OJSC TRANSCONTAINER

Interim 1Q2012 Financial Results Announcement

JSC "TransContainer" (the "Company" together with its consolidated subsidiaries) presents its management report together with the unaudited interim condensed consolidated financial information for the three month period ended 31 March 2012. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Operating and financial review

Summary

JSC "TransContainer" is the leading intermodal container transportation company in Russia. As of 31 March 2012 the Company is estimated to own about 58% of Russia's flatcar fleet and holds approximately 50% of all rail container transportation in Russia. It owns and operates more than 24,500 flatcars and approximately 60,000 containers. TransContainer also owns a network of rail-side container terminals located at 46 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. It also operates 18 inland rail-side terminals in Kazakhstan via its subsidiary Kedentransservice. The Company's sales network is comprised of approximately 150 sales outlets across Russia and has its presence in the CIS, Europe and Asia.

The Company's financial results for the three month period ended 31 March 2012 reflect the continuing growth in rail container traffic in Russia, as well as the Company's efforts aimed at improving efficiency.

The Company's rail container transportation volumes for the three month period ended 31 March 2012 increased by 10.7% to 347 thousand TEU compared to 313 thousand TEU in the same period of 2011; revenue-generating transportation[1] volumes increased by 12.5% to 260 thousand TEU.

In the three month period ended 31 March 2012, the Company significantly improved its flatcar empty run ratio to 6.8% from 8.9% for the same period of 2011, flatcar turnover remained flat. Container empty run ratio and turnover period grew to 23.1 days and 39.3% respectively from 22.4 days and 36.1% respectively for the same period of 2011, due to a one-off relocation of the Company's fleet in January 2012.

In the three month period ended 31 March 2012, the Company's total revenue increased by 33.3% to RUR 8,534 million; adjusted revenue increased by 46.5% to RUR 6,453 million; operating income increased by 96.7% to RUR 1,851 million; and EBITDA grew by 61.5% to RUR 2,434 million. Profit for the period increased 2.1 times from RUR 586 million for the three month period ended 31 March 2011 to RUR 1,202 million for the three month period ended 31 March 2012. Total comprehensive income for the period grew by 69.3% from RUR 557 million for the three month period ended 31 March 2011 to RUR 943 million for the three month period ended 31 March 2012.

As of 31 March 2012, the Company's financial position was strong. With total debt being RUR 9,188 million, the Net Debt/EBITDA ratio was only 0.49 as of 31 March 2012.

Capital expenditure for the three month period ended 31 March 2012 decreased by 2.8% year on year to RUR 601 million and was primarily focused on modernization of the Company's flatcar fleet and improvement in the fleet structure through the purchase of new 80' flatcars. In accordance with the Company's policy, capital expenditures in the three month period ended 31 March 2012 were financed by internally generated cash flow.

Outlook

Despite increasing uncertainty with regard to global economy prospects, the Russian container market environment remains rather supportive for the Company's business. The Company's management expects the market growth to continue in the second half of 2012, subject to external economic shocks. The

[1] transportation of clients' containers and own loaded containers

Company’s management pays special attention to lead economic indicators, such as rail freight turnover, and continues to focus on improving both financial and operational efficiency. In 2012 the Company will also pursue a flexible pricing and investment policy depending on the market situation.

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

Key operating results

The Company’s rail container transportation volumes for the three month period ended 31 March 2012 increased by 10.7% to 347 thousand TEU compared to 313 thousand TEU for the same period in 2011. This was mainly due to an increase in volumes of export and transit transportation which grew by 17.4% and 4 times respectively, while import transportation volume decreased by 8.4%. A decrease in import transportation volume, which is the most competitive segment of the market, was mainly driven by the Company’s 6% price hike undertaken in December 2011 to boost its financial results.

Transportation of containers by TransContainer's fleet in 1Q 2012 (ISO Loaded + Empty), 000’ TEU

	1Q 2012	**1Q 2011**	**Change**	
			000’ TEU	**Percent**
Domestic Routes	186.8	179.1	+7.7	+4.3%
Export	90.6	77.2	+13.4	+17.4%
Import	47.2	51.5	-4.3	-8.4%
Transit	22.2	5.5	+16.7	+304.7%
All Routes	**346.8**	**313.3**	**+33.5**	**+10.7%**

The Company’s revenue-generating container transportation* volumes for the three month period ended 31 March 2012 grew by 12.5% to 260 thousand TEU in the first quarter of 2012 from 231 thousand TEU in the first quarter of 2011.

TransContainer’s estimated share of Russia’s rail container transportation decreased to 50% in 1Q 2012 as compared to the full year 2011 estimate of 51%.

Terminal handling

Throughput of the Company’s rail container terminal network in Russia in the three month period ended 31 March 2012 dropped by 9.1% to 335 thousand TEU compared to 368 thousand TEU for the same period of 2011. This decrease is mainly due to continuing fade out of medium-duty containers (MDC) - MDC handling volumes dropped by 41.6% from 63 thousand TEU to 37 thousand TEU. ISO container handling decreased by 2.4% to 298 thousand TEU in the first quarter of 2012 from 305 thousand TEU in the first quarter of 2011, mainly due to the decline in the Company’s import transportation volumes, handled mostly at Company’s terminals.

Asset utilisation

In the three month period ended 31 March 2012 flatcar empty runs improved considerably. Growth in container empty run ratio and turnover period reflects the relocation of the Company’s fleet in 1Q 2012, in anticipation of growth in demand for container transportation in the second quarter of 2012.

	1Q 2012	**1Q 2011**
Turnover of containers, days	23.1	22.4
Turnover of flatcars, days	13.6	13.6
Empty run* for containers, %	39.3%	36.1%
Empty run* for flatcars, %	6.8%	8.9%

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

Description of Key Consolidated Statement of Comprehensive Income Items

The following table sets out the Company's results for the three month periods ended 31 March 2011 and 2012.

RUR million	1Q2012	1Q2011	Period on period change	Period on period percent change
Revenue	**8 534**	**6 402**	**2 132**	**33.3%**
Other operating income	145	61	84	137.7%
Operating expenses net	-6 828	-5 522	-1 306	23.7%
Operating income	**1 851**	**941**	**910**	**96.7%**
Interest expense	-215	-178	-37	20.8%
Interest income	42	9	33	366.7%
Foreign exchange loss net	-128	-9	-119	1322.2%
Share of result of associates	-12	-14	2	-14.3%
Profit before income tax	**1 538**	**749**	**789**	**105.3%**
Income tax expense	-336	-163	-173	106.1%
Profit for the Period	**1 202**	**586**	**616**	**105.1%**
Attributable to:				
Equity holders of the parent	1202	582	620	106.5%
Non-controlling interest	-	4	-4	
Other comprehensive income				
Exchange differences on translating foreign operations	-259	-29	-230	793.1%
Total comprehensive income	**943**	**557**	**386**	**69.3%**
Attributable to:				
Equity holders of the parent	1 023	562	461	82.0%
Non-controlling interest	-80	-5	-75	1500.0%

Non-IFRS financial information

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

RUR million	1Q2012	1Q2011	Period on period change	Period on period percent change
Adjusted Revenue[1]	6 453	4 404	2 049	46.5%
Adjusted operating expenses[2], net	4 747	3 524	1 223	34.7%
EBITDA[3]	2 434	1 507	927	61.5%
Adjusted EBITDA Margin[4]	37.7%	34.2%	3.5%	
Net Debt[5]	4 805			
Net Debt / EBITDA (annualised)	0.49			

[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.

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

Revenue

The following table sets out the breakdown of total revenue for the three month periods ended 31 March 2011 and 2012.

RUR million	1Q2012	1Q2011	Period on period change	Period on period percent change
Integrated freight forwarding and logistics services	4 117	3 446	671	19.5%
Rail-based container shipping services	2 632	1 777	855	48.1%
Terminal services and agency fees	587	549	38	6.9%
Truck deliveries	362	371	-9	-2.4%
Other freight forwarding services	706	146	560	383.6%
Bonded warehousing services	100	89	11	12.4%
Other	30	24	6	25.0%
Total revenue	8 534	6 402	2 132	33.3%

Total revenue increased by RUR 2,132 million, or 33.3%, from RUR 6,402 million for the three month period ended 31 March 2011 to RUR 8,534 million for the three month period ended 31 March 2012. This increase was primarily due to higher demand for our key services on the back of continuing economic growth and strong consumer confidence, and hence increasing transportation volumes and creating a favourable pricing environment.

Adjusted Revenue

The following table sets forth Adjusted Revenue calculation for the three month periods ended 31 March 2011 and 2012 respectively.

RUR million	1Q2012	1Q2011	Period on period change	Period on period percent change
Revenue	8 534	6 402	2 132	33.3%
Less cost of integrated freight forwarding and logistics services	-2 081	-1 998	-83	4.2%
Adjusted Revenue	6 453	4 404	2 049	46.5%

Adjusted Revenue (as defined above) grew by 46.5% from RUR 4,404 million for the three month period ended 31 March 2011 to RUR 6,453 million for the three month period ended 31 March 2012. This was primarily due to a 12.5% increase in revenue-generating rail container transportation volumes by the Company's fleet to 260 thousand TEU in 1Q 2012 from 231 thousand TEU in 1Q2011, as well as due to the Company's pricing policy and the effect of the consolidation of JSC Kedentransservice from 18 March 2011.

The following table sets out the components of relative contribution to Adjusted Revenue for the three month periods ended 31 March 2011 and 2012.

	1Q2012		**1Q2011**		**Period on period change**	
	RUR mln	**share, %**	**RUR mln**	**share, %**	**RUR mln**	**%**
Rail-based container transportation	2 632	40.8%	1 777	40.3%	855	48.1%
Adjusted integrated freight forwarding and logistics services	2 036	31.6%	1 448	32.9%	588	40.6%
Terminal services and agency fees	587	9.1%	549	12.5%	38	6.9%
Truck deliveries	362	5.6%	371	8.4%	-9	-2.4%
Other freight forwarding and logistics services	706	10.9%	146	3.3%	560	383.6%
Bonded warehousing services	100	1.5%	89	2.0%	11	12.4%
Other	30	0.5%	24	0.5%	6	25.0%
Adjusted Revenue	**6 453**	**100%**	**4 404**	**100%**	**2 049**	**46.5%**

In the three month period ended 31 March 2012, Rail-based container transportation services remained the biggest component of Adjusted Revenue, representing 40.8% of Adjusted Revenue as compared to 40.3% in the same period of 2011; the share of Integrated freight forwarding and logistics services net of Cost of integrated freight forwarding and logistics services slightly reduced to 31.6% form 32.9%; the share of Terminal services and agency fees decreased to 9.1% from 12.5%, reflecting a decrease primarily in handling volumes of MDC containers; the relative contribution of Other freight forwarding and logistics services increased to 10.9% from 3.3% due to growth in the offering of value-added services by the Company and the effect of consolidation of Kedentransservice from 18 March 2011.

Rail-based container transportation services

Revenue from rail-based container transportation increased by 48.1% to RUR 2,632 million for the reporting period from RUR 1,777 million for the same period of 2011 mainly due to an increase in revenue-generating transportation volumes in terms of TEU by 12.5%, as well as due to increases in prices undertaken by the Company in 2011 and the effect of consolidation of JSC Kedentransservice, from 18 March 2011.

Integrated freight forwarding and logistics services

The following table sets out Adjusted Integrated freight forwarding and logistics services calculation for the three month periods ended 31 March 2011 and 2012.

RUR million	**1Q2012**	**1Q2011**	**Period on period change**	**Period on period percent change**
Integrated freight forwarding and logistics services	4 117	3 446	671	19.5%
Less Cost of integrated freight forwarding and logistics services	-2 081	-1 998	-83	4.2%
Adjusted Integrated freight forwarding and logistics services	**2 036**	**1 448**	**588**	**40.6%**

Revenue from Adjusted Integrated freight forwarding and logistics services grew by 40.6% to RUR 2,036 million for the three month period ended 31 March 2012. This increase was primarily due to a 17.9% growth in container transportation volumes under integrated logistics contracts to 114 thousand loaded TEU in 1Q2012 and also due to an increase in prices driven by higher customer demand and the increasing complexity of services.

Terminal services and agency fees

Revenue from terminal services, including agency fees, increased by 6.9% to RUR 587 million for the reporting period from RUR 549 million for the same period of 2011.

This increase was due to an increase in prices, partly offset by 9.1% decrease of TransContainer's terminal throughput in Russia to 335 thousand TEU for the reporting period from 368 thousand TEU in the same period of 2011, as well as due to the consolidation of JSC Kedentransservice, a leading operator of rail terminals in Kazakhstan, from 18 March 2011.

Agency fees, which are charged for services the Company renders as an agent of Russian Railways, increased by 1.5%, to RUR 412 million for the reporting period from RUR 406 million for the same period of 2011. This increase was primarily driven by tariff indexing, partly offset by a 9.1% decrease in TransContainer's terminal network throughput in Russia.

Truck deliveries

Revenue from truck deliveries decreased by RUR 9 million, or by 2.4%, to RUR 362 million for the three month period ended 31 March 2012, resulting from a 7.0% reduction in container transportation volumes by our own and outsourced truck fleet to 136 thousand TEU in the reporting period, which is in line with the decrease in the Company's terminal throughput, and partly compensated for by price increases.

Other freight forwarding and logistics services

Revenue from Other freight forwarding and logistics services, which are freight forwarding and logistics services of a non-integrated nature, grew 4.8 times to RUR 706 million for the reporting period. The increase was primarily due to the growth in transportation volumes and tariffs, growing demand for value-added services and the effect of the consolidation of JSC Kedentransservice from 18 March 2011.

Bonded warehousing services

Revenue from bonded warehousing services increased by RUR 11 million, or 12.4%, to RUR 100 million for the reporting period from RUR 89 million in the same period of 2011, primarily due to an increase in service prices.

Operating expenses

The following table sets out a breakdown of the Company's operating expenses for the three month periods ended 31 March 2011 and 2012.

RUR million	1Q2012	1Q2011	Period on period change	Period on period percent change
Cost of integrated freight forwarding and logistics services	2 081	1 998	83	4.2%
Freight and transportation services	1 718	1 079	639	59.2%
Payroll and related charges	1 170	921	249	27.0%
Depreciation and amortisation	681	580	101	17.4%
Materials, repair and maintenance	556	382	174	45.5%
Taxes other than income tax	127	162	-35	-21.6%
Rent	125	71	54	76.1%
Other expenses, net	370	329	41	12.5%
Total operating expenses, net	**6 828**	**5 522**	**1 306**	**23.7%**

TransContainer's total operating expenses grew by RUR 1,306 million, or 23.7%, to RUR 6,828 million for the three months ended 31 March 2012 from RUR 5,522 million for the same period of 2011, primarily due to an increase in Freight and transportation services expenses as well as Payroll and related charges.

The following table sets out a breakdown of the Company's largest operating expenses for the three month periods ended 31 March 2011 and 2012.

	1Q2012			**1Q2011**		
	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	2 081	30.5%	24.0%	1 998	36.2%	30.9%
Freight and transportation services	1 718	25.2%	19.8%	1 079	19.5%	16.7%
Payroll and related charges	1 170	17.1%	13.5%	921	16.7%	14.3%
Depreciation and amortisation	681	10.0%	7.8%	580	10.5%	9.0%
Materials, repair and maintenance	556	8.1%	6.4%	382	6.9%	5.9%
Taxes other than income tax	127	1.9%	1.5%	162	2.9%	2.5%
Rent	125	1.8%	1.4%	71	1.3%	1.1%
Other expenses, net	370	5.4%	4.3%	329	6.0%	5.1%
Total operating expenses, net	**6 828**	**100.0%**	**78.7%**	**5 522**	**100.0%**	**85.4%**

As a percentage of the total revenue, total operating expenses decreased from 85.4% for three months ended 31 March 2011 to 78.7% for three months ended 31 March 2012, 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 increased from 16.7% for three months ended 31 March 2011 to 19.8% for the reporting period; whilst the cost of integrated freight forwarding and logistics services decreased from 30.9% in 1Q2011 to 24.0% in 1Q2012. Other components of operating expenses as a percentage of the total revenue changed insignificantly.

Cost of integrated freight forwarding and logistics services

Costs of integrated freight forwarding and logistics services increased by 4.2%, to RUR 2,081 million for the three months ended 31 March 2012 from RUR 1,998 million for the same period of 2011, driven by a 17.9% increase in container transportation volumes under integrated logistics contracts, partly offset by Company's route optimization efforts and a flexibility in combining integrated logistics with other Company's services.

Adjusted operating expenses

The following table sets out Adjusted operating expenses for the three month periods ended 31 March 2011 and 2012.

RUR million	**1Q2012**	**1Q2011**	**Period on period change**	**Period on period percent change**
Total operating expenses, net	**6 828**	**5 522**	**1 306**	**23.7%**
Third-party charges relating to integrated logistics services	-2 081	-1 998	-83	4.2%
Adjusted operating expenses	**4 747**	**3 524**	**1 223**	**34.7%**

Adjusted Operating Expenses, as defined above, increased by 34.7% to RUR 4,747 million for the three months ended 31 March 2012 from RUR 3,524 million for the same period of 2011, primarily due to increases in Freight and transportation services expenses and Payroll and related charges; Materials, repair and maintenance, and Depreciation and amortisation. This increase was partially offset by a decrease in Taxes other than income tax.

The following table sets out a breakdown of the Company's largest Adjusted operating expenses, as defined above, for the three month periods ended 31 March 2011 and 2012.

	1Q2012		**1Q2011**		**Period on period change**	
	RUR mln	Percent of Adjusted operating expenses	RUR mln	Percent of Adjusted operating expenses	RUR mln	Percent change
Freight and transportation services	1 718	36.2%	1 079	30.6%	639	59.2%
Payroll and related charges	1 170	24.6%	921	26.1%	249	27.0%
Depreciation and amortisation	681	14.3%	580	16.5%	101	17.4%
Materials, repair and maintenance	556	11.7%	382	10.8%	174	45.5%
Taxes other than income tax	127	2.7%	162	4.6%	-35	-21.6%
Rent	125	2.6%	71	2.0%	54	76.1%
Other expenses, net	370	7.8%	329	9.3%	41	12.5%
Adjusted operating expenses	4 747	100.0%	3 524	100.0%	1 223	34.7%

Share of Freight and transportation services, expenses in Adjusted operating expenses increased to 36.2% for the reporting period from 30.6% for the same period of 2011; share of Payroll and related charges decreased to 24.6% from 26.1%; Depreciation and amortization share dropped to 14.3% from 16.5% as a result of the factors described below.

Freight and transportation services

Expenses relating to freight and transportation services increased by 59.2%, to RUR 1,718 million for the reporting period. This increase was partly due to an increase in empty run costs driven by (i) rail-based transportation by the Company's own containers from 214 thousand TEU to 227 thousand TEU, or by 5.9%, (ii) a growth in container empty run ratio from 36.1% to 39.3% and (iii) a 6% increase in tariffs charged for empty runs by Russian Railways. Along with empty run costs, Costs associated with freight and transportation services also include other costs of cargo transportation and handling, which grew as a result of the freight forwarding activity of JSC Kedentransservice commenced in 2011.

Payroll and related charges

Payroll and related charges increased by RUR 249 million, or 27.0%, to RUR 1,170 million for the reporting period from RUR 921 million for the same period of 2011. This increase primarily resulted from an effect of the consolidation of JSC Kedentransservice from 18 March 2011, which added about 30% to the Company's overall headcount as well as wage indexing and an increase in performance-linked payments to employees and appreciation of Company's liabilities under the management stock option program, partly offset by a decrease in average headcount at TransContainer of 3.6%.

Depreciation and amortisation

Depreciation and amortization increased by 17.4% to RUR 681 million in the reporting period from RUR 580 million in the same period of 2011. The increase was primarily due to the consolidation of JSC Kedentransservice, as well as acquisitions of new rolling stock and power hoisting equipment during the period from April 2011 to March 2012.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance increased by 45.5%, to RUR 556 million in the reporting period from RUR 382 million in the same period of 2011. The increase resulted from a 11.7% increase in the number of flatcars repairs; an increase in average repair price and the effect of consolidation of JSC Kedentransservice.

Taxes other than income tax

Taxes other than income tax reduced by 21.6% to RUR 127 million in the reporting period from RUR 162 million in the same period of 2011, primarily due to VAT settlements effect.

Rent

Rent expenses grew by RUR 54 million, or by 76.1% to RUR 125 million in the reporting period from RUR 71 million in the same period of 2011, primarily due to the effect of the consolidation of JSC Kedentransservice.

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 increased by 12.5% to RUR 370 million in the reporting period from RUR 329 million in the same period of 2011, primarily due to growth in Security expenses and payments for License and software, partly offset by a Change in provision for impairment of receivables.

Operating income

Operating income increased by RUR 910 million, or 96.7%, to RUR 1,851 million in the reporting period from RUR 941 million in the same period of 2011, as a result of the factors discussed above.

Interest expense

Interest expenses increased by RUR 37 million, or 20.8%, to RUR 215 million in the reporting period from RUR 178 million in the same period of 2011 due to growth in total debt in 2011 when the Company obtained loans from OJSC Alfa Bank for the total amount of RUR 1,822 million to finance the acquisition of JSC Kedentransservice and from LLC Trust Union Asset Management for the total amount of RUR 501 million to finance the Company's management stock option programme.

Interest income

Interest income increased by RUR 33 million, or 4.7 times to RUR 42 million in the reporting period from RUR 9 million in the same period of 2011 due to an increase in cash balances on deposit resulting from an increase in cash inflows from operating activities in 2011.

Profit before income tax

Profit before income tax increased by RUR 789 million, or 2.1 times, from RUR 1,342 million for the year ended 31 December 2010, to RUR 5,030 million for the year ended 31 December 2010. The increase was due to the factors discussed above.

Income tax expense

Income tax expenses increased by RUR 173 million, or 106.1%, to RUR 336 million in the reporting period from RUR 163 million in the same period of 2011, primarily due to an increase in profit before income tax. The effective tax rate remained flat at 21.8%.

Profit and Total comprehensive income for the period

As a result of the factors discussed above the Profit for the period for the three months ended 31 March 2012 increased by RUR 616 million, or 105.1% and reached RUR 1,202 million as compared with RUR 586 million for the three months ended 31 March 2011. Taking into account the differences on translating foreign operations, the Total comprehensive income for the three months ended 31 March 2012 increased by RUR 386 million, or 69.3% and reached RUR 943 million as compared with RUR 557 million for the three months ended 31 March 2011.

Liquidity and Capital Resources

As of 31 March 2012 the Company's Cash and cash equivalents amounted to RUR 3,836 million and the Company's current assets exceeded current liabilities by RUR 290 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for, amongst other things, the purchase of flatcars and containers, the development of rail-side terminals and investment in the expansion and modernisation of its truck fleet. For the three months ended 31 March 2012 the Company's operations and its capital expenditures were financed from internally generated cash flows.

Cash flows

The following table sets out the principal components of the Company's consolidated cash flows for the three month periods ended 31 March 2011 and 2012:

	1Q2012	**1Q2011**
Net cash provided by operating activities	1,878	1,303
Net cash used in investing activities	-171	-1,904
Net cash provided by financing activities	-70	1,409
Net increase in cash and cash equivalents	1,637	808
Cash and cash equivalents at the end of the period	3,836	2,029

Cash flow provided by operating activities

Cash flow provided by operating activities increased by RUR 575 million, or 44.1%, to RUR 1,878 million in the reporting period from RUR 1,303 million in the same period of 2011, primarily due to a 64.1% increase in Operating profit before working capital changes to RUR 2,587 million in the reporting period from RUR 1,576 million in the same period of 2011, resulting from the improving operational and price environment. The cash flow provided by operating activities was negatively affected by a decrease in trade and other payables for the reporting period and an increase in income tax payments.

Cash flow used in investing activities

Cash outflow used in investing activities decreased by RUR 1,733 million, or 91.0% to RUR 171 million in the reporting period from RUR 1,904 million in the same period of 2011. This decrease was primarily due to the one-off acquisition of a stake in JSC Kedentransservice for RUR 1,551 million in 12Q2011 (net of cash acquired of RUR 304 million), a well as due to the net effect of the sale and purchase of short term investments in the reporting period which resulted in cash inflow of RUR 395 million.

Cash flow provided by financing activities

Cash flow provided by financing activities decreased to negative RUR 70 million, in the reporting period from positive RUR 1,409 million in the same period of 2011, primarily due to repayments of financial lease and borrowings.

Capital Expenditure

Capital expenditures decreased by RUR 17 million, or 2.8%, to RUR 601 million in the reporting period from RUR 618 million in the same period of 2011. The majority of the capital expenditure was made on the acquisition of 146 units of 80' flatcars and construction of buildings and terminal infrastructure in the course of modernisation of terminals in Kleschikha, Kostarikha, Bazaikha and others. Capital expenditure items also included the purchase of lifting equipment and truck fleet.

Planned capital expenditures for 2012

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

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

Capital resources

The Company's operations and capital expenditures have historically been financed primarily from internally generated cash flow and proceeds from issuing domestic debt. As of 31 March 2012, the Company's financial indebtedness consisted of outstanding bonds, bank loans, financial lease obligations and other borrowings in an aggregate amount of RUR 9,188 million, compared with RUR 9,348 million as of 31 December 2011. As of 31 March 2012, the Company's net debt was RUR 4,805 million.

As of 31 March 2012, the major portion of the Company's financial indebtedness was unsecured, except for the obligations under finance leases, which were secured by the lessors' title to the lease assets. The vast majority of the Company's indebtedness is denominated in Russian Roubles, except for the indebtedness of JSC Kedentransservice which is denominated in Kazakh Tenge and was equivalent to RUR 350 million as of 31 March 2012. The vast majority of the Company's indebtedness bears a fixed interest rate.

RUR bonds series 1

On 4 March 2008, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. The coupon rate for the year ended 31 March 2012 is 9.5% per annum (9.5% per annum for the year ended 31 December 2011). As these bonds will mature in February 2013 they are classified as short-term debt as at 31 March 2012.

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

RUR bonds series 2

On 10 June 2010, the Company issued non-convertible five-year bonds for a total amount of RUR 3,000 million at a par value of RUR 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUR 2,975 million. The annual coupon rate of the bonds for five years is 8.8% with interest paid semi-annually. The series 2 bonds will be redeemed in four equal semi-annual installments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

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

Kazakh Tenge-denominated bonds

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

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

Bank loans and other borrowings

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

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

During the year ended 31 December 2011 the Group obtained borrowed funds from LLC TrustUnion Asset Management for the amount of RUR 501m to finance the acquisition of ordinary nominal shares in OJSC TransContainer in order to carry out a Share Option Plan for the Company's management. The loan matures in five years. As at 31 March 2012 the amount of loan was RUR 499 million.

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets forth the key components of TransContainer's working capital for the three month periods ended 31 March 2011 and 2012.

	31 March 2012	**31 December 2011**
CURRENT ASSETS		
Inventory	275	278
Trade and other receivables	1 353	1 152
Prepayments and other current assets	2 891	3 702
Prepaid income tax	132	193
Short-term bank deposits	547	941
Cash and cash equivalents	3 836	2 300
Total current assets	**9 034**	**8 566**
CURRENT LIABILITIES		
Trade and other payables	3 613	4 593
Income tax payable	193	134
Taxes other than income tax payable	309	303
Provisions	5	5
Finance lease obligations, current maturities	414	479
Accrued expns.and other current liabilities	666	689
Diferred income	12	13
Current portion of long-term debt	3 532	553

Total current liabilities	**8 744**	**6,769**
WORKING CAPITAL	**290**	**1 797**

Working capital decreased by RUR 1,507 million to RUR 290 million in the reporting period from RUR 1,797 million in the same period of 2011. This decrease was primarily due to an increase in the Current portion of long-term debt to the amount of RUR 2,979 million as the Series 1 bond was recognised as a short term debt, partly offset by changes in other components of working capital.

Downloads

The Company's Management Report and consolidated financial statements for the three month period ended 31 March 2012 are available via the National Storage Mechanism at: http://www.hemscott.com/nsm.do or at the Company's website: http://www.trcont.ru

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