

Audit Board's Opinion
Based on the Results of the Audit of JSC TransContainer
Financial and Business Activities in 2010

April 15, 2011

Moscow

I. Introductory Section

In accordance with article 85 of the Federal Law "On Joint Stock Companies", Audit Board's work plan approved by the Decision of the Audit Board of JSC TransContainer (hereinafter, the "Company") (Minutes dated August 06, 2010, No. 1), the Audit Board composed of Chairman O.B. Ivanov, Board Members N.A. Lem, A.N. Chernyavskaya, S.V. Davydov, L.A. Bulgakova, conducted a scheduled audit of financial and business activities for year 2010.

The audit took place from February 15, 2011 to April 15, 2011.

The audit was assisted by outsourced specialists of Zheldorkontrol Center of JSC Russian Railways. Basis for engaging the specialists: minutes of Audit Board dated February 08, 2011 No. 2.

General information on the Company:

Location of the Company: 12 Novoryazanskaya ul., 107228, Moscow.

Postal address: 6/2 Kalanchevskaya ul., 107174, Moscow.

Physical location: 6/2 Kalanchevskaya ul., 107174, Moscow.

Company registration details: JSC TransContainer was established in 2006 and registered with Interdistrict Inspectorate of the Federal Tax Service No. 46 for Moscow on March 04, 2006 under Primary State Registration Number (OGRN) 1067746341024, the Company was issued a certificate of registration in the territory of the Russian Federation with assigning a Taxpayer Identification Number (INN) - 7708591995, with a Tax Registration Reason Code (KPP) - 997650001.

The Company comprises 18 branches and 7 representation offices abroad.

Officers responsible for conducting financial and business activities:

General Director of the Company - Petr Vasilyevich Baskakov;

Chief Accountant of the Company - Konstantin Sergeevich Kalmykov.

The audit of accounting data, financial and business records, accounting and tax statements of the Company was carried out by sampling method.

II. Analytical Section.

1. Budgets Implementation Analysis.

Based on the performance results for 12 months of 2010, the income and expenditure of the Company grew at comparable rates (+4%), on the whole, resulting in achievement of target profitability and additional sales profit of 5%.

Profitability in terms of EBITDA to cleared proceeds was at a target level and amounted to 28%.

The effective profit tax rate deviated from the target in connection with a significant growth of earnings before tax and a deviation of tax profit from accounting profit in excess of the target level, which was mostly due to the fact that the investment program volumes have fallen behind and, as a consequence, a deviation of bonus depreciation.

The net margin turned out to be above the target level and amounted to 1.8%.

The growth of incomes against target values amounted to RUB 910.0 mln or 4% (target - RUB 21.8 bln, actual - RUB 22.7 bln). The increase was mostly due to the outrunning growth of forwarding services by RUB 950.9 mln (8%) and, primarily, the growth of attractiveness of comprehensive services on terms of "through" rate of RUB 1.2 bln (12%).

A significant growth of proceeds from leasing out the fleet of RUB 304.2 mln (63%) was due to the indexation of intermediary container lease rates.

A deviation of operating proceeds for containerized cargo transportation of 4% is connected with the continuing customer churn to the segment of “through” rate transportation. The proceeds from operator activities within the “through” rate services amounted to almost RUB 3.6 bln, which summed up would have provided a substantial over-the-target performance.

The value of proceeds from motor transport services conforms on the whole to the target value. An insignificant deviation (-1%) is determined by customer churn to the segment of “through” rate transportation. The proceeds from motor delivery within the “through” rate services amounted to almost RUB 76.6 mln, which summed up would also have provided the target performance.

The value of proceeds from terminal services conforms on the whole to the target value. An insignificant deviation (-2%) is determined by customer churn to the segment of “through” rate transportation. The proceeds from terminal activities within the “through” rate services amounted to almost RUB 41.9 mln, which summed up would have provided the target performance.

The value of proceeds from agency services also conforms on the whole to the target value.

The structure of other income for 2010 is represented by the following:

- 51.9% - fines and demurrage charges;
- 42.7% - income from other types of activity;
- 5.4% - income from container repairing and manufacturing for third parties.

Based on year 2010 results, the expenditure amounted to +4% of the target level.

Management expenses targets were set without separation from principal activity prime cost.

The main reason for deviation was the 8% (RUB 999 mln) excess in material expenses against the target, which was primarily due to the growth of expenses for payment of co-contractors’ services at the “through rate” (RUB 694 mln) in connection with the outrunning growth of respective operations volumes in the reporting period.

The growth of expenditure under the item “Empty Run and Adjustment” (RUB 317 mln) is connected with the fact that, starting from Quarter Three 2010, the item reflects the expenses for cars storage on the approach lines of the Russian Railways. Besides, as from Quarter Two, the growth of expenditure is connected with the increasing distance of transportation due to switching to the fleet running with ownership rights in the territory of CIS and active use of sea routes.

The deviation of other services of co-contractors is connected with the regrouping of expenses under a number of items based on the actual results of 12 months of 2010, as well as with the increasing cost of freight payments.

The value of other production expenses prevailed at the level of -5% of the target level. The reduction of lease costs was due to the failure to execute a number rolling stock lease agreements which were taken into account in forming the 2010 budget. The deviation of business trip and representation costs from the target values was due to the active engagement of the Company in expanding the international presence, as well as the preparation to IPO.

The value of commercial expenses based on 2010 results has also decreased against the target level (-40%) in connection with the reduction of advertising projects in the reporting period.

2. Analysis of Financial and Business Performance of the Company

The sales proceeds on the whole for the Company in 2010 increased by 39.2% against 2009 and amounted to RUB 22,759.8 mln, including forwarding services - RUB 22,680.7 mln, repair and manufacturing of cars and containers - RUB 4.9 mln, other types of activity - RUB 74.1 mln.

The cost of sales amounted to RUB 20,630.6 mln and increased by RUB 5,145.7 mln (33.2%) against the previous year. Commercial expenses (advertising) reduced by 45.5% and amounted to RUB 48.2 mln. Sales profit amounted to RUB 774.5 mln and increased by RUB

1,306.5 mln (168.7%) against the same period of the previous year.

Earnings before tax amounted to RUB 958.2 mln, net profit amounted to RUB 404.2 mln.

The reporting period witnessed a significant change in the following:

- incomplete construction (increased by 16.82% against the beginning of the reporting period);
- long-term financial investments (increased by 371.55% against the beginning of the reporting period);
- VAT on acquired valuables (increased by 89.94% against the beginning of the reporting period);
- short-term financial investments (increased by 149.79% against the beginning of the reporting period).

As of December 31, 2010, the fixed assets amount to 66.93% of the balance sheet total.

- retained earnings (increased by 8.68% against the beginning of the reporting period)
- long term loans and facilities (increased by 32.75% against the beginning of the reporting period);
- deferred tax liabilities (increased by 34.91% against the beginning of the reporting period);
- accounts payable (increased by 34.10% against the beginning of the reporting period).

The net assets of the Company as of December 31, 2010 amounted RUB 19,131.0 mln.

As of the beginning of 2010, the value of net assets amounted to RUB 18,742.8 mln. The change (increase) amounted to RUB 388.2 mln (2.07%). The net assets of the Company exceed the amount of authorized capital by RUB 5,236.2 mln.

3. Description of Financial Situation of the Company

This analysis of the Company's financial situation is carried out in accordance with the Methodology for Assessment of the Company's Financial Situation for Determining the Credit Rating as approved by Instruction of JSC Russian Railways dated December 14, 2005 No. 2102p.

Calculation of indicators was based on the data of accounting statements as of December 31, 2009 and December 31, 2010.

The Cash Ratio (R1) as of December 31, 2010 amounted to 0.2361. This means that over 23.61% of short-term liabilities of the Company may be immediately covered using available cash and short-term financial investments, i.e. cash assets. In this case, mainly owing to the cash funds constituting 52.65% of cash assets, and the short-term financial investments constituting 47.35% of cash assets.

As of December 31, 2009, the Cash Ratio amounted to 0.1654. The value of the ratio increased by 0.0707 points in a year.

The Acid-Test Ratio (R2) as of December 31, 2010 amounted to 1.3133 points. The ratio reflects that 131.33% of short-term liabilities may be covered using the most liquid portion of the working assets - cash funds, short-term accounts receivable and short-term financial investments. In this case, owing to short-term accounts receivable constituting 82.02%, short-term financial investments constituting 8.51%, and cash funds constituting 9.47% of the most liquid portion of the working assets.

As against year 2009, the indicator decreased by 0.4808 points.

The Current Ratio (R3) as of December 31, 2010 amounted to 1.5768. The ratio shows which portion of short-term debt may be covered by the organization using available cash funds, short-term financial investments, short-term accounts receivable and sales of available inventories.

As of December 31, 2009, the ratio amounted to 2.0616. The value of the ratio decreased by 0.4848 points in a year.

The Financial Independence Ratio (R4) amounted to 0.6209. Thus, the assets of the Company are 62.09% financed by equity capital. In 2009 (as of December 31, 2009) the assets were 67.99% financed by the Company's equity.

The ratio describes dependence of the Company on external loans. The more the value of the ratio is the less loans the Company has, the lower the risk of insolvency and money squeeze in the Company is.

The Sales Profitability (R5) as of December 31, 2010 amounts to 9.3552%. As of December 31, 2009 it amounted to 5.2792%. The Sales Profitability increased against the same period of 2009 by 4.0759%.

The Return on Equity (R6) reflects the efficiency of utilizing the capital invested by the founders (members) of the Company. As of December 31, 2010 it amounts to 2.13%. As of December 31, 2009, the RoE amounted to 0.12%.

The Return on Assets (R7) as of December 31, 2010 amounts to 1.38%. As of December 31, 2009 the Return on Assets amounted to 0.08%. The increase in Return on Assets of the Company is connected with the growth of net profit obtained in the reporting period.

The Receivables Trend (R8) as of December 31, 2010 amounts to (-12.8265%). As of December 31, 2009 the indicator amounted to 20.1770%. The decrease against the same period of 2009 is 33.00%. The negative value of the ratio witnesses the reduction of the amount of accounts receivable of the Company and is a positive factor.

The Payables Trend (R9) as of December 31, 2010 amounts to 34.10%, as of December 31, 2009 the indicator amounted to (-14.07%).

The positive value of the ratio witnesses the increase of the amount of accounts payable of the Company and is a negative factor.

The Receivables/Payables Ratio (R10) as of December 31, 2009 amounted to 1.7041. As of December 31, 2010 the ratio amounts to 1.1078, witnessing an insignificant disbalance of obligations in the Company.

The Receivables and Payables Turnover Ratio (R11) as of the end of the reporting year amounts to 0.81. Receivables turnover is higher than payables turnover by 0.8 times, witnessing a disbalance in the settlement procedures of the Company.

Thus, the Company, based on its financial situation, has a B3 rating, which indicates its satisfactory financial situation.

III. Final Section

This audit has revealed some non-compliances with the regulations of the current laws of the Russian Federation on conducting financial and business activities by the Company in respect of performing business operations on accounting fixed assets, expenses for capital repair thereof, investments into non-current assets, settlements with counterparties, etc., which did not have a significant impact on the reliability of the prepared financial statements of the Company for 2010.

In 2010, the Internal Audit Service (IAS) has scheduled, agreed with the General Director, approved by the Audit Board of the Company 8 audits of financial and business activities of branches, 2 audits in the Container Transportation Center, summarizing of activities for elimination of critical comments of the Audit Board based on the results of the audit of JSC TransContainer financial and business activities in 2009, as well as methodical work.

In accordance with the submitted report, the targets are achieved in full, and also extraordinary audits were conducted to check the correctness of reflection of the costs charges by co-contractors under contracts for forwarding services in the territory of Uzbekistan, Kazakhstan, Kirgizia and other CIS countries for the period from April 01, 2010 to August 30, 2010; two audits in the branches on the Kuybyshev Railways, and Kaliningrad Railways. Assistance was provided to the Audit Board of a joint venture KOO Rail Container.

During year 2010 the results of activities of the Internal Audit Service were considered at eight meetings of the Audit Board of JSC TransContainer.

Based on the audit conducted, the Audit Board confirms reliability of the data contained in the annual financial statements and other financial documents of JSC TransContainer for

2010.

Chairman of the Audit Board

April 15, 2011 (date)	O.B. Ivanov (full name)	(signed) (Signature)
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Officers of the Company

April 15, 2011 (date)	P.V. Baskakov (full name of the Manager)	(signed) (Signature)
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April 15, 2011 (date)	K.S. Kalmykov (full name of the Chief Accountant)	(signed) (Signature)
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