For immediate release

OJSC TRANSCONTAINER

Interim Unaudited Results for the nine months ended 30 September 2011

OJSC TransContainer (together with its consolidated subsidiaries, "TransContainer" or the "Company") (LSE ticker: TRCN) today announces its interim unaudited condensed consolidated financial information for the nine month period ended 30 September 2011 (the "reporting period"). 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 September 2011, the Company owns approximately 60% of the total Russian flatcar fleet and holds an estimated 51% of all rail container transportation in Russia. It owns and operates more than 24,000 flatcars and approximately 60,000 containers as well as owning a network of rail-side container terminals located at 46 railway stations in Russia. TransContainer also 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 reporting period reflect the strong recovery in the Russian rail container market resulting in better operational and pricing environments, as well as 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 reporting period, the Company's total revenue increased by 33.4% to RUR 21,971 million; adjusted revenue also increased by 33.4% to RUR 16,088 million; operating income almost tripled and EBITDA doubled to RUR 4,392 million and to RUR 6,392 million respectively. Profit for the reporting period grew more than 4 times to RUR 2,992 million.

In the first nine months of 2011 the Company managed to improve its key operational metrics significantly. Rail container transportation volumes increased by 15.0% to 1 million TEU and the container empty run ratio improved from 39.9% to 34.4%. Flatcar turnover also improved from 14.4 days to 13.0 days.

Outlook

Based on strong operational and financial results for the first nine months of 2011 and the market environment in the fourth quarter of 2011, the Company's management is confident about strong full year results. Due to the global economic environment market prospects remain rather uncertain for 2012. Under current economic conditions the Company's management pays special attention to lead economic indicators, such as rail freight turnover, and continues to work on improving both financial and operational efficiency. In 2012 the Company will also pursue a flexible pricing and investment policy depending on market situation.

The Company's management believes that in the longer run the Russian container transportation market retains the potential for the sustainable growth, driven by economic development, consumer demand and improving containerization ratio.

Key operating results

The Company's rail container transportation volumes for the reporting period increased by 15.0% to 1 000 thousand TEU compared to 869 thousand TEU in the first nine months of 2010, mainly due to an increase in import and export transportation. Domestic transportation volumes rose by 10.2% to 575 thousand TEU.

Transportation of containers by TransContainer's fleet for the 9M 2011 and 2010
(ISO Loaded + Empty), 000' TEU

	Nine months ended 30 September 2010	Nine months ended 30 September 2011	Change	
			000' TEU	%
Domestic Routes	522	575	53	+10.2%
Export	192	244	52	+27.1%
Import	134	161	27	+20.3%
Transit	21	19	2	-8.1%
All Routes	**869**	**1 000**	**131**	**+15.0%**

For the reporting period revenue-generating container transportation volumes increased by 18.3% to 744 thousand TEU as compared to 629 thousand TEU for the same period of 2010. TransContainer's estimated market share decreased slightly to 51.3% for the nine months ended 30 September 2011.

Company's terminal handling volumes in Russia amounted to 1,177 thousand TEU for the reporting period, representing an increase of 75 thousand TEU, or 6.8%, compared to the same period of 2010.

The Company's key asset utilization metrics showed significant improvement for the first nine months of 2011:

	Nine months ended 30 September 2010	Nine months ended 30 September 2011
Turnover of containers, days	21,9	21,9
Turnover of flatcars, days	14,4	13,0
Empty run* for containers, %	39,9%	34,4%
Empty run* for flatcars, %	9,2%	8,6%

* 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 nine months ended 30 September 2011 and 2010 respectively.

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period percent change
Revenue	21,971	16,475	5,496	33.4%
Operating expenses, net	(17,579)	(15,001)	(2,578)	17.2%
Operating income	**4,392**	**1,474**	**2,918**	**198.0%**
Interest expense	(576)	(666)	90	(13.5%)
Interest income	33	12	21	175.0%
Foreign exchange (loss) / gain, net	95	9	86	955.6%
Share of result of associates	(24)	-		
Profit before income tax	**3,920**	**829**	**3,091**	**372.9%**
Income tax expense	(928)	(277)	(651)	235.0%
Profit for the period	**2,992**	**552**	**2,440**	**442.0%**
Attributable to:				
Equity holders of the parent	2,955	552	2403	435.3%
Non-controlling interest	37	-		
Other comprehensive income				
Exchange differences on translating foreign operations	245	9	236	2622.2%
Total comprehensive income for the period				
Attributable to:	**3,237**	**561**	**2,676**	**477.0%**
Equity holders of the parent	3,120	561	2559	456.1%
Non-controlling interest	117			

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	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period percent change
Adjusted Revenue[1]	16,088	12,061	4,027	33.4%
Adjusted Expenses[2], net	(11,696)	(10,587)	(1,109)	10.5%
EBITDA[3]	6,392	3,175	3,217	101,3%
Adjusted EBITDA Margin[4]	39.7%	26.3%	13.4%	
Profit for the period	2,992	552	2,440	442.0%
Net Profit Margin	18.6%	4.6%	14.0%	

[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 amortization

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

Revenue

The following table sets forth the breakdown of the total revenue for the nine months ended 30 September 2011 and 2010 respectively.

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period percent change
Integrated freight forwarding and logistics services	10,343	7,992	2,351	29.4%
Rail-based container shipping services	6,669	5,083	1,586	31.2%
Terminal services and agency fees	2,366	1,483	883	59.5%
Truck deliveries	1,269	1,114	155	13.9%
Freight forwarding and logistics services	873	548	325	59.3%
Bonded warehousing services	310	192	118	61.5%
Other	141	63	78	123.8%
Total revenue	21,971	16,475	5,496	33.4%

Total revenue increased by 33.4% to RUR 21,971 million for the reporting period. This increase was primarily due to higher demand for the Company's key services resulting in improving transportation volumes and a better pricing environment. The acquired subsidiary JSC Kedentransservice contributed revenue of RUR 901 million to the Company's total revenue for the period from the date of acquisition to 30 September 2011.

Adjusted Revenue

The following table sets forth Adjusted Revenue for the nine months ended 30 September 2011 and 2010 respectively:

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period pct change
Revenue	21,971	16,475	5,496	33.4%
Less Cost of integrated freight forwarding and logistics services	(5,883)	(4,414)	(1,469)	33.3%
Adjusted Revenue	**16,088**	**12,061**	**4,027**	**33.4%**

Adjusted Revenue (as defined above) grew by 33.4% to RUR 16,088 million for the reporting period, primarily due to a 18.3% increase in revenue-generating rail container transportation volumes by the Company's fleet, to 744 thousand twenty-equivalent units (TEU) in the reporting period from 629 thousand TEU in the same period of 2010; due to a 6.8%, growth in terminal throughput in Russia to 1,177 thousand TEU for the reporting period from 1,102 thousand TEU for the same period of 2010; due to a 13.0% increase in handling volumes of non-containerised cargo at terminals operated by JSC Kedentransservice , as well as to a favourable pricing environment.

The following table sets forth the breakdown of the Adjusted Revenue for the nine months ended 30 September 2011 and 2010 respectively.

	Nine months ended 30 September 2011		Nine months ended 30 September 2010		Period on period change	
	RUR mln	share, %	RUR mln	share, %	RUR mln	%
Rail-based container transportation	6,669	41.5%	5,083	42.1%	1,586	31.2%
Adjusted Integrated freight forwarding and logistics services	4,460	27.7%	3,578	29.7%	882	24.7%
Terminal services and agency fees	2,366	14.7%	1,483	12.3%	883	59.5%
Truck deliveries	1,269	7.9%	1,114	9.2%	155	13.9%
Other freight forwarding and logistics services	873	5.4%	548	4.5%	325	59.3%
Bonded warehousing services	310	1.9%	192	1.6%	118	61.5%
Other	141	0.9%	63	0.5%	78	123.8%
Adjusted Revenue	**16,088**	**100.0%**	**12,061**	**100.0%**	**4,027**	**33.4%**

During the reporting period, the structure of the Adjusted Revenue remained relatively stable. The share of integrated freight forwarding and logistics services, net of third-party charges decreased to 27.7% for the reporting period from 29.7% for the same period of 2010. Rail-based container transportation services remain the biggest component of the Adjusted Revenue, representing 41.5% of the Adjusted Revenue; share of terminal services increased from 12.3% to 14.7%, mainly due to the consolidation of JSC Kedentransservice; the relative contribution of value-added services such as freight forwarding and logistics services and bonded warehousing services has also increased.

Integrated freight forwarding and logistics services

For the purposes of the financial reporting, starting from this report and going forward, all the freight forwarding and logistic services of integrated nature, including services provided under through-rate contracts and compound rate contracts (including Door-to-Rail package) are treated as Integrated freight forwarding and logistics services. This revenue item contains value of third-party services associated with all the integrated services listed above. The total value of such third-party services is accounted for as Cost of integrated freight forwarding and logistics services.

Revenue from integrated freight forwarding and logistics services increased by 29.4% to RUR 10,343 million for the reporting period .

The following table sets forth Adjusted Integrated freight forwarding and logistics services calculation for the nine months ended 30 September 2011 and 2010 respectively.

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period pct change
Integrated freight forwarding and logistics services	10,343	7,992	2,351	29.4%
Less Cost of integrated freight forwarding and logistics services	(5,883)	(4,414)	(1,469)	33.3%
Adjusted Integrated freight forwarding and logistics services	4,460	3,578	882	24.7%

Revenue from Adjusted integrated freight forwarding and logistics services grew by 24.7% to RUR 4,460 million for the reporting period. This increase was primarily due to growth in container transportation volumes under integrated logistics contracts of 14.4% to 303 thousand loaded TEU for the reporting period from 264 thousand loaded TEU for the same period of 2010 and also due to 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 31.2% to RUR 6,669 million for the reporting period, primarily due to an increase in revenue-generating transportation volumes under standard rail transportation agreements by 21.2% to 441 thousand TEU for the reporting period from 364 thousand TEU for the same period of 2010 as well as due to flexible pricing policy pursued by the Company.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by 59.5 to RUR 2,366 million for the reporting period. 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 were an increase in throughput of the Company's terminals in Russia by 6.8% to 1,177 thousand TEU for the reporting period from 1,102 thousand TEU for the same period of 2010, and also an increase in prices.

The Company's Russian terminal network throughput dynamics were a result of an increase in ISO terminal handling volumes by 17.3% from 874 thousand TEU to 1,025 thousand TEU was partially offset by a decrease in terminal handling of MDCs by 33.2%, to 153 thousand TEU for the reporting period from 228 thousand TEU for the same period of 2010.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 15.3% from RUR 1,183 million to RUR 1,364 million primarily due to an increase in throughput at the Company's terminals across the Russian railway network.

Truck deliveries

Revenue from truck deliveries increased by 13.9%, to RUR 1,269 million for the reporting period. The increase was primarily due to growth in container transportation volumes both by the Company's own truck fleet and by the outsourced truck fleet by 12.9% to 491 thousand TEU for the reporting period from 435 thousand TEU for the same period of 2010.

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 59.3% to RUR 873 million for the reporting period. The increase was primarily due to an increase in transportation and terminal handling volumes as well as higher customer demand for ancillary value-added services.

Bonded warehousing services

Revenue from bonded warehousing services increased by 61.5% to RUR 310 million for the reporting period, primarily due to an increase in international container transportation by the Company's rolling stock of 22.3% 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 nine months ended 30 September 2010 and 2011 respectively.

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period percent change
Cost of integrated freight forwarding and logistics services	5,883	4,414	1,469	33.3%
Freight and transportation services	3,469	3,362	107	3.2%
Payroll and related charges	3,029	2,295	734	32.0%
Depreciation and amortization	1,896	1,680	216	12.9%
Materials, repair and maintenance	1,610	1,383	227	16.4%
Taxes other than income tax	683	389	294	75.6%
Rent	281	382	(101)	(26.4%)
Other expenses, net	728	1,096	(368)	(33.6%)
Operating expenses, net	**17,579**	**15,001**	2,578	17.2%

TransContainer's total Operating expenses grew by 17.2%, to RUR 17,579 million for the reporting period primarily due to an increase in cost of integrated freight forwarding and logistics services as well as payrolls and related charges.

The following table sets out a breakdown of the Company's operating expenses as a percentage of operating expenses and a percentage of total revenue for the nine months ended 30 September 2010 and 2011 respectively.

	Nine months ended 30 September 2011			Nine months ended 30 September 2010		
	RUR mln	Percent of operating expenses	Percent of total revenue	RUR mln	Percent of operating expenses	Percent of total revenue
Cost of integrated freight forwarding and logistics services	5,883	33.5%	26.8%	4,414	29.4%	26.8%
Freight and transportation services	3,469	19.7%	15.8%	3,362	22.4%	20.4%
Payroll and related charges	3,029	17.2%	13.8%	2,295	15.3%	13.9%
Depreciation and amortization	1,896	10.8%	8.6%	1,680	11.2%	10.2%
Materials, repair and maintenance	1,610	9.2%	7.3%	1,383	9.2%	8.4%
Taxes other than income tax	683	3.9%	3.1%	389	2.6%	2.4%
Rent	281	1.6%	1.3%	382	2.5%	2.3%
Other expenses, net	728	4.1%	3.3%	1096	7.3%	6.7%
Operating expenses, net	**17,579**	**100.0%**	**80.0%**	**15,001**	**100.0%**	**91.1%**

As a percentage of total revenue, total operating expenses decreased from 91.1% for the nine months ended 30 September 2010 to 80.0% for the nine months ended 30 September 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% for the nine months ended 30 September 2010 to 15.8% for the nine months ended 30 September 2011; whilst depreciation and amortization decreased from 11.2% to 8.6% respectively. As a percentage of total revenue, the cost of integrated freight forwarding and logistics services remained unchanged at 26.8%. Taxes other than income tax as a percentage of total revenue increased from 2.4% to 3.1% 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 33.3%, to RUR 5,883 million for the reporting period, primarily due to a 14.4% increase in cargo transportation volumes under integrated logistics contracts to 303 thousand TEU for the reporting period from 264 thousand TEU for the same period of 2010; due to growing complexity of logistics chains and resulting increase in volumes of subcontractors' services; due to changes in regulation of the Company's fleet operations in CIS countries; due to subcontractors' price increase (primarily Russian Railways tariffs).

Adjusted operating expenses

The following table sets forth Adjusted Operating Expenses for the nine months ended 30 September 2010 and 2011, respectively.

RUR million	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Period on period change	Period on period percent change
Operating expenses, net	17.579	15,001	2,578	17.2%
Less Cost of integrated freight forwarding and logistics services	(5,883)	(4,414)	(1,469)	33.3%
Adjusted operating expenses	**11,696**	**10,578**	**1,109**	**10.5%**

The following table sets forth a breakdown of Company's Adjusted operating expenses, as defined above, for the nine months ended 30 September 2010 and 2011.

	Nine months ended 30 September 2011		Nine months ended 30 September 2010		Period on period change	
	RUR mln	Strucutre, %	RUR mln	Strucutre, %	RUR mln	%
Freight and transportation services	3,469	29.7%	3,362	31.8%	107	3.2%
Payroll and related charges	3,029	25.9%	2,295	21.7%	734	32.0%
Depreciation and amortization	1,896	16.2%	1,680	15.9%	216	12.9%
Materials, repair and maintenance	1,610	13.8%	1,383	13.1%	227	16.4%
Taxes other than income tax	683	5.8%	389	3.7%	294	75.6%
Rent	281	2.4%	382	3.6%	(101)	(26.4%)
Other expenses,net	728	6.2%	1096	10.4%	(368)	(33.6%)
Adjusted operating expenses	**11,696**	**100.0%**	**10,587**	**100.0%**	**1,109**	**10.5%**

Adjusted operating expenses increased by 10.5% to RUR 11,696 million for reporting period, primarily due to an increase in payrolls and related charges, as well as an increase in taxes other than income tax.

Share of Freight and transportation services in Adjusted operating expenses decreased to 29.7% for the reporting period from 31.8% for the same period of 2010; respectively rent decreased from 3.6% to 2.4% and net other expenses dropped from 10.4% to 6.2%, while payroll and related charges grew from 21.7% to 25.9% and taxes other than income tax grew from 3.7% to 5.8% as a result of the factors described below.

Freight and transportation services

Expenses relating to freight and transportation services increased by just RUR 107 million, or 3.2%, to RUR 3,469 million for the reporting period. This increase was primarily due to an increase in rail-based transportation by the Company's own containers from 658 thousand TEU to 690 thousand TEU, or by 4.9%, 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 Company's containers to 34.4% for the reporting period from 39.9% for the same period of 2010.

Payroll and related charges

Payroll and related charges increased by 32.0% to RUR 3,029 million for the reporting period. This increase primarily resulted from the consolidation of JSC Kedentransservice, which led to an increase in the number of the Group's employees. Other drivers were the implementation of the share option programme for the Company's management resulting in recognition of expenses of RUR 118.4 million for the reporting period; an increase in average monthly salaries in JSC TransContainer of 25.5% from RUR 33.8 thousand to RUR 42.4 thousand associated with salaries indexing and an increase in performance-linked payments to employees.

Depreciation and amortisation

Depreciation and amortization increased by 12.9%, to RUR 1,896 million for the reporting period. 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 the acquisition of new rolling stock during this period.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 16.4%, to RUR 1,610 million for the reporting period. The increase resulted from the consolidation of JSC Kedentransservice, an increase in the volume of repairs of flatcars to 17,911 for the reporting period from 14,744 during the same period of 2010 and also from increase in average repair cost by 6.7% from RUR 48.7 thousand per unit to RUR 52.0 thousand per unit.

Taxes other than income tax

Taxes other than income tax increased by 75.6 to RUR 683 million for the reporting period, primarily due to payments of property tax associated with the acquisition of rolling stock and other fixed assets.

Rent

Rent expenses decreased by 26.4 to RUR 281 million for the reporting period, primarily due to termination of an operational lease contract in respect of 825 flatcars in June 2010 and due to termination of lease agreements in respect of certain office premises.

Other expenses

Other expenses are an aggregate of expense items such as consulting expenses, fuel and energy, communication services, charity, provisions for impairment etc. Other expenses decreased by 33.6% to RUR 728 million for the reporting period, primarily due to a decrease in charity payments, due to an increase in gain from disposal of property, plant and equipment and due to a decrease in net other expenses.

Operating income

Operating income increased by RUR 2,918 million, or 198.0%, from RUR 1,474 million for the nine months ended 30 September 2010 to RUR 4,392 for the reporting period , as a result of the factors discussed above.

Interest expense

Interest expense decreased by 13.5% to RUR 576 million for the reporting period as a result of the Company's measures aimed at optimizing its debt structure and reducing the cost of debt. In particular, the coupon rate of the Company's RUR 3,000 million non-convertible 5-year bond (the TransContainer Bonds Series 1) was reduced in March 2010 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 TransContainer Bonds Series 2), 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 of approximately 24.9%. The decrease in interest expense was partially offset by interest charges related to bank loans 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 21 million, or 175.0% to RUR 33 million for the reporting period due to an increase in cash balances on bank deposits resulting from an increase in cash inflows from operating activities in 2011.

Profit before income tax

Profit before income tax increased by RUR 3,091 million, or 372.9%, to RUR 3,920 million for the reporting period. The increase was due to the factors discussed above.

Income tax expense

Income tax expense increased by RUR 651 million, or 235.0% to RUR 928 million for the reporting period, primarily due to the increase in profit before income tax. The effective tax rate decreased to 23.7% for the for the reporting period from 33.4% for the same period of 2010, 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 2,440 million, or 442.0% to RUR 2,992 million for the reporting period, from RUR 552 million for the same period of 2010. The acquired subsidiary JSC Kedentransservice contributed profit of RUR 102 million to the Company's profit for the period from the date of acquisition to 30 September 2011. Taking into account the differences arising on translating of foreign operations, the total comprehensive income for the reporting period was RUR 3,237 million.

Liquidity and Capital Resources

As of 30 September 2011, the Company had cash and cash equivalents of RUR 3,495 million and the Company's current assets exceeded its current liabilities by RUR 2,492 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 reporting period, 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 financing the 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 nine months ended 30 September 2010 and 2011:

	Nine months ended 30 September 2011	**Nine months ended 30 September 2010**
Net cash provided by operating activities	4,510	2,241
Net cash used in investing activities	(3,732)	(3,017)
Net cash provided by financing activities	1,372	949
Net increase in cash and cash equivalents	2,150	173
Cash and cash equivalents at the end of the period	**3,495**	**626**

Cash flow provided by operating activities

Cash flow provided by operating activities increased by RUR 2,269 million, or 101.2%, to RUR 4,510 million for the reporting period from RUR 2,241 million for the same period of 2010, primarily due to a RUR 3,186 million increase in operating profit before working capital changes of, up to RUR 6,314 million for the reporting period from RUR 3,128 million for the same period of 2010. This increase was due to the improving operational and pricing environments. The cash flow provided by operating activities was negatively affected by (i) an increase in trade and other receivable due to an increase in VAT receivable$ (ii) a decrease in liabilities on taxes other than income tax payable resulting mainly from VAT payments and (iii) 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 715 million, or 23.7%, to RUR 3,732 million for the reporting period from RUR 3,017 million for the same period of 2010. This increase was primarily due to the acquisition of a 67% stake in JSC Kedentransservice net of cash acquired, in the amount of RUR 1,550 million. The above factor was partially offset by a decrease in capital expenditures by RUR 687 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 423 million, or 44.6%, to RUR 1,372 million for the reporting period from RUR 949 million for the same period of 2010, primarily due to an increase in net proceeds from new borrowings partially offset by the acquisition of treasury shares and higher dividend payments in 2011.

Capital Expenditures

Capital expenditures decreased by RUR 687 million, or 21.0%, to RUR 2,588 million for the reporting period from RUR 3,275 million for the same period of 2010, primarily as a result of a decrease in the purchase of flatcars. The number of flatcars purchased from manufacturers for the reporting period was 600 units of 80-foot flatcars, as compared to 1,209 units of 80-foot flatcars purchased during the same period of 2010. 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 purchased 825 units of 40-foot flatcars for the total amount of RUR 889 million as a result of the termination of an operating lease contract which was classified as capital expenditure. The Company plans to purchase up to 1,000 units of 80-foot flatcars in 2011.

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

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 September 2011, the Company's financial indebtedness consisted of outstanding bonds, bank loans and financial lease obligations in an aggregate principal amount of RUR 9,295 million, as compared to RUR 7,026 million as of 31 December 2010. As of 30 September 2011, the Company's net debt was RUR 5,714 million[1].

As of 30 September 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 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 terms of the initial bond offering. There are no further put options on the bonds until their maturity in February 2013, and accordingly, as at 30 September 2011, these bonds have been classified as long-term borrowings.

The carrying value of the bonds as at 30 September 2011 amounted to RUR 3,024 million (RUR 3,095 million at 31 December 2010). Accrued interest was RUR 24 million (RUR 95 million at 31 December 2010), and has been classified as the current portion of long-term debt in the interim condensed consolidated statement of financial position.

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 September 2011.

The carrying value of the bonds as at 30 September 2011 amounted to RUR 3,057 million (RUR 2,994 million at 31 December 2010). Accrued interest of RUR 79 million (RUR 18 million at 31 December 2010),

[1] 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

has been classified as the current portion of long-term debt in the interim condensed consolidated statement of financial position.

Kazakh Tenge-denominated bonds

As a result of acquisition of the subsidiary, JSC Kedentransservice, the Company accepted obligations on bond issue made on 3 March 2006. The issue amounted to 1,694,320 unsecured coupon bearing bonds with a par value of Kazakh Tenge (KZT) 1,000. As at 30 September 2011, the carrying value of the bonds amounted to RUR 344 million and the accrued interest was RUR 27 million. The weighted average coupon rate for the nine-month period ended 30 September 2011 was 8.4% per annum. The bonds will be redeemed on 3 April 2012 and are classified 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 interest rates varying from 9.5% to 9.75% per annum. 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 at 30 September 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 the Company's ordinary shares in order to carry out a share option plan for the Company's management. The loan has a five year maturity.

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 September 2011 and 31 December 2010

	30 September 2011	**31 December 2010**
CURRENT ASSETS		
Inventory	221	179
Trade and other receivables	1,995	1,331
Prepayments and other current assets	3,073	2,857
Prepaid income tax	273	115
Short-term investments	86	
Cash and cash equivalents	3,495	1,291
Total current assets	**9,143**	**5,773**
CURRENT LIABILITIES		
Trade and other payables	4,458	3,965
Income tax payable	289	77
Taxes other than income tax payable	424	741
Provisions	32	34
Finance lease obligations, current maturities	521	545
Dividends payable	18	-

Accrued and other current liabilities	437	248
Deferred income	19	37
Current portion of long-term debt	453	113
Total current liabilities	**6,651**	**5,760**
WORKING CAPITAL	**2,492**	**13**

Working capital increased by RUR 2,479 million from RUR 13 million as of 31 December 2010 to RUR 2,492 million as of 30 September 2011 primarily due to an increase in short-term investments and cash and cash equivalents in the total amount of RUR 2,290 million. This increase resulted from an increase in cash flow from operations.

Downloads

Interim condensed consolidated financial information for the nine-month period ended 30 September 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

17 January 2012

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