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JSC "TRANSCONTAINER"

Interim Results for the six months ended 30 June 2011

JSC "TransContainer" (together with its consolidated subsidiaries, "TransContainer" or the "Company") (LSE ticker: TRCN) today announces its interim condensed consolidated financial information for the six months period ended 30 June 2011. The Company's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The interim condensed consolidated financial information has been prepared in accordance with International Accounting standard 34 "Interim financial reporting".

Operating and financial review

Summary

TransContainer is the leading intermodal container transportation company in Russia. As of 30 June 2011, the Company owns approximately 60% of the total Russian flatcar fleet and holds an estimated 52% of all rail container transportation in Russia. It owns and operates more than 24,000 flatcars and approximately 60,000 containers. TransContainer also owns a network of rail-side container terminals located at 46 railway stations in Russia, operates one terminal in Slovakia under a long-term lease agreement and controls a leading rail-side terminal operator in Kazakhstan. The Company's sales network comprises approximately 150 sales outlets across Russia as well as a presence in the CIS, Europe and Asia.

The Company's financial results for the six months ended 30 June 2011 reflect the strong recovery in the Russian rail container market, especially when compared to the relatively weak first half of 2010, as well as results of the Company's measures aimed at the improvement of its financial and operational performance, particularly improved management of empty runs. The interim financial results also reflect the consolidation of JSC "Kedentransservice", which has been controlled by the Company since 18 March 2011.

For the six months ended 30 June 2011, the Company's total revenue increased by 38.8% to RUR 13,804 million; adjusted revenue increased by 33.4% to RUR 9,967 million; operating income almost tripled to RUR 2,241 million; and EBITDA grew by 81.3% to RUR 3,448 million. Profit for the reporting period grew more than 7 times from RUR 197 million for the first six months ended 30 June 2010 to RUR 1,417 million for the first six months ended 30 June 2011.

In the first half of 2011 the Company managed to significantly improve its key operational metrics. Rail container transportation volumes increased by 18.3% to 654 thousand TEU; the flatcar empty run ratio decreased from 9.0% in the first half of 2010 to 8.7% in the first half of 2011; the container empty run ratio improved from 39.9% to 35.7% respectively. Flatcar and container turnover also improved: from 14.8 days to 13.0 days and from 22.5 days to 21.9 days respectively.

Outlook

Based on strong operational and financial results of the first half of 2011 and the current market environment, the Company's management expects that the full year results for 2011 will continue to demonstrate positive dynamics.

The Company's management believes that the Russian container transportation market retains the potential for further growth in the medium- and long-term horizon, driven by economic growth, consumer demand and improving containerization ratio. In the near term, the Company taking measures to increase its flexibility to respond to different economic conditions that may arise in 2012. The Company plans to continue to concentrate on improving both financial and operational efficiency, focusing on key operational metrics such as flatcar turnover and empty runs while pursuing a flexible pricing and investment policy.

Key operating results

The Company's rail container transportation volumes for the first six months of 2011 increased by 18.3% to 654 thousand TEU compared to 553 thousand TEU in the first six months of 2010, mainly due to an increase in import and export transportations. Domestic transportation volumes in the first half of 2011 increased by 13.4% to 379 thousand TEU.

Transportation of containers by TransContainer's fleet in 1H 2011 (ISO Loaded + Empty), 000' TEU

	Six months ended 30 June 2010	Six months ended 30 June 2011	Change	
			000' TEU	%
Domestic Routes	334	379	45	13.4%
Export	126	159	33	26.3%
Import	79	104	25	31.6%
Transit	13	12	(2)	(12.8)%
All Routes	**553**	**654**	**101**	**18.3%**

Revenue-generating container transportation (container transportation by the Company's fleet, except transportation of its own empty containers) volumes grew by 15.8% to 253 thousand TEU in the second quarter of 2011 as compared to 218 thousand TEU in the second quarter of 2010; for the first six months of 2011 revenue-generating container transportation volumes increased by 21.2% to 483 thousand TEU as compared to 399 thousand TEU for the same period of 2010.

TransContainer's estimated market share was 52% for the first half of 2011.

Throughput of the Company's rail container terminal network in Russia for the six months of 2011 was 784 thousand TEU, representing an increase of 94 thousand TEU, or 13.7%, compared to the same period of 2010. Throughput of the rail-side terminal network operated by JSC "Kedentransservice" in Kazakhstan increased by more than 30% in terms of container handling and by 18.8% in terms of non-containerised cargo handling respectively. Throughput of Dobra terminal in Slovakia in the six months of 2011 increased 2.75 times to 10.1 thousand TEU as compared with 2.7 thousand TEU a year earlier.

The Company's key asset utilization metrics showed significant improvement in the second quarter of 2011 and for the first six months of 2011:

	Six months ended 30 June 2010	Six months ended 30 June 2011

Turnover of containers, days	22.5	21.9
Turnover of flatcars, days	14.8	13.0
Empty run* for containers, %	39.9%	35.7%
Empty run* for flatcars, %	9.0%	8.7%

* Empty run ratio is calculated as an average empty run in kilometers divided by an average total run in kilometers

Description of Key Interim Condensed Consolidated Statement of Comprehensive Income Items

The following table sets forth the Company's results for the six months ended 30 June 2011 and 2010 respectively.

RUR million	Six months ended 30 June 2011	Six months ended 30 June 2010	Period on period change	Period on period percent change
Revenue	13,804	9,942	3,862	38.8%
Operating expenses, net	(11,563)	(9,160)	(2,403)	26.2%
Operating income	**2,241**	**782**	1,459	186.6%
Interest expense	(379)	(473)	94	(19.9%)
Interest income	20	9	11	122.2%
Foreign exchange (loss) / gain, net	0	(3)	3	(100.0%)
Share of result of associates	(14)	-	(14)	
Profit before income tax	**1,868**	**315**	1,553	493.0%
Income tax expense	(451)	(118)	(333)	282.2%
Profit for the period	**1,417**	**197**	1,220	619.3%
Attributable to:				
Equity holders of the parent	1,394	197	1,197	607.6%
Non-controlling interest	23	-	23	
Other comprehensive income				
Exchange differences on translating foreign operations	(70)	-	(70)	
Total comprehensive income for the period	**1,347**	**197**	1,150	583.8%
Attributable to:				
Equity holders of the parent	**1,346**	**197**	1,149	583.2%
Non-controlling interest	**1**	**0**	1	

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 the Company's 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	Six months ended 30 June 2011	Six months ended 30 June 2010	Period on period change	Period on period percent change
Adjusted Revenue[1]	9,967	7,469	2,498	33.4%
Adjusted Expenses[2], net	(7,726)	(6,687)	(1,039)	15.5%
EBITDA[3]	3,448	1,902	1,546	81.3%
Adjusted EBITDA Margin[4]	34.6%	25.5%	9.1%	

Profit for the period	1,417	197	1,220	619.3%
Net Profit Margin	14.2%	2.6%	11.6%	
Net Debt[5]	7,219	5,735	1,484	25.9%

[1]Adjusted Revenue is calculated as total revenue less third-party charges relating to integrated logistics services

[2] Adjusted Operating Expenses is calculated as operating expenses less third-party charges related to integrated logistics services

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

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

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

Revenue

The following table set forth the breakdown of the total revenue for the six months ended 30 June 2011 and 2010 respectively.

RUR million	Six months ended 30 June 2011	Six months ended 30 June 2010	Period on period change	Period on period percent change
Integrated logistics services	5,680	4,414	1,266	28.7%
Rail-based container shipping services	4,052	3,223	829	25.7%
Terminal services and agency fees	1,463	941	522	55.5%
Truck deliveries	840	685	155	22.6%
Freight forwarding and logistics services	1,489	521	968	185.8%
Bonded warehousing services	197	113	84	74.3%
Other	83	45	38	84.4%
Total revenue	**13,804**	**9,942**	**3,862**	**38.8%**

Total revenue increased by RUR 3,862 million, or 38.8%, from RUR 9,942 for the six months ended 30 June 2010 to RUR 13,804 million for the six months ended 30 June 2011. This increase was primarily due to higher demand for the Company's key services resulting from improving overall economic conditions and consumer confidence. The acquired subsidiary JSC "Kedentransservice" contributed revenue of RUR 456 million to the Company's total revenue for the period from the date of acquisition to 30 June 2011.

The following table sets forth Adjusted Revenue for the six months ended 30 June 2011 and 2010 respectively.

RUR million	Six months ended 30 June 2010	Six months ended 30 June 2009	Period on period change	Period on period percent change
Revenue	13,804	9,942	3,862	38.8%
Less third-party charges relating to integrated logistics services	(3,837)	(2,473)	(1,364)	55.2%
Adjusted Revenue	**9,967**	**7,469**	**2,498**	**33.4%**

Adjusted Revenue (as defined above) grew by 33.4% from RUR 7,469 million for the six months ended 30 June 2010 to RUR 9,967 million for the six months ended 30 June 2011, primarily due to an increase in revenue-generating rail container transportation volumes by the Company's fleet of 21.2%, from 399 thousand twenty-equivalent units (TEU) in the first half of 2010 to 483 thousand TEU in the first half of 2011, and to growth in terminal throughput in Russia of 13.7%, from 689 thousand TEU in the first half of 2010 to 784 thousand TEU in the first half of 2011 and an increase in throughput at terminals operated by JSC "Kedentransservice" by more than 30% in terms of container handling and by 18.8% in terms of handling non-containerised cargo , as well as to a favourable pricing environment and the Company's pricing policy.

The following table set forth the relative contribution of the components of the Adjusted Revenue for the six months ended 30 June 2011 and 2010 respectively.

	Six months ended 30 June 2011		Six months ended 30 June 2010		Period on period change	
	share, %	**RUR mln**	**share, %**	**RUR mln**	**RUR mln**	**%**
Rail-based container transportation	40.7%	4,052	43.2%	3,223	829	25.7%
Integrated logistics services, net of cost of integrated logistics services	18.5%	1,843	26.0%	1,941	(98)	-5.0%
Terminal services and agency fees	14.7%	1,463	12.6%	941	522	55.5%
Truck deliveries	8.4%	840	9.1%	685	155	22.6%
Freight forwarding and logistics services	14.9%	1,489	7.0%	521	968	185.8%
Bonded warehousing services	2.0%	197	1.5%	113	84	74.3%
Other	0.8%	83	0.6%	45	37	82.2%
Adjusted Revenue	**100.00%**	**9,967**	**100.00%**	**7,469**	**2,498**	**33.4%**

In 2011 the Company actively promoted new services, named the Door-to-Rail Logistics Package, comprising a full set of services that stand in the logistics chain between a container's departure from (or arrival to) the rail station and the container being picked up from (or delivered to) the client's door: container handling and storage at the terminal, last mile delivery and freight forwarding and other services. Door-to-Rail Logistics Packages are offered at a single price set for each of the Company's terminals. Third-party expenses associated with these services, such as outsourced truck delivery, are treated as a part of revenues similarly to Integrated Logistics services. For the purposes of the financial reporting these revenues were classified as freight forwarding services while associated costs are classified as a part of integrated logistics services costs. Total revenue from these services are estimated at approximately RUR 1,103 million for the six months ended 30 June 2011 as compared to approximately RUR 183 million for the six months ended 30 June 2010.

As a result of the above, the relative contribution of integrated logistics services, net of third-party charges relating to integrated logistics services, to the Company's Adjusted Revenue decreased from 26.0% for the six months ended 30 June 2010 to 18.5% for the first six months ended 30 June 2011, while the contribution of freight forwarding and logistics services more than doubled from 7.0% to 14.9% respectively. The relative contribution of rail-based container transportation services slightly decreased from 43.2% for the six months ended 30 June 2010 to 40.7% for the six months ended 30 June 2011; the relative contribution of terminal services and agency fees increased from 12.6% to 14.7%; the relative contribution of bonded warehousing grew from 1.5% to 2.0% while the relative contribution of truck deliveries marginally decreased from 9.1% to 8.4%, respectively.

Integrated logistics services

Revenue from integrated logistics services increased by 28.7% from RUR 4,414 million for the six months ended 30 June 2010 to RUR 5,680 million for the six months ended 30 June 2011.

For the purposes of results comparison and analysis, revenue from integrated logistics services and revenue generated by offering of the standard logistics package may be considered as a whole. The following table sets forth reconciliation of these revenue items for the six months ended 30 June 2011 and 2010, respectively

	Six months ended 30 June 2011	Six months ended 30 June 2010	Period on period change	Period on period percent change
Integrated logistics services	5,680	4,414	1,266	28.7%
Door-to-Rail Logistics Package	1,103	183	920	502.7%
Less cost of integrated logistics services	(3,837)	(2,473)	(1,364)	55.2%
Total adjusted logistics services	2,946	2,124	822	38.7%

Revenue from total adjusted logistics services, net of cost of integrated logistics services, as described above, grew by 38.7% from RUR 2,124 million for the six months ended 30 June 2010 to RUR 2,946 million for the six months ended 30 June 2011. This increase was primarily due to growth in container transportation volumes under integrated logistics contracts of 15.5.% from 167 thousand loaded TEU for the six months ended 30 June 2010 to 193 thousand loaded TEU for the six months ended 30 June 2011 and an increase in prices driven by higher customers' demand and the increasing complexity of the services.

Rail-based container transportation services

Revenue from rail-based container transportation increased by 25.7% from RUR 3,223 million for the six months ended 30 June 2010 to RUR 4,052 million for the six months ended 30 June 2011, primarily due to an increase in revenue-generating transportation volumes in terms of TEU under standard rail transportation agreements by 25.2% from 232 thousand TEU for the six months ended 30 June 2010 to 291 thousand TEU for the six months ended 30 June 2011.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by RUR 522 million, or 55.5%, from RUR 941 million for the six months ended 30 June 2010 to RUR 1,463 million for the six months ended 30 June 2011. This increase was primarily due to the consolidation of JSC "Kedentransservice" from 18 March 2011, a leading operator of rail terminals in Kazakhstan, and an increase in terminal throughput of 13.7% from 689 thousand TEU for the six months ended 30 June 2010 to 784 thousand TEU for the six months ended 30 June 2011, as well as due to an increase in prices. Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 21.9% from RUR 740 million to RUR 902 million primarily due to an increase in throughput at Company's terminals across the Russian railway network.

Truck deliveries

Revenue from truck deliveries increased by RUR 155 million, or 22.6%, from RUR 685 million for the six months ended 30 June 2010 to RUR 840 million for the six months ended 30 June 2011. The increase was primarily due to an increase in container transportation volumes by the Company's own truck fleet and the outsourced truck fleet of 14.0% from 227 thousand TEU for the six months ended 30 June 2010 to 316 thousand TEU for the six months ended 30 June 2011, as well as due to a favourable pricing environment.

Freight forwarding and logistics services

Revenue from freight forwarding and logistics services grew dramatically by RUR 968 million, or 185.8%, from RUR 521 million for the six months ended 30 June 2010 to RUR 1,489 million for the six months ended 30 June 2011. The increase was primarily due to the implementation of new services, revenues from which were classified as freight forwarding and logistics ones, as discussed above. Freight forwarding and logistics revenues, net of revenues from the provision of the door-to-rail logistics package , increased by RUR 48 million, or 14.3%, from RUR 338 million for the six months ended 30 June 2010 to RUR 386 million for the six months ended 30 June 2011 in line with an increase in transportation and terminal handling volumes.

Bonded warehousing services

Revenue from bonded warehousing services increased by RUR 84 million, or 74.3%, from RUR 113 million for the six months ended 30 June 2010 to RUR 197 million for the six months ended 30 June 2011, primarily due to an increase in international container transportation and increased demand for bonded warehousing services from our customers.

Operating expenses

The following table set forth a breakdown of the Company's significant operating expenses for the six months ended 30 June 2010 and 2011 respectively.

	Six months ended 30 June 2011			**Six months ended 30 June 2010**		
	RUR mln	Percent of operating expenses	Percent of total revenue	RUR mln	Percent of operating expenses	Percent of total revenue
Cost of integrated logistics services	3,837	33.2%	27.8%	2,473	27.0%	24.9%
Freight and transportation services	2,255	19.5%	16.3%	2,031	22.2%	20.4%
Payroll and related charges	2,137	18.5%	15.5%	1,538	16.8%	15.5%
Depreciation and amortization	1,201	10.4%	8.7%	1,114	12.2%	11.2%
Materials, repair and maintenance	987	8.5%	7.2%	763	8.3%	7.7%
Taxes other than income tax	294	2.5%	2.1%	208	2.3%	2.1%
Rent	173	1.5%	1.3%	274	3.0%	2.8%
Other expenses, net	679	5.9%	4.9%	759	8.3%	7.6%
Total operating expenses, net	**11,563**	**100.0%**	**83.8%**	**9,160**	**100.0%**	**92.1%**

TransContainer's total operating expenses grew by RUR 2,403 million, or 26.2%, from RUR 9,160 million for the six months ended 30 June 2010 to RUR 11,563 million for the six months ended 30 June 2011 primarily due to an increase in cost of integrated logistics services.

As a percentage of total revenue, total operating expenses decreased from 92.1% for the six months ended 30 June 2010 to 83.8% for the six months ended 30 June 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 20.4% the six months ended 30 June 2010 to 16.3% for the six months ended 30 June 2011; depreciation and amortization decreased from 11.2% to 8.7% respectively. As a percentage of the total revenue, cost of integrated logistics services increased from 24.9% for the six months ended 30 June 2010 to 27.8% for the six months ended 30 June 2011, while other expense items either decreased or remained flat.

The following table set forth Adjusted Operating Expenses for the six months ended 30 June 2010 and 2011, respectively.

RUR million	Six months ended 30 June 2011	Six months ended 30 June 2010	Period on period change	Period on period percent change
Total operating expenses, net	11,563	9,160	2,403	26.2%
Cost of integrated logistics services	(3,837)	(2,473)	(1,364)	55.2%
Adjusted operating expenses	**7,726**	**6,687**	**1,039**	**15.5%**

Adjusted operating expenses, as described above, increased by 15.5% from RUR 6,687 million for the six months ended 30 June 2010 to RUR 7,726 million for six months ended 30 June 2011, primarily due to increase in payrolls and related charges as well as to an increase in materials, repair and maintenance.

The following table sets forth a breakdown of Company's significant operating expenses, except for cost of integrated logistics services, as well as their percentage of Adjusted Operating Expenses for the six months ended 30 June 2010 and 2011.

	Six months ended 30 June 2011		**Six months ended 30 June 2010**	
	RUR mln	Percent of Adjusted operating expenses	RUR mln	Percent of Adjusted operating expenses
Freight and transportation services	2,255	29.2%	2,031	30.4%
Payroll and related charges	2,137	27.7%	1,538	23.0%
Depreciation and amortization	1,201	15.5%	1,114	16.7%
Materials, repair and maintenance	987	12.8%	763	11.4%
Taxes other than income tax	294	3.8%	208	3.1%
Rent	173	2.2%	274	4.1%
Other expenses, net	679	8.8%	759	11.4%
Adjusted operating expenses	**7,726**	100.0%	**6,687**	100.0%

Freight and transportation services as a percentage of Adjusted Operating Expenses decreased from 30.4% for the six months ended 30 June 2010 to 29.2% for the six months ended 30 June 2011; rent decreased from 4.1% to 2.2% and net other expenses dropped from 11.4% to 8.8%, while payroll and related charges grew from 23.0% to 27.7% as a result of the developments described below.

Cost of integrated logistics services

Cost of integrated logistics services increased by RUR 1,364 million, or 55.2%, from RUR 2,473 million for the six months ended 30 June 2010 to RUR 3,837 million for the six months ended 30 June 2011, primarily due to an increase in transportation volumes under integrated logistics contracts of 15.5% from 167 thousand loaded TEU for the six months ended 30 June 2010 to 193 thousand loaded TEU for the six months ended 30 June 2011, as well as due to an increase in volumes of subcontractors' services resulting from the growing complexity of logistics chains and changes in regulation of the Company's fleet operations in CIS countries, and due to subcontractors' price increase (primarily Russian Railways tariffs, which grew on average by approximately 5% in the first half of 2011).

Freight and transportation services

Expenses relating to freight and transportation services increased by RUR 224 million, or 11.0%, from RUR 2,031 million for the six months ended 30 June 2010 to RUR 2,255 million for the six months ended 30 June 2011. This increase was primarily due to an increase in rail-based transportation by the Company's own containers from 422 thousand TEU to 451 thousand TEU, or by 6.9%, as well as an increase in tariffs charged for empty runs by Russian Railways, which increased by approximately 5% on average. This increase was partially offset by a decrease in the empty run ratio for containers from 39.9% for the six months ended 30 June 2010 to 35.7% for the six months ended 30 June 2011.

Payroll and related charges

Payroll and related charges increased by RUR 599 million, or 38.9%, from RUR 1,538 million for the six months ended 30 June 2010 to RUR 2,137 million for the six months ended 30 June 2011. This increase primarily resulted from the consolidation of results of JSC “Kedentransservice”, which led to an increase in average number of Group’s employees by 703 people, or 13.7%, from 5,144 in the first half of 2010 to 5,847 in the first half of 2011; from implementation of the share option programme for the Company’s management resulting in recognition of expenses of RUR 89 million for the first six months of 2011, as well as from an increase in average monthly salaries of 25.7% from RUR 31.7 thousand to RUR 40.1 thousand.

Depreciation and amortisation

Depreciation and amortization increased by RUR 87 million, or 7.8%, from RUR 1,114 million for the six months ended 30 June 2010 to RUR 1,201 million for the six months ended 30 June 2011. The increase was primarily due to the acquisition of a subsidiary JSC “Kedentransservice”, including property, plant and equipment in the total amount of RUR 2,336 million, as well as acquisition of new rolling stock during this period.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by RUR 224 million, or 29.4%, from RUR 763 million for the six months ended 30 June 2010 to RUR 987 million for the six months ended 30 June 2011. The increase resulted from the consolidation of JSC “Kedentransservice” and an increase in volume of repairs of flatcars from 9,348 in the first half of 2010 to 11,839 for the six months ended 30 June 2011 and an increase in average repair cost by 13.5% from RUR 42.8 thousand per unit to RUR 48.6 thousand per unit.

Taxes other than income tax

Taxes other than income tax increased by RUR 86 million, or 41.3%, from RUR 208 million for the six months ended 30 June 2010 to RUR 294 million for the six months ended 30 June 2011, primarily due to the acquisition of fixed assets.

Rent

Rent expenses decreased by RUR 101 million, or 36.9%, from RUR 274 million for the six months ended 30 June 2010 to RUR 173 million for the six months ended 30 June 2011, primarily due to the termination of an operational lease contract in respect of 825 flatcars in June 2010 and the termination of lease agreements in respect of certain office premises.

Other expenses

Other expenses are an aggregate of a number of expense items such as consulting expenses, fuel and energy and communication services. Other expenses decreased by RUR 80 million, or 10.5%, from RUR 759 million for the six months ended 30 June 2010 to RUR 679 million for the six months ended 30 June

2011, primarily due to a decrease in charity payments, the absence of losses from termination of financial leases in the reporting period and a decrease in net other expenses.

Operating income

Operating income increased by RUR 1,459 million, or 186.6%, from RUR 782 million for the six months ended 30 June 2010 to RUR 2,241 for the six months ended 30 June 2011, as a result of the factors discussed above.

Interest expense

Interest expense decreased by RUR 94 million, or 19.9%, from RUR 473 million for the six months ended 30 June 2010 to RUR 379 million for the six months ended 30 June 2011 as a result of the Company's measures aimed at optimizing its debt structure and reducing the cost of debt. In particular, in March 2010 the coupon rate of the Company's RUR 3,000 million non-convertible 5-year bond (the "Five-year RUR Bonds, Series 1") was decreased from 16.5% per annum to 9.5% per annum and, as a result of the issuance of a further RUR 3,000 million non-convertible amortizing 5-year bond with a coupon rate of 8.8% per annum, the Company refinanced more expensive bank debt with nominal interest rates ranging from 12.0% to 12.5% and finance lease obligations with effective interest rates at approximately 24.9%. The decrease in interest expense was partially offset by interest charges related to bank loans in of RUR 1,822 million obtained in the first half of 2011 to finance the acquisition of JSC "Kedentransservice".

Interest income

Interest income increased by RUR 11 million, or 122.2%, from RUR 9 million for the six months ended 30 June 2010 to RUR 20 million for the six months ended 30 June 2011 due to an increase in cash balances resulting from an increase in cash flows from operating activities in the first half of 2011.

Profit before income tax

Profit before income tax increased by RUR 1,553 million, or 493.0%, from RUR 315 million for the six months ended 30 June 2010 to RUR 1,868 million for the six months ended 30 June 2011. The increase was due to the factors discussed above.

Income tax expense

Income tax expense increased by RUR 333 million, or 282.2%, from RUR 118 million for the six months ended 30 June 2010 to RUR 451 million for the six months ended 30 June 2011, primarily due to the increase in profit before income tax. The effective tax rate decreased from 37.5% for the six months ended 30 June 2010 to 24.1% for the six months ended 30 June 2011, primarily due to a lower proportion of non-deductible expenses attributed to the profit before income tax.

Profit for the period

As a result of factors discussed above the profit for the period increased by RUR 1,220 million, or 619.3%, from RUR 197 million for the six months ended 30 June 2010 to RUR 1,417 million for the six months ended 30 June 2011. The acquired subsidiary JSC "Kedentransservice" contributed profit of RUR 65 million to the Company's profit for the period from the date of acquisition to 30 June 2011. Taking into account differences arising on translating of foreign operations, the total comprehensive income for the first six months of 2011 was RUR 1,347 million.

Liquidity and Capital Resources

As of 30 June 2011 the Company had cash and cash equivalents of RUR 2,064 million and the Company's current assets exceeded its current liabilities by RUR 1,065 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditures for, among 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 six months ended 30 June 2011, the Company's operations and a majority of its capital expenditures were financed from internally generated cash flows while bank loans were used for the purposes of the financing of acquisition of shares of JSC "Kedentransservice".

Cash flows

The following table sets forth the principal components of the Company's consolidated cash flows for the six months ended 30 June 2010 and 2011:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Net cash provided by operating activities	2,433	1,071
Net cash used in investing activities	(3,139)	(2,127)
Net cash provided by financing activities	1,487	1,280
Net increase in cash and cash equivalents	781	224
Cash and cash equivalents at the end of the period	**2,064**	**662**

Cash flow provided by operating activities

Cash flow provided by operating activities increased by RUR 1,362 million, or 127.2%, from RUR 1,071 million for the six months ended 30 June 2010 to RUR 2,433 million for the six months ended 30 June 2011, primarily due to an increase in operating profit before working capital changes of RUR 1,664 million, up from RUR 1,914 million to RUR 3,620 million resulting from the improving operational and pricing environment. The cash flow provided by operating activities was negatively affected by a decrease in taxes other than income tax resulting mainly from VAT payments and 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 1,012 million, or 47.6%, from RUR 2,127 million for the six months ended 30 June 2010 to RUR 3,139 million for the six months ended 30 June 2011. This increase was primarily due to the acquisition of a 67% stake in JSC "Kedentransservice", net of cash acquired, for RUR 1,536 million. The increase was partially offset by a decrease in capital expenditures by RUR 847 million resulting primarily from a decrease in the purchase of flatcars.

Cash flow provided by financing activities

Cash flow provided by financing activities increased by RUR 207 million, or 16.2%, from RUR 1,280 million for the six months ended 30 June 2010 to RUR 1,487 million for the six months ended 30 June 2011, primarily due to an increase in proceeds from new borrowings.

Capital Expenditures

Capital expenditures decreased by RUR 847 million, or 35.5%, from RUR 2,385 million for the six months ended 30 June 2010 to RUR 1,538 million for the six months ended 30 June 2011, primarily as result of a decrease in the purchase of flatcars. The number of flatcars purchased from manufacturers in the first half of 2010 was 721 units of 80’ flatcars as compared with 183 80’ flatcars purchased in the first half of 2011. This decrease was due to a rescheduling of the flatcar purchases in favour of the second half of 2011. In the first half of 2010 the Company also acquired 825 units of 40’ flatcars for the total amount of RUR 889 million resulting from the termination of an operating lease contract which was classified as capital expenditure. The Company plans to purchase about 1,100 units of 80’ flatcars in total in 2011.

The Company also continued investing in the development and modernization of key terminals, such as Kostarikha and Batareynaya. Other capital expenditure items also included investments in the renovation of the Company’s office buildings and the purchase 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 30 June 2011 the Company’s financial indebtedness consisted of outstanding bonds, bank loans and financial lease obligations in an aggregate principal amount of RUR 9,341 million, as compared to RUR 7,026 million as of 31 December 2010. As of 30 June 2011 the Company’s net debt was RUR 7,219 million.

As of 30 June 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, and a bank loan obtained for the financing of the acquisition of shares of JSC “Kedentransservice”, which is are due to be secured by a pledge over the acquired shares. The majority of the Company’s indebtedness is denominated in Russian Rouble, except indebtedness of JSC “Kedentransservice” which is denominated in Kazakh tenge. All 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 the total amount of RUR 3,000 million with a RUR 1,000 par value. On 13 March 2009 a majority of bondholders requested the redemption of their bonds in accordance with the put option under the bonds. The Company redeemed the bonds and re-issued them on the same day. As at 31 December 2009 the coupon rate for the bonds was 16.5% per annum, with interest being paid semi-annually. On 12 March 2010 the coupon rate for the fifth coupon (and all subsequent coupons) was reduced to 9.5%, in accordance with the terms of the initial bond offering. There are no further put options on the bonds until their maturity in February 2013, and accordingly these bonds as at 30 June 2011 have been classified as long-term borrowings.

RUR bonds series 2

On 10 June 2010 the Company issued non-convertible five-year bonds for the total amount of RUR 3,000 million with a RUR 1,000 par value. The 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 is 8.8% with interest paid semi-annually. The series 2 bonds are required to be redeemed in four equal semi-annual installments during the fourth and the fifth years of their term. As a result, these borrowings are classified as long-term borrowings as at 30 June 2011.

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 with a nominal value of Kazakh Tenge (KZT) 1,000 without any security. As at 30 June 2011 the carrying value of the bonds amounted to RUR 304 million and the amount of accrued interest was RUR 7 million. The weighted average coupon rate for the six-month period ended 30 June 2011 is 8.4% per annum. The bonds will be redeemed on 3 April 2012 and were included as short-term liabilities in the interim condensed consolidated statement of financial position as at the reporting date.

Bank loans and other borrowings

On 18 March 2011 and on 17 June 2011 the Company obtained loans from Alfa Bank for the total principal amount of RUR 1,830 million at an interest rates varying from 9.5% to 9.75% per annum. These loans were obtained to finance the acquisition of JSC "Kedentransservice". The loans mature in seven years and are due to be secured by a pledge over not less than 67% of the ordinary voting shares of JSC "Kedentransservice" owned by the Company. As of 30 June 2011 the respective pledge agreement has not been signed yet. The Group is also required to observe a Debt/EBITDA ratio and a minimum amount of quarterly cash turnover with the OJSC "Alfa Bank". As at 30 June 2011 the Group is in compliance with the covenants.

On 23 May 2011 the Company obtained borrowed funds from LLC TrustUnion AM for the principal amount of RUR 514 million at an interest rate of 9.5% per annum to finance the acquisition of Company's ordinary shares in order to carry out a share option plan for the Company's management. The loan matures in five years.

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 the Company's working capital as of 30 June 2011 and 31 December 2010

	30 June 2011	31 December 2010
CURRENT ASSETS		
Inventory	201	179
Trade and other receivables	1,658	1,331
Prepayments and other current assets	2,779	2,857
Prepaid income tax	223	115
Short-term investments	58	-
Cash and cash equivalents	2,064	1,291
	6,983	**5,773**
Non-current assets classified as held for sale	15	0
Total current assets	**6,998**	**5,773**
CURRENT LIABILITIES		
Trade and other payables	3,720	3,965
Income tax payable	161	77
Taxes other than income tax payable	483	741
Provisions	32	34
Finance lease obligations, current maturities	455	545
Dividends payable	40	-
Accrued and other current liabilities	595	248
Deferred income	24	37
Current portion of long-term debt	423	113
Total current liabilities	**5,933**	**5,760**
WORKING CAPITAL	**1,065**	**13**

Working capital increased by RUR 1,052 million from RUR 13 million as of 31 December 2010 to RUR 1,065 million as of 30 June 2011 primarily due to an increase in short-term investments and cash and cash equivalents resulting from an increase in cash flow from operations.

Downloads

Interim condensed consolidated financial information for the six-month period ended 30 June 2011 is available via the National Storage Mechanism at: http://www.hemscott.com/nsm.do or at the Company's website: http://www.trcont.ru/?id=279&L=1