and for the proposed joint venture between JSC TransContainer and DB Schenker Rail Automotive GmbH to commence operations.



IMPROVE OPERATING EFFICIENCY

What has been planned

More efficient use of the Company's assets is a priority strategic objective. The Company plans to increase the efficiency of its operations through the development of new transportation technologies, modernisation and optimisation of the fleet and the introduction of modern information systems and management practices.

What has been done

In 2011, the use of the flatcar fleet capacity increased by 3.7% compared with the previous year.

The container empty run ratio reduced from 39.1% to 34.4%. Due to an increase in the portion of container block-trains in the total traffic from 22% to 25%, the flatcar turnover accelerated from 14.2 days to 13.1 days.

Container shipment technologies for liquid and bulk cargo were introduced and the required permits obtained. Manufacture of open top containers was launched at the Company's own production facilities.

Future plans

The Company sees significant potential for further reduction of the number of empty runs and increasing fleet turnover. Increasing the container traffic in container block-trains is one of the Company's priority strategic objectives. This includes the arrangement of block-train traffic between the Company's own hub terminals allowing for concentration of container flows.

In 2012, Company will analyse its current development strategy adopted in December 2009 to ensure it reflects the changes that have occurred in the Company's business and in market conditions over the past three years. However, the Company has no plans to radically change the existing business model and will continue implementing the overall development strategy that aims to increase the Company's volume of operations and effectiveness.

SYSTEM OF KEY PERFORMANCE INDICATORS

In order to secure implementation of the Company Strategy and to establish a relationship between strategic and budget planning, the Company developed and implemented in 2011 a system of key performance indicators (the KPI System).

In accordance with the Board of Directors' decision of 5 September 2011, the CEO's activities are evaluated by three criteria:

- Net Profit (NP);
- EBITDA; and
- Ratio of the market value of the Company shares to the price index in the stock market (DMVS).

The CEO's target KPI values are approved by the Board of Directors. The target values of top managers' individual indicators are approved by the CEO. The total number of indicators is 76.

Management group	Weight	
	Company-wide indicators	Individual indicators
CEO	1	0
First Deputy CEO	0.5	0.5
Deputy CEO	0.4	0.6
Administrative Directors, Chief Accountant, Chief Engineer, Directors of Affiliated Offices	0.3	0.7

Improving the scale and efficiency of our business

We secure traffic growth and business efficiency by expanding our assets and optimising their structure, reducing empty runs and increasing turnover of rolling stock.

Igor
Obrubov
Chief
Engineer



Container transportation volume

1,362 million TEU

Empty runs
for flatcars

Share of the market

34.4% 51.1%



**Victor
Shekshuev**
Deputy
General Director

**Sergei
Tebekov**
Director
for Equipment
Operation

**Vladimir
Drachev**
First Deputy
General
Director

**Alexander
Urudzhev**
Director for
Transportation



Logistics solutions for every customer

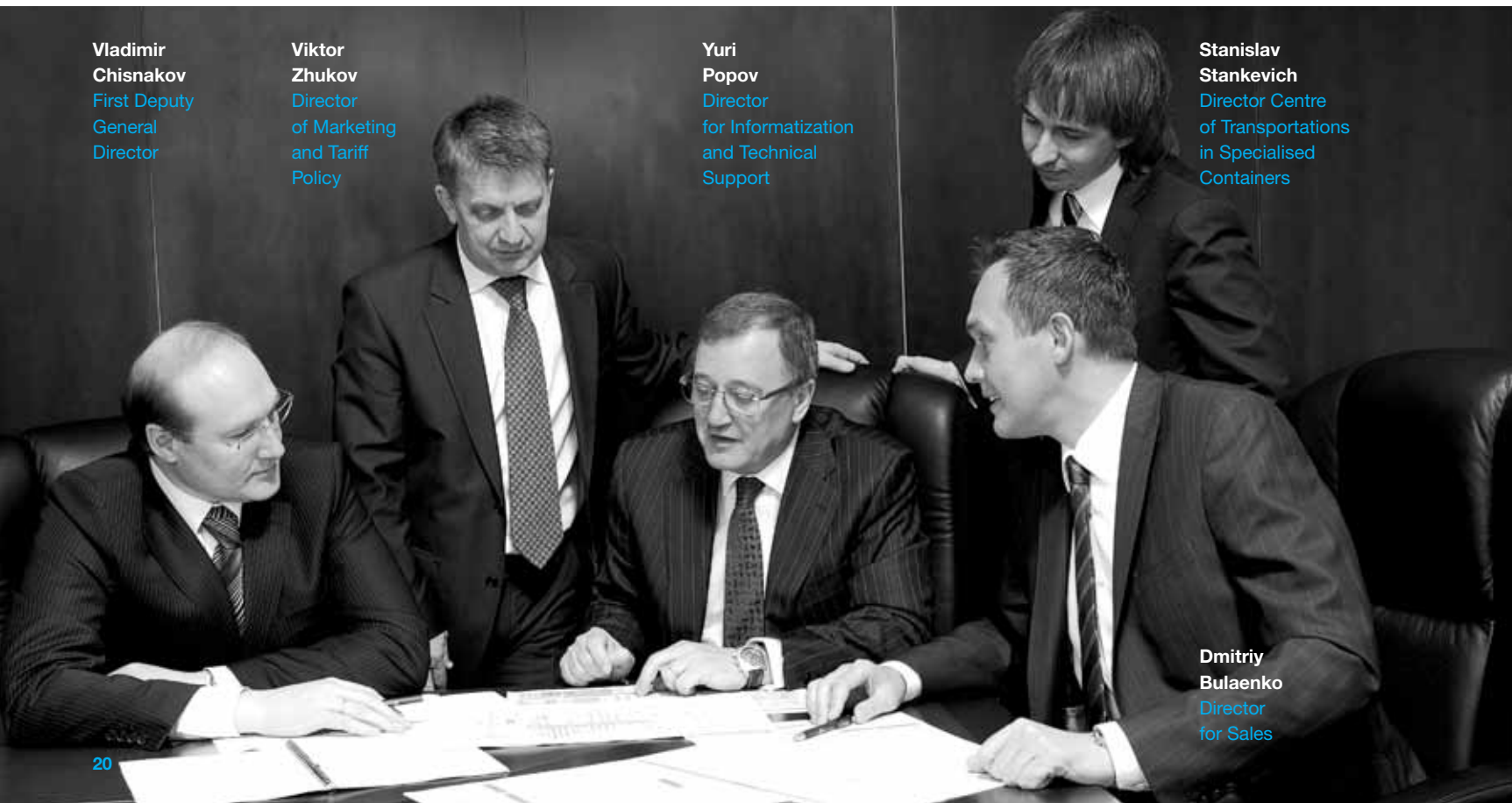


**Vladimir
Chisnakov**
First Deputy
General
Director

**Viktor
Zhukov**
Director
of Marketing
and Tariff
Policy

**Yuri
Popov**
Director
for Informatization
and Technical
Support

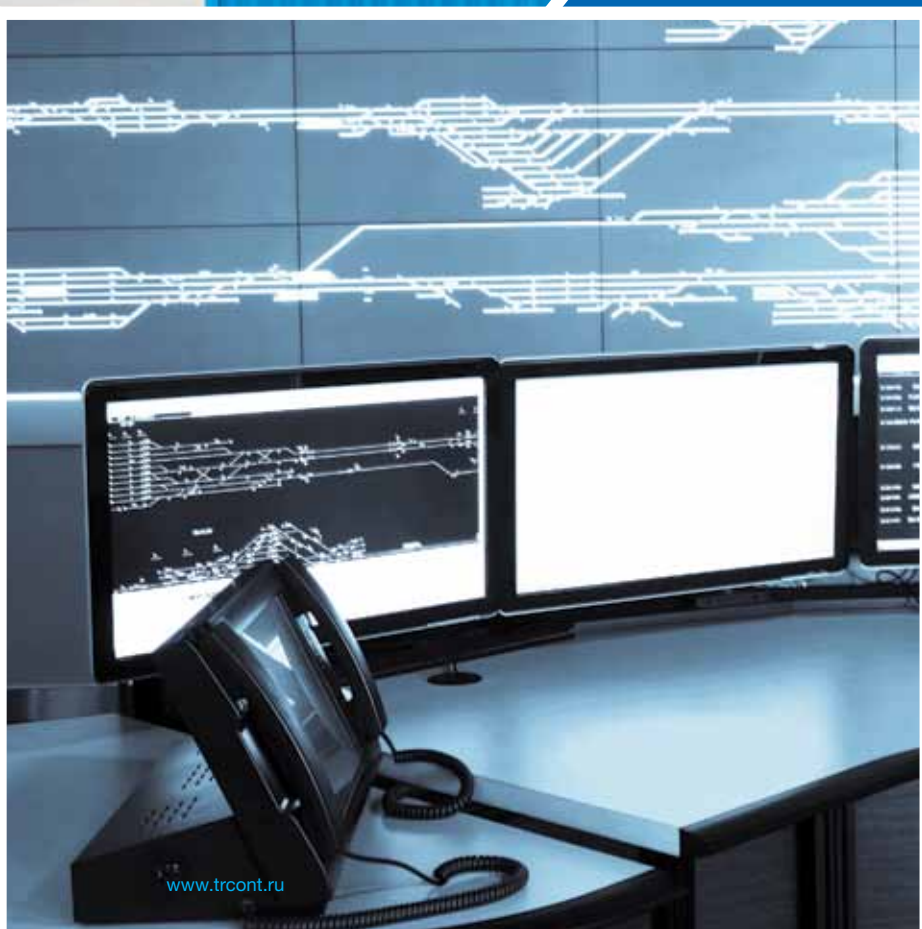
**Stanislav
Stankevich**
Director Centre
of Transportations
in Specialised
Containers



**Dmitriy
Bulaenko**
Director
for Sales



We provide a full range of transportation and logistics services in more than 20 countries around the globe for all categories of clients, from large international corporations to individual entrepreneurs.



Sales offices
in Russia

147

Customers

200 thousand

Transportation volume under integrated
logistics contracts

418.6 thousand TEU

The leadership to expand the business

In just five years, we have developed from a local rail operator into an international transport and logistics company providing customers with a full range of services in the field of container shipping.

Presence abroad in

24 countries

Entering the market of Kazakhstan

2011





Andrey
Zhemchugov
Director
for Capital
Markets
and Investor
Relations

Yuri
Yuryev
Strategic
Development
Director

Olga
Miller
Corporate
Governance
Director

Pavel
Chichagov
Deputy
General
Director

Solid financial positions

In any economic environment, the Company maintains financial strength and indisputable creditworthiness.

Revenue growth of

35.2%

Profit growth of more than

4 times





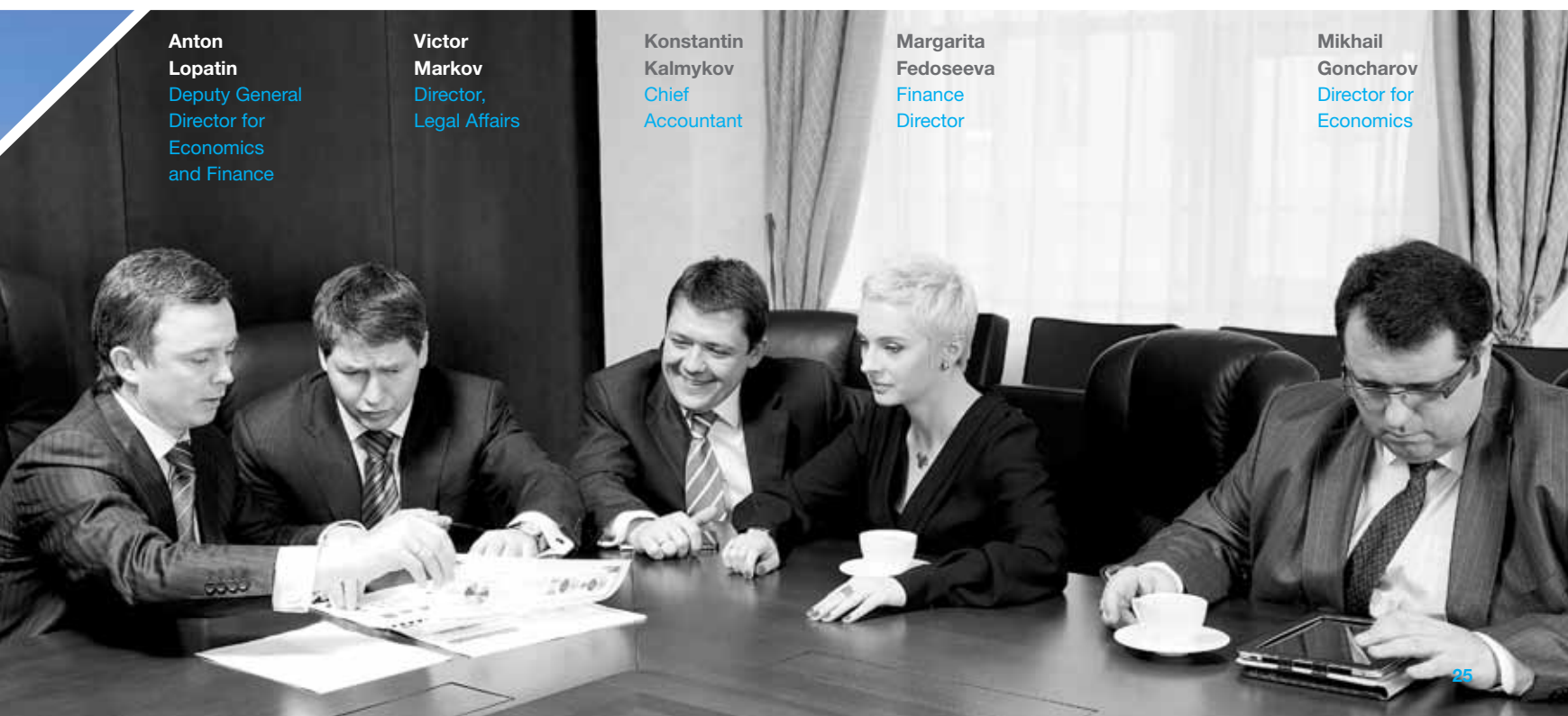
**Anton
Lopatin**
Deputy General
Director for
Economics
and Finance

**Victor
Markov**
Director,
Legal Affairs

**Konstantin
Kalmykov**
Chief
Accountant

**Margarita
Fedoseeva**
Finance
Director

**Mikhail
Goncharov**
Director for
Economics



Container transportation market



The Russian container market is the most dynamic segment of the freight market, and TransContainer is the undisputed leader in this market.

Victor Zhukov

Director of Marketing and Tariff Policy



GLOBAL CONTAINER TRANSPORTATION MARKET

In 2011, the global volume of container shipments reached 153 million TEUs. This is 9.7% more than the transportation volume for 2010 and 11.6% more than the transportation volume for the pre-crisis year of 2008. The volume of shipments in the core Asia-Europe axis grew by 11.7% and reached 18.7 million TEUs in 2011.

The 2011 growth in container haulage in 2011 took place against the backdrop of a sharp drop in sea-freight rates of 13% on average. This reduction followed the recovery in rates observed in 2010.

Sea-freight rates started to recover only at the end of Q1 2012. According to a forecast by Drewry, east-to-west sea-freight prices will increase in 2012 by about 4%.

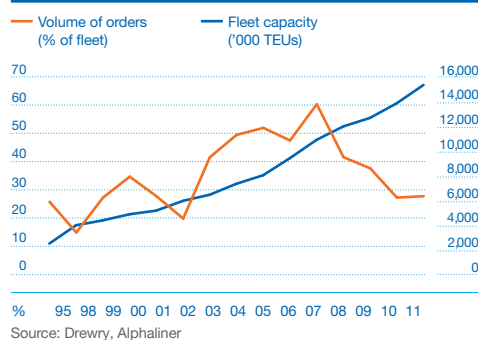
The average annual growth rate of the global container market was 8.5% between 2000 and 2011, which is 2.5 times more than the average growth rate of global GDP. This was a result of world trade development and growth of containerisation, with the latter increasing in 2011 by 6.5% compared to the previous year.

Container shipment volume, million TEUs

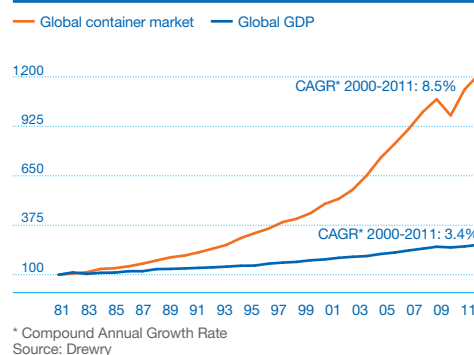
Route	2008	As a % of 2008	2009	As a % of 2009	2010	As a % of 2010	2011	As a % of 2011
Transpacific	20.5	15	18.4	15	20.3	15	21.9	14
Far East-Europe	16.8	12	15.2	12	17.2	12	18.7	12
Transatlantic	6.3	5	5	4	5.6	4	6	4
Other east-west routes	14.3	10	14.4	12	16	11	17.7	12
North-south	22.4	16	21.1	17	23.9	17	26.3	17
Other	56.3	41	50.4	41	56.8	41	62.6	41
Total:	137	100	124	100	140	100	153	100
Growth	4.30%		(8.90%)		12.30%		9.70%	

Source: Clarkson Research Services

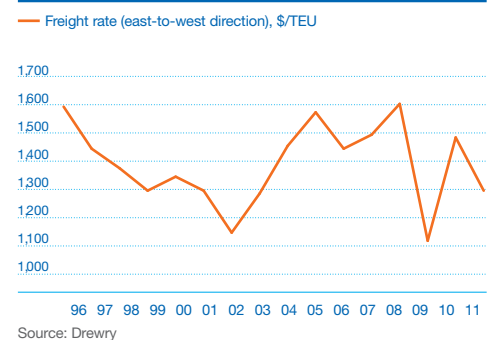
Global container fleet capacity and volume of maritime carriers' container transportation orders



Global container market dynamics 1980-2011



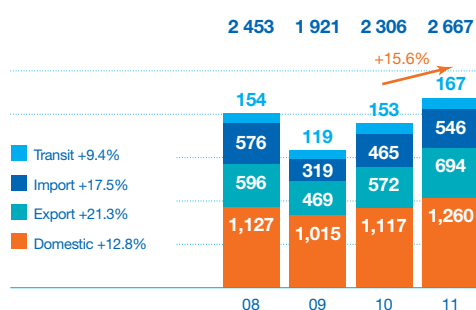
Sea shipping rates on East-West routes, US\$ per TEU



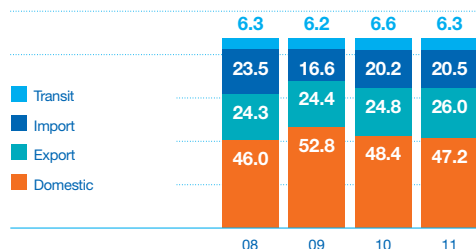


RUSSIAN RAIL CONTAINER TRANSPORTATION MARKET

Russian railway container shipments by type of transport ('000 TEUs)

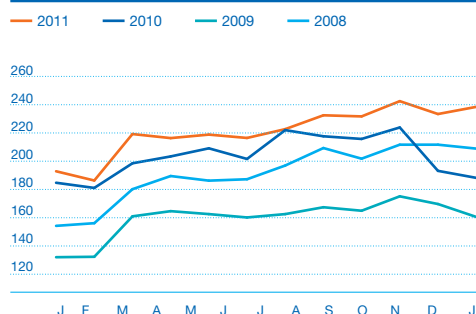


Russian railway container shipments by type of transport, %



Source: RZD OJSC, Company data

Container shipment volumes on Russian railways' network, 2008-2011 ('000 TEUs)

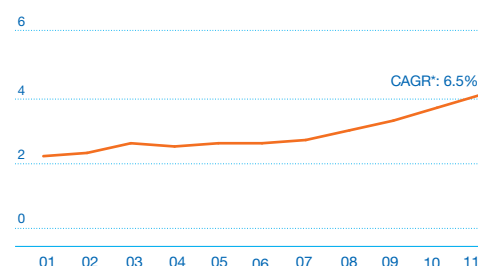


In 2011, the volume of rail container traffic in Russia exceeded the pre-crisis level and amounted to 2.7 million TEUs, which is 8.7% higher than the figure for 2008 and 15.6% more than 2010. After some stagnation in January and February 2011, owing mainly to weather conditions, the market grew steadily for the rest of the year.

The increase in transportation volumes was due to post-crisis recovery of the global and Russian economy and positive macroeconomic factors affecting container traffic. According to preliminary estimates made by Rosstat (the Russian Federal State Statistics Service), Russia's GDP grew by 4.1% in 2011, while manufacturing industry production increased by 4.8% and real disposable incomes rose by 4.3%. The volume of commodity imports grew by 36.7% while the volume of commodity exports went up by 31.7%.

Continued growth of containerisation in rail transport was an additional factor in the recovery of rail container traffic volumes in 2011. According to the Company's estimates, the share of goods transported in containers by Russian railways, as a proportion of total rail cargo, grew from 3.7% in 2010 to 4.1% in 2011 (Source: RZD OJSC Information Centre, estimates by the Company).

Containerisation in rail transport in Russia, 2001-2011



International rail container traffic showed the highest recovery rates and increased by 18.3% in 2011, while domestic rail container traffic increased by 12.8%. As a result, the market structure practically returned to pre-crisis levels: international transportation volumes accounted for 53% of the market while the share of domestic traffic decreased from 48% in 2010 to 47% in 2011.

That said, a change in the structure of international traffic should be noted: in 2011, the container traffic growth rate in export haulage amounted to 21.3% and exceeded the respective growth rate in import haulage which was 17.5%. As a result, the share of export traffic in the overall structure of the market grew by 1.2% while the share of import haulage remained practically unchanged.

The Company expects the dynamics of the Russian container market to be determined in 2012 mainly by the macroeconomic environment in the country and globally, as well as by international trade. Despite the continued growth in key macroeconomic indicators, the risks of a downturn caused by possible deterioration of the global economic situation remain high. In the long term, growth in the Russian container market will be supported by growth in gross domestic product and by the more active involvement of Russia in international trade, particularly in connection with Russia's anticipated accession to the WTO in 2012, and as Russia's containerisation rate continues to grow towards the global average.



RUSSIAN RAIL CONTAINER TRANSPORTATION MARKET (CONTINUED)

Import traffic

Import rail container transportation volumes increased by 17.5% in 2011, from 464,700 TEUs to 546,200 TEUs. The post-crisis recovery of imports, accompanied by rising consumer spending and retail bank lending levels, was the main growth driver. The primary increase in imports occurred in container traffic coming from the Far East: the container traffic growth at Far Eastern ports amounted to 35% in 2011, and the container traffic through the Zabaikalsk border crossing point grew by 32%.

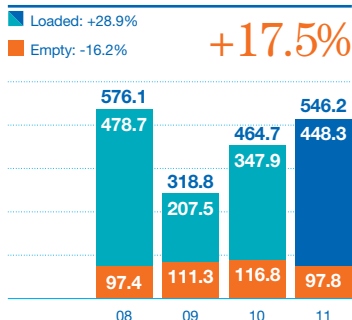
Loaded container transportation made a major contribution to overall container imports (+28.9%) while empty container traffic decreased by 16.2%. As a result loaded container traffic share of total import container turnover increased to 82% compared to 75% in the previous year.

Key categories within import container transportation included: supplies of auto parts (37%), consumer goods (14%), chemicals (12%), metal products (12%), and plant & equipment (11%).

Container haulage of auto parts (which increased by 24%), consumer goods (by 28%), chemicals (by 21%) and plant & equipment (by 77%) showed the highest growth rates in commodity groups in 2011.

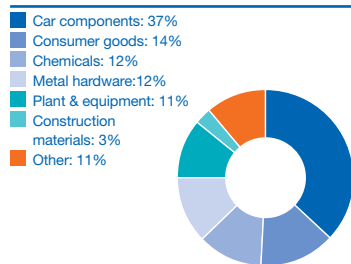
The main import container flows came to Russia from Southeast Asian countries (China, Korea and Japan) and from Central and Eastern Europe.

Container shipments on import routes on Russian railways' network, 2011 ('000 TEUs)



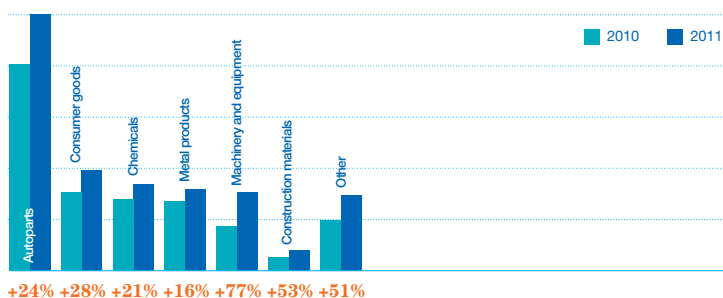
Source: Russian Railways, Company data

Breakdown of import rail container transportation in Russia in 2011, by type of cargo



Source: Russian Railways, Company data

Changes in import rail container transportation in Russia in 2011, by type of cargo ('000 TEUs)



Export traffic

Export container traffic by rail increased by 21.3% and amounted to 693,800 TEUs in 2011 compared to 572,100 TEUs in the previous year.

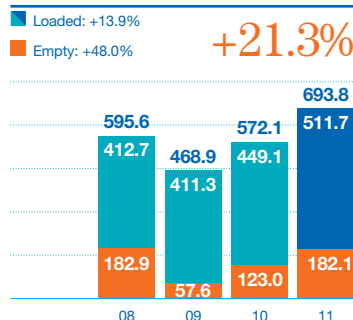
Full container traffic constituted the major part of the export rail container haulage. That said, export haulage of empty containers grew at above-trend rates in 2011, due to increasing volumes of container imports. As a result, the share of empty containers in the total export turnover of containers reached 26.2% in 2011 compared with 21.5% in the previous year.

In 2011, pulp and paper as well as chemical products once again constituted the bulk of Russian rail container exports, which accounted for a total 59% of the total volume of Russian container exports.

Haulage of metal hardware (which increased by 63% and reached 24,300 TEUs), timber cargoes (which increased by 64% and reached 61,500 TEUs) and chemical products (which increased by 46% to reach 123.7 TEUs) showed the highest growth rates in 2011. Export haulage of pulp and paper grew by 9% in 2011 compared with 2010.

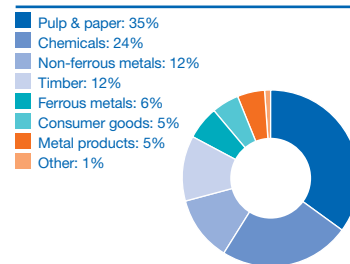
Most container exports conducted by Russian Railways in 2011 were to Northwest and Far East ports, as well as to Eastern European countries.

Container shipments on export routes on Russian railways' network, 2011 ('000 TEUs)



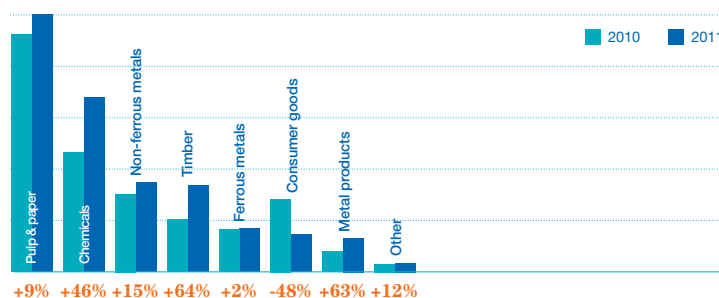
Source: Russian Railways, Company data

Breakdown of export rail container transportation in Russia in 2011, by type of cargo



Source: Russian Railways, Company data

Changes in export rail container transportation in Russia in 2011, by type of cargo ('000 TEUs)



Domestic traffic

In 2011, the volume of domestic container traffic totalled 1,260,000 TEUs, having increased by 12.8% compared to the previous year.

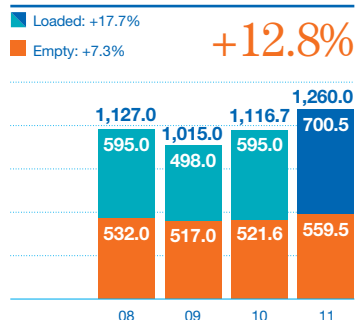
Loaded containers constituted 55.6% of domestic rail container traffic in 2011. Domestic loaded container traffic grew by 17.7%, while empty container traffic increased only by 7.3% compared with 2010.

The structure of domestic rail container traffic was more diversified in comparison with international haulage. In 2011, chemical products and consumer goods constituted 15%, foodstuffs 13%, machinery and equipment 9%, metal hardware 8% and paper, oil products and construction materials 7% each.

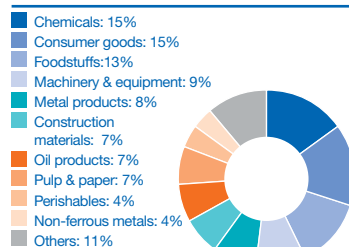
Consumer goods, construction materials and engineering products, which increased by 26%, 30% and 41% respectively, constituted the main part of domestic rail container traffic.

The main container flows in domestic rail traffic were concentrated in the direction of Central Russia to Siberia and within the European part of Russia.

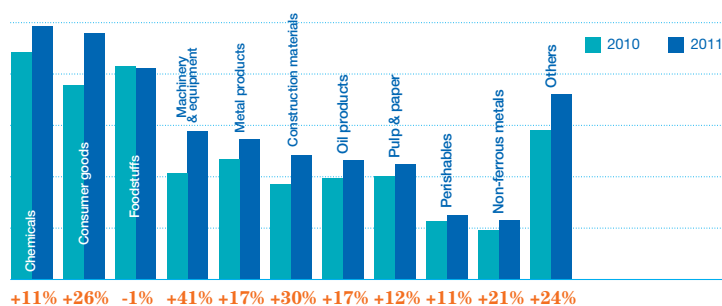
Container shipments on domestic routes on Russian railways' network, 2011 ('000 TEUs)



Breakdown of domestic rail container transportation in Russia in 2011, by type of cargo



Changes in domestic rail container transportation in Russia in 2011, by type of cargo ('000 TEUs)



Transit traffic

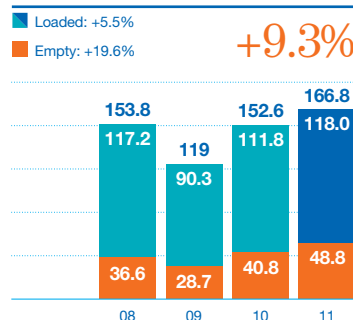
Transit rail container traffic grew by 9.3% in 2011, from 152,600 TEUs to 166,800 TEUs. Full containers continued to account for the bulk of transit traffic, although their share in rail transit container turnover decreased to 70.8% in 2011 compared with 73.3% in the previous year.

The largest contributions to transit freight haulage in 2011 were from automotive spare parts, which accounted for 22% of total transit container haulage, ferrous metals (16%), perishable goods (11%), machinery and equipment (9%), consumer products (9%), and chemical products and metal hardware (8%).

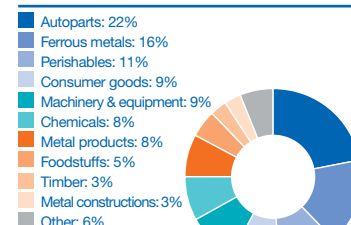
Haulage of automotive spare parts that grew by 33% compared to 2010, metal products (grew by 36%), plant & equipment (grew by 30%), food (grew by 26%), consumer goods and ferrous metals (grew by 17%) and chemicals (grew by 25%) made the largest contributions to the growth in transit rail container traffic in 2011.

The major part of rail container transit took place in the north-to-south direction, between Eastern European countries (including the Baltic States) and Central Asia.

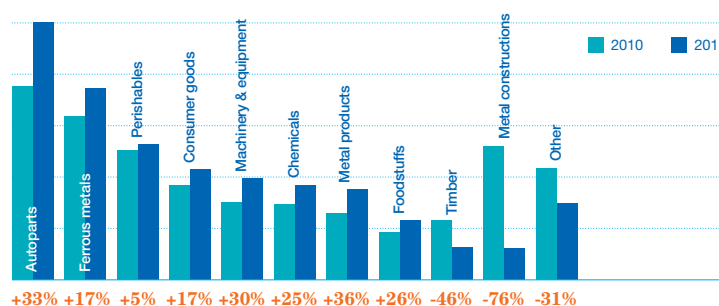
Container shipments on transit routes on Russian railways' network, 2011 ('000 TEUs)



Breakdown of transit rail container transportation in Russia in 2011, by type of cargo




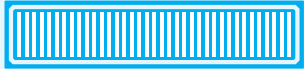



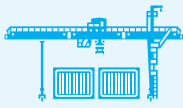
Changes in transit rail container transportation in Russia in 2011, by type of cargo ('000 TEUs)



Integrated business model

TransContainer presence throughout the logistics supply chain



Asset	Number (as of 31 December 2011) ¹
Flatcars 	24,376
ISO containers 	59,116
Medium-duty containers 	40,755
Lifting equipment 	246
Trucks 	891
Railway container terminals in Russia 	46

¹ Operating on Russian Railway networks

ASSET STRUCTURE

The Company owns and operates assets that are unique in terms of their structure and size in the Russian container market. The structure of the Company's assets comprises all of the key components of a container logistics chain, allowing the Company to hold leading positions in the Russian container market.

Asset	Asset	Number (as of 31 December 2011) ¹
40-foot	For haulage of light and heavy cargoes	5,891
60-foot	For haulage of light and heavy cargoes	13,175
80-foot	For haulage of light cargoes	5,310
40-foot containers including:	The most widely used type of containers, mainly used for transporting lightweight end products	17,961
Open-top containers	For transporting off-gauge or heavyweight cargoes, machinery and plant, and pipes	18
20-foot containers including:	For transporting heavyweight and lightweight end products and bulk cargoes	41,155
Thermos containers	For transporting perishable cargoes, such as juices, beer and other beverages, butter, milk, fish and meat	2,139
Bulk containers	For transporting gluten, oilcake, technical salt, fertilisers and other bulk cargoes	70
Open-top containers	For transporting off-gauge or heavyweight cargoes, machinery and plant, and pipes	72
MDC 3 tonnes	For transporting small consignments, and for social transportation	5,526
MDC 5 tonnes	Virtually outdated format (the Company stopped purchasing such containers in 2006). All containers are leased to RZD	35,229
Reach stackers (carrying capacity >24 tonnes)	For processing high-capacity containers	50
Cranes (carrying capacity >20 tonnes)	For processing high-capacity containers	58
Cranes (carrying capacity <12.5 tonnes)	For processing medium-capacity containers	84
Small size loaders (carrying capacity <10 tonnes)	For filling containers with cargoes and for repair and auxiliary works	54
Truck-tractors	For transporting container semi-trailers	317
Semi-trailers	For 20-foot high-capacity containers	290
	For 40-foot high-capacity containers	203
Lorries	For transporting medium-capacity containers	81
Container handling and storage, accommodation of Company equipment, infrastructure, buildings and personnel, customs warehouses (TSWs) and forwarding activities		

Operating results



In 2011 we achieved record levels of operating efficiency by reducing empty runs, increasing turnover of rolling stock and improving the structure of the flatcar fleet.

Vladimir Drachev
First Deputy General Director

Rail container transportation

The Company provides the services of supplying specialised flatcars and containers for transportation of cargo. Rail container traffic carried by the Company's flatcar fleet increased by 13.3% in 2011 compared with 2010, reaching a total of 1,362,000 TEUs. As in the previous year, international transportation volumes by the Company's flatcar fleet, which grew by 20.9%, from 483,000 TEUs in 2010 to 584,000 TEUs in 2011, was the main factor behind the growth. Domestic rail container transportation grew by 8.2%, from 719,000 TEUs in 2010 to 778,000 TEUs in 2011.

The Company's share of the Russian railway container transportation market in 2011 was 51.1%, a level that was almost unchanged from 2010.

In 2011, the Company increased its market share on export routes (from 46.2% to 47.4%) and in transit traffic (from 18.8% to 20.2%). Despite a slight decline, from 64.4% to 61.7%, in the share of domestic rail container transportation the Company remains the largest player in this segment. Along with the effect of increased competition, the reduction of the Company's share in the domestic market is also due to reduced shipment of own empty containers in domestic traffic. The Company's share in import transportation remained virtually unchanged after a sharp rise in 2010 and stood at 40.6% in 2011. In general, based on the results of 2011, the Company has confirmed its position as the largest player in the railway container transportation market.

Shipments of all client containers by the Company's flatcar fleet, as well as shipments of the Company's loaded containers, are paid for by the client and generate revenues for the Company. When transporting its own empty containers, the Company pays the infrastructure and locomotive fees charged by RZD OJSC and other railway administrations, and such transportation incurs costs for the Company.

In 2011, the revenue-generating transportation volumes carried out by the Company's flatcar fleet increased by 17.2%, from 870,000 TEU to 1,020,000 TEU, while the volume of transportation of its own empty containers increased only by 2.9%, from 333,000 TEU in 2010 to 342,000 TEU in 2011. Correspondingly, the share of revenue-generating transportation as a proportion of the total container traffic carried out with its own rolling stock increased from 72.3% in 2010 to 74.9% in 2011.

The main cargo groups that were transported in 2011 were chemicals (15.1% of the total shipment of loaded containers), parts for car assembly plants (14.1%), pulp and paper (10.1%) and metal hardware (9.3%). The share of chemical products, hardware, lumber and machinery & equipment transported by the Company's own rolling stock in 2011 was higher than for 2010.

RAIL CONTAINER TRANSPORTATION BY SPECIALISED CONTAINERS

In 2011, the Company provided for further development of haulage with the use of thermally insulated containers (thermos containers). Such containers are used for transporting juices (60%), beer, drinks, wine, milk and other food products. In 2011, the volume of cargo transported by the Company's flatcar fleet in thermos containers amounted to 14,700 TEU, which was 2.5% of the total haulage of its own loaded containers.

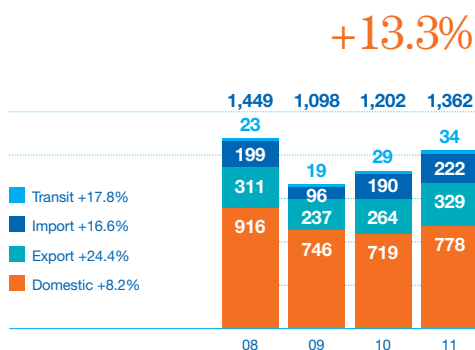
The Company's biggest customers using thermos container transportation services are Lebyadyansky JSC (juices), Sady Pridonya JSC (juices) and Terkon-Logistic LLC (beer, juices). Their cargoes accounted for 60% of the total thermos container haulage carried out by the Company in 2011.

In 2011, the Company's container fleet was replenished by open-top containers manufactured at the Company's Shakhunya Depot. This type of container is used to transport large-size, heavy and difficult-

to-load goods in cases where the cargo cannot be loaded into, or unloaded from, conventional universal containers. By the end of 2011, there were 90 open-top containers in the Company's container fleet.

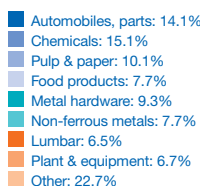
The Company is continuing to expand the range of goods suitable for haulage in containers through the introduction of inflection-tank and dry-liner technologies for liquid and bulk cargoes that were previously not suited to container transportation.

Rail container transportation volumes carried by the Company's flatcar fleet between 2008-2011 (loaded and empty ISO containers, '000 TEUs)



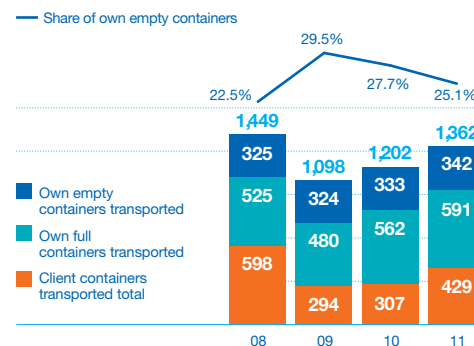
Source: Company data

Transportation of containers by the Company's fleet in 2011 by type of cargo (TEU-based shares)



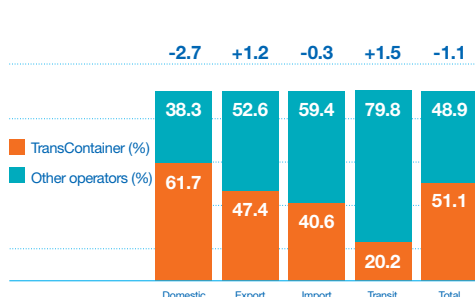
Source: Company data

Breakdown of containers transported by the Company's flatcar fleet 2008-2011 (by container ownership, '000 TEU)



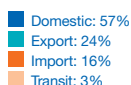
Source: Company data

The Company's 2011 vs 2010 share of total container traffic transported by Russian Railways (loaded and empty ISO containers, TEU-based shares)



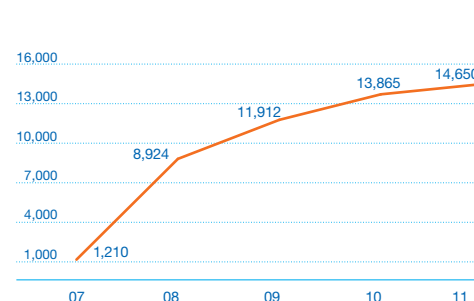
Source: RZD OJSC, Company data

Breakdown of rail container transportation volumes carried by the Company's flatcar fleet in 2011 (loaded and empty ISO containers, TEU-based shares)



Source: Company data

Isothermal container cargo volumes by the Company's fleet (TEUs)



ASSET UTILISATION

The Company's key performance indicators showed an impressive upward trend in 2011.

In 2011, a set of measures were taken in order to optimise both flatcar and container empty run ratios, including, among other actions, optimising logistic schemes and introducing flexible pricing and marketing policies on routes with high levels of empty runs. As a result, container empty runs that make a major contribution to the Company's transport expenses decreased from 39.1% in 2010 to 34.4% in 2011. Flatcar empty runs also declined from 8.8% to 8.3% in 2011.

As a result of the Company's efforts in arranging container block-trains, the percentage of containers transported by the Company's flatcar fleet by block-trains increased to 25% compared with 22% in the previous year. In 2011, 336,000 TEU were transported by container block-trains using the Company's flatcar fleet, compared with 267,000 TEU in the previous year.

Key asset utilisation metrics in 2010 and 2011

	2010	2011
Container turnover, days	21.8	21.9
Flatcar turnover, days	14.2	13.1
Container empty run rate ¹ , %	39.1%	34.4%
Flatcar empty run rate ¹ , %	8.8%	8.3%
Share of shipments in container trains, %	22.2%	24.6%

¹ The empty run rate is calculated as the average empty run divided by the average total mileage (in km)

Source: Company data

This produced a positive impact on the average circulation of the Company's fleet. Thus, the average Company's flatcar turnover was reduced to 13.1 days in 2011 compared with 14.2 days in the previous year.

Flatcar fleet

As of 31 December 2011, the Company had a fleet of 24,376 specialised flatcars, which was about 60% of the entire flatcar fleet owned by Russian companies. During 2011, the Company continued optimising the flatcar fleet structure by increasing the share of 80-foot flatcars and writing off short-base 40- and 60-foot flatcars whose lifetime had expired. By the end of 2011, the number of 80-foot flatcars grew from 4,400 to 5,310, or by 20.7%, while their capacity share in TEU increased from 24.7% to 29.3%.

The total number of flatcars operated by the Company increased in 2011 by 0.5%, from 24,255 to 24,376 units. At the same time, due

to the fleet's improved structure, its capacity increased from 71,170 TEU to 72,547 TEU, or by 1.9%. The average age of a flatcar remained unchanged during 2011 and was 17.3 years.

Container fleet

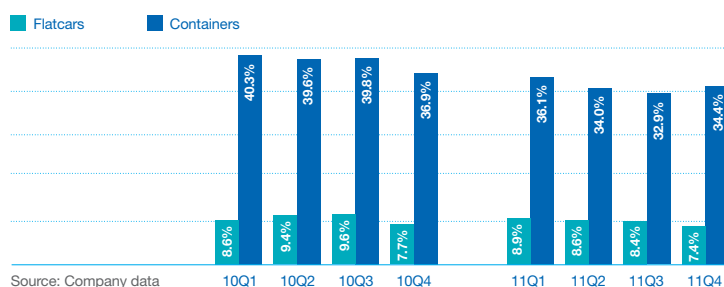
By the end of 2011, the Company's ISO container fleet totalled 59,116 units, including 17,961 40-foot containers (with 18 open-top containers) and 41,155 20-foot containers, of which 2,139 were specialised thermos containers, 70 were for bulk cargo transportation and 72 open-top containers. The Company also owned 40,755 medium-duty containers that were leased to RZD OJSC. In 2011, the Company's high-capacity container fleet reached 332 units, with 1,315 40-foot containers bought and 921 20-foot containers and 62 40-foot containers written off during the year.

Breakdown of the Company's flatcar fleet as of 31 December 2011

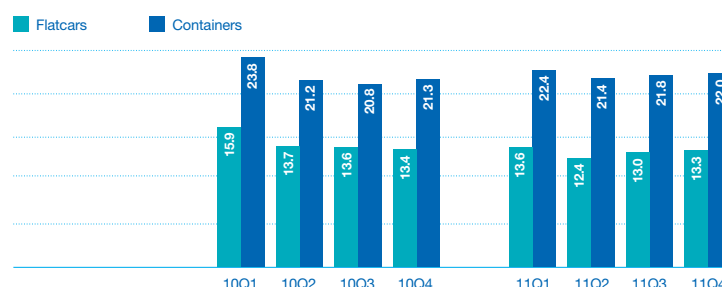
Flatcars	Own	Finance lease and conventional lease	Total	Capacity, TEU	Average age, years
40 ft	4,632	1,259	5,891	11,782	13.0
60 ft	13,175	–	13,175	39,525	24.5
80 ft	5,024	286	5,310	21,240	3.3
Total	22,831	1,545	24,376	72,547	17.3

Source: Company data

Empty run ratios for the Company's containers and flatcars in 2010 and 2011



Turnover of the Company's containers and flatcars in 2010 and 2011 (days)



Terminal handling

The Company provides container handling services at its own rail-side terminals, including loading, unloading and sorting containers, and also provides a wide range of additional services related to terminal servicing of containers and containerised cargos (including preparation of containers for loading, cargo unloading/loading, container storage, sealing, etc.).

As of 31 December 2011 the Company owned 46 rail container terminals located in all of the 17 Russian Railway networks. In March 2011, the Company took control of Kedentransservice JSC, the largest private operator of rail terminals in Kazakhstan, with 17 terminals in the Kazakh railway network and a container terminal at the Dostyk border crossing point on the border with China. Also, the Company operated, on long-term lease terms, a container terminal at Dobra Station (Slovakia).

Terminal operations in the Russian Federation

All of the Company's terminals located in the Russian Federation have the status of common use areas in accordance with the Federal Law governing railway transport in the Russian Federation, and the Company provides a number of services (loading containers on flatcars, unloading containers from flatcars, sorting containers en route, etc.) as an agent of RZD OJSC.

The volume of container handling carried out at the Company's container terminals located in the Russian Federation grew by 4.8% in 2011 and reached 1,577,000 TEU compared to 1,505,000 TEU in 2010. The volume of processing ISO containers grew by 14.4% from 1,208,000 TEU in 2010 to 1,381,000 TEU in 2011, and the volume of processing medium-duty containers decreased by 34.1% from 297,000 TEU to 196,000 TEU due to gradual removal of this type of containers.

The Company's terminals accommodate 11 bonded warehouses with a total storage area of 22,100 square metres.

As of 31 December 2011, the Company's lifting equipment totalled 246 units compared

to 258 units in the previous year. Most of the decrease in the lifting equipment was due to disposal of cranes and forklifts designed for processing medium-duty containers.

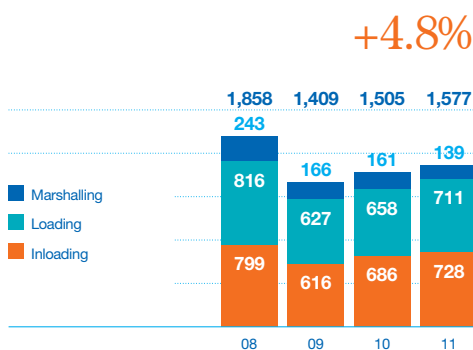
Terminal operations abroad

In March 2011, the Company acquired 67% of the equity of Kedentransservice joint-stock company. The asset base of Kedentransservice JSC comprises 192 units of lifting equipment, 61 vehicles, 44,000 square metres of storage area and some 30 locomotive engines.

The volume of container handling carried out by Kedentransservice JSC at Dostyk Station in 2011 totalled 30,000 TEU, which is 37.0% higher than the respective figure for 2010. The volume of cargo handling in the Kedentransservice terminal network amounted to 3.42 million tonnes, which was 13.2% over the 2010 figure.

Also, the Company operates, through its subsidiary TransContainer Slovakia, a container terminal located at Dobra Station on the border of Slovakia and Ukraine. The volume of container handling at the Dobra terminal was 20,000 TEU in 2011, which is 75.2% over the 2010 figure.

Container handling volumes at the Company's terminals located in the Russian Federation (ISO containers + medium-duty containers), 2008-2011 ('000 TEU)



Truck deliveries

The Company provides services for truck delivery of containers, which includes primarily transportation of containers from the Company terminal to the final destination point, constituting a “last-mile service”. For these purposes, the Company uses both its own fleet and outsourcing services of trucking companies on a contract basis. The Company has the status of a truck carrier under customs control.

In 2011, 657,000 TEU were transported by the Company's own fleet and third parties' vehicles, which is 4.2% higher than the 2010 figure.

The share of own fleet in the total trucking volumes remained at the level of 43%, while the share of ISO containers in the traffic breakdown increased from 84% in 2010 to 89% in 2011.

As of 31 December 2011, the Company fleet totalled 891 units compared with 904 in the previous year.

LOGISTICS AND FREIGHT FORWARDING SERVICES

The Company provides its customers with a wide range of logistics and freight forwarding services, including preparation of transport documents, tracking of containerised cargo en route, customs clearance and border procedures, etc.

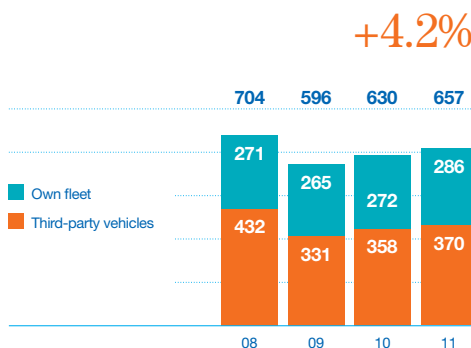
Making maximum use of the advantages offered by its business model, the Company offers its clients integrated transportation and logistics solutions, including through-rate door-to-door container shipping (integrated logistics service). This service is provided on an “all inclusive” basis with the use of the Company's own assets (flatcars, containers, terminals and vehicles), as well as with the use of subcontractors' services (RZD OJSC, foreign railway administrations, agent companies, shipping lines, etc.). Integrated logistics services are in high demand, as they combine convenience for the client (the Company undertakes to achieve the final result), simplicity (single price) and reliability (the Company has its own assets

at all key shipment stages). The volume of containerised cargo haulage carried out as integrated logistics services amounted to 419,000 TEU in 2011, which is 11.8% higher than the 2010 level. That said, integrated logistics services require the Company to offer a higher degree of responsibility to customers and a more comprehensive management capability as compared to conventional transport services.

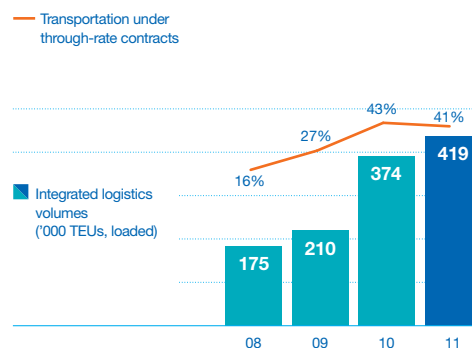
The share of integrated logistics services as a proportion of the Company's total revenue-generating container transportation volumes decreased in 2011 from 43% in 2010 to 41% in 2011 due to greater growth in demand by retail customers for standard transport services.

Integrated logistics services provided by the Company are used by such companies as Volkswagen, RUSAL, Samsung and, since 2010, the Peugeot Citroën group of companies. Such services are also in demand at the regional level, including among medium and small shippers.

Container transportation volumes by own and outsourced truck fleet (ISO containers + MDC), 2008-2011 ('000 TEUs)



Transportation of loaded containers under integrated logistics service contracts, 2008-2011



CUSTOMER BASE AND SALES ORGANISATION

The Company is the only network rail container operator represented in all major cities of Russia. The Company's sales network covers the whole area of the Russian Federation. As of 31 December 2011, the Company had 147 sales offices in Russia (including the central sales office in Moscow).

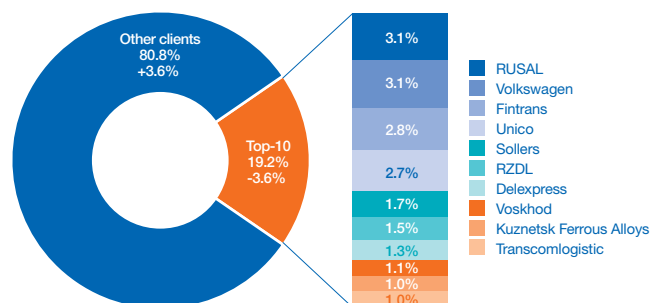
As of 31 December 2011, the Company's international network had three subsidiaries, three joint ventures, eight representative offices and 28 agent companies and regional partners. The Company's international network covers 24 countries, including the CIS as well as Central European and Southeast Asian countries.

Each year, the Company signs about 200,000 contracts for transportation services. The Company's 10 largest customers accounted for 19% of all customer payments in 2011, and UC RUSAL as the Company's largest client accounted for 3% of all customer payments.

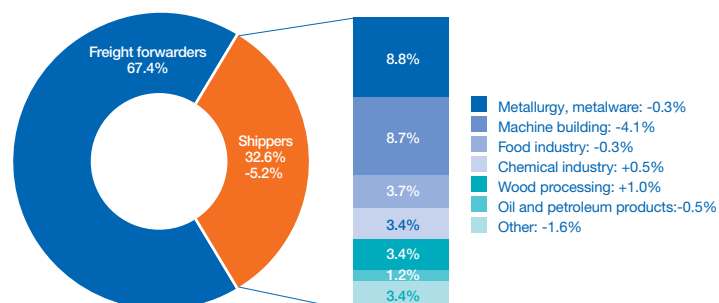
End customers had a share of 32.6% in the Company's customer breakdown in 2011, which is 5% below the 2010 level due to increased demand for transportation of containers from retail customers.

The Company's strategy is to reach end users seeking integrated logistics services. However, taking into account the geographical scope of operation and the existing potential for growth in the demand for container cargo transportation, the Company continues to develop partnership relations with freight-forwarding companies both in Russia and abroad.

The Company's 10 largest customers in 2011 (by revenue)



Client breakdown expressed as percentage of total client receipts, in 2011



Financial results



In 2011 TransContainer OJSC made significant progress in cost control. The Company installed a new budgeting and control system, dramatically improved its debt indicators and achieved an absolute reduction in interest costs.

Anton Lopatin
Deputy General Director
for Economics and Finance

The Company's financial results for the year ended 31 December 2011 reflect the strong recovery in the rail container market in Russia, as well as results of the Company's measures aimed at improving its financial and operational performance.

In 2011, the Company's total revenue increased by 35.2% to RUR 30,876 million; adjusted revenue increased by 37.6% to RUR 22,701 million; EBITDA grew by 90.8% to RUR 8,448 million. Profit for the year increased by 4.1 times from RUR 928 million in 2010 to RUR 3,843 million in 2011.

The improvement in the Company's financials led to the stronger debt position and reduced interest expenses. Despite an increase in the total debt, up 33.0% to RUR 9,348 million, the Net Debt/EBITDA ratio improved from 1.3 as of 31 December 2010 to 0.7 as of 31 December 2011.

Description of Key Consolidated Statement of Comprehensive Income Items for the years ended 31 December 2011 and 2010

RUR million	2011	2010	Period on period change	Period on period % change
Revenue	30,876	22,841	8,035	35.2%
Operating expenses net	(25,141)	(20,748)	(4,393)	21.2%
Operating income	5,735	2,093	3,642	174.0%
Interest expense	(841)	(848)	7	(0.8%)
Interest income	64	15	49	326.7%
Foreign exchange loss net	119	16	103	643.8%
Share of result of associates	(47)	—	—	—
Other gains and losses	—	66	—	—
Profit before income tax	5,030	1,342	3,688	274.8%
Income tax expense	(1,187)	(414)	(773)	186.7%
Profit for the year	3,843	928	2,915	314.1%
Attributable to:			0	
Equity holders of the parent	3,810	928	2,882	310.6%
Non-controlling interest	33	—	—	—
Other comprehensive income				
Exchange differences on translating foreign operations	272	7	265	3785.7%
Total comprehensive income	4,115	935	3,180	340.1%
Attributable to:				
Equity holders of the parent	3,996	935	3,061	327.4%
Non-controlling interest	119	—	—	—

NON-IFRS FINANCIAL INFORMATION

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Operating Margin are non-IFRS measures presented as supplemental measures of our operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them, as a substitute for analysis of our results as reported under IFRS.

RUR million	2011	2010	Period on period change	Period on period % change
Adjusted Revenue ¹	22,701	16,502	6,199	37.6%
Adjusted Operating Expenses ² , net	(16,966)	14,409	2,557	17.7%
EBITDA ³	8,448	4,427	3,931	90.8%
Adjusted EBITDA Margin ⁴	37.2%	26.8%		
Net Debt ⁵	6,107	5,735	372	6.5%
Net Debt/ EBITDA	0.7	1.3		

1 Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services

2 Adjusted Operating Expenses is calculated as operating expenses less cost of integrated freight forwarding and logistics services

3 EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation

4 Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue

5 Net Debt is calculated as long-term debt, finance lease obligations, short-term debt and current portion of long-term debt less cash and cash equivalents and short-term investments

REVENUE

The following table sets forth the breakdown of the total revenue for the years ended 31 December 2011 and 2010.

RUR million	2011	2010	Period on period change	Period on period % change
Integrated freight forwarding and logistics services	14,894	11,240	3,654	32.5%
Rail-based container shipping services	10,289	6,980	3,309	47.4%
Terminal services and agency fees	2,449	2,008	441	22.0%
Truck deliveries	1,710	1,513	197	13.0%
Other freight forwarding services	1,025	746	279	37.4%
Bonded warehousing services	383	273	110	40.3%
Other	126	81	45	55.6%
Total revenue	30,876	22,841	8,035	35.2%

Total revenue increased by RUR 8,035 million, or 35.2%, from RUR 22,841 million for the year ended 31 December 2010 to RUR 30,876 million for the year ended 31 December 2011. This increase was primarily due to a higher demand for our key services as a result of improving overall economic conditions and consumer confidence and, hence, increasing transportation and handling volumes, in addition to a favourable pricing environment.

ADJUSTED REVENUE

The following table sets forth Adjusted Revenue for the years ended 31 December 2011 and 2010.

RUR million	2011	2010	Period on period change	Period on period % change
Revenue	30,876	22,841	8,035	35.2%
Less cost of integrated freight forwarding and logistics services	(8,175)	(6,339)	(1,836)	29.0%
Adjusted Revenue	22,701	16,502	6,199	37.6%

Adjusted Revenue (as defined above) grew by 37.6% from RUR 16,502 million for the year ended 31 December 2010 to RUR 22,701 million for the year ended 31 December 2011. This was primarily due to a 17.2% increase in revenue-generating rail container transportation volumes by the Company's fleet, to 1,020 thousand TEU in 2011 as compared to 870 thousand TEU in 2010; a 4.8% growth in terminal throughput in Russia to 1,577 thousand TEU for the reporting period from 1,505 thousand TEU in 2010; a 13.2% increase in handling volumes of non-containerised cargo at terminals operated by JSC Kedentransservice, and the effect of the Company's pricing policy.

The following table sets forth the components of relative contribution to Adjusted Revenue for the years ended 31 December 2011 and 2010.

	2011		2010		Period on period change	
	RUR mln	Share, %	RUR mln	Share, %	RUR mln	%
Rail-based container transportation	10,289	45.3%	6,980	42.3%	3,309	47.4%
Adjusted Integrated freight forwarding and logistics services	6,719	29.6%	4,901	29.7%	1,818	37.1%
Terminal services and agency fees	2,449	10.8%	2,008	12.2%	441	22.0%
Truck deliveries	1,710	7.5%	1,513	9.2%	197	13.0%
Other freight forwarding and logistics services	1,025	4.5%	746	4.5%	279	37.4%
Bonded warehousing services	383	1.7%	273	1.7%	110	40.3%
Other	126	0.6%	81	0.5%	45	55.6%
Adjusted Revenue	22,701	100%	16,502	100%	6,199	37.6%

In 2011 the structure of Adjusted Revenue remained relatively stable. Rail-based container transportation services remain the biggest component of Adjusted Revenue, representing 45.3% of Adjusted Revenue as compared to 42.3% in 2010; the share of integrated freight forwarding and logistics services, net of cost of integrated freight forwarding and logistics services, remained flat at 29.6%; the share of terminal services decreased from 12.2% to 10.8%, reflecting a decrease primarily in handling volumes of MDC containers; and the relative contribution of value-added services, such as freight forwarding and logistics services and bonded warehousing services, remains unchanged.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 32.5% to RUR 14,894 million for the reporting period.

The following table sets forth Adjusted Integrated freight forwarding and logistics services calculations for the years ended 31 December 2011 and 2010 respectively.

RUR million	2011	2010	Period on period change	Period on period % change
Integrated freight forwarding and logistics services	14,894	11,240	3,654	32.5%
Less Cost of integrated freight forwarding and logistics services	(8,175)	(6,339)	(1,836)	29.0%
Adjusted Integrated freight forwarding and logistics services	6,719	4,901	1,818	37.1%

Revenue from Adjusted Integrated freight forwarding and logistics services grew by 37.1% to RUR 6,719 million for the year ended 31 December 2011. This increase was primarily due to growth in container transportation volumes under integrated logistics contracts of 11.8% to 419 thousand loaded TEU in 2011 from 374 thousand loaded TEU in 2010 and also due to an increase in prices driven by higher customer demand and the increasing complexity of services.

Rail-based container transportation services

Revenue from rail-based container transportation increased by 47.4% from RUR 6,980 million for the year ended 31 December 2010 to RUR 10,289 million for the year ended 31 December 2011 mainly due to an increase in revenue-generating transportation volumes in terms of TEU under standard rail transportation agreements by 21.4%, from 495 thousand TEU in 2010 to 601 thousand TEU in 2011, as well as due to an increase in prices driven by higher customer demand.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by RUR 441 million, or 22.0%, from RUR 2,008 million for the year ended 31 December 2010 to RUR 2,449 million for the year ended 31 December 2011.

This increase was primarily due to the consolidation of JSC Kedentransservice, a leading operator of rail terminals in Kazakhstan, from 18 March 2011. Other factors include an increase in throughput of the Company's Russian terminals by 4.8%, to 1,577 thousand TEU for the reporting period from 1,505 thousand TEU for the same period of 2010, and an increase in prices.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 13.4%, from RUR 1,612 million to RUR 1,828 million. This increase was primarily due to a rise in terminal throughput at the Company's terminals across the Russian Railway network by 4.8% in 2011, as well as by price increases.

Truck deliveries

Revenue from truck deliveries increased by RUR 197 million, or 13.0%, from RUR 1,513 million for the year ended 31 December 2010 to RUR 1,710 million for the year ended 31 December 2011, resulting from an increase in container transportation volumes by our own and outsourced truck fleet of 4.2%, from 630 thousand TEU in 2010 to 657 thousand TEU in 2011, which corresponds to an increase in the Company's terminal throughput, in addition to a favourable pricing environment.

Other freight forwarding and logistics services

Revenue from Other freight forwarding and logistics services, which are freight forwarding and logistics services of non-integrated nature, grew by 37.4% to RUR 1,025 million for the reporting period. The increase was primarily due to an increase in rail transportation volumes as well as higher customer demand for ancillary value-added services.

Bonded warehousing services

Revenue from bonded warehousing services increased by RUR 110 million, or 40.3%, from RUR 273 million for the year ended 31 December 2010 to RUR 383 million for the year ended 31 December 2011, primarily due to an increase in international container transportation from the Company's rolling stock of 20.9%, and an increase in the number of bonded warehouses from 10 to 11 during the reporting period.

OPERATING EXPENSES

The following table sets forth a breakdown of the Company's operating expenses for the years ended 31 December 2010 and 2011 respectively.

RUR million	2011	2010	Period on period change	Period on period % change
Cost of integrated freight forwarding and logistics services	8,175	6,339	1,836	29.0%
Payroll and related charges	4,728	3,128	1,600	51.2%
Freight and transportation services	4,624	4,534	90	2.0%
Depreciation and amortisation	2,577	2,237	340	15.2%
Materials, repair and maintenance	2,363	1,887	476	25.2%
Taxes other than income tax	995	559	436	78.0%
Other expenses, net	1,679	2,064	(385)	(18.7%)
Total operating expenses, net	25,141	20,748	4,393	21.2%

TransContainer's total operating expenses grew by RUR 4,393 million, or 21.2%, from RUR 20,748 million for the year ended 31 December 2010 to RUR 25,141 million for the year ended 31 December 2011, primarily due to an increase in third-party charges relating to integrated logistics services as well as payroll and related charges.

The following table sets forth a breakdown of the Company's significant operating expenses for the years ended 31 December 2011 and 2010.

	2011			2010		
	RUR mln	% of operating expenses	% of total revenue	RUR mln	% of operating expenses	% of total revenue
Cost of integrated freight forwarding and logistics services	8,175	32.5%	26.5%	6,339	30.6%	27.8%
Payroll and related charges	4,728	18.8%	15.3%	3,128	15.1%	13.7%
Freight and transportation services	4,624	18.4%	15.0%	4,534	21.9%	19.9%
Depreciation and amortisation	2,577	10.3%	8.3%	2,237	10.8%	9.8%
Materials, repair and maintenance	2,363	9.4%	7.7%	1,887	9.1%	8.3%
Taxes other than income tax	995	4.0%	3.2%	559	2.7%	2.4%
Other expenses, net	1,679	6.7%	5.4%	2,064	9.9%	9.0%
Total operating expenses, net	25,141	100.0%	81.4%	20,748	100.0%	90.8%

As a percentage of the total revenue, total operating expenses decreased from 90.8% for the year ended 31 December 2010 to 81.4% for the year ended 31 December 2011, primarily due to an increase in total revenue exceeding an increase in operating expenses. As a percentage of total revenue, costs related to freight and transportation services decreased from 19.9% in 2010 to 15.0% in 2011; whilst the cost of integrated freight forwarding and logistics services decreased from 27.8% in 2010 to 26.5% in 2011. Materials, repair and maintenance as a percentage of total revenue decreased from 8.3% to 7.7% while other expense items either decreased or remained flat.

Cost of integrated freight forwarding and logistics services

Cost of integrated freight forwarding and logistics services increased by 29.0%, from RUR 6,339 million in 2010 to RUR 8,175 million in 2011, primarily due to an 11.8% increase in cargo transportation volumes under integrated logistics contracts to 419 thousand loaded TEU in 2011, from 374 thousand loaded TEU in 2010; due to the growing complexity of logistics chains and the resulting increases in subcontractor service volumes; due to changes in regulation of the Company's fleet operations in CIS countries since the second quarter of 2010; and due to subcontractors' price increases (primarily Russian Railways tariffs).

ADJUSTED OPERATING EXPENSES

The following table sets forth Adjusted Operating Expenses for the years ended 31 December 2011 and 2010.

RUR million	2011	2010	Period on period change	Period on period % change
Total operating expenses, net	25,141	20,748	4,393	21.2%
Third-party charges relating to integrated logistics services	(8,175)	(6,339)	(1,836)	29.0%
Adjusted operating expenses	16,966	14,409	2,557	17.7%

Adjusted Operating Expenses, as described above, increased by 17.7% from RUR 14,409 million for the year ended 31 December 2010 to RUR 16,966 million for the year ended 31 December 2011, primarily due to increases in payroll and related charges; materials, repair and maintenance; and taxes other than income tax. This increase was partially offset by a decrease in net other expenses and relatively stable freight and transportation costs.

The following table sets forth a breakdown of the Company's significant Adjusted Operating Expenses, as defined above, for the years ended 31 December 2011 and 2010.

	2011		2010		Period on period change	
	RUR mln	% of adjusted operating expenses	RUR mln	% of adjusted operating expenses	RUR mln	% change
Payroll and related charges	4,728	27.9%	3,128	21.7%	1,600	51.2%
Freight and transportation services	4,624	27.3%	4,534	31.5%	90	2.0%
Depreciation and amortisation	2,577	15.2%	2,237	15.5%	340	15.2%
Materials, repair and maintenance	2,363	13.9%	1,887	13.1%	476	25.2%
Taxes other than income tax	995	5.9%	559	3.9%	436	78.0%
Other expenses, net	1,679	9.9%	2,064	14.3%	(385)	(18.7%)
Adjusted operating expenses	16,966	100.0%	14,409	100.0%	2,557	17.7%

Share of freight and transportation services in Adjusted Operating Expenses decreased to 27.3% for the reporting period from 31.5% for the year 2010 and net other expenses dropped from 14.3% to 9.9%, while payroll and related charges grew from 21.7% to 27.9% and taxes other than income tax grew from 3.9% to 5.9% as a result of the factors described below.

Payroll and related charges

Payroll and related charges increased by RUR 1,600 million, or 51.2%, from RUR 3,128 million for the year ended 31 December 2010 to RUR 4,728 million for the year ended 31 December 2011. This increase primarily resulted from the consolidation of JSC Kedentransservice, which led to an increase in the average number of the Group's employees by 31.5% despite a decrease in average headcount at TransContainer of 3.1%. Other drivers were the implementation of the share option programme for the Company's management resulting in recognition of expenses of RUR 148 million for the reporting period; an increase in average salaries in TransContainer associated with salaries indexing; and an increase in performance-linked payments to employees.

Freight and transportation services

Expenses relating to freight and transportation services increased by just RUR 90 million, or 2.0%, to RUR 4,624 million for the reporting period. This increase was primarily due to an increase in rail-based transportation by the Company's own containers from 895 thousand TEU to 933 thousand TEU, or by 4.2%, as well as due to a ca. 5% increase in tariffs charged for empty runs by Russian Railways. These factors were substantially offset by a decrease in the empty run ratio for the Company's containers to 34.4% in 2011 from 39.1% in 2010.

Depreciation and amortisation

Depreciation and amortisation increased by 15.5%, to RUR 2,577 million in 2011 from RUR 2,237 million in 2010. The increase was primarily due to the acquisition of a subsidiary JSC Kedentransservice, including property, plant and equipment amounting to RUR 2,336 million, as well as to acquisitions of new rolling stock during this period.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 25.2%, to RUR 2,363 million in 2011 from RUR 1,887 million in 2010. The increase resulted from the consolidation of JSC Kedentransservice; an increase in the number of repairs of flatcars; changes in the composition of repair works; and an increase in average repair costs of 14.7%.

Taxes other than income tax

Taxes other than income tax increased by 78.0% from RUR 559 million for the year ended 31 December 2010 to RUR 995 million for the year ended 31 December 2011, primarily due to an increase in non-deductible VAT, consolidation of JSC Kedentransservice as well as payments of property tax associated with the acquisition of property, plant and equipment.

Other expenses

Other expenses are an aggregate of expense items such as rent, consulting expenses, fuel and energy, communication services, charity, provisions for impairment etc. Other expenses decreased by 18.7% to RUR 1,679 million in 2011 from RUR 2,064 million in 2010, primarily due to a decrease in rent, charity payments, communication costs and net other expenses as well as due to an increase from disposal of property, plant and equipment. This decrease was partially offset by an increase in costs related to consulting services and provisions for impairment.

Operating income

Operating income increased by RUR 3,642 million, or 174.0%, from RUR 2,093 million for the year ended 31 December 2010 to RUR 5,735 million for the year ended 31 December 2011, as a result of factors discussed above.

Interest expense

Interest expense decreased by RUR 7 million, or 0.8%, from RUR 848 million for the year ended 31 December 2010 to RUR 841 million for the year ended 31 December 2011 as a result of the Company's measures aimed at reducing its cost of debt by refinancing financial lease obligations as well as due to scheduled financial lease repayments. As a result, interest expense related to financial leases decreased in 2011 by RUR 169 million, or 61.7%, which offset an increase in both interest expense on bonds and bank loans, resulting from an increase in bonds and loans outstanding.

Interest income

Interest income increased by RUR 49 million, or 4.3 times, from RUR 15 million in the year ended 31 December 2010 to RUR 64 million in the year ended 31 December 2011 due to an increase in cash balances on the Company's deposits resulting from an increase in cash inflows from operating activities in 2011.

Profit before income tax

Profit before income tax increased by RUR 3,688 million, or 274.8%, from RUR 1,342 million for the year ended 31 December 2010, to RUR 5,030 million for the year ended 31 December 2010. The increase was due to the factors discussed above.

Income tax expense

Income tax expense increased by RUR 773 million, or 186.7%, from RUR 414 million for the year ended 31 December 2010 to RUR 1,187 million for the year ended 31 December 2011, primarily due to an increase in profit before income tax. The effective tax rate decreased from 30.8% for the year ended 31 December 2010 to 23.6% for the year ended 31 December 2011 primarily due to a lower proportion of non-deductible expenses attributed to the profit before income tax.

Total comprehensive income for the year

As a result of factors discussed above the profit for the year increased by RUR 2,915 million, or 314.1%, from RUR 928 million for the year ended 31 December 2010 to RUR 3,843 million for the year ended 31 December 2011. Taking into account differences arising on translating foreign operations, the total comprehensive income for the year was RUR 4,115 million for the year ended 31 December 2011 as compared with RUR 935 million for the previous year.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2011 the Company had cash and cash equivalents of RUR 2,300 million and the Company's current assets exceeded current liabilities by RUR 1,797 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for, amongst other things, the purchase of flatcars and containers, the development of rail-side terminals and investment in the expansion and modernisation of its truck fleet. For the year ended 31 December 2011 the Company's operations and a majority of its capital expenditures were financed from internally generated cash flows while bank loans were used primarily for the purposes of financing the acquisition of a majority stake in JSC Kedentransservice.

CASH FLOWS

The following table sets forth the principal components of the Company's consolidated cash flows for the years ended 31 December 2011 and 2010:

	2011	2010
Net cash provided by operating activities	5,779	3,653
Net cash used in investing activities	(6,163)	(3,731)
Net cash provided by financing activities	1,287	922
Net increase in cash and cash equivalents	903	844
Cash and cash equivalents at the end of the year	2,300	1,291

Cash flow provided by operating activities

Cash flow provided by operating activities increased by RUR 2,126 million, or 58.2%, from RUR 3,653 million for the year ended 31 December 2010 to RUR 5,779 million for the year ended 31 December 2011, primarily due to an increase in operating profit before working capital changes of RUR 4,009 million, from RUR 4,281 million to RUR 8,290 million resulting from the improving operational and price environment. The cash flow provided by operating activities was negatively affected by an increase in income tax paid primarily due to an increase in profit before income tax.

Cash flow used in investing activities

Cash flow used in investing activities increased by RUR 2,432 million, or 65.2%, from RUR 3,731 million for the year ended 31 December 2010 to RUR 6,163 million for the year ended 31 December 2011. This increase was primarily due to the acquisition of a stake in JSC Kedentransservice for RUR 1,551 million (net of cash acquired of RUR 304 million), as well as due to an increase in capital expenditure of RUR 198 million and an increase in net purchases of short-term investments of RUR 991 million. This increase was partially offset by an increase in proceeds from the disposal of property, plant and equipment of RUR 324 million from RUR 230 million in 2010 to RUR 554 million in 2011.

Cash flow provided by financing activities

Cash flow provided by financing activities increased by RUR 365 million, or 39.6%, from RUR 922 million for the year ended 31 December 2010 to RUR 1,287 million for the year ended 31 December 2011, primarily due to proceeds from long-term bank loans to finance the acquisition of a subsidiary.

CAPITAL EXPENDITURES

Capital expenditures increased by RUR 198 million, or 4.9%, from RUR 4,046 million for the year ended 31 December 2010 to RUR 4,244 million for the year ended 31 December 2011. The majority of the capital expenditure was on the acquisition of 910 units of 80-foot flatcars.

The Company also continued investing in the development and modernisation of key terminals, such as Kleschikha, Kostarikha Bazaikha and Batareynaya. Other capital expenditure items also included the purchase of lifting equipment and the renovation of the Company's office buildings.

Planned capital expenditures for 2012

The Company's capital expenditure programme is aimed at maintaining TransContainer's leadership in the container market, improving its position in the foreign market and optimising its asset structure and key operational metrics.

The total capital expenditure budget for 2012 is up to RUR 7.1 billion (excluding VAT), of which up to RUR 5.1 billion may be spent on the acquisition of new flatcars and containers (including purchases resulting from the termination of financial lease contracts); up to RUR 1.2 billion may be invested to upgrade and modernise the Company's key rail-side terminals; and up to RUR 365 million may be spent on the acquisition of lifting equipment.

CAPITAL RESOURCES

The Company's operations and capital expenditures have historically been financed primarily from internally generated cash flow and proceeds from issuing domestic debt. As of 31 December 2011, the Company's financial indebtedness consisted of outstanding bonds, bank loans, financial lease obligations and other borrowings in an aggregate principal amount of RUR 9,348 million, compared with RUR 7,026 million as of 31 December 2010. As of 31 December 2011, the Company's net debt was RUR 6,107 million.

As of 31 December 2011, the major portion of the Company's financial indebtedness was unsecured, except for the obligations under finance leases, which were secured by the lessors' title to the lease assets. The vast majority of the Company's indebtedness is denominated in Russian Roubles, except for the indebtedness of JSC Kedentransservice which is denominated in Kazakh Tenge and was repaid in April 2012. The vast majority of the Company's indebtedness bears a fixed rate of interest.

RUR bonds series 1

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. The coupon rate for the year ended 31 December 2011 is 9.5% per annum (9.5% per annum for the year ended 31 December 2010). As these bonds are currently not puttable and will mature in February 2013, they are classified as long-term borrowings, as of 31 December 2011. The carrying value of the bonds as of 31 December 2011 amounted to RUR 3,000 million (RUR 3,000 million at 31 December 2010). The amount of accrued interest is RUR 96 million (RUR 95 million at 31 December 2010), and has been included as short-term debt in the consolidated statement of financial position.

RUR bonds series 2

On 10 June 2010, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million, at a par value of RUR 1,000 each. Net proceeds from the issuance after the deduction of related offering costs amounted to RUR 2,975 million. The annual coupon rate of the bonds for five years is 8.8% with interest paid semi-annually. The series 2 bonds will be redeemed in four equal semi-annual instalments between the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as of the reporting date. The carrying value of the bonds as of 31 December 2011 amounted to RUR 2,978 million (RUR 2,976 million at 31 December 2010). The amount of accrued interest is RUR 21 million (RUR 18 million at 31 December 2010), and has been included as short-term debt in the consolidated statement of financial position.

Kazakh Tenge-denominated bonds

Due to the acquisition of the subsidiary, the Company 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 of 31 December 2011 the carrying value of the bonds amounted to RUR 362 million and the amount of accrued interest was RUR 9 million. The weighted average coupon rate for the year ended 31 December 2011 is 8.93% per annum. The bonds were redeemed on 3 April 2012 and have been included as short-term liabilities in the consolidated statement of financial position as of the reporting date.

Bank loans and other borrowings

On 18 March 2011 and 17 June 2011, the Company obtained loans from Alfa Bank for the total principal amount of RUR 1,822 million at interest rates varying from 9.5% to 9.75% per annum. The amount of accrued interest is RUR 2 million and has been included as short-term debt in the consolidated statement of financial position. These loans were drawn down to finance the acquisition of JSC Kedentransservice. The loans are unsecured and have a seven-year maturity. The Group is obliged to observe a Debt/EBITDA ratio and a minimum level of quarterly cash turnover with Alfa Bank. As of 31 December 2011, the Group is in compliance with the covenants.

On 23 May 2011, the Company borrowed funds from LLC Trust Union AM for the principal amount of RUR 514 million at an interest rate of 9.5% per annum to finance the acquisition of the Company's ordinary shares in order to carry out a share option plan for the Company's management. The outstanding debt as of 31 December 2011 was RUR 501 million. The loan has a five-year maturity.

As of 31 December 2011 the Company also recognised financial obligations under the repurchase of previously sold shares for the amount of RUR 63 million in accordance with repurchase agreements between LLC Prostor Invest Group and CJSC Investment company Troika Dialog. The Agreement was settled in January 2012.

Working capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets forth the key components of TransContainer's working capital for the years ended 31 December 2011 and 2010:

	2011	2010
CURRENT ASSETS		
Inventory	278	179
Trade and other receivables	1,152	1,331
Prepayments and other current assets	3,702	2,857
Prepaid income tax	193	115
Short-term investments	941	0
Cash and cash equivalents	2,300	1,291
Total current assets	8,566	5,773
CURRENT LIABILITIES		
Trade and other payables	4,593	3,965
Income tax payable	134	77
Taxes other than income tax payable	303	741
Provisions	5	34
Finance lease obligations, current maturities	479	545
Accrued expenses and other current liabilities	689	248
Deferred income	13	37
Current portion of long-term debt	553	113
Total current liabilities	6,769	5,760
WORKING CAPITAL	1,797	13

Working capital increased by RUR 1,784 million from RUR 13 million as of 31 December 2010 to RUR 1,797 million as of 31 December 2011. This increase was primarily due to an increase in short-term investments and cash and cash equivalents in the total amount of RUR 1,950 million. This increase resulted from an increase in cash flow from operations.

Risk management



In 2011 we completed deployment of a modern risk management system and started developing a full-scale risk management system that will facilitate enhanced management throughout the Company.

Margarita Fedoseeva
Finance Director

Risk management is carried out by the Company on a continuous basis and represents an important part of the Company's corporate strategy.

BASIC RISK MANAGEMENT PRINCIPLES

The Company's basic risk management principles are stated in the Risk Management Policies adopted by the Board of Directors on 18 March 2010. The key principles of the Company's risk management policies are:

- Manage all types of risk at any level of the organisational structure of the Company following a single methodology;
- Maintain a balance between the risk management costs and the potential loss from the occurrence of a risk event;
- Separate responsibilities in the risk management system between the Board of Directors, the Audit Committee and the CEO;
- Secure tight integration of the risk management system with the Company's internal control system.

DEVELOPING A RISK MANAGEMENT SYSTEM

In 2010 and 2011, the Company essentially completed the introduction of its corporate risk management system (CRMS) and thereby achieved the following key objectives:

- CRMS goals and objectives were defined and formalised;
- Basic CRMS methodology documents were developed as follows:
 - Risk Management Policies;
 - Risk Management Concept;
 - Risk Management Process Regulations;
- A Corporate Risks Map (Register) set out the Company's risks in a structured format that identified risks, stated their possible causes and consequences, and designated an owner for each risk;
- A Risk Management Working Group headed by the First Deputy CEO was created as a collective risk management body for leading risk management work in the Company and for monitoring, evaluation and registration of risks;
- Basic risk management processes were introduced at the level of senior management of the Company with the following components:

- A Corporate Risks Map is to be approved by the Board of Directors on an annual basis;
- An action plan for impacting risks is to be developed and approved on an annual basis;
- There is to be quarterly monitoring of the implementation of measures that will impact risks;
- "Critical" risks are managed at the Board of Directors' level, "acceptable" risks are managed at the Audit Committee level, and "minor" risks are managed at the Risk Management Working Group level.

KEY RISKS

The following key groups of risks are allocated in accordance with the Company's Corporate Risks Map:

- **Strategic risks** include, inter alia, risks associated with deteriorating economic conditions, adverse changes in tariff regulations, strategic planning errors, development, evaluation and implementation of investment projects and corporate governance risks.
- **Procurement risks** include risks associated with limited availability of resources required for the Company's basic operations, including acquisition and maintenance of rolling stock, growth in prices for basic resources, as well as risks associated with planning of procurement and with quality management and timing of delivery of services, materials and equipment.
- **Operational risks** include risks associated with operation of equipment in the process of providing services, including professional accidents and injuries, risks associated with the operation of information systems, hardware and software, risks associated with retention of key personnel, etc.;
- **Marketing risks** include negative changes in the prices for services offered by the Company, tariff policy errors, increased competition, etc.
- **Security risks** include risks related to illegal actions of Company personnel and third parties;

- **Legal risks** include risks associated with the implementation of current law, as well as risks related to appropriate formalisation of the Company's rights to property, etc.
- **Financial risks** include interest rate, currency, credit, and tax risks.

The Risk Map also describes key **environmental (force majeure) risks**.

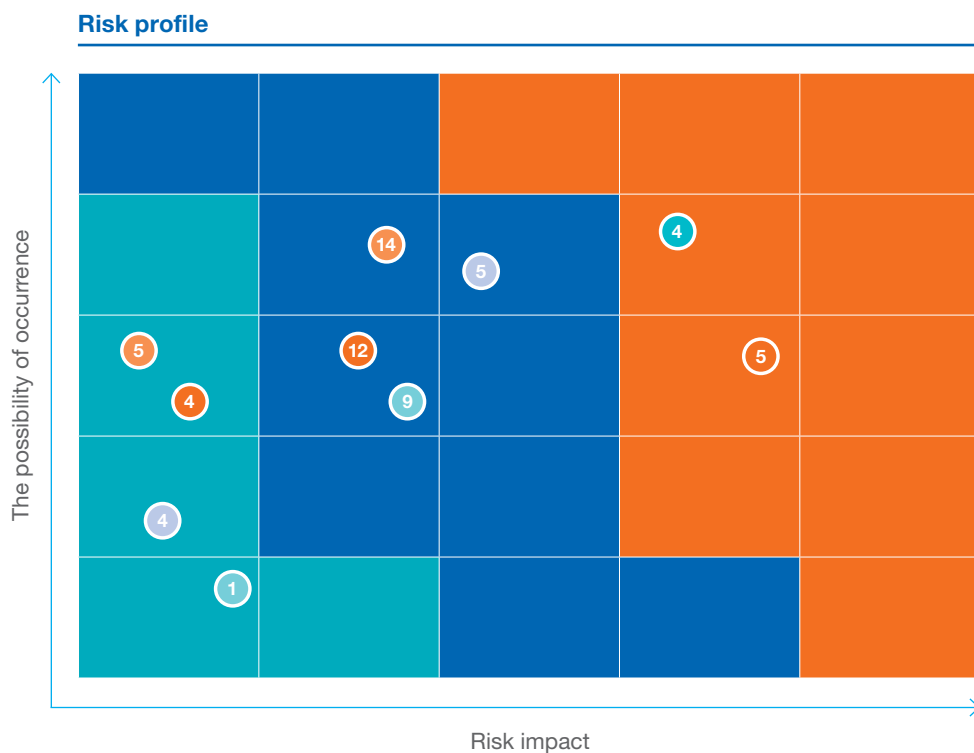
All of the Company's risks are classified by level of significance ("critical", "acceptable" and "minor").

PLANS FOR 2012

Based on the results of implementing the first annual cycle of risk management activities in the year under review, a diagnosis of the Company's risk management system was carried out in cooperation with Ernst & Young (CIS) BV. This diagnosis sought to analyse the results of implementing the risk management system and to develop recommendations regarding key CRMS components in the medium and long term.

The CRMS organisational structure largely corresponds with the practices commonly accepted for the implementation stage and enables the introduction of basic risk management elements at minimum cost and in a short timeframe.

Plans for 2012 include the development and approval of a new Risk Map in which risk classification will be made in accordance with international COSO-ERM risk management standards.



Negligible risks	Acceptable risks	Critical risks
<ol style="list-style-type: none"> Ineffective advertising strategy Inefficient human resource management system Illegal actions of Company personnel Violation of labour legislation Lack of funds to cover immediate payments 	<ol style="list-style-type: none"> Ineffective subsidiaries and affiliates management Setting tariffs that do not meet the transport services market prices Illegal actions of third parties in relation to Company's property Adoption of regulations that have a negative effect on Company's activities Increase in value of debt portfolio 	<ol style="list-style-type: none"> Failure to achieve strategic goals Inability to effectively integrate acquired companies The deterioration of market conjecture Reduced competitiveness of the Company due to inability to respond in a timely manner to changes in the structure of customers, customer needs and demand intensity Inefficient organisation of transportation Increase in empty runs Inefficient client service Inefficient repair of rolling stock Industrial injuries

Classification and number of identified risks

- Strategic
- Operational
- Regulatory
- Financial

* Examples

Board of directors



Pavel Il'ichev
Chairman

Year of birth: 1974

Education:

St. Petersburg State Academy of Aerospace Instrumentation (specialisation: Research Engineer), Higher School of Economics at St. Petersburg State University of Economics and Finance (Economist)

2007 to 2009: Corporate Finance Director at Eurosib JSC

2009 to present: Deputy Head of Corporate Finance Department of RZD OJSC

Member of Board of Directors of Russian Troika JSC, KIT Finance Investment Bank OJSC, RZD Logistics OJSC, Zheldorremmash OJSC, Vagonremmash OJSC, TransCreditBank OJSC, TLC Bely Rast LLC



Sergei Generalov
Deputy Chairman

Year of birth: 1963

Education:

Moscow Power Engineering Institute (Radiophysics and Electronics), Graduate School of Management at the Ordzhonikidze State Management Academy (Management of Foreign Economic Operations)

2007 to present: President of DVMP OJSC

2009 to present: President and Board of Directors Chair of FESCO Transport Group LLC

Member of Board of Directors of Solar Energy LLC, FESCO Transport Group LLC, Maritime Bank OJSC, Avia Management Group JSC, Chairman of the Board of Directors of DVMP OJSC, Chairman of the Supervisory Board of VMTP OJSC



Petr Baskakov
CEO

Year of birth: 1961

Education:

Moscow Institute of Railway Engineers (Railway Haulage Management). Doctor Candidate in Technical Sciences

2007 to present: CEO of JSC TransContainer

Member of Board of Directors of Kedentransservice JSC, Oy ContainerTrans Scandinavia Ltd, Member of the Supervisory Board of TransContainer – Slovakia, as, member of the Shareholders' Committee of Trans-Eurasia logistics GmbH, Deputy Chairman of the Board of Directors of RZD Logistics OJSC



David Hexter
Independent Director

Year of birth: 1949

Education:

University of Oxford (Philosophy, Politics and Economics), Cranfield School of Management (MBA), University of London (Philosophy), University College of London (Law and Political Theory)

2007 to 2010: Advisor at Denholm Hall Investment management

2007 to present: Chairman of Advisory Board of Private Equity New Markets

2011 to present: Senior Advisor at XENON Capital Partners

2009 to 2010: Lecturer at University of London

Member of Board of Directors of AO Kaspi Bank (Caspian Bank), TransTeleCom JSC



Irina Shitkina
Independent Director

Year of birth: 1965

Education:

Moscow State University (Law), PhD (Law), Professor of Business Law at Moscow State University

2007 to 2009: Deputy CEO for Personnel and Legal Affairs at Elinar Holding Company OJSC

2009 to 2011: Deputy CEO for Corporate Governance at Elinar Holding Company OJSC

2011 to present: Advisor to CEO at Elinar Holding Company OJSC

Chairman of Supervisory Board of Elinar Holding Company OJSC



Alexei Averin
Board Member

Year of birth: 1962

Education:

Moscow State International Relations Institute of USSR Ministry of Foreign Affairs

2007 to 2010: Head of International Relations Department of RZD OJSC

2009 to 2011: Chairman of Board of Directors of KRP-Invest OJSC

2010 to present: Advisor to President of RZD OJSC



Alexei Davydov
Board Member

Year of birth: 1971

Education:

St. Petersburg Engineering and Economics Institute (Engineering and Economics), St. Petersburg University (Law)

2007 to 2010: Head of Treasury Department of RZD OJSC

2010 to present: Head of Subsidiaries and Affiliates Management Department of RZD OJSC

Member of Board of Directors of Zheldorremmash OJSC, RZhDstroy OJSC, BET OJSC, VGK OJSC, ELTEZA OJSC, TD RZD OJSC, PGK OJSC, FPK OJSC, Chairman of Board of Directors of VRK-1



Kirill Rubinsky
Board Member

Year of birth: 1968

Education:

Kazakh Academy of Management, Georgetown University

2007 to 2010: Senior Banker and Senior Business Consultant at European Bank for Reconstruction and Development, Transport Sector for Russia/Central Asia

2010 to present: Director for Infrastructure and Energy (Russia) at European Bank for Reconstruction and Development



Zhanar Rymzhanova
Board Member

Year of birth: 1968

Education:

Moscow State Institute of International Relations (Economics), Graduate School of Paris (Master of Business Administration)

2007 to present: Chairman of Board of Directors of FESCO Transport Group Management Company OJSC, member of Board of Directors of Marine Joint Stock Bank OJSC, DVMP OJSC, Avia Management Group JSC, Mokeiha-Zybinskoe OJSC



Dmitry Mukhin
Board Member

Year of birth: 1968

Education:

St. Petersburg State Electrotechnical University, Moscow State University of Railway Transport

2007 to 2011: First Deputy Head of Investment Department of RZD OJSC

2011 to present: Head of Investment Department of RZD OJSC



Viacheslav Petrenko
Board Member

Year of birth: 1964

Education:

Leningrad Institute of Railway Engineers (Railway Haulage Control), Doctor Candidate in Technical Sciences

2007 to 2008: Deputy CEO for Marketing and Tariffs at Corporate Transport Service Centre (structural unit of RZD OJSC)

2008 to present: Head of Freight Marketing and Tariff Policy Department of RZD OJSC

Chairman of Board of Directors of Refservice OJSC

Corporate Governance Principles



For five years, TransContainer OJSC has deployed a corporate governance system recognised as one of the best in the Russian transport sector.

Olga Miller

Corporate Governance Director

Disclosure of information and corporate governance standards significantly improved over the past year, which allows us to say that the Company established new standards for the transport sector. We believe that TransContainer surpassed Globaltrans, long-time leader in the quality of Corporate Governance.

Report by ATON,
2 April 2012

Disclosure levels and corporate governance standards have also improved dramatically in the past year, allowing us to say that the Company has set new standards for the transportation sector. We think that TransContainer has surpassed Globaltrans, the long-standing leader, in terms of corporate governance quality².

JSC TransContainer, as a public company, follows best international and Russian corporate governance practices.

JSC TransContainer recognises the importance of corporate governance for ensuring the effectiveness of the Company's operations and for enhancing its investment attractiveness. The Company is actively developing and improving corporate governance procedures and practices.

The Company follows the recommendations of the UK Combined Code on Corporate Governance and Code of Corporate Conduct³. The Company's Code of Corporate Governance sets corporate governance standards and principles that complement the requirements set by law and the Company's internal documents. Compliance with the Code of Corporate Governance by the Company demonstrates its commitment to high standards of corporate governance.

The corporate governance principles used by the Company for guidance are aimed at building trust in relationships related to management of the Company and provide a basis for all standards and rules governing corporate relations:

Fair and equitable treatment of shareholders

JSC TransContainer acts in relation to the Company's shareholders fairly and refrains from preferential satisfaction of the interests of any group of shareholders to the detriment of other shareholders.

Accountability

The CEO of the Company is accountable to the General Meeting of Shareholders and the Board of Directors and submits regular reports on his/her activities to enable assessment of the Company's effectiveness and performance results. The Board of Directors, in turn, is accountable to the General Meeting of Shareholders of JSC TransContainer.

Transparency

JSC TransContainer provides timely, regular, full and accurate disclosure of its activities.

Social responsibility

The Company seeks to achieve long-term, sustainable profitability of its business based on a balance between its economic interests and voluntarily assumed social obligations. It seeks to make improvements in the social, economic and environmental aspects of life and society in general.

DISCLOSURE OF INFORMATION

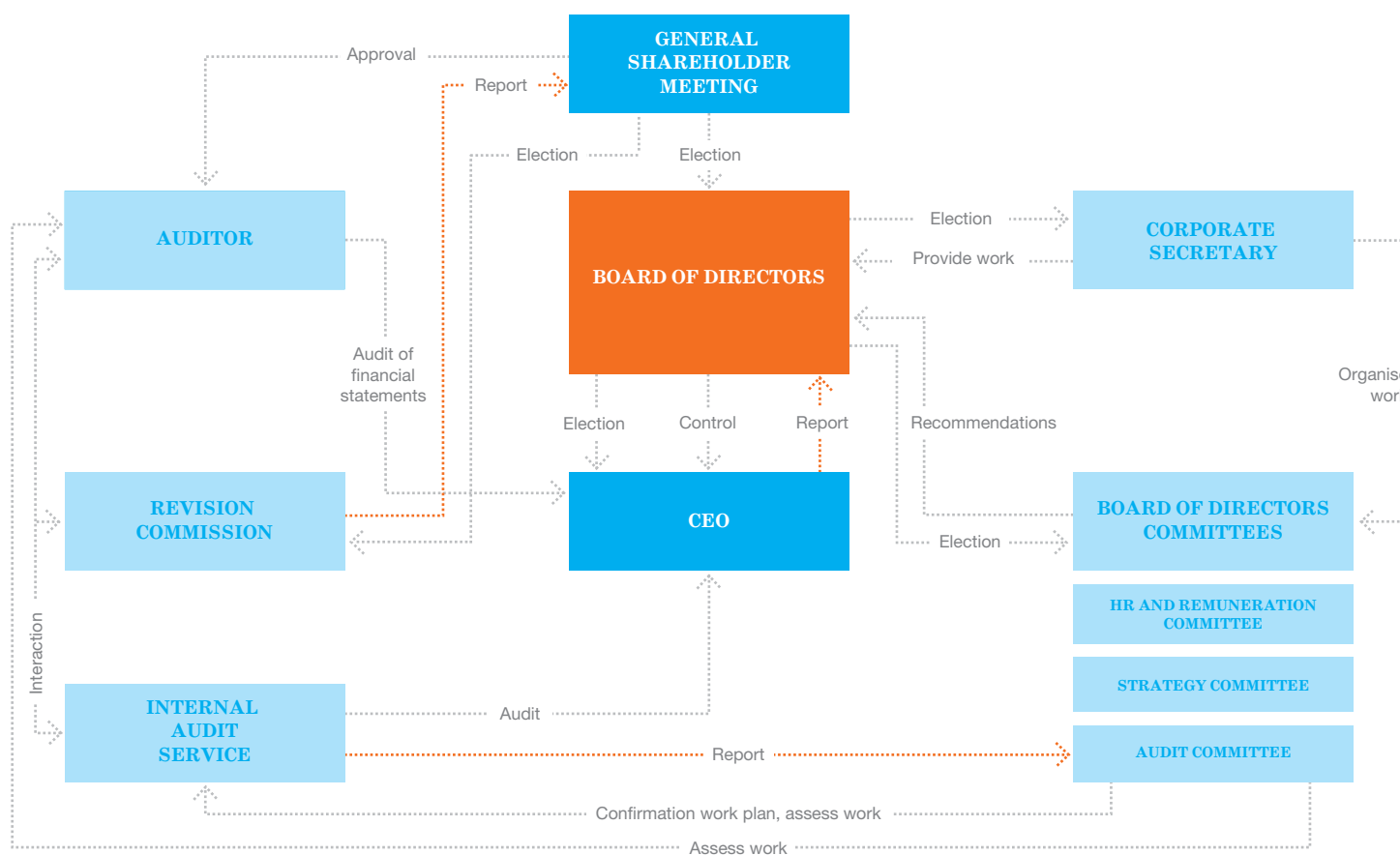
The Company's disclosure policy is focused on securing the highest possible degree of confidence in shareholders, investors, creditors and other interested parties. It does this by providing to such parties information about the Company, its activities and securities to an extent sufficient to allow them to make informed and balanced decisions regarding the Company and its securities.

The Company regularly, and in a timely manner, fully discloses accurate information about all important matters of the Company, including its financial condition, the results of its operations, its ownership structure, lists of its affiliated persons/entities, reports of material facts and other information in accordance with Russian law.

The Company also publishes reports on the most important decisions of its management bodies, financial results, performance results and ownership structure and other information in accordance with the laws of the United Kingdom through the Regulatory News Service (RNS).

³ The Code of Corporate Conduct was recommended by Decision No 421/r of 4 April 2002 of the Federal Securities Control Committee

The Company's Management and Control System



The JSC TransContainer Board of Directors has approved Disclosure Regulations that set the Company's basic information policy principles:

- Regularity and timeliness of information;
- Accuracy and completeness of information;
- Availability of disclosed information;
- Neutrality of disclosure;
- Provision of a reasonable balance between openness of the Company and protection of its commercial interests.

In disclosing information about itself, the Company does not limit the scope of disclosure by information whose disclosure is mandatory in accordance with the requirements of Russian and UK laws, and additionally discloses other information that may affect the value of the Company's securities and provides a high degree of transparency of the Company in a manner provided by law.

CORPORATE GOVERNANCE RATINGS

In 2011, the quality of the Company's corporate governance was rated by independent rating agencies. JSC TransContainer has maintained its

Dynamics of JSC TransContainer corporate governance ratings

	2008	2009	2010	2011
GAMMA Rating (Standard & Poor's)	5+	6	6	6
National Corporate Governance Rating (RID – Expert RA)	6	6+	7	7+

international and national corporate governance ratings since 2008.

The Company's international rating was confirmed by the Corporate Governance Rating Service of Standard & Poor's as GAMMA-6 in September 2011 and simultaneously revoked as a result of the decision of Standard & Poor's to stop providing corporate governance evaluation services using the GAMMA methodology.

The Company's National Corporate Governance Rating was improved in 2011 by the RID-Expert RA Consortium from level 7 to level 7+ (Developed Corporate Governance Practices). The RID-Expert RA Consortium noted that the Company had low levels of corporate governance risks, complied with the requirements of Russian laws relating to corporate governance and followed most of the recommendations of the Russian Code

of Corporate Conduct and some of the recommendations of international corporate governance best practices.

THE COMPANY'S MANAGEMENT AND CONTROL SYSTEM

The Company's management and control system comprises:

- General Meeting of Shareholders;
- Board of Directors;
- CEO;
- Revision Commission;
- Internal Audit Service.

GENERAL MEETING OF SHAREHOLDERS

The Company seeks to maintain a constructive dialogue with its shareholders based on respect for shareholders' rights and legal interests by providing a high level of confidence between the shareholders and the Company in relations arising in connection with management of the Company. At the same time, the Company adheres to the principle of equal treatment of all shareholders of the Company, including those holding small amounts of the Company's securities.

To inform the Company's shareholders about a General Meeting of Shareholders (GMS) in a timely manner, the Company sends notices to persons entitled to attend the GMS not later than 30 days before the date of the GMS.

In order to provide shareholders with free and unhindered access to the materials of a GMS, the Company posts all materials relating to the agenda of a GMS on the Company's website no later than 30 days prior to the date of holding the GMS.

In order to secure shareholders' rights to attend a GMS and the reliability of the voting results, the Company's Registrar acts as the Counting Committee at GMSs.

The Company invites the Board of Directors and Revision Commission members, the Auditor, the Head of the Internal Audit Service and the CEO to attend GMSs.

BOARD OF DIRECTORS

The Board of Directors is a management body of the Company, responsible for overall management of its operations. The Board of Directors determines the strategy of the Company, oversees the activities of its executive bodies and ensures effectiveness of the Company's internal control and risk management systems.

Key decisions of the Board of Directors in 2011:

1. A new version of the Company's Regulations on Insider Information and an Insider Information List were approved. These documents were designed pursuant to the requirements of the Federal Law "On Combating Misuse of Insider Information and Market Manipulations and on Amending Individual Legislative Acts of the Russian Federation" in order to ensure fair pricing of the Company's financial instruments, provide equal opportunities for investors and strengthen investor confidence by creating a legal mechanism for detecting and preventing misuse of insider information and market manipulations.
2. Regulations on the Motivation of Company Management were approved. These Regulations were developed in order to motivate the Company management to improve the efficiency of Company management, to secure the attainment of the Company's strategic goals and to retain qualified personnel in the Company based on principles providing for transparency and simplicity of calculating total amounts of remuneration, competitiveness in respect of the level and structure of remuneration, and balance of the interests of shareholders and management of the Company.
3. A new version of the Code of Corporate Governance was approved⁴.
4. Regulations on Dividend Policies for 2011-2013 were approved.
5. Target values of key performance indicators (KPIs) of the CEO for the year 2011 were approved.

The implementation of the KPI system sought to attain medium-term objectives and long-term strategic goals as set by the Board of Directors.

Manning of the Board of Directors in 2011

During the period from January to March 2011, the Board of Directors, following the decision of the Extraordinary General Meeting of Shareholders of 19 October 2010 (Minutes No. 15 of 20 October 2010), included the following persons:

Averin, A.A.
Baskakov, P.V.
Davydov, A.Yu.
Lozovsky, G.
Novikov, D.K.
Rymzhanova, Zh.
Ryaschin, I.P.
Hexter, D.
Shitkina, I.S.

The Board of Directors as described above acted from January to March 2011 and held four meetings in person.

On 18 April 2011, an extraordinary General Meeting of Shareholders was held, initiated by a minority shareholder who had acquired JSC TransContainer shares in a public offering held in November 2010 (FESCO Transport Group), where the Board of Directors was elected as follows:

Averin, A.A.
Baskakov, P.V.
Il'ichev, P.D.
Davydov, A.Yu.
Shitkina, I.S.
Hexter, D.
Rymzhanova, Zh.
Generalov, S.V.
Rohan, Gerald J.

⁴ The new version of the Code of Corporate Governance is available at the Company's website at: <http://www.trcont.ru>

At the GMS held on 28 June 2011, the number of members of the Board of Directors was increased to 11. The Board of Directors was elected as follows:

Manager	Status in BoD	Audit Committee membership	Strategy Committee membership	Personnel and Remuneration Committee membership
Il'ichev, P.D.	Chairman			
Generalov, S.V.	Deputy Chairman		Deputy Committee Chair	Committee Member
Baskakov, P.V.	BoD Member, CEO		Committee Member	
Averin, A.A.	BoD Member			
Davydov, A.Yu.	BoD Member		Committee Chair	
Shitkina, I.S.	Independent Director			Committee Chair
Hexter, D.	Independent Director	Committee Chair		
Rymzhanova, Zh.	BoD Member		Committee Member	
Rubinsky, K.Yu.	BoD Member	Committee Member		
Mukhin, D.T.	BoD Member	Committee Member		
Petrenko, V.A.	BoD Member			Committee Member

From July to December 2011, the Board of Directors held five meetings in person and one meeting in absentia.

The Board of Directors as described above acted from April to June 2011 and held three meetings in person.

Statistics on Board of Directors' meetings

In 2011, the Board of Directors held 13 meetings, of which 12 were held in person and one in absentia. At the meetings of the Board of Directors held within that period, 168 issues were considered and over 160 transactions of interest for the Company were approved.

Participation of members of the Board of Directors in meetings held in 2011:

Name	Participation	Per cent
Il'ichev, P.D.	10/10	100%
Generalov, S.V.	10/10	100%
Baskakov, P.V.	13/13	100%
Averin, A.A.	11/13	85%
Davydov, A.Yu.	12/13	92%
Shitkina, I.S.	13/13	100%
Hexter, D.	13/13	100%
Rymzhanova, Zh.	12/13	92%
Rubinsky, K.Yu.	5/6	83%
Mukhin, D.T.	5/6	83%
Petrenko, V.A.	6/6	100%
Rohan, Jerald J.	3/3	100%
Lozovsky, G.	4/4	100%
Novikov, D.K.	4/4	100%
Ryaschin, I.P.	4/4	100%

Members of the Board of Directors do not own shares in the Company.

The Company's CEO Petr Baskakov purchased 1,700 JSC TransContainer shares in 2010. The number of ordinary shares held by Petr Baskakov remained unchanged in 2011 and was 0.012% of the Company's authorised capital.

Independent Directors

Having considered the criteria for Independent Directors, the Board of Directors concluded that BoD members Irina Shitkina and David Hexter met the requirements for Independent Directors (Minutes No. 2 of 8 September 2011).

The Board of Directors made this decision in consideration of criteria of independence set out in Russian Federal laws, the Corporate Governance Code of JSC TransContainer, the Corporate Conduct Code of the Russian Federal Securities Committee and the UK Code on Combined Corporate Governance.

Independent Directors lead BoD Committees: David Hexter leads the Audit Committee and Irina Shitkina leads the Personnel and Remuneration Committee.

Independent Directors make a significant contribution to the work of the Board of Directors and the Committees, demonstrating a high level of professionalism in decision-making, independent voting on agenda issues and voicing independent opinions at meetings. The input made by the Independent Directors promotes the adoption of decisions that take into consideration the interests of various stakeholder groups and improves the quality of managerial decisions.

BOD COMMITTEES

BoD Committees were established in order to give preliminary consideration to the most important issues placed within the jurisdiction of the Board of Directors and to develop essential recommendations to the Board of Directors.

Board committees are made up of individuals with extensive experience and expertise in the relevant area, which is expected to improve the efficiency and quality of BoD performance. The Company aims to form BoD committees of Independent Directors and representatives of minority shareholders.

The Company has the following committees:

- Strategy Committee;
- Audit Committee;
- Personnel and Remuneration Committee.

During the reporting period, the Committees have done considerable work on the development of the strategic management process and the internal control and risk management systems, as well as the incentive system for the Board of Directors and the management of the Company.

Strategy Committee

The Strategy Committee provides for efficient work of the Board of Directors through preliminary consideration and preparation of recommendations on issues placed within the scope of reference of the Board of Directors with respect to setting priorities for the Company's activity, developing the Company's strategy, proposing how strategy is to be implemented and for monitoring such implementation.

During the period from January to April 2011, the Strategy Committee comprised the following:

Name	Position
Davydov, A.Yu.	BoD Member, Strategy Committee Chair
Baskakov, P.V.	BoD Member, Company CEO, Strategy Committee Deputy Chair
Lozovsky, G.	BoD Member
Valeyev, R.R.	Deputy Head of Department for Subsidiary and Affiliated Entities of RZD OJSC. Not a BoD Member

From 20 April 2011 to December 2011, the Strategy Committee comprised the following⁵:

Name	Position
Davydov, A.Yu.	BoD Member, Strategy Committee Chair
Generalov, S.V.	BoD Member, Strategy Committee Deputy Chair
Baskakov, P.V.	BoD Member, Company CEO
Rymzhanova, Zh.	BoD Member

In 2011, the Strategy Committee held nine meetings in person.

Attendance by Strategy Committee members of meetings held in 2011:

Name	Attendance	Per cent
Davydov, A.Yu.	8/9	89%
Baskakov, P.V.	9/9	100%
Valeyev, R.R.	2/2	100%
Lozovsky, G.	0/2	0%
Generalov, S.V.	6/7	86%
Rymzhanova, Zh.	5/7	71%

⁵ The Strategy Committee was appointed in this form by Company BoD decisions of 20 April 2011 and 11 July 2011

During the reporting period, the Strategy Committee considered the following material issues:

1. Action plan for purchasing Kedentransservice JSC shares.
2. Establishment of a special structure for holding Kedentransservice JSC shares.
3. Implementation of the Company's budget 2010.
4. Implementation of the Company's investment programme 2010.
5. Implementation of the Company's strategy 2015.
6. Feasibility of increasing the operating flatcar fleet and upgrading the container fleet.
7. Performance results of the Company's subsidiaries and affiliates and management of subsidiaries and affiliates.
8. KPI target values for the CEO and the Company management in 2011.
9. Target indicators and key parameters of the Company's investment programme 2012.
10. The Company's investment programme 2012.
11. List of the Company's business processes.
12. Regulations on the Company's Dividend Policies 2011 to 2013.

Audit Committee

The Audit Committee gives preliminary consideration to and prepares recommendations on issues placed within the terms of reference of the Board of Directors with reference to the Company's interaction with the external auditor, monitoring the accuracy and completeness of the Company's financial statements, including the execution of the Company's business plans and budget, evaluating how effectively the internal control system is operated and evaluating how effectively the risk management system is operated.

During the period from January to April 2011, the Audit Committee comprised the following:

Name	Position
Hexter, D.	Independent Director, Audit Committee Chair
Averin, A.A.	BoD Member, Deputy Audit Committee Chair
Shitkina, I.S.	Independent Director

On 20 April 2011, the Audit Committee composition changed to comprise the following:

Name	Position
Hexter, D.	Independent Director, Audit Committee Chair
Averin, A.A.	BoD Member, Deputy Audit Committee Chair
Rohan, Jerald J.	BoD Member

On 11 July 2011, the Audit Committee composition changed to comprise the following:

Name	Position
Hexter, D.	Independent Director, Audit Committee Chair
Mukhin, D.T.	BoD Member, Deputy Audit Committee Chair
Rubinsky, K.Yu.	BoD Member

In 2011, the Audit Committee held 10 meetings in person.

Attendance by Audit Committee members of meetings held in 2011:

Name	Attendance	Per cent
Hexter, D.	10/10	100%
Averin, A.A.	3/6	50%
Shitkina, I.S.	3/3	100%
Rohan, Jerald J.	3/3	100%
Mukhin, D.T.	4/4	100%
Rubinsky, K.Yu.	2/4	50%

During the reporting period, the Audit Committee considered the following material issues:

1. Procedures for placement of orders for goods, works and services to secure the Company's operations.
2. Interaction of the Audit Committee with the Accounts department and with the Company's External Auditor.
3. New version of Regulations on the Audit Committee.
4. Results of auditing financial statements 2010.
5. Reports of the Internal Audit Service on the results of its performance in Quarter 4 of 2010 and Quarters 1 to 3 of 2011.
6. Selection of the Company's Auditor for 2011.
7. The Company's Annual Report 2010.
8. Annual financial statements of JSC TransContainer for 2010.
9. The Company Auditor's opinion on the Company's financial statements 2010 prepared in accordance with Russian Accounting Standards (RAS) and IFRS.
10. The Audit Committee's report based on the result of auditing the Company's operation in 2010.
11. Risk management in JSC TransContainer.
12. The Auditor's fees.
13. The Company's credit rating.
14. List of JSC TransContainer business processes.
15. The Company's accounting policy 2012.

Personnel and Remuneration Committee

The functions of the Personnel and Remuneration Committee include recommending priorities for the Company's policies on human resources and remuneration to the Company's management. The functions also include development of the Company's policies and standards concerning the selection of candidates for the Company's management with the aim of attracting skilled professionals and creating the required incentives.

During the period from January to April 2011, the Personnel and Remuneration Committee comprised the following:

Name	Position
Shitkina, I.S.	Non-executive Director, Chair of Personnel and Remuneration Committee
Kostenets, I.A.	Head of Department for Administrative and Personnel Issues of RZD OJSC (not a BoD member), Deputy Chair of Personnel and Remuneration Committee
Averin, A.A.	BoD Member
Ryaschin, I.P.	BoD Member

On 20 April 2011, the Personnel and Remuneration Committee composition changed to comprise the following:

Name	Position
Shitkina, I.S.	Non-executive Director, Chair of Personnel and Remuneration Committee
Kostenets, I.A.	Head of Department for Administrative and Personnel Issues of RZD OJSC (not a BoD member), Deputy Chair of Personnel and Remuneration Committee
Averin, A.A.	BoD Member
Generalov, S.V.	BoD Member

From 11 July 2011, the Personnel and Remuneration Committee comprised the following:

Name	Position
Shitkina, I.S.	Non-executive Director, Chair of Personnel and Remuneration Committee
Kostenets, I.A.	Head of Department for Administrative and Personnel Issues of RZD OJSC (not a BoD member), Deputy Chair of Personnel and Remuneration Committee
Petrenko, V.A.	BoD Member
Generalov, S.V.	BoD Member

In 2011, the Personnel and Remuneration Committee held 14 meetings in person.

Attendance by Personnel and Remuneration Committee members of meetings held in 2011:

Name	Attendance	Per cent
Shitkina, I.S.	14/14	100%
Kostenets, I.A.	12/14	86%
Averin, A.A.	6/7	86%
Petrenko, V.A.	10/11	91%
Generalov, S.V.	6/7	86%
Ryaschin, I.P.	1/3	33%

In the reporting period, the Personnel and Remuneration Committee gave consideration to the following material issues:

1. KPI target values for the CEO and Company management in 2011.
2. Incentives for members of the Board of Directors.
3. Incentives for Company management.
4. Bonuses for the CEO.
5. Independent Directors (conformity of newly elected BoD members with independence criteria).
6. Preliminary evaluation of candidates for CEO.

Self-assessment of the Board of Directors

The Board of Directors annually evaluates its performance by questioning its members and, based on the results of discussion of the evaluation outcomes at a full-time meeting of the Board of Directors, adopts decisions to improve the effectiveness of the Board of Directors.

Based on the results of the corporate year 2010 to 2011, the performance of the Board of Directors was evaluated in June 2011. According to the results of the evaluation, the majority of the members of the Board of Directors believed that the Board of Directors had successfully met the objectives set for the year, that the recommendations made by BoD Committees were of importance for the Board of Directors, and that the Board of Directors paid sufficient attention to the Company's strategy and to the risks that may have had a significant impact on the Company's operations.

The Board of Directors also evaluates annually the performance of its Committees. In June 2011, the Board of Directors recognised that the performance of its Committees in corporate year 2010 to 2011 had been satisfactory.

Liability insurance

Since February 2009, the Company has signed annual liability insurance agreements in order to provide liability insurance for BoD members and Company management (D&O policy).

REMUNERATION TO BOD AND BOD COMMITTEE MEMBERS

Remuneration to BoD members

The payment of remuneration and compensation to BoD members is carried out in accordance with the Regulation on Payment of Remunerations and Compensations to BoD Members that was approved in a new version by the Annual General Meeting of Shareholders on 28 June 2011⁶.

Pursuant to the said Regulation, remuneration to BoD members consists of two parts, namely fees for participation in the work of the Board of Directors and annual remuneration.

1. As remuneration for participation in the work of the Board of Directors, a member of the Board of Directors is paid a bonus of RUB 30,000 for attending a BoD meeting within a month of the meeting. The source of payment of these fees is Miscellaneous Expenses which are not deducted from the tax base when calculating income tax for the Company's financial reporting purposes.

The total amount of remuneration paid to BoD members for participating in the work of the Board of Directors in 2011 amounted to RUB 3,259,275.00.

2. Annual remuneration to BoD members consists of two parts:
 - 2.1. A fixed fee of RUB 1,400,000 per annum (before making an attendance rate reduction in proportion to the number of BoD meetings in which the BoD member did not participate).
 - 2.2. Remuneration for growth of the Company's capitalisation, which is calculated as follows:

$S_{cap} = 1750 * 10 * (p_2 - p_1)$, where

S_{cap} : Remuneration for growth of the Company's capitalisation paid to a BoD member

1750: Number of Company shares provisionally allocated to the BoD member for the purpose of calculating the remuneration

10: Number of GDRs for Company shares, each corresponding to one Company share

p_1 and p_2 : Market value of one GDR for Company shares as of the beginning and end of the period respectively (calculated with the use of an averaging procedure).

The size of the above remuneration is increased by 50% when paid to the Chairman and by 25% when paid to the Deputy Chairman.

Annual remuneration to BoD members is paid from the Company's net income received during the reporting period and from retained earnings of previous periods.

The total amount of annual remuneration paid to BoD members in 2011 amounted to RUB 29,662,651.94.

Remuneration to members of BoD Committees

In accordance with the Company's Regulations on BoD Committees, and with committee budgets approved by the Board of Directors, Committee members receive remuneration for participation in the work of the Committee and annual fees.

A BoD Committee member is paid for participating in a Committee meeting:

- RUB 20,000 if the Committee member participated in the meeting in person;
- RUB 12,000 if the Committee member participated in the meeting in absentia (and produced a written opinion).

If approved by the Annual General Meeting of Shareholders, a Committee member may be paid an annual fee.

The above fees are increased by 25% when paid to the Committee Chair and Deputy Chair.

BoD Committee members are paid fees from the Company's net profit for the current year.

Total amount of remuneration paid to members of BoD Committees in 2011, including payment for participation in Committee work and the annual fee, is RUB 5,804,739.75.

⁶ The Regulations are available at the Company's website at: <http://www.trcont.ru>

CORPORATE SECRETARY

The Company's Corporate Secretary is subordinate to the Chairman.

The Corporate Secretary's key tasks are: to ensure compliance of Company bodies and officers with the requirements set by laws, the Articles of Association and the Company's internal documents regulating the provision and protection of shareholders' rights; to ensure compliance with procedures for preparation and conduct of General Meetings of Shareholders and Board of Directors' meetings and with procedures for disclosure of information about the Company, and to improve the Company's corporate governance practices.

The Corporate Secretary's key functions are:

- Provide organisational and information support to the Board of Directors and its Committees;
- Prepare and conduct General Meetings of Shareholders;
- Interact with BoD members and advise BoD members on corporate governance issues;
- Arrange interaction between the Company and its shareholders;
- Arrange storage of the Company's documents pertaining to corporate governance issues;
- Provide for disclosure of information about the Company.

The work of the Corporate Secretary is guided by the Company's Regulations on the Corporate Secretary.

CEO

The General Director is the sole executive body of the Company. The General Director is elected by the Board of Directors and is accountable to the General Meeting of Shareholders and to the Board of Directors.

The rights and duties of the employer of the CEO are exercised by the Board of Directors on behalf of the Company.

The CEO acts on behalf of the Company without power of attorney while abiding by the restrictions set by Russian Federal laws, the Articles of Association and BoD resolutions.

Petr Baskakov has been CEO of JSC TransContainer since 2006.

In 2011, Petr Baskakov was listed among the top 1,000 managers in the Transport business category in Russia's Best Top Managers rating in the Russian Managers' Association and Komersant newspaper.

Petr Baskakov has been awarded a medal "For Railway Development" and an "Honorary Railwayman" badge of honour.

The fees paid to the CEO and key Company managers (21 persons) in 2011 (including insurance premiums before Personal Income Tax deductions) totalled RUB 263,485,641.11.

DIVIDEND POLICIES AND DIVIDEND HISTORY

In December 2011, the Board of Directors approved a new version of the Regulations on Dividend Policies for 2011 to 2013 (Minutes No. 6 of 22 December 2011). According to these regulations, the size of the dividends recommended to the General Meeting of Shareholders is determined by the Board of Directors based on the Company's financial performance during the year under review and amounts to 10% of the Company's net profit.

The Company's Dividend Policies are based on the following principles:

- The Company annually allocates a portion of the net profit, if available, for dividend payment and uses the rest of the profit primarily for reinvestment in order to increase the Company's capitalisation;
- The Company balances its interests with the interests of its shareholders;
- The Company seeks to increase its capitalisation and attractiveness as an investment;
- The Company respects shareholders' rights protected by laws of the Russian Federation and provided for by best practices of corporate governance;
- The Company provides for transparency regarding the procedures used for determining the size of dividends and their payment.

The Company publishes on its website:

- The Company's Dividend Policies;
- Decisions of the General Meeting of shareholders to pay dividends;
- Information on the size of dividends and on the timeframes and forms of dividend payment;
- Information about the announcement and payment of dividends, in the form of statements of material facts.

Dividends allocated and paid by the Company between 2007 and 2011

Dividends	2007 (for 2006)	2008 (for 2007)	2009 (for 2008)	2010 (for 2009)	2011 (for 2010)
Total size of dividends, RUB million	144.2	153.3	268.0	2.2	40.434
Dividend per share, RUB	10.38	11.03	19.29	0.16	2.91
Dividends as percentage of net profit	10%	10%	10%	10%	10%
Announcement date	20 June 2007	20 June 2008	23 June 2009	23 June 2010	28 June 2011
Actual payment date	13 August 2007	22 August 2008	20 August 2009	10 August 2010	18 August 2011

Auditor

In order to ensure independent auditing of its financial reporting, the Company has an approved policy for rotation of external auditors and for interaction with external auditors in terms of their provision of non-auditing services (the External Auditor Rotation Policy).

The selection of a candidate for the role of External Auditor, whose job it is to audit the financial reports of JSC TransContainer under RAS and IFRS, is carried out on a competitive basis, with a frequency of no less than once in five years. Candidates must come from the Big Four auditors. That said, the Company considers it appropriate to select a single auditor for auditing the Company's financial reports under both RAS and IFRS.

The Audit Committee evaluates annually the performance of the Company's External Auditor and its compliance with the requirements of independence.

In 2011, Deloitte & Touche CIS, as the Company's External Auditor approved by the Annual General Meeting of Shareholders of 23 June 2010, was paid the following fees:

Pursuant to the Company's Annual General Meeting of Shareholders' decision of 28 June 2011, PricewaterhouseCoopers Audit JSC was approved as the Company's Auditor (under both RAS and IFRS) for 2011 on the basis of competitive selection conducted by the Company's Audit Committee.

Type of service	Remuneration (VAT inclusive), RUB
Audit of consolidated financial reporting prepared in accordance with RAS, for 2010	4,753,040.00
Audit of consolidated financial reporting prepared in accordance with IFRS, for 2010	17,652,800.00
Consultancy services for preparing written authorisations for the Company's triennial financial reporting and for inclusion of this in the investment memorandum, including audit opinions, and also services for writing letters of comfort when preparing an investment memorandum as part of IPO implementation activities ⁸ .	11,742,261.42
Total	34,148,101.42

⁸ These services are not considered to be non-auditor services as they may be rendered only by the Company Auditor and are classified as services associated with audit

Particulars of PricewaterhouseCoopers Audit JSC:

Location: Russia 125047,
Moscow, Ul. Butyrsky Val 10,
White Square Business Centre
BIN: 102770014843
TIN: 7705051102

Phone: +7 (495) 967-6000
Fax: 7 (495) 967-6001

Website: <http://www.pwc.ru/>

Auditor Licence No.: E000376 of 20.05.2002
Licence valid until: 20 May 2012
Licence issuer: Ministry of Finance of the
Russian Federation

Auditor's membership in professional
self-regulating organisations: member
of the Audit Chamber of Russia.

In September 2011, the Board of Directors set
the remuneration to PricewaterhouseCoopers
Audit JSC for auditing the Company's financial
reporting for 2011 under RAS and IFRS in the
amount of RUB 12.9 million, VAT not inclusive.
In 2011, PricewaterhouseCoopers Audit
JSC was paid a fee of RUB 4,753,040.00,
VAT inclusive, for reviewing the Company's
consolidated financial reporting under IFRS
for six months in 2011.

Pursuant to the External Auditor Rotation
Policy, in order to ensure independence
of the External Auditor, the remuneration
to be paid to the Auditor for the provision
of non-audit services should not exceed 10%
of the amount paid to the Auditor for auditing
the Company's financial reporting.

In 2011, Deloitte & Touche CIS JSC and
PricewaterhouseCoopers Audit JSC provided
no non-audit services to JSC TransContainer
as the Company's auditors.

Internal Audit Service

The Internal Audit Service was established
by the Board of Directors in 2009 in order to
improve internal control and risk management
in the Company, to provide the Company's
management bodies with accurate and
complete information about the Company's
operations and to identify and prevent
violations and abuses.

The Internal Audit Service is subordinated
to the Board of Directors' Audit Committee.
Annual work plans for the Internal Audit
Service are approved by the Audit Committee.
The Internal Audit Service reports to the Audit
Committee on a quarterly and annual basis.

To attain its objectives, the Internal Audit
Service performs the following functions:

- Check the Company's production, business
and financial activities;
- Participate in optimisation of the
Company's organisational and management
structure and business processes to ensure
their effectiveness and compliance with the
approved strategic Company development
plans;
- Prepare reports (opinions) for the Audit
Committee and the CEO as to the results of
scheduled audits;
- Prepare and submit to the CEO proposals
to eliminate and prevent deficiencies
identified in the Company's production,
business and financial activities, and
proposals to take disciplinary and other
punitive and compensatory action as
provided for by laws and the Company's
internal documents;

- Identify and prevent financial, operational
and other risks in the Company's activities,
and evaluate the likelihood of materialisation
of identified risks and the losses likely
to result from the materialisation; take
part in the formulation of a programme
for managing identified risks and present
relevant proposals to the Audit Committee
and the CEO; evaluate the adequacy and
effectiveness of risk management and
internal control processes;
- Within the scope of its reference, interact
with the Company's External Auditor;
- Within the scope of its reference, carry out
assignments given by the Audit Committee,
Board of Directors and CEO.

Registrar

In order to ensure reliable protection of
Company shareholders' entitlement to shares,
an independent registrar acts as Registrar
of Company Shareholders.

Since October 2010, STATUS Registrar
Company (STATUS LLC) has been acting
as Registrar for the Company.

Particulars of STATUS LLC

Location: Russia 109544, Moscow, Ul.
Novorogozhskaya, 32, bldg. 1
Phone / Fax: (495) 974-83-50, 974-83-45
Email: office@rostatus.ru
Licence No.: 10-000-1-00304
of March 12, 2004
Issued by: Federal Securities Market
Committee
Valid until: for indefinite term

The company has acted as a registrar of
registered securities since: 20 June 1997.

Revision Commission

The Revision Commission⁹ is a continually operating body of internal control, carrying out regular monitoring of the Company's financial and business operations, including those of the Company's branches and representative offices, to ensure compliance with Russian laws, the Articles of Association and the Company's internal documents.

The Revision Commission acts in the interests of Company shareholders and is accountable to the General Meeting of Shareholders. In carrying out its tasks, the Revision Commission is independent of Company officials. Revision Commission members are not officers or employees of the Company.

The Revision Commission was elected by the Annual General Meeting of Shareholders of 28 June 2011 and comprises the following:

Revision Commission members are paid in accordance with the Company's Regulations on Remuneration to Revision Commission⁹. The annual remuneration to Revision Commission members totalled RUB 702,900 in 2011.

Stockholders' equity

JSC TransContainer shares are admitted for trading on MICEX RTS Stock Exchange. Depositary receipts for Company shares are traded at the primary exchange of the London Stock Exchange (LSE).

Name	Position
Ivanov, O.B.	Head of Zheldorkontrol Monitoring and Internal Audit Centre, Chair of the Audit Committee
Lem, N.A.	Head of Accounts Department of RZD OJSC
Davydov, S.V.	Head of Division for Interaction with Subsidiaries and Affiliates and In-group Accounting of Department for Consolidated IFRS Reporting of RZD OJSC
Chernyavskaya, A.N.	Sector Head, Deputy Head of Division for Internal Audit and Control of Financial and Business Activities of Structural Subdivisions of RZD OJSC of Zheldorkontrol Monitoring and Internal Audit Centre
Romanov, A.Yu.	Head of Financial Control and Prognosis Division, Deputy Head of Corporate Finance Department of RZD OJSC

⁹ The Regulations are available on the Company's website at:
<http://www.trcont.ru/?id=427&L=0>

Stockholders' equity



Despite difficult market conditions, TransContainer securities consistently outperformed stock indices during 2011; this underlines investor confidence in the Company's business model and its management team.

Andrey Zhemchugov
Director for Capital Markets
and Investor Relations

Shares of TransContainer were admitted to trading on the MICEX RTS. The Company's Depositary Receipts are traded on the Main Market of the London Stock Exchange.

JSC TransContainer shares are admitted for trading on MICEX RTS Stock Exchange. Depositary receipts for Company shares are traded at the primary exchange of the London Stock Exchange (LSE).

Structure of stockholders' equity as of 31 December 2011

Entity	Number of shares	Share in authorised capital, %
Russian Railways OJSC (RZD OJSC)	6,947,391	50.000014
The Bank of New York International Nominees (GDR issuer)	2,831,406	20.377483
European Bank for Reconstruction and Development (EBRD)	1,284,574	9.245013
HALIMEDA INTERNATIONAL LIMITED ¹	1,215,794	8.75
UK TRANSFINGRUP JSC (beneficial ownership of pension funds of BLAGOSOSTOYANIE ("WELFARE") Private Pension Foundation 14/DU)	709,842	5.10869
Individuals and legal entities	905,771	6.5188
Total	13,894,778	100

¹ The share held by HALIMEDA INTERNATIONAL LIMITED controlled by DVMP OJSC in the authorised capital of JSC TransContainer is 18.5%, including 9.75% represented by GDRs

ORDINARY REGISTERED SHARES

The Company's authorised capital totals RUB 13,894,778,000 and consists of 13,894,778 ordinary registered shares of nominal value of RUB 1,000 each.

Information on each category/type of shares	
Type and category of shares	ordinary registered shares
Form of issuance	Uncertificated
Issued amount, number	13,894,778
Nominal value of 1 (one) share (RUB)	1,000
Information on state registration of security emission	1-01-55194-E of 11 May 2006

GLOBAL DEPOSITORY RECEIPTS (GDRS)

Global Depositary Receipts have been issued for JSC TransContainer shares at the rate of 10 GDR = 1 share. The Depositary bank is The Bank of New York Mellon.

As of 31 December 2011, depositary receipts had been issued for 20.4% of the Company's share capital.

The number of securities traded on stock exchanges is not constant, and GDR owners may convert them into shares and vice versa.

Shareholding structure

- RZD: 50%
- The Bank of New York International Nominees: 20.37%
- EBRD: 9.24%
- HALIMEDA INTERNATIONAL LIMITED: 8.75%
- TRANSFINGROUP with trust management of pension reserves of NPF BLAGOSOSTOYANIE 14/DU: 5.10%
- Individuals and entities: 6.51%



Trading platforms

As of 1 January 2011, the Company's shares were traded on the MICEX Stock Exchange JSC (Quotation List I) and on RTS OJSC (RTS Quotation List I). On 1 September 2011, the Company's shares were transferred from Quotation List I to Quotation List B of the MICEX Stock Exchange CJSC. On 12 December 2011, ordinary JSC TransContainer shares were excluded from the RTS OJSC Quotation List as a result of the merger of RTS OJSC with MICEX Stock Exchange. Since 31 December 2011, Company shares have been traded at MICEX RTS Stock Exchange in Quotation List B.

The Global Depositary Receipts are traded on the primary market of the London Stock Exchange.

Movements of the Company's shares and depositary receipts

Throughout 2011, the prices of Global Depositary Receipts issued for Company shares outperformed the relevant indices on the London Stock Exchange. Over the first six months of 2011, the price of the Company securities grew by 26%, while the RTS index grew by only 8% over the same period. In the second half of the year, as a result of a downturn on world stock markets, the price of the Company's GDRs decreased substantially, to US\$ 7.8 by the end of the year. For the whole year, the Company's GDRs lost 18% in value while the RTS index went down by 22%.

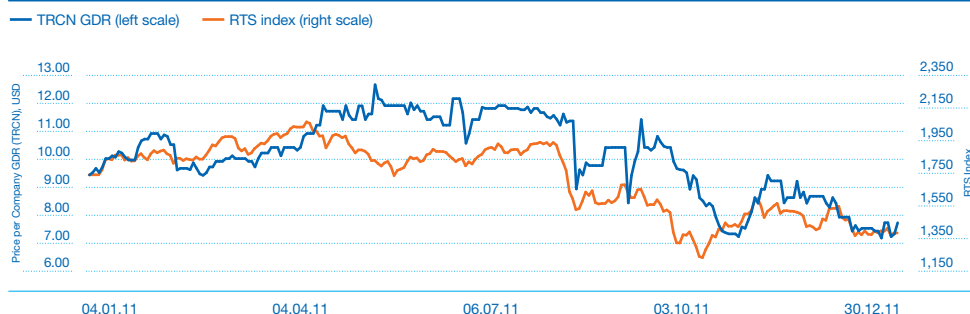
London Stock Exchange

Quotation as of beginning of year	9.51
Year's minimum	7.25
Year's maximum	12.75
Quotation as of end of year	7.80

MICEX

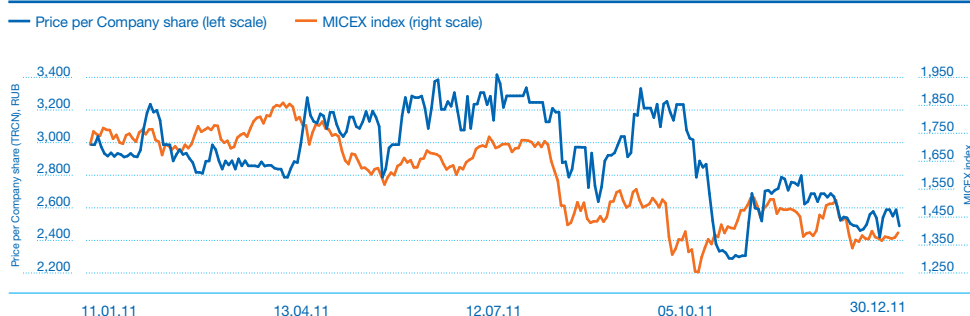
Quotation as of beginning of year	3,000.00
Year's minimum	2,300.00
Year's maximum	3,430.00
Quotation as of end of year	2,500.00

GDR (Ticker: TRCN) performance on the London Stock Exchange (LSE)



The dynamic of Company stock prices on the MICEX Stock Exchange was generally in line with price movements for depositary receipts. By the end of 2011, the Company's stock price had decreased by 16.7% while the MICEX index had decreased by 18.1% over the same period.

Local share (Ticker: TRCN) performance on MICEX



Corporate Governance Code Adherence Report

Essentials of the Corporate Governance Code of JSC TransContainer			
No.		Observed/not observed	Comments
General Meeting of Shareholders			
1.	The Company ensures effective participation of shareholders in the adoption of key decisions. Shareholders' rights are governed by the provisions of the Articles of Association and internal documents.	Observed	The Company has approved Regulations on the Procedure for the Preparation and Conduct of General Meetings of Shareholders (GMSs).
2.	An independent registrar possessing all the necessary technical means and a flawless reputation is selected and appointed.	Observed	STATUS JSC acts as the Company's independent registrar.
3.	Stockholders holding voting shares are entitled to attend GMSs to vote on all matters placed within the GMS's scope of reference.	Observed	
4.	A notice of plans to hold a GMS is sent to each person specified in the list of persons entitled to attend GMSs, either by registered mail or delivered in person no later than thirty (30) days prior to the meeting.	Observed	
5.	The Company provides persons entitled to attend GMSs with information (materials) on the agenda of a GMS that is to be held no later than thirty (30) days prior to the meeting.	Observed	Materials pertaining to GMSs are placed on the Company website.
6.	In determining the place, date and time of holding a GMS, the Company seeks to provide the shareholders with a real and unimpeded opportunity to take part in the meeting. A GMS is held in a reasonable location in the city in which the Company is based, no earlier than 9 am and no later than 10 pm local time.	Observed	The annual and extraordinary GMSs that were held in 2011 were held in Moscow. Registration of shareholders/ shareholder representatives started at 10 am Moscow Time, the GMSs of Shareholders started at 11 am Moscow time.
7.	In voting at GMSs, each voting share is granted one vote, except for cumulative voting when electing BoD members.	Observed	
8.	The presiding functions at a GMS are performed by the Chairman. If the Chairman is absent from a GMS, one of the BoD members or a representative of shareholders present at the meeting (either of these must be elected by the shareholders elected by shareholders) takes the chair.	Observed	
9.	The Company invites the CEO, Board of Directors, Revision Commission members, the External Auditor and the Head of the Company's Internal Audit Service to attend GMSs.	Observed	
10.	The functions of the Counting Committee at GMSs are performed by the Company's Registrar that maintains the Company's Shareholders' Register.	Observed	
Board of Directors			
11.	In order to ensure impartiality of decisions and maintain a balance between the interests of different groups of shareholders, the Company seeks to create an optimum structure of the Board of Directors by, inter alia, increasing the membership of non-executive and independent directors and representatives of minority shareholders.	Observed	Currently, ten of the eleven directors are non-executive Directors, and two directors meet the requirements set for independent directors.
12.	The Board of Directors annually evaluates the compliance of BoD members using criteria/requirements that are specifically set for independent directors.	Observed	On 5 September 2011, the Board of Directors reviewed the criteria concerning director independence and decided that BoD members I.S. Shitkina and D. Hexter met the requirements set for independent directors.

Essentials of the Corporate Governance Code of JSC TransContainer			
No.		Observed/not observed	Comments
13.	The Chairman leads the work of the Board of Directors and ensures its efficient operation. The Chairman ensures effective communication with Company shareholders and constructive relationships between the Board of Directors and Company management.	Observed	
14.	The Chairman seeks to create a favourable atmosphere at BoD meetings in order to encourage comprehensive discussion of the agenda, ensuring that the views of all BoD members are heard and that effective decisions are formulated.	Observed	
15.	Together with the Corporate Secretary, the Chairman ensures that BoD members are provided with timely, reliable and complete information on the issues included in the agenda of a meeting to be held by the Board of Directors.	Observed	
16.	The Board of Directors annually evaluates its own performance and the performance of its Committees and, based on the results of discussing the outcomes of the evaluation at a full-time meeting of the Board of Directors, adopts decisions to improve the effectiveness of the Board of Directors.	Observed	Based on the outcomes of Corporate Year 2010 to 2011, the activities of the Board of Directors and BoD Committees were evaluated. The results of the evaluation were reviewed at a BoD meeting held in June 2011.
BoD Committees			
17.	BoD committees are made up of individuals with extensive experience and expertise in the relevant area, with the expectation that such experience and expertise will improve the efficiency and quality of the performance of the Board of Directors. The Company aims to form BoD committees of Independent Directors and representatives of minority shareholders.	Observed	The Chairs of the Audit Committee and the Personnel and Remuneration Committee are independent directors.
CEO			
18.	The CEO is accountable to the GMS and to the Board of Directors.	Observed	
19.	The rights and duties of the employer of the CEO are exercised by the Board of Directors on behalf of the Company.	Observed	
20.	In carrying out its tasks, the Revision Commission is independent of Company managers and officers of structural subdivisions of the Company.	Observed	
21.	Audit Committee members are not Company officers or employees.	Observed	
Stakeholders' roles			
22.	The Company seeks to achieve long-term sustainable profitability by maintaining a balance between its business and social interests.	Observed	
23.	The Company aims to identify the interests of different stakeholder groups in the course of meetings, negotiations and workgroup activities dedicated to addressing specific problems. The Company intends to consider the interests of stakeholders in making decisions concerning business management.	Observed	
24.	The Company efficiently addresses public expectations by way of, inter alia, identifying and analysing such expectations and responding to them.	Observed	

Corporate Governance Code Adherence Report (continued)

Essentials of the Corporate Governance Code of JSC TransContainer			
No.		Observed/not observed	Comments
25.	In order to ensure a high level of social responsibility, the Company has adopted a Code of Ethics that establishes the principles and standards to be used for guidance by all Company employees in their activities, including when interacting with Company stakeholders.	Observed	The Company's Code of Ethics can be found at the Company's website at: http://www.trcont.ru/?id=427&L=0
26.	The Company implements corporate social responsibility projects for Company employees and their families, for the community at the place of the Company's operation and for the Company's partners and contractors, and implements charity and sponsorship projects.	Observed	Relevant information is presented in the Social Responsibility section of this Annual Report.
27.	The Company practises competitive selection of suppliers for the provision of goods and services to the Company in amounts established by the Company.	Observed	The Company has approved Regulations on the Procedures for Placing Orders for Procurement of Goods, Works and Services for the Company's Needs (adopted by BoD Decision of 15 September 2007).
Disclosure of information			
28.	The Company pursues an information disclosure policy focused on securing a high degree of confidence among shareholders, creditors, investors and other interested parties in the Company by providing such parties with information about the Company, its activities and securities to an extent sufficient for making informed and balanced decisions regarding the Company and its securities.	Observed	The Information Disclosure Policy, the list of information to be disclosed by the Company and the disclosure procedures and timeframes are set in Regulations on Disclosure approved by the Board of Directors. http://www.trcont.ru/?id=427&L=0
29.	In disclosing information about itself, the Company does not limit the scope of disclosure to information whose disclosure is mandatory in accordance with the requirements of Russian laws and bylaws, and additionally discloses other information that provides a high degree of transparency regarding the Company's affairs.	Observed	The Company has disclosed information in accordance with the requirements of relevant stock exchanges, including the London Stock Exchange, since 2010.
30.	In disclosing information, the Company is guided by the following principles: – Regularity and timeliness of information; – Accuracy and completeness of information; – Availability of disclosed information – Neutrality of disclosure; – Provision of a reasonable balance between the openness of the Company and protection of its commercial interests.	Observed	
31.	In order to find a reasonable balance between the openness of the Company and protection of its commercial interests, the Company, when disclosing information, protects confidential information, including any material that might constitute state or commercial secrets, in accordance with Russian laws and Company regulations. The Company has approved a document that contains a list of information constituting commercial secrets, as well as the criteria used for classifying such information as commercial secrets and the procedures adopted for accessing such information. Information obtained by Company employees and management in the process of discharging their duties cannot be used for personal purposes.	Observed	
32.	In order to exercise control over the use of insider information, the Board of Directors has approved Regulations on Insider Information that provide a definition of insider information and set out procedures for the use and protection of such information.	Observed	On 5 September 2011, the Board of Directors approved a new version of the Regulations on Insider Information and a list of the Company's insider information. The documents can be found on the Company's website: http://www.trcont.ru/?id=657&L=0

Essentials of the Corporate Governance Code of JSC TransContainer			
No.		Observed/not observed	Comments
Risk management			
33.	The Company has established processes and procedures for identification, evaluation and minimisation of the Company's risks. Risk assessment and management plays an essential role in the formulation and implementation of the Company's development strategy.	Observed	Information on the Company's risk management activities is presented in the Risk Management section of this Annual Report.
34.	The Board of Directors exercises permanent risk management control, including through BoD Committees involved in risk management processes.	Observed	The Company has developed a normative and methodological framework for risk management. The Board of Directors has approved a Risk Management Policy serving as the basic document governing risk management processes and assigning roles and responsibilities to risk management personnel, and a Risk Management Concept clearly regulating the process of building a corporate risk management system. A risk map and a risk register are maintained, and the competencies of risk owners and the overall approach to risk management are defined. http://www.trcont.ru/?id=427&L=0
35.	The Company has established a risk management workgroup that provides methodical support to risk owners, carries out consolidated registration of risks and their baseline assessment, maintains a risk register, prepares reports on monitoring critical and acceptable risks and performs other risk management functions.	Observed	
External and internal audit			
36.	In order to ensure independently audited financial reporting, the Company has approved a Policy for Rotation of External Auditors and for Interaction with External Auditors for the Provision of Non-Audit Services.	Observed	The Company's Policy for Rotation of External Auditors is available on the Company's website at: http://www.trcont.ru/?id=427&L=0
37.	The selection of a candidate for External Auditor to audit the Company's financial reporting under RAS and IFRS is carried out on a competitive basis, with a frequency of no less than once in five years. The Company selects a candidate for External Auditor from the Big Four auditors. The Company also considers it appropriate to select a single auditor to audit the Company's financial reporting under both RAS and IFRS.	Observed	
38.	The Company considers it necessary to disclose publicly the amounts of fees paid to its Auditors for the provision of both audit and non-audit services.	Observed	
39.	In order to ensure the independence of external audits, the Audit Committee oversees the provision of non-audit services by the Auditor in the manner prescribed by the Policy for Rotation of External Auditors and for Interaction with External Auditors for the Provision of Non-Audit Services.	Observed	
40.	The Audit Committee evaluates annually the performance of the External Auditor and its compliance with the criteria of independence.	Observed	
41.	The Internal Audit Service is established by the Board of Directors in order to improve internal control and risk management in the Company, to provide the Company's management bodies with accurate and complete information about the Company's operations and to identify and prevent violations and abuses by Company officers. The Internal Audit Service is accountable to the BoD Audit Committee.	Observed	

Corporate Governance Code Adherence Report (continued)

Essentials of the Corporate Governance Code of JSC TransContainer		Observed/not observed	Comments
Dividends			
42.	The dividend policy is based on the following principles: <ul style="list-style-type: none">– Dividends are paid annually if the Company has a net profit;– A balance is sought between the interests of the Company and its shareholders;– The Company seeks to increase its capitalisation and investment attractiveness;– The Company respects shareholders' rights in a manner that is consistent with laws of the Russian Federation and with best practices in corporate governance;– The Company has procedures to ensure that the amount and the terms of dividend payment are transparent.	Observed	The Company's policy in respect of determining the size of dividends and the procedures for payment thereof is set in the Company's Regulations on Dividend Policy for 2011 to 2013. http://www.trcont.ru/?id=427&L=0
43.	The Company recognises the importance shareholders attach to dividends as a form of investment income that accrues from the ownership of shares and seeks to establish a transparent and clear mechanism for determining the size of such dividends and the procedures governing their payment to shareholders.	Observed	
Management of subsidiaries and affiliates			
44.	By participating in the equity of subsidiary and affiliated companies (affiliates hereinafter), the Company seeks to ensure profitability and overall balanced development of the Company and its affiliates. When making strategic decisions for the development of affiliates, the Company seeks to consider the interests of other stakeholders/shareholders in such affiliates, and agree appropriate approaches with them regarding management of such affiliates. By developing affiliated businesses, the Company also seeks to identify and consider the interests of affiliates' stakeholders (investors, partners, customers, etc.).	Observed	
45.	The Company manages affiliates by corporate governance methods, namely, through participation in affiliates' management bodies and in the adoption of administrative decisions (decisions of General Meetings of Shareholders and Boards of Directors within their scope of reference), as well as through exercising control over affiliates' operations via the affiliates' control bodies.	Observed	
Corporate conflicts			
46.	The Company aims to conduct activities aimed at identifying, preventing and resolving conflicts at early stages.	Observed	

Essentials of the Corporate Governance Code of JSC TransContainer			
No.		Observed/not observed	Comments
47.	If a corporate conflict affecting the interests of the Company itself or its shareholders arises between Company bodies and shareholders or between Company shareholders, the Board of Directors reviews the conflict and decides whether it can act as a mediator in resolving the conflict and determines the required and possible measures to resolve the conflict. To prevent and effectively resolve corporate disputes, the Board of Directors may establish a special Corporate Conflict Conciliation Committee made up of BoD members. The Company intends to include only independent directors in the Corporate Conflict Conciliation Committee. If this proves to be impossible for objective reasons, the Corporate Conflict Conciliation Committee will be chaired by an independent director and consist of non-executive Board members who are not a party, or a representative of a party, to the corporate conflict.	Not applicable	No such situations have occurred as yet.
48.	If a BoD member involved in the resolution of a conflict believes that the conflict affects or may affect his/her interests, he/she must inform the Board of Directors about this immediately, as soon as he/she becomes aware of it, whereupon the Board of Directors will determine the possibility of further participation of the BoD member in resolving the conflict.	Not applicable	No such situations have occurred as yet.
49.	If necessary, the CEO may take part in resolving a corporate conflict.	Not applicable	No such situations have occurred as yet.
50.	At the consent of shareholders who are parties to a corporate conflict, the Board of Directors and/or the CEO may act as a mediator in the settlement of the conflict.	Not applicable	No such situations have occurred as yet.
51.	At the consent of shareholders who are parties to a corporate conflict, the Board of Directors (BoD members) and/or CEO may take part in negotiations between the shareholders, explain norms of corporate laws and Company bylaws and give recommendations for drafting documents to facilitate resolving the conflict.	Not applicable	No such situations have occurred as yet.
52.	Records of corporate disputes are kept by the Company's Corporate Secretary. The Corporate Secretary registers applications, letters and claims coming from shareholders, makes a preliminary evaluation and provides for their consideration by the Board of Directors.	Observed	This norm is included in the Regulations on the Corporate Secretary approved by the Board of Directors, however no such situations have occurred as yet.

Social responsibility



Our main goal is to create an environment that would help disclose the full potential of each employee of the Company and make the success of our clients, partners and staff integral to the success of TransContainer.

Nikolai Averkov

Deputy General Director for Social and Personnel policy

The Company's social responsibility goals, objectives, principles and key activities in 2011

Goals, objectives and principles	
Charity	<p>Goal: improve the quality of life of the community and help socially vulnerable groups in the wider population.</p> <p>Company principles for dispensing charity:</p> <ul style="list-style-type: none"> – Charity projects are implemented on a long-term basis; – The charity dispensation process is transparent; – Charity is specifically targeted; – The Company is open to cooperation with federal and state authorities, businesses and charitable not-for-profit organisations; – Company funds allocated for charity are properly used and monitored.
Human Resources and Social Policy	<p>Basic principles: motivation of staff, establishment of a system of material and moral incentives for employees and social protection of employees.</p> <p>Key objectives:</p> <ul style="list-style-type: none"> – To meet the Company's needs for qualified personnel in various fields of activity; – To support personnel and efficiently use employees' potential in accordance with their qualifications and abilities; – To ensure staff receive retraining and advanced training; – To evaluate staff and carry out career planning, build succession capability; – To motivate employees' efficiency, provide for staff retention, develop staff loyalty; – To develop an effective social security system for employees; – To improve staff record management.
Environmental protection	<p>Goal: care for the environment in regions where the Company operates.</p>
Energy efficiency	<p>Goal: creation of a foundation for promoting energy conservation and energy efficiency.</p>

The Company seeks to achieve long-term, sustainable profitability based on a balance between its economic interests and voluntary work in the community that can deliver social, economic or environmental benefits.

Priorities

- To aid and support children;
- To support sports and promote a healthy lifestyle;
- To preserve Russian cultural heritage;
- To support sectoral charity programmes;
- To help Company employees pay for expensive medical treatment for themselves or their families (spouses, parents and children) in cases where treatment is not covered by medical insurance and where the cost exceeds the average monthly income of the employee;
- To help victims of emergency situations (natural disasters, armed conflicts etc.).

All charity dispensation decisions are taken by the Board of Directors in accordance with the Articles of Association.

- To implement social programmes for Company staff;
- To create optimal conditions for Company staff development;
- To train and develop Company staff;
- To improve the Company's staff motivation system.

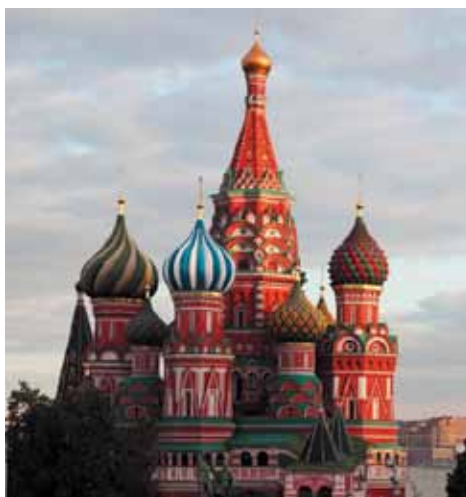
- To pay in a timely manner for negative environmental impact;
- To implement environmental activities.

- To implement organisational and technical measures for saving key fuel and energy resources;
- To implement energy efficiency initiatives.

Charity

The Company spent RUB 20.9 million on charity programmes in 2011 and completed the following charity initiatives:

- Provided assistance worth RUB 1.2 million to the State Historical Museum for restoration of icons at the Moscow Kremlin Cathedral of Intercession;



- Provided RUB 1.3 million to the Give Life Charity Fund for treatment of children's cancer;
- Allocated RUB 2.6 million for treatment of children suffering from serious illnesses;
- Bought medical equipment worth RUB 0.6 million for Malakhovsky Children's Tuberculosis Sanatorium;



Children's party at the Malakhovsky Children's Tuberculosis Sanatorium

- Provided assistance in the amount of RUB 0.3 million to the Illustrated Books For Blind Children Charitable Fund to assist with production of special illustrated books for blind children;



- Bought an ambulance worth RUB 0.7 million for the Sergiev Posad Orphan Home;
- Provided RUB 2 million for the restoration of wooden churches in north Russia;



Chapel of Sts. Zosima and Savvaty of Solovki at Semenovskaya (Serednyaya) Village, Pezhemsky Village Area, Belsky District, Arkhangelsk region

- Provided RUB 10.103 million to Transsoyuz Rail Transport Promotion Charitable Foundation for the implementation of the Book of Good Deeds charity programme.

The main activities carried out by the Fund in 2011:

- Provided financial assistance for renewal of the Resurrection New Jerusalem Monastery of the Russian Orthodox Church;
- Reconstructed the Temple of the Theodorian Icon of Our Lady in St. Petersburg near the Moscow Railway Station and provided artistic illumination for the Cathedral of St. Catherine in Pushkin Town;
- Reconstructed the Agate Rooms at the Tsarskoye Selo State Reserve Museum;
- Funded expensive treatment and care of children in difficult life situations, assisted a children's hospice and supported the Spread Your Wings Child Welfare Charity Fund;
- Worked with the State Historical Museum on a number of renewal projects associated with the 450th anniversary of the Intercession Cathedral (St. Basil's Cathedral) in Moscow.

Human Resources and Social Policy

The Company considers its staff to be its core asset. We take care to ensure that Company employees view the results of their work as a contribution to the Company's development and understand that their personal progress at work is an inseparable part of the Company's wider achievements.

SOCIAL PROGRAMMES FOR STAFF

In order to attract and retain employees, the Company implements a variety of staff social programmes:

1. Housing programme

The housing programme provides for:

- Subsidies to employees to cover part of the interest accrued on their personal mortgages;
- Corporate support to employees for the acquisition/construction of their own housing.

To date, 86 staff members have improved their living conditions by making use of this programme.

2. Health programme

This programme seeks to improve the health of Company employees by encouraging active participation in physical exercise and sports. To this end, the Company leases facilities for various sports and fitness activities.

The Company has created a sports committee to coordinate mass participation in sports.

The Company has a football club and provides facilities for employees to play volleyball, basketball, mini football and tennis.

3. Pension programme

The Company's corporate pension programme aims to increase motivation of Company employees.

The programme is implemented through a contract with Blagosostoyaniye ("Welfare") Non-State Pension Fund in accordance with Regulations on Non-State Pension Provision for Company Employees adopted by the Board of Directors. Any Company employee may join this retirement savings scheme. The final amount saved depends on the size of contributions, the duration of employment with the Company and the level of the employee's average monthly salary for the final two years before their retirement. The size of an employee's pension may not exceed the average monthly salary the employee received during their last year with the Company. In total, 1,354 Company employees have joined the scheme, including 144 who joined in 2011. A total of 57 employees who retired from the Company in 2011 were given corporate pensions with an average value of RUB 5,318.

QUANTITATIVE AND QUALITATIVE BREAKDOWN OF STAFF

In 2011, the Company recruited 655 employees of whom 363 (55.4%) were under 30 years of age and 365 (55.7%) had university diplomas.

In order to create optimal conditions for the new employees to quickly acquire the skills and knowledge required for effective performance of their work duties, the Company applied the Regulations on Adaptation of Employees.

A total of 260 employees were promoted to higher positions during the year, including 211 (81.2%) from the personnel reserve.

The average number of employees was 4,991 persons in 2011, of which 4,598 were operative staff.



JSC TransContainer Football Team

The quality of staff improved in 2011.
The number of employees with university diplomas increased from 45.8% to 49.1%.

TRAINING OF TALENT BASE AND OTHER STAFF TRAINING AND DEVELOPMENT

JSC TransContainer aims to improve the skills of active, promising and talented employees and to create conditions that will enable them to take full advantage of their creative potential.

For this purpose, the Company has developed a model framework regulating the procedures for training and retraining Company employees, including:

- Company Standard No. 07.001-2009 – Company Staff Training, Retraining and Skill Improvement;
- Regulations on Company Staff Training and Development;
- Regulations on Company Staff Merit Rating;
- Regulations on Traineeships for University and College Graduates.

In line with the provisions of Company Standard 07.001-2009, identification of training needs for the next year within the allocated budget was carried out at the end of the year.

The main training programmes are:

- Master of Business Administration Programmes;
- FIAT Skill Improvement Programme;
- Accounting and Financial Reporting Actualisation Courses;
- Logistical Problems in Company Operations;
- Actualisation of Legal Issues with respect to Tax, Customs and Transport Laws;
- English Language Courses;
- Additional Training for Full-Time Students at Professional Training Schools;
- Vocational Safety Training;
- Improvement of IT Software Products.

The Company's expenditures for skill improvement training between 2010-2011

Indicator	2010	2011	Change in absolute values	%
Number of staff	5,370	5,194	(176)	(3.3)
Average manning table number*	5,150	4,991	(159)	(3.1)
Average salary, RUB/month	36,143	44,792	8,649	23.9
Turnover of staff, %	9.2%	9.6%		

* Not including representative offices abroad and subsidiaries of the Company

The Company's expenditures for skill improvement training between 2007 and 2011

	2007	2008	2009	2010	2011
Number of employees who improved their skills	834	1,231	1,357	942	1,291
Cost, RUB million	11.6	18.3	14.5	14.6	12.6

The Company conducts staff training and development for multiple levels of personnel (executives, key professionals, managers and administrative staff, branch experts, workers) in two main ways:

- Retraining;
- Skill Improvement.

A plan for Company staff retraining and skill improvement in 2012 was prepared and approved while taking into account the need for retraining and advanced training of Company staff.

The MBA programme of the Moscow Railway Engineering Institute (MIIT) is one of the most popular forms of training. The programme has been substantially adjusted to take account of the specifics of the Company's business with respect to container shipments, logistics and delivery of goods. Eminent scholars and practitioners (such as top managers of transport companies) are engaged in MIIT's MBA training programme. A total of 49 Company executives have completed MBA training, with 34 of these comprising

management at the Company's subsidiaries. A total of 18 persons were involved in MBA programme training in 2011, including seven executives from Company branches. Additionally, 65 Company employees are improving their professional skills at extramural university courses.

A total of 1,291 employees raised their qualifications in 2011, with the Company's investment in staff amounting to RUB 12.6 million.

The Company pays considerable attention to preparing students for future employment in the Company. A total of 93 students are currently being trained under full-time training contracts in universities, and 14 are receiving commercial training with the aim of enrolling them as Company employees upon completion of their studies. A total of 20 MIIT students successfully graduated in 2010 with specialisations in Logistic Systems and Consignment Delivery Technologies. All of them were employed as young management professionals with the Company and its Moscow railway subsidiary.

IMPROVING THE COMPANY'S STAFF MOTIVATION SYSTEM

Staff motivation is one of the main components of the Company's staff policies. The Company's staff motivation activities were focused on the following objectives in 2011:

a) Improving the remuneration system

In November 2011, the Board of Directors approved Regulations on Loyalty Bonus Payments to Company Employees, in a move that seeks to attract and retain professional staff and promote continued employment.

The bonus is paid to Company employees as a lump-sum reward for long, efficient and good-quality work in the following cases:

- Once the duration of an employee's work with the Company totals three years, five years, 10 years and 15 years, and then every five years thereafter;
- Upon voluntary retirement for the first time upon achieving the retirement age, if the employment duration prior to retirement is three years or more;
- When leaving the Company as a result of redundancy, or for health reasons in accordance with a medical certificate, if the employment duration prior to such an event is three years or more.

The Company has put into effect regulations on Company Management Motivation, whose main objectives are to increase management efficiency, achieve strategic development goals and secure retention of highly qualified management personnel.

The Company widely uses "non-material" motivation alongside "material motivation". The major types of non-material motivation including naming employees on the Board of Fame and in the Book of Honour, holding professional skill competitions among operative professionals and commemorating winners at corporate functions.

b) Provision of social benefits

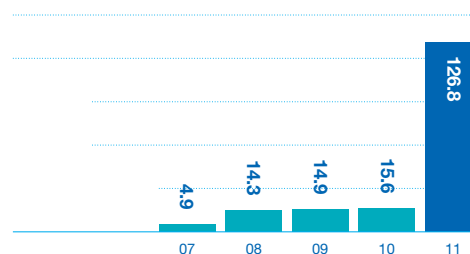
The basic social guarantees given to Company employees are set out in the Company's Collective Agreement and include the following:

- Compulsory and collective voluntary health insurance entitling Company employees to free medical care in hospitals;
- Life insurance for employees working in hazardous areas;
- Compensation to employees for the cost of travelling by rail to and from work and to recreation locations that lie within 3,000 km of their place of work, or reimbursement of airline flights equivalent to the cost travelling by rail (in a sleeping car) to locations that are more than 3,000 km from the place of work;
- Arrangement of summer rest for children;
- Recreation for employees and their families at resorts at discounted rates;
- Partial compensation for the cost of children's day care;
- Compensation and benefits to young professionals in accordance with the Company's Regulations on Young Professionals approved by the Board of Directors in October 2006.

Environmental protection

The Company spent RUB 126.8 million on environmental protection in regions where the Company operated in 2011.

Breakdown of environmental spending (RUB millions)



Pursuant to the Federal Law "On Environmental Protection", the Company makes timely payments for negative environmental impacts.

In 2011, JSC TransContainer fully implemented its Environmental Action Plan, in particular:

1. To minimise human impacts on ambient air, Company branches applied emission treatment solutions such as filter units, dry filters, bag filters and air cleaning installations in metal machining. These actions helped to keep emissions of air pollutants within the MPE.

2. Company branches equipped water outlets with wastewater monitoring instruments to help save water.
3. The Group signed contracts for hazardous waste disposal with specialist companies licensed for disposal and recycling of mercury lamps, household waste, scrap and polluted cleaning cloth.
4. Solid waste is collected and stored in closed containers, in accordance with SanPiN 2.1.7.1322-03 Hygienic Requirements regarding Production and Consumption Waste Placement and Disposal.
5. The Company conducted tarmac pavement repair works to protect soil from contaminated rainwater at the sites in Arkhangelsk, Krasnodar, Bazaikha, Battery and Chita. Also, 12,338 m³ of lignin were disposed of as part of the rehabilitation of the Bazaikha container terminal at a total cost of RUB 108 million.

Energy efficiency

In 2011, in order to implement the Energy Efficiency Programme of RZD Holding Company and the requirements of the Federal Law "On Energy Conservation and Energy Efficiency Improvements and Amendments to Certain Legislative Acts of the Russian Federation", the Company approved a plan comprising a set of organisational and technical measures aiming to comply with target parameters established for saving key fuel and energy resources.

As a result of implementation of the 2011 plan, the following savings were made:

Energy resource	Amount	Cost, RUB thousand
Electric power, total, kWh thousand	651.84	2,044.6
Diesel, tonnes	144.7	2,906.8
Petrol, tonnes	9.5	235.6
Natural gas, m ³ thousand	39.5	144.3

Negative environmental impact (pollution) payments

Indicator	Amount paid for reporting period (RUB)	
	2011	2010
1. Payment for allowed pollutant emissions/discharges and waste disposal – total including:	1,472,020	1,099,670
Into ambient air	70,690	38,890
From mobile sources	64,010	34,100
Into bodies of water	341,610	329,780
Waste disposal	995,710	731,000
2. Payment for excessive pollutant emissions/discharges and waste disposal – total including:	1153,360	878,340
Into ambient air	11,050	2,060
Into bodies of water	143,220	207,340
Waste disposal	999,09	668,94
Claims and fines collected in compensation for damage inflicted through violation of environmental law	0	0

The following measures taken by the Company to improve its energy efficiency should be noted:

1. Introduction of energy-efficient lighting, the cost of acquisition and installation of which totalled RUB 542,500 in 2011.
2. Use of modern technological equipment costing RUB 861,000, including replacement of hot water boilers at the Company's North-Caucasian Railway branch valued at RUB 558,000.

Energy resources used by the Company in 2011:

Energy resource	Amount	Cost, RUB thousand
Electric power, total, kWh thousand	19,715	61,154.46
Diesel, tonnes	5,610.3	131,859
Petrol, tonnes	459.7	11,267.7
Natural gas, m ³ thousand	1,819	6,980.06

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the year ended 31 December 2011



TransContainer OJSC is the only company in the sector that publishes international reports on a quarterly basis in accordance with all requirements for public companies listed on the world's leading stock exchanges.

K. S. Kalmykov
Chief Accountant

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of OJSC TransContainer (the "Company"), its joint ventures and subsidiaries (the "Group") as at 31 December 2011 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2011 were approved on 24 April 2012 by:

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

Independent Auditor's Report



To the Shareholders of Open Joint Stock Company "TransContainer":

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "TransContainer" and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Open Joint Stock Company "TransContainer" and its subsidiaries as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 29 to the consolidated financial statements, which indicates that the Group has a significant quantity of transactions with related parties.

25 April 2012
Moscow, Russian Federation

Consolidated Statement of Financial Position

(Amounts in millions of Russian Roubles)

	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	9	29,216	25,644
Advances for acquisition of non-current assets	9	2,205	2,004
Trade receivables	13	728	
Intangible assets other than goodwill	11	653	85
Goodwill	8, 10	216	–
Investments in associates	12	55	101
Other non-current assets		103	20
Deferred tax asset	28	4	4
Total non-current assets		33,180	27,858
Current assets			
Inventory		278	179
Trade and other receivables	13	1,152	1,331
Prepayments and other current assets	14	3,702	2,857
Prepaid income tax		193	115
Short-term investments	15	941	–
Cash and cash equivalents	16	2,300	1,291
Total current assets		8,566	5,773
TOTAL ASSETS		41,746	33,631
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	13,895	13,895
Treasury shares	21	(514)	–
Reserve fund		304	284
Translation reserve		193	7
Equity-settled employee benefits reserve	21	148	–
Other reserves		(2,221)	(2,221)
Retained earnings		11,161	7,411
Total equity attributable to equity holders of the parent		22,966	19,376
Non-controlling interest	8	962	–
Total equity		23,928	19,376
Non-current liabilities			
Long-term debt	18	8,301	5,976
Finance lease obligations, net of current maturities	19	15	392
Employee benefit liability	20	990	677
Deferred tax liability	28	1,742	1,438
Deferred income		1	12
Total non-current liabilities		11,049	8,495

Consolidated Statement of Financial Position (continued)

(Amounts in millions of Russian Roubles)

	Notes	2011	2010
Current liabilities			
Trade and other payables	22	4,593	3,965
Income tax payable		134	77
Taxes other than income tax payable	23	303	741
Provisions		5	34
Finance lease obligations, current maturities	19	479	545
Accrued and other current liabilities	24	689	248
Deferred income		13	37
Short-term debt	18	553	113
Total current liabilities		6,769	5,760
TOTAL EQUITY AND LIABILITIES		41,746	33,631



P. V. Baskakov
General Director

24 April 2012



K. S. Kalmykov
Chief Accountant

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

(Amounts in millions of Russian Roubles, unless otherwise stated below)

	Notes	2011	2010
Revenue	25	30,876	22,841
Operating expenses, net	26	(25,141)	(20,748)
Operating income		5,735	2,093
Interest expense	27	(841)	(848)
Interest income		64	15
Foreign exchange loss, net		119	16
Share of result of associates	12	(47)	–
Other gains and losses		–	66
Profit before income tax		5,030	1,342
Income tax expense	28	(1,187)	(414)
Profit for the year		3,843	928
Attributable to:			
Equity holders of the parent		3,810	928
Non-controlling interest		33	–
Other comprehensive income			
Exchange differences on translating foreign operations		272	7
Total comprehensive income for the year		4,115	935
Attributable to:			
Equity holders of the parent		3,996	935
Non-controlling interest		119	–
Earnings per share, basic and diluted (Russian Roubles)		276	67
Weighted average number of shares outstanding		13,828,618	13,894,778



P. V. Baskakov
General Director

24 April 2012



K. S. Kalmykov
Chief Accountant

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

(Amounts in millions of Russian Roubles)

	Notes	2011	2010
Cash flows from operating activities:			
Profit before income tax		5,030	1,342
Adjustments for:			
Depreciation and amortisation	26	2,577	2,237
Change in provision for impairment of receivables	26	116	33
Gain on disposal of property, plant and equipment	26	(288)	(147)
(Reversal)/loss on impairment of property, plant and equipment	9	(1)	11
Loss from termination of finance lease		–	31
Share of result of associates	12	47	–
Interest expense, net		777	833
Other gains and losses		–	(66)
Equity-settled employee benefits reserve	21	148	–
Foreign exchange gain, net		(119)	(16)
Change in provisions		3	23
Operating profit before working capital changes		8,290	4,281
Decrease/(increase) in inventory		62	(45)
Increase in trade and other receivables		(370)	(141)
Increase in prepayments and other current assets		(909)	(484)
Increase in trade and other payables		726	599
(Decrease)/increase in taxes other than income tax		(488)	643
Increase in accrued expenses and other current liabilities		342	64
Increase in employee benefit liabilities	20	313	187
Net cash from operating activities before income tax		7,966	5,104
Interest paid		(830)	(949)
Income tax paid		(1,357)	(502)
Net cash provided by operating activities		5,779	3,653
Cash flows from investing activities:			
Purchases of property, plant and equipment		(4,244)	(4,046)
Proceeds from disposal of property, plant and equipment		554	230
Acquisition of subsidiary, net of cash acquired of RUR 304m	8	(1,551)	–
Sale of long-term investments		2	30
(Purchases)/sale of short-term investments		(941)	50
Purchases of intangible assets		(48)	(18)
Interest received		65	23
Net cash used in investing activities		(6,163)	(3,731)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles)

	Notes	2011	2010
Cash flows from financing activities:			
Proceeds from long-term borrowings		2,336	–
Proceeds from issue of long-term bonds		–	2,975
Repayments of finance lease obligations		(467)	(1,001)
Proceeds from sale and leaseback		–	404
Acquisition of treasury shares	21	(514)	–
Dividends		(53)	(2)
Principal payments on long-term borrowings		(13)	(1,520)
Principal payments on short-term borrowings		(2)	–
Cash received from depository upon shareholder sale of GDRs		–	66
Net cash provided by financing activities		1,287	922
Net increase in cash and cash equivalents		903	844
Cash and cash equivalents at beginning of the year		1,291	449
Foreign exchange effect on cash and cash equivalents		106	(2)
Net cash and cash equivalents at end of the year		2,300	1,291



P. V. Baskakov
General Director

24 April 2012



K. S. Kalmykov
Chief Accountant

Consolidated Statement of Changes in Equity

(Amounts in millions of Russian Roubles)

	Notes	Share capital	Treasury shares	Reserve fund	Translation reserve	Equity-settled employee benefits reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2010		13,895	–	283	–	–	(2,221)	6,486	18,443	–	18,443
Profit for the year		–	–	–	–	–	–	928	928	–	928
Other comprehensive income for the year		–	–	–	7	–	–	–	7	–	7
Total comprehensive income for the year		–	–	–	7	–	–	928	935	–	935
Dividends		–	–	–	–	–	–	(2)	(2)	–	(2)
Transfer to reserve fund		–	–	1	–	–	–	(1)	–	–	–
Balance at 31 December 2010		13,895	–	284	7	–	(2,221)	7,411	19,376	–	19,376
Profit for the year		–	–	–	–	–	–	3,810	3,810	33	3,843
Other comprehensive income for the year		–	–	–	186	–	–	–	186	86	272
Total comprehensive income for the year		–	–	–	186	–	–	3,810	3,996	119	4,115
Acquisition of subsidiary	8	–	–	–	–	–	–	–	–	856	856
Acquisition of treasury shares	21	–	(514)	–	–	–	–	–	(514)	–	(514)
Equity-settled employee benefits reserve	21	–	–	–	–	148	–	–	148	–	148
Dividends	17	–	–	–	–	–	–	(40)	(40)	(13)	(53)
Transfer to reserve fund		–	–	20	–	–	–	(20)	–	–	–
Balance at 31 December 2011		13,895	(514)	304	193	148	(2,221)	11,161	22,966	962	23,928



P. V. Baskakov
General Director

24 April 2012



K. S. Kalmykov
Chief Accountant

Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(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 was formed as a result of a spin-off by OJSC “Russian Railways” (“RZD”), which is 100% owned by the Russian Federation, of some of its activities and certain assets and liabilities related to container transportation into a separate legal entity. In connection with this spin-off RZD contributed to the share capital of the Company containers, flatcars, buildings and constructions in the amount of RUR 13,057m, VAT receivable related to these assets of RUR 104m, and cash of RUR 991m, in exchange for the ordinary shares of the Company. Furthermore, certain employees previously employed by RZD were hired by the Company. The Company assumed related employee benefit liabilities from RZD. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a freight forwarding agent.

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 December 2011, 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	
				2011	2010	2011	2010
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. (FELB)	Associate	Cyprus	Container shipments	10	10	25	25
LLC Prostor Invest Group (Note 21)	Subsidiary	Russia	Share option programme operator	100	–	100	–
JSC Kedentransservice (Note 8)	Subsidiary	Kazakhstan	Handling	67	–	67	–
Helme’s Development Company Ltd. (Note 8)	Subsidiary	British Virgin Isles	Investment activity	100	–	100	–
Helme’s Operation UK Limited (Note 8)	Subsidiary	Great Britain	Investment activity	100	–	100	–
Logistic Investment SARL (Note 8)	Subsidiary	Luxemburg	Investment activity	100	–	100	–
Logistic System Management B.V. (Note 8)	Subsidiary	Netherlands	Investment activity	100	–	100	–

The consolidated financial statements of OJSC TransContainer, its subsidiaries and its joint ventures (the “Group”) as at 31 December 2011 and for the year then ended were authorised for issue by the General Director of the Company on 24 April 2012.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company, its joint ventures and subsidiaries (together referred to as the “Group”). The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered.

The consolidated financial statements have been prepared using the historical cost convention, except for the effects of assets acquired and liabilities assumed at the formation of the Company, which were recorded at the estimated fair value at the date of transfer.

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

The consolidated financial statements are presented in millions of Russian Roubles (hereinafter “RUR m”), except where specifically noted otherwise.

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realisation of assets and settlement of liabilities in the normal course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The accounting policies have been applied consistently by all consolidated operating entities.

Consolidated financial statements – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December each year. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are either presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of the acquiree's net assets. Which principle to apply for measuring non-controlling interest is defined by the Group individually for each particular business combination.

Goodwill is measured by deducting the acquiree's net assets from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of the interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt; and all other transaction costs associated with the acquisition are expensed.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint ventures – A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control i.e. the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Company's interests in jointly controlled entities are recognised using proportional consolidation whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

Investments in associates – Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of an associate's net assets are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the period as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency transactions and translation – Functional currency is the currency of the primary economic environment in which the entity operates. The Russian Rouble is the functional currency of the Company and is also the currency in which these consolidated financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the year-end exchange rate. Exchange differences arising from such translation are included in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Rouble at foreign exchange rates ruling at the dates the fair value was determined.

When the functional currency of an entity of the Group is not the presentation currency of the Company, the results and financial position of the entity are translated into the presentation currency using the following procedures:

- all assets and liabilities are translated at the closing rate at the date of each presented statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the period if fluctuation of exchange rates during the period was insignificant. Otherwise exchange rates at the dates of the transactions are used for translation to the presentation currency;
- components of equity and reserves are translated at historical rates;
- all resulting exchange differences are recognised as other comprehensive income;
- in the statement of cash flows cash balances at the beginning and at the end of each presented period are translated at exchange rates effective at the corresponding dates. All cash flows are translated at average exchange rates for the presented periods.

Property, plant and equipment – Property, plant and equipment are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment in value. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, are expensed as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in progress

Construction in progress includes, principally, capital expenditure incurred in relation to the construction of new container terminals and the reconstruction of existing terminals. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalised borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognised in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is charged to the consolidated profit or loss so as to write off the cost of assets (other than land and construction in progress) less their estimated residual values, using the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment. Owned land plots are not depreciated.

The estimated useful economic lives for property, plant and equipment are as follows:

	Number of years
Buildings	20-80
Constructions	5-45
Containers	10-15
Flatcars	28-32
Cranes and loaders	5-15
Vehicles	3-10
Other equipment	2-25

The assets' useful lives and amortisation methods are reviewed and adjusted as appropriate, at each financial year-end.

Leased assets

Capitalised leased assets and operating leasehold improvements are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss.

Goodwill – Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least once a year and whenever there are indications that goodwill may be impaired. Goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on the disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets – Intangible assets that are acquired by the Group represent mainly purchased software and are stated at cost less accumulated amortisation and impairment losses.

Furthermore, upon the JSC “Kedentransservice” acquisition (the Note 8) five lease contracts according to IFRS 3 have been identified as an intangible asset that is recognised in the consolidated financial statements at fair value.

Amortisation is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives for existing assets range from three to seven years. The estimated useful life for lease contracts is 15 years.

Useful lives and amortisation methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

Impairment of non-current assets – At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated profit or loss.

Classification of financial assets – Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had financial assets classified as loans and receivables only. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets carried at amortised cost – Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Effective interest method – The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Inventories – Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash in hand, balances with banks and short-term interest-bearing deposits with original maturities of not more than three months.

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognised as an expense in that reporting period.

Defined benefit plans

The Group operates two partially funded defined benefit pension plans. The obligation and cost of benefits under the plans are determined separately for each plan using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing pensions is charged to the consolidated profit or loss, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. Actuarial gains and losses are recognised as income or expense in full as they arise.

In addition, the Group provides certain other retirement and post retirement benefits and other long-term benefits to its employees. These benefits are not funded.

Upon introduction of a new plan or improvement of an existing plan past service costs are recognised on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested, past service cost is immediately expensed.

Defined contribution plans

In addition to the defined benefit plans described above, the Group also sponsors a defined contribution plan for certain of its employees. The Group's contributions relating to the defined contribution plan are charged to the consolidated profit or loss in the year to which they relate.

State plan

In addition, the Group is legally obligated to make contributions to the Pension Fund of the Russian Federation (a multi-employer defined contribution plan). The Group's only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Pension Fund of the Russian Federation, designated as a defined contribution plan, are charged to the consolidated profit or loss in the year to which they relate. Contributions for each employee to the Russian Federation State Pension Fund vary from 0% to 26%, depending on the annual gross remuneration of each employee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term benefits

In 2011 the Group introduced a long-term employee benefit, including loyalty bonus. The obligation and cost of benefits are determined using the projected unit credit method. Actuarial gains and losses are recognised as income or expense in full as they arise. Past service cost with regard to these benefits was recognised in the income statement immediately.

Value added tax – Output value added tax (“VAT”) related to revenues is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided related input VAT which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognised at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from sales of inventories are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rail-based container shipping services

Rail-based transportation services provided by the Group primarily include arranging the transportation of its own and third-party containers by rail by means of provision of flatcars and/or containers or leasing of flatcars and containers to third parties. For the purposes of recognising revenue, the Group charges its customers for provision of its own rolling stock while rail infrastructure charges are born by the customers directly or passed through to a provider of rail infrastructure services. Revenues from these services are recognised in the accounting period in which the services are rendered, net of invoiced rail infrastructure charges. Revenues from operating lease of rolling stock are recognised on a straight-line basis over the term of operating lease agreements.

Integrated freight forwarding and logistics services

Integrated freight forwarding and logistics services are service packages including rail container transportation, terminal handling, truck deliveries, freight forwarding and logistics services. There are two types of integrated freight forwarding and logistics services: through-rate services and compound rate services. If the Company is responsible for the rendering of services throughout the entire logistics chain and such services are rendered under a single contract at a single price, they are treated as through-rate services. If services rendered by the Company at a single price represent only a part of the logistics chain while remaining services are provided on a stand-alone basis separately, the initial services are treated as “compound services”. Revenue from integrated freight forwarding and logistics services is a combination of revenues relating to various services, which, when provided under separate contracts, are shown gross in the corresponding revenue line items. Revenues from integrated freight forwarding and logistics services are recognised in the accounting period in which the services are rendered.

Terminal services and agency fees

Terminal services primarily include arrangements whereby the Group act as a principal providing container handling services, such as loading and unloading operations, container storage and other terminal operations.

The Group acts as an agent on behalf of RZD in providing mandatory railroad services for all railway users at the Group’s terminals, designated as the “sites of common use” by the legislation. In this capacity the Group provides some of its terminal services as a legal intermediary (agent) between clients and RZD and collects a commission. Commission fees collected from RZD for intermediary activities and revenue from other terminal operations are recognised in the accounting period in which the services are provided.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bonded warehousing services

Bonded warehousing services are services related to storage of customers' containers in separate warehouses located at container terminals while pending customs clearance or payment of other applicable duties. Revenue from these services is recognised on the basis of the number of days during which the services are rendered.

Truck deliveries

Truck delivery services include transporting containers between the container terminals and client-designated sites using the Group's own truck fleet as well as third parties' trucks. The Group considers itself the principal in these arrangements, and therefore recognises revenue from truck deliveries on a gross basis in the accounting period in which the services are rendered.

Freight forwarding and logistics services

The Group provides freight forwarding and logistics services, such as:

- (i) preparation and ensuring of correctness of shipping documentation required for the delivery process to be effected;
- (ii) customs clearance brokerage by providing clients with customs documentation and services for Russian customs clearance;
- (iii) cargo tracking services by providing clients with information about cargo location;
- (iv) route optimisation and planning; and
- (v) cargo security services, including provision of insurance, special labels for hazardous cargo, special terms for transportation of hazardous cargo, and ensuring proper documentation for the transported cargo.

Revenue from freight forwarding and logistics services is recognised on a gross basis in the accounting period in which the services are rendered.

Dividend and interest income

- (i) Dividends from investments are recognised in profit or loss when the shareholder's right to receive payment has been established;
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases – The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets under finance leases are recognised as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are as a liability, and recognised as a reduction in expense on a straight-line basis. Contingent rentals under operating leases are recognised as an expense in the period in which they are incurred.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and then leasing the same asset back. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease and the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs – For the periods beginning 1 January 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. For periods prior to 1 January 2009 all borrowing costs were expensed in the period in which they were incurred.

Income tax – Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Share capital and other reserves – Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. The difference between the fair value of consideration received and the par value of shares issued is recognised as other reserves. Similarly, any differences arising on transactions with shareholders which are treated as equity transactions are adjusted directly against other reserves.

Treasury shares – where any Group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, and net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's owners.

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, except treasury shares. The Group does not have any potentially dilutive equity instruments.

Share-based payment transactions – the share option plan allows Group employees to acquire shares of the Company. The fair value of share-based payment awards is measured at the grant date based on the Black-Scholes-Merton model, which takes into account the terms and conditions upon which the instruments were granted. The fair value of the options is then expensed between the grant date and the vesting date written into the share option contract.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends – Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the Notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognised in the financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRSs and IFRIC interpretations adopted in the current year

In the current year, the Group adopted all new and revised standards and interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretation Committee (“IFRIC”) of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2011. The effect from their adoption has not resulted in any significant changes to measurement and presentation of disclosures in the financial statements of the Group, except the following:

IAS 24 “Related party disclosures” (revised) – simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. Due to this amendment, the Group changed the disclosure of operations with related parties regarding operations with associates of OJSC RZD (Note 7, 29).

IFRS and IFRIC interpretations not yet effective

At the date of authorisation of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group’s accounting periods beginning on or after 1 January 2012 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 “Presentation of Financial Statements” (amended)	1 July 2012
IAS 12 “Income tax” (amended)	1 January 2012
IAS 19 “Employee Benefits” (amended)	1 January 2013
IAS 28 “Investments in Associates and Joint Ventures” (revised)	1 January 2013
IAS 32 “Financial instruments: presentation” (amended)	1 January 2014
IFRS 7 “Financial instruments: disclosures” (amended)	1 July 2011, 1 January 2013
IFRS 9 “Financial instruments”	1 January 2015
IFRS 10 “Consolidated Financial Statements”	1 January 2013
IFRS 11 “Joint Arrangements”	1 January 2013
IFRS 12 “Disclosure of Interest in Other Entities”	1 January 2013
IFRS 13 “Fair value measurement”	1 January 2013

Also a number of standards and interpretations were amended with Annual Improvements to IFRS. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards. These amendments are mandatory for adoption in the annual periods beginning on or after 1 January 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on measurement, presentation or disclosure in the financial statements of the Group are described in more detail below:

- IAS 1 “Presentation of Financial Statements” – changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to “statement of profit or loss and other comprehensive income”.
- IAS 19 “Employee Benefits” – makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.
- IAS 28 “Investments in Associates and Joint Ventures” – the amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.
- IFRS 9 “Financial instruments” – incorporates new procedure for classification and measurement of financial assets and liabilities and includes the existing IAS 39 requirements for derecognition of financial assets and financial liabilities.
- IFRS 10 “Consolidated Financial Statements” – replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation – special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control.
- IFRS 11 “Joint Arrangements” – replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.
- IFRS 12 “Disclosure of Interest in Other Entities” – applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in Group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.
- IFRS 13 “Fair value measurement” – aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for impairment of receivables – Management maintains a provision for impairment of short-term receivables in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As at 31 December 2011 and 2010, the provision for impairment of receivables was recognised in the amount of RUR 283m and RUR 84m, respectively (Note 13).

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Impairment of property, plant and equipment and intangible assets – The Group reviews at each reporting date the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that assets are impaired. This process involves judgement in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgement in determining the appropriate cash-generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 8,10).

Compliance with tax legislation – Compliance with tax legislation, particularly in the Russian Federation, is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued all applicable taxes. Management believes that it has adequately provided for tax liabilities based on its interpretations of tax legislation. However, there exists a possibility that relevant tax authorities may have differing interpretations than those of the management, and the effect of such differences could be significant.

Pension obligations – The Group uses an actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary and benefits levels, expected rate of return on plan assets, etc.). In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be materially affected (Note 20).

6. CRITICAL ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Accounting for leases – A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In determining the accounting treatment of transactions that involve the legal form of a lease, all aspects and implications of an arrangement are evaluated to determine the substance of such transactions with weight given to those aspects and implications that have an economic effect. If the lease term is for longer than 75% of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, the lease is classified by the Group as a finance lease, unless it is clearly demonstrated otherwise.

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

1) Where 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, are 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 8,175m for the year ended 31 December 2011 (RUR 6,339m for the year ended 31 December 2010).

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 invoiced to the client as reimbursement of rail infrastructure and locomotive services. Management believes that the railroad tariff should not be included in revenue and expenses, as any variation in the tariff will be borne by the client.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

7. CHANGES IN ACCOUNTING POLICY

The Company changed the accounting policy regarding presentation of revenue from services rendered under compound rate in the consolidated financial statements. Revenue from these services was reclassified from freight forwarding and logistics services into revenue from the integrated logistics services. As a result the revenue from services rendered under through-rate and from services rendered under compound rate which have a similar principle of service package formation is now classified in revenue from the integrated freight forwarding and logistics services. The management of the Company considers that the change will lead to more useful and relevant presentation of these services in the consolidated financial statements for its users.

The effect on revenue for the year ended 31 December 2010 is as follows:

	Revenue as originally presented	Revenue as reclassified	Reclassification
Integrated freight forwarding and logistics services (integrated logistics services)	10,794	11,240	446
Other freight forwarding services (freight forwarding and logistics services)	1,192	746	(446)

The effect on transactions and balances with related parties as at and for the year ended 31 December 2010 is as follows:

	Revenue as originally presented		Revenue as reclassified		Reclassification	
	RZD, its subsidiaries, joint ventures and associates	Other	RZD, its subsidiaries, joint ventures and associates	Other	RZD, its subsidiaries, joint ventures and associates	Other
Integrated freight forwarding and logistics services (integrated logistics services)	11	53	16	57	5	4
Other freight forwarding services (freight forwarding and logistics services)	12	12	7	8	(5)	(4)

Due to the implementation of the revised standard IAS 24 "Related party disclosures" as at 1 January 2011, the comparative data was adjusted by the Group as at and for the year ended 31 December 2010. The revised standard considers relations between subsidiaries and associates of the same enterprise as mutual relations between related parties. As a result, the Group began to classify operations with the associates of OJSC RZD as operations with related parties.

The effect on transactions and balances with related parties as at and for the year ended 31 December 2010 is as follows:

	RZD, its subsidiaries, joint ventures and associates as originally presented	RZD, its subsidiaries, joint ventures and associates as reclassified	Reclassification
Trade and other accounts payable			
Trade payables	32	268	236
Liabilities to customers	30	32	2
Revenue			
Rail-based container shipping services	696	697	1
Other services	78	79	1
Operating expenses			
Repair services	952	956	4
Other expenses	271	278	7
Other transactions			
Acquisition of property, plant and equipment	472	884	412

Trade and other accounts payable includes RUR 236m payable to LLC TMKH Vagonostroenie, an associate of RZD.

Other transactions include acquisition of flatcars from LLC TMKH Vagonostroenie, an associate of RZD, for a total amount of RUR 412m.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

8. ACQUISITIONS OF SUBSIDIARIES

JSC Kedentransservice

On 18 March 2011 the Company obtained control over JSC Kedentransservice, a leading operator of railway terminals in Kazakhstan, by acquiring a 67% of its share capital, thus enabling the Group to establish its presence in the Kazakh rail terminal services market.

The acquisition has been carried out as follows: the Company directly acquired 20.1% of the share capital of Kedentransservice and indirectly 46.9% by acquisition of a 100% share in Helme's Development Company Ltd, which owns a 100% interest in Helme's Operation UK Limited which in turn owns a 46.9% interest in JSC Kedentransservice. The total consideration as at 31 December 2011, was USD 68m (RUR 1,955m at the Central Bank of Russia exchange rate as at 18 March 2011), of which USD 64.5m (RUR 1,855m at the Central Bank of Russia exchange rate as at 18 March 2011) has been paid out in cash as at 31 December 2011.

In March 2011, the Group also entered into a joint venture cooperation agreement with JSC Kazakh Temir Zholy ("KTZ"), the second shareholder of Kedentransservice, which owns 33% of its share capital. In accordance with the terms of the agreement, KTZ may purchase 17% of the shares owned by the Group, bringing the Company's share of ownership in Kedentransservice to 50%, subject to the fulfilment by each party of certain conditions and responsibilities, which must be met according to the agreement. As at the date these financial statements were authorised for issue, these necessary conditions have not been met. The joint venture agreement also contains certain clauses which upon formation of the joint venture will serve to protect the interests of both parties and trigger the right of one party to sell its shares to the other party in the event the other party does not comply with certain provisions of the agreement.

In March 2011 the Group registered Logistics Investments SARL, a 100% subsidiary in Luxembourg, with share capital in the amount of EUR 12,500 (RUR 0.5m at the Central Bank of Russia exchange rate as at 31 December 2011). In September 2011, 20.1% of the shares of Kedentransservice directly owned by the Company were transferred to this new subsidiary. The rest of 46.9% shares of Kedentransservice indirectly owned by the Company are also to be transferred to Logistics Investments SARL.

In July 2011 the Group registered a 100% subsidiary of Logistic Investment SARL, Logistic System Management B.V., in the Netherlands with share capital in the amount of EUR 90,000 (equivalent to RUR 4m at the Central Bank of Russia exchange rate on 31 December 2011).

	Fair value as recognised on acquisition
Intangible assets	545
Property, plant and equipment	2,336
Inventories	67
Trade accounts receivable	177
Advances paid	69
Income tax receivable	9
Cash and cash equivalents	304
Other assets	4
Total assets	3,511
Long-term debt	323
Deferred tax liabilities	406
Trade and other payables	152
Taxes other than income tax payable	30
Other liabilities	5
Total liabilities	916
Net assets	2,595
Less non-controlling interest	(856)
Net assets acquired	1,739
Goodwill	216
Cost of acquisition	1,955

The non-controlling interest represents the acquiree's share in net assets attributable to owners of the non-controlling interest.

The amount of goodwill recognised as a result of the acquisition is attributable to the expected synergies from the combining of the operations of the Group and JSC Kedentransservice. The goodwill will not be deductible for tax purposes in future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

8. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

The gross contractual amount of trade accounts receivable and advances paid was RUR 238m and RUR 105m, respectively. The fair values of accounts receivable at acquisition date represents gross contractual amounts net of the best estimates of the contractual cash flows not expected to be collected.

The acquired subsidiary contributed revenue of RUR 1,507m and profit of RUR 78m to the Group for the period from the date of acquisition to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group revenue for the year ended 31 December 2011 would have been RUR 31,140m, and profit for year ended 31 December 2011 would have been RUR 3,866m.

LLC Prostor Invest Group

In February 2011, the Company acquired 100% ownership interest in LLC Prostor Invest Group, a special purpose entity used in the Group's Share Option Plan (Note 21). Cash consideration of 12,500 Russian Roubles was paid. As this entity does not constitute a business, the Group recognised this purchase as an acquisition of its assets and liabilities.

9. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Containers, flatcars and locomotives	Cranes and loaders	Vehicles and other equipment	Construction in-progress	Total
Cost						
1 January 2010	4,227	21,239	1,173	1,762	1,167	29,568
Additions	229	3,586	68	242	742	4,867
Transfers	447	28	60	7	(542)	–
Disposals	(7)	(428)	(11)	(87)	(35)	(568)
31 December 2010	4,896	24,425	1,290	1,924	1,332	33,867
Additions	176	2,416	152	279	843	3,866
Acquisition through business combination (Note 8)	1,448	396	132	334	26	2,336
Transfers	895	128	91	161	(1,275)	–
Capitalised borrowing costs	–	–	–	–	43	43
Disposals	(236)	(377)	(167)	(112)	(31)	(923)
Exchange difference	153	39	17	41	3	253
31 December 2011	7,332	27,027	1,515	2,627	941	39,442
Accumulated depreciation						
1 January 2010	(944)	(4,291)	(517)	(719)	–	(6,471)
Depreciation charge	(210)	(1,529)	(150)	(312)	–	(2,201)
Reversal of impairment / (impairment)	4	–	(13)	1	(3)	(11)
Disposals	4	373	7	76	–	460
31 December 2010	(1,146)	(5,447)	(673)	(954)	(3)	(8,223)
Depreciation charge	(322)	(1,639)	(181)	(364)	–	(2,506)
Reversal of impairment / (impairment)	2	–	–	–	(1)	1
Disposals	27	320	87	91	–	525
Exchange difference	(8)	(9)	(3)	(3)	–	(23)
31 December 2011	(1,447)	(6,775)	(770)	(1,230)	(4)	(10,226)
Net book value						
31 December 2010	3,750	18,978	617	970	1,329	25,644
31 December 2011	5,885	20,252	745	1,397	937	29,216

Included under Land, buildings and constructions are the amounts of RUR 744m and RUR 231m, which represent the value of land plots owned by the Group as at 31 December 2011 and 2010, respectively.

The vehicles and other equipment category includes motor transport used for terminal services and truck deliveries in the gross carrying amount of RUR 1,011m and RUR 859m as at 31 December 2011 and 2010, respectively.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2011, the Group acquired a subsidiary, JSC Kedentransservice (Note 8), including property, plant and equipment in the total amount of RUR 2,336m.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use amounted to RUR 1,329m and RUR 1,076m as at 31 December 2011 and 2010, respectively.

The carrying amount of temporarily idle property, plant and equipment as at 31 December 2011 and 2010 comprised the following:

	2011	2010
Cost	396	388
Accumulated depreciation	(158)	(128)
Net book value	238	260

Construction in-progress as at 31 December 2011 consisted mainly of the capital expenditures incurred for the reconstructions and expansion of container terminals in Novosibirsk, Krasnoyarsk and Moscow region amounting to RUR 442m, RUR 128m and RUR 60m, respectively.

As at 31 December 2011, additions of construction in-progress include interest expenses on bonds and other related proceeds from borrowed funds in connection with the construction and reconstructions of property, plant and equipment items. The total amount of interest capitalised for the year ended 31 December 2011 was RUR 43m at a rate of capitalisation of 9.84% (2010: 0).

Leased assets as at 31 December 2011 and 2010, for which the Group is a lessee under finance leases, comprised the following:

	2011	2010
Cost	1,759	1,994
Accumulated depreciation	(398)	(232)
Net book value	1,361	1,762

See Note 19 for further details regarding finance leases.

Advances for acquisition of non-current assets

As at 31 December 2011 and 2010, 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 140m and RUR 239m, respectively), 3) advances for the acquisition of other PPE (RUR 123m 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 before the signing of the final purchase-and-sale agreement for acquisition of premises, or if the preliminary purchase-and-sale agreement is cancelled. As the 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 final purchase-and-sale agreement in 2012.

10. GOODWILL

The carrying value of goodwill arising from the acquisition of subsidiary JSC Kedentransservice (Note 8) amounted to RUR 216m as at the acquisition date and as at 31 December 2011.

Goodwill is allocated to cash-generating units, which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than an operating segment.

As at the reporting date the Group estimated the recoverable amount of goodwill of JSC Kedentransservice. The recoverable amount was determined based on value-in-use calculations.

The following assumptions were used in conducting the impairment test:

- The Group estimated the fair value of JSC Kedentransservice through nominal future cash flows for the period from 2012 to 2020 and an estimation of terminal value of the Company under Gordon formula.
- The discounting rate used in the calculation was 18%. This rate is an estimation value of the weighted average cost of capital for Kedentransservice.
- The rate of corporate income tax is used according to the Kazakhstan Republic Tax Code at the level of 20%.

As a result of the value-in-use calculation no impairment loss was recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

11. INTANGIBLE ASSETS OTHER THAN GOODWILL

	Note	Lease agreements	Software	Patents	Total
Cost					
1 January 2010		–	132	–	132
Additions		–	19	–	19
31 December 2010		–	151	–	151
Additions		–	26	1	27
Acquisition through business combination	8	545	–	–	545
Exchange difference		73	–	–	73
31 December 2011		618	177	1	796
Accumulated amortisation					
1 January 2010		–	(31)	–	(31)
Amortisation charge		–	(35)	–	(35)
31 December 2010		–	(66)	–	(66)
Amortisation charge		(33)	(38)	–	(71)
Exchange difference		(6)	–	–	(6)
31 December 2011		(39)	(104)	–	(143)
Net book value					
31 December 2010		–	85	–	85
31 December 2011		579	73	1	653

JSC Kedentransservice entered into five lease agreements dated 1 January 2011 according to which the lessor is KTZ, the second shareholder of Kedentransservice (Note 8). According to these agreements the Company leases five loading flatcars 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, which leads to an 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 an intangible asset as these agreements bring the Company an additional benefit. As at 31 December 2011 the carrying value of intangible assets under lease arrangements amounted to RUR 579m.

12. INVESTMENTS IN ASSOCIATES

Name of Entity	Investment		Share in the profit / (loss)	
	2011	2010	2011	2010
Far East Land Bridge Ltd. (FELB)	47	96	(50)	–
Trans-Eurasia Logistics GmbH	8	5	3	–
Total	55	101	(47)	–

In June 2008 the Group acquired a 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 December 2011 and for the year then ended.

The Group acquired a 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 December 2011 and for the year then ended, except for services provided to FELB in the amount of RUR 177m and accounts payable to the Company in the amount of RUR 797m (Note 32).

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

13. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2011			
Trade receivables	1,221	(157)	1,064
Other receivables	104	(16)	88
Total trade and other receivables	1,325	(173)	1,152
31 December 2010			
Trade receivables	1,382	(84)	1,298
Other receivables	33	–	33
Total trade and other receivables	1,415	(84)	1,331

The average credit period on the Group's sales (other than for sales carried out on a prepayment basis) is 35 days.

Included in the Group's total trade and other receivables are debtors with a carrying amount of RUR 289m and RUR 410m as at 31 December 2011 and 2010, respectively, which are past due at the respective reporting date and which the Group considers to be not impaired. The Group does not hold any collateral over these outstanding balances.

The Group has conducted the restructuring of the accounts receivable of FELB for the period of three years. As at 31 December 2011 the fair value of impaired long-term trade accounts receivable of FELB amounted to RUR 728m. Discounting amount accounted for RUR 37m (Note 27). Discounting rate of 7.9% has been used for the fair value determination.

The ageing of past due but not impaired trade and other receivables is as follows:

	2011	2010
35-90 days	61	74
90-180 days	75	92
more than 180 days	153	244
Total past due but not impaired	289	410

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

	2011	2010
Balance at beginning of the year	(84)	(62)
Additional provision, recognised in the current year	(137)	(42)
Release of provision	21	9
Utilisation of provision	31	11
Acquisition of Kedentransservice	(104)	–
Exchange differences on translating foreign operations	(10)	–
Balance at end of the year	(283)	(84)

As at 31 December 2011 a provision for impairment of accounts receivable was recognised in respect of trade and other receivables balances (RUR 173m), advances to suppliers (RUR 81m), advances for acquisition of non-current assets (RUR 21m) and other non-current assets (RUR 8m).

14. PREPAYMENTS AND OTHER CURRENT ASSETS

	2011	2010
VAT receivable	1,255	854
Advances to suppliers	2,216	1,855
Other current assets	231	148
Total prepayments and other current assets	3,702	2,857

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

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15. SHORT-TERM INVESTMENTS

	2011	2010
Russian Rouble-denominated bank deposits	811	–
Foreign currency-denominated bank deposits	130	–
Total short-term investments	941	–

As at 31 December 2011 short-term investments of the Company are represented by the 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 300m bearing interest at an annual rate of 8% in JSC TransCreditBank, a related party (Note 29). The deposit matured on 30 January 2012. The amount of accrued interest is RUR 4m and has been included as the portion of short-term investments in the consolidated statement of financial position.
- Russian Rouble-denominated short-term bank deposit in the amount of RUR 500m bearing interest at an annual rate of 7.8% in OJSC Gazprombank, a related party (Note 29). The deposit matured on 30 January 2012. The amount of accrued interest is RUR 7m and has been included as the portion of short-term investments in the consolidated statement of financial position.

Also as at 31 December 2011 short-term investments are represented by the following investments of the subsidiary JSC Kedentransservice in Kazakh banks with an initial maturity over three months, but less than one year:

- Kazakh Tenge-denominated short-term bank deposit in the amount of KZT 400m (RUR 87m at the Central Bank of Russia exchange rate as at 31 December 2011) bearing interest at an annual rate of 3.25% in JSC ATFBank. The deposit matured on 11 February 2012.
- Kazakh Tenge-denominated short-term bank deposit in the amount of KZT 200m (RUR 43m at the Central Bank of Russia exchange rate as at 31 December 2011) bearing interest at an annual rate of 4.5% in SB JSC Sberbank. The deposit will mature on 3 December 2012.

16. CASH AND CASH EQUIVALENTS

	2011	2010
Cash and Russian Rouble-denominated current accounts with banks	248	533
Foreign currency-denominated current accounts with banks	718	154
Russian Rouble-denominated bank deposits	1,334	600
Foreign currency-denominated bank deposits	–	4
Total cash and cash equivalents	2,300	1,291

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. Three Russian Rouble-denominated short-term bank deposits in the amounts of RUR 450m, RUR 300m and RUR 400m, bearing interest at annual rates of 7.6%, 7.5% and 3.5% respectively, were placed with JSC TransCreditBank, a related party, as at 31 December 2011 (Note 29). The deposits matured on 22 January 2012, 30 January 2012 and 10 January 2012 respectively.

Also, a Russian Rouble-denominated short-term bank deposit in the amount of RUR 180m, bearing interest at an annual rate of 8.15%, was placed with OJSC NOMOS-BANK, as at 31 December 2011. This deposit matured on 25 January 2012.

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's long-term ratings as follows as at 31 December 2011 and 31 December 2010:

	2011		2010	
	Bank balances payable on demand	Term deposits	Bank balances payable on demand	Term deposits
Neither past due nor impaired				
– A- to A+ rated	29	–	27	–
– BBB- to A- rated	937	1,334	664	600
Total	966	1,334	691	600

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

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17. EQUITY

Share Capital

Authorised and issued capital as at 31 December 2011 and 2010 comprises:

	Number of outstanding ordinary shares	Value
Ordinary shares (par value: RUR 1,000)	13,894,778	13,895

RZD is the controlling shareholder of the Company, holding 50%+2 of its ordinary shares.

Other Reserves

As discussed in Note 1, the Company was formed as a result of a spin-off by RZD which involved the contribution by RZD of containers, flatcars, buildings and constructions, VAT receivable related to these assets, and cash, in exchange for ordinary shares in the Company.

The difference between the fair value of net assets contributed and the nominal value of the shares issued by the Company of RUR 2,255m was recorded as other reserves.

In addition, any differences arising on transactions with shareholders are treated as equity transactions.

Retained Earnings, Dividends

In accordance with Russian legislation, dividends may only be declared from the Company's accumulated undistributed and unreserved earnings as shown in the Company's statutory financial statements, which are prepared in accordance the Regulations on Accounting and Reporting of the Russian Federation. The Company had RUR 8,145m and RUR 4,725m of undistributed and unreserved earnings as at 31 December 2011 and 2010, respectively.

Dividends of RUR 2.91 per share (RUR 40m in total) were approved at the annual shareholders' meeting on 28 June 2011 relating to the Group's results for the year ended 31 December 2010. As at 31 December 2011, the dividends have been fully paid.

Dividends of RUR 0.16 per share (RUR 2m in total) were approved at the annual shareholders' meeting on 23 June 2010, relating to the Group's results for the year ended 31 December 2009. As at 31 December 2010, the dividends have been fully paid.

Reserve Fund

According to its charter, the Company is required to establish a legal reserve fund through the allocation of 5% of net profit as computed under the Russian accounting regulations. The total amount of the reserve fund is limited to 5% of the nominal registered amount of the Company's issued share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem issued bonds or purchase treasury shares and cannot be distributed to shareholders. As at 31 December 2011 and 2010 the Company's reserve fund is RUR 304m and RUR 284m, respectively.

18. LONG-TERM AND SHORT-TERM DEBT

Long-term debt

	Effective interest rate	2011	2010
Bonds	9.5-8.8%	5,978	5,976
Bank loans	9.75-9.5%	2,323	–
Total		8,301	5,976

Long-term borrowings of the Group are denominated in Russian Roubles.

The Group obtained loans from Alfa Bank for the total amount of RUR 1,822m during the year ended 31 December 2011 to finance the acquisition of JSC Kedentransservice (Note 8). The amount of accrued interest is RUR 2m, and has been included as short-term debt in the consolidated statement of financial position. The loans mature in seven years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

18. LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

Under the loan terms, the Group is subject to certain financial and non-financial covenants, including compliance with a specific Debt/EBITDA ratio, which is calculated on the basis of annual and interim financial statements, prepared in accordance with IFRS. For calculation purposes, debt includes all short and long-term borrowings, finance lease obligations and interest expenses for the 12-month period ending on the reporting date. EBITDA includes income before interest expense, income tax, depreciation and amortisation. In the event of non-compliance with the specified requirements, the bank may increase the annual interest rate by 3%. In addition, the bank may require early loan repayment if non-compliance with the financial covenants is not remediated within 30 calendar days.

As at 31 December 2011 the Group is in compliance with the covenants.

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 21). The loan matures in five years.

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 December 2011 is 9.5% per annum (9.5% per annum for the year ended 31 December 2010).

As these bonds are currently not puttable and will mature in February 2013, they are classified as long-term borrowings as at 31 December 2011.

The carrying value of the bonds as at 31 December 2011 amounted to RUR 3,000m (RUR 3,000m at 31 December 2010). The amount of accrued interest is RUR 96m (RUR 95m at 31 December 2010), and has been included as short-term debt in the consolidated statement of financial position.

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

The series 2 bonds will be redeemed in four equal semi-annual 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 December 2011 amounted to RUR 2,978m (RUR 2,976m at 31 December 2010). The amount of accrued interest is RUR 21m (RUR 18m at 31 December 2010), and has been included as short-term debt in the consolidated statement of financial position.

Short-term debt

	Effective interest rate	2011	2010
Bonds	8.9%	371	–
Short-term portion of long-term bonds	–	117	113
Sale and repurchase agreements	–	63	–
Short-term portion of long-term bank loans	–	2	–
Total		553	113

Short-term borrowings of the Group denominated in:

	2011	2010
– Kazakh Tenge	371	–
– Russian Roubles	119	113
– US Dollars	63	–
Total	553	113

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 December 2011 the carrying value of the bonds amounted to RUR 362m and the amount of accrued interest was RUR 9m. The weighted average coupon rate for the year ended 31 December 2011 is 8.93% per annum.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

18. LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

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 December the Group recognised a 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 21).

19. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
Due within one year	534	610	479	545
Due after one year but not more than five years	17	530	15	392
	551	1,140	494	937
Less future finance charges	(57)	(203)	-	-
Present value of minimum lease payments	494	937	494	937

19. FINANCE LEASE OBLIGATIONS

During the year ended 31 December 2011 the Group bought out assets leased under the finance lease agreement with LLC FinanceBusinessGroup, which was entered into in 2007 for a 50-month period.

During the year ended 31 December 2009 the Group entered into a sale and leaseback agreement with CJSC Gorodskaya Innovacionno-Lizingovaya Kompaniya for the sale and financial leaseback of the Group's trucks with a net book value of RUR 296m. The Group continued to recognise the assets under the lease agreement at their previous carrying amounts. The excess of sale proceeds over the net book value of the assets in the amount of RUR 109m has been recognised as deferred income in the consolidated statement of financial position, and will be amortised over the lease term. The amortisation of this balance during the year ended 31 December 2011 was RUR 36m and is included in interest expense on finance lease obligations in the consolidated statement of comprehensive income. The lease agreement is for a three-year period with an effective interest rate of 28.3% (including the effect of offsetting the deferred income over the lease term).

During the year ended 31 December 2011 the Group entered into the lease agreement of five wheeled cranes with LLP Raiffeisen Leasing Kazakhstan for a three-year period with an interest rate amounting to three-month EURIBOR plus 8.5% per year. The fair value of finance lease obligations as at 31 December 2011 was estimated by discounting of future cash flows at the effective interest rate of 10%.

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.

20. EMPLOYEE BENEFIT LIABILITY

The employees of the Company are members of a state-managed pension plan operated by the government of the Russian Federation. The Group is required to contribute a specified percentage of payroll costs as part of the contributions to the Pension Fund of the Russian Federation to fund the benefits.

The Company also provides supplementary defined benefit and defined contribution retirement benefit plans covering substantially all of its employees, requiring contributions to be made to a separately administered non-state pension fund "Blagosostoyanie" ("Fund Blagosostoyanie"). The not-for-profit fund "Pochet" ("Fund Pochet") provides pensions to the Company's employees that retired before the defined benefit plans provided through the Fund Blagosostoyanie were introduced.

Benefits accrued through Fund Blagosostoyanie are partially funded, whilst benefits administered by the Fund Pochet are not funded. In addition, the Company provides other retirement and post-employment benefits to its employees, covering compensation for transportation costs on long-distance trains, a one-time bonus on retirement ranging from one to six monthly salaries, depending on the duration of the service period and certain other requirements. These benefits are not funded.

In 2011, an additional programme of long-term employee benefits, providing a benefit for dedication to the Company, was introduced. In accordance with the terms of this programme the benefits are paid after three, five, ten, and then every five years of service. Payments start from 2012. The size of each benefit is equal to approximately one month's salary for each year of service of the employee since the previous payment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

20. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Defined contribution plans

The total amount recognised as an expense in respect of payments to defined contribution plans for the years ended 31 December 2011 and 2010 consisted of the following:

	2011	2010
Pension Fund of the Russian Federation	488	335
Defined contribution plan "Blagosostoyanie"	15	9
Total expense for defined contribution plans	503	344

Defined benefit plans

There were 5,189 employees eligible for some part of the supplementary post-employment and post-retirement benefit programme of the Group as at 31 December 2011 (2010: 5,356), of which 461 employees (2010: 533) were considered active participants of the defined benefit pension plan. An active participant is a person making contributions to the pension plan at his/her own expense. Such contributions are matched by the Group. In addition, there were 94 and 91 retired employees eligible for the post-retirement benefit programme of the Company through Fund Pochet as at 31 December 2011 and 2010, respectively.

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 amounts recognised in the consolidated profit or loss for the years ended 31 December 2011 and 2010 in respect of these defined benefit plans, which are included in Payroll and related charges, are as follows:

	2011	2010
Current service cost	37	28
Interest on obligation	56	47
Expected return on plan assets	(2)	(3)
Actuarial losses recognised in the year	90	151
Amortisation of past service cost	2	16
Introduction of other employee benefits	208	–
Losses arising on transfer of employees ¹	19	6
Net expense recognised in the consolidated profit or loss	410	245

¹ The losses arising from transfer of employees represent the transfer of obligations on post-retirement benefits, which originated from the movement of employees from, as well as back to, the parent Company.

The amounts recognised in the consolidated statement of financial position as at 31 December 2011 and 2010 in respect of these defined benefit plans are as follows:

	2011	2010
Present value of funded defined benefit obligation	418	385
Fair value of plan assets	(47)	(36)
	371	349
Present value of unfunded defined benefit obligation	624	335
Deficit	995	684
Unrecognised past service cost	(5)	(7)
Net employee benefit liability	990	677

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

20. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

Movements in the present value of defined benefit obligation are as follows:

	2011	2010
Present value of defined benefit obligation as at 1 January	720	545
Current service cost	37	28
Interest on obligation	56	47
Benefits paid	(90)	(55)
Actuarial losses recognised in the year	91	149
Introduction of other employee benefits	208	–
Losses arising on transfer of employees ¹	19	6
Present value of defined benefit obligation as at 31 December	1,041	720

¹ The losses arising from transfer of employees represent the transfer of obligations on post-retirement benefits, which originated from the movement of employees from, as well as back to, the parent Company

Movements in the fair value of defined benefit pension plan assets are as follows:

	2011	2010
Fair value of plan assets as at 1 January	36	32
Expected return on plan assets	2	3
Actuarial gains/(loss)	1	(2)
Contributions from the employer	98	58
Benefits paid	(90)	(55)
Fair value of plan assets as at 31 December	47	36

The major categories of plan assets administered by Fund Blagosostoyanie as a percentage of the fair value of total plan assets as at the balance sheet date were as follows:

	Share in total plan assets	
	2011	2010
Corporate bonds and stock of Russian legal entities	44%	43%
Shares in closed investment funds	34%	29%
Bank deposits	18%	19%
Sovereign and regional government bonds	1%	1%
Other	3%	8%
	100%	100%

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2011	2010
Discount rate	8.2%	8.0%
Rate used for calculation of annuity value	4%	4%
Average remaining working life, years	17.3	17.9
Expected return on plan assets	7.0%	9.0%
Mortality tables	year 2009	year 2009

As at 31 December 2011 the Group assumed that the salary growth rate will be equal to 12.7% and 12.6% in 2012 and 2013 respectively, and in future the salary will increase in line with the inflation rate, while the assumption used as at 31 December 2010 was that the salary growth rate would be equal to 10.8% in 2012 and increase in line with the inflation rate after 2012. The change in the assumptions for salary growth in general resulted in the recognition of an actuarial loss for the current period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

20. EMPLOYEE BENEFIT LIABILITY (CONTINUED)

The overall expected rate of return on assets is a weighted average of the expected returns of the various categories of plan assets held. Assessment of the expected returns by management is based on historical return trends and analysts' predictions of the market for the asset in the next 12 months.

The actual return on plan assets was RUR 3m and RUR 1m for the years ended 31 December 2011 and 2010, respectively.

The Group expects to make a contribution of RUR 160m to the defined benefit plans during the next financial year.

21. 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 instalments 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 December 2011, 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 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.

As at 31 December 2011 the following number of share options is outstanding:

	Number of shares
Options outstanding at 1 January 2011	–
Options granted during the year	208,421
Options outstanding at 31 December 2011	208,421

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

	Options granted as at 20 May 2011
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%
Fair value at measurement date (in Russian Roubles)	1,308-1,462

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

During the 12-month period ended 31 December 2011, the Group recognised expenses of RUR 148m related to the options. These expenses were included in payroll and related charges disclosed in Note 26.

No options were exercised during the 12-month period ended 31 December 2011.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

22. TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	656	483
Amounts payable for the acquisition of property, plant and equipment	246	495
Liabilities to customers	3,691	2,987
Total trade and other payables	4,593	3,965

23. TAXES OTHER THAN INCOME TAX PAYABLE

	2011	2010
VAT	43	561
Property tax	116	120
Social insurance contribution	105	39
Personal income tax	32	16
Other taxes	7	5
Total taxes other than income tax payable	303	741

24. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2011	2010
Settlements with employees	501	194
Payable for acquisition of Kedentransservice's shares	113	–
Other liabilities	75	54
Total accrued expenses and other current liabilities	689	248

Settlements with employees as at 31 December 2011 and 31 December 2010 comprised accrued salaries and bonuses of RUR 352m and RUR 104m, respectively, and accruals for unused vacation of RUR 149m and RUR 90m, respectively.

25. SEGMENT INFORMATION

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

Analysis of revenue by category

	2011	2010
Integrated freight forwarding and logistics services	14,894	11,240
Rail-based container shipping services	10,289	6,980
Terminal services and agency fees	2,449	2,008
Truck deliveries	1,710	1,513
Other freight forwarding services	1,025	746
Bonded warehousing services	383	273
Other	126	81
Total revenue	30,876	22,841

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

25. SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by location of customers

	2011	2010
Revenue from external customers		
Russia	25,896	20,875
Kazakhstan	1,547	–
Korea	955	278
Germany	816	700
China	650	444
Switzerland	226	191
Cyprus	224	96
Finland	172	100
Other	390	157
Total revenue	30,876	22,841

During the years ended 31 December 2011 and 31 December 2010, OJSC Russian Railways (RZD) accounted for 10% of the Group's total revenue: RUR 3,095m and RUR 2,381m, respectively. 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.

26. OPERATING EXPENSES, NET

	2011	2010
Cost of integrated freight forwarding and logistics services	8,175	6,339
Payroll and related charges	4,728	3,128
Freight and transportation services	4,624	4,534
Depreciation and amortisation	2,577	2,237
Materials, repair and maintenance	2,363	1,887
Taxes other than income tax	995	559
Rent	411	479
Consulting services	301	234
Security	273	218
Fuel costs	179	128
Change in provision for impairment of receivables	116	33
Licences and software	135	131
Communication costs	97	101
Charity	23	60
Gain on disposal of property, plant and equipment	(288)	(147)
Other expenses	432	827
Total operating expenses, net	25,141	20,748

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

27. INTEREST EXPENSE

	2011	2010
Interest expense on RUR bonds	540	482
Interest expense on finance lease obligations	105	274
Interest expense on bank loans	159	92
Discounting of accounts receivables	37	–
Total interest expense	841	848

28. INCOME TAX

	2011	2010
Current income tax charge	(1,330)	(496)
Deferred income tax benefit	143	82
Income tax	(1,187)	(414)

The statutory tax rate effective in the Russian Federation was 20% for the years ended 31 December 2011 and 2010.

Profit before income tax for financial reporting purposes is reconciled to income tax expense as follows:

	2011	2010
Profit before income tax	5,030	1,342
Theoretical tax charge at statutory rate of 20%	(1,006)	(268)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Benefits in-kind and other non-deductible payments to employees	(74)	(33)
Non-deductible post-employment benefits	(22)	(21)
Non-deductible charitable donations	(4)	(12)
Income tax adjustments for prior periods	31	–
Other non-deductible expenses	(127)	(65)
Changes in provision for tax risks – taxes other than income tax	4	(4)
Changes in provision for tax risks – income tax	11	(11)
Income tax	(1,187)	(414)

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated statements of financial position give rise to the following deferred tax effects:

	1 January 2011	Business combination (Note 8)	Charged to profit or loss	Exchange difference	31 December 2011
Deferred income	(10)	–	7	–	(3)
Loans and borrowings	4	–	1	–	5
Intangible assets	17	107	(8)	10	126
Finance lease obligations	(187)	–	92	–	(95)
Property, plant and equipment	1,833	312	(109)	31	2,067
Employee benefits liability	(69)	(46)	–	(115)	
Trade and other receivables	(22)	(8)	(25)	–	(55)
Trade and other payables	(86)	(4)	(56)	–	(146)
Investments					
Other	(42)	(1)	1	–	(42)
Total net deferred tax liability	1,438	406	(143)	41	1,742
Total net deferred tax asset	(4)	–	–	–	(4)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

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28. INCOME TAX (CONTINUED)

	1 January 2010	Charged to profit or loss	31 December 2010
Deferred income	(22)	12	(10)
Loans and borrowings	2	2	4
Intangible assets	1	16	17
Finance lease obligations	(387)	200	(187)
Property, plant and equipment	2,017	(184)	1,833
Employee benefits liability	(49)	(20)	(69)
Trade and other receivables	(12)	(10)	(22)
Trade and other payables	(30)	(56)	(86)
Other	(4)	(38)	(42)
Total net deferred tax liability	1,516	(78)	1,438
Total net deferred tax asset	–	(4)	(4)

The Group did not recognise a deferred tax liability concerning temporary differences of RUR 172m (2010: RUR 11m) in respect of investments in subsidiaries, associates and joint ventures as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

29. 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.

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 December 2011, are disclosed below:

Related party	Nature of relationship
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 these consolidated financial statements.

As a part of its ordinary course of business, the Group enters into various transactions and has outstanding balances with state-controlled entities and governmental bodies, which are shown as “other” 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 are reported as agency fees in the accompanying consolidated statement of comprehensive income.

The Group maintains several bank accounts at OJSC TransCreditBank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

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29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	Total	RZD, its subsidiaries, joint ventures and associates	Other
ASSETS			
Non-current assets			
Advances for acquisition of non-current assets	5	5	–
Trade payables	728	–	728
	733	5	728
Current assets			
Cash and cash equivalents	1,657	1,657	–
Trade receivables	414	339	75
Other receivables	27	17	10
Advances to suppliers	1,815	1,812	3
	3,913	3,825	88
Total assets	4,646	3,830	816
LIABILITIES			
Current liabilities			
Trade payables	46	28	18
Liabilities to customers	102	55	47
Other payables	51	3	48
Finance lease obligations, current maturities	374	–	374
Total liabilities	573	86	487
Revenue			
Rail-based container shipping services	595	444	151
Agency fees	1,828	1,818	10
Integrated freight forwarding and logistics services	1,178	758	420
Other services	203	75	128
	3,804	3,095	709
Interest income on deposits	50	43	7
Total income	3,854	3,138	716
Operating expenses			
Freight and transportation services	3,059	2,999	60
Third-party charges relating to integrated freight forwarding and logistics services	6,092	5,890	202
Repair services	1,214	1,210	4
Rent of property and equipment	39	39	–
Other expenses	206	99	107
	10,610	10,237	373
Interest expense on finance lease obligations	76	9	67
Discounting of accounts receivables	37	–	37
Total expenses	10,723	10,246	477
Acquisition of property, plant and equipment	652	629	23
Purchase of materials	11	–	11
Contributions to non-state pension funds	71	–	71
Acquisition of treasury shares	514	–	514
Total other transactions	1,248	629	619

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with related parties as at and for the year ended 31 December 2010 are shown below:

	Total	RZD, its subsidiaries, joint ventures and associates	Other
ASSETS			
Current assets			
Cash and cash equivalents	1,262	1,261	1
Trade receivables	527	306	221
Other receivables	4	1	3
Advances to suppliers	1,651	1,648	3
Total assets	3,444	3,216	228
LIABILITIES			
Non-current liabilities			
Finance lease obligations, net of current maturities	430	208	222
Current liabilities			
Trade payables	282	268	14
Liabilities to customers	58	32	26
Other payables	33	5	28
Finance lease obligations, current maturities	326	–	326
	699	305	394
Total liabilities	1,129	513	616
Revenue			
Rail-based container shipping services	720	697	23
Agency fees	1,612	1,607	5
Integrated freight forwarding and logistics services	73	16	57
Other services	102	63	39
	2,507	2,383	124
Interest income on deposits	9	9	–
Total income	2,516	2,392	124
Operating expenses			
Freight and transportation services	3,336	3,155	181
Third-party charges relating to integrated freight forwarding and logistics services	4,972	4,513	459
Repair services	960	956	4
Rent of property and equipment	144	143	1
Other expenses	351	278	73
	9,763	9,045	718
Interest expense on finance lease obligations	139	36	103
Total expenses	9,902	9,081	821
Acquisition of property, plant and equipment	887	884	3
Purchase of materials	9	–	9
Contributions to non-state pension funds	41	–	41
Total other transactions	937	884	53

The amounts outstanding to and from related parties are unsecured except as disclosed for finance leases (Note 19) 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 19 persons as at 31 December 2011 and 2010, respectively. Total gross compensation (including insurance contributions and before withholding of personal income tax) to key management personnel amounted to RUR 259m (including total insurance contributions of RUR 11m) and RUR 94m (including total insurance contributions of RUR 1m) for the years ended 31 December 2011 and 2010, 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 21, during the year ended 31 December 2011, the Group recognised expenses of RUR 148m 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 73m.

30. COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2011, the Group leases a loading flatcar 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:

	2011	2010
Within one year	236	192
Within two to five years	332	56
After five years	705	4
Total minimum lease payments	1,273	252

31. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's capital commitments as at 31 December 2011 and 31 December 2010 consisted of the following, including VAT:

	2011	2010
Acquisition of containers and flatcars	1,037	931
Construction of container terminal complexes and modernisation of existing assets	349	333
Acquisition of premises in office building	204	504
Acquisition of lifting machines and other equipment	14	90
Total capital commitments	1,604	1,858

Operating environment of the Group – The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

31. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

Transfer pricing – Russian transfer pricing legislation enacted in 2011 is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provides the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Environmental matters – 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 recognised 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.

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, beyond those already recognised in these financial statements.

Compliance with covenants – As disclosed in Note 18, the Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including claims for early repayment. As at 31 December 2011 the Group is in compliance with all covenants.

Insurance – The Group holds no insurance policies in relation to its assets, operations, or in respect of public liability or other insurable risks, with the exception of insurance policies that partially cover its vehicles, flatcars and buildings, Directors and Officers liability insurance policy and a carrier's liability insurance policy. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

32. RISK MANAGEMENT ACTIVITIES

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance.

The capital structure of the Group consists of long-term debt, including bank loans, long-term and short-term RUR bonds, finance lease obligations and equity, consisting of issued capital, reserves and retained earnings as disclosed in Note 17.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Major Categories of Financial Instruments

The Group's financial assets include trade and other receivables, long-term and short-term investments, cash and cash equivalents and other current assets. All financial assets fall into the loans and receivables category under IAS 39 "Financial instruments: recognition and measurement".

	2011	2010
Financial assets		
Cash and cash equivalents	2,300	1,291
Trade and other receivables	1,880	1,331
Short-term investments	941	–
Other current assets	63	–
Long-term investments	10	8
Total financial assets	5,194	2,630

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

32. RISK MANAGEMENT ACTIVITIES (CONTINUED)

The Group's principal financial liabilities are trade and other payables, payables to employees (which form part of accrued expenses and other current liabilities), finance lease obligations, and debt (which includes bonds and long-term borrowings). All financial liabilities are carried at amortised cost.

	2011	2010
Financial liabilities		
Trade and other payables	902	978
Other liabilities	189	54
Payables to employees	501	194
Long-term borrowings	8,301	5,976
Short-term borrowings	553	113
Finance lease obligations	494	937
Total financial liabilities	10,940	8,252

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due. Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of finance lease obligations, debt and bond obligations. The non-interest bearing liabilities include trade and other payables and amounts payable to employees.

The following table details the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	More than 5 years	Total
2011							
Non-interest bearing liabilities		915	555	122	–	–	1,592
Long-term debt	9.5%-9.75%	22	36	167	1,981	485	2,691
Bonds	8.8%-9.5%	–	142	788	6,603	7,533	
Short-term borrowings		63	–	–	–	–	63
Finance lease liabilities	15.46%-28.3%	11	24	499	17	–	551
Total		1,011	757	1,576	8,601	485	12,430
2010							
Non-interest bearing liabilities		542	399	285	–	–	1,226
Long-term bonds, series	1,2 8.8%-9.5%	–	142	405	7,150	–	7,697
Finance lease liabilities	13.24%-28.3%	20	100	490	530	–	1,140
Total		562	641	1,180	7,680	–	10,063

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

32. RISK MANAGEMENT ACTIVITIES (CONTINUED)

The following table details the Group's expected maturity for its financial assets, with the exception of cash. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Total
2011						
Trade and other receivables		799	207	146	765	1,917
Short-term investments	3.25-4.5, 7.8-8%	811	87	43	–	941
Long-term investments		–	–	–	10	10
Other current assets		63	–	–	–	63
Total		1,673	294	189	775	2,931
2010						
Trade and other receivables		550	103	678	–	1,331
Long-term investments	0%	–	–	–	8	8
Total		550	103	678	8	1,339

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue, and purchases third-party transportation services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers, are denominated in currencies other than the Russian Rouble, the functional currency of the Company.

During 2011 and 2010 the Group's financial assets denominated in foreign currency have exceeded its foreign currency financial liabilities. For the year to 31 December 2011 the Russian Rouble depreciated against the US Dollar by 6%, and against EURO by 3% (depreciated against the US Dollar by 1%, and appreciated against EURO by 7% for the year ended 31 December 2010). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency-denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR		Other	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and cash equivalents	441	77	203	76	74	1
Trade and other receivables	911	434	111	71	9	10
Other current assets	63	–	–	–	–	–
Total assets	1,415	511	314	147	83	11
Liabilities						
Trade and other payables	255	161	66	31	2	9
Short-term borrowings	63	–	–	–	–	–
Total liabilities	318	161	66	31	2	9

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

32. RISK MANAGEMENT ACTIVITIES (CONTINUED)

The table below details the Group's sensitivity to strengthening of the Russian Rouble against US Dollar and EURO by 10%, all other variables being held constant. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2011	2010	2011	2010
Loss	(110)	(35)	(25)	(12)

The weakening of the Russian Rouble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates, and maintaining an appropriate mix between debt and equity.

As at 31 December 2011 the Group's borrowed funds consist of long-term bonds, series 1 and series 2 (Note 18), short-term bonds (Note 18), long-term debt (Note 18) and finance lease liabilities (Note 19).

With respect to RUR bonds series 1, issued in March 2008, the Group was exposed to interest rate risk during 2010, because in accordance with terms of the bond offering the coupon rate for these bonds was reset after the second (March 2009) and the fourth (March 2010) semi-annual coupon payment, respectively, due to the accompanying put options at these dates (see also Note 18). In March 2010 the coupon rate was reset to 9.5%, and there are no further changes to interest rate for these bonds until their maturity in February 2013.

The annual coupon rate for RUR bonds, series 2 has been set at 8.8% for the entire five-year maturity period of the bonds, with no subsequent changes. The effective interest rate for these bonds is 9.01%.

During 2011, loans from Alfa Bank and borrowed funds from LLC TrustUnion Asset Management were obtained by the Group. These borrowings were granted at fixed interest rates, therefore the Group did not have an additional interest risk.

In December 2011 the Group entered into the lease agreement of five wheel-mounted cranes with LLP Raiffeisen Leasing Kazakhstan for a three-year period with floating interest rate (Note 19).

Other Group finance lease obligations are financial instruments bearing a fixed interest rate, therefore they do not subject the Group to an additional interest risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to receivables in connection with container shipping activities.

Credit exposure is managed by establishing credit limits for the most significant customers that are reviewed and approved by management. Deferred payment terms are offered only to the most significant customers of the Group with proven credit history. Sales to other customers are made on a prepayment basis.

The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group's business is dependent on a few large key customers. As at 31 December 2011 75% of the total net amount of trade and other receivables related to the seven largest counterparties of the Group (31 December 2010: 67%).

Notes to the Consolidated Financial Statements For the year ended 31 December 2011 (continued)

(Amounts in millions of Russian Roubles, unless otherwise stated below)

32. RISK MANAGEMENT ACTIVITIES (CONTINUED)

The largest receivables outstanding as at the balance sheet date are as follows:

	2011 outstanding balance, net
Far East Land Bridge Ltd.	797
RZD	252
OJSC RZD Logistics	101
UNICO LOGISTICS	100
LLC Volkswagen Group Rus	82
LLC Unico Logistics Rus	42
LLC Sollers – Elabuga	28
Total	1,402
	2010 outstanding balance, net
RZD	293
Far East Land Bridge Ltd.	212
LLC Sollers – Elabuga	115
LLC Unico Logistics Rus	99
UNICO LOGISTICS	96
LLC Volkswagen Group Rus	74
Total	889

As at 31 December 2011 and 2010 no impairment has been identified for all these customers, except for FELB.

The management of the Company believes that there is no credit risk concerning overdue accounts receivable of FELB for the following reasons:

a) FELB's activity is actually controlled by the Group RZD (by participation of representatives of RZD and the Company in the FELB's Board of Directors);

b) in the second quarter of 2012 a change of parties in obligations under the logistics agreement concluded with FELB was initiated. As a result accounts receivable of FELB to the Company will be transferred to OJSC RZD Logistics (subsidiary of RZD) and fully repaid in May 2014 in accordance with a confirmed schedule for the repayment of debts.

Credit risk on liquid funds is limited because these funds are placed only with financial institutions well known to the Group. 72% of total cash and cash equivalents as at 31 December 2011 (2010: 98%), were held with one bank which is related to the Group.

33. SUBSEQUENT EVENTS

Company's shares acquisition – In January 2012 the company HALIMEDA INTERNATIONAL LIMITED, controlled by FAR-EASTERN SHIPPING COMPANY PLC., increased its share in the Company's authorised capital from 18.5% to 21.12%.

Acquisition of flatcars – In January to March 2012 the Group obtained 50 flatcars from LLC Tehmakstrans, for a total amount of RUR 122m (plus VAT in the amount of RUR 22m), 96 flatcars from LLC Prioritet, for a total amount of RUR 235m (plus VAT in the amount of RUR 42m).

Contract for purchase of flatcars – In April 2012 the Group signed an agreement with LLC Speccompany for the purchase of 400 flatcars for the total amount of RUR 1,018m (plus VAT in the amount of RUR 183m). The shipment of flatcars is expected to take place in the second quarter of 2012.

Kedentransservice's bonds redemption – In April 2012 JSC Kedentransservice redeemed its obligations on bonds for the sum of KZT 1,677m (RUR 364m at the Central Bank of Russia exchange rate as at 31 December 2011).

Conclusion of the inspection commission based on the results of inspection of financial and economic activity of Open Joint-Stock Company TransContainer for the year 2011

Moscow

10 April 2012

In compliance with article 85 of the Federal Law "On Joint-Stock Companies", Provision on the Inspection Commission of OJSC TransContainer approved by the decision of the General Shareholders' Meeting of OJSC TransContainer (hereinafter referred to as the "Company"), Work Plan of the Inspection Commission of OJSC TransContainer approved by the decision of the Inspection Commission of the Company (Minutes No.1 dated 27 July 2011), the inspection commission constituted by Chairman O.B. Ivanov, commission members A.N. Chernyavskaya, S.V. Davydov, A.Yu. Romanov, as well as invited specialists, carried out a scheduled inspection of financial and economic activity of OJSC TransContainer for the year 2011.

The inspection was carried out in the central headquarters, as well as in the branches of the Company from 6 February to 10 April 2012.

The object of inspection was the financial and economic activity of the Company for the year 2011.

The sources of receipt of information about financial and economic activity of the Company were: financial and economic documentation, including accounting reports, primary accounting documents, banking documents, agreement, etc.

The inspection was carried out by way of selective inspection of accounting figures and financial statements of the Company.

Based on the inspection held, the Inspection Commission did not identify any deviations that could have affected the accuracy of the annual statements.



O.B. Ivanov

Chairman of the Inspection Commission
of OJSC TransContainer

Auditor's opinion on Financial Reporting 2011



Auditor's opinion

To Shareholders of Open Joint Stock Company TransContainer Containerised Cargo Transportation Centre:

Audited Entity:

Open Joint Stock Company TransContainer Containerised Cargo Transportation Centre

107228, Russian Federation, Moscow, Ul. Novoryazanskaya 12 (registered address)

Certificate of state registration of legal persons, issued by Moscow Interdistrict Inspectorate № 46 of Federal Tax Service, entry No. 1067746341024 of 4 March 2006 in the Unified State Register of Legal Entities.

Auditor:

Joint-stock company PricewaterhouseCoopers (PwC Audit Company), place of location: 125047, Russian Federation, Moscow, Ul. Butyrsky Val 10.

State registration certificate № 008.890 issued by Moscow Registration Chamber on 28 February 1992.

Certificate of Registration of a Legal Entity Registered before 1 July 2002 in the Unified State Register of Legal Entities, under number 1027700148431 on 22 August 2002, issued by Moscow Interdistrict Inspectorate № 39 of FTS of Russia.

Member of Not-for-profit Partnership Audit Chamber of Russia (NPP ACR), which is a self-regulating organisation of auditors, registered under number 870 in the register of NPP ACR members.

Principal Registration Entry Number (ORNZ) in the Register of Auditors and Audit Organisations: 10201003683.

Auditor's opinion on Financial Reporting 2011 (continued)



Auditor's opinion

To Shareholders of Open Joint Stock Company TransContainer Containerised Cargo Transportation Centre:

We have audited the attached financial reporting of Open Joint Stock Company TransContainer Containerised Cargo Transportation Centre ("the Company"), which financial reporting comprises a balance sheet as of 31 December 2011, a profit and loss statement, a statement of changes in equity and a cash flow statement for 2011 and an explanatory note (hereinafter all the reporting materials are collectively referred to as "financial statements").

The Company's responsibility for financial statements

The Company's management is liable for the preparation and accuracy of financial statements in accordance with the rules of preparation of financial statements set in the Russian Federation and for the system of internal controls required for the preparation of financial statements that are free of material misstatement due to fraud or error.

The Auditor's responsibility

We are responsible for expressing an opinion as to the accuracy of the financial statements based on our audit. We conducted our audit in accordance with federal standards of auditing and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and conduct the audit in such a manner so that to obtain reasonable assurance that the financial statements are free of material misstatement.

The audit included performing audit procedures aimed at obtaining audit evidence that would confirm figures contained in the financial statements and disclosure of information therein. The choice of audit procedures resulted from the auditor's judgement which was based on assessment of the risk of material misstatement due to fraud or error. In the course of assessing this risk, we considered the internal control system that provides for preparation and accuracy of financial statements in order to select the appropriate audit procedures, but not for the purpose of expressing an opinion on the efficiency of the internal control. The audit also included assessing appropriateness of the applied accounting policies and reasonableness of the estimates made by Company management, as well as evaluating the presentation of the financial statements in general.

We believe that the audit evidence obtained in the course of the audit provides a reasonable basis for expressing an opinion of reliability of the financial statements.

Judgement

In our judgement, the financial statements represent fairly in all material respects the Company's financial position as of 31 December 2011, the results of its financial and business activities and the cash flows for 2011 in accordance with the rules of preparation of financial statements set out in the Russian Federation.

Director, PricewaterhouseCoopers Audit JSC
5 March 2012



A.A. Okishev

Balance Sheet as of 31 December 2011

Explanations	Indicator	Line code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
ASSET:					
I. NON-CURRENT ASSETS					
3.1.	Intangible assets	1110	89	230	370
3.4.	Research and development results	1120	–	2,911	–
	Non-current assets	1130	23,278,241	22,131,250	19,084,563
	including:				
3.2.	non-current assets	1131	22,023,924	20,620,633	17,791,456
3.3.	pending investment in non-current assets	1132	1,254,317	1,510,617	1,293,107
	Profitable investments in tangible assets	1140	–	–	–
3.7.	Financial investments	1150	2,128,435	147,468	31,273
	Deferred tax assets	1160	141,795	86,349	44,720
	Other non-current assets	1170	238,557	195,407	268,651
	Total for Section I	1100	25,787,117	22,563,615	19,429,577
II. CURRENT ASSETS					
3.5.	Stock	1210	255,330	321,809	297,475
	including:				
	raw materials and other similar assets	1211	249,690	246,498	211,650
	rearsers and fatteners	1212	–	–	–
	costs in works in progress	1213	–	–	–
	finished goods and goods for resale	1214	118	1,142	731
	goods shipped	1215	–	–	–
3.6.	prepaid expenses	1216	5,522	74,169	85,094
	other supplies and expenses	1219	–	–	–
	value added tax on acquired values	1220	698,322	610,040	321,174
3.9.	Receivables	1230	6,710,402	5,780,771	6,631,342
	including:				
	buyers and customers	1231	882,061	888,339	1,526,137
	outstanding claims	1232	43,035	15,194	121,115
	arrears of social insurance and security	1233	12,048	21,315	15,497
	arrears in taxes and duties	1234	455,677	129,415	276,282
	prepayments made	1235	4,334,606	3,949,207	3,840,862
	settlements in payments to staff, under other transactions and with accountable persons	1236	12,605	15,885	18,822
	sundry debtors	1239	970,370	761,416	832,627
3.7.	Financial investments (excluding cash equivalents)	1240	800,000	–	240,198
3.8.	Cash and cash equivalents	1250	1,958,255	1,267,224	433,417
3.17.	Other Current Assets	1260	342,187	258,225	213,179
	Total for Section II	1200	10,764,496	8,238,069	8,136,785
	BALANCE	1600	36,551,613	30,801,684	27,566,362

Balance Sheet as of 31 December 2011 (continued)

Explanations	Indicator	Line code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
LIABILITIES:					
III. CAPITAL AND RESERVES					
3.10.1.	Authorised capital (share capital, statutory fund, partners' contributions)	1310	13,894,778	13,894,778	13,894,778
	Own shares repurchased from shareholders	1320	(-)	(-)	(-)
	Revaluation of non-current assets	1340	-	-	-
3.10.3.	Additional capital (excluding revaluation)	1350	104,201	103,881	103,881
3.10.2.	Reserve capital	1360	304,016	283,808	282,703
	including:				
	reserve funds formed in accordance with laws	1361	304,016	283,808	282,703
	reserves formed in accordance with constituent documents	1362	-	-	-
3.10.4.	Retained earnings/accumulated losses	1370	8,145,402	4,725,256	4,460,856
	Total for Section III	1300	22,448,397	19,007,723	18,742,218
IV. LONG-TERM LIABILITIES					
3.11.	Borrowed funds	1410	7,830,380	6,000,000	4,519,840
	including:				
	loans maturing in over 12 months after reporting date	1411	1,830,380	-	1,519,840
	borrowings maturing in over 12 months after reporting date	1412	6,000,000	6,000,000	3,000,000
	Deferred tax liabilities	1420	398,016	313,891	232,670
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	8,228,396	6,313,891	4,752,510
V. CURRENT LIABILITIES					
	Borrowed funds	1510	-	-	-
	including:				
	loans maturing within 12 months after reporting date	1511	-	-	-
	borrowings maturing within 12 months after reporting date	1512	-	-	-
3.12.	Accounts payable	1520	5,299,754	5,218,304	3,891,293
	including:				
	suppliers and contractors	1521	817,563	928,068	871,205
	payables to Company staff	1522	83,249	57,936	26,458
	payables to state budget funds	1523	34,361	14,806	21,165
	payable taxes and duties	1524	273,923	772,726	187,624
	advance payments received	1525	2,404,381	1,778,886	1,357,477
	shareholders in profit payment	1526	-	-	-
	sundry creditors	1529	1,686,277	1,665,882	1,427,364
3.13.	Deferred revenues	1530	-	55	605
3.19.	Estimated liabilities	1540	417,836	113,715	-
	Contingencies in payments to staff	1541	417,836	113,715	-
3.18.	Other liabilities	1550	157,230	147,996	179,736
	Total for Section V	1500	5,874,820	5,480,070	4,071,634
	BALANCE	1700	36,551,613	30,801,684	27,566,362



P. V. Baskakov
General Director



K. S. Kalmykov
Chief Accountant

Profit and Loss Statement for the year 2011

Comments	Indicator	Line code	For 2011	For 2010
3.14.	Revenues	2110	29,097,449	22,759,837
3.15.	Cost of sales	2120	(23,426,515)	(20,780,911)
	Gross profit/loss	2100	5,670,934	1,978,926
3.15.	Selling and distribution expenses	2210	(84,129)	(48,219)
	Management expenses	2220	(–)	(–)
	Profit/loss from sales	2200	5,586,805	1,930,707
3.14.	Income from investments in other companies	2310	10,901	–
3.14.	Interest receivable	2320	58,503	14,852
3.15.	Outstanding interest	2330	(679,187)	(562,300)
3.14.	Other incomes	2340	2,684,669	1,604,624
3.15.	Other expenses	2350	(2,880,435)	(2,182,036)
	Profit/loss before tax	2300	4,781,256	805,847
3.16.	Current income tax	2410	(1,302,505)	(485,661)
	including:			
3.16.	permanent tax liabilities/assets	2421	365,710	364,083
3.16.	Change in deferred tax liabilities	2430	(84,125)	(81,221)
3.16.	Change in deferred tax assets	2450	55,446	41,629
	Other	2460	30,716	739
	including:			
	income tax adjustments for previous reporting periods	2461	30,967	–
	penalties and fines paid for violation of tax and other laws	2462	(251)	739
	written off deferred tax assets and deferred tax liabilities in disposal of assets	2463	–	–
	Net profit/loss	2400	3,480,788	281,333
	FOR REFERENCE			
	Non-current assets revaluation results not included in net profit/loss for the period	2510	–	–
	Result from other operations, not included in net profit/loss for the period	2520	320	–
	Combined financial results for the period	2500	3,481,108	281,333
	Basic profit/loss per share	2900	–	–
	Diluted profit/loss per share	2910	–	–

Statement of Changes in Equity in 2011

1. Movement of capital

Indicator	Code	Statutory capital	Own shares repurchased from shareholders	Additional paid in capital	Reserve capital	Retained earnings/ accumulated losses	Total
Value of equity as of December 31, 2009	3100	13,894,778	(-)	103,881	282,703	4,460,856	18,742,218
For 2010							
Capital growth total:	3210	-	-	-	-	281,333	281,333
including:							
net profit	3211	X	X	X	X	281,333	281,333
revaluation of assets	3212	X	X	-	X	-	-
revenues directly attributable to growth in capital	3213	X	X	-	X	-	-
additional issues of shares	3214	-	-	-	X	X	-
growth in nominal value of shares	3215	-	-	-	X	-	-
reorganisation of legal entity	3216	-	-	-	-	-	-
other growths	3217	-	-	-	-	-	-
Reduction in capital, total:	3220	(-)	-	(-)	(-)	(15,828)	(15,828)
including:							
losses	3221	X	X	X	X	(-)	(-)
revaluation of assets	3222	X	X	(-)	X	(-)	(-)
costs directly attributable to reduction in capital	3223	X	X	(-)	X	(-)	(-)
reduction in nominal value of shares	3224	(-)	-	-	X	-	-
reduction in the number of shares	3225	(-)	-	-	X	-	(-)
reorganisation of legal entity	3226	-	-	-	-	-	(-)
dividends	3227	X	X	X	X	(2,223)	(2,223)
other reductions	3228	-	-	-	-	(13,605)	(13,605)
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	1,105	(1,105)	X
Value of equity as of 31 December 2010	3200	13,894,778	(-)	103,881	283,808	4,725,256	19,007,723

Indicator	Code	Statutory capital	Own shares repurchased from shareholders	Additional paid in capital	Reserve capital	Retained earnings/ accumulated losses	Total
For 2011							
Growth in capital, total:	3310	–	–	1,675	–	3,480,788	3,482,463
including:							
net profit	3311	X	X	X	X	3,480,788	3,480,788
revaluation of assets	3312	X	X	–	X	–	–
revenues directly attributable to growth in capital	3313	X	X	1,675	X	–	1,675
additional issue of shares	3314	–	–	–	X	X	–
growth in nominal value of shares	3315	–	–	–	X	X	–
reorganisation of legal entity	3316	–	–	–	–	–	–
other growths	3317	–	–	–	–	–	–
Reduction of capital, total:	3320	(–)	–	(1,355)	(–)	(40,434)	(41,789)
including:							
losses	3321	X	X	X	X	(–)	(–)
revaluation of assets	3322	X	X	–	X	(–)	(–)
costs directly attributable to the reduction in capital	3323	X	X	1,355	X	(–)	(1,355)
reduction in nominal value of shares	3324	–	–	–	X	–	(–)
reduction in the number of shares	3325	–	–	–	X	–	(–)
reorganisation of legal entity	3326	–	–	–	–	–	(–)
dividends	3327	X	X	X	X	(40,434)	(40,434)
other reductions	3328	(–)	(–)	(–)	(–)	(–)	(–)
Change in additional capital	3330	X	X	–	–	–	X
Change in reserve capital	3340	X	X	X	20,208	(20,208)	X
Value of equity as of 31 December 2010	3300	13,894,778	(–)	104,201	304,016	8,145,402	22,448,397

Statement of Changes in Equity in 2011 (continued)

2. Adjustments due to changes in accounting policies and correction of errors

Indicator	Code	As of 31 December 2009	Changes in capital in 2010		As of 31 December 2010
			Due to net profit/loss	Due to other factors	
Capital, total					
Before corrections	3400	18,742,218	404,155	(15,828)	19,130,545
Correction due to:					
Change in accounting policies	3410	–	(122,822)	–	(122,822)
Correction of errors	3420	–	–	–	–
After corrections	3500	18,742,218	281,333	(15,828)	19,007,723
including:					
Retained earnings/accumulated losses					
Before corrections	3401	4,460,856	404,155	(16,933)	4,848,078
Correction due to:					
Change in accounting policies	3411	–	(122,822)	–	(122,822)
Correction of errors	3421	–	–	–	–
After corrections	3501	4,460,856	281,333	(16,933)	4,725,256
Other capital items subjected to corrections:					
Before corrections	3402	–	–	–	–
Correction due to:					
Change in accounting policies	3412	–	–	–	–
Correction of errors	3422	–	–	–	–
After corrections	3502	–	–	–	–

3. Net assets

Indicator	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Net assets	3600	22,448,397	19,007,778	18,742,823



P. V. Baskakov
General Director



K. S. Kalmykov
Chief Accountant

Cash Flow Statement for January – December 2011

Indicator	Line code	2011	2010
Cash flows from current operations			
Revenues, total	4110	31,187,186	24,274,619
including:			
from sales of products, goods and services	4111	29,663,232	22,747,630
from lease payments, licence fees, royalties, commissions and other similar payments	4112	742,813	802,861
from resales of financial investments	4113	–	–
miscellaneous revenues	4119	781,141	724,128
Payments, total	4120	(25,063,805)	(19,395,450)
including:			
to suppliers/contractors for raw materials, labour, services	4121	(15,253,966)	(13,016,322)
as remuneration to employees	4122	(2,397,227)	(2,036,972)
as interest on debt obligations	4123	(674,716)	(614,884)
as corporate income tax	4124	(1,305,704)	(503,219)
Other payments	4129	(5,432,192)	(3,224,053)
including:			
Payments exclusive of VAT	412921	(2,063,492)	(1,611,296)
VAT	412922	(3,368,700)	(1,612,757)
Balance of cash flow from current operations	4100	6,123,381	4,879,169
Cash flows from investment operations			
Revenues, total	4210	81,951	117,132
including:			
from sales of non-current assets (exclusive of financial investments)	4211	27,331	14,523
from sales of shares in other organisations (interest)	4212		
from repayment of loans and from sales of debt securities (rights of claim of money from other persons)	4213		80,000
from dividends, interest on financial investments and similar incomes from shareholding in other companies	4214	41,830	16,554
miscellaneous incomes	4219	12,790	6,055
Payments, total	4220	(6,920,855)	(4,744,351)
including:			
in connection with acquisition, creation, modernisation, rehabilitation or preparation of non-current assets for use	4221	(4,263,657)	(4,628,156)
in connection with acquisition of shares in other organisations (interest)	4222	(1,857,198)	(116,195)
in connection with acquisition of debt securities (rights of claim of money from other persons), provision of loans to others	4223	(–)	(–)
interest on debt obligations that are included in the cost of an investment asset	4224	(–)	(–)
other payments	4229	(800,000)	(–)
Balance of cash flows from investment operations	4200	(6,838,904)	(4,627,219)

Cash Flow Statement for January – December 2011 (continued)

Indicator	Line code	2011	2010
Cash flow from financial operations			
Revenues, total	4310	1,830,380	2,999,418
including:			
from receipt of loans and borrowings	4311	1,830,380	2,999,418
from cash contributions of owners (shareholders)	4312	–	–
from issuance of shares, increase in stakes	4313	–	–
from issuance of bonds, bills and other debt securities, etc.	4314	–	–
miscellaneous incomes	4319	–	–
Payments, total	4320	(448,532)	(2,415,873)
including:			
to owners (shareholders) in connection with redemption of their shares (interest) in the company or their exit from the company	4321	(–)	(–)
dividends and other payments in distribution of profits to owners/shareholders	4322	(38,232)	(2,205)
redemption of promissory notes and other debt securities, repayment of loans and borrowings	4323	(–)	(1,519,840)
other payments	4329	(410,300)	(893,828)
Balance of cash flows from financial transactions	4300	1,381,848	583,545
Balance of cash flows for reporting period	4400	666,325	835,495
Balance of cash and cash equivalents as of beginning of reporting period	4450	1,267,224	433,417
Balance of cash and cash equivalents as of end of reporting period	4500	1,958,255	1,267,224
Effect of changes in foreign currency to rouble exchange rate	4490	24,706	(1,688)



P. V. Baskakov
General Director



K. S. Kalmykov
Chief Accountant

Estimation of the Value of TransContainer OJSC Net Assets for January – December 2011

Indicator	Balance sheet line code	As of start of reference period	As of end of reference period
I. Assets			
1. Intangible assets	1110	230	89
2. Fixed assets	1131	20,620,633	22,023,924
3. Construction in progress	1132	1,510,617	1,254,317
4. Profitable investments in tangible assets	1140	–	–
5. Long-term and short-term financial investments ¹	1150+1240	147,468	2,928,435
6. Other non-current assets ²	1170+1160	284,667	380,352
7. Stock	1210	321,809	255,330
8. Value added tax on acquired values	1220	610,040	698,322
9. Accounts receivable ³	1230	5,780,771	6,710,402
10. Cash	1250	1,267,224	1,958,255
11. Other current assets	1260	258,225	342,187
12. Total of assets taken into account (total paragraphs 1-11)		30,801,684	36,551,613
II. Liabilities			
13. Long-term liabilities on loans and borrowings	1410	6,000,000	7,830,380
14. Other long-term [non-current] liabilities ^{4,5}	1420+1450	313,891	398,016
15. Short-term liabilities on loans and borrowings	1510	–	–
16. Accounts payable	1520–1526	5,218,304	5,299,754
17. Payables to shareholders/founders in revenue payments	1526	–	–
18. Provisions for liabilities	1540	113,715	417,836
19. Other short-term [current] liabilities ⁵	1550	147,996	157,230
20. Total of liabilities taken into account (total of items 13-19)		11,793,906	14,103,216
21. Net value of company assets (total of assets taken into account (item 12) minus total of liabilities taken into account (item 20))		19,007,778	22,448,397

¹ Except actual cost of repurchasing own shares from shareholders

² Including the value of deferred tax assets

³ Except shareholders'/founders' debt in contributions to statutory capital

⁴ Including the value of deferred tax liabilities

⁵ Data on the size of other long-term and short-term liabilities refer to the reserves duly established in connection with contingent liabilities and with cessation of operation

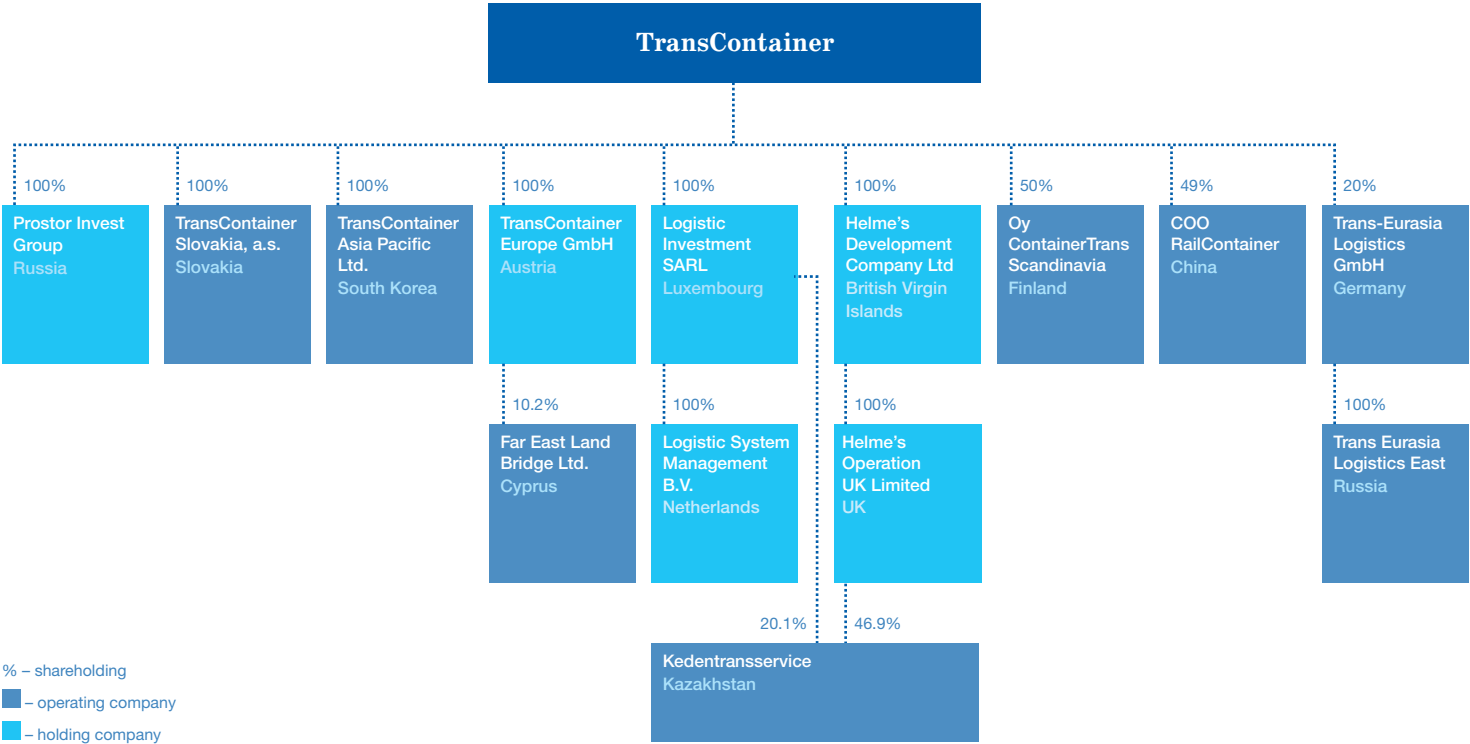


P. V. Baskakov
General Director



K. S. Kalmykov
Chief Accountant

Structure of TransContainer OJSC Group



Glossary

B

Bulk container

A container used to ship bulk loads without necessarily needing additional capacity, it has apertures for loading and unloading dry goods in bulk.

C

Carrier

An individual or legal entity that has assumed the obligation, under a contract, of carriage by general-use rail transport, to deliver a passenger, cargo or luggage from the point of departure to the point of destination and to hand the cargo or luggage to a party authorised to receive it (the recipient).

Consignor

An individual or a legal entity that acts on its own behalf or on behalf of the owner of freight or luggage under a contract of carriage, as indicated in the shipping document.

Consignee

An individual or legal entity that is authorised to receive the freight or cargo.

Container

Transportation equipment for shipping cargo via various means of transport. Containers are durable enough for repeated use and can be stacked. Containers are divided into medium-duty (three- and five-tonne), which conform to former Soviet Union standards and are still used for shipments in Russia and the CIS, and ISO (20- and 40-foot) containers, which are used for Russian and international shipments. The universal standard unit TEU (twenty-foot equivalent unit) was introduced to measure transport flow volumes.

Containerisable cargo

Cargo fit for transportation by container, or cargo for which containers are the best or only possible means of transportation.

Container terminal

A place equipped for the transshipment and storage of containers. A container terminal typically includes one or more container yards. Rail-based container terminals are equipped with spur tracks for loading and unloading containers to/from railroad flatcars (cars).

Container train

A train consisting of flatcars loaded with containers belonging to the carrier or to third parties. A train's length and speed both comply with relevant legislation. A train is put together at its starting station and travels to its destination station without being divided en route and without any further re-consignment of the containers.

Container turnaround

The number of containers handled upon arrival and departure at a port or station over a certain period of time.

Crossover bend

An essential part of a container's design, a crossover bend is a standard mechanism for fixing containers to transportation vehicles or to other containers. Crossover bends are usually located in the lower and upper corners of a container. Twist locks or other equipment allow the container to be lifted, stacked or fixed in place.

Containers whose length is not divisible by 20 feet (such as 45-foot containers), apart from corner ones, also have an additional set of crossover bends whose lattice is the same as those of 20- and 40-foot containers. This enables the same transportation and loading equipment to be used.

D

Dangerous cargo

A cargo that can cause damage to property, human health or life if handled improperly. The shipment of such cargo is undertaken in accordance with special terms of transportation.

Delivery period

A period of time within which a carrier must deliver goods to a consignee and for which the carrier is responsible to the cargo owners. The delivery period includes the time necessary to transport the goods from the departure point to the destination (including its loading and unloading), to perform different associated operations and document execution. A delay in goods delivery against a set period incurs a fine payable by a carrier to a cargo owner, usually set as a percentage of carriage costs. A carrier is not required to pay a fine for delayed delivery in emergency and force majeure situations.

Door-to-door

An integrated logistics service for delivering freight directly from the warehouse of the consignor (the supplier of the goods) to the warehouse of the consignee (the recipient of the goods). As a rule, it includes not only transport by rail and delivery by road but also the handling of freight at a terminal and (if necessary) the customs clearance thereof and payment pursuant to INCOTERMS-2000. It appeared in response to freight-owners' desire for their orders to be handled by a single entity.

E

Empty run

Transporting an empty wagon, or an empty container on that wagon, along a set route.

F

Feeder service

Short-distance sea freight between two or more ports to group or distribute cargo (usually containers) in one of the ports for onward sea shipment or after such a shipment.

Feeder ship

Small ships capable of sailing in relatively shallow waters. These are used for collecting containers for the feeder ship's own route and then loading onto lead ships, or for unloading containers from lead ships for subsequently transporting containers from ocean liners on smaller routes.

Flexi-tank

A flexible polymer tank with a capacity of up to 24,000 litres that is designed to ship liquids in 20-foot containers.

Forwarder

A party that carries out or organises transportation and forwarding services under a forwarding contract, such as organising cargo transportation, signing cargo transportation contracts, arranging loading and delivery, etc.

Freight

A form of payment for sea transportation of cargo or the use of a ship for a certain period of time. Freight payment is determined by the volume of cargo delivered to the destination or by the volume of cargo loaded onto the ship.

Freight shipment

Freight shipped under a delivery contract. The following kinds of rail shipment exist: by car, part load, container, piggyback, route and group consignment.

G

Gantry crane

A gantry crane, whose bridge (superstructure) is fixed onto supports that move on rails with concrete foundations. Gantry cranes are usually used to service open (less often covered) warehouses, especially those for single cargos, containers and timber, assemble industrial and civil units, serve hydroelectric power stations, and assist in shipbuilding.

I

Intermodal haulage

The carriage of cargo in one format via several modes of transport, where one of the carriers undertakes to organise the entire carriage of cargo from door to door. This includes delivery to the consignee's warehouse, which can only be carried out by road.

International commercial terms

International commercial terms are international rules acknowledged by government bodies, companies and businessmen throughout the world as an interpretation of the terms most frequently used in international trade.

As a rule, international commercial terms cover the sole rights and obligations of parties under an international purchase and sale agreement relating to the delivery of goods. Each term is a three-letter abbreviation.

Isothermal container (thermos container)

A special container with insulated walls, doors, floor and roof that make it possible to maintain a constant temperature inside when transporting mainly food products.

L

Labelling

Signs, images and other identification marks with which containers are labelled. This helps link a cargo with its carriage documents, distinguishes one freight shipment from another, provides a means for tracking containers and describes safety measures during transportation.

Lead ship

A ship that sails between certain ports. Such ships can hold containers destined for different ports.

Logistics

The process of organising a chain of delivery and managing that chain in the broadest sense. This chain may encompass both deliveries of raw materials needed for production and management of material resources at an enterprise, delivery to warehouses and distribution centres, sorting, handling, and final distribution at the points of consumption. In the context of transportation services, the main service is that of delivering cargo across a delivery route.

Logistics centre

A territorial association of independent companies and organisations engaged in freight (transport agents, consignors, operators and customs bodies) that provides clients with related services (such as storage, maintenance and repair of containers) and has at least one terminal. The principal purpose of logistics centres in container freight logistics is to even out container flows at junctions of two or more modes of transport by grouping together containers travelling on the same route.

M

Memorandum bill

A bill that documents the dispatch and delivery of goods as well as freight haulage. It regulates relationships between consignor, carrier and consignee.

N

Netting (infrastructure service)

Routing of empty cars or containers from their place of unloading to where they will be loaded next.

O

Open-top container

A container loaded through the top that is used for various goods, such as heavy equipment or oversized loads.

Operator

A legal entity or individual entrepreneur owning wagons and containers, or possessing them on any other basis, that participates, pursuant to a contract with a carrier, in the carriage process using the aforementioned cars and containers.

P

Piggyback haulage

Combined carriage by rail and road. In the AIRT system, piggyback carriage is understood to refer to carriage by rail of complete, loaded trailer trains, semi-trailers and detachable motor vehicle bodies.

R

Railway junction

This is usually a large rail point that handles both cargo and passenger trains and is where cars are switched between different trains. A railway junction is a complex of technologically linked marshalling yards, freight and passenger stations with main and crossover roads, bypass routes and feeder lines with passenger depots, engine houses and its own sources of electricity. A railway junction differs from a normal railway station, which performs work obligatory at all stations, such as admission and departure of passengers. A railway junction transfers transit trains from one line to another, transfers cars from one station to another within the junction and between lines within that junction (there are usually at least three lines).

Railway station

A stopping point for trains. Railway stations are called operation points because they divide the track into sections, or station-to-station blocks. Major modern stations house different equipment to help locomotives and cars function normally – engine houses, repair houses, car-washing equipment, and servicing points. Marshalling yards and loading stations equipped with loading and container sites, with weight-handling equipment and warehouses, are also involved in freight haulage.

Reach stacker

A heavy-duty loading machine that is designed for working with small and medium-sized containers and can handle loads of up to 45 tonnes. They can process containers and trailers as well as perform loading and unloading in industrial conditions.

S

Schedule

A schedule is the basis of a smooth train journey. It unites the operations of all railway departments on which freight and passenger deliveries depend. Schedules are used in all countries of the world in which freight trains operate and are created with the help of computers, which are used to control schedule fulfillment.

Stacking

Putting containers on top of each other before hauling or holding.

Stevedore

A company or an individual that loads and unloads ships. It is hired by a ship owner or a freighter.

T

Tank container

A container that consists of two basic elements: one or more tanks and a frame manufactured to ISO 1496-3.

TEU (twenty-foot equivalent unit)

A unit to measure transportation flows, a TEU corresponds to the size of a 20-foot (6.1m) ISO container. A standard 40-foot ISO container equals two TEUs.

3PL (third-party logistics)

This term is used when logistics services are purchased from a third party. A company that provides 3PL services assumes responsibility for all logistics and transportation operations, including interaction with suppliers and purchasing, allowing clients to significantly reduce, or even cease to require, their own logistics capacity.

Through rate

A single inclusive price for the door-to-door transportation and delivery of a container. The price is set for one container and fixed for a certain period upon agreement with a client, if the client undertakes to provide a certain minimum volume of traffic.

Transit

Freight passing from one country to another through a third country. Whether cargo is permitted to transit a certain country and under what terms is subject to trade agreements and treaties between countries. Direct transit is when foreign goods are shipped under tariff protection, without holding at a customs warehouse; indirect transit is when goods arrive at customs warehouses and are then transported abroad.

U

Unified container transport system

Adopted in Russia and several other countries, this system means that cargo shipped in a container travels from sender to receiver via various means of transport with its integrity and security guaranteed. Several conditions must be met for the container transportation system to function. Most importantly, there must be a fleet of containers. Their size and construction must be uniform so they can be shipped in railway vehicles, in trucks and in ships' holds. In addition, they must be compatible for transfer from one means of transport to another and they must have special attachments so that cranes can load them.

Corporate details

Full name:

JSC Centre for cargo container
traffic "TransContainer"

Abbreviated name:

TransContainer

Location:

Russia, 107228, Moscow,
Ulitsa Novoryazanskaya, 12

Postal address:

107174, Moscow,
Ulitsa Kalanchevskaya, 6/2

Date of state registration:

4 March 2006

**Primary state registration
number (OGRN):**

1067746341024

State registration licence issuer:

Moscow Interdistrict Inspectorate
№46 of the Federal Tax Service

**Taxpayer identification
number (INN):**

7708591995

Bank details:

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R/s: 40702810900000007269
K/s: 30101810600000000562
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